Annual Report 2011

Ahold

Reshaping retail at Ahold

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Group at a glance

Ahold is an international retailing group based in the Netherlands, with strong local consumer brands in Europe and the United States. At the end of 2011, we had:

3,008 stores

218,000 employees

€30.3 billion sales

Our foundation is selling great food and supermarkets are our core business. We also operate other formats and channels so that our customers can shop whenever and wherever is most convenient for them. We provide customers with the best possible value, assortment, and shopping experience.

Our vision is to offer all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – better choice, better value, better life, every day. We are committed to acting responsibly in all that we do.

We have embarked on a new strategy to build on our success and significantly grow our company. Our strategy to reshape retail at Ahold is designed to enable us to take advantage of rapidly changing customer behavior and retail trends, and stay competitive and successful.

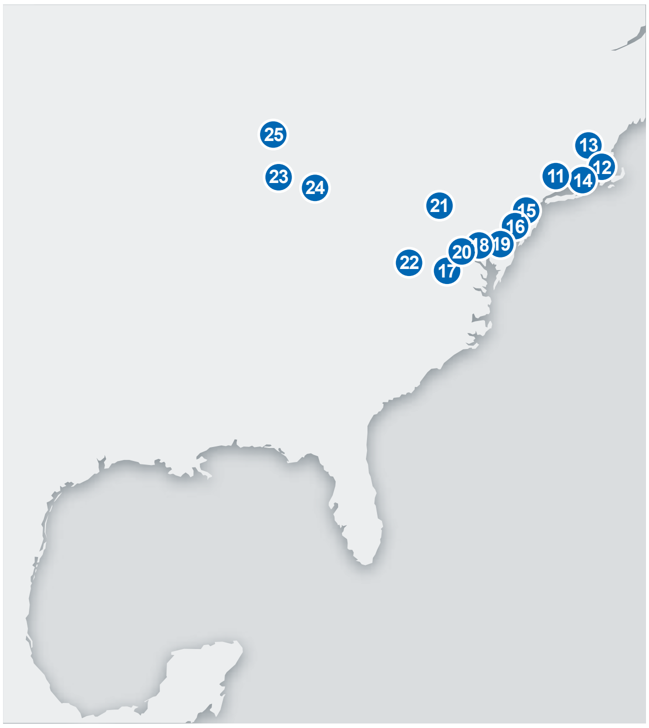
The people who work for us make this possible. Ahold has great employees who love what they do and are good at it. Our people are key to our success – the relationships they build with our customers are what keep them coming back to shop with us and will ensure we remain our customers' first choice, every day.

Our brands

European operations

Albert Heijn	1. The Netherlands 2. Belgium
etos	1. The Netherlands
Gall & Gall	1. The Netherlands
albert.	1. The Netherlands
albert	3. Czech Republic 4. Slovakia
hypernova	4. Slovakia
ICA	5. Estonia 6. Latvia 7. Lithuania 8. Norway 9. Sweden
pingo doce	10. Portugal

U.S. operations



Stop&Shop	11. Connecticut 12. Massachusetts 13. New Hampshire 14. Rhode Island 15. New York 16. New Jersey
Giant	17. Virginia 18. Maryland 19. Delaware 20. District of Columbia
GIANT MARTIN'S	17. Virginia 18. Maryland 21. Pennsylvania 22. West Virginia
Peapod	11. Connecticut 12. Massachusetts 13. New Hampshire 14. Rhode Island 15. New York 16. New Jersey 17. Virginia 18. Maryland 20. District of Columbia 21. Pennsylvania 23. Illinois 24. Indiana 25. Wisconsin

Group highlights

In 2011, we made solid progress with our strategy for sustainable profitable growth. We also embarked on our new strategy to reshape retail at Ahold and accelerate our company's growth. Highlights include:

Ahold Group

Net sales
€30.3 billion
+5.5% at constant exchange rates

Operating income
€1.3 billion
Up €11 million or 0.8% from 2010

Underlying retail operating margin
4.8%

Proposed dividend
€0.40 per common share
+38% compared to last year's dividend

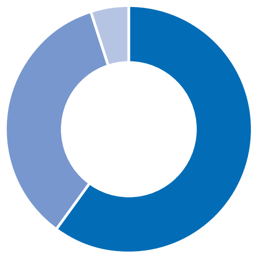
Performance by segment

Net sales (€ million)

	2011	Growth[1]
Ahold USA	**18,026**	6.6%
The Netherlands	**10,506**	4.2%
Other Europe	**1,739**	2.4%
Total	**30,271**	5.5%

1 At constant exchange rates.

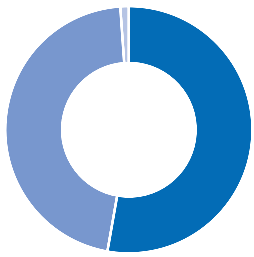
Contribution by segment



Underlying retail operating income (€ million)

	2011	Underlying margin
Ahold USA	**769**	4.3%
The Netherlands	**666**	6.3%
Other Europe	**20**	1.2%
Total	**1,455**	4.8%

Contribution by segment



Ahold Europe

The Netherlands

- Ahold expanded into Belgium with supermarkets under the Albert Heijn brand
- Albert Heijn's XL format achieved a record high rating by customers
- Customers voted Gall & Gall and Etos among the 10 most customer-friendly companies in the Netherlands; Etos was voted best drugstore
- Albert Heijn and the Dutch industry healthy food foundation ("Ik Kies Bewust") partnered up to make it simpler for consumers to make healthy food choices, and together developed new nationwide healthy food choice logos in the Netherlands
- Gall & Gall launched a new own-brand line of products
- "Appie," Albert Heijn's digital personal shopping assistant, was named best service application in the Netherlands and had 400,000 unique users per week by the end of 2011

Other Europe

- Albert / Hypernova increased profitability, driven by a continuous focus on operational efficiencies and its commercial propositions
- Albert opened a new compact hyper format in the town of Svitavy in the Czech Republic
- Albert launched innovative customer marketing campaigns, the most successful of which was its Smurfs campaign, aligned with the popular movie

Ahold USA

- The Ahold USA divisions continued to grow sales and Ahold USA increased market share
- The Ahold USA divisions intensified their Gas Reward programs through a partial re-launch and expansion to more stores, bringing additional savings on gas to loyal customers
- Ahold USA further strengthened its own-brand offering
- Stop & Shop New England opened a new concept supermarket in Chelmsford, Massachusetts
- Stop & Shop New York Metro acquired five stores in the New Jersey Shore area and three on Staten Island
- Giant Landover celebrated 75 years in the business
- Giant Carlisle opened its first store in the city of Philadelphia and introduced a new, smaller format supermarket
- New technology tools were launched to make shopping easier, including a mobile application at Stop & Shop and Giant Landover that lets customers view their circular, loyalty card account and more using their smartphones
- Peapod expanded into Philadelphia, in partnership with Giant Carlisle, and increased its footprint in Manhattan

Message from our CEO

Dick Boer
Chief Executive Officer

Watch the CEO online:
www.2011yearreview.ahold.com

Net sales
€30.3
billion

Operating income
€1.3
billion

Underlying retail operating margin
4.8%

Proposed dividend
€0.40
per common share

Dear shareholder,

2011 was another successful year for Ahold. We again achieved a solid performance in Europe and the United States, and grew sales and income under challenging economic circumstances. Our positive results were thanks to the hard work of our people in all our stores, distribution centers, and offices, who remained committed to putting the customer first every day. We increased sales by 5.5 percent at constant exchange rates to more than 30 billion euros and we grew net income by 19 percent to over one billion euros. This was despite the fact that customers remained cautious in their spending and focused on value in an environment of increasing inflation and intense promotional activity. We also continued to expand our operations in our existing and new markets on both continents, including opening stores for the first time in Belgium – the second of which happened to be our 3,000th store Ahold-wide.

Another key achievement in 2011 was the launch of our new strategy to reshape retail across Ahold. Our Corporate Executive Board, made up of myself, Jeff Carr, James McCann, and Lodewijk Hijmans van den Bergh, and our Chief Operating Officers from Europe and the United States, Sander van der Laan and Carl Schlicker, worked together as the Ahold Strategy Team to develop one global strategy to build on our success and grow the company. During the year, we engaged our key leadership to explain the strategy in detail so that they could begin to bring it to life.

Building on the foundation of our successful local brands, our new strategy is designed to take advantage of the rapid changes in customer behavior, shopping trends and the retail landscape – particularly the impact of technology, which has put the customer firmly in the driver's seat. The strategy has six focus areas or pillars – the first three designed to create growth and the second three to enable this growth. They are: increasing customer loyalty, broadening our offering, expanding our geographic reach, simplicity, responsible retailing, and people performance. We are making good progress in all of these areas.

Our first pillar is increasing customer loyalty and driving identical sales growth. We have new customer loyalty initiatives that we believe will add one to two percent to identical sales growth, and we are developing technologies that will ensure all our customers have a seamlessly connected online and offline shopping experience. For example, in the United States, we implemented new direct mail and email programs targeted to the individual buying behavior of 2.5 million shoppers. We are now in the process of personalizing customer offers in the same way at Albert Heijn.

Our second pillar is broadening our offering by developing and rolling out our successful store formats, expanding our online business, building an even better, more relevant assortment, and increasing our own-brand sales penetration. In 2011, we introduced a new, smaller format supermarket in the United States and, at Stop & Shop New England, opened a new concept supermarket in Chelmsford, Massachusetts. In Europe, Albert, in the Czech Republic, launched a new compact hypermarket format and “Albert Heijn to go” developed a new convenience concept, which we will begin rolling out in the Netherlands and Germany in 2012.

Our online businesses are already the number one online food retailers in the United States and in the Netherlands. During the year our online grocer, Peapod, in the United States expanded into Philadelphia and the surrounding counties, to serve Giant Carlisle customers for the first time, and moved further into Manhattan. We also launched new smartphone apps enabling people to access their loyalty card accounts and store circulars online and tally and pay for their groceries while they shop. In the Netherlands, Albert Heijn continued to develop its Appie smartphone application, which was named best app of its type in the country.

We also further strengthened our own-brand offering. At Ahold USA, we made progress in moving towards our goal to achieve 40 percent own-brand sales penetration by building an own-brand support organization to serve all four divisions, adding new products, and rolling out new packaging to unify the brands across each of the divisions. In the Netherlands, Gall & Gall launched a new own-brand line of products – the first liquor store chain in the country to do so.

The third strategic pillar is designed to expand Ahold's geographic reach in existing and new markets. In 2011, we grew by opening new stores and making small acquisitions. Albert Heijn expanded outside of the Netherlands for the first time into Belgium, with plans to open at least 50 stores here by 2016. Our Giant Carlisle division opened its first store in the city of Philadelphia. Stop & Shop New York Metro acquired five former Foodtown stores in the New Jersey Shore area and three former King Kullen stores on Staten Island, New York. Our former Ukrop's stores, acquired in 2010 and rebranded Martin's, continued to grow sales and market share.

Our fourth pillar focuses on simplifying the business, leveraging our capabilities and scale, and taking out costs to reinvest in providing value to our customers. One of the biggest projects we undertook in 2011 was to launch a drive to simplify our IT systems, with the goal of reducing the number of applications we are using by more than 50 percent. We are putting in place standard systems, including Google and Oracle, across the business that conform to our company-wide Ahold Retail Model. Our aim is to align our IT systems so that they are easy to replicate as we make acquisitions and expand into new markets. At the end of last year we were ahead of our target to complete our €350 million cost savings program for 2010–2012 and announced a new €350 million cost savings program for the next three years, 2012–2014.

The fifth pillar underscores our commitment to responsible retailing. This is a crucial component of our strategy and an essential part of the way we work at Ahold. All of our businesses are playing a responsible role when it comes to our customers' health and well-being, the sourcing of the products we sell, our impact on the environment, the communities we serve, and the people we employ. In 2011, we made good progress on all of the targets we established last year in our priority areas of healthy living, sustainable trade, climate action, community engagement, and our people. For example, we are well on our way to meeting our target of having 25 percent of our total food sales in healthy products by 2015 – at the end of last year we had already reached 22.3 percent. We are continuing to engage the 218,000 employees who bring our corporate responsibility strategy to life and make it part of our daily business. You can read more about our strategy and achievements in our 2011 Corporate Responsibility Report.

The sixth pillar of our strategy focuses on our people. We are committed to investing in and developing our employees, and building a diverse workforce. During 2011, we strengthened our leadership team by making a number of senior internal promotions and by hiring new people with the skills and capabilities we need to implement our growth strategy – now and in the future. We also made progress in transferring the capabilities we have in our different companies through temporary leadership exchanges and longer-term international assignments. Sharing our knowledge, skills, and expertise in this way is helping us to accelerate our performance.

Over the course of 2011, we made a number of leadership changes to Ahold's Corporate Executive Board, Supervisory Board, and retail banners. Jeff Carr was appointed Chief Financial Officer to succeed Kimberly Ross, who left Ahold in November. I would like to take this opportunity to thank Kimberly for the enormous contribution she made over the 10 years that she worked for Ahold. James McCann was appointed to a new role as our Chief Commercial & Development Officer. Both James and Jeff will be nominated for appointment to Ahold's Corporate Executive Board at our annual General Meeting of Shareholders in April. We also had a new member join our Supervisory Board, Rob van den Bergh. The cooperation between our Supervisory Board and Corporate Executive Board over the course of the year was very productive and enabled us to make significant progress in developing Ahold's growth strategy.

In our businesses, we also made several new leadership appointments in both Ahold Europe and Ahold USA. At the beginning of the year, Sander van der Laan and Carl Schlicker took up their roles as COO of Ahold Europe and Ahold USA, respectively. In the Netherlands, Cees van Vliet was appointed General Manager of Albert Heijn and Marit van Egmond was appointed General Manager of Gall & Gall. In the United States, Bhavdeep Singh was appointed to the new role of EVP of Operations for Ahold USA, Anthony Hucker was appointed Division President of Giant Landover, and Don Sussman was named Division President of Stop & Shop New York Metro.

Message from our CEO continued

Our joint ventures, ICA and JMR, continued to make progress during the year. At ICA, Per Strömberg was announced as the successor to Kenneth Bengtsson, who will step down after 11 years as President and CEO in April 2012. Efforts to reposition the business in Norway are underway. In Portugal, JMR continues to perform strongly despite the difficult economic conditions.

Since 2003, Ahold's financial targets have been to achieve a sustainable net sales growth of five percent (mainly from identical sales growth) and a sustainable underlying retail operating margin of five percent, while maintaining an investment grade credit rating. While our performance continues to be in line with these targets we now believe that it is appropriate to manage Ahold's business according to a broader set of ambitions as we pursue our new growth strategy.

We remain committed to providing attractive returns to our shareholders, and as part of this commitment we have changed our dividend policy to achieve a payout ratio of 40 to 50 percent of adjusted income from continuing operations. The dividend of €0.40 per share proposed for 2011 reflects our confidence in our new strategy and our proven ability to generate cash. It represents an increase of 38 percent compared to 2010, while our income per share from continuing operations grew 26 percent, driven by strong operating results and supported by our share buyback program. The strong income and dividend growth give our shareholders a competitive return for our sector.

In 2012, we celebrate our 125th anniversary. Our founding company opened its first store in the Netherlands in 1887. The grandson of our founder, Albert Heijn, who died in January last year, built the company into one of the best-known brands in the Netherlands and one of the most successful retailers in the world. Over our history, we have grown by acquiring businesses that each have their own rich heritage and a commitment to the customer.

As a company that operates at the heart of society, I believe we have an important role to play in helping improve the communities we serve and the lives of people who shop and do business with us. I am committed to Ahold being a responsible retailer and playing a leading role in helping people to live healthier lives and reduce their impact on the environment. Our close relationships and daily interaction with customers, suppliers, and our large workforce make it possible for us to make a real and lasting difference.

In the year ahead, we will continue delivering on our six strategic pillars to fulfill our vision to provide all our stakeholders with better choice, better value, and a better life, every day. I am confident that we will continue to thrive, thanks to the efforts and commitment of everyone across our company. Along with my colleagues on the Corporate Executive Board, I would like to thank our employees for all they did in the past year to strengthen our businesses and to give our customers a great shopping experience. The relationships they build with our customers and the service they provide each day are what make us successful, able to grow the business, and continue to increase shareholder value.

Dick Boer
Chief Executive Officer

February 29, 2012

Our vision and values

Our vision

Our vision is to offer better choice, better value, and a better life to all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – every day.

Better choice. Better value. Better life. Every day.

This vision describes the balance we strive to achieve between offering our customers and other stakeholders the right choices and great value, while doing what we can to improve their well-being through our responsible retailing activities. We work to get better in each of these areas, every day.

Our values

All of our companies share five common values that define who we are, what's important to us, and how we do things. These are:

Putting the customer first

Making ideas happen

Doing what's right

Getting better every day

Loving what we do

Our strategy

We have embarked on a new strategy to build on our success and further grow our company. This strategy will make sure we are able to take advantage of changing customer behavior and retail trends, and remain competitive and successful.

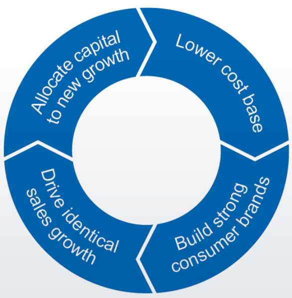
Ahold's strategic framework

Ahold's strategic framework defines how we operate. We have a successful business model, strong brands, and a clear ambition to grow through our strategy to reshape retail. We have a company-wide vision for the future and a common set of values across all our businesses. We have built a solid foundation to support our growth plans – with a long heritage in the retail business, powerful local banners, an aligned organization, great people, and a strong balance sheet.

Our vision

- Better choice
- Better value
- Better life
- Every day

Our business model



Our ambition

Reshaping retail and going for growth

Our strategy

Six strategic pillars

1 Increasing customer loyalty
2 Broadening our offering
3 Expanding geographic reach
4 Simplicity
5 Responsible retailing
6 People performance

Our values

- Putting the customer first
- Doing what's right
- Loving what we do
- Making ideas happen
- Getting better every day

Our brands

Albert Heijn, etos, Gall & Gall, albert., albert, hypernova, ICA, pingo doce, Stop&Shop, Giant, GIANT, MARTIN'S, Peapod

Our strong foundation

Our six strategic pillars

We have identified six priority areas to reshape the way we do business and drive growth. These are known as Ahold's strategic pillars. The first three pillars are focused on creating growth and the second three on how we will enable growth.

Increasing customer loyalty

We want our businesses to be our customers' favorite place to shop. We want our customers to enjoy our stores, our people, and our products so much that they do most of their shopping with us and recommend us to others. We expect our customer loyalty initiatives will contribute between one and two percent to identical sales growth across the company.

Our businesses already have a loyal and robust customer base. We are winning customers' hearts and minds by understanding them better than anyone else and giving them what they want. We are also becoming more personal in how we communicate with our customers, and in the products, services and shopping experience we offer them.

Broadening our offering

Our businesses are growing by providing customers with alternatives based on their changing needs.

Online

We are accelerating our online offering by building strong local online businesses that support our brands. We plan to significantly expand our footprint in the next five years and triple our online sales to €1.5 billion by 2016.

We are using our international experience to grow our online businesses so that all our customers can shop how, when, and where they want. We will offer the best prices and broadest range and give customers the option of having their orders delivered at home, or collecting them from our stores or dedicated pick-up points.

Format development

Our supermarket format continues to be the core of our business. In addition, we are developing different formats to better serve our customers' needs. This includes strengthening and expanding our already successful small format business. We are going to open a minimum of 150 convenience stores in Europe by 2016. In the United States, the Stop & Shop divisions and Giant Landover will remodel 100 supermarkets to new layouts, and in the Czech Republic, Albert will remodel 50 compact hypermarkets to our new compact hyper format.

Assortment

We are developing an even better, more relevant assortment, with a broader range of products and services. We are introducing new and innovative own-brand products that are clearly recognizable and will keep customers coming back to shop with us. All of these are available at different price points and offer choice, quality, and value. We have targets to achieve 40 percent sales penetration of own-brand products in the United States. At the same time, we are managing our supply chain to ensure we are sourcing products in a responsible and sustainable way.

Expanding our geographic reach

We are continuing to look for growth opportunities in our existing markets to leverage our scale. We are also moving into adjacent markets where we can apply our skills in operating supermarkets and further build our scale. In addition to the convenience stores we will open in Europe, we are going to open at least 50 new supermarkets in Belgium by 2016.

At the same time we are looking for opportunities to expand into new geographies where we can achieve sustainable profitable growth and use our skills and retail expertise.

Simplicity

We are building a culture of simplicity by continuously finding new ways to do things more simply. We are also taking advantage of our strengths, scale, and resources as an international company.

We are leveraging our global capabilities and working to have more common processes and systems across our businesses. This will make it easier for us to integrate new businesses and move into new markets. These processes and systems will be based on our operating model, known as the Ahold Retail Model.

Simplicity is helping us lower costs, reduce risks, and do things faster. We have launched a new €350 million three-year cost savings program (2012–2014) so that we can invest in creating more value for customers and stay ahead of the competition.

Responsible retailing

We want to be *the* responsible retailer wherever we operate.

All of our businesses believe in playing a responsible role when it comes to our customers' health and well-being, the sourcing of the products we sell, our impact on the environment, the communities we serve, and the people we employ.

We have clear and ambitious corporate responsibility targets, for example, in relation to the percentage of healthy products we sell, the sourcing of sustainable products, and the reduction of carbon dioxide and waste. As we achieve them, we are setting new ones.

We will further embed corporate responsibility in our businesses and continue to engage the 218,000 employees who bring our CR strategy to life.

For more information on our activities in this area, please read Ahold's Corporate Responsibility Report 2011.

People performance

Our businesses are all about people. We have great people who love what they do and do it well.

We will continue to make sure we attract and engage the best talent in the industry and focus on their development. We already have a strong, dedicated workforce and will continue to develop the skills and capabilities of the Ahold group to help us achieve our growth ambitions. We will also continue to nurture diversity and the transfer of skills and knowledge across the business.

Financial guidance

Since 2003, Ahold's financial targets have been to achieve a sustainable net sales growth of five percent (mainly from identical sales growth) and a sustainable underlying retail operating margin of five percent, while maintaining an investment grade credit rating.

While our performance continues to remain in line with these targets, management has determined that it is now appropriate to manage Ahold's business according to a broader set of ambitions as we pursue our new growth strategy launched in 2011. This strategy outlines our ambitions to reshape our retail businesses for the future, including to accelerate our growth in existing and new markets, connect with customers in a more personalized way, and leverage our global capabilities based on the Ahold Retail Model.

We will continue to invest in growth opportunities, take costs out of the business, and reinvest – both for the benefit of our customers and to deliver attractive returns to our shareholders.

Our ambitions

- New customer loyalty initiatives planned to add one to two percent to identical sales growth
- Online sales to triple to €1.5 billion by 2016
- Opening of a minimum of 150 new convenience stores in Europe and a minimum of 50 supermarkets in Belgium in the next five years
- Target to achieve 40 percent sales penetration of own-brand products in the United States by 2016
- Leveraging of global capabilities based on the Ahold Retail Model
- New €350 million three-year cost savings program announced
- New dividend policy that increases pay-out ratio to 40-50 percent of adjusted income from continuing operations and will contribute to significant increase of the 2011 dividend per share

Our business model

We have a successful company-wide business model that helps us to drive our strategy. The model is a virtuous circle in which we continuously work to lower our cost base in order to invest in price, value, and the products and services we offer. This allows us to drive sales, win new customers, and allocate capital to further grow our business. Since 2003, we have successfully repositioned almost all of our businesses, to increase the value and service we provide our customers, and in the last five years we have consistently reduced costs and saved €800 million across our businesses.

Our portfolio

Ahold operates retail businesses in Europe and the United States in markets where we have clear prospects for sustainable profitable growth. We are number one in almost all of all our major markets.

Our brands

Our strong brand portfolio is the foundation of our business. Our local banners are well-known and popular with customers – and hold leading positions in most of our markets. For example, Albert Heijn has been the favorite supermarket chain in the Netherlands for almost fifty years and our U.S. operations – Giant Carlisle, Stop & Shop, and Giant Landover – have each held number one positions for decades. All of our brands are recognized for providing great value, service, and quality.

Everything we do is based on our brand promise in each market. Our range of successful formats – from superstores to conveniences stores, the locally targeted assortment of quality products and services we offer, and the way we communicate with our customers are all a reflection of our local brands.

The great people we have working for our businesses bring our brands to life for customers each day. The relationships they build are enabling us to learn more about what our customers want and need, so that we can keep improving our product ranges and service.

Our formats

We operate different formats to ensure that we are able to serve our customers well wherever they live and work.

Supermarkets

We are experts in running supermarkets and they are the core of our business. We operate supermarkets ranging in size from 400 square meters to 8,400 square meters that offer a full range of food and food-related non-food products, and an emphasis on fresh products.

At Albert Heijn in the Netherlands we have small, medium, and large supermarket formats as well as our Albert Heijn XL stores, that can be up to 4,000 square meters in size and carry a wider range of products, particularly non-food items. In the Czech Republic, our supermarkets range from 800–1500 square meters. We also operate compact hypermarkets in the Czech Republic and Slovakia that range in size from 2,500–5,000 square meters. In the United States we have compact, medium and large supermarkets that range from 3,700–8,400 square meters and carry a wide variety of food products and a basic non-food assortment. Our largest U.S. supermarkets, or superstores, carry an expanded range of food and non-food products.

Online

Ahold is the largest online food retailer in both the United States and the Netherlands, through its businesses Peapod and albert.nl. Albert.nl serves a region in which over 60 percent of the population of the Netherlands lives, operating out of two fully dedicated distribution centers. Peapod in the United States serves markets in 12 states and the District of Columbia, operating out of 2 fulfillment centers and 21 warerooms in our stores.

Convenience stores

We operate highly successful convenience stores in the Netherlands called “Albert Heijn to go.” These stores range from 40-200 square meters. They are located in busy areas, such as train stations and shopping streets, and cater to on-the-go customers with quick food solutions to eat now or to bring home and eat later. We are also currently piloting a convenience format in the United States.

Fuel stations

In the United States, the Czech Republic, and Slovakia we also operate gas stations to provide added convenience and attract more customers to our stores.

Organizational structure

We operate our businesses from two continental platforms, Ahold Europe and Ahold USA, each led by a Chief Operating Officer (COO) reporting to Ahold's CEO. This structure helps us to balance local, continental, and global needs and to leverage continental scale and talent effectively.

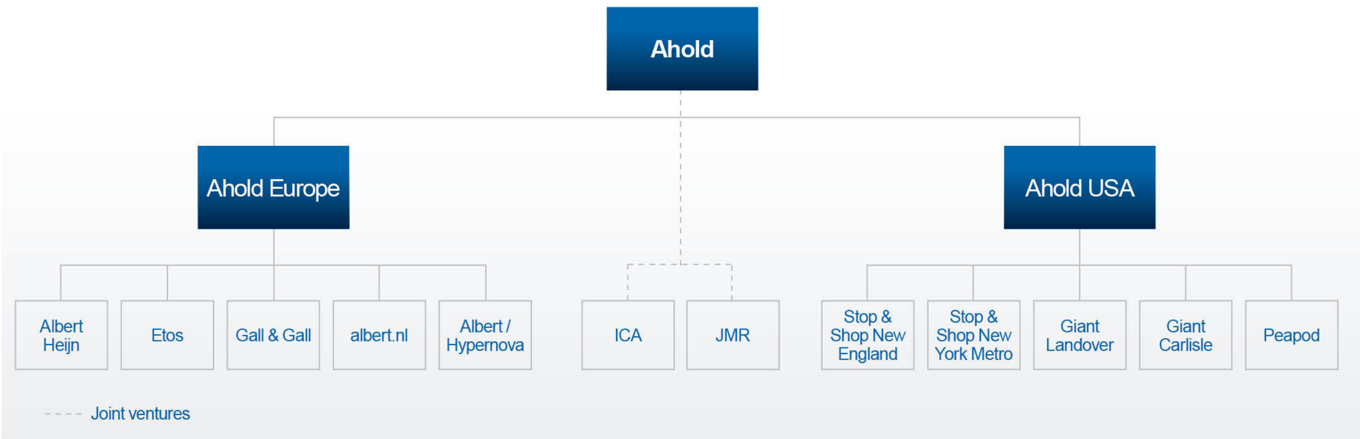
Ahold Europe comprises Albert Heijn in the Netherlands and Belgium; Etos, Gall & Gall, and albert.nl in the Netherlands; and Albert / Hypernova in the Czech Republic and Slovakia. In Europe, each of these operating companies has a general manager reporting to the COO of Ahold Europe.

Ahold USA is organized into four retail divisions: Giant Carlisle, Giant Landover, Stop & Shop New England, and Stop & Shop New York Metro. Each of these has a division president reporting to Ahold USA's Executive Vice President of Operations, who in turn reports to the COO of Ahold USA. The Peapod online business is also part of Ahold USA.

We also hold a 60 percent interest in ICA AB (ICA), and a 49 percent interest in JMR – Gestão de Empresas de Retalho, SGPS. S.A. (JMR).

Corporate Center

Ahold's international headquarters are based in Amsterdam, the Netherlands. The Corporate Center is responsible for Group strategy and functions that support the business, including the strategy office, finance, internal audit, legal, compliance, insurance, human resources, communications, corporate responsibility, mergers & acquisitions, and information management. We also have Corporate Center offices located in the United States and Switzerland.



Group performance

In 2011, we continued to deliver solid financial results despite a challenging market environment. We put the customer first, offering good value, the right assortment, and innovative products and services.

Overview

We delivered another year of solid performance in 2011. We further gained market share in the United States, while our share in the Netherlands remained stable.

Net sales in 2011 were €30.3 billion, up 2.5 percent compared to 2010. At constant exchange rates, net sales grew 5.5 percent. Our operating income was €1.3 billion and our underlying retail operating margin was 4.8 percent.

Customers remained cautious in their spending and focused on value in an environment of increased inflation and intense promotional activity. We successfully adapted to the challenging market conditions by managing the balance between sales and margins.

We were able to mitigate gross margin pressure through rigorous cost control and by the end of the year, we were ahead of schedule towards completion of the €350 million 2010–2012 cost savings program. To continue to invest in providing value to our customers, we announced a new €350 million three-year cost savings program for 2012–2014.

We are focused on accelerating the Company's growth by further developing and rolling out our successful store formats, building our online business, and expanding our geographic reach. In 2011, Albert Heijn entered the Belgian market by opening two stores. In 2012, we plan to enter Germany with a convenience format. By 2016, we plan to operate a minimum of 50 supermarkets in Belgium and open 150 new convenience stores in Europe. Ahold USA further strengthened its footprint with the acquisition of five Foodtown and three King Kullen stores in the Stop & Shop New York Metro division's market area, as well as two Genuardi stores in Giant Carlisle's market area. In early 2012, we announced the acquisition of an additional 16 Genuardi supermarkets in Giant Carlisle's market area. In the Czech Republic, where we further improved our performance through an enhanced commercial proposition and lower cost base, we launched a new compact hypermarket format that we will use to remodel 50 of our large stores over the next five years.

Group performance continued

We believe that the economic environment will remain uncertain in 2012. We will stay focused on simplifying our business in order to reduce costs so that we can invest in our offering to improve the value we provide to our customers. We believe that our new growth strategy will ensure that Ahold remains successful and at the forefront of the food retail industry. We are reshaping our retail businesses to connect with our customers in a more personalized way and to provide an even better shopping experience in our stores and online.

Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a 38 percent increase in our dividend to €0.40 per common share.

At current exchange rates, we expect net interest expense for 2012 to be in the range of €220 million to €240 million and capital expenditures, excluding acquisitions, to be around €0.9 billion.

Group performance continued

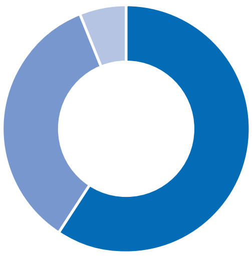
Net sales (€ million)

		Growth[1]
2011	**30,271**	**5.5%**
2010	29,530	4.4%
2009	27,925	3.9%
2008	25,648	6.9%
2007	24,824	6.6%

1 At constant exchange rates and adjusted for the impact of week 53 in 2009.

Net sales

Contribution by segment



	2011 (€ million)	Growth[2]
Ahold USA	18,026	6.6%
The Netherlands	10,506	4.2%
Other Europe	1,739	2.4%
Total	30,271	5.5%

2 At constant exchange rates.

Results from operations

Ahold's 2011 and 2010 consolidated income statements are summarized as follows:

	2011 (52 weeks)		2010 (52 weeks)		
	€ million	**% of net sales**	€ million	% of net sales	% better / (worse)
Net sales	**30,271**	**100.0**	29,530	100.0	2.5%
Gross profit	**7,921**	**26.2**	7,920	26.8	0.0%
Retail operating expenses	**(6,466)**	**(21.4)**	(6,471)	(21.9)	0.1%
Underlying retail operating income	**1,455**	**4.8**	1,449	4.9	0.4%
Items excluded from underlying retail operating income:					
Impairments and impairment reversals – net	**(25)**		(27)		
Gains (losses) on the sale of assets – net	**12**		14		
Restructuring and related charges	**(15)**		(24)		
Retail operating income	**1,427**	**4.7**	1,412	4.8	1.1%
Corporate Center costs	**(80)**	**(0.3)**	(76)	(0.3)	(5.3)%
Operating income	**1,347**	**4.4**	1,336	4.5	0.8%
Net financial expense	**(316)**		(259)		(22.0)%
Income taxes	**(140)**		(271)		48.3%
Share in income of joint ventures	**141**		57		147.4%
Income from continuing operations	**1,032**	**3.4**	863	2.9	19.6%
Loss from discontinued operations	**(15)**		(10)		(50.0)%
Net income	**1,017**	**3.4**	853	2.9	19.2%

Net sales

Net sales in 2011 were €30.3 billion, up 2.5 percent compared to 2010. At constant exchange rates, net sales growth in 2011 was 5.5 percent. We delivered strong sales performance in our major markets despite market conditions that remained challenging. Net sales growth was positively impacted by identical sales growth, store remodeling and expansion, new stores, and smaller fill-in acquisitions in the United States. You can read more about our operating companies' net sales in *Performance by segment*.

Our net sales consist of sales to consumers and sales to franchise stores. Franchise stores typically operate under the same format as Ahold-operated stores. Franchisees generally purchase merchandise from Ahold, pay a franchise fee, and receive support services, including management training, field support, and marketing and administrative assistance.

Group performance continued

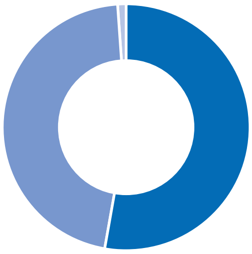
Operating income (€ million)

		Margin[1]
2011	**1,347**	**4.8%**
2010	1,336	4.9%
2009	1,297	5.1%
2008	1,202	5.1%
2007	1,071	4.9%

1 Underlying retail operating margin.

Underlying retail operating income

Contribution by segment



	2011 (€ million)	Underlying margin
Ahold USA	**769**	4.3%
The Netherlands	**666**	6.3%
Other Europe	**20**	1.2%
Total	**1,455**	4.8%

Operating income

In 2011, operating income was €1.3 billion, up €11 million or 0.8 percent compared to 2010. Underlying retail operating income (which excludes impairments, gains and losses on the sale of assets, and restructuring and related charges) was €1.5 billion, or 4.8 percent of net sales. Operating profits were only marginally higher as improved results at Ahold USA and Other Europe were mostly offset by results in the Netherlands, where, especially in the first quarter, we did not fully pass on cost inflation. You can read more about our operating companies' results in *Performance by segment.* Impairments, gains and losses on the sale of assets, and restructuring and related charges are listed below.

Corporate Center costs were €80 million, up €4 million compared to 2010. Excluding the impact of our self-insurance activities, Corporate Center costs were €70 million, which was €5 million lower than last year.

Impairment of assets

Ahold recorded the following impairments and reversals of impairments of assets (primarily related to underperforming stores) in 2011 and 2010:

	2011 € million	2010 € million
Ahold USA	**(23)**	(17)
The Netherlands	**–**	(6)
Other Europe	**(2)**	(4)
Ahold Europe	**(2)**	(10)
Total	**(25)**	(27)

Gains and losses on the sale of assets

Ahold recorded the following gains on the sale of non-current assets in 2011 and 2010:

	2011 € million	2010 € million
Ahold USA	**3**	9
The Netherlands	**9**	3
Other Europe	**–**	2
Ahold Europe	**9**	5
Total	**12**	14

Restructuring and related charges

Restructuring and related charges were as follows in 2011 and 2010:

	2011 € million	2010 € million
Ahold USA	**(15)**	(20)
The Netherlands	**–**	–
Other Europe	**–**	(4)
Ahold Europe	**–**	(4)
Total	**(15)**	(24)

At Ahold USA, in 2011, restructuring and related charges were primarily related to the transition of certain logistics activities, while in 2010 they resulted from organizational changes.

Net interest expense

€225 million

Net financial expense

Net financial expense increased by €57 million compared to 2010, as a result of a financial guarantee provision of €92 million, which is the estimated impact of a judgment rendered in the Stop & Shop Bradlees lease litigation with Vornado (as further described in *Note 9* to the consolidated financial statements).

Interest expense, at €245 million, was down €43 million mainly following debt reductions in 2010 of €0.4 billion, and a weaker U.S. dollar against the euro in 2011. Net interest expense at €225 million was just below our guidance of €230–250 million.

Income taxes

In 2011, income tax expense was €140 million, down by €131 million compared to last year. This was mainly due to a €109 million tax benefit resulting from the release of an income tax contingency reserve related to financing transactions that occurred prior to 2004 (as further described in *Note 10* to the consolidated financial statements). The effective tax rate, calculated as a percentage of income before income taxes, was 13.6 percent or 24.2 percent when excluding the above mentioned release (25.2 percent in 2010).

Share in income of joint ventures

Ahold's share in income of joint ventures, which primarily relates to our 60 percent shareholding in ICA and our 49 percent shareholding in JMR, was €141 million in 2011, up by €84 million compared to last year. In 2010, ICA's results were negatively impacted by a tax provision recognized by ICA following an adverse court ruling (Ahold's share was €47 million), and a provision against deferred tax assets at ICA Norway (Ahold's share was €42 million). You can read more about ICA's and JMR's results in *Performance by segment*.

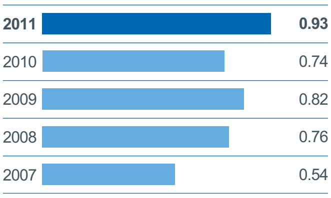
Loss from discontinued operations

In 2011 and 2010, results from discontinued operations were impacted by various adjustments to the results of prior years' divestments (primarily U.S. Foodservice and Tops), as a consequence of warranties and indemnifications provided in the relevant sales agreements.

For further information about discontinued operations, see *Note 5* to the consolidated financial statements.

Group performance continued

Income from continuing operations (€)
per common share (basic)



Earnings per share

Basic income from continuing operations per common share was €0.93, an increase of 26 percent compared to 2010. While operating profits were only marginally higher, the increase was driven by higher results from joint ventures and lower income taxes, and partly offset by higher net financial expense. The average number of outstanding common shares decreased as a result of the shares re-purchased under two share buyback programs:

- €500 million program completed in February 2011.
- €1 billion program that commenced in March 2011 and that we expect to complete by the end of March 2012. This program was initially planned to be completed over 18 months, but was subsequently accelerated to take advantage of volatile financial markets. As of year-end 2011, the remaining amount under the program was €277 million.

The decrease in the average number of outstanding common shares was marginally offset by shares that were issued under employee share-based compensation programs.

Dividend per share

We propose a common stock dividend of €0.40 for the financial year 2011, up €0.11 or 38 percent from last year. This is in line with our dividend policy to target a payout ratio in the range of 40 – 50 percent of adjusted income from continuing operations.

Adjusted income from continuing operations in 2011 amounted to €1,009 million and was determined as follows:

	2011 € million
Income from continuing operations	**1,032**
Add-back:	
Release of tax contingency reserve	**(109)**
Provision related to Vornado (after-tax)	**86**
Adjusted income from continuing operations	**1,009**

Financial position

Ahold's consolidated balance sheets as of January 1, 2012 and January 2, 2011 are summarized as follows:

	January 1, 2012		January 2, 2011	
	€ million	%	€ million	%
Property, plant and equipment	**5,984**	**39.9**	5,827	39.6
Other non-current assets	**3,803**	**25.4**	3,704	25.1
Cash, cash equivalents, and short-term deposits	**2,592**	**17.3**	2,824	19.2
Other current assets	**2,601**	**17.4**	2,370	16.1
Total assets	**14,980**	**100.0**	14,725	100.0
Equity	**5,877**	**39.2**	5,910	40.1
Non-current portion of long-term debt	**3,144**	**21.0**	3,444	23.4
Other non-current liabilities	**1,345**	**9.0**	1,279	8.7
Short-term borrowings and current portion of long-term debt	**536**	**3.6**	117	0.8
Other current liabilities	**4,078**	**27.2**	3,975	27.0
Total equity and liabilities	**14,980**	**100.0**	14,725	100.0

Property, plant and equipment increased by €157 million, primarily as a result of the strengthening of the U.S. dollar against the euro.

The increase in other non-current assets primarily relates to the improved financial position of our pension plans (€90 million). For the total group, our defined benefit plans showed a surplus of €255 million at year-end 2011 compared to a surplus of €81 million at year-end 2010. This improvement was due to positive investment results on the plan assets and cash contributions made to the plans, partially offset by the effect of lower interest rates in the United States.

A significant number of union employees in the United States are covered by multi-employer plans. With the help of external actuaries, we have adjusted the most recent available information that these plans have provided (generally as of December 31, 2010) for market trends and conditions through the end of 2011. We estimate our proportionate share of the total net deficit to be $943 million (€729 million) at year-end 2011 (2010: $841 million or €628 million). These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and not necessarily reliable. For more information see *Note 23* to the consolidated financial statements.

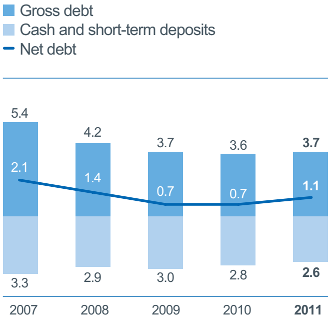
Equity decreased by €33 million, as the dividend payment related to 2010 and the share buyback programs described earlier in this section exceeded the current year's net income.

The increase in other current liabilities primarily relates to a provision of €92 million, which is the estimated impact of a judgment rendered in the Stop & Shop Bradlees lease litigation with Vornado.

The increase in short-term borrowings and current portion of long-term debt results from a reclassification of the €407 million notes due in March 2012 from the non-current portion of long-term debt. These notes have been swapped to $362 million and the fair value of the underlying hedge (€141 million) is included in other current assets.

Group performance continued

Gross and net debt (€ billion)
(at year end)



In 2011, gross debt increased by €119 million to €3.7 billion, primarily as a result of the strengthening of the U.S. dollar against the euro. Ahold's net debt of €1,088 million as of January 1, 2012, was up €351 million compared to last year. Net debt does not include our commitments under operating lease contracts, which, on an undiscounted basis, amount to €5.9 billion. These off-balance sheet commitments impact our capital structure. The present value of these commitments has been added to net debt to measure our leverage against EBITDAR (i.e. underlying operating income before depreciation, amortization and rent expense). The ratio of net lease-adjusted debt to EBITDAR stood at 1.8 times at year-end 2011. In general, we are comfortable operating at around 2 times, which is consistent with our commitment to maintaining an investment grade credit rating.

Liquidity and cash flows

Liquidity

Ahold relies on cash provided by operating activities as a primary source of liquidity, in addition to debt and equity issuances in the capital markets, credit facilities, and available cash balances. Based on our current operating performance and liquidity position, we believe that cash provided by operating activities and available cash balances (including short-term deposits) will be sufficient for working capital, capital expenditures, dividend payments, interest payments, and scheduled debt repayment requirements for the next 12 months and the foreseeable future. A total of €0.4 billion in loans will mature in 2012, €0.1 billion in 2013 through 2016, and €1.4 billion after 2016.

Our strategy over the past several years has positively impacted the credit ratings assigned to Ahold by Standard & Poor's (S&P) and Moody's. S&P upgraded Ahold's corporate credit rating to BBB with a stable outlook in June 2009, and since then this rating has remained unchanged. In March 2011, Moody's affirmed Ahold's Baa3 issuer credit rating and changed its outlook from positive to stable. Maintaining investment grade credit ratings is a cornerstone of our strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

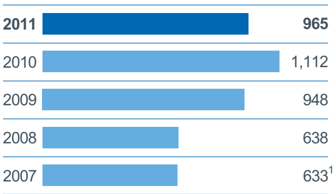
Group credit facility

In June 2011, Ahold completed the refinancing of its five-year €1.2 billion committed credit facility originally maturing in August 2012. The new €1.2 billion committed, unsecured, multi-currency, and syndicated credit facility has a base term of five years and includes the possibility of 12-month extensions in each of the first two years. It may be used for working capital and for general corporate purposes and provides for the issuance of $550 million (€425 million) in letters of credit. As of January 1, 2012, there were no outstanding borrowings under the credit facility other than letters of credit to an aggregate amount of $287 million (€222 million).

As of year-end 2011, liquidity amounted to €3.6 billion, defined as cash (including cash equivalents and short-term deposits) of €2.6 billion and the undrawn portion of the committed credit facility of €1.0 billion. Under normal conditions we expect to operate with liquidity around €2.0 billion, evenly split between cash and the undrawn portion of our committed credit facilities. It is our intention to move to this level of liquidity as we continue to invest in growth, reduce our debt, and return cash to shareholders, resulting in a more efficient capital structure.

Group performance continued

Free cash flow (€ million)



1 Includes the settlement of the securities class action of €284 million in 2007.

Cash flow

	2011 € million	2010 € million
Operating cash flows from continuing operations	**1,786**	2,111
Purchase of non-current assets	**(755)**	(870)
Divestment of assets and disposal groups held for sale	**23**	32
Dividends from joint ventures	**130**	111
Interest received	**27**	15
Interest paid	**(246)**	(287)
Free cash flow	**965**	1,112
Repayments of loans	**(17)**	(419)
Dividends paid on common shares	**(328)**	(272)
Share buyback	**(837)**	(386)
Acquisition of businesses, net of cash acquired	**(30)**	(159)
Changes in short-term deposits	**71**	85
Other	**(50)**	(118)
Net cash from operating, investing, and financing activities	**(226)**	(157)

Free cash flow, at €965 million, decreased by €147 million compared to 2010. Cash generated from operations was down €325 million, primarily as a result of higher working capital requirements, higher taxes paid, and the negative impact of a weaker U.S. dollar against the euro in 2011. This was partially offset by lower levels of capital expenditures and net interest, as well as a higher dividend received from ICA. Free cash flow was mainly used for returns to shareholders (through our annual dividend and the share buyback programs) in the amount of €1,165 million, which was €507 million more than in 2010.

Properties

At the end of 2011, we operated 3,008 stores, a net increase of 38 stores. Total sales area increased by 1.9 percent to 4.6 million square meters. This includes franchise stores and excludes the stores operated by our joint ventures ICA and JMR.

	January 2, 2011	Opened / Acquired	Closed / Sold	**January 1, 2012**
Ahold USA	751	17	12	756
The Netherlands[1]	1,914	46	14	1,946
Other Europe	305	1	–	306
Total	2,970	64	26	3,008

1 The number of stores as of January 1, 2012 includes 1,090 specialty stores (Etos and Gall & Gall).

Franchisees operated 801 Albert Heijn, Etos, and Gall & Gall stores, 485 of which were either owned by the franchisees or leased independently from Ahold. Of its total 3,008 stores, Ahold leases or owns 2,523 stores, 21 percent of which were company-owned and 79 percent of which were leased (66 percent under operating leases and 13 percent under finance leases and financings). Ahold's stores range in size from 20 to 10,000 square meters. The average sales area of our stores in the United States is approximately 3,800 square meters and in Europe approximately 1,300 square meters (excluding Etos and Gall & Gall, which operate much smaller stores).

Our leased properties have terms of up to 25 years, with renewal options for additional periods. Store rentals are normally payable on a monthly basis at a stated amount or, in a limited number of cases, at a guaranteed minimum amount plus a percentage of sales over a defined base.

We also operated the following other properties as of January 1, 2012:

Warehouses / distribution centers / production facilities / offices	83
Properties under construction / development	34
Investment properties	717
Total	**834**

Of these other properties, 41 percent were company-owned and 59 percent were leased (52 percent under operating leases and 7 percent under finance leases and financings).

The 717 investment properties consist of buildings and land. Virtually all these properties were subleased to third parties. The majority were shopping centers containing one or more Ahold stores and third-party retail units generating rental income.

Capital expenditures

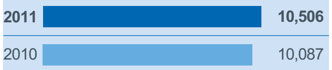
€0.9 billion

Capital expenditures, which include new finance leases, amounted to €0.9 billion in 2011 and €1.1 billion in 2010 and were primarily related to the construction, remodeling, and expansion of stores and supply chain and IT infrastructure improvements. In 2010, capital expenditures also included the acquisition and subsequent remodeling of the Ukrop's and Shaw's stores as well as significant investments related to Project Refresh, the three-year investment plan announced in October 2007 to remodel or replace approximately 100 Giant Landover stores, which was completed in 2010.

Performance by segment

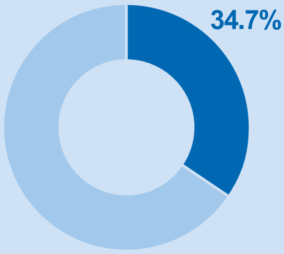
The Netherlands

Sales (€ million)

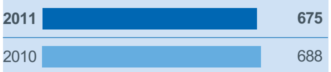


2.8% Identical sales growth

Contribution to Group sales



Operating income (€ million)



6.3% On an underlying basis

Number of stores (at year end)

	2011	2010
Albert Heijn	**856**	843
Etos	**536**	523
Gall & Gall	**554**	548
The Netherlands	**1,946**	1,914

Highlights of the year

- Ahold expanded into Belgium with supermarkets under the Albert Heijn brand
- Albert Heijn's XL format achieved a record high rating by customers
- Customers voted Gall & Gall and Etos among the 10 most customer-friendly companies in the Netherlands; Etos was voted best drugstore
- Albert Heijn and the Dutch industry healthy food foundation ("Ik Kies Bewust") partnered up to make it simpler for consumers to make healthy food choices, and together developed new nationwide healthy food choice logos in the Netherlands
- Gall & Gall launched a new own-brand line of products
- "Appie," Albert Heijn's digital personal shopping assistant, was named best service application in the Netherlands and had 400,000 unique users per week by the end of 2011

Albert Heijn (in the Netherlands and Belgium), Etos, Gall & Gall, and the online delivery service albert.nl comprise the segment called the Netherlands. The following table contains operational and financial information, including net sales and operating income, for the Netherlands in 2011 and 2010:

	2011	2010
Net sales in € millions	**10,506**	10,087
Change in identical sales	**2.8%**	3.6%
Operating income in € millions	**675**	688
Operating income as a percentage of net sales	**6.4%**	6.8%
Underlying operating income as a percentage of net sales	**6.3%**	6.9%
Number of employees at year-end (in thousands headcount)	**89**	84
Number of employees at year-end (in thousand FTEs)	**29**	28
Sales area of own operated stores (in thousands of square meters)	**885**	876

Net sales

Net sales increased to €10.5 billion in 2011, a rise of 4.2 percent. In a competitive market, Albert Heijn, Etos, Gall & Gall, and the online delivery service albert.nl all achieved sales growth. Albert Heijn again succeeded in launching innovative marketing campaigns that were popular with customers, including an animal card collection campaign in cooperation with the World Wide Fund for Nature.

Operating income

In 2011, operating income decreased €13 million, or 1.9 percent, to €675 million. Last year included €19 million in positive non-recurring items. The Netherlands achieved solid identical sales growth and continued to focus on efficiencies, while increasing investments for future growth. Gains on the sale of real estate were €9 million, as discussed in *Results from operations* under *Group performance*.

The Netherlands continued

Albert Heijn

Established: 1887

Joined Ahold: The Ahold Group was established by Albert Heijn

Brands: Albert Heijn, Albert Heijn XL and Albert Heijn to go

Market area: The Netherlands, in Europe

Store formats: Supermarkets, compact hypermarkets, convenience stores, and online shopping

Own brands include: AH Huismerk, AH Excellent, AH puur&eerlijk (responsible choice), and Euroshopper

Albert Heijn

Albert Heijn is the leading food retailer in the Netherlands and one of the country's best-known brands. At the end of 2011, Albert Heijn operated 856 stores. In 2011, the company opened 17 new stores, closed 4, and remodeled, relocated, or expanded 90 stores.

Albert Heijn's formats remained popular with customers in 2011, with its XL stores achieving a record high rating by customers. Albert Heijn continued to upgrade its regular supermarkets, roll-out its new store format, and develop its own-brand assortment, launching a wider, updated range of convenience-based fresh products. Albert Heijn maintained its market share compared to last year.

In 2011, Albert Heijn entered into the Belgian market, opening two stores. The event received a great deal of positive media coverage in Belgium and the Netherlands and sales have exceeded expectations so far.

Albert Heijn continued to focus on providing healthy food choices to customers. Together with the Dutch industry healthy food foundation ("Ik Kies Bewust") new nationwide healthy food choice logos were developed to replace Albert Heijn's green and orange clover, and make it simpler for consumers to make healthy food choices.

Appie is Albert Heijn's personal shopping assistant, available on the company's website and as a free smartphone application. Launched two years ago, it helps customers create shopping lists personalized to their shopping habits, recipes, and current promotions. In 2011, Appie was named the best service app in the Netherlands by Apple Inc. During the year, Albert Heijn continued to add new features to Appie, including voice recognition, the ability to share shopping lists with family members, and a product finder for searching and browsing the store assortment.

More about Albert Heijn online:
www.ah.nl

etos

Established: 1918; in 1931 became a stand-alone company

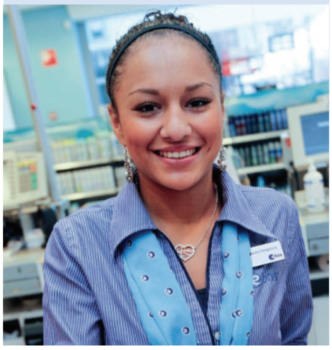
Joined Ahold: 1973

Brands: Etos

Market area: The Netherlands, in Europe

Store formats: Drugstores, and online shopping

Own brands include: Etos and Etos Voordeelselectie (value selection)



Etos

Etos is one of the largest drugstore chains in the Netherlands. It offers customers a wide selection of quality health and beauty, body care, and baby care products at affordable prices, and friendly, knowledgeable service. At the end of 2011, Etos operated 536 stores – 13 more than the previous year. During the year, the company also remodeled, relocated, or expanded 39 stores.

In 2011, Etos again succeeded in growing sales. Employees and customers celebrated Etos' 80th anniversary. Customers again voted it one of the most customer-friendly Dutch companies, and Etos was also named the best drugstore in the Netherlands for the third time.

More about Etos online:
www.etos.nl

The Netherlands continued

Established: 1884

Joined Ahold: 1989

Brands: Gall & Gall

Market area: The Netherlands, in Europe

Store formats: Wine and liquor stores and online shopping

Own brands include: Gall & Gall

Gall & Gall

Gall & Gall is the leading wine and liquor retailer in the Netherlands.

At the end of 2011, Gall & Gall operated 554 stores, an increase of 6 over the previous year. During 2011, the company remodeled, relocated or expanded 42 stores.

In 2011, Gall & Gall ran several successful promotional campaigns focused on value and continued to grow sales.

During the year, Gall & Gall was voted one of the most customer-friendly companies in the Netherlands. The company also launched a new own-brand line containing a full range of more than 40 products, from wine and port to whiskey and gin, at competitive prices. During the year, Gall & Gall continued the roll-out of its new store format.

More about Gall & Gall online:
www.gall.nl

Established: 1987: start of home delivery services; 2001: rebranded to albert.nl

Joined Ahold: albert.nl was established by Ahold

Brands: albert.nl

Market area: The Netherlands, in Europe

Store formats: Online daily needs ordering and delivery

albert.nl

The online delivery service of Albert Heijn, Etos, and Gall & Gall is the largest online daily needs service in the Netherlands. It offers products from all three retail brands for delivery right into customers' kitchens. Albert.nl serves a region in which over 60 percent of the Dutch population lives.

2011 was another year of strong sales growth for the company. During the year, albert.nl also made nearly all 430 sustainable products from Albert Heijn's AH puur&eerlijk (responsible choice) range available online.

The albert.nl brand celebrated its 10th anniversary in 2011.

More about albert.nl online:
www.albert.nl

Performance by segment continued

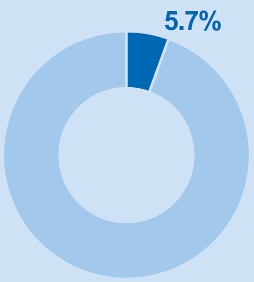
Other
Europe

Sales (€ million)

2011		**1,739**
2010		1,660

2.2% Identical sales growth

Contribution to Group sales



Operating income (€ million)

2011		**18**
2010		10

1.2% On an underlying basis

Number of stores (at year end)

	2011	2010
Czech Republic	**280**	279
Slovakia	**26**	26
Other Europe	**306**	305

Highlights of the year

- Albert / Hypernova increased profitability, driven by a continuous focus on operational efficiencies and its commercial propositions
- Albert opened a new compact hyper format in the town of Svitavy in the Czech Republic
- Albert launched innovative customer marketing campaigns, the most successful of which was its Smurfs campaign, aligned with the popular movie

Albert / Hypernova in the Czech Republic and Slovakia comprise the segment called Other Europe. The following table contains operational and financial information, including net sales and operating income, for Other Europe in 2011 and 2010:

	2011	2010
Net sales in € millions	**1,739**	1,660
Change in identical sales	**2.2%**	0.8%
Change in identical sales (excluding gasoline sales)	**1.8%**	0.7%
Operating income in € millions	**18**	10
Operating income as a percentage of net sales	**1.0%**	0.6%
Underlying operating income as a percentage of net sales	**1.2%**	1.0%
Number of employees at year-end (in thousands headcount)	**12**	12
Number of employees at year-end (in thousand FTEs)	**10**	11
Sales area of own operated stores (in thousands of square meters)	**453**	452

Net sales

Net sales amounted to €1.7 billion in 2011, an increase of 2.4 percent at constant exchange rates. Identical sales, excluding gasoline, increased 1.8 percent as a result of the solid performance of the Albert supermarkets. Sales growth benefited from an overall focus on promotions and the full year impact of extended store opening hours.

Operating income

Albert / Hypernova reported operating income of €18 million, an improvement of €8 million over last year. In 2011, the company was able to offset pressure on gross margins (from product cost inflation and a competitive, promotion-driven market) through a more competitive cost base, and by continuing to focus on operational improvements and simplification. 2011 operating income included €2 million in impairment charges.

Other Europe continued

Established: Ahold Czech Republic (1991), Ahold Retail Slovakia (2001)

Joined Ahold: Albert / Hypernova was established by Ahold

Brands: Albert, Hypernova

Market area: The Czech Republic and Slovakia, in Europe

Store formats: Hypermarkets, compact hypermarkets, and supermarkets

Own brands include: Albert Quality, Albert Excellent, Albert Bio, Euroshopper

Albert / Hypernova

Albert and Hypernova are among the best-known food retail brands in the Czech Republic and Slovakia. At the end of 2011, the company operated 280 stores in the Czech Republic – 1 more than last year – and 23 fuel stations. In 2011, the company remodeled, relocated or expanded 27 stores. In Slovakia, the company operated 26 stores and 7 fuel stations.

In 2011, Other Europe achieved an operating profit during each quarter of the year. The program Albert / Hypernova started in 2009 to improve its commercial proposition, restructure, take costs out of the business, and move to a single brand in the Czech Republic has enabled the company to increase profitability.

In the summer of 2011, Albert launched a new compact hypermarket format, designed to provide an easy and convenient shopping experience along with a great assortment of food and non-food products at low prices every day.

The company donated more than €200,000 to the Albert Charity Foundation, which supports families, promotes health, and helps individuals in need in the Czech Republic. As part of Albert's Smurfs campaign, the company auctioned off 20 giant statues of the popular characters for charity.

More about Albert / Hypernova online:
www.albert.cz
www.hypernova.sk

Performance by segment continued

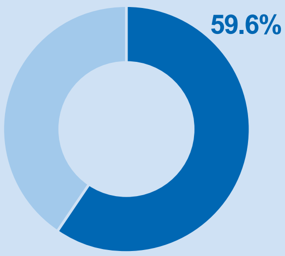
Ahold USA

Sales (€ million)

2011	**18,026**
2010	17,783

4.9% Identical sales growth

Contribution to Group sales



Operating income (€ million)

2011	**734**
2010	714

4.3% On an underlying basis

Number of stores (at year end)

	2011	2010
Stop & Shop New England	**217**	217
Stop & Shop New York Metro	**183**	175
Giant Landover	**173**	179
Giant Carlisle	**183**	180
Ahold USA	**756**	751

Highlights of the year

- The Ahold USA divisions continued to grow sales and Ahold USA increased market share
- The Ahold USA divisions intensified their Gas Reward programs through a partial re-launch and expansion to more stores, bringing additional savings on gas to loyal customers
- Ahold USA further strengthened its own-brand offering
- Stop & Shop New England opened a new concept supermarket in Chelmsford, Massachusetts
- Stop & Shop New York Metro acquired five stores in the New Jersey Shore area and three on Staten Island
- Giant Landover celebrated 75 years in the business
- Giant Carlisle opened its first store in the city of Philadelphia and introduced a new, smaller format supermarket
- New technology tools were launched to make shopping easier, including a mobile application at Stop & Shop and Giant Landover that lets customers view their circular, loyalty card account and more using their smartphones
- Peapod expanded into Philadelphia, in partnership with Giant Carlisle, and increased its footprint in Manhattan

Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle, and Peapod comprise the segment called Ahold USA. The following table contains operational and financial information, including net sales and operating income, for Ahold USA in 2011 and 2010:

	2011	2010
Net sales in € millions	**18,026**	17,783
Net sales in $ millions	**25,072**	23,523
Change in identical sales	**4.9%**	1.5%
Change in identical sales (excluding gasoline sales)	**2.9%**	0.4%
Change in comparable sales (excluding gasoline sales)	**3.1%**	0.8%
Operating income in € millions	**734**	714
Operating income in $ millions	**1,021**	941
Operating income as a percentage of net sales	**4.1%**	4.0%
Underlying operating income as a percentage of net sales	**4.3%**	4.2%
Number of employees at year-end (in thousands headcount)	**117**	116
Number of employees at year-end (in thousand FTEs)	**82**	88[1]
Sales area (in thousands of square meters)	**2,893**	2,838

1 The number of employees (FTEs) at year-end 2010 includes an increase of 6,000 full-time employees in order to correct the number disclosed in Ahold's 2010 Annual Report.

Net sales

In 2011, net sales increased to $25.1 billion, a 6.6 percent rise. Identical sales, excluding gasoline, increased 2.9 percent in 2011. Ahold USA continues to grow in a competitive market by offering quality products and services and running effective promotional activities. During 2011, the company succeeded in growing market share in most of its markets.

Operating income

In 2011, operating income increased $80 million or 8.5 percent to $1,021 million. Gross profit margins across Ahold USA were impacted by product cost inflation that was not fully passed through to retail prices. In a promotional market, the Ahold USA divisions also focused on promotions. Successful operational cost saving initiatives offset these impacts. Results were impacted by $16 million in transition costs and $21 million in restructuring and related charges, the majority of which resulted from the restructuring of Ahold USA's organization. Impairment charges were $30 million and gains on the sale of assets $5 million, as discussed in *Results from operations* under *Group performance*.

Performance by segment continued

Ahold USA continued

Established: 1914

Joined Ahold: 1996

Brands: Stop & Shop

Market area Stop & Shop New England: Connecticut (except Fairfield County), Massachusetts, New Hampshire, and Rhode Island, in the United States

Market area Stop & Shop New York Metro: Connecticut (Fairfield County), New York, and New Jersey, in the United States

Store formats: Supermarkets and super stores

Own brands include: Stop & Shop, Nature's Promise, Simply Enjoy, CareOne, and Guaranteed Value

Stop & Shop New England

Stop & Shop is a major supermarket brand in the northeastern United States. The Stop & Shop New England division operates 217 stores in southern New England, the same number as last year. The division also operates 78 fuel stations, 11 more than last year. In 2011, the division remodeled 20 stores.

In 2011, Stop & Shop opened a new concept supermarket in Chelmsford, Massachusetts, with services such as an on-site nutritionist, a supervised play area for children while their parents shop, and a pick-up point enabling customers to order groceries online and pick them up at the store without leaving their cars.

Stop & Shop New England also launched Scan It! Mobile, a mobile application that enables customers to use smartphones to scan their groceries, tally their orders, receive personalized savings and checkout – while they shop. The app is currently available in more than 40 Stop & Shop stores.

The division continued its strong commitment to supporting local charities and fundraising initiatives throughout the year with total charitable donations of $17 million. In support of pediatric cancer research and care, the 21st annual Triple Winner Program raised $2.5 million for the Stop & Shop Family Pediatric Brain Tumor Clinic at the Dana-Farber Cancer Institute.

Stop & Shop New York Metro

Stop & Shop is a major supermarket brand in the northeastern United States. The Stop & Shop New York Metro division operates 183 stores and 8 fuel stations in a diverse marketplace serving customers of many ethnic and socio-economic backgrounds.

In 2011, Stop & Shop New York Metro expanded its total store number by eight, including five stores acquired in the New Jersey Shore area in May. The division remodeled an additional 13 stores and acquired three stores on Staten Island, two of which opened in early January 2012.

The division continued to grow market share, driven by its successful customer loyalty programs, including Gas Rewards. It also continued its strong support of local communities, with efforts raising more than $5 million, including contributions of over $225,000 to the American Cancer Society's Making Strides Against Breast Cancer campaign. Stop & Shop New York Metro was the number one fundraiser in New York for this breast cancer campaign and number three in the country. The campaign consisted of flagship sponsorship at several walks, water sponsorship at walks in the greater New York area, and a campaign in its stores to solicit donations.

More about Stop & Shop online:
www.stopandshop.com

Ahold USA continued

Giant

Established: 1936

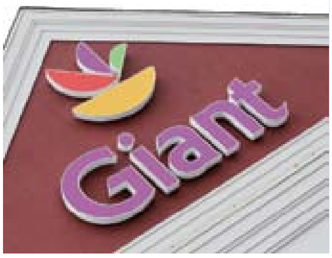
Joined Ahold: 1998

Brands: Giant

Market area: Virginia, Maryland, Delaware, and the District of Columbia, in the United States

Store formats: Supermarkets, including full-service pharmacies

Own brands include: Giant, Nature's Promise, Simply Enjoy, CareOne, and Guaranteed Value



Giant Landover

Giant Landover is a leading supermarket chain in the mid-Atlantic United States, serving customers in three states and the District of Columbia. It operates 173 stores – 6 less than in 2010. Giant Landover also operates 13 fuel stations, an increase of 4 over the previous year

In 2011, Giant Landover remodeled eight stores, outsourced its dry grocery warehouse and celebrated its 75th anniversary.

The impact of the major store remodeling program, "Project Refresh," that was successfully completed last year, enabled the division to grow market share in a competitive market. This was further supported by Giant Landover's increased focus on its fresh assortment and successful customer loyalty programs, including Gas Rewards.

During its anniversary year, Giant Landover donated more than $8 million in its local markets to fight hunger, improve the quality of life for children, and build healthier communities. Key efforts included the donation of $2 million to local schools through A+ School Rewards, financial and product donations to area food banks, sponsorship of nearly 300 youth baseball and softball teams, and the collection of more than $100,000 to support military families. In recognition of its strong commitment to the community, Giant won the Maryland Food Bank's "Retailer of the Year" award.

More about Giant Landover online:
www.giantfood.com

Ahold USA continued

Established: 1923

Joined Ahold: 1981

Brands: Giant Food Stores, Martin's Food Markets and Giant To Go

Market area: Pennsylvania, Virginia, Maryland, and West Virginia, in the United States

Store formats: Supermarkets, super stores and convenience stores

Own brands include: Giant, Nature's Promise, Simply Enjoy, CareOne, and Guaranteed Value

Giant Carlisle

Giant Carlisle is a leading supermarket chain in the mid-Atlantic United States. It operates 181 grocery stores under the names of Giant Food Stores and Martin's Food Markets and two convenience stores under the name of Giant To Go. In addition, the division operates 92 fuel stations in four states, an increase of 11 over 2010. In 2011, Giant Carlisle's total store number rose by three, including two stores that were acquired. The division also remodeled, relocated, or expanded 15 stores. Giant Carlisle opened its first store in the city of Philadelphia, and partnered with Peapod to offer online shopping to customers in the surrounding area.

Giant Carlisle further developed its formats, introducing a new, more compact supermarket format in Mount Joy, Pennsylvania, that offers a full assortment of products and services in a smaller footprint. The former Ukrop's stores in Richmond, Virginia, continued to successfully grow sales and market share.

As part of its focus on further improving its own-brand offering, Giant Carlisle introduced new packaging that better reflects the strength of its consumer brand and unifies the brand across the store.

Giant Carlisle built upon its support of local communities in 2011, raising over $20 million in charitable donations during the year. In recognition of its giving legacy in Pennsylvania, the company received the Building the Community Award from the Central Penn Business Journal. Giant Carlisle was also honored with the inaugural Miracle Innovator Award for outstanding leadership and commitment to Children's Miracle Network hospitals.

More about Giant Carlisle online:
www.giantfoodstores.com

More about Martin's online:
www.martinsfoods.com

Established: 1989

Joined Ahold: 2000

Brands: Peapod

Market area: Connecticut, District of Columbia, Illinois, Indiana, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, and Wisconsin, in the United States

Store formats: Online grocery ordering and delivery

Peapod

Peapod is the leading online grocery service in the United States. It works in partnership with Stop & Shop, Giant Landover, and Giant Carlisle to serve markets in 12 states and the District of Columbia. In 2011, Peapod was again able to grow sales by double digits in its existing markets.

In 2011, Peapod expanded into Philadelphia, Delaware, and Southern Montgomery, Pennsylvania counties, serving customers in the Giant Carlisle market area for the first time. The company moved further into Manhattan, now serving its Midtown, Upper West Side, and Upper East Side neighborhoods.

Peapod achieved a significant milestone in 2011 when it delivered its 20 millionth order. The company celebrated this with an online food drive and sweepstakes.

More about Peapod online:
www.peapod.com

Performance by segment continued

Joint ventures

ICA

Established: 1917

Joint venture with Ahold formed: 2000

Brands: In Sweden, ICA Nära, ICA To Go, ICA Supermarket, ICA Kvantum, and Maxi ICA Hypermarket. In Norway, ICA Naer, ICA Supermarked, ICA Maxi, and Rimi. In the Baltics, Rimi Hypermarket, Rimi Supermarket, SuperNetto, and Saastumarket

Market area: Sweden, Norway, Estonia, Latvia, and Lithuania, in Europe

Store formats: Supermarkets, hypermarkets, compact hypermarkets, convenience stores, and financial services through its consumer bank

Own brands include: ICA, ICA Gott Liv, ICA Selection, I love eco, Skona, ICA Cook & Eat, ICA Basic, and ICA Home

The information presented in this section relating to ICA and JMR (on a 100 percent basis) represents amounts that are not consolidated in the Company's financial statements since Ahold's investment in ICA and JMR is accounted for using the equity method described in *Notes 3* and *14* to the consolidated financial statements.

ICA

ICA is a food retail group, headquartered in Stockholm, Sweden. As of year-end 2011, ICA served 2,248 retailer-owned and company-operated retail food stores in Sweden, Norway, and the Baltic States. The company also provides consumer financial services in Sweden through its bank.

Ahold owns a 60 percent stake in ICA AB, which in turn owns the ICA group. The other 40 percent stake in ICA is held by Hakon Invest AB, a Swedish company listed on the Stockholm Stock Exchange. Under the shareholders' agreement with Hakon Invest AB, Ahold's 60 percent shareholding stake in ICA does not entitle it to unilateral decision-making authority over ICA, because the agreement provides that strategic, financial, and operational decisions will be made only on the basis of mutual consent. The shareholders' agreement also provides for a call and put option exercisable by Ahold or Hakon Invest AB as the case may be, if there is a change of control over the other party.

Despite weak market conditions, ICA Sweden achieved sales growth and strengthened its market position in 2011. It ran a series of successful price campaigns with a focus on own-brand products. ICA Sweden continued to broaden its offering, opening new Cura pharmacies and ICA To Go convenience stores. In addition, customers can now order a grocery bag composed by ICA chefs that contains all the ingredients needed to cook a selection of healthy and tasty meals, for delivery directly to their doors. Investments in logistics and warehouse infrastructure led to temporarily increased costs in 2011.

ICA Norway introduced a business plan to develop synergies and accelerate the company's goal of achieving positive results. The overall plan is to focus on a two-banner strategy with Rimi discount stores emphasizing value and ICA Supermarkets providing premium offerings. In connection with this new focus, the company announced its intention to divest its ICA Maxi stores. An extensive cost efficiency program is also incorporated into the business plan.

Rimi Baltic recovered and achieved the same profitability level it had before the start of the financial crisis in 2008. The company is actively focused on strengthening its fresh food offerings, own-brand products and price perception.

Net sales

In 2011, net sales were €10.5 billion, an increase of 2.6 percent at constant exchange rates. The increase was due to a solid performance in Sweden and the Baltic countries, as well as higher revenues by ICA Bank.

Operating income

Operating income increased €34 million to €338 million at an operating margin of 3.2 percent. At constant exchange rates, operating profit increased €17 million, mainly due to an improved performance in the Baltic countries. ICA Bank also achieved a good performance driven by increased net interest income from a greater number of customers.

Net income

In 2011, net income increased €150 million to €204 million, mainly due to last year's income tax expense related to a tax claim by the Swedish tax authorities and a provision against deferred tax assets in Norway.

More about ICA online:
www.ica.se

Joint ventures continued

Established: The first Jerónimo Martins store dates back to 1792. Pingo Doce was established in 1980

Joint venture with Ahold formed: 1992

Brands: Pingo Doce

Market area: Portugal, in Europe

Store formats: Supermarkets

Own brands include: Essentya, Pingo Doce, Pura Vida, Electric & Co, and Ultra Pro

JMR

In 1992, Ahold partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR, which is headquartered in Lisbon, Portugal. Ahold holds 49 percent of the shares and corresponding voting rights in JMR, and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A.

At the end of 2011, JMR owned and operated 371 stores in Portugal under the brand name Pingo Doce. In 2011, the company opened nine stores and closed two.

Net sales

In 2011, net sales increased by 5.4 percent to €3.2 billion, driven by sales from new stores. Sales growth was impacted by lower overall consumption in Portugal due to the euro crisis and austerity measures. The company continued to focus on its commercial proposition, emphasizing its own-brand and perishable products, and communicating about its competitive pricing.

Operating income

In 2011, operating income decreased by €8 million to €92 million and the operating margin was 2.9 percent. Adjusted for the net impact of the sale of real estate and impairments in 2011 and 2010, operating income decreased €2 million. Higher sales were offset by gross margin pressure.

Net income

In 2011, net income decreased €15 million to €32 million, mainly as a result of lower operating income and provisions for tax contingencies.

More about Pingo Doce online:
www.pingodoce.pt

Non-GAAP measures

This Annual Report includes the following non-GAAP financial measures:

Adjusted income from continuing operations

Income from continuing operations adjusted for significant non-recurring items. This measure is a component of Ahold's dividend policy, whereby the dividend payout ratio has been set to be 40–50 percent of adjusted income from continuing operations.

Comparable sales

Identical sales plus net sales from replacement stores in local currency.

Corporate Center costs

Corporate Center costs relate to the responsibilities of the Corporate Center, including Corporate Finance, Corporate Strategy, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Communications, Corporate Responsibility, and the Corporate Executive Board. Corporate costs also include results from other activities coordinated centrally but not allocated to any operating company.

Free cash flow

Operating cash flows from continuing operations minus net capital expenditures minus net interest paid plus dividends received. Ahold's management believes this measure is useful because it provides insight into the cash flow available to, among other things, reduce debt and pay dividends.

Identical sales

Net sales from exactly the same stores in local currency for the comparable period.

Identical sales, excluding gasoline net sales

Because gasoline prices have experienced greater volatility than food prices, Ahold's management believes that by excluding gasoline net sales, this measure provides a better insight into the growth of its identical store sales.

Liquidity

Cash and cash equivalents, short term deposits, and undrawn funds available under the committed credit facility. Ahold's management believes this measure is useful because it provides insight into funds available to manage the company.

Net debt

Net debt is the difference between (i) the sum of loans, finance lease liabilities, cumulative preferred financing shares and short-term debt (i.e. gross debt) and (ii) cash, cash equivalents, and short-term deposits. In management's view, because cash, cash equivalents, and short-term deposits can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net lease adjusted debt / EBITDAR

Net debt increased by the present value of future operating lease commitments over underlying operating income before depreciation, amortization and gross rent expense. Ahold's management believes this measure is useful because it provides insight into Ahold's leverage, adjusted for the impact of operating leases that count for a significant part of Ahold's capital structure.

Net sales at constant exchange rates

Net sales at constant exchange rates exclude the impact of using different currency exchange rates to translate the financial information of Ahold's subsidiaries or joint ventures to euros. Ahold's management believes this measure provides a better insight into the operating performance of Ahold's foreign subsidiaries or joint ventures.

Net sales in local currency

In certain instances, net sales are presented in local currency. Ahold's management believes this measure provides a better insight into the operating performance of Ahold's foreign subsidiaries.

Operating income in local currency

In certain instances operating income is presented in local currency. Ahold's management believes this measure provides better insight into the operating performance of Ahold's foreign subsidiaries.

Underlying retail operating income

Total retail operating income, adjusted for impairment of non-current assets, gains and losses on the sale of assets, and restructuring and related charges. Ahold's management believes this measure provides better insight into the underlying operating performance of Ahold's retail operations.

Management believes that these non-GAAP financial measures allow for a better understanding of Ahold's operating and financial performance. These non-GAAP financial measures should be considered in addition to, but not as substitutes for, the most directly comparable IFRS measures.

How we manage risk

Ahold takes a structured and consistent approach to risk management and internal control by aligning strategy, policies, procedures, people, and technology to manage the uncertainties that the Company faces.

Ahold's risk management and control systems are designed to provide reasonable assurance that the Company's business objectives are achieved.

Risk management and internal control

Enterprise risk management

Ahold's enterprise risk management program is designed to provide executive management with an understanding of the Company's key business risks and associated risk management practices. At each operating company, management identifies the principal risks to the achievement of key business objectives and the actions needed to mitigate these risks. Committees comprised of senior executives at each operating company periodically review these risks and the related mitigation practices. The findings are consolidated into an enterprise risk management report that is presented to the Corporate Executive Board and the Supervisory Board. Executive management at each operating company is required to review the principal risks and risk management practices with the Corporate Executive Board as a regular part of the business planning and performance cycle. In turn, the Corporate Executive Board provides complementary insights into existing and emerging risks that are subsequently included in the program. The outcome of the Company's enterprise risk management program influences the formation of controls and procedures, the scope of internal audit activities, and the focus of the business planning and performance process.

Ahold Business Control Framework

We maintain the Ahold Business Control Framework (ABC Framework), which incorporates risk assessment, control activities, and monitoring into our business practices at entity-wide and functional levels. The aim of the ABC Framework is to provide reasonable assurance that risks to achieving important objectives are identified and mitigated. The ABC Framework is based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Ahold has developed uniform governance and control standards in areas such as ethical conduct, agreements, and accounting policies. These and other Corporate Executive Board-approved policies and procedures are incorporated into the ABC Framework as mandatory guidelines for all of Ahold's consolidated entities. Within this framework, management is responsible for local business operations, including risk mitigation and compliance with laws and regulations. Authority limits have been established to ensure that all expenditures and decisions are approved by the appropriate levels of management.

Our key control requirements are documented in Ahold Control Memoranda (ACMs). Compliance with the ACMs is mandatory for all of Ahold's fully-owned entities. The ACMs cover controls relating to financial reporting and various other business processes. They include the requirement for management to assess the operating effectiveness of all key controls.

Code of Conduct

Our Global Code of Conduct (the "Code") was revised in 2011, and came into force early 2012. The Code focuses on the Ahold's core value "Doing what's right" and establishes Group-wide principles and rules with regard to employee conduct. It is intended to help each employee understand and follow relevant compliance and integrity rules, and know when and where to ask for advice or report a breach of the Code. The principles of the Code apply to all employees of Ahold and its operating companies, as well as to third parties hired by or acting for and on behalf of Ahold. Employees of defined grade levels acknowledge compliance with the Code. The full Code is available in the corporate governance section of Ahold's public website at www.ahold.com.

Monitoring

We use a comprehensive business planning and performance review process to monitor our performance. This process covers the adoption of strategy, budgeting, and the reporting of current and projected results. We assess business performance according to both financial and non-financial targets and have a Group-wide management certification process in place to meet business needs and the requirements of the Dutch Corporate Governance Code. Each quarter, executive management of each reporting entity send letters of representation to the Corporate Executive Board confirming whether they comply with Ahold's global Code of Conduct, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements. Compliance with Ahold's corporate responsibility standards is confirmed through bi-annual letters of representation. Our Internal Audit function helps to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control by undertaking regular risk-based, objective, and critical audits. Internal Audit also monitors the effectiveness of corrective actions undertaken by management and has specific procedures in place for following up on significant audit findings.

Governance Risk and Compliance Committee

The Governance, Risk and Compliance (GRC) Committee oversees governance, risk and compliance activities within the Ahold Group and reviews relevant reports that are submitted to the Corporate Executive Board, the Supervisory Board, and the Audit Committee. The GRC Committee meets quarterly. Ahold's Chief Corporate Governance Counsel (chair) and Chief Financial Officer sit on the GRC Committee, as do other members of management responsible for key governance, risk, and compliance functions.

Declaration

Annual declaration on risk management and control systems regarding financial reporting risks

Ahold supports the Dutch Corporate Governance Code and makes the following declaration in accordance with best practice provision II.1.5:

The Corporate Executive Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

With respect to financial reporting, management has assessed whether the risk management and control systems provide reasonable assurance that the 2011 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework. It included tests of the design and operating effectiveness of entity level controls, transactional controls at significant locations, and relevant general computer controls. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, management determined that the Company's financial reporting systems are adequately designed and operated effectively in 2011.

Risk factors

The principal risk factors that may impede the achievement of Ahold's objectives with respect to strategy, operations, financial, and compliance matters are described in the following section. The enterprise risk management system, the governance and control standards incorporated into our ABC Framework and the monitoring systems described above are the principal means by which we manage these risks. Management is not aware of any important failings in these systems as of year-end 2011.

The following discussion of risks relating to Ahold should be read carefully when evaluating its business, its prospects, and the forward-looking statements contained in this Annual Report. Any of the following risks could have a material adverse effect on Ahold's financial position, results of operations, and liquidity or could cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report.

We recognize different strategic, operational, financial, and compliance & regulatory risk categories. The risks described below are not the only risks the Company faces. There may be additional risks that we are currently unaware of or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on Ahold's financial position, results of operations, liquidity, and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report. For additional information regarding forward-looking statements, see the *Cautionary notice*.

Strategic risks

We have embarked on a new strategy to reshape the way we do business and drive growth (see the *Our strategy* section of this Annual Report). Our six priority areas focus on increasing customer loyalty, broadening our offering, expanding our geographic reach, driving simplicity, being a responsible retailer, and engaging and attracting the best talent. Under *Our strategy* in this annual report we have also stated our ambitions.

Ahold is subject to a variety of risks related to our pillar strategies and the achievement of our ambitions, including execution, macro-economic, and competitive risks. If we are unable to execute our plans or meet our ambitions or the expectations of our customers, communities, employees, or shareholders, our sales and earnings growth could be adversely affected.

Risks related to macro economic circumstances

The global economic downturn that started in late 2007 has impacted all of the economies and markets in which we operate, and a recovery is slow to materialize. High unemployment, reduced consumer confidence and disposable incomes, and food and fuel price volatility can negatively affect customer demand. The financial crisis has restricted the availability of credit in our markets and limits governments' abilities to implement further fiscal stimuli. This may result in sustained sluggish growth in customer demand as shoppers remain price sensitive, cause the failure of key suppliers, or otherwise disrupt our supply chains, impacting the cost and availability of goods. Inflationary forces impacting cost of goods sold might be difficult to pass on to consumers.

As a result of the current economic climate, our competitors continue to take aggressive actions. These factors or other unforeseen effects of the current economic climate could impair the effectiveness of Ahold's strategy, reduce the anticipated benefits of its price repositioning and cost savings programs or other strategic initiatives, and may have a material adverse effect on the Company's financial position, results of operations, and liquidity.

Risks related to acquisition and integration

As part of our strategy, Ahold is pursuing growth in existing and new geographic markets and is looking to expand in e-commerce and other services. A lack of suitable acquisition targets at acceptable prices may limit Ahold's growth. When acquiring other businesses, Ahold also faces risks, for instance compliance and regulatory risks, related to the integration of these businesses. In addition, Ahold is replacing its current IT infrastructure to make it fully scalable and replicable to support Ahold's growth objectives. Anticipated IT synergies from newly acquired businesses will only materialize after the current and planned IT systems and infrastructure projects have been completed.

Our ability to open new stores is dependent on whether we are able to purchase properties or enter into leases on commercially reasonable terms for properties that are suitable for our needs. If Ahold fails to secure property in a timely manner, its growth may be impaired.

Risk related to large strategic projects

In order to achieve Ahold's strategic agenda and as a result of the way the Company is currently organized, activities will increasingly be undertaken in the form of projects. If Ahold is not able to execute and deliver major strategic projects on time and within budget, the realization of key strategic objectives may be at risk, and unnecessary expenditure of financial and management resources incurred. This could have a material adverse effect on Ahold's financial position, results of operations, and liquidity.

Operational risks

Risk related to collective bargaining

A significant portion of the employees of Ahold's businesses are represented by unions under collective bargaining agreements. As the collective bargaining agreements with those unions expire, Ahold's businesses might not be able to negotiate extensions or replacements on acceptable terms. Although we consider the relations between Ahold's businesses and the relevant trade unions to be stable and our Ahold businesses have human resource functions to support such union relations and collective bargaining negotiations, any failure to effectively renegotiate these agreements could result in work stoppages or other organized labor actions. Ahold's businesses may not be able to resolve any issues in a timely manner and contingency plans may not be sufficient to avoid an impact on the business. A work stoppage due to the failure of one or more of Ahold's businesses to renegotiate a collective bargaining agreement, or otherwise, could have a material adverse effect on the Company's financial position, results of operations, and liquidity.

Risks related to information security

Ahold's business operations generate and maintain confidential commercial and personal information concerning customers, employees, suppliers, and the Company. Our information security policy mandates that we implement and maintain controls, processes, and tools that ensure confidentiality, privacy, and integrity of confidential and sensitive information. We also manage and monitor compliance with our policy and with the various legal and regulatory requirements. However, disclosure of confidential information to unintended third parties may negatively impact Ahold's competitive position and corporate reputation or result in litigation or regulatory action. This could have a material adverse effect on Ahold's financial position, results of operations, and liquidity.

Risks related to business and IT continuity

A number of Ahold's critical business processes and functions are concentrated in a limited number of centralized facilities and / or are dependent on IT systems and infrastructure, key personnel, outsourcing providers, and other key suppliers for which limited or no comparable back-up is available. If any of these critical business processes or functions suffer a severe disruption that renders such facilities, critical IT systems or infrastructure, key suppliers, or key personnel unavailable, Ahold could experience disruption to its supply chain, store, and administrative operations. We continue to invest in recovery plans and security initiatives for the facilities and technology systems that support critical business processes and take steps to mitigate the dependency risks associated with our key strategic suppliers. However, these measures cannot fully prevent business interruptions that could have a material adverse effect on Ahold's financial position, results of operations, and liquidity.

Risks related to food, non-food safety and social compliance

The growing internationalization of the supply chain, the increasing sale of own-brand products, including vegetables and other non-branded products, in Ahold's stores, along with increased regulation, continue to make food and non-food safety as well as social compliance one of the Company's most significant business risks. We have product safety (food and non-food safety) and social compliance policies and practices in place for our own-brand products. However, Ahold may face product safety or social compliance problems, including disruptions to the supply chain caused by food-borne illnesses and negative consumer reaction to any incidents, which may have a material adverse effect on the Company's reputation, sales, financial position, results of operations, and liquidity.

Risks related to corporate responsibility

Increased regulatory demands, stakeholder awareness and the growing sentiment that large retailers must address sustainability issues across the entire supply chain mean that Ahold's brands and reputation may suffer if it does not adequately address relevant corporate responsibility issues affecting the food retail industry. Furthermore, if we fail to effectively increase the fuel and energy efficiency of our operations or to reduce waste, our operational and cost competitiveness may be adversely affected. We continue to develop a broad range of coordinated and focused programs to address issues such as climate change, energy efficiency, waste reduction, social accountability, healthy living, community engagement, and corporate responsibility reporting. If these programs are not successful or are otherwise inadequate, the reputation and competitive position of Ahold and the Ahold brands could suffer. See Ahold's Corporate Responsibility Report 2011 for additional information about our policies and programs in this area.

Risk related to social media

Social media and networking sites are now commonplace and their use has increased enormously. Social media may be used by individuals or groups to comment on our company or products. The speed at which social media operates can result in unrealistic expectations of customer service and the loss of control by Ahold over the image of our brands. Furthermore social media may be used by employees, who could disclose confidential information. Ahold has prepared social media guidelines and is monitoring activity in the social media relating to our banners and products.

Financial risks

Risk related to the euro

This risk relates to the current euro crisis, which could potentially result in certain member states exiting the euro group or (less likely) the total collapse of the euro. The crisis is already resulting in a slowing of global growth and potential recession. A total break up or an exit of certain member states could lead to a depression with high negative GDP, mass unemployment, and high volatility of currencies. For Ahold specifically this could lead to consumers becoming more price-sensitive and reducing their spending. A collapse of the European banking system as a result of a euro break-up could disrupt our ability to channel liquidity to our employees and suppliers. A project group has been installed to analyze and monitor potential effects of the euro crisis for Ahold and to propose mitigating actions to deal with risks associated with our worst case scenario; a complete break-up of the euro zone. A return to operating in a European business environment of multiple currencies would result in increased management time and cost and increased complexity in terms of accounting & reporting, procurement, and store operations.

Risks related to contingent liabilities associated with lease guarantees

Following the divestment of subsidiary businesses, such as BI-LO / Bruno's and Tops, and the closure of certain other facilities, Ahold has retained contingent liabilities to third parties relating to lease guarantees it has issued. Ahold may face potential financial liability in the event that some of these divested businesses or their successors fail to perform their financial or other obligations under these leases which could have a material adverse effect on Ahold's financial position, results of operations, and liquidity. For further information, see *Note 34* to the consolidated financial statements.

Risks associated with insurance programs

Ahold manages its insurable risks through a combination of self-insurance and commercial insurance coverage. Our U.S. operations are self-insured for workers' compensation, general liability, vehicle accident, and certain health care-related claims. Self-insurance liabilities are estimated based on actuarial valuations. While we believe that the actuarial estimates are reasonable, they are subject to changes caused by claim reporting patterns, claim settlement patterns, regulatory economic conditions and adverse litigation results. It is possible that the final resolution of some claims may require us to make significant expenditures in excess of our existing reserves. In addition, third-party insurance companies that provide the fronting insurance that is part of our self-insurance programs require us to provide certain collateral. We take measures to assess and monitor the financial strength and credit-worthiness of the commercial insurers from whom we purchase insurance. However, we remain exposed to a degree of counterparty credit risk with respect to such insurers. If conditions of economic distress were to cause the liquidity or solvency of our counterparties to deteriorate, we may not be able to recover collateral funds or be indemnified from the insurer in accordance with the terms and conditions of our policies.

Risks related to health care and pension funding requirements

Ahold has a number of defined benefit pension plans covering a large number of its employees in the Netherlands and in the United States. Decreased equity returns and decreases in interest rates negatively affect Ahold's pension funds, which may lead to higher pension charges and contributions payable. In addition, a significant number of union employees in the United States are covered by multi-employer plans. The unfunded portion of the liabilities of these plans may result in increased future payments by Ahold and the other participating employers. Ahold's risk of such increased contributions may be greater if any of the participating employers in an underfunded multi-employer plan withdraws from the plan due to insolvency and is not able to contribute an amount sufficient to fund the unfunded liabilities associated with its participants of the plan. For additional information, see *Note 23* to the consolidated financial statements. If Ahold is unable at any time to meet any required funding obligations for some of its U.S. pension plans, or if the Pension Benefit Guaranty Corporation (the PBGC), as the insurer of certain U.S. plan benefits, concludes that its risk may increase unreasonably if the plans continue, the PBGC could terminate the plans and place liens on material amounts of the Company's assets, under the U.S. Employee Retirement Income Security Act of 1974 (ERISA).

Ahold's pension plans covering its Dutch operations are regulated by Dutch pension law. The pension fund is under the supervision of the Dutch Central Bank (De Nederlandsche Bank or DNB) and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten or AFM). According to the law and / or contractually agreed funding arrangements, Ahold may be required to make additional contributions to its pension plans in case minimum funding requirements are not met.

In addition, U.S. health care costs have risen significantly in recent years and this trend may continue. Ahold may be required to pay significantly higher amounts to fund U.S. employee health care plans in the future. Significant increases in health care and pension funding requirements could have a material adverse effect on the Company's financial position, results of operations, and liquidity.

Other financial risks include:

- Foreign currency translation risk arising from various currency exposures, primarily with respect to the U.S. dollar, relating to cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency
- Credit risk related to cash and cash equivalents, short-term deposits, and derivative financial instruments
- Interest rate risk, arising primarily from debt

For further information relating to these financial risks, see *Note 30* to the consolidated financial statements, which are incorporated and repeated here by reference.

Compliance and regulatory

Risks related to unforeseen tax liabilities

Because Ahold operates in a number of countries, its income is subject to taxation in differing jurisdictions and at differing tax rates. Significant judgment is required in determining the consolidated income tax position. We seek to organize our affairs in a tax-efficient and balanced manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The tax authorities in the jurisdictions where Ahold operates may audit the Company's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of the Company's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate, which could have a material adverse effect on Ahold's financial position, results of operations, and liquidity. In addition, any examination by the tax authorities could cause Ahold to incur significant legal expenses and divert management's attention from the operation of its business.

Risks related to the legislative and regulatory environment and litigation

Ahold and its businesses are subject to various federal, regional, state, and local laws and regulations in each country in which we operate relating to, among other areas, zoning, land use, antitrust restrictions, work place safety, public health including food and non-food safety, environmental protection, alcoholic beverage sales, pharmaceutical sales, and information security. Ahold and its businesses are also subject to a variety of laws governing our relationship with employees, including but not limited to minimum wage, overtime, working conditions, health care, disabled access, and work permit requirements. The cost of compliance with, or changes in, any of these laws could impact the operations and reduce the profitability of Ahold or its businesses and thus could affect Ahold's financial condition, or results of operations. Ahold and its businesses are also subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which we operate which may impact or limit Ahold's ability to realize certain acquisitions, partnerships or mergers.

From time to time, Ahold and its businesses are parties to legal and regulatory proceedings in a number of countries, including the United States. Based on the prevailing regulatory environment or economic conditions in the markets in which Ahold businesses operate, litigation may increase in frequency and materiality. These legal and regulatory proceedings may include matters involving personnel and employment issues, personal injury, antitrust claims, contract claims and other matters. We estimate our exposure to these legal proceedings and establish accruals for the estimated liabilities, where it is reasonably possible to estimate and where the potential realization of a loss contingency is more likely than not. The assessment of exposures and ultimate outcomes of legal and regulatory proceedings involves uncertainties. Adverse outcomes in these legal proceedings, or changes in our assessments of proceedings, could potentially result in material adverse effects on our financial results. For further information, see *Note 34* to the consolidated financial statements.

Our leadership – Corporate Executive Board

Dick Boer
Chief Executive Officer

Dick Boer (August 31, 1957) is a Dutch national. On September 29, 2010, the Supervisory Board appointed him Chief Executive Officer of Ahold, effective March 1, 2011. Prior to that date, Dick served as Chief Operating Officer Ahold Europe, to which he was appointed on November 6, 2006.

Dick joined Ahold in 1998 as CEO of Ahold Czech Republic and was appointed President and CEO of Albert Heijn in 2000. In 2003, he became President and CEO of Ahold's Dutch operating companies. Ahold's shareholders appointed him to the Corporate Executive Board on May 3, 2007.

Prior to joining Ahold, Dick spent more than 17 years in various retail positions for SHV Holdings in the Netherlands and abroad, and for Unigro N.V.

Dick is president of the European Retail Round Table, and a member of the executive board of The Confederation of Netherlands Industry and Employers (VNO-NCW). He is also member of the advisory board of G-star and a member of the supervisory board of AMS Sourcing B.V.

Lodewijk Hijmans van den Bergh
Executive Vice President and Chief Corporate Governance Counsel

Lodewijk Hijmans van den Bergh (September 16, 1963) is a Dutch national. Ahold's shareholders appointed him to the Corporate Executive Board on April 13, 2010. Lodewijk joined the Company on December 1, 2009, when he assumed his responsibilities as acting member of the Corporate Executive Board and Chief Corporate Governance Counsel.

Prior to joining Ahold, Lodewijk was a partner of Amsterdam-based law firm De Brauw Blackstone Westbroek.

Lodewijk is the deputy chairman of the board of the Royal Concertgebouw Orchestra. He is also a member of the advisory boards of the Rotterdam School of Management, Erasmus University, and of Champs on Stage.

Acting members and nominees to the Corporate Executive Board

Jeff Carr
Executive Vice President and Chief Financial Officer

Jeff Carr (September 17, 1961) is a British national. He joined Ahold as Chief Financial Officer (CFO) in November 2011. He will be nominated for appointment to Ahold's Corporate Executive Board at the Company's annual General Meeting of Shareholders on April 17, 2012. Until then, he will be an acting member of the Corporate Executive Board.

Before joining Ahold, Jeff was group finance director and a member of the board at UK-based FirstGroup, the leading transport operator in the United Kingdom and North America. He began his career at Unilever, and held senior roles in finance at easyJet, Associated British Foods, Reckitt Benckiser, and Grand Metropolitan. Jeff has served as CFO of listed companies since 2005, and has worked and lived in Europe and the United States.

James McCann
Executive Vice President and Chief Commercial & Development Officer

James McCann (October 4, 1969) is a British national. He joined the Company on September 1, 2011, when he assumed his responsibilities as Chief Commercial & Development Officer and acting member of the Corporate Executive Board. He will be nominated for appointment to Ahold's Corporate Executive Board at the Company's annual General Meeting of Shareholders on April 17, 2012.

Before joining Ahold, James was Executive Director for Carrefour France and a member of Carrefour's Group Executive Board. During the previous seven years, he held leading roles in various countries for Tesco plc. Prior to that, he worked for Sainsbury's, Mars and Shell.

Our leadership – Chief Operating Officers

Sander van der Laan
COO, Ahold Europe and CEO, Ahold Netherlands.

Sander van der Laan (September 30, 1968) is a Dutch national. On March 1, 2011, he became Chief Operating Officer of Ahold Europe and CEO of Ahold Netherlands. Prior to that time, Sander served as General Manager for Albert Heijn, dating from January 2010.

Sander joined Ahold in 1998 as Unit Manager for Albert Heijn. In March 2002 he became General Manager for Gall & Gall and in May 2003 was appointed EVP Marketing & Merchandising at Albert Heijn. In 2008, Sander was appointed CEO of Giant-Carlisle in the United States. Prior to joining Ahold, he spent eight years in various positions for Molnlycke and Unilever.

Sander is co-chair of GS1 Nederland a member of the executive board of ECR Europe. He is also the chairman of the VUmc CCA Foundation at the VU Medical Center in Amsterdam.

Carl Schlicker
COO, Ahold USA and CEO, Ahold USA Retail

Carl Schlicker (March 8, 1951) is a U.S. national. On February 1, 2011, Carl became Chief Operating Officer of Ahold USA. He has served as CEO of Ahold USA Retail since November 5, 2009. Prior to that time, Carl served as President and CEO of Stop & Shop / Giant Landover dating from July 10, 2008, and President and CEO of Giant Carlisle dating from February 1, 2007.

Carl's career in the supermarket industry spans more than 25 years working for Ahold USA and its member companies in positions ranging from store operations to sales and marketing.

Carl is on the Food Marketing Institute's Board of Directors.

Our leadership – Supervisory Board

René Dahan
Chairman
Chairman of the Selection and Appointment Committee

René Dahan (August 26, 1941) is a Dutch national. He was first appointed to the Supervisory Board on June 2, 2004, and his term runs until 2012. René is former Executive Vice President and Director of Exxon Mobil Corporation. He is a member of the international advisory board of the Instituto de Empresa, Madrid, Spain.

Tom de Swaan
Vice Chairman
Chairman of the Audit Committee

Tom de Swaan (March 4, 1946) is a Dutch national. He was first appointed to the Supervisory Board on May 3, 2007, and his term runs until 2015. Tom is former CFO of ABN AMRO Bank N.V. He also held various executive positions at the Dutch Central Bank and was a non-executive director of the Financial Services Authority in London. Tom is a member of the board of GlaxoSmithKline Plc and chairman of its audit committee, and a member of the board of directors of Zurich Financial Services. He is chairman of the supervisory board of Van Lanschot Bankiers N.V., a member of the supervisory board of Royal DSM and chairman of its audit committee, and a member of the Public Interest Committee of KPMG ELLP. In addition, Tom is chairman of the advisory board of the Rotterdam School of Management, Erasmus University.

Derk C. Doijer
Chairman of the Remuneration Committee

Derk Doijer (October 9, 1949) is a Dutch national. He was first appointed to the Supervisory Board on May 18, 2005, and his term runs until 2013. Derk is a former member of the executive board of directors of SHV Holdings N.V. and, prior to that, held several executive positions in the Netherlands and South America. He is chairman of the supervisory board of Lucas Bols B.V. and a member of the supervisory boards of Corio N.V. and ZBG Group.

Stephanie M. Shern

Stephanie Shern (January 7, 1948) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2005, and her term runs until 2013. Stephanie was with Ernst & Young for over 30 years, most recently as Vice Chairman and Global Director of Retail and Consumer Products and a member of Ernst & Young's U.S. Management Committee. She is the Lead Director of GameStop , a member of the compensation committee of GameStop, and a member of the boards and chair of the audit committees of GameStop and Scotts Miracle-Gro. Stephanie is also a member of the accounting advisory board of Pennsylvania State University Smeal School of Business.

Judith Sprieser

Judith Sprieser (August 3, 1953) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2006, and her term runs until 2014. Judith is former CEO of Transora, Inc, which she founded in 2000. Prior to this, she was Executive Vice President and CFO of Sara Lee Corporation. She is a director of Allstate Corporation, Reckitt Benckiser plc, Intercontinental Exchange, Inc. and Experian Plc.

Mark McGrath

Mark McGrath (August 10, 1946) is a U.S. national. He was appointed to the Supervisory Board on April 23, 2008, and his term runs until 2012. Mark is a director emeritus of McKinsey & Company. He led the firm's Americas' Consumer Goods Practice from 1998 until 2004 when he retired from the company. Mark is a director of GATX and Aware, Inc.
He is chairman of the advisory board of the University of Notre Dame's Kellogg Institute of International Studies, a member of the advisory councils of the University of Chicago Booth Graduate School of Business and Notre Dame's Kroc International Peace Studies Institute and a trustee of the Chicago Symphony Orchestra Association. Mark is a senior advisor with Gleacher & Company.

Ben Noteboom

Ben Noteboom (July 4, 1958) is a Dutch national. He was appointed to the Supervisory Board on April 28, 2009, and his term runs until 2013. Ben currently holds the position of CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in March 2003. He joined Randstad in 1993 and since then has held various senior management positions within the company. Ben joined the executive board of Randstad in 2001.

Rob van den Bergh

Rob van den Bergh (April 10, 1950) is a Dutch national. He was appointed to the Supervisory Board on April 20, 2011, and his term runs until 2015. Rob is former CEO of VNU N.V. Prior to that, he held various other executive positions within VNU and was a member of the executive board from 1992 until his appointment as CEO in 2000. Rob is currently chairman of the supervisory boards of N.V. Deli Maatschappij, Bol.com B.V., and VNU Media, and a member of the Supervisory Boards of TomTom N.V., Holding Nationale Goede Doelen Loterijen N.V., and Pon Holdings B.V. He is also chairman of the supervisory board of Isala Klinieken Foundation, a member of the investment committee of NPM Capital N.V., and a member of the advisory board of CVC Capital Partners.

Corporate governance

Ahold is committed to a corporate governance structure that best supports its business and meets the needs of its stakeholders and that complies with relevant rules and regulations.

This section contains an overview of Ahold's corporate governance structure and includes information required under the Dutch Corporate Governance Code.

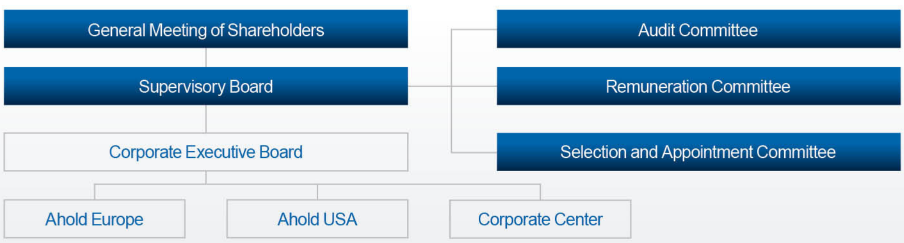
Governance structure

Koninklijke Ahold N.V. is a public company under Dutch law with a two-tier board structure. Ahold is managed by a Corporate Executive Board, which is supervised and advised by a Supervisory Board. The two boards are accountable to the General Meeting of Shareholders.

The Company is structured to effectively execute its strategy and to balance local, continental, and global decision-making. It is comprised of a Corporate Center and two continental platforms, Ahold Europe and Ahold USA, each of which contains a number of companies.

The following diagram shows the governance structure of Ahold and its companies. A list of subsidiaries, joint ventures, and associates is included in *Note 36* to the consolidated financial statements.

Governance structure



Corporate Executive Board

The Corporate Executive Board is responsible for the management and the general affairs of Ahold. For a more detailed description of the responsibilities of the Corporate Executive Board, please refer to its charter in the corporate governance section of Ahold's public website at www.ahold.com.

Composition

According to Ahold's Articles of Association, the Corporate Executive Board must consist of at least three members. The current members of the Corporate Executive Board are: Dick Boer, Chief Executive Officer; and Lodewijk Hijmans van den Bergh, Executive Vice President and Chief Corporate Governance Counsel. James McCann has served as Chief Commercial & Development Officer and acting member of the Corporate Executive Board since September 2011. He will be nominated for appointment to the Corporate Executive Board at the annual General Meeting of Shareholders scheduled for April 17, 2012. Jeff Carr has served as Chief Financial Officer and acting member of the Corporate Executive Board since November 2011, succeeding Kimberly Ross. He will be nominated for appointment to the Corporate Executive Board at the annual General Meeting of Shareholders scheduled for April 17, 2012.

Lawrence Benjamin served as Chief Operating Officer Ahold USA until January 31, 2011, John Rishton served as Chief Executive Officer until February 28, 2011, and Kimberly Ross served as Chief Financial Officer until November 19, 2011.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend, or dismiss a Corporate Executive Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal.

Corporate Executive Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Corporate Executive Board member.

Remuneration

On May 18, 2006, Ahold's General Meeting of Shareholders adopted its current remuneration policy for Corporate Executive Board members. You can find details of this policy in *Remuneration*. For detailed information on the individual remuneration of Corporate Executive Board members, see *Notes 31* and *32* to the consolidated financial statements.

Possible reappointment schedule

Name	Date of birth	Date of first appointment	Date of possible reappointment
Dick Boer	August 31, 1957	May 3, 2007	2015
Lodewijk Hijmans van den Bergh	September 16, 1963	April 13, 2010	2014

Supervisory Board

The Supervisory Board is responsible for supervising and advising Ahold's Corporate Executive Board and for overseeing the general course of affairs of the Company. The Supervisory Board is guided in its duties by Ahold's interests, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

The Supervisory Board is responsible for monitoring and assessing its own performance.

Ahold's Articles of Association require the approval of the Supervisory Board for certain major resolutions proposed to be taken by the Corporate Executive Board, including:

- Issuance of shares
- Acquisitions, redemptions, repurchases of shares, and any reduction in issued and outstanding capital

- Allocation of duties within the Corporate Executive Board and the adoption or amendment of the Corporate Executive Board Charter
- Significant changes in the identity or the nature of the Company or its enterprise

Appointment

The General Meeting of Shareholders can appoint, suspend, or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required. A Supervisory Board member is appointed for a four-year term and is eligible for reappointment. However, a Supervisory Board member may not serve for more than 12 years.

You can find more detailed information on the Supervisory Board in the Supervisory Board report. The following charters can be found in the corporate governance section of Ahold's website at www.ahold.com: the Supervisory Board Charter, the Audit Committee Charter, the Remuneration Committee Charter, and the Selection and Appointment Committee Charter.

Conflict of interest

Each member of the Corporate Executive Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other members of the Corporate Executive Board and provide them with all relevant information. Each Supervisory Board member is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide him or her with all relevant information. The Chairman determines whether there is a conflict of interest. If a member of the Supervisory Board or a member of the Corporate Executive Board has a conflict of interest with the Company, the member may not participate in the discussions and / or decision-making process on subjects or transactions relating to the conflict of interest. The Chairman of the Supervisory Board will arrange for such transactions to be disclosed in the Annual Report. No such transaction occurred in 2011. In accordance with best practice provision III.6.4 of the Dutch Corporate Governance Code, Ahold reports that no transactions between the Company and legal or natural persons who hold at least 10 percent of the shares in the Company occurred in 2011.

Shares and shareholders' rights

General Meeting of Shareholders

Ahold shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. Ahold is required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Corporate Executive Board, or by one or more shareholders representing at least 10 percent of the issued share capital. The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold's Articles of Association and under Dutch law including the adoption of Ahold's annual financial statements. Shareholders are entitled to propose items for the agenda of the General Meeting of Shareholders provided that they hold at least one percent of the issued share capital or the shares that they hold represent a market value of at least €50 million. The adoption of such a proposal requires a majority of votes cast at the General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or Articles of Association provide otherwise). Proposals for agenda items for the General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting. The General Meeting of Shareholders is also entitled to vote on important decisions regarding the identity or the character of Ahold, including major acquisitions and divestments.

Corporate governace continued

Dutch law prescribes a record date to be set 28 days prior to the date of the General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

Ahold encourages participation in General Meetings of Shareholders; to this end, it participates in the Shareholder Communication Channel (Stichting Communicatiekanaal Aandeelhouders) in the Netherlands. Ahold uses Citibank, the Depositary for the Company's ADR facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Voting rights

Each common share entitles its holder to cast one vote. Subject to certain exceptions provided by Dutch law or Ahold's Articles of Association, resolutions are passed by a majority of votes cast. A resolution to amend the Articles of Association that would change the rights vested in the holders of a particular class of shares requires the prior approval of a meeting of that particular class. A resolution to dissolve the Company may be adopted by the General Meeting of Shareholders following a proposal of the Corporate Executive Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the General Meeting of Shareholders at which that proposal is to be considered.

Neither Ahold nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented, or how much of the share capital is represented at the General Meeting of Shareholders.

Holders of depositary receipts of cumulative preferred financing shares may attend the General Meeting of Shareholders. The voting rights on the underlying shares may be exercised by the Stichting Administratiekantoor Preferente Financierings Aandelen Ahold (SAPFAA), a foundation organized under the laws of the Netherlands.

Cumulative preferred financing shares

All outstanding cumulative preferred financing shares have been issued to SAPFAA. Holders of depositary receipts can obtain proxies from SAPFAA. In accordance with its articles, the board of SAPFAA consists of three members: one A member, one B member, and one C member. The A member is appointed by the general meeting of depositary receipt holders, the B member is appointed by the Company, and the C member is appointed by a joint resolution of the A member and the B member. As of February 29, 2012, the members of the board of SAPFAA are:

Member A:	J.H. Ubas, Chairman
Member B:	C.W. de Monchy
Member C:	H.J. Baeten

Ahold pays a mandatory annual dividend on cumulative preferred financing shares, which is calculated in accordance with the provisions of article 39.4 of the Company's Articles of Association. For further details on cumulative preferred financing shares and the related voting rights, see *Note 22* to the consolidated financial statements.

Cumulative preferred shares

No cumulative preferred shares are currently outstanding. Ahold entered into an option agreement with the Dutch foundation Stichting Ahold Continuïteit (SAC) designed to exercise influence in the event of a potential change of control over the Company. The purpose of SAC, according to its articles of association, is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence, or identity.

As of February 29, 2012, the members of the board of SAC are:

Name	Principal or former occupation
N.J. Westdijk, Chairman	Former CEO of Royal Pakhoed N.V.
G.H.N.L. van Woerkom	President & CEO of ANWB
W.G. van Hassel	Former lawyer and former chairman Dutch Bar Association

SAC is independent from the Company. For details on Ahold's cumulative preferred shares, see *Note 20* to the consolidated financial statements.

Issue of additional shares and pre-emptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Corporate Executive Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Corporate Executive Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Corporate Executive Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. The General Meeting of Shareholders approved a delegation of this authority to the Corporate Executive Board, relating to the issuance and / or granting of rights to acquire common shares up to a maximum of 10 percent of the issued common shares through October 20, 2012, and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold's common shares have a pre-emptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold's common shares. According to the Company's Articles of Association, this pre-emptive right does not apply to any issuance of shares to employees of Ahold. The General Meeting of Shareholders may decide to restrict or exclude pre-emptive rights. The General Meeting of Shareholders may also resolve to designate the Corporate Executive Board as the corporate body authorized to restrict or exclude pre-emptive rights for a period not exceeding five years. The General Meeting of Shareholders has delegated to the Corporate Executive Board, subject to approval of the Supervisory Board, the authority to restrict or exclude the pre-emptive rights of holders of common shares upon the issuance of common shares and / or upon the granting of rights to subscribe for common shares through October 20, 2012.

Repurchase by Ahold of its own shares

Ahold may only acquire fully paid shares of any class in its capital for a consideration following authorization by the General Meeting of Shareholders and subject to certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold's Articles of Association; and
2. Ahold and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10 percent of the issued share capital.

The Corporate Executive Board has been authorized to acquire a number of common shares in the Company or depository receipts for shares, as permitted within the limits of the law and the Articles of Association and subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between par value and 110 percent of the opening price of the shares at Euronext Amsterdam by NYSE Euronext on the date of their acquisition. The authorization takes into account the possibility to cancel the repurchased shares. This authorization is valid through October 20, 2012. Ahold may acquire shares in its capital for no consideration or for the purpose of transferring these shares to employees through share plans or option plans, without such authorization.

Major shareholders

Ahold is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under "Cumulative preferred shares" above.

Significant ownership of voting shares

According to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Ahold's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM) if the acquisition or disposal causes the percentage of outstanding capital interest or voting rights held by that person or legal entity to reach, exceed or fall below any of the following thresholds:

5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

The obligation to notify the AFM also applies when the percentage of capital interest or voting rights referred to above changes as a result of a change in the total outstanding capital or voting rights of Ahold. In addition, local rules may apply to investors.

The following table lists the shareholders on record in the AFM register on February 29, 2012, that hold an interest of five percent or more in the share capital of the Company.

Shareholder	Date of disclosure	Capital interest[2]	Voting rights[2]
Stichting Administratiekantoor Preferente Financieringsaandelen Ahold[1]	January 3, 2008	18.38%	5.87%
ING Groep N.V.	April 8, 2008	9.26%	4.92%
BlackRock, Inc.	August 9, 2011	0%	4.65%
DeltaFort Beleggingen B.V.	August 23, 2007	11.23%	3.82%

1 All of the outstanding cumulative preferred financing shares are held by SAPFAA, for which SAPFAA issued corresponding depositary receipts to investors that were filed under ING Groep N.V. and DeltaFort Beleggingen B.V.

2 In accordance with the filing requirements the percentages shown include both direct and indirect capital interests and voting rights and both real and potential capital interests and voting rights. Further details can be found at www.afm.nl.

For details on the number of outstanding shares, see *Note 20* to the consolidated financial statements. For details on capital structure, listings, share performance, and dividend policy in relation to Ahold's common shares, see *Investors*.

Articles of Association

Ahold's Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on Ahold's public website at www.ahold.com.

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Corporate Executive Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes, regardless of the number of shares represented at the meeting, is required. The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Auditor

The General Meeting of Shareholders appoints the external auditor. The Audit Committee recommends to the Supervisory Board the external auditor to be proposed for reappointment by the General Meeting of Shareholders. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors. On April 20, 2011, the General Meeting of Shareholders appointed Deloitte Accountants B.V. as external auditor for the Company for the financial year 2011.

Decree Article 10 EU Takeover Directive

According to the Decree Article 10 EU Takeover Directive, Ahold has to report on, among other things, its capital structure, restrictions on voting rights and the transfer of securities, significant shareholdings in Ahold, the rules governing the appointment and dismissal of members of the Corporate Executive Board and the Supervisory Board and the amendment of the Articles of Association, the powers of the Corporate Executive Board (in particular the power to issue shares or to repurchase shares), significant agreements to which Ahold is a party and which are put into effect, changed, or dissolved upon a change of control of Ahold following a takeover bid, and any agreements between Ahold and the members of the Corporate Executive Board or employees providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate governance* section and under *Investors*, and the notes referred to in these sections, or included in the description of any relevant contract.

Compliance with Dutch Corporate Governance Code

Ahold applies the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company, to the Corporate Executive Board and to the Supervisory Board, in the manner set out in the *Governance* section, as long as it does not entail disclosure of commercially sensitive information, as accepted under the code. The Dutch Corporate Governance Code was last amended on December 10, 2008, and can be found at www.commissiecorporategovernance.nl.

Ahold's shareholders consented to apply the Dutch Corporate Governance Code during the Extraordinary General Meeting of Shareholders on March 3, 2004. Ahold continues to seek ways to improve its corporate governance by measuring itself against international best practice.

Corporate Governance statement

This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) last amended on January 1, 2010 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code (published at www.commissiecorporategovernance.nl), as required by article 3 of the Decree, can be found in the section *Compliance with the Dutch Corporate Governance Code*
- The information concerning Ahold's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant sections under *How we manage risk*
- The information regarding the functioning of Ahold's General Meeting of Shareholders, and the authority and rights of Ahold's shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders' rights*
- The information regarding the composition and functioning of Ahold's Corporate Executive Board and the Company's Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant sections under *Corporate governance*
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive*

Supervisory Board report

The Supervisory Board is an independent corporate body responsible for supervising and advising Ahold's Corporate Executive Board and overseeing the general course of affairs and strategy of the Company.

The Supervisory Board is guided in its duties by Ahold's interests, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

Composition of the Supervisory Board

Ahold's Supervisory Board determines the number of its members. The Supervisory Board profile is published on Ahold's public website at www.ahold.com. The composition of the Supervisory Board should match this profile in terms of combined experience and expertise, independence and variety of ages and genders. The Supervisory Board is of the opinion that its composition is currently in accordance with the profile.

The Supervisory Board Charter states that if a member is concurrently a member of another company's Supervisory Board, the main duties arising from and / or the number and nature of any other supervisory board memberships must not conflict or interfere with that person's duties as a member of Ahold's Supervisory Board. On April 20, 2011, the General Meeting of Shareholders appointed Rob van den Bergh as member of the Supervisory Board and reappointed Tom de Swaan for a second term. On April 17, 2012, René Dahan and Mark McGrath will be nominated for reappointment.

Induction

Ongoing education is an important part of good governance. New members of the Supervisory Board attend a full-day induction program at Ahold's Corporate Center in Amsterdam at which they are briefed on their responsibilities as members of the Supervisory Board and informed by senior management on the financial, social, corporate responsibility, human resources, legal, and reporting affairs of the Company and its businesses. Throughout the year, all members of the Supervisory Board visit several operating companies and other parts of the business to gain greater familiarity with senior management, and to develop deeper knowledge of local operations, opportunities, and challenges.

Supervisory Board
Diversity profile

Name	Date of birth	American	European	Retail	Food industry	Finance	Social / employment	CR	Disclosure / communication	Marketing	Management experience	Active management	Gender
René Dahan	August 26, 1941	•	•				•		•		•		m
Derk Doijer	October 9, 1949		•	•	•						•		m
Stephanie Shern	January 7, 1948	•		•		•				•	•		f
Judith Sprieser	August 3, 1953	•	•		•	•	•		•		•		f
Tom de Swaan	March 4, 1946		•			•	•		•		•		m
Mark McGrath	August 10, 1946	•		•	•					•	•		m
Ben Noteboom	July 4, 1958		•				•	•	•	•	•	•	m
Rob van den Bergh	April 10, 1950		•						•		•		m

Retirement and reappointment schedule

Name	Date of initial appointment	Date of reappointment	Date of possible reappointment
René Dahan	June 2, 2004	April 23, 2008	2012
Derk Doijer	May 18, 2005	April 28, 2009	2013
Stephanie Shern	May 18, 2005	April 28, 2009	2013
Judith Sprieser	May 18, 2006	April 13, 2010	2014
Tom de Swaan	May 3, 2007	April 20, 2011	2015
Mark McGrath	April 23, 2008		2012
Ben Noteboom	April 28, 2009		2013
Rob van den Bergh	April 20, 2011		2015

Meetings and activities of the Supervisory Board

In 2011, the Supervisory Board held seven meetings in person and two meetings by conference call. The members of the Corporate Executive Board attended the meetings and other members of senior corporate, continental, and local management were regularly invited to present. The Supervisory Board held one private meeting without other attendees to independently review certain issues and to discuss matters related to the functioning of the Corporate Executive and Supervisory Boards. The external auditor attended the meeting on March 2, 2011, at which the 2010 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders. In a separate private meeting attended by the CEO, the Supervisory Board assessed its own performance, that of its committees and its individual members, as well as the performance of the Corporate Executive Board and its individual members. The performance assessment was based upon a questionnaire distributed in advance to the members of the Supervisory Board. The members of the Supervisory Board have regular contact with the members of the Corporate Executive Board and other company management outside of the scheduled meetings of the Supervisory Board.

During 2011, the Supervisory Board reviewed matters related to all aspects of Ahold's activities, results, strategies, and management, but focused specifically on two important areas:

- Decisions on nominations for appointments to the Corporate Executive Board with the assistance of the Selection and Appointment Committee
- The Company's long-term strategy with particular emphasis on strategic growth options

With the assistance of the Audit Committee, the Supervisory Board:

- Reviewed the financial reporting process and, in particular, quarterly interim reports and the 2010 Annual Report
- Reviewed reports related to the enterprise risk management of the Group
- Reviewed updates on projects in the field of mergers and acquisitions
- Reviewed the reports by the internal and the external auditor
- Approved the proposal for the nomination of the external auditor
- Reviewed long-term business plan and finance plan
- Reviewed and approved the annual budget
- Reviewed updates on the functioning of IT systems and the implementation of improvements, where necessary
- Regularly reviewed the European and U.S. businesses
- Reviewed Company strategy as part of the annual strategic planning cycle, including specific reviews of several strategic growth options
- Reviewed Ahold's corporate responsibility strategy and initiatives and the 2010 Corporate Responsibility Report
- Reviewed regular updates on major legal proceedings with potential impact on Ahold
- Reviewed reports of the various committees of the Supervisory Board
- Regularly assessed the functioning of the Corporate Executive Board
- Regularly assessed organizational strategy, talent management, and succession planning

Attendance, independence

No Supervisory Board member was frequently absent from the meetings held in 2011. The Supervisory Board confirms that as of February 29, 2012, all Supervisory Board members are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

Remuneration

The annual remuneration of the members of the Supervisory Board was determined by the General Meeting of Shareholders on April 13, 2010. Remuneration is subject to a yearly review by the Supervisory Board.

Chairman Supervisory Board	€65,000
Vice Chairman Supervisory Board	€60,000
Member Supervisory Board	€50,000
Chairman Audit Committee	€12,000
Member Audit Committee	€10,000
Chairman Remuneration Committee	€7,000
Member Remuneration Committee	€5,000
Chairman Selection and Appointment Committee	€7,000
Member Selection and Appointment Committee	€5,000
Travel compensation[1] intercontinental	€5,000
Travel compensation[1] continental	€1,500

1 Travel compensation per round trip air travel.

Committees of the Supervisory Board

The Supervisory Board has three permanent committees to which certain tasks are assigned. The committees provide the Supervisory Board with regular updates of their meetings. The composition of each committee is detailed in the following table.

	Audit Committee	Remuneration Committee	Selection and Appointment Committee
René Dahan, Chairman			Chairman
Tom de Swaan, Vice Chairman	Chairman		
Derk Doijer		Chairman	Member
Stephanie Shern	Member	Member	
Judith Sprieser	Member	Member	
Mark McGrath		Member	Member
Ben Noteboom		Member	Member
Rob van den Bergh	Member		Member

Audit Committee

The Audit Committee assists the Supervisory Board in its responsibility to oversee Ahold's financing, financial statements, financial reporting process, and system of internal business controls and risk management. The Chief Executive Officer, Chief Financial Officer, Chief Corporate Governance Counsel, Chief Commercial & Development Officer, Senior Vice President Internal Audit, and representatives of the external auditor are invited to the Audit Committee meetings. Other members of senior staff are invited when the Audit Committee deems it necessary or appropriate. The Audit Committee determines how the external auditor should be involved in the content and publication of financial reports other than the financial statements. The Corporate Executive Board and the Audit Committee report to the Supervisory Board annually on their dealings with the external auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external auditor that is submitted to the General Meeting of Shareholders.

In 2011, the Audit Committee held four meetings in person and one conference call to review the publication of quarterly results.

Throughout the year, the Audit Committee closely monitored the financial closing process. Updates on internal controls were provided during all Audit Committee meetings. The Audit Committee was informed regularly on litigation and related exposure, reviewed and received regular updates on Ahold's whistleblower program, and was updated on the refinancing of the €1.2 billion syndicated credit facility.

The Audit Committee further discussed items including:

- Quarterly interim reports
- Annual trading statement
- 2010 Annual Report and financial statements
- Review and approval of the internal audit plan
- Review of and discussions on the findings in the internal audit letter and the management letter of the external auditor
- Ahold's finance structure
- Treasury
- Capital investment reappraisals
- Tax
- Pensions
- Guarantees
- Enterprise risk management
- Insurance
- Appointment of the external auditor
- Code of Conduct

The Audit Committee and the chairman of the Audit Committee also held private individual meetings with the Chief Executive Officer, Chief Financial Officer, Senior Vice President Internal Audit, and external auditor.

In a separate private meeting, the Audit Committee reviewed its own functioning as well as that of its individual members. This review concluded that the Audit Committee's composition, its work processes, the scope and depth of its activities, its interfaces with the Corporate Executive Board and the Supervisory Board, and the personal contribution of each individual committee member are satisfactory and adequately serve the Company's needs.

The Supervisory Board has determined that Tom de Swaan and Stephanie Shern are "Audit Committee Financial Experts" within the meaning of the Dutch Corporate Governance Code.

Selection and Appointment Committee

In 2011, the Selection and Appointment Committee held five meetings. Its main areas of focus were the succession issues related to the departure of Kimberly Ross as CFO of the Company and the search for and appointment of the Chief Commercial & Development Officer. It was also involved in organizational and management changes at Ahold Europe and Ahold USA, and discussed overall succession and management development processes at Ahold.

Remuneration Committee

In 2011, the Remuneration Committee held five meetings in person. The Chief Executive Officer was invited to most of these meetings. For a report on remuneration and the activities of the Remuneration Committee, see *Remuneration*.

Conclusion

The Supervisory Board is of the opinion that during the year 2011, its composition, mix and depth of the available expertise, working processes, level and frequency of engagement in all critical Company activities, and access to all necessary and relevant information and the Company's management and staff were fully satisfactory and enabled it to adequately and completely carry out its duties towards all the Company's stakeholders.

The Supervisory Board would like to thank Ahold's shareholders for the trust they have put in the Company and its management. The Supervisory Board also wishes to express its appreciation for the continued dedication and efforts of the Corporate Executive Board and all Ahold's employees.

Supervisory Board

Amsterdam, the Netherlands
February 29, 2012

Remuneration

Ahold's remuneration policy is prepared in accordance with the Dutch Corporate Governance Code and was adopted at the General Meeting of Shareholders on May 18, 2006.

Further details on the Corporate Executive Board members' employment agreements, individual remuneration, pension, shares, and other interests in the Company are outlined in *Notes 31* and *32* to the consolidated financial statements.

Remuneration Committee

The main responsibilities of the Remuneration Committee include:

- Preparing proposals for the Supervisory Board on the remuneration policy for the Corporate Executive Board to be adopted by the General Meeting of Shareholders
- Preparing proposals on the remuneration of individual members of the Corporate Executive Board
- Advising on the level and structure of compensation for senior personnel other than members of the Corporate Executive Board

The Remuneration Committee uses internal and external advisors for market data and recent developments. In 2011, external advisors were hired to provide advice regarding market practices and developments relating to the remuneration policy and short- and long-term incentive plans. Ultimately, the Supervisory Board determines the level and composition of the remuneration components for the individual members of the Corporate Executive Board.

The current members of the Remuneration Committee are Supervisory Board members Derk Doijer (Chairman), Stephanie Shern, Judith Sprieser, Mark McGrath, and Ben Noteboom. In 2011, the Remuneration Committee met five times.

Remuneration policy 2011

Ahold's remuneration policy is focused on Total Direct Compensation, which is benchmarked against a pre-defined peer group.

Total Direct Compensation

The basic elements of the Total Direct Compensation provided to Ahold's Corporate Executive Board members are (1) a base salary, (2) an annual cash incentive and (3) a long-term, equity-based program. An important component of the overall remuneration package is the pension benefit, which is not regarded as a component of Total Direct Compensation.

Peer group

The peer group used to assess the competitiveness of the overall remuneration provided to the Corporate Executive Board is the same as that used to benchmark the performance of the Company. This peer group reflects Ahold's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. In addition, market practice in the Netherlands is considered, and peer group companies are selected based on relevant size, public listing, and liquidity of shares.

Wal-Mart Stores, Inc.	Costco Wholesale Corporation	SuperValu Inc.
Carrefour S.A.	The Kroger Co.	Delhaize Brothers and Co.
Metro A.G.	Target Corporation	(Delhaize Group)
Tesco PLC	Safeway Inc.	Staples, Inc.

To anticipate changes to the peer group, a short list of substitutes has been defined. In selecting the most appropriate replacement, the Supervisory Board uses the same criteria as were used to select the companies in the current peer group.

Base salary

The composition (risk profile) of the existing Total Direct Compensation levels is taken into account when benchmarking base salary levels. The target Total Direct Compensation level is typically around the 50th percentile.

Annual cash incentive plan

The Corporate Executive Board's annual cash incentive plan uses three equally weighted measures: net sales growth, operating margin, and Return on Net Assets (RoNA). The at-target payout as a percentage of base salary is 100 percent, contingent on full achievement of the individual's objectives, with a cap at 125 percent of the base salary. Ahold does not disclose the required performance levels of the measures, as this is considered commercially sensitive information. A claw back provision is embedded in the rules of the Annual Incentive Plan.

Equity-based program: Global Reward Opportunity

Under the Global Reward Opportunity (GRO) program, conditional shares are granted through three- (with a performance hurdle at grant) and five-year (with a performance hurdle at grant and vesting) programs. In principle, plan rules will not be altered during the term of the plan.

The Supervisory Board has set the target value to be granted under GRO for the members of the Corporate Executive Board at 150 percent of base pay. The number of conditional shares to be granted is determined by the at-target value of the grant, the annual cash incentive plan multiplier of the preceding year and the average share price during the six months preceding the date of grant. For example, assuming an at-target grant value of €100,000 and an annual incentive multiplier for the preceding year of 0.8, the value to be granted would be 0.8 x €100,000 = €80,000. Assuming, furthermore, a six-month average share price preceding the date of grant of €8.00, the number of shares to be conditionally granted would be 10,000. Of these 10,000 shares, 5,000 would be granted through the three-year component and 5,000 through the five-year Total Shareholder Return (TSR)-related component. If the annual incentive multiplier is zero, 50 percent of the grant value at target would be granted through the five-year program only.

As a result of the two abovementioned factors (the relation between the annual cash incentive and the GRO program, and the fact that the maximum annual cash incentive multiplier is capped at 1.25), the maximum grant value is 187.5 percent of base salary.

Scenario analyses are prepared regularly to estimate possible future payout levels. These analyses are included in the annual evaluation of the remuneration policy, each of its components, and the mix of these components (the risk profile of the package).

Three-year component

The shares conditionally granted (with a performance hurdle at grant) under this component vest after three years of continued employment. The performance hurdle at grant is the multiplier of the Annual Incentive Plan of the preceding year, which is used to determine the number of shares to be conditionally granted. Corporate Executive Board members must retain these shares for a period of five years from the grant date. They are allowed to sell part of the shares to finance tax due at the date of vesting.

Five-year component

The shares conditionally granted (with a performance hurdle at both grant and vesting) under this component vest at the end of the performance period of five years. Performance at vesting is measured using TSR (share price growth and dividends paid over the performance period) as benchmarked against the TSR performance of the peer group. The number of shares that vest depends on Ahold's ranking within the peer group. No shares will vest if Ahold ranks below the seventh position of the peer group, which consists of 12 companies (including Ahold). The table below indicates the percentage of conditional shares that could vest based on Ahold's ranking within the peer group.

Corporate Executive Board Members

Rank	%	Rank	%	Rank	%	Rank	%
1	150%	4	90%	7	25%	10	0%
2	130%	5	70%	8	0%	11	0%
3	110%	6	50%	9	0%	12	0%

An independent external advisor determines the ranking against the peer group based on TSR performance.

Pension and other contract terms

Pension

The pension plan for Corporate Executive Board members is identical to the pension provision for all other employees of Ahold in the Netherlands and is referred to as a career average pension plan. For every service year at Ahold, a pension amounting to 2.25 percent of the pension-bearing base salary will be granted. The normal retirement age is 65. Under this plan, each Corporate Executive Board member pays a pension premium contribution of approximately one percent of his or her pension-bearing salary. Upon appointment to the Corporate Executive Board, Chief Financial Officer Kimberly Ross, who resigned from Ahold on November 22, 2011 and Chief Operating Officer Ahold USA Lawrence Benjamin, who retired on January 31, 2011, continued their participation in the U.S. pension plan.

Other contract terms

Loans
Ahold does not provide loans or advances to members of the Corporate Executive Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Corporate Executive Board or the Supervisory Board. There have been no such guarantees issued.

Additional arrangements
In addition to the remuneration allocated to Corporate Executive Board members, a number of additional arrangements apply. These include expense allowances, medical insurance, and accident insurance, and are in line with standard practice in the Netherlands.

Employment agreements
The term of appointment for all Corporate Executive Board members is set at four years, while the term of employment is indefinite. If the Company terminates the employment agreement of any member of the Corporate Executive Board, the severance payment is limited to one year's base salary. The same applies if an initial employment agreement for four years is not continued because the Corporate Executive Board member is not reappointed. The employment agreements may be terminated by Ahold with a notice period of 12 months, and by the Corporate Executive Board member with a notice period of six months.

Outlook remuneration policy

No major changes to either the policy or the design of the incentive programs are suggested for 2012.

Declarations

Introduction

This 2011 Ahold Annual Report dated February 29, 2012 (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

For the consolidated and the parent company's 2011 financial statements (jaarrekening) within the meaning of section 2:361 of the Dutch Civil Code, please refer to Financials. The members of the Corporate Executive Board and the Supervisory Board have signed the 2011 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code.

The following sections of this Annual Report together form the management report (jaarverslag) within the meaning of section 2:391 of the Dutch Civil Code: *Group at a glance*, *Performance*, *How we manage risk*, *Our leadership*, *Corporate governance*, *Remuneration,* and the subsection *Remuneration* included in the *Supervisory Board report.*

For other information (overige gegevens) within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection *Other information* under *Financials*, and to the section *Investors*.

Declarations

The members of the Corporate Executive Board as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision confirm that to the best of their knowledge:

- The 2011 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of January 1, 2012, and of the development and performance of the business for the financial year then ended
- The management report includes a description of the principal risks and uncertainties that the Company faces

Corporate Executive Board

Dick Boer	Chief Executive Officer
Lodewijk Hijmans van den Bergh	Executive Vice President and Chief Corporate Governance Counsel

This Annual Report, including the 2011 financial statements, audited by Deloitte Accountants B.V., has been presented to the Supervisory Board. The 2011 financial statements and the independent auditor's report relating to the audit of the 2011 financial statements were discussed with the Audit Committee in the presence of the Corporate Executive Board and the external auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2011 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2011 of €0.40 per common share.

Supervisory Board

René Dahan (Chairman)	Judith Sprieser
Tom de Swaan (Vice Chairman)	Mark McGrath
Derk Doijer	Ben Noteboom
Stephanie Shern	Rob van den Bergh

Financial statements

Consolidated income statement

€ million	Note	2011	2010
Net sales	*7*	**30,271**	29,530
Cost of sales	*8*	**(22,350)**	(21,610)
Gross profit		**7,921**	7,920
Selling expenses		**(5,652)**	(5,714)
General and administrative expenses		**(922)**	(870)
Total operating expenses	*8*	**(6,574)**	(6,584)
Operating income		**1,347**	1,336
Interest income		**20**	18
Interest expense		**(245)**	(288)
Other financial income		**(91)**	11
Net financial expense	*9*	**(316)**	(259)
Income before income taxes		**1,031**	1,077
Income taxes	*10*	**(140)**	(271)
Share in income of joint ventures	*14*	**141**	57
Income from continuing operations		**1,032**	863
Loss from discontinued operations	*5*	**(15)**	(10)
Net income attributable to common shareholders		**1,017**	853
Earnings per share	*29*		
Net income per share attributable to common shareholders			
Basic		**0.92**	0.73
Diluted		**0.89**	0.72
Income per share from continuing operations attributable to common shareholders			
Basic		**0.93**	0.74
Diluted		**0.90**	0.73
Weighted average number of common shares outstanding (in millions)			
Basic		**1,111**	1,169
Diluted		**1,171**	1,230

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

€ million	2011	2010
Net income	**1,017**	853
Currency translation differences in foreign interests:		
Currency translation differences in foreign interests before income taxes	**122**	305
Income taxes	**1**	(1)
Cash flow hedges:		
Fair value gains (losses) in the year	**(34)**	10
Transfers to net income	**(13)**	(29)
Income taxes	**11**	6
Share of other comprehensive income (loss) of joint ventures	**(3)**	(60)
Other comprehensive income	**84**	231
Total comprehensive income attributable to common shareholders	**1,101**	1,084

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

€ million	Note	January 1, 2012	January 2, 2011
Assets			
Property, plant and equipment	*11*	**5,984**	5,827
Investment property	*12*	**593**	582
Intangible assets	*13*	**836**	762
Investments in joint ventures	*14*	**1,087**	1,072
Other non-current financial assets	*15*	**859**	853
Deferred tax assets	*10*	**394**	410
Other non-current assets		**34**	25
Total non-current assets		**9,787**	9,531
Assets held for sale	*5*	**–**	26
Inventories	*16*	**1,466**	1,331
Receivables	*17*	**751**	772
Other current financial assets	*18*	**336**	245
Income taxes receivable		**27**	11
Other current assets		**175**	209
Cash and cash equivalents	*19*	**2,438**	2,600
Total current assets		**5,193**	5,194
Total assets		**14,980**	14,725
Equity and liabilities			
Equity attributable to common shareholders	*20*	**5,877**	5,910
Loans	*21*	**1,489**	1,851
Other non-current financial liabilities	*22*	**1,813**	1,726
Pensions and other post-employment benefits	*23*	**94**	129
Deferred tax liabilities	*10*	**199**	177
Provisions	*24*	**664**	623
Other non-current liabilities	*25*	**230**	217
Total non-current liabilities		**4,489**	4,723
Liabilities related to assets held for sale	*5*	**–**	20
Accounts payable		**2,436**	2,323
Other current financial liabilities	*26*	**648**	216
Income taxes payable		**136**	243
Provisions	*24*	**253**	152
Other current liabilities	*27*	**1,141**	1,138
Total current liabilities		**4,614**	4,092
Total equity and liabilities		**14,980**	14,725

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including accumulated deficit	Equity attributable to common shareholders
Balance as of January 3, 2010		**358**	**9,916**	**(632)**	**(48)**	**(4,154)**	**5,440**
Dividends		–	–	–	–	(272)	(272)
Total comprehensive income		–	–	247	(15)	852	1,084
Share buyback		–	–	–	–	(386)	(386)
Share-based payments		–	–	–	–	44	44
Balance as of January 2, 2011	*20*	**358**	**9,916**	**(385)**	**(63)**	**(3,916)**	**5,910**
Dividends		–	–	–	–	(328)	(328)
Total comprehensive income		–	–	123	(36)	1,014	1,101
Share buyback		–	–	–	–	(837)	(837)
Cancellation of treasury shares		(28)	(822)	–	–	850	–
Share-based payments		–	–	–	–	31	31
Other changes in reserves		–	–	(3)	6	(3)	–
Balance as of January 1, 2012	*20*	**330**	**9,094**	**(265)**	**(93)**	**(3,189)**	**5,877**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

€ million	Note	2011	2010
Operating income		**1,347**	1,336
Adjustments for:			
Depreciation, amortization and impairments		**797**	812
Gains on the sale of assets / disposal groups held for sale – net		**(12)**	(14)
Share-based compensation expenses		**29**	33
Operating cash flows before changes in operating assets and liabilities		**2,161**	2,167
Changes in working capital:			
Changes in inventories		**(103)**	(43)
Changes in receivables and other current assets		**(7)**	(19)
Changes in payables and other current liabilities		**85**	205
Changes in non-current assets and liabilities		**(138)**	(76)
Cash generated from operations		**1,998**	2,234
Income taxes paid		**(212)**	(123)
Operating cash flows from continuing operations		**1,786**	2,111
Operating cash flows from discontinued operations		**(10)**	(8)
Net cash from operating activities		**1,776**	2,103
Purchase of non-current assets		**(755)**	(870)
Divestments of assets / disposal groups held for sale		**23**	32
Acquisition of businesses, net of cash acquired	*28*	**(30)**	(159)
Divestment of businesses, net of cash divested	*28*	**(13)**	(34)
Changes in short-term deposits		**71**	85
Dividends from joint ventures		**130**	111
Interest received		**27**	15
Other		**50**	12
Investing cash flows from continuing operations		**(497)**	(808)
Net cash from investing activities		**(497)**	(808)
Interest paid		**(246)**	(287)
Repayments of loans		**(17)**	(419)
Repayments of finance lease liabilities		**(60)**	(54)
Dividends paid on common shares		**(328)**	(272)
Share buyback		**(837)**	(386)
Other		**(13)**	(30)
Financing cash flows from continuing operations		**(1,501)**	(1,448)
Financing cash flows from discontinued operations		**(4)**	(4)
Net cash from financing activities		**(1,505)**	(1,452)
Net cash from operating, investing, and financing activities	*28*	**(226)**	(157)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold N.V. (Ahold or the Company or Group or Ahold Group), a public limited liability company with its registered seat in Zaandam, the Netherlands, and its head office in Amsterdam, the Netherlands, is the operation of retail stores in Europe and the United States through subsidiaries and joint ventures. Ahold's significant subsidiaries, joint ventures and associates are listed in *Note 36*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. As the financial data of Koninklijke Ahold N.V. (the parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Historical cost is used as the measurement basis unless otherwise indicated.

Ahold's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2011 consisted of 52 weeks and ended on January 1, 2012. The comparative financial year 2010 consisted of 52 weeks and ended on January 2, 2011.

These consolidated financial statements are presented in euros (€). The following exchange rates of the euro against the U.S. dollar ($) have been used in the preparation of these financial statements:

	2011	2010
Average exchange rate	**0.7189**	0.7555
Year-end closing exchange rate	**0.7724**	0.7474

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. All assumptions, expectations, and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold's future performance for which management believes there is a reasonable basis. They involve risks, uncertainties, and other factors that could cause the Company's actual future results, performance, and achievements to differ materially from those forecasted. The estimates, assumptions, and judgments that management considers most critical relate to:

- Vendor allowances (*Note 3*)
- Leases and sale and leaseback transactions (*Note 3*)
- Impairments (*Note 3*)
- Income taxes (*Notes 3* and *10*)
- Equity method of accounting for ICA (*Note 14*)
- Company and multi-employer pension obligations (*Note 23*)
- Provisions and contingencies (*Notes 24* and *34*)

3 Significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income, and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities, and contingent liabilities recognized.

Foreign currency translation

The financial statements of subsidiaries, joint ventures, and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Investments in joint ventures and associates with a functional currency other than the euro are translated into euros using exchange rates prevailing on the balance sheet date. Exchange rate differences arising during consolidation and on the translation of investments in joint ventures and associates are included in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in equity, in the currency translation reserve.

3 Significant accounting policies continued

On the disposal of a foreign operation resulting in loss of control, loss of joint control, or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement. On the partial disposal of a foreign operation not resulting in loss of control, the related cumulative exchange rate difference that was included in equity is proportionately re-attributed to the non-controlling interests in that foreign operation. On the disposal of a foreign operation not resulting in loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is proportionately transferred to the consolidated income statement.

Segmentation

Ahold's operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Corporate Executive Board to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated.

Performance of the segments is evaluated against several measures, of which operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties. Net sales are attributed to geographic regions based on the location of stores.

Net sales

Ahold generates and recognizes net sales to retail customers at the point of sale in its stores and upon delivery of groceries to internet customers. Ahold also generates revenues from the sale of products to retail franchisees that are recognized upon delivery. Ahold recognizes franchise fees as revenue when all material services relating to the contract have been substantially performed. Future discounts earned by customers in connection with bonus or loyalty cards and other company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of lottery tickets, third-party prepaid phone cards, stamps, and public transportation tickets, Ahold acts as an agent and consequently records the amount of commission income in its net sales. Net sales exclude sales taxes and value-added taxes.

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing, storing, rent, depreciation of property, plant and equipment, salaries, and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Vendor allowances

Ahold receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract. Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue or a reimbursement of costs. Ahold recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably, and receipt is probable.

The accounting for vendor allowances requires a number of estimates. First, the Company must estimate the allowances that are earned based on the fulfillment of its related obligations, many of which require management to estimate the volume of purchases that will be made during a period of time. Second, the Company needs to estimate the amount of related product that was sold and the amount that remains in ending inventories and accordingly allocate the allowance to cost of sales or inventories. Management makes this estimate based on the turnover of the inventories and allocates a portion of the related vendor allowance to ending inventories until such product is estimated to have been sold to customers.

Selling expenses

Selling expenses consist of store employees' salaries and wages, store expenses, rent income and rent expense or depreciation related to stores, advertising costs, and other selling expenses.

General and administrative expenses

General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses.

Share-based compensation

The grant date fair value of share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g. total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g. continued employment) are satisfied.

3 Significant accounting policies continued

Income taxes

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity. Current tax expense is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, and adjustments for current taxes payable (receivable) for prior years. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income. Deferred tax assets and liabilities are generally recognized for all temporary differences, except to the extent that a deferred tax liability arises from the initial recognition of goodwill. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognized to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. Current income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset and when the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The ultimate tax effects of some transactions can be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is more likely than not that additional taxes will be due. These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances the liabilities are presented as a reduction to deferred tax assets.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead dividends received are recognized in the consolidated income statement.

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30 – 40 years
Building components	7 – 20 years
Machinery and equipment	5 – 12 years
Other	3 – 10 years

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

3 Significant accounting policies continued

Investment property

Investment property consists of land and buildings held by Ahold to earn rental income or for capital appreciation, or both. These properties are not used by Ahold in the ordinary course of business. Ahold often owns (or leases under a finance lease) shopping centers containing both an Ahold store and third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold in its retail operations. Ahold recognizes the part of an owned (or leased under a finance lease) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Leases and sale and leaseback transactions

Leases

Ahold is a lessee of land, buildings, and equipment under operating and finance lease arrangements. Ahold classifies its leases as finance leases when the lease agreement transfers substantially all the risks and rewards of ownership to Ahold. For leases determined to be finance leases, the asset and liability are recognized at the inception of the lease at an amount equal either to the fair value of the leased asset or the present value of the minimum lease payments during the lease term, whichever is lower. Lease payments are apportioned between interest charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability balance. Contingent rentals are expensed as incurred.

Leases that do not qualify as finance leases are classified as operating leases, and the related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any rent-free period during which Ahold has the right to use the asset. Payments made to Ahold representing incentives to sign a new lease or representing reimbursements for leasehold improvements are deferred and recognized on a straight-line basis over the term of the lease as reductions to rental expense.

For leases with renewal options where the renewal is reasonably assured, the lease term used to (i) determine the appropriate lease classification, (ii) compute periodic rental expense, and (iii) depreciate leasehold improvements (unless their economic lives are shorter) includes the periods of expected renewals.

Determining whether a lease agreement is a finance or an operating lease requires judgment on various aspects. These include the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and the determination of an appropriate discount rate to calculate the present value of the minimum lease payments.

Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the income statement immediately if (i) Ahold does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments, and (ii) these transactions occur at fair value. Any gain or loss on sale and finance leaseback transactions is deferred and amortized over the term of the lease. In classifying the leaseback in a sale and leaseback transaction, similar judgments have to be made as described above under *Leases*.

In some sale and leaseback arrangements, Ahold sells a property and only leases back a portion of that property. These properties generally involve shopping centers, which contain an Ahold store as well as other stores leased to third-party retailers. In such situations, Ahold recognizes a sale and the resulting profit on the portion of the shopping center that is not leased back to the extent that (i) the property is sold for fair value and (ii) the risks and rewards of owning stores that are not leased back to Ahold have been fully transferred to the buyer. The leaseback of the Ahold store and any gain on the sale of the Ahold store is accounted for under the sale and leaseback criteria described above.

In some sale and leaseback arrangements, Ahold subleases the property to third parties (including franchisees) or maintains a form of continuing involvement in the property sold, such as earn-out provisions or obligations or options to repurchase the property. In such situations, the transaction generally does not qualify for sale and leaseback accounting, but rather is accounted for as a financing transaction (financing). The carrying amount of the asset remains on the balance sheet and the sale proceeds are recorded as a financing obligation. The financing obligation is amortized over the lease term, using either the effective interest rate or Ahold's cost of debt rate, whichever is higher. Once Ahold's continuing involvement ends, the sale is accounted for under the sale and leaseback criteria described above.

Intangible assets

Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

3 Significant accounting policies continued

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Other intangible assets are stated at fair value, determined at the date of acquisition of the related underlying business, or at cost if they are separately acquired or represent internally developed software, less accumulated amortization and impairment losses.

Customer relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and to use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred. Lease-related intangible assets, consisting primarily of favorable operating lease contracts acquired in business acquisitions, are measured at the present value of the amount by which the contract terms are favorable relative to market prices at the date of acquisition.

Amortization is computed using the straight-line method based on the estimated useful lives, which are as follows:

Customer relationships	7 – 10 years
Software	3 – 10 years
Lease-related intangibles	remaining duration of the lease
Other	5 – indefinite

The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments in joint ventures and associates

A joint venture is a contractual arrangement whereby Ahold and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial, and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Associates are entities over which Ahold has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

Joint ventures and associates are accounted for using the equity method. Under the equity method, investments in joint ventures and associates are measured at cost and adjusted for post-acquisition changes in Ahold's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial statements of joint ventures and associates to ensure consistency with the accounting policies of the Company.

Unrealized gains on transactions between Ahold and its joint ventures and associates are eliminated to the extent of Ahold's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Impairment of non-current assets other than goodwill

Ahold assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, Ahold estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, Ahold estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes.

The recoverable amount is the higher of an asset's fair value less cost to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

3 Significant accounting policies continued

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. For certain inventories, cost is measured using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution, and selling expenses.

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e. the date that the asset is delivered to or by the Company).

At initial recognition, management classifies its financial assets as either (i) at fair value through profit or loss, (ii) loans and receivables, (iii) held to maturity, or (iv) available for sale, depending on the purpose for which the financial assets were acquired. Financial assets are initially recognized at fair value. For instruments not classified as at fair value through profit or loss, any directly attributable transaction costs are initially recognized as part of the asset value. Directly attributable transaction costs related to financial assets at fair value through profit or loss are expensed when incurred.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active, or if the financial asset represents an unlisted security, the Company establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs. Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are those investments that are either held for trading or designated as such by the Company. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Financial instruments held for trading are measured at fair value and changes therein are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for held to maturity financial assets with maturities greater than 12 months after the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category of financial assets or not classified in any of the other categories. They are measured at fair value based on quoted market prices with changes therein recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to the income statement. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost. Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Loans and short-term borrowings

Loans and short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and short-term borrowings are subsequently stated at amortized cost, unless they are designated as fair value hedges. Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 Significant accounting policies continued

Derivative financial instruments

All derivative financial instruments are recognized initially on a settlement date basis and subsequently remeasured at fair value. Gains and losses resulting from the fair value remeasurement are recognized in the income statement as fair value gains (losses) on financial instruments, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. In order for a derivative financial instrument to qualify as a hedging instrument for accounting purposes, the Company must document (i) at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions and (ii) its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized initially in the cash flow hedging reserve, a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified into the income statement in the same period in which the related exposure impacts the income statement. When a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately recognized in the income statement.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the remaining period to maturity of the hedged item.

Reinsurance assets and liabilities

Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Financial guarantees

Financial guarantees are recognized initially as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognized less cumulative amortization.

Equity

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Cumulative preferred financing shares

Cumulative preferred financing shares, for which dividend payments are not at the discretion of the Company, are classified as non-current financial liabilities and are stated at amortized cost. The dividends on these cumulative preferred financing shares are recognized as interest expense in the income statement, using the effective interest method. From the date when Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares, the cumulative preferred financing shares are classified as a separate class of equity.

Pension and other post-employment benefits

The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognized actuarial gains or losses and unamortized past service costs. Any net asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. No adjustment for the time value of money is made if the Company has an unconditional right to a refund of the full amount of the surplus, even if such a refund is realizable only at a future date.

Defined benefit obligations are actuarially calculated at least annually on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities. Actuarial gains and losses are recognized using the corridor approach, which assumes that actuarial gains and losses may offset each other over the long term. Under this approach, if, for a specific plan, the net unrecognized actuarial gains and losses at the balance sheet date exceed the greater of 10 percent of the fair value of the plan assets and 10 percent of the defined benefit obligation, the excess is taken into account in determining net periodic expense for the subsequent period. The amount then recognized in the subsequent period is the excess divided by the expected remaining average working lives of employees covered by that plan on the balance sheet date.

Past service costs are recognized immediately to the extent that the associated benefits are already vested, and are otherwise amortized on a straight-line basis over the average period until the associated benefits become vested. Results from curtailments or settlements, including the related portion of net unrecognized actuarial gains and losses, are recognized immediately.

3 Significant accounting policies continued

Contributions to defined contribution plans are recognized as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognized on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions the corridor approach is not applied and all actuarial gains and losses are recognized in the income statement immediately.

Provisions

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method, which is based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors, and actual payroll costs.

Restructuring provisions are recognized when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

New accounting policies not yet effective for 2011

The IASB issued several Standards, or revisions thereto, and Interpretations in 2011 and 2010 that are not yet effective for 2011 but will become effective in coming years subject to EU endorsement.

IAS 19, "Employee benefits," was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is in the process of evaluating the full impact of the amendments and intends to adopt them when they are endorsed by the EU in 2013.

IFRS 9, "Financial instruments," addresses the classification, measurement, and recognition of financial assets and financial liabilities. IFRS 9 was issued in parts in November 2009 and October 2010, respectively. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change that is due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement. The Company has yet to assess IFRS 9's full impact.

IFRS 10, "Consolidated financial statements," builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company does not believe that the adoption of IFRS 10 will have a significant effect on its future consolidated financial statements.

IFRS 11, "Joint arrangements," replaces IAS 31, "Interests in joint ventures," and deals with how a joint arrangement in which two or more parties have joint control over an entity should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Company does not believe that the adoption of IFRS 11 will have a significant effect on its future consolidated financial statements.

IFRS 12, "Disclosures of interests in other entities," includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is in the process of evaluating the full impact of IFRS 12.

IFRS 13, "Fair value measurement," aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within the IFRSs. The Company has yet to assess IFRS 13's full impact.

There are no other IFRSs or IFRIC interpretations that have been issued but are not yet effective that are expected to have a material impact on the Company.

Notes to the consolidated financial statements continued

4 Acquisitions

2011 acquisitions

Acquisition of Norkus Foodtown supermarket stores

In May 2011, Stop & Shop acquired five supermarket stores in the New Jersey Shore area from Norkus Enterprises Inc. The total purchase consideration was $26 million (€18 million), including $1 million for working capital items. Goodwill recognized amounted to $22 million (€15 million) and the total amount is expected to be deductible for tax purposes.

Acquisition of King Kullen supermarket stores

In December 2011, Stop & Shop acquired three supermarket locations on Staten Island, New York. The total purchase consideration was $12 million (€9 million). Goodwill recognized amounted to $8 million (€6 million) and is expected to be tax deductible. In January 2012, two of the supermarkets started operating under the Stop & Shop banner and one was closed.

Other 2011 acquisitions

Ahold also completed several other minor acquisitions with a total purchase consideration of €3 million.

All acquisitions were accounted for using the purchase method of accounting.

2010 acquisitions

Acquisition of stores from Ukrop's Super Markets

On February 8, 2010, Ahold announced that Giant Carlisle successfully completed the acquisition of 25 stores from Ukrop's Super Markets, located in the Greater Richmond and Williamsburg areas of Virginia. The purchase consideration was $140 million (€102 million) for 25 stores, equipment, lease agreements, and one new store location, plus inventory and the cancellation of a supplier contract for an additional consideration of $38 million (€29 million). The stores have been converted to and are operating under the Martin's name.

The allocation of the net assets acquired and the goodwill arising on the acquisition date of February 8, 2010 was as follows:

€ million	
Non-current assets	76
Current assets	16
Non-current liabilities	(51)
Current liabilities	(6)
Net assets acquired	35
Goodwill	96
Total purchase consideration	131
Cash acquired	(1)
Acquisition of business, net of cash acquired	130

Goodwill recognized is mainly attributable to intangible assets that do not qualify for separate recognition, such as non-contractual customer relationships. €74 million of the goodwill is deductible for tax purposes.

The acquired stores contributed $458 million (€349 million) to net sales and had a $53 million (€41 million) negative impact on operating income, or a $31 million (€23 million) negative impact on net income in the period from February 8, 2010 to January 2, 2011.

Acquisition of Shaw's supermarket stores

In April 2010, Stop & Shop acquired five Shaw's supermarket stores from Supervalu. The acquired stores are located in Connecticut. The total purchase consideration was $36 million (€26 million). Goodwill recognized amounted to $16 million (€12 million) and the total amount is deductible for tax purposes.

Other 2010 acquisitions

Ahold also completed several other minor acquisitions with a total purchase consideration of €3 million.

All acquisitions were accounted for using the purchase method of accounting.

5 Assets and liabilities held for sale and discontinued operations

Assets and liabilities held for sale

There were no assets and liabilities held for sale at year-end 2011. At year-end 2010 the balances classified as held for sale consisted primarily of property, plant and equipment and liabilities related to financing transactions.

5 Assets and liabilities held for sale and discontinued operations continued

Discontinued operations

Loss from discontinued operations is specified as follows:

€ million	2011	2010
BI-LO / Bruno's	**(5)**	23
Tops	**(5)**	(20)
U.S. Foodservice	**(2)**	(12)
Various[1]	**(3)**	(1)
Results on divestments[2]	**(15)**	(10)
Loss from discontinued operations, net of income taxes	**(15)**	(10)

1 Includes adjustments to the results on various other past divestments.

2 Results on divestments are net of income tax benefits of €7 million and income tax expense of €3 million in 2011 and 2010, respectively.

See *Note 28* for the reconciliation between cash received and results on divestments of discontinued operations.

BI-LO / Bruno's

Two former subsidiaries of Ahold, BI-LO, LLC and Bruno's Supermarkets LLC (BI-LO and Bruno's) filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2009. Related to obligations under the lease guarantees, the Company recognized a provision, after tax, of €62 million in 2009, including tax benefit offsets. In 2010, the reorganized BI-LO exited bankruptcy protection. In 2011 Ahold recognized an increase of €5 million (2010: a reduction of €23 million) in its provision, after tax, within results on divestments.

Tops

Results from the divestments included additional costs under the lease obligations and pension liabilities retained upon the divestment.

U.S. Foodservice

U.S. Foodservice charges relate to expenses incurred under the warranties provided upon the divestment.

For more information on guarantees, representations, and warranties provided upon divestments, see *Note 34*.

6 Segment reporting

Reportable segments

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint ventures ICA and JMR, and Ahold's Corporate Center are presented separately. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 3*.

Reportable segment	Included in the Reportable segment
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle, and Peapod
The Netherlands	Albert Heijn, Etos, Gall & Gall, and albert.nl
Other Europe	Albert (Czech Republic and Slovakia) and Hypernova (Slovakia)

Other	Included in Other
Other retail	Unconsolidated joint ventures ICA and JMR
Corporate Center	Corporate Center staff (the Netherlands, Switzerland and the United States)

Net sales

€ million	2011	2010
Ahold USA	**18,026**	17,783
The Netherlands	**10,506**	10,087
Other Europe	**1,739**	1,660
Ahold Europe	**12,245**	11,747
Ahold Group	**30,271**	29,530

6 Segment reporting continued

Operating income

€ million	2011	2010
Ahold USA	**734**	714
The Netherlands	**675**	688
Other Europe	**18**	10
Ahold Europe	**693**	698
Corporate Center	**(80)**	(76)
Ahold Group	**1,347**	1,336

Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)

€ million	2011	2010
Ahold USA	**582**	773
The Netherlands	**262**	304
Other Europe	**37**	39
Ahold Europe	**299**	343
Corporate Center	**–**	1
Ahold Group	**881**	1,117

Depreciation and amortization of property, plant and equipment, investment property, and intangible assets

€ million	2011	2010
Ahold USA	**510**	527
The Netherlands	**212**	208
Other Europe	**49**	49
Ahold Europe	**261**	257
Corporate Center	**1**	1
Ahold Group	**772**	785

Non-current assets (property, plant and equipment, investment property, and intangible assets)

€ million	2011	2010
Ahold USA	**5,345**	5,132
The Netherlands	**1,616**	1,567
Other Europe	**449**	467
Ahold Europe	**2,065**	2,034
Corporate Center	**3**	5
Ahold Group	**7,413**	7,171

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, and impairment losses and reversals.

6 Segment reporting continued

Segment information joint ventures – Other retail (ICA and JMR)

The information presented below with respect to ICA and JMR (on a 100 percent basis) represents amounts that are not consolidated in the Company's financial statements since the investments in ICA and JMR are accounted for under the equity method, as described in *Notes 3* and *14*.

€ million	2011	2010
Net sales	**13,737**	12,887
Operating income	**430**	404
Net income	**236**	101
Additions to property, plant and equipment, investment property, and intangible assets	**372**	365
Depreciation and amortization	**267**	261
Impairment losses net of reversals	**7**	9
Non-current assets	**3,962**	4,032
Current assets	**2,360**	2,119
Non-current liabilities	**1,092**	1,144
Current liabilities	**3,492**	3,290

7 Net sales

€ million	2011	2010
Sales to retail customers	**27,480**	26,938
Sales to franchisees and franchise fees	**2,228**	2,082
Internet sales	**456**	426
Other sales	**107**	84
Net sales	**30,271**	29,530

8 Expenses by nature

The aggregate of cost of sales and operating expenses is specified by nature as follows:

€ million	2011	2010
Cost of product	**21,285**	20,517
Employee benefit expenses	**4,001**	4,072
Other operational expenses	**2,367**	2,324
Depreciation and amortization	**772**	785
Rent (income) expense – net	**486**	483
Impairment losses and reversals – net	**25**	27
Gains on the sale of assets – net	**(12)**	(14)
Total expenses	**28,924**	28,194

9 Net financial expense

€ million	2011	2010
Interest income	**20**	18
Interest expense	**(245)**	(288)
Gains (losses) on foreign exchange	**(7)**	3
Fair value gains on financial instruments	**20**	10
Other financial expense	**(104)**	(2)
Net financial expense	**(316)**	(259)

Interest income is mainly attributable to the interest on cash and cash equivalents and short-term cash deposits. Interest expense primarily relates to financial liabilities measured at amortized cost (mainly loans, finance lease liabilities, and cumulative preferred financing shares) and interest accretions to provisions.

The gains (losses) on foreign exchange in both 2011 and 2010 mainly result from the foreign exchange translation of the GBP 500 million notes. Foreign exchange results on financial assets and liabilities, including amounts released from the cash flow hedging reserve, are presented as part of net financial expense, within gains (losses) on foreign exchange. Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2011, the Company incurred a net exchange result (including impact of foreign exchange hedging instruments) of €1 million in operating income (2010: losses of €1 million).

The fair value gains on financial instruments primarily resulted from the derivatives related to the GBP 500 million notes (an interest rate and a cross currency swap), which do not qualify for hedge accounting treatment, and were mainly caused by the US dollar interest rate and exchange rate movements. For more information on financial instruments, see *Note 30*.

Other financial expense in 2011 included a loss of €92 million, as a result of a financial guarantee provision, related to the estimated impact of the legal judgment rendered in connection with Stop & Shop Bradlees Lease Litigation with Vornado. For more information, see *Note 34*.

10 Income taxes

Income taxes on continuing operations

The following table specifies the current and deferred tax components of income taxes on continuing operations in the income statement:

€ million	2011	2010
Current income taxes		
Domestic taxes (the Netherlands)	**(111)**	(169)
Foreign taxes		
United States	**42**	(48)
Europe – Other	**(11)**	(4)
Total current tax expense	**(80)**	(221)
Deferred income taxes		
Domestic taxes (the Netherlands)	**(33)**	(10)
Foreign taxes		
United States	**(37)**	(33)
Europe – Other	**10**	(7)
Total deferred tax expense	**(60)**	(50)
Total income taxes on continuing operations	**(140)**	(271)

10 Income taxes continued

Effective income tax rate on continuing operations

Ahold's effective tax rates in the income statement differed from the statutory income tax rate of the Netherlands of 25.0 percent in 2011 and 25.5 percent in 2010. The following table reconciles these statutory income tax rates with the effective income tax rates in the income statement:

	2011		2010	
	€ million	**%**	€ million	%
Income before income taxes	**1,031**		1,077	
Income tax expense at statutory tax rates	**(258)**	**25%**	(275)	25.5%
Adjustments to arrive at effective income tax rates:				
Rate differential (local rates versus the statutory rate of the Netherlands)	**(47)**	**4.6%**	25	(2.3)%
Deferred tax income related to recognition of deferred tax assets-net	**21**	**(2.0)%**	–	–
Deferred tax income due to changes in tax rates	**–**	**–**	4	(0.3)%
Reserves, (non-)deductibles, and discrete items	**144**	**(14)%**	(25)	2.3%
Total income taxes	**(140)**	**13.6%**	(271)	25.2%

"Rate differential" indicates the effect of Ahold's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. "Reserves, (non-)deductibles and discrete items" include one-time events.

During 2011, a tax benefit of €109 million was recognized, resulting from a release of an income tax contingency reserve related to financing transactions that occurred prior to 2004.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to a benefit of €7 million in 2011 and an expense of €3 million in 2010 and has been applied against the result from discontinued operations. Included in the 2011 tax benefit is a €3 million benefit related to the financial obligations under various lease guarantees that the Company had previously provided to landlords of its former BI-LO and Bruno's subsidiaries and a €4 million benefit related to Tops. For further information, see *Notes 5* and *34*.

10 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 1, 2012 and January 2, 2011 (including discontinued operations) are as follows:

€ million	January 3, 2010	Recognized in income statement	Other	January 2, 2011	Recognized in income statement	Other	**January 1, 2012**
Leases and financings	197	11	14	222	8	5	**235**
Pensions and other post-employment benefits	52	(18)	12	46	(30)	–	**16**
Provisions	137	(16)	10	131	(4)	7	**134**
Derivatives and loans	6	(3)	4	7	(2)	11	**16**
Interest	36	(4)	3	35	2	1	**38**
Other	27	21	4	52	30	2	**84**
Total gross deductible temporary differences	455	(9)	47	493	4	26	**523**
Unrecognized deductible temporary differences	(17)	(4)	1	(20)	(30)	(1)	**(51)**
Total recognized deductible temporary differences	438	(13)	48	473	(26)	25	**472**
Tax losses and tax credits	544	(5)	33	572	(273)	17	**316**
Unrecognized tax losses and tax credits	(434)	11	(36)	(459)	324	(4)	**(139)**
Total recognized tax losses and tax credits	110	6	(3)	113	51	13	**177**
Total net deferred tax asset position	548	(7)	45	586	25	38	**649**
Property, plant and equipment and intangible assets	(191)	(48)	(6)	(245)	(81)	(10)	**(336)**
Inventories	(92)	(5)	(6)	(103)	(6)	(3)	**(112)**
Other	(9)	5	(1)	(5)	–	(1)	**(6)**
Total deferred tax liabilities	(292)	(48)	(13)	(353)	(87)	(14)	**(454)**
Net deferred tax assets	256	(55)	32	233	(62)	24	**195**

The column "Other" in the table above includes amounts recorded in equity, the effects of acquisitions, divestments, and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	**January 1, 2012**	January 2, 2011
Deferred tax assets	**394**	410
Deferred tax liabilities	**(199)**	(177)
Net deferred tax assets	**195**	233

10 Income taxes continued

As of January 1, 2012, Ahold had operating and capital loss carryforwards of a total nominal amount of €2,771 million, expiring between 2012 and 2031 (January 2, 2011: €4,057 million). The following table specifies the years in which Ahold's operating and capital loss carryforwards are scheduled to expire:

€ million	2012	2013	2014	2015	2016	2017-2021	2022-2026	After 2026	**Total**
Operating and capital losses	1,417	14	12	43	13	282	502	488	**2,771**

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €2,550 million relates to U.S. state taxes, for which a weighted average tax rate of 6.05 percent applies.

The majority of the above mentioned deferred tax assets relate to tax jurisdictions in which Ahold has suffered a tax loss in the current or a preceding period. Significant judgment is required in determining whether deferred tax assets are realizable. Ahold determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts, and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

Income taxes in equity

Current and deferred income taxes recognized in and transferred from equity in 2011 and 2010 are as follows:

€ million	**2011**	2010
Share-based compensation	**(3)**	7
Cash flow hedges	**11**	6
Currency translation differences in foreign interests	**1**	(1)
Total	**9**	12

11 Property, plant and equipment

€ million	Buildings and land: Stores	Buildings and land: Other	Furnishings, machinery and equipment[1]	Other[1]	Under construction	Total
As of January 3, 2010						
At cost	5,760	551	3,310	68	189	9,878
Accumulated depreciation and impairment losses	(2,054)	(185)	(2,190)	(38)	(4)	(4,471)
Carrying amount	**3,706**	**366**	**1,120**	**30**	**185**	**5,407**
Year ended January 2, 2011						
Additions	89	2	123	12	584	810
Transfers from under construction	357	6	245	2	(610)	–
Acquisitions through business combinations	89	–	10	1	–	100
Depreciation	(314)	(21)	(338)	(8)	(1)	(682)
Impairment losses	(23)	–	(6)	–	–	(29)
Assets classified as held for sale or sold	(25)	–	1	–	(3)	(27)
Other movements	(40)	(2)	1	–	(1)	(42)
Exchange rate differences	215	12	50	2	11	290
Closing carrying amount	**4,054**	**363**	**1,206**	**39**	**165**	**5,827**
As of January 2, 2011						
At cost	6,471	555	3,716	86	165	10,993
Accumulated depreciation and impairment losses	(2,417)	(192)	(2,510)	(47)	–	(5,166)
Carrying amount	**4,054**	**363**	**1,206**	**39**	**165**	**5,827**
Year ended January 1, 2012						
Additions	145	6	110	10	423	694
Transfers from under construction	190	5	227	2	(424)	–
Acquisitions through business combinations	32	–	2	–	–	34
Depreciation	(318)	(20)	(337)	(7)	–	(682)
Impairment losses	(21)	–	(7)	–	–	(28)
Impairment reversals	4	–	1	–	–	5
Assets classified as held for sale or sold	1	3	1	–	–	5
Other movements	(10)	–	1	–	6	(3)
Exchange rate differences	99	3	25	1	4	132
Closing carrying amount	**4,176**	**360**	**1,229**	**45**	**174**	**5,984**
As of January 1, 2012						
At cost	6,829	567	3,918	95	174	11,583
Accumulated depreciation and impairment losses	(2,653)	(207)	(2,689)	(50)	–	(5,599)
Carrying amount	**4,176**	**360**	**1,229**	**45**	**174**	**5,984**

[1] Furnishings were reclassified from the category 'Other' to 'Furnishings, machinery and equipment'.

Buildings and land includes improvements to these assets. "Other" buildings and land mainly includes distribution centers. "Other" property, plant and equipment mainly consists of trucks, trailers, and other vehicles. Assets under construction mainly consists of stores.

In 2011, Ahold recognized impairment losses of €28 million. These were related to Ahold USA (€25 million), Other Europe (€2 million), and the Netherlands (€1 million). The carrying amount of the affected assets exceeded the higher of their value in use and fair value less costs to sell. These methods involve estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 7.6 percent and 10.5 percent (2010: 7.8 percent–12.1 percent).

11 Property, plant and equipment continued

The additions to property, plant and equipment include capitalized borrowing costs of €2 million (2010: €3 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 4.6 percent and 7.6 percent (2010: 5.2 percent–9.5 percent).

Other movements mainly include transfers to and from investment property.

The carrying amount of land and buildings includes an amount related to assets held under finance leases and financings of €850 million and €196 million (January 2, 2011: €795 million and €203 million), respectively. In addition, the carrying amount of machinery and equipment includes an amount of €5 million (January 2, 2011: €6 million) relating to assets held under finance leases. Ahold does not have legal title to these assets. Company-owned property, plant and equipment with a carrying amount of €67 million (January 2, 2011: €74 million) has been pledged as security for liabilities, mainly for loans.

12 Investment property

€ million	**2011**	2010
At the beginning of the year		
At cost	**809**	734
Accumulated depreciation and impairment losses	**(227)**	(203)
Carrying amount	**582**	531
Additions	**27**	16
Acquisitions through business combinations	**–**	–
Depreciation	**(23)**	(25)
Impairment losses	**(1)**	(1)
Assets classified from / (to) held for sale or sold	**(7)**	(5)
Transfers from property, plant and equipment	**3**	37
Exchange rate differences	**12**	29
Closing carrying amount	**593**	582
At the end of the year		
At cost	**870**	809
Accumulated depreciation and impairment losses	**(277)**	(227)
Carrying amount	**593**	582

A significant portion of Ahold's investment property is comprised of shopping centers containing both an Ahold store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold in its retail operations. Ahold recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

In 2011, Ahold recognized impairment losses of €1 million related to Other Europe.

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €40 million and €53 million (January 2, 2011: €45 million and €51 million), respectively. Ahold does not have legal title to these assets. Company-owned investment property with a carrying amount of €70 million (January 2, 2011: €70 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 1, 2012 amounted to approximately €835 million (January 2, 2011: €745 million). Fair value represents the price at which a property could be sold to a knowledgeable, willing party, and has generally been determined based on internal appraisals, using discounted cash flow projections. For mixed use properties and properties held for strategic purposes, Ahold cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property included in the income statement in 2011 amounted to €72 million (2010: €67 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2011 amounted to €30 million (2010: €27 million).

13 Intangible assets

€ million	Goodwill	Lease-related intangibles	Software	Customer relationships	Under development	Other	Total
As of January 3, 2010							
At cost	257	225	464	40	70	131	1,187
Accumulated amortization and impairment losses	(3)	(117)	(374)	(31)	–	(43)	(568)
Carrying amount	**254**	**108**	**90**	**9**	**70**	**88**	**619**
Year ended January 2, 2011							
Additions	–	–	15	–	46	9	70
Transfers from under development	–	–	11	–	(13)	2	–
Acquisitions through business combinations	111	1	–	8	–	1	121
Amortization	–	(11)	(47)	(4)	(6)	(10)	(78)
Assets classified as held for sale or sold	–	–	–	–	(2)	–	(2)
Other movements	–	6	–	(1)	–	1	6
Exchange rate differences	8	7	3	1	3	4	26
Closing carrying amount	**373**	**111**	**72**	**13**	**98**	**95**	**762**
As of January 2, 2011							
At cost	376	240	509	48	98	151	1,422
Accumulated amortization and impairment losses	(3)	(129)	(437)	(35)	–	(56)	(660)
Carrying amount	**373**	**111**	**72**	**13**	**98**	**95**	**762**
Year ended January 1, 2012							
Additions	–	1	8	–	85	6	100
Transfers from under development	–	–	12	–	(17)	5	–
Acquisitions through business combinations	24	1	–	–	–	1	26
Amortization	–	(10)	(44)	(3)	–	(10)	(67)
Impairment losses	–	(1)	–	–	–	–	(1)
Other movements	–	(1)	–	–	–	1	–
Exchange rate differences	7	3	–	–	4	2	16
Closing carrying amount	**404**	**104**	**48**	**10**	**170**	**100**	**836**
As of January 1, 2012							
At cost	407	248	545	49	170	166	1,585
Accumulated amortization and impairment losses	(3)	(144)	(497)	(39)	–	(66)	(749)
Carrying amount	**404**	**104**	**48**	**10**	**170**	**100**	**836**

Goodwill recognized on acquisitions in 2011 relates mainly to the acquisition of Norkus Foodtown supermarket stores and King Kullen supermarket stores at Ahold USA (see *Note 4* for more details). Goodwill recognized on acquisitions in 2010 relates mainly to the acquisitions of stores from Ukrop's Super Markets and Shaw's supermarket stores at Ahold USA.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination.

13 Intangible assets continued

The carrying amounts of goodwill allocated to CGUs within Ahold's reportable segments are as follows:

€ million		**January 1, 2012**	January 2, 2011
Reportable segment	**Cash generating unit**		
Ahold USA	Stop & Shop New England	**12**	7
	Stop & Shop New York Metro	**23**	5
	Giant Carlisle	**164**	158
	Peapod	**20**	19
The Netherlands	Albert Heijn	**152**	151
	Etos	**6**	6
	Gall & Gall	**1**	1
Other Europe	Czech Republic	**26**	26
Ahold Group		**404**	373

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU was determined based on value-in-use calculations. Value-in-use was determined using discounted cash flow projections that generally cover a period of five or ten years and are based on the financial plans approved by the Company's management. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, and operating margins. The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 5.4 percent for Ahold USA, 5.7 percent for the Netherlands, and 7.8 percent for the Czech Republic. The growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in Ahold's main markets. Growth rates used to extrapolate cash flows beyond the explicit forecast period are set such that the return on invested capital never exceeds the weighted average cost of capital of the CGUs.

Lease-related intangible assets consist primarily of favorable operating lease contracts acquired in business acquisitions. Customer relationships consist primarily of pharmacy scripts. Intangible assets under development relate mainly to software development. "Other" mainly includes intangible assets related to location development rights, deed restrictions, and similar assets. Included in "Other" is an intangible asset allocated to Stop & Shop New England with an indefinite useful life and a carrying value of €26 million (2010: €26 million). The useful life of this asset is assessed to be indefinite since it relates to the land portion of an owned location.

The additions to intangibles under development include capitalized borrowing costs of €3 million (2010: €3 million). The capitalization rate used was the same as for property, plant and equipment (see *Note 11).*

14 Investments in joint ventures

Ahold owns 60 percent of the outstanding common shares of ICA AB (ICA), a food retailer operating in Sweden, Norway, and the Baltic states. The 60 percent shareholding does not entitle Ahold to unilateral decision-making authority over ICA due to the shareholders' agreement with the joint venture partner, which provides that strategic, financial, and operational decisions will be made only on the basis of mutual consent. On the basis of this shareholders' agreement, the Company concluded that it has no control over ICA and, consequently, does not consolidate ICA's financial statements.

Ahold has a 49 percent stake in JMR – Gestão de Empresas de Retalho, SGPS. S.A. (JMR). JMR operates food retail stores in Portugal under the brand name Pingo Doce.

For condensed financial information on ICA and JMR, see *Note 6*.

Ahold is also a partner in various smaller joint ventures. Changes in investments in joint ventures are as follows:

€ million	**2011**	2010
Beginning of the year	**1,072**	1,066
Share in income of joint ventures	**141**	57
Dividend	**(130)**	(111)
Share of other comprehensive income (loss)	**(3)**	(60)
Other changes in equity of joint ventures	**2**	1
Exchange rate differences	**5**	119
End of the year	**1,087**	1,072

15 Other non-current financial assets

€ million	January 1, 2012	January 2, 2011
Derivative financial instruments	**239**	346
Defined benefit asset	**498**	408
Reinsurance assets	**64**	58
Loans receivable	**32**	32
Other	**26**	9
Total other non-current financial assets	**859**	853

For more information on derivative financial instruments and fair values, see *Note 30*.

The defined benefit asset represents defined benefit pension plans for which the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognized actuarial gains or losses, results in a net asset. For more information on defined benefit plans, see *Note 23*.

Of the non-current loans receivable, €8 million matures between one and five years and €24 million after five years (January 2, 2011: €7 million between one and five years and €25 million after five years). The current portion of loans receivable of €4 million is included in other receivables (January 2, 2011: €67 million).

Under the self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold assumes a share of the reinsurance treaty risks that is measured by Ahold's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Notes 18, 22,* and *26)* on its balance sheet. There were no significant gains or losses related to this pooling arrangement during 2011 or 2010.

16 Inventories

€ million	January 1, 2012	January 2, 2011
Finished products and merchandise inventories	**1,468**	1,330
Raw materials, packaging materials, technical supplies, and other	**41**	45
	1,509	1,375
Valuation allowance	**(43)**	(44)
Total inventories	**1,466**	1,331

In 2011, €549 million has been recognized as a write-off of inventories in the income statement (2010: €568 million).

17 Receivables

€ million	January 1, 2012	January 2, 2011
Trade receivables	**385**	355
Vendor allowance receivables	**214**	223
Other receivables	**168**	212
	767	790
Provision for impairment	**(16)**	(18)
Total receivables	**751**	772

Other receivables include the current portion of loans receivable of €4 million (January 2, 2011: €67 million). The current portion of loans receivable as of January 2, 2011, included €58 million of preference shares, which carried an accumulated fixed cumulative dividend of 6.5 percent per year. These preference shares were acquired upon the sale of Schuitema in 2008 and were held for a maximum term of three years up to April 22, 2011.

At January 1, 2012, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	**385**	**326**	**48**	**2**	**3**	**6**
Vendor allowance receivables	**214**	**166**	**45**	**1**	**1**	**1**
Other receivables	**168**	**100**	**40**	**13**	**7**	**8**
	767	**592**	**133**	**16**	**11**	**15**
Provision for impairment	**(16)**	**(1)**	**(1)**	**(1)**	**(2)**	**(11)**
Total receivables	**751**	**591**	**132**	**15**	**9**	**4**

At January 2, 2011, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	355	307	36	3	3	6
Vendor allowance receivables	223	172	44	2	2	3
Other receivables	212	154	36	10	3	9
	790	633	116	15	8	18
Provision for impairment	(18)	–	(1)	(2)	(3)	(12)
Total receivables	772	633	115	13	5	6

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on the aging analysis performed as of January 1, 2012. For more information about credit risk, see *Note 30*.

17 Receivables continued

The changes in the provision for impairment were as follows:

€ million	2011	2010
Beginning of the year	(18)	(19)
Additions	(15)	(15)
Used	7	8
Released to income	10	9
Exchange rate differences	–	(1)
End of the year	**(16)**	(18)

18 Other current financial assets

€ million	January 1, 2012	January 2, 2011
Short-term deposits	154	224
Reinsurance assets – current portion (see *Note 15*)	39	19
Other	143	2
Total other current financial assets	**336**	245

Short-term deposits include cash time deposits. These deposits are fully collateralized, mainly by equity securities and government and sovereign bonds.

As of January 1, 2012, Other mainly consists of a current portion of the derivative financial instruments of €141 million (cash flow hedges) that relate to the EUR 600 million notes due in March 2012.

For more information on financial instruments and fair values, see *Note 30*.

19 Cash and cash equivalents

€ million	January 1, 2012	January 2, 2011
Cash in banks and cash equivalents	2,090	2,312
Cash on hand	348	288
Total cash and cash equivalents	**2,438**	2,600

Of the cash and cash equivalents as of January 1, 2012, €31 million was restricted (January 2, 2011: €21 million). This primarily consisted of cash held for insurance purposes for U.S. workers' compensation and general liability programs and cash held in escrow accounts mainly related to construction activities.

Ahold's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €181 million and €138 million as of January 1, 2012 and January 2, 2011, respectively. No right to offset with other bank balances exists for these book overdraft positions.

20 Equity attributable to common shareholders

Shares and share capital

Authorized share capital is comprised of the following classes of shares as of January 1, 2012:

	€ million
Common shares (1,700,000,000 of €0.30 par value each)	510
Cumulative preferred shares (1,250,000 of €500 par value each)	625
Total authorized share capital	**1,135**

In addition, Ahold has cumulative preferred financing shares outstanding. These cumulative preferred financing shares are considered debt under IFRSs until the date that Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares. Upon this notification, the cumulative preferred financing shares are classified as a separate class of equity since they no longer meet the definition of a liability. For disclosures regarding Ahold's cumulative preferred financing shares, see *Note 22*.

20 Equity attributable to common shareholders continued

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of January 3, 2010	1,191,888	10,674	1,181,214
Share buyback	–	38,718	(38,718)
Share-based payments	–	(2,649)	2,649
Balance as of January 2, 2011	**1,191,888**	**46,743**	**1,145,145**
Share buyback	–	91,624	(91,624)
Cancellation of treasury shares	(91,000)	(91,000)	–
Share-based payments	–	(6,284)	6,284
Balance as of January 1, 2012	**1,100,888**	**41,083**	**1,059,805**

Dividends on common shares

On April 20, 2011, the General Meeting of Shareholders approved the dividend over 2010 of €0.29 per common share (€328 million in the aggregate). The dividend was paid on May 3, 2011. The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a dividend of €0.40 per common share be paid in 2012 with respect to 2011. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of January 1, 2012. The payment of this dividend will not have income tax consequences for the Company.

Share buyback

During 2011 Ahold repurchased a total of 91,623,985 shares for a total amount of €837 million under two share buyback programs, as follows:

On February 24, 2011, Ahold completed its €500 million share buyback program announced on March 4, 2010. The total number of shares repurchased under the program over the period from April 6, 2010, through February 24, 2011, was 50,359,330 common shares (2011: 11,641,727 and 2010: 38,717,603), for a total consideration of €500 million (2011: €114 million and 2010: €386), at an average price of €9.93 (2011: €9.80 and 2010: €9.96).

Furthermore, on March 3, 2011, Ahold announced its decision to return €1 billion to its shareholders by way of a share buyback program to be completed over an 18-month period (this was accelerated to a 12-month period as announced on August 25, 2011). Under this program, 79,982,258 of the Company's own shares were repurchased and delivered in 2011. Shares were repurchased at an average price of €9.04 per share for a total amount of €723 million.

Of the total shares repurchased, 30,000,000 were cancelled on June 7, 2011, and 61,000,000 on December 23, 2011.

Share-based payments

Share-based payments recognized in equity in the amount of €31 million (2010: €44 million) relate to the 2011 GRO share-based compensation expenses of €29 million (2010: €33 million), see *Note 32*, the stock options exercised of €5 million (2010: €4 million), and the current and deferred income taxes recognized in and transferred from equity relating to share-based compensation of negative €3 million (2010: €7 million), see *Note 10.*

20 Equity attributable to common shareholders continued

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could prevent, or at least delay, an attempt by a potential bidder to make a hostile takeover bid. In this respect, but also in other circumstances, this ability may safeguard the interests of the Company and all stakeholders in the Company and resist influences that might conflict with those interests by affecting the Company's continuity, independence, or identity. No cumulative preferred shares were outstanding as of January 1, 2012, or during 2011 and 2010.

In March 1989, the Company entered into an agreement with Stichting Ahold Continuïteit (SAC) as amended and restated in April 1994, March 1997, December 2001, and December 2003 (the Option Agreement). Pursuant to the Option Agreement, SAC was granted an option for no consideration to acquire from the Company, from time to time until December 2016, cumulative preferred shares up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold's share capital, excluding cumulative preferred shares, at the time of exercising the option. In case the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option. The holders of the cumulative preferred shares are entitled to 1,666.67 votes per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1 percent, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on balance sheet total as at the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75 percent. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Corporate Executive Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25 percent of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SAC would then only be entitled to a market-based interest return on its investment.

SAC is a foundation organized under the laws of the Netherlands. Its statutory purpose is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence, or identity. In the case of liquidation, the SAC board of directors will decide on the use of any remaining residual assets. The SAC board of directors has three members, who are appointed by the board of SAC itself.

Legal reserves

In accordance with the Netherlands Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve, and other reserves include non-distributable amounts. From the total equity as per January 1, 2012, of €5,877 million, an amount of €732 million is non-distributable (January 2, 2011: €754 million out of total equity of €5,910 million). See *Note 6* to the parent company financial statements for more detail on the legal reserves.

Notes to the consolidated financial statements continued

21 Loans and credit facilities

The notes in the table below were issued by Ahold or one of its subsidiaries, the latter of which are guaranteed by Ahold unless otherwise noted. All related swap contracts have the same maturity as the underlying debt unless otherwise noted.

€ million	Current portion	Non-current portion		Total	Current portion	Non-current portion		Total
	Within 1 year	Between 1 to 5 years	After 5 years	January 1, 2012	Within 1 year	Between 1 to 5 years	After 5 years	January 2, 2011
Notional redemption amounts								
EUR 600 notes 5.875%, due March 2012[1]	**407**	–	–	**407**	–	407	–	407
GBP 500 notes 6.50%, due March 2017[2,3]	–	–	**280**	**280**	–	–	268	268
USD 94 indebtedness 7.82%, due January 2020[4]	**5**	**27**	**22**	**54**	4	24	29	57
USD 71 indebtedness 8.62%, due January 2025	–	–	**55**	**55**	–	–	53	53
USD 500 notes 6.875%, due May 2029	–	–	**386**	**386**	–	–	374	374
JPY 33,000 notes LIBOR plus 1.5%, due May 2031[5]	–	–	**331**	**331**	–	–	304	304
Deferred financing costs	–	**(2)**	**(2)**	**(4)**	–	(1)	(3)	(4)
Total notes	**412**	**25**	**1,072**	**1,509**	4	430	1,025	1,459
Other loans	**1**	**2**	–	**3**	1	1	–	2
Financing obligations[6]	**13**	**65**	**321**	**399**	11	60	329	400
Mortgages payable[7]	**3**	**4**	–	**7**	3	6	–	9
Total loans	**429**	**96**	**1,393**	**1,918**	19	497	1,354	1,870

1 Notes were swapped to the U.S. dollar at an interest rate of 6.835 percent. During 2005, Ahold bought back a part of the notes with a principal amount of €193 million and terminated a notional portion of the corresponding swap in the same amount.

2 During 2005 Ahold bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million (€300 million) has been reduced by €20 million (2010: €24 million) representing an unamortized adjustment related to a fair value hedge that no longer meets the criteria for hedge accounting.

3 The remaining notional amount of GBP 250 million was, through two swap contracts, swapped to $356 million and carries a six-month floating U.S. dollar interest rate (see *Note 30* for additional information). Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $205 million has been paid down as of January 1, 2012.

4 As of January 1, 2012, $25 million was repaid since inception.

5 Notes were swapped to €299 million at an interest rate of 7.065 percent (see *Note 30* for additional information related to the JPY swap).

6 The average interest rate for the financing obligations amounted to 7.9 percent in 2011 (2010: 7.9 percent).

7 Mortgages payable are collateralized by buildings and land. The average interest rate for these mortgages payable amounted to 7.4 percent in 2011 (2010: 7.5 percent).

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold are disclosed in *Note 30*.

The Company has a Euro Medium Term Note (EMTN) program that had an aggregate of €1,018 million of outstanding notes as of January 1, 2012. The notes issued under the program include the remaining outstanding balances of €600 million, GBP 500 million, and JPY 33,000 million notes, maturing in 2012, 2017, and 2031, respectively. The notes issued under the EMTN program contain customary restrictive covenants. During 2011, Ahold was in compliance with these covenants.

21 Loans and credit facilities continued

Credit facilities

Ahold has access to a €1.2 billion unsecured, committed, multi-currency, and syndicated credit facility, which was refinanced in June 2011. This credit facility may be used for working capital and for general corporate purposes of the Company and provides for the issuance of letters of credit to an aggregate maximum amount of $550 million (€425 million). The expiration date of the facility is June 2016 and includes the possibility of 12-month extensions in each of the first two years.

The facility contains customary covenants and is subject to a financial covenant that requires Ahold not to exceed a maximum leverage ratio, as defined in the facility agreement, of 4.0:1.

During 2011, Ahold was in compliance with these covenants, and as of January 1, 2012, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $287 million (€222 million).

Ahold also has access to various uncommitted credit facility lines serving working capital needs that, as of January 1, 2012, totaled €110 million. No amounts were drawn under these credit facility lines as of January 1, 2012.

22 Other non-current financial liabilities

€ million	**January 1, 2012**	January 2, 2011
Finance lease liabilities	**1,158**	1,096
Cumulative preferred financing shares	**497**	497
Derivative financial instruments	**89**	69
Reinsurance liabilities	**67**	63
Other	**2**	1
Total other non-current financial liabilities	**1,813**	1,726

For more information on derivative financial instruments and fair values, see *Note 30*.

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies. For more information, see *Note 15*.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	January 1, 2012			January 2, 2011		
€ million	**Future minimum lease payments**	**Interest portion**	**Present value of minimum lease payments**	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	**165**	**98**	**67**	154	95	59
Between one and five years	**643**	**331**	**312**	604	331	273
After five years	**1,195**	**349**	**846**	1,193	370	823
Total	**2,003**	**778**	**1,225**	1,951	796	1,155

Current portion finance lease liabilities (see *Note 26*)	**67**	59
Non-current portion finance lease liabilities	**1,158**	1,096

Finance lease liabilities are principally for buildings. Terms range from 10 to 25 years and include renewal options if it is reasonably certain, at the inception of the lease, that they will be exercised. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company-specific interest rate applicable for long-term borrowings is used. As of January 1, 2012, the finance lease liabilities are recorded at their present value at an average interest rate of 8.4 percent (January 2, 2011: 8.7 percent).

22 Other non-current financial liabilities continued

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold's leases impose restrictions on Ahold's ability to pay dividends, incur additional debt, or enter into additional leasing arrangements.

During 2011, interest expense on finance lease liabilities was €94 million (2010: €101 million), of which €3 million related to discontinued operations (2010: €3 million). Total future minimum sublease income expected to be received under non-cancelable subleases as of January 1, 2012, is €156 million (January 2, 2011: €117 million). The total contingent rent expense recognized during the year on finance leases was €1 million (2010: €1 million).

Cumulative preferred financing shares

	Number of shares (x 1,000)	€ million
Issued cumulative preferred financing shares (€0.30 par value each)	268,415	81
Authorized cumulative preferred financing shares (€0.30 par value each)	477,581	143

€ million	Other non-current financial liabilities
Paid-in capital issued cumulative preferred financing shares	81
Additional paid-in capital cumulative preferred financing shares	416
Balance as of January 1, 2012 and January 2, 2011	**497**

The cumulative preferred financing shares were issued in four tranches. Dividends are paid on each preferred financing share at a percentage (Financing Dividend Percentage) that differs per tranche. When a period of 10 years has lapsed after the issue date of a tranche, and every 10 years thereafter (Reset date), the Financing Dividend Percentage is reset. The current Financing Dividend Percentage is 5.93 percent per year for the shares issued in June 1996, 6.08 percent per year for the shares issued in August 1998, 3.85 percent per year for the shares issued in October 2000, and 7.33 percent per year for the shares issued in December 2003. The nominal value plus additional paid-in capital per tranche is €71 million (June 1996 tranche), €46 million (August 1998 tranche), €320 million (October 2000 tranche), and €60 million (December 2003 tranche); in the aggregate €497 million.

The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 75 million. This represents approximately 7 percent of the total number of votes that can be cast (this total being calculated as the sum of the outstanding cumulative preferred financing shares and the outstanding common shares).

The cumulative preferred financing shares are convertible into common shares. The conversion conditions have been set so as to avoid any transfer of value from the common shares to the cumulative preferred financing shares. The maximum number of common shares to be received upon conversion of all outstanding cumulative preferred financing shares is approximately 90 million. The conversion features are similar for all tranches. Conversion is allowed for all shares in one tranche held by one investor but not for fractions of tranches held by one investor. Upon conversion, the holders of (depositary receipts of) cumulative preferred financing shares will receive a number of common shares that is calculated by dividing the value of the cumulative preferred financing shares on the day before the conversion date by the average share price of Ahold common shares on the five trading days preceding the notification date, on the notification date, and on the four trading days following the notification date. The value of the cumulative preferred financing shares will be considered, for this purpose, to be equal to the lower of the nominal value plus the additional paid-in capital of the cumulative preferred financing shares (Par Value) or to the present value of the remaining preferred dividends until the first Reset date plus the present value of the Par Value at the first Reset date.

Subject to the approval of the General Meeting of Shareholders, the Company can redeem the cumulative preferred financing shares of a certain tranche, but not fractions of a tranche. Redemption of a tranche is subject to the approval of the holders of depositary receipts of that tranche, unless all (remaining) cumulative preferred financing shares are redeemed. Redemption takes place at the higher of the Par Value or the present value of the remaining preferred dividends plus the present value of the Par Value at the Reset date.

23 Pensions and other post-employment benefits

Defined benefit plans

Ahold has a number of defined benefit pension plans covering a substantial number of employees, former employees, and retirees in the Netherlands and the United States. Generally, the plans are career average or final average plans. In 2008, the Company decided to transition its defined benefit pension plan for active salaried, non-union, and certain union employees in the United States to a defined contribution pension plan, as further described below. In addition, Ahold provides life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, which the Company funds as claims are incurred.

Net assets relating to one plan are not offset against net liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

€ million	**January 1, 2012**	January 2, 2011
Defined benefit liabilities	**(94)**	(129)
Defined benefit assets	**498**	408
Total defined benefit plans	**404**	279

The defined benefit assets are part of the other non-current financial assets; for more information, see *Note 15*.

Net periodic benefit cost, which is presented in the income statement according to its function as a component of cost of sales, selling expenses, and general and administrative expenses, was as follows:

€ million	**2011**	2010
Current service cost	**73**	76
Interest cost	**182**	174
Expected return on plan assets	**(211)**	(205)
Actuarial losses	**19**	28
Past service cost	**–**	(8)
Total net periodic benefit cost	**63**	65

23 Pensions and other post-employment benefits continued

The changes in the defined benefit obligation and plan assets in 2011 and 2010 were as follows:

	The Netherlands		United States		Total	
€ million	**2011**	2010	**2011**	2010	**2011**	2010
Defined benefit obligation						
Beginning of the year	**2,118**	2,050	**1,297**	1,117	**3,415**	3,167
Current service cost	**55**	58	**18**	18	**73**	76
Interest cost	**111**	101	**71**	73	**182**	174
Actuarial (gains) losses	**(48)**	(17)	**93**	82	**45**	65
Contributions by plan participants	**12**	14	**–**	–	**12**	14
Benefits paid	**(93)**	(88)	**(65)**	(62)	**(158)**	(150)
Other	**–**	–	**3**	(8)	**3**	(8)
Exchange rate differences	**–**	–	**52**	77	**52**	77
End of the year	**2,155**	2,118	**1,469**	1,297	**3,624**	3,415
Plan assets						
Fair value of assets, beginning of the year	**2,476**	2,225	**1,020**	864	**3,496**	3,089
Expected return on plan assets	**141**	137	**70**	68	**211**	205
Actuarial gains (losses)	**109**	72	**(15)**	39	**94**	111
Company contribution	**117**	116	**69**	51	**186**	167
Contributions by plan participants	**12**	14	**–**	–	**12**	14
Benefits paid	**(93)**	(88)	**(65)**	(62)	**(158)**	(150)
Exchange rate differences	**–**	–	**38**	60	**38**	60
Fair value of assets, end of the year	**2,762**	2,476	**1,117**	1,020	**3,879**	3,496
Surplus / (deficit)	**607**	358	**(352)**	(277)	**255**	81
Unrecognized actuarial (gains) losses	**(199)**	(37)	**349**	237	**150**	200
Unrecognized past service cost	**–**	–	**(1)**	(2)	**(1)**	(2)
Net asset / (liability)	**408**	321	**(4)**	(42)	**404**	279

The total defined benefit obligation of €3,624 million as of January 1, 2012, includes €138 million related to plans that are wholly unfunded. These plans include other benefits (such as life insurance and medical care) and supplemental executive retirement plans.

The assets that Ahold has recognized reflect unrecognized actuarial losses as well as Ahold's unconditional right to use surplus assets for the gradual settlement of the plan liabilities over time until all members have left the plan. Therefore, the defined benefit asset is not realizable immediately as of January 1, 2012.

In 2008, the Company decided to transition its defined benefit pension plan for active salaried, non-union, and certain union employees ("eligible employees") in the United States to a defined contribution pension plan. Eligible employees who were at least 50 years of age or had 25 or more years of service as of December 31, 2009, could choose to either stay in the defined benefit plan or transfer to the new 401(k) plan. All other eligible employees were transferred to the new 401(k) plan. Accrued benefits under the defined benefit plan for employees transferred to the new 401(k) plan were frozen for pay and service as of December 31, 2009 (frozen plan). The resulting curtailment gain in 2008 was largely offset by accrued additional (transition) contributions that the Company will make to the new 401(k) plan for a period of five years (2010–2014) to employees meeting certain age or service requirements who were transferred to the new 401(k) plan. The Company intends to settle the frozen accrued benefits in 2012, subject to regulatory approvals. At the settlement date, the resulting gain or loss (i.e. the amortization of the unrecognized actuarial losses, as well as the difference between the value of the benefits under the prevailing rules and the value of the corresponding assets, determined at that time) will be recognized. As of January 1, 2012 the unrecognized actuarial losses of the frozen plan were $67 million (€52 million).

23 Pensions and other post-employment benefits continued

Cash contributions

From 2011 to 2012, Company contributions are expected to increase from €117 million to €123 million in the Netherlands and from $95 million (€69 million) to $118 million (€91 million) in the United States.

As of year-end 2011, the funding ratio, calculated in accordance with regulatory requirements, of the largest Dutch plan was 106 percent and the ongoing U.S. pension plan was 92 percent. Since the frozen plan was terminated effective July 1, 2011, the plan is no longer subject to U.S. funding requirements, but to plan termination rules that will require Ahold to fully fund the liabilities at the time the assets are distributed to settle the plan. Under the financing agreement with the Dutch pension fund, Ahold can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105 percent (€50 million was paid under this agreement in 2009). The contributions to the U.S. plans in 2011 included additional contributions of $38 million (€28 million) in order to bring funding ratios to minimum required levels.

Actuarial assumptions

The assumptions used in the actuarial calculations of the defined benefit obligations and net periodic benefit cost require a large degree of judgment. Actual experience may differ from the assumptions made. The following table provides a summary of the funded status of all defined benefit plans and the experience adjustments (i.e. the part of the actuarial results that is not caused by changes in actuarial assumptions) on defined benefit obligations and plan assets. The experience adjustments for each year relate to the plans included in the balance sheet at the end of that year.

€ million	**2011**	2010	2009	2008	2007
Defined benefit obligations at year end	**(3,624)**	(3,415)	(3,167)	(2,835)	(3,028)
Fair value of plan assets at year end	**3,879**	3,496	3,089	2,636	3,514
Surplus / (deficit)	**255**	81	(78)	(199)	486
Experience gains (losses) on defined benefit obligations	**34**	(25)	2	(29)	39
Experience gains (losses) on plan assets	**93**	112	157	(785)	(156)

The assumptions required to calculate the actuarial present value of benefit obligations and net periodic benefit costs are determined per plan. The key assumptions are as follows (expressed as weighted averages):

	The Netherlands		United States	
Percent	**2011**	2010	**2011**	2010
Discount rate for obligations	**5.4**	5.4	**5.2**	5.8
Expected return on plan assets	**5.9**	6.3	**7.1**	7.3
Future salary increases	**3.9**	3.6	**5.0**	5.0

The discount rates used to calculate the present value of the obligations are based on the market yields on high-quality corporate bonds (i.e. bonds rated AA) with the same currency and term as the obligations. During 2010, Ahold refined the determination of the discount rates to better reflect market conditions. The refinement resulted in increases to the 2010 discount rates by 50 to 60 basis points for the plans in the Netherlands and by 20 to 40 basis points for the plans in the United States.

The following table shows the effect on the defined benefit obligation and on net periodic benefit cost if the discount rate had been 0.5 percentage-points higher or lower as of year-end 2011. Positive amounts represent increases and negative amounts represent decreases in defined benefit obligations and net periodic benefit cost:

€ million	The Netherlands	United States	Total
0.5 percentage-point increase			
Defined benefit obligations at year-end 2011	(177)	(98)	(275)
Net periodic benefit cost 2012	(19)	(8)	(27)
0.5 percentage-point decrease			
Defined benefit obligations at year-end 2011	203	110	313
Net periodic benefit cost 2012	13	11	24

The expected return on plan assets is determined as a weighted-average rate of return based on the current and projected investment portfolio mix of each plan, taking into account the corresponding long-term yields for the separate asset categories, which depend on components such as the risk-free rate of return in real terms, expected inflation and expected risk and liquidity premiums. In addition, actual long-term historical return information is taken into account. The actual return on plan assets in 2011 was 9.5 percent for the Dutch plans (2010: 8.9 percent) and 5.1 percent for the U.S. plans (2010: 11.4 percent).

23 Pensions and other post-employment benefits continued

The assumed medical cost trend rates used in measuring the defined benefit obligations related to medical care plans were 8.5 percent in 2011 and 9.0 percent in 2010, declining to an ultimate trend rate of 5.0 percent as of 2019. Because of the limited size of Ahold's medical care plans, the impact of a 1.0 percentage-point increase or decrease in assumed medical cost trend rates on the defined benefit obligation and net periodic benefit cost would be negligible.

Plan assets

The pension plan asset allocation differs per plan. On a weighted average basis, the allocation was as follows:

	The Netherlands		United States	
Percent	**2011**	2010	**2011**	2010
Equity securities	**22**	34	**32**	38
Debt securities	**56**	51	**59**	55
Real estate	**14**	10	**2**	1
Other	**8**	5	**7**	6
Total	**100**	100	**100**	100

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of Asset Liability Management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined for each plan to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. Currently the strategic targets for asset allocation of the Dutch pension plan are: 25 percent equity securities (including equity derivatives and forward currency contracts), 50 percent debt securities, 15 percent real estate investments, and 10 percent other investments, cash included. To partially hedge against interest rate risk exposure on the pension liabilities, the Dutch pension plan uses interest rate swap contracts. The Dutch early retirement plan has a relatively short remaining term; therefore the plan assets are invested in fixed income securities and cash instruments only.

In the United States, the plan assets are generally managed by outside investment managers and rebalanced periodically. The committees for the various U.S. plans establish investment policies and strategies and regularly monitor the performance of the assets, including the selection of investment managers, setting long-term strategic targets, and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, subject to variation from time to time, or as circumstances warrant. Occasionally, the committees may approve allocations above or below a target range. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and applicable fiduciary standards. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio between assets and plan liabilities without undue exposure to risk. Currently, the strategic targets are: 45 percent equity securities, 45 percent debt securities, and 10 percent other investments. These strategic targets are followed by the ongoing plans; however the weighted average allocations presented above are impacted by the frozen plan, which has 50 percent of its investments in debt securities and 50 percent in cash in order to meet the planned settlement in 2012.

In 2011 and 2010, neither the Dutch nor the U.S. plans had any plan assets invested in Ahold shares.

Defined contribution plans

In the United States and Other Europe, there are defined contribution plans principally in the form of savings, incentive compensation, and bonus plans. In connection with the Company's decision to transition its defined benefit pension plan for active salaried, non-union, and certain union employees in the United States to a defined contribution pension plan, as further described above, a new 401(k) plan was introduced as of January 1, 2009.

During 2011 and 2010, the Company contributed €28 million and €27 million, respectively, to defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2011 and 2010.

Multi-employer plans

A significant number of union employees in the United States are covered by multi-employer plans based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for determining the level of benefits to be provided to participants, as well as the investment of the assets and the administration of the plan.

23 Pensions and other post-employment benefits continued

Most of these plans are defined contribution plans. All plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because sufficient information is not available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold is only one of several employers participating in each of these plans and the financial information that is provided by the third-party managers of the plans on the basis of the contractual agreements is usually insufficient to reliably measure Ahold's proportionate share in the plan assets and liabilities on defined benefit accounting principles. Furthermore, the financial statements of the multi-employer plans are drawn up on the basis of other accounting policies than those applied by Ahold. Consequently, these multi-employer plans are not included in Ahold's balance sheet.

Defined benefit plans

Ahold participates in 14 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. Ahold's participation in these plans varies from less than two percent to over 50 percent. As of January 1, 2012, based on the latest available information received from these plans (generally as of December 31, 2010) adjusted for market trends and conditions through the end of 2011, Ahold's estimated proportionate share in plans with a deficit position is €750 million (2010: €648 million) and its proportionate share in plans with a surplus position is €21 million (2010: €20 million). This is based on an estimated total net deficit of these plans of €10.9 billion (2010: €10.1 billion) and the relative amount of contributions made by Ahold in relation to the total amount of contributions made to these plans. This estimate does not represent Ahold's direct obligation. While this is our best estimate, based upon information available to us, it is imprecise and not necessarily reliable.

During 2011 and 2010, the Company contributed €69 million and €68 million, respectively, to multi-employer defined benefit plans, which has been recognized as an expense in the consolidated income statement. If the underfunded liabilities of these plans are not reduced, either by improved market conditions or collective bargaining changes, increased future payments by the Company and the other participating employers may result. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a substantial withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reasonably estimated. No withdrawal payments were incurred or included in the 2011 and 2010 contributions disclosed above. Ahold's risk of increased contributions and withdrawal liabilities may be greater if any of the participating employers in an underfunded multi-employer plan withdraw from the plan or, due to insolvency, are not able to contribute an amount sufficient to fund the underfunded liabilities associated with their participants in the plan.

Defined contribution plans

Ahold also participates in over 37 multi-employer plans that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. During 2011 and 2010, the Company contributed €219 million and €215 million, respectively, to multi-employer defined contribution plans. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2011 and 2010. These plans vary significantly in size, with contributions to the three largest plans representing 64 percent of total contributions.

24 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
As of January 2, 2011							
Current portion	78	10	13	23	24	4	152
Non-current portion	380	41	33	44	79	46	623
Carrying amount	**458**	**51**	**46**	**67**	**103**	**50**	**775**
Year ended January 1, 2012							
Additions charged to income	107	17	113	11	11	8	267
Used during the year	(96)	(18)	(15)	(25)	(14)	(3)	(171)
Released to income	–	(2)	(6)	(3)	(5)	(1)	(17)
Interest accretion	5	2	1	4	6	1	19
Effect of changes in discount rates	13	1	1	–	3	–	18
Exchange rate differences	19	–	4	–	3	–	26
Closing carrying amount	**506**	**51**	**144**	**54**	**107**	**55**	**917**
As of January 1, 2012							
Current portion	102	12	103	13	18	5	253
Non-current portion	404	39	41	41	89	50	664

Maturities of total provisions as of January 1, 2012, are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
Amount due within one year	102	12	103	13	18	5	253
Amount due between two and five years	243	39	20	21	54	14	391
Amount due after five years	161	–	21	20	35	36	273
Total	**506**	**51**	**144**	**54**	**107**	**55**	**917**

Self-insurance program

Ahold is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation, and property losses relating to its subsidiaries. The maximum self-insurance retention per occurrence, including defense costs, is $2 million (€1 million) for general liability, $5 million (€4 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation, and $8 million (€6 million) for property losses.

Measurement of the provision for the self-insurance program requires significant estimates. These estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation.

Loyalty programs

This provision relates to a third-party customer loyalty program in the Netherlands and reflects the estimated cost of benefits to which customers participating in the loyalty program are entitled.

Claims and legal disputes

The Company is a party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized. The balance of the provision as of January 1, 2012, included €92 million related to an adverse judgment received in Stop & Shop's legal proceedings against Vornado. For more information, see *Note 34*.

24 Provisions continued

Restructuring

In 2011, Ahold recognized restructuring provisions of €11 million, mainly related to Ahold's U.S. operations. The provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed. The balance of the provision as of January 1, 2012, consisted of €32 million related to rent and closing costs for Ahold's former Tops stores and €18 million and €4 million for restructurings within Ahold's Czech and U.S. operations, respectively.

Onerous contracts

Onerous contract provisions mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the obligations under the contracts over the benefits expected to be received under such contracts.

Other

Other provisions include asset retirement obligations, provisions for environmental risks, and supplemental and severance payments, other than those resulting from restructurings.

25 Other non-current liabilities

€ million	**January 1, 2012**	January 2, 2011
Step rent accruals	**187**	168
Deferred income	**29**	35
Other	**14**	14
Total other non-current liabilities	**230**	217

Step rent accruals relate to the equalization of rent payments from lease contracts with scheduled fixed rent increases throughout the life of the contract.

Deferred income predominantly represents the non-current portions of deferred gains on sale and leaseback transactions.

26 Other current financial liabilities

€ million	**January 1, 2012**	January 2, 2011
Finance lease liabilities – current portion (see *Note 22*)	**67**	59
Interest payable	**45**	44
Short-term borrowings	**41**	39
Dividend cumulative preferred financing shares	**24**	30
Reinsurance liabilities – current portion (see *Note 15*)	**41**	20
Loans – current portion (see *Note 21*)	**429**	19
Other	**1**	5
Total other current financial liabilities	**648**	216

27 Other current liabilities

€ million	January 1, 2012	January 2, 2011
Accrued expenses	**584**	553
Compensated absences	**241**	236
Payroll taxes, social security and VAT	**225**	206
Deferred income	**38**	95
Deposit liabilities	**48**	45
Other	**5**	3
Total other current liabilities	**1,141**	1,138

28 Cash flow

The following table presents the reconciliation between the statement of cash flows and the cash and cash equivalents as presented on the balance sheet:

€ million	2011	2010
Cash and cash equivalents at the beginning of the year	**2,600**	2,688
Restricted cash	**(21)**	(22)
Cash and cash equivalents at the beginning of the year, excluding restricted cash	**2,579**	2,666
Net cash from operating, investing and financing activities	**(226)**	(157)
Effect of exchange rate differences on cash and cash equivalents	**54**	70
Restricted cash	**31**	21
Cash and cash equivalents at the end of the year	**2,438**	2,600

The following table presents additional cash flow information:

€ million	2011	2010
Non-cash investing activities		
Accounts payable at year end related to purchased non-current assets	**109**	120
Assets acquired under finance leases from continuing operations	**68**	28
Non-cash financing activities		
Finance lease liabilities originated from continuing operations	**(68)**	(28)
Acquisition of businesses		
Fair value of assets acquired	**(36)**	(129)
Goodwill	**(24)**	(111)
Less: Liabilities assumed	**30**	80
Total consideration paid	**(30)**	(160)
Cash acquired	**–**	1
Acquisition of businesses, net of cash acquired	**(30)**	(159)
Divestments of businesses		
Result on divestments of discontinued operations before income taxes	**(22)**	(7)
Changes in accounts receivable / payable and provisions – net	**9**	(27)
Divestment of businesses, net of cash divested	**(13)**	(34)

29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	2011	2010
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	**1,017**	853
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	**25**	30
Net income attributable to common shareholders for the purposes of diluted earnings per share	**1,042**	883
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,111**	1,169
Effect of dilutive potential common shares:		
Share options and conditional shares	**11**	13
Cumulative preferred financing shares	**49**	48
Weighted average number of common shares for the purposes of diluted earnings per share	**1,171**	1,230

The calculation of the basic and diluted income per share from continuing operations attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	**2011**	2010
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	**1,032**	863
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	**25**	30
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	**1,057**	893

Basic and diluted income per share from discontinued operations attributable to common shareholders amounted to negative €0.01 and negative €0.01, respectively (2010: negative €0.01 basic and negative €0.01 diluted). They are based on the income from discontinued operations attributable to common shareholders of negative €15 million (2010: negative €10 million) and the denominators detailed above.

30 Financial risk management and financial instruments

Financial risk management

The Treasury function provides a centralized service to the Company for funding, foreign exchange, interest rate, liquidity, and counterparty risk management. Treasury operates in a centralized function within a framework of policies and procedures that is reviewed regularly. The Treasury function is not operated as a profit center. Treasury's function is to manage the financial risks that arise in relation to underlying business needs. Ahold's Corporate Executive Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold's management reviews material changes to Treasury policies and receives information related to Treasury activities.

In accordance with its Treasury policies, Ahold uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly connected with the interest rate and currency risks arising from the Company's operations and its sources of finance. Ahold does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold's Internal Control and Internal Audit departments review the Treasury internal control environment regularly. Relationships with the credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Ahold's primary market risk exposures relate to foreign currency exchange rates and interest rates. In order to manage the risks arising from these exposures, various financial instruments may be utilized.

30 Financial risk management and financial instruments continued

Currency risk

Ahold operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Since Ahold's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in commercial operations is naturally limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets, and liabilities into euros for inclusion in its consolidated financial statements. To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities, and firm purchase commitments. Translation risk related to Ahold's foreign subsidiaries, joint ventures, and associates is not actively hedged, except for cash flows from dividends not denominated in euro that are hedged using net investment hedges.

Foreign currency sensitivity analysis

Approximately 65 percent of Ahold's net sales is generated by subsidiaries whose activities are conducted in a currency other than the euro (2010: 65 percent) – mainly in the U.S. dollar. Assuming the euro had strengthened (weakened) by 10 percent against the U.S. dollar in 2011 compared to the actual 2011 rate, with all other variables held constant, the hypothetical result on income before income taxes would be a decrease (increase) of €22 million (2010: €35 million).

Interest rate risk

Ahold's interest rate risk arises primarily from its debt. To manage interest rate risk, Ahold has an interest rate management policy aimed at reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. Ahold's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps and cross-currency interest rate swaps. As of January 1, 2012, after taking into account the effect of interest rate swaps and cross-currency swaps, approximately 95 percent of Ahold's long-term borrowings were at fixed rates of interest (2010: 96 percent).

Interest rate sensitivity analysis

The total interest expense recognized in the 2011 income statement related to the variable rates of long-term debt, net of swaps, amounted to €8 million (2010: €9 million). The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2010: nil). In addition, a hypothetical result relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of €5 million or a gain of €5 million, respectively (2010: a loss of €4 million or a gain of €5 million, respectively). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0 percent.

The total interest income recognized in the 2011 income statement related to variable rate money market fund investments and deposits amounted to €20 million (2010: €18 million). The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a gain (loss) of €5 million (2010: a gain (loss) of €6 million). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0 percent.

The above sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation from other factors that also affect Ahold's financial position and results.

Credit risk

Ahold has no significant concentrations of credit risk. Sales to retail customers are made in cash, checks, and debit cards, or via major credit cards. Sales to franchisees are done on credit. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions' products. Ahold invests in funds with a minimum rating of A- (Standard & Poor's), and predominantly AAA. With respect to credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swap and Derivatives Association. The counterparties have an externally validated investment grade credit rating. Ahold has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and continually monitors these exposures. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets on the balance sheet (refer to the table on fair values of financial instruments below in this Note). The maximum net amount of a credit risk loss that Ahold would incur if financial institutions that are parties to the derivative instruments completely failed to perform according to the terms of the contracts is €290 million as of January 1, 2012 (January 2, 2011: €279 million).

30 Financial risk management and financial instruments continued

The majority of Ahold's past due but not impaired financial assets as of January 1, 2012, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as the Company's customer base and vendor base are large and unrelated. As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on an aging analysis performed as of January 1, 2012. For further discussion on Ahold's receivables, see *Notes 15* and *17*.

Liquidity risk

Ahold manages its liquidity risk on a consolidated basis with cash provided from operating activities being the primary source of liquidity, in addition to debt and equity issuances in the capital markets, committed and uncommitted credit facilities, letters of credit under credit facilities, and available cash. Ahold manages short-term liquidity based on projected cash flows over rolling periods of six months. As of January 1, 2012, Ahold had €1 billion of committed undrawn bank facilities, which can be drawn on for working capital and general corporate purposes, €2.4 billion of cash balances, and €0.2 billion of short-term deposits available to manage its liquidity.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends, and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

The following tables summarize the expected maturity profile of the Company's derivative financial instruments and non-derivative financial liabilities as of January 1, 2012, and January 2, 2011, respectively, based on contractual undiscounted payments:

Year ended January 1, 2012

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	(1,509)	(496)	(270)	(1,652)	(2,418)
Other loans	(3)	–	(2)	(1)	(3)
Financing obligations	(399)	(67)	(271)	(266)	(604)
Mortgages payable	(7)	(3)	(5)	–	(8)
Finance lease liabilities	(1,225)	(214)	(857)	(805)	(1,876)
Cumulative preferred financing shares[1]	(497)	(24)	(86)	(68)	(178)
Short-term borrowings	(41)	(41)	–	–	(41)
Reinsurance liabilities	(108)	(42)	(58)	(9)	(109)
Accounts payable	(2,436)	(2,436)	–	–	(2,436)
Other	(2)	–	–	(2)	(2)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	234	117	(119)	193	191
Interest derivatives and interest flows	57	9	36	13	58

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2013, 2016, 2018, and 2020). No liability redemption was assumed.

30 Financial risk management and financial instruments continued

Year ended January 2, 2011

€ million	Net carrying amount	Contractual cash flows: Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	(1,459)	(88)	(690)	(1,654)	(2,432)
Other loans	(2)	(1)	–	(1)	(2)
Financing obligations	(400)	(40)	(165)	(372)	(577)
Mortgages payable	(9)	(3)	(7)	–	(10)
Finance lease liabilities	(1,155)	(154)	(604)	(1,193)	(1,951)
Cumulative preferred financing shares[1]	(497)	(30)	(90)	(88)	(208)
Short-term borrowings	(39)	(39)	–	–	(39)
Reinsurance liabilities	(83)	(20)	(56)	(8)	(84)
Accounts payable	(2,323)	(2,323)	–	–	(2,323)
Other	(2)	–	–	(2)	(2)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	236	(32)	39	141	148
Interest derivatives and interest flows	39	10	21	11	42

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2013, 2016, 2018, and 2020). No liability redemption was assumed.

All derivative financial instruments and non-derivative financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of January 1, 2012, and January 2, 2011, respectively. Refer to *Note 34* for the liquidity risk related to guarantees.

Credit ratings

As of January 1, 2012, Moody's Long Term Issuer Rating on Ahold was Baa3, unchanged in 2011, while the outlook was revised from positive to stable. Standard & Poor's Corporate Credit Rating assigned to Ahold was BBB with a stable outlook, both unchanged during 2011.

Maintaining investment grade credit ratings is a cornerstone of the Company's strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

Capital risk management

The Company's primary objective in terms of managing capital is the optimization of its debt and equity balances in order to sustain the future development of the business, maintain an investment grade credit rating, and maximize shareholder value.

The capital structure of the Company consists of net debt, which includes borrowings, cash, cash equivalents and short-term deposits, equity, and the present value of the operating lease commitments. Ahold may balance its overall capital structure in a number of ways, including through the payment of dividends, capital reduction, new share issues, and share buybacks as well as the issuance of new debt or the redemption of existing debt.

30 Financial risk management and financial instruments continued

Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are included on the balance sheet:

€ million	January 1, 2012 Carrying amount	January 1, 2012 Fair value	January 2, 2011 Carrying amount	January 2, 2011 Fair value
Loans receivable	**36**	**51**	99	111
Accounts receivable	**770**	**770**	710	710
Reinsurance assets	**103**	**103**	77	77
Total loans and receivables	**909**	**924**	886	898
Cash and cash equivalents	**2,438**	**2,438**	2,600	2,600
Short-term deposits held to maturity	**154**	**154**	224	224
Derivatives	**381**	**381**	348	348
Available for sale	**3**	**3**	3	3
Total financial assets	**3,885**	**3,900**	4,061	4,073
Notes	**(1,509)**	**(1,767)**	(1,459)	(1,676)
Other loans	**(3)**	**(3)**	(2)	(2)
Financing obligations	**(399)**	**(545)**	(400)	(520)
Mortgages payable	**(7)**	**(8)**	(9)	(10)
Finance lease liabilities	**(1,225)**	**(1,683)**	(1,155)	(1,515)
Cumulative preferred financing shares	**(497)**	**(544)**	(497)	(500)
Dividend cumulative preferred financing shares	**(24)**	**(24)**	(30)	(30)
Accounts payable	**(2,436)**	**(2,436)**	(2,323)	(2,323)
Short-term borrowings	**(41)**	**(41)**	(39)	(39)
Interest payable	**(45)**	**(45)**	(44)	(44)
Reinsurance liabilities	**(108)**	**(108)**	(83)	(82)
Other	**(3)**	**(3)**	(2)	(2)
Total financial liabilities at amortized cost	**(6,297)**	**(7,207)**	(6,043)	(6,743)
Derivatives	**(90)**	**(90)**	(73)	(73)
Total financial liabilities	**(6,387)**	**(7,297)**	(6,116)	(6,816)

Of Ahold's categories of financial instruments, only derivatives and assets available for sale are measured at fair value using Level 2 inputs. These are inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of derivative instruments is estimated by discounting future cash flows with prevailing market rates or based on the rates and quotations obtained from third parties.

The carrying amount of receivables, cash and cash equivalents, accounts payable, short-term deposits held to maturity, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on market rates prevailing at year end. The fair value calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22*. The accrued interest is included in other current financial liabilities (see *Note 26*) and not in the carrying amounts of non-derivative financial assets and liabilities.

30 Financial risk management and financial instruments continued

Derivatives

The fair values, notional amounts, the maturities, and the qualification of the derivative financial instruments for accounting purposes are presented in the table below:

€ million	Maturity	January 1, 2012 Fair value Assets	January 1, 2012 Fair value Liabilities	January 1, 2012 Notional amount	January 2, 2011 Fair value Assets	January 2, 2011 Fair value Liabilities	January 2, 2011 Notional amount
Forward foreign currency contracts[1]	Within 1 year	–	–	–	–	–	1
Total fair value hedges		–	–	–	–	–	1
Forward foreign currency contracts[2]	Within 1 year	1	–	140	2	–	82
Cross-currency swap	Within 1 year	141[3]	–	407	–	–	–
Cross-currency swap	Between 1-5 years	–	–	–	151[3]	–	407
Cross-currency swap	After 5 years	–	(89)[4]	331	–	(69)[4]	304
Total cash flow hedges		142	(89)	878	153	(69)	793
Forward foreign currency contracts[5]	Within 1 year	–	(1)	63	–	(4)	52
Total net investment hedges		–	(1)	63	–	(4)	52
Forward foreign currency contracts	Within 1 year	–	–	–	–	–	1
Interest rate swap	After 5 years	57	–	300[7]	39	–	292[7]
Cross-currency swap[6]	After 5 years	182	–	300[7]	156	–	292[7]
Total derivatives – no hedge accounting treatment		239	–	300[7]	195	–	293[7]
Total derivative financial instruments		381	(90)	1,241	348	(73)	1,139

1 Foreign currency forwards designated as fair value hedges are used to hedge the fair value of financial liabilities in foreign currencies.

2 Foreign currency forwards designated as cash flow hedges are used to hedge the future cash flows denominated in foreign currencies.

3 Cross-currency swap accounted for as cash flow hedges used to hedge currency and cash flow risk on fixed debt denominated in foreign currency related to EUR 600 notes (see *Note 21* for additional information).

4 Cross-currency swap accounted for as cash flow hedges used to hedge currency and cash flow risk on floating debt denominated in foreign currency, related to JPY 33,000 notes (see *Note 21* for additional information).

5 Foreign currency forwards accounted for as net investment hedges are used to hedge cash flow currency risk on a dividend flow from ICA.

6 As of January 1, 2012, the valuation of the GBP 250 cross-currency swap, related to the GBP 250 notes (see *Note 21* for additional information) includes the impact of the mark-to-market valuation of an embedded credit clause in the amount of €13 million. The volatility in the financial markets resulted in a €3 million loss related to this credit clause in the year 2011 (€3 million loss in 2010). Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $205 million has been paid down as of January 1, 2012.

7 Interest rate swap and cross-currency interest rate swap relate to the same notional amount of GBP 250 million.

Gains and losses recognized in cash flow hedging reserve in equity as of January 1, 2012, mainly relate to the swap on the JPY 33,000 notes and will be released to the income statement over a period lasting until 2031.

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company determined that key management personnel consist of the members of the Corporate Executive Board (CEB) and the members of the Supervisory Board as of the year the members' appointment was approved by the General Meeting of Shareholders.

31 Related party transactions continued

Employment contracts with individual Corporate Executive Board members

Dick Boer

In 2011, the Company provided Dick Boer with a base salary of €945,000 on an annual basis, participation in the annual cash incentive plan, and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100 percent of base salary and is capped at 125 percent in case of extraordinary performance. Unless Boer's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2015. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Boer is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Boer with a notice period of six months. Boer participates in Ahold's Dutch Pension Plan.

Lodewijk Hijmans van den Bergh

In 2011, the Company provided Lodewijk Hijmans van den Bergh with a base salary of €500,000 on an annual basis, participation in the annual cash incentive plan, and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100 percent of base salary and is capped at 125 percent in case of extraordinary performance. Unless Hijmans van den Bergh's employment agreement is otherwise terminated, he will be eligible for reappointment in 2014. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Hijmans van den Bergh is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Hijmans van den Bergh with a notice period of six months. Hijmans van den Bergh participates in Ahold's Dutch Pension Plan.

John Rishton

In 2011, the Company provided John Rishton with a base salary of €945,000 on an annual basis, participation in the annual cash incentive plan, and participation in the Company's equity-based long-term incentive program (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan was 100 percent of the base salary and was capped at 125 percent in case of extraordinary performance. He participated in Ahold's Dutch Pension Plan. Rishton voluntarily resigned from the Corporate Executive Board on February 28, 2011.

Kimberly Ross

In 2011, the Company provided Kimberly Ross with a base salary of €550,000 on an annual basis, participation in the annual cash incentive plan, and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan was 100 percent of base salary and was capped at 125 percent in case of extraordinary performance. Ross participated in the U.S. Benefit Plans – the Salary Continuation Plan (SCP) and the 401(k) Plan. Ross voluntarily resigned from the Corporate Executive Board on November 22, 2011.

Lawrence Benjamin

In 2011, the Company provided Lawrence Benjamin with a base salary of $986,000 on an annual basis, participation in the annual cash incentive plan, and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan was 100 percent of base salary and was capped at 125 percent in case of extraordinary performance. He participated in the U.S. Benefit Plans – the Salary Continuation Plan (SCP) and the 401(k) Plan. Benjamin retired on January 31, 2011.

31 Related party transactions continued

Remuneration of the individual Corporate Executive Board members

The remuneration of the individual Corporate Executive Board members, which is disclosed as of the year the members' appointment was approved by the General Meeting of Shareholders, can be specified as follows:

	Direct remuneration				Deferred remuneration		
€ thousand	Base salary	Bonuses[1]	Other[2]	Total direct remuneration	Share-based compensation[3]	Pensions[4]	Total remuneration
Dick Boer							
2011	**898**	**907**	**23**	**1,828**	**771**	**131**	**2,730**
2010	638	574	14	1,226	720	117	2,063
Lodewijk Hijmans van den Bergh							
2011	**500**	**505**	**11**	**1,016**	**239**	**120**	**1,375**
2010	500	450	11	961	98	149	1,208
John Rishton[5]							
2011	**149**	**–**	**57**	**206**	**93**	**38**	**337**
2010	945	851	189	1,985	(275)	257	1,967
Kimberly Ross[6]							
2011	**491**	**–**	**246**	**737**	**(611)**	**(454)**	**(328)**
2010	550	495	174	1,219	503	162	1,884
Lawrence Benjamin[7]							
2011	**59**	**64**	**127**	**250**	**–**	**(113)**	**137**
2010	745	663	139	1,547	1,486	349	3,382
Total 2011	**2,097**	**1,476**	**464**	**4,037**	**492**	**(278)**	**4,251**
Total 2010	3,378	3,033	527	6,938	2,532	1,034	10,504

1 Bonuses represent accrued bonuses to be paid in the following year.

2 "Other" mainly includes allowances for housing expenses, international school fees, employer's contributions to social security plans, and benefits in kind such as tax advice, tax compensation, and medical expenses, and the associated tax gross up.

3 The amounts represent the share-based compensation expense calculated under IFRS 2. The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2011 reflects this year's portion of the share grants over the previous five years (2007 to 2011).

4 Pension costs are the total net periodic pension costs.

5 John Rishton voluntarily resigned from the Corporate Executive Board on February 28, 2011. The share-based compensation expense related to John Rishton's service period during 2011 was €93,000 (relating to shares vesting in 2011). The share-based compensation expense related to his service period in 2010 was €317,000. In addition, an amount of €592,000 was reversed in 2010, representing the share-based compensation expense recognized in the previous years related to shares that were forfeited (the three-year grants for 2009 and 2010 and the five-year grants for 2007, 2008, 2009, and 2010).

6 Kimberly Ross voluntarily resigned from the Corporate Executive Board on November 22, 2011. The share-based compensation expense related to Kimberly Ross' service period during 2011 was €43,000 (relating to shares vesting in 2011). In addition, an amount of €654,000 was reversed, representing the share-based compensation expense recognized in the previous years related to shares that were forfeited (the three-year grants for 2009 and 2010, the five-year grants for 2007, 2008, 2009, and 2010 and the matching shares related to the 2007 grant).

7 Under the GRO program, all retirees are allowed to retain shares that have been granted to them and normal vesting conditions apply. Lawrence Benjamin's service period, for share-based compensation expense purposes, ended with his retirement eligibility date on December 1, 2010. The share-based compensation expense related to the service performed by Lawrence Benjamin during 2010 was €402,000. In addition, an amount of €1,084,000 was recognized, representing the remaining unamortized expense on the non-vested portion of GRO shares granted to him, as his service period ended with his retirement eligibility.

31 Related party transactions continued

Remuneration of the Supervisory Board members

€ thousand	2011	2010
René Dahan (reappointed in 2008)	**90**	86
Tom de Swaan (reappointed in 2011)	**89**	84
Karen de Segundo (resigned on April 20, 2011)	**24**	86
Derk C. Doijer (reappointed in 2009)	**80**	76
Stephanie M. Shern (reappointed in 2009)	**85**	99
Judith Sprieser (reappointed in 2010)	**88**	92
Mark McGrath (appointed in 2008)	**88**	84
Ben Noteboom (appointed in 2009)	**79**	76
Rob van den Bergh (appointed in 2011)	**62**	–
Total	**685**	683

Shares and other interests in Ahold

As of January 1, 2012, Dick Boer held 199,591 Ahold common shares of which 44,376 shares were subject to an additional holding requirement. In line with best practice II.2.5 of the Dutch Corporate Governance Code, mid-term (three-year) shares granted and vested under the GRO program to Corporate Executive Board members will have to be retained for a period of at least five years after granting, except to finance tax due at the vesting date, or at least until the end of a member's employment by the Company, if this period is shorter. Lodewijk Hijmans van den Bergh held no Ahold shares.

As of January 1, 2012, René Dahan held 112,000 Ahold common shares. None of the other Supervisory Board members held Ahold shares.

Ahold does not provide loans or advances to members of the Corporate Executive Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Corporate Executive Board or the Supervisory Board. There have been no such guarantees issued.

Trading transactions

Ahold has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices.

During 2011 and 2010, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 1, 2012

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Commitments to related parties
ICA	**35**	**1**	**11**	**10**	**–**
Stationsdrogisterijen	**15**	**–**	**–**	**5**	**–**
JMR	**6**	**–**	**1**	**2**	**–**
Accounting Plaza B.V.	**1**	**30**	**–**	**1**	**–**
Other	**1**	**2**	**10**	**–**	**39**
Total	**58**	**33**	**22**	**18**	**39**

31 Related party transactions continued

For the year ended January 2, 2011

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Commitments to related parties
ICA	22	2	10	8	–
Stationsdrogisterijen	16	–	–	4	–
JMR	7	–	4	1	–
Accounting Plaza B.V.	1	26	–	1	–
A.M.S. Coffee Trading	–	–	–	1	–
Other	3	–	8	2	41
Total	**49**	**28**	**22**	**17**	**41**

These unconsolidated related parties consist of:

- ICA, a joint venture of Ahold in the retail business
- Stationsdrogisterijen C.V., a joint venture of Ahold in the health and beauty care retail business
- JMR, a joint venture of Ahold in the retail business
- Accounting Plaza B.V., an associate of Ahold that renders accounting and administrative services to certain Ahold subsidiaries in the Netherlands, Czech Republic, and Slovakia
- A.M.S. Coffee Trading AG, an associate of Ahold that generated sales transactions with the Ahold Coffee Company
- "Other," which includes mainly real estate joint ventures, in which Ahold has an interest, holding properties operated by Ahold, and Loyalty Management Nederland B.V., an associate of Ahold that renders services relating to the management of customer loyalty programs to certain Ahold subsidiaries in the Netherlands

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 23*.

32 Share-based compensation

In 2011, Ahold's share-based compensation program consisted of a conditional share grant program called Global Reward Opportunity (GRO). This program, introduced in 2006, replaced the Company's share option plans. In principle, plan rules will not be altered during the term of the plans. Total 2011 GRO share-based compensation expenses were €29 million (2010: €33 million). Ahold's share-based compensation programs are equity-settled.

The grant date fair value of the shares granted under the GRO program in 2011 was €50 million, of which €1 million related to Corporate Executive Board members. This fair value is expensed over the vesting period of the grants adjusted for assumed annual forfeitures of 6 percent (2010: 6 percent). For the share-based compensation expenses allocable to the individual Corporate Executive Board members, see *Note 31*.

GRO program

Main characteristics

Under the GRO program, Ahold shares are granted through a mid-term (three-year) and a long-term (five-year) program. The number of conditional shares to be granted depends on the at-target value, the annual incentive multiplier of the preceding year and the average share price for six months preceding the date of the grant. The shares are granted on the day after the annual General Meeting of Shareholders and vest on the day after the publication of Ahold's full-year results in the third year (mid-term component) or fifth year (long-term component) after the grant, provided the participant is still employed by Ahold. Shares granted to Corporate Executive Board members vest after three years (mid-term component) or five years (long-term component), subject to continued employment. Corporate Executive Board members are not allowed to sell their shares within a period of five years from the grant date, except to finance tax due at the date of vesting. For participants other than the Corporate Executive Board members, the mid-term component of the program contains a matching feature. For every five shares a participant holds for an additional two years after the vesting date, the participant will receive one additional share.

32 Share-based compensation continued

The conditional shares granted through the long-term component are subject to a performance condition. The number of shares that will ultimately vest depends on Ahold's performance compared to 11 other retail companies (refer to the *Remuneration* section for the composition of the peer group), measured over a five-year period using Total Shareholder Return (TSR), which is the sum of share price growth and dividends. The table below indicates the percentage of conditional shares that could vest based on the ranking of Ahold within the peer group:

Rank	1	2	3	4	5	6	7	8	9	10	11	12
Corporate Executive Board	150%	130%	110%	90%	70%	50%	25%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2011, Ahold held the third position with respect to the 2007 and 2008 share grant, the fourth position for the 2009 and 2010 share grant and the sixth position for the 2011 share grant. The 2007 grant's long-term component vests on the day after the publication of the 2011 annual results. The final TSR ranking for this component is the third position (110 percent for Corporate Executive Board members and 120 percent for other participants). The positions with respect to the 2008, 2009, 2010 and 2011 share grants are not an indication of Ahold's final ranking at the end of the performance periods, nor do they provide any information related to the vesting of shares.

Upon termination of employment due to retirement, disability, or death, the same vesting conditions as described above apply. Upon termination of employment without cause (e.g. restructuring or divestment), a pro rata part of the granted shares will vest on the date of termination of employment.

The following table summarizes the status of the GRO program during 2011 for the individual Corporate Executive Board members and for all other employees in the aggregate.

32 Share-based compensation continued

	Outstanding at the beginning of 2011	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2011**	Minimum number of shares[3]	Maximum number of shares[4]	Fair value per share at the grant date (€)
Dick Boer[5]								
Five-year 2006 grant	28,963	14,481	43,444	–	**–**	–	–	6.38
Five-year 2007 grant	39,779	–	–	–	**39,779**	–	59,668	8.03
Three-year 2008 grant	52,674	–	52,674	–	**–**	–	–	8.97
Five-year 2008 grant	52,674	–	–	–	**52,674**	–	79,011	8.04
Three-year 2009 grant	54,706	–	–	–	**54,706**	54,706	54,706	8.04
Five-year 2009 grant	54,706	–	–	–	**54,706**	–	82,059	7.02
Three-year 2010 grant	33,671	–	–	–	**33,671**	33,671	33,671	9.50
Five-year 2010 grant	33,671	–	–	–	**33,671**	–	50,506	7.29
Three-year 2011 grant	–	65,965	–	–	**65,965**	65,965	65,965	8.59
Five-year 2011 grant	–	65,965	–	–	**65,965**	–	98,947	6.00
Lodewijk Hijmans van den Bergh								
Three-year 2010 grant	30,472	–	–	–	**30,472**	30,472	30,472	9.50
Five-year 2010 grant	30,472	–	–	–	**30,472**	–	45,708	7.29
Three-year 2011 grant	–	34,902	–	–	**34,902**	34,902	34,902	8.59
Five-year 2011 grant	–	34,902	–	–	**34,902**	–	52,353	6.00
John Rishton								
Five-year 2006 grant	34,924	17,462	52,386	–	**–**	–	–	5.84
Three-year 2008 grant	79,642	–	79,642	–	**–**	–	–	8.97
Kimberly Ross[5]								
Five-year 2006 grant	6,193	3,096	9,289	–	**–**	–	–	6.38
Five-year 2007 grant	11,199	–	–	11,199	**–**	–	–	9.10
Three-year 2008 grant	42,139	–	42,139		**–**	–	–	8.97
Five-year 2008 grant	42,139	–	–	42,139	**–**	–	–	8.04
Three-year 2009 grant	43,764	–	–	43,764	**–**	–	–	8.04
Five-year 2009 grant	43,764	–	–	43,764	**–**	–	–	7.02
Three-year 2010 grant	29,050	–	–	29,050	**–**	–	–	9.50
Five-year 2010 grant	29,050	–	–	29,050	**–**	–	–	7.29
Three-year 2011 grant	–	38,392	–	38,392	**–**	–	–	8.59
Five-year 2011 grant	–	38,392	–	38,392	**–**	–	–	6.00
Lawrence Benjamin								
Three-year 2009 grant	68,469	–	–	–	**68,469**	68,469	68,469	8.04
Five-year 2009 grant	68,469	–	–	–	**68,469**	–	102,703	7.02
Three-year 2010 grant	38,301	–	–	–	**38,301**	38,301	38,301	9.50
Five-year 2010 grant	38,301	–	–	–	**38,301**	–	57,451	7.29
Subtotal CEB members	987,192	313,557	279,574	275,750	**745,425**	326,486	954,892	

1 Represents the number of shares originally granted for the 2011 grant. For the five-year 2006 grant, the number of shares granted in 2011 represents the additional number of shares granted based on the final TSR ranking.

2 The vesting date of the five-year 2006 grant and the three-year 2008 grant was March 1, 2011, for John Rishton. The vesting date of the five-year 2006 grant and the matching shares related to the 2006 grant was March 4, 2011, for Dick Boer and Kimberly Ross. The vesting date of the three-year 2008 grant was April 21, 2011, for Dick Boer and Kimberly Ross. The Euronext closing share price was €9.75 as of March 1, 2011, €9.42 as of March 4, 2011, and €9.65 as of April 21, 2011.

3 For the three-year grants, the minimum number of shares equals the number of outstanding shares. For the five-year grants, the minimum number of shares would be nil if Ahold's ranking was eight or lower (as explained in the section *Main characteristics* above).

4 For the three-year grants, the maximum number of shares equals the number of outstanding shares. For the five-year grants, the maximum number of shares equals 150 percent of outstanding shares if Ahold's ranking is one (as explained in the section *Main characteristics* above).

5 For participants other than the Corporate Executive Board members, the mid-term component of the program contains a matching feature. Since Dick Boer was not a Corporate Executive Board member at the time of the 2006 grant and Kimberly Ross was not a Corporate Executive Board member at the time of the 2006 and 2007 grant, they are eligible for this matching shares feature. The number of matching shares that vested on March 4, 2011, was 2,775 for Dick Boer and 1,238 for Kimberly Ross. Kimberly Ross voluntarily resigned on November 22, 2011, and therefore the matching shares related to the 2007 grant were forfeited.

32 Share-based compensation continued

	Outstanding at the beginning of 2011	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2011**
Other employees					
2006 grant	1,994,690	1,148,619	3,096,898	46,411	**–**
2007 grant	1,534,329	–	35,724	51,382	**1,447,223**
2008 grant	3,880,937	–	1,944,439	102,159	**1,834,339**
2009 grant	5,100,482	–	58,751	213,111	**4,828,620**
2010 grant	2,847,239	–	16,972	120,030	**2,710,237**
2011 grant	–	5,652,456	3,690	156,539	**5,492,227**
Subtotal CEB members	987,192	313,557	279,574	275,750	**745,425**
Total number of shares	16,344,869	7,114,632	5,436,048	965,382	**17,058,071**

1 Represents the number of shares originally granted for the 2011 grant. For the five-year 2006 grant the number of shares granted in 2011 represents the additional number of shares granted based on the final TSR ranking and the matching shares related to the 2006 grant.

2 The vesting date of the five-year 2006 grant, the matching shares related to the 2006 grant and the three-year 2008 grant was March 4, 2011. The Euronext closing share price was €9.42 as of March 4, 2011.

Valuation model and input variables

The weighted average fair value of the conditional shares granted in 2011, for all eligible participants including Corporate Executive Board members, amounted to €8.60 and €7.06 per share for the three-year and five-year components, respectively (2010: €9.42 and €8.37, respectively). The fair value of the three-year component is based on the share price on the grant date, reduced by the present value of dividends expected to be paid during the vesting period. The fair value of the five-year component is determined using a Monte Carlo simulation model. The most important assumptions used in the valuations of the three- and five-year components were as follows (expressed as weighted averages):

Percent	**2011**	2010
Risk-free interest rate	**2.4**	1.9
Volatility	**27.6**	29.1
Assumed dividend yield	**4.2**	3.0

Expected volatility has been determined based on historical volatilities.

Share option plans

In 2005, Ahold had one global share option plan with a uniform set of rules and conditions for all participants, except members of the Corporate Executive Board, to whom a separate plan applied. The term of the 2005 share options for all participants except Corporate Executive Board members is eight years and the exercise of these options is conditional upon continued employment during a three-year vesting period. Upon termination of employment, share options that have vested can be exercised during the four weeks following termination and are forfeited thereafter. The share option grant made in 2005 to members of the Corporate Executive Board had a five- and a ten-year term and was subject to a performance criterion at vesting: the average economic value-added improvement versus targeted improvement over the three financial years prior to vesting. In 2008, the final vesting percentage was set at 96 percent.

Until January 2, 2005, Ahold had three share option plans (the Dutch, U.S., and International Share Option Plans – collectively the "Plans"). Under these Plans, participants were granted share options with either a five- or ten-year term. In addition, a limited number of share options were granted in 2006 under the 2005 global share option plan rules with a five- or ten-year term. After the introduction of GRO, options were discontinued as a remuneration component. All options vested by the end of 2009.

32 Share-based compensation continued

The following table summarizes the status of the share option plans during 2011 for the individual Corporate Executive Board members and for all other employees in the aggregate.

Description of grant	Outstanding at the beginning of 2011	Exercised	Forfeited	Expired	**Outstanding at the end of 2011**	Exercise price	Expiration date
Dick Boer							
Eight-year 2005 grant	70,200	–	–	–	**70,200**	6.36	04/03/2013
Ten-year 2002 grant	12,000	–	–	12,000	**–**	32.68	12/30/2011
Ten-year 2003 grant	21,000	–	–	–	**21,000**	11.65	12/29/2012
Ten-year 2004 grant	21,000	–	–	–	**21,000**	5.83	12/28/2013
Kimberly Ross							
Eight-year 2005 grant	33,150	33,150	–	–	**–**	6.36	04/03/2013
Ten-year 2002 grant	833	–	833	–	**–**	32.68	12/30/2011
Ten-year 2003 grant	9,000	–	9,000	–	**–**	11.65	12/29/2012
Ten-year 2004 grant	9,000	9,000	–	–	**–**	5.83	12/28/2013
Lawrence Benjamin							
Eight-year 2005 grant	78,000	–	–	–	**78,000**	6.36	04/03/2013
Ten-year 2004 grant	60,000	–	–	–	**60,000**	5.83	12/28/2013
Ten-year 2006 grant	30,000	–	–	–	**30,000**	6.33	12/31/2015
Subtotal CEB members	344,183	42,150	9,833	12,000	**280,200**		
Weighted average exercise price	7.66				**6.60**		
Other employees							
Eight-year	2,117,206	522,167	40,479	–	**1,554,560**	6.36	
Ten-year	3,569,896	95,368	189,746	932,134	**2,352,648**	9.94	
Subtotal other employees	5,687,102	617,535	230,225	932,134	**3,907,208**		
Total options	6,031,285	659,685	240,058	944,134	**4,187,408**		
Weighted average exercise price	12.10	6.31	11.91	32.68	**8.39**		
Weighted average share price at date of exercise		9.67					

The following table summarizes information about the total number of outstanding share options as of January 1, 2012:

Exercise price (range)	Number outstanding and exercisable at January 1, 2012	Weighted average exercise price	Weighted average remaining contractual years
5.83 – 6.57	2,518,008	6.22	1.59
11.65	1,669,400	11.65	0.99
Total	**4,187,408**		

33 Operating leases

Ahold as lessee

Ahold leases a significant number of its stores, as well as distribution centers, offices, and other assets, under operating lease arrangements. The aggregate amounts of Ahold's minimum lease commitments payable to third parties under non-cancelable operating lease contracts are as follows:

€ million	January 1, 2012	January 2, 2011
Within one year	**677**	655
Between one and five years	**2,245**	2,194
After five years	**3,016**	3,130
Total	**5,938**	5,979

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold's leases impose restrictions on Ahold's ability to pay dividends, incur additional debt, or enter into additional leasing arrangements.

The annual costs of Ahold's operating leases from continuing operations, net of sublease income, are as follows:

€ million	2011	2010
Minimum rentals	**635**	627
Contingent rentals	**25**	32
Sublease income	**(100)**	(107)
Total	**560**	552

In addition to the operating lease commitments disclosed above, Ahold has signed lease agreements for properties under development of which it has not yet taken possession. The total future minimum lease payments for these agreements amount to approximately €233 million (2010: €251 million). These lease contracts are subject to conditions precedent to the rent commencement date.

Ahold as lessor

Ahold rents out its investment properties (mainly retail units in shopping centers containing an Ahold store) and also (partially) subleases various other properties that are leased by Ahold under operating leases. The aggregate amounts of the related future minimum lease and sublease payments receivable under non-cancelable lease contracts are as follows:

€ million	January 1, 2012	January 2, 2011
Within one year	**174**	162
Between one and five years	**491**	393
After five years	**421**	349
Total	**1,086**	904

The total contingent rental income recognized during the year on all leases where Ahold is the lessor was €4 million (2010: €4 million).

34 Commitments and contingencies

Capital investment commitments

As of January 1, 2012, Ahold had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €133 million and €1 million, respectively (January 2, 2011: €116 million and €5 million, respectively). Ahold's share in the capital investment commitments of its unconsolidated joint ventures ICA and JMR amounted to €30 million as of January 1, 2012 (January 2, 2011: €39 million).

Purchase commitments

Ahold enters into purchase commitments with vendors in the ordinary course of business. Ahold has long-term purchase contracts with some vendors for varying terms that require Ahold to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of January 1, 2012, the Company's purchase commitments were approximately €2,424 million (January 2, 2011: €341 million). The significant increase in 2011 is due to a single purchase commitment with a three-year term. The amount as of January 2, 2011, includes a decrease of €253 million in order to correct the amount disclosed in Ahold's 2010 Annual Report. Not included in the purchase commitments are those purchase contracts for which Ahold has received advance vendor allowances, such as up-front signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold can be summarized as follows:

€ million	**January 1, 2012**	January 2, 2011
Lease guarantees	**686**	758
Lease guarantees backed by letters of credit	**94**	103
Corporate and buyback guarantees	**49**	48
Loan guarantees	**6**	7
Total	**835**	916

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€167 million), which was reduced to $112 million (€87 million) as of January 1, 2012. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007. The outstanding amount of this guarantee as of January 1, 2012, was €7 million. These reductions followed the decreases in the underlying guarantees given by Ahold.

Ahold is contingently liable for leases that have been assigned to third parties in connection with facility closings and asset disposals. Ahold could be required to assume the financial obligations under these leases if any of the assignees are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the assigned leases, which extend through 2030. The amounts of the lease guarantees exclude cost of common area maintenance and real estate taxes; such amounts may vary in time, per region, and per property. Of the €686 million in the undiscounted lease guarantees, €345 million relates to the BI-LO / Bruno's divestment and €259 million to the Tops divestment. On a discounted basis those lease guarantees amount to €552 million and €592 million as of January 1, 2012, and January 2, 2011, respectively.

On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the filings). As a result of the filings, Ahold has made an assessment of its potential obligations under the lease guarantees based upon the remaining initial term of each lease, an assessment of the possibility that Ahold would have to pay under a guarantee and any potential remedies that Ahold may have to limit future lease payments. Consequently, in 2009, Ahold recognized provisions of €109 million and related tax benefit offsets of €47 million within results on divestments.

In connection with the filings, on December 18, 2009, certain Ahold affiliates entered into a Settlement and Term Loan Acquisition Agreement (Settlement Agreement) with Lone Star Fund V, LLC (Lone Star Fund) and certain other Lone Star entities. Pursuant to the Settlement Agreement, Ahold acquired $260 million (€190 million) of BI-LO's existing term loans during February 2010. Lone Star Fund and certain other Lone Star entities (Lone Star) provided Ahold with funding of $130 million (€95 million) and security relating to the repayment of the acquired term loans.

34 Commitments and contingencies continued

On May 12, 2010, the reorganized BI-LO exited bankruptcy protection and subsequently the existing $260 million (€204 million) in term loans held by Ahold were repaid in full and Ahold repaid to Lone Star the funding of $130 million (€102 million). BI-LO assumed 149 operating locations that are guaranteed by Ahold. During the BI-LO bankruptcy, BI-LO rejected a total of 16 leases which are guaranteed by Ahold and Ahold also took assignment of 12 other BI-LO leases with Ahold guarantees. Based on the foregoing developments, Ahold recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that are guaranteed by Ahold.

At the end of 2011, the remaining provision relating to BI-LO and Bruno's was €61 million (2010: €54 million) with a related tax benefit offset of €26 million (2010: €23 million). This amount represents Ahold's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold under the various lease guarantees. Ahold continues to pursue its mitigation efforts with respect to these lease guarantee liabilities and to closely monitor any developments with respect to Bruno's and BI-LO.

Ahold has provided corporate guarantees to certain suppliers of Ahold's franchisees or non-consolidated entities. Ahold would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2017.

Loan guarantees relate to the principal amounts of certain loans payable by Ahold's franchisees, non-consolidated real estate development entities, and joint ventures. The term of most guarantees is equal to the term of the related loan, the last of which matures in 2016. Ahold's maximum liability under the guarantees equals the total amount of the related loans plus, in most cases, reasonable costs of enforcement of the guarantee.

Representations and warranties as part of the sale of Ahold's operations

Ahold has provided, in the relevant sales agreements, certain customary representations and warranties including, but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, one to seven years after the date of the relevant transaction completion date.

		Contingent liability cap	
	Closing date	Local currency million	€ million
Disco	November 1, 2004	$15[1]	12[1]
BI-LO / Bruno's	January 31, 2005	$33	25
Deli XL	September 12, 2005	€40	40
Poland (Ahold Polska Sp. Z o.o.)	July 2, 2007	€108[2]	108[2]
U.S. Foodservice	July 3, 2007	None[3]	None[3]
Tops Markets	December 3, 2007	$70	54
Tops' Wilson Farms / Sugarcreek	December 3, 2007	$5	4

1 Ahold assesses the likelihood to be liable up to the amount of the contingent liability cap to be remote. The cap does not include Ahold's indemnification obligations relating to the legal proceedings described below.

2 Including €33 million for the divestment of hypermarkets in 2005.

3 No cap on contingent liability, but Ahold has an indemnification obligation if a $40 million threshold is exceeded. The threshold was exceeded in 2009.

The most significant sales of operations are described below. In addition, specific, limited representations and warranties exist for certain of Ahold's smaller divestments in 2004, 2005, 2006, and 2007. The aggregate impact of a claim under such representations and warranties is not expected to be material.

34 Commitments and contingencies continued

Bradlees
In 1992, Stop & Shop spun off Bradlees Stores, Inc. (Bradlees) as a public company (the Bradlees Spin-off). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the Bradlees Bankruptcies), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Disco
Ahold is required to indemnify the buyers of Disco for (i) certain claims made in relation to the mandatory conversions into Argentine pesos of certain of Disco's U.S. dollar debts and (ii) certain claims made by creditors of certain Uruguayan and other banks. For additional information on these legal proceedings, see the *Legal proceedings* section below. Ahold's indemnification obligations relating to these legal proceedings are not capped at a certain amount nor restricted to a certain time period.

BI-LO / Bruno's
In connection with the sale of BI-LO and Bruno's, Ahold may be contingently liable to landlords under guarantees of some 200 BI-LO or Bruno's operating or finance leases that existed at the time of the sale in the event of a future default by the tenant under such leases. As a result of the bankruptcy filings by BI-LO and Bruno's during 2009, a provision was recognized in 2009. BI-LO exited bankruptcy in May 2010 and the Company has re-evaluated its estimate of liability. For more information, refer to the *Guarantees* section above in this Note.

U.S. Foodservice
In connection with the sale of U.S. Foodservice, which closed on July 3, 2007 (the Completion), Ahold indemnified U.S. Foodservice against damages incurred after the Completion relating to matters including (i) the putative class actions filed in 2006 and 2007 and referred to below under "Waterbury litigation" and any actions that might be brought by any current or former U.S. Foodservice customers that concern the pricing practices at issue in such litigation for sales made by U.S. Foodservice prior to the Completion and (ii) the investigation by the Civil Division of the U.S. Department of Justice into U.S. Foodservice's pricing practices for sales made to the U.S. Government prior to the Completion. See also below.

Tops Markets, LLC
In connection with the sale of Tops in 2007, Ahold has certain post-closing indemnification obligations under the sale agreement (the 2007 Tops Sale Agreement) that Ahold believes are customary for transactions of this nature. Ahold retained certain liabilities in the sale, including contingent liability for 49 leases that carry Ahold guarantees. Additionally, Ahold retained liabilities related to stores previously sold, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined below.

Tops convenience stores
Pursuant to applicable law, Tops may be contingently liable to landlords under 193 leases assigned in connection with the sale of the Tops' Wilson Farms and Sugarcreek convenience stores in the event of a future default by the tenant under such leases. Ahold may also be contingently liable to landlords under the guarantees of 71 such leases in the event of a future default by the tenant under these leases.

Tops northeast Ohio stores
Tops closed all of its locations in northeast Ohio prior to year-end 2006. As of January 1, 2012, 35 of the total 55 closed locations in northeast Ohio have been sold, subleased, or partially subleased. An additional 15 leases have been terminated or have terms due to expire within one year. Five stores continue to be marketed. In connection with the store sales, Tops and Ahold have certain post-closing indemnification obligations under the sale agreements, which Ahold believes are customary for transactions of this nature. Pursuant to applicable law, Ahold may be contingently liable to landlords under guarantees of 14 of such leases in the event of a future default by the tenant under such leases. In the event Ahold is able to assign the leases for the remaining northeast Ohio stores, then pursuant to applicable law, Ahold also may be contingently liable to landlords under guarantees of certain of such remaining leases in the event of a future default by the tenant under such leases. Additionally, under U.S. pension law, the buyers of certain Tops stores assumed the pension withdrawal liability associated with the underfunding of certain pension funds and Tops remains secondarily liable in the event the buyer defaults within five years as described in the relevant pension plan.

In January 2011, Tops Holdings, LLC, an Ahold subsidiary, was notified that a mass withdrawal had occurred under the International Brotherhood of Teamsters Local 400 Food Terminal Employees' Pension Plan, which covered workers of a warehouse in northeast Ohio previously owned by Tops Markets LLC and divested to Erie Logistics, LLC in 2002. This warehouse was closed in 2006 in connection with the closing of the Tops stores in northeast Ohio. Tops Markets, LLC may have contractual liability to Erie Logistics, LLC for this mass withdrawal liability and, pursuant to the 2007 Tops Sale Agreement, Tops Holdings, LLC may have also indemnified Tops Markets, LLC for this liability. Based on Ahold's assessment of this potential loss contingency, at year end 2010 Ahold recognized a provision of $27 million (€20 million) relating to this potential liability. The provision remains in place.

34 Commitments and contingencies continued

Other contingent liabilities

ICA tax claims

The Swedish Tax Agency has decided to disallow interest deductions to a Dutch ICA Group company in 2004-2008. In December 2010, the County Administrative Court affirmed the Tax Agency's ruling and denied interest deductions of SEK 3,358 million (€373 million). The tax claim amounts to SEK 1,187 million (€132 million), including penalties and interest. ICA is convinced that the deductions complied with applicable tax laws. This assessment is shared by outside counsel, which has analyzed the Tax Agency's argument and the legal principles applied by the court. ICA has appealed the County Administrative Court's decision to the Administrative Court of Appeal. The Tax Agency has denied ICA's request to defer payment, due to which SEK 1,187 million (€132 million) was paid in January 2011. The amount paid has been booked as a receivable from the Tax Agency.

Legal proceedings

Ahold and certain of its subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax, employment, and other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened, or unasserted, if decided adversely or settled, may result in liability material to Ahold's financial condition, results of operations, or cash flows. Ahold may enter into discussions regarding settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interests of Ahold's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

U.S. Foodservice – Waterbury litigation

In October 2006, a putative class action was filed against U.S. Foodservice by Waterbury Hospital and Cason, Inc. and Frankie's Franchise Systems Inc. with the United States District Court for the District of Connecticut in relation to certain U.S. Foodservice pricing practices (the Waterbury Litigation). Two additional putative class actions were filed in 2007 by customers of U.S. Foodservice, Catholic Healthcare West, and Thomas & King, Inc., in the U.S. District Courts for the Northern District of California and the Southern District of Illinois, respectively. These two new actions involved the same pricing practices as those in the Waterbury Litigation. The new actions also named Ahold and two individuals as defendants. In accordance with the decision of the Judicial Panel on Multidistrict Litigation, in 2008 the actions were consolidated with the Waterbury litigation before the U.S. District Court in Connecticut. Ahold was (among other parties) named as defendant. In July 2009, the Plaintiffs filed a motion to certify a Plaintiff class in the action. Both Ahold and U.S. Foodservice filed a motion to dismiss against the complaint and also filed motions opposing the certification of a class in the action. In December 2009, the Court in Connecticut granted Ahold's motion to dismiss, as a result of which Ahold is no longer party in the proceedings. U.S. Foodservice's motion to dismiss was partially rejected by the Court, as a result of which U.S. Foodservice remains defendant in the ongoing proceedings. On November 30, 2011, the U.S. District Court granted the Plaintiffs' motion to certify a class in the action which, if not reversed during the proceedings, would increase the potential liability exposure. The Court certified a class consisting of any person in the United States who purchased products from U.S. Foodservice pursuant to an arrangement that defined a sale price in terms of a cost component plus a markup ("cost-plus contract"), and for which U.S. Foodservice used a so-called "Value Added Service Provider" or "VASP" transaction to calculate the cost component. On December 14, 2011, U.S. Foodservice filed a petition with the Second Circuit Court of Appeals seeking permission to appeal the class certification order. That petition is pending. Ahold cannot at this time provide a reasonable estimate of any of its potential liability in connection with the indemnification obligation mentioned in the table above. Ahold will continue to vigorously defend its interests in these proceedings.

U.S. Foodservice – Governmental / regulatory investigations

The Civil Division of the U.S. Department of Justice was conducting an investigation, which related to certain past pricing practices of U.S. Foodservice for sales made to the U.S. government prior to the date of completion of the divestment of U.S. Foodservice (July 3, 2007). In September 2010, a settlement was reached with the Department of Justice under which U.S. Foodservice was obliged to pay an amount of $33 million (€24 million) to the U.S. government. Ahold paid, under its indemnification agreement with U.S. Foodservice, an amount of $23 million (€17 million), of which $12 million (€9 million) had already been provided for in 2009. Ahold cannot exclude the possibility of further indemnification obligations resulting from other governmental or regulatory actions.

Uruguayan litigation

Ahold, together with Disco S.A. (Disco) and Disco Ahold International Holdings N.V. (DAIH), is a party to three legal proceedings in Uruguay related to Ahold's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $70 million (€54 million) plus interest and costs. As part of the sale of Disco to Cencosud in 2004, Ahold has indemnified Cencosud and Disco against the outcome of these legal proceedings. The proceedings are ongoing. Ahold continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

34 Commitments and contingencies continued

Stop & Shop Bradlees Lease Litigation with Vornado

In connection with the spin-off of Bradlees in May 1992, discussed under Contingent Liabilities above, Stop & Shop, Bradlees, and Vornado (or certain of its affiliates, collectively Vornado) entered into a Master Agreement and Guaranty (the Master Agreement) relating to 18 leases for which Vornado was the landlord. Pursuant to the Bradlees Bankruptcies, Bradlees either rejected or assumed and assigned the leases subject to the Master Agreement. In 2002, Vornado sent a written demand to Stop & Shop to pay certain so-called "rental increases" allegedly due under the Master Agreement in connection with certain leases, comprised of $5 million (€4 million) annually through 2012, and, if certain renewal options are exercised, $6 million (€5 million) annually thereafter through the expiration of the last lease covered by the Master Agreement, which Vornado alleges could extend until 2031, depending upon whether renewal options are exercised. In 2002, Stop & Shop filed a Court claim that it is not obligated to pay the rental increases demanded by Vornado. In 2005, Vornado filed a counterclaim seeking damages and a declaration that Stop & Shop is obligated to pay rental increases. On November 4, 2011, the Supreme Court of the State of New York issued its judgment in respect of this litigation. Under the judgment, the court ordered Stop & Shop to pay $37.4 million in damages plus certain other accrued rental increases and statutory interest thereon and attorney's fees and held Stop & Shop liable for future rental increases in the amount of $6 million per annum thereafter until the date of expiration of the last lease covered by the Master Agreement (which could be as late as 2031). Stop & Shop filed a Notice of Appeal of the Judgment on December 7, 2011. In connection with the judgment, a provision of $124 million (€92 million) was recorded against "Other financial income (expense)".

Other legal proceedings

In addition to the legal proceedings described above, Ahold and its subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold's financial position, results of operations, or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

35 Subsequent events

Acquisitions

Acquisition of stores from Genuardi's Family Markets

On January 5, 2012, Ahold announced that Giant Carlisle has entered into an agreement with Genuardi's Family Markets, a subsidiary of Safeway, to acquire sixteen Genuardi's stores in Greater Philadelphia for $106 million. The sale is expected to close within the first half of 2012, subject to customary closing conditions, including regulatory approval.

Acquisition online retailer bol.com

On February 27, 2012, Ahold announced that it is acquiring 100 percent of online retailer bol.com from Cyrte Investments and NPM Capital for a transaction value of €350 million, fully paid in cash. Bol.com is active in the Netherlands and Belgium. The acquisition is subject to customary conditions and is expected to close in the second quarter of 2012.

Share buyback

On March 3, 2011, Ahold announced its decision to return €1 billion to its shareholders by way of a share buyback program to be completed over an 18-month period (this was accelerated to a 12-month period as announced on August 25, 2011). Under this program, 79,982,258 of the Company's own shares were repurchased and delivered in 2011. Shares were repurchased at an average price of €9.04 per share for a total amount of €723 million.

The total number of shares repurchased under this program over the period from January 2, 2012, through February 24, 2012, was 19,818,440 common shares, for a total consideration of €206 million, at an average price of €10.38.

36 List of subsidiaries, joint ventures and associates

The following are Ahold's significant subsidiaries, joint ventures, and associates as of January 1, 2012:

Consolidated subsidiaries

Unless otherwise indicated, these are, directly or indirectly, wholly or virtually wholly-owned subsidiaries. Subsidiaries not important to providing an insight into the Ahold Group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Netherlands Civil Code. Pursuant to said section 403, Ahold has assumed joint and several liabilities for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Ahold has issued 403 declarations are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands
Albert Heijn Franchising B.V., Zaandam, the Netherlands
Gall & Gall B.V., Zaandam, the Netherlands
Etos B.V., Zaandam, the Netherlands
AHOLD Czech Republic, a.s., Prague, Czech Republic
AHOLD Retail Slovakia, k.s., Bratislava, Slovak Republic
Albert Heijn België N.V, Antwerp, Belgium
Ahold Germany GmbH, Düsseldorf, Germany

Retail trade United States

The Stop & Shop Supermarket Company LLC, Boston, Massachusetts
Giant Food Stores, LLC, Carlisle, Pennsylvania
Giant of Maryland LLC, Landover, Maryland
Peapod, LLC, Skokie, Illinois

Other

Ahold Coffee Company B.V., Zaandam, the Netherlands
Ahold Nederland B.V., Amsterdam, the Netherlands
Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands
Ahold Finance U.S.A., LLC, Amsterdam, the Netherlands
Ahold Financial Services, LLC, Carlisle, Pennsylvania, United States
Ahold Information Services, Inc., Greenville, South Carolina, United States
Ahold International Sàrl, Zug, Switzerland
Ahold Lease U.S.A., Inc., Boston, Massachusetts, United States
Ahold Licensing Sàrl, Geneva, Switzerland
Ahold Tsjechië B.V., Zaandam, the Netherlands
Ahold U.S.A., Inc., Boston, Massachusetts, United States
American Sales Company, LLC, Lancaster, New York, United States
MAC Risk Management, Inc., Canton, Massachusetts, United States
The MollyAnna Company, Montpelier, Vermont, United States
Ahold Insurance N.V., Willemstad, Curaçao
Ahold Finance Company N.V., Curaçao – Geneva branch, Geneva, Switzerland
Ahold Finance Company N.V., Curaçao – Zurich branch, Zurich, Switzerland

Joint ventures and associates (unconsolidated)

ICA AB, Stockholm, Sweden (60 percent owned by Ahold's indirect subsidiary Ahold JV B.V.)
JMR – Gestão de Empresas de Retalho, SGPS, S.A., Lisbon, Portugal (49 percent owned by Ahold's subsidiary Ahold International Sarl)
Jerónimo Martins Retail Services S.A., Klosters, Switzerland (49 percent owned by Ahold's subsidiary Ahold International Sarl)

Parent company financial statements

Income statement

€ million	2011	2010
Income from subsidiaries and investments in joint ventures after income taxes	**905**	835
Other gains and losses after income taxes	**112**	18
Net income	**1,017**	853

Balance sheet

Before appropriation of current year result.

€ million	Note	January 1, 2012	January 2, 2011
Assets			
Property, plant and equipment		**2**	3
Deferred tax assets		**30**	18
Financial assets	*4*	**11,009**	10,501
Total non-current assets		**11,041**	10,522
Receivables	*5*	**198**	96
Cash and cash equivalents		**189**	334
Total current assets		**387**	430
Total assets		**11,428**	10,952
Liabilities and shareholders' equity			
Issued and paid-in share capital		**330**	358
Additional paid-in capital		**9,094**	9,916
Currency translation reserve		**(265)**	(385)
Cash flow hedging reserve		**(93)**	(63)
Reserve participations		**402**	396
Accumulated deficit		**(4,608)**	(5,165)
Net income		**1,017**	853
Shareholders' equity	*6*	**5,877**	5,910
Provisions	*7*	**58**	54
Loans	*8*	**331**	304
Cumulative preferred financing shares	*8*	**497**	497
Other non-current liabilities	*9*	**329**	417
Total non-current liabilities		**1,157**	1,218
Current liabilities	*10*	**4,336**	3,770
Total liabilities and shareholders' equity		**11,428**	10,952

The accompanying notes are an integral part of these parent company financial statements.

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

The parent company financial statements of Ahold have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures, and associates

Investments in subsidiaries, joint ventures, and associates are accounted for using the net equity value. Ahold calculates the net equity value using the accounting policies as described in *Note 3* to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of Ahold's share in the net assets of the subsidiary, plus Ahold's share in income or losses since acquisition, less dividends received. Goodwill paid upon acquisition of an investment in a joint venture or associate is included in the net equity value of the investment and is not shown separately on the face of the balance sheet.

2 Employees

The average number of employees of Koninklijke Ahold N.V. in full-time equivalents during 2011 was 143 (2010: 136). Salaries, social security charges, and pension expenses amounted to €24 million, €1 million, and €2 million, respectively, for 2011 (2010: €29 million, €1 million, and €4 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Corporate Executive Board and the Supervisory Board and the parent company's share-based compensation plans, see *Notes 23, 31, and 32*, respectively, to the consolidated financial statements.

The net pension assets and the net pension expense are calculated on the basis of the parent company's active employees only.

3 Auditor fees

Expenses for services provided by the parent company's independent auditor, Deloitte Accountants B.V., and its member firms and / or affiliates to Ahold and its subsidiaries can be specified as follows:

€ thousand	**Deloitte Accountants B.V.**	**Member firms / affiliates**	**Total 2011**	Deloitte Accountants B.V.	Member firms / affiliates	Total 2010
Audit fees	**2,233**	**2,314**	**4,547**	2,248	2,503	4,751
Audit-related fees	**74**	**6**	**80**	84	3	87
Tax advisory fees	**–**	**–**	**–**	–	–	–
Other non-audit fees	**–**	**–**	**–**	–	–	–
Total	**2,307**	**2,320**	**4,627**	2,332	2,506	4,838

4 Financial assets

€ million	January 1, 2012	January 2, 2011
Investments in subsidiaries	**8,000**	7,471
Investments in joint ventures	**–**	178
Loans receivable from subsidiaries	**2,753**	2,495
Hedging derivatives external	**–**	151
Other derivatives external	**239**	196
Pensions and other post-employment benefits	**12**	9
Deferred financing cost	**5**	1
Total financial assets	**11,009**	10,501

For more information on derivatives, see *Note 11* to these parent company financial statements.

Investments in subsidiaries and joint ventures

€ million	Subsidiaries	Joint ventures	2011 Total	2010 Total
Beginning of year	**7,471**	**178**	**7,649**	8,725
Share in income	**894**	**11**	**905**	835
Dividends	**(632)**	**(3)**	**(635)**	(800)
Intercompany transfers	**237**	**(187)**	**50**	(1,216)
Share of other comprehensive income (loss) and other changes in equity	**(20)**	**1**	**(19)**	1
Transfers (to) / from loans receivable	**–**	**–**	**–**	207
Transfers (to) / from provisions	**4**	**–**	**4**	(402)
Exchange rate differences	**46**	**–**	**46**	299
End of year	**8,000**	**–**	**8,000**	7,649

Intercompany transfers include share premium contributions. For a list of subsidiaries, joint ventures, and associates, see *Note 36* to the consolidated financial statements.

Loans receivable

€ million	Subsidiaries	Other	2011 Total	2010 Total
Beginning of year	**2,495**	**58**	**2,553**	2,264
Issued	**192**	**1**	**193**	3,239
Redemptions	**–**	**(59)**	**(59)**	(2,958)
Transfers (to) / from investments	**–**	**–**	**–**	(207)
Exchange rate differences	**66**	**–**	**66**	215
End of year	**2,753**	**–**	**2,753**	2,553
Current portion	**–**	**–**	**–**	(58)
Non-current portion of loans	**2,753**	**–**	**2,753**	2,495

In 2010, Ahold commenced an intra-group reorganization of part of its finance and holding activities. Certain investments, including the investment in Ahold's unconsolidated joint venture ICA, were transferred from the parent company to a newly established Swiss subsidiary, Ahold International Sarl (AIS), in exchange for a 75 percent ownership interest in AIS. The remaining 25 percent ownership interest in AIS is owned by another Ahold subsidiary, Ahold Finance U.S.A., LLC. Loans previously held by the parent company from and to subsidiaries were terminated, and a new loan was issued to AIS in the amount of $2.5 billion. In 2011, as part of this reorganization, the investment in Ahold's unconsolidated joint venture JMR was transferred from the parent company to AIS as capital contribution in kind.

Notes to the parent company financial statements continued

5 Receivables

€ million	January 1, 2012	January 2, 2011
Loan receivable	–	58
Receivables from subsidiaries	28	22
Receivables from joint ventures	2	6
Hedging derivatives external	141	–
Hedging derivatives intercompany	–	1
Other derivatives intercompany	–	4
Prepaid expenses	24	4
Other receivables	3	1
Total receivables	**198**	96

In 2011, external hedging derivatives of €141 million were reclassified from financial assets to current assets (see *Note 11* to these parent company financial statements).

6 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserve participations and accumulated deficit are presented separately.

The currency translation reserve, cash flow hedging reserve, and legal reserve participations are legal reserves that are required by Dutch law. The legal reserve participations include the net increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance. From the total equity as per January 1, 2012, of €5,877 million, an amount of €732 million is non-distributable (January 2, 2011: €754 million from €5,910 million).

The movements in equity can be specified as follows:

			Legal reserves				
€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Reserve participations	Accumulated deficit including result for the year	Equity attributable to common shareholders
Balance as of January 3, 2010	**358**	**9,916**	**(632)**	**(48)**	**444**	**(4,598)**	**5,440**
Dividends	–	–	–	–	–	(272)	(272)
Total comprehensive income	–	–	247	(15)	(1)	853	1,084
Share buyback	–	–	–	–	–	(386)	(386)
Share-based payments	–	–	–	–	–	44	44
Other changes in reserves	–	–	–	–	(47)	47	–
Balance as of January 2, 2011	**358**	**9,916**	**(385)**	**(63)**	**396**	**(4,312)**	**5,910**
Dividends	–	–	–	–	–	(328)	(328)
Total comprehensive income	–	–	123	(36)	–	1,014	1,101
Share buyback	–	–	–	–	–	(837)	(837)
Cancellation of treasury shares	(28)	(822)	–	–	–	850	–
Share-based payments	–	–	–	–	–	31	31
Other changes in reserves	–	–	(3)	6	6	(9)	–
Balance as of January 1, 2012	**330**	**9,094**	**(265)**	**(93)**	**402**	**(3,591)**	**5,877**

7 Provisions

€ million	January 1, 2012	January 2, 2011
Provision for negative equity subsidiaries	**45**	41
Other provisions	**13**	13
Total provisions	**58**	54

As of January 1, 2012, none of other provisions are expected to be utilized within one year.

8 Loans

	January 1, 2012		January 2, 2011	
€ million	Non-current portion	Current portion	Non-current portion	Current portion
JPY 33,000 notes LIBOR plus 1.5%, due May 2031	**331**	**–**	304	–
Total loans	**331**	**–**	304	–

For more information on the external loans, see *Note 21* to the consolidated financial statements. For information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements.

9 Other non-current liabilities

€ million	January 1, 2012	January 2, 2011
Hedging derivatives external	**89**	69
Hedging derivatives intercompany	**–**	151
Other derivatives intercompany	**239**	196
Finance lease liabilities	**1**	1
Total other non-current liabilities	**329**	417

For more information on derivatives, see *Note 11* to these parent company financial statements.

10 Current liabilities

€ million	January 1, 2012	January 2, 2011
Short-term borrowings from subsidiaries	**4,111**	3,613
Income taxes payable	**9**	75
Dividend cumulative preferred financing shares	**24**	30
Payables to subsidiaries	**3**	18
Payables to joint ventures	**2**	2
Interest payable	**1**	1
Hedging derivatives intercompany	**143**	1
Other derivatives external	**–**	4
Other current liabilities	**43**	26
Total current liabilities	**4,336**	3,770

The current liabilities are liabilities that mature within one year. In 2011, €141 million of hedging derivatives intercompany was reclassified to current liabilities from other non-current liabilities (see *Note 11* to these parent company financial statements).

Notes to the parent company financial statements continued

11 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Hedging derivatives external" and "Hedging derivatives intercompany," respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Other derivatives external" and "Other derivatives intercompany," respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments, and the parent company's risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current hedging derivatives – assets

€ million	Hedging derivatives external	Other derivatives external	2011 Total	2010 Total
Beginning of year	151	196	347	335
Reclassification to current assets	(141)	–	(141)	–
Fair value changes	(10)	43	33	12
End of year	–	239	239	347

Non-current hedging derivatives – liabilities

€ million	Hedging derivatives external	Hedging derivatives intercompany	Other derivatives intercompany	2011 Total	2010 Total
Beginning of year	69	151	196	416	459
Reclassification to current liabilities	–	(141)	–	(141)	–
Fair value changes	20	(10)	43	53	(43)
End of year	89	–	239	328	416

Fair value changes include exchange rate differences and installments paid on a cross-currency swap that was entered into on behalf of one of the parent company's subsidiaries.

12 Related party transactions

Koninklijke Ahold N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

13 Commitments and contingencies

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 21* to the consolidated financial statements. The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities amount to €777 million as of January 1, 2012 (January 2, 2011: €855 million).

As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€167 million), which was reduced to $112 million (€87 million) as of January 1, 2012. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007. The outstanding amount of this guarantee as of January 1, 2012, was €7 million. These reductions followed the decreases in the underlying guarantees given by Ahold.

Under customary provisions, the parent company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. The parent company forms a fiscal unity with Ahold's major Dutch and certain other subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Netherlands Civil Code are disclosed in *Note 36* to the consolidated financial statements.

Amsterdam, the Netherlands

February 29, 2012

Corporate Executive Board

Dick Boer

Lodewijk Hijmans van den Bergh

Supervisory Board

René Dahan (Chairman)

Tom de Swaan (Vice Chairman)

Derk Doijer

Stephanie Shern

Judith Sprieser

Mark McGrath

Ben Noteboom

Rob van den Bergh

Other information

Independent auditor's report

To: the Shareholders, Supervisory Board and Corporate Executive Board of Koninklijke Ahold N.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended January 1, 2012 of Koninklijke Ahold N.V., Zaandam. The financial statements include the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at January 1, 2012, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The parent company financial statements comprise the parent company balance sheet as at January 1, 2012, the parent company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at January 1, 2012 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company financial statements

In our opinion, the parent company financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at January 1, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 29, 2012

Deloitte Accountants B.V.

P.J.M.A. van de Goor

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Corporate Executive Board, will then be available for distribution to the common shareholders subject to approval at the General Meeting of Shareholders. The Corporate Executive Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

Distribution of profit

The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a final dividend of €0.40 per common share be paid in 2012 with respect to 2011 (2010: €0.29).

Subsequent events

For information regarding subsequent events, see *Note 35* to the consolidated financial statements.

Annual information update

Pursuant to article 5:25f of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht), Ahold has issued an Annual Information Update (AIU) (jaarlijks document) that covers the period from March 3, 2011 through February 29, 2012. The AIU contains references to public disclosures made by Ahold over the period referred to above, under applicable laws and regulations relating to securities, issuers, and security markets. The AIU is available on Ahold’s public website at www.ahold.com.

Share capital

We work to broaden the investment community's understanding of our Company by providing accurate and timely information on Ahold's performance and prospects

Ahold's authorized share capital as of January 1, 2012, was comprised of the following:

- 1,700,000,000 common shares at €0.30 par value each;
- 477,580,949 cumulative preferred financing shares at €0.30 par value each;
- 1,250,000 cumulative preferred shares at €500 par value each.

For additional information about Ahold's share capital, see *Notes 20* and *22* to the consolidated financial statements. Ahold is a public limited liability company registered in the Netherlands with a listing of shares (symbol: AH) on Euronext's Amsterdam Stock Exchange (AEX). Ahold's common shares trade in the United States on the over-the-counter (OTC) market through www.otcmarkets.com (symbol: AHONY) in the form of American Depositary Shares (ADSs) and are evidenced by American Depositary Receipts (ADRs).

Ahold's Depositary for its ADSs is Citibank. Each ADS entitles the holder to receive one common share deposited under an amended and restated deposit agreement between Ahold and the Depositary dated July 2, 2010. Ahold has been informed by the Depositary that as of January 1, 2012, there were 48,656,053 ADSs outstanding in the United States, compared with 49,830,660 as of January 2, 2011.

Vesting of shares under the GRO plan

On March 2, 2012, a maximum of 2.4 million conditional shares granted in 2009 to Ahold employees under the mid-term component of the Global Reward Opportunity (GRO) equity-based long-term incentive plan, 1.7 million performance shares granted in 2007 to Ahold employees under the long-term component of the GRO plan, and 0.1 million matching shares granted in 2007 to Ahold employees under the mid-term component of the GRO plan are expected to vest. Vesting is subject to the participant being employed by the Company on the applicable vesting date. On the vesting date, participants are eligible, subject to the GRO plan rules, to sell all or part of the shares vested.

On April 18, 2012, a maximum of 0.2 million conditional shares granted in 2009 to members of the Corporate Executive Board under the mid-term component of the GRO plan and 0.1 million performance shares granted in 2007 to members of the Corporate Executive Board under the long-term component of the GRO plan are expected to vest with continuing and retired Corporate Executive Board members who received the grants. Except to finance tax due on the vesting date, members of the Corporate Executive Board cannot sell the conditional shares for a period of at least five years following the grant date, or until the end of their employment, if this period is shorter.

The Company will use treasury shares for delivery of the vested shares.

Geographic spread of shareholdings

Percent	February 2012	February 2011
North America	**28.9**	26.3
The Netherlands	**14.3**	14.9
UK / Ireland	**12.0**	13.9
Rest of Europe	**6.8**	7.3
France	**6.2**	7.5
Rest of the world	**2.7**	2.4
Germany	**1.5**	2.0
Switzerland	**1.1**	3.2
Undisclosed[1]	**26.5**	22.5

1 The undisclosed percentage of shareholdings includes all retail holdings.

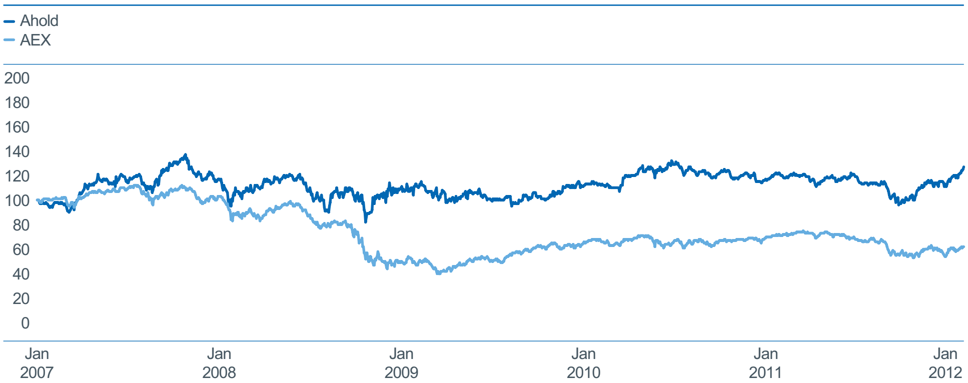
Share performance

Closing share prices for Ahold's common shares on Euronext Amsterdam for the periods indicated below were:

	2011	2010
Closing common share price at year end (in €)	**10.41**	9.88
Average closing common share price (in €)	**9.31**	9.82
Highest closing common share price (in €)	**10.41**	10.78
Lowest closing common share price (in €)	**7.83**	8.77
Average daily trading volume	**4,453,813**	4,779,907

Source: Euronext

The development of the closing prices for Ahold's common shares on Euronext Amsterdam during calendar years 2007–2011 relative to the AEX index (base 100 = January 2, 2007) was as follows:



Dividend

Ahold reinstated its annual dividend in 2007 and announced that it intended to increase future annual dividends while meeting the capital needs of the business and maintaining an efficient investment grade capital structure. For the 2007 financial year, we paid a cash dividend of €0.16 per common share; for the 2008 financial year, we paid €0.18 per common share; and for the 2009 financial year, we paid €0.23 per common share.

For the 2010 financial year, a cash dividend of €0.29 per common share was approved by the annual General Meeting of Shareholders on April 20, 2011, and paid on May 3, 2011.

On November 21, 2011, Ahold announced a new dividend policy stating that we intend to increase the dividend payout ratio to 40–50 percent of adjusted income from continuing operations. The announced dividend for the 2011 financial year of €0.40 per common share will be proposed to shareholders at the annual General Meeting of Shareholders to be held on April 17, 2012.

Dividends on cumulative preferred financing shares

Ahold paid an annual dividend on cumulative preferred financing shares in 2011 and plans to pay dividends on these shares in 2012 as required by the terms of the shares.

Five-year overview

Results, cash flow and other information

€ million, except per share data	**2011**	2010	2009	2008	2007
Net sales	**30,271**	29,530	27,925	25,648	24,824
Net sales growth at constant exchange rates[1]	**5.5%**	4.4%	3.9%	6.9%	6.6%
Operating income	**1,347**	1,336	1,297	1,202	1,071
Underlying retail operating margin	**4.8%**	4.9%	5.1%	5.1%	4.9%
Net interest expense	**(225)**	(270)	(289)	(233)	(293)
Income (loss) from continuing operations	**1,032**	863	972	887	779
Income (loss) from discontinued operations	**(15)**	(10)	(78)	195	2,167
Net income	**1,017**	853	894	1,082	2,946
Net income per common share (basic)	**0.92**	0.73	0.76	0.92	2.03
Net income per common share (diluted)	**0.89**	0.72	0.74	0.90	2.01
Income per common share from continuing operations (basic)	**0.93**	0.74	0.82	0.76	0.54
Income per common share from continuing operations (diluted)	**0.90**	0.73	0.81	0.74	0.53
Dividend per common share	**0.40**	0.29	0.23	0.18	0.16
Free cash flow[2]	**965**	1,112	948	638	633
Net cash from operating, investing, and financing activities	**(226)**	(157)	(169)	(445)	1,487
Capital expenditures (including acquisitions)[3]	**881**	1,117	788	1,094	807
Capital expenditures as % of net sales	**2.9%**	3.8%	2.8%	4.3%	3.3%
Average exchange rate (€ per $)	**0.7189**	0.7555	0.7194	0.6828	0.7307

1 Net sales growth in 2010 and 2009 is adjusted for the impact of week 53 in 2009.

2 Includes the settlement of the securities class action €284 million in 2007.

3 The amounts represent additions to property, plant and equipment, investment property, and intangible assets. The amounts include assets acquired through business combinations and exclude discontinued operations.

Balance sheet and other information

€ million	**January 1, 2012**	January 2, 2011	January 3, 2010	December 28, 2008	December 30, 2007
Equity[1]	**5,877**	5,910	5,440	4,687	3,897
Gross debt	**3,680**	3,561	3,700	4,241	5,379
Cash, cash equivalents, and short-term deposits	**2,592**	2,824	2,983	2,863	3,263
Net debt	**1,088**	737	717	1,378	2,116
Total assets	**14,980**	14,725	13,933	13,603	13,953
Number of stores	**3,008**	2,970	2,909	2,897	3,225
Number of employees (in thousand FTEs)[2]	**121**	128	118	119	119
Number of employees (in thousands headcount)[3]	**218**	213	206	203	197
Common shares outstanding (in millions)[1]	**1,060**	1,145	1,181	1,177	1,172
Share price at Euronext (€)	**10.41**	9.88	9.26	8.83	9.47
Market capitalization[1]	**11,033**	11,314	10,938	10,390	11,098
Year-end exchange rate (€ per $)	**0.7724**	0.7474	0.6980	0.7111	0.6795

1 In 2011 €837 million was returned to shareholders through a share buyback (in 2010: €386 million). In 2007, €4 billion was returned to shareholders through a capital repayment and share buyback.

2 Number of employees (in thousand FTEs) as of January 2, 2011 includes an increase of 6 thousand full-time employees in order to correct the number disclosed in Ahold's 2010 Annual Report.

3 Number of employees (headcount) in 2007 has been adjusted from numbers previously reported to include discontinued operations.

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Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, including but not limited to, Ahold's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Ahold's plans and strategies being less than anticipated, the effect of general economic or political conditions, the actions of competitors and other third parties, increases or changes in competition, Ahold's ability to retain and attract employees who are integral to the success of the business, acquisition and integration, large strategic projects, collective bargaining, information security, business and IT continuity, food and non-food safety, corporate responsibility, social media, risks related to the euro, contingent liabilities associated with lease guarantees, insurance programs, Ahold's liquidity needs (including but not limited to health care and pension funding requirements) exceeding expected levels, foreign currency translation risk, credit risk, interest rate risk, tax liabilities and legislative and regulatory environment and litigation risks, and other factors discussed in this Annual Report, in the paragraphs on *How we manage risk*, and in Ahold's other public filings and disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Ahold does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws. Outside the Netherlands, Ahold presents itself under the name of "Royal Ahold" or simply "Ahold." For the reader's convenience, "Ahold," "the Company," "Ahold Group", or "the Group" are also used throughout this Annual Report. The Company's registered name is "Koninklijke Ahold N.V."