Second quarter 2013 results

August 22, 2013

Group highlights Q2 2013

- Sales up 3.0% at constant exchange rates to €7.8 billion
- Gained market share in our major markets
- Underlying operating income of €338 million, up 5% at constant exchange rates
- Net income of €206 million, down 17%, largely due to the sale of our stake in ICA
- Strong cash generation of €254 million
- Well on track with our €600 million cost savings program
- Ongoing progress on our Reshaping Retail strategy

Business highlights

- **Ahold USA**
  - Gained market share in the food channel and in the all-outlets channel
  - Ongoing strong performance in the Stop & Shop New York Metro division driven by more effective promotions; where Washington D.C. area impacted by federal sequester.
  - Opened 34 Peapod pick-up points, bringing the total to 43 at the end of the quarter
- **The Netherlands**
  - Albert Heijn converted four more C1000 stores, now 22 in total, and gained market share
  - 16 stores in Belgium continue to perform well
  - Ongoing strong double-digit online sales growth; now operating 11 pick-up points
- **Other Europe**
  - Stable market share in ongoing challenging conditions
  - Continued to improve margin in the Czech Republic
  - Two more compact hyper stores remodeled, bringing the total to 12

Continuing to improve our own-brand offering

- **Albert Heijn launched new budget own-brand tier AH BASIC**
  - Providing Albert Heijn quality for budget-conscious shoppers
  - Expected: 400 SKUs to be introduced by year-end; 600 SKUs in total

- **United States overall own brand penetration on track for 40% penetration by 2016**
  - Dedicated organic Nature's Promise aisles in 589 stores, with double-digit sales growth
  - Guaranteed value continues to gain traction as our entry level price point offering, with double-digit unit growth
  - Our Fresh share continues to accelerate as our new initiatives begin to take hold; strong produce sales growth

Total own-brand sales share of
54%

Total own-brand sales share of
37%

Continued strong performance by bol.com

- **Strong sales growth rate in the high teens**
- **Continues to strengthen cooperation with Albert Heijn**
  - Nationwide rollout of pick-up points for bol.com products in Albert Heijn stores completed
  - Started joint promotions, including a successful e-reader promotion in the Netherlands
- **Belgium: Strong performance and rollout of pick-up points in most of our stores**
- **Innovative product offerings**
  - Launched a new self-publishing platform
  - Opened a virtual holiday products store
- **Opened two more specialty stores**
  - In May: Living with over 20,000 SKUs
  - In August: Leisure with over 15,000 SKUs

BRAVE NEW BOOKS

Ahold

Strong progress with our cost reduction program

•Total target for 2012-2014 of €600 million

•Delivered €190 million in 2012 and €91 million in the first half of 2013

•Good progress on several key initiatives

- **Sourcing**: improvements in areas including pharmacy, own brands and “not for resale”
- **Productivity in store operations:** training and process and tool optimization resulting in more efficient scheduling, particularly in the United States
- **Promotional effectiveness:** improved analytics leading to increased efficiency

Group performance

(in millions of euros)

	Quarter 2			
	2013	2012	Change	Change at constant rates
Sales	7,769	7,692	1.0%	3.0%
Underlying operating income	338	325	4.0%	5.4%
Underlying operating margin	4.4%	4.2%	0.2%	-
Operating income	325	324	0.3%	1.8%
Net income from continuing operations	199	218	(8.7%)	(7.3%)
Net income	206	249	(17.3%)	(16.3%)

- Underlying operating margin up despite additional non-cash Dutch pension charges
- Operating income includes €34 million of impairment charges offset by €20 million gains on the sale of assets
- Net income reflects the sale of our 60% stake in ICA

Performance by segment

(in millions)

	Ahold USA		The Netherlands		Other Europe	
	Q2 2013	Change	Q2 2013	Change	Q2 2013	Change
Sales	$6,135	2.0%	€2,703	5.6%	€367	(4.7%)
Underlying operating income	$256	(4.1%)	€148	13.0%	€3	(25.0%)
Underlying operating margin	4.2%	(0.2)	5.5%	0.4	0.8%	(0.2)
Identical sales growth ex gas	0.3%		1.6%		(3.3%)	

- Modest sales growth in the United States, inflation at low levels, margin supported by improved sourcing and operational efficiencies
- Strong margin performance in the Netherlands, cost saving initiatives more than offset higher pension charges (-30 bps)
- Profitability in Czech Republic continues to improve, offset by weak Slovak performance

Continued strong free cash flow generation

(in millions of euros)

	Quarter 2		
	2013	2012	Change
Operating cash flow	483	500	(17)
Change in working capital	37	39	(2)
Income tax paid	(65)	(47)	(18)
Net investment	(122)	(160)	38
Interest and dividend joint ventures	(79)	(80)	1
Free cash flow	**254**	**252**	**2**

- Included is €38 million of pension settlement charges and compared to a record 2012 free cash flow
- Returned €457 million in dividend and €247 million in share buy back in H1 2013

Summary

- Sales and underlying operating income up
- Gaining market share in our major markets
- Continued strong cash generation
- Strong progress on our €600 million cost reduction program
- Ongoing progress on our Reshaping Retail strategy
- Remain committed to an efficient capital structure

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