November 14, 2013

# Interim Report

## Third quarter 2013

### Highlights – third quarter 2013

- Sales €7.4 billion, up 0.6% at constant exchange rates
- Underlying operating margin 4.0% (Q3 2012: 4.1%)
- Operating income €248 million, down €40 million mainly due to restructuring
- Net income €165 million, up €24 million
- Free cash flow €181 million, up €22 million
- Additional capital repayment of €1 billion & reverse stock split in first quarter 2014

*Zaandam, the Netherlands* – Ahold today published its interim report for the third quarter of 2013.

CEO Dick Boer said: "In the United States we continue to operate in a very competitive environment with low inflation. With limited sales growth we gained market share in the supermarket segment and maintained our share in the all-outlet market. We were able to maintain a solid underlying operating margin, supported by continuous cost savings.

"In the Netherlands, weak consumer sentiment was reflected in a further slowdown of market growth. We saw transactions remaining stable, albeit with a lower basket size and with consumers increasingly looking for value, impacting our market share performance this quarter. The underlying operating margin remained stable versus last year.

"We remain committed to our Reshaping Retail strategy and will continue to invest in growth, in both existing and new markets. Our online activities continue to show strong sales growth, both in food and non-food and we continue to rapidly expand our network of pick-up points, especially in the United States. Albert Heijn expects to have around half of the 82 acquired C1000 / Jumbo stores converted to its banner by the end of 2013 and is well on track expanding into Belgium.

"We expect similar conditions to continue in the current quarter with consumer spending under pressure, especially in the Netherlands. Cost savings from our Simplicity program allow us to continue to invest in our competitiveness in both the United States and the Netherlands.

"Our cash generation remains strong and we are committed to an efficient capital structure. We have completed around 30% of our €2 billion share buyback program, which is to be finalized by the end of 2014. In addition, subject to shareholder approval, we will distribute a further capital repayment of €1 billion to our shareholders, followed by a reverse stock split. Shareholder approval will be requested at an extraordinary general meeting of shareholders in January 2014 and we plan to complete this transaction in the first quarter of 2014. We remain committed to maintaining a balance between investing in profitable growth and returning cash to our shareholders and we will continue to move toward our capital structure targets."

## Group performance

| (€ million, except per share data) | Q3 2013 | Q3 2012[1] | % Change | % Change constant rates | Q3 YTD 2013 | Q3 YTD 2012[1] | % Change | % Change constant rates |
|---|---|---|---|---|---|---|---|---|
| Net sales | 7,362 | 7,598 | (3.1)% | 0.6% | 25,248 | 25,006 | 1.0% | 2.8% |
| Underlying operating income | 297 | 312 | (4.8)% | (1.3)% | 1,051 | 1,053 | (0.2)% | 1.5% |
| Operating income | 248 | 288 | (13.9)% | (10.8)% | 918 | 1,025 | (10.4)% | (9.0)% |
| Income from continuing operations | 161 | 186 | (13.4)% | (11.2)% | 568 | 661 | (14.1)% | (12.8)% |
| Net income | 165 | 141 | 17.0% | 20.4% | 2,322 | 675 | 244.0% | 247.6% |
| Basic earnings per share | 0.16 | 0.14 | 14.3% | 23.2% | 2.26 | 0.65 | 247.7% | 251.8% |

*1. As explained further under Note 2 to the enclosed summary financial statements, the prior year's results have been restated to reflect certain changes in presentation, the classification of the Company's investment in ICA as a discontinued operation, and the amendments resulting from the retrospective application of IAS 19 revised "Employee Benefits."*

We continue to make progress on our Reshaping Retail strategy at Ahold, which involves taking advantage of rapid changes in consumer behavior, shopping trends and the retail landscape. We remain focused on improving our competitive position through cost reductions and the overall simplification of our processes.

In the third quarter of 2013:

- We made strong progress with our cost reduction program and remain on target to deliver €600 million in cost reductions, to be completed in 2014. Ahold USA benefited from optimizing its store processes and improving its sourcing.
- Our online operations accelerated the opening of pick-up points. In Ahold USA, we opened 46 new pick-up points this quarter, bringing the total to 89; In the Netherlands, albert.nl opened four new pick-up points, bringing the total to 15.
- In the Netherlands, bol.com and albert.nl reported strong sales growth.
- Albert Heijn converted another four former C1000 supermarkets to its store network, bringing the total number of converted stores to 26.
- Albert Heijn rolled out a new bonus card that will enable it to target promotions to customers based on their individual buying profiles.
- Albert Heijn successfully rolled out the first 230 products under its new own-brand AH BASIC. The new AH BASIC range comprises products offered at low prices, while adhering to Albert Heijn quality.
- In Belgium we now operate 18 supermarkets, 10 more than last year.
- In the Czech Republic two more compact hypers were converted into our new format, bringing the total number to 14.

## Third quarter 2013 (compared to third quarter 2012)

Net sales were €7.4 billion, down 3.1%. At constant exchange rates, net sales increased by 0.6%, or 0.9%, excluding the negative effect of a change in Dutch legislation regarding VAT on tobacco. During the quarter, Ahold USA achieved 0.2% sales growth, measured in U.S. dollars, and the Netherlands achieved 1.4% growth, or 2.3% excluding the negative effect of the change in VAT on tobacco. Sales in Other Europe (Czech Republic and Slovakia combined) decreased 1.3% at constant exchange rates.

Underlying operating income was €297 million, down 4.8% and 1.3% at actual and constant exchange rates, respectively. Underlying operating margin was 4.0%, compared to 4.1% last year.

Operating income was €248 million, down 13.9% and 10.8% at actual and constant exchange rates, respectively. This included €45 million of restructuring and related charges (2012: €8 million), of which €39 million related to the closure of six stores and three gas stations in New Hampshire,

€8 million of impairment charges (2012: €18 million), offset by €4 million of gains on the sale of assets (2012: €2 million).

Income from continuing operations was €161 million, €25 million lower than last year as a result of lower operating income of €40 million, an increase in net financial expense of €18 million and lower income taxes of €32 million. The increase in net financial expenses over last year includes €9 million of increased interest charges from our defined benefit pension plans and €11 million of valuation adjustments related to notes and derivatives. The lower income taxes result mainly from lower income at Ahold USA.

Net income was €165 million, up €24 million. This increase reflects a €41 million loss in our former joint-venture ICA in the third quarter last year.

Our free cash flow was €181 million, up €22 million compared to last year.

Cash and cash equivalents decreased by €807 million to €3,016 million, due to purchases of €683 million of short term investments and €229 million of share buyback expenditures during the quarter.

Net debt increased by €39 million during the quarter to a negative net debt of €774 million.

## First three quarters 2013 (compared to first three quarters 2012)

Net sales were €25.2 billion, up 1.0%. At constant exchange rates, net sales increased by 2.8%.

Underlying operating income was €1,051 million, down 0.2% but up 1.5% at constant exchange rates. Underlying operating margin was 4.2%, unchanged from last year.

Operating income was €918 million, down €107 million or 10.4% and 9.0% at actual and constant exchange rates. This included a €63 million ($82 million) pre-tax charge taken in Q1 at Ahold USA related to a multi-employer pension plan settlement with the New England Teamsters and Trucking Industry Pension Fund; increased restructuring and related charges of €27 million, primarily driven by our exit from New Hampshire; and increased impairment charges of €31 million, offset by increased gains on the sale of assets of €7 million.

Income before income taxes was down €174 million to €697 million, caused by the items mentioned above and an increase in net financial expense of €67 million over last year. This increase reflects €32 million of higher interest charges for our defined benefit pension plans, an €11 million one-time adjustment to a financial liability and €26 million of valuation adjustments related to notes and derivatives.

Income from continuing operations decreased €93 million (14.1%) to €568 million, for the reasons indicated above, offset by a €73 million reduction in income taxes.

Net income was €2,322 million, up €1,647 million. Contributing to this increase was a result from discontinued operations of €1,751 million related to ICA.

Free cash flow was €617 million, €85 million lower than last year. The decrease was primarily due to the timing of rent payments, a €31 million payment for the final settlement of the U.S. Frozen Pension Plan, and a €38 million payment to the New England Teamsters and Trucking Industry Pension Fund.

Net debt decreased by €2,134 million during the first three quarters of 2013. Free cash flow of €617 million and the proceeds from the sale of ICA of €2,507 million were partially offset by dividends paid on common shares of €457 million and the share buyback of €476 million.

# Performance by segment

**Ahold USA**
In the third quarter, net sales were $5.9 billion, up 0.2%. Identical sales growth was 0.1% (0.6% excluding gasoline). Our stores maintained stable volumes and had low levels of inflation. In a promotional market, our U.S. operations gained market share. Consumer confidence in the economy remained fragile. During the quarter, we closed six stores and three gas stations in the New Hampshire area, as announced on August 6. Underlying operating margin was 4.0%, compared to 4.1% last year.

In the first three quarters, net sales were $20.1 billion, up 2.0%. Identical sales were up 0.9% (1.0% excluding gasoline). Underlying operating margin was 4.1%, compared to 4.2% last year.

**The Netherlands**
In the third quarter, net sales increased 1.4% to €2.6 billion despite a 0.9% negative effect from a change in the legislation relating to VAT on tobacco. Identical sales growth excluding VAT on tobacco sales decreased 0.2%. Sales at Albert Heijn supermarkets in the Netherlands were lower as our customers bought fewer items per visit, placing our market share under pressure. Both bol.com and albert.nl achieved strong growth. In Belgium, Albert Heijn currently operates 18 supermarkets, 10 more than last year, with 19 expected by year end. Despite an increase in pension costs, our operations in the Netherlands achieved an underlying operating margin of 5.3%, unchanged from last year.

In the first three quarters, net sales increased 5.1% to €8.8 billion. Identical sales excluding VAT on tobacco were up 1.2%. Underlying operating margin was 5.3%, compared to 5.4% last year.

**Other Europe (Czech Republic and Slovakia)**
In the third quarter, net sales decreased 4.0% to €363 million. At constant exchange rates, net sales decreased 1.3%. Identical sales decreased 1.3% (1.9% excluding gasoline). Our Czech operations achieved identical volume growth driven by a successful sales campaign and continued efforts to optimize our customer offering. In the third quarter our market share in the Czech Republic was roughly level with last year despite competitor store openings; excluding store openings we gained market share. Underlying operating margin in Other Europe was 0.6%, compared to 1.1% last year, due to a negative result in Slovakia. Underlying operating margin in the Czech Republic further improved to 1.8%, compared to 1.3% last year.

In the first three quarters, net sales decreased 4.6% to €1,212 million. At constant exchange rates, net sales decreased 2.6%. Identical sales decreased 2.4% (2.1% excluding gasoline). Underlying operating margin was 0.8%, compared to 0.9% last year, while our underlying operating margin in the Czech Republic was 1.7%, compared to 1.3% last year. On a year-to-date basis, we gained market share in the Czech Republic.

**Corporate Center**
In the third quarter, Corporate Center costs were €18 million, down €2 million; underlying Corporate Center costs were €18 million. Excluding the effect of the Company's insurance activities, underlying Corporate Center costs were €19 million, an increase of €2 million over last year.

For the first three quarters, Corporate Center costs were €48 million, down €12 million; underlying Corporate Center costs were €52 million. Excluding the effect of the Company's insurance activities, underlying Corporate Center costs were €63 million, an increase of €4 million over last year.

# Other financial and operating information

## Identical / comparable sales growth (% year-over-year)[1]

| | Q3 2013 Identical | Q3 2013 Identical excluding gasoline | Q3 2013 Comparable | Q3 YTD 2013 Identical | Q3 YTD 2013 Identical excluding gasoline | Q3 YTD 2013 Comparable |
|---|---|---|---|---|---|---|
| Ahold USA | 0.1% | 0.6% | 0.2% | 0.9% | 1.0% | 1.0% |
| The Netherlands[2] | (0.2)% | (0.2)% | | 1.2% | 1.2% | |
| Other Europe | (1.3)% | (1.9)% | | (2.4)% | (2.1)% | |

1. *For the definition of identical and comparable sales see section "Other information" – "Use of non-GAAP financial measures."*
2. *Identical sales growth in the Netherlands excludes the VAT on Tobacco sales. For the definition of identical sales, excluding VAT from tobacco sales see section "Other information" – "Use of non-GAAP financial measures."*

## Underlying operating income[1]

| | Q3 2013 | Q3 2012 (restated)[2] | % Change | Q3 YTD 2013 | Q3 YTD 2012 (restated)[2] | % Change |
|---|---|---|---|---|---|---|
| $ million | | | | | | |
| Ahold USA | 237 | 239 | (0.8)% | 821 | 834 | (1.6)% |
| *Average U.S. dollar exchange rate (euro per U.S. dollar)* | *0.7505* | *0.7959* | *(5.7)%* | *0.7588* | *0.7804* | *(2.8)%* |
| € million | | | | | | |
| Ahold USA | 178 | 190 | (6.3)% | 624 | 650 | (4.0)% |
| The Netherlands | 135 | 134 | 0.7% | 469 | 451 | 4.0% |
| Other Europe | 2 | 4 | (50.0)% | 10 | 12 | (16.7)% |
| Corporate Center | (18) | (16) | (12.5)% | (52) | (60) | 13.3% |
| **Ahold Group** | **297** | **312** | **(4.8)%** | **1,051** | **1,053** | **(0.2)%** |

1. *For the definition of underlying operating income see section "Other information" – "Use of non-GAAP financial measures."*
2. *See Note 2 for a further explanation of the restatements.*

## Underlying operating margin

Underlying operating margin is defined as underlying operating income as a percentage of net sales.

| | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|
| Ahold USA | 4.0% | 4.1% | 4.1% | 4.2% |
| The Netherlands | 5.3% | 5.3% | 5.3% | 5.4% |
| Other Europe | 0.6% | 1.1% | 0.8% | 0.9% |
| **Ahold Group** | **4.0%** | **4.1%** | **4.2%** | **4.2%** |

1. *See Note 2 for a further explanation of the restatements.*

## Store portfolio (including franchise stores)

| | End of 2012 | Opened / acquired | Closed / sold | End of Q3 2013 | End of Q3 2012 |
|---|---|---|---|---|---|
| Ahold USA | 772 | 6 | (9) | 769 | 773 |
| The Netherlands[1] | 1,996 | 43 | (10) | 2,029 | 1,972 |
| Other Europe | 306 | 1 | - | 307 | 306 |
| **Ahold Group** | **3,074** | **50** | **(19)** | **3,105** | **3,051** |

1. *The number of stores at the end of Q3 2013 includes 1,116 specialty stores (Etos and Gall & Gall) (Q3 2012: 1,093).*

## EBITDA[1]

| (€ million) | Q3 2013 | Q3 2012 (restated)[2] | % Change | Q3 YTD 2013 | Q3 YTD 2012 (restated)[2] | % Change |
|---|---|---|---|---|---|---|
| Ahold USA | 254 | 306 | (17.0)% | 916 | 1,047 | (12.5)% |
| The Netherlands | 190 | 187 | 1.6% | 652 | 624 | 4.5% |
| Other Europe | 12 | 13 | (7.7)% | 38 | 46 | (17.4)% |
| Corporate Center | (18) | (19) | 5.3% | (47) | (58) | 19.0% |
| EBITDA by segment | 438 | 487 | (10.1)% | 1,559 | 1,659 | (6.0)% |
| Share in income (loss) of joint ventures | 9 | 8 | 12.5% | 13 | 5 | 160.0% |
| Income from discontinued operations | 4 | (45) | 108.9% | 1,754 | 14 | n/m |
| **Total EBITDA** | **451** | **450** | **0.2%** | **3,326** | **1,678** | **98.2%** |

1. *For the definition of EBITDA see section "Other information" – "Use of non-GAAP financial measures."*
2. *See Note 2 for a further explanation of the restatements.*

## Free cash flow[1]

| (€ million) | Q3 2013 | Q3 2012 (restated)[2] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[2] |
|---|---|---|---|---|
| Operating cash flows from continuing operations | 360 | 425 | 1,303 | 1,477 |
| Purchase of non-current assets | (155) | (242) | (574) | (653) |
| Divestments of assets/disposal groups held for sale | 5 | 9 | 43 | 43 |
| Dividends from joint ventures[2] | 2 | - | 5 | 6 |
| Interest received | 2 | 4 | 5 | 10 |
| Interest paid | (33) | (37) | (165) | (181) |
| **Free cash flow** | **181** | **159** | **617** | **702** |

1. *For the definition of free cash flow see section "Other information" – "Use of non-GAAP financial measures."*
2. *See Note 2 for a further explanation of the restatements.*

## Net debt

| (€ million) | October 6, 2013 | July 14, 2013 | December 30, 2012 |
|---|---|---|---|
| Loans | 1,343 | 1,371 | 1,431 |
| Finance lease liabilities | 1,081 | 1,141 | 1,179 |
| Cumulative preferred financing shares | 497 | 497 | 497 |
| Non-current portion of long-term debt | 2,921 | 3,009 | 3,107 |
| Short-term borrowings and current portion of long-term debt | 145 | 146 | 139 |
| Gross debt | 3,066 | 3,155 | 3,246 |
| Less: Cash, cash equivalents, and short-term deposits and similar instruments[1] | 3,840 | 3,968 | 1,886 |
| **Net debt** | **(774)** | **(813)** | **1,360** |

1. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. These balances amounted to €136 million, €122 million and €170 million as of October 6, 2013, July 14, 2013, and December 30, 2012, respectively.*

# Consolidated income statement

| (€ million, except per share data) | Note | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|---|
| Net sales | 4 | 7,362 | 7,598 | 25,248 | 25,006 |
| Cost of sales | 5 | (5,413) | (5,609) | (18,528) | (18,426) |
| **Gross profit** | | **1,949** | **1,989** | **6,720** | **6,580** |
| | | | | | |
| Selling expenses | | (1,430) | (1,456) | (4,879) | (4,782) |
| General and administrative expenses | | (271) | (245) | (923) | (773) |
| Total operating expenses | 5 | (1,701) | (1,701) | (5,802) | (5,555) |
| | | | | | |
| **Operating income** | 4 | **248** | **288** | **918** | **1,025** |
| | | | | | |
| Interest income | | 1 | 1 | 5 | 9 |
| Interest expense | | (51) | (53) | (175) | (181) |
| Interest income (expense) on defined benefit pension plans | | (6) | 3 | (19) | 13 |
| Other financial income (expense) | | (1) | 10 | (32) | 5 |
| Net financial expense | | (57) | (39) | (221) | (154) |
| | | | | | |
| **Income before income taxes** | | **191** | **249** | **697** | **871** |
| | | | | | |
| Income taxes | 6 | (39) | (71) | (142) | (215) |
| Share in income (loss) of joint ventures | 7 | 9 | 8 | 13 | 5 |
| **Income from continuing operations** | | **161** | **186** | **568** | **661** |
| | | | | | |
| Income (loss) from discontinued operations | 8 | 4 | (45) | 1,754 | 14 |
| **Net income attributable to common shareholders** | | **165** | **141** | **2,322** | **675** |
| | | | | | |
| Net income per share attributable to common shareholders | | | | | |
| Basic | | 0.16 | 0.14 | 2.26 | 0.65 |
| Diluted | | 0.16 | 0.13 | 2.17 | 0.63 |
| | | | | | |
| Income from continuing operations per share attributable to common shareholders | | | | | |
| Basic | | 0.16 | 0.18 | 0.55 | 0.64 |
| Diluted | | 0.16 | 0.17 | 0.54 | 0.62 |
| | | | | | |
| Weighted average number of common shares outstanding (in millions) | | | | | |
| Basic | | 1,014 | 1,038 | 1,029 | 1,041 |
| Diluted | | 1,065 | 1,101 | 1,080 | 1,103 |
| | | | | | |
| Average U.S. dollar exchange rate (euro per U.S. dollar) | | 0.7505 | 0.7959 | 0.7588 | 0.7804 |

1. *See Note 2 for a further explanation of the restatements.*

# Consolidated statement of comprehensive income

| (€ million) | Note | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|---|
| **Net income** | | **165** | **141** | **2,322** | **675** |
| Remeasurements of defined benefit pension plans | | | | | |
| Remeasurements before taxes | 10 | (72) | (394) | 123 | (1,076) |
| Income taxes | | 16 | 109 | (52) | 300 |
| Other comprehensive income (loss) that will not be reclassified to profit or loss | | (56) | (285) | 71 | (776) |
| Currency translation differences in foreign interests: | | | | | |
| Currency translation differences before taxes from: | | | | | |
| Continuing operations | | (117) | (194) | (88) | (14) |
| Discontinued operations | | - | 29 | 30 | 44 |
| Cumulative translation differences from divestments transferred to net income | 8 | - | - | (82) | - |
| Income taxes | | - | - | - | - |
| Cash flow hedges: | | | | | |
| Fair value gains (losses) in the year | | 31 | (17) | 2 | (36) |
| Transfers to net income | | 6 | 19 | 47 | 12 |
| Income taxes | | (9) | (1) | (12) | 6 |
| Other comprehensive income (loss) of joint ventures - net of income taxes: | | | | | |
| Share of other comprehensive income (loss) from: | | | | | |
| Continuing operations | | - | - | - | - |
| Discontinued operations | | - | (13) | - | (14) |
| Other comprehensive loss transferred to net income | 8 | - | - | 9 | - |
| Other comprehensive loss that may be reclassified to profit or loss | | (89) | (177) | (94) | (2) |
| **Total other comprehensive loss** | | **(145)** | **(462)** | **(23)** | **(778)** |
| **Total comprehensive income (loss) attributable to common shareholders** | | **20** | **(321)** | **2,299** | **(103)** |
| Attributable to: | | | | | |
| Continuing operations | | 16 | (292) | 588 | (147) |
| Discontinued operations | | 4 | (29) | 1,711 | 44 |
| **Total comprehensive income (loss) attributable to common shareholders** | | **20** | **(321)** | **2,299** | **(103)** |

1. *See Note 2 for a further explanation of the restatements.*

# Consolidated balance sheet

| (€ million) | Note | October 6, 2013 | December 30, 2012 (restated)[1] |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 5,827 | 6,038 |
| Investment property | | 550 | 565 |
| Intangible assets | | 1,566 | 1,569 |
| Investments in joint ventures | | 224 | 1,017 |
| Other non-current financial assets | | 404 | 420 |
| Deferred tax assets | | 443 | 512 |
| Other non-current assets | | 34 | 35 |
| **Total non-current assets** | | **9,048** | **10,156** |
| Assets held for sale | | 5 | - |
| Inventories | | 1,459 | 1,492 |
| Receivables | | 617 | 793 |
| Other current financial assets | | 875 | 43 |
| Income taxes receivable | | 41 | 47 |
| Other current assets | | 175 | 155 |
| Cash and cash equivalents | 11 | 3,016 | 1,886 |
| **Total current assets** | | **6,188** | **4,416** |
| **Total assets** | | **15,236** | **14,572** |
| **Equity and liabilities** | | | |
| **Equity attributable to common shareholders** | 9 | **6,558** | **5,146** |
| Loans | | 1,343 | 1,431 |
| Other non-current financial liabilities | | 1,901 | 1,930 |
| Pensions and other post-employment benefits | | 451 | 643 |
| Deferred tax liabilities | | 93 | 98 |
| Provisions | | 652 | 646 |
| Other non-current liabilities | | 236 | 251 |
| **Total non-current liabilities** | | **4,676** | **4,999** |
| Accounts payable | | 2,336 | 2,667 |
| Other current financial liabilities | | 246 | 236 |
| Income taxes payable | | 149 | 134 |
| Provisions | | 161 | 256 |
| Other current liabilities | | 1,110 | 1,134 |
| **Total current liabilities** | | **4,002** | **4,427** |
| **Total equity and liabilities** | | **15,236** | **14,572** |
| Quarter-end U.S. dollar exchange rate (euro per U.S. dollar) | | 0.7376 | 0.7566 |

1. *See Note 2 for a further explanation of the restatements.*

# Consolidated statement of changes in equity

| (€ million) | Share capital | Additional paid-in capital | Currency translation reserve | Cash flow hedging reserve | Other reserves including accumulated deficit[1] | Equity attributable to common shareholders |
|---|---|---|---|---|---|---|
| **Balance as of January 1, 2012** | **330** | **9,094** | **(265)** | **(93)** | **(3,189)** | **5,877** |
| Adjustments[2] | - | - | - | - | (67) | (67) |
| **As restated** | **330** | **9,094** | **(265)** | **(93)** | **(3,256)** | **5,810** |
| Net income (restated)[2] | - | - | - | - | 675 | 675 |
| Other comprehensive income (loss)(restated)[2] | - | - | 30 | (18) | (790) | (778) |
| Total comprehensive income (loss)(restated)[2] | - | - | 30 | (18) | (115) | (103) |
| Dividends | - | - | - | - | (415) | (415) |
| Share buyback | - | - | - | - | (277) | (277) |
| Retirement of treasury shares | (12) | (381) | - | - | 393 | - |
| Share-based payments | - | - | - | - | 39 | 39 |
| **Balance as of October 7, 2012[2]** | **318** | **8,713** | **(235)** | **(111)** | **(3,631)** | **5,054** |
| | | | | | | |
| **Balance as of December 30, 2012 (restated)[2]** | **318** | **8,713** | **(292)** | **(126)** | **(3,467)** | **5,146** |
| Net income | - | - | - | - | 2,322 | 2,322 |
| Other comprehensive income (loss) | - | - | (140) | 37 | 80 | (23) |
| Total comprehensive income (loss) | - | - | (140) | 37 | 2,402 | 2,299 |
| Dividends | - | - | - | - | (457) | (457) |
| Share buyback | - | - | - | - | (476) | (476) |
| Share-based payments | - | - | - | - | 46 | 46 |
| **Balance as of October 6, 2013** | **318** | **8,713** | **(432)** | **(89)** | **(1,952)** | **6,558** |

1. *Other reserves include the remeasurements of defined benefit pension plans.*
2. *See Note 2 for a further explanation of the restatements.*

# Consolidated statement of cash flows

| (€ million) | Note | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|---|
| Operating income | | 248 | 288 | 918 | 1,025 |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairments | 5 | 198 | 217 | 701 | 663 |
| Gains on the sale of assets / disposal groups held for sale | 5 | (4) | (2) | (25) | (18) |
| Share-based compensation expenses | | 11 | 8 | 32 | 29 |
| Operating cash flows before changes in operating assets and liabilities | | 453 | 511 | 1,626 | 1,699 |
| Changes in working capital: | | | | | |
| Changes in inventories | | (24) | (35) | 9 | 3 |
| Changes in receivables and other current assets | | (19) | (5) | 40 | 55 |
| Changes in payables and other current liabilities | | (72) | 1 | (236) | (128) |
| Changes in other non-current assets, other non-current liabilities and provisions | | 43 | (44) | (10) | (57) |
| Cash generated from operations | | 381 | 428 | 1,429 | 1,572 |
| Income taxes paid - net | | (21) | (3) | (126) | (95) |
| Operating cash flows from continuing operations | | 360 | 425 | 1,303 | 1,477 |
| Operating cash flows from discontinued operations | | (6) | (2) | (11) | (5) |
| **Net cash from operating activities** | | **354** | **423** | **1,292** | **1,472** |
| Purchase of non-current assets | | (155) | (242) | (574) | (653) |
| Divestments of assets / disposal groups held for sale | | 5 | 9 | 43 | 43 |
| Acquisition of businesses, net of cash acquired | 3 | - | (269) | (3) | (703) |
| Divestment of businesses, net of cash divested | 8 | (2) | (2) | 2,359 | (46) |
| Changes in short-term deposits and similar instruments | | (683) | - | (828) | 116 |
| Dividends from joint ventures | | 2 | - | 5 | 6 |
| Interest received | | 2 | 4 | 5 | 10 |
| Other | | 1 | 1 | - | 1 |
| Investing cash flows from continuing operations | | (830) | (499) | 1,007 | (1,226) |
| Investing cash flows from discontinued operations | 8 | - | - | 136 | 136 |
| **Net cash from investing activities** | | **(830)** | **(499)** | **1,143** | **(1,090)** |
| Interest paid | | (33) | (37) | (165) | (181) |
| Repayments of loans | | (4) | (4) | (18) | (456) |
| Repayments of finance lease liabilities | | (17) | (17) | (56) | (52) |
| Change in short-term loans | | - | (1) | 3 | 3 |
| Dividends paid on common shares | 9 | - | - | (457) | (415) |
| Share buyback | 9 | (229) | - | (476) | (277) |
| Change in derivatives | | (10) | (11) | (19) | 111 |
| Other | 11 | - | 2 | (87) | 7 |
| Financing cash flows from continuing operations | | (293) | (68) | (1,275) | (1,260) |
| Financing cash flows from discontinued operations | | - | (1) | (2) | (3) |
| **Net cash from financing activities** | | **(293)** | **(69)** | **(1,277)** | **(1,263)** |
| **Net cash from operating, investing and financing activities** | 11 | **(769)** | **(145)** | **1,158** | **(881)** |
| Average U.S. dollar exchange rate (euro per U.S. dollar) | | 0.7505 | 0.7959 | 0.7588 | 0.7804 |

1. *See Note 2 for a further explanation of the restatements.*

For the reconciliation between net cash from operating, investing and financing activities and cash and cash equivalents as presented in the balance sheet, see *Note 11*.

# Notes to the consolidated summary financial statements

**1. The Company and its operations**

The principal activity of Koninklijke Ahold N.V. (“Ahold” or the “Company”), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores in the United States and Europe through subsidiaries and joint ventures.

The information in these condensed consolidated interim financial statements (“financial statements”) is unaudited.

**2. Accounting policies**

*Basis of preparation*

These financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting.” The accounting policies applied in these financial statements are consistent with those applied in Ahold’s 2012 consolidated financial statements, except for the new standards and amendments to existing standards effective for 2013, as described below.

Ahold’s reporting calendar is based on 13 periods of four weeks, with 2013 and 2012 each comprising 52 weeks. The third quarters of 2013 and 2012 are each comprised of 12 weeks. The financial year of Ahold’s unconsolidated joint venture JMR - Gestão de Empresas de Retalho, SGPS. S.A. (“JMR”) corresponds to the calendar year. Any significant transactions and / or events between JMR’s quarter-end and Ahold’s quarter-end are taken into account in the preparation of Ahold’s financial statements.

*Changes in presentation*

In Q1 2013, Ahold changed the presentation of the income statement to a framework that provides a better alignment between expense categories and functions. The change resulted in certain reclassifications within the 2012 income statement. In the Q3 2012 income statement, this change decreased cost of sales by €30 million (Q3 YTD 2012: €102 million) and increased selling expenses and general and administrative expenses by €20 million (Q3 YTD 2012: €65 million) and €10 million (Q3 YTD 2012: €37 million), respectively. Furthermore, the comparative 2012 expenses by nature figures have been changed to conform to the current year presentation.

In Q1 2013, Ahold’s investment in ICA met the criteria to be classified as a discontinued operation and, accordingly, a €41 million loss that was previously reported in Q3 2012 as share of income from joint ventures (Q3 YTD 2012: €16 million income) has been reclassified to income from discontinued operations.

The tables at the end of this note outline the effects on Ahold’s comparative 2012 amounts.

*New and revised IFRSs effective in 2013*

The amendment to IAS 1, “Presentation of Financial Statements,” as part of the “Annual Improvements to IFRSs 2009-2011 Cycle,” became effective in 2013. These amendments require Ahold to group items of other comprehensive income on the basis of whether or not they are potentially able to be subsequently reclassified to profit or loss (reclassification adjustments). The presentation of Ahold’s consolidated statement of comprehensive income has been adjusted to comply with these amendments; however the amendments have no effect on Ahold’s financial position or performance.

IAS 19, “Employee Benefits,” (as revised June 2011) became effective for the Company as of January 1, 2013. Ahold has applied the revised standard retrospectively and in accordance with the transitional provisions as set out in IAS 19.173 (as revised). These transitional provisions do not have an effect on future periods.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets as they occur, hence eliminating the ”corridor approach” permitted under the previous version of IAS 19, and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 have been replaced with a ”net-interest” amount, which is calculated by applying the discount rate to the net defined liability or asset. IAS 19 (as revised) introduces certain changes in the presentation of the defined benefit cost, including more extensive disclosures. In addition to the IAS 19 amendments, Ahold has changed its presentation of the net-interest amount to be within net financial expenses, instead of the previous presentation within operating expenses. The effect of these changes is presented below.

IFRS 13, “Fair value measurement,” became effective for the Company as of January 1, 2013. It is applied prospectively. IFRS 13 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. Upon the adoption of the standard, Ahold has recognized the effect of non-performance risk, including the Company’s own credit risk, in the measurement of its financial liabilities at fair value. The adoption of IFRS 13 does not have a significant effect on Ahold’s financial position or performance. For more information about financial instruments and fair value measurements, see *Note 12*.

In addition, the following new and amended IASB pronouncements have been adopted by Ahold. The initial application of these pronouncements has been assessed and they do not have any significant effect on Ahold’s financial position or performance.

- IFRS 10, “Consolidated financial statements” and amendments to IAS 27, “Separate financial statements”
- IFRS 11, “Joint arrangements” and amendments to IAS 28, “Investments in associates and joint ventures”
- IFRS 12, “Disclosures of interests in other entities”

The restatements to Ahold's 2012 comparative amounts for the changes in presentation and adoption of IAS 19 (as revised) are as follows:

| (€ million, except per share data) | Q3 2012 as reported | Changes in presentation | IAS 19 restatement | Q3 2012 as restated |
|---|---|---|---|---|
| **Consolidated income statement line items** | | | | |
| Net sales | 7,598 | - | - | 7,598 |
| Cost of sales | (5,640) | 30 | 1 | (5,609) |
| **Gross profit** | **1,958** | **30** | **1** | **1,989** |
| Selling expenses | (1,432) | (20) | (4) | (1,456) |
| General and administrative expenses | (237) | (10) | 2 | (245) |
| **Operating Income** | **289** | **-** | **(1)** | **288** |
| Interest income | 1 | - | - | 1 |
| Interest expense | (53) | - | - | (53) |
| Interest income (expense) on defined benefit pension plans - net | - | - | 3 | 3 |
| Other financial income (expense) | 10 | - | - | 10 |
| **Income before income taxes** | **247** | **-** | **2** | **249** |
| Income taxes | (70) | - | (1) | (71) |
| Share in income (loss) of joint ventures | (34) | 41 | 1 | 8 |
| **Income from continuing operations** | **143** | **41** | **2** | **186** |
| Income from discontinued operations | (4) | (41) | - | (45) |
| **Net income attributable to common shareholders** | **139** | **-** | **2** | **141** |
| Net income per share attributable to common shareholders | | | | |
| Basic | 0.13 | - | 0.01 | 0.14 |
| Diluted | 0.13 | - | - | 0.13 |
| Income from continuing operations per share attributable to common shareholders | | | | |
| Basic | 0.14 | 0.04 | - | 0.18 |
| Diluted | 0.14 | 0.03 | - | 0.17 |

| (€ million, except per share data) | Q3 YTD 2012 as reported | Changes in presentation | IAS 19 Restatement | Q3 YTD 2012 as restated |
|---|---|---|---|---|
| **Consolidated income statement line items** | | | | |
| Net sales | 25,006 | - | - | 25,006 |
| Cost of sales | (18,529) | 102 | 1 | (18,426) |
| **Gross profit** | **6,477** | **102** | **1** | **6,580** |
| Selling expenses | (4,704) | (65) | (13) | (4,782) |
| General and administrative expenses | (742) | (37) | 6 | (773) |
| **Operating Income** | **1,031** | **-** | **(6)** | **1,025** |
| Interest income | 9 | - | - | 9 |
| Interest expense | (181) | - | - | (181) |
| Interest income (expense) on defined benefit pension plans - net | - | - | 13 | 13 |
| Other financial income (expense) | 5 | - | - | 5 |
| **Income before income taxes** | **864** | **-** | **7** | **871** |
| Income taxes | (213) | - | (2) | (215) |
| Share in income (loss) of joint ventures | 20 | (16) | 1 | 5 |
| **Income from continuing operations** | **671** | **(16)** | **6** | **661** |
| Income from discontinued operations | (2) | 16 | - | 14 |
| **Net income attributable to common shareholders** | **669** | **-** | **6** | **675** |
| Net income per share attributable to common shareholders | | | | |
| Basic | 0.64 | - | 0.01 | 0.65 |
| Diluted | 0.62 | - | 0.01 | 0.63 |
| Income from continuing operations per share attributable to common shareholders | | | | |
| Basic | 0.64 | (0.01) | 0.01 | 0.64 |
| Diluted | 0.63 | (0.01) | - | 0.62 |

| (€ million) | Q3 2012 as reported | Changes in presentation | IAS 19 restatement | Q3 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of comprehensive income line items** | | | | |
| **Net income** | **139** | **-** | **2** | **141** |
| Remeasurement defined benefit pension plans before tax | - | - | (394) | (394) |
| Income taxes | - | - | 109 | 109 |
| Other comprehensive income (loss) that will not be reclassified to profit or loss | - | - | (285) | (285) |
| Other comprehensive income that may be reclassified to profit or loss | (193) | - | 16 | (177) |
| **Total other comprehensive income (loss)** | **(193)** | **-** | **(269)** | **(462)** |
| **Total comprehensive income (loss) attributable to common shareholders** | **(54)** | **-** | **(267)** | **(321)** |

| (€ million) | Q3 YTD 2012 as reported | Changes in presentation | IAS 19 Restatement | Q3 YTD 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of comprehensive income line items** | | | | |
| **Net income** | **669** | **-** | **6** | **675** |
| Remeasurement defined benefit pension plans before tax | - | - | (1,076) | (1,076) |
| Income taxes | - | - | 300 | 300 |
| Other comprehensive income (loss) that will not be reclassified to profit or loss | - | - | (776) | (776) |
| Other comprehensive income that may be reclassified to profit or loss | (3) | - | 1 | (2) |
| **Total other comprehensive income (loss)** | **(3)** | **-** | **(775)** | **(778)** |
| **Total comprehensive income (loss) attributable to common shareholders** | **666** | **-** | **(769)** | **(103)** |

| (€ million) | December 30, 2012 as reported | Changes in presentation | IAS 19 restatement | December 30, 2012 as restated |
|---|---|---|---|---|
| **Consolidated balance sheet line items** | | | | |
| Investments in joint ventures | 1,047 | - | (30) | 1,017 |
| Other non-current financial assets | 1,059 | - | (639) | 420 |
| Deferred tax assets | 353 | - | 159 | 512 |
| Pensions and other post-employment benefits | (110) | - | (533) | (643) |
| Deferred tax liabilities | (292) | - | 194 | (98) |
| Equity attributable to common shareholders | (5,995) | - | 849 | (5,146) |

| (€ million) | October 7, 2012 as reported | Changes in presentation | IAS 19 restatement | October 7, 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of changes in equity** | | | | |
| Share capital | 318 | - | - | 318 |
| Additional paid-in capital | 8,713 | - | - | 8,713 |
| Currency translation reserve | (237) | - | 2 | (235) |
| Cash flow hedging reserve | (111) | - | - | (111) |
| Other reserves including accumulated deficit | (2,793) | - | (838) | (3,631) |
| **Equity attributable to common shareholders** | **5,890** | **-** | **(836)** | **5,054** |

| (€ million) | December 30, 2012 as reported | Changes in presentation | IAS 19 Restatement | December 30, 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of changes in equity** | | | | |
| Share capital | 318 | - | - | 318 |
| Additional paid-in capital | 8,713 | - | - | 8,713 |
| Currency translation reserve[1] | (298) | - | 6 | (292) |
| Cash flow hedging reserve | (126) | - | - | (126) |
| Other reserves including accumulated deficit[1] | (2,612) | - | (855) | (3,467) |
| **Equity attributable to common shareholders** | **5,995** | **-** | **(849)** | **5,146** |

1. *The IAS 19 restatement amounts include a further offsetting €3 million refinement from the amounts presented in Q1 2013.*

| (€ million) | Q3 2012 as reported | Changes in presentation | IAS 19 restatement | Q3 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of cash flows line items** | | | | |
| Operating income | 289 | - | (1) | 288 |
| Changes in non-current assets, other non-current liabilities and provisions | (45) | - | 1 | (44) |

| (€ million) | Q3 YTD 2012 as reported | Changes in presentation | IAS 19 restatement | Q3 YTD 2012 as restated |
|---|---|---|---|---|
| **Consolidated statement of cash flows line items** | | | | |
| Operating income | 1,031 | - | (6) | 1,025 |
| Changes in non-current assets, other non-current liabilities and provisions | (63) | - | 6 | (57) |
| Dividends from joint ventures | 142 | (136) | - | 6 |
| Investing cash flows from discontinued operations | - | 136 | - | 136 |

## 3. Business combinations

*Jumbo*

On August 14, 2012, Ahold announced that its Albert Heijn division had completed the acquisition of 78 C1000 and four Jumbo stores from Jumbo for €290 million in cash, with €261 million paid to date (Q3 YTD 2013: credit €4 million and 2012: €265 million) and the remainder to be settled as agreements are reached with the franchisees. During the third quarter of this year, Ahold reached agreement with seven franchisees (29 franchisees in total) of which four stores were converted and opened under the Albert Heijn banner (26 stores converted in total). The remaining 53 franchisee-owned stores will be converted to the Albert Heijn banner over a period of time, in close cooperation with the entrepreneurs. Goodwill recognized in the amount of €100 million to date (Q3 YTD 2013: €47 million and 2012: €53 million), which will not be deductible for tax purposes, represents expected synergies from the combination of operations, as well as the ability to expand Ahold's geographic reach.

The 26 individual stores that were converted to the Albert Heijn banner have contributed €35 million to Q3 2013 net sales (Q3 YTD 2013: €99 million) and an insignificant amount to net income.

*Other acquisitions*
The Netherlands acquired three stores from franchisees for €7 million, of which €4 million was recognized as additional goodwill and €3 million as property, plant and equipment.

The allocation of the fair value of the net assets acquired and the goodwill arising from the acquisitions during 2013 is as follows:

| (€ million) | Jumbo | Other | Total |
|---|---|---|---|
| Property plant & equipment | - | 3 | 3 |
| Goodwill | 47 | 4 | 51 |
| Other intangible assets | (51) | - | (51) |
| **Acquisition of business, net of cash** | **(4)** | **7** | **3** |

A reconciliation of Ahold's goodwill balance, which is presented within intangible assets, is as follows:

| € million | |
|---|---|
| **As of December 30, 2012** | |
| At cost | 772 |
| Accumulated impairment losses | (3) |
| **Opening carrying amount** | **769** |
| Business acquisitions | 51 |
| Impairment losses | (1) |
| Exchange rate differences | (8) |
| **Closing carrying amount** | **811** |
| **As of October 6, 2013** | |
| At cost | 815 |
| Accumulated impairment losses | (4) |
| **Carrying amount** | **811** |

## 4. Segment reporting

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint venture JMR, and Ahold's Corporate Center are presented separately.

| 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, Albert Heijn Belgium, Albert Heijn Germany, Etos, Gall & Gall, bol.com and albert.nl |
| Other Europe | Albert (Czech Republic and Slovakia) and Hypernova (Slovakia) |

| Other | Included in Other |
|---|---|
| Other retail | Unconsolidated joint venture JMR (49%) |
| Corporate Center | Corporate Center staff (the Netherlands, Switzerland and the United States) |

## Net sales

Net sales per segment are as follows:

| | Q3 2013 | Q3 2012 | % Change | Q3 YTD 2013 | Q3 YTD 2012 | % Change |
|---|---|---|---|---|---|---|
| $ million | | | | | | |
| Ahold USA | 5,902 | 5,888 | 0.2% | 20,105 | 19,703 | 2.0% |
| *Average U.S. dollar exchange rate (euro per U.S. dollar)* | *0.7505* | *0.7959* | *(5.7)%* | *0.7588* | *0.7804* | *(2.8)%* |
| € million | | | | | | |
| Ahold USA | 4,430 | 4,686 | (5.5)% | 15,258 | 15,379 | (0.8)% |
| The Netherlands | 2,569 | 2,534 | 1.4% | 8,778 | 8,356 | 5.1% |
| Other Europe | 363 | 378 | (4.0)% | 1,212 | 1,271 | (4.6)% |
| **Ahold Group** | **7,362** | **7,598** | **(3.1)%** | **25,248** | **25,006** | **1.0%** |

The net sales of Ahold's unconsolidated joint venture JMR amounted to €910 million and €871 million for Q3 2013 and Q3 2012, respectively (Q3 YTD 2013: €2,541 million and Q3 YTD 2012: €2,441 million).

## Operating income

Operating income (loss) per segment is as follows:

| | Q3 2013 | Q3 2012 (restated)[1] | % Change | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] | % Change |
|---|---|---|---|---|---|---|
| $ million | | | | | | |
| Ahold USA | 173 | 218 | (20.6)% | 650 | 800 | (18.8)% |
| *Average U.S. dollar exchange rate (euro per U.S. dollar)* | *0.7505* | *0.7959* | *(5.7)%* | *0.7588* | *0.7804* | *(2.8)%* |
| € million | | | | | | |
| Ahold USA | 130 | 173 | (24.9)% | 493 | 623 | (20.9)% |
| The Netherlands | 133 | 131 | 1.5% | 464 | 451 | 2.9% |
| Other Europe | 3 | 4 | (25.0)% | 9 | 11 | (18.2)% |
| Corporate Center | (18) | (20) | 10.0% | (48) | (60) | 20.0% |
| **Ahold Group** | **248** | **288** | **(13.9)%** | **918** | **1,025** | **(10.4)%** |

*1. See Note 2 for a further explanation of the restatements.*

## Ahold USA

Q3 2013 operating income included $8 million (€6 million) of impairment charges (Q3 YTD 2013: $69 million (€53 million)), $5 million (€3 million) of gains on sale of assets (Q3 YTD 2013: $32 million (€23 million)) and $61 million (€45 million) of restructuring charges primarily related to the closure of stores in New Hampshire ($53 million (€39 million)). Further, Q3 YTD 2013 included $9 million (€7 million) gains on the final settlement of the Frozen Plan and a multi-employer pension withdrawal liability in the amount of $82 million (€63 million) (see *Note 10*).

Operating income in Q3 2012 included $22 million (€18 million) of impairments (Q3 YTD 2012: $36 million (€28 million)), $1 million (€1 million) of gains on sale of assets (Q3 YTD 2012: $4 million

(€3 million)). Further, the first three quarters of 2012 included $2 million (€2 million) of business acquisition costs related to the acquisition of the Genuardi's stores.

**The Netherlands**
Q3 2013 operating income included €2 million of impairment charges (Q3 YTD 2013: €5 million).

Q3 2012 operating income included €4 million of restructuring and related activities (Q3 YTD 2012: €5 million, which included €1 million of business acquisition costs related to the transaction with Jumbo) and €1 million gains on the sale of assets (Q3 YTD 2012: €5 million).

**Other Europe**
Q3 2013 operating income included €1 million of gains on sale of asset (Q3 YTD 2013: €1 million). Further, Q3 YTD 2013 included €2 million of impairments.

Operating income in the first three quarters of 2012 included €1 million of impairments.

**Corporate Center**
Corporate Center costs for Q3 2013 were down €2 million compared to the same period last year (Q3 YTD 2013: down €12 million). Excluding the effect of the Company's insurance activities, Corporate Center costs were €19 million, €2 million lower than last year (Q3 YTD 2013: €59 million, unchanged from last year). YTD Q3 2013 Corporate Center costs included €1 million of gains on the sale of assets, €1 million gain from the release of a restructuring-related provision and $3 million (€2 million) of gain on the final settlement of the Frozen Plan (see *Note 10*).

Corporate Center costs in 2012 were impacted by €10 million of restructuring related costs, which include €6 million of acquisition costs related to the acquisition of bol.com, offset by a €10 million gain on the sale of investments in associates.

## 5. Expenses by nature

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

| € million | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|
| Cost of product | 5,181 | 5,378 | 17,743 | 17,679 |
| Labor costs | 1,048 | 1,055 | 3,671 | 3,493 |
| Other operational expenses | 535 | 537 | 1,803 | 1,762 |
| Depreciation and amortization | 190 | 199 | 641 | 634 |
| Rent expenses and income - net | 156 | 125 | 437 | 402 |
| Impairment losses and reversals - net | 8 | 18 | 60 | 29 |
| Gains on the sale of assets - net | (4) | (2) | (25) | (18) |
| **Total** | **7,114** | **7,310** | **24,330** | **23,981** |

*1. The comparative 2012 expenses by nature figures have been changed to conform to the current year presentation. See Note 2 for a further explanation of the restatements.*

Rent expenses in the third quarter of 2013 included €36 million related to a restructuring provision taken for the closure of the New Hampshire stores.

## 6. Income taxes

Income taxes for 2013 include €12 million of one-time tax benefits recognized in Q1, mainly arising from a ruling on an uncertain tax position. In Q3 2012, income taxes included a tax expense arising from a partial reversal of an estimated benefit in the second quarter of 2012.

## 7. Share in income (loss) of joint ventures

The Company's share in income of joint ventures is net of income taxes and is specified as follows:

| € million | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|
| JMR | 10 | 9 | 13 | 3 |
| Other | (1) | (1) | - | 2 |
| **Total** | **9** | **8** | **13** | **5** |

*1. See Note 2 for a further explanation of the restatements.*

## 8. Assets and liabilities held for sale and discontinued operations

Income from discontinued operations is specified as follows:

| € million | Q3 2013 | Q3 2012 (restated)[1] | Q3 YTD 2013 | Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|
| ICA | - | (41) | 137 | 16 |
| Operating results from discontinued operations | - | (41) | 137 | 16 |
| | | | | |
| ICA | - | - | 1,614 | - |
| BI-LO and Bruno's | (1) | (1) | 2 | 2 |
| Other[2] | 5 | (3) | 1 | (4) |
| Results on divestments of discontinued operations | 4 | (4) | 1,617 | (2) |
| **Income from discontinued operations, net of income taxes** | **4** | **(45)** | **1,754** | **14** |

*1. See Note 2 for a further explanation of the restatements.*
*2. Includes adjustments to the result on various past divestments.*

Q3 YTD 2013 operating results from discontinued operations includes Ahold's proportionate share in the operating results of ICA for the month of January 2013 of a €2 million loss, as well as a dividend of €142 million less the effect of a cash flow hedge of €3 million.

On February 10, 2013, Ahold reached a sale agreement with Hakon Invest regarding its 60% holding in ICA for SEK 20 billion. The transaction was completed on March 27, 2013, and as a result Ahold recorded a gain of €1,614 million as a result on divestment of ICA as presented below:

| € million | |
|---|---|
| Proceeds net of cost to sell | 2,368 |
| Net assets divested | (828) |
| Results on divestment before recycling of currency exchange differences and other items | 1,540 |
| Currency exchange differences transferred from equity | 82 |
| Other items previously recognized in other comprehensive income | (9) |
| Results on divestments before income taxes | 1,613 |
| Income taxes | 1 |
| **Result on divestment of ICA** | **1,614** |

The cash flows from divestment of businesses as presented in the cash flow statement are as follows:

| € million | Q3 2013 | Q3 2012 | Q3 YTD 2013 | Q3 YTD 2012 |
|---|---|---|---|---|
| Proceeds from ICA | - | - | 2,368 | - |
| Net cash flows related to other past divestments | (2) | (2) | (9) | (46) |
| **Divestment of businesses, net of cash divested** | **(2)** | **(2)** | **2,359** | **(46)** |

**9. Equity attributable to common shareholders**

*Dividend on common shares*

On April 17, 2013, the General Meeting of Shareholders approved the dividend over 2012 of €0.44 per common share (€457 million in the aggregate). This dividend was paid on May 2, 2013.

*Share buyback*

On February 28, 2013, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program to be completed over a 12-month period. Subsequently, on June 4, 2013, Ahold announced an extension to this program of an additional €1.5 billion, for a total share buyback of €2 billion, expected to be completed by the end of 2014. The total number of shares repurchased under this program over the period from March 11, 2013, through October 6, 2013, was 38,943,570 common shares (Q3 2013: 18,187,141). Shares were repurchased for a total amount of €476 million (Q3 2013: €229 million), at an average price of €12.22 per share.

The number of outstanding common shares as of October 6, 2013, was 1,004,361,285 (December 30, 2012: 1,038,507,411).

**10. Pensions and other post-employment benefits**

On September 14, 2012, Ahold received approval from the U.S. Internal Revenue Service to terminate the U.S. Frozen Plan. Plan participants had the opportunity to elect a lump sum or annuity payment option if the present value of their benefit was in excess of $5,000; all other participants were paid in lump sums. Lump sum settlements were made in mid-December, 2012, while the purchase of annuity contracts occurred in Q1 2013. The final settlement expense of the lump sum payments and an estimate of the settlement expense of the annuity contracts amounted to €121 million and were recognized in 2012. Upon the purchase of the annuity contracts in Q1 2013 a gain of €9 million ($12 million) was recognized, representing an adjustment to the 2012 annuity estimate. Of this gain, €7 million ($9 million) was recognized in Ahold USA and €2 million ($3 million) in the Corporate Center.

During Q1 2013, Stop & Shop reached an agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund, an estimate of which was disclosed in *Note 23* to Ahold's 2012 financial statements. This agreement follows NETTI's restructuring to create a new future benefit service "pool." Employers who participate in the new pool will be responsible only for the pension benefits of their own employees, without regard to any previous fund liabilities in the original pension pool. Under the settlement agreement, Stop & Shop will move its employees into the new pool going forward without any loss of benefits for its employees and will settle its liability and payment obligations in the original pension pool through the payment of $100 million (€76 million), payable in two equal installments of $50 million, one paid on June 22, 2013, and the second due by April 30, 2025. Accordingly, Stop & Shop has recorded a pre-tax liability for the discounted amount of the remaining settlement liability of $33 million (€25 million). Stop & Shop's withdrawal from the original pension plan pool was effective as of March 31, 2013.

During the quarter, the Company's defined benefit plans were remeasured to their funded status with the effect being recognized in other comprehensive income. The remeasurement of the defined benefit obligation was based on the discount rate as of the end of the quarter; while the plan asset fair values were remeasured to the most recent valuations available at the end of the quarter.

## 11. Cash flow

The changes in cash and cash equivalent balances are as follows:

| € million | Q3 YTD 2013 | Q3 YTD 2012 |
|---|---|---|
| Cash and cash equivalents at the beginning of the year | 1,886 | 2,438 |
| Restricted cash | (22) | (31) |
| Cash and cash equivalents beginning of the year, excluding restricted cash | 1,864 | 2,407 |
| Net cash from operating, investing and financing activities | 1,158 | (881) |
| Effect of exchange rate differences on cash and cash equivalents | (27) | (14) |
| Restricted cash | 21 | 29 |
| **Cash and cash equivalents at the end of the quarter** | **3,016** | **1,541** |

Included in Other financing cash flows is the €92 million ($124 million) Q1 2013 settlement paid to Vornado. Refer to *Note 34* of Ahold's 2012 Annual Report for more information on the litigation.

## 12. 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:

| | October 6, 2013 | | December 30, 2012 | |
|---|---|---|---|---|
| € million | Carrying amount | Fair value | Carrying amount | Fair value |
| Loan receivable | 37 | 45 | 38 | 54 |
| Accounts receivable | 617 | 617 | 800 | 800 |
| Reinsurance assets | 131 | 131 | 109 | 109 |
| Total loans and receivables | 785 | 793 | 947 | 963 |
| Cash and cash equivalents | 3,016 | 3,016 | 1,886 | 1,886 |
| Short-term deposits and similar instruments | 824 | 824 | - | - |
| Derivatives | 279 | 279 | 282 | 282 |
| Available for sale | 4 | 4 | 4 | 4 |
| **Total financial assets** | **4,908** | **4,916** | **3,119** | **3,135** |

| € million | October 6, 2013 Carrying amount | Fair value | December 30, 2012 Carrying amount | Fair value |
|---|---|---|---|---|
| Notes | (991) | (1,200) | (1,056) | (1,348) |
| Other loans | (4) | (4) | (5) | (4) |
| Financing obligations | (362) | (521) | (381) | (573) |
| Mortgages payable | (10) | (11) | (11) | (12) |
| Finance lease liabilities | (1,157) | (1,500) | (1,254) | (1,731) |
| Cumulative preferred financing shares | (497) | (533) | (497) | (535) |
| Dividend cumulative preferred financing shares | (18) | (18) | (24) | (24) |
| Accounts payable | (2,336) | (2,336) | (2,667) | (2,667) |
| Short-term borrowings | (45) | (45) | (42) | (42) |
| Interest payable | (26) | (26) | (25) | (25) |
| Reinsurance liabilities | (147) | (147) | (121) | (121) |
| Other | (62) | (70) | (2) | (2) |
| Total financial liabilities at amortized cost | (5,655) | (6,411) | (6,085) | (7,084) |
| Derivatives | (171) | (171) | (177) | (177) |
| **Total financial liabilities** | **(5,826)** | **(6,582)** | **(6,262)** | **(7,261)** |

*Financial assets and liabilities measured at fair value in the balance sheet*
Derivatives and assets available for sale are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The Company uses 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 measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

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 quarter end. The fair value calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22* of Ahold's 2012 Annual Report. The accrued interest is included in other current financial liabilities and not in the carrying amounts of non-derivative financial assets and liabilities.

## 13. Commitments and contingencies

An overview of commitments and contingencies as of December 30, 2012, is included in *Note 34* of Ahold's 2012 consolidated financial statements, which were published as part of Ahold's 2012 Annual Report on March 6, 2013. Except as disclosed below, there have been no significant changes to this overview through Q3 of 2013.

*U.S. Foodservice – Waterbury litigation*
On August 30, 2013, the U.S. Court of Appeals for the Second Circuit ("Second Circuit") issued its decision with respect to the U.S. Foods (formerly known as U.S. Foodservice) appeal of class certification with respect to the litigation described as "U.S. Foodservice – Waterbury litigation" in Note 34 of Ahold's 2012 consolidated financial statements, which were published as part of Ahold's

2012 Annual Report on March 6, 2013. The Second Circuit affirmed the decision of the U.S. District Court in Connecticut ("District Court") certifying 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 (the "Class Members"). The effect of the District Court's class certification order, if it is not reversed, vacated or otherwise modified, is to increase the potential liability exposure because it allows the named Plaintiffs to litigate breach of contract claims and claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) on behalf of all Class Members. Ahold cannot at this time provide a reasonable estimate of any of its potential liability in connection with the indemnification obligation mentioned in Note 34 of Ahold's 2012 consolidated financial statements. Ahold believes that there are substantial defenses to these claims and it will continue to vigorously defend its interests.

**14. Subsequent events**

*Capital repayment and reverse stock split*

Ahold announced today a €1 billion capital repayment and reverse stock split; this as well as facilitating amendments to its articles of association remain subject to shareholder approval. Further details will be given in an upcoming announcement calling an extraordinary general meeting ("EGM") of shareholders for January 2014 along with the full EGM agenda. Under the proposal, adjustments to the nominal capital and a reverse stock split will result in a repayment of capital to shareholders and a reduction in outstanding common shares. This reduction will reflect the amount of capital returned relative to the total market value of the outstanding common shares at the date when the amendment of the articles of association becomes effective. The repayment to shareholders and reverse stock split will be subject to the customary filings with the trade registry and a two-month creditor objection period.

## Use of non-GAAP financial measures

This summary report includes the following non-GAAP financial measures:

- **Net sales at constant exchange rates.** Net sales at constant exchange rates exclude the effect of using different currency exchange rates to translate the financial information of Ahold 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.

- **Identical sales.** Net sales from exactly the same stores and online sales in existing market areas, 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.

- **Identical sales, excluding VAT from tobacco sales.** Until July 1, 2013, Value Added Tax (VAT) on tobacco products sold in the Netherlands was levied over the retail price at the same time as the excise duties were due. From July 1, 2013, levying VAT on tobacco products was aligned with the mechanism of levying VAT on all other consumer products. The result is a reduction in recognized net sales related to tobacco products without a corresponding reduction in volume or gross margin. Ahold's management believes that excluding the pre- as well as the post-July 1, 2013 VAT from tobacco sales in the measure of identical sales provides a better insight into the growth of its identical store sales.

- **Comparable sales.** Identical sales plus net sales from replacement stores in local currency. Comparable sales are only reported for Ahold USA.

- **Underlying operating income.** Total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, restructuring and related charges, including business acquisition transaction costs and other significant non-recurring transactions. Ahold's management believes this measure provides better insight into the underlying operating performance of Ahold's operations.

  The reconciliation from the underlying operating income per segment to the operating income per segment is as follows for Q3 2013 and Q3 2012 and for the first three quarters of 2013 and 2012, respectively:

| (€ million) | Underlying operating income Q3 2013 | Impairments | Gains (losses) on the sale of assets | Restructuring and related charges | Other | Operating income Q3 2013 |
|---|---|---|---|---|---|---|
| Ahold USA | 178 | (6) | 3 | (45) | - | 130 |
| The Netherlands | 135 | (2) | - | - | - | 133 |
| Other Europe | 2 | - | 1 | - | - | 3 |
| Corporate Center | (18) | - | - | - | - | (18) |
| **Ahold Group** | **297** | **(8)** | **4** | **(45)** | **-** | **248** |

| (€ million) | Underlying operating income Q3 2012 (restated)[1] | Impairments | Gains on the sale of assets | Restructuring and related charges | Other | Operating income Q3 2012 (restated)[1] |
|---|---|---|---|---|---|---|
| Ahold USA | 190 | (18) | 1 | - | - | 173 |
| The Netherlands | 134 | - | 1 | (4) | - | 131 |
| Other Europe | 4 | - | - | - | - | 4 |
| Corporate Center | (16) | - | - | (4) | - | (20) |
| **Ahold Group** | **312** | **(18)** | **2** | **(8)** | **-** | **288** |

*1. See Note 2 for a further explanation of the restatements.*

| (€ million) | Underlying operating income Q3 YTD 2013 | Impairments | Gains on the sale of assets | Restructuring and related charges | Other | Operating income Q3 YTD 2013 |
|---|---|---|---|---|---|---|
| Ahold USA | 624 | (53) | 23 | (45) | (56) | 493 |
| The Netherlands | 469 | (5) | - | - | - | 464 |
| Other Europe | 10 | (2) | 1 | - | - | 9 |
| Corporate Center | (52) | - | 1 | 1 | 2 | (48) |
| **Ahold Group** | **1,051** | **(60)** | **25** | **(44)** | **(54)** | **918** |

The Other balance for Ahold USA of €56 million is the total of a multi-employer plan settlement charge in the amount of €63 million offset by gains on the settlement of annuity charges for the Frozen Plan of €7 million. These are further explained in *Note 10*.

| (€ million) | Underlying operating income Q3 YTD 2012 (restated)[1] | Impairments | Gains on the sale of assets | Restructuring and related charges | Other | Operating income Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|---|---|
| Ahold USA | 650 | (28) | 3 | (2) | - | 623 |
| The Netherlands | 451 | - | 5 | (5) | - | 451 |
| Other Europe | 12 | (1) | - | - | - | 11 |
| Corporate Center | (60) | - | 10 | (10) | - | (60) |
| **Ahold Group** | **1,053** | **(29)** | **18** | **(17)** | **-** | **1,025** |

*1. See Note 2 for a further explanation of the restatements.*

- **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.

- **Earnings before interest, taxes, depreciation and amortization (EBITDA**). Net income before net financial expense, income taxes, depreciation and amortization. However, EBITDA does not exclude impairments. EBITDA allows investors to analyze the profitability between companies and industries by eliminating the effects of financing (i.e., net financial expense) and capital investments (i.e., depreciation and amortization).

The reconciliation from EBITDA per segment to operating income per segment is as follows for Q3 2013 and Q3 2012 and for the first three quarters of 2013 and 2012, respectively:

| (€ million) | EBITDA Q3 2013 | Depreciation and amortization | Operating income Q3 2013 | EBITDA Q3 2012 (restated)[1] | Depreciation and amortization | Operating income Q3 2012 (restated)[1] |
|---|---|---|---|---|---|---|
| Ahold USA | 254 | (124) | 130 | 306 | (133) | 173 |
| The Netherlands | 190 | (57) | 133 | 187 | (56) | 131 |
| Other Europe | 12 | (9) | 3 | 13 | (9) | 4 |
| Corporate Center | (18) | - | (18) | (19) | (1) | (20) |
| **Total** | **438** | **(190)** | **248** | **487** | **(199)** | **288** |

*1. See Note 2 for a further explanation of the restatements.*

| (€ million) | EBITDA Q3 YTD 2013 | Depreciation and amortization | Operating income Q3 YTD 2013 | EBITDA Q3 YTD 2012 (restated)[1] | Depreciation and amortization | Operating income Q3 YTD 2012 (restated)[1] |
|---|---|---|---|---|---|---|
| Ahold USA | 916 | (423) | 493 | 1,047 | (424) | 623 |
| The Netherlands | 652 | (188) | 464 | 624 | (173) | 451 |
| Other Europe | 38 | (29) | 9 | 46 | (35) | 11 |
| Corporate Center | (47) | (1) | (48) | (58) | (2) | (60) |
| **Total** | **1,559** | **(641)** | **918** | **1,659** | **(634)** | **1,025** |

*1. See Note 2 for a further explanation of the restatements.*

- **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.

- **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 and similar instruments. In management's view, because cash, cash equivalents and short-term deposits and similar instruments 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.

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.

# Financial calendar

Ahold's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31.

Ahold’s 2013 financial year consists of 52 weeks and ends on December 29, 2013. The quarters in 2013 are:

| | |
|---|---|
| First quarter (16 weeks) | December 31, 2012, through April 21, 2013 |
| Second quarter (12 weeks) | April 22 through July 14, 2013 |
| Third quarter (12 weeks) | July 15 through October 6, 2013 |
| Fourth quarter (12 weeks) | October 7 through December 29, 2013 |

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## Cautionary notice

This interim report includes 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. These forward-looking statements include, but are not limited to statements as to Ahold’s additional capital repayment and reverse stock split, Reshaping Retail Strategy, continued investments in growth in existing and new markets and rapid expansion of its network of pick-up points, market conditions, Ahold’s investments in competitiveness, efficient capital structure, share buyback program, extraordinary general shareholders meeting on capital repayment and reverse stock split and the relevant shareholders’ approval, balance between investing in profitable growth and returning cash to shareholders, improving its competitive position through cost reductions and the overall simplification of its processes and target promotions and Stop & Shop’s agreement with NETTI. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Ahold’s ability to control or estimate precisely, such as the effect of general economic or political conditions, fluctuations in exchange rates or interest rates, increases or changes in competition, Ahold’s ability to implement and complete successfully its plans and strategies, the benefits from and resources generated by Ahold’s plans and strategies being less than or different from those anticipated, changes in Ahold’s liquidity needs, the actions of competitors and third parties and other factors discussed in Ahold’s public filings and other disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this interim report. Ahold does not assume any obligation to update any public information or forward-looking statements in this interim report to reflect subsequent events or circumstances, except as may be required by applicable laws. Outside the Netherlands, Koninklijke Ahold N.V., being its registered name, presents itself under the name of “Royal Ahold” or simply “Ahold.”