August 23, 2012

Interim Report

Second quarter and half year 2012

Continuing to invest in profitable growth in challenging market conditions

Highlights – second quarter 2012

- Sales of €7.7 billion (up 3.9% at constant exchange rates)
- Operating income €326 million (up 18.5%)
- Net income €248 million (up 24.6%)
- Underlying operating margin 4.3%
- Conversion of Genuardi's stores to Giant completed

Amsterdam, the Netherlands – Ahold today published its interim report for the second quarter and half year 2012.

CEO Dick Boer said: "By investing in value for our customers, we were able to grow sales by 3.9% at constant exchange rates and we gained market share in all our major markets in a challenging economic environment. Despite a weak performance at Albert Heijn, underlying operating margin for the Group was in line with last year.

"We saw ongoing high levels of promotional activity in both the United States and the Netherlands with retail price inflation coming down, particularly in the United States. Our businesses in the United States achieved strong margins through stringent cost control. Margins in the Netherlands were negatively impacted by increased price investments and an unsuccessful promotional campaign. Our business in the Netherlands now includes bol.com, following the successful completion of the acquisition on May 9.

"We expect market conditions to remain difficult and are cautious about the potential impact of rising food commodity costs, particularly in the United States for the balance of the year. We are confident that we are well on track to deliver on our strategy and we will continue to invest in growth. We are pleased with the conversion of 15 Genuardi's stores to Giant Food Stores in the United States. We also completed the transaction with Jumbo concerning 82 stores in the Netherlands and we will start to convert the first 14 to Albert Heijn."

Group performance

(€ million)	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
Net sales	7,692	6,874	11.9% *	17,408	16,125	8.0%*
Operating income	326	275	18.5%	742	719	3.2%
Income from continuing operations	244	206	18.4%	528	504	4.8%
Net income	248	199	24.6%	530	490	8.2%

** At constant exchange rates, net sales increased by 3.9% in Q2 2012 (HY 2012: 2.8%).*

We are making progress on our Reshaping Retail strategy at Ahold and continue to focus on improving our competitive position through cost reductions and the overall simplification of our processes. We are on target to deliver our €350 million cost savings program for the years 2012-2014.

Ahold continues to invest in profitable growth and act when opportunities arise.

- We completed the acquisition of 15 Genuardi's stores in Greater Philadelphia in the United States on July 13 and converted all stores to the Giant format by July 22.
- The bol.com acquisition was successfully completed on May 9.
- In the second quarter, we opened two new Albert Heijn supermarkets in Belgium, bringing our total number of Belgian stores to six.
- Our online retail operations, in both the United States and the Netherlands, continued to achieve double-digit sales growth.

Second quarter 2012 (compared to second quarter 2011)

Net sales were €7.7 billion, up 11.9%. At constant exchange rates, net sales increased by 3.9%. The market environment remains challenging, competition continues to be intense and customers remain value driven. During the quarter, Ahold USA achieved 3.4% sales growth, measured in US dollars, and the Netherlands achieved 5.3% growth. Sales in Other Europe (Czech Republic and Slovakia combined) increased 1.4% at constant exchange rates, negatively impacted by a VAT increase in the Czech Republic.

Overall, sales growth was positively impacted by a shift in holidays, mainly as a result of the timing of Easter where in 2011 the low-sales, post-Easter week fell in the second quarter.

Operating income was €326 million, up 18.5% (up 11.2% at constant exchange rates). Operating income last year included €22 million of US reorganization and restructuring costs. Underlying operating margin was 4.3%, broadly in line with last year.

Income from continuing operations was €244 million, €38 million higher than last year. This was driven by an increase of €51 million in operating income offset by an increase of €7 million in net financial expense and a decrease of €6 million of share in income of joint ventures. The effective tax rate of 18.4% in the second quarter benefited from one-time events recognized in the quarter.

Net income was €248 million, up €49 million. The result from discontinued operations related to past divestments was an income of €4 million, primarily due to a €4 million release of a provision in 2012 for lease guarantees related to Ahold's former subsidiary BI-LO, compared to a loss of €7 million last year, for claims and legal disputes related to past divestments. Income per share from continuing operations was €0.24, an increase of €0.06 compared to last year.

Free cash flow was €388 million, €351 million higher than last year. Operating cash flows from continuing operations were up €216 million, due mainly to the effect of timing in short-term payables.

Included in this quarter's free cash flow was a dividend of €135 million from our joint venture ICA. The equivalent dividend from ICA in 2011 was €128 million and was received in the first quarter of 2011.

Cash and cash equivalents decreased during the quarter by €452 million to €1,751 million, primarily as a result of the bol.com and Genuardi's acquisitions and Ahold's dividend payment.

Net debt increased by €725 million during the quarter to €1,695 million, primarily due to the decrease in cash and cash equivalents, an increase in gross debt from foreign exchange, as well as long-term debt that was assumed as part of the business acquisitions. Net debt does not include our commitments under operating lease contracts, which on an undiscounted basis at year-end 2011 amounted to €5.9 billion. These off-balance sheet commitments impact our capital structure. The present value of these commitments is added to net debt to measure our leverage against EBITDAR. The ratio of net lease-adjusted debt to EBITDAR stood at 2.1 times, compared with 1.8 at year-end 2011. In general, we are comfortable operating at around 2 times.

Half year 2012 (compared to half year 2011)

Net sales were €17.4 billion, up 8.0%. At constant exchange rates, net sales increased by 2.8%.

Operating income was €742 million, up 3.2% (down 1.1% at constant exchange rates). Underlying operating margin was 4.3% (HY 2011: 4.5%).

Income from continuing operations increased €24 million (4.8%) to €528 million, which primarily flows from the increase in operating income.

Net income was €530 million, up €40 million. The result from discontinued operations was an income of €2 million in the first half of 2012 compared to a loss of €14 million last year for claims and legal disputes related to past divestments.

Free cash flow was €679 million, €235 million higher than last year. The increase was mainly due to higher operating cash flows from continuing operations of €245 million, and increased dividends from joint ventures of €15 million, partly offset by higher capital expenditures of €36 million. Higher operating cash flows from continuing operations were predominantly due to changes in working capital of €91 million, largely impacted by timing differences related to settlement of payables, lower tax payments of €52 million, and higher operating income and depreciation adjustments.

Net debt increased by €607 million during the first half of 2012. The free cash flows of €679 million were more than offset by dividends paid on common shares of €415 million, the share buyback of €277 million, the repayment of a €407 million note, the €434 million of net purchase consideration that was paid primarily for the bol.com and Genuardi's acquisitions, foreign exchange, and the long-term debt assumed as part of these business acquisitions.

Performance by segment

Ahold USA
For the second quarter, net sales were $6.0 billion, up 3.4%. In light of the challenging market conditions this was a solid performance and we achieved market share gains across all divisions. Identical sales were up 2.2% compared to last year (2.2% excluding gasoline) benefiting from the timing of Easter and a result of promotional activities across the banners. Underlying operating margin was 4.3% compared to 4.1% last year. The strong margin performance was a consequence of cost improvements, ongoing operational efficiencies and lower health and welfare costs this quarter.

For the first half, net sales were $13.8 billion, up 3.1%. Identical sales were up 1.7% (1.0% excluding gasoline). Underlying operating margin was 4.2% compared to 4.4% last year.

The Netherlands
For the second quarter, net sales increased 5.3% versus last year to €2.6 billion with identical sales up 1.5%. Bol.com was included for eight weeks of the quarter and contributed 2.4% to the sales growth in the Netherlands. Market share at Albert Heijn was slightly ahead of last year.

Underlying operating margin was 5.4% compared to 6.2%. Excluding bol.com the underlying operating margin was 5.6%. Margins at Albert Heijn were impacted by price investments, increased promotional activity and an unsuccessful European football championship campaign. Included in the Netherlands are the results of our stores in Belgium, where during the quarter we opened our fifth and sixth stores. We remain encouraged with the performance of our Belgian stores. Bol.com has significantly invested in growth during the quarter by adding new categories, reducing its delivery fee and strengthening the organization.

For the first half, net sales increased 3.0% to €5.8 billion. Identical sales were up 0.8%. Underlying operating margin was 5.7% compared to 6.1% last year.

Other Europe (Czech Republic and Slovakia)
For the second quarter, net sales decreased 2.8% to €385 million. At constant exchange rates net sales increased 1.4%. Identical sales increased 0.7% (1.0% excluding gasoline). After two previous quarters during which sales declined, sales growth has been restored through good promotional offers and successful customer loyalty campaigns. Underlying operating margin was 1.0% compared to 0.8% reflecting continued focus on cost efficiencies.

For the first half, net sales decreased 4.4% to €893 million. At constant exchange rates net sales decreased 1.4%. Identical sales decreased 2.0% (2.3% excluding gasoline). Underlying operating margin was 0.9% compared to 1.0% last year.

Unconsolidated joint ventures
For the second quarter, Ahold's share in income of unconsolidated joint ventures was €22 million, €6 million lower than last year. The decrease in income came from our Portuguese joint venture JMR, which ran major promotions during the second quarter. For the first half of the year, Ahold's share in income of joint ventures increased by €7 million to €54 million.

Corporate Center
For the second quarter, underlying Corporate Center costs were €19 million, down €6 million (unchanged from last year at €16 million when excluding the impact of the Company's insurance activities). For the first half of the year, underlying Corporate Center costs were €43 million, up €3 million (up €4 million from last year at €39 million, excluding insurance activities).

Other financial and operating information

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

	Q2 2012 Identical	Q2 2012 Identical excluding gasoline	Q2 2012 Comparable	HY 2012 Identical	HY 2012 Identical excluding gasoline	HY 2012 Comparable
Ahold USA	2.2%	2.2%	2.8%	1.7%	1.0%	2.2%
The Netherlands	1.5%	1.5%		0.8%	0.8%	
Other Europe	0.7%	1.0%		(2.0)%	(2.3)%	

1. For the definition of identical and comparable sales see section "Other information" – "Use of non-GAAP financial measures."

Underlying operating income[1]

	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
$ million						
Ahold USA	261	236	10.6%	581	587	(1.0)%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7893*	*0.6958*	*13.4%*	*0.7738*	*0.7116*	*8.7%*
€ million						
Ahold USA	205	164	25.0%	449	418	7.4%
The Netherlands	137	150	(8.7)%	332	344	(3.5)%
Other Europe	4	3	33.3%	8	9	(11.1)%
Total retail	346	317	9.1%	789	771	2.3%
Corporate Center	(19)	(25)	24.0%	(43)	(40)	(7.5)%
Ahold Group	**327**	**292**	**12.0%**	**746**	**731**	**2.1%**

1. For the definition of underlying operating income see section "Other information" – "Use of non-GAAP financial measures."

Underlying operating margin

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

	Q2 2012	Q2 2011	HY 2012	HY 2011
Ahold USA	4.3%	4.1%	4.2%	4.4%
The Netherlands	5.4%	6.2%	5.7%	6.1%
Other Europe	1.0%	0.8%	0.9%	1.0%
Total retail	4.5%	4.6%	4.5%	4.8%
Ahold Group	**4.3%**	**4.2%**	**4.3%**	**4.5%**

Store portfolio (including franchise stores)

	End of 2011	Opened/ acquired	Closed/ sold	End of Q2 2012	End of Q2 2011
Ahold USA	756	11	(2)	765	756
The Netherlands[1]	1,946	15	(10)	1,951	1,932
Other Europe	306	2	(1)	307	306
Ahold Group	**3,008**	**28**	**(13)**	**3,023**	**2,994**

1. The number of stores at the end of Q2 2012 includes 1,089 specialty stores (Etos and Gall & Gall) (Q2 2011: 1,080).

EBITDA[1]

(€ million)	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
Ahold USA	328	258	27.1%	730	667	9.4%
The Netherlands	190	199	(4.5)%	452	464	(2.6)%
Other Europe	14	14	-	33	34	(2.9)%
Corporate Center	(16)	(24)	33.3%	(38)	(39)	2.6%
EBITDA by segment	516	447	15.4%	1,177	1,126	4.5%
Share in income of joint ventures	22	28	(21.4)%	54	47	14.9%
Income (loss) from discontinued operations	4	(7)	n/m	2	(14)	n/m
Total EBITDA	**542**	**468**	**15.8%**	**1,233**	**1,159**	**6.4%**

1. For the definition of EBITDA see section "Other information" – "Use of non-GAAP financial measures."

Free cash flow[1]

(€ million)	Q2 2012	Q2 2011	HY 2012	HY 2011
Operating cash flows from continuing operations	492	276	1,052	807
Purchase of non-current assets	(184)	(161)	(411)	(375)
Divestments of assets/disposal groups held for sale	24	4	34	15
Dividends from joint ventures[2]	138	(3)	142	127
Interest received	2	13	6	17
Interest paid	(84)	(92)	(144)	(147)
Free cash flow	**388**	**37**	**679**	**444**

1. For the definition of free cash flow see section "Other information" – "Use of non-GAAP financial measures."
2. The Q2 2011 figure represents the settlement of a hedge on an ICA dividend received in Q1 2011.

Net debt

(€ million)	July 15, 2012	April 22, 2012	January 1, 2012
Loans	1,546	1,440	1,489
Finance lease liabilities	1,297	1,147	1,158
Cumulative preferred financing shares	497	497	497
Non-current portion of long-term debt	3,340	3,084	3,144
Short-term borrowings and current portion of long-term debt	146	165	536
Gross debt	3,486	3,249	3,680
Less: Cash, cash equivalents and short-term deposits[1]	1,791	2,279	2,592
Net debt	**1,695**	**970**	**1,088**

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 €144 million, €136 million, and €181 million as of July 15, 2012, April 22, 2012, and January 1, 2012, respectively.

Related party 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. There have been no significant changes in the related party transactions from those described in the last annual report.

Risks and uncertainties

Ahold's enterprise risk management program provides executive management with a periodic and holistic understanding of Ahold's key business risks and the management practices in place to mitigate these risks. Ahold recognizes strategic, operational, financial and compliance and regulatory risk categories. The principal risks faced by the Company during the first half of the financial year were the same as those identified at year-end 2011 and management does not presently anticipate any material changes to the nature of the risks affecting Ahold's business over the second half of the financial year. A description of Ahold's risk management practices, principal risks and how they impact Ahold's business is provided in our 2011 Annual Report.

Auditor involvement

The content of this interim report has not been audited or reviewed by an external auditor.

Declarations

The members of Ahold's Corporate Executive Board hereby declare that, to the best of their knowledge, the half-year financial statements included in this interim report, which have been prepared in accordance with IAS 34 "Interim Financial Reporting," give a true and fair view of Ahold's assets, liabilities, financial position and profit or loss, and the undertakings included in the consolidation taken as a whole, and the half-year management report included in this interim report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Amsterdam, the Netherlands

August 22, 2012

Corporate Executive Board
Dick Boer (CEO)
Jeff Carr (CFO)
Lodewijk Hijmans van den Bergh
James McCann

Consolidated income statement

(€ million, except per share data)	Note	Q2 2012	Q2 2011	HY 2012	HY 2011
Net sales	4	7,692	6,874	17,408	16,125
Cost of sales	5	(5,704)	(5,090)	(12,889)	(11,916)
Gross profit		**1,988**	**1,784**	**4,519**	**4,209**
Selling expenses		(1,433)	(1,284)	(3,272)	(3,010)
General and administrative expenses		(229)	(225)	(505)	(480)
Total operating expenses	5	(1,662)	(1,509)	(3,777)	(3,490)
Operating income	4	**326**	**275**	**742**	**719**
Interest income		5	4	8	10
Interest expense		(54)	(55)	(128)	(132)
Other financial income (expense)		(5)	4	(5)	5
Net financial expense		(54)	(47)	(125)	(117)
Income before income taxes		**272**	**228**	**617**	**602**
Income taxes	6	(50)	(50)	(143)	(145)
Share in income of joint ventures	7	22	28	54	47
Income from continuing operations		**244**	**206**	**528**	**504**
Income (loss) from discontinued operations	8	4	(7)	2	(14)
Net income attributable to common shareholders		**248**	**199**	**530**	**490**
Net income per share attributable to common shareholders					
basic		0.24	0.18	0.51	0.43
diluted		0.23	0.17	0.49	0.42
Income from continuing operations per share attributable to common shareholders					
basic		0.24	0.18	0.51	0.45
diluted		0.23	0.18	0.49	0.43
Weighted average number of common shares outstanding (in millions)					
basic		1,038	1,125	1,042	1,132
diluted		1,099	1,188	1,105	1,196
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.7893	0.6958	0.7738	0.7116

Consolidated statement of comprehensive income

(€ million)	Q2 2012	Q2 2011	HY 2012	HY 2011
Net income	**248**	**199**	**530**	**490**
Currency translation differences in foreign interests:				
Currency translation differences before taxes	266	62	209	(168)
Income taxes	-	1	-	-
Cash flow hedges:				
Fair value gains (losses) in the year	18	(6)	(19)	1
Transfers to net income	(33)	(7)	(7)	(13)
Income taxes	4	3	7	3
Share of other comprehensive income (loss) of joint ventures - net of income taxes	(1)	15	-	12
Other comprehensive income (loss)	254	68	190	(165)
Total comprehensive income attributable to common shareholders	**502**	**267**	**720**	**325**

Consolidated balance sheet

(€ million)	Note	July 15, 2012	January 1, 2012
Assets			
Property, plant and equipment		6,351	5,984
Investment property		600	593
Intangible assets		1,428	836
Investments in joint ventures		1,010	1,087
Other non-current financial assets		934	859
Deferred tax assets		349	394
Other non-current assets		36	34
Total non-current assets		**10,708**	**9,787**
Assets held for sale		5	-
Inventories		1,499	1,466
Receivables		724	751
Other current financial assets		89	336
Income taxes receivable		50	27
Other current assets		174	175
Cash and cash equivalents	10	1,751	2,438
Total current assets		**4,292**	**5,193**
Total assets		**15,000**	**14,980**
Equity and liabilities			
Equity attributable to common shareholders	9	**5,930**	**5,877**
Loans		1,546	1,489
Other non-current financial liabilities		1,986	1,813
Pensions and other post-employment benefits		97	94
Deferred tax liabilities		276	199
Provisions		675	664
Other non-current liabilities		247	230
Total non-current liabilities		**4,827**	**4,489**
Liabilities related to assets held for sale		4	-
Accounts payable		2,512	2,436
Other current financial liabilities		230	648
Income taxes payable		117	136
Provisions		265	253
Other current liabilities		1,115	1,141
Total current liabilities		**4,243**	**4,614**
Total equity and liabilities		**15,000**	**14,980**
Quarter-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8162	0.7724

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*	Equity attributable to common shareholders
Balance as of January 2, 2011	**358**	**9,916**	**(385)**	**(63)**	**(3,916)**	**5,910**
Dividends	-	-	-	-	(328)	(328)
Total comprehensive income	-	-	(168)	(9)	502	325
Share buyback	-	-	-	-	(355)	(355)
Retirement of treasury shares	(9)	(289)	-	-	298	-
Share-based payments	-	-	-	-	12	12
Balance as of July 17, 2011	**349**	**9,627**	**(553)**	**(72)**	**(3,787)**	**5,564**
Balance as of January 1, 2012	**330**	**9,094**	**(265)**	**(93)**	**(3,189)**	**5,877**
Dividends	-	-	-	-	(415)	(415)
Total comprehensive income	-	-	209	(19)	530	720
Share buyback	-	-	-	-	(277)	(277)
Retirement of treasury shares	(12)	(381)	-	-	393	-
Share-based payments	-	-	-	-	25	25
Balance as of July 15, 2012	**318**	**8,713**	**(56)**	**(112)**	**(2,933)**	**5,930**

* The comparative information was changed to conform to the current year presentation, as disclosed in Note 2.

Consolidated statement of cash flows

(€ million)	Note	Q2 2012	Q2 2011*	HY 2012	HY 2011*
Operating income		326	275	742	719
Adjustments for:					
Depreciation, amortization and impairments		194	175	446	412
Gains on the sale of assets/disposal groups held for sale		(12)	(3)	(16)	(10)
Share-based compensation expenses		9	7	21	15
Operating cash flows before changes in operating assets and liabilities		517	454	1,193	1,136
Changes in working capital:					
Changes in inventories		31	10	38	(21)
Changes in receivables and other current assets		16	38	60	62
Changes in payables and other current liabilities		(8)	(162)	(129)	(163)
Changes in non-current assets and liabilities		(17)	(25)	(18)	(63)
Cash generated from operations		539	315	1,144	951
Income taxes paid - net		(47)	(39)	(92)	(144)
Operating cash flows from continuing operations		492	276	1,052	807
Operating cash flows from discontinued operations		(1)	(1)	(3)	(5)
Net cash from operating activities		**491**	**275**	**1,049**	**802**
Purchase of non-current assets		(184)	(161)	(411)	(375)
Divestments of assets/disposal groups held for sale		24	4	34	15
Acquisition of businesses, net of cash acquired		(419)	(19)	(434)	(21)
Divestment of businesses, net of cash divested		(41)	(2)	(44)	(9)
Changes in short-term deposits		38	-	116	-
Dividends from joint ventures		138	(3)	142	127
Interest received		2	13	6	17
Other		(2)	47	-	45
Investing cash flows from continuing operations		(444)	(121)	(591)	(201)
Net cash from investing activities		**(444)**	**(121)**	**(591)**	**(201)**
Interest paid		(84)	(92)	(144)	(147)
Repayments of loans		(36)	(3)	(452)	(11)
Repayments of finance lease liabilities		(15)	(18)	(35)	(36)
Changes in short-term loans		(30)	5	4	7
Dividends paid on common shares	9	(415)	(328)	(415)	(328)
Share buyback	9	-	(164)	(277)	(355)
Change in derivatives		-	-	122	(10)
Other		-	(2)	3	3
Financing cash flows from continuing operations		(580)	(602)	(1,194)	(877)
Financing cash flows from discontinued operations		(1)	(1)	(2)	(2)
Net cash from financing activities		**(581)**	**(603)**	**(1,196)**	**(879)**
Net cash from operating, investing and financing activities	**10**	**(534)**	**(449)**	**(738)**	**(278)**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.7893	0.6958	0.7738	0.7116

* The comparative information was changed to conform to the current year presentation.

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 10.

Notes to the condensed consolidated interim 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 in Zaandam, the Netherlands and its head office in Amsterdam, 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 2011 consolidated financial statements.

Ahold's reporting calendar is based on 13 periods of four weeks, with 2012 and 2011 each comprising 52 weeks. The second quarter and first half of 2012 and 2011 each comprise 12 weeks and 28 weeks, respectively. The financial year of Ahold's unconsolidated joint ventures, ICA AB ("ICA") and JMR - Gestão de Empresas de Retalho, SGPS. S.A. ("JMR"), corresponds to the calendar year. Any significant transactions and/or events between ICA's and JMR's quarter-end and Ahold's quarter-end are taken into account in the preparation of Ahold's financial statements.

New accounting policies not yet effective for 2012
IAS 19 "Employee Benefits" was amended in June 2011 and endorsed by the EU in June 2012. The amendment will be effective for Ahold as from January 1, 2013. The main changes in the revised IAS 19 are 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).

As of January 1, 2012 the combined unrecognized actuarial losses and the unrecognized past service costs amounted to €149 million. Had these actuarial losses and past service costs been recognized immediately, this would have negatively impacted equity in the amount of €59 million (net of tax) and decreased the net pension asset in the amount of €149 million. The 2012 net income may be significantly influenced by the timing of the settlement of the US Frozen Pension Plan due to discount rate changes. Therefore, the impact on the 2012 income statement cannot be reasonably estimated as of the balance sheet date.

Change in presentation
In Q4 2011, Ahold adjusted the presentation of the components of equity in the consolidated statement of changes in equity, which resulted in a retrospective impact on the first three quarters of 2011. The 2011 comparative figures have been changed to conform to the current year presentation resulting in a net reclassification of €12 million between other reserves including accumulated deficit and the currency translation reserve and cash flow hedging reserve. The total equity attributable to common shareholders has not been impacted.

3. Business combinations
Acquisition of bol.com
On May 9, 2012, Ahold announced that it had successfully completed the acquisition of bol.com. The purchase consideration was €353 million in cash for 100% of the voting equity interest. The acquisition was made to further expand Ahold's online presence and broaden its range of offered products into new non-food categories. Goodwill recognized in the amount of €248 million, which will

not be deductible for tax purposes, represents expected synergies from the combination of operations, as well as the ability to broaden Ahold's offering and expand its geographic reach. In addition to goodwill other intangible assets have been acquired, such as information technology, customer lists and a trade name.

Bol.com contributed €60 million to net sales and had an insignificant impact on net income in the period from May 9 to July 15, 2012. The impact excludes €6 million in transaction costs related to the acquisition, included in general and administrative expenses. Had the acquisition occurred on January 2, 2012, Ahold's pro-forma revenue through July 15, 2012 would have increased by €182 million to €17,590 million. The pro-forma effect on Ahold's overall net income of €530 million for the half year would have been insignificant.

Acquisition of Genuardi's Family Markets stores

On July 13, 2012, Ahold announced that its Giant Carlisle division had acquired 15 Genuardi's Family Markets stores from Safeway. The stores acquired are located in the greater Philadelphia area. The total purchase consideration was €90 million ($113 million) in cash for 15 store locations, equipment, and lease agreements. Tax deductible goodwill recognized amounted to €64 million ($80 million) and represents synergies from the combination of operations, as well as the ability to service customers in a new geographic area.

Due to the purchase occurring late in the quarter, the contribution to net sales and net income is insignificant. €2 million in transaction costs related to the acquisition have been included within the second quarter's general and administrative expenses. Had the acquisition occurred on January 2, 2012, the pro-forma effect on Ahold's revenue and net income through July 15, 2012 would have been insignificant.

Other acquisitions

In February, the Giant Landover division acquired two Fresh & Green's stores. The stores acquired are located in Maryland. The total purchase consideration was €12 million ($15 million). Goodwill recognized amounted to €8 million ($10 million). In addition, Albert Heijn acquired a store from a franchisee for €3 million, which was fully recognized as additional goodwill.

The allocation of the fair value of the net assets acquired and the goodwill arising at the acquisition date for each acquisition during the first half year of 2012 is as follows:

(€ million)	bol.com	Genuardi's	Other	Total
Property plant & equipment	2	90	11	103
Goodwill	248	64	11	323
Other intangible assets	196	7	1	204
Current assets	52	8	-	60
Non-current liabilities	(81)	(76)	(8)	(165)
Current liabilities	(64)	(3)	-	(67)
Total purchase consideration	**353**	**90**	**15**	**458**
Cash acquired	(24)	-	-	(24)
Acquisition of business, net of cash	**329**	**90**	**15**	**434**

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

€ million	Goodwill
As of January 1, 2012	
At cost	407
Accumulated impairment losses	(3)
Opening carrying amount	**404**
Business acquisitions	323
Exchange rate differences	15
Closing carrying amount	**742**
As of July 15, 2012	
At cost	745
Accumulated impairment losses	(3)
Carrying amount	**742**

The amounts recognized in the financial statements for these business combinations have been determined on a provisional basis.

Transfer of stores from Jumbo after the balance sheet date
On April 26, 2012, Ahold announced that it had reached an agreement with Jumbo regarding the transfer of 78 C1000 and 4 Jumbo stores for €290 million in cash. Approval for the transfer was granted by competition authorities on July 26, 2012 and the transaction was completed on August 14, 2012. Fourteen of the stores are to be converted to the Albert Heijn banner and are to reopen as soon as possible. The remaining 68 franchisee-owned stores will be converted to the Albert Heijn banner over a period of time, in close cooperation with the entrepreneurs.

The transaction occurred after the close of the quarter, but before issuance of this report. The four company-owned stores and the franchisee-owned stores that have agreed to be re-bannered as Albert Heijn stores will be considered a business combination at the acquisition date. The remaining franchisee-owned locations will follow business acquisition accounting as agreements are reached to re-banner those stores. The initial accounting for the business combination of the stores re-bannered as Albert Heijn stores on the acquisition date is incomplete and therefore the assessments of the assets and liabilities acquired, as well as the impacts on revenue and profits, have not yet been finalized.

4. Segment reporting
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.

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, 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 ventures ICA (60%) and JMR (49%)
Corporate Center	Corporate staff (the Netherlands, Switzerland, and the United States)

Net sales

Net sales per segment are as follows:

	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
$ million						
Ahold USA	6,012	5,813	3.4%	13,815	13,405	3.1%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7893*	*0.6958*	*13.4%*	*0.7738*	*0.7116*	*8.7%*

	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
€ million						
Ahold USA	4,747	4,046	17.3%	10,693	9,536	12.1%
The Netherlands	2,560	2,432	5.3%	5,822	5,655	3.0%
Other Europe	385	396	(2.8)%	893	934	(4.4)%
Ahold Group	**7,692**	**6,874**	**11.9%**	**17,408**	**16,125**	**8.0%**

The combined net sales of Ahold's unconsolidated joint ventures ICA and JMR amounted to €3,608 million and €3,482 million for Q2 2012 and Q2 2011, respectively (HY 2012: €6,981 million and HY 2011: €6,670 million).

Operating income

Operating income (loss) per segment is as follows:

	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
$ million						
Ahold USA	257	209	23.0%	568	559	1.6%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7893*	*0.6958*	*13.4%*	*0.7738*	*0.7116*	*8.7%*

	Q2 2012	Q2 2011	% change	HY 2012	HY 2011	% change
€ million						
Ahold USA	202	145	39.3%	439	399	10.0%
The Netherlands	138	152	(9.2)%	335	352	(4.8)%
Other Europe	3	3	-	7	8	(12.5)%
Corporate Center	(17)	(25)	32.0%	(39)	(40)	2.5%
Ahold Group	**326**	**275**	**18.5%**	**742**	**719**	**3.2%**

Ahold USA

Operating income in Q2 2012 included $4 million (€3 million) of impairments (HY 2012: $14 million (€10 million)), $2 million (€2 million) gain on sale of assets (HY 2012: $3 million (€2 million)) and $2 million (€2 million) of business acquisition costs related to the acquisition of the Genuardi's stores (HY 2012: $2 million (€2 million)).

Operating income in Q2 2011 included $24 million (€17 million) of restructuring charges, mainly related to the transition of certain logistics activities. Furthermore, operating income included $4 million (€3 million) of impairments (HY 2011: $6 million (€4 million)) and $7 million (€5 million) of reorganization and IT integration costs (HY 2011: $15 million (€11 million)).

The Netherlands

Q2 2012 operating income included a €2 million (HY 2012: €4 million) gain on the sale of assets, and €1 million (HY 2012: €1 million) of business acquisition costs related to the transaction with Jumbo.

Q2 2011 operating income included a €2 million (HY 2011: €8 million) gain on the sale of assets.

Other Europe

Included in the Q2 2012 operating income were impairments of €1 million (HY 2012 and HY 2011: €1 million).

Corporate Center

Excluding the impact of the Company's insurance activities, Q2 2012 Corporate Center costs were €16 million, unchanged from last year (HY 2012: €39 million, €4 million higher than last year). Corporate Center costs in 2012 were impacted by €10 million of gains on sale of investments in associates offset by €6 million of acquisition costs related to the acquisition of bol.com.

5. Expenses by nature

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

€ million	Q2 2012	Q2 2011	HY 2012	HY 2011
Cost of product	5,444	4,845	12,302	11,342
Employee benefit expenses	1,020	917	2,325	2,144
Other operational expenses	599	554	1,330	1,259
Depreciation and amortization	190	172	435	407
Rent expenses and income - net	121	111	279	259
Impairment losses and reversals - net	4	3	11	5
Gains on the sale of assets - net	(12)	(3)	(16)	(10)
Total	**7,366**	**6,599**	**16,666**	**15,406**

6. Income taxes

In Q2 2012, income taxes included €18 million in benefits for one-time events, which include benefits arising from financial transactions.

7. Share in income of joint ventures

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

€ million	Q2 2012	Q2 2011	HY 2012	HY 2011
ICA	28	28	57	45
JMR	(8)	1	(6)	2
Other	2	(1)	3	-
Total	**22**	**28**	**54**	**47**

8. Discontinued operations

Income from discontinued operations, consisting of results on divestments, is specified as follows:

€ million	Q2 2012	Q2 2011	HY 2012	HY 2011
BI-LO and Bruno's	3	-	3	(1)
Other*	1	(7)	(1)	(13)
Results on divestments	4	(7)	2	(14)
Income (loss) from discontinued operations, net of income taxes	**4**	**(7)**	**2**	**(14)**

** Includes adjustments to the result on various past divestments.*

9. Equity attributable to common shareholders

Dividend on common shares

On April 17, 2012, the General Meeting of Shareholders approved the dividend over 2011 of €0.40 per common share (€415 million in the aggregate). This dividend was included as a liability on the balance sheet as of April 22, 2012. The dividend was paid on May 2, 2012.

Share buyback

On March 19, 2012, Ahold completed its €1 billion share buyback program. Under this program, 106,814,343 of the Company's own shares were repurchased and delivered in 2011 and 2012 (2011: 79,982,258 and 2012: 26,832,085) for a total consideration of €1 billion (2011: €723 million and 2012: €277 million), at an average price of €9.36 (2011: €9.04 and 2012: €10.33).

Of the total shares repurchased, 39,900,000 were cancelled on July 9, 2012.

The number of outstanding common shares as of July 15, 2012 was 1,037,926,540 (January 1, 2012: 1,059,805,233).

10. Cash flow

The following table presents the changes in cash and cash equivalent balances for the first half of 2012 and 2011, respectively:

€ million	HY 2012	HY 2011
Cash and cash equivalents at the beginning of the year	2,438	2,600
Restricted cash	(31)	(21)
Cash and cash equivalents beginning of the year, excluding restricted cash	2,407	2,579
Net cash from operating, investing and financing activities	(738)	(278)
Effect of exchange rate differences on cash and cash equivalents	51	(45)
Restricted cash	31	19
Cash and cash equivalents at the end of the quarter	**1,751**	**2,275**

11. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 2, 2011 was included in Note 34 to Ahold's 2011 consolidated financial statements, which were published as part of Ahold's Annual Report on March 6, 2012.

Tops northeast Ohio stores

Ahold has reached an agreement with the International Brotherhood of Teamsters Local 400 Food Terminal Employee's Pension Plan regarding its obligation for a mass withdrawal liability for workers of a warehouse in northeast Ohio. During the second quarter of 2012, Ahold paid $21 million

(€17 million) in full and final settlement of its obligation. Ahold had previously provided $27 million (€20 million) for its obligation and the remaining balance has been reversed to income (loss) from discontinued operations.

12. Subsequent events

Acquisition of stores from Jumbo

On August 14, 2012, Ahold announced that it had successfully completed the transaction with Jumbo concerning 78 C1000 and 4 Jumbo stores, as announced on April 26, 2012. Albert Heijn will start to convert 14 of the stores to its banner and reopen them for customers as soon as possible. The remaining 68 stores will be converted to the Albert Heijn banner over a period of time, in close cooperation with the entrepreneurs.

Use of non-GAAP financial measures

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

- **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 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 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.

- **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 and restructuring and related charges, including business acquisition transaction costs. Ahold's management believes this measure provides better insight into the underlying operating performance of Ahold's operations.

  As we pursue our growth strategy launched in November 2011, management has determined that it is more appropriate to manage Ahold's business according to a broader set of ambitions than net sales growth and underlying retail margin. In that context, in 2012 we began reporting underlying operating margin for the total Group, which includes Corporate Center costs. Underlying operating margin for the Group is a more relevant measure of profitability for food retail companies.

  The reconciliation from the underlying operating income per segment to the operating income per segment is as follows for Q2 2012 and Q2 2011 and for the first half of 2012 and 2011, respectively:

(€ million)	Underlying operating income Q2 2012	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q2 2012
Ahold USA	205	(3)	2	(2)	202
The Netherlands	137	-	2	(1)	138
Other Europe	4	(1)	-	-	3
Total retail	346	(4)	4	(3)	343
Corporate Center	(19)	-	8	(6)	(17)
Ahold Group	**327**	**(4)**	**12**	**(9)**	**326**

(€ million)	Underlying operating income Q2 2011	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q2 2011
Ahold USA	164	(3)	1	(17)	145
The Netherlands	150	-	2	-	152
Other Europe	3	-	-	-	3
Total retail	317	(3)	3	(17)	300
Corporate Center	(25)	-	-	-	(25)
Ahold Group	**292**	**(3)**	**3**	**(17)**	**275**

(€ million)	Underlying operating income HY 2012	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income HY 2012
Ahold USA	449	(10)	2	(2)	439
The Netherlands	332	-	4	(1)	335
Other Europe	8	(1)	-	-	7
Total retail	789	(11)	6	(3)	781
Corporate Center	(43)	-	10	(6)	(39)
Ahold Group	**746**	**(11)**	**16**	**(9)**	**742**

(€ million)	Underlying operating income HY 2011	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income HY 2011
Ahold USA	418	(4)	2	(17)	399
The Netherlands	344	-	8	-	352
Other Europe	9	(1)	-	-	8
Total retail	771	(5)	10	(17)	759
Corporate Center	(40)	-	-	-	(40)
Ahold Group	**731**	**(5)**	**10**	**(17)**	**719**

- **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 is 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 Q2 2012 and Q2 2011 and for the first half of 2012 and 2011, respectively:

(€ million)	EBITDA Q2 2012	Depreciation and amortization	Operating income Q2 2012	EBITDA Q2 2011	Depreciation and amortization	Operating income Q2 2011
Ahold USA	328	(126)	202	258	(113)	145
The Netherlands	190	(52)	138	199	(47)	152
Other Europe	14	(11)	3	14	(11)	3
Corporate Center	(16)	(1)	(17)	(24)	(1)	(25)
Total	**516**	**(190)**	**326**	**447**	**(172)**	**275**

(€ million)	EBITDA HY 2012	Depreciation and amortization	Operating income HY 2012	EBITDA HY 2011	Depreciation and amortization	Operating income HY 2011
Ahold USA	730	(291)	439	667	(268)	399
The Netherlands	452	(117)	335	464	(112)	352
Other Europe	33	(26)	7	34	(26)	8
Corporate Center	(38)	(1)	(39)	(39)	(1)	(40)
Total	**1,177**	**(435)**	**742**	**1,126**	**(407)**	**719**

- **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. 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 net income before net financial expense, income taxes, depreciation, amortization and gross rent expense, measured on a rolling annual basis. 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.

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 2012 financial year consists of 52 weeks and ends on December 30, 2012. The quarters in 2012 are:

First quarter (16 weeks)	January 2, 2012 through April 22, 2012
Second quarter (12 weeks)	April 23 through July 15, 2012
Third quarter (12 weeks)	July 16 through October 7, 2012
Fourth quarter (12 weeks)	October 8, 2012 through December 30, 2012

Ahold Finance U.S.A., LLC

The interim report half year 2012 of Ahold's wholly owned subsidiary Ahold Finance U.S.A., LLC is available at www.ahold.com.

Ahold Interim Report

This Ahold Interim Report is a half-year report as referred to in section 5:25d sub section 1 of the Dutch Financial Markets Supervision Act and comprises regulated information within the meaning of section 1:1 of this act.

2012/24

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 investments in profitable growth; expectations on market conditions and competitor and consumer behavior; the progress and deliverance of Ahold's strategies and cost savings program; the impact of rising food commodity costs; Ahold's response to market opportunities; the synergy of business combinations; the performance of Ahold's stores; the expansion of Ahold's online presence, product offering and geographical reach; Ahold's focus on cost reductions and process simplification and improving its competitive position; the causes of margin performance; completion of the transaction with Jumbo; and the conversion and reopening of the C1000/Jumbo stores to the Albert Heijn banner and the timeframe thereof. 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."