Ahold

Annual Report 2002

Our focus is food

Ahold is an international group of companies in the food retail and foodservice businesses that operate under their own brand names. In most of our markets, we have been part of our customers' lives for many years.

Tastes, times and lifestyles change.

Today the traditional approaches to grocery shopping and food preparation may not fit into customers' increasingly busy lifestyles. Meals are often eaten away from home or on-the-go.

This is why it makes sense to be there wherever and whenever people want high-quality food, friendly service and convenience.

Each week, our food retail businesses meet the needs of millions of customers. Our foodservice companies serve large-scale institutional accounts throughout the United States and in Europe.

Whether eating out or eating in, we aim to provide our customers with the highest quality at their convenience.

The Ahold 2002 Annual Report is available in Dutch and English. Should differences in interpretation arise, the Dutch version prevails. The figures given in U.S. dollars (USD) are provided purely for reader convenience and do not form part of the consolidated audited accounts of the company.

Message from the Corporate Executive Board

Dear Shareholders,

I would like to start this report by expressing our thanks to all of those who have supported Ahold through this very difficult time. Many of you have gone through the same feelings of shock, disappointment and anger that we in the company felt as accounting irregularities and errors were announced. For this, I apologize to you unreservedly, on behalf of the Corporate Executive Board. We are enormously grateful to our shareholders, customers and suppliers who have stood by us as we worked painstakingly through the necessary investigations and audits, and to our associates who have worked above and beyond the call of duty to start the process of getting our company back on track.

Although I've only recently joined Ahold - in May 2003 - I can understand your fundamental pride in this company and recognize that we have much work to do to restore your confidence and to rebuild our reputation. Allow me to give you a brief overview of the year's events and to explain what we have done, and are doing, to create a company in which you can once again be proud.

On February 24, 2003, we announced that our net earnings and earnings per share would be significantly lower than previously indicated for fiscal 2002 and that we would be restating our financial statements for fiscal 2001 and 2000. We indicated that these restatements were primarily related to overstatements of vendor allowance income at our subsidiary U.S. Foodservice and the deconsolidation of five current or former joint ventures. We also announced forensic investigations into accounting irregularities at U.S. Foodservice and the legality and accounting treatment of certain questionable transactions uncovered at our Argentine subsidiary, Disco.

In addition to the U.S. Foodservice and Disco investigations, we commenced investigations into the facts and circumstances surrounding certain letters that were the basis for the historical consolidation of four of the Ahold joint ventures referred to above, and certain previously undisclosed related side letters that nullified the effect of these letters and resulted in the decision to deconsolidate those joint ventures. On February 24, 2003, our independent auditor, Deloitte & Touche, indicated that its opinion on our audited financial statements for the fiscal years ended December 30, 2001, and December 31, 2000 should no longer be relied upon.

Deloitte & Touche suspended its audit of our fiscal 2002 financial statements until the completion of necessary investigations. On March 24, 2003, the Audit Committee of our Supervisory Board ordered the commencement of a series of additional investigations at 17 Ahold operating companies and real estate companies and at the Ahold parent company to assess whether accounting irregularities, errors and/or issues existed, the integrity of management, and the adequacy of internal controls.

Acting quickly to address the issues

Ahold underwent significant management changes in response to the issues uncovered in the company, beginning with the announcement on February 24 that Ahold's former President and Chief Executive Officer and its former Chief Financial Officer would resign. The Chief Executive Officer of U.S. Foodservice resigned on May 13, 2003. Numerous other personnel changes have also been made, in particular at U.S. Foodservice, Disco, Tops and the Ahold parent company.

A new task force, reporting to the Audit Committee, has been created to implement changes to address the accounting issues and internal control weaknesses identified in the internal investigations. I am pleased to report that we intend to have many of the most critical changes implemented by the end of 2003. You can read more about the details of these investigations and findings in the Supervisory Board message on page 10.

We are also installing new and more effective IT systems for the control of vendor allowances. The first stage of the implementation at U.S. Foodservice was completed in July 2003 to allow testing of the system. This testing is expected to be completed by the end of 2003. With the exception of a few vendors, the system should allow us to track all of our vendor allowances by mid-2004.

As shareholders, you should be assured that our company acted quickly to adress the problems it faced. I believe that we have taken, and continue to take, prompt action in cleaning up the irregularities and practices that led to the drastic erosion in our company's value and reputation. Our priority now is to restore Ahold to financial health and to rebuild its value.

Stabilizing our financial situation

Of pressing concern has been the financial stability of the company. We are grateful for the confidence expressed by our syndicate of banks in providing a new credit facility on March 3, 2003 for credit of up to EUR 600 million and USD 2.2 billion. The efforts of the Supervisory Board, in particular of its chairman Henny de Ruiter, were instrumental in obtaining this new line of credit to replace an existing USD 2 billion facility. The new credit facility provided additional liquidity to meet our short-term financial responsibilities.

Under the direction and leadership of Dudley Eustace, appointed interim Chief Financial Officer on March 11, 2003, a rigorous program to reduce our overall debt level has also begun and will be carried forward by our new CFO, Hannu Ryöppönen. Capital expenditure and working capital are being closely scrutinized and the divestment of non-core and underperforming assets is well underway.

For example, significant reductions in capital expenditure, through postponing or cancelling several planned initiatives that involve discretionary capital expenditures, are already having a positive impact on cash flow. Tighter management of working capital, and closer attention to receivables, payables and inventories both in Europe and the U.S. are also helping to strengthen our cash position.

Our divestment program is moving forward as well. On April 3, we announced our intention to exit South America. In April and May of 2003, respectively, we announced that we had reached agreements for the sale of our Indonesian and Malaysian operations. These were finalized in the third quarter of 2003. In May, we also divested our Dutch natural product store chain De Tuinen, and in June, our Dutch candy store chain, Jamin. In July 2003, we announced the sale of our Santa Isabel chain in Chile. In August 2003, we reached agreement to sell Golden Gallon, our fuel and merchandise convenience store operation in the southeastern United States. The completion of the transaction took place in October.
On September 24, we announced the completion of the sale of our Paraguayan supermarket operation.

A strengthened Corporate Executive Board and other Management

The composition of the Corporate Executive Board has changed significantly since our last report, with several new members joining us during the period after February 24. As mentioned, Dudley Eustace joined Ahold to serve as interim Chief Financial Officer starting March 11. He was appointed a member of the Corporate Executive Board at the General Meeting of Shareholders held on May 13. On May 2, I accepted the position of Chief Executive Officer and on June 19, we welcomed Hannu Ryöppönen as Acting Chief Financial Officer. We were both appointed to the Corporate Executive Board at the General Meeting of Shareholders on September 4. On August 28, Ahold announced its proposal to nominate Peter Wakkie to the Corporate Executive Board in the newly created position of Chief Corporate Governance Counsel. Following the resignation of Jim Miller, former President and CEO of U.S. Foodservice and former member of the Corporate Executive Board, on May 13, Robert G. Tobin, a member of Ahold's Supervisory Board, was designated to serve as interim Chief Executive Officer of U.S. Foodservice.

On October 14, 2003, the Corporate Executive Board announced the appointment of Lawrence S. Benjamin as Chief Executive Officer at U.S. Foodservice.

Composition of the Corporate Executive Board

Anders Moberg Joined Ahold in 2003.

Hannu Ryöppönen Joined Ahold in 2003.

Jan Andreae Joined Ahold in 1979.
Board member since 1997.

Dudley Eustace Joined Ahold on an interim basis in 2003.

William Grize Joined Stop & Shop in 1967.
Board member since 2001.

Theo de Raad Joined Ahold in 2001.

New strategic direction

Under the direction of this renewed Corporate Executive Board, we are embarking on a new strategy, with two key priorities. The first is to be a leading food retailer based on net sales in selected markets in the United States and Europe, focusing on trade areas where we already have achieved, or believe we can achieve, such a leading position within a reasonable period of time. The second is to rebuild U.S. Foodservice to restore its value following the events announced in February 2003 and subsequently. We will determine the future role of U.S. Foodservice within the strategy of Ahold when we have a clear picture of the value of this business.

We are making a fundamental change in the organization: instilling a true focus on the business and the customer into everything we do as the holding company. We will need to step up our efforts to lower our cost base and to maintain local market leadership, by simplifying the organization, standardizing our distinct customer offering and moving toward a "one company approach" in which common processes are driven throughout the business. This will allow us to deliver our unique standard of quality to our customers, at better value.

Tough operating year, results impacted by restatements

Our consolidated net sales were EUR 62.7 billion in fiscal 2002 compared to EUR 54.2 billion in fiscal 2001, an increase of EUR 8.5 billion, or 15.6%, in fiscal 2002 compared to fiscal 2001.

Currency exchange rates negatively affected our net sales in fiscal 2002. Excluding the impact of currency exchange rates, net sales would have increased by EUR 10.8 billion, or 20.8%, in fiscal 2002.The increase in net sales was largely attributable to acquisitions, primarily including the full-year consolidation of Bruno's, in the U.S. retail trade segment, and Alliant, in the U.S. food service segment. In addition, the results of Ahold's subsidiaries Disco and Santa Isabel in South America were consolidated in the course of 2002.

Excluding these acquisitions, net sales in fiscal 2002 increased primarily as a result of net sales growth in retail trade at Stop & Shop, Giant-Carlisle and Albert Heijn, which was caused by a variety of factors, including, in particular, the opening of new stores, an increase in customer promotions and, in the case of Albert Heijn, inflation within Europe.

Our operating income was EUR 239 million in fiscal 2002 compared to EUR 1.9 billion in fiscal 2001, a decrease of EUR 1.7 billion, or 87.5%. In fiscal 2002, our operating results were significantly impacted by impairment charges relating to goodwill and other intangible assets of EUR 1.3 billion, impairment charges relating to other long-lived assets of EUR 137 million, and the exceptional loss of EUR 372 million relating to the default by Velox Retail Holdings on debt that we had guaranteed.

Operating income in fiscal 2002 also was negatively affected by currency exchange rate differences, particularly as a result of the lower exchange rate of the US dollar to the Euro.

The full operating review can be found on pages 22 through 85.

2003 Outlook

In fiscal 2003, we expect that our consolidated net sales compared to fiscal 2002 will be negatively affected by the weakened global economy and strong competition in the markets that we serve, as well as the diversion of our management as a result of the events surrounding the announcements on February 24, 2003 and subsequently, and the related investigations. In addition, our fiscal 2003 net sales will be negatively affected by our completed and future divestments.

We expect that operating expenses, excluding the impact of currency exchange rates, will be significantly higher in fiscal 2003 than our operating expenses in fiscal 2002 (excluding the impact of the impairment of goodwill charges taken in fiscal 2002 and the exceptional loss in fiscal 2002) and that, as a result, we will experience an adverse impact on our consolidated operating income in fiscal 2003. In addition, we expect that net financial expenses, excluding the impact of currency exchange rates, will increase above fiscal 2002 levels. We anticipate that these increases in expenses will adversely affect net income.

As a result of the events surrounding the announcements on February 24, 2003 and subsequently, and the related investigations, we have undergone significant changes in management both at our parent company and at several of our subsidiaries. Our new and existing management and support staff have had to devote substantial amounts of time and resources to addressing all of the accounting issues that were found through the numerous internal investigations and internal and external audits and to complete the audit of our fiscal 2002 consolidated financial statements. Significant amounts of time also have been spent with respect to the related governmental and regulatory investigations and legal proceedings that are ongoing. As a result of the foregoing, our management and support staff's attention to our operations and strategic planning has been diverted, which has negatively affected our business.

We have restricted our capital expenditures during fiscal 2003 in order to strengthen our free cash flow. Accordingly, we have delayed or cancelled several of our planned initiatives that involve discretionary capital expenditures, such as store remodeling. However, we expect to continue working on initiatives that will reduce our administrative costs, as well as other initiatives, including the opening of new stores, that are critical for us to remain competitive in our markets. Our objective is to fund these initiatives largely through cash generated by our operations. We are working with our vendors to develop ways to lower the cost of products, through, among other initiatives, jointly developing improved ordering systems and creating additional buying synergies.

Creating trust and confidence: transparency, governance and leadership

We recognize that we must ensure that our company is never again confronted with a similar crisis of controls and governance. To this end, we aim to implement the highest possible standards of compliance, disclosure and professional conduct throughout the business. The fact that these very standards may not have been the highest priority in the past has strengthened our resolve to renew these principles, build a committed culture across the entire enterprise and develop a changed leadership style. Our company culture must be truly open and honest. Our behavior across all our professional, business and stakeholder relationships must comply with the highest standards of transparency and integrity. This is not negotiable.

In recent months, as a result of our many, continuing investigations, we have been severely restricted in the information that we could disclose to the market and the public. We realize that this too may have caused misunderstanding. We have done our best to present the facts as quickly and as openly as possible under the circumstances.

Focusing on the business

On October 2, we reached a major milestone with the delivery of our full year 2002 results. This provides us with the basis on which to carry out our strategy and our future. While the numbers highlight Ahold's underlying strength, they also show that it is absolutely vital to make changes throughout the entire company.

It has been necessary for us, in past months, to spend many hours with bankers, legal advisors and auditors. The most positive impact of finalizing our audit and delivering our financial results is that it allows us to begin to move forward and focus our attention back to the business.

There is no doubt that the audit performed in our company was thorough. With the confidence of knowing exactly where we stand as a company, we are taking the next steps. Our priorities are to focus our portfolio, simplify our structure, drive costs out of the business and restore the value of U.S. Foodservice. This will enable us to establish a new foundation for increasing free cash generation and to create more value for our customers and our shareholders.

Rebuilding our reputation

We will do everything in our power to merit your continued support and restore a sense of pride in your association with us. Ahold's reputation is its most precious asset, and perhaps the one most damaged by this year's events. You have entrusted us with the protection of this asset and we will take care of it.

We have new key management in place and close to 350,000 associates who have proven their dedication time and time again, especially over the past months. I am confident that, by working together, we can build a strong and healthy future for our company and return to a reputation of which we can all be proud.

On behalf of Ahold's Corporate Executive Board,

A.C. Moberg
President and CEO

Corporate Executive Board
A.C. Moberg, *President and CEO*
H. Ryöppönen, *CFO*
J.G. Andreae
D.G. Eustace
W.J. Grize
M.P.M. de Raad

N.L.J. Berger, *Secretary*

Supervisory Board
H. de Ruiter, *Chairman*
R. Fahlin
J. Hommen
Sir M. Perry GBE
Dr. C.P. Schneider
R.G. Tobin
L.J.R. de Vink
K. Vuursteen

As of October 14, 2003

Report from the Supervisory Board

2003 has been the most difficult year in the company's history. Ahold underwent a crisis of extreme proportions. We announced accounting irregularities, errors and other issues at several of our companies, as well as significant internal control weaknesses that extend not only to 2002, the year on which this annual report is intended to focus, but also to prior years. We wish to add our sincere apologies to all stakeholders of Ahold, including shareholders, customers and associates, who have experienced a great deal of disappointment and concern throughout this period.

Following the announcement on February 24, 2003, the Supervisory Board took charge of the company's affairs. Our Chairman, Henny de Ruiter, steered Ahold, together with the members of the Corporate Executive Board, through the initial difficult phase, including the securing of a new credit facility to stabilize the company's financial situation. After the nomination of Anders Moberg as CEO in May 2003, the Supervisory Board has continued to oversee the transition of Ahold's business to a more stable environment. We would like to describe the role of the Supervisory Board during this turbulent time, and the steps taken to begin to repair the damage that was done to Ahold.

Rebuilding leadership

Subsequent to the resignation of Ahold's CEO and CFO, Mr. De Ruiter was immediately designated to be responsible for the daily supervision of the conduct of the Corporate Executive Board and the business affairs of the company. Dudley Eustace was appointed interim Chief Financial Officer on March 11, charged with the task of stabilizing the financial fundamentals of Ahold. We are grateful to Mr. Eustace for taking on this assignment and for his excellent performance in working with our banking syndicate to ensure the company's continued access to sufficient liquidity.

Meanwhile, the Supervisory Board undertook an exhaustive search for new permanent company leadership. The Board worked with specialists in executive appointments and compensation to find the world class executives required to lead the company forward.

On May 2, we announced our proposal to nominate Anders Moberg as President and Chief Executive Officer of the company. The next month, on June 19, Hannu Ryöppönen accepted the position of Chief Financial Officer. Both were appointed to the Corporate Executive Board at the General Meeting of Shareholders on September 4. Mr. Moberg has a long and accomplished career in international retailing, with a focus on customer needs and product innovation. Mr. Ryöppönen brings to Ahold considerable expertise and experience in international finance. We are delighted to welcome them both to Ahold.

On August 28, 2003 the Supervisory Board announced its proposal to nominate Peter Wakkie to the newly created position of Chief Corporate Governance Counsel and member of the Corporate Executive Board. He assumed his position at Ahold on October 15, 2003. This new position emphasizes the great importance Ahold attaches to an excellent relationship with our shareholders and all other stakeholders. Mr. Wakkie is a leading expert in the Netherlands on corporate governance with a long-standing reputation as a talented negotiator and highly competent legal corporate advisor. We are very happy to have him on board.

We are confident that the new composition of the Corporate Executive Board provides a strong combination of experience and skills to successfully manage the company.

We also commend our operating company and joint venture leadership for their extremely professional performance during this tremendously difficult year.

Reporting, investigating and strengthening controls

Ahold moved swiftly to alert the regulatory authorities in the United States and the Netherlands of the issues announced on February 24. In addition, the Audit Committee of the Supervisory Board initiated thorough and independent, internal forensic accounting and legal investigations at several of our operating companies. At every step over the ensuing months of these investigations, Ahold's associates worked closely with the investigators and fully cooperated with the regulators.

The U.S. Foodservice investigation identified accounting fraud relating to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances and an understatement of cost of goods sold. The investigation found that certain senior officers of U.S. Foodservice and other employees were involved in the fraud. It was also found that inappropriate vendor allowance accounting had existed at the date of the acquisition of U.S. Foodservice.

The Disco investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. In addition, in some instances these payments were improperly capitalized rather than expensed.

The investigation into the joint venture letters found that there had been concealment of side letters from Ahold's Supervisory Board, Audit Committee and our auditors, Deloitte & Touche and that the consolidation of these joint ventures into Ahold's financial statements had been in error.

The additional internal investigations found accounting irregularities at Tops, consisting of intentional improper recognition of vendor allowances and pervasive earnings management, and at Giant-Carlisle, consisting of pervasive earnings management, although involving relatively small amounts. The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. In addition, these investigations found varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed.

In addition, significant internal control weaknesses were raised or confirmed in the internal investigations. Over 275 items relating to internal control weaknesses were identified. A special task force reporting to the Audit Committee has been formed, now chaired by our current Chief Financial Officer, and composed of our senior finance, legal and internal audit executives and supplemented by external advisors, to address the accounting issues and the internal control weaknesses that were identified.

The task force will oversee the development and implementation of modifications, improvements and other required changes to address weaknesses identified and to strengthen our internal controls. Certain regional task forces have also been formed that have been and will be assisting in this process. We intend to implement many of the required changes to our internal controls that we believe are critical by the end of fiscal 2003 and to implement remaining changes in fiscal 2004.

The reporting line for Ahold's internal audit department has also been changed. The internal audit department now reports directly to Ahold's Chief Executive Officer and to the Audit Committee, instead of solely to Ahold's Chief Executive Officer, as previously was the case. We also intend to implement a plan to redesign the function of the internal audit throughout the group of operating and real estate companies to centralize it within the Ahold parent company.

Ahold is continuing to cooperate with investigations by law enforcement and regulatory authorities, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and Dutch governmental and regulatory authorities.

2002 accounts

In the course of the internal forensic investigations, approximately 750 separate items related to internal controls and accounting issues were uncovered. The thoroughness of the internal investigations and subsequent audit therefore resulted in several delays to the publication of this annual report and our annual accounts. The audited, consolidated 2002 results were announced on October 2.

The annual report and financial statements for fiscal 2002 prepared by the Corporate Executive Board and audited by Deloitte & Touche, have been presented to us. We have approved this annual report. We propose to the Annual General Meeting of Shareholders to adopt the annual accounts and to approve the policies pursued by the Corporate Executive Board and the supervision exercised by the Supervisory Board.

During the year under review Henny de Ruiter and Lodewijk de Vink were reappointed as Supervisory Board members. Karel Vuursteen and, in 2003, Jan Hommen were appointed as new Supervisory Board members.

Moving forward

We understand that the company will remain under intense scrutiny for some time to come, and justifiably so. Ahold continues to await the results of governmental and regulatory investigations and is cooperating with external investigators. We have a long way to go before the company's reputation is restored and trust in our controls and governance rebuilt.

However, with the completion of the internal investigations and the restatement of results, we can move forward with this rebuilding process. The extreme care that has been taken to review this company in recent months helps us to face the future with confidence. We are committed to instilling sound corporate governance at Ahold are progressing in strengthening controls.

The Supervisory Board now believes that a predominantly new team should assist Ahold in shaping its future. For that reason, we announced on September 17, 2003, that the Supervisory Board will change its composition in the months ahead. On the same day, Henny de Ruiter announced that he would resign as Chairman of the Supervisory Board at the close of the General Meeting of Shareholders to approve the 2002 financial statements. It was also announced that Mr. De Ruiter would be succeeded as Chairman by Karel Vuursteen, who was appointed as Supervisory Board member on May 7, 2002.

Further changes to the Supervisory Board will be made at the 2004 Annual General Meeting of Shareholders, likely to be held in May 2004. A nomination committee has been established to consider retirements and new members to the Ahold Supervisory Board.

We fully support the clear and solid vision that the Corporate Executive Board has presented for Ahold's future. As we move forward with new leadership in the Executive and Supervisory Boards, a commitment to strengthen internal controls and a renewed strategy, we are confident that we will emerge a company in which you can once more place your trust.

Thank you for your continued support.

Supervisory Board
Zaandam, October 14, 2003

Composition of the Supervisory Board

Henny de Ruiter *(69), Chairman* is a Dutch national. He was first appointed in 1994 and his term runs until 2004. Mr. De Ruiter is a former Managing Director and also a member of the Supervisory Board of the Royal Dutch Petroleum Company. In addition, he is a member of the Supervisory Boards of AEGON N.V., Heineken N.V., Univar N.V. and Wolters Kluwer N.V. He is also a member of the Executive Board of Shell Petroleum N.V. in The Hague and a Director of The Shell Petroleum Company Limited in London.

Roland Fahlin *(64)* is a Swedish national. He was first appointed in 2001 and his term runs until 2005. Mr. Fahlin is former Chairman and President of ICA AB in Sweden. He is Chairman of The Swedish Institute of Management (IFL), Chairman of the Foundation of the Nordic Retail University (within the University of Stockholm) and Chairman and owner of Roland Fahlin AB. He is also Board member of SJ AB (Swedish State Railroad Co.), CIES, The Food Business Forum, Paris and the Foundation of Market Technology Center.

Jan Hommen *(60)* is a Dutch national. He was first appointed in 2003 and his term runs until 2007. Mr. Hommen is currently Vice Chairman and CFO of Royal Philips Electronics, Chairman of the Supervisory Board of the Maastricht Academic Hospital and a member of the Supervisory Boards of Atos Origin and TPG.

Sir Michael Perry GBE *(69)* is a British national. He was first appointed in 1997 and his term runs until 2004. Sir Michael Perry is a former Chairman of Unilever plc. He is Chairman of Centrica plc, President of the Marketing Council, Chairman of the Shakespeare Globe Trust and Chairman of the Oxford University Faculty Board for Management.

Cynthia P. Schneider *(50)* is an American national. She was first appointed in 2001 and her term runs until 2005. Dr. Schneider is a former Ambassador of the United States to The Netherlands. She is an associate professor at Georgetown University (Washington, D.C.), teaching both at the College of Arts and Sciences and the School of Foreign Service. She is also a member of the Board of Directors of Humanity in Action and of the Institute for Cultural Diplomacy.

Robert G. Tobin *(65)* is an American national. He was first appointed in 2001 and his term runs until 2005. In May 2003, he was appointed interim Chief Executive Officer of U.S. Foodservice. Mr. Tobin is former President and CEO of Stop & Shop. After the purchase of Shop & Shop by Ahold, Mr. Tobin became President and CEO of Ahold USA. From 1998 to 2001, Mr. Tobin was a member of the Executive Board of Ahold. He is currently a Non-Executive Director of Centrica plc.

Lodewijk J.R. de Vink *(58)* is an American national. He was first appointed in 1998 and his term runs until 2006. He is also Chairman of Blackstone Health Care Partners and Board member of the National Foundation for Infectious Diseases, United Negro College Fund, Nyenrode University, the National Actors Theater, the New Jersey Performing Arts Center and Alcon, Inc. and an Advisory Board member of NM Rothschild & Sons Limited. Mr. De Vink is former Chairman, President & CEO of the Warner-Lambert Company.

Karel Vuursteen *(62)* is a Dutch national. He was first appointed in 2002 and his term runs until 2006. Mr. Vuursteen is a former Chairman of the Executive Board of Heineken N.V. He is also Supervisory Board member of Gucci Group N.V., AB Electrolux (Sweden), Henkel KGaA (Germany), ING Groep N.V., Akzo Nobel N.V., Chairman of the Supervisory Board of Randstad Holding N.V. and a member of the board of directors of Heineken Holding N.V.

Profile of the Supervisory Board

Experience and knowledge of Ahold's activities are the main criteria in the composition of the Supervisory Board. Specific expertise in financial, economic and social fields as well as an affinity for customer-focused thinking should be represented within the Board. International business experience and proven managerial qualities are pre-requisites. The Board aims to combine distinct areas of expertise, complementary fields of experience, age and gender in its composition. Efforts are undertaken to ensure a number of Supervisory Board members are still actively involved in business. Where possible, the Supervisory Board takes these guiding principles into account when considering proposals for nomination or reappointment of its members.

Chronology

Ahold has before it the challenging tasks of rebuilding the company's value and reputation and restoring the confidence of shareholders. To help shareholders understand the issues that have faced the company these past months, as well as the manner in which they were addressed, we provide a chronology of events since February 24, 2003:

On ***February 24,*** we announced that our net earnings and earnings per share would be significantly lower than previously indicated for fiscal 2002 and that we would be restating our financial statements for fiscal 2000 and 2001. We indicated that these restatements primarily related to overstatements of income related to vendor allowance programs at our subsidiary U.S. Foodservice. We also announced ongoing forensic investigations into the accounting irregularities at U.S. Foodservice and the legality and accounting treatment of certain questionable transactions at our Argentine subsidiary, Disco. In addition, the company announced that certain joint ventures would be deconsolidated based on information that had not previously been made available to Ahold's auditors. In view of these developments, we also announced that Cees van der Hoeven and Michiel Meurs would resign and that Ahold's auditors had decided to suspend the 2002 fiscal year audit pending completion of the investigations. Lastly, we announced that we had obtained a commitment for a new credit facility, totaling EUR 2.65 billion.

On ***March 3,*** Ahold entered into the new credit facility, provided by ABN Amro, Goldman Sachs, ING, JP Morgan and Rabobank. The facility provides for aggregate borrowings of EUR 2.65 billion, of which USD 1.285 billion and EUR 600 million were available immediately. In addition, banks were committed to providing an additional EUR 450 million backup facility to support existing USD 850 million securitization programs.

On ***March 11,*** Dudley Eustace was appointed as interim Chief Financial Officer, effective immediately.

On ***May 2,*** Ahold extended the U.S. Foodservice securitization programs by another sixty days. We also announced that Deloitte & Touche had resumed their audit at Albert Heijn and Stop & Shop.

On the same day, the proposal to nominate Anders Moberg as President & Chief Executive Officer of the company was announced; he assumed the position of Acting CEO on May 5.

On ***May 8,*** forensic accounting work being performed by PricewaterhouseCoopers (PwC) as part of our internal investigation of subsidiary U.S. Foodservice was announced to be substantially complete, finding a total overstatement of pre-tax earnings of approximately USD 880 million. The legal internal investigation continued.

On ***May 13,*** the Ahold shareholders' meeting extended the deadline for completion of the 2002 annual accounts.

On this same day, Jim Miller, then President and Chief Executive Officer of U.S. Foodservice and a member of the Corporate Executive Board of Ahold, resigned from these positions. This resignation was followed shortly thereafter by Michael Resnick, Chief Financial Officer of U.S. Foodservice, and David Abramson, Executive Vice President and General Counsel of U.S. Foodservice, resigning from their positions. All three ceased to be employed by U.S. Foodservice effective October 1, 2003.

On ***May 26,*** Ahold obtained a bank extension of the deadline for delivery of audited, consolidated accounts for 2002. This was necessary because, given the thoroughness required, it was determined that it would take the company longer than anticipated to complete the accounts. The company announced an estimated additional USD 29 million reduction of pre-tax earnings, primarily at Tops Markets in the U.S., as a result of internal investigations.

On ***June 2,*** Ahold announced that on May 30, 2003, it provided its bank syndicate with the audited 2002 financial report for Albert Heijn.

On ***June 19,*** Ahold announced its proposal to nominate Hannu Ryöppönen as company Chief Financial Officer.

On ***June 25,*** Tops Markets President and CEO, Frank Curci, tendered his resignation.

On ***June 30,*** the audited 2002 financial report for Stop & Shop was provided to Ahold's banking syndicate.

On ***July 1,*** Ahold announced that all of the ongoing internal forensic accounting investigations at Ahold, its subsidiaries and its joint ventures were completed. The forensic accountants identified an additional approximately EUR 73 million of intentional accounting irregularities related to improper purchase accounting.

On ***July 3,*** Ahold announced the appointment of Joost Sliepenbeek as Senior Vice President and Controller.

On ***July 7,*** Ahold announced that the Public Prosecutor in Amsterdam is conducting a criminal investigation regarding Ahold.

On ***August 8,*** Ahold obtained an extension of the deadline for delivery of audited, consolidated financial statements for 2002 to September 30, 2003. Accounting adjustments required as a result of forensic investigations and as a result of the audit were taking longer than expected.

On ***August 28,*** Ahold announced its proposal to nominate Peter Wakkie as Chief Corporate Governance Counsel and member of the Corporate Executive Board, effective October 15, 2003.

On ***September 4,*** Ahold published financial information for Albert Heijn and Stop & Shop for fiscal years 2000 - 2002.

On the same day, a General Meeting of Shareholders was held. Shareholders appointed Anders Moberg and Hannu Ryöppönen to the Corporate Executive Board.

On ***September 17,*** Ahold Supervisory Board announced changes to its composition: Chairman Henny de Ruiter to resign at the next shareholders' meeting and Karel Vuursteen to succeed Mr. De Ruiter. Further changes were to come.

On the same day, Ahold CEO Anders Moberg announced his agreement to adjust his remuneration package in response to public debate on the subject.

On ***October 2,*** Ahold announced its audited, financial position as per December 29, 2002 and the results for the year then ended.

On ***October 14,*** Ahold appointed Lawrence S. Benjamin as Chief Executive Officer at U.S. Foodservice.

On ***October 17,*** Ahold announced the filing of its Annual Report 2002 on Form 20-F with the U.S. Securities and Exchange Commission.

Corporate Governance

Ahold is a company governed by three statutory bodies: the Corporate Executive Board, the Supervisory Board and the Shareholders' Meeting.

Corporate Executive Board

The Corporate Executive Board is responsible for the management of Ahold's business. The Corporate Executive Board must consist of at least three members or two members and a deputy member. With due observance of this minimum number, the Supervisory Board determines the number of members and deputy members of the Corporate Executive Board. The Shareholders' Meeting is entitled to appoint members of the Corporate Executive Board. The Supervisory Board may make a binding proposal for candidates to fill a vacancy on the Corporate Executive Board, such that for each appointment a choice can be made from at least two persons. However, the Shareholders' Meeting may at all times overrule the binding nature of such a proposal by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital.

The Shareholders' Meeting is entitled to temporarily suspend or dismiss a member or a deputy member of the Corporate Executive Board by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital unless the suspension or dismissal has been proposed by the Supervisory Board, in which case adoption of the resolution requires only a simple majority of the votes cast.

Supervisory Board

The Supervisory Board supervises the policies of the Corporate Executive Board, as well as the general course of affairs of Ahold and its business. In performing their duties, members of the Supervisory Board must consider the interests of Ahold and its business.

The approval of the Supervisory Board is required for certain resolutions of the Corporate Executive Board. In addition, the Supervisory Board is entitled to determine that certain other resolutions of the Corporate Executive Board are subject to its approval. To date the Supervisory Board has not made such a determination.

The Shareholders' Meeting is entitled to appoint members of the Supervisory Board. The Supervisory Board determines the number of members of the Supervisory Board. Only natural persons can be members of the Supervisory Board. Members are appointed for a term of four years.

The Supervisory Board may make a binding proposal for candidates to fill a vacancy on the Supervisory Board, such that for each appointment a choice can be made from at least two persons. However, the Shareholders' Meeting may at all times overrule the binding nature of such a proposal by a resolution adopted by at least a two-thirds majority of the votes cast, if such a majority represents more than half the issued share capital.

The Shareholders' Meeting is entitled to temporarily suspend or dismiss members of the Supervisory Board by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital, unless the proposal to suspend or dismiss is made by the Supervisory Board, in which case the adoption of the resolution requires only a simple majority of the votes cast.

In accordance with article 21.4 of the Articles of Association, a member of the Supervisory Board must retire on the date of the Annual Shareholders' Meeting held in the fiscal year in which he or she reaches the age of 72. Pursuant to new legislation effective as of April 23, 2002, the requirement of an age limit has been removed from the Dutch Civil Code. According to the explanatory memorandum to this legislation an age limit is only permitted if objective conditions are set for its application. Ahold intends to propose at the next Shareholders' Meeting that the articles of association be amended to remove the age limit.

Board Committees

The Supervisory Board has established the following committees:

Audit Committee

The Audit Committee comprises a minimum of three Supervisory Board members and meets at least four times a year. The members are Jan Hommen (chairman), Henny de Ruiter, Lodewijk de Vink and Roland Fahlin. It reviews the overall risk management and control environment, financial reporting arrangements and standards of business conduct.

Nomination Committee

The Nomination Committee comprises a minimum of three Supervisory Board members and Ahold's CEO and meets at least once a year. The members are Henny de Ruiter (chairman), Sir Michael Perry, Karel Vuursteen and Anders Moberg. It recommends candidates for the positions of Corporate Executive and Supervisory Boards members.

Remuneration Committee

The Remuneration Committee comprises three Supervisory Board members and Ahold's CEO and meets at least twice a year. The members are Henny de Ruiter (chairman), Sir Michael Perry, Karel Vuursteen and Anders Moberg. It reviews executive remuneration and is responsible for the executive share option plans.

The Shareholders' Meeting

The shareholders exercise their rights through the Shareholders' Meeting. Each fiscal year, in June at the latest, an annual shareholders' meeting must be convened, although additional extraordinary shareholders' meetings may also be held. The annual meeting passes resolutions on the appropriation of profits and declaration of dividends proposed by the Corporate Executive Board. Like the Supervisory Board, the Shareholders' Meeting has no influence on the day-to-day business management of the company.

The Corporate Executive Board must obtain the approval of the Shareholders' Meeting for certain matters relating to Ahold's legal and capital structure. These include amendments to the Articles of Association and the dissolution of the company as well as the repurchase of outstanding shares. Shareholder approval is also necessary if additional shares are issued and existing shareholders' pre-emptive rights are to be limited or excluded in connection with a new share issuance, except where this authority has been delegated to the Corporate Executive Board. The Corporate Executive Board has been designated by the Shareholders' Meeting as the corporate body authorized to issue common shares and to restrict or exclude the pre-emptive rights of holders of common shares through the date of the annual Shareholders' Meeting to be held in 2004.

Shareholders' Meetings are held in the municipalities of Zaanstad, Amsterdam, The Hague, Rotterdam, Utrecht, Amersfoort or Haarlemmermeer.

In order to be entitled to attend and vote at Shareholders' Meetings one must be a shareholder on a record date, which may be set by the Corporate Executive Board and must not be more than 7 days before the meeting. In addition, within the time specified in the notice calling the meeting:

- Shareholders with registered shares must advise Ahold in writing that they intend to attend; or
- Shareholders with bearer shares must deposit their share certificates at the place specified in the notice.

Resolutions are usually adopted at Shareholders' Meetings by the majority of votes cast, unless there are other requirements under the law or Ahold's articles.

According to Ahold's articles of association, shareholders who together represent at least 10% of the issued capital can request Extraordinary Shareholders' Meetings to be called to address specific subjects. In addition, the articles of association provide that shareholders may propose subjects to be included in the agenda for a Shareholders' Meeting if they individually or together hold 1% of the issued capital.

Shareholders must submit such a request at least sixty days before the date of the Shareholders' Meeting, and it will be honored unless, in the opinion of the Corporate Executive Board and the Supervisory Board, it would prejudice important interests of the company.

Voting Rights
Each share in the capital of Ahold is entitled to one vote for each EUR 0.25 of par value. Subject to certain exceptions provided for by Dutch law or the articles of association, resolutions are passed by the majority of the votes cast. A proposal to alter the articles of association that would change the rights vested in the holders of shares of a particular class requires the prior approval of a meeting of holders of shares of that particular class. Among other types of resolutions, a resolution of the Shareholders' Meeting to amend the articles or to dissolve Ahold may only be adopted upon a proposal of the Corporate Executive Board that has been approved by the Supervisory Board.

The holders of common shares are entitled to one vote per share. There are no limitations, either under Dutch law or in Ahold's articles of association, on the right of non-residents of The Netherlands or foreign owners to hold or vote Ahold's common shares.

Holders of cumulative preferred financing shares are entitled to one vote per share and are entitled to vote upon the same matters as the holders of common shares. All outstanding cumulative preferred financing shares have been issued to the Stichting Administratiekantoor Preferente Financierings Aandelen Ahold (the "Administratiekantoor"). The object of the Administratiekantoor is to acquire and hold cumulative preferred financing shares in the share capital of Ahold against the issue of depository receipts, as well as to exercise all voting rights attached to these shares. Holders of depository receipts will be admitted to the Shareholders' Meeting, but will not be allowed to vote in this meeting as the voting rights belong to the Administratiekantoor.

Holders of American Depository receipts (ADR's) will receive notice from the Depositary whenever the Depositary receives notice of a Shareholders' Meeting or solicitation of consents or proxies of holders of common shares. The Depositary will provide a statement that the owners of ADRs as of the close of business on a specified record date will be entitled to instruct the Depositary as to the exercise of any voting rights represented by their ADRs.

Upon the written request of an owner of an ADR, the Depositary will endeavor, insofar as practicable, to vote or cause to be voted the amount of common shares represented by the ADRs in accordance with the instructions set forth in the request. The Depositary will not vote shares other than in accordance with such instructions. If the Depositary does not receive instructions from any owner on or before the date established by the Depositary for such purpose, the share depositary will deem the owner to have instructed the Depositary to give a discretionary proxy to a person designated by Ahold for such deposited securities. The Depositary will then give a discretionary proxy to a person designated by Ahold to vote such deposited securities.

Major shareholders

Ahold is not directly or indirectly owned or controlled by another corporation or by any foreign government. Except as described under "Cumulative Preferred Shares" below, there are no arrangements known to us that may, at a subsequent date, result in a change in our control.

Cumulative Preferred Shares

In March 1989, Ahold entered into an agreement (the "option agreement") with Stichting Ahold Continuïteit ("SAC"). This option agreement was amended and restated in April 1994, March 1997 and December 2001. Pursuant to this option agreement, SAC was granted an option to acquire from Ahold, from time to time until December 2016, cumulative preferred shares up to a total par value that is equal to the total par value of all issued and outstanding shares of our capital stock, excluding cumulative preferred shares, at the time of exercising the option. The holders of the cumulative preferred shares are entitled to 2,000 votes per share and a cumulative dividend on the outstanding and paid-up shares, based on the basic refinancing transaction interest rate of the European Central Bank, with a minimum percentage applied of 5.75%. Subject to limited exceptions, each transfer of cumulative preferred shares requires the approval of the Corporate Executive Board. Cumulative preferred shares can only be issued in registered form. No share certificates are issued for cumulative preferred shares.

Ahold may stipulate that only 25% of the par value will be paid upon subscription for cumulative preferred shares until payment in full of the par value is later called by the company. No cumulative preferred shares have been issued or were outstanding during fiscal years 2002, 2001 or 2000 or as of the date of this annual report.

The option agreement and the cumulative preferred shares have certain anti-takeover effects. The issuance of all authorized cumulative preferred shares will cause substantial dilution of the effective voting power of any shareholder, including a shareholder that attempts to acquire Ahold, and could have the effect of delaying, deferring and preventing a change in our control.

SAC is a non-membership organization with a self-appointed managing board, organized under the laws of the Netherlands. Its statutory objectives are to enhance Ahold's continuity and identity in case of a hostile takeover attempt. As of October 14, 2003, the members of the board of the SAC were:

Name members	***Principal occupation or relation to Ahold***
J.J. Slechte	Former President of Shell Nederland B.V.
W.E. de Vin	Former Civil Law Notary
P.J. van Dun	Former Executive Vice President of Ahold
M. Arentsen	Former CFO of CSM N.V.
N.J. Westdijk	Former CEO of Royal Pakhoed N.V.

Significant ownership of voting shares, including cumulative preferred financing shares

Under the 1996 Netherlands' Act on Disclosure of Holdings in Listed Companies, or the Disclosure Act, any person who, directly or indirectly, acquires or disposes of an interest in the capital or the voting rights of Ahold must give a written notice to the company and to the Netherlands Authority for the Financial Markets of such acquisition or disposal, if as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person falls within another percentage range as compared to the percentage range held by such person prior to such acquisition or disposal. The percentage ranges are 0-5, 5-10, 10-25, 25-50, 50-66 $^{2}/_{3}$ and over 66 $^{2}/_{3}$.

As of October 14, 2003, except as discussed below, we do not know of any persons who own of record or beneficially more than 5% of any class of capital interest and/or voting rights. Capital Research & Management owns 6.9% of our common shares. All of the issued and outstanding cumulative preferred financing shares are held by the Administratie-kantoor that issued corresponding depository receipts to the following four investors:

Fortis N.V.	**7.95%**
ING Groep N.V.	**7.42%**
Aegon N.V.	**6.11%**
Aviva plc/Delta Lloyd Levensverzekering N.V.	**5.01%**

Please note that these percentages refer to holdings in both common shares and cumulative preferred financing shares. The free float of common stock can be considered to be 100%.

Sarbanes-Oxley Act

On July 30, 2002, the Sarbanes-Oxley Act was signed into law by the President of the United States. The Act requires foreign issuers listed on, amongst others, the New York Stock Exchange, to comply with, amongst others, certain certification requirements and other disclosure obligations under the U.S. securities laws.

One of Ahold's responses to the Sarbanes-Oxley Act was the creation of a Disclosure Committee. The Disclosure Committee consists of various members of senior management. The Disclosure Committee's role is to try to ensure the accuracy and completeness of our periodic reports filed with the SEC and other public announcements we make.

Highlights *(in millions, except share data, ratios and %)*

Net sales (excluding intersegment sales)

		2002	2001
United States Retail	USD	27,879	23,160
United States Foodservice	USD	18,537	12,113
Europe	EUR	13,690	13,021
Latin America	EUR	2,143	1,274
Asia	EUR	458	400
Other activities	EUR	48	44
Total	**EUR**	**62,683**	**54,213**

Operating income

United States Retail	USD	1,405	1,284
United States Foodservice	USD	161	46
Europe	EUR	(646)	311
Latin America	EUR	(278)	56
Asia	EUR	(33)	(20)
Other activities	EUR	(367)	75
Total operating income	**EUR**	**239**	**1,911**
As a percentage of total net sales		*0.38%*	*3.52%*
Exceptional items		(372)	—
Goodwill impairment and amortization		(1,534)	(152)
Operating income beofre impairment and amortization og goodwill and exceptional loss		**2,145**	**2,063**

Net earnings and balance sheet

Net earnings	EUR	(1,208)	750
Net earnings*	EUR	795	1,086
Depreciation	EUR	(1,286)	(1,137)
Depreciation, amortization and impairments	EUR	(3,142)	(1,411)
EBITDA**	EUR	3,753	3,322
Operational cash flow	EUR	2,486	1,961
Investment in tangible fixed assets	EUR	2,321	2,737
Total assets	EUR	24,738	28,626
Group equity	EUR	2,665	5,544
Group equity percentage		10.8%	19.4%
Net interest bearing debt	EUR	11,594	11,345
Average net interest bearing debt / EBITDA**		3.18	3.01
Interest coverage ratio		2.27	2.54

Number of employees in FTE at year-end

	2002	2001
United States Food retail	119,524	113,204
United States Foodservice	14,467	14,199
Europe	68,806	62,205
Latin America	42,808	21,479
Asia	8,260	7,418
Other activities	414	785
Total	**254,279**	**219,290**

Share data

Number of shares issued and outstanding at year end:			
Common shares		931,107	920,979
Cumulative preferred financing shares		259,317	259,317
Average number of common shares outstanding		926,546	857,509
Data per common share:			
Net earnings	EUR	(1.34)	0.83
Net earnings*	EUR	0.85	1.28
Cash flow	EUR	2.06	2.47
Share price at year-end	EUR	11.65	32.68
Dividends:			
Interim	EUR	0.22	0.22
Final (proposed)	EUR	—	0.51
Total (proposed)	**EUR**	**0.22**	**0.73**

* *Excluding exceptional items, before depreciation, amortization and impairment*

** *Excluding the net impact of exceptional items, goodwill amortization and impairment*

Operating and Financial Review

This section provides a discussion of matters we consider important for an understanding of our financial condition and results of operations as of and for the three fiscal years ended December 29, 2002. This discussion consists of the following subsections:

1 "Restatements, Adjustments and Remedial Actions," which contains information regarding certain of the matters we announced on February 24, 2003, and subsequent developments, an analysis of the resulting restatements of our consolidated financial statements for fiscal 2001 and fiscal 2000, certain correcting adjustments for fiscal 2002 reflected in our fiscal 2002 financial statements and restated net sales and net income (loss) data for the first three quarters of fiscal 2002;

2 "Results of Operations," which sets forth an analysis of the results of our operations for the last three fiscal years, including trends in our overall business and in our operating segments; and

3 "Liquidity and Capital Resources," which contains a discussion of our cash flows and liquidity, our financing activities, our debt ratings, the 2003 Credit Facility, our receivables securitization programs, our value added service providers ("VASPs"), our contractual obligations, our off-balance sheet arrangements and related issues.

4 "Strategic Outlook" and "Outlook for Fiscal 2003," which include a summary of our recently announced new strategic framework and the outlook of our new management team, respectively;

Ahold's restated and reclassified financial position as per December 30, 2001 and results for fiscal 2001 and 2000 under Dutch GAAP and US GAAP and certain correcting adjustments reflected in the fiscal 2002 financial position, the findings that resulted and other related events have significantly affected the various discussions and analyses contained herein. As a result, such discussions and analyses differ substantially from those contained in our annual reports for fiscal 2001 and fiscal 2000.

Our financial statements are prepared in accordance with Dutch GAAP, which differs in certain respects from US GAAP. For additional information on the differences between Dutch GAAP and US GAAP relevant to us, please see Note 31 to our financial statements included in this annual report. A reconciliation of our net income (loss) and shareholders' equity under US GAAP is also presented in Note 31.

1 Restatements, adjustments and remedial actions

Background of the restatements and adjustments

Overview

On February 24, 2003, we announced that our net earnings and earnings per share for fiscal 2002 would be significantly lower than previously indicated and that we would be restating our financial statements for fiscal 2001 and fiscal 2000. We indicated that these restatements were primarily related to overstatements of vendor allowance income at USF and the deconsolidation of five current or former joint ventures (ICA, Bompreço, DAIH, JMR and Paiz Ahold). We also announced forensic investigations into accounting irregularities at USF and into the legality and accounting treatment of certain questionable transactions uncovered at Disco.

In addition to the U.S. Foodservice ("USF") and Disco investigations, we commenced investigations into the facts and circumstances surrounding certain letters that were the basis for the historical consolidation of four of the Ahold joint ventures referred to above, and certain previously undisclosed related side letters that nullified the effect of these letters and resulted in the decision to deconsolidate those joint ventures. On February 24, 2003, Deloitte & Touche ("D&T") indicated that its opinion on our audited financial statements for the fiscal years ended December 30, 2001, and December 31, 2000 should no longer be relied upon. D&T suspended its audit of our fiscal 2002 financial statements until the completion of necessary investigations. On March 24, 2003, the Audit Committee of Ahold's Supervisory Board ordered the commencement of a series of additional investigations at 17 Ahold operating companies and real estate companies and at the Ahold parent company to assess whether accounting irregularities, errors and/or issues existed, the integrity of management, and the adequacy of internal controls.

The USF investigation identified accounting fraud relating to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances and an understatement of cost of goods sold. The investigation found that certain senior officers of USF and other employees were involved in the fraud. It was also found that inappropriate vendor allowance accounting had existed at the date of the acquisition of USF. The investigation also identified or confirmed numerous material weaknesses in internal controls.

The Disco investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. In addition, in some instances these payments were improperly capitalized rather than expensed. Significant internal control weaknesses were also found.

The investigation into the joint venture letters found that there had been concealment of side letters from Ahold's Supervisory Board, Audit Committee and D&T and that the consolidation of these joint ventures into Ahold's financial statements had been in error.

The additional internal investigations found accounting irregularities at Tops, consisting of intentional improper recognition of vendor allowances and pervasive earnings management, and at Giant-Carlisle, consisting of pervasive earnings management, although involving relatively small amounts. The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. In addition, these investigations found varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed. Further, the investigations found weaknesses in internal controls at most of the subsidiaries reviewed.

As a consequence of the events announced on February 24, 2003, Ahold's then Chief Executive Officer and Chief Financial Officer resigned effective March 10, 2003. Numerous other personnel changes have also been made, including changes at USF, Disco, Tops and the Ahold parent company.

Ahold management and the Audit Committee have reviewed all of the accounting issues identified in the internal investigations, which included 470 separately identified items. As a result of these investigations, Ahold determined that it was necessary to make adjustments to its financial statements.

Ahold's restated and reclassified financial position as per December 30, 2001 and results for fiscal 2001 and 2000 under Dutch GAAP and US GAAP reflect adjustments that correct accounting irregularities and other accounting errors previously made in the application of Dutch GAAP and US GAAP. These adjustments relate to: (1) the deconsolidation of the joint venture companies not controlled by Ahold; (2) improper or premature recognition of vendor allowances; (3) misapplication

of accounting principles and misuse of facts relating to acquisition accounting; (4) improper accounting for certain reserves, allowances and provisions; (5) improper accounting for certain real estate transactions; and (6) certain other accounting issues and items arising as a result of the misapplication of or errors in the application of Dutch GAAP and US GAAP.

In addition to the adjustments referred to above, Ahold adjusted its comparative consolidated financial statements as of fiscal year-end 2001 and results for fiscal 2001 and fiscal 2000 for certain reclassifications and changes in its accounting principles with respect to pensions, revaluations of properties and restructuring provisions. For additional information on these adjustments, please see Note 2 to our financial statements of this annual report.

Ahold is taking steps to address the significant internal control weaknesses raised or confirmed in the internal investigations. A special task force reporting to the Audit Committee has been formed, consisting of members of Ahold management and outside advisors, to address these internal control weaknesses.

Each of the matters announced on February 24, 2003, and related developments, are discussed in further detail below.

Joint ventures

In October 2002, the Corporate Executive Board informed the Chairman of the Audit Committee that a letter relating to the consolidation in our financial statements of our 50% owned Scandinavian joint venture ICA had not been provided to Ahold's independent auditors, D&T. The letter (the "ICA Side Letter"), which had been signed by Ahold and the other two joint venture partners shortly after the April 2000 formation of the joint venture, contradicted a letter sent three days earlier. That prior letter (the "ICA Control Letter") had been provided to D&T and was the basis on which ICA had been consolidated in our financial statements. At the request of D&T, in November 2002, the Chairman of the Audit Committee requested that Sjoerd Eisma of the law firm of De Brauw Blackstone Westbroek ("De Brauw") conduct an investigation into the decision to consolidate ICA, including the circumstances surrounding the creation of the ICA Side Letter and the failure to provide it to D&T. Mr. Eisma conducted the investigation with his partner Jan Marten van Dijk with assistance from the law firm of Morvillo, Abramowitz, Grand, Iason & Silberberg, P.C. (the "Morvillo Firm") as to matters of U.S. law and certain Dutch and U.S. accounting experts.

As a result of the investigation, which was completed in January 2003, Messrs. Eisma and Van Dijk concluded that, although when the ICA joint venture was formed the joint venture partners agreed that Ahold should be able to consolidate ICA under Dutch GAAP and IAS, there was no written evidence to conclude that the joint venture parties agreed that Ahold would have legal control over ICA. According to accounting experts assisting in the investigation, Ahold did not have the ability to control ICA and therefore should not have consolidated ICA in its financial statements under Dutch GAAP or US GAAP.

On February 22, 2003, it was discovered that letters similar to the ICA Side Letter also existed in respect of control letters given in connection with other Ahold joint ventures and that these letters also had not been provided to D&T. The joint ventures were: (1) Bompreço, which was formed in December 1996 with Ahold having a 50% interest until July 2000 when Ahold acquired 100% of the joint venture, (2) Disco Ahold International Holdings ("DAIH"), which was formed in January 1998 with Ahold having a 50% interest which interest was increased to more than $66^{2}/_{3}$% in July 2002 and 100% in August 2002, and (3) Paiz Ahold, which was formed in December 1999 with Ahold having a 50% interest until January 2002 when Paiz Ahold became party to a joint venture with another party and Ahold's indirect interest in the new joint venture was reduced to $33^{1}/_{3}$%. All of these joint ventures had been fully consolidated in our financial statements since the respective dates of formation, except Paiz Ahold which ceased to be consolidated on January 1, 2002, when our indirect interest in the new joint venture was reduced to $33^{1}/_{3}$%, at which time we began to account for our interest in the joint venture on an equity basis. At the request of D&T, the Chairman of the Audit Committee directed Messrs. Eisma and Van Dijk to conduct further investigations with respect to the control letters and side letters for Bompreço, DAIH and Paiz Ahold. Messrs. Eisma and Van Dijk's investigations outlined the history relating to the creation of each of the control and side letters and the concealment of the side letters from the Supervisory Board, our Audit Committee and D&T.

In light of the various side letters referred to above and on the basis of the available facts and circumstances, we decided in February 2003 that we should restate our historical financial statements so as to proportionally consolidate ICA and the other joint ventures for which there were side letters for the periods they were 50% owned by us, as well as our joint venture in Portugal, Jerónimo Martins Retail ("JMR"). We have held a 49% interest in JMR since its formation in 1992 and, although no side letters existed regarding our control of JMR, we had been fully consolidating JMR in our financial statements since the formation of the joint venture, as we believed that we had control over JMR. In light of the evaluation

of the accounting for the other joint ventures, we reconsidered our accounting for JMR and concluded that we had significant influence, but not control over JMR.

In May 2003, we concluded that we would account for the above referenced joint ventures for the period in which we could exercise significant influence without having control by using the equity method, rather than proportionally consolidate the joint ventures, so as to better align our accounting with US GAAP and, to a lesser extent, IAS.

USF

In conjunction with the fiscal 2002 audit of USF, our auditors, D&T, discovered in February 2003 through its confirmation process that certain accrued vendor allowance receivable balances purportedly due from vendors were overstated. Vendor allowances are payments or rebates from a vendor or supplier to a distributor, such as USF. On February 12, 2003, the Company authorized an investigation, which was also subsequently authorized by the Audit Committee of Ahold's Supervisory Board, by the law firm of White & Case LLP, assisted by forensic accounting advisors from Protiviti, Inc. This investigation found that certain senior officers of USF and other employees had interfered with the vendor allowance confirmation process, uncovered additional confirmation discrepancies, as well as vendor prepayments and contracts with vendors covering vendor allowance arrangements, which prepayments and contracts had previously not been disclosed to D&T. Following this preliminary investigation, the Audit Committee of Ahold's Supervisory Board requested that the Morvillo Firm, assisted by forensic accountants from PricewaterhouseCoopers ("PwC"), conduct a further investigation into the accounting irregularities and related matters at USF.

On April 25, 2003, the Morvillo Firm reported its interim findings on the accounting irregularities and related matters at USF. On June 25, 2003, PwC reported further detailed findings. The PwC investigation identified accounting fraud related to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances, which caused vendor allowance income to be overstated and therefore cost of goods sold to be understated. The PwC investigation found that certain USF senior officers and other employees used inflated recognition rates for vendor allowances for the purpose of overstating vendor allowance income and accrued vendor allowance receivable balances, intentionally caused the incorrect accounting for and mischaracterization of vendor allowance cash receipts, and intentionally caused the misapplication of Dutch GAAP and US GAAP. As part of the fraud, certain members of USF management and other employees interfered with the audit confirmation process for vendor allowance receivables from vendors, concealed vendor contracts and their true terms, made misrepresentations regarding the absence of prepayments from vendors, and caused the creation of certain inaccurate accounting records. The PwC investigation further identified numerous material weaknesses in internal controls, including a failure to properly record and track vendor allowance transactions and balances, inadequate accounting and financial reporting systems for vendor allowances generally, and failure by management to understand and properly apply GAAP and Ahold's stated accounting policies in the area of vendor allowances and rebates. The Morvillo Firm, assisted by forensic accountants from PwC, also continued to investigate the roles of certain USF employees and reported its findings and conclusions to the Audit Committee.

Various matters raised by the USF investigation were further reviewed and followed up by Ahold, D&T, and various outside Ahold legal counsel, and, where appropriate, by PwC, to determine their impact, if any, on Ahold and its financial statements, including certain USF vendor invoicing practices. As a result of this further review, it was determined that these practices resulted in overbillings by various USF local branches of various vendors with respect to vendor allowances. Ahold has recorded an accrual to cover any refunds that USF expects to be required to pay to vendors for these overbillings, and has restated its financial position for fiscal 2001 and fiscal 2000 with respect to these overbillings. Other billing practices also were identified at USF that could result in other potential overbilling claims by vendors. Ahold believes that USF may have defenses to this category of claims and, as a result, no liability has been accrued for this amount. For a further discussion of these invoicing practices, please see Note 3 to our financial statements.

Disco

As a result of finding invoices for suspicious transactions at Disco in July 2002, our internal audit department conducted an investigation. This investigation, which was completed in early December 2002, identified additional suspicious transactions. We then instructed forensic accountants at D&T to conduct a further forensic investigation of Disco. During the course of the investigation, the law firm of Wilmer, Cutler & Pickering ("WCP") was retained to assist with the investigation. On February 17, 2003, D&T reported their preliminary findings to Ahold.

In late March 2003, we determined that a further investigation at Disco was warranted, which was undertaken by WCP and a forensic accounting team from PwC. The investigation was completed in May 2003. The investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. The investigation further noted that these payments had been

improperly capitalized with respect to certain of these transactions that should have been expensed. The investigation also identified significant internal control weaknesses.

Other internal investigations

On February 24, 2003, D&T indicated that its opinion on our audited financial statements for the fiscal years ended December 30, 2001, and December 31, 2000 should no longer be relied upon. D&T suspended its audit of our fiscal 2002 financial statements until completion of necessary investigations. D&T requested that the Audit Committee of Ahold's Supervisory Board authorize additional investigations into the various joint venture side letters and the concealment of the side letters. D&T also advised Ahold to consider the need for investigations regarding the potential for other misrepresentations on behalf of the members of management under investigation. On March 24, 2003, the Audit Committee ordered the commencement of a series of additional internal investigations to assess whether accounting irregularities, errors and/or issues existed, the integrity of management, and the adequacy of internal controls. These investigations were conducted by WCP, assisted by forensic accountants from PwC, at 17 Ahold operating companies and real estate companies and at the Ahold parent company. The forensic investigations found accounting irregularities at Tops and at Giant-Carlisle (although involving relatively small amounts). The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. At Tops, these accounting irregularities consisted of intentional improper recognition of vendor allowances and pervasive earnings management, including the recording of unsupported vendor allowance income, premature recognition of contract signing fees and vendor allowance billings, over-billings to vendors and the improper holding of company funds at vendors, as well as other instances of earnings management. At Giant-Carlisle, the accounting irregularities consisted of pervasive earnings management, including the intentional deferral of earned vendor allowance receivables and vendor allowance accrued reserves, as well as the improper holding of company funds at vendors. According to the investigatory findings, accounting irregularities also occurred at the Ahold parent company involving the misapplication of purchase accounting in respect of the acquisitions of ICA and Superdiplo. The investigations also resulted in findings of varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed. These errors or issues most frequently involved improper accounting for reserves through excess provisioning or inappropriate release and the unnecessary deferral or premature recognition of income from vendor allowances. The investigations also found a number of internal control weaknesses, especially relating to accounting and monitoring for vendor allowances and contracts, deviations from Dutch GAAP and US GAAP, and a general lack of sufficient technical knowledge of Dutch GAAP and US GAAP at many of the companies reviewed.

Various matters raised in the investigations were further reviewed and followed up by us and various outside legal counsel, and, where appropriate, by PwC, to help determine their impact, if any, on Ahold and its financial statements.

Remedial actions

As discussed above, as a result of the events leading up to and following Ahold's February 24, 2003 announcement, the Audit Committee ordered numerous, extensive internal investigations by various outside legal counsel and forensic accounting experts. In total, 19 operating and real estate companies (including USF and Disco) were reviewed, in addition to the Ahold parent company. In addition, investigations were undertaken with respect to the issues surrounding the deconsolidation of certain joint ventures. In response to the findings of the internal investigations, the Audit Committee requested in June 2003 that Ahold management take prompt and effective remedial actions to correct any identified accounting irregularities and errors, and strengthen internal controls to prevent any reoccurrence of the items found.

Ahold management and the Audit Committee have reviewed all of the accounting issues identified in the internal investigations and in the course of the audit of Ahold's fiscal 2002 financial statements, including the 470 separate items identified by PwC. Ahold management has researched and analyzed all of these issues. Management and the Audit Committee determined, in consultation with D&T and PwC, Ahold's positions with respect to all of these issues and the adjustments required to be made to our financial statements as a result thereof. Items relating to operating companies were addressed by management at the respective operating companies, under the overall direction and supervision of Ahold's senior financial management team. We believe that all such required financial statement adjustments have been made.

Ahold is in the process of taking steps to address the significant internal control weaknesses raised or confirmed in the internal investigations. Over 275 items relating to internal control weaknesses were identified. A special task force reporting to the Audit Committee has been formed, now chaired by our current Chief Financial Officer, and composed of our senior finance, legal and internal audit executives and supplemented by external advisors, to address the accounting issues and the internal control weaknesses that were identified.

The task force will oversee the development and implementation of modifications, improvements and other required changes to address weaknesses identified and to strengthen our internal controls. Certain regional task forces have also been formed that have been and will be assisting in this process. We intend to implement many of the required changes to our internal controls that we believe are critical by the end of fiscal 2003 and to implement remaining changes in fiscal 2004.

In addition, the reporting line for Ahold's internal audit department has been changed. The internal audit department now reports directly to Ahold's Chief Executive Officer and to the Audit Committee, instead of solely to Ahold's Chief Executive Officer, as previously was the case. We also intend to implement a plan to redesign the function of the internal audit throughout the group of operating and real estate companies to centralize it within the Ahold parent company.

Ahold has taken steps to compensate for the internal control weaknesses in preparing the fiscal 2002 financial statements by, among other things, implementing the following measures:

- Ahold conducted an extensive review of accounting documentation and processes, particularly in the areas where accounting errors were made. This review involved the controlling department at the Ahold parent company, together with the internal audit department, the Ahold parent and regional task forces and accounting personnel at the various operating companies.

- Ahold reviewed areas where controls were found to be weak and performed additional accounting or review work where considered needed.

We have also been focusing on improving the tracking of vendor allowances, especially at USF. We are continuing our efforts to implement the Supplier Incentive System ("SIS"), a vendor allowance tracking system used by Alliant when it was acquired by USF in November 2001, for vendor allowance tracking for all of USF. USF is in the process of building the appropriate links among its computer systems required to track rebate-related activities across all company operating systems. In order to achieve this goal all vendor information, corporate vendor allowance program details, customer details and all product reference codes needed to be documented and cross-referenced and related computer programming needed to be completed. This effort was sufficiently completed for the largest USF operating system in July 2003 to allow testing of the system. This testing is expected to be completed by the end of fiscal 2003. In fiscal 2004, additional SIS enhancements are expected to include computer links among the approximately 15 USF locations operating on independent computer systems and USF intends to continue efforts to track additional vendor program types, to enhance vendor and customer information and to improve customer and product tracking systems. In addition, while the SIS vendor allowance tracking system is under development and testing, USF has initiated a manual vendor allowance tracking system. This manual system aggregates information including a detailed review of vendor purchasing contracts, reporting provided by vendors on purchases made, information developed within USF on purchasing activities, cash collections of purchase allowances, and regular reconciliations of the information with vendors. USF's purchasing department, accounting department and its senior management regularly review this information.

Numerous personnel changes also have been made. As a consequence of the events announced on February 24, 2003, Ahold's then Chief Executive Officer, Cees van der Hoeven, and Ahold's then Chief Financial Officer, Michiel Meurs, resigned effective March 10, 2003. Henny de Ruiter, the Chairman of the Ahold Supervisory Board, was designated by the Supervisory Board to be responsible for the daily supervision of the conduct of Ahold's Corporate Executive Board and the business affairs of the Company until a new Chief Executive Officer was appointed. In addition, on March 11, 2003, Ahold appointed Dudley Eustace as interim Chief Financial Officer.

In May 2003, Jim Miller, then President and Chief Executive Officer of USF and a member of Ahold's Corporate Executive Board, Michael Resnick, USF's then Chief Financial Officer, and David Abramson, USF's then Executive Vice President and General Counsel, resigned their management positions and ceased to be employed by USF effective October 1, 2003. Robert G. Tobin, a member of Ahold's Supervisory Board, was designated by the Supervisory Board to serve as interim Chief Executive Officer of USF.

Numerous other management and personnel changes were made, including at USF, Disco, Tops and the Ahold parent company. Management and the Audit Committee continue to review the results of the investigations, including findings as to the role of the personnel in the accounting irregularities, errors and issues identified. Once this review is complete, Ahold will determine what other personnel actions may be necessary.

Ahold also has taken significant steps to rebuild its executive management team. On May 2, 2003, Ahold announced its proposal to nominate Anders Moberg as its President and Chief Executive Officer and as a member of Ahold's Corporate

Executive Board. On June 19, 2003, Ahold announced its proposal to nominate Hannu Ryöppönen as Chief Financial Officer and as a member of Ahold's Corporate Executive Board. Messrs. Moberg and Ryöppönen were appointed to the Corporate Executive Board by Ahold's shareholders on September 4, 2003. On July 3, 2003, Ahold appointed Joost Sliepenbeek as Senior Vice President and Controller, effective July 7, 2003. Ahold announced, on August 28, 2003, its proposal to nominate Peter Wakkie as Chief Corporate Governance Counsel and as a member of Ahold's Corporate Executive Board. Mr. Wakkie was a partner at De Brauw and resigned from the partnership upon commencing his employment with Ahold on October 15, 2003. On October 14, 2003, Ahold appointed Lawrence S. Benjamin as Chief Executive Officer at USF, effective November 1, 2003.

Ahold is continuing to cooperate with investigations by law enforcement and regulatory authorities, including the U.S. Department of Justice, the SEC and Dutch governmental and regulatory authorities.

Fiscal 2001 and Fiscal 2000 restatements and Fiscal 2002 adjustments

In connection with the findings of the investigations referred to above, and the consequent remedial accounting actions taken by Ahold management, we have restated our financial position as per December 30, 2001 and results for fiscal 2001 and 2000 under both Dutch GAAP and US GAAP. The adjustments are material, both quantitatively and qualitatively, to our fiscal 2000 opening retained earnings and our financial position and results of operations for fiscal 2001 and fiscal 2000.

In addition, our financial statements for fiscal 2002 reflect correcting adjustments, of which some are related to the findings of the investigations referred to above.

As part of the restatements, we also have adjusted our comparative financial position as of fiscal year-end 2001 and results for fiscal 2001 and fiscal 2000 for certain reclassifications and changes in our accounting principles with respect to pensions, revaluations of properties, and restructuring provisions as described in Note 2 to our financial statements.

The restated financial position as per December 30, 2001 and results for fiscal 2001 and 2000 and the correcting adjustments reflected in the fiscal 2002 financial position reflect adjustments that correct accounting irregularities and other errors previously made in the application of Dutch GAAP and US GAAP. These adjustments relate to:

- the deconsolidation of the joint venture companies not controlled by us;

- improper or premature recognition of vendor allowances;

- misapplication of accounting principles and misuse of facts relating to acquisition accounting;

- improper accounting for certain reserves, allowances and provisions;

- improper accounting for certain real estate transactions; and

- certain other accounting issues and items arising as a result of the misapplication of or errors in the application of Dutch GAAP and US GAAP,

as well as other adjustments identified during the audit process. The principal adjustments are discussed in more detail below.

As reflected below and in Note 3 to our financial statements, correcting adjustments and changes in accounting principles were made to net income for fiscal 2001 and fiscal 2000 in an aggregate amount of EUR 363 million and EUR 196 million, respectively, of which 59% and 53%, respectively, related to improper accounting for vendor allowances.

Summary of restatements for Fiscal 2001 and Fiscal 2000

The following table summarizes the effects (based on the application of Dutch GAAP) of the corrections of errors and changes in accounting principles for fiscal 2001 and fiscal 2000. Restatements of EUR 26 million relating to periods prior to fiscal 2000 were recorded in opening retained earnings as of January 1, 2000.

(in EUR millions)	Fiscal 2001	Fiscal 2000
Net income under Dutch GAAP as previously reported	**1,113**	**1,116**
Correction of errors:		
Deconsolidation of joint ventures	—	—
Adjustment resulting from deconsolidation	(5)	(10)
Vendor allowances	(215)	(103)
Acquisition accounting	(36)	(8)
Reserves, allowances and provisions	(33)	(38)
Real estate transactions	2	(26)
Other	(53)	(21)
Change in accounting principles [1]:		
Pensions	16	11
Revaluations	(4)	(1)
Restructuring provisions	(35)	—
Net income under Dutch GAAP as restated	750	920

[1] For a discussion of changes in accounting principles, please see Note 2 to our financial statements.

The effect of the corrections of errors and changes in accounting principles on shareholders' equity as of December 30, 2001 is as follows:

(in EUR millions)	As of December 30, 2001
Shareholders' equity under Dutch GAAP as previously reported	**5,892**
Correction of errors:	
Deconsolidation of joint ventures	—
Adjustment resulting from deconsolidation	4
Vendor allowances	(418)
Acquisition accounting	71
Reserves, allowances and provisions	(105)
Real estate transactions	(44)
Other	30
Change in accounting principles [1]:	
Pensions	78
Revaluations	(22)
Restructuring provisions	10
Shareholders' equity under Dutch GAAP as restated	**5,496**

[1] For a discussion of changes in accounting principles, please see Note 2 to our financial statements.

Deconsolidation of joint ventures

Prior to fiscal 2002, we consolidated our joint venture interests in ICA, DAIH, Bompreço and Paiz Ahold (the "Joint Ventures") based upon certain letters among the shareholders of each of the Joint Ventures that seemingly gave control over the Joint Ventures to us. We subsequently determined that side letters had been executed by the shareholders of each of the Joint Ventures that nullified the effects of these control letters. As a result, management concluded that we did not control these Joint Ventures. Additionally, prior to fiscal 2002, we had consolidated JMR. In light of the evaluation of the accounting for the Joint Ventures, we reconsidered our accounting for JMR and concluded that we had significant influence, but not control, over JMR. We concluded that consolidation of the Joint Ventures and JMR was inappropriate under Dutch GAAP and US GAAP, since we did not control them.

The restated financial position as per December 30, 2001 and results for fiscal 2001 and 2000 under both Dutch GAAP and US GAAP reflect adjustments to deconsolidate the Joint Ventures and JMR and account for them using the equity method of accounting, except for Bompreço, which has been consolidated since July 2000, when we acquired the remaining voting shares of Bompreço, obtaining majority voting control over it and DAIH, which has been consolidated since July 2002, when we obtained control of DAIH through the acquisition of additional DAIH shares that we did not already own.

We recorded restructuring accruals under purchase accounting relating to the acquisition of our 50% interests in Paiz Ahold in December 1999 and in ICA in April 2000 and subsequent changes to such accruals in fiscal 2001 related to ICA. Since we did not obtain control over Paiz Ahold and ICA when the respective joint venture interests were acquired, it was not appropriate to record such restructuring accruals under Dutch GAAP and US GAAP. Our restated consolidated financial position as of fiscal year-end 2001 and results for fiscal 2001 and fiscal 2000 reflect adjustments to eliminate the restructuring provisions recorded under purchase accounting, to record the related effect on goodwill and goodwill amortization, and to record our share of the actual costs related to such restructurings during the respective periods. We recorded our share of restructuring costs (after taxes) in the amount of EUR 5 million and EUR 10 million for fiscal 2001 and fiscal 2000, respectively. As a result of these restatements, shareholders' equity as of fiscal year-end 2001 increased by EUR 4 million.

Vendor allowances

As a result of the findings of the investigations at USF and Tops, we determined that our income from vendor allowances for fiscal 2001 and fiscal 2000 was overstated due to the intentional and unintentional misapplication of Dutch GAAP and US GAAP and the intentional inappropriate accounting for and mischaracterization of cash receipts, which led to the recognition of vendor allowances before it was appropriate to do so under Dutch GAAP and US GAAP. Furthermore, certain vendor allowances were misclassified as revenue instead of as a reduction of cost of sales or selling, general and administrative expenses, as required under Dutch GAAP and US GAAP.

The restated financial position reflects adjustments to correct overstated vendor allowance income, to correct for the timing of the recognition of vendor allowances, and to reclassify certain vendor allowances from net sales to either cost of sales or selling, general and administrative expenses.

We determined that net receivables from vendors as of the date of the USF acquisition in fiscal 2000 did not exist at the time. In addition, we determined that, at the date of acquisition, a liability for deferred revenue related to vendor allowances that were not yet earned, was not recorded. Furthermore, we determined that a liability should have been recognized at the date of acquisition for amounts that had been overbilled to vendors for vendor allowances. The total amount of these adjustments led to an overstatement of net assets acquired by EUR 70 million.

As required by Dutch GAAP, we have restated our financial position to reallocate the amount of consideration paid in the USF acquisition originally allocated to vendor allowances to goodwill for the overstatement of these assets. Accordingly, our shareholders' equity as of fiscal year-end 2000 under Dutch GAAP was reduced by EUR 70 million. For a discussion of the accounting treatment relating to these adjustments under Dutch GAAP and US GAAP, please see Notes 3 and 32 to our financial statements.

We discovered various other misstatements relating to vendor allowance transactions prior to fiscal 2000 resulting in an overstatement of opening shareholders' equity as of January 2, 2000 by EUR 30 million.

In addition to the EUR 100 million in adjustments described above, the net impact of adjustments of vendor allowances previously recorded in fiscal 2001 and fiscal 2000 is: a reduction of net income by EUR 215 million and EUR 103 million, respectively; a reduction of net sales by EUR 80 million and EUR 44 million, respectively; an increase in cost of sales of EUR 214 million and EUR 104 million, respectively; an increase in selling, general and administrative expenses by EUR 2 million in fiscal 2001; a tax benefit of EUR 118 million and EUR 56 million, respectively; and an increase in share in net loss of joint ventures and equity investees of EUR 37 million and EUR 11 million, respectively.

As a result of these adjustments, shareholders' equity as of fiscal year-end 2001 decreased by EUR 418 million.

Acquisition accounting

In connection with the acquisitions of Superdiplo and our interest in ICA in December 2000 and April 2000, respectively, we did not properly allocate purchase consideration to certain acquired real estate properties at the respective acquisition dates. Our restated consolidated financial position and results for fiscal 2001 and fiscal 2000 reflect adjustments to

record such assets at their fair values at the acquisition date and the subsequent depreciation thereof. In certain instances, such adjustments to the fair values of these acquired assets affected the amounts of gains that we recognized on subsequent sales of these acquired assets and real estate properties, which have been adjusted accordingly.

We have recorded adjustments related to a decrease in the fair value of acquired real estate property at Superdiplo and an increase in the fair value of acquired real estate property at ICA. Since certain of these properties were subsequently sold, the gains recognized on the sale of these properties were decreased accordingly in fiscal 2001 and fiscal 2000, respectively.

During fiscal 2001, we partially applied the guidance set forth by The Netherlands Council for Annual Reporting in RJ 252 "Provisions" by applying it only prospectively for acquisitions after January 1, 2001. For more information, please see Note 2 to our financial statements. Furthermore, various errors were made in the calculations of the restructuring reserves, which have been adjusted.

In connection with several of our acquisitions in fiscal 2001, we did not allocate purchase consideration to certain identifiable intangible assets upon acquisition. Our restated consolidated financial position and results for fiscal 2001 reflect adjustments to record these acquired intangible assets at their fair values at the respective dates of their acquisition and a corresponding reduction of goodwill.

In connection with our acquisition of Stop & Shop, we recognized certain pre-acquisition income tax contingency reserves and valuation allowances against deferred tax assets in the acquisition balance sheet. As a result of the completion of an Internal Revenue Service review (US tax authorities) in fiscal 2001, reserves and allowances should have been reversed with a corresponding decrease in goodwill. In our restated consolidated financial position for fiscal year-end 2001, we have increased shareholders' equity to reflect this adjustment.

As a result of these adjustments, shareholders' equity as of fiscal year-end 2001 increased by EUR 71 million and net income decreased by EUR 36 million for fiscal 2001 and EUR 8 million for fiscal 2000.

Reserves, allowances and provisions

Prior to fiscal 2002, we recorded certain reserves, allowances and provisions related to income taxes, pensions and restructuring expenses. We subsequently determined that these reserves, allowances and provisions, and releases thereof, should not have been recorded under Dutch GAAP or US GAAP, since the documentation available was not adequate to support the amounts recorded, or the reserves, allowances and provisions were of a non-specific nature. In addition, certain pension and early retirement plans had not been accounted for as defined benefit plans and the charges and accruals related to certain health and welfare plans were not calculated appropriately prior to fiscal 2002.

As a result of these adjustments, shareholders' equity as of fiscal year-end 2001 decreased by EUR 105 million and net income decreased by EUR 33 million for fiscal 2001 and EUR 38 million for fiscal 2000.

Real Estate Transactions

In fiscal 2001, we entered into a USD 638 million leveraged lease transaction involving the sale of our interests in 46 separate properties in the United States for a total sales price of EUR 722 million, which generated a net gain of EUR 81 million, comprising EUR 107 million of gains on certain properties and EUR 26 million of losses on others. The properties were sold to special purpose entities established by unaffiliated third parties, and in conjunction with the sale were leased back by us. Under Dutch GAAP and US GAAP, we accounted for the lease arrangements as operating leases. We also deferred the EUR 81 million net gain related to the sale of these properties and amortized this net gain over the respective lease term of 20 to 25 years.

We have chosen to apply for Dutch GAAP the same detailed criteria for testing if a lease should be treated as an operating lease or as a capitalized lease under US GAAP. Therefore, the restated financial position and results for fiscal 2001 have been adjusted to reflect that the leases of seven properties that had been considered operating leases are now considered capitalized leases under Dutch GAAP. As a result, these seven properties remain on the balance sheet and the related lease obligation is recorded as a financing. The EUR 19 million net gain on these properties has been appropriately deferred over the respective lease terms of 20 to 25 years. Additionally, adjustments were made to reflect that a net gain of EUR 62 million, on the sale of the remaining 39 properties, which qualified as operating leases, should have been immediately recognized in income under Dutch GAAP and not deferred over the remaining lease term, since the sale transactions were made at fair value.

Furthermore, we identified a number of other sale and leaseback transactions that occurred in fiscal 2001 and fiscal 2000, under which certain leases that had been classified as operating leases should have been classified as capitalized leases or financing arrangements.

As a result of these adjustments, shareholders' equity as of fiscal year-end 2001 decreased by EUR 44 million and net income increased by EUR 2 million for fiscal 2001 and decreased by EUR 26 million for fiscal 2000.

Other accounting issues and items

In connection with the review of suspicious transactions identified in the course of the investigation of Disco, we determined that certain payments were improperly capitalized as tangible fixed assets in fiscal 2001 in the amount of EUR 10 million. Accordingly, the financial position and results of operations for fiscal 2001 were adjusted to appropriately expense the capitalized amounts and record a related EUR 5 million contingency provision.

As discussed in "Joint Ventures" on page 24, following the discovery of the existence of a side letter relating to Bompreço, management concluded that we should not have consolidated our joint venture interest in Bompreço prior to July 2000. The restated financial position and results for fiscal 2001 and fiscal 2000 reflect adjustments to deconsolidate Bompreço and account for it on an equity basis until July 2000, when we acquired the additional shares, thereby obtaining majority voting control. As a result of this consolidation as of July 2000, the net assets should have been recorded at fair value at that time. The fair valuation of the assets, mainly consisting of properties, has resulted in a step-up increase in the fair value of EUR 51 million, and a corresponding decrease in the value of goodwill previously written off to shareholders' equity.

One of our subsidiaries did not consolidate its 82% interest in the net assets of C.V. Eemburg ("Eemburg"), a real estate limited partnership. We reviewed our ability to govern strategic, operational and financial policies of Eemburg and concluded that we had control and should have consolidated Eemburg. Our interest used to be recorded at historical cost and the properties of Eemburg had been revalued at the end of each reporting period. Furthermore, this subsidiary issues loans to certain franchisees and provides a full allowance for these loans, based on the assumption that the amount would not be repaid by the franchisees. We treat the repayments as a deduction in income over the period of the loan and consequently reversed the provision for bad debts.

During our evaluation of long-lived assets for impairment in fiscal 2002, management noted that there were changes in circumstances that already existed in fiscal 2001, which indicated that the carrying amount of certain of these assets was impaired at that time, but had not previously been recognized. We have determined that an impairment of EUR 16 million was required in fiscal 2001.

The adjustments referred to above and other individually insignificant accounting errors discovered in connection with our review of prior years' financial records, resulted in a decrease of our net income in fiscal 2001 and fiscal 2000 by EUR 53 million and EUR 21 million, respectively. These adjustments resulted in an increase in shareholders' equity as of fiscal year-end 2001 by EUR 30 million.

Fiscal 2002 correcting adjustments

Our fiscal 2002 consolidated financial statements reflects all material correcting adjustments that have been identified in connection with the various investigations and the audit by our independent auditors. Specifically, we have made correcting adjustments to our fiscal 2002 consolidated financial statements or improper accounting for vendor allowances totaling EUR 269 million, which represented 79% of the total fiscal 2002 correcting adjustments.

The correcting adjustments described above affected our reported quarterly earnings for fiscal 2002 as announced in press releases on June 6, 2002, August 29, 2002, and November 19, 2002.

	Fiscal 2002		
(in EUR millions)	Quarter ended April 21, 2002	Quarter ended July 14, 2002	Quarter ended October 6, 2002
Net sales as previously reported	22,191	17,273	16,413
Net sales reflecting correcting adjustments	19,559	14,786	14,045
Net income (loss) as previously reported	328	(198)	258
Net income (loss) reflecting correcting adjustments	135	(266)	177

2 Factors affecting results of operations in fiscal 2002 and fiscal 2001

Our results of operations for fiscal 2002 and fiscal 2001 were significantly affected by the acquisitions we made and new joint ventures we formed in fiscal 2000 through fiscal 2002. In addition to our acquisitions and joint ventures, a number of other factors affected our results of operations in fiscal 2002 and fiscal 2001, including economic and political factors, as well as currency exchange rate fluctuations.

Acquisitions in fiscal 2002, fiscal 2001 and fiscal 2000

In fiscal 2002, fiscal 2001 and fiscal 2000, we completed several acquisitions and joint venture investments. Through these acquisitions and joint ventures, we entered a number of new markets and expanded in existing markets. These acquisitions and joint ventures significantly affected our results of operations. However, beginning in late fiscal 2002, we have changed our focus from acquisitions to divestments of certain operations in an effort to focus on our core operations in selected markets that fit within our new strategy.

In the second quarter of fiscal 2002, we began consolidating Disco in our financial statements as a result of directly acquiring shares of Disco in consideration for capitalizing intercompany loans we had directly made to Disco.

During fiscal 2002, as a result of Velox Retail Holding's ("VRH's") default on certain indebtedness, on which we were contingently liable, we were required in July 2002 to purchase substantially all of VRH's shares in DAIH and to take over certain of VRH's indebtedness. For additional information about our acquisition of the DAIH shares, please see the paragraph "Exceptional Loss on Related Party Default Guarantee" below and in Note 5 to our financial statements. In addition, we completed the following individually insignificant acquisitions and joint venture investments that are material in the aggregate for a total cost of EUR 380 million, which was paid primarily in cash and assumed debt: in the food retail area, Jumbo Hypermarkets in Poland, PSP Group in Indonesia (in which we obtained the remaining 30% interest), G. Barbosa and certain stores from Lusitana (acquired by Bompreço) in Brazil, Santa Isabel in Chile (in which we increased our direct and indirect ownership to 97%) and Disco in Argentina (in which we increased our ownership to 99.6%) and, in the food service area, Allen Foods and certain assets of Lady Baltimore in the United States.

In fiscal 2001, we acquired Alliant, a food service company in the United States, and Bruno's, a food retail company in the United States. In consideration for the Alliant acquisition, we paid a total of USD 1.5 billion (EUR 1.6 billion) in cash and assumed USD 436 million (EUR 487 million) of debt. In consideration for the Bruno's acquisition, we paid a total of USD 578 million (EUR 644 million), including assumed debt. We also acquired the following individually insignificant entities, or an interest in them, that are material in the aggregate for a total cost of EUR 655 million, which was paid primarily in cash and assumed debt: in the food retail area, DAIH (in which we increased our ownership to 55.9%), Bompreço in Brazil (in which we obtained the remaining preferred shares), Cemetro in Spain, certain Grand Union stores in the United States and Peapod in the United States (in which we increased our interest to 100%) and, in the food service area, Mutual and Parkway, both in the United States.

In fiscal 2000, we acquired USF and PYA/Monarch, both of which are food service companies in the United States, Superdiplo, a food retail company in Spain, and obtained our interest in ICA, a food retail company headquartered in Sweden. In consideration for the acquisitions of USF and PYA/Monarch, we paid a total of approximately USD 3.6 billion and approximately USD 1.6 billion, respectively, which was paid primarily in cash and assumed debt. In the Superdiplo acquisition, we exchanged approximately 37 million of our newly issued common shares for shares of Superdiplo, representing 97.64% of the outstanding share capital of Superdiplo. In consideration for the joint venture investment in ICA, we paid a total of approximately EUR 1.8 billion in cash. In fiscal 2000, we also acquired the following individually insignificant entities, or an interest in them, that are material in the aggregate for a total of EUR 1.0 billion, which was paid primarily in cash, assumed debt and our common shares: in the food retail area, Kampio in Spain, Ekono in Argentina, Bompreço in Brazil (in which we obtained the remaining voting shares), A&P in The Netherlands and Peapod and certain assets of Streamline.com ("Streamline") in the United States and, in the food service area, MEA in Belgium. For a more detailed discussion of our acquisitions in fiscal 2002, fiscal 2001 and fiscal 2000, please see Note 4 to our financial statements.

Acquisitions in which we obtained 50% or greater voting interest have been accounted for by the purchase method of accounting. The purchase price for the acquisitions has been allocated based on the estimated fair values of the assets acquired and the liabilities assumed. As discussed in Note 2 to our financial statements, under Dutch GAAP, until November 2000, any resulting goodwill was immediately charged to shareholders' equity in the year of acquisition. As of December 1, 2000, goodwill is capitalized and amortized on a straight-line basis over a maximum period of 20 years. For treatment of goodwill under US GAAP, please see Note 31 to our financial statements. Goodwill is, in general, only tax

deductible in the case of an asset acquisition. The operating income of all acquisitions is normally included in our consolidated statements of operations from the dates of the acquisition. In connection with these acquisitions and joint venture investments, we have incurred restructuring charges. The restructuring charges generally relate to integration costs, including employee costs relating to severance. For additional information about these charges, please see Note 8 to our financial statements.

Principal acquisitions in the United States since the beginning of fiscal 2000 have consisted of the following:

- USF in 2000;
- Peapod, Inc. ("Peapod") in 2000 (investment in Peapod in 2000, fully acquired in August 2001);
- PYA/Monarch, Inc. ("PYA/Monarch") in 2000 (integrated into USF);
- GFG Foodservice, Inc. ("GFG Foodservice") in 2000 (integrated into USF);
- 134 convenience stores from Golden Gallon in 2000 (integrated into BI-LO, LLC ("BI-LO"));
- 87 convenience stores from Sugar Creek in 2000 (integrated into Tops);
- Mutual Wholesale Company ("Mutual") in 2001 (integrated into USF);
- Parkway Food Service ("Parkway") in 2001 (integrated into USF);
- 56 stores and eight sites from Grand Union in 2001 (integrated into Tops and Stop & Shop);
- Bruno's in 2001;
- Alliant in 2001 (in the process of being integrated into USF);
- Allen Foods, Inc. ("Allen Foods") in 2002 (integrated into USF); and
- Lady Baltimore Foods, Inc. ("Lady Baltimore") in 2002 (integrated into USF).

Principal acquisitions and investments in other regions include:

- Bompreço in Brazil in 1996 (majority voting stake acquired in June 2000);
- Tops Retail (Malaysia) Sdn Bhd. in Malaysia through the formation of a joint venture in 1997 (fully acquired in December 2000);
- PT Putra Serasi Pioneerindo (Tops) through an agreement with the PSP Group in Indonesia in 1996 (fully acquired in 2002);
- Disco and Santa Isabel in Argentina, Chile, Peru, Paraguay and Ecuador in 1998, through the formation of the joint venture DAIH in 1998 (DAIH was fully acquired in August 2002);
- ICA in Scandinavia in 2000, through the formation of the joint venture ICA Ahold Holding AB (which subsequently changed its name to ICA Ahold AB, and then, in August 2003, to ICA);
- Supermercados Agas S.A. in Chile in 2000 (integrated into Santa Isabel);
- Kampio Markets, S.L. ("Kampio") in Spain in 2000 (integrated into Ahold Supermercados);
- Supermercados Ekono S.A. ("Ekono") in Argentina in 2000 (integrated into Disco);
- A&P Holding B.V. ("A&P") in The Netherlands by our 73.2%-owned subsidiary Schuitema N.V. ("Schuitema") in 2000;
- Superdiplo in Spain in 2000 (integrated into Ahold Supermercados);
- MEA-DeWilde-DeLoore N.V./S.L. ("MEA") in 2001 (renamed Deli XL N.V./S.A.);
- Cemetro, S.L. ("Cemetro") in Spain in 2001 (integrated into Ahold Supermercados);
- G. Barbosa in Brazil in 2002;
- Nine supermarkets and related assets from Lusitana Ltda ("Lusitana") in September 2002 (integrated into Bompreço);
- Paiz Ahold in fiscal 1999, which in fiscal 2002 formed a joint venture with CSU International Holdings ("CSU International"), which transferred its interests in Corporación de Supermercados Unidos, S.A. ("CSU") in Costa Rica, Honduras, and Nicaragua to the Central American Retail Holding Company ("CARHCO"); and
- 31 stores from La Despensa de Don Juan in El Salvador in 2003 (integrated into CARHCO).

Impact of impairment charges and weakened economy in fiscal 2002 and fiscal 2001

Although our net sales increased from fiscal 2001 to fiscal 2002 and from fiscal 2000 to fiscal 2001, our businesses have been negatively affected by the prolonged economic downturn in fiscal 2002 and fiscal 2001. In fiscal 2002, this weakened global economy significantly affected our results as high unemployment rates depressed consumer purchasing power and declining confidence in the economy caused customers to decrease consumer spending and to shift buying habits. In the southeastern United States, Argentina and Brazil, in particular, the decrease in consumer spending and the shift in buying habits of consumers to mass merchandiser clubs or other value-based operators forced us to lower prices and, in some cases, caused us to lose market share.

As a result of the declining economic conditions in Spain, Argentina, Chile, Brazil and the southeastern United States, we recorded goodwill and other intangible assets impairment charges of EUR 1.3 billion in fiscal 2002 under Dutch GAAP,

primarily relating to Ahold Supermercados in Spain, DAIH (through which we held our interests in Disco and Santa Isabel), Bompreço, G. Barbosa and Bruno's. Under Dutch GAAP, we did not recognize any goodwill impairment charge relating to USF due to the fact that the goodwill on the acquisition of USF in fiscal 2000 was charged against shareholders' equity in fiscal 2000. Additionally, we incurred charges totaling EUR 137 million relating to impairment of other long-lived assets, primarily in the Czech Republic, Poland, Spain, Latin America, Asia Pacific and the United States. We evaluated the recoverability of our tangible fixed assets because we had indications of potential impairment issues, most notably the deterioration in market conditions due to a general slow-down in the economic environment and increased competition in fiscal 2002 in some of the markets where we operate. We were required to reduce the carrying value of some of our tangible fixed assets to fair value and recognize an asset impairment charge in fiscal 2002 because the carrying value of the affected assets exceeded the projected future discounted cash flows related to them. Fair value of the impaired assets was calculated using discounted future net cash flows expected to result from the use of each asset and its eventual disposition.

Under US GAAP, we recognized an additional impairment loss for goodwill of EUR 3.5 billion and other intangible assets of EUR 22 million in fiscal 2002, as a result of the adoption of SFAS No. 142 on December 31, 2001. In accordance with SFAS No. 142, we ceased to amortize goodwill and other intangible assets with indefinite useful lives under US GAAP. Instead, we test them for impairment annually, and more frequently if circumstances indicate a possible impairment. After the transitional impairment tests were performed on each reporting unit upon the adoption of SFAS No. 142, we recognized a transitional impairment loss of EUR 2.8 billion in fiscal 2002. The most significant portion of this transitional impairment loss was EUR 2.1 billion, which related to USF, which was caused primarily by the fraud and accounting irregularities uncovered at USF, and the declining economic conditions in the food service industry in the United States, both of which had a significant negative impact on the carrying value of USF's goodwill. In addition to USF, we recorded transitional impairment losses under US GAAP related to our operations in other Europe retail trade, principally Spain of EUR 136 million, Latin America retail trade, principally Brazil of EUR 331 million and Asia Pacific retail trade, principally Malaysia of EUR 29 million and Thailand of EUR 150 million.

In addition to transitional impairment losses, we recognized under US GAAP additional impairment losses in fiscal 2002 related to goodwill and other intangible assets of EUR 735 million. We recognized additional goodwill impairment losses related to USF of EUR 529 million due to a further deterioration of USF's business as a result of the investigations and related changes in management. We also recognized additional goodwill impairment losses related to our operations in other retail trade in the United States, principally from Peapod of EUR 43 million and Bruno's of EUR 7 million, respectively. At Peapod, the impairment was recognized as a result of lower expected growth of our internet grocery sales. At Bruno's, the impairment was recognized as a result of a higher carrying value of goodwill under US GAAP due to the use of an amortization period of 40 years compared to 20 years under Dutch GAAP. We recognized additional goodwill impairment loss related to our operations in other retail trade in Europe of EUR 115 million. This impairment was recognized as a result of lower than expected operating performance after the acquisition of Superdiplo due to a slow-down of the Spanish economy and lower than expected cost savings from the integration of our business in Spain. We recognized additional goodwill impairment losses of EUR 41 million related to our operations in retail trade in Latin America due to downward revisions to expected future cash flows as a result of an economic downturn in Argentina, Brazil and Chile.

For a discussion of these impairment charges, please see "Overall Results of Operations - Operating Expenses - Fiscal 2002". For a discussion of impairment charges under US GAAP, please see "Results of Operations - Overall Results of Operations - Adjustments to Conform to US GAAP". For additional information, please see Note 6 to our financial statements.

Impact of currency exchange rates and presentation of financial data using constant exchange rates

Since a substantial portion of our assets, liabilities and operating income is denominated in US dollars, we are exposed to fluctuations in the value of the US dollar against the Euro. To a lesser extent, our results are affected by currency valuations in Latin America and the Asia Pacific region. As a result, we are subject to foreign currency exchange risk due to exchange rate movements, which affect our transaction costs and the translation of the results and underlying net assets of our foreign subsidiaries. It is our policy to cover substantially all foreign exchange transaction exposure. Our financial and risk management policy is to match the currency distribution of our borrowings to the denomination of our assets to the extent practicable. We do not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries and non-consolidated companies. The effect of changes in currency exchange rates for fiscal 2002 compared to fiscal 2001 was a decrease in net sales of approximately EUR 2.3 billion. In fiscal 2002, the weighted average value of the US dollar against the Euro was 0.9424 compared to 0.8956 in fiscal 2001.

In this section, in certain instances, in addition to presenting our results under Dutch GAAP, we also present changes in net sales and operating income using constant exchange rates. When we use constant exchange rates, we present information for the prior year using the same currency exchange rate as used in the current fiscal year in order to exclude the impact of changes in exchange rates. The results we provide in constant exchange rates are not prepared in accordance with Dutch GAAP. Each time we present results using constant exchange rates, we also provide the same information in accordance with Dutch GAAP, as such information is presented in our financial statements. We believe that the use of constant exchange rates provides useful information to our shareholders because it is the same measure used by our internal decision makers and it provides a means to evaluate the operating performance of our segments and permits comparisons of different periods without distortion due to currency exchange rates. Our use of constant exchange rates may or may not be consistent with the method used by other companies. Shareholders should view information presented using constant exchange rates as a supplement to, and not a substitute for, Dutch GAAP measures.

Under Dutch GAAP, consolidated net sales in fiscal 2002 were EUR 62.7 billion, representing net sales growth of 15.6% over consolidated net sales of EUR 54.2 billion in fiscal 2001, which represents net sales growth of 32.8% over consolidated net sales of EUR 40.8 billion in the prior fiscal year. Excluding the impact of currency exchange rates, consolidated net sales in fiscal 2002 were EUR 62.7 billion, representing net sales growth of 20.8% over consolidated net sales of EUR 51.9 billion in fiscal 2001. Excluding the impact of currency exchange rates, consolidated net sales in fiscal 2001 were EUR 54.2 billion, representing net sales growth of 31.2% over consolidated net sales of EUR 41.3 billion in fiscal 2000.

Exceptional loss on related party default guarantee

Our operating expenses in fiscal 2002 included an exceptional loss of EUR 372 million relating to the default by VRH on debt that we had guaranteed. In January 1998, we purchased a 50% interest in DAIH from VRH, a company controlled by the Peirano family, for USD 368 million (EUR 408 million). The Peirano family also controlled other companies with significant banking activities in Argentina and Uruguay. At the time of the purchase of our interest in DAIH in fiscal 1998, DAIH owned 50.35% of Disco and 36.96% of Santa Isabel.

At the time of the purchase of our interest in DAIH, one of our subsidiaries, Croesus Inc. ("Croesus") (formerly Ahold U.S.A., Inc.), provided a USD 100 million loan to VRH bearing interest at 6% per annum and maturing on January 13, 2008 (the "USD 100 Million Loan"). The USD 100 Million Loan was secured by a pledge of 500 DAIH shares owned by VRH. Pursuant to the terms of a Note Sale Agreement and Transfer Deed, dated August 3, 1998 (the "Note Sale Agreement"), Croesus sold all of its rights under the USD 100 Million Loan to Stichting Philips Pensioen Fonds and Nationale Nederlanden Levensverzekering Maatschappij (the "Institutional Investors") and all other related rights (including the rights of Croesus related to the pledged 500 DAIH shares) for USD 99 million (EUR 110 million). Under the Note Sale Agreement, upon the occurrence of certain events, including a payment default by VRH on other indebtedness, the Institutional Investors had the right to sell to us all of the Institutional Investors' rights in respect of the USD 100 Million Loan at a price equal to the aggregate outstanding principal amount of the USD 100 Million Loan, together with interest accrued to the sale date, plus a contractually required payment for breakage costs.

Subsequently, VRH obtained the following additional loans from various financial institutions (the "Lenders") (collectively, the "Secured Bank Loans" and, together with the USD 100 Million Loan, the "VRH Loans"):

- On September 1, 1999, a USD 190 million loan, of which VRH borrowed USD 177 million, bearing interest per annum at LIBOR plus a margin of 0.525% to 1.025% (depending upon our long-term senior unsecured debt rating), initially maturing on September 1, 2000, subject to extensions for additional one-year terms, and secured by a pledge of 763 DAIH shares owned by VRH;

- On December 15, 1999, a USD 38 million loan, bearing interest per annum at LIBOR plus a margin of 1.0%, initially maturing on December 16, 2000, subject to extensions for additional one-year terms, and secured by a pledge of 156 DAIH shares owned by VRH;

- On April 27, 2000, a USD 38 million loan, bearing interest per annum at LIBOR plus a margin of 1.0%, initially maturing on April 28, 2001, subject to extensions for additional one-year terms, and secured by a pledge of 156 DAIH shares owned by VRH;

- On June 9, 2000, a USD 28 million loan, bearing interest per annum at LIBOR plus a margin of 1.0%, initially maturing on June 9, 2001, subject to extensions for additional one-year terms, and secured by a pledge of 117 DAIH shares owned by VRH;

- On June 12, 2001, a USD 30 million loan, bearing interest per annum at LIBOR plus a margin of 1.25%, initially maturing on December 14, 2002, subject to one two-year extension, and secured by a pledge of 122 DAIH shares owned by VRH; and

- On May 23, 2002, a USD 24 million loan (the "May 2002 Loan"), bearing interest per annum at LIBOR plus a margin of 1.0%, initially maturing on May 23, 2005, subject to prepayment under certain circumstances, and secured by a pledge of 302 DAIH shares owned by VRH.

A portion of the proceeds of the Secured Bank Loans was used to finance VRH's share of capital investments in DAIH. At the time of each Secured Bank Loan, we agreed with the relevant Lender that, if an event of default occurred in respect of that Secured Bank Loan, we would purchase or cause one of our designated affiliates to purchase from VRH the DAIH shares pledged in connection therewith at a specified price of USD 260,000 per share in the case of all of the Secured Bank Loans (except the May 2002 Loan for which USD 82,500 per share was the specified price). It was agreed that the proceeds would be paid by us or our designated affiliate to the relevant Lender under the related Secured Bank Loan for amounts owed by VRH to that Lender thereunder.

On March 5, 2002, we made a USD 5 million unsecured loan to VRH (the "USD 5 Million Loan").

No accrual was made in our fiscal 2000 financial statements for the contingent liabilities relating to the foregoing arrangements that existed at the time since the likelihood that VRH would default on the VRH Loans was considered by us to be remote at the time. Shortly after the end of fiscal 2001, there were indications that VRH and the Velox group were facing financial difficulties as a result of the deteriorating political and economic situation in Argentina. Based on an evaluation of the positive and negative evidence available to assess the likelihood of a default of VRH under the VRH Loans as of April 9, 2002 (the date of the filing of our fiscal 2001 annual report on Form 20-F), we concluded at the time that it was reasonably possible but not probable that VRH would default. The negative evidence included:

- The deterioration of the Argentine economy in the latter half of fiscal 2001, followed by the enactment of certain economic policies in Argentina in fiscal 2002, including a policy under which certain debts denominated in US dollars within the banking sector were redenominated as Argentine Peso loans on a one-to-one mandatory conversion basis. We believe this policy especially affected the Peirano family, whose holdings included Argentine banking assets; and

- Communications from a member of the Peirano family and from VRH management in fiscal 2002 indicating the existence of liquidity problems.

The positive evidence included:

- Indications that certain financial institutions were providing support to the Peirano family; and

- Confirmations received from a member of the Peirano family indicating an ability and intent to avoid default and remain a long-term partner in DAIH.

On balance, we believed that while it was reasonably possible, it was not probable, as of the date of release of our fiscal 2001 financial statements, that VRH would default on its loans. Accordingly, no accrual was recorded in our fiscal 2001 financial statements.

Our management believes that the effects of the new redenomination law enacted in Argentina, the subsequent devaluation of the Argentine Peso, and subsequent actions taken by national banking regulators with respect to the Velox group banks, all of which happened in fiscal 2002, are the primary events that may have ultimately led to VRH's default. Since a large portion of the Velox group's holdings comprised banks in Argentina and Uruguay, these events are believed to have significantly affected not only the Velox group's bank in Argentina, but also its bank in Uruguay. Therefore, we believe that, even in the event that we were to have concluded that VRH's default was probable at the date of the issuance of our financial statements on April 9, 2002, the loss would not have been recorded in fiscal 2001, because these conditions did not exist at December 30, 2001, but rather arose subsequent to that date.

On July 16, 2002, we received a default notice from one of the Lenders, which subsequently triggered defaults under all of the VRH Loans. Subsequently, each of the Lenders exercised its right to require that we (or a designated affiliate) purchase DAIH shares pledged to secure VRH's obligations under the relevant Secured Bank Loan. In accordance with our agreements with the Lenders, in July and August 2002, Ahold Latin America, as the affiliate designated by us,

purchased the 1,207 DAIH shares pledged under all of the Secured Bank Loans (except the May 2002 Loan) at a price of USD 260,000 per share and the 294 DAIH shares pledged under the May 2002 Loan at a price of USD 82,500 per share. Of the 1,616 DAIH shares originally pledged to the Lenders under the Secured Bank Loans, we were obligated to purchase 1,501 DAIH shares, which provided sufficient funds to the Lenders to pay off VRH's obligations under the Secured Bank Loans.

Pursuant to the Note Sale Agreement, the Institutional Investors exercised their right to transfer their rights under the USD 100 Million Loan to us. As a result, we paid the Institutional Investors USD 110 million (EUR 111 million), consisting of the outstanding principal of the USD 100 Million Loan and interest thereon, plus the required payment for breakage costs. The Institutional Investors transferred to us the rights under the related pledge of the 500 DAIH shares. We purchased the 500 DAIH shares at a price of USD 40,000 per share in August 2002, with the purchase price being set off against amounts owed by VRH to us under the USD 100 Million Loan.

In August 2002, we purchased from VRH the 115 DAIH shares remaining from the pledges of the Secured Bank Loans for a total purchase price of USD 5 million (USD 40,000 per share), which was set off against remaining amounts owed by VRH to us under the USD 100 Million Loan.

In connection with the foregoing transactions, we paid the Lenders and the Institutional Investors a total amount, including interest, of USD 448 million (EUR 453 million). As a result of the foregoing transactions, we assumed full ownership of DAIH.

We wrote off the USD 5 Million Loan in fiscal 2002. Since the purchase price for the DAIH shares referred to above exceeded the fair value of the shares acquired, and as a result of writing off the USD 5 Million Loan, we recorded a EUR 372 million loss in connection with these transactions in fiscal 2002.

The loss was calculated as follows:

(in USD millions, except as noted)	**Fiscal 2002**
Cash paid to Lenders and Institutional Investors	448
Write-off of loan to VRH	5
Total	453
Fair value of 2,116 shares at USD 40,000 per share in August 2002	(85)
Loss on Default	**368**
Loss on Default in EUR millions	372

In addition, on December 15, 1999, VRH obtained a USD 25 million loan from a financial institution, the proceeds of which were loaned to us and secured by a pledge of our promissory note to VRH (the "USD 25 Million Loan"). The proceeds of the USD 25 Million Loan from VRH to us were used as part of the financing for purchasing shares of common stock of Santa Isabel in connection with its rights offering.

The default by VRH under the Senior Bank Loans triggered a default under the USD 25 Million Loan. We repaid the USD 25 Million Loan plus interest thereon owed by VRH. Concurrently, we were relieved of our liability to VRH under our loan from VRH in the same amount. These off-setting amounts had no net accounting result and are not part of the EUR 372 million loss.

Pension Plan Liability

Our contribution to our defined benefit plans in fiscal 2002 was EUR 121 million, an increase of EUR 44 million over fiscal 2001. The increases in contributions are largely a result of maintaining appropriate funding levels to meet actuarial expectations of future costs of our obligations under these plans. U.S. and European law prescribe minimum coverage ratios of plan assets to liabilities. The increases in contributions are partly the result of maintaining these minimum coverage ratios. The poor performance of the stock markets in fiscal 2002 and fiscal 2001 also had a negative influence on the investment results of our pension funds, resulting in our increased contribution to the defined benefit plans.

Results of operations

Summary of our consolidated financial data

Presented below is a summary of our consolidated financial data for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	Euro	*% of sales*	Euro	*% of sales*	Euro	*% of sales*
(in EUR millions, except percentages)			(restated)		(restated)	
Net sales	62,683	*100.0*	54,213	*100.0*	40,833	*100.0*
Gross profit	13,461	*21.5*	11,986	*22.1*	9,554	*23.4*
Operating expenses	(13,222)	*21.1*	(10,075)	*18.6*	(7,919)	*19.4*
Operating income	239	*0.4*	1,911	*3.5*	1,635	*4.0*
Net financial expense	(1,008)	*1.6*	(707)	*1.3*	(568)	*1.4*
Income taxes	(390)	*0.6*	(270)	*0.5*	(235)	*0.6*
Share in income (loss) of joint ventures and equity investees	(38)	—	(192)	*(0.4)*	78	*0.2*
Minority interest	(11)	—	8	—	10	—
Net income (loss)	(1,208)	*(1.9)*	750	*1.4*	920	*2.3*
Net income (loss) after preferred dividends per common share - basic	(1.34)	*N/A*	0.83	*N/A*	1.22	*N/A*
Net income (loss) after preferred dividends per common share - diluted	(1.34)	*N/A*	0.82	*N/A*	1.19	*N/A*

Overall results of operations

The following discussion summarizes our results of operations for fiscal 2002 compared to fiscal 2001 and fiscal 2001 compared to fiscal 2000. In certain instances, we present our results of operations excluding the impact of currency exchange rates in order to provide insight into the operating performance of our foreign subsidiaries without distortion due to currency exchange rates.

Net sales

- Fiscal 2002

Our consolidated net sales were EUR 62.7 billion in fiscal 2002 compared to EUR 54.2 billion in fiscal 2001. Our consolidated net sales increased by EUR 8.5 billion, or 15.6%, in fiscal 2002 compared to fiscal 2001. Currency exchange rates negatively affected our net sales in fiscal 2002. Excluding the impact of currency exchange rates, net sales would have increased by EUR 10.8 billion, or 20.8%, in fiscal 2002 compared to net sales in fiscal 2001. The increase in net sales was largely attributable to acquisitions, primarily including the full-year consolidation of Bruno's, in the U.S. retail trade segment, and Alliant, in the U.S. food service segment. Increases in net sales from the Alliant acquisition were partly offset by the divestiture of a non-strategic line of business that was acquired as a part of that acquisition. We began consolidating Disco in our financial statements in the second quarter of fiscal 2002 as discussed under "Retail Trade: Latin America". Additionally, we consolidated the results of DAIH, including Santa Isabel, in our financial statements beginning in the third quarter of fiscal 2002, in conjunction with our purchase of additional shares of DAIH from VRH. For additional information about our acquisition of the DAIH shares, please see our consolidated financial statements.

Excluding these acquisitions, net sales in fiscal 2002 increased primarily as a result of net sales growth in retail trade at Stop & Shop, Giant-Carlisle and Albert Heijn, which was caused by a variety of factors, including, in particular, the opening of new stores, an increase in customer promotions and, in the case of Albert Heijn, inflation within Europe.

- Fiscal 2001

Consolidated net sales in fiscal 2001 were EUR 54.2 billion compared to EUR 40.8 billion in fiscal 2000. Net sales increased by EUR 13.4 billion, or 32.8%, in fiscal 2001 compared to fiscal 2000. Currency exchange rates positively affected our net sales in fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased by EUR 12.9 billion, or 31.2%, in fiscal 2001 compared to net sales in fiscal 2000. Net sales in fiscal 2001 were also significantly affected by our acquisitions, primarily the full-year consolidation of Superdiplo in Spain and the full-year consolidation of USF and of PYA/Monarch in the United States. Additionally, the full-year consolidation of Bompreço in Latin America and the acquisition of the Grand Union stores in the United States and the A&P stores by Schuitema in The Netherlands contributed to net sales growth. Excluding these acquisitions, net sales increased mainly due to strong

net sales growth at Stop & Shop, Albert Heijn and Giant-Landover. Additionally, net sales grew as a result of the opening of new stores and as a result of inflation.

Gross profit

- Fiscal 2002

Our gross profit, which includes distribution costs, was EUR 13.5 billion, or 21.5%, as a percentage of net sales, in fiscal 2002 compared to EUR 12.0 billion, or 22.1%, as a percentage of net sales, in fiscal 2001. The decrease in our gross profit margin in fiscal 2002 was primarily attributable to our growing food service business, which is a lower margin business than our retail trade business. In addition, the gross profit margins of our retail trade operations in Latin America and Asia Pacific were slightly lower in fiscal 2002 than in fiscal 2001 due to price competition.

- Fiscal 2001

Gross profit was EUR 12.0 billion, or 22.1%, as a percentage of net sales, in fiscal 2001 compared to EUR 9.6 billion, or 23.4%, as a percentage of net sales, in fiscal 2000. This decline in gross profit margin was due to the full-year consolidation of USF and PYA/Monarch, both food service businesses. As noted above, the food service business typically generates lower gross profit margins than the retail trade business and, as a result, the expansion of our food service business had a negative effect on gross profit margins in fiscal 2001. The decline in gross profit margin was partially offset by increased centralized buying of perishable products for our U.S. retail trade operations.

Operating expenses

The following table shows a breakdown of our operating expenses by category for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	Euro	*% of sales*	Euro	*% of sales*	Euro	*% of sales*
(in EUR millions, except percentages)			(restated)		(restated)	
Selling expenses	(9,073)	*14.4*	(8,080)	*14.9*	(6,534)	*16.0*
General and administrative expenses	(1,989)	*3.2*	(1,843)	*3.4*	(1,365)	*3.4*
Goodwill and intangible assets amortization	(433)	*0.7*	(256)	*0.5*	(50)	*0.1*
Impairment of goodwill and other intangible assets	(1,287)	*2.1*	(8)	—	—	—
Impairment of other long-lived assets	(137)	*0.2*	(10)	—	—	—
Gain on disposal of tangible fixed assets	69	*(0.1)*	122	*(0.2)*	30	*(0.1)*
Exceptional loss on related party default guarantee	(372)	*0.6*	—	—	—	—
Total operating expenses	**(13,222)**	***21.1***	**(10,075)**	***18.6***	**(7,919)**	***19.4***

- Fiscal 2002

Our operating expenses increased by EUR 3.1 billion, or 31.2%, in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, our operating expenses were 21.1% in fiscal 2002 compared to 18.6% in fiscal 2001. The increase in our operating expenses was largely due to impairment charges in fiscal 2002 in the total amount of EUR 1.4 billion. As discussed above, in fiscal 2002, as a result of the declining economic conditions in certain trading areas, we recorded goodwill impairment charges of EUR 882 million relating to Ahold Supermercados in Spain, as well as goodwill impairment charges of EUR 215 million related to our subsidiaries Disco and Santa Isabel, EUR 128 million related to Bruno's and EUR 54 million related to Bompreço and G. Barbosa. Operating expenses were also negatively affected by EUR 433 million of goodwill and other intangible asset amortization. Additionally, we incurred charges totaling EUR 137 million relating to impairment of other long-lived assets, primarily in the Czech Republic, Poland, Spain, Latin America, Asia Pacific and the United States. Our operating expenses in fiscal 2002 also were negatively affected by the loss recorded relating to the default by VRH on bank debt that we had guaranteed. As a result, we had to acquire substantially all of VRH's DAIH shares for a total amount of USD 448 million, which exceeded the fair value of the shares acquired, resulting in an exceptional loss of EUR 372 million. For additional information on this transaction, please see Note 5 to our financial statements. In addition to the impairment charges and the exceptional loss, our operating expenses in fiscal 2002 were negatively affected by the full-year consolidation of Alliant. Our selling expenses increased in fiscal 2002 to EUR 9.1 billion from EUR 8.1 billion in fiscal 2001 as a result of acquisitions and the related increase in net sales and inflation. Selling expenses, however, decreased as a percentage of net sales as a result of our continued expansion of our food service business through the acquisition of Alliant, which business' selling expenses, as a percentage of net sales, was lower than our retail trade business. Our general and administrative expenses increased in fiscal 2002 to EUR 2.0 billion from EUR 1.8 billion in fiscal 2001, as a result of acquisitions and increases in net sales and inflation. As a percentage of net sales, our general and administrative expenses declined as a result of the growth of our food service

business, which business' general and administrative expenses, as a percentage of net sales, was lower than that of our retail trade business.

- Fiscal 2001

Our operating expenses increased by EUR 2.2 billion, or 27.2%, in fiscal 2001 compared to fiscal 2000 primarily as a result of the full-year consolidation of USF and PYA/Monarch. Operating expenses in fiscal 2001 included restructuring charges of EUR 141 million, in particular related to the restructuring at USF in connection with the acquisition of Alliant. As a percentage of net sales, our operating expenses were 18.6% in fiscal 2001 compared to 19.4% in fiscal 2000 because of lower operating expenses as a percentage of net sales at USF and PYA/Monarch. The increase in our operating expenses was partially offset by leveraging of economies of scale at newly acquired companies, the elimination of redundant processes, particularly within our U.S. food service segment, and a decrease of expenses resulting from the creation of shared service organizations in our retail trade operations. Our selling expenses increased in fiscal 2001 to EUR 8.1 billion from EUR 6.5 billion in fiscal 2000 due to acquisitions and the related increase in net sales and inflation. Selling expenses, however, decreased as a percentage of net sales as a result of our acquisition of USF, which business' selling expenses, as a percentage of net sales, is lower than our retail trade business. Our general and administrative expenses increased in fiscal 2001 to EUR 1.8 billion from EUR 1.4 billion in fiscal 2000 due to acquisitions and the related increase in net sales, as well as inflation. As a percentage of net sales, our general and administrative expenses remained constant. Goodwill and intangible asset amortization increased in fiscal 2001 to EUR 256 million from EUR 50 million in fiscal 2000 as a result of the full-year inclusion of goodwill amortization relating to Superdiplo and PYA/Monarch, which were acquired in December 2000.

Operating income

- Fiscal 2002

Our operating income was EUR 239 million in fiscal 2002 compared to EUR 1.9 billion in fiscal 2001, a decrease of EUR 1.7 billion, or 87.5%. This significant decrease was largely the result of increased operating expenses caused primarily by the impairment and amortization charges and the exceptional loss discussed above. Operating income in fiscal 2002 included a EUR 12 million gain relating to excess reserve reversals at USF, and in fiscal 2001 included a EUR 111 million loss relating to a restructuring charge at USF in connection with the acquisition of Alliant. Our operating income, as a percentage of net sales, was 0.4% in fiscal 2002 compared to 3.5% in fiscal 2001. Operating income in fiscal 2002 also was negatively affected by currency exchange rate differences, particularly as a result of the lower exchange rate of the US dollar to the Euro.

Our operating income before impairment and amortization of goodwill and exceptional loss, which is a non-GAAP financial measure, in fiscal 2002 amounted to EUR 2.1 billion, an increase of 4.0% compared to fiscal 2001. Excluding the impact of currency exchange rates, operating income before impairment and amortization of goodwill and exceptional loss would have increased by EUR 168.7 million, or 8.6%, to EUR 2.1 billion in fiscal 2002 compared to fiscal 2001. The exceptional loss refers to the exceptional loss on related party default guarantee of EUR 372 million in fiscal 2002 as a result of the default by VRH on debt that we had guaranteed. We believe providing operating income before impairment and amortization of goodwill and exceptional loss is relevant and useful information to our shareholders as it provides a more meaningful comparison of our underlying operating performance in fiscal 2002 to that in fiscal 2001, excluding certain items, including goodwill amortization, goodwill impairment and exceptional loss on related party default guarantee. It is also a measure used by our management to assess the effectiveness of our operating strategies and to evaluate our operating performance trends in different periods. The exceptional loss was unusual and is unlikely to recur. Operating income before impairment and amortization of goodwill and exceptional loss, as we have defined it, may not be comparable to similarly titled measures reported by other companies. It should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with Dutch GAAP.

The table below provides a reconciliation of the non-GAAP measure of operating income before impairment and amortization of goodwill and exceptional loss to the Dutch GAAP measure of operating income:

(in EUR millions)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
Operating income	239	1,911	1,635
Goodwill and intangible asset amortization	433	256	50
Intangible asset amortization	(180)	(104)	(45)
Goodwill amortization	**253**	**152**	**5**
Impairment of goodwill and other intangible assets	1,287	8	—
Other intangible assets impairment	(6)	(8)	—
Goodwill impairment	**1,281**	**—**	**—**
Exceptional loss on related party default guarantee	372	—	—
Operating income before impairment and amortization of goodwill and exceptional loss	**2,145**	**2,063**	**1,640**

Operating income before impairment and amortization of goodwill and exceptional loss increased in fiscal 2002 compared to fiscal 2001 as a result of strong operating performances at Stop & Shop, Giant-Landover and Giant-Carlisle.

- Fiscal 2001

Our operating income increased to EUR 1.9 billion in fiscal 2001 from EUR 1.6 billion in fiscal 2000, an increase of 16.9%. Our operating income, as a percentage of net sales, was 3.5% in fiscal 2001, compared to 4.0% in fiscal 2000. Operating income increased in fiscal 2001 primarily as a result of acquisitions and an increase in net sales and the EUR 122 million gain on disposal of real estate, offset in part by the restructuring charges incurred in fiscal 2001, in particular relating to the restructuring of USF in connection with the acquisition of Alliant. The increase in operating income in fiscal 2001 was also affected by favorable currency exchange rates.

Net financial expense

- Fiscal 2002

Our net financial expense, which comprises net interest expenses, gains and losses on currency exchange transactions and other financial income and expense, was EUR 1.0 billion in fiscal 2002 compared to EUR 707 million in fiscal 2001. As a result of currency devaluation, we had a loss on foreign exchange in fiscal 2002 of EUR 50 million compared to a gain on foreign exchange of EUR 108 million in fiscal 2001. The increase in net financial expense in fiscal 2002 was largely due to devaluation of the Argentine Peso and inflation adjustment losses related to Argentina and an increase in interest expense. Interest expense increased from EUR 921 million in fiscal 2001 to EUR 1.0 billion in fiscal 2002. The increase in interest expense was primarily caused by the new debt assumed or incurred in connection with acquisitions and an increase in cash dividends, as a result of fewer shareholders electing to receive their dividends in the form of common shares compared to fiscal 2001.

- Fiscal 2001

Our net financial expense was EUR 707 million in fiscal 2001 compared to EUR 568 million in fiscal 2000. We had a gain on foreign exchange in fiscal 2001 of EUR 108 million compared to a gain of EUR 39 million in fiscal 2000. Interest expenses increased by EUR 222 million in fiscal 2001. Excluding the gain on foreign exchange, the increase in net financial expense was largely due to the debt of PYA/Monarch and Superdiplo assumed as part of those acquisitions, as well as interest expenses on debt incurred to finance acquisitions.

Income taxes

- Fiscal 2002

Our effective tax rate, calculated as a percentage of income (loss) before income taxes, was negative 50.8% in fiscal 2002 primarily as a result of non-tax-deductible goodwill amortization of EUR 179 million, goodwill impairment of EUR 1.3 billion, the exceptional loss on related party default guarantee of EUR 372 million and foreign exchange loss primarily relating to the devaluation of the Argentine Peso. Our effective income tax rate in fiscal 2001 was 22.5%. The statutory corporate income tax rates in The Netherlands for fiscal 2002 and fiscal 2001 were 34.5% and 35%, respectively.

In addition, our effective income tax rate was affected by the consolidation of Disco beginning in the second quarter of fiscal 2002, the consolidation of Santa Isabel beginning in the third quarter of fiscal 2002 and the consolidation of G. Barbosa beginning in the first quarter of fiscal 2002, as well as the continued consolidation of Bompreço in fiscal 2002.

These entities had substantial losses before tax in fiscal 2002 for which no loss carry forward was recorded because it was not deemed probable that these entities would generate sufficient income in the future against which such a loss carry forward could be applied. As a result, such losses reduced the total amount of income before income tax, but not the amount of income taxes. Our effective income tax rate in fiscal 2002 was reduced in part due to intercompany finance activities, but this impact in fiscal 2002 was smaller than in fiscal 2001 because of unfavorable currency exchange rate changes between the Euro and the US dollar during fiscal 2002.

- Fiscal 2001

Our effective income tax rate was 22.5% in fiscal 2001 and 21.9% in fiscal 2000. The statutory corporate income tax rate in The Netherlands for fiscal 2001 and fiscal 2000 was 35% in both years. Our effective tax rate in fiscal 2001 was lower than the statutory rate primarily because of our intercompany finance activities. In addition, our effective income tax rate in fiscal 2001 was further reduced by the release of tax provisions.

Share in income (loss) of joint ventures and equity investees

The following table sets forth our share in income (loss) of joint ventures and equity investees:

(Euro millions, except percentages)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
ICA, Scandinavia	61	64	48
JMR, Portugal	35	30	20
Paiz Ahold, Latin America	10	13	13
DAIH, Latin America	(126)	(296)	(5)
Others	(18)	(3)	2
Total share in income (loss) of joint ventures and equity investees	**(38)**	**(192)**	**78**

- Fiscal 2002

Our loss from unconsolidated joint ventures and equity investees was EUR 38 million in fiscal 2002 compared to EUR 192 million in fiscal 2001. These losses were caused by losses at DAIH in fiscal 2002 and fiscal 2001 reflecting the losses incurred at Disco and Santa Isabel and, to a lesser extent, losses at Luis Paez included under "Others" in the table above. These losses were partly offset by income from ICA, JMR and Paiz Ahold in such years. The negative impact of DAIH in fiscal 2002 was less than in fiscal 2001 because DAIH was consolidated beginning in the third quarter of fiscal 2002 and, after that time, DAIH's loss is no longer included in our loss from our unconsolidated joint ventures and equity investees. In addition, Disco's loss in fiscal 2002 was offset in part by a change in Argentine law that redenominated certain debts of Argentine companies from US dollar-denominated debt to Argentine Peso-denominated debt.

- Fiscal 2001

Our loss from unconsolidated joint ventures and equity investees was EUR 192 million in fiscal 2001 compared to income of EUR 78 million in fiscal 2000. The loss in fiscal 2001 was caused by a loss at DAIH, which was partly offset by income from ICA, JMR and Paiz Ahold. The loss at DAIH in fiscal 2001 was caused by a loss at Disco, which was largely a result of the devaluation of the Argentine Peso.

Net income (loss)

- Fiscal 2002

Our net loss in fiscal 2002 was EUR 1.2 billion, compared to net income of EUR 750 million in fiscal 2001. The significant decrease in net income in fiscal 2002 was primarily due to impairment charges of EUR 1.4 billion relating to goodwill and other intangible assets and to other long-lived assets primarily in Spain, the United States and Latin America, along with an exceptional loss of EUR 372 million relating to the default by VRH on debt that we had guaranteed. Higher financial expenses also contributed to our net loss in fiscal 2002, as well as the weakening of the US dollar compared to the Euro.

- Fiscal 2001

Our net income in fiscal 2001 was EUR 750 million, compared to net income of EUR 920 million in fiscal 2000, a decrease of EUR 170 million, or 18.5%. The decrease in net income was largely attributable to the EUR 192 million loss from unconsolidated joint ventures and equity investees in fiscal 2001, compared to EUR 78 million of income from unconsolidated joint ventures and equity investees in fiscal 2000 offset by an increase in operating income. As noted above, the fiscal 2001 loss of the unconsolidated joint ventures and equity investees was due principally to a loss at DAIH

stemming in large part from a loss at Disco due principally to the general decline in economic conditions. Net income also declined as a result of an increase in interest expense, which was mainly due to assumed debt in connection with acquisitions.

Net Income (Loss) after Preferred Dividends per Common Share - Basic

- Fiscal 2002
Net income (loss) after preferred dividends per common share-basic amounted to a net loss of EUR 1.34 per common share in fiscal 2002 compared to net income of EUR 0.83 per common share in fiscal 2001. Net income (loss) after preferred dividends per common share-basic is calculated as net income (loss) after preferred dividends, divided by the weighted average number of common shares outstanding during each period.

The weighted average number of common shares outstanding used for these calculations was higher in fiscal 2002 than in fiscal 2001 primarily as a result of the impact of the offering of common shares and ADSs in September 2001.

- Fiscal 2001
Net income after preferred dividends per common share-basic decreased by 32.0% in fiscal 2001 from EUR 1.22 in fiscal 2000 to EUR 0.83 in fiscal 2001.

The weighted average number of common shares outstanding used for these calculations was higher in fiscal 2002 than in fiscal 2001 primarily as a result of the impact of the accelerated offering of common shares and ADSs in September 2001.

Adjustments to conform to US GAAP
For fiscal 2002, our net loss under US GAAP was EUR 4.3 billion compared to a net loss under Dutch GAAP of EUR 1.2 billion. Net loss per common share - basic as determined in accordance with US GAAP was EUR 4.67 per share in fiscal 2002 compared to net loss per common share - basic of EUR 0.30 in fiscal 2001. The most significant reconciling item in fiscal 2002 related to the impairment of goodwill. Under Dutch GAAP, we recognized charges of EUR 1.3 billion for the impairment of goodwill and other intangible assets. Under US GAAP, we adopted SFAS No. 142 on December 31, 2001. Following this standard, we no longer amortize goodwill and other intangible assets with indefinite useful lives under US GAAP but, instead, we test these assets for impairment annually, and more frequently if circumstances indicate a possible impairment. Upon the adoption of SFAS No. 142, we recorded under US GAAP a transitional impairment charge of EUR 2.8 billion, which is recorded as a cumulative effect of a change in accounting principle for goodwill, and an additional aggregate impairment charge for goodwill and other intangible assets of EUR 751 million under US GAAP, which is recorded as a current-year impact of impairment of goodwill and other intangible assets. The most significant portions of this additional goodwill impairment charge related to USF in respect of which we recorded a transitional loss of EUR 2.1 billion and additional impairment losses of EUR 647 million, respectively. Under Dutch GAAP, a similar goodwill impairment charge was not recognized because all goodwill prior to December 2000 related to the acquisition of USF was charged directly to shareholders' equity at the time of the acquisition.

For fiscal 2002, we recognized additional intangible asset amortization under US GAAP of EUR 25 million, primarily because certain intangible assets were deemed to have an indefinite useful life as defined under SFAS No. 142 and, therefore, are no longer amortized under US GAAP. Other reconciling differences between Dutch GAAP and US GAAP in fiscal 2002 included deferral of gain on sale and leaseback of property, income tax effects of reconciling items, valuation of certain put options and other minor items. In the aggregate, these individually less significant reconciling differences reduced our loss by EUR 155 million, primarily because we recognized EUR 253 million less goodwill amortization under US GAAP than under Dutch GAAP and because of the difference in our share in income of joint ventures and equity investees of EUR 26 million.

In fiscal 2001, the net loss under US GAAP was EUR 254 million compared to net income of EUR 750 under Dutch GAAP. Net loss per common share - basic as determined in accordance with US GAAP was EUR 0.30 per share in fiscal 2001 compared to net income per common share - basic of EUR 0.60 per share in fiscal 2000. The most significant reconciling item related to our share in the net loss of joint ventures and equity investees of EUR 588 million in fiscal 2001. This item reflects the difference between our share in the loss of joint ventures and equity investees under Dutch GAAP and US GAAP. This difference relates primarily to a goodwill impairment loss of EUR 505 million in DAIH in fiscal 2001. Under Dutch GAAP, a similar impairment loss was not recognized because all goodwill related to joint ventures and equity investees was charged directly to shareholders' equity upon acquisition. The other significant differences related to additional goodwill amortization under US GAAP, the recognition of a change in the fair value of derivatives and the gain on sale and leaseback transactions.

Business segment information

We report information about our subsidiaries on a consolidated basis. This means that our results include the results of all subsidiaries, which Ahold, either directly or indirectly, controls. Income generated by our joint ventures, for the periods when we do not have control, is included in our share in income or loss of joint venture and equity investees, as discussed below.

In addition to reporting on a consolidated basis, we disclose financial and descriptive information about each of our operating segments.

We operate ten reportable operating segments, which are as follows:

- Retail trade: Stop & Shop;
- Retail trade: Giant-Landover;
- Retail trade: Other United States;
- Retail trade: Albert Heijn;
- Retail trade: Other Europe;
- Retail trade: Latin America;
- Retail trade: Asia Pacific;
- Food service: United States;
- Food service: Europe; and
- Other Activities.

Our internal operating decision makers review two additional segments: Retail Trade - United States and Retail Trade - Europe. We have included discussions of these two operating segments below to provide shareholders with the same type of information that our internal operating decision makers review. However, neither Retail Trade - United States nor Retail Trade - Europe are operating segments, as the term is defined under SFAS No. 131.

Net sales by business segment

Net sales by business segment for fiscal 2002, fiscal 2001 and fiscal 2000 are as follows:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Retail trade:					
Stop & Shop	10,043	*2.4*	9,809	*42.5*	6,886
Giant-Landover	5,614	*(1.8)*	5,714	*10.0*	5,196
Other United States	12,179	*17.2*	10,395	*(2.7)*	10,687
Subtotal retail trade United States	27,836	*7.4*	25,918	*13.8*	22,769
Albert Heijn	5,703	*5.4*	5,409	*4.0*	5,201
Other Europe	7,115	*5.7*	6,730	*60.5*	4,193
Subtotal retail trade Europe	12,818	*5.6*	12,139	*29.2*	9,394
Latin America	2,143	*68.2*	1,274	*57.3*	810
Asia Pacific	458	*14.5*	400	*(0.5)*	402
Total retail trade	**43,255**	***8.9***	**39,731**	***19.0***	**33,375**
Food service:					
United States	18,508	*36.5*	13,556	*103.9*	6,649
Europe	872	*(1.1)*	882	*15.9*	761
Total food service	**19,380**	***34.2***	**14,438**	***94.8***	**7,410**
Other Activities	48	*9.1*	44	*(8.3)*	*48*
Total	**62,683**	***15.6***	**54,213**	***32.8***	**40,833**

Operating income (loss) by business segment

The following table sets forth operating income (loss) by business segment for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Retail trade:					
Stop & Shop	760	*21.4*	626	*13.2*	553
Giant-Landover	407	*6.5*	382	*30.9*	292
Other United States	236	*(45.0)*	429	*60.7*	267
Subtotal retail trade United States	1,403	*(2.4)*	1,437	*29.2*	1,112
Albert Heijn	262	*6.1*	247	*26.0*	196
Other Europe	(916)	*(2,334.2)*	41	*(59.0)*	100
Subtotal retail trade Europe	(654)	*(327.1)*	288	*(2.7)*	296
Latin America	(278)	*(596.4)*	56	*9.8*	51
Asia Pacific	(33)	*(65.0)*	(20)	*33.4*	(30)
Total retail trade	**438**	***(75.1)***	**1,761**	***23.2***	**1,429**
Food service:					
United States	160	*207.7*	52	*(50.5)*	105
Europe	8	*(65.2)*	23	*(4.2)*	24
Total food service	**168**	***124.0***	**75**	***(41.9)***	**129**
Other Activities	(367)	*(589.3)*	75	*(2.6)*	77
Total	**239**	***(87.5)***	**1,911**	***16.9***	**1,635**

Operating income (loss) before impairment and amortization of goodwill and exceptional loss by business segment

The following table sets forth operating income (loss) before impairment and amortization of goodwill and exceptional loss by business segment for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Retail trade:					
Stop & Shop	761	*21.6*	626	*13.1*	553
Giant-Landover	407	*6.4*	382	*31.0*	291
Other United States	383	*(11.8)*	434	*62.3*	269
Subtotal retail trade United States	1,551	*7.5*	1,442	*29.7*	1,113
Albert Heijn	264	*7.0*	247	*25.9*	196
Other Europe	32	*(70.7)*	110	*10.2*	100
Subtotal retail trade Europe	296	*(17.0)*	357	*20.6*	296
Latin America	(6)	*(110.1)*	56	*9.6*	51
Asia Pacific	(31)	*(55.2)*	(20)	*32.7*	(30)
Total retail trade	**1,810**	***(1.4)***	**1,835**	***28.3***	**1,430**
Food service:					
United States	314	*145.9*	128	*16.6*	110
Europe	8	*(64.8)*	23	*(2.0)*	24
Total food service	**322**	***113.7***	**151**	***13.3***	**134**
Other Activities	13	*(84.8)*	77	*1.3*	76
Total	**2,145**	***4.0***	**2,063**	***25.8***	**1,640**

Retail trade

We have retail trade operations in the United States, Europe, Latin America and Asia Pacific. Our retail business consists of our retail chain sales, sales to franchise stores and sales to associated stores.

As of the end of fiscal 2002, we operated or serviced 5,606 stores through our consolidated subsidiaries, including 790 franchise stores and 450 associated stores. Over 60% of these stores are supermarkets. In some local markets, we have expanded into other formats, including specialty retail trade formats, hypermarkets, cash and carry and convenience stores. The majority of our franchise stores and associated stores are located in The Netherlands.

Store formats

Franchise stores typically operate under the same format as, and are not distinguishable from, Ahold-owned stores in a particular geographic area. Each franchisee purchases merchandise at wholesale prices from us, pays a franchise fee, receives various support services, including logistical and warehouse services, and receives management support and training, marketing support and administrative assistance, and indirect financial assistance in the form of loans and guarantees. Associated stores operate as independent retailers and may use various store formats, including non-Ahold formats. These stores also have more flexibility in terms of product line and pricing, but we provide them with support services, including the ability to benefit from bulk purchasing and an increase in bargaining power in entering into certain contracts. For a detailed description of our franchise and associated stores, please see "Retail Trade in Europe" on page 54.

We categorize our retail trade operations by format type, which we determine based on each store's product mix (food and non-food) and sales area. Supermarkets are retail locations where the average sales area is less than 2,000 square meters or 22,000 square feet or where the average sales area for non-food items is less than 25% of the total average sales area. Hypermarkets are retail locations where the average sales area is more than 2,000 square meters or 22,000 square feet or where the average sales area for non-food items is more than 25% of the total average sales area. A compact hypermarket, while not strictly classified, is a small hypermarket where the average sales area is between 2,000 and 5,000 square meters. Superstores are comparable in size with supermarkets, but offer a wider assortment of goods and services,

including health and beauty care, pharmacy and natural foods. Convenience stores are like small supermarkets, but with their own format, located at gasoline stations, inside railway stations, or at other locations which, in the judgment of management, are considered to be convenience store locations. These format definitions are guidelines which we use with a certain degree of flexibility and, when appropriate, adjust for local interpretations.

The following tables set out, as of the end of fiscal 2002, store count by Company-owned stores, franchise stores and associated stores, store count of our unconsolidated joint ventures, and changes in store counts for our consolidated subsidiaries and unconsolidated joint ventures:

Company, franchise and associated stores

Consolidated subsidiaries

	As of Fiscal Year-End 2002					
(as adjusted) [3]	Company supermarkets [1]	Franchise supermarkets [1]	Associated stores	Company other [2]	Franchise other [2]	Total
United States	1,254	5	—	366	10	1,635
Europe [4]	1,429	202	450	697	573	3,351
Latin America [5]	384	—	—	123	—	507
Asia Pacific [6]	113	—	—	—	—	113
Total	**3,180**	**207**	**450**	**1,186**	**583**	**5,606**

[1] Includes grocery stores and food retail stores considered supermarkets under local market conditions.
[2] Includes certain specialty retail stores, hypermarkets and convenience stores.
[3] As adjusted to reflect the deconsolidation of ICA, JMR, DAIH, Bompreço and Paiz Ahold.
[4] Includes 65 stores operated by De Tuinen, which was divested in May 2003 and 42 stores operated by Jamin, which was divested in June 2003.
[5] Includes our Chilean operations in Santa Isabel, which were divested in July 2003 and our Paraguayan operations, which were divested in September 2003.
[6] Includes our operations in Malaysia and Indonesia, which we divested in September 2003.

Changes in consolidated store count

(as adjusted) [1]	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Beginning of period	5,155	4,824	3,507
Opened/acquired	730	637	1,498
Disposed/closed	(279)	(306)	(181)
End of period	**5,606**	**5,155**	**4,824**

[1] As adjusted to reflect the deconsolidation of ICA, JMR, DAIH, Bompreço and Paiz Ahold for the relevant periods.

Unconsolidated Joint Ventures

	As of Fiscal Year-End 2002					
	Company Supermarkets [1]	Franchise Supermarkets [1]	Associated Stores	Company Other [2]	Franchise Other [2]	Total
ICA	436	438	2,052	11	—	2,937
JMR	175	—	—	23	—	198
CARHCO	58	—	—	229	—	287
Total	**669**	**438**	**2,052**	**263**	**—**	**3,422**

[1] Includes grocery stores and food retail stores considered supermarkets under local market conditions.
[2] For CARHCO, includes hypermarkets and discount stores.

Changes in unconsolidated store count (including associated stores)

	Fiscal 2002 [1]	Fiscal 2001 [1]	Fiscal 2000 [1]
Beginning of period	3,687	3,807	527
Opened/acquired	267	123	3,394
Disposed/closed	(532)	(243)	(114)
End of period	**3,422**	**3,687**	**3,807**

[1] Includes DAIH and Bompreço for periods for which they were not consolidated in our financial statements.

Retail trade: United States

We have established ourselves, through acquisitions and organic growth, as a leading food retailer in the United States, operating in 18 states in the eastern United States and Washington, D.C. Based on fiscal 2002 sales, we were among the top five food retailers in the United States. While management of each individual chain is responsible for its merchandising, store formats and marketing strategies, the operations of the six regional operating companies and Peapod, our e-commerce retail company, are coordinated as a group through Ahold USA. Each chain operates in its own local marketing area. Our local brands focus on providing quality, value, variety and service to our customers. We operate superstores, conventional supermarkets and convenience stores and an on-line grocer.

Ahold USA has undertaken a number of projects to improve operational efficiency by centralizing certain common functions of its subsidiaries, such as financing, purchasing services and IT support. Ahold USA has established a number of organizations to supply services to the U.S. subsidiaries, including: the Perishable Procurement Organization ("PPO"), which negotiates prices for perishable products; Corporate Brand buying and product development; the Not-For-Resale organization ("NFR"), which negotiates contracts for services and products used within our own operations; Ahold Information Services, which operates a data processing center on behalf of all our U.S. retail trade operations, facilitating their information systems operations; MAC, which administers our U.S. retail self-insurance program; American Sales Company, which provides purchasing and distribution services in health and beauty care items, pharmacy, and general merchandise to our U.S. operations; and Ahold Financial Services, which provides accounting and financial services to Stop & Shop, Tops, Giant-Carlisle and Giant-Landover, and is expected to service the remaining retail trade operations, BI-LO and Bruno's, in future years.

Efficiency has been further improved by the establishment of a number of working groups, composed of representatives of each of our U.S. operations, whose objective is to identify and implement operational "best practices" and potential efficiency improvements across the various subsidiaries.

The table that follows sets out, for the periods indicated, net sales and store counts for our retail trade operations in the United States. Net sales for fiscal 2001 include Bruno's results from December 2001. Net sales for fiscal 2000 reflect Peapod's results beginning from the end of the second quarter.

	2002		2001		2000	
(in USD millions, except store count)	Net sales	Store count	Net sales	Store count	Net sales	Store count
Stop & Shop	9,476	333	8,779	321	6,332	211
Giant-Landover [1]	5,290	189	5,115	186	4,780	183
Giant-Carlisle	2,772	113	2,473	107	2,192	96
Tops	3,121	372	3,017	370	2,785	342
BI-LO (including Golden Gallon)	3,615	441	3,613	446	3,420	422
Bruno's	1,862	187	106	185	—	—
Peapod	116	—	98	—	46	—
Edwards [2]	—	—	—	—	1,382	63
Total United States [3]	**26,252**	**1,635**	**23,201**	**1,615**	**20,937**	**1,317**

[1] In fiscal 2002, fiscal 2001 and fiscal 2000, Giant-Landover also operated four free-standing drugstores.

[2] The Edwards division was consolidated within Stop & Shop's results beginning in fiscal 2001, except for four stores transferred to Giant-Landover in fiscal 2001.

[3] In August 2003, we reached an agreement to sell Golden Gallon, which is comprised of 138 fuel and merchandize stores. The sale was completed in October 2003.

In fiscal 2002, net sales and operating income were negatively affected by lower average currency exchange rates of the US dollar to the Euro as set out in the table below:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
		Change (%)		*Change (%)*	
1 US dollar = Euro	1.06	*(5.0)*	1.12	*2.9*	1.09

- Fiscal 2002

Net sales in the U.S. retail trade operations increased by EUR 1.9 billion, or 7.4%, to EUR 27.8 billion in fiscal 2002 compared to fiscal 2001. As discussed above, net sales in fiscal 2002 were significantly affected by the full-year consolidation of Bruno's. Excluding the acquisition of Bruno's, net sales increased in fiscal 2002 compared to fiscal 2001 as a result of strong net sales growth at Stop & Shop and Giant-Carlisle. In the southeastern United States, we experienced challenges to net sales growth at identical stores and the newly acquired Bruno's stores mainly due to increased competition and the weakened economy. Net sales were negatively affected by the difference in exchange rates of the US dollar and Euro between fiscal 2002 and fiscal 2001. Excluding the impact of currency exchange rates, net sales in the U.S. retail trade operations would have increased by EUR 3.2 billion, or 13.1%, in fiscal 2002 compared to net sales in fiscal 2001.

Operating income in the U.S. retail trade operations decreased by EUR 34 million, or 2.4%, to EUR 1.4 billion in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income was 5.0% in fiscal 2002 compared to 5.5% in fiscal 2001. Gross profit, as a percentage of net sales, increased slightly in fiscal 2002 compared to fiscal 2001. Operating expenses in fiscal 2002 were significantly affected by impairment charges in fiscal 2002 in the amount of EUR 128 million relating to Bruno's. Operating expenses, as a percentage of net sales, increased in fiscal 2002 compared to fiscal 2001. Higher expenses were offset in part by savings realized as we benefited from shared service initiatives at Tops and Giant-Carlisle and from a full-year of procuring products and services, not intended for resale but used within our own business, through our centralized group, NFR. Excluding the impact of currency exchange rates, operating income would have increased by EUR 29 million, or 2.1%, in fiscal 2002 compared to operating income in fiscal 2001.

- Fiscal 2001

Net sales in the U.S. retail trade operations increased by EUR 3.1 billion, or 13.8%, to EUR 25.9 billion in fiscal 2001 compared to fiscal 2000 mainly due to the opening of 67 new and replacement stores, along with the acquisition of 56 Grand Union stores and other smaller acquisitions noted below. Additionally, we experienced strong net sales growth in fiscal 2001 at identical stores. Differences in exchange rates between the US dollar and Euro had a favorable impact on net sales in fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased by EUR 2.5 billion, or 10.8%, in fiscal 2001 compared to net sales in fiscal 2000.

Operating income in the U.S. retail trade operations increased by EUR 325 million, or 29.2%, to EUR 1.4 billion in fiscal 2001 compared to fiscal 2000. Gross profit, as a percentage of net sales, increased in fiscal 2001 compared to fiscal 2000, as we began to purchase more of our perishable products for our U.S. retail trade operations through a centralized buying office, PPO, which allows us to negotiate prices based on volume purchasing. Operating expenses, as a percentage of net sales, remained relatively constant as we controlled our expenses through various initiatives, including further centralization of administrative office processes such as benefits management and other accounting functions. We also started a centralized group, NFR, to negotiate contracts on behalf of our retail trade operations for services and products used within our own business, such as fixtures and store equipment, which allows us to purchase more efficiently and lowers our operating expenses. Excluding the impact of currency exchange rates, operating income would have increased by EUR 292 million, or 25.6%, in fiscal 2001 compared to operating income in fiscal 2000.

Retail trade: Stop & Shop

We acquired Stop & Shop in July 1996. Stop & Shop, which is headquartered in Quincy, Massachusetts, was established in 1914 and pioneered the superstore concept in New England in 1982. In February 2001, Stop & Shop acquired 36 supermarkets from C&S Wholesale Distributors, which previously purchased the locations from Grand Union. The supermarkets are located mainly in New Jersey and New York and were converted to the Stop & Shop format during the first quarter of fiscal 2001. During fiscal 2000, the "Edwards" chain, which previously formed a part of Giant-Carlisle, was converted to the Stop & Shop format, except for four stores that were transferred to Giant-Landover. As of the end of fiscal 2002, Stop & Shop operated 333 superstores and conventional supermarkets in Massachusetts, Connecticut, Rhode Island, New Jersey and New York. Stop & Shop operates conventional supermarkets and 55,000-75,000 sq. ft. superstores, some of which include gas stations, full-service pharmacies, portrait studios and one-hour photo developing. Additionally, Stop & Shop and Peapod have teamed up to provide an internet-based home shopping and grocery delivery service under the brand name "Peapod by Stop & Shop."

- Fiscal 2002

Net sales at Stop & Shop increased by EUR 234 million, or 2.4%, to EUR 10.0 billion in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased by EUR 735 million, or 7.9%, in fiscal 2002 compared to net sales in fiscal 2001. Net sales increased and market share grew despite weakened economic conditions and a highly competitive retail environment. Net sales were positively affected by the opening of 22 new and replacement stores during fiscal 2002. Additionally, net sales benefited from the full-year consolidation of 36 Grand Union stores, which we acquired in March 2001.

Operating income at Stop & Shop increased by EUR 134 million, or 21.4%, to EUR 760 million in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income was 7.6% in fiscal 2002 compared to 6.4% in fiscal 2001. The increase in operating income was due in part to increased net sales providing improved leverage of economies of scale limiting the increase in operating expenses, along with an improvement in gross profit, as a percentage of net sales. In addition, operating expenses, as a percentage of net sales, decreased due to efficiencies achieved from the integration of the Edwards stores transferred from Giant-Carlisle and consolidated into Stop & Shop as of fiscal 2001 and the integration of Grand Union stores, which we acquired in March 2001. Previously, the Edwards division operated as part of Giant-Carlisle but was strategically realigned to operate under the management of Stop & Shop. Excluding the impact of currency exchange rates, operating income would have increased by EUR 166 million, or 28.0%, in fiscal 2002 compared to fiscal 2001.

- Fiscal 2001

Net sales at Stop & Shop increased by EUR 2.9 billion, or 42.5%, to EUR 9.8 billion in fiscal 2001 compared to fiscal 2000. Excluding the impact of currency exchange rates, net sales would have increased by EUR 2.7 billion, or 38.6%, in fiscal 2002 compared to net sales in fiscal 2001. The increase in net sales was mainly due to the consolidation of the Edwards division within Stop & Shop's results beginning in January 2001. Additionally, the opening of 19 new and replacement stores, along with the acquisition of 36 Grand Union stores, which were acquired in March 2001, positively affected net sales. Excluding the consolidation and acquisitions noted above, net sales from identical stores remained strong in fiscal 2001.

Operating income at Stop & Shop increased by EUR 73 million, or 13.2%, to EUR 626 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income decreased from 8.0% in fiscal 2000 to 6.4% in fiscal 2001. The decrease in operating income, as a percentage of net sales, was due to the consolidation of the Edwards division into the results of Stop & Shop, as noted above, and a one-time expense related to the conversion of the former Grand Union stores. Additionally, we incurred EUR 29 million in costs in fiscal 2001 arising from the liquidation of Bradlee's, a discount store chain formerly owned by Stop & Shop. Currency exchange rates did not have a significant effect on operating income in fiscal 2001 compared to fiscal 2000.

Retail trade: Giant-Landover

We acquired Giant-Landover, based in Landover, Maryland, in October 1998. The company was established as Giant Food, Inc., in 1936. As of the end of fiscal 2002, Giant-Landover operated 189 retail stores selling food, pharmacy, health and beauty care items and general merchandise in Maryland, Virginia, Delaware, New Jersey and the District of Columbia. Four of the 189 stores are primarily drug stores that have a limited selection of food items. In New Jersey and Delaware, Giant-Landover trades under the name "Super G" to distinguish itself from Ahold sister company Giant-Carlisle. In addition, Giant-Landover and Peapod have teamed up to provide an internet-based home shopping and grocery delivery service under the brand name "Peapod by Giant."

- Fiscal 2002

Giant-Landover net sales decreased by EUR 106 million, or 1.9%, to EUR 5.6 billion in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased by EUR 185 million, or 3.4%, in fiscal 2002 compared to net sales in fiscal 2001. As discussed above, net sales were negatively affected by the weakened economy in the United States, along with increased competition within the Giant-Landover trading area, particularly from the new store growth of traditional supermarket competitors. Net sales were positively affected by the opening of eight new and replacement stores during fiscal 2002.

Operating income at Giant-Landover increased by EUR 25 million, or 6.4%, to EUR 407 million, in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income was 7.2% in fiscal 2002 compared to 6.7% in fiscal 2001. Operating income increased in fiscal 2002, in spite of a decrease in net sales, mainly as a result of a slight improvement in gross profit margin due to Giant-Landover selling a more profitable mix of products and benefiting from an increase in vendor allowances for promotional activity, as well as a decrease in operating expenses. The decrease in operating

expenses reflects improvements in labor productivity, an increase in gains in real estate and various other cost savings initiatives in the area of administrative and selling expenses. Excluding the impact of currency exchange rates, operating income would have increased by EUR 45 million, or 12.4%, in fiscal 2002 compared to operating income in fiscal 2001.

- Fiscal 2001

In fiscal 2001, Giant-Landover net sales increased by EUR 518 million, or 10.0%, to EUR 5.7 billion, compared to fiscal 2000. Excluding the impact of currency exchange rates, net sales would have increased by EUR 374 million, or 7.0%, in fiscal 2001 compared to net sales in fiscal 2000. The increase in net sales was mainly attributable to a focus on more effective promotions, a store remodeling program, a change in product mix and the opening of four new and replacement stores, along with the transfer of four stores from the Edwards division to Giant-Landover in January 2001.

Operating income at Giant-Landover increased by EUR 90 million, or 31.0%, to EUR 382 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income increased from 5.6% in fiscal 2000 to 6.7% in fiscal 2001. In addition to the net sales growth, the increase in operating income reflects lower operating expenses, as a percentage of net sales, largely due to a real estate gain related to the sale and leaseback of four shopping centers, as well as improvements in labor productivity and leverage of economies of scale with respect to fixed costs. Currency exchange rates did not have a significant effect on operating income in fiscal 2001 compared to fiscal 2000.

Retail trade: Other United States

Giant-Carlisle

We acquired Giant-Carlisle, based in Carlisle, Pennsylvania, in 1981. Established in 1923, Giant-Carlisle operated 113 supermarkets as of the end of fiscal 2002. The stores operate under the name "Giant" in Pennsylvania and under the name "Martin's" in Maryland, Virginia and West Virginia. The supermarkets range in size from approximately 44,000 sq. ft. to 64,000 sq. ft. In August 2003, Giant-Carlisle and Tops substantially completed the integration of certain of their administrative functions and other back-office activities through the implementation of a shared services arrangement.

Tops

We acquired Tops, based in Buffalo, New York, in March 1991. The company was established in 1962. In February 2001, Tops acquired 20 supermarkets from C&S Wholesale Distributors, which previously purchased the locations from Grand Union. These supermarkets are located in New York and were converted to the Tops format during the first quarter of fiscal 2001. As of the end of fiscal 2002, Tops owned and operated 151 supermarkets under the name "Tops Friendly Markets" and 206 neighborhood food stores under the name "Wilson Farms." As of the end of fiscal 2002, Tops also had 15 supermarket franchisees operating under the "Tops Friendly Markets" and "Wilson Farms" names. Tops' primary markets are Buffalo and Rochester, both in New York, as well as markets in Cleveland, Ohio, and northern Pennsylvania. As discussed above, in August 2003, Tops substantially completed the implementation of a shared services arrangement with Giant-Carlisle.

BI-LO

We acquired BI-LO, based in Mauldin, South Carolina in 1977. BI-LO, established in 1961, was Ahold's first U.S. acquisition, then comprising 96 stores. As of the end of fiscal 2002, BI-LO operated 303 supermarkets and 138 Golden Gallon convenience stores in South Carolina, North Carolina, Tennessee and Georgia. BI-LO has begun the process of integrating most of Bruno's merchandising and administrative functions with BI-LO's. The integration is expected to be substantially completed by the end of fiscal 2004. In August 2003, we announced that we had reached an agreement to sell Golden Gallon to The Pantry, Inc. and the sale was completed in October 2003. BI-LO acquired the Golden Gallon chain in May 2002, which operates convenience stores in Tennessee and Georgia. For additional information, please see "Divestments" above.

Bruno's

We acquired Bruno's, based in Birmingham, Alabama in December 2001. Bruno's was established in 1932. As of the end of fiscal 2002, Bruno's operated a chain of 187 stores under the banners of Bruno's (superstores), Food World and Food Max (value-oriented supermarkets), and Food Fair (neighborhood stores) in Alabama, Florida, Mississippi and Georgia. Bruno's is currently integrating most of its merchandising and administrative functions with BI-LO as described in our discussion of BI-LO above.

Peapod

In June 2000, we acquired convertible preferred stock and common stock warrants of Peapod, giving us a controlling interest in Peapod. In July 2001, we acquired the remaining issued and outstanding shares of common stock of Peapod.

Peapod is an on-line grocer based in Chicago, Illinois, where it was established in 1989. Peapod has operations in Chicago and on the east coast of the United States. Additionally, Peapod and two of our other operating companies, Stop & Shop and Giant-Landover, have teamed up to provide an internet-based home shopping and grocery delivery service in southern Connecticut; Boston and Cape Cod, Massachusetts; and Providence, Rhode Island (under the brand name "Peapod by Stop & Shop"); and Washington, D.C. and Baltimore, Maryland, (under the brand name "Peapod by Giant").

The following table sets out the net sales for our segment that covers other retail trade operations in the United States for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Giant-Carlisle	2,940	*6.4*	2,762	*(29.0)*	3,888
BI-LO	3,833	*(5.0)*	4,036	*8.5*	3,720
Bruno's	1,974	*1,558.8*	119	—	—
Tops	3,309	*(1.8)*	3,369	*11.2*	3,029
Peapod	123	*12.8*	109	*118.0*	50
Total Other United States	**12,179**	***17.2***	**10,395**	***(2.7)***	**10,687**

- Fiscal 2002

Net sales in our segment for other retail trade operations in the United States increased by EUR 1.8 billion, or 17.2%, to EUR 12.2 billion in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased EUR 2.3 billion, or 23.4%, in fiscal 2002 compared to net sales in fiscal 2001. Net sales growth was largely due to the full-year consolidation of Bruno's beginning in December 2001, as well as strong net sales performance from Giant-Carlisle, which is largely attributable to the full-year consolidation of five Laneco stores that we acquired in fiscal 2001, along with the opening of nine new and replacement stores. At Tops, net sales declined slightly in fiscal 2002 compared to fiscal 2001. We responded at Tops to the weakened economy with increased promotional activity in order to maintain our position in the markets we serve. At Tops, net sales were also affected by the full-year consolidation of 20 Grand Union stores, which we acquired in March 2001 and the opening of 11 new and replacement stores. Currency exchange rates negatively affected our net sales in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales at Tops and Giant-Carlisle would have increased by EUR 425 million, or 7.3%, in fiscal 2002 compared to net sales in fiscal 2001. In the southeastern United States, BI-LO's net sales decreased by 5.3% in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, BI-LO's net sales would have remained stable in fiscal 2002 compared to fiscal 2001. In fiscal 2002, BI-LO, along with Bruno's, experienced a particularly difficult trading environment due to high unemployment within its trading areas, along with an influx of new and expanded competition, including large discount supercenters. Net sales results at BI-LO in fiscal 2002 reflected the opening of 17 new and replacement stores, the closing of 22 unprofitable stores and the full-year impact of six Harris Teeter stores, which were acquired in fiscal 2001. Bruno's opened five new and replacement stores in fiscal 2002.

Operating income in our segment for other retail trade operations in the United States decreased by EUR 193 million, or 45.0%, to EUR 236 million in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income decreased from 4.1% in fiscal 2001 to 1.9% in fiscal 2002. Operating income was negatively affected by a slight decrease in gross profit margins, as well as an increase in operating expenses. Gross profit margins were lower as we invested more in customer promotions due to the weakened economy and increased competitive pressures, particularly in the southeastern region of the United States and in the markets served by Tops. The increase in operating expenses in fiscal 2002 was mainly caused by a goodwill impairment charge related to Bruno's supermarkets in the amount of EUR 128 million. Additionally, operating expenses increased due to integration costs relating to the merger of administrative functions at Tops and Giant-Carlisle in fiscal 2002 and the integration of Bruno's operations, which we acquired in December 2001. Currency exchange rates did not have a significant effect on operating income in fiscal 2002 compared to fiscal 2001.

- Fiscal 2001

Net sales in our segment for other retail trade operations in the United States decreased by EUR 292 million, or 2.7%, to EUR 10.4 billion in fiscal 2001 compared to fiscal 2000, primarily as a result of the transfer of the Edwards division from Giant-Carlisle to Stop & Shop at the end of fiscal 2000, as discussed above. This was partially offset by the consolidation of 20 former Grand Union stores, which were acquired in March 2001 and integrated into our Tops division, as well as overall solid sales growth at identical and new stores. Additionally, all companies in this segment reported strong net sales

growth. Excluding the impact of currency exchange rates, net sales at Tops and Grant-Carlisle decreased by EUR 296 million, or 4.6%, in fiscal 2001 compared to fiscal 2000.

Operating income in our segment for other retail trade operations in the United States rose by EUR 162 million, or 60.7%, to EUR 429 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income was 4.1% in fiscal 2001 compared to 2.5% in fiscal 2000. Despite the decrease in net sales, operating income increased mainly due to a decrease in operating expenses. The decrease in operating expenses in fiscal 2001 reflects in part the transfer of the Edwards division from Giant-Carlisle to Stop & Shop, as noted above. Operating expenses, as a percentage of net sales, also decreased as a result of ongoing cost control efforts. Additionally, we recorded EUR 50 million of real estate gains in fiscal 2001 primarily relating to the sale and leaseback of properties related to leveraged lease transactions at BI-LO and Giant-Carlisle, along with several other individually insignificant gains on the sale of fixed assets. Operating expenses in fiscal 2001 included a charge of approximately EUR 5 million to remodel and integrate the former Grand Union stores during the first half of the year. Currency exchange rates did not have a significant effect on operating income in fiscal 2001 compared to fiscal 2000.

Retail trade: Europe

In Europe, we have significant retail trade operations through our wholly-owned and majority-owned subsidiaries in The Netherlands, the Czech Republic, Slovakia, Poland and Spain.

Our retail trade operations in Europe include, among others, hypermarkets, supermarkets, and convenience stores.

The following table sets out, for the periods indicated, net sales and store counts, for the retail trade operations of our consolidated subsidiaries in Europe. For additional information on our unconsolidated joint ventures and equity investees, please see "Unconsolidated Joint Ventures and Equity Investees" below.

	2002		2001		2000	
(in EUR millions)	Net sales	Store count	Net sales (restated)	Store count	Net sales (restated)	Store count
The Netherlands						
Albert Heijn company stores	4,737	489	4,548	479	4,433	508
Albert Heijn franchise stores	966	217	861	207	768	201
Etos B.V. [1]	367	490	358	496	285	480
Gall & Gall B.V.	231	489	221	493	211	486
Schuitema company stores [2]	644	37	677	48	165	129
Schuitema associated stores [2][3]	2,227	450	2,071	467	1,915	436
Other [4]	44	142	67	143	108	143
Czech Republic	924	212	789	203	598	190
Slovakia	54	13	2	2	—	—
Poland	577	184	552	165	393	149
Spain	2,047	628	1,993	623	518	582
Total Consolidated Europe	**12,818**	**3,351**	**12,139**	**3,326**	**9,394**	**3,304**

[1] Includes 65 stores operated by De Tuinen, which was divested in May 2003.
[2] This subsidiary is 73.2%-owned by us.
[3] Consists of sales by Schuitema to associated stores.
[4] Includes 142 stores operated by Jamin, which was divested in June 2003.

- Fiscal 2002

Net sales in European retail trade operations increased by EUR 675 million, or 5.6%, to EUR 12.8 billion in fiscal 2002 compared to fiscal 2001. The economic recession in Central Europe, particularly in Poland, where unemployment was high, depressed the purchasing ability of our customers. However, despite the economic downturn, we experienced net sales growth in Europe. Particularly in The Netherlands, Albert Heijn and Schuitema performed strongly. Within The Netherlands and Spain, the introduction of Euro notes and coins in January 2002 contributed to annual rates of inflation of 3.6% and 3.5%, respectively, in fiscal 2002, which positively affected our net sales in these countries. Additionally, we experienced net sales growth in The Netherlands at identical stores and net sales growth in Central Europe as a result of the opening of new stores.

Operating loss in European retail trade operations in fiscal 2002 was EUR 640 million compared to operating income of EUR 288 million in fiscal 2001. Gross profit remained almost at the same level due to, on the one hand, centralized purchasing in Europe and, on the other hand, an increase in promotional activities. Operating expenses increased significantly compared to fiscal 2001. Operating expenses were most significantly affected by goodwill impairment charges of EUR 882 million relating to Ahold Supermercados in Spain, as well as impairment charges totaling EUR 67 million related mostly to other long-lived asset impairments in the Czech Republic, Poland and Spain. The significant impairment write-down at Ahold Supermercados in Spain was caused by economic conditions, in combination with our difficulties in integrating this acquisition.

- Fiscal 2001

Net sales in European retail trade operations increased by EUR 2.7 billion, or 29.2%, to EUR 12.1 billion in fiscal 2001 compared to fiscal 2000. The increase in net sales in fiscal 2001 was largely due to the full-year consolidation of Superdiplo, which we acquired in December 2000. Excluding the acquisition of Superdiplo, net sales improved within all trading areas in Europe, particularly within Poland and the Czech Republic, due to the opening of new stores, as well as identical sales growth at Albert Heijn. At Schuitema, which operates in The Netherlands, net sales increased significantly due to the full-year consolidation of the A&P stores, which Schuitema acquired in September 2000.

Operating income decreased by EUR 8 million, or 2.7%, to EUR 288 million in fiscal 2001, compared to fiscal 2000. As a percentage of net sales, operating income decreased from 3.2% in fiscal 2000 to 2.4% in fiscal 2001. The decrease in operating income was primarily the result of restructuring charges of EUR 21 million relating to the integration of the former A&P stores.

Retail trade: Albert Heijn

We pioneered the supermarket concept in The Netherlands and, as of the end of fiscal 2002, we were the leading Dutch food retailer through our Albert Heijn brand, both in terms of retail sales and store count. As of the end of fiscal 2002, Albert Heijn operated 706 stores, including 217 franchise stores, with an average sales area of 6,291 square feet.

Albert Heijn also operates distribution centers for grocery products and a number of processing and other distribution facilities for produce.

The franchise stores typically operate in smaller market areas under the Albert Heijn format and are not distinguishable from company-owned stores. For each franchise store, Albert Heijn provides:

- merchandise at wholesale prices, including a franchise fee;
- various support services, including logistical and warehouse services; and
- management support and training, marketing support and administrative and financial assistance.

Franchise agreements typically have a term of five years, and are renewable for additional five-year terms. Franchise stores are primarily smaller stores, with an average sales area of 2,170 square feet.

In fiscal 2002, Albert Heijn opened two Albert Heijn XL stores, a new extra-large store format in the Dutch market, which is approximately three times the size of a conventional Albert Heijn supermarket. Albert Heijn also introduced “AH to go,” a new convenience store format in shopping streets, gas stations, hospitals and railway stations. Ranging in size from 1,000 to 2,500 square feet, AH to go stores offer a select range of food and beverage products for immediate or home consumption. Albert Heijn opened 20 AH to go stores in fiscal 2002 and currently has 33 such stores.

- Fiscal 2002

Net sales at Albert Heijn increased by EUR 294 million, or 5.4%, to EUR 5.7 billion, in fiscal 2002 compared to fiscal 2001. The increase in net sales in fiscal 2002 was mainly due to inflation, along with the opening of two Albert Heijn XL extra-large stores and 20 “AH to go” convenience stores which were new formats we introduced in fiscal 2002. For fiscal 2002, identical sales growth at Albert Heijn was 4.5% compared to fiscal 2001, an increase caused by higher net sales per customer.

Operating income at Albert Heijn increased by EUR 15 million, or 6.1%, to EUR 262 million in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income remained constant at 4.6%. Gross profit margin improved slightly due to the positive effect of inflation resulting from the introduction of Euro notes and coins. Operating income was negatively affected by an increase in operating expenses, in large part because of increased pension plan costs.

- Fiscal 2001
Net sales at Albert Heijn increased by EUR 208 million, or 4.0%, to EUR 5.4 billion, in fiscal 2001 compared to fiscal 2000. The increase in net sales was caused by a change in the layout of Albert Heijn store formats in order to optimize both assortment and store space, as well as the introduction of new non-food products, together resulting in an increase in identical store sales of 3.6%. Additionally, in fiscal 2001, Albert Heijn rebounded from a price war that affected all competitors in The Netherlands during fiscal 2000.

Operating income at Albert Heijn increased by EUR 51 million, or 26.0%, to EUR 247 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income was 4.6% in fiscal 2001 compared to 3.8% in fiscal 2000. The increase in operating income was attributable partly to the end of the price war that occurred in fiscal 2000 and partly to an improvement in gross profit margin in fiscal 2001, due in part to a reduction of low-margin products offered. This was partially offset by an increase in operating expenses in fiscal 2001, primarily as a result of increases in wages and employee benefits.

Retail trade: Other Europe

The Netherlands
Other retail trade operations in The Netherlands includes our specialty retail trade operations. We acquired these specialty retail trade operations in order to expand the range of products that we offer to our Dutch retail customers including, in certain instances, products which we are not able to sell in supermarkets due to restrictions under Dutch law on the sale of liquor and prescription drugs. These specialty retail trade operations include Gall & Gall B.V. ("Gall & Gall"), Etos B.V. ("Etos") and, until May 2003, De Tuinen, which operated as a subsidiary of Etos. Gall & Gall operates wine and liquor stores, Etos operates stores specializing in health and beauty care and, in certain stores, prescription drugs and De Tuinen operates stores offering natural health and beauty care products. As of the end of fiscal 2002, Gall & Gall operated 315 stores and supplied 174 franchise stores, while Etos operated 234 stores, including 65 De Tuinen stores, and supplied 256 franchise stores. In December 2002, we announced our intention to divest De Tuinen through a sale to NBTY Inc. ("NBTY"), a U.S.-based, publicly held company. This transaction was completed in May 2003. As of the end of fiscal 2002, other specialty operations also included 142 confectionery stores (mainly franchise), operating under the name "Jamin." In June 2003, we divested Jamin through a management buy-out.

We also own 73.2% of the outstanding shares of Schuitema, a Dutch retail and wholesale company that owns supermarkets and also provides retail support to independent retailers and associated stores. As of the end of fiscal 2002, Schuitema owned 37 supermarkets and provided goods and services to 450 independent and associated food retailers mainly operating under the trade name "C1000." Schuitema also supports these independent and associated retailers on a commercial level by providing branding and support services, including the ability to benefit from bulk purchasing and an increase in bargaining power in entering into certain contracts. Schuitema also owns 87 former A&P stores, all of which have been converted to the C1000 format. Prior to fiscal 2002, the sales to the associated stores were classified as part of our former "Food wholesaling and food supply" business segment, but since then they have been included in our "Retail Trade" business segment. Schuitema is subject to a different corporate governance regime than our other Dutch subsidiaries.

In October 2001, our Dutch subsidiaries, including food service provider Deli XL B.V. ("Deli XL"), began offering a new joint internet-based home delivery service called "Albert." Customers in The Netherlands can access our Dutch retail stores through www.albert.nl and buy from all of our stores in one order.

Central Europe
We have retail trade operations in Poland, the Czech Republic and Slovakia.

In 1995, we established a 50/50 joint venture with German retailer Allkauf-Gruppe to develop retail trade operations in Poland. In January 1999, we purchased Allkauf-Gruppe's share of the joint venture and renamed the company Ahold Polska Sp. z.o.o. ("Ahold Polska") in February 1999. As of the end of fiscal 2002, Ahold Polska operated 160 supermarkets under the name "Albert," ten compact hypermarkets and 14 hypermarkets under the name "Hypernova." In August 2002, through our wholly-owned subsidiary Ahold Polska, we completed our acquisition of five Jumbo hypermarkets from JMR. The Jumbo hypermarkets are on the outskirts and in residential areas of Poznan, Lódz and Bydgoszcz and have been rebranded as Hypernova compact hypermarkets. The successful conversion of all stores into one supermarket format (Albert) and one compact hypermarket format (Hypernova) has improved Ahold Polska's position and operational performance in the highly competitive Central European food retail market.

Ahold Czech Republic A.S. ("Ahold Czech Republic") is a 99%-owned subsidiary that began food retail trade operations in the Czech Republic in 1991 under the name "Euronova." As of the end of fiscal 2002, Ahold Czech Republic operated 212 food retail stores, with a particularly strong presence in Czech cities. It is one of the largest food retailers in the Czech Republic as measured by fiscal 2002 sales volume.

In fiscal 2001, we expanded our operations in Central Europe to Slovakia. Ahold Slovakia, k.s., a wholly-owned subsidiary, opened our first two stores in Slovakia in December 2001 and continued expansion during fiscal 2002 with the opening of ten additional stores. In 2003, two additional stores have been opened.

As of the end of fiscal 2002, we had 172 Albert supermarkets, 32 Hypernova compact hypermarkets and eight Hypernova hypermarkets operating in the Czech Republic. In Slovakia we operated two Hypernova hypermarkets and 10 Hypernova compact hypermarkets at the end of fiscal 2002.

During the fourth quarter of fiscal 2002, we began integrating our merchandising, back office and administrative operations in Poland, the Czech Republic and Slovakia. To further this objective, we expect to create a new legal entity called Ahold Central Europe, s.r.o, which is expected to be located in the Czech Republic.

Spain

Throughout late 1998 and 1999, we acquired a range of well known supermarket companies in Madrid and southern Spain. The acquisition of Eco Avila and Longinos Velasco in Madrid through our wholly-owned subsidiary Ahold Supermercados was followed by that of two family-owned businesses in the south of the country - Dialco in Seville, whose stores traded under the "Cobreros" brand name, and Dumaya in Malaga. Later in 1999, we acquired Castillo del Barrio, also in Malaga, and Guerrero in Granada. In October 1999, we acquired two smaller supermarket chains in Marbella on the Costa del Sol - Mercasol and Las Postas - increasing our store base in Spain to a total of 160 stores.

We continued to grow in Spain during fiscal 2000 through a rapid expansion program, which increased our store base to a total of 582 stores by the end of fiscal 2000. Our acquisition of Kampio, a prominent regional supermarket chain in Catalonia, enabled us to extend our Spanish base from Madrid into Catalonia. We also acquired Superdiplo at the end of fiscal 2000, which operates 341 supermarkets and hypermarket stores on the Canary Islands, in Andalusia and the greater Madrid region. In July 2001, Superdiplo acquired Cemetro, a chain of 24 supermarkets, also in the Canary Islands.

As of the end of fiscal 2002, we operated 628 stores in Spain under the "Supersol" supermarket banner (in mainland Spain and the Canary Islands) and the "Netto" convenience store banner (in the Canary Islands), the "Hipersol" hypermarket banner (in mainland Spain), the "Hiperdino" hypermarket banner (in the Canary Islands) and the "Cash Diplo" banner (in mainland Spain and the Canary Islands).

The following table sets out the net sales for our other segment that covers retail trade operations in Europe for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Schuitema	2,871	*4.4*	2,749	*32.1*	2,081
The Netherlands other	642	*(0.5)*	645	*7.0*	603
Czech Republic	924	*17.1*	789	*31.9*	598
Slovakia	54	*2,600,0*	2	—	—
Poland	577	*4.5*	552	*40.5*	393
Spain	2,047	*2.7*	1,993	*284.7*	518
Total Other Europe	**7,115**	***5.7***	**6,730**	***62.6***	**4,193**

- Fiscal 2002

Despite the weak economic conditions, our net sales in Europe, excluding Albert Heijn, increased by EUR 385 million, or 5.7%, to EUR 7.1 billion in fiscal 2002 compared to fiscal 2001, reflecting primarily net sales growth at identical stores at Schuitema in The Netherlands. In Spain and in Central Europe, net sales also increased due to new store openings. Our expansion in the Slovakian market, where we opened our first store in December 2001, along with the acquisition in September 2002 of five Jumbo hypermarkets in Poland, also contributed to the increase in net sales growth. Net sales from the other specialty retailers in The Netherlands, Gall & Gall, Etos, De Tuinen and Jamin remained almost flat.

We incurred an operating loss in our segment for other Europe retail trade operations of EUR 916 million in fiscal 2002, compared to operating income of EUR 41 million in fiscal 2001. The operating loss in fiscal 2002 was due to a significant increase in operating expenses, primarily relating to impairment charges, which was slightly offset by an improvement in gross profit. Gross profit in our other Europe retail trade segment was positively affected by inflation, which increased net sales in Spain and The Netherlands. As discussed above, operating expenses increased significantly primarily due to goodwill impairment charges of EUR 882 million relating to Ahold Supermercados in Spain, as well as EUR 67 million of fixed asset impairments mainly relating to the Czech Republic, Poland and Spain. Additionally, in Spain, we continued to incur expenses related to the integration of Superdiplo, the closing of several stores and start-up costs with respect to the opening of several stores. We also incurred expenses relating to start-up costs for our operations in Slovakia. We expect to establish a Central European office called Ahold Central Europe, s.r.o. to combine the logistics, buying, computer support and various other administrative functions for the operations in the Czech Republic, Slovakia and Poland. The office is intended to reduce administrative expenses in the future. At Schuitema, operating expenses decreased slightly, as a percentage of net sales, due to improved efficiency resulting from further integration of the A&P stores that were acquired in September 2000.

- Fiscal 2001

Net sales in our segment for other Europe retail trade operations increased by EUR 2.6 billion, or 62.6%, to EUR 6.7 billion in fiscal 2001 compared to fiscal 2000. Net sales were higher in all countries in this trade area. In the Czech Republic and Poland, the net sales increase was mainly attributable to the opening of new supermarkets and hypermarkets. In Spain, net sales increased largely as a result of the full-year consolidation of Superdiplo, which was acquired in December 2000. In The Netherlands, net sales at Schuitema reflected the full-year impact of the acquisition of the A&P stores that were acquired in September 2000. However, excluding this acquisition, Schuitema, along with the other specialty retailers in The Netherlands, still achieved net sales growth within their existing operations.

Operating income in our segment for other Europe retail trade operations decreased by EUR 59 million, or 59.0%, to EUR 41 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income declined from 2.4% in fiscal 2000 to 0.6% in fiscal 2001. The decrease in operating income reflects an increase in operating expenses primarily due to continued costs incurred in fiscal 2001 in integrating Superdiplo into Ahold Supermercados in Spain and the integration of the A&P stores into Schuitema.

Retail trade: Latin America

At year-end fiscal 2002, we had retail trade operations through our subsidiaries in Brazil, Argentina, Peru, Paraguay and Chile.

The following table sets out, for the periods indicated, net sales and store count, for the retail trade operations of our consolidated subsidiaries in Latin America. For additional information about our unconsolidated joint ventures and equity investees, please see "Unconsolidated Joint Ventures and Equity Investees" below.

	2002		2001		2000	
(in EUR millions)	Net sales	Store count	Net sales (restated)	Store count	Net sales (restated)	Store count
Brazil:						
Bompreço [1]	1,028	119	1,274	110	810	106
G. Barbosa [2]	257	32	—	—	—	—
Argentina:						
Disco [3]	511	237	—	—	—	—
Chile, Peru and Paraguay:						
Santa Isabel [4]	347	119	—	—	—	—
Total Latin America	**2,143**	**507**	**1,274**	**110**	**810**	**106**

[1] Consolidated beginning in the third quarter of fiscal 2000.
[2] Consolidated beginning in the first quarter of fiscal 2002.
[3] Consolidated beginning in the second quarter of fiscal 2002.
[4] Consolidated beginning in the third quarter of fiscal 2002. Our Chilean operations were divested in July 2003, and our Paraguayan operations were divested in September 2003.

We began operating in Latin America in fiscal 1996, when we acquired Bompreço in Brazil. From fiscal 1996 to fiscal 2002, we expanded our operations in Latin America. In February 2003, we announced our intention to divest our operations in Chile, and in April 2003, we announced our intention to divest our other South American operations in Brazil, Argentina, Peru and Paraguay. Our progress on these divestments is discussed below.

Brazil

In December 1996, we entered the Latin American market through an agreement with Bompreçopar S.A. Under this agreement, we indirectly acquired 50% of the voting shares and 50.1% of the total capital of Bompreço. Bompreço is the leading food retailer in northeastern Brazil based on fiscal 2002 retail sales. In June 1997, Bompreço acquired SuperMar, a regional supermarket chain in northeastern Brazil, which was subsequently renamed Bompreço Bahia S.A. ("Bompreço Bahia"). All Bompreço Bahia stores operate under the "Bompreço" and "Hiper Bompreço" names. In July 2000, we acquired the remaining 50% of the voting shares and an additional 10.9% of the non-voting shares of Bompreço, and in October 2001, we acquired the remaining non-voting shares of Bompreço. In July 2001, we acquired five hypermarket stores from Carrefour. Four of those hypermarkets were converted into compact hypermarkets, while one was converted into a supermarket in 2001.

In January 2002, we acquired 32 hypermarkets and supermarkets, and related operational assets, from G. Barbosa. As of the end of fiscal 2002, through our subsidiary, G. Barbosa, we operated seven hypermarkets and 25 supermarkets in the northeastern Brazilian states of Sergipe and Bahia. The G. Barbosa stores continue to operate under their own name.

In September 2002, Bompreço acquired nine supermarkets, and related assets, from Lusitana. Lusitana operates in São Luis, the capital city of Maranhão.

As of the end of fiscal 2002, through Bompreço and G. Barbosa, we operated 97 supermarkets, 54 hypermarkets and other food retail stores. In April 2003, we announced our intention to divest our operations in South America, including our operations in Brazil.

Argentina, Chile, Peru and Paraguay

We continued to develop our Latin American operations through DAIH, originally established as a joint venture with VRH, in January 1998. At the time it was established, we held a 50% interest in DAIH (which was increased to 55.9% by the end of fiscal 2001 and further increased to 100% by August 2002). At that time, DAIH owned, directly or indirectly, 36.96% of the capital stock of Santa Isabel. In addition, in January 1998, DAIH owned 50.4% of the capital stock of

Disco. Through a series of purchases made from 1998 to 2002, we directly and indirectly increased our ownership in Santa Isabel to 99.6% and in Disco to 99.97%. As a result of VRH's default on certain indebtedness, we were required to purchase substantially all (44.1% of DAIH shares outstanding) of VRH's shares in DAIH and to repurchase certain indebtedness.

Disco

Disco has operations in Argentina and is the second largest supermarket company in Argentina based on fiscal 2002 retail sales. In 1999, Disco acquired the Americanos, Gonzalez and Pinochio supermarket chains. In January 2000, Disco continued to expand, acquiring 100% of the outstanding shares of Ekono. As of the end of fiscal 2002, Disco operated 237 stores. Prior to fiscal 2001, Disco primarily operated supermarkets that targeted high-end customers in the cities of Buenos Aires and Cordoba and in the northwest provinces of Argentina. In Mendoza, in the west of Argentina, Disco operates a more popular store format under the name "Super VEA." In light of the deteriorating economic condition in Argentina and in order to reach more customers, a compact hypermarket format was developed in 2001 under the name "Plaza Vea." In 2002, due to the severe economic crisis in Argentina, Disco initiated a large restructuring initiative in order to reduce costs and to adapt to the new environment in the longer term. Subsequently, an effort was started to convert all Disco supermarkets in the northwest to lower-end supermarkets under the brandname "Super VEA." Further initiatives were undertaken to develop a new low-end format under the name "Despensa Vea."

Disco, which had been previously fully consolidated in our financial statements, was deconsolidated for the first quarter of fiscal 2002, fiscal 2001 and fiscal 2000. Thus, Disco's net sales for the first quarter of fiscal 2002, fiscal 2001 and fiscal 2000, which were EUR 251 million, EUR 2.1 billion and EUR 2.2 billion, respectively, are not included in our net sales for the retail trade operations for our consolidated subsidiaries in Latin America in the table above. As of the end of fiscal 2002, Disco operated 237 stores.

Santa Isabel

Santa Isabel was the third largest supermarket company in Chile and the second largest in Peru based on fiscal 2002 retail sales, and also had operations in Paraguay. As of the end of fiscal 2002, Santa Isabel operated 119 stores, with 77 stores in Chile, 32 in Peru and ten in Paraguay. In Chile, Santa Isabel primarily operated supermarkets focused on high-end customers. One compact hypermarket was developed in fiscal 2001 and two more in fiscal 2002 in order to reach lower-end customers. In Peru, Ahold primarily operates Santa Isabel supermarkets and compact hypermarkets under the name "Plaza Vea" since fiscal 2001. In Paraguay, we operated supermarkets under the name "Stock."

Santa Isabel, which had been previously fully consolidated in our financial statements, was deconsolidated for the first two quarters of fiscal 2002, fiscal 2001 and fiscal 2000. Thus, Santa Isabel's net sales for the first two quarters of fiscal 2002, fiscal 2001 and fiscal 2000, which were EUR 365 million, EUR 771 million and EUR 764 million, respectively, are not included in our net sales for the retail trade operations for our consolidated subsidiaries in Latin America in the table above. As of the end of fiscal 2002, Santa Isabel operated 119 stores.

In April 2003, we announced our intention to divest our operations in South America, including our operations in Argentina, Chile, Peru and Paraguay.

In July 2003, we divested our operations in Chile by selling our interest in Santa Isabel for net proceeds of approximately USD 77 million, which includes the buyer's assumption of external interest-bearing debt of USD 18 million and negative working capital of USD 56 million. In September 2003, we divested our operations in Paraguay by selling our 100% interest in Supermercados Stock S.A. to A.J. Vierci. We still own Santa Isabel's operations in Peru, which we expect to sell.

The following table sets out the net sales of our retail trade operations in the Latin America retail trade segment for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Brazil:					
Bompreço	1,028	*(19.3)*	1,274	*57.3*	810
G. Barbosa	257	—	—		—
Argentina:					
Disco	511	—	—		—
Chile, Peru and Paraguay:					
Santa Isabel	347	—	—		—
Total Latin America	**2,143**	***68.2***	**1,274**	***57.3***	**810**

Set forth below is a discussion of the operating income of our Latin America retail trade segment for fiscal 2002 compared to fiscal 2001 and fiscal 2001 compared to fiscal 2000. For a discussion of the operating income of Disco and Santa Isabel, please see "Share in Income (Loss) of Joint Ventures and Equity Investees" on page 67.

- Fiscal 2002

Consolidated net sales in our Latin America retail trade segment increased by EUR 869 million, or 68.2%, to EUR 2.1 billion in fiscal 2002 compared to fiscal 2001. The increase in net sales was primarily attributable to the consolidation of G. Barbosa, and the part-year consolidation of Disco, Santa Isabel and DAIH in fiscal 2002, as discussed above. Net sales at Bompreço decreased by EUR 246 million, or 19.3%, to EUR 1.0 billion in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales at Bompreço would have increased by EUR 45 million, or 4.6%, in fiscal 2002 compared to net sales in fiscal 2001. In fiscal 2002, the inflation rate in Brazil was approximately 16%. Bompreço's net sales in fiscal 2002 were negatively affected by the economic recession and the energy crisis in Brazil.

The Latin America retail trade segment incurred an operating loss of EUR 278 million in fiscal 2002 compared to operating income of EUR 56 million in fiscal 2001. The fiscal 2002 operating loss was primarily caused by the consolidation of Disco from the second quarter of fiscal 2002 and Santa Isabel and DAIH from the third quarter of fiscal 2002. DAIH incurred substantial operating losses in fiscal 2002, as more fully discussed below. Such operating losses included a EUR 199 million goodwill impairment charge with respect to DAIH's investment in Disco and Santa Isabel. The economic crisis in Argentina, and to a lesser extent in Chile, resulted in a revised expectation of the future cash flows of each of these operations. In addition, the offers we received from potential buyers for our operations were taken into consideration in the impairment analysis. The fiscal 2002 operating loss for the Latin America retail trade segment also included a EUR 54 million goodwill impairment charge with respect to Bompreço and G. Barbosa. This impairment was triggered by the lower-than-expected operating performance of these operations. In addition, the fiscal 2002 operating loss included a charge of EUR 10 million in fiscal 2002 relating to severance charges for the termination of employees as a result of the reorganization of operations in our Latin America retail trade segment.

Operating income at Bompreço declined in fiscal 2002 compared to fiscal 2001, primarily as a result of the devaluation of the Brazilian Real and the economic slowdown in Brazil as described above. In addition, Bompreço's gross profit decreased, mainly due to the implementation of a new pricing strategy, which resulted in lower prices. We implemented several cost reduction initiatives in Brazil in fiscal 2002.

- Fiscal 2001

Net sales in our Latin America retail trade segment increased by EUR 464 million, or 57.3%, to EUR 1.3 billion in fiscal 2001 compared to fiscal 2000. This increase mainly reflects the full-year consolidation of Bompreço.

Operating income in the Latin America segment increased by EUR 5.0 million, or 9.8%, to EUR 56 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income was 4.3% in fiscal 2001 compared to 6.3% in fiscal 2000. The main cause of the decline in the operating income as a percentage of net sales in fiscal 2001 was impairment charges incurred primarily as a consequence of the difficult economic conditions in Brazil.

Retail trade: Asia Pacific

As of the end of fiscal 2002, we had retail trade operations through our subsidiaries in Thailand, Malaysia and Indonesia.

The following table sets out, for the periods indicated, net sales and store count, for the retail trade operations of our consolidated subsidiaries in Asia Pacific.

	2002		2001		2000	
(in EUR millions except store count)	Net sales	Store count	Net sales	Store count	Net sales	Store count
Malaysia [1]	85	40	88	39	88	39
Thailand	336	49	285	44	297	41
Indonesia [1]	37	24	27	21	17	17
Total Asia Pacific	**458**	**113**	**400**	**104**	**402**	**97**

[1] Divested in September 2003.

In 1996, we formed a partnership in Malaysia, with companies of the Kuok Group, of which we held a 60% interest. The Malaysian partnership, Ahold Kuok Malaysia, acquired the Parkson and Looking Good store chains in 1998. In December 2000, we became 100% owner of our Malaysian operations, which operated 40 stores as of the end of fiscal 2002.

Early in 1997, we entered into a partnership in Thailand with the Central Robinson Group, CRC Ahold Co. Ltd. ("CRC Ahold Thailand"), of which we owned 49%. In 1998, we acquired 100% ownership of the partnership, subject to repurchase options of up to 50% of the outstanding shares granted to the Central Robinson Group. As of the end of fiscal 2002, CRC Ahold Thailand operated 49 stores in Thailand.

In July 1997, we entered into a technical assistance agreement with the PSP Group in Indonesia in connection with the potential development of a supermarket chain in that country. We acquired 70% of the PSP Group at that time and acquired the remaining shares in September 2002. As of the end of fiscal 2002, the PSP Group operated 24 stores in Indonesia.

As of the end of fiscal 2002, we operated 113 retail stores in Asia Pacific. In 2002, we also began a small operation in Thailand delivering dry groceries to third-party retailers, primarily gas stations and convenience stores. In April 2003, we announced that we had reached an agreement for the sale of our Indonesian operations to Hero, which was completed in September 2003. In May 2003, we announced that we had reached an agreement for the sale of our Malaysian operations to Dairy Farm Giant Retail Sdn Bhd, a subsidiary of Dairy Farm International Holdings Limited, and the transfer of assets was completed in September 2003. For additional information, please see "Divestments" above and our financial statements.

The following table sets out the net sales of our retail trade operations in the Asia Pacific segment for fiscal 2002, fiscal 2001 and fiscal 2000:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
Malaysia	85	*(3.4)*	88	*0*	88
Thailand	336	*17.9*	285	*(4.0)*	297
Indonesia	37	*37,0*	27	*58.8*	17
Total Asia Pacific	**458**	***14.5***	**400**	***(0.5)***	**402**

- Fiscal 2002

Net sales in the Asia Pacific retail trade segment increased by EUR 58 million, or 14.5%, to EUR 458 million in fiscal 2002 compared to fiscal 2001. Economic developments differed among countries in the Asia Pacific retail trade segment, but, overall, development was positive compared to the prior year. The net sales growth in the Asia Pacific retail trade segment came primarily from Thailand, which started wholesale activities in the second half of fiscal 2002. Retail activities in Thailand, which constituted approximately 73% of our retail sales in the Asia Pacific segment in fiscal 2002, experienced stagnation in terms of net sales caused by strong competition in the Bangkok area. Net sales in Thailand increased by EUR 51 million, or 17.9%, to EUR 336 million in fiscal 2002 compared to fiscal 2001. In fiscal 2002,

net sales in Malaysia decreased. Results in Malaysia were affected by the closure of unprofitable stores. Our Indonesian operations experienced strong net sales growth due to new store openings and net sales growth at identical stores, but due to the relatively small size of these operations, they only had a limited impact on our results.

Operating loss in the Asia Pacific retail trade segment increased by EUR 11 million, or 37%, to EUR 31 million in fiscal 2002 compared to fiscal 2001. Gross profit, as a percentage of net sales, decreased in fiscal 2002 compared to fiscal 2001, primarily due to the launch of wholesale activities in Thailand. In addition, gross profit was negatively affected by lowered prices in response to competitive pressures in the region. Operating expenses increased due to impairment charges with respect to other long-lived assets in Thailand, Malaysia and Indonesia in the aggregate amount of EUR 6 million. In Malaysia, we experienced operating losses as a result of high operating expenses, largely due to high labor costs and high real estate costs. Additionally, we incurred costs in Malaysia relating to the closure of unprofitable stores and the cost of integrating acquisitions completed in prior years. In Thailand, operating expenses were affected by start-up costs relating to the opening of wholesale activities. Indonesian operating expenses were affected by miscellaneous losses on USD-denominated loans and by a provision for retirement benefits.

- Fiscal 2001

Net sales in the Asia Pacific retail trade segment declined by EUR 2 million, or 0.5%, to EUR 400 million in fiscal 2001 compared to fiscal 2000. Net sales were negatively affected by stronger competition in Malaysia and by currency exchange rates in Thailand. Net sales in Indonesia increased from both identical stores and new store openings.

Operating loss in the Asia Pacific retail trade segment decreased by EUR 10 million, or 33.4%, in fiscal 2001 compared to fiscal 2000. Operating loss from the Thai operations was lower in fiscal 2001 due to a write-off in fiscal 2000 relating to the distribution center in Thailand. Malaysia and Indonesia continued to sustain operating losses, although we experienced significant improvements in Malaysia as a result of lower store closure costs in fiscal 2001 compared to fiscal 2000. Operating expenses decreased in fiscal 2001 compared to fiscal 2000.

Food service

Our food service operations provide us with another channel to serve consumers. Food service operators supply food and related products to restaurants, food service establishments, hospitals, universities and other institutional food providers. Our primary food service operations in the United States and two European countries - The Netherlands and Belgium - serve the needs of thousands of accounts. Through them, we reach consumers who eat meals prepared away from home. We distribute food and offer services and expertise to restaurants and hotels, health care institutions, government facilities, universities, sports stadiums and caterers. Compared to the food retail market, which has a number of large operators, the USD 160 billion food service market in the United States is large, widespread and fragmented with over 3,000 full-service distributors and over 10,000 specialty distributors operating nationwide.

The following table sets out, for the periods indicated, net sales for our food service operations (excluding intersegment sales):

(in EUR millions)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
United States	18,508	13,556	6,649
Europe	872	882	761
Total Food Service	**19,380**	**14,438**	**7,410**

Food service: United States

Through a series of acquisitions that began in April 2000 in the United States, we have established ourselves as the second largest food service distributor in that country based on net sales in fiscal 2002. Our food service business in the United States, which is comprised of the operations of USF and its subsidiaries, supplies food and related products to restaurants and other institutional and food service establishments, including hotels, health care institutions, government facilities, universities, sports stadiums and caterers. USF currently has a customer base of over 300,000 independent and chain businesses throughout the United States. It also provides marketing expertise and business support to its clients. USF's operations cover a geographic area in which 95% of the U.S. population resides. Its customers include independent "street" and multi-unit "chain" businesses. "Street" businesses include small, independent, operator-owned restaurants. "Chain" businesses include multi-unit restaurant, healthcare and catering companies. No single customer accounts for more than

5% of net sales. In addition to our food service distribution businesses, USF processes and distributes custom-cut meat products through Stock Yards Meat Packing Company and markets and distributes restaurant equipment and supplies through Next Day Gourmet, L.P. ("Next Day Gourmet").

We entered the U.S. food service market in April 2000 when we acquired USF, currently the second largest food service distributor in the United States based on its sales in fiscal 2002. USF currently has a customer base of over 300,000 independent and chain businesses throughout the United States.

USF stocks and markets thousands of national, private label and signature brand items, such as canned and dry food products, fresh meats, poultry, seafood, frozen foods, fresh produce, dairy and other refrigerated foods, paper products, and cleaning and other supplies. USF also markets and transports such products to establishments that prepare and serve meals to be eaten away from home.

USF operates from 89 active food distribution facilities, ten stand alone custom-cut meat shops, and six Next Day Gourmet distribution facilities. USF maintains three principal office facilities in Greenville, South Carolina, Phoenix, Arizona, and Columbia, Maryland, which is where its corporate headquarters are located.

Since our acquisition of USF, we have expanded our U.S. food service operations through a series of acquisitions, as set out below:

- In fiscal 2000, USF acquired PYA/Monarch, a broadline food service distributor in the southeastern United States which served almost 40,000 customers, and GFG Foodservice, a broadline food service distributor in North Dakota, South Dakota and Minnesota with over 4,300 customers.
- In February 2001, USF acquired Parkway, a broadline food service distributor in western Florida. Parkway serviced over 1,000 customers.
- In May 2001, USF acquired Mutual, a broadline food service distributor in Florida. Mutual serviced over 4,200 customers.
- In November 2001, USF acquired Alliant. Alliant serviced approximately 125,000 accounts across the United States.
- In September 2002, USF acquired certain assets of Lady Baltimore, a broadline food service distributor in Kansas, Missouri, Nebraska, Arkansas, Oklahoma, Illinois and Iowa. Lady Baltimore serviced approximately 2,836 customers.
- In December 2002, USF acquired Allen Foods, a broadline food service distributor in Kansas, Missouri and southern Illinois. Allen Foods serviced over 5,400 customers.

- Fiscal 2002

Our food service segment in the United States is comprised entirely of USF. Net sales at USF increased by EUR 5.0 billion, or 36.5%, to EUR 18.5 billion in fiscal 2002 compared to fiscal 2001. Excluding the impact of currency exchange rates, net sales would have increased by EUR 5.6 billion, or 43.7%, in fiscal 2002 compared to net sales in fiscal 2001. The increase in net sales was largely due to the acquisition of Alliant, which was consolidated beginning in December 2001 and, to a lesser extent, the acquisition of Allen Foods and certain assets of Lady Baltimore, which were consolidated in the fourth quarter of fiscal 2002. The impact of these acquisitions on net sales was partly offset by the divestiture of certain assets of a non-strategic line of business included in the Alliant acquisition, the discontinuance of sales to unprofitable customers that were acquired as part of the Alliant acquisition, the loss of sales as a result of consolidation of distribution centers that served overlapping markets and USF's realignment of customer servicing in the southeastern United States, which integrated the regional operations of USF, Alliant and PYA/Monarch. Excluding acquisitions, net sales would have decreased slightly in fiscal 2002 compared to fiscal 2001. This decline was also caused in part by food price deflation in the food service industry in the United States, which resulted in lower prices being paid by our customers generally, and under our cost plus a percentage mark-up pricing contracts an additional decline in the margin in dollar terms paid above product costs, all of which negatively affected net sales. This decline was also caused by several other factors: a decline in tourism and business travel following the September 11, 2001, terrorist attack, which particularly affected USF's sales to hospitality customers, along with sales in specific geographical areas that rely on the tourism industry, including Las Vegas, Washington D.C. and Florida; and currency exchange rate differences, as noted above.

While food service operations typically have low margins, USF's gross profit margin in fiscal 2002 was significantly lower than that of its competitors. We believe that the higher margins of USF's competitors were due in part to significantly better purchasing programs at competitors than those at USF, which disparity was hidden in the past by the accounting irregularities with respect to vendor allowances at USF. Competitors' net sales also generally include a higher proportion of private label products than USF's net sales. Private label products have higher margins, in comparison with the margin available on the sale of nationally branded products. In addition, we believe that the proportion of USF's net sales consisting

of lower margin chain sales, compared to higher margin street sales, is greater than that of its competitors. Chain sales are typically sales to larger, multi-unit restaurant, healthcare and catering companies. Street sales are sales to smaller, independent, owner-operated restaurants. During fiscal 2002, as a result of the full-year consolidation of Alliant, which had a higher proportion of its net sales consisting of chain sales, the proportion of USF's sales that are street sales declined from the fiscal 2001 level of 53.7% to 52.1% of total fiscal 2002 net sales. This caused a decline in USF's gross profit margin in fiscal 2002 compared to fiscal 2001. For a discussion of USF's plans to address these issues, please see "Outlook for Fiscal 2003 - Food Service in the United States: Fiscal 2003" in this section.

Operating income at USF increased by EUR 108 million, or 207.7%, to EUR 160 million in fiscal 2002 compared to fiscal 2001 as a result of the acquisitions referred to above. Fiscal 2001 operating income included a gain relating to the reversal of excess reserves in the amount of EUR 28 million. In fiscal 2001, a EUR 111 million restructuring charge was incurred at USF in connection with the Alliant acquisition. As a percentage of net sales, operating income was 0.9% in fiscal 2002 compared to 0.4% in fiscal 2001. Operating expenses increased in fiscal 2002 compared to fiscal 2001, reflecting the full-year consolidation of Alliant. Operating costs also were higher in fiscal 2002 as a result of the realignment of customer servicing in the southeastern United States among existing USF and newly acquired Alliant divisions which resulted in higher sales commissions and higher transportation costs.

- Fiscal 2001

Net sales at USF increased by EUR 6.7 billion, or 103.9%, to EUR 13.6 billion in fiscal 2001, compared to fiscal 2000. Currency exchange rates did not have a significant effect on net sales in fiscal 2001 compared to fiscal 2000. The increase in net sales was due to the acquisition of PYA/Monarch, which was consolidated beginning in December 2000, and, to a lesser extent, Mutual and Parkway, which were acquired in fiscal 2001. The increase also reflects the full-year of net sales for USF in fiscal 2001 compared to a partial year in fiscal 2000, as a result of our April 2000 acquisition of USF. The increase in net sales was partly offset by a decline in tourism and business travel following the September 11, 2001 terrorist attack, which in particular affected USF's sales to hospitality customers, along with sales in specific geographical areas that rely on the tourism industry, including Las Vegas, Washington D.C. and Florida.

Street sales in fiscal 2001 represented approximately 54% of USF's net sales compared to approximately 56% of net sales in fiscal 2000. The decrease in the street sales percentage was due principally to the full-year consolidation of PYA/Monarch in fiscal 2001, which had a higher ratio of chain sales to street sales.

Due to the full-year consolidation of PYA/Monarch in fiscal 2001 and its higher percentage of sales to lower-margin chain customers, USF's gross profit margin in fiscal 2001 was lower than for fiscal 2000.

Operating income at USF decreased by EUR 53 million, or 50.5%, to EUR 52 million in fiscal 2001 compared to fiscal 2000. The decline in operating income reflected the EUR 111 million restructuring charge in connection with the Alliant acquisition. As a percentage of net sales, operating income was 0.4% in fiscal 2001 compared to 1.6% in fiscal 2000. Currency exchange rates did not have a significant effect on operating income in fiscal 2001 compared to fiscal 2000.

Operating expenses increased in fiscal 2001 compared to fiscal 2000, reflecting costs associated with the December 2000 acquisition of PYA/Monarch along with the related integration costs.

Food service: Europe

Based on net sales, we are the leading food service distributor in The Netherlands through our subsidiary, Deli XL. Based in Charleroi, Deli XL is also a prominent food service provider in Belgium. In 1985, we acquired a Dutch food service company which had been operating since 1949. We renamed it the Ahold Institutional Food Service Company (Grootverbruik Ahold B.V.) ("GVA"). In the summer of 1999, we acquired Gastronoom, another prominent food service operator, and Gastronoom and GVA continued as major vendors to the Dutch healthcare and hospitality sectors (such as hotels and restaurants). In January 2000, the two companies introduced a new name for their joint activities, Deli XL. In October 2000, Deli XL acquired the Belgian food service distributor MEA from Compass Group plc. From January 1, 2001, MEA began operating under the name "Deli XL." Deli XL provides a wide range of some 60,000 food and non-food products to approximately 30,000 hospitals, schools and other hospitality enterprises.

- Fiscal 2002

Net sales from our food service segment in Europe represent net sales of Deli XL, located in The Netherlands and Belgium. In fiscal 2002, net sales decreased by EUR 10 million, or 1.1%, to EUR 872 million compared to fiscal 2001. The decrease in net sales was largely due to the weakened economy, as part of our customer base in the food service business includes sales to restaurants, hotels and catering services, which were particularly affected by the economic downturn.

Operating income for our food service segment in Europe decreased by EUR 15 million, or 65.2%, to EUR 8 million in fiscal 2002 compared to fiscal 2001. As a percentage of net sales, operating income was 0.9% in fiscal 2002 compared to 2.6% in fiscal 2001. In fiscal 2002, operating expenses increased, as a percentage of net sales, primarily due to an increase in pension costs in The Netherlands. The increase in pension costs largely resulted from the inclusion of employees of the previously acquired Gastronoom in the pension plan of Ahold Pension Fund beginning in fiscal 2002. In addition, pension costs increased because the poor performance of stock markets in fiscal 2002 had a negative influence on the investment results of the Ahold Pension Fund, resulting in additional pension charges, pension premiums and payments to the Ahold Pension Fund. The decrease in our operating income for our food service segment in Europe in fiscal 2002 compared to fiscal 2001 was mainly attributable to decreased net sales and higher operating expenses as discussed above.

- Fiscal 2001

Net sales increased by EUR 121 million, or 15.9%, to EUR 882 million in fiscal 2001 compared to fiscal 2000. This was mainly due to the full-year consolidation of MEA, a Belgian food service operator that we acquired in October 2000. On January 1, 2001, MEA began operating under the name Deli XL. Excluding MEA, net sales growth at Deli XL was moderate in fiscal 2002 compared to fiscal 2001.

Operating income decreased EUR 1 million, or 4.2%, to EUR 23 million in fiscal 2001 compared to fiscal 2000. As a percentage of net sales, operating income decreased from 3.2% in fiscal 2000 to 2.6% in fiscal 2001. The decrease in operating income was primarily the result of an increase in operating expenses, as a percentage of net sales, mainly due to the integration costs of former Grootverbruik Ahold and Gastronoom and the cost of rebranding both companies as Deli XL.

Other activities

Real estate

As of the end of fiscal 2002, we operated two real estate companies in the United States under the names Ahold Real Estate Company ("ARC") and Ahold Real Properties ("ARP"), and one real estate holding company in The Netherlands under the name Ahold Real Estate Europe B.V. ("ARE"). Our real estate companies are engaged in the acquisition, development and management of store locations in the United States, The Netherlands, Spain, the Czech Republic, Slovakia and Poland.

Production

In The Netherlands, we operate a food production company under the name "Ahold Coffee Company" (prior to fiscal 2002, "Marvelo"). We are principally engaged in producing a portion of Albert Heijn's private label coffee products and selling such products to third parties. Prior to fiscal 2001, we also produced and sold wine, tea, nuts, peanut butter and chocolate spreads. In fiscal 2001, we sold these product lines to third parties, retaining our coffee production activities.

Financial center

In April 2002, we moved one of our main financial centers from Zaandam to Geneva, Switzerland. This center, Ahold Finance Group (Suisse), focuses on third-party and intercompany financing and European cash management and plans to coordinate payments to European vendors through a centralized payment system. Ahold Finance Group (Suisse) includes our Treasury & Corporate Finance department. We have taken this step in response to the uncertain future of the taxation of intra-group financing activities within the European Union, of which Switzerland is not a member. We also have financial centers in Chantilly, Virginia and Brussels, Belgium.

- Fiscal 2002

Our other activities consist primarily of real estate operations. Other activities also include net sales to third parties from Ahold Coffee Company, our coffee production company in The Netherlands and corporate overhead costs of the Ahold parent company. As a percentage of total net sales, the revenues from our other activities segment are insignificant.

The operating loss for the other activities segment was EUR 367 million in fiscal 2002 compared to operating income of EUR 75 million in fiscal 2001. The fiscal 2002 operating loss was caused by an exceptional loss of EUR 372 million that resulted from the default by VRH on certain indebtedness, which resulted in our parent company having to purchase, or cause to be purchased, substantially all of VRH's shares in DAIH and to repurchase, or cause to be purchased, certain of VRH's indebtedness. For additional information about the transaction with VRH, please see our financial statements.

- Fiscal 2001

Operating income decreased by EUR 2 million, or 2.6%, to EUR 75 million in fiscal 2001 compared to fiscal 2000.

Share in income (loss) of joint ventures and equity investees

As discussed above, in addition to our consolidated subsidiaries, we also have interests in retail trade operations through our joint ventures. The income or losses generated by our joint ventures are included in our share in income (loss) of joint ventures and equity investees. As of fiscal year-end 2002, we had interests in three significant entities that we accounted for as unconsolidated joint ventures. These three joint ventures are ICA, JMR and Paiz Ahold. Previously we consolidated our interests in ICA, JMR and Paiz Ahold. As discussed under "Restatements, Adjustments and Remedial Actions" above, our consolidated financial position as per December 30, 2001 and results for fiscal 2001 and 2000 have been restated to change our accounting for our interests in ICA and JMR to account for these joint ventures using the equity method of accounting. Paiz Ahold is a 50/50 joint venture between Ahold and the Paiz family that was formed in December 1999. In January 2002, Paiz Ahold joined with CSU International to form CARHCO. Paiz Ahold owns a 66 2/3% interest in CARHCO. Our restated financial position also reflect adjustments to deconsolidate Paiz Ahold during the period from its formation in December 1999 until the formation of CARHCO in January 2002. We do not consolidate our interest in CARHCO.

Previously, we consolidated our interests in two other joint ventures: Bompreço and DAIH. Our consolidated financial position as per December 30, 2001 and results for fiscal 2001 and 2000 have been restated to account for these entities as unconsolidated joint ventures for the periods prior to our obtaining a majority of the voting power. Bompreço was accounted for using the equity method of accounting until June 2000 and is consolidated for the periods after July 2000, when we acquired a majority of the voting power. In the second quarter of fiscal 2002, we began consolidating Disco in our financial statements as a result of our acquiring directly shares of Disco in consideration for capitalizing intercompany loans we had directly made to Disco. DAIH was accounted for using the equity method of accounting until June 2002. DAIH and Santa Isabel were consolidated as of July 2002 in connection with our purchase of the shares of capital stock of DAIH from our former joint venture partner VRH. For additional information about the transaction with VRH, please see our financial statements. For additional information about the restatement of our financial statements as a result of these changes in consolidation, please see our financial statements.

Significant unconsolidated joint ventures and equity investees

	Date of formation	Consolidated since	Ahold's ownership interest as of fiscal year-end 2002
ICA	May 2000	—	50%
JMR	Jan. 1992	—	49%
Paiz Ahold [1]	Dec. 1999	—	50%
DAIH [2]	Jan. 1998	July 2002	100%
Bompreço	Fiscal 1996	July 2000	100%

[1] In January 2002, Paiz Ahold formed CARHCO, a new joint venture, with CSU International. Paiz Ahold owns a 66 2/3% interest in CARHCO.

[2] As of fiscal year-end 2002, DAIH was the holding company of Disco and Santa Isabel. Disco was consolidated since the second quarter of fiscal 2002.

The following table shows our share in income (loss) of joint ventures and equity investees:

	Fiscal 2002		Fiscal 2001		Fiscal 2000
	EUR	*Change (%)*	EUR	*Change (%)*	EUR
(in EUR millions, except percentages)			(restated)		(restated)
ICA	61		64		48
JMR	35		30		20
Paiz Ahold	10		13		13
DAIH	(126)		(296)		(5)
Others	(18)		(3)		2
Total share in income (loss) of joint ventures and equity investees	**(38)**	***80.2***	**(192)**	***(346.2)***	**78**

Unconsolidated Joint Ventures and Equity Investees

The following table sets out, for the periods indicated, the net sales and store counts of our joint ventures in Europe and Latin America, which were not consolidated for all or part of fiscal 2000, fiscal 2001 and fiscal 2002. In addition, we have a number of equity investees, the primary being Luis Paez S.A. ("Luis Paez"). For additional information regarding the decision to deconsolidate certain of these entities, please see our financial statements.

	2002		2001		2000	
	Net sales	Store count	Net sales	Store count	Net sales	Store count
(in EUR millions, except store count)			(restated)		(restated)	
ICA [1]	7,742	2,937	7,010	2,991	4,841	3,148
JMR	1,540	198	1,562	198	1,467	198
DAIH [2]	616	—	2,914	354	2,938	331
Bompreço [2]	—	—	—	—	705	—
CARHCO [3]	1,595	289	712	144	629	130
Total Unconsolidated Joint Ventures	**11,493**	**3,424**	**12,198**	**3,687**	**10,580**	**3,807**

[1] Some of the stores serviced by ICA are retailer-owned.

[2] Includes DAIH and Bompreço for periods for which they are not consolidated in our financial statements.

[3] The results in fiscal 2002 and fiscal 2001 reflect the results of Paiz Ahold. In January 2002, Paiz Ahold entered into a new joint venture with CSU, forming CARHCO.

ICA

In April 2000, we acquired a 50% partnership interest in ICA, which in turn owns the ICA Group. The ICA Group is an integrated food retail and wholesale group, servicing 2,937 retailer-owned and company-owned neighborhood stores, supermarkets, superstores, hypermarkets and discount stores in Sweden, Norway and the Baltic states as of the end of fiscal 2002. ICA also provides limited financial services in Sweden.

The ICA Group has been a market leader in Sweden since 1966 based on retail sales. In Sweden, the ICA Group, through its wholly-owned subsidiary, ICA Handlarnas AB ("ICA Handlarnas"), operates as a wholesaler servicing 1,764 associated stores under either the "ICA," "MAXI" or "RIMI" brand as of the end of fiscal 2002, all of which were operated by individual retailers. The relationship between retailers and ICA Handlarnas is governed by various types of agreements, pursuant to which the retailer pays ICA Handlarnas a specific fee. In exchange, ICA Handlarnas provides the retailers with various services, including, among others, marketing, format development and supply of goods. In addition, in some cases, the ICA Group owns or has rights to the store locations, which it leases to the retailer.

As of the end of fiscal 2002, the ICA Group store portfolio in Sweden consisted of 1,033 ICA Nära neighborhood stores, 123 ICA Kvantum large supermarket stores, 439 ICA Supermarked stores, 33 MAXI ICA Stormarknad hypermarkets and 136 RIMI discount stores. At the end of fiscal 2002, the decision was made to terminate the RIMI brand and format positions and convert existing RIMI stores into ICA brand supermarket or discount stores (NETTO).

In Sweden, the ICA Group also engages in food service activities for the restaurant and convenience store sectors under the name "ICA Menyföretagen."

In Norway, ICA's wholly-owned subsidiary, ICA Norge AS ("ICA Norge"), supported 1,079 stores under either the ICA, MAXI or RIMI name at the end of fiscal 2002, which comprised 353 company-owned stores, 438 retailer-owned stores with franchise agreements and 288 retailer-owned associated stores with cooperation agreements.

Retailers operate the 438 franchise stores in Norway under franchise agreements pursuant to which ICA Norge provides various services, including, among others, marketing, format development and supply of goods. ICA Norge owns or leases a substantial number of franchise store premises. Retailers operate the 288 associated stores under cooperation agreements pursuant to which ICA Norge assists with administration, purchasing organization, distribution and operating and support systems, and where ICA Norge provides products to the associated stores at purchase price with a mark-up based on purchase price.

In Norway, ICA Norge supports the RIMI discount format, which is the largest food format in the country and the third largest retailer in terms of retail market share.

In August 2001, ICA entered into a 50/50 joint venture with Dansk Supermarked to develop and operate discount stores and hypermarkets in Sweden and Norway. Dansk Supermarked is the operator of several store formats in Denmark, Germany, Poland and the United Kingdom. The joint venture is currently operating approximately 25 discount stores in the southwest of Sweden, with the intention to expand into the Stockholm area.

ICA has a non-consolidated 50/50 joint venture with Statoil called Statoil Detaljhandel Scandinavia AB ("Statoil Retail"). As of the end of fiscal 2002, Statoil Retail operated and serviced approximately 1,300 Statoil gas stations and convenience stores in Denmark, Norway and Sweden.

In February 2002, ICA, together with our Dutch health and beauty care store chain Etos, opened two pilot stores selling health and beauty care products in Stockholm. Another four pilot stores opened in the first half of 2003. ICA and Etos plan to open additional stores and in the future may establish a chain of health and beauty stores in Sweden.

In the spring of 2003, all of the RIMI stores in Sweden were re-branded as ICA stores.

In March 2001, the ICA Group acquired an additional 0.1% of ICA Denmark A/S ("ICA Denmark"), bringing the ICA Group's total ownership in ICA Denmark to 50.1%. As of the end of fiscal 2002, ICA Denmark owned 12 supermarkets.

In addition, the ICA Group owns 76 stores in the Baltic states of Latvia and Estonia, along with Ekovalda, a supermarket company in Lithuania operating 35 supermarkets.

In September 2003, ICA announced that it was adopting a clearer market stance by introducing a cohesive name structure. In July 2003, ICA changed its name from ICA Ahold AB to ICA AB. Subsequently, the Norwegian company Hakon Gruppen changed its name to ICA Norge. The Swedish company, ICA Handlarnas will change its name to ICA Sverige AB.

In 2002, ICA established ICA Banken A.B., a limited financial service provider, which was operational in 2002.

JMR

In 1992, we became a 49% partner with Jerónimo Martins SGPS, S.A. ("JMR") in Portugal. JMR owns both Pingo Doce, a major supermarket chain, and the Feira Nova hypermarket chain.

As of the end of fiscal 2002, Pingo Doce operated 175 supermarkets and Feira Nova 23 hypermarkets in urban locations in Portugal. The supermarket chain Pingo Doce is more active in the urban area, whereas the hypermarket operation is more active in the rural areas of Portugal.

In mid-fiscal 2002, JMR started the process of strategically repositioning Pingo Doce to make the brand more price aggressive to compete in a more effective way with the increasing number of discounters. Pingo Doce is now a fully centralized organization. The traditional decentralized hypermarket organization of Feira Nova is now also in the process of transitioning into a centralized organization. These transitions will allow JMR to operate in the most cost effective way.

CARHCO

In December 1999, we established Paiz Ahold, a 50/50 partnership with a company controlled by the Paiz family. Paiz Ahold controlled an 80.5% stake in La Fragua S.A. ("La Fragua"), a supermarket and hypermarket company in Guatemala, with a presence in El Salvador and Honduras.

In November 2001, Paiz Ahold entered into an agreement to establish CARHCO, a joint venture with CSU International, a supermarket and hypermarket operator in Costa Rica, Nicaragua and Honduras. CARHCO was established in January 2002. Paiz Ahold holds a 66 2/3% stake and CSU International holds a 33 1/3% stake in CARHCO. The joint venture, which brings together the retail activities of Paiz Ahold and CSU International in Central America, operated 289 food stores in five countries as of the end of fiscal 2002 and had fiscal 2002 sales of approximately EUR 1.6 billion. CARHCO now holds the stake in La Fragua that was formerly held by Paiz Ahold (which stake had increased to 85% as of September 2003).

As of the end of fiscal 2002, La Fragua operated 116 stores in Guatemala, 27 stores in El Salvador and 12 in Honduras, comprised of discount stores, supermarkets and hypermarkets. CSU, also a CARHCO subsidiary, operated 100 stores in Costa Rica, 20 stores in Nicaragua and 14 stores in Honduras, comprised primarily of supermarkets and discount stores, as of the end of fiscal 2002.

Luis Paez

In 1979, we became a 50% partner in Luis Paez, a winery based in Jerez de la Frontera, Spain. The main focus of the business of this company is the production and distribution of beverages (alcoholic and non-alcoholic) under several brand names. In August 1995, Luis Paez obtained full ownership of Williams & Humbert, a prominent sherry retailer.

- Fiscal 2002

Our share in the losses from unconsolidated joint ventures and equity investees in fiscal 2002 was EUR 38 million compared to EUR 192 million in fiscal 2001 primarily as a result of losses at DAIH in fiscal 2002 and fiscal 2001 and, to a lesser extent, losses at Luis Paez included under "Others" in the table above. Our share in these losses was partially offset by our share in income from our other joint ventures.

ICA, Scandinavia

In fiscal 2002, ICA, which operates in Scandinavia and the Baltic states, experienced a rise in net sales. In Sweden, ICA had a strong performance in fiscal 2002, particularly in its supermarkets, its large Kvantum supermarkets and its MAXI hypermarkets. In Norway, ICA improved its operating income despite losing market share. In fiscal 2002, operating income was negatively affected by write-offs of tangible and intangible assets which were caused by events which occurred subsequent to the end of fiscal 2002. Our share in the losses from unconsolidated joint ventures and equity investees in fiscal 2002 reflected our share in income of EUR 61 million from ICA, compared to EUR 64 million in fiscal 2001.

JMR, Portugal

Due to the economic downturn in Portugal, JMR experienced lower net sales in fiscal 2002 compared to fiscal 2001 as a result of lower net sales in both supermarkets and hypermarkets. As a result of higher gross profit margins and a stable cost level, JMR's operating income in fiscal 2002 increased compared to fiscal 2001. Our share in losses from unconsolidated joint ventures and equity investees in fiscal 2002 reflected our share in income of EUR 35 million from JMR, compared to EUR 30 million in fiscal 2001.

CARHCO, Latin America

Our share in the losses from unconsolidated joint ventures and equity investees in fiscal 2002 and in fiscal 2001 included income of EUR 9 million and EUR 13 million, respectively, from Paiz Ahold. Net sales of the Paiz Ahold joint venture increased in fiscal 2002 compared to fiscal 2001 due to the addition of CSU and Corporación de Compañía Agroindustriales ("CCA") following Paiz Ahold's formation of CARHCO, a new joint venture with CSU International, in January 2002. Our share in income from Paiz Ahold in fiscal 2002 was lower than our share in income from the Paiz Ahold joint venture in fiscal 2001. The lower net income in fiscal 2002 was caused by the addition of CSU and CCA to the joint venture. CSU's operations had lower margins than La Fragua, the Central American supermarket and hypermarket company 80.5%-owned by Paiz Ahold, and higher financing costs due to higher debt levels. Net sales at La Fragua increased approximately 9% in fiscal 2002 compared to fiscal 2001. CARHCO also had a less favorable tax burden than Paiz Ahold, particularly due to higher taxation levels in Costa Rica.

DAIH, Latin America

In fiscal 2002, our share in the loss of DAIH was EUR 126 million, compared to our share in the loss of DAIH of EUR 296 million in fiscal 2001. The decrease in our share in the loss of DAIH is due to the fact that DAIH ceased to be an unconsolidated entity until July 2002, after which time we consolidated the results of DAIH. The main cause for the loss at DAIH was a loss at Disco. The Disco loss resulted from the devaluation of the Argentine Peso, which caused losses on US dollar-denominated loans. In fiscal 2002, the losses were offset in part by a change in Argentine law that redenominated certain debts of Argentine companies from US dollar-denominated debt to Argentine Peso-denominated

debt. Net sales at Disco for the full fiscal 2002 increased 17% to EUR 783 million, compared to fiscal 2001. The increase was primarily caused by high inflation in Argentina, which in fiscal 2002 amounted to approximately 48% with respect to food and beverages. Gross profit margin at Disco in fiscal 2002 was negatively affected by decreased purchasing power in Argentina. The gross profit margin decreased, mainly due to the economic crisis in Argentina, which forced us to lower prices in order to remain competitive. In addition, Disco received reduced supplier bonuses, as a percentage of net sales, in fiscal 2002 compared to fiscal 2001 due to fewer store openings and remodelings. In fiscal 2002, Disco started a restructuring initiative to position the company for the changed economic circumstances in Argentina. Operating income in local currency at Disco in fiscal 2002 was below that in fiscal 2001 mainly due to lowering prices, and the impact was magnified by the devaluation of the Argentine Peso. Disco's operating expenses increased in fiscal 2002 compared to fiscal 2001, but decreased as a percentage of net sales in fiscal 2002 compared to fiscal 2001. The operating expense increase resulted from higher rent expenses related to additional taxes and higher packaging and transportation costs, which costs were denominated in US dollars. The decrease in operating expenses as a percentage of net sales in fiscal 2002 was the result of a net sales increase due to inflation.

Net sales at Santa Isabel for the full year in fiscal 2002 increased by 5.9% to EUR 713 million, compared to fiscal 2001. The increase was due to an effective pricing strategy that lowered prices in order for Santa Isabel to better compete with the market and to store openings in Peru. The gross profit margin at Santa Isabel decreased in fiscal 2002 compared to fiscal 2001, mainly due to the new pricing strategy and lower vendor allowances. Santa Isabel recorded an operating loss for the period prior to its consolidation in July 2002, largely as a result of competition due to overcapacity in the markets served by Santa Isabel. This operating loss was partly due to an impairment of goodwill of EUR 45 million.

- Fiscal 2001

Our share in the losses from unconsolidated joint ventures and equity investees was EUR 192 million in fiscal 2001 compared to income of EUR 78 million in fiscal 2000, primarily as a result of a loss incurred at DAIH in fiscal 2001, partially offset by our share in income from our other joint ventures. Net sales at Disco in fiscal 2001 decreased 1.3% to EUR 2.1 billion, compared to fiscal 2000. The decrease in net sales was due to the deflationary environment and a severe recession in Argentina. Disco had operating income, stated as a percentage of net sales, of approximately 3.8% in fiscal 2001.

Net sales at Santa Isabel in fiscal 2001 increased 16.3% to EUR 772 million, compared to fiscal 2000. Santa Isabel incurred a slight operating loss in fiscal 2001.

ICA, Scandinavia

In fiscal 2001, ICA experienced a rise in net sales and improved its operating income compared to fiscal 2000. In Sweden, ICA improved its performance in fiscal 2001, particularly as a result of increased net sales and improved cost controls in fiscal 2001 compared to fiscal 2000. In Norway, ICA had a difficult year, mainly as a result of format positioning, tough competition and trade leakage to Sweden and Denmark due to customers crossing into those countries in search of lower prices. In fiscal 2001, ICA's operating income improved by EUR 54 million to EUR 195 million. Our share in losses from unconsolidated joint ventures and equity investees in fiscal 2001 reflected our share in income of EUR 64 million from ICA, compared to EUR 19 million in fiscal 2000.

JMR, Portugal

In fiscal 2001, JMR net sales increased by 6.4% compared to fiscal 2000. The increase in net sales, which was partly offset by lower margins, resulted in a higher gross profit in fiscal 2001 compared to fiscal 2000. Due to additional cost savings, operating expenses were reduced in fiscal 2001 compared to fiscal 2000. The combined effect of higher net sales and relatively lower operating expenses resulted in higher operating income in fiscal 2001 compared to fiscal 2000. Our share in losses from unconsolidated joint ventures and equity investees in fiscal 2001 reflected our share in income of EUR 30 million from JMR, compared to EUR 20 million in fiscal 2000.

CARHCO, Latin America

The Paiz Ahold joint venture increased its net sales in fiscal 2001 compared to fiscal 2000. Gross profit increased in fiscal 2001 compared to fiscal 2000 largely as a result of changing the product offering by adding higher-profit non-food items, but was partially offset by increased operating expenses, mainly due to store opening expenses. Operating income at Paiz Ahold increased in fiscal 2001 compared to fiscal 2000. Our share in the losses from unconsolidated joint ventures and equity investees in fiscal 2001 included our share in income of EUR 13 million from Paiz Ahold, compared to EUR 13 million in fiscal 2000.

DAIH, Latin America

In fiscal 2001, our share in the loss of DAIH was EUR 296 million, compared to our share in the loss of DAIH of EUR 5 million in fiscal 2000, primarily as a result of a loss at Disco caused by the decreasing value of the Argentine Peso. The devaluation of the Argentine Peso also caused losses on Disco loans denominated in US dollars. In addition, the loss was also a result of the write-off of minority interests in the results of DAIH of EUR 22 million and a correction in deferred taxes of EUR 13 million. The fiscal 2001 operating income of Disco were negatively affected by the economic crisis and political instability in Argentina. In fiscal 2001, Disco was able to control its operating expenses, but its net sales and gross profit decreased compared to fiscal 2000. Santa Isabel improved its net sales and gross profit in fiscal 2001 compared to fiscal 2000, but its operating expenses were higher than in the prior fiscal year. Operating income for Santa Isabel in fiscal 2001 increased compared to fiscal 2000.

3 Liquidity and capital resources

Liquidity

Historically, our primary sources of liquidity have been (1) cash provided by operating activities, (2) borrowings under our credit facilities and (3) debt and equity issuances in the capital markets. Beginning in early 2003, business challenges arising as a result of the February 24, 2003 announcement and related developments, described in "Restatements, Adjustments and Remedial Actions" above, negatively impacted our liquidity and affected our cash availability. These issues, among other things, led to credit rating downgrades that, coupled with the announcement of accounting irregularities, errors and other issues and the resulting delay in the publishing of our results for fiscal 2002, caused us to lose, to a significant extent, access to the capital markets and to financing sources which, historically, were an important source of funding to us. In addition, following these events, a number of our local committed and uncommitted credit lines were cancelled, reduced or restricted, either to the amount of borrowings outstanding at the time or else with respect to the use of those borrowings. Further, as a result of the issues announced by us on February 24, 2003, and related developments, including the credit ratings downgrades and delay in publishing our audited financial statements for fiscal 2002, we may have breached some of our representations and warranties and/or failed to meet some of the covenants contained in our then-outstanding debt agreements and contractual obligations, including operating leases and derivative instruments. Due to these events and their consequent impact on our compliance with financial and other covenants in our then-existing debt obligations, including our 2002 Credit Facility, we repaid certain debt and other obligations prior to their stated maturity and on March 3, 2003, we entered into the new 2003 Credit Facility to provide us with liquidity to stabilize our Company, replace the 2002 Credit Facility and provide funding to cover maturing debt obligations.

We currently have substantial debt outstanding and the timely payment of amounts due in the near-term on our outstanding debt and the continued funding of our business will require significant cash resources. In addition, apart from the obligations recorded on our balance sheet, we also have certain commitments and contingencies that may have significant future cash requirements. For additional information about our commitments and contingent liabilities, please see our financial statements. Furthermore, our letter of credit requirements have increased significantly since fiscal year-end 2002, and we expect them to increase further, primarily because of increased requirements of our third-party insurance providers, in particular with respect to workers' compensation coverage. The increased workers' compensation coverage requirements stem from issues affecting the U.S. insurance market as a whole, as well as increased credit support requirements as a result of the February 24, 2003 announcement and related events. Our current level of indebtedness, our other commitments and contingencies and our increased letter of credit requirements could affect our operations in a number of ways, including (1) requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, (2) limiting our ability to obtain additional debt financing in the future for working capital or capital expenditures or to refinance existing debt, (3) limiting our flexibility in reacting to industry changes and economic conditions generally and (4) consequently placing us at a competitive disadvantage.

As announced on September 4, 2003, and as discussed under "Strategic Outlook" in this section, under the direction of our new President and Chief Executive Officer and new Chief Financial Officer, a primary focus of our Company is on debt reduction through divestments, improving operational performance and generating cash flow by improving working capital management and scrutinizing our capital expenditures. Cost reduction programs are being implemented throughout our Company. As we previously announced, we have begun divesting, and will continue divesting, our non-core businesses and consistently underperforming assets, either in whole or in part, in an effort to focus on our core operations and enhance our local market leadership positions in markets we serve where we have achieved, or believe we can achieve, a leading position based on net sales. As part of our new strategic framework, the scope of this divestment program will be expanded, as we intend to scrutinize our portfolio of businesses with a focus on identifying those operations and formats that do not fit our future strategy. Finally, we are also assessing the options, in addition to divestments, that are available for strengthening our balance sheet and refinancing our debt. For a more detailed discussion of our strategic plans, please see "Strategic Outlook" in this section.

In light of this strategic framework and based on current operating performance, we believe that our cash generated from operations, proceeds from divestitures and the refinancing of our debt, including the 2003 Credit Facility, through accessing the capital markets, obtaining bank loans or otherwise, will be sufficient for our working capital, capital expenditures and scheduled debt repayment requirements for the next twelve months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance and other relevant circumstances. However, as a consequence of the accounting irregularities and related events at Ahold, our high debt level and current credit ratings, we cannot be certain that these actions will be successful. If funds from any of these sources are not available on a timely basis or on satisfactory terms, or at all, or if these sources are insufficient to pay our

obligations as they mature or otherwise become due and payable or to fund our liquidity needs, this could materially adversely affect our financial condition, results of operations and liquidity.

Credit ratings

On November 12, 2002, our Baa1 senior unsecured and Baa2 subordinated debt ratings were placed on review for possible downgrade by Moody's. On January 17, 2003, Moody's downgraded our senior unsecured and subordinated debt ratings two notches to Baa3 and Ba1 respectively. On January 24, 2003, S&P downgraded our long-term local issuer credit and long-term foreign issuer credit rating from BBB+ to BBB with a stable outlook. After the announcements on February 24, 2003, S&P downgraded our long-term foreign issuer credit and long-term local issuer credit two notches from BBB to BB+ with a negative outlook and our short-term foreign issuer credit and short-term local issuer credit were downgraded from A-2 to B. On the same day, Moody's placed all ratings of our credits on review for possible downgrade and the following day downgraded our senior unsecured debt to B1 and subordinated notes to B2 and at the same time assigned us a Ba3 senior implied rating. All ratings remain on review for possible downgrade. On May 8, 2003, S&P downgraded our long-term foreign issuer credit and long-term local issuer credit each to BB-, and both remain on negative outlook.

Our 2002 Credit Facility contained a step-up provision that increased the margin component of our interest costs. The 2003 Credit Facility also has a step-up provision that increases the margin for each ratings notch downgrade below Baa3 (Moody's) and BBB- (for S&P). In addition, although currently the costs associated with the sale of instruments under our accounts receivable securitization programs are based on the A-1+/P-1 asset-backed commercial paper market, in the event that the purchasers of these instruments refuse or are unable to fund the purchases with asset-backed paper, the costs associated with the sale of interests to the alternative committed purchasers will be based on the sum of LIBOR and an additional amount based on our then-current credit rating.

Additional downgrades by either S&P or Moody's could exacerbate our liquidity problems, increase our cost of borrowings, including the refinancing of our existing debt, result in our being unable to secure new financing, affect our ability to make payments on outstanding debt instruments and comply with other existing obligations. In addition, some of our contractual obligations, including operating leases, contain ratings covenants.

Cash flows

In fiscal 2002, our net cash outflow, after operating, investing and financing activities, was EUR 611 million, compared to a net cash inflow of EUR 459 million in fiscal 2001 and EUR 219 million in fiscal 2000. Net cash used for investing activities was EUR 2.6 billion, EUR 4.6 billion and EUR 9.2 billion in fiscal 2002, fiscal 2001 and fiscal 2000, respectively. In fiscal 2002, we had a net cash outflow of EUR 504 million relating to financing activities, compared to a net cash inflow from financing activities of EUR 3.1 billion in fiscal 2001 and EUR 7.4 billion in fiscal 2000. Our total debt was approximately EUR 12.9 billion, EUR 13.7 billion and EUR 11.6 billion at fiscal year-end 2002, fiscal year-end 2001 and fiscal year-end 2000, respectively.

We expect that our fiscal 2003 net cash flows from operating activities will be negatively impacted by the weakened economy and increased competition in many of our operating areas, along with the diversion of our attention from operations and strategic planning because of the accounting irregularities, errors and other issues that were announced on February 24, 2003 and those found through the related forensic investigations and external and internal audits. For additional information about factors that may affect our cash flows, please see "Outlook for Fiscal 2003" and "Results of Operations" above in this section. However, we expect that cash flows from investing activities in fiscal 2003 will be positively impacted by the reduction in our capital expenditures, along with the divestment of certain of the operations within our portfolio, as discussed above. We anticipate that cash outflows from financing activities in fiscal 2003 will be higher as a result of higher debt repayments and increased borrowing rates resulting from the February 24, 2003 announcement and related developments, including our credit ratings downgrades, as well as a greater amount of maturing debt in fiscal 2003 as compared to fiscal 2002.

The following table summarizes the sources of our cash flows for the periods indicated:

(in EUR millions)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
Cash flows from operating activities	2,486	1,961	2,063
Cash flows from investing activities	(2,593)	(4,565)	(9,197)
Cash flows from financing activities	(504)	3,063	7,353
Net change in cash	**(611)**	**459**	**219**

Cash flows from operating activities

In fiscal 2002, we generated cash flows from operating activities of EUR 2.5 billion compared to EUR 2.0 billion in fiscal 2001 and EUR 2.1 billion in fiscal 2000. This increase in fiscal 2002 as compared to prior years was the result of a variety of factors, mainly related to our results from our existing and acquired businesses, adjusted for depreciation and the impairment of assets. Cash flows from working capital changes were EUR 107 million, EUR (166) million and EUR 208 million for fiscal 2002, fiscal 2001 and fiscal 2000, respectively. The working capital improvement in fiscal 2002 was attributable to our focus in our retail segment on collection of receivables and improved payment terms with retail vendors, offset in part by the impact of excess inventory levels at USF. The increase in working capital needs in fiscal 2001 as compared to fiscal 2000 was a result of increased inventory levels at USF and our retail operations, offset in part by higher accounts payable.

As discussed below, our principal uses of cash from operating activities have been for acquisitions, investment in distribution centers, new stores, store remodeling and store expansions, as well as in other assets, and store efficiency-improving measures and retail trade operation innovations. In fiscal 2003, we expect the principal uses of cash from operating activities will be for debt repayments and investment in distribution centers, new stores, store remodeling and store expansions, as well as in other assets, store efficiency-improving measures and retailing innovations.

Cash flows from investing activities and capital expenditures

In fiscal 2002, cash outflows from investing activities were EUR 2.6 billion compared to EUR 4.6 billion in fiscal 2001 and EUR 9.2 billion in fiscal 2000. Of this, capital expenditures relating to the purchase of tangible and intangible fixed assets were EUR 2.2 billion in fiscal 2002 compared to EUR 2.5 billion in fiscal 2001 and EUR 1.9 billion in fiscal 2000. In fiscal 2002, we recorded EUR 1.1 billion in cash outflows related to acquisitions of businesses, compared to EUR 2.8 billion and EUR 7.6 billion in fiscal 2001 and fiscal 2000, respectively. Of the capital expenditures for tangible and intangible fixed assets and acquisitions in fiscal 2002, fiscal 2001 and fiscal 2000, approximately 34%, 54% and 80%, respectively, was attributable to acquisitions, and approximately 66%, 46% and 20%, respectively, was attributable to new stores and store improvements, distribution centers, computer hardware and other assets. Fixed asset disposals generated cash inflows of EUR 590 million, EUR 1.1 billion and EUR 303 million in fiscal 2002, fiscal 2001 and fiscal 2000, respectively. Cash flows for other investing activities primarily relate to issuance and repayment of loans receivables, which are generally issued to third-party real estate developers for the purpose of developing future property to be used by us in our operations.

The table below shows our cash flows from investing activities by category:

(in EUR millions)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
Purchases of tangible and intangible fixed assets	(2,160)	(2,459)	(1,890)
Acquisitions of businesses	(1,136)	(2,843)	(7,552)
Fixed assets disposals	590	1,134	303
Other	113	(397)	(58)
Cash flows from investing activities	**(2,593)**	**(4,565)**	**(9,197)**

During fiscal 2002, fiscal 2001 and fiscal 2000, we completed several acquisitions and joint venture investments. During fiscal 2002, we acquired seven individually materially insignificant entities for a total cost of EUR 380 million. This EUR 380 million was paid primarily in cash and assumed debt of the Company. In addition, as a result of VRH's default on certain indebtedness in July 2002, we made an additional investment of USD 448 million (EUR 453 million) in DAIH, a former joint venture, through the purchase of DAIH shares pursuant to guarantees and the assumption of certain debt. This further investment resulted in our full ownership of DAIH and is further described in our financial statements.

In fiscal 2001, we acquired Alliant, Bruno's, and several other individually insignificant subsidiaries that are material in the aggregate, for a total cost of EUR 3.8 billion in cash and assumed debt. In fiscal 2000, we acquired USF for approximately EUR 3.8 billion, PYA/Monarch for approximately EUR 1.7 billion and seven individually insignificant subsidiaries for a total cost of approximately EUR 1.0 billion, which was paid primarily in cash and assumed debt. In addition, we acquired Superdiplo pursuant to an exchange offer of our common shares. For a more detailed discussion of our acquisitions in fiscal 2002, fiscal 2001 and fiscal 2000, please see our financial statements.

Cash inflows from the disposal of fixed assets were EUR 590 million in fiscal 2002, compared to EUR 1.1 billion in fiscal 2001 and EUR 303 million in fiscal 2000. Disposal of fixed assets generally relates to the sale of individual stores, shopping centers or parcels of land that were no longer in use or being held for sale, and also includes proceeds from sale

and leaseback transactions. As discussed in "Strategic Outlook - Divestments" in this section, during late 2002 and in 2003, we announced our intention to sell various subsidiaries and stores. In fiscal 2003, we completed the sales of our Indonesian and Malayasian operations, Santa Isabel and Supermercados in Chile and Paraguay, and De Tuinen in The Netherlands for total net proceeds to us in the amount of EUR 124 million. In addition, we sold De Walvis and Jamin in The Netherlands and Golden Gallon in the United States. For a more detailed discussion of our divestments, please see our financial statements.

Historically, the majority of our capital expenditures incurred were for new stores and store improvements, distribution centers, computer hardware and other assets. In fiscal 2002, fiscal 2001 and fiscal 2000, capital expenditures were EUR 2.2 billion, EUR 2.5 billion and EUR 1.9 billion, respectively. In fiscal 2003, we have been scrutinizing and restricting capital expenditures in order to strengthen our cash flow. We expect to record in fiscal 2003 capital expenditures of between EUR 1.4 billion and EUR 1.7 billion of which we expect approximately 68% will be used in retail trade in the United States, 25% will be used in retail trade in Europe and approximately 7% will be used in food service in the United States. We expect to use these capital expenditures principally to open new stores and to remodel existing stores. Of these expected capital expenditures EUR 307 million was committed as of fiscal year-end 2002. We expect that these capital expenditures will be financed primarily from cash generated from operations.

Cash flows from financing activities

Our financing activities generated cash outflows of EUR 504 million in fiscal 2002, compared to cash inflows of EUR 3.1 billion in fiscal 2001 and EUR 7.4 billion in fiscal 2000, largely reflecting lower financing requirements due to a reduction in the number and value of acquisitions in fiscal 2002 compared to prior fiscal years. Additionally, the cash component of dividends paid on common shares in fiscal 2002 increased by EUR 339 million. In addition to debt issued during fiscal 2002, fiscal 2001 and fiscal 2000 under our EMTN program of EUR 40 million, EUR 3.1 billion and EUR 1.8 billion, respectively, in fiscal 2000, we raised USD 700 million from the issuance of 8 1/4% bonds by Ahold Finance USA and EUR 920 million from our issuance of 4% convertible subordinated notes. In fiscal 2001 and fiscal 2000, we raised approximately EUR 2.5 billion and EUR 3.1 billion, respectively, in net proceeds from equity offerings.

Our total debt was approximately EUR 12.9 billion, EUR 13.7 billion and EUR 11.6 billion at fiscal year-end 2002, fiscal year-end 2001 and fiscal year-end 2000, respectively, as set forth in the table below:

(in EUR millions)	**Fiscal 2002**	Fiscal 2001 (restated)	Fiscal 2000 (restated)
Long-term debt (including the current portion)	9,586	10,668	8,274
Capitalized lease commitments (including the current portion)	2,323	2,475	1,984
Short-term debt	998	586	1,321
Total debt	**12,907**	**13,729**	**11,579**

Long-term debt consists principally of notes and bonds issued by us and our subsidiaries in the capital markets. Short-term debt consists of debt obligations maturing within one year of their incurrence, and includes our credit facilities. In addition to the above debt, we have various local committed and uncommitted short-term credit lines.

Between fiscal 2001 and fiscal 2002, our long-term debt, including the current portion, decreased by EUR 1.1 billion from EUR 10.7 billion to EUR 9.6 billion. Of this decrease, EUR 1.0 billion was attributable to changes in exchange rates, principally between the US dollar and the Euro, and the payment of EUR 676 million of maturing loans. In addition, we assumed EUR 221 million in debt from acquisitions and issued EUR 393 million of other long-term debt.

At fiscal year-end 2002, we had outstanding long-term debt of EUR 9.6 billion. The maturity schedule of this debt includes repayments due of EUR 1.3 billion in fiscal 2003, and EUR 8.3 billion between fiscal 2004 and fiscal 2031.

The detailed maturity schedule is as follows:

	Payments due by fiscal year					
(in EUR millions)	2003	2004	2005	2006	2007	2008+
Long-term debt (including the current portion)[1][2]	1,273	56	2,530	356	452	4,919

[1] This table does not include borrowings under our 2002 Credit Facility, which were categorized as short-term debt. The 2002 Credit Facility has subsequently been replaced by the 2003 Credit Facility, which expires in February 2004. For amounts outstanding under the 2003 Credit Facility, please see "Credit Facilities" below.

[2] For debt which we have repaid during fiscal 2003, please see "Other Borrowings" below.

For a detailed discussion of this debt, please see Note 24 to our financial statements.

Credit facilities

In the past, our primary line of credit, entered into in December 1996, was a USD 1 billion, seven-year multi-currency revolving credit facility. In March 1998, we entered into an additional USD 500 million, four-year standby multi-currency revolving credit facility.

In fiscal 2002, the USD 1.0 billion facility referred to above was cancelled and the USD 500 million facility referred to above expired and both were replaced on July 18, 2002, with the 2002 Credit Facility. The 2002 Credit Facility comprised a USD 2 billion multi-currency dual tranche revolving credit facility bearing an interest rate of LIBOR (or EURIBOR for Euro-denominated borrowings) plus an applicable margin. The applicable margin was determined by (i) our most recent credit rating, as published by Moody's or S&P, and (ii) which tranche of the facility, A or B, was utilized. Tranche A, which permitted borrowings of up to USD 500 million, offered a maximum loan term of one year, and had a margin ranging from 0.30% to 0.455%, and Tranche B, which permitted borrowings of up to USD 1.5 billion, offered a maximum loan term of five years, and had a margin ranging from 0.35% to 0.50%. In addition, the 2002 Credit Facility provided for up to USD 150 million in letters of credit with a commission rate of 0.40%. The 2002 Credit Facility had, at fiscal year-end 2002, an applicable borrowing rate of LIBOR plus 0.35% for the outstanding drawings under Tranche A, and LIBOR plus 0.40% for the outstanding drawings under Tranche B. At fiscal year-end 2002, we had outstanding borrowings under the 2002 Credit Facility of USD 80 million in loans, of which USD 20 million was drawn under Tranche A and USD 60 million was drawn under Tranche B, and USD 150 million in letters of credit which we used primarily to support our insurance obligations.

As discussed above, given the nature of the issues affecting us, on March 3, 2003, we replaced our 2002 Credit Facility, under which, as of that date, USD 550 million in borrowings was drawn and USD 150 million in letters of credit were outstanding, with the 2003 Credit Facility. The 2003 Credit Facility, as amended, provides for aggregate borrowings of up to EUR 600 million made available to Albert Heijn and USD 2.2 billion, including up to USD 400 million in letters of credit, made available to Stop & Shop. This facility is comprised of an unsecured tranche of USD 915 million available to Stop & Shop, with the remainder of the facility secured. Subject to certain conditions, we may use borrowings under the 2003 Credit Facility to refinance and repay intercompany indebtedness, fund intercompany loans and for working capital of Albert Heijn and Stop and Shop and we may use letters of credit for general corporate purposes only. As of October 3, 2003, we had outstanding borrowings under the 2003 Credit Facility as follows:

- USD 750 million in loans with a current interest rate of 4.37% and a maturity date of October 28, 2003;
- EUR 600 million in loans with a current interest rate of 5.36% and a maturity date of October 28, 2003; and
- USD 353 million of letters of credit with a current fee of 3.25% and a maturity date of February 23, 2004.

Borrowings under the 2003 Credit Facility mature at the end of their respective interest periods (generally bi-weekly), subject to being re-borrowed upon their maturity. We intend to continue to roll over these amounts as they become due until either the expiration of the 2003 Credit Facility in February 2004 or its refinancing.

Other borrowings

We are party to an EMTN program, under which, and subject to market conditions, we can issue senior or subordinated and rated or unrated notes denominated in any currency agreed between us and the relevant dealer. The maximum amount of notes issuable under the EMTN program was increased from EUR 5.0 billion to EUR 7.0 billion during fiscal 2002. Notes issued under the EMTN program contain customary restrictive covenants, including negative pledge covenants. As of fiscal year-end 2002, using the applicable exchange rates at fiscal year-end 2002, we had outstanding an aggregate of EUR 4.7 billion in notes under the EMTN program, and using the applicable exchange rates at time of issuance, we had outstanding an aggregate of EUR 5.0 billion in notes under the EMTN program. The notes have maturity dates ranging from 2005 through 2031. Most recently, we issued a EUR 40 million note under this EMTN program on February 5, 2002, with an interest rate of 5.625% and a maturity of December 17, 2008.

On June 14, 2002, we obtained a EUR 50 million loan from Credit Agricole with a floating interest rate of EURIBOR + 0.4% and a maturity date of June 14, 2007. In addition, during the course of fiscal 2002, our Spanish subsidiary, Ahold Supermercados, restructured its external debt in an effort to reduce its number of banking relationships. As a result, four credit facilities in the aggregate amount of EUR 161.5 million were established or extended.

During fiscal 2002, we repaid the following long-term debt upon its maturity:

- on February 1, 2002, the USD 250 million 9.75% senior notes issued by Stop & Shop in February 1992; and
- on March 15, 2002, the USD 39 million 6-month floating rate LIBOR plus 0.70% notes issued by Tops on August 25, 1998.

On July 16, 2002, in connection with our contingent liabilities relating to VRH, we received a default notice from one of VRH's lenders, which subsequently triggered defaults under all of the VRH loans. As a result, we purchased the shares of DAIH that had been pledged by VRH to the lenders in connection with those loans for total consideration of approximately USD 448 million and assumed other debt of VRH. We obtained a portion of the funding for this transaction by obtaining a EUR 158 million loan from ABN AMRO Bank N.V. ("ABN AMRO") on August 6, 2002, with a floating interest rate of EURIBOR plus 0.63%, which was subsequently repaid on March 5, 2003. Furthermore, we were required to write off a USD 5 million unsecured loan that we had granted to VRH. For additional information about VRH and DAIH, including the VRH loans, please see our financial statements.

For cash management purposes, including the issuance of letters of credit, our operating companies also maintain uncommitted and committed credit lines. Immediately following the announcements of February 24, 2003, a number of committed and uncommitted credit lines at our operating company level were cancelled, reduced or restricted, either to the amount of borrowings outstanding at the time or else with respect to the use of those borrowings. As of October 3, 2003, the aggregate capacity of these committed and uncommitted credit lines, excluding the 2003 Credit Facility, was EUR 655 million, with EUR 630 million in uncommitted facilities and EUR 25 million in committed facilities.

Subsequent to fiscal year-end 2002, we obtained a EUR 35 million loan from AH Vaste Klanten Fonds ("AHVKF" or "Dutch Customer Fund"), dated February 3, 2003, with an interest rate of 3.0% and a maturity date of February 3, 2005. We used this loan to partially refinance a maturing EUR 45.5 million loan with an interest rate of 4.83% issued to us by AHVKF on February 3, 2001. The EUR 35 million loan was callable, in part or in whole, at any time, and was called by AHVKF and repaid by us in three tranches. We repaid EUR 15 million on February 25, 2003, EUR 10 million on February 26, 2003, and the balance of EUR 10 million on February 27, 2003.

In addition, on May 15, 2003, Schuitema, our 73.2%-owned consolidated subsidiary, entered into a EUR 135 million, dual tranche loan with the Nederlandse Investeringsbank (the "NIB"), with both tranches maturing in February 2007. One tranche of EUR 125 million carries an interest rate of 2.7375%, and the other tranche of EUR 10 million carries a floating interest rate equal to EURIBOR.

Subsequent to fiscal year-end 2002, in addition to repaying and replacing our 2002 Credit Facility and repaying the debt described above, we made the following debt repayments.

- on March 5, 2003, we repaid upon maturity the EUR 158 million loan issued to us by ABN AMRO on August 6, 2002, which had an interest rate of EURIBOR plus 0.63%;
- on March 13, 2003, in connection with entering into the secured tranche of the 2003 Credit Facility, we repaid the USD 25 million loan issued to Bompreço by Banco Sudameris de Investimento S.A. on December 18, 2001, which had a floating interest rate of LIBOR plus 0.45% and an original maturity date of February 12, 2006;
- on March 17, 2003, we repaid EUR 5 million on a EUR 22.7 million loan issued to us by AHVKF on August 3, 2001, which had interest rate of 4.5% and an original maturity date of August 3, 2003 after it was called at the lender's discretion;
- on April 22, 2003, in connection with entering into the secured tranche of the 2003 Credit Facility, we made an aggregate payment of USD 106.8 million, including a USD 17.8 million make-whole amount, to the holders of the USD 39 million 6.11% Series A notes with an original maturity date of June 30, 2003, and the 6.23% Series B notes with an original maturity date of June 30, 2006, issued by Croesus (formerly known as Ahold U.S.A., Inc.), a finance subsidiary, on June 30, 1998;
- on May 14, 2003, we repaid upon maturity the USD 100 million 9.125% bonds issued by Disco on May 11, 1998;
- on May 14, 2003, we repaid upon maturity the USD 150 million loan issued to Ahold by Banco Intesa on May 14, 2001, which had an interest rate of LIBOR plus 0.1%;
- on May 15, 2003, we repaid the EUR 31.8 million loan issued to us by the NIB in March 1993, which had an interest rate of 7.2% and which had been rolled over from its original maturity date in March 2003 through the repayment date;
- on June 1, 2003, we made an annual principal installment payment of EUR 9 million on the EUR 45 million loan issued to Ahold Vastgoed B.V. on June 1, 1994, by ING Bank N.V. ("ING Bank"), which had interest rate of 7.70%;
- on August 25, 2003, we repaid upon maturity the EUR 91 million 6.75% bond issued on August 24, 1993; and

- on September 30, 2003, we repaid upon maturity our EUR 678.4 million 3.0% convertible subordinated notes issued by us on September 30, 1998.

On May 2, 2003, we made a payment of ARS 125.9 million (approximately USD 44.6 million) with respect to our purchase of the Ekono chain in Argentina on December 23, 1999. The total purchase price for Ekono was USD 150 million, of which USD 90 million (including a retained amount of a maximum of USD 10 million for possible claims under the share purchase agreement) was due in May 2003. As a result of Argentine legislation issued early in 2002, the USD 90 million portion of the Ekono purchase price to be paid out in May 2003 was converted into Argentine Pesos at a USD 1 = ARS 1 exchange rate, including the applicable inflation correction (CER inflation index). After applying this statutory conversion rate and deducting an amount withheld for claims, the amount due amounted to ARS 125.9 million, which, at the applicable exchange rate as of May 2, 2003, represented approximately USD 44.6 million. On April 28, 2003, civil proceedings were initiated against DAIH in The Netherlands Antilles in which it has been alleged that Disco underpaid the deferred portion of the Ekono purchase price by applying the Argentine legislation and also by improperly computing an amount to be withheld from the purchase price to compensate for outstanding claims.

On July 22, 2003, we redeemed for an aggregate payment of USD 266.9 million, the USD 250 million 9.875% bonds issued by Disco with an original maturity date of May 15, 2008, which payment included principal, interest and a premium of USD 12.3 million. A total of USD 190.3 million of these bonds were held by Ahold België N.V, our wholly-owned subsidiary. We determined it necessary to prepay these bonds to facilitate the disposal program for our Argentine operations.

On August 11, 2003, we redeemed for approximately USD 25.9 million an Industrial Development Revenue Bond with an original maturity date of December 1, 2026, entered into by Rykoff-Sexton, a predecessor to a wholly-owned subsidiary of USF, in November 1996 in connection with the acquisition and construction of a distribution center in La Mirada, California.

In addition to the foregoing repayment of debt, following the February 24, 2003 announcement and related developments, including credit downgrades, we repaid certain operating leases prior to their stated maturity.

Equity and equity offerings

Shareholders' equity was EUR 2,609 million, EUR 5,496 million and EUR 2,352 million at fiscal year-end 2002, fiscal year-end 2001 and fiscal year-end 2000, respectively. Shareholders' equity, stated as a percentage of total assets, was 10.5% at fiscal year-end 2002 compared to 19.2% at fiscal year-end 2001 and 10.9% at fiscal year-end 2000.

Shareholders' equity determined in accordance with US GAAP was EUR 8.5 billion at fiscal year-end 2002 compared to EUR 15.5 billion at fiscal year-end 2001 and EUR 11.9 million at the end of fiscal 2000. The principal differences between Dutch GAAP and US GAAP affecting shareholders' equity are the accounting treatments of goodwill, other intangibles, sale and leaseback of property, derivatives investments, put options and investments in joint ventures and equity investees. For additional information about our financial condition and results of operations under US GAAP, please see our financial statements.

We did not complete any equity offerings during fiscal 2002. In September 2001, we completed an offering of common shares and ADSs. We issued 80,500,000 common shares in the form of common shares and ADSs at an offering price of EUR 31.90 per share and USD 28.38 per ADS, raising net proceeds of approximately EUR 2.5 billion, which were used to partially finance the acquisition of Alliant and Bruno's in November and December 2001, respectively. In May 2000, we completed a global offering of common shares and an issue of 4% convertible subordinated notes due 2005, in which we issued 106,950,000 common shares at an offering price of EUR 26.00 per share, raising net proceeds of approximately EUR 2.7 billion, which were used to partly repay borrowings used to finance in part our acquisition of USF and our 50% partnership interest in ICA. In October 2000, we issued 115,317,164 cumulative preferred financing shares at an issue price of EUR 3.50 per share, resulting in aggregate net proceeds of approximately EUR 395 million, which were used for general corporate purposes in The Netherlands.

Other financing activities

Our primary market risk exposures are related to currency exchange rate and interest rate fluctuations and, to some extent, commodity price fluctuations, which we manage through derivative financial instruments. We had 66 financial derivative contracts outstanding as of fiscal year-end 2002. The notional amount of these contracts as of fiscal year-end 2002 was EUR 4.7 billion and EUR 4.7 billion as of fiscal year-end 2001, with a positive mark-to-market value of EUR 47 million as of fiscal year-end 2002 compared to negative EUR 363 million as of fiscal year-end 2001. Of these 66 contracts, at

fiscal year-end 2002, 44 had a maturity shorter than one year, 17 had a maturity of one to five years and five had a maturity ranging from five to thirty years. Some of our derivatives agreements require us to maintain specific financial ratios, the breach of which could result in cross-acceleration and cross-defaults under the terms of other derivatives instruments and debt agreements. Our use of financial instruments and accounting policies for financial instruments are described more fully in our financial statements.

4 Strategic Outlook

The following outlook section provides a general framework of our strategic principles, as announced at our General Meeting of Shareholders on September 4, 2003. We expect to announce further details of our strategy in the fourth quarter of fiscal 2003.

Two Key Strategic Operational Priorities

Following the events announced on February 24, 2003, and related developments described under "Restatements, Adjustments and Remedial Actions" above in this section, under the direction of our new Chief Executive Officer and new Chief Financial Officer, we are now focusing on two key strategic priorities: (1) to be a leading food retailer based on net sales in selected markets in the United States and Europe, focusing on trade areas where we already have achieved, or believe we can achieve, such a leading position within a reasonable period of time and (2) to rebuild USF.

- ***Food retail:*** We own and operate retail companies that are prominent retail brands in the United States and Europe. In the markets we serve, we intend to be a leading food retailer based on net sales by focusing on maintaining and enhancing our local market leadership positions and lowering our cost base. As part of this objective, we also intend to further integrate, streamline and standardize our operations.

- ***Food service:*** We intend to rebuild USF to restore its value following the events announced in February 2003 and subsequently. To implement this strategic priority, we will manage USF as a single business operating separately from our food retail trade operations. We are also in the process of installing a new management team at USF. During this period, our main focus will be to restore profitability of the company through internal initiatives, rather than acquisitions.

Divestments

In November 2002, we announced our intention to divest our non-core operations, either in whole or in part, and scrutinize our consistently underperforming core operations with a view to improving their performance or divesting them in an effort to focus on our core businesses and to enhance our positions in markets where we have achieved, or believe we can achieve, such a leading position. In February 2003, we announced that the scope of this divestment program would be expanded to improve our consolidated financial statements and enhance our core businesses in stable and profitable markets. In September 2003, we announced a further expansion of our divestment program and our intention to scrutinize our portfolio of businesses with a focus on identifying for divestment those operations that do not fit within our new strategy. We have already begun to withdraw from two continents, South America and Asia, and are in the process of divesting our non-strategic and non-core assets, including the Golden Gallon convenience store chain in the southeastern United States.

Principal divestments recently completed or announced consist of the following:

- In December 2002, we announced our intention to divest De Tuinen B.V. ("De Tuinen"), our wholly-owned Dutch natural products retail unit, and we completed the transaction in May 2003;
- In February 2003, we announced we were engaged in exploratory talks to divest our stake in our Chilean supermarket activities. In July 2003, we divested our operations in Chile by selling our 99.6% interest in our subsidiary Santa Isabel to Cencosud S.A.;
- In April 2003, we announced our intention to divest our operations in Brazil (Bompreço, G. Barbosa and Hipercard Administradora de Cartão de Crédito Ltda. ("Hipercard"), Argentina (Disco), Peru and Paraguay (Santa Isabel);
- In April 2003, we announced that we had reached an agreement on the sale of our Indonesian operations to PT Hero Supermarket Tbk ("Hero"). The transfer of assets took place in stages, which began in June 2003 and was finalized in the third quarter of fiscal 2003;
- In May 2003, we announced that we had reached an agreement on the sale of our Malaysian operations to Dairy Farm Giant Retail Sdn Bhd, a subsidiary of Dairy Farm International Holdings Limited. The transfer of assets was completed in the third quarter of fiscal 2003;
- In June 2003, we completed the divestment of Jamin Winkelbedrijf B.V. ("Jamin"), our chain of confectionery stores in The Netherlands, through a management buy-out;
- In August 2003, we announced that we had reached an agreement on the sale of Golden Gallon, our fuel and convenience store operation in the southeastern United States, to The Pantry, Inc. The sale was completed in October 2003; and
- In September 2003, we completed the divestment of our operations in Paraguay through the sale of our 100% interest in Supermercados Stock S.A. to A.J. Vierci.

Simplification of the Organization

Our objective is to integrate, streamline and standardize our operations by implementing common processes throughout our businesses, with the aim of reducing the complexity and improving the efficiency and effectiveness of our operations. We intend to organize the administrative and controls functions, information technology and management of our businesses around regional marketplaces with similar characteristics, which we call "arenas."

Financial Management

Our businesses are now focused on generating free cash flow through working capital management and scrutinizing capital expenditures. In addition to our divestment program, we are also currently assessing other alternatives in order to strengthen our balance sheet and to reduce our debt. We are also taking steps to address the significant internal control weaknesses that have been identified throughout Ahold. For more detailed information, please see "Restatements, Adjustments and Remedial Actions" in this section.

Outlook for fiscal 2003

The following discussion provides an overview of our outlook for fiscal 2003 for our consolidated results of operations and for certain of our segments and operating areas. Because we have operations in a number of countries throughout the world, a substantial portion of our results of operations are denominated in foreign currencies, primarily the US dollar. As a result, we are subject to foreign currency exchange risk due to exchange rate movements, which affect our transaction costs and the translation of the results of our foreign subsidiaries. Our expectations set forth below as to net sales and operating income exclude any impact of currency exchange rates. As discussed below, currency exchange rates could significantly affect our results of operations for fiscal 2003.

Consolidated results of operations: fiscal 2003

In fiscal 2003, we expect that our consolidated net sales compared to fiscal 2002 will be negatively affected by the weakened global economy and strong competition in the markets that we serve, as well as the diversion of our management as a result of the events surrounding the announcement on February 24, 2003, and the related investigations. In addition, our fiscal 2003 net sales will be negatively affected by our completed and future divestments.

As discussed in more detail below, we expect that operating expenses, excluding the impact of currency exchange rates, will be significantly higher in fiscal 2003 than our operating expenses in fiscal 2002 (excluding the impact of the impairment of goodwill charges taken in fiscal 2002 and the exceptional loss in fiscal 2002) and that, as a result, we will experience an adverse impact on our consolidated operating income in fiscal 2003. In addition, as discussed in more detail below, we expect that net financial expenses, excluding the impact of currency exchange rates, will increase above fiscal 2002 levels. We anticipate that these increases in expenses will adversely affect net income.

As a result of the events surrounding the announcement on February 24, 2003, and the related investigations, we have undergone significant changes in management both at our parent company and at several of our subsidiaries. Our new and existing management and support staff have had to devote substantial amounts of time and resources to addressing all of the accounting issues that were found through the numerous internal forensic investigations and internal and external audits and to complete the audit of our fiscal 2002 financial position. Significant amounts of time also have been spent with respect to the related governmental and regulatory investigations and legal proceedings that are ongoing. As a result of the foregoing, our management and support staff's attention to our operations and strategic planning has been diverted, which has negatively affected our business.

As noted above, we have restricted our capital expenditures during fiscal 2003 in order to strengthen our free cash flow. Accordingly, we have delayed or cancelled several of our planned initiatives that involve discretionary capital expenditures, such as store remodeling. However, we expect to continue working on initiatives that will reduce our administrative costs, as well as other initiatives, including the opening of new stores, that are critical for us to remain competitive in our markets. Our objective is to fund these initiatives largely through cash generated by our operations. We are working with our vendors to develop ways to lower the cost of products, through, among other initiatives, jointly developing improved ordering systems and creating additional buying synergies.

Operating expenses: fiscal 2003

We expect that our operating expenses for fiscal 2003, excluding the impact of currency exchange rates, will be significantly higher than our operating expenses in fiscal 2002 (excluding the impact of goodwill impairment charges taken in fiscal 2002 and the exceptional loss in fiscal 2002). We have incurred in fiscal 2003, and will continue to incur, significant

costs in connection with the forensic accounting and legal investigations that have been conducted and the changes we are making in light of these investigations, including costs related to strengthening our internal controls and integrating our operating systems. We also have incurred and will continue to incur substantial costs relating to ongoing litigation and government and regulatory investigations. Most of these costs will be recorded as general and administrative expenses. In addition, in fiscal 2003, we expect contributions to our defined benefit plans will increase significantly, partly as a result of compliance with minimum plan assets to liabilities coverage ratios prescribed by U.S. and European laws.

Net financial expense: fiscal 2003

On March 3, 2003, we entered into the 2003 Credit Facility, which replaced the 2002 Credit Facility. We expect that our interest expense for fiscal 2003 will increase in part because the 2003 Credit Facility has a higher applicable borrowing rate than the 2002 Credit Facility. The applicable borrowing rate under the 2003 Credit Facility as of October 3, 2003, is LIBOR (or EURIBOR on EUR borrowings) plus 3.25%. The applicable borrowing rate under our 2002 Credit Facility as of fiscal year-end 2002, was LIBOR (or EURIBOR on EUR borrowings) plus a margin of 0.35% to 0.40%, depending upon the amount of debt drawn under the facility.

In addition, our level of borrowing and letters of credit under the 2003 Credit Facility have increased compared to the level under the 2002 Credit Facility. We also have incurred significant fees under the 2003 Credit Facility and in connection with the extension and amendment of our accounts receivable securitization programs. Our borrowings under the 2003 Credit Facility as of October 3, 2003, were USD 750 million and EUR 600 million, plus USD 353 million of issued letters of credit that currently bear a fee of 3.25% of the stated amount. Our borrowings under the 2002 Credit Facility as of fiscal year-end 2002 were USD 80 million, plus USD 150 million of issued letters of credit with a fee of 0.40%.

Set forth below is a discussion of our expectations of our results of operations for our various operating businesses for fiscal 2003.

Retail trade in the United States: fiscal 2003

We expect that net sales for our U.S. retail trade operations in fiscal 2003 will increase modestly, excluding the effects of currency exchange rates, although the weakened economy has affected and is expected to continue to negatively affect our U.S. retail trade net sales in fiscal 2003, particularly in the southeastern United States, where a combination of strong competition and high unemployment rates are creating a difficult trading environment. At Stop & Shop and Giant-Carlisle, we expect strong net sales growth, excluding the impact of currency exchange rates, in fiscal 2003 compared to fiscal 2002. On the other hand, Bruno's, and to a lesser extent, Giant-Landover and Tops, have been experiencing pressure on net sales in fiscal 2003. We expect that our U.S. retail trade operating expenses will increase in fiscal 2003, reflecting additional pension premiums and payments to our pension funds due to the poor performance of the stock markets, as well as continued rising health care costs. A part of these expenses is, however, being offset through various cost saving initiatives, the most significant of which are detailed below. These factors will adversely affect operating income in fiscal 2003.

We are decreasing our administrative costs by combining certain functions at four of our U.S. retail trade operations into two integrated organizations. Tops and Giant-Carlisle began implementing a shared service organization in fiscal 2001. This process was substantially completed in August 2003. BI-LO and Bruno's are also implementing a shared service organization. It will combine administrative functions of BI-LO and Bruno's. We have continued to centralize our purchasing of not-for-resale goods and services used in our business, including fixtures and store equipment.

In August 2003, we announced our intention to sell Golden Gallon convenience stores, which are part of our BI-LO operations. This is in line with our objective to restructure our portfolio and focus on our core businesses. The sale was completed in October 2003.

Retail trade in Europe: fiscal 2003

At the beginning of fiscal 2003, we implemented a new management structure for our retail trade operations in Europe, which we expect will allow us to respond more quickly and more decisively to the changing market conditions in Europe.

In Europe, we have experienced retail trade sales pressure in fiscal 2003 due to the weakened economy and consumers' focus on price, combined with increased competition. We expect that net sales will grow in fiscal 2003, compared to fiscal 2002, as a result of identical net sales growth in a limited number of markets and store expansions at most operations despite the sales pressure resulting from the weakened economy, consumers' focus on price and increased competition.

At Albert Heijn, in particular, lower consumer spending is negatively affecting net sales and our market share in fiscal 2003. Additionally, since the summer of fiscal 2002, there has been a negative market sentiment towards Albert Heijn due to its perceived high price level. As a result, at Albert Heijn, we will be evaluating our pricing strategy, our cost structure and promotional activities. As announced on September 3, 2003, in order to improve efficiency and remain competitive in the market, we are restructuring the head office and logistics functions of Albert Heijn, including by reducing 440 staff jobs. As a result, we anticipate that restructuring costs will negatively impact the operating income of Albert Heijn in fiscal 2003.

In our other Europe retail trade operations, we have made strong efforts to improve net sales, despite the weakened economy. We are focusing on margin management through common sourcing and product mix, as well as cost reduction programs. The effectiveness of these programs, however, will not counteract the overall pressure on net sales and our gross profit margin and we foresee lower operating income for fiscal 2003 compared to fiscal 2002 for our other Europe retail trade operations.

In September 2002, we announced that, as part of our arena strategy, the administrative functions and management of our operations in the three Central European countries of Poland, the Czech Republic and Slovakia, would be integrated into one organization in order to realize synergies. To further this objective, we expect to create a new legal entity called Ahold Central Europe, which is expected to be located in the Czech Republic. During fiscal 2003, we have been focusing on integrating the administrative functions and management of these three operations. In Spain, we continue to integrate the administrative functions of the businesses that we acquired, as well as further reducing the number of legal entities we have in Spain. However, the integration process in Spain is taking much longer than we had expected. We also anticipate taking initial steps toward cooperation between our operations in Spain and our equity investment in JMR in Portugal, focusing on sourcing.

We completed in May 2003 the sale of De Tuinen, our wholly-owned subsidiary that operated a chain of 65 natural product stores in The Netherlands, to NBTY's British subsidiary, Holland & Barrett Europe Ltd., and, during the second quarter of fiscal 2003, the sale of our Dutch confectionery store chain, Jamin, through a management buy-out. Additionally, in September 2003, we sold our Dutch restaurant, De Walvis.

Retail trade in Latin America: fiscal 2003

In July 2003, we sold our 99.6% interest in the Chilean operations of Santa Isabel. In September 2003, we sold 100% of the shares of the Paraguayan operations, formerly part of Santa Isabel. Additionally, we announced our intention to divest our remaining subsidiaries in South America.

In Latin America, a slowdown in the economy and the economic crisis in Brazil and Argentina have affected and are expected to continue to affect our retail trade net sales in those markets in fiscal 2003. We expect to continue to experience gross profit margin pressures in fiscal 2003 as a result of the new pricing strategies we implemented in Brazil and Argentina in fiscal 2002 and the announcements of our intended divestments.

Retail trade in Asia Pacific: fiscal 2003

In September 2003, we completed the sale of 22 stores and two distribution centers in Indonesia, and 33 stores and a grocery distribution center in Malaysia. These transactions are in line with our objective of withdrawing from the Asia Pacific region. As a result of the divestment program in Asia in fiscal 2003, we have incurred restructuring charges, including store closure costs, severance payments and asset write-offs.

In our Asia Pacific segment, we have experienced a decline in retail trade net sales and gross profit margin as a result of the sale of our stores in Malaysia and Indonesia, which have negatively affected our results of operations. In addition, we expect a decline in net sales in Thailand due to strong competition.

Food service in the United States: fiscal 2003

In the United States, as a result of the issues that we announced on February 24, 2003, the related internal and external investigations and events, combined with the resignation or termination of a significant portion of the senior management of USF, our focus and the focus of Ahold's and USF's existing senior management in fiscal 2003 has been diverted from USF's operations and customer service to a focus on resolving these issues and rebuilding our USF management team. On October 14, our Corporate Executive Board appointed Lawrence S. Benjamin as Chief Executive Officer at USF, effective November 1, 2003. For more information regarding the appointment, please see "Restatements, Adjustments and Remedial Actions - Remedial Actions."

During fiscal 2003, we have continued our integration of Alliant and other smaller acquisitions into USF. The main components of the integration, including the integration of operations, the consolidation of distribution centers that operate in overlapping markets and the integration of product offerings, are substantially complete. However, due to our focus on the accounting and related issues discussed above, completion of the remaining portions of USF's integration plan, which includes the further integration of distribution routes, the re-focus of USF's sales force and the roll-out of centralized procurement, has been delayed. As a result, we have not yet been able to fully recognize synergies from USF's recent acquisitions. We have also continued our efforts to consolidate and standardize information technology systems. Although we have accomplished a number of computer system conversions, substantial system conversion projects, including the complete implementation of the SIS vendor allowance tracking system, remain. With the exception of a few vendors, we expect to be able to track all vendor allowances by mid-fiscal 2004.

USF has instituted a new methodology on the accounting for and recognition of vendor prepayments in response to accounting and control issues raised during the internal investigations. While the SIS vendor allowance tracking system is under development and testing, USF has initiated a manual vendor allowance tracking system. This manual system aggregates information including a detailed review of vendor purchasing contracts, reporting provided by vendors on purchases made, information developed within USF on purchasing activities, cash collections of purchase allowances, and regular reconciliations of the information with vendors. USF has instituted having its purchasing department, accounting department and its senior management regularly review this information so as to verify it and the recognition of vendor allowances.

In fiscal 2003, we expect net sales for our food service operations in the United States to increase marginally from fiscal 2002 because of the completion in early fiscal 2003 of the consolidation of distribution centers discussed above and the recovery of sales lost during those consolidation efforts. We expect that gross profit at USF will decrease in fiscal 2003 as a result of the company's focus on controlling inventory and purchases from vendors. As a result of the latter, volume allowances, which are based on purchases from vendors and which are an offset against cost of goods sold, will be reduced. Therefore, USF's cost of goods sold will be higher as a percentage of its net sales, thereby negatively affecting gross profit. Gross profit also will be negatively affected by actions taken by the USF sales force subsequent to the February 24, 2003 announcement to retain customers and respond to the increase in competitors' efforts to increase sales to USF customers. In addition, USF's gross profit margins currently are substantially lower than its major competitors, primarily because of competitors' significantly better purchasing programs, a higher ratio of higher-margin street customers to lower-margin chain customers and higher level of private label product sales. To address this, beginning in late fiscal 2003, USF will enter into discussions with its vendors to negotiate more favorable product costs. We are also aiming to improve USF's future profitability by increasing USF's relative level of street sales and the sale of its private and signature brands, which have higher margins. We also are increasing training and focusing on management of USF's sales force, instituting a rigorous customer profitability review and implementing strong cost controls consistent with our increased internal control environment.

Food service in Europe: fiscal 2003

We expect net sales in fiscal 2003 for our Deli XL food service operations in Europe, located in The Netherlands and Belgium, to be slightly lower than in fiscal 2002, particularly due to the continuing unfavorable economic circumstances. We are introducing a cost-savings program intended to take advantage of synergies in administrative processes, especially in the area of logistics. As part of this program, which we announced in August 2003, we intend to restructure our operations at Deli XL in order to gain more efficiencies and to maintain and strengthen our competitive position in the Dutch and Belgian food service markets. The restructuring program includes reductions of 200 staff jobs in the Dutch operations. We experienced pressure on gross margin in our European food service operations in fiscal 2003.

Our share in income of joint ventures and equity investees: fiscal 2003

In addition to our consolidated subsidiaries, we also have interests in retail trade operations through our joint ventures with respect to which we do not have majority voting power. The income or losses generated by these joint ventures is included in our income or loss from unconsolidated joint ventures and equity investees. As of fiscal year-end 2002, we had interests in several entities that we accounted for as unconsolidated joint ventures. The three most significant entities are ICA, JMR and Paiz Ahold, which holds a 66 $^{2}/_{3}$% interest in CARHCO.

We expect that our share in income of joint ventures and equity investees, excluding the effects of currency exchange rates, will be slightly higher in fiscal 2003 than in fiscal 2002. The expected increase is due to the fact that DAIH will no longer affect our share in income of joint ventures and equity investees because DAIH is no longer an unconsolidated entity. We began consolidating the results of DAIH in our financial statements in the third quarter of fiscal 2002. In fiscal 2002, DAIH had a significant negative impact on our share in income of joint ventures and equity investees.

Financial Statements

Page — Index to the Financial Statements

Royal Ahold
Consolidated Statements of Operations

Fiscal years 2002, 2001 (as restated) and 2000 (as restated) *(in EUR millions, except per share data)*

	Note	**Fiscal 2002**	Fiscal 2001 (as restated - see Note 3)	Fiscal 2000 (as restated - see Note 3)
Net sales		**62,683**	**54,213**	**40,833**
Cost of sales		(49,222)	(42,227)	(31,279)
Gross profit		**13,461**	**11,986**	**9,554**
Operating Expenses				
Selling expenses		(9,073)	(8,080)	(6,534)
General and administrative expenses		(1,989)	(1,843)	(1,365)
Goodwill and intangible assets amortization	*6/14*	(433)	(256)	(50)
Impairment of goodwill and other intangible assets	*6/14*	(1,287)	(8)	—
Impairment of other long-lived assets	*15*	(137)	(10)	—
Gain on disposal of tangible fixed assetss		69	122	30
Exceptional loss on related party default guarantee	*5*	(372)	—	—
Total operating expenses		(13,222)	(10,075)	(7,919)
Operating Income		**239**	**1,911**	**1,635**
Financial expense, net				
Interest income		59	109	99
Interest expense		(1,003)	(921)	(699)
Gain (loss) on foreign exchange		(50)	108	39
Other financial income and expense		(14)	(3)	(7)
Net financial expense		(1,008)	(707)	(568)
Income (loss) before income taxes		**(769)**	**1,204**	**1,067**
Income taxes	*12*	(390)	(270)	(235)
Income (loss) after income taxes		**(1,159)**	**934**	**832**
Share in income (loss) of joint ventures and equity investees		(38)	(192)	78
Minority interests		(11)	8	10
Net income (loss)		**(1,208)**	**750**	**920**
Dividends on cumulative preferred financing shares		(38)	(38)	(17)
Net income (loss) after preferred dividends		**(1,246)**	**712**	**903**
Net income (loss) after preferred dividends per common share - basic	*13*	(1.34)	0.83	1.22
Weighted average number of common shares outstanding *(x 1,000)* - basic		926,546	857,509	737,403
Net income (loss) after preferred dividends per common share - diluted	*13*	(1.34)	0.82	1.19
Weighted average number of common shares outstanding *(x 1,000)* - diluted		926,546	887,391	797,121

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

Royal Ahold
Consolidated Balance Sheets

As of December 29, 2002 and December 30, 2001 (as restated) *(in EUR millions, before appropriation of current year result)*

Assets	Note	December 29, 2002	December 30, 2001 (as restated - see Note 3)
Non-current assets:			
Intangible assets			
Goodwill	6	3,053	4,591
Other intangible assets	14	814	972
Total intangible assets		3,867	5,563
Tangible fixed assets	15	11,043	11,927
Financial assets			
Investments in joint ventures and equity investees	16	851	681
Deferred tax assets	12	457	475
Other financial assets	17	744	1,118
Total financial assets		2,052	2,274
Total non-current assets		**16,962**	**19,764**
Current assets:			
Inventory	18	4,235	4,380
Accounts receivable	19	2,231	2,348
Other current assets		308	436
Cash and cash equivalents	20	1,002	1,698
Total current assets		**7,776**	**8,862**
Total assets		**24,738**	**28,626**

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

Liabilities and group equity	Note	December 29, 2002	December 30, 2001 (as restated - see Note 3)
Group equity			
Issued and paid-in share capital		298	295
Additional paid-in capital		11,220	11,218
Legal and statutory reserves		291	212
Other reserves		(1,451)	(202)
Accumulated deficit		(6,541)	(6,777)
Net income (loss)		(1,208)	750
Shareholders' equity		2,609	5,496
Minority interests		56	48
Total group equity		2,665	5,544
Commitments and Contingencies	30		
Provisions			
Pensions and other retirement benefits	22	756	599
Deferred tax liability	12	572	530
Restructuring provisions	8	136	263
Other provisions	23	680	721
Total provisions		2,144	2,113
Non-current liabilities			
Loans	24	8,313	10,126
Financial lease commitments	25	2,224	2,377
Other non-current liabilities	26	348	307
Total non-current liabilities		10,885	12,810
Current liabilities			
Loans payable	27	2,370	1,226
Income tax payable		119	48
Payroll taxes, social security and VAT		316	307
Accounts payable		4,480	4,734
Accrued expenses		1,109	1,196
Other current liabilities	27	650	648
Total current liabilities		9,044	8,159
Total liabilities and group equity		**24,738**	**28,626**

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

Royal Ahold
Consolidated Statements of Cash Flows

Fiscal years 2002, 2001 (as restated) and 2000 (as restated) *(in EUR millions)*

	Fiscal 2002	Fiscal 2001 (as restated - see Note 3)	Fiscal 2000 (as restated - see Note 3)
Cash flows from operating activities:			
Income (loss) before income taxes	(769)	1,204	1,067
Adjustments for:			
Depreciation, amortization and impairments	3,142	1,411	957
Gain on disposal of tangible fixed assets	(69)	(122)	(30)
Exceptional loss on related party default guarantee	372	—	—
Operating cash flow before changes in working capital	2,676	2,493	1,994
Changes in working capital:			
Accounts receivables	35	11	(140)
Other current assets	198	(24)	(79)
Inventory	(308)	(280)	(289)
Accounts payable	161	150	594
Current liabilities	21	(23)	122
Total changes in working capital	107	(166)	208
Change in other non-current assets	(7)	(103)	(19)
Change in other provisions	33	(152)	(119)
Corporate income taxes paid	(423)	(159)	(150)
Change in other non-current liabilities	100	48	149
Net cash from operating activities	**2,486**	**1,961**	**2,063**
Cash flows from investing activities:			
Purchase of intangible assets	(155)	(160)	(171)
Purchase of tangible fixed assets	(2,005)	(2,299)	(1,719)
Divestments of tangible fixed and intangible assets	590	1,134	303
Acquisition of consolidated subsidiaries	(977)	(2,705)	(5,648)
Acquisition of interests in joint ventures and equity investees	(159)	(138)	(1,904)
Dividends from joint ventures and equity investees	63	61	47
Divestment of subsidiaries	19	3	15
Issuance of loans receivable	(256)	(566)	(203)
Repayment of loans receivable	287	105	83
Net cash from investing activities	**(2,593)**	**(4,565)**	**(9,197)**
Cash flows from financing activities:			
Net proceeds from issuance of common shares	—	2,501	2,676
Net proceeds from issuance of cumulative preferred financing shares	—	—	395
Net proceeds from issuance of convertible subordinated notes	—	—	920
Proceeds from exercised stock options	5	67	56
Change in minority interests	(7)	(11)	43
Proceeds from long-term debt	393	4,721	9,461
Repayments of long-term debt	(676)	(3,245)	(6,612)
Payments of financial lease commitments	(103)	(73)	(72)
Change in short-term loans payable	355	(771)	542
Payment of dividend on common shares	(433)	(94)	(44)
Payment of dividend on cumulative preferred financing shares	(38)	(32)	(12)
Net cash from financing activities	**(504)**	**3,063**	**7,353**
Net change in cash and cash equivalents	**(611)**	**459**	**219**
Cash and cash equivalents at beginning of fiscal year	1,698	1,130	657
Cash acquired in business acquisitions	46	111	298
Effect of exchange rate differences on cash and cash equivalents	(131)	(2)	(44)
Cash and cash equivalents at end of fiscal year	**1,002**	**1,698**	**1,130**

	Fiscal 2002	Fiscal 2001 (as restated - see Note 3)	Fiscal 2000 (as restated - see Note 3)
Supplemental disclosures of cash flow information			
Cash payments for interest	(981)	(834)	(518)
Supplemental disclosures of non cash flow investing and financing activities			
Financial lease commitments	339	451	324
Financial lease assets divested	(45)	(55)	(25)
Business acquisitions			
Fair value of assets acquired	(905)	(2,848)	(4,026)
Goodwill	(522)	(1,727)	(6,744)
Less: liabilities assumed	450	1,870	3,708
Total consideration paid	(977)	(2,705)	(7,062)
Shares issued as consideration	—	—	1,414
Cash acquired	46	111	298
Acquisitions, net of cash acquired	**(931)**	**(2,594)**	**(5,350)**

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

Notes to the Consolidated Financial Statements *(in EUR millions, except per share data)*

1 The company and its operations

The principal activities of Koninklijke Ahold N.V. ("Royal Ahold", "Ahold" or the "Company") with its legal seat in Zaandam, The Netherlands, are the operation through subsidiaries and joint ventures of retail trade supermarkets in the United States of America ("U.S."), Europe, Latin America and Asia and food service activities in the U.S. and Europe.

In addition to its principal activities, certain subsidiaries of Ahold are engaged in the financing, development and management of store sites and shopping centers primarily in support of the Company's retail operations.

The subsidiaries and unconsolidated affiliates of Ahold are listed in Note 32.

2 Basis of presentation and accounting principles under Dutch GAAP

The consolidated financial statements of Ahold have been prepared under accounting principles generally accepted in The Netherlands ("Dutch GAAP") as discussed below. Historical cost is used as the measurement basis, unless otherwise indicated. Assets and liabilities are stated at face value and income and expenses are accounted for on an accrual basis. Gains are only recognized when realized. Losses and risks that originated before the end of the financial year are taken into account if they have become known before preparation of the financial statements. Ahold also reconciles its financial position and results to accounting principles generally accepted in the U.S. ("US GAAP"). US GAAP varies from Dutch GAAP in certain significant respects as further described in Note 31.

As discussed in Note 3 and Note 31.b the Company has restated and reclassified its comparative financial position as of December 30, 2001 and results for fiscal 2001 and 2000 under Dutch GAAP and US GAAP.

Ahold's fiscal year is a 52- or 53-week period ending on the Sunday nearest to December 31. Fiscal 2002, 2001 and 2000 all consisted of 52 weeks and ended on December 29, December 30, and December 31, respectively. The Company's subsidiaries in Latin America, Poland, Belgium, Czech Republic and Spain are consolidated using a calendar year-end. There have been no significant intervening events at these subsidiaries between the Company's fiscal year-end and the calendar year-end that have a material impact on the consolidated financial statements.

The following are the significant accounting policies applied in the preparation of the accompanying consolidated financial statements prepared under Dutch GAAP, beginning with changes in accounting principles made in the years presented.

Annual Report Form 20-F

Ahold is subject to the reporting requirements of the Securities and Exchange Commission ("SEC") in the United States as such requirements apply to foreign companies. Ahold files its Annual Report with the SEC on Form 20-F, together with such other information as required. Shareholders wishing to obtain a copy of the last Form 20-F may do so by contacting the company or the Bank of New York ADR department.

Changes in accounting principles

Pensions

Beginning fiscal 2002, under Dutch GAAP, the Company adopted, as permitted by the Guidelines for Annual Reporting in The Netherlands, Statement of Financial Accounting Standards ("SFAS") No. 87 "Employers' Accounting for Pensions" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" and the guidance applicable under accounting principles generally accepted in the U.S. ("US GAAP"). Prior to fiscal 2002, Ahold only applied SFAS No. 87 under Dutch GAAP for its U.S.-based subsidiaries. Ahold's listing on the New York Stock Exchange ("NYSE") and the filing of its annual report on Form 20-F with the Securities and Exchange Commission ("SEC") in the U.S. already required the Company to apply SFAS No. 87 in its US GAAP reconciliation for all of its pension arrangements. As preferred under Dutch GAAP, Ahold has adjusted its Dutch GAAP comparative financial position and results for the effect of the adoption of SFAS No. 87 for fiscal 2001 and 2000. The effect of this change is presented in Note 3. If Ahold would not have adopted SFAS No. 87 for its non-U.S. companies under Dutch GAAP for fiscal 2002, the net loss for 2002 would have been approximately EUR 23 higher.

Revaluations

In fiscal 2002, Ahold changed its accounting policy relating to an incidental revaluation of buildings and land in 1988. The accounting change was given retroactive effect in these consolidated financial statements. Dutch GAAP permits the

incidental revaluation of properties with an offsetting entry to the revaluation reserve. Ahold will no longer revalue its properties and has reversed the only revaluation it recorded in 1988 for an amount at that time of EUR 44. As preferred under Dutch GAAP, Ahold has adjusted its Dutch GAAP comparative financial position and results for the effect of this change for fiscal 2001 and 2000. As a result of this change, Ahold's shareholders' equity as of December 29, 2002 decreased by EUR 17. The effect of this change on fiscal 2001 and 2000 is presented in Note 3.

Goodwill and intangible assets

On November 8, 2000, The Netherlands Council for Annual Reporting ("CAR") issued RJ 500 "Mergers and Acquisitions" ("RJ 500") with an effective date of January 1, 2001, whereby early adoption is permitted. Among other things, RJ 500 no longer permits charging goodwill balances directly to shareholders' equity; instead only capitalization of goodwill and amortization over its estimated useful life is allowed. Effective fiscal 2000, the Company changed its acquisition accounting for all business combinations consummated after December 1, 2000 in partial response to the new guidance of RJ 500 and in line with international developments and with proposed Dutch law. Beginning December 1, 2000, goodwill is capitalized and amortized over the period the Company is expected to benefit from the goodwill, not exceeding 20 years. The impact of this change in accounting for goodwill resulted in a decrease of the Company's fiscal 2000 net income of EUR 5 and an increase in the Company's shareholders' equity of EUR 2,613 as of December 30, 2000. In accordance with RJ 500, effective January 1, 2001, the Company is also required to capitalize brand names acquired as part of a business combination. Such brand names and other intangible assets are amortized over the period the Company is expected to benefit from these intangible assets, not exceeding 20 years.

Restructuring provisions

Upon adoption of RJ 500 as of January 1, 2001, the Company began accounting for its restructuring provisions as part of business combinations in accordance with stricter criteria prescribed by RJ 500 and revised RJ 252 "Provisions" ("RJ 252"). These criteria include the existence of a detailed formal plan identifying at least (i) the business or part of a business concerned; (ii) the principal locations affected; (iii) the location, function and approximate number of employees who will be compensated for terminating their services; (iv) the expenditures that will be undertaken; and (v) the timing of when the plan will be implemented. Further, the Company must raise valid expectations with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. In order to enhance internal consistency, Ahold changed its accounting for business combinations related to restructuring provisions for fiscal 2002. First, for business combinations in fiscal 2000 that were made after December 1, 2000 (the date after which Ahold began capitalization of goodwill as described above under "Goodwill"), restructuring provisions are only recognized upon acquisition if they meet all the criteria in RJ 500/RJ 252. Therefore, Ahold has adjusted its financial position and results for fiscal 2001 and 2000 accordingly to account for such restructuring provisions under RJ 500/RJ 252. Second, for business combinations before December 1, 2000 for which a restructuring reserve was still accrued as of January 1, 2001, Ahold has adjusted these reserves in order to meet the more strict requirements of revised RJ 252, effective January 1, 2001. The effect of this change on fiscal 2001 is presented in Note 3.

Events after the balance sheet date

In 2002, the CAR amended Guideline 160 "Events after the balance sheet date" ("RJ 160"). RJ 160 prohibits the presentation of dividend payments declared after the balance sheet date as a liability. Dividends declared after the balance sheet date are required to be either recognized as a separate component of shareholders' equity or disclosed in the notes to the financial statements. However, if a company's articles of association require the distribution of preferred dividends and the results for the year are sufficient for doing so, the amount payable to holders of preference shares must be recorded as a liability. RJ 160 is effective for fiscal years beginning on or after January 1, 2003 with early adoption encouraged. The Company adopted RJ 160 in fiscal 2002, which did not have a material impact on these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities and results of operations of all subsidiaries which Ahold, either directly or indirectly controls. Intercompany balances and transactions have been eliminated in the consolidation. A minority interest is recorded in the balance sheet and the statements of operations for the minority shareholders' share in the net assets and the income or loss of subsidiaries, respectively. Ahold would not recognize the minority shareholders' share in the loss to the extent this would result in recording a minority interest receivable balance, unless the minority shareholder has an obligation to fund the shareholders' deficits of the subsidiary. For fiscal 2002, 2001 and 2000, the minority interest in the net assets and income of subsidiaries mainly relates to the minority shareholders' interest in Schuitema N.V. ("Schuitema"), in which Ahold has a 73.2% interest and Peapod, the U.S. on-line grocer, in which Ahold had a 51% interest from June 2000 until August 2001 and has a 100% interest after that date.

When Ahold acquired the interest in Schuitema, Ahold agreed that Schuitema could maintain the structure regime (rules applicable to large companies in the Netherlands) which provides Ahold with indirect control over Schuitema. Under the structure regime, direct control rests with Schuitema's supervisory board through its rights to appoint Schuitema's management, adopt the annual accounts and approve significant operating decisions. During the periods presented, Ahold had the right to appoint two members and nominate a neutral person to serve as the chairman of the five member supervisory board. In accordance with Schuitema's shareholder agreement, Ahold has the right to terminate or mitigate the structure regime after having had intensive consultations with Schuitema's supervisory board and its management team and taking into account the perception of independence of Schuitema in the market. Effective March 31, 2003, a new shareholders' agreement between Ahold and Schuitema has come into effect, enhancing the influence of Schuitema's supervisory board in the decision to terminate (or mitigate) the structure regime. (This development must be weighed against legal and corporate governance initiatives enhancing shareholder rights). If the structure regime were to be abandoned (or mitigated), Ahold would exercise direct control over Schuitema as its majority shareholder. Based on these rights Ahold has had effective control over Schuitema and, accordingly, Schuitema has been consolidated for all periods presented.

Foreign currency translation

Subsidiaries, joint ventures and equity investees record transactions in their functional currency, which is the principal currency of the economic environment in which they operate. Transactions in currencies other than the functional currency of the subsidiary, joint venture and equity investee are recorded at the rates of exchange prevailing at the date of the transaction in the accompanying statements of operations. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and gains and losses are reported in the statements of operations. Exchange gains or losses from remeasuring certain intercompany loans that are determined to be of a long-term investment nature are recorded directly in shareholders' equity.

The Company's reporting currency is the Euro. Upon consolidation, the balance sheets of subsidiaries with functional currencies other than the Euro are translated at the rates of exchange prevailing at the end of the year. The statements of operations denominated in currencies other than Euro are translated at an average exchange rate per quarter. The resulting exchange differences are recorded directly in consolidated shareholders' equity and are only included in income upon sale or liquidation of the underlying foreign subsidiary or associated company.

The rates of exchange between Euro and US dollar applied were:

1 Euro = x US dollar	**2002**	2001	2000
Balance sheet:			
Year-end rate	1.0438	0.8836	0.9424
Statements of operations:			
1st quarter	0.8780	0.9171	0.9790
2nd quarter	0.9399	0.8648	0.9313
3rd quarter	0.9833	0.9014	0.8941
4th quarter	1.0016	0.8936	0.8696

1 US dollar = x Euro	**2002**	2001	2000
Balance sheet:			
Year-end rate	0.9580	1.1317	1.0611
Statements of operations:			
1st quarter	1.1389	1.0904	1.0215
2nd quarter	1.0640	1.1563	1.0738
3rd quarter	1.0170	1.1094	1.1184
4th quarter	0.9984	1.1191	1.1500

Use of estimates

The preparation of Ahold's consolidated financial statements in conformity with Dutch GAAP and US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those required in the

accounting for vendor allowances, purchase accounting and goodwill, impairment of long-lived assets, pensions and other post-retirement benefits, self-insurance and income taxes. Actual results could differ from those estimates.

All assumptions, anticipations, expectations and forecasts used as a basis for certain estimates within the consolidated financial statements represent good-faith assessments of the Company's future performance for which it believes there is a reasonable basis and represent the Company's view only as of the dates they are made. It involves known and unknown risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted.

Certain risks and concentrations

The Company's product revenues are concentrated in the retail and food service industry, which is highly competitive and heavily subject to changes in customer behavior. Significant changes in the industry or customer behavior, or the emergence of competitive markets could adversely affect the Company's operating results. Also, a majority of the Company's revenue is derived from sales in the food industry, whereby the results of operations are highly dependent on vendor allowances. Significant changes in the pricing and purchase terms in this industry could adversely affect operating results. In addition, a significant portion of the Company's revenue and results of operations is derived from international activities. Fluctuations of the Euro against foreign currencies, such as the U.S. Dollar, changes in local regulatory or economic conditions or significant dislocations in local distribution channels could adversely affect the Company's operating results.

The Company maintains the majority of its cash balances and all of its short-term investments with no more than ten financial institutions. The Company invests with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. U.S. Foodservice and its subsidiaries have accounts receivable from several customers in the food service industry and from time to time sells certain receivables by way of securitizations and retains a participating interest. Management of the Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts.

Liquidity and capital resources

Beginning in early 2003, Company-specific business challenges arising as a result of the February 24, 2003 announcement and subsequent developments, described in Note 3 negatively affected the Company's cash availability and created marketplace concerns regarding its liquidity. This, among other things, led to credit rating downgrades that, coupled with accounting irregularities and errors and the resulting delay in the announcement of the Company's results, caused the Company to lose, to a significant extent, access to capital markets, which historically was an important source of funding for the Company. Due to these events and their consequent impact on the Company's compliance with financial covenants in its then-existing credit facilities, on March 3, 2003, the Company entered into a new 2003 credit facility (the "2003 Credit Facility") to provide it with liquidity to stabilize the Company, replace its 2002 credit facility and cover maturing debt obligations. The 2003 Credit Facility provides for aggregate borrowings of up to EUR 600 and USD 2.2 billion and expires in February 2004.

The 2003 Credit Facility requires the Company and some of its subsidiaries to comply with various covenants (financial and otherwise) which may significantly restrict, and in some cases may prohibit, the Company's ability and the ability of those subsidiaries to incur additional debt, create or incur liens, pay dividends or make other equity distributions, create restrictions on the payment of dividends or other amounts by those subsidiaries, make loans, acquisitions and investments, incur capital expenses, sell assets, issue or sell the equity of subsidiaries and retire or defease certain debt. It also requires the Company to maintain a specified ratio of adjusted operating income to net interest expense. Certain other debt instruments of the Company also contain various financial and restrictive covenants. In the event that the Company or any such subsidiaries were to fail to meet any of these covenants and were unable to cure any breach or obtain consents to waivers of non-compliance with or otherwise renegotiate these covenants, the lenders under the 2003 Credit Facility and other credit agreements and debt instruments, counterparties to derivative instruments and lessors under some of the Company's operating leases would be able to elect to accelerate their final maturities and in some cases would have significant rights to sell or otherwise enforce upon assets pledged. The counterparties under these various contracts could also require the Company, among other things, to pay penalties, support its obligations with letters of credit or renegotiate for less favorable terms.

The timely payment of amounts due in the near-term on the Company's outstanding indebtedness and the continued funding of its business will require substantial cash resources. As of fiscal year-end 2002, EUR 1,273, EUR 56 and EUR 2,530 of the Company's outstanding long- and short-term borrowings, excluding amounts which have been repaid during 2003, will become due and payable in 2003, 2004 and 2005, respectively. In addition, as of September 15,

2003, the Company had USD 750 and EUR 600 drawn in loans and USD 353 in letters of credit issued under the 2003 Credit Facility. The Company's current level of indebtedness and other commitments and contingencies could affect its operations in a number of ways, including (1) requiring it to dedicate a substantial portion of our cash flow from operations to service debt, (2) limiting its ability to obtain additional debt financing in the future for working capital, capital expenditures or to refinance existing debt, (3) limiting its flexibility in reacting to industry changes and economic conditions generally and (4) placing it at a competitive disadvantage.

As announced on September 4, 2003, under the direction of the Company's new President and Chief Executive Officer and new Chief Financial Officer, a primary focus of the Company is on debt reduction through divestments, improving performance and generating free cash flow with working capital management and scrutinizing capital expenditures. Cost reduction programs also have been announced and are being implemented throughout the Company. The Company has begun divesting and will continue divesting non-core businesses and consistently under-performing assets, either in whole or in part, in an effort to focus on core operations. As part of the Company's new strategic framework, the scope of this divestment program will be expanded, as the Company intends to review its portfolio of businesses with a focus on operations and formats that are capable of appropriate levels of growth and have the potential to become market leaders. The Company is assessing the options available for refinancing existing debt and reducing leverage.

The Company will continue to assess its liquidity position and potential sources of supplemental liquidity in view of its operating performance and other relevant circumstances. Because cash flow from operations alone will be insufficient to repay all of the Company's maturing indebtedness, the Company's ability to have sufficient liquidity will depend on, among other things: being able to implement successfully its strategic plans; generating cash flows from operations and from the sale of assets; complying with the terms of its debt agreements and other contractual obligations, including the 2003 Credit Facility; refinancing its existing debt obligations, including the 2003 Credit Facility, obtaining bank loans, raising equity or issuing debt in the capital markets; and maintaining credit ratings.

If funds from these anticipated sources are not available on a timely basis or on satisfactory terms or at all or if these sources are insufficient to pay the Company's obligations as they mature or to fund the Company's liquidity needs, the Company and its subsidiaries may be forced to reduce or delay business activities or refinance all or a portion of its debt on or before maturity. In addition, if the Company's estimates of cash flow, expenses or capital or liquidity requirements change or are inaccurate, it may need to raise additional funds. As a consequence of the issues announced on February 24, 2003, and subsequent related events, the credit rating downgrades, the Company's consolidated net losses for fiscal 2002, its high debt level and the pledge of a substantial portion of its assets to secure indebtedness, it may be more difficult for the Company to refinance its debt, raise additional funds and improve liquidity on favorable terms. If the Company is unable to raise additional financing when needed, this could materially adversely affect its financial condition, results of operations and liquidity.

In light of its strategic framework and based on current levels of operations, the Company's management expects to meet short and mid-term working capital, capital expenditures and scheduled indebtedness repayment requirements with cash from operations, proceeds from asset divestitures and the refinancing of debt, including the 2003 Credit Facility, through accessing the capital markets, obtaining bank loans or otherwise.

Intangible assets

Intangible assets primarily consist of goodwill, brand names, customer relationships, favorable operating lease contracts and trade name licenses acquired separately or in business acquisitions. Intangible assets also consist of contractual lease rights and software costs separately acquired and developed internally. These assets are recorded at fair value determined at the date of acquisition of the related underlying business, or at cost if they are internally developed (i.e., software) or separately acquired.

Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. Prior to December 2000, goodwill was charged directly to shareholders' equity. Beginning December 1, 2000, goodwill is capitalized and amortized over the period the Company is expected to benefit from the goodwill, not exceeding 20 years.

Brand names acquired in business acquisitions after January 1, 2001, are capitalized and amortized over the period the Company is expected to benefit from the brand names, not exceeding 20 years. Brand names acquired have been capitalized at fair value determined using the royalty method, whereby the fair value is based on the present value of the estimated royalty payments that would be expected to be paid for the use of the brand name.

Customer relationships acquired in business acquisitions after January 1, 2001, have been capitalized at fair value determined using the royalty method, whereby the fair value is based on the present value of the estimated royalty payments that would be expected to be paid for the use of the customer relationship. Amortization of customer relationships is calculated over their estimated useful lives, ranging from seven to ten years.

Favorable operating lease contracts acquired in business acquisitions are capitalized based on the present value of the amount by which the contract terms are favorable relative to market prices at the date of acquisition. Favorable operating lease contracts are amortized over the remaining duration of the lease agreements.

Trade name licences acquired separately or in business acquisitions after January 1, 2001, are capitalized and amortized over the term of the license, generally not exceeding 10 years.

Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established. All costs incurred prior to the establishment of technological feasibility, as well as overhead, general and administrative and training cost incurred after the establishment of technological feasibility are expensed as incurred. Amortization is calculated over the anticipated useful life of the software assets, ranging from three to five years.

Leases and sale and leaseback transactions

Ahold is the lessee of equipment and buildings under various operating and capital leases. In accordance with Dutch GAAP, the Company classifies its leases as capital leases or operating leases based upon whether the lease agreement transfers substantially all the risks and rewards of ownership. For leases determined to be capital leases, an asset and liability are recognized at an amount equal to the lower of fair value of the leased asset or the present value of the minimum lease payments during the lease term. Such assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset taking into account the residual value, with depreciation included in depreciation expense. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term. Payments made to the Company representing incentives to sign a new lease are recognized on a straight-line basis over the term of the new lease.

Ahold also enters into sale and leaseback arrangements with various financial institutions, whereby the Company sells certain of its retail properties and simultaneously leases them back from the purchaser. Generally, only minor continuing involvement in these properties other than the required lease payments is maintained. If these transactions are established at fair value, and substantially all risks and rewards of ownership are transferred to the buyer-lessor, the gain or loss on the transactions is recognized in the consolidated statements of operations immediately. If not, the transactions are recorded as financings and any gains are deferred and amortized over the term of the lease, whiler losses are recognized immediately.

In some instances, Ahold incurs construction costs for properties expected to be completed and sold within one year in sale and leaseback transactions. These construction costs are classified as other current assets until the sale and leaseback occurs.

Tangible fixed assets

Tangible fixed assets are stated at cost or the fair value at the time they are acquired in a business acquisition, less accumulated depreciation. Expenditures for improvements are capitalized; repairs and maintenance are expensed as incurred. Prior to 2001, major repairs and maintenance projects were accrued as the related assets were used. Effective January 1, 2001, upon the adoption of RJ 252, the Company began expensing the cost of major repairs and maintenance projects as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets, taking into account the residual value. Depreciation of capitalized leases and leasehold improvements is calculated over the lesser of the lease term or the estimated useful life of the asset. The estimated useful lives are:

Stores	30 – 40 years
Other buildings	25 – 30 years
Leasehold improvements	7 – 12 years
Machinery and equipment	3 – 12 years
Other fixed assets	5 – 8 years

The useful life of land is considered indefinite. Interest incurred during construction is capitalized as part of the related asset.

Impairment of long-lived assets

Fixed and intangible assets held and used by the Company are evaluated for impairment if there are changes in circumstances that indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its recoverable amount, calculated as the higher of the net selling price or the discounted future net cash flows expected to result from the use of the asset and its eventual disposition. Fixed and intangible assets are grouped at the lowest level of identifiable cash flows for this analysis (e.g. on a store by store basis), while goodwill is grouped and assigned to each reporting unit of the Company, defined as one level below its operating segments. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the net realizable value of the assets and is recorded as a charge to operating income. The most significant estimates made in determining discounted future net cash flows include the selection of the appropriate discount rates, residual asset values and the number of years on which to base the cash flow projections. Generally, fixed and intangible assets to be disposed are reported at the lower of carrying amount or fair value less cost to sell the assets.

Investments in joint ventures and equity investees

Investments in joint ventures and other companies ("equity investees") in which Ahold does not have the ability to directly or indirectly control the financial and operating decisions, but does possess the ability to exert significant influence, are accounted for using the equity method. Under the equity method, as applied under Dutch GAAP, the investment is carried at the cost of the Company's share in the net assets of the joint venture or equity investee excluding goodwill, plus the Company's share in income or losses since acquisition, less dividends received. Ahold's share in the net income (loss) of these investments is recorded in the line "Share in income (loss) of joint ventures and equity investees" in the consolidated statements of operations. Generally, significant influence is presumed to exist if at least 20% of the voting stock is owned by Ahold. Goodwill arising from these acquisitions is recorded under goodwill on the balance sheet and amortized over a period not exceeding 20 years. Amortization of goodwill is recorded in the line "Goodwill and intangible asset amortization" in the consolidated statements of operations.

Equity investees in which Ahold does not have the ability to exercise significant influence are accounted for by the cost method. Dividends and other gains and losses from these investments are recorded under "Other financial income and expense" in the consolidated statements of operations.

The Company periodically reviews its equity investments for which fair value is less than the carrying value to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, an impairment loss is recognized in operating income to reduce the carrying value of the investment to its fair value.

In case an equity investees' equity becomes negative, the Company continues to record the share in losses for those equity investees in "investments in joint ventures and equity investees", if it has either issued declarations of assumption of liability or has a firm intention to enable, up to the Company's share, payments of debts by the equity investee. Any direct or indirect loans with those equity investees are provided for to the extent of their non-recoverable amount.

Value Added Service Providers

The Company's wholly owned food service subsidiary in the U.S., U.S. Foodservice ("USF") has product financing arrangements with five Value Added Service Providers ("VASPs"). USF does not own any shares in the VASPs, nor does it have any voting interest in these companies. Each VASP, at the request or with the consent of USF, will purchase certain commodities and products from third parties, then mark-up and resell such products to USF. Although these VASPs are not owned by USF, they are almost entirely dependent on their sales to USF. The VASPs provide varying degrees of support to USF primarily in the purchase of private label and signature brand products. USF engages in direct business discussions with the VASPs' ultimate vendors to ensure price, product specification and quality requirements are met and to take advantage of volume purchasing power. The VASPs' purchases are funded almost entirely by USF with interest-free advances and by the extension of trade credit by vendors, some of which has been guaranteed by USF. A portion of the VASP sales price to USF is subsequently passed back to USF, leaving the VASP with a predetermined, per transaction fee. The transaction fee, which includes reimbursements for holding costs associated with the inventory, is intended to be sufficient to allow the VASPs to recover substantially all of their operating costs with a limited profit. USF uses the invoice price from the VASPs as its cost in sales made to its customers under "cost plus" contracts. Additionally, since USF has guaranteed certain of the obligations of the VASPs and ultimately retains the risks and rewards related to the inventory and related payables of the VASPs, Dutch GAAP and US GAAP require the recognition of certain of these inventories and related payables of the VASPs within Ahold's consolidated financial statements, consistent with the approach under SFAS No. 49 "Accounting for Product Financing Arrangements".

As of December 29, 2002 and December 30, 2001, the Company has recorded accounts receivable due from the VASPs of EUR 116 and EUR 102, respectively, and payables to the VASPs in the amount of EUR 159 and EUR 87. Additionally, under the SFAS No. 49 accounting approach described above, Ahold has recorded VASP inventory and related trade payables in the amount of EUR 59 and EUR 46 at December 29, 2002 and December 30, 2001, respectively. The Company recorded approximately EUR 2.8 billion, EUR 1.7 billion and EUR 0.9 billion, representing approximately 18%, 16% and 16% of USF's cost of sales related to purchases through VASPs in fiscal 2002, 2001 and 2000, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances applicable to inventory. The cost of inventories is determined using the first-in, first-out (FIFO) method.

Accounts receivable

Accounts receivable are carried at estimated net realizable value. Allowances are recorded, if necessary, in an amount considered by management to be sufficient to meet future losses related to the collectibility of the accounts receivable. The Company sells certain customer receivables to specific non-consolidated qualifying special purpose entities in return for cash and a participation interest in these companies. Losses on sales of receivables vary on a monthly basis and are generally related to short-term interest rates that are charged to the Company on its participation interest. Accounts receivable sold under these conditions are excluded from accounts receivable presented in the Company's consolidated balance sheets. The retained interest in the qualifying special purpose entities is included in accounts receivable presented in the Company's consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand balances and short-term highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Company utilizes derivative financial instruments to hedge its primary market risk exposures, including risks related to foreign currency exchange rates, interest rates, and to a lesser extent, exposure to commodity price movements. Derivative instruments designated and qualifying as hedges under applicable hedge accounting rules are not included in the Company's balance sheet; rather, any associated gains or losses on the instruments are deferred and are recognized in the statement of operations in the same period in which the underlying hedged exposure affects earnings. Instruments that are not designated as hedges, or that fail to qualify for hedge accounting, are included in the Company's balance sheet at fair value, with changes in value recognized in current period income.

Stock-based compensation

The Company accounts for its stock-based compensation plans using the intrinsic-value method prescribed under Dutch GAAP. Accordingly, the Company computes compensation costs for each employee stock option granted as the amount by which the quoted market price of the Company's common shares on the date of grant exceeds the exercise price of the stock option, similar to the approach under Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees" which is applicable under US GAAP. Note 11 presents pro forma disclosures of net income (loss) and net income (loss) after preferred dividends per share as if the fair-value based method of accounting had been applied, consistent with the disclosure requirements of SFAS No. 123 "Accounting for Stock Based Compensation".

Pension and postretirement benefits

Ahold has pension, supplemental health and welfare plans in The Netherlands, the U.S. and in other areas of its business. The plans cover a substantial number of employees within The Netherlands, the U.S. and other areas and have been established in accordance with applicable legal requirements, customs, and existing circumstances in each area of its business. The plans are accounted for under the provisions of SFAS No. 87 and SFAS No. 106, in its primary financial statements as specifically allowed under Dutch GAAP.

Under SFAS Nos. 87 and 106, the determination of the projected benefit obligation and net periodic pension/benefit cost is dependent on the selection of assumptions by management to be used by actuaries in measuring these amounts. The assumptions used are described in Note 22 and include, as appropriate, the discount rate, the expected long-term rate of return on plan assets and the rates of increase in compensation and health care costs, employee turnover, mortality and retirement ages, future salary and benefit levels, claim rates under medical plans and future medical costs. Differences between actual results and those expected based on the assumptions are accumulated and amortized over future periods. Net periodic pension/benefit cost primarily represents the increase in the benefit obligation attributable to service during

the year plus the interest on the beginning of the year benefit obligation (a discounted measurement), net of the expected return on plan assets.

In the event that the accumulated benefit obligation, calculated as the actuarial present value of the benefits attributed to employee service rendered until the balance sheet date and based on historical compensation levels (i.e. without assumptions of future compensation levels), exceeds the fair value of the plan assets and (i) such excess is greater than the existing accrued pension liabilities, (ii) an asset has been recognized as prepaid pension cost, or (iii) no accrued or prepaid pension cost has been recognized, such excess, plus any existing prepaid pension asset or minus any existing accrued pension costs, is recognized as an additional minimum pension liability. The corresponding offset is recorded as a separate component of the Company's shareholders' equity.

Obligations for contributions to defined-contribution pension plans are recognized as expenses as incurred in the consolidated statements of operations.

In certain areas of its business, the Company also provides postretirement benefits other than pensions. The cost relating to such benefits consists primarily of the present value of the benefits attributed on an equal basis to each year of service, interest cost on the accumulated postretirement benefit obligation, which is a discounted amount, and amortization of the unrecognized transition obligation.

Unrecognized prior service costs related to pension plans and postretirement benefits other than pensions are amortized by assigning a proportional amount to the consolidated statements of operations over a number of years reflecting the average remaining service period of the active employees.

Pension information for all plans is presented in a form that is consistent with the relevant US GAAP standard, SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits". Ahold adopted this statement for plans outside the U.S. for fiscal 2002 to unify its principles of accounting for these plans. The comparative balance sheet and statement of operations have been restated to reflect the effect of a change in accounting policy, as permitted under Dutch GAAP, and as further described in this Note and in Note 3.

Deferred income taxes

Deferred income tax assets and liabilities are recorded for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted rates in effect in the year the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Company's statements of operations in the period of the enactment of the change in tax rates. Deferred tax assets are recognized without a valuation allowance only to the extent that it is probable that a benefit will be realized in the future based on currently available evidence. If a valuation allowance is recorded against deferred tax assets related with an acquired entity's deductible temporary differences or net operating loss or tax credit carry forwards at the acquisition date, the subsequent realization of tax benefits for those items is applied to (a) first, to reduce to zero any goodwill related to the acquisition, (b) second, to reduce to zero other intangible assets related to the acquisition, and (c) third, to reduce income tax expense.

All current and non-current deferred tax assets and liabilities of tax-paying components of the Company within each particular tax jurisdiction are offset and presented as a single amount, respectively. Current deferred tax assets and liabilities are not significant for the periods presented.

Restructuring provisions

A restructuring provision is recognized when certain criteria are met. These include the existence of a detailed formal plan, identifying at least (i) the business or part of a business concerned; (ii) the principal locations affected; (iii) the location, function and approximate number of employees who will be compensated for terminating their services; (iv) the expenditures that will be undertaken; and (v) the timing of when the plan will be implemented. Further, the Company must raise a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The provision is limited to termination payments to employees, continuing rent obligations, and other expenditures necessarily entailed by the restructuring.

Other provisions

Ahold recognizes provisions for liabilities and probable losses that have been incurred as of the balance sheet date and can be reasonably estimated. A provision is recognized when (i) the Company has a present obligation (legal or constructive)

as a result of a particular event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

Other provisions include commitments for supplementary or severance payments. The supplementary payments relate to occupational disability. The severance payments relate to commitments of the Company made to terminate employment before the normal retirement date or the termination of redundant personnel. Ahold accrues occupational disability and severance payments that vest or accumulate if the employee's rights to the payments are attributable to services already rendered and if payment is probable and can be reasonably estimated. When severance payments are part of a restructuring activity, this determination is made in accordance with the policy on restructuring stated above.

The Company also records provisions for unavoidable costs to fulfill agreements that exceed the expected gains from such agreements. Provisions for claims, disputes and legal proceedings are recorded if it is probable that the Company will be liable in a proceeding, for the estimated amount at which the liability can be settled. If the amount for which the liability can be settled cannot be reliably estimated, the claim, dispute or legal proceeding is disclosed, if it is expected to be significant.

All provisions are undiscounted, with the exception of provisions for unfavorable lease contracts. Such provisions are stated at the present value of the future obligations.

The Company is self-insured for certain losses related to general liability, commercial auto liability and workers' compensation. The Company has stop-loss coverage to limit the exposure arising from these claims. It is the Company's policy to record its self-insurance liabilities based on claims filed and an estimate of claims incurred but not yet reported. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method, which is based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors, actual payroll costs and other data.

Net sales

Ahold generates and recognizes sales to retail customers at the point of sale in its stores and upon delivery of groceries to Internet customers. Ahold also generates sales from the sale of products to food service customers and retail franchisees, which are recognized upon delivery. In addition, Ahold recognizes income from franchisee fees based on contractual arrangements over the term of the contracts. Sales to retail franchisees and franchise fees amounted to EUR 1,281, EUR 1,181 and EUR 1,090 for fiscal 2002, 2001 and 2000, respectively. Discounts earned by customers through agreements or by using their bonus or loyalty cards, are recorded by the Company as a reduction of the sales price at the time of the sale.

Generally, sales and cost of sales are recorded on a gross basis, based on the gross amount collected from the customer and the amount paid for the product to the vendor. However, for certain products or services, such as the sales of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets that the Company sells, the Company has determined that it acts as the de facto agent based on criteria as set forth in the Guidelines for Annual Reporting in The Netherlands 270 "Statement of Operations". For these transactions, the Company records the amount of the net margin in its sales.

Cost of sales

This includes the purchase price of the products sold, as well as the costs of purchasing, storing, rent, depreciation of tangible fixed assets, salaries and transporting the products. Vendor allowances are generally deducted from cost of sales.

Vendor allowances

The Company receives various types of vendor allowances in the form of up-front payments (or lump sum payments or pre-paid amounts), rebates (in the form of cash or credits), and other forms of payments that effectively reduce the Company's cost of goods purchased from the vendor or the cost of promotional activities conducted by the Company that benefit the vendor.

The most common allowances offered by vendors are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Vendor allowances are only recognized in income if evidence of a binding arrangement exists with the vendor. The timing of recognition depends on the facts and circumstances as described below for the various types of arrangements.

Slotting and stocking allowances that are paid by vendors in return for introducing their new products in a store, up-front payments by vendors and rebates received relating to volume allowances are recognized on a systematic basis as a reduction of the purchase price of the related products as they are purchased or sold. If these volume allowances are contingent on achieving certain minimum volume targets, the allowances are recognized only to the extent it is probable that the minimum volume targets will be achieved and the amount of the allowance can be reasonably estimated.

Scan billback promotional programs involve amounts billed back to vendors based on scan data in some cases adjusted to compensate for scanning errors and/or administrative costs.

Payments from vendors for promotional allowances are initially deferred and subsequently recognized when the advertising or other marketing activities specified in the contract are performed by the Company for the vendor. If no specific performance criteria are defined in the contract, the allowance is deferred over the term of the contract.

Other vendor allowances mainly relate to display allowances paid by vendors in return for displaying their products in a specific manner or location and other lump sum payments. These payments are generally recognized as an offset to the cost of products sold over the term of the agreement if a specific commitment term is indicated or upon completing the criteria indicated in the contract.

Selling expenses

Selling expenses consist of wages and salaries of retail and food service personnel, store expenses, rent of stores and food service facilities, depreciation of Company owned locations, advertising costs and other selling expenses.

General and administrative expenses

General and administrative expenses consist of salaries and wages of Ahold's operating companies' main offices and Ahold's corporate offices, rent and depreciation of those facilities, restructuring costs and other general and administrative expenses.

Net income (loss) after preferred dividends per common share

Net income (loss) after preferred dividends per common share – basic is computed using the weighted average number of common shares outstanding during the period. Net income (loss) after preferred dividends per common share – diluted incorporates the dilutive effect of incremental shares issuable upon the assumed exercise of stock options and upon assumed conversion of the Company's convertible subordinated notes as if conversion to common shares had occurred at the beginning of the fiscal year. Net income (loss) after preferred dividends also has been adjusted for interest expense on the convertible subordinated notes in calculating net income (loss) after preferred dividends per common share – diluted. The weighted average number of common shares outstanding is retroactively adjusted for stock dividends. In 2002 the adjustment factor to calculate the weighted average number of shares has not been changed, because the factor was slightly higher than 1.

Consolidated statement of cash flows

The consolidated statements of cash flows is presented using the indirect method, in a form that is consistent with that required by International Accounting Standard No. 7 "Cash flow statements". The changes in assets and liabilities of subsidiaries and equity investees with functional currencies different than the Euro, are translated per quarter using an average exchange rate. The cash flows are adjusted for changes in assets or liabilities that are acquired in business acquisitions. The net balance of the acquired assets and liabilities is presented, including the goodwill paid, on the line "Acquisition of consolidated subsidiaries". Cash flows resulting from exceptional items are accounted for by their nature as cash flows from operating, investing or financing activities.

Recently issued Dutch GAAP accounting pronouncements

In 2002, the CAR amended Guideline 270 "Profit and loss account" ("RJ 270"). RJ 270 changed the definitions of an "exceptional item" and an "extraordinary item" in the statements of operations. Exceptional items relate to events or transactions resulting from ordinary operations that must be separately presented because of their nature, volume or infrequency. Examples of exceptional items include restructuring expenses, profits or losses related to the termination or divestment of business activities, and the cumulative effect of changes in accounting principles. Extraordinary items relate to events or transactions that are unrelated to normal business activities. Examples of extraordinary items include losses resulting from expropriation and losses resulting from natural disasters such as earthquakes and floods. RJ 270 is effective for fiscal years beginning on or after January 1, 2003.

Transition to International Financial Reporting Standards

According to European Union ("EU") regulations, all listed companies in the EU will be obliged to apply the International Accounting Standards and International Financial Reporting Standards of the International Accounting Standards Board ("IASB") in their financial statements by 2005. The Company is currently engaged in the transition to achieve compliance with these standards. The change to the standards of the IASB may lead to restatement of the financial information for the periods presented in these financial statements.

Parent company statement of earnings

Because all financials of the parent company are included in the consolidated statements, a summarized statement of earnings of the parent company is presented, in accordance with article 402, Book 2 of the Netherlands Civil Code.

3 Restatements and reclassifications of the financial position and results for 2001 and 2000 under Dutch GAAP

On February 24, 2003, Ahold announced that net income and income per share would be significantly lower than previously indicated for fiscal 2002 and that its comparative financial position as per December 31, 2001 and results for fiscal 2001 and 2000 under both Dutch and US GAAP would be restated and reclassified. Ahold indicated that these restatements primarily related to overstatements of vendor allowance income at USF and the deconsolidation of five current or former joint ventures: ICA Ahold AB ("ICA"), Disco Ahold International Holdings N.V. ("DAIH"), Bompreço S.A. ("Bompreço"), Jerónimo Martins Retail ("JMR") and Paiz Ahold N.V. ("Paiz Ahold"). Ahold also announced forensic investigations into accounting irregularities at USF and into the legality and accounting treatment of certain questionable transactions at Disco.

In addition to the USF and Disco investigations, the Company commenced investigations into the facts and circumstances surrounding certain letters that were the basis for the historical consolidation of the aforementioned joint ventures (other than JMR) (the "Control Letters"), and certain previously undisclosed related side letters that nullified the effect of the Control Letters (the "Side Letters"), the disclosure of which resulted in the decision to deconsolidate those joint ventures. On March 24, 2003, Ahold's Audit Committee ordered the commencement of a series of additional investigations at 17 Ahold operating companies and real estate companies and at the parent company to assess whether accounting irregularities, errors and/or issues existed, the integrity of management, and the adequacy of internal controls.

The USF investigation identified accounting fraud relating to fictitious and overstated vendor allowance receivables, improper or premature recognition of vendor allowances and an understatement of cost of goods sold. The investigation found that certain senior officers of USF and other employees were involved in the fraud. It was also found that inappropriate vendor allowance accounting had existed at the date of the acquisition of USF. The Disco investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. In addition, in some instances, these payments were improperly capitalized rather than expensed.

The investigation into the Control Letters and the Side Letters found that there had been concealment of the Side Letters, which nullified effect of the Control Letters. As a result, the Company determined that it was inappropriate to consolidate these joint ventures into Ahold's financial statements. The additional internal investigations found accounting irregularities at Tops, consisting of intentional improper recognition of vendor allowances and pervasive earnings management, and at Giant-Carlisle, consisting of pervasive earnings management although involving relatively small amounts. The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. In addition, these investigations found varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed.

As a consequence of the events announced on February 24, 2003, Ahold's then Chief Executive Officer and Chief Financial Officer resigned effective March 10, 2003. Numerous other personnel changes have also been made, including changes at USF, Disco and Tops and at the Ahold parent company. The Company and the Audit Committee reviewed all of the accounting issues identified in the internal investigations, which included 470 separately identified items. As a result of this, Ahold has determined that it was necessary to make adjustments to its financial statements. The restated fiscal 2001 and 2000 financial position and results reflect these adjustments, which relate to (i) the deconsolidation of companies not controlled by Ahold; (ii) improper or premature recognition of vendor allowances; (iii) the misapplication of accounting

principles or misuse of facts relating to acquisition accounting; (iv) improper accounting for certain reserves, allowances and provisions; (v) improper accounting for certain real estate transactions; and (vi) certain other accounting issues and items arising as a result of errors in the application of Dutch GAAP and US GAAP.

In addition to the adjustments referred to above, the Company adjusted its comparative financial position as of December 30, 2001 and results for fiscal 2001 and 2000 for certain reclassifications and changes in its accounting principles with respect to pensions, revaluations of properties, and restructuring provisions as described in Note 2.

The effect of the corrections of errors and changes in accounting principles on net income for fiscal 2001 and 2000 is set forth in the table below. Restatements of EUR 26 relating to periods prior to fiscal 2000 were recorded as a reduction of opening retained earnings as of January 2, 2000.

		Fiscal 2001	Fiscal 2000
Net income under Dutch GAAP as previously reported		**1,113**	**1,116**
Correction of errors:			
Deconsolidation of joint ventures	*(a)*	—	—
Adjustment resulting from deconsolidation	*(b)*	(5)	(10)
Vendor allowances	*(c)*	(215)	(103)
Acquisition accounting	*(d)*	(36)	(8)
Reserves, allowances and provisions	*(e)*	(33)	(38)
Real estate transactions	*(f)*	2	(26)
Other	*(g)*	(53)	(21)
Change in accounting principles (Note 2):			
Pensions		16	11
Revaluations		(4)	(1)
Restructuring provisions		(35)	—
Net income under Dutch GAAP as restated		**750**	**920**

The effect of the correction of errors and changes in accounting principles on shareholders' equity as of December 30, 2001 is as follows:

		December 30, 2001
Shareholders' equity under Dutch GAAP as previously reported		**5,892**
Correction of errors:		
Deconsolidation of joint ventures	*(a)*	—
Adjustment resulting from deconsolidation	*(b)*	4
Vendor allowances	*(c)*	(418)
Acquisition accounting	*(d)*	71
Reserves, allowances and provisions	*(e)*	(105)
Real estate transactions	*(f)*	(44)
Other	*(g)*	30
Change in accounting principles (Note 2):		
Pensions		78
Revaluations		(22)
Restructuring provisions		10
Shareholders' equity under Dutch GAAP as restated		**5,496**

The adjustments relating to accounting errors affecting the statements of operations for fiscal 2001 and 2000 and the balance sheet as of December 30, 2001 consist of the following:

(a) Deconsolidation of joint ventures

Prior to fiscal 2002, the Company consolidated its joint venture interests in ICA, DAIH, Bompreço and Paiz Ahold based upon the Control Letters among the shareholders that seemingly gave control over the joint ventures to Ahold. The Company subsequently determined that Side Letters had been executed by the relevant shareholders that nullified the effects of the

Control Letters. As a result, management concluded that the Company did not control these joint ventures. Additionally, prior to 2002, the Company had consolidated JMR. In light of the evaluation of the accounting for the other joint ventures, the Company reconsidered its accounting for JMR and concluded that it had significant influence, but not control over JMR. The Company concluded that consolidation of the aforementioned joint ventures was inappropriate under Dutch GAAP and US GAAP, since the Company did not control them.

The restated financial position as of December 30, 2001 and results for fiscal 2001 and 2000 reflect adjustments to deconsolidate the aforementioned joint ventures and account for them using the equity method of accounting, with the exception of Bompreço, which has been consolidated since July 2000, when Ahold acquired the remaining voting shares, obtaining majority voting control over Bompreço. DAIH has been consolidated since July 2002, when Ahold obtained control of DAIH through the acquisition of additional DAIH shares, that it did not already own.

(b) Adjustments resulting from deconsolidation

The Company recorded restructuring accruals under purchase accounting relating to the acquisition of its 50% interests in Paiz Ahold in December 1999 and in ICA in April 2000 and subsequent changes to such accruals in 2001 related to ICA. Since Ahold did not obtain control over Paiz Ahold and ICA when the respective joint venture interests were acquired, it was not appropriate to record such restructuring accruals under Dutch GAAP or US GAAP. The restated financial position as of December 30, 2001 and results for fiscal 2001 and 2000 reflect adjustments to eliminate the restructuring provisions recorded under purchase accounting, to record the related effect on goodwill and goodwill amortization, and to record Ahold's share of the actual costs related with such restructurings during the respective periods. Ahold recorded its share of restructuring costs (after taxes) in the amount of EUR 5 and EUR 10, for fiscal 2001 and 2000, respectively. As a result of these restatements, shareholders' equity as of December 30, 2001 increased by EUR 4.

(c) Vendor allowances

As a result of the findings of the investigations at USF and Tops, the Company determined that its income from vendor allowances for fiscal 2001 and 2000 was overstated due to the intentional and unintentional misapplication of Dutch GAAP and US GAAP and the intentional inappropriate accounting for and mischaracterization of cash receipts which led to the recognition of vendor allowances before it was appropriate to do so under Dutch GAAP and or selling expense, general and administrative expenses, US GAAP. Furthermore, certain vendor allowances were misclassified as revenue instead of as a reduction of cost of sales or selling expense, general and administrative expenses, as required under Dutch GAAP and US GAAP.

The restated financial position and results reflect adjustments to correct overstated vendor allowance income, to correct for the timing of the recognition of vendor allowances, and to reclassify certain vendor allowances from net sales to cost of sales.

The Company determined that net receivables from vendors at the date of the USF acquisition in fiscal 2000 did not exist at the time. In addition, the Company determined that, at the date of acquisition, a liability for deferred revenue related to vendor allowances, that were not yet earned, were not recorded. Furthermore, the Company determined that a liability should have been recognized at the date of acquisition for amounts that had been overbilled to vendors for vendor allowances. The total amount of these adjustments led to an overstatement of net assets acquired by EUR 70.

Under Dutch GAAP and taking into consideration recent guidance under International Financial Reporting Standards Exposure Draft No. 3 "Business Combinations", the adjustment to the vendor allowance receivable, is recorded as a retroactive adjustment to the goodwill recorded upon acquisition, since this guidance requires an entity to account for corrections of errors retrospectively, and to present financial statements as if the error had never occurred. Therefore, the carrying amount of an identifiable asset that is adjusted as a result of an error correction is calculated as if its fair value at the acquisition date had been recognized at that date. Goodwill recognized in prior periods is adjusted retrospectively by an amount equal to the fair value at the acquisition date of the identifiable asset being adjusted. Accordingly, the Company has restated its financial statements to reallocate the amount of consideration paid in the USF acquisition to goodwill. As a result, the Company's shareholders equity as of December 30, 2000 under Dutch GAAP was reduced by EUR 70. Under US GAAP, the adjustments necessary to eliminate these vendor allowance receivables were recognized immediately in the statement of operations. For more information, see Note 31 under "USF purchase accounting adjustments".

The Company discovered various other misstatements relating to vendor allowance transactions prior to fiscal 2000 resulting of an overstatement of opening shareholders equity as of January 2, 2000 by EUR 30.

In addition to the EUR 100 in adjustments described above, net income for fiscal 2001 and fiscal 2000 decreased by EUR 215 and EUR 103, respectively due to the intentional and unintentional misinterpretation of Dutch GAAP and US GAAP resulting in the inappropriate recognition of vendor allowances before they were earned.

As a result shareholders' equity as of December 30, 2001 decreased by EUR 418. The impact on the consolidated statement of operations for fiscal 2001 and 2000 is summarized in the following table:

Impact on consolidated statement of operations for fiscal 2001 and 2000	2001	2000
Net sales	(80)	(44)
Cost of sales	(214)	(104)
Selling, general and administrative expenses	(2)	—
Tax effect	118	56
Share in income (loss) of joint ventures and equity investees	(37)	(11)
Net impact of vendor allowance adjustments on net income	**(215)**	**(103)**

(d) Acquisition Accounting

In connection with the acquisitions of Superdiplo and the Company's interest in ICA in December 2000 and April 2000, respectively, Ahold did not properly allocate purchase consideration to certain acquired real estate properties at the respective acquisition dates. The restated financial position and results for fiscal 2001 and 2000 reflect adjustments to record such assets at their fair values at the acquisition date and the subsequent depreciation thereof. In certain instances, such adjustments to the fair values of these acquired assets affected the amounts of gains that the Company recognized on subsequent sales of these acquired assets and real estate properties, which have been adjusted accordingly.

Ahold has recorded adjustments related to a decrease to the fair value of acquired real estate property at Superdiplo and an increase to the fair value of acquired real estate property at ICA. Since certain of these properties were subsequently sold, the gains recognized on the sale of these properties were decreased accordingly in fiscal 2001 and 2000, respectively.

During fiscal 2001, the Company partially applied the guidance set forth in RJ 252 "Provisions", by applying it only prospectively for acquisitions after January 1, 2001. For more information, see Note 2 under "Restructuring provisions". Furthermore, various errors were made in the calculations of the restructuring reserves, which have been adjusted.

In connection with several of the Company's acquisitions in fiscal 2001, the Company did not allocate purchase consideration to certain identifiable intangible assets upon acquisition. The restated financial position and results for fiscal 2001 reflect adjustments to record these acquired intangible assets at their fair values at the respective dates of their acquisition and a corresponding reduction of goodwill.

In connection with Ahold's acquisition of Stop & Shop, the Company recognized certain pre-acquisition income tax contingency reserves and valuation allowances against deferred tax assets in the acquisition balance sheet. As a result of the completion of the Internal Revenue Service review in fiscal 2001, reserves and allowances should have been reversed with a corresponding decrease in goodwill. As the purchase price adjustment was not made in fiscal 2001, the Company increased shareholders' equity as of December 30, 2001.

As a result of the aforementioned adjustments, shareholders' equity as of December 30, 2001 increased by EUR 71 and net income decreased by EUR 36, for fiscal 2001 and EUR 8, for fiscal 2000.

(e) Reserves, allowances and provisions

Prior to fiscal 2002, the Company recorded certain reserves, allowances and provisions related to income taxes, pensions and restructuring expenses. The Company subsequently determined that these reserves, allowances and provisions, and releases thereof, should not have been recorded under Dutch GAAP, since the documentation available was not adequate to support the amounts recorded, or the reserves, allowances and provisions were of a non-specific nature. In addition certain pension and early retirement plans had not been accounted for as defined benefit plans and the charges and accruals related to certain health and welfare plans were not calculated appropriately prior to 2002.

As a result of these adjustments, shareholders' equity as of December 30, 2001 decreased by EUR 105 and net income decreased by EUR 33, for fiscal 2001 and EUR 38, for fiscal 2000.

(f) Real estate transactions

In fiscal 2001, the Company entered into leveraged lease transactions, in the aggregate USD 638 involving the sale of its interests in 46 separate properties in the U.S. for a total sales price of EUR 722, which generated a net gain of EUR 81, comprising EUR 107 of gains on certain properties and EUR 26 of losses on others. The properties were sold to special purpose entities established by unaffiliated third parties, and in conjunction with the sale were leased back by the Company. Under Dutch GAAP and US GAAP, the Company accounted for the lease arrangements as operating leases. The Company also deferred the EUR 81 net gain related to the sale of these properties and amortized this net gain over the respective lease term of 20 to 25 years.

The Company has chosen to apply for Dutch GAAP the same detailed criteria for testing if a lease should be treated as an operating lease or as a capital lease under US GAAP. Therefore the restated financial position and results for fiscal 2001 have been adjusted to reflect that the leases of seven properties that had been considered operating leases are now considered capital leases under Dutch GAAP. As a result, these seven properties remain on the balance sheet and the related lease obligation is recorded as a financing. The EUR 19 net gain on these properties has been appropriately deferred over the respective lease terms of 20 to 25 years. Additionally, adjustments were made to reflect that a net gain of EUR 62, on the sale of the remaining 39 properties, which qualified as operating leases, should have been immediately recognized in income under Dutch GAAP and not deferred over the remaining lease term, since the sale transactions were made at fair value.

Furthermore, the Company identified a number of other sale and leaseback transactions that occurred in fiscal 2001 and 2000, under which certain leases that had been classified as operating leases should have been classified as capital leases or financing arrangements.

In total, shareholders' equity as of December 30, 2001 decreased by EUR 44 and net income increased by EUR 2 for fiscal 2001 and decreased by EUR 26 for fiscal 2000.

(g) Other accounting issues and items

In connection with the review of suspicious transactions identified in the course of the investigation of Disco, the Company has determined that certain payments were improperly capitalized as tangible fixed assets in fiscal 2001 for EUR 10. Accordingly, the financial position and results of operations for fiscal 2001 were adjusted to appropriately expense the capitalized amounts and record a EUR 5 related contingency provision.

Following the discovery that the Company should not have consolidated its joint venture interest in Bompreço, due to the existence of Side Letters, management concluded that the Company did not control this joint venture prior to July 2000. The restated financial position and results for fiscal 2001 and 2000 reflect adjustments to deconsolidate Bompreço and account for it on an equity basis until July 2000, when Ahold acquired additional shares, thereby obtaining majority voting control. As a result of the consolidation as of July 2000 the assets should have been recorded at fair value at that time. The fair valuation of the assets, mainly consisting of properties, has resulted in a step-up increase in the fair value of EUR 51, and corresponding decrease in the value of goodwill previously written off to shareholders' equity.

Ahold's subsidiary Schuitema did not consolidate its 82% interest in the net assets of C.V. Eemburg ("Eemburg"). The Company reviewed its ability to govern strategic, operational and financial policies of Eemburg and concluded that the Company had control and should have consolidated Eemburg. The Company's interest used to be recorded at historical cost and the properties of Eemburg had been revalued at the end of each reporting period. Furthermore, Schuitema issues loans to certain franchisees and fully provides for these loans, based on the assumption that the amount would not be repaid by the franchisees. The Company treats the scheduled redemptions as a deduction to income over the period of the loan and consequently reversed the provision for bad debts.

During the Company's evaluation of long-lived assets for impairment in fiscal 2002, management noted that there were changes in circumstances that already existed in fiscal 2001, which indicated that the carrying amount of certain of these assets was impaired at that time, but had not previously been recognized. The Company has determined that an impairment of EUR 16 was required in fiscal 2001.

The adjustments described above and other individually insignificant accounting errors discovered in connection with the Company's review of prior years' financial records, resulted in a decrease of net income by EUR 53 in fiscal 2001 and EUR 21 in fiscal 2000, respectively. These adjustments resulted in an increase in shareholder's equity as of December 30, 2001 by EUR 30.

Balance Sheet as of December 30, 2001	December 30, 2001 as previously reported	Deconsolidation of Joint Ventures	Other Adjustments	December 30, 2001 as restated
Assets				
Non-current assets				
Intangible assets				
Goodwill	4,968	(97)	(280)	4,591
Other intangible assets	681	(47)	338	972
Total intangible assets	5,649	(144)	58	5,563
Tangible fixed assets	14,072	(3,116)	971	11,927
Financial assets				
Investments in joint ventures and equity investees	424	(21)	278	681
Deferred tax assets	513	(64)	26	475
Other financial assets	534	613	(29)	1,118
Total financial assets	1,471	528	275	2,274
Total non-current assets	**21,192**	**(2,732)**	**1,304**	**19,764**
Current assets:				
Inventory	5,067	(650)	(37)	4,380
Accounts receivable	3,454	(679)	(427)	2,348
Other current assets	551	(65)	(50)	436
Cash and cash equivalents	1,972	(277)	3	1,698
Total current assets	**11,044**	**(1,671)**	**(511)**	**8,862**
Total assets	**32,236**	**(4,403)**	**793**	**28,626**

	December 30, 2001 as previously reported	Deconsolidation of Joint Ventures	Other Adjustments	December 30, 2001 as restated
Liabilities and group equity				
Group equity				
Issued and paid-in share capital	295	—	—	295
Reserves	4,484	—	(33)	4,451
Net income (loss)	1,113	—	(363)	750
Shareholders' equity	5,892	—	(396)	5,496
Minority interest	685	(664)	27	48
Total group equity	6,577	(664)	(369)	5,544
Provisions				
Pensions and other retirement benefits	351	(62)	310	599
Deferred tax liability	438	(91)	183	530
Other provisions	1,225	(56)	(185)	984
Total provisions	2,014	(209)	308	2,113
Non-current liabilities				
Loans	11,063	(967)	30	10,126
Financial lease commitments	1,512	(6)	871	2,377
Other non-current liabilities	—	—	307	307
Total non-current liabilities	12,575	(973)	1,208	12,810
Current liabilities				
Loans payable	1,849	(677)	54	1,226
Income taxes payable	281	(18)	(215)	48
Payroll taxes, social security and VAT	435	(128)	—	307
Accounts payable	6,029	(1,427)	132	4,734
Accrued expenses	1,530	(189)	(145)	1,196
Other current liabilities	946	(118)	(180)	648
Total current liabilities	11,070	(2,557)	(354)	8,159
Total liabilities and group equity	**32,236**	**(4,403)**	**793**	**28,626**

Statement of operations for year ended December 30, 2001	2001 as previously reported	Deconsolidation of Joint Ventures	Other Adjustments	2001 as restated
Net sales	**66,593**	**(12,195)**	**(185)**	**54,213**
Cost of sales	(51,877)	9,694	(44)	(42,227)
Gross profit	**14,716**	**(2,501)**	**(229)**	**11,986**
Expenses				
Selling expenses	(9,651)	1,629	(58)	(8,080)
General and administrative expenses	(2,088)	380	(145)	(1,853)
Goodwill and intangible asset amortization	(166)	—	(90)	(256)
Impairment of goodwill and intangible assets	—	7	(15)	(8)
Gain on disposal of tangible fixed assets	—	—	122	122
Exceptional results	(106)	—	106	—
Total expenses	(12,011)	2,016	(80)	(10,075)
Operating income (loss)	**2,705**	**(485)**	**(309)**	**1,911**
Financial expense, net				
Interest income	90	25	(6)	109
Interest expenses	(1,021)	169	(69)	(921)
Loss (gain) on foreign exchange	(101)	206	3	108
Other financial income and expense	(1)	3	(5)	(3)
Net financial expense	(1,033)	403	(77)	(707)
Income (loss) before income taxes	**1,672**	**(82)**	**(386)**	**1,204**
Income taxes	(457)	69	118	(270)
Income (loss) after income taxes	**1,215**	**(13)**	**(268)**	**934**
Share in net income (loss) of associates	14	(112)	(94)	(192)
Minority interests	(116)	125	(1)	8
Net income (loss)	**1,113**	**—**	**(363)**	**750**
Dividend cumulative preferred financing shares	(38)	—	—	(38)
Net income (loss) after preferred dividends	**1,075**	**—**	**(363)**	**712**
Net income (loss) after preferred dividend per common share – basic	1.25			0.83
Weighted average number of common shares outstanding *(x1,000)* – basic	857,509			857,509
Net income (loss) after preferred dividends per common share – diluted	1.23			0.82
Weighted average number of common shares outstanding *(x1,000)* – diluted	886,797			887,391[1]

[1] The weighted average number of common shares outstanding – diluted is retroactively adjusted with the adjustment factor for the dilution of the convertible bonds and the stock options.

Statement of operations for year ended December 31, 2000	2000 as previously reported	Deconsolidation of Joint Ventures	Other Adjustments	2000 as restated
Net sales	**51,542**	**(10,580)**	**(129)**	**40,833**
Cost of sales	(39,655)	8,347	29	(31,279)
Gross profit	**11,887**	**(2,233)**	**(100)**	**9,554**
Expenses				
Selling expenses	(7,905)	1,376	(5)	(6,534)
General and administrative expenses	(1,703)	409	(71)	(1,365)
Goodwill and intangible asset amortization	(5)	—	(45)	(50)
Impairment of goodwill and intangible assets	—	—	—	—
Gain on disposal of tangible fixed assets	—	—	30	30
Loss on related party default guarantee	—	—	—	—
Total expenses	(9,613)	1,785	(91)	(7,919)
Operating income (loss)	**2,274**	**(448)**	**(191)**	**1,635**
Financial expense, net				
Interest income	87	17	(5)	99
Interest expenses	(809)	155	(45)	(699)
Gain (loss) on foreign exchange	52	(9)	(4)	39
Other financial income and expense	1	(1)	(7)	(7)
Net financial expense	(669)	162	(61)	(568)
Income (loss) before income taxes	**1,605**	**(286)**	**(252)**	**1,067**
Income taxes	(401)	75	91	(235)
Income after income taxes	**1,204**	**(211)**	**(161)**	**832**
Share in net income (loss) of associates	14	96	(32)	78
Minority interests	(102)	115	(3)	10
Net income (loss)	**1,116**	**—**	**(196)**	**920**
Dividend cumulative preferred financing shares	(17)	—	—	(17)
Net income (loss) after preferred dividends	**1,099**	**—**	**(196)**	**903**
Net income (loss) after preferred dividend per common share - basic	1.49			1.22
Weighted average number of common shares outstanding *(x1,000)* – basic	737,403			737,403
Net income (loss) after preferred dividends per common share - diluted	1.43			1.19
Weighted average number of common shares outstanding *(x1,000)* – diluted	795,883			797,121[1]

[1] The weighted average number of common shares outstanding – diluted is retroactively adjusted with the adjustment factor for the dilution of the convertible bonds and the stock options.

4 Acquisitions

During fiscal 2002, 2001 and 2000, the Company completed several acquisitions (the "2002 Acquisitions", the "2001 Acquisitions" and the "2000 Acquisitions", respectively). Of these acquisitions, the most significant include DAIH, Alliant Exchange Inc, USF, the 50% interest in ICA, PYA/Monarch and Superdiplo. The Company also completed a series of individually insignificant acquisitions that are material in the aggregate. All acquisitions have been accounted for by the purchase method of accounting. The purchase consideration has been allocated based on the estimated fair values of the assets acquired and the liabilities assumed. As discussed in Note 2, any resulting goodwill was immediately charged to shareholders' equity in the year of acquisition through November 2000. For acquisitions after December 1, 2000, goodwill has been capitalized and is amortized over a maximum period of 20 years. The operating results of all acquisitions are included in the consolidated statements of operations from the respective dates of the acquisitions. The store counts indicated below represent the number of stores operated at the time of acquisition, unless indicated otherwise.

2002 Acquisitions

- ***Disco Ahold International Holdings N.V.:*** In January 1998, Ahold purchased a 50% interest in DAIH from Velox Retail Holdings ("VRH"), a subsidiary of the Velox Group, for USD 368 (EUR 408). At the end of fiscal 2002, DAIH operated over 350 supermarkets in four Latin American countries: Argentina, Chile, Peru and Paraguay. Until July 2002, VRH was the Company's joint venture partner in DAIH. As a result of VRH's default on certain indebtedness, Ahold was required to repay certain debts of VRH and received during July and August 2002, substantially all of VRH's shares in DAIH (44.1%) for a total cash consideration of USD 448 (EUR 453), thereby assuming full ownership of DAIH. Furthermore, a loan receivable of USD 5 (EUR 5) has been fully written off. The acquisition resulted in an exceptional charge of EUR 372, as also discussed in Note 5. As noted in additional information, in July 2003, Ahold sold its 99.6% stake in the Chilean operations of DAIH's subsidiary, Santa Isabel.

  The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the DAIH acquisition:

	At August 9, 2002
Intangible assets	12
Goodwill	85
Tangible fixed assets	525
Financial assets	189
Current assets	266
Total assets acquired	1,077
Provisions	(102)
Non-current liabilities	(498)
Current liabilities	(392)
Total liabilities assumed	(992)
Consideration after exceptional charge	**85**

  The acquired intangible assets have an aggregate weighted-average useful life of approximately 4 years. The intangible assets include software (3-year weighted-average useful life) and keymoney (5-year weighted-average useful life). The EUR 85 of goodwill was assigned to the retail trade segment.

During fiscal 2002, Ahold also acquired the following six individually insignificant entities plus the remaining 30% shares of Indonesia for a total cost of EUR 380, which was paid in cash and assumed debt. Goodwill recognized in these transactions amounted to EUR 232. Goodwill was assigned to the retail trade and food service segments in the amounts of EUR 154 and EUR 78, respectively.

- ***Allen Food:*** On December 5, 2002, USF acquired Allen Foods, Inc., a broadline food service distributor in the U.S., for USD 90 (EUR 89). The acquisition resulted in goodwill of USD 63 (EUR 63), which was assigned to the US Food service segment.

- ***Santa Isabel:*** On October 4, 2002, Ahold, through its wholly owned subsidiaries Gestion, Rentas e Inversiones Apoquindo Limitada and DAIH, completed its tender offer for the outstanding shares of common stock and American Depositary Shares of Chilean supermarket company Santa Isabel S.A. ("Santa Isabel"). In the cash tender offer 190 Chilean Pesos

was offered per Santa Isabel share for a total amount of EUR 41. Ahold's ownership in Santa Isabel S.A. increased from 414,393,680 shares, or approximately 70.2% of the total outstanding shares, to 572,525,100 shares, or approximately 97% of the total outstanding shares. The tender offer resulted in goodwill in the amount of EUR 28, which was assigned to the Latin America retail trade segment. As noted in additional information, in July 2003, Ahold sold its 99.6% stake in Santa Isabel's Chilean operations.

- ***Lusitana:*** On September 25, 2002, Ahold, through its wholly owned subsidiary Bompreço S.A. Supermercados do Nordeste ("Bompreço"), acquired nine supermarkets and related assets in Brazil from Supermercados Lusitana Ltda for a total cash consideration of EUR 7. The acquisition resulted in goodwill of EUR 6, which was assigned to the Latin America retail trade segment.

- ***Lady Baltimore:*** On September 12, 2002, USF acquired Lady Baltimore Foods Inc., a broadline food service distributor in the U.S., for approximately USD 29 (EUR 29) in cash. The acquisition resulted in goodwill of USD 15 (EUR 15), which was assigned to the U.S. food service segment.

- ***Indonesia:*** In September 2002, Ahold acquired the remaining outstanding shares (30%) of PSP Group, a supermarket company in Indonesia, for approximately EUR 2 in cash. The acquisition resulted in goodwill of EUR 2, which was assigned to the Asia retail trade segment.

- ***Jumbo Hypermarkets:*** On August 27, 2002, Ahold, through its wholly owned subsidiary Ahold Polska Sp. Z.o.o., completed its acquisition of Jumbo hypermarkets in Poland from Jéronimo Martins Sp. Z.o.o. for EUR 23 in cash. The acquisition did not result in any goodwill.

- ***G. Barbosa:*** In January 2002, Ahold, through its wholly owned subsidiary BR Participacoes e Empreendimontes SA, acquired 32 hypermarkets, supermarkets, and related assets in Brazil, from G. Barbosa for EUR 122 in cash. The acquisition resulted in goodwill in the amount of EUR 112, which was assigned to the Latin America retail trade segment.

2001 Aquisitions

- ***Alliant:*** In November 2001, USF acquired 100% of the shares of Alliant Exchange, Inc. ("Alliant") for approximately USD 1,477 (EUR 1,648) in cash, and USD 436 (EUR 487) of assumed debt and off balance sheet securitized receivables of USD 325 (EUR 368). Alliant is a food service distributor to healthcare, restaurant, lodging and other institutional accounts across the U.S. The acquisition resulted in goodwill of approximately EUR 1.5 billion, which was assigned to the US Food service segment.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the Alliant acquisition.

	At November 30, 2001
Intangible assets	372
Goodwill	1,495
Tangible fixed assets	525
Financial assets	73
Current assets	631
Total assets acquired	3,096
Provisions	291
Non-current liabilities	487
Current liabilities	670
Total liabilities assumed	1,448
Consideration	**1,648**

The acquired intangible assets have a weighted-average useful life of approximately 4 years and are related to computer software and customer relationships.

During fiscal 2001, Ahold also acquired the following six individually insignificant entities for a total cost of EUR 1,299, which was paid in cash and assumed debt. Goodwill was assigned to the retail trade and food service segments in the amounts of EUR 367 and EUR 120, respectively.

- ***Bruno's Supermarkets:*** In December 2001, Ahold completed its acquisition of Bruno's Supermarkets ("Bruno's") for a total consideration of USD 578 (EUR 644) including assumed debt. Bruno's is a food retailer operating in the U.S. The acquisition resulted in goodwill of USD 93 (EUR 104), which was assigned to the U.S. retail trade segment. In fiscal 2002, an additional payment of USD 43 (EUR 49) was made to the former owners, which resulted in additional goodwill of EUR 45.

- ***Peapod:*** In addition to its 51% share purchased in 2000, in August 2001, Ahold acquired an additional 12,581,632 shares of the U.S. on-line grocer Peapod's ("Peapod") common stock pursuant to a tender offer for a price of USD 2.15 per share, or USD 27 (EUR 30) in the aggregate. Additionally, Ahold exercised warrants to purchase additional shares of Peapod's common stock and, through a merger, converted the common stock held by minority shareholders into the right to receive cash consideration of USD 2.15 per share, resulting in Ahold owning 100% of Peapod's outstanding common stock.

  Ahold paid approximately EUR 37 for the portion of Peapod that it did not already own as of the end of 2000. The fair value of the net liabilities assumed in 2001 was approximately USD 12 (EUR 13) resulting in goodwill of approximately USD 47 (EUR 53). Combined with the goodwill related to Peapod of approximately USD 55 (EUR 58) purchased during 2000, a total of USD 102 (EUR 111) of goodwill was assigned to the U.S. retail trade segment.

- ***Cemetro:*** In July 2001, Superdiplo completed the acquisition of Supermercados Cemetro for 11,061 Spanish Pesetas, or approximately EUR 66. Cemetro operates a chain of stores on the Canary Islands. The acquisition resulted in goodwill of EUR 44, which was assigned to the Europe retail trade segment.

- ***Mutual:*** In May 2001, USF acquired Mutual Wholesale Company, a broadline food service distributor in the U.S., for approximately (USD 112) EUR 134, including assumed debt of (USD 7) EUR 7. The acquisition resulted in goodwill of (USD 73) EUR 83, which was assigned to the U.S. food service segment.

- ***Grand Union:*** In March 2001, two of Ahold's U.S. operating companies, Tops Markets ("Tops") and Stop & Shop, acquired 56 supermarkets and eight sites from C&S Wholesale Distributors, which acquired the locations from Grand Union, for approximately USD 209 (EUR 233). The acquisition resulted in a total of USD 3 (EUR 3) of goodwill, which was assigned to the U.S. retail trade segment, along with approximately USD 77 (EUR 87) intangible favorable lease rights.

- ***Parkway:*** In February 2001, USF acquired Parkway Food Service, a broadline food service distributor in the U.S., for approximately USD 28 (EUR 32). The acquisition resulted in goodwill of USD 19 (EUR 22), which was assigned to the U.S. food service segment.

- ***DAIH:*** In July 2001, Ahold acquired an additional 290 shares in DAIH from its joint venture partner VRH for approximately USD 75 (EUR 86), increasing its percentage in DAIH to 55.9%. The acquisiton resulted in goodwill of USD 70 (EUR 80).

- ***Bompreço:*** In December 2001, Ahold completed a public tender offer to delist Bompreço and to acquire the preference shares which were still outstanding. Total consideration paid for these preference shares amounted to EUR 67. This resulted in goodwill of EUR 45.

2000 Acquisitions

- ***U.S. Foodservice:*** In April 2000, Ahold acquired USF for approximately USD 3.6 billion (EUR 3.8 billion), including the assumption of approximately USD 925 (EUR 971) in debt. In July 2000, USF acquired GFG Foodservice, a broadline distributor in the U.S. for approximately USD 22 (EUR 25). These acquisitions resulted in goodwill of USD 3 billion (EUR 3 billion), which was charged directly to shareholders' equity.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the USF acquisition.

	At April 12, 2000
Goodwill	3,010
Tangible fixed assets	486
Financial assets	280
Current assets	932
Total assets acquired	4,708
Provisions	245
Non-current liabilities	914
Current liabilities	843
Total liabilities assumed	2,002
Consideration	**2,706**

The acquired intangible assets are related to software, customer list, brand names and other intangible assets and have a weighted-average useful life of approximately 5 years.

- ***PYA/Monarch:*** In December 2000, USF completed its acquisition of PYA/Monarch, a food service distributor in the U.S. for a total cash consideration of approximately USD 1.57 billion (EUR 1.7 billion). PYA/Monarch was previously a subsidiary of Sara Lee Corporation. The acquisition resulted in goodwill of USD 1.3 billion (EUR 1.4 billion) which was capitalized and will be amortized over 20 years.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the PYA/Monarch acquisition.

	At December 5, 2000
Goodwill	1,404
Tangible fixed assets	48
Current assets	668
Total assets acquired	2,120
Provisions	99
Current liabilities	268
Total liabilities assumed	367
Consideration	**1,753**

- ***Superdiplo:*** In December 2000, Ahold completed a public tender offer for 97.64% of the outstanding shares of the Spanish food retailer, Superdiplo, S.A. As a result, on January 3, 2001, Ahold exchanged 36,849,875 newly issued Ahold common shares, with a value of EUR 1,266, for 49,797,129 Superdiplo shares, representing 97.64% of the outstanding share capital in Superdiplo. The value of the 36,849,875 Ahold common shares issued was EUR 34.36 per share, based on the market price of Ahold's common shares on December 29, 2000. During fiscal 2001 and 2002 Ahold increased its shareholdings to 99.97% through the exercise of stock options rights and tender offers. Superdiplo's assets, liabilities and shareholders' equity were included in Ahold's consolidated balance sheets as of December 31, 2000, as the tender offer for Superdiplo's shares was completed and irrevocable, and the risks and rewards of ownership had passed to Ahold on December 29, 2000. The results of Superdiplo have been consolidated since the beginning of fiscal 2001. The acquisition resulted in goodwill of EUR 1,208.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the Superdiplo acquisition.

	At December 31, 2000
Intangible assets	2
Goodwill	1,208
Tangible fixed assets	305
Financial assets	—
Current assets	229
Total assets acquired	1,744
Provisions	5
Non-current liabilities	128
Current liabilities	345
Total liabilities assumed	478
Consideration	**1,266**

The acquired intangible assets have a weighted-average useful life of approximately 4 years and are related to computer software. Goodwill arising on this transaction was capitalized and will be amortized over 20 years.

During fiscal 2000, Ahold also acquired the following seven individually insignificant entities for a total cost of EUR 1,030, which was paid in cash, assumed debt, and common shares. The value assigned to common shares issued was EUR 159. Goodwill recognized in these transactions amounted to EUR 726 and was charged directly to shareholders' equity.

- ***The A&P Stores:*** In September 2000, Ahold acquired the A&P Group in The Netherlands with 123 supermarkets and six hypermarkets. The amount paid was approximately EUR 249. The acquisition resulted in goodwill of approximately EUR 298, which was assigned to the retail trade segment.

- ***Streamline:*** In September 2000, Peapod acquired various assets of Streamline.com, a U.S. on-line shopping and delivery service. Peapod paid approximately USD 12 (EUR 13) for certain facilities of Streamline.

- ***Bompreço:*** In June 2000, Ahold acquired the remaining voting rights from the other shareholders of Bompreço in Brazil. Ahold paid approximately EUR 492 for the portion of Bompreço that it did not already own by it as of the end of fiscal 1999. The acquisition resulted in goodwill of approximately EUR 428 which was part of the Latin America retail trade segment.

- ***Peapod:*** In June 2000, Ahold acquired convertible preferred stock of the US on-line grocer Peapod Inc. for EUR 73 that was convertible or exercisable into shares of common stock that, after giving effect to such conversion, would have represented approximately 51% of Peapod's outstanding common stock. In October 2000, Ahold purchased 2,331,917 shares of Peapod common stock in an open market transaction for EUR 3.

- ***Kampio:*** In January 2000, Ahold acquired the Catalonian supermarket chain Kampio, based in Spain, for approximately EUR 55.

- ***Ekono:*** In January 2000, Ahold acquired Ekono, which had ten large supermarkets in Argentina for approximately EUR 145.

Furthermore, during fiscal 2000, Ahold acquired a 50% joint venture interest in ICA, for approximately EUR 1.8 billion in cash of which EUR 1.4 billion was allocated to goodwill. ICA was formed in 1999 when ICA AB acquired an additional 55% of Norway's Hakon Gruppen AS, which became a wholly owned subsidiary. In August 1999, ICA entered into a non-consolidated 50/50 joint venture with Statoil.

Pro forma financial data (unaudited)

The following unaudited pro forma financial information presents the combined results of Ahold, DAIH, Alliant, USF, Superdiplo and PYA/Monarch as if the acquisitions had occurred as of the beginning of fiscal 2001 for DAIH, or fiscal 2000 for Alliant, USF, Superdiplo and PYA/Monarch after applying certain adjustments, including amortization of goodwill,

interest charges and other related transactions. To calculate earnings per share, the Company has included shares issued in the September 2001 equity offering, used to finance the acquisition of Alliant, and the equity issued to acquire Superdiplo:

Pro forma statement of operations data	**2002** (unaudited)	2001 (unaudited)	2000 (unaudited)
Net sales	63,299	61,034	55,819
Income before interest and taxes	262	2,060	1,905
Net income (loss) after preferred dividends	(1,369)	440	960
Net income (loss) per common share – basic	(1.48)	0.51	1.16
Net income (loss) per common share – diluted	(1.48)	0.50	1.08

The pro forma financial information does not necessarily reflect the results of operations that would have occurred had Ahold, DAIH, Alliant, U.S. Foodservice, Superdiplo and PYA/Monarch constituted a consolidated entity during such periods. See Note 2. All pro forma financial data for 2001 and 2000 are based on the restated historical financial information for these years as described in Note 3. All historical figures shown are actual or, for purposes of comparision restated fiscal 2002, 2001 and 2000 figures. The purchase price paid for all transactions reflects future growth expectations and is not based on historical data. The unaudited pro forma earnings data do not reflect the anticipated synergies from actual integration into Ahold and stand-alone improvements in operating results. The combined pro forma impact of the remaining acquisitions referred to elsewhere in Note 4 would not be significantly different from the historical information.

5 Exceptional loss on related party default guarantee

In January 1998, Ahold purchased a 50% interest in DAIH from VRH, a subsidiary of the Velox Group, for USD 368 (EUR 408). The Velox Group, which was controlled by the Peirano family, also had significant banking activities in Argentina and Uruguay. At the time of Ahold's purchase of its interest in DAIH, DAIH owned 50.35% of Disco S.A. and 36.96% of Santa Isabel S.A.

At the time of Ahold's purchase of its interest in DAIH, a subsidiary of Ahold, Croesus, Inc. (formerly Ahold U.S.A., Inc.) ("Croesus"), provided a USD 100 loan to VRH bearing interest at 6% per annum and maturing on January 13, 2008 (the "USD 100 Loan"). The USD 100 Loan was secured by a pledge of 500 shares of DAIH owned by VRH. Pursuant to the terms of a Note Sale Agreement and Transfer Deed, dated August 3, 1998 (the "Note Sale Agreement"), Croesus sold all of its rights under the USD 100 Loan to Stichting Philips Pensioen Fonds and Nationale Nederlanden Levensverzekering Maatschappij (the "Institutional Investors") and all other related rights (including the rights of Croesus related to the pledged 500 shares of DAIH) for USD 99 (EUR 110). Under the Note Sale Agreement, upon the occurrence of certain events, including a payment default by VRH on other indebtedness, the Institutional Investors had the right to sell to Ahold all of the Institutional Investors' rights in respect of the USD 100 Loan at a price equal to the outstanding principal amount of the USD 100 Loan, together with interest accrued to the sale date, plus a contractually required payment for breakage costs.

Subsequently, VRH obtained the following additional loans from various financial institutions (the "Lenders") (collectively, the "Secured Bank Loans"):

- on September 1, 1999, a USD 190 loan, of which VRH borrowed USD 177, bearing interest per annum at LIBOR plus a margin of 52.5 to 102.5 basis points (depending upon the long-term senior unsecured debt rating for Ahold), maturing on September 1, 2000, subject to extensions for additional one-year terms, and secured by a pledge of 763 shares of DAIH owned by VRH;
- on December 15, 1999, a USD 38 loan, bearing interest per annum at LIBOR plus a margin of 100 basis points, maturing on December 16, 2000, subject to extensions for additional one-year terms, and secured by a pledge of 156 shares of DAIH owned by VRH;
- on April 27, 2000, a USD 38 loan, bearing interest per annum at LIBOR plus a margin of 100 basis points, maturing on April 28, 2001, subject to extensions for additional one-year terms, and secured by a pledge of 156 shares of DAIH owned by VRH;

- on June 9, 2000, a USD 28 loan, bearing interest per annum at LIBOR plus a margin of 100 basis points, maturing on June 9, 2001, subject to extensions for additional one-year terms, and secured by a pledge of 117 shares of DAIH owned by VRH;
- on June 12, 2001, a USD 30 loan, bearing interest per annum at LIBOR plus a margin of 125 basis points, maturing on December 14, 2002, subject to one two-year extension, and secured by a pledge of 122 shares of DAIH owned by VRH; and
- on May 23, 2002, a USD 24 loan (the "May 2002 Loan"), bearing interest per annum at LIBOR plus a margin of 100 basis points, maturing on May 23, 2005, subject to prepayment under certain circumstances, and secured by a pledge of 302 shares of DAIH owned by VRH.

A portion of the proceeds of the Secured Bank Loans was used to finance VRH's share of capital investments in DAIH. At the time of each Secured Bank Loan, Ahold agreed with the relevant Lender that, if an event of default occurred in respect of that Secured Bank Loan, Ahold would purchase or cause one of its designated affiliates to purchase from VRH the DAIH shares pledged in connection therewith at a specified price: USD 260,000 per share in the case of all of the Secured Bank Loans except for the May 2002 loan, and USD 82,500 per share in the case of the May 2002 Loan. It was agreed that the proceeds would be paid by Ahold or its designated affiliate to the relevant Lender under the related Secured Bank Loan for amounts owed by VRH to that Lender there under.

On March 5, 2002, Ahold provided a USD 5 unsecured loan to VRH (the "USD 5 Loan").

No accrual was made in Ahold's fiscal 2000 financial statements for the contingent liabilities relating to the foregoing arrangements since the likelihood that VRH would default was considered to be remote at the time. Shortly after the end of fiscal 2001, there were indications that VRH and the Velox Group were facing financial difficulties as a result of the deteriorating political and economic situation in Argentina. Based on an evaluation of the positive and negative evidence available to assess the likelihood of a default of VRH as of April 9, 2002, the date of the filing of Ahold's fiscal 2001 annual report on Form 20-F, Ahold concluded at the time that it was reasonably possible but not probable that VRH would default. The negative evidence included:

a) the deterioration of the Argentine economy in the latter half of 2001, followed by the enactment of certain economic policies in Argentina in 2002, including a policy under which certain debts denominated in US dollars within the banking sector were adjusted to fix the loans as peso loans on a one-to-one mandatory conversion basis. The Company believes this policy especially affected the Peirano family, whose holdings included Argentine banking assets.
b) communications from a member of the Peirano family and from VRH management in 2002 indicating the existence of liquidity problems.

The positive evidence included:

- indications that certain financial institutions were providing support to the Peirano family.
- confirmations received from a member of the Peirano family indicating an ability and intent to avoid default and remain a long-term partner in DAIH.

On the balance, the Company believed that while it was reasonably possible, it was not probable as of the date of release of its 2001 financial statements, that VRH would default on its loans. Accordingly, no accrual was recorded in Ahold's fiscal 2001 financial statements.

The Company's management believes that the effects of a new law enacted in Argentina, the subsequent devaluation of the Argentine peso, and subsequent actions taken by national banking regulators with respect to the Velox Group banks, all of which happened in 2002, are the primary events that may have ultimately led to Velox's default. Since a large portion of the Velox Group's holdings comprised banks in Argentina and Uruguay, these events are believed to have significantly affected not only the Velox Group's bank in Argentina, but also its bank in Uruguay. Therefore, the Company believes that even in the event that it were to have concluded that Velox's default was probable at the date of the issuance of the Company's financial statements on April 9, 2002, the loss would not have been recorded in 2001, because conditions did not exist at the date of the balance sheet being reported on, but rather arose subsequent to that date.

On July 16, 2002, Ahold received a default notice from one of the Lenders, which then triggered defaults under all of the Secured Bank Loans and the Note Sale Agreement. Subsequently, each of the Lenders exercised its right to require that Ahold purchase shares of DAIH pledged to secure VRH's obligations under the relevant Secured Bank Loan. In accordance with Ahold's agreements with the Lenders, in July and August 2002, Ahold Latin America, Inc., as the affiliate designated

by Ahold, purchased the 1,207 shares of DAIH pledged under all of the Secured Bank Loans except for the May 2002 loan at a price of USD 260,000 per share and the 294 shares of DAIH pledged under the May 2002 Loan at a price of USD 82,500 per share. Of the 1,616 shares of DAIH originally pledged to the Lenders under the Secured Bank Loans, Ahold was obligated to purchase 1,501 shares of DAIH for USD 338 (EUR 341), which provided sufficient funds to the Lenders to pay off VRH's obligations under the Secured Bank Loans.

Pursuant to the Note Sale Agreement, the Institutional Investors exercised their right to transfer their rights under the USD 100 Loan to Ahold. As a result, Ahold paid the Institutional Investors USD 110 (EUR 111) consisting of the outstanding principal of the USD 100 Loan and interest thereon, plus the required payment for breakage costs. The 500 shares of DAIH pledged as collateral for the USD 100 Loan were transferred to Ahold. Ahold purchased the 500 DAIH shares at a price of USD 40,000 per share, with the purchase price being set off against amounts owed by VRH to Ahold under the USD 100 Loan.

Ahold purchased from VRH the 115 DAIH shares remaining from the pledges of the Secured Bank Loans for a total purchase price of USD 5 (USD 40,000 per share) with the purchase price being set off against remaining amounts owed by VRH to Ahold under the USD 100 Loan.

In connection with the foregoing transactions, Ahold paid the Lenders and the Institutional Investors a total amount of USD 448 (EUR 452). As a result of the foregoing transactions, Ahold assumed full ownership of DAIH.

Since the purchase price for the DAIH shares referred to above exceeded the fair value of the shares acquired, and as a result of writing off the USD 5 Loan, Ahold recorded a EUR 372 loss in connection with this transaction in fiscal 2002.

The loss was calculated as follows:

(amounts in million of USD, except as noted)	**Fiscal 2002**
Cash paid to Lenders and Institutional Investors	448
Write-off of loan to Velox	5
Total	453
Fair value of 2,116 shares at USD 40,000 per share	(85)
Exceptional loss on default	368
Exceptional loss on default in EUR	**372**

6 Goodwill

Goodwill, net of amortization, recorded in the balance sheet as of December 29, 2002 amounts to EUR 3,053. Of this goodwill, net of amortization, EUR 485 relates to Ahold's retail trade segments and EUR 2,568 relates to Ahold's Food service segments, which are discussed separately below.

The following table summarizes the changes in goodwill for Ahold's retail segments:

	Retail trade							
	Stop & Shop	Giant Landover	U.S. Other	Albert Heijn	Europe Other	Latin America	Asia Pacific	Total
As of January 2, 2000	—	—	—	—	—	—	—	—
Acquisitions	—	—	1	—	1,208	—	—	1,209
As of December 31, 2000	**—**	**—**	**1**	**—**	**1,208**	**—**	**—**	**1,209**
Acquisitions	—	—	198	6	51	126	—	381
Purchase accounting adjustments	—	—	—	—	75	—	—	75
Divestments	—	—	(4)	—	—	—	—	(4)
Amortization	—	—	(5)	(1)	(70)	—	—	(76)
Exchange rate differences	—	—	3	—	—	2	—	5
As of December 30, 2001	**—**	**—**	**193**	**5**	**1,264**	**128**	**—**	**1,590**
Acquisitions	—	—	6	14	—	237	2	259
Purchase accounting adjustments	15	—	46	—	25	29	—	115
Divestments	—	—	—	—	(1)	—	—	(1)
Amortization	(1)	—	(19)	(2)	(66)	(10)	—	(98)
Impairment charges	—	—	(128)	—	(882)	(269)	(2)	(1,281)
Exchange rate differences	—	—	(29)	—	—	(70)	—	(99)
As of December 29, 2002	**14**	**—**	**69**	**17**	**340**	**45**	**—**	**485**

In fiscal 2002, as a result of the general slow-down or negative economic growth in most regions in which Ahold operates and the increasing competition in certain markets, Ahold's goodwill impairment tests resulted in the recognition of EUR 1,281 in impairment charges in the Company's retail trade reporting units. The Company recorded the following impairment charges in 2002:

- ***Bruno's Supermarket's*** - acquired in December 2001, and part of the U.S. Other segment, recorded an impairment charge of EUR 128. Bruno's Supermarkets operates in the Southeast U.S. During 2002, the economic environment changed as one of Bruno's Supermarkets closest competitors introduced significant price cuts that were followed by other competitors, creating one of the most competitive markets in this region. Competitive pricing strategies coupled with a declining economic trend during the second half of 2002 resulted in deteriorating sales and profit margins. The effect of these events indicated that Bruno's Supermarkets future operating performance would be severely affected. Accordingly, the Company significantly revised its forecasts in the fourth quarter of 2002, which resulted in an impairment charge for the full amount of goodwill that was recorded when the Company purchased Bruno's Supermarkets.

- ***Ahold Supermercados Spain*** - part of the Europe Other segment, recorded an impairment charge of EUR 882. This impairment was the result of lower than expected operating performance after the acquisition of Superdiplo, mainly caused by a slow-down in the Spanish economy and lower than expected cost savings after the integration of Ahold's businesses in Spain.

- ***DAIH*** - part of the Latin America segment, recorded an impairment charge, after Ahold acquired our partner's interest in July and August 2002, of EUR 215. This impairment was recognized for Ahold's investment in its subsidiaries Disco (which operates in Argentina) and Santa Isabel (which operates primarily in Chile, Paraguay and Peru), since the economic crisis in Argentina and to a lesser extent Chile, resulted in a revised expectation of the future cash flows of each reporting unit's operations.

- ***Bompreço and G. Barbosa (both operating in Brazil)*** - part of the Latin America segment, recorded an impairment charge of EUR 54. This impairment was the result of lower than expected operating performance, which is mainly the result of the devaluation of the Brazilian Real and a slow down in the Brazilian economy in 2002.

The following table summarizes the changes in goodwill for Ahold's food service businesses:

	Food service		
	U.S.	Europe	Total
As of January 2, 2000	—	—	—
Acquisitions	1,404	—	1,404
Amortization	(5)	—	(5)
Exchange rate differences	(93)	—	(93)
As of December 31, 2000	**1,306**	**—**	**1,306**
Acquisitions	1,615	2	1,617
Purchase accounting adjustments	44	—	44
Divestments	(2)	—	(2)
Amortization	(76)	—	(76)
Exchange rate differences	112	—	112
As of December 30, 2001	**2,999**	**2**	**3,001**
Acquisitions	78	—	78
Purchase accounting adjustments	120	—	120
Divestments	—	(2)	(2)
Amortization	(154)	—	(154)
Exchange rate differences	(475)	—	(475)
As of December 29, 2002	**2,568**	**—**	**2,568**

In Ahold's food service business, under Dutch GAAP no impairment charge is recognized due to the fact that the goodwill on the acquisition of USF in 2000, was charged against equity.

Ahold's goodwill, as accounted for under US GAAP, is discussed in Note 31.

7 Business segment information

Ahold has determined its reportable segments based on its internal reporting practices and how the Company's management evaluates the performance of its operations and allocates resources. In fiscal 2002, Ahold operated principally in two business areas, retail trade and food service. In fiscal 2002, the Retail Trade business area operated in four geographic regions (including the joint ventures): the U.S., Europe (most significantly The Netherlands, Czech Republic, Slovakia, Poland, Spain, Portugal and Scandinavia), Latin America (Brazil, Argentina, Chile, Peru, Paraguay, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica) and Asia Pacific (Malaysia, Thailand and Indonesia). The food service business operates in the U.S. and Europe (The Netherlands and Belgium).

Within Ahold's business areas and by geographic regions described above, the Company identified various operating segments. Operating segments that represent more than 10% of the Company's operations, based on net sales, operating income, or total assets, are considered reportable segments for which separate information is provided. Accordingly, Stop & Shop, Giant-Landover, Albert Heijn and USF are presented as separate reportable segments. Other operating segments that do not individually represent more than 10% are aggregated and are presented as one reportable segment only if the segments have similar economic characteristics, and if the segments are similar in a majority of the following areas: the nature of the products, the customer type and the methods of distribution. These segments are presented as U.S. Other, Europe Other, Latin America and Asia Pacific. Activities included in the "other activities" category include corporate overhead cost, the ownership and management of real estate properties and certain insignificant production activities.

Since the Company's management reviews the full financial results of its joint ventures in Portugal, Scandinavia and Latin America, these joint ventures are considered operating segments. Accordingly, the amounts presented below for the Europe Other and Latin America segments include amounts relating to these joint ventures, which are not consolidated in the Company's financial statements. A separate line item is included below to identify the amounts relating to these joint ventures which reconcile the segment totals to the consolidated amounts for each reportable segment.

In 2001, Ahold reorganized its corporate functions in the U.S. in order to segregate retail trade and food service operations. The financial information relating to these corporate functions is allocated to retail trade or food service, as appropriate. The comparative segment information for 2000 was retroactively adjusted to reflect this change.

The accounting policies used for the segments are the same as the significant accounting policies used for the consolidated financial statements as described in Note 2. Performance of the segments is evaluated based on operating income. The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Sales are attributed to countries based on the location of the store or distribution location.

Net Sales (including intersegment sales)	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	10,043	9,809	6,893
Giant-Landover	5,614	5,726	5,197
U.S. Other	13,804	11,952	11,882
Total U.S.	29,461	27,487	23,972
Europe other including joint ventures	16,398	15,306	10,510
Joint ventures Europe	(9,282)	(8,572)	(6,309)
Europe other excluding joint ventures	7,116	6,734	4,201
Albert Heijn	5,703	5,410	5,202
Total Europe	12,819	12,144	9,403
Latin America including joint ventures	4,354	4,900	5,081
Joint ventures Latin America	(2,211)	(3,626)	(4,271)
Latin America excluding joint ventures	2,143	1,274	810
Asia Pacific	458	400	402
Total Retail Trade	**44,881**	**41,305**	**34,587**
Food Service			
USF	18,572	13,596	6,660
Europe	873	883	762
Total Food Service	**19,445**	**14,479**	**7,422**
Other activities	366	348	342
Intersegment sales	(2,009)	(1,919)	(1,518)
Total	**62,683**	**54,213**	**40,833**

Net Sales (excluding intersegment)	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	10,043	9,809	6,886
Giant-Landover	5,614	5,714	5,196
U.S. Other	12,179	10,395	10,687
Total U.S.	27,836	25,918	22,769
Europe other including joint ventures	16,397	15,302	10,502
Joint ventures Europe	(9,282)	(8,572)	(6,309)
Europe other excluding joint ventures	7,115	6,730	4,193
Albert Heijn	5,703	5,409	5,201
Total Europe	12,818	12,139	9,394
Latin America including joint ventures	4,354	4,900	5,081
Joint ventures Latin America	(2,211)	(3,626)	(4,271)
Latin America excluding joint ventures	2,143	1,274	810
Asia Pacific	458	400	402
Total Retail Trade	**43,255**	**39,731**	**33,375**
Food Service			
USF	18,508	13,556	6,649
Europe	872	882	761
Total Food Service	**19,380**	**14,438**	**7,410**
Other activities	48	44	48
Total	**62,683**	**54,213**	**40,833**

Operating income	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	760	626	553
Giant-Landover	407	382	292
U.S. Other	236	429	267
Total U.S.	1,403	1,437	1,112
Europe other including joint ventures	(607)	348	332
Joint ventures Europe	(309)	(307)	(232)
Europe other excluding joint ventures	(916)	41	100
Albert Heijn	262	247	196
Total Europe	(654)	288	296
Latin America including joint ventures	(220)	154	186
Joint ventures Latin America	(58)	(98)	(135)
Latin America excluding joint ventures	(278)	56	51
Asia Pacific	(33)	(20)	(30)
Total Retail Trade	**438**	**1,761**	**1,429**
Food Service			
USF	160	52	105
Europe	8	23	24
Total Food Service	**168**	**75**	**129**
Other activities	(367)	75	77
Total	**239**	**1,911**	**1,635**

Tangible fixed and intangible assets	**December 29, 2002**	December 30, 2001	December 31, 2000
Retail Trade			
Stop & Shop	3,159	3,358	2,189
Giant-Landover	933	1,057	948
U.S. Other	2,869	3,455	3,003
Total U.S.	6,961	7,870	6,140
Europe other including joint ventures	4,257	4,974	4,595
Joint ventures Europe	(2,497)	(2,309)	(2,132)
Europe other excluding joint ventures	1,760	2,665	2,463
Albert Heijn	589	611	597
Total Europe	2,349	3,276	3,060
Latin America including joint ventures	1,336	1,709	1,902
Joint ventures Latin America	(476)	(1,016)	(1,335)
Latin America excluding joint ventures	860	693	567
Asia Pacific	72	76	67
Total Retail Trade	**10,242**	**11,915**	**9,834**
Food Service			
USF	3,689	4,476	1,824
Europe	55	55	54
Total Food Service	**3,744**	**4,531**	**1,878**
Other activities	924	1,044	815
Total	**14,910**	**17,490**	**12,527**

Investments in tangible fixed assets	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	644	1,295	529
Giant-Landover	222	218	155
U.S. Other	554	187	766
Total U.S.	1,420	1,700	1,450
Europe other including joint ventures	798	818	796
Joint ventures Europe	(439)	(413)	(544)
Europe other excluding joint ventures	359	405	252
Albert Heijn	91	146	95
Total Europe	450	551	347
Latin America including joint ventures	152	217	457
Joint ventures Latin America	(56)	(133)	(386)
Latin America excluding joint ventures	96	84	71
Asia Pacific	30	26	18
Total Retail Trade	**1,996**	**2,361**	**1,886**
Food Service			
USF	118	115	41
Europe	12	11	12
Total Food Service	**130**	**126**	**53**
Other activities	195	250	118
Total	**2,321**	**2,737**	**2,056**

Investments in intangible assets (including goodwill)	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	30	51	(2)
Giant-Landover	17	203	2
U.S. Other	130	81	87
Total U.S.	177	335	87
Europe other including joint ventures	34	73	1,233
Joint ventures Europe	(12)	(10)	(7)
Europe other excluding joint ventures	22	63	1,226
Albert Heijn	20	20	7
Total Europe	42	83	1,233
Latin America including joint ventures	252	143	13
Joint ventures Latin America	(7)	(10)	(9)
Latin America excluding joint ventures	245	133	4
Asia Pacific	3	1	3
Total Retail Trade	**467**	**552**	**1,327**
Food Service			
USF	83	1,615	1,405
Europe	1	2	—
Total Food Service	**84**	**1,617**	**1,405**
Other activities	(54)	(1)	58
Total	**497**	**2,168**	**2,790**

Depreciation and amortization	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	291	274	164
Giant-Landover	139	138	117
U.S. Other	460	383	345
Total U.S.	890	795	626
Europe other including joint ventures	471	416	213
Joint ventures Europe	(210)	(190)	(128)
Europe other excluding joint ventures	261	226	85
Albert Heijn	124	127	125
Total Europe	385	353	210
Latin America including joint ventures	142	172	148
Joint ventures Latin America	(64)	(134)	(127)
Latin America excluding joint ventures	78	38	21
Asia Pacific	19	19	19
Total Retail Trade	**1,372**	**1,205**	**876**
Food Service			
USF	300	139	41
Europe	10	10	10
Total Food Service	**310**	**149**	**51**
Other activities	36	39	30
Total	**1,718**	**1,393**	**957**

Assets related to operations (including intersegment balances)	**December 29, 2002**	December 30, 2001	December 31, 2000
Retail Trade			
Stop & Shop	4,190	4,767	3,272
Giant-Landover	1,527	1,932	2,002
U.S. Other	5,847	6,475	5,285
Total U.S.	11,564	13,174	10,559
Europe other including joint ventures	8,291	7,399	6,797
Joint ventures Europe	(4,615)	(3,958)	(3,735)
Europe other excluding joint ventures	3,676	3,441	3,062
Albert Heijn	1,192	1,134	1,122
Total Europe	4,868	4,575	4,184
Latin America including joint ventures	2,428	2,877	3,264
Joint ventures Latin America	(778)	(1,752)	(1,918)
Latin America excluding joint ventures	1,650	1,125	1,346
Asia Pacific	182	179	172
Total Retail Trade	**18,264**	**19,053**	**16,261**
Food Service			
USF	6,051	6,851	3,775
Europe	221	305	217
Total Food Service	**6,272**	**7,156**	**3,992**
Other activities	2,058	4,539	3,243
Intersegment balances	(1,856)	(2,120)	(1,962)
Total	**24,738**	**28,628**	**21,534**

Liabilities related to operations (including intersegment balances)	**December 29, 2002**	December 30, 2001	December 31, 2000
Retail Trade			
Stop & Shop	1,020	1,149	1,569
Giant-Landover	771	719	773
U.S. Other	2,469	2,742	2,152
Total U.S.	4,260	4,610	4,494
Europe other including joint ventures	4,122	4,022	3,395
Joint ventures Europe	(1,546)	(1,547)	(1,529)
Europe other excluding joint ventures	2,576	2,475	1,866
Albert Heijn	151	347	413
Total Europe	2,727	2,822	2,279
Latin America including joint ventures	909	1,076	1,256
Joint ventures Latin America	(238)	(597)	(786)
Latin America excluding joint ventures	671	479	470
Asia Pacific	102	108	99
Total Retail Trade	**7,760**	**8,019**	**7,342**
Food Service			
USF	1,712	2,063	1,143
Europe	128	211	140
Total Food Service	**1,840**	**2,274**	**1,283**
Other activities	1,422	1,180	870
Intersegment balances	(1,856)	(2,120)	(1,962)
Total	**9,166**	**9,353**	**7,533**

Average number of employees in full-time equivalents	Fiscal 2002	Fiscal 2001	Fiscal 2000
Retail Trade			
Stop & Shop	40,027	38,443	28,739
Giant-Landover	20,978	21,753	21,845
U.S. Other	58,519	53,008	56,961
Total U.S.	119,524	113,204	107,545
Europe other including joint ventures	73,748	62,057	37,676
Joint ventures Europe	(29,370)	(24,135)	(12,642)
Europe other excluding joint ventures	44,378	37,922	25,034
Albert Heijn	22,425	22,292	22,934
Total Europe	66,803	60,214	47,968
Latin America including joint ventures	42,808	53,162	41,586
Joint ventures Latin America	—	(31,683)	(31,015)
Latin America excluding joint ventures	42,808	21,479	10,571
Asia Pacific	8,260	7,418	7,281
Total Retail Trade	**237,395**	**202,315**	**173,365**
Food Service			
USF	14,467	14,199	11,167
Europe	2,003	1,991	1,786
Total Food Service	**16,470**	**16,190**	**12,953**
Other activities	414	785	602
Total	**254,279**	**219,290**	**186,920**

During fiscal 2002, 2001 and 2000, net sales excluding intersegment sales attributable to The Netherlands amounted to EUR 10,119, EUR 9,720 and EUR 8,683, respectively. During fiscal 2002, 2001 and 2000, tangible and intangible assets attributable to The Netherlands amounted to EUR 1,388, EUR 1,378 and EUR 1,319, respectively. The EUR 372 exceptional loss on related party default guarantees discussed in Note 5, was recorded in the Other activities segment.

8 Restructuring provisions

The table below specifies the changes in restructuring provisions for fiscal 2000, 2001 and 2002:

	Severance costs	Closing costs	Rent liabilities	Total
January 2, 2000	**51**	**3**	**70**	**124**
Restructuring charged acquisition	5	72	34	111
Restructuring charged income statement	—	—	8	8
Used in year	(13)	(9)	(75)	(97)
Change in estimate	(1)	(3)	(1)	(5)
Exchange rate difference	—	—	11	11
December 31, 2000	**42**	**63**	**47**	**152**
Restructuring charged acquisition	22	60	36	118
Restructuring charged income statement	38	38	65	141
Used in year	(24)	(8)	(30)	(62)
Change in estimate / accounting principles	(5)	(85)	(8)	(98)
Exchange rate difference	1	3	8	12
December 30, 2001	**74**	**71**	**118**	**263**
Restructuring charged acquisition	8	—	2	10
Restructuring charged income statement	28	4	10	42
Used in year	(36)	(36)	(38)	(110)
Change in estimate	(34)	(5)	(8)	(47)
Exchange rate difference	(4)	(5)	(13)	(22)
December 29, 2002	**36**	**29**	**71**	**136**

Restructuring provisions as of January 2, 2000, amounting to EUR 124 related to restructuring plans initiated before fiscal 2000. Of this balance, EUR 74 related to provisions at Stop & Shop, Giant Foods and BI-LO, ("U.S. Retail"), EUR 38 to Albert Heijn and EUR 12 to various other operating companies.

Fiscal 2002 changes to the restructuring provision

In fiscal 2002 the Company recorded restructuring provisions relating to acquisitions for EUR 10, relating to various small acquisitions.

In fiscal 2002 the Company recognized EUR 42 of restructuring provision, EUR 23 of which relates to a restructuring at USF, EUR 9 to Albert Heijn and EUR 10 mainly relating to Latin America. The Company decided to reorganize its operations in Latin America, mainly due to the weak economic circumstances. As a result of this reorganization, the Company recognized a liability of approximately EUR 10, mainly for severance charges relating to the termination of 2,034 employees, of which 1,788 were terminated by fiscal year-end 2002. The restructuring charges are based on formal plans approved by the Company's management using the best information available at the time. The amounts that are ultimately incurred may change as the plan is executed. This USF restructuring provision includes a charge of EUR 11 relating to the termination of employees, rent liabilities of EUR 9 and closing costs of EUR 3.

During 2002 EUR 110 of the restructuring reserved were utilized, EUR 52 of which related to the restructuring provisions at USF, EUR 32 to Alliant and EUR 6 to Albert Heijn.

The Company released approximately EUR 47 of restructuring provision during 2002 relating to restructuring provisions recorded at Alliant for EUR 15, USF for EUR 13 and EUR 19 for various other entities.

After the effect of exchange rate differences of EUR (22), a total restructuring provision of EUR 136 remained as of December 29, 2002, of which EUR 79 related to Alliant, EUR 45 to USF and EUR 12 to various other entities.

Fiscal 2001 changes to the restructuring provision

In fiscal 2001 the Company recorded restructuring provisions relating to acquisitions for EUR 118. Approximately EUR 111 of this provision related to the acquisition of Alliant in November 2001 which included provisions for closing costs of EUR 60, rent liabilities of EUR 30 and severance cost of EUR 21, relating to the termination of approximately 870 employees.

Furthermore, the Company recognized restructuring provision amounting to EUR 141, EUR 111 of which relates to a restructuring of USF, EUR 18 to restructuring of Ahold's operations at U.S. Retail, EUR 6 to restructuring provisions recorded at Albert Heijn and EUR 6 relates to various other entities. The USF restructuring mainly related to the integration of USF's operation with those of Alliant and includes a charge of EUR 33 relating to the severance benefits of approximately 580 employees, rent liabilities of EUR 43 and closing costs of EUR 35.

During 2001 EUR 62 of the restructuring provisions was utilized, mainly relating to the restructuring efforts at USF.

The Company lowered the estimated restructuring provision by approximately EUR 80, of which EUR 33 related to USF, EUR 21 to A&P and EUR 26 to various other entities. These reversals were accounted for as an adjustment to the purchase price allocation resulting in an increase of the goodwill recorded for these acquisitions. Another EUR 18 was reversed relating to restructuring provision for Albert Heijn.

After the effect of exchange rate effects of EUR 12, the remaining restructuring reserve as of December 30, 2001 amounted to EUR 263, of which EUR 113 related to Alliant, EUR 133 to USF and EUR 17 to various other entities.

Fiscal 2000 changes to the restructuring provisions

In fiscal 2000 the Company recorded acquisition related restructuring provisions of EUR 111. Of these provisions EUR 72 related to the acquisition of USF in April 2000, EUR 34 to the acquisition of A&P in September 2000 and EUR 5 related to other acquisitions. For USF these provisions include closing costs of EUR 34, rent liabilities of EUR 33 and severance benefits of EUR 5. For A&P the restructuring provisions mainly related to store closing costs.

During 2000 EUR 97 of the restructuring provisions were utilized, EUR 63 of which related to the restructuring plans at U.S. Retail, EUR 15 to USF, EUR 5 to A&P, EUR 8 to Albert Heijn and EUR 6 to various other entities.

After adjustment for changes in the estimated reserves EUR (5), which was recorded in operating income, and exchange rate effects of EUR 11, the remaining restructuring reserve as of December 31, 2000 amounted to EUR 152. EUR 59 of this restructuring provision related to USF, EUR 24 to A&P, EUR 25 to Albert Heijn, EUR 22 to Spain and EUR 22 to U.S. Retail.

9 Salaries and benefits

Labor cost is included in cost of sales and selling, general and administrative expenses and is as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Salaries and wages	6,771	6,055	4,717
Pension costs	167	116	61
Other social security charges	1,132	1,022	862
	8,070	**7,193**	**5,640**

10 Remuneration

Remuneration of the Corporate Executive Board members, including former members *(x EUR 1,000)*

	Fiscal 2002 Base salary	Fiscal 2002 Pensions	Fiscal 2002 Bonuses	Total fiscal 2002	Total fiscal 2001	Total fiscal 2000
C.H. van der Hoeven (resigned from Board effective March 10, 2003)	907	196	1,394	2,497	3,374	1,969
J.G. Andreae	670	156	1,032	1,858	2,570	1,659
W.J. Grize (appointed September 1, 2001)	943	638	2,359	3,940	419	—
A.M. Meurs (resigned from Board effective March 10, 2003)	670	125	1,032	1,827	2,300	1,392
J.L. Miller (appointed September 1, 2001; resigned from Board May 13, 2003)	943	3,970	1,516	6,429	296	—
A.S. Noddle (until August 31, 2002)	607	275	1,032	1,914	2,572	1,945
M.P.M de Raad	670	187	1,032	1,889	1,629	—
R.G. Tobin (until August 31, 2001)	—	—	—	—	5,498	3,245
Total	**5,410**	**5,547**	**9,397**	**20,354**	**18,658**	**10,210**

Annual performance bonuses

The bonuses for Corporate Executive Board members through fiscal 2001 were based on annual income per share growth. Effective fiscal 2002, the bonuses are based on improvement of Economic Value Added ("EVA"). For Dutch Corporate Executive Board members, the target is based on EVA improvement for Ahold overall. For the U.S. Corporate Executive Board members, the target is based on 10% EVA improvement for Ahold overall and 90% EVA improvement for their respective U.S. areas of responsibility. The bonus for performance that meets the target is 125% of the base salary, applicable to all Corporate Executive Board members. The bonus for 2002 will be paid in 2003, depending on the 2002 results and is not accrued for.

Pension plan

The Dutch Corporate Executive Board members currently receive a final pay plan of 60% of the pension-bearing base salary upon reaching the age of 60, assuming a minimum of 30 pension-bearing years at Ahold have been accumulated. These Corporate Executive Board members pay a pension premium contribution of approximately 3.4% of their pension-bearing salary. In addition, a salary continuation plan applies to the U.S. portion of the base salary. This is free of contribution and is also applied at the 60% level. This plan pays out following retirement.

Various plans currently apply to the U.S. Corporate Executive Board members. For one of the two U.S. Board members serving in 2002, the aforementioned salary continuation plan is set at the level of 60% of the base salary, which was applied retroactively since September 1, 2001. For the other U.S. Board member, the pension plan of the company, of

which he was President and Chief Executive Officer prior to his appointment to the Corporate Executive Board, has been sustained. Assuming full-time employment, the pension allocation upon retirement for this member will also be approximately 60% of the level of the base salary.

In addition, certain loans that had been granted to Corporate Executive Board members were repaid in fiscal 2003, as discussed in Note 17.

Remuneration of the Supervisory Board members *(x EUR 1,000)*	**Total fiscal 2002**	Total fiscal 2001	Total fiscal 2000
H. de Ruiter	54	54	54
R. Fahlin	46	12	—
Sir M. Perry	36	42	44
Dr. C.P. Schneider	36	9	—
R.G. Tobin	36	12	—
L.J.R. de Vink	45	42	35
K. Vuursteen (as from May 7, 2002)	25	—	—
C. Boonstra (until September 3, 2001)	—	28	26
J.A. van Kemenade (until December 1, 2001)	—	42	35
R.J. Nelissen (until May 5, 2001)	—	16	44
A.J. Kranendonk (until June 1, 2000)	—	—	17
R.F. Meyer (until June 1, 2000)	—	—	17
Total	**278**	**257**	**272**

Shares and other interests in Ahold of the Corporate Executive Board Members

At fiscal year-end 2002 Board members had the following shares and other interests in Ahold:

	Common Shares	AH Dutch Customer Fund
C.H. van der Hoeven (resigned from Board effective March 10, 2003)	1,803	32,011
J.G. Andreae	46,000	—
W.J. Grize (appointed to Board September 1, 2001)	9,731	—
A.M. Meurs (resigned from Board effective March 10, 2003)	25,458	127
J.L. Miller (appointed to Board September 1, 2001; resigned from Board May 13, 2003)	57,167	—
M.P.M de Raad	16,149	—
Total	**156,308**	**32,138**

The AH Dutch Customer Fund ("Dutch Customer Fund" or "AHVKF") is an arrangement in which members of Ahold's Corporate Executive Board, employees of Ahold or its subsidiaries in The Netherlands, and customers of Ahold's Dutch supermarket chain, Albert Heijn, can acquire Ahold securities. AEGON Investment Management B.V. is responsible for the assets of the funds of the Dutch Customer Fund. AEGON Asset Management Netherlands in Amsterdam administers the Dutch Customer Fund. As of December 29, 2002, the Dutch Customer Fund held 10,041,819 of the Company's common shares and had loans receivable from Ahold of EUR 113. See Note 27.

At fiscal year-end 2002, Supervisory Board members had the following shares and other interests in Ahold:

	Common Shares	AH Dutch Customer Fund
R. Fahlin	2,000	—
Sir M. Perry	650	—
K. Vuursteen	2,641	—
Total	**5,291**	**—**

11 Stock based compensation plans

At December 29, 2002, the Company had three stock based compensation plans (the Dutch, U.S. and International Stock Option Plans (collectively the "Plans")), which are described below. The Company accounts for the intrinsic value of its grants under the Plans in accordance with Dutch GAAP. Because all fixed options under the Plans were granted at an exercise price equal to the quoted market price at the grant date, no compensation cost has been charged to the consolidated statements of operations for the Plans in fiscal 2002, 2001, and 2000, respectively.

The Plans qualify as fixed option plans. The aggregate number of common shares authorized for grants, including grants under any future plans, was 9.5 million shares as of December 29, 2002. During the fiscal years presented, the Company has followed the recommended practice in The Netherlands of not granting options exercisable into an amount of shares that exceeds a yearly approximate maximum of 1% of the issued and outstanding common shares, or 9.3 million as of December 29, 2002. Since December 1997, the number of stock options granted each year is dependent on the growth in basic net income (loss) after preferred dividends per common share during the most recent fiscal year as compared to the immediately preceding fiscal year.

Under the Plans, participants are granted options with either a five or ten-year term. Options are granted on the first business day of each fiscal year and the exercise price of each option equals the closing market price of the Company's common shares for the previous business day. In fiscal years 2002 and 2001, at the grant date, the participants in the Dutch Plan could elect to receive up to one third of their granted options with a ten-year term, exercisable after five years. In fiscal year 2000, only options with a five-year term were granted. Five-year options granted under the Dutch Plan are exercisable after three years.

The stock options granted under the U.S. Plan have characteristics similar to those granted under the Dutch Plan, except that the U.S. Plan requires that one third of options granted have a ten-year term, exercisable after five years. Five-year options granted under the U.S. Plan during fiscal 2002 are exercisable after three years while those granted during fiscal 2001 and 2000 are exercisable after two years.

Options granted under the International Plan, the smallest of the Plans, have a five-year term.

Stock options granted under the Plans that are not exercised upon termination of employment, or are not exercised in a period of no longer than four weeks after termination in certain cases, are forfeited.

A summary of the status of the Plans as of December 29, 2002 and December 30, 2001 and changes during the three fiscal years ended on December 29, 2002 is presented below. Mr. R.G. Tobin was granted options at the time he was a Corporate Executive Board member and not as a member of the Supervisory Board (in 000's except per share amounts):

Fiscal 2002	Term	Description of Grant	Outstanding at beginning of Fiscal Year	Granted during 2002	Exercised during 2002	Forfeited or Expired	Outstanding at the End of Fiscal Year	Exercise Price	Average Share price on exercise date	Expiration Date
C.H. van der Hoeven:	5 yr	1998 Grant	105,821	—	—	105,821	—	22.17	—	12/28/2002
	5 yr	1999 Grant	105,366	—	—	—	105,366	30.26	—	01/03/2004
	5 yr	2000 Grant	101,252	—	—	—	101,252	29.39	—	01/02/2005
	5 yr	2001 Grant	101,250	—	—	—	101,250	34.36	—	12/31/2005
	5 yr	2002 Grant	—	101,250	—	—	101,250	32.68	—	12/30/2006
	10 yr	1999 Grant	520,324	—	—	—	520,324	30.26	—	01/03/2009
J.G. Andreae:	5 yr	1998 Grant	88,099	—	—	88,099	—	22.17	—	12/28/2002
	5 yr	1999 Grant	78,049	—	—	—	78,049	30.26	—	01/03/2004
	5 yr	2000 Grant	75,000	—	—	—	75,000	29.39	—	01/02/2005
	5 yr	2001 Grant	50,000	—	—	—	50,000	34.36	—	12/31/2005
	5 yr	2002 Grant	—	75,000	—	—	75,000	32.68	—	12/30/2006
	10 yr	2001 Grant	25,000	—	—	—	25,000	34.36	—	12/31/2010
W.J. Grize:	5 yr	1998 Grant	38,095	—	—	38,095	—	22.17	—	12/28/2002
	5 yr	1999 Grant	41,626	—	—	—	41,626	30.26	—	01/03/2004
	5 yr	2000 Grant	40,000	—	—	—	40,000	29.39	—	01/02/2005
	5 yr	2001 Grant	50,000	—	—	—	50,000	34.36	—	12/31/2005
	5 yr	2002 Grant	—	50,000	—	—	50,000	32.68	—	12/30/2006
	10 yr	1997 Grant	13,560	—	—	—	13,560	15.18	—	12/29/2006
	10 yr	1998 Grant	19,048	—	—	—	19,048	22.17	—	12/28/2007
	10 yr	1999 Grant	20,813	—	—	—	20,813	30.26	—	01/03/2009
	10 yr	2000 Grant	20,000	—	—	—	20,000	29.39	—	01/02/2010
	10 yr	2001 Grant	25,000	—	—	—	25,000	34.36	—	12/31/2010
	10 yr	2002 Grant	—	25,000	—	—	25,000	32.68	—	12/30/2011
A.M. Meurs:	5 yr	1997 Grant	36,342	—	36,342	—	—	18.36	28.70	03/31/2002
	5 yr	1998 Grant	79,365	—	—	79,365	—	22.17	—	12/28/2002
	5 yr	1999 Grant	78,049	—	—	—	78,049	30.26	—	01/03/2004
	5 yr	2000 Grant	75,000	—	—	—	75,000	29.39	—	01/02/2005
	5 yr	2001 Grant	50,000	—	—	—	50,000	34.36	—	12/31/2005
	5 yr	2002 Grant	—	50,000	—	—	50,000	32.68	—	12/30/2006
	10 yr	2001 Grant	25,000	—	—	—	25,000	34.36	—	12/31/2010
	10 yr	2002 Grant	—	25,000	—	—	25,000	32.68	—	12/30/2011
J.L. Miller:	5 yr	2000 Grant	20,000	—	—	—	20,000	26.63	—	07/31/2005
	5 yr	2001 Grant	40,000	—	—	—	40,000	34.36	—	12/31/2005
	5 yr	2002 Grant	—	50,000	—	—	50,000	32.68	—	12/30/2006
	10 yr	2000 Grant	10,000	—	—	—	10,000	26.63	—	07/31/2010
	10 yr	2001 Grant	20,000	—	—	—	20,000	34.36	—	12/31/2010
	10 yr	2002 Grant		25,000	—	—	25,000	32.68	—	12/30/2011
M.P.M. de Raad:	5 yr	2001 Grant	50,000	—	—	—	50,000	34.36	—	12/31/2005
	5 yr	2002 Grant	—	75,000	—	—	75,000	32.68	—	12/30/2006
	10 yr	2001 Grant	25,000	—	—	—	25,000	34.36	—	12/31/2010
Subtotal Corporate Executive Board Members			**2,027,059**	**476,250**	**36,342**	**311,380**	**2,155,587**			

	Term	Description of Grant	Outstanding at beginning of Fiscal Year	Granted during 2002	Exercised during 2002	Forfeited or Expired	Outstanding at the End of Fiscal Year	Exercise Price	Average Share price on exercise date	Expiration Date
R.G. Tobin:	5 yr	1997 Grant	42,328	—	—	42,328	—	22.17	—	12/28/2002
	5 yr	1998 Grant	4,358	—	—	—	4,358	25.38	—	08/31/2003
	5 yr	1999 Grant	52,032	—	—	—	52,032	30.26	—	01/03/2004
	5 yr	2000 Grant	50,000	—	—	—	50,000	29.39	—	01/02/2005
	5 yr	2001 Grant	50,000	—	—	—	50,000	34.36	—	12/31/2005
	10 yr	1997 Grant	22,599	—	—	—	22,599	15.18	—	12/29/2006
	10 yr	1998 Grant	21,164	—	—	—	21,164	22.17	—	12/28/2007
	10 yr	1998 Grant	2,179	—	—	—	2,179	25.38	—	08/31/2008
	10 yr	1999 Grant	26,016	—	—	—	26,016	30.26	—	01/03/2009
	10 yr	2000 Grant	25,000	—	—	—	25,000	29.39	—	01/02/2010
	10 yr	2001 Grant	25,000	—	—	—	25,000	34.36	—	12/31/2010
Subtotal Supervisory Board			**320,676**	**—**	**—**	**42,328**	**278,348**			
Other Employees	5 yr		15,062,528	6,199,405	144,677	3,297,346	17,819,910	29.91		
	10 yr		5,331,636	2,243,848	211,506	432,004	6,931,974	24.05		
Subtotal other employees			**20,394,164**	**8,443,253**	**356,183**	**3,729,350**	**24,751,884**	**26.43**		
Total Options			**22,741,899**	**8,919,503**	**392,525**	**4,083,058**	**27,185,819**			
Weighted average exercise price			29.00	32.68	16.01	25.71	30.89	26.64		

Fiscal 2001	Term	Outstanding at beginning of Fiscal Year	Granted	Exercised	Weighted - Average Exercise Price	Weighted - Average Share Price	Forfeited or Expired	Outstanding at End of Fiscal Year
	5 yr	13,406,552	6,180,759	2,827,667	19.12	33.59	195,084	16,564,560
	10 yr	4,698,582	2,111,011	331,972	7.28	33.99	300,282	6,177,339
Total		**18,105,134**	**8,291,770**	**3,159,639**	**17.88**	**33.63**	**495,366**	**22,741,899**
Weighted average exercise price		25.08	34.23	17.88			31.90	29.00

Fiscal 2000	Term	Outstanding at beginning of Fiscal Year	Granted	Exercised	Weighted - Average Exercise Price	Weighted - Average Share Price	Forfeited or Expired	Outstanding at End of Fiscal Year
	5 yr	11,508,256	4,846,672	2,599,469	14.76	32.86	348,907	13,406,552
	10 yr	4,524,072	1,147,761	497,600	6.95	32.59	475,651	4,698,582
Total		**16,032,328**	**5,994,433**	**3,097,069**	**13.50**	**32.82**	**824,558**	**18,105,134**
Weighted average exercise price		21.26	29.08	13.50			23.52	25.08

The following table summarizes information about fixed stock options for all employees at December 29, 2002:

Range of Exercise Prices EUR	**Number Outstanding at December 29, 2002**	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual life	**Number Exercisable at December 29, 2002**	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual life
5.96-9.09	747,116	7.90	2.16	747,116	7.90	2.16
15.18-22.17	1,074,568	18.86	4.35	1,074,568	18.86	4.35
25.38-29.39	4,844,783	29.16	2.94	278,757	26.45	2.12
30.26-42.96	20,519,352	32.76	4.23	3,422,724	30.26	1.01
	27,185,819			**5,523,165**		

Had compensation cost for the Plans been determined consistent with the fair value method, using the Black-Scholes option pricing model and the following assumptions summarized below, the Company's pro forma net income (loss) and pro forma net income (loss) per share for 2002, 2001 and 2000, would have been as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss) after preferred dividends:			
As reported	(1,246)	712	903
Pro forma	(1,288)	668	868
Income (loss) after preferred dividends per common share-basic:			
As reported	(1.34)	0.83	1.22
Pro forma	(1.39)	0.78	1.18
Income (loss) after preferred dividends per common share-diluted:			
As reported	(1.34)	0.82	1.19
Pro forma	(1.39)	0.77	1.14

Weighted Average Assumptions	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Expected life of the option (years):			
Five-year Options	4.0	4.0	4.0
Ten-year Options	7.5	7.5	7.5
Interest rate	4.0%	5.5%	6.0%
Volatility	31.0%	32.5%	45.0%
Assumed forfeitures	4.0%	5.0%	6.0%
Dividend yield	2.0%	2.0%	2.0%

The weighted average fair value of stock options granted during 2002, 2001 and 2000 was EUR 8.94, EUR 10.55 and EUR 13.38 per option, respectively.

During fiscal 2002, Ahold announced a plan to grant a total of six million Ahold common shares to approximately 1,500 employees including officers and board members should Ahold's Total Shareholder Return (as defined) outperform the Total Shareholder Return of a defined peer group by 33% during the three-year period fiscal 2003-2005. A maximum of nine million common shares can be granted by year-end 2005 should Ahold outperform the peer group by 50%.

12 Income taxes

Income tax expense

Ahold's effective tax rate differs from the statutory income tax rate of The Netherlands, which is currently 34.5%. The following table reconciles the statutory income tax rate of The Netherlands with the effective income tax rate as shown in the consolidated statements of operations:

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	EUR	%	EUR	%	EUR	%
Income (loss) before income taxes	(769)		1,204		1,067	
Statutory tax rate		*34.5*		*35.0*		*35.0*
Income tax expense (benefit) at statutory tax rate	(265)	*34.5*	421	*35.0*	374	*35.0*
Adjustments to derive effective income tax rate:						
Goodwill amortization and exceptional items	631	*(82.2)*	18	*1.5*	—	*0.0*
Corporate costs and financing	(115)	*15.0*	(170)	*(14.1)*	(145)	*(13.6)*
Valuation allowances	66	*(8.6)*	18	*1.5*	24	*2.2*
Release of tax provisions	56	*(7.3)*	(30)	*(2.5)*	—	*0.0*
Other	17	*(2.2)*	13	*1.1*	(18)	*(1.7)*
Total income taxes	**390**	***(50.8)***	**270**	***22.5***	**235**	***21.9***

Corporate cost and financing includes the result of Ahold's intercompany finance activities, which it carries out from its Treasury Center in Geneva, Switzerland. These results are influenced by currency exchange differences, mostly between the EURO and the USD. These results are further more impacted by thin capitalization rules as applicable in the various jurisdictions.

The following table specifies the current and deferred tax components of the recorded income tax expense:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Current income taxes:			
Domestic taxes	180	153	134
Foreign taxes			
U.S.	(2)	59	61
Other Europe	(6)	(6)	(7)
Latin America	(5)	2	8
Asia Pacific	—	—	—
Total current taxes	**167**	**208**	**196**
Deferred income taxes (exclusive of the effects of other components listed below):			
Domestic taxes	45	51	18
Foreign taxes			
U.S.	144	16	10
Other Europe	(13)	(3)	(1)
Latin America	34	(6)	(6)
Asia Pacific	—	—	—
Total deferred taxes	**210**	**58**	**21**
Benefit of operating loss carry forwards	13	4	18
Total income taxes	**390**	**270**	**235**

Deferred income tax

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of deferred income tax assets and liabilities as of December 29, 2002, and December 30, 2001, were as follows:

	December 29, 2002	December 30, 2001
Deferred tax assets:		
Capitalized lease commitments	171	103
Benefit plans	208	112
Restructuring provisions	8	32
Provisions not yet deductible	246	94
Operating loss carry forward	451	228
Alternative minimum tax carry forward	4	20
General business tax credit carry forward	—	1
Gross deferred tax assets	**1,088**	**590**
Valuation allowances on carry forwards	(384)	(98)
Valuation allowances on other deferred tax assets	(37)	(2)
Net deferred tax assets	**667**	**490**
Deferred tax liabilities:		
Tangible fixed assets	(489)	(381)
Inventory	(61)	(37)
Other	(232)	(127)
Total deferred tax liabilities	**(782)**	**(545)**
Net deferred tax liabilities	**(115)**	**(55)**

Deferred income taxes are classified in the accompanying balance sheets as of December 29, 2002 and December 30, 2001 as follows:

	December 29, 2002	December 30, 2001
Non-current deferred tax assets	457	475
Non-current deferred tax liabilities	(572)	(530)
	(115)	**(55)**

As of December 29, 2002, Ahold has operating loss carry forwards of approximately EUR 1,525 expiring between fiscal 2003 and 2022. As of December 29, 2002, the Company also has an alternative minimum tax carry forward of EUR 43 expiring in fiscal 2003. Such operating loss carry forwards and tax credits may not be used to offset income taxes in other jurisdictions. Ahold determines whether the tax benefit of certain net operating losses and certain general business tax credits are realizable. The Company establishes valuation allowances considering whether it is probable that the carry forwards of net operating losses and certain general business tax credits can be realized. The following table specifies the expirations of the carry forwards and the allowances made.

	Expiration of the carry forward by year:								
	2003	2004	2005	2006	2007	2008-2012	2013-2017	After 2017	Total
Operating loss	14	23	49	43	533	331	80	452	1,525
Alternative minimum tax	43	—	—	—	—	—	—	—	43
Total income tax carry forward	**57**	**23**	**49**	**43**	**533**	**331**	**80**	**452**	**1,568**

The Company recognizes a deferred tax liability related to the undistributed income of subsidiaries when the Company expects that it will recover such undistributed income in a taxable manner, such as through receipt of dividends or sale of the investments. The Company does not, however, provide for income taxes on the unremitted income of certain other subsidiaries located outside The Netherlands because, in management's opinion, such income has been indefinitely reinvested in these operations, will be remitted in a tax-free liquidation or will be remitted as dividends that will be exempt under the Dutch Participation exemption. It is not practicable to determine the amount of unrecognized deferred tax liabilities for temporary differences related to investments in these non-Dutch subsidiaries.

13 Basic and diluted net income (loss) after preferred dividends per common share

Net income (loss) after preferred dividends per common share – basic is calculated as net income (loss) after preferred dividends, divided by the weighted average number of common shares outstanding during each period. Net income (loss) per common share – diluted is calculated as net income (loss) after preferred dividends, adjusted for interest expense (if not anti-dilutive) related to the Company's outstanding convertible subordinated notes, divided by the weighted average number of common shares outstanding, including the number of common shares that would have been issued upon conversion of the convertible subordinated notes (if not anti-dilutive) and the exercise of stock option rights outstanding (if not anti-dilutive). The outstanding stock option rights and the 3% convertible subordinated notes issued in 1998 are not included in the calculation for fiscal 2002, since they are anti-dilutive. The 4% convertible subordinated notes issued in 2000 are not included in the calculation for fiscal 2002 and fiscal 2001, since they were anti-dilutive.

The computational components of basic and diluted net income (loss) after preferred dividends per common share are as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss)	(1,208)	750	920
Dividends on cumulative preferred financing shares:	(38)	(38)	(17)
Net income (loss) after preferred dividends	(1,246)	712	903
Effect of dilutive securities:			
Conversion of convertible subordinated notes	—	19	42
	(1,246)	**731**	**945**

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Weighted average number of common shares outstanding *(x 1,000)* - basic	926,546	857,509	737,403
Effects of dilutive securities:			
Conversion of convertible subordinated notes	—	25,669	54,972
Exercise of stock option rights outstanding	—	4,213	4,746
Weighted average number of common shares outstanding *(x 1,000)* - diluted	**926,546**	**887,391**	**797,121**

Net income (loss) after preferred dividends per common share - basic is comprised of the following:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss)	(1.30)	0.88	1.25
Dividends on cumulative preferred financing shares	(0.04)	(0.05)	(0.03)
Net income (loss) after preferred dividends per common share - basic	**(1.34)**	**0.83**	**1.22**

Net income (loss) after preferred dividends per common share - diluted is comprised of the following:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss)	(1.30)	0.84	1.16
Interest expense - convertible subordinated notes	—	0.02	0.05
Dividends on cumulative preferred financing shares	(0.04)	(0.04)	(0.02)
Net income (loss) after preferred dividends per common share - diluted	**(1.34)**	**0.82**	**1.19**

14 Other intangible assets

	Trade name licences	Customer relationships	Software	Favorable leases	Other	Total
Balance as of January 2, 2000	**2**	**—**	**82**	**133**	**33**	**250**
Investments	68	—	89	18	2	177
Divestments	—	—	(13)	(7)	(14)	(34)
Acquired in business acquisitions	—	—	5	1	11	17
Amortization	(3)	—	(28)	(9)	(5)	(45)
Exchange rate differences	—	—	3	11	2	16
Balance as of December 31, 2000	**67**	**—**	**138**	**147**	**29**	**381**
Investments	—	—	140	10	20	170
Divestments	—	—	(6)	(2)	(1)	(9)
Acquired in business acquisitions	45	325	62	85	2	519
Amortization	(8)	(6)	(65)	(16)	(9)	(104)
Impairment	—	—	(8)	—	—	(8)
Exchange rate differences	1	(1)	9	12	2	23
Balance as of December 30, 2001	**105**	**318**	**270**	**236**	**43**	**972**
Investments	—	—	140	—	20	160
Divestments	—	—	(7)	(4)	(3)	(14)
Acquired in business acquisitions	7	16	(31)	12	12	16
Amortization	(9)	(44)	(94)	(19)	(14)	(180)
Impairment	(2)	—	(3)	—	(1)	(6)
Exchange rate differences	(10)	(46)	(36)	(35)	(7)	(134)
Balance as of December 29, 2002	**91**	**244**	**239**	**190**	**50**	**814**
At cost	110	288	464	268	84	1,214
Accumulated amortization	(19)	(44)	(225)	(78)	(34)	(400)
Book value	**91**	**244**	**239**	**190**	**50**	**814**

Estimated amortization expense for the coming five years is:

2003	242
2004	172
2005	87
2006	77
2007	75

In fiscal 2002 the Company evaluated the recoverability of certain intangible assets due to a general slow-down in the economic environment and increased competition in certain geographic locations. An asset impairment charge was recognized when the carrying value of the affected assets exceeded the fair value, which was calculated using discounted future net cash flows expected to result from the use of the intangible asset and its eventual disposition.

15 Tangible fixed assets

	Buildings and land			Machinery		Under	
	Stores	Other	Not in use	equipment	Other	construction	Total
Balance as of January 2, 2000	**3,064**	**665**	**16**	**1,122**	**1,540**	**428**	**6,835**
Investments	887	112	4	470	676	(93)	2,056
Acquired by business acquisitions	553	446	8	156	382	111	1,656
Divestments	(206)	(9)	(10)	(27)	(34)	(4)	(290)
Depreciation	(145)	(50)	(1)	(223)	(488)	—	(907)
Exchange rate differences	131	13	1	48	54	34	281
Balance as of December 31, 2000	**4,284**	**1,177**	**18**	**1,546**	**2,130**	**476**	**9,631**
Investments	902	101	—	624	987	123	2,737
Acquired by business acquisitions	371	487	7	194	123	40	1,222
Divestments	(516)	(291)	—	(98)	(60)	(12)	(977)
Depreciation	(212)	(45)	(1)	(283)	(596)	—	(1,137)
Impairment	(3)	—	(5)	—	(2)	—	(10)
Exchange rate differences	216	45	—	82	97	21	461
Balance as of December 30, 2001	**5,042**	**1,474**	**19**	**2,065**	**2,679**	**648**	**11,927**
Investments	802	110	21	538	765	85	2,321
Acquired by business acquisitions	235	96	28	(27)	170	13	515
Divestments	(264)	(91)	(7)	(77)	(67)	(38)	(544)
Depreciation	(233)	(72)	—	(297)	(684)	—	(1,286)
Impairment	(49)	—	(5)	(31)	(44)	(8)	(137)
Exchange rate differences	(808)	(207)	(4)	(255)	(376)	(103)	(1,753)
Balance as of December 29, 2002	**4,725**	**1,310**	**52**	**1,916**	**2,443**	**597**	**11,034**
At cost	5,893	1,652	62	3,180	5,508	597	16,892
Accumulated depreciation	(1,168)	(342)	(10)	(1,264)	(3,065)	—	(5,849)
Book value	**4,725**	**1,310**	**52**	**1,916**	**2,443**	**597**	**11,043**

Because the Company had indications of potential impairment issues, most notably the deterioration in market conditions due to a general slow-down in the economic environment and increased competition in certain geographic locations, in fiscal 2002, the Company evaluated the recoverability of its tangible fixed assets in its locations. The Company was required to reduce the carrying value of the assets to fair value and recognize an asset impairment charge in fiscal 2002 because the carrying value of the affected assets exceeded the projected future discounted cash flows related to them. Fair value of the impaired assets was calculated using discounted future net cash flows expected to result from the use of each asset and its eventual disposition. Asset impairment charges of EUR 137 were recorded within impairment of other long-lived assets in the consolidated statements of operations for fiscal 2002, and were comprised of impairments of EUR 49 related to stores, EUR 31 related to machinery and equipment, and EUR 57 related to other tangible fixed assets. Of the impairment amount for fiscal 2002, EUR 76 is attributable to Ahold's retail trade and real estate activities in Europe, EUR 36 related to Ahold's retail trade and real estate activities in the U.S., and EUR 19 and EUR 6 related to Ahold's retail trade activities in Latin America and Asia Pacific, respectively.

Other tangible fixed assets mainly consist of fixtures and equipment at retail locations. Assets under construction mainly consist of stores and are stated at cost.

16 Investments in joint ventures and equity investees

As of December 29, 2002 and December 30, 2001, the Company held a number of investments, which it accounts for using the equity method. The Company's interest in the outstanding common stock of the more significant investments as of December 29, 2002 and December 30, 2001, is as follows:

	Country	December 29, 2002	December 30, 2001
JMR - Gestao de Empresas de Ratalho, SGPS. S.A. ("JMR")	Portugal	49%	49%
ICA Ahold AB ("ICA")	Sweden	50%	50%
Paiz Ahold N.V. ("Paiz Ahold")	Guatemala/Honduras/El Salvador	50%	50%
Disco Ahold International Holdings N.V. ("DAIH")	Chile/Paraguay/Peru/Argentina	Consolidated	57%
Luis Paez S.A. ("Luis Paez")	Spain	50%	50%

Of those listed above, the Company's principal investments as of December 29, 2002 are comprised of ICA, JMR, and Paiz Ahold. Ahold acquired its partner's interest and has fully consolidated DAIH since July of 2002 as discussed in Note 4 and Note 5.

The movement in the balance of the account was as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Beginning of the year	**681**	**639**	**278**
Acquired by business acquisition	12	1	2
Investments and increase in existing shareholdings	159	138	1,904
Transfer to "loans to associates"	(395)	395	—
Sale and settlement of shareholdings	(19)	(3)	(9)
Other movements	—	—	(6)
Exchange rate differences	(23)	(159)	(6)
Share in income (loss) of joint ventures and equity investees	(38)	(192)	78
Dividend	(63)	(61)	(47)
Goodwill	(2)	(77)	(1,456)
Consolidated	539	—	(99)
End of the year	**851**	**681**	**639**

JMR

In 1992, the Company became a 49% partner with Jerónimo Martins, SGPS, S.A. in Jerónimo Martins Retail in Portugal. JMR owns both Pingo Doce, a major supermarket chain in Portugal and the Feira Nova hypermarkets chain. Ahold holds 49% of the shares and voting rights in JMR.

ICA

Ahold owns a 50% partnership interest in ICA Ahold Holding AB, which owns ICA, a Scandinavian food retailer. Ahold purchased its partnership interest in the ICA joint venture in April 2000 for approximately EUR 1.8 billion in cash. See also Note 30.

Paiz Ahold

Ahold owns a 50% interest in Paiz Ahold. In January 2002, Paiz Ahold formed a joint venture with CSU International, a supermarket company and hypermarket operator in Costa Rica, Nicaragua and Honduras. Paiz Ahold transferred 100% of its interests in its operating companies to the CARHCO N.V. ("CARHCO"), in return for a 66.7% interest in CARHCO. CSU International transferred 100% of its operating businesses to CARHCO, receiving a 33.3% interest in CARHCO. For more information on the Paiz put arrangement, see Note 30. CARHCO operates food stores in Guatemala, Costa Rica, Honduras, El Salvador and Nicaragua as of the end of fiscal 2002. The joint venture focuses on growth within these markets, as well as on the development of retail activities in other regional markets.

DAIH

Ahold held between 50% and 66.7% of the shares in DAIH from January 1998 through July 2002 and has accounted for DAIH under the equity method until July 2002, because the DAIH shareholders' agreement conveyed joint control to Ahold and its co-investor, as long as Ahold's voting interest was less than 66.7%. In July 2002, Ahold obtained voting control through the acquisition of additional shares, such that its ownership percentage exceeded 66.7%. In August 2002, Ahold purchased all remaining shares in DAIH, see also Note 5. As of December 29, 2002, DAIH held interests in the operating companies Disco and Santa Isabel S.A.

Condensed financial information for JMR, ICA and Paiz Ahold, in the aggregate, as of and for the fiscal year ended December 29, 2002, and JMR, ICA, Paiz Ahold and DAIH, in the aggregate, as of and for the two fiscal years in the period ended December 30, 2001, is presented below. For convenience purposes: (i) balance sheet data have been translated to Euros at the relevant year-end exchange rate, and (ii) consolidated statement of operations data have been translated to Euros at the relevant average exchange rate.

Condensed balance sheet data	**December 29, 2002**	December 30, 2001	December 31, 2000
Non-current assets	3,500	3,850	4,080
Current assets	1,896	1,894	1,771
Current liabilities	2,898	2,800	2,889
Non-current liabilities	633	1,970	1,698
Minority interest	1,066	704	657

Condensed statements of operations data	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Revenues	11,493	12,198	10,580
Gross Profit	2,645	2,923	2,471
Operating income	366	410	365
Income before tax	154	5	203
Income (loss) after tax	100	(45)	153

Ahold's investment in ICA and Paiz Ahold has a commitment/contingency that could affect Ahold's financial position. See Note 30.

17 Other financial assets

	December 29, 2002	December 30, 2001
Loans receivable	311	670
Long-term prepaid rent	31	39
Deferred bond issue cost	35	43
Other financial assets	367	366
	744	**1,118**

The movement in loans receivable are as follows:

	Loans to associates	Other loans	**Fiscal 2002**	Fiscal 2001
Beginning of the year	**479**	**191**	**670**	**589**
Issued	185	71	256	566
Allowance	395	—	395	(395)
Brought in through acquisitions	—	4	4	—
Consolidation	(676)	—	(676)	—
Repayment	(169)	(118)	(287)	(104)
Exchange rate differences	(20)	(31)	(51)	14
End of the year	**194**	**117**	**311**	**670**

Included in the above are EUR 56 of loans receivable that have a maturity date greater than five years. Other loans include EUR 41 as of December 29, 2002 (December 30, 2001: EUR 44) of loans due from the officers, managers and employees of the Company that were granted to assist these officers, managers and employees with investments in the Dutch Customer Fund. These floating-rate loans, bearing interest based on the European Central Bank interest rate, are due in 2004 (EUR 4), in 2006 (EUR 8) and in 2008 (EUR 30) or upon an individual's termination of employment, if earlier, and are collateralized by each individual's corresponding investment in the Dutch Customer Fund. The interest rate for these floating-rate loans as of December 29, 2002 and December 30, 2001 was 3.5% and 3.0% respectively. Loans to Corporate Executive Board members were repaid during fiscal 2002 and amounted to EUR 0.5 as of December 30, 2001.

Both the recapitalization and the consolidation of the loans receivable for 2002 relate to acquisitions of interests in DAIH.

Other financial assets are primarily comprised of prepaid pension costs of EUR 185 (fiscal 2001: EUR 200).

18 Inventory

	December 29, 2002	December 30, 2001
Finished products and merchandise inventories	4,412	4,529
Raw materials, packaging materials, technical supplies and other	74	71
	4,486	4,600
Allowances for obsolete inventories and shrinkage	(251)	(220)
	4,235	**4,380**

The movement in the allowances for obsolete inventories and shrinkage is as follows:

	Fiscal 2002	Fiscal 2001
Beginning of the year	**(220)**	**(173)**
Additions	(235)	(135)
Used	179	95
Exchange rate differences	25	(7)
End of the year	**(251)**	**(220)**

19 Accounts receivable

	December 29, 2002	December 30, 2001
Trade receivables	1,420	1,602
Receivables from associates	18	46
Income tax receivables	367	114
Other receivables	563	717
	2,368	2,479
Allowances for doubtful receivables	(137)	(131)
	2,231	**2,348**

All accounts receivable mature within one year. The movement in the allowances for doubtful receivables is as follows:

	Fiscal 2002	Fiscal 2001
Beginning of the year	**(131)**	**(130)**
Additions	(69)	(77)
Acquired in business acquisition	(36)	(2)
Used	73	62
Released (change in estimates)	10	18
Exchange rate differences	16	(2)
End of the year	**(137)**	**(131)**

The Company's wholly owned subsidiaries, USF and Alliant, participate in separate Receivable Sale and Related Agreements (the "Agreements"). Under the Agreements, these subsidiaries sell, on a revolving basis, their eligible trade receivables to two companies, which are wholly owned, special purpose, bankruptcy-remote subsidiaries of the Company (the "Receivable Companies"). Simultaneously, the Receivables Companies transfer, assign and convey all of their present and future rights, title and interest in the receivables to two non-consolidated qualifying special purpose entities (the "Master Trusts"). In return for the receivables transferred, the Receivable Companies receive cash and certificates representing fractional, undivided interests in the Master Trusts, subordinate to the interest of third-party investors. Additional certificates, also representing fractional, undivided interests in the Master Trusts, are sold at a discount to third-party investors in exchange for cash. The interests purchased by third-party investors include both variable investment certificates, which may be increased up to a maximum purchase limit of USD 695, and USD 300 in term investment certificates, aggregating to a maximum purchase limit of USD 995 (EUR 953). The variable certificate holders are generally either commercial paper conduits, which may at their sole option choose to increase the amount invested in a certificate, or banks or other financial institutions that commit, subject to certain conditions, to fund increases in respect of the certificates for a committed period of time. The transferable term certificates were sold in reliance on Rule 144A to qualified institutional buyers in July 2000 and are scheduled to expire in June 2005.

As of fiscal year-end 2002 and 2001, the Company had sold USD 857 (EUR 826) and USD 870 (EUR 985), respectively, in interests were sold under the Agreements to the third-party certificate holders. The costs associated with the sale of interests in the Master Trusts are based on existing markets for A-1+/P-1 asset-backed commercial paper rates and LIBOR plus fees and expenses and ranged between 1.30% and 1.88% annually during 2002. Because the variable certificate holders have no commitment to maintain the funding of their purchases of interests of the Master Trusts based on the A-1+/P-1 asset-backed commercial paper market, in the event these purchasers refuse or are unable to fund the purchase of the Master Trusts interest with asset-backed commercial paper, the costs associated with the sale of such interests is based upon the sum of LIBOR and an additional amount based on Ahold's then current credit rating. The Company's retained interest in the assets of the Master Trusts as of fiscal year-end 2002 and fiscal year-end 2001, was approximately USD 251 (EUR 240) and USD 198 (EUR 224), respectively. This retained interest, which Ahold includes in the accounts receivable balance reflected in the consolidated balance sheets, is recorded at estimated fair value and approximates the carrying amount because of the immediate or short-term maturity of the assets underlying the certificates. Further, the fair value of the retained interest is not significantly affected by changes in the discount rate assumption used in the fair value assessment because of the short-term nature, approximately 30 days, of the underlying receivables. The fair value of the retained interest in the assets of the Master Trusts is reviewed on an ongoing basis for outstanding and newly securitized receivables.

The Company received proceeds from the collections under the Agreements of USD 16.2 billion (EUR 15.5 billion) and USD 10.7 billion (EUR 12.1 billion) in fiscal 2002 and 2001, respectively. Losses, primarily representing interest, in the form of discounts on the sale price received on each receivable sold, totalled EUR 18 and EUR 20 in fiscal 2002 and 2001, respectively, and are included in the consolidated statements of operations under the caption "Other financial income and expense". The Company retains responsibility for the servicing of these receivables in return for a servicing fee pursuant to the Agreements. No servicing asset or liability has been recorded because the fees Ahold receives for servicing the receivables approximate the related cost.

The sole purpose of the Master Trusts is to facilitate the purchases of the trade receivables of USF and Alliant by various third-party investors. The only assets of the Master Trusts are the receivables purchased that are still outstanding at year-end, cash collected from the assets that they hold, and highly liquid investments purchased with that cash pending distribution to holders of beneficial interests that are appropriate for that purpose. The obligations of the Master Trusts equal the invested amount of certificate holders, the accrued return for the year, and the fair value of the residual interests sold, including those sold to the Company.

Due to the nature of the restatements that were announced on February 24, 2003, and the consequent related potential impact on compliance with certain provisions in the portions of the Agreements related to variable certificate investments, the Agreements were amended in March 2003 to, among other things, include a financial covenant that requires Ahold's average four quarter rolling interest coverage ratio to not be lower than 2.25. The Company further amended the portions of the Agreements related to variable certificate investments to lower the aggregate maximum purchase limit of third-party variable certificate investments in the Master Trusts to USD 490, primarily in response to a contraction in the aggregate pool of receivables available for sale to the Master Trusts under the Agreements and to extend the termination date of those portions of the Agreements until December 5, 2003. The Company intends to extend further the termination date of those portions of the Agreements for at least an additional two months, where some of the variable certificate investors have committed to extend their investments until February 2004. In addition to the changes described above, in June 2003,

one of the variable certificate investors under the programs was replaced by banks who had in March 2003, committed to provide the Company with a USD 450 back-up investment commitment to support the variable certificate investment amounts outstanding at that time. Subsequent to this replacement, USD 220 remains available to the Company under the back-up investment commitment.

During fiscal 2002, the above described transfer of all trade receivables and the subsequent conveyance of the Company's interest in those receivables to the Master Trusts qualified as a sale according to US GAAP and Dutch GAAP. Accounts receivable sold under these arrangements are excluded from the accounts receivable in the consolidated balance sheet. As a result, for fiscal 2002, the Company did not consolidate the Master Trusts. On July 10, 2003, the agreement related to the receivables sale participated in by USF was amended and restated such that the applicable Master Trust will qualify as a group company and will therefore be consolidated, from that date.

20 Cash and cash equivalents

	December 29, 2002	December 30, 2001
Cash on hand	415	491
Cash in bank	416	727
Cash investments and time deposits	171	480
	1,002	**1,698**

No cash was restricted on December 29, 2002 and December 30, 2001.

21 Changes in shareholders' equity

Restatements relating to periods prior to fiscal 2000 were recorded in the opening accumulated deficit as of January 2, 2000. See Note 3.

Changes in Shareholders' equity are summarized as follows:

	Share capital	Additional paid-in capital	Legal and statutory reserves	Other reserves	Accumulated Deficit	Net income (loss)	Total
Balance as of January 2, 2000 (as restated)	**179**	**4,225**	**125**	**(61)**	**(2,142)**	**—**	**2,326**
Net income (loss)	—	—	—	—	—	920	920
Dividend preferred financing shares	—	—	—	—	(17)	—	(17)
Issue of common shares	35	4,056	—	—	—	—	4,091
Issue of cumulative preferred financing shares	29	366	—	—	—	—	395
Optional stock dividend	4	(4)	—	—	(44)	—	(44)
Exercise of stock options	1	54	—	—	—	—	55
Adjustment nominal value	21	(21)	—	—	—	—	—
Goodwill	—	—	—	—	(5,353)	—	(5,353)
Exchange rate differences in foreign interests	—	—	—	(21)	—	—	(21)
Appropriation to legal reserve	—	—	39	—	(39)	—	—
Balance as of December 31, 2000 (as restated)	**269**	**8,676**	**164**	**(82)**	**(7,595)**	**920**	**2,352**
Net income (loss)	—	—	—	—	920	(170)	750
Dividend preferred financing shares	—	—	—	—	(38)	—	(38)
Issue of common share	20	2,481	—	—	—	—	2,501
Optional stock dividend	5	(5)	—	—	(94)	—	(94)
Exercise of stock options	1	66	—	—	—	—	67
Goodwill adjustments	—	—	—	—	78	—	78
Exchange rate differences in foreign interests	—	—	—	(114)	—	—	(114)
Minimum pension liability	—	—	—	(6)	—	—	(6)
Appropriation to legal reserve	—	—	48	—	(48)	—	—
Balance as of December 30, 2001 (as restated)	**295**	**11,218**	**212**	**(202)**	**(6,777)**	**750**	**5,496**
Balance as of December 30, 2001 (as previously reported)	**295**	**11,218**	**55**	**(190)**	**(6,599)**	**1,113**	**5,892**
Cumulative restatements / change in accounting principle	—	—	157	(12)	(178)	(363)	(396)
Balance as of December 30, 2001 (as restated)	**295**	**11,218**	**212**	**(202)**	**(6,777)**	**750**	**5,496**
Net income (loss)	—	—	—	—	750	(1,958)	(1,208)
Dividend preferred financing shares	—	—	—	—	(38)	—	(38)
Optional stock dividend	3	(3)	—	—	(433)	—	(433)
Exercise of stock options	—	5	—	—	—	—	5
Goodwill	—	—	—	—	32	—	32
Exchange rate differences in foreign interests	—	—	—	(1,129)	—	—	(1,129)
Minimum pension liability	—	—	—	(120)	—	—	(120)
Appropriation to legal reserve	—	—	79	—	(75)	—	4
Balance as of December 29, 2002	**298**	**11,220**	**291**	**1,451**	**(6,541)**	**(1,208)**	**2,609**

Authorized share capital is comprised of the following classes of shares as of December 29, 2002:

Cumulative preferred shares (800,000 of EUR 500 each)	400
Cumulative preferred financing shares (400,000,000 of EUR 0.25 each)	100
Common shares (1,200,000,000 of EUR 0.25 each)	300
	800

Movements in issued and additional paid-in capital during the years were as follows:

	Shares (x 1,000)		Issued and paid-in share capital (x 1,000 EUR)		
	Common shares	Cumulative preferred financing shares	Common shares	Cumulative preferred financing shares	Total issued and paid-in
Balance as of January 2, 2000	**646,484**	**144,000**	**146,681**	**32,672**	**179,353**
Share issue	149,101	115,317	34,682	28,829	63,511
Shares issued as optional dividends	18,167	—	4,122	—	4,122
Exercise of stock options	3,097	—	747	—	747
Converted subordinated notes	—	—	—	—	—
Adjustment nominal value	—	—	17,981	3,328	21,309
Balance as of December 31, 2000	**816,849**	**259,317**	**204,213**	**64,829**	**269,042**
Share issue	80,500	—	20,125	—	20,125
Shares issued as optional dividends	20,462	—	5,115	—	5,115
Exercise of stock options	3,160	—	790	—	790
Converted subordinated notes	8	—	2	—	2
Balance as of December 30, 2001	**920,979**	**259,317**	**230,245**	**64,829**	**295,074**
Share issue	—	—	—	—	—
Shares issued as optional dividends	9,733	—	2,433	—	2,433
Exercise of stock options	392	—	98	—	98
Converted subordinated notes	3	—	1	—	1
Balance as of December 29, 2002	**931,107**	**259,317**	**232,777**	**64,829**	**297,606**

Cumulative Preferred Shares

In March 1989, the Company entered into an agreement (the "Option Agreement") with Stichting Ahold Continuïteit ("SAC" or "Ahold Continuity Foundation"). SAC has no members or shareholders. Under the laws of The Netherlands, the SAC is an independent legal entity governed by its board of directors. The board of directors of SAC is independent and its composition is mandated by the listing rules of Euronext Amsterdam. In case of liquidation, the SAC board of directors must distribute any remaining residual assets to charities. The statutory objective is to enhance Ahold's continuity, independence and identity in case of a hostile takeover attempt. The Option Agreement was amended and restated in April 1994, March 1997 and December 2001. Pursuant to the Option Agreement, SAC was granted an option (the "SAC Option") to acquire from the Company, from time to time until December 2016, cumulative preferred shares up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold's capital stock, excluding cumulative preferred shares, at the time of exercise of the SAC Option. The SAC Option, which was granted for no consideration, entitles SAC, upon exercise (only in the event of a hostile takeover attempt), to receive cumulative preferred shares. At the time of exercise, the Company may stipulate that only 25% of the par value would be paid in return for such shares, until payment in full of the par value is later called by the Company. SAC would then only be entitled to a market based interest return on its investment. If the SAC Options were to be exercised, the holders of the cumulative preferred shares would be entitled to 2,000 votes per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in on the cumulative preferred shares. The percentage applied is the sum of (i) the average basic refinancing transaction interest rate as set by the European Central Bank plus 210 basis points, and (ii) the average interest margin as set by the largest credit institution in The Netherlands based on balance sheet total at the end of the fiscal year. The minimum percentage applied is 5.75%. Subject to limited exceptions, each transfer of cumulative preferred shares require the approval of the Corporate Executive Board. SAC would not be able to initiate a vote under the terms of the cumulative preferred shares, but would rather only be able to participate in votes initiated by the Company's other shareholders. Therefore, SAC would not be in a position to change its level of profit participation upon exercise of the options. Cumulative preferred shares can only be issued in registered form. No share certificates are issued for cumulative preferred shares.

The option agreement and the cumulative preferred shares have certain anti-takeover effects. The issuance of all authorized cumulative preferred shares will cause substantial dilution of the effective voting power of any shareholder, including a shareholder that attempts to acquire the Company, and could have the effect of delaying, deferring and preventing a change in the Company's control.

Cumulative Preferred Financing Shares

In accordance with the Company's Articles of Association, the Corporate Executive Board of Ahold was designated as the body authorized to issue or grant rights to subscribe for cumulative preferred financing shares of whatever series, subject to the prior approval of the Supervisory Board of Ahold, up to a total nominal amount equal to 25% of all the outstanding shares of the capital stock of Ahold, excluding cumulative preferred shares. Cumulative preferred financing shares must be fully paid-in upon issuance. In accordance with the Articles of Association the Corporate Executive Board of Ahold must approve any change of ownership of the cumulative preferred financing shares. Ahold cannot be forced to redeem these shares.

Dividends are paid on each cumulative preferred financing share at a percentage (the "Financing Dividend Percentage") based on the average effective yield on Dutch state loans with a remaining life of nine to ten years, and such rate has been fixed for a period of ten years at a rate of 7.37% per fiscal year for the share issuance in June 1996, 5.18% per fiscal year for the share issuance in August 1998 and 6.47% per fiscal year for the share issuance in October 2000.

Common Shares

Ahold common shares are listed on the Euronext Amsterdam. Ahold has a secondary listing on the Swiss Stock Exchange in Zurich. Additionally, Ahold common shares are listed on the New York Stock Exchange in the U.S. in the form of American Depository Shares ("ADSs"), evidenced by American Depository Receipts ("ADRs"). The depositary for the ADSs is The Bank of New York. Each ADS evidences the right to receive one common share.

Exchange rate differences related with foreign investments and additional charges regarding the minimum pension liability are non-distributable and are recorded as "other reserves" in shareholders' equity.

Capital accounts ("Garantievermogen") defined as the total of shareholders' equity, minority interest and subordinated long-term loans, amount to EUR 3,676 and EUR 7,324 as of December 29, 2002 and December 30, 2001, respectively.

22 Pensions and other retirement benefits

	December 29, 2002	December 30, 2001
Defined benefit plans	684	519
Defined contribution plans	72	80
Total pensions and other retirement benefits	**756**	**599**

Defined benefit plans

In fiscal 2002, Ahold adopted SFAS No. 87 and 106, US GAAP standards, for Dutch GAAP purposes, and adjusted the numbers and related disclosure for fiscal 2001 and fiscal 2000.

Pensions

Ahold has a number of defined benefit pension plans covering a substantial number of employees within the U.S. and Europe (including The Netherlands). All plans have been established in accordance with applicable legal requirements, customs and existing circumstances in each country.

Other benefit plans

Ahold provides life insurance and health care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries. The Company funds these plans as claims are incurred. Health and welfare plans are also stated in other benefit plans in the following tables below.

The assumed health care cost trend rates used in measuring the accumulated post-retirement benefit obligation is 10.0%, 7.25% and 7.25% in fiscal years 2002, 2001 and 2000, respectively grading down to 5.0% by 2007 and a constant 5.0% for participants over 65 years of age. A 1.0%-point increase in assumed health care cost trend rates would have increased the aggregate of service and interest cost of 11.2% in fiscal 2002, 7.9% in fiscal 2001, and 8.0% in fiscal 2000. The effect of this change on the accumulated post-retirement benefit obligations as of the end of fiscal 2002, fiscal 2001, and fiscal 2000 would be an increase of 10.2%, 7.0%, and 6.0%, respectively. A 1.0%-point decrease in assumed health care cost trend rates would have decreased the aggregate of service and interest cost components of net periodic retirement health care benefit cost by 9.0% for fiscal 2002, 6.6% in fiscal 2001, and 6% in fiscal 2000.

The effect of this change on the accumulated post-retirement benefit obligation for health care benefits as of the end of fiscal 2002, fiscal 2001, and fiscal 2000 would be a decrease of 8.3%, 5.9%, and 5.0%, respectively.

The following table provides a summary of the funded status of all defined-benefit plans throughout Ahold as well as the amounts not yet recognized in the statement of operations and the amounts recognized in the balance sheet:

	Fiscal 2002	Fiscal 2001
Projected benefit obligation at year-end	(2,854)	(2,712)
Fair value of plan assets at year-end	1,882	2,138
Funded status	(972)	(574)
Unrecognized actuarial (gain) loss	710	264
Unrecognized prior service cost	(12)	11
Unrecognized net transition obligation	(4)	(8)
Net amount recognized	**(278)**	**(307)**
Prepaid benefit cost under other financial fixed assets	185	201
Accrued benefit liability under provisions for pensions	(684)	(519)
Intangible assets	17	1
Deferred tax assets	81	4
Accumulated other comprehensive income	123	6
Net amount recognized	**(278)**	**(307)**

In the following tables, the change in benefit obligations and plan assets is provided, as well as the funded status and the amounts recognized in the balance sheet. The components of net periodic benefit cost are also included. Because of the significance of defined-benefit plans in the U.S. and Europe, the U.S. plans (in aggregate) are shown separately from the European plans (in aggregate). The Company's pension plans have different measurement dates as follows: for the U.S. pension plans – September 30, for the European pension plans – December 31.

	U.S. Pensions		U.S. Other benefit plans	
	Fiscal 2002	Fiscal 2001	**Fiscal 2002**	Fiscal 2001
Benefit obligation:				
Beginning of the year	1,050	668	72	56
Service cost	43	22	2	1
Interest cost	72	56	5	5
Amendments	2	12	2	—
Actuarial loss	107	72	20	—
Acquisition	24	213	—	10
Foreign currency exchange rate changes	(175)	43	(13)	3
Benefits paid	(67)	(36)	(3)	(3)
End of year	**1,056**	**1,050**	**85**	**72**
Plan Assets:				
Fair value of assets, beginning of the year	738	646	—	—
Actual return on plan assets	(52)	(57)	—	—
Company contribution	25	8	3	3
Acquisition	9	135	—	—
Foreign currency exchange rate changes	(103)	42	—	—
Benefits paid	(67)	(36)	(3)	(3)
Fair value of assets, end of the year	**550**	**738**	**—**	**—**
Funded status of plan	(506)	(312)	(85)	(72)
Unrecognized actuarial (gain) loss	309	133	14	(5)
Unrecognized prior service cost	16	21	2	—
Unrecognized net transition obligation	—	(1)	—	—
Net balances	**(181)**	**(159)**	**(69)**	**(77)**
Classification of the net balances is as follows:				
Prepaid benefit cost	—	43	—	—
Accrued benefit liability	(390)	(213)	(69)	(77)
Intangible asset	17	1	—	—
Deferred tax asset	77	4	—	—
Accumulated other comprehensive income	115	6	—	—
Net balances	**(181)**	**(159)**	**(69)**	**(77)**

	U.S. Pension Plans			U.S. Other Benefits		
Net periodic benefit cost:	**Fiscal 2002**	Fiscal 2001	Fiscal 2000	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Service cost of benefits earned	43	22	17	2	1	1
Interest cost on benefit obligation	72	56	46	5	4	4
Expected return on assets	(62)	(61)	(53)	—	—	—
Amortization of transition asset	—	(1)	(1)	—	—	—
Amortization of prior service cost	2	2	1	—	—	—
Recognized actuarial (gain) loss	3	(4)	(6)	—	—	—
Net periodic benefit cost	**58**	**14**	**4**	**7**	**5**	**5**

The assumptions used to develop the actuarial present value of benefit obligations and pension expense under SFAS No. 87 were as follows:

	Pensions			Other benefit plans		
U.S. plans	**Fiscal 2002**	Fiscal 2001	Fiscal 2000	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Discount rate for obligations	6.75%	7.50%	8.00%	6.75%	7.50%	8.00%
Expected return on plan assets	9.00%	9.00%	9.00%	N/A	N/A	N/A
Average salary increases	4.00%	4.50%	4.50%	4.00%	4.50%	4.50%

	European Pensions	
	Fiscal 2002	Fiscal 2001
Benefit obligation:		
Beginning of the year	1,590	1,490
Service cost	66	61
Plan participant contributions	16	11
Interest cost	86	81
Amendments	(28)	—
Actuarial loss (gain)	47	(4)
Benefits paid	(64)	(49)
End of the year	1,713	1,590
Plan Assets:		
Fair value of assets, beginning of the year	1,400	1,464
Actual return on plan assets	(113)	(92)
Company contribution	93	66
Plan participant contribution	16	11
Benefits paid	(64)	(49)
Fair value of assets, end of the year	1,332	1,400
Funded status of plan	(381)	(190)
Unrecognized actuarial loss	387	136
Unrecognized prior service cost	(30)	(10)
Unrecognized net transition obligation	(4)	(7)
Net balances	(28)	(71)
Classification of the net balances is as follows:		
Prepaid benefit cost	185	158
Accrued benefit liability	(225)	(229)
Deferred tax asset	4	—
Accumulated other comprehensive income	8	—
Net balances	**(28)**	**(71)**

	European Pensions		
Net periodic benefit cost	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Service cost of benefits earned	66	61	45
Interest cost on benefit obligation	86	81	71
Expected return on assets	(91)	(95)	(91)
Amortization of transition asset	(4)	—	—
Amortization of prior service cost	(1)	(5)	(18)
Net periodic benefit cost	**56**	**42**	**7**

The assumptions used to develop the actuarial present value of benefit obligations and pension expense under SFAS No. 87 were as follows:

	Pensions		
European plans	**Fiscal 2002**	Fiscal 2001	Fiscal 2000
Discount rate for obligations	5.25%	5.25%	5.25%
Expected return on plan assets	6.50%	6.50%	6.50%
Average salary increases	2.50%	2.50%	2.50%

Defined contribution plans

In the U.S., there are defined contribution plans principally in the form of savings, incentive compensation and bonus plans. Additionally, certain union employees in the U.S. are covered by multi-employer plans, which are also accounted for as defined contribution plans. The Company has contributed EUR 90, EUR 87 and EUR 80 to defined contribution plans during fiscal years 2002, 2001, and 2000, respectively.

23 Other provisions

	Provision for supplemental and severance payments	Self insurance program	Miscellaneous	Maintenance	Total
Balance as of January 2, 2000	**34**	**256**	**206**	**61**	**557**
Acquisitions	24	10	208	—	242
Interest	—	19	3	—	22
Provisions charged to income statement	21	205	32	8	266
Released to income / change in estimate	(8)	(17)	(11)	(10)	(46)
Used	(15)	(168)	(99)	(7)	(289)
Exchange rate differences	(1)	17	8	—	24
Balance as of December 31, 2000	**55**	**322**	**347**	**52**	**776**
Acquisitions	—	86	52	—	138
Interest	—	23	2	—	25
Provisions charged to income statement	(2)	171	23	—	192
Released to income / change in estimate	(1)	—	(51)	(52)	(104)
Used	(14)	(178)	(157)	—	(349)
Exchange rate differences	1	26	16	—	43
Reclassification	(24)	—	24	—	—
Balance as of December 30, 2001	**15**	**450**	**256**	**—**	**721**
Acquisitions	1	—	73	—	74
Interest	—	24	4	—	28
Provisions charged to income statement	11	366	105	—	482
Released to income / change in estimate	(3)	(4)	(16)	—	(23)
Used	(9)	(391)	(101)	—	(501)
Exchange rate differences	(1)	(65)	(35)	—	(101)
Balance as of December 29, 2002	**14**	**380**	**286**	**—**	**680**

Self insurance program

The Company is self-insured for certain losses related to general liability, commercial auto liability and workers' compensation mainly relating to its U.S. subsidiaries. Maximum self-insurance retention, including defense costs per occurrence, is EUR 2 for general liability, EUR 5 for commercial auto liability, and EUR 5 for workers' compensation. The self-insurance program liability is actuarially determined, based on claims filed and an estimate of claims incurred but not reported, and was discounted using a discount rate of 5.5% in fiscal 2002 and 6.0% in fiscal 2001.

Miscellaneous

Included in this provision is an amount of EUR 106 in fiscal 2002 (fiscal 2001: EUR 177) for unfavorable lease contracts. Also included is a Customer Loyalty Program related in The Netherlands for an amount of EUR 64 in fiscal 2002 (fiscal 2001: EUR 46). Furthermore there is a liability of EUR 70 in fiscal 2002 (fiscal 2001: EUR 0) regarding various claims with respect to the conversion of amounts previously payable in USD being restated into Pesos pursuant to Argentine law.

24 Loans

	December 29, 2002	December 30, 2001
Subordinated loans	1,780	1,780
Bonds	6,789	7,425
Other loans	890	1,186
Mortgages	72	84
Loans from joint ventures and equity investees	55	193
	9,586	**10,668**
Current portion	(1,273)	(542)
Long-term portion of loans	**8,313**	**10,126**

As of December 29, 2002, maturities of long-term debt during each of the next five fiscal years and thereafter are as follows:

2003	1,273
2004	56
2005	2,530
2006	356
2007	458
Thereafter	4,913
	9,586

Breakdown by currency and type of interest in Euro:

	Fixed Interest	Floating interest	December 29, 2002	December 30, 2001
Euro	3,015	505	3,520	4,295
U.S. Dollar	4,625	72	4,697	5,757
Other	—	96	96	74
	7,640	**673**	**8,313**	**10,126**

Subordinated loans

	Repayment commitments				
Subordinated loans at fixed rates	Within 1 year	Between 1 and 5 years	After 5 years	December 29, 2002	December 30, 2001
EUR 920, 4.0% convertible subordinated notes, maturing on May 16, 2005	—	920	—	920	920
EUR 678, 3.0% convertible subordinated notes, maturing on September 30, 2003	678	—	—	678	678
EUR 91 bond 6.75%, maturing on August 24, 2003	91	—	—	91	91
EUR 91 bond 5.875%, maturing on December 19, 2005	—	91	—	91	91
Total subordinated loans	**769**	**1,011**	**—**	**1,780**	**1,780**

In May 2000, Ahold issued 4.0% convertible subordinated notes due May 19, 2005, with a principal amount of EUR 920. Holders of these notes have the right to convert the notes into common shares of Ahold at any time prior to May 16, 2005. During 2002, the conversion price was adjusted from EUR 31.82 to EUR 31.56 per common share as at the end of fiscal 2001. The conversion feature was not deemed beneficial at issuance. Ahold has the right to redeem the convertible notes, in whole but not in part, at the principal amount thereof, together with accrued interest at any time.

In September 1998, Ahold issued 3.0% convertible subordinated notes due September 30, 2003 with a principal amount of EUR 678, with interest payable annually. Holders of the convertible subordinated notes had the right to convert the notes into common shares of Ahold at any time prior to September 25, 2003. During 2002, the conversion price was adjusted from EUR 27.02 to EUR 26.80 per common share as a result of anti-dilution provisions included in the indenture under which the notes were issued. The conversion feature was not deemed beneficial at issuance. At any time after September 30, 2001, the notes were redeemable at the option of Ahold, in whole but not in part, at the principal amount thereof, together with accrued interest. These notes matured on September 30, 2003.

Redemption of the loans is subordinated to the claims of all existing and future creditors.

Bonds and notes

	Repayment commitments				
Bonds (fixed rates unless otherwise noted)	Within 1 year	Between 1 and 5 years	After 5 years	**December 29, 2002**	December 30, 2001
EUR-denominated bonds and notes:					
EUR 1,500 notes 6.375%	—	1,355	—	1,355	1,601
EUR 1,500 bond, 5.875%	—	—	1,500	1,500	1,500
EUR 600 notes 5.875%	—	—	512	512	605
EUR 227 bond 6.25%	—	284	—	284	335
EUR 200 bond 6.375%	—	200	—	200	200
EUR 136 bond 5.875%	—	136	—	136	136
USD-denominated bonds and notes:					
USD 700 notes 8.25%	—	—	671	671	792
USD 500 notes 6.25%	—	—	479	479	566
USD 500 notes 6.875%	—	—	479	479	566
USD 250 bond 9.875%	—	—	58	58	—
USD 100 bond 9.125%	17	—	—	17	—
Other denominated bonds and notes:					
GBP 500 bond 6.50%	—	—	681	681	804
JPY 33,000 bond LIBOR plus 1.5%	—	—	299	299	181
CZK 3,000 note PRIBOR plus 0.28%	—	96	—	96	94
Other bonds	4	4	14	22	45
	21	**2,075**	**4,693**	**6,789**	**7,425**

EUR-denominated bonds and notes

- EUR 1,500 notes 6.375%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures June 8, 2005. These notes have been swapped to a USD liability of USD 1,415 at an interest rate of 8.547%.
- EUR 1,500 bond 5.875%, issued by Ahold. Matures May 9, 2008.
- EUR 600 notes 5.875%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures March 14, 2012. The notes have been swapped to a USD liability of USD 534 at an interest rate of 6.835%.
- EUR 227 bond 6.25%. This 10-year Eurobond was issued by Ahold USA Holdings Inc., which changed its name to Croesus Inc. on December 7, 1998. The bond is guaranteed by Ahold and matures November 28, 2006. This bond has been swapped to a USD liability of USD 296 at an interest rate of 7.152%.
- EUR 200 bond 6.375%, issued by Ahold. Matures November 30, 2007.
- EUR 136 bond 5.875%. This 10-year Eurobond is issued by Albert Heijn B.V., guaranteed by Ahold. Matures December 19, 2007.

USD-denominated bonds and notes

- USD 700 notes 8.25%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures July 15, 2010.
- USD 500 notes 6.25%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures May 1, 2009.
- USD 500 notes 6.875%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures May 1, 2029.
- USD 250 bond 9.875%, issued by Disco S.A. Matures May 15, 2008. Of this bond USD 182 is held by Ahold België N.V.
- USD 100 bond 9.125%, issued by Disco S.A. Matured May 15, 2003. Of this bond USD 79 was held by Ahold België N.V.

Other denominated bonds and notes

- GBP 500 bond 6.5%, issued by Ahold Finance USA Inc., guaranteed by Ahold. Matures March 14, 2017. This bond has been swapped to a USD liability of USD 711 at an interest rate of 7.493%.
- JPY 33,000 bond, JPY LIBOR +1.5%, issued by Ahold in a private placement. Matures May 15, 2031. This bond has been swapped to a EUR liability of EUR 299 at an interest rate of 7.065%.
- CZK 3,000 note PRIBOR + 0.28% note issued by Ahold. Matures September 14, 2005.

Other loans

Other loans (fixed rates unless otherwise noted)	Repayment commitments				
	Within 1 year	Between 1 and 5 years	After 5 years	**December 29, 2002**	December 30, 2001
EUR-denominated loans and notes:					
EUR 158 loan EURIBOR plus 0.63%	158	—	—	158	—
EUR 95 EURO Note, 5.625%	—	—	95	95	55
EUR 66 note, EURIBOR plus 0.8%	—	66	—	66	66
EUR 50 note, EURIBOR plus 0.4%	—	50	—	50	—
EUR 45 loan 7.70%	9	9	—	18	27
USD-denominated loans and notes:					
USD 250 senior loan, 9.75%	—	—	—	—	221
USD 150 loan, LIBOR plus 0.1%	128	—	—	128	163
USD 50 loan 6.23%	—	48	—	48	57
USD 39 loan 6.11%	37	—	—	37	44
USD 39 loan, LIBOR plus 0.7%	—	—	—	—	44
Other loans	138	111	41	290	509
	470	**284**	**136**	**890**	**1,186**

EUR-denominated loans and notes

- EUR 158 floating rate EURIBOR + 0.63% loan, issued by Ahold. Matures October 30, 2003.
- EUR 95 Euro note 5.625%, issued by Ahold. Matures December 17, 2008.
- EUR 66 floating rate EURIBOR + 0.8% note, issued by Ahold. Matures October 26, 2007.
- EUR 50 floating rate EURIBOR + 0.4% loan issued by Ahold. Matures June 14, 2007.
- EUR 45 loan 7.70%, incurred by Ahold Vastgoed B.V., principal repayments on this loan are due in five equal installments of EUR 9 from June 2000 through June 2004.

USD-denominated loans and notes

- USD 250 senior-loan 9.75%, issued by Stop & Shop in February 1992. Matured February 1, 2002. This loan was subordinated to all senior indebtedness of Stop & Shop.
- USD 150 loan, LIBOR plus 0.1%. This loan was issued by Ahold. To obtain this loan, Ahold has pledged legal ownership of USD 150 Disco bonds, held by Ahold België N.V. Matured on May 14, 2003.
- USD 50 loan 6.23% issued by Croesus Inc., guaranteed by Ahold. Matures June 30, 2006.
- USD 39 loan 6.11% issued by Croesus Inc., guaranteed by Ahold. Matured June 30, 2003.
- USD 39 loan, LIBOR plus 0.7%. This loan was issued by Tops in a private placement guaranteed by Ahold. Matured March 15, 2002.

The EURIBOR rate as of December 27, 2002 was for 3 months 2.93% and for 6 months 2.84%. The LIBOR USD rate as of December 27, 2002 USD was for 3 months 1.40% and for 6 months 1.39%. The PRIBOR 6 months rate as of December 27, 2002 was 2.45%. The NIBOR rate as of December 27, 2002 was for 3 months 6.35% and for 6 months 6.52%.

Ahold Finance USA Inc. is a 100%-owned finance subsidiary of Ahold and Ahold has fully and unconditionally guaranteed all securities issued by Ahold Finance USA Inc. listed above. There are no significant restrictions on the ability of Ahold to obtain funds from Ahold Finance USA, Inc. by dividend or loan.

As of December 29, 2002, the aggregate amounts of mortgages and other loans that are collateralized by buildings and land amounted to EUR 92 (2001: EUR 104).

Credit facilities

Ahold's primary line of credit, entered into in December 1996, was a USD 1 billion, seven-year multi-currency revolving credit facility. In March 1998, Ahold entered into an additional USD 500, four-year standby multi-currency revolving credit facility. The terms and conditions of this facility were substantially similar to the USD 1 billion multi-currency revolving credit facility.

In 2002, the USD 1 billion and the USD 500 facilities, described above, were retired and expired, respectively, and were replaced on July 18, 2002 with the 2002 Credit Facility. The 2002 Credit Facility comprised a USD 2 billion multi-currency

dual tranche revolving credit facility bearing an interest rate of LIBOR (or EURIBOR for EUR denominated borrowings) plus an applicable margin. The applicable margin was determined by (i) Ahold's most recent credit rating, as published by Moody's Investor Service or Standard & Poor's, and (ii) which tranche of the facility, A or B, was utilized. Tranche A, which permitted borrowings of up to USD 500, offered a maximum loan term of one year, and a margin ranging from 0.30% to 0.425%, and Tranche B, which permitted borrowings of up to USD 1.5 billion, offered a maximum loan term of five years, and a margin ranging from 0.35% to 0.50%. In addition, the 2002 Credit Facility provided for up to USD 150 in letters of credit. The 2002 Credit Facility had, at fiscal year-end 2002, an applicable borrowing rate of LIBOR plus 0.35% for the outstanding drawings on Tranche A, and LIBOR plus 0.40% for the outstanding drawings on Tranche B. The outstanding borrowings on December 29, 2002, on the 2002 Credit Facility were USD 80 in loans and an additional USD 150 in letters of credit, which were used primarily to support Ahold's self-insurance obligations. At December 29, 2002 and December 30, 2001, the weighted average interest rate on outstanding borrowings under the 2000 Credit Facility was 7.65% and 7.9%, respectively.

As of fiscal year end 2002, Ahold Finance USA Inc., a wholly owned subsidiary of Ahold, had access to USD 200 from three different banks for overnight borrowings. At December 29, 2002 and December 30, 2001, there were zero borrowings under these facilities, and letters of credit were issued to facility capacities.

The 2003 new credit facility is described in the subsequent events paragraph, as included in the additional information.

25 Financial lease commitments

Financial lease commitments are principally for buildings and are generally held by Ahold's USA subsidiaries. Terms range from ten to twenty-five years and contain renewal options. Components of assets held under capital leases are as follows:

	December 29, 2002	December 30, 2001
Land and buildings	2,617	2,763
Machinery and equipment	114	100
	2,731	2,863
Accumulated depreciation	(782)	(802)
	1,949	**2,061**

At the time of entering into financial lease agreements, the commitments are recorded at their present value using the interest rate applicable for long-term borrowings. At December 29, 2002, existing financial lease commitments are recorded at present value at an average interest rate of 9.6% (fiscal year end 2001: 9.6%).

	December 29, 2002	December 30, 2001
Commitments	2,323	2,476
Current portion	(99)	(99)
Long-term portion of financial lease commitments	**2,224**	**2,377**
Commitments payable after 5 years	1,840	1,972

Interest expense on capital lease commitments was EUR 232, EUR 214, and EUR 176 for fiscal years 2002, 2001, and 2000, respectively. The aggregate amounts of minimum rental commitments to third parties, under non-cancelable capital lease contracts for the next five years and thereafter are as follows:

2003	324
2004	300
2005	313
2006	277
2007	265
Thereafter	3,152
Total future minimum lease payments	4,631
Estimated executory costs	(2)
Interest portion	(2,306)
Present value of net minimum capital lease payments	2,323
Current portion	(99)
Long-term portion of capitalized lease commitments	**2,224**

Total future minimum lease payments above have not been reduced by minimum sublease rentals of EUR 13 as of December 29, 2002 due in the future under related non-cancelable subleases.

26 Other non-current liabilites

Other non-current liabilities consists of step rent for EUR 45 (2001: EUR 48) and deferred gains of EUR 303 (2001: EUR 259). Step rent relates to the equalization of rent contracts throughout the life of the lease contract. Deferred gains represent mainly the non-current portion of deferred book gains on sale and leaseback transactions as well as up front payments received from banks with respect to derivative contracts.

27 Current liabilities

Loans payable	**December 29, 2002**	December 30, 2001
Current portion of long-term liabilities	1,372	641
Loans payable to financial institutions	702	282
Ahold Dutch Customer Fund Loan	113	171
Personnel and customer savings	96	95
Other loans	87	37
	2,370	**1,226**

Other current liabilities	**December 29, 2002**	December 30, 2001
Deferred gains	50	37
Payables to joint ventures and equity investees	3	14
Vacation allowances	295	296
Interest	251	259
Pension funds	33	24
Dividend cumulative preferred financing shares	18	18
	650	**648**

28 Related party transactions

In the ordinary course of business, Ahold generated sales from transactions with the ICA joint venture, which amounted to EUR 6 in fiscal 2002 and EUR 3 in fiscal 2001. At the end of fiscal 2002 amounts receivable from the ICA joint venture totaled EUR 4 and at the end of fiscal 2001 amounts payable to the ICA joint venture were EUR 1.

In the ordinary course of business, Luis Paez, an equity investee of Ahold, generated sales from transactions with Ahold, which amounted to EUR 7 in fiscal 2002, EUR 7 in fiscal 2001 and EUR 8 in fiscal 2000. The Company provided financing to Luis Paez and received interest from Luis Paez of EUR 4 in fiscal 2002, EUR 2 in fiscal 2001 and EUR 2 in fiscal 2000. At the end of fiscal 2002 and 2001, amounts receivable from Luis Paez totaled EUR 82 and EUR 82, respectively.

Ahold provided financing to its joint venture JMR, and received interest from JMR of EUR 5 in fiscal 2002 and EUR 3 in fiscal 2001. At the end of fiscal 2002 and 2001, amounts receivable from Jéronimo Martins Retail Services AG totaled EUR 42 and EUR 130, respectively. Ahold also provided services to Jéronimo Martins Retail Services AG, for which Ahold received EUR 8 in fiscal 2002, EUR 7 in fiscal 2001 and EUR 8 in fiscal 2000.

Paiz Ahold, a joint venture, provided financing to Ahold, and received interest of EUR 1 in fiscal 2002, EUR 8 in fiscal 2001 and EUR 12 in fiscal 2000. At the end of fiscal 2002 and 2001, amounts payable to Paiz Ahold totaled EUR 48 and EUR 193, respectively. Ahold also had service transactions with Paiz Ahold, for which Ahold received EUR 1 in fiscal 2002 and EUR 1 in fiscal 2001.

Starting in the second half of fiscal 2002, DAIH is included in the consolidated figures of Ahold. In the first half of fiscal 2002, Ahold received interest from DAIH for financing activities for a total amount of EUR 12 (fiscal 2001: 22; fiscal 2000: 11). At the end of fiscal 2001, amounts receivable from DAIH totaled EUR 390. Ahold also provided services to DAIH, for which Ahold received EUR 1 in the first half of fiscal 2002 and EUR 2 in fiscal 2001.

Ahold also had service transactions with its equity investee Accounting Plaza B.V. ("Accounting Plaza"), an equity investee that renders accounting and administrative services to certain Ahold subsidiaries in the Netherlands, which amounted to EUR 20 in fiscal 2002. During fiscal 2001 and 2000 Accounting Plaza was a consolidated subsidiary, and therefore the transactions were eliminated in consolidation. Amounts receivable from Accounting Plaza at December 29, 2002 totaled EUR 1. Amounts payable to Accounting Plaza at December 29, 2002 were totaled EUR 3.

Ahold also had service transactions with Kobalt Media Service B.V., an equity investee that renders promotional and advertising services to certain Dutch Ahold subsidiaries, which amounted to EUR 44 in fiscal 2002 (EUR 38 in fiscal 2001 and EUR 44 in fiscal 2000).

In January 1994, a group of Ahold's Dutch managers and employees acquired a EUR 15 capital investment in the AHVKF, an independent investment fund that primarily invests all of its assets in Ahold's shares and debt. The capital investment had previously been held by Het Weerpad B.V., an investment company of the Heijn family, founders of Ahold. The Company made loans to this group of managers and employees, which included some of Ahold's officers, to assist them with their investment in the AHVKF. These floating-rate loans, bearing fluctuating interest based on the European Central Bank interest rates on deposits, are generally due in ten years from issuance or upon an individual's termination of employment, if earlier, and are collateralized by each individual's corresponding investment in the AHVKF.

In July 1996 and April 1998, additional loans were granted to Ahold's Dutch managers and employees to purchase additional investments in the AHVKF. Some officers participated in these purchases. As of December 29, 2002, a total of EUR 41 of loans was outstanding, including EUR 0.5 in amounts due from Ahold's officers (2001: 0.4).

All receivables and payables arising from related party transactions are settled in cash.

29 Financial instruments

Ahold reviews and monitors its exposure and risks related to changes in exchange rates, interest rates and commodity rates, and Ahold utilizes derivative financial instruments, including swaps, options and forward contracts, to manage these exposures. These instruments are not considered specialized or high-risk and are generally available from numerous sources. Ahold enters into contracts to hedge economic risks and does not enter into contracts or utilize derivatives for speculative purposes. The terms of the financial instruments utilized are consistent with the related underlying hedged exposures. Established controls are in place covering all financial instruments. These include policies, guidelines and a system of authorization and reporting. All contracts have been entered with major creditworthy financial institutions, and the risk associated with these transactions is the cost of replacing these agreements at the current market rates, in the event of default by the counter parties. The Company does not have a significant concentration of risk with any single party in any of its financial instruments. Management regularly evaluates its use of financial instruments and believes that the risk of incurring losses as a result of default is remote.

All derivative financial instruments are entered into for economic hedging purposes, but for various reasons, certain instruments may not qualify for hedge accounting treatment. In order for a derivative financial instrument to qualify as a hedge for accounting purposes, the instrument must be effective in hedging the underlying designated risk, meaning that changes in the fair value of the hedging instrument substantially offset the change in the fair value of the hedged item or forecasted transaction attributable to that risk element.

To the extent that derivative instruments are designated and qualify as hedges under applicable hedge accounting rules, the fair values of these instruments are not included in the Company's balance sheet; rather, any associated gains or losses on the instruments are deferred and are recognized in the statement of operations in the same period in which the underlying hedged exposure affects earnings. Instruments that are not designated as hedges, or that fail to qualify for hedge accounting, are included in the Company's balance sheet at fair value, with changes in value recognized in current period income.

Ahold had 66 financial derivative contracts outstanding as of the end of 2002. The notional contract quantities as of December 31, 2002 and 2001 were EUR 4,681 and EUR 4,710, respectively, with a market value of EUR 47 in 2002 and negative EUR 363 in 2001. Of these 66 contracts, 44 have a maturity shorter then one year, 17 have a maturity of one to five years and five have a maturity ranging from five to thirty years. Some of Ahold's derivatives agreements require it to maintain specific financial ratios, the breach of which could result in cross-acceleration and cross-defaults under the terms of other derivatives instruments and debt agreements.

Foreign exchange and interest rate risk management

Since Ahold has operations in a variety of countries throughout the world, a substantial portion of its assets, liabilities and results are denominated in foreign currencies, primarily the US dollar. As a result, the Company is subject to foreign currency exchange risk due to exchange rate movements, which affect Ahold´s transaction costs and the translation of the results and underlying net assets of its foreign subsidiaries. Ahold actively manages foreign currency exposure by financing in local currency borrowings to the extent possible or practical. Using this hedging technique, Ahold manages its overall debt portfolio to match asset investments on a country-by-country basis. When local financing is not possible or practical, the Company will finance foreign operations through intercompany loans. Ahold has been able to substantially mitigate foreign currency exposure with local borrowings or by entering into cross-currency swaps to hedge third-party debt in a currency other then the functional currency of the entity.

Ahold uses a combination of interest rate, cross-currency and foreign currency exchange swaps to hedge variable rate exposures resulting from changes in interest rates and foreign currency exchange rates on borrowings in currencies other than the functional currency. Ahold's objective in managing exposures to interest rate and foreign exchange rate fluctuations on debt is to reduce income and cash flow volatility. Ahold´s financial position is largely fixed by long-term debt issues and derivative financial instruments. Interest rate swaps allow the Company to maintain a target range of floating debt.

Commodity risk management

Ahold uses commodity forwards and futures to hedge against fuel price risk. Some commodity contracts are closed out and cash settled at maturity while for other contracts the underlying exposure is physically delivered. As of December 29, 2002, Ahold had 10 contracts (fiscal 2001: 7 contracts) outstanding for a notional amount of 14 gallons (fiscal 2001: 15 gallons) and a fair value of EUR 1 (fiscal 2001: EUR (3)).

Other derivative instruments

In countries where the local currency is subject to large fluctuations, Ahold often enters into lease agreements denominated in currencies that differ from the local currency (historically, this included the US dollar and currencies subsequently replaced by the Euro). As a result, the Company had embedded foreign exchange derivatives in certain lease contracts in the Czech Republic, Slovakia and Poland. Under Dutch GAAP these embedded derivatives are not accounted for separately.

Fair value of financial instruments

The following table presents the nominal amounts and fair values of Ahold's financial instruments:

	December 29, 2002		December 30, 2001	
	Nominal amount	Fair value	Nominal amount	Fair value
Assets				
Loans receivable	342	350	709	712
Liabilities				
Borrowings	(11,909)	(13,836)	(13,143)	(14,107)
Derivative financial instruments				
Currency derivatives	414	(4)	225	5
Cross currency derivatives	3,418	12	3,456	(367)
Interest rate derivatives	849	39	1,029	—
Fuel derivatives	14 mln gallons	1	15 mln gallons	(3)

The carrying amounts of cash, accounts receivable, accounts payable, current loans payable and capital lease commitments approximate their fair value due to the short-term nature of these instruments.

The fair value of long-term debt is estimated using discounted cash flow analysis based on interest rates from similar types of borrowing arrangements or at quoted market prices, if applicable. The fair value of derivative financial instruments is the amount at which these instruments could be settled, based on estimates obtained from financial institutions.

30 Commitments and contingencies

Commitments

Ahold has rent commitments and capital investment commitments. Both are specified below.

Rent commitments

The annual costs of rentals and operating leases were as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Minimum rentals	970	902	647
Contingent rentals	22	16	27
Leases and sublease income	(126)	(155)	(136)
	866	**763**	**538**

Certain of the leases provide for contingent additional rentals based on a percentage of sales. Substantially all of the store leases have renewal options for additional terms. No leases impose restrictions on the Company's ability to pay dividends, incur additional debt, or enter into additional leasing arrangements.

The aggregate amounts of minimum rental commitments to third parties as of December 29, 2002, under non-cancelable operating lease contracts for the next five years and thereafter are as follows:

2003	763
2004	714
2005	656
2006	637
2007	550
Thereafter	4,948
Total	**8,268**

The minimum rental commitments above have not been reduced by minimum lease or sublease rental income of EUR 40.

Capital investment commitments

Ahold had capital investment commitments for fixed assets outstanding of approximately EUR 429 at December 29, 2002.

The Ahold consolidated asset investment commitments per region were as follows:

Region	Land and buildings	Improvement / renovations	Fixtures / equipment	Other fixed assets	Total tangible fixed assets	Intangible assets	Total investment commitments
U.S.	184	25	5	—	214	—	214
Europe	135	14	25	8	182	27	209
Latin America	4	—	1	—	5	—	5
Asia Pacific	—	1	—	—	1	—	1
Ahold Consolidated	**323**	**40**	**31**	**8**	**402**	**27**	**429**

As shown above, the investment commitments mainly relate to land and buildings of EUR 323 million at December 29, 2002. The dominant regions with regard to investment commitments are the U.S. with EUR 214 of outstanding capital investment commitments, and the European region with EUR 209 of outstanding capital investment commitments.

Payments resulting from these commitments are expected as follows:

Region	2003	2004	2005	2006	2007	after 2007	Total
U.S.	160	1	1	1	1	50	214
Europe	141	36	6	6	3	17	209
Latin America	5	—	—	—	—	—	5
Asia Pacific	1	—	—	—	—	—	1
Ahold Consolidated	**307**	**37**	**7**	**7**	**4**	**67**	**429**

Purchase commitments

Ahold has purchase commitments with vendors in the ordinary course of business. The Company has long-term purchase contracts that require the Company to buy predetermined volumes of goods and goods not-for-resale at fixed prices.

Guarantees

Guarantees to third parties, other than lease and bond guarantees, have been issued by Ahold totaling EUR 3,347 and EUR 2,614 as of fiscal year-end 2002 and 2001, respectively. These guarantees primarily relate to Ahold's guarantees that cover liabilities and commitments of its subsidiaries, which are recorded as a liability in the consolidated balance sheet or disclosed as a commitment above.

At December 29, 2002 and at December 30, 2001, Ahold had outstanding guarantees relating to credit facilities of EUR 2,430 and EUR 978, respectively. Of the December 29, 2002 credit facility guarantees outstanding, EUR 2,000 related to Ahold's credit facility with ING, ABN AMRO, Goldman Sachs and JP Morgan. This guarantee was issued by Ahold on July 18, 2002 and extended through the term of the related credit facility. In general, credit facility guarantees have been granted by Ahold to facilitate borrowings by Ahold subsidiaries. In the event of default by the subsidiary, Ahold would be liable for all obligations under the credit facility. The carrying amount of the liabilities related to these guarantees is recorded within loans payable in the consolidated balance sheet and was approximately EUR 220 at December 29, 2002.

As described in additional information, subsequent to fiscal year-end 2002, subsidiaries of Ahold entered into a new credit facility, which replaced the 2002 Credit Facility. Amounts due under this new facility are guaranteed by Ahold and certain of its subsidiaries.

At December 29, 2002, Ahold had granted EUR 391 of loan guarantees relating to the principal amounts of certain loans payable by Ahold's subsidiaries. At December 30, 2001, the loan guarantees amounted to EUR 149. The guarantees have been issued by Ahold to facilitate loan agreements between consolidated Ahold subsidiaries and third-party financiers and the term of each guarantee is equal to the term of the related loan. Ahold's maximum liability under the guarantees equals the total amount of the related loans recorded on the consolidated balance sheet.

As discussed in Note 24, Ahold also had provided guarantees of certain bonds issued by subsidiaries for a total amount of EUR 2,463, USD 1,789 and GBP 500 as of December 29, 2002. The nature of these guarantees requires that Ahold assumes the obligations under the bonds in the event of default by the subsidiary. The guarantees extend through the dates of the related debt instruments.

Ahold had corporate guarantees of EUR 296 and EUR 168 at December 29, 2002 and December 30, 2001, respectively. These guarantees have been provided to suppliers as assurance that the Ahold subsidiary's financial obligation, as detailed in the underlying contract, will be met. Ahold would be required to perform under the guarantee if the subsidiary (or group of subsidiaries) fails to meet the financial obligations under the contract, as described in the guarantee.

Ahold issued letters of assurance, comfort letters, real estate guarantees and buy-back guarantees, totaling EUR 230 and EUR 188 at December 29, 2002 and December 30, 2001, respectively. Ahold granted letters of assurance and comfort letters to suppliers and banks to acknowledge the Company's awareness and support of the transactions and relationships entered into by its subsidiaries and franchisees. The real estate guarantees have been granted by Ahold for real property leases of its subsidiaries. The buy-back guarantees have been granted by Ahold to facilitate external financing for franchisees or subsidiaries. The liability under these guarantees is secured by the value of the related assets that the Company could obtain and liquidate in the event Ahold has to perform under the guarantees.

Furthermore, the Company issued guarantees related to operating leases and capital leases of its subsidiaries. For a discussion of capital leases, see Note 25. For a discussion of operating leases, see this Note 30 under rent commitments.

The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and asset dispositions. The Company could be required to assume these leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of the assignments among third parties and various remedies available to the Company, management believes the likelihood that it will be required to assume a material amount of these obligations is remote.

Subsequent to year-end 2002, on September 3, 2003, Albert Heijn issued a guarantee for a maximum amount of EUR 75 for the payment obligations to the AHVKF. Albert Heijn would be required to perform under the guarantee if Ahold defaulted on its payment obligations to the AHVKF.

Albert Heijn and other Dutch companies are part of the fiscal unity for income taxes and for value added taxes of Ahold. At December 29, 2002, the carrying amount of the liability related to income taxes and value added taxes within the fiscal unity was EUR 116, which is recorded within income taxes payable on the consolidated balance sheet. The Company would be required to perform if any of the entities within the fiscal unity defaulted on payment of the above-mentioned liabilities.

The Company's wholly owned subsidiary, USF, deals with five value added service providers ("VASPs"). The VASPs provide varying degrees of support to USF primarily in the procurement of private label and signature brand products. As part of its normal business practice, the Company has guaranteed some of the obligations of the VASPs relating to purchases made on behalf of USF. The maximum potential amount of future payments that the Company would be required to make under the guarantees depends on the outstanding purchases made by the VASPs on behalf of USF, and would include product that has not been delivered to USF and for which the liability remains unbilled. As of December 29, 2002, the guarantee totaled approximately EUR 221. The Company would be required to reimburse the suppliers under the guarantee, if the VASP fails to fulfill its payment obligations under any purchase orders to the supplier. Proceeds from the liquidation of these goods are expected to be sufficient to cover the maximum potential amount of future payments under the guarantees.

Legal proceedings

U.S. Securities and ERISA Civil Litigation and Governmental / Regulatory Investigations

On February 24, 2003, Ahold announced that it would be restating its earnings for fiscal 2000 and 2001 because of, among other things, certain accounting irregularities at USF and because certain joint ventures had been improperly consolidated. Ahold further announced forensic investigations into accounting irregularities at USF and the legality and accounting treatment of certain questionable transactions at Disco, its Argentine subsidiary. Ahold also announced that its Chief Executive Officer and Chief Financial Officer would resign. Following these announcements, civil and criminal investigations were initiated by both U.S. and non-U.S. governmental and regulatory authorities and numerous civil lawsuits were filed.

In the U.S., the foregoing has resulted in civil lawsuits claiming violations of the U.S. federal securities laws. Numerous putative class actions claming violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated there under and Section 20(a) of the Securities Exchange Act (the "Securities Action") were filed on behalf of Ahold's shareholders. Among the named defendants are Ahold and certain of its current and former directors, officers and employees. Additionally, two putative class actions were filed on behalf of participants in the Ahold USA 401(k) Savings Plan Master Trust against the Company and certain of its current and former officers, directors and employees and one on behalf of the participants in the USF 401(k) Retirement Savings Plan against USF and certain of its current and former officers, directors and employees alleging violations of the Employee Retirement Income Security Act of 1974 ("ERISA") (the "ERISA Actions"). The primary factual allegations alleged in the Securities Actions and the ERISA Actions are largely the same. The plaintiffs in the Securities Actions seek compensatory damages in amounts to be proven at trial, together with prejudgment interest, and the costs and expenses incurred in bringing the actions, including attorneys' fees, expert fees and other disbursements. In the ERISA Actions, the plaintiffs seek an order compelling the defendants to make the relevant plan whole for losses incurred as a result of the defendants' alleged ERISA violations, injunctive relief enjoining the defendants from continuing the alleged breach of their fiduciary duties under ERISA and the plan documents, other injunctive and equitable relief as appropriate to remedy the alleged breaches, reasonable attorneys' fees and costs and interest on all judgment amounts as provided by law.

In addition to the Securities Actions and the ERISA Actions, the events leading to the announcement on February 24, 2003 (and other prior and subsequent events) have prompted certain governmental and regulatory entities to initiate criminal and civil investigations of Ahold and certain of its subsidiaries. A criminal investigation is being conducted by the U.S. Department of Justice. The U.S. Department of Justice investigation is being conducted by the U.S. Attorney's Office for the Southern District of New York (the "U.S. Attorney"), which is conducting a grand jury investigation into possible criminal wrongdoing by Ahold and certain of Ahold's current and former officers, directors and employees in connection with the events leading to the announcement on February 24, 2003, and other prior and subsequent events. In the course of that investigation, grand jury subpoenas were issued to Ahold by a federal grand jury in the U.S. District Court for the Southern District of New York. The Federal Bureau of Investigation and criminal investigators from the U.S. Department of Labor are also working with the U.S. Attorney on the grand jury investigation, and the investigation is also examining whether criminal violations of ERISA occurred at Ahold's ERISA plans in the U.S. The SEC is conducting a civil investigation to determine whether Ahold and certain of its current and former officers, directors and employees violated U.S. federal securities laws and regulations. The Benefits Security Administration of the U.S. Department of Labor commenced a civil investigation relating to the Ahold USA 401(k) Savings Plan Master Trust to determine whether any violations under Title I of ERISA have occurred, including breaches of fiduciary duty. Both the NYSE and NASD have initiated inquiries. The NYSE requested that Ahold provide certain information regarding its employees and advisors, who were aware of the events giving rise to the announcement on February 24, 2003. The NASD requested that Ahold provide certain information regarding certain employees and advisors identified in our response to the NYSE. Outside the U.S., the Dutch Public Prosecutor, Euronext Amsterdam and the Netherlands Authority for the Financial Markets are conducting similar investigations involving Ahold.

In addition to the investigations described above, there are also other criminal tax, administrative and/or regulatory proceedings and investigations, primarily involving Disco, being conducted by various governmental and regulatory authorities.

The Company cannot predict when these investigations will be completed or the likely outcome of any of the investigations and proceedings. It is possible that these investigations and proceedings could lead to criminal charges, civil enforcement proceedings, additional civil lawsuits, settlements, judgments and/or consent decrees against the Company (and/or its subsidiaries) and that, as a result of these investigations, the Company will be required to pay fines, consent to injunctions on future conduct, lose the ability to conduct business with government instrumentalities or suffer other penalties and

remedies, each of which could have a material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

Arbitration and termination

Ahold's former Chief Executive Officer and Chief Financial Officer have each agreed in the context of his separation that the determination of his severance package, if any, must be left to an impartial body, in this case an arbitration tribunal, which will be comprised of persons with experience in this area and not having any relationship with either Ahold or the former Chief Executive Officer and Chief Financial Officer, to ensure complete objectivity of the proceedings. Up until the date of the issuance of the 2002 financial statements, no arbitration proceedings have been initiated.

The employment relationship between USF and its former Chief Executive Officer, Jim Miller, who resigned from this position in May 2003, has been terminated as of October 1, 2003. No severance arrangement has been agreed. Mr. Miller retains some contractual benefits that survive the termination of this employment relationship.

Bradlees Leases

In 1992, Stop & Shop spun-off Bradlees Stores, Inc. ("Bradlees"). In connection with this spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. In connection with such assignments, Stop & Shop, Bradlees and Vornado, Inc. (or certain of its affiliates, collectively "Vornado"), a landlord on a number of the assigned leases, entered into a Master Agreement and Guaranty, dated as of May 1, 1992 (the "Master Agreement"). The Master Agreement concerns 18 leases for which Vornado is the landlord.

On December 26, 2000, Bradlees filed for bankruptcy protection to wind down its business and liquidate its assets. In that bankruptcy, Stop & Shop and Bradlees entered into an agreement (the "Lease Designation Agreement") for the sale and disposition of 114 real estate property leases, including those leases under which Stop & Shop may have potential liability under the Master Agreement or otherwise. Stop & Shop was responsible for damages Bradlees owed to landlords arising out of Bradlees' rejection of any such leases to the extent such damages exceeded USD 30 (other than with respect to certain specific leases designated as "Excluded Leases"). The disposition of all leases under the Lease Designation Agreement now is complete. Of the 114 leases subject to the agreement, 53 have been assigned to third parties or consensually returned to the respective landlords (no further payments currently are due under the leases returned to the landlords), 21 leases were assigned to Stop & Shop and 40 leases, including 15 Excluded Leases, have been rejected in the bankruptcy proceeding. As a result of the continuing Stop & Shop potential obligations from the initial spin-off of Bradlees and/or the Lease Designation Agreement, Stop & Shop may still retain or incur liability under certain of these leases under certain circumstances.

On November 25, 2002, Vornado sent a written demand to Stop & Shop to pay certain so-called "Rental Increases" allegedly due under the Master Agreement in connection with certain leases. Stop & Shop disputes that it owes these amounts, and on December 31, 2002, instituted an action that now is pending in the U.S. District Court for the Southern District of New York. In that action, Stop & Shop seeks a declaration that it is not obligated to pay the Rental Increases demanded by Vornado. On May 23, 2003, Vornado moved for summary judgment. On June 11, 2003, Stop & Shop opposed Vornado's motion for summary judgment and cross-moved for summary judgment in its favor. By letter, dated June 25, 2003, and subsequent court order, the action has been held in abeyance until Vornado's motion to interpret (discussed below) is decided.

In response to the action instituted by Stop & Shop, on April 10, 2003, Vornado made a motion to interpret in the Bradlees bankruptcy seeking an interpretation of certain court orders that Vornado claims would resolve the dispute between Stop & Shop and Vornado concerning the Master Agreement. Vornado alleges in the motion to interpret that the Rental Increases are worth "tens of millions of dollars," comprised of USD 5 annually through January 31, 2012, and, if certain renewal options are exercised, USD 6 annually thereafter through the expiration of the last lease covered by the Master Agreement, which Vornado alleges could extend until 2031, depending upon whether renewal options are exercised. Stop & Shop has opposed the motion to interpret. The Company has not determined that a loss is probable, although it is reasonably possible that the Company could incur losses or expenditures arising from this matter in amounts that cannot be reasonably estimated.

Horn and Braziunas Arbitration

Arbitration proceedings were initiated on February 21, 2003, by Sverre Horn and Gediminias Braziunas (together, "Horn c.s.") against ICA Norge AS (formerly Hakon Gruppen AS) and ICA Baltic AB (together, "ICA Norge"). Horn c.s. allege breach of a contract under which they should perform certain services for ICA Norge in relation to real estate development projects in Lithuania in consideration for a fee calculated as a percentage of total project costs. The total amount of the

claim is NOK 445 (approximately EUR 55). Horn c.s. also allege breach of contract as a result of termination of the contract by ICA Norge in October 2002. ICA Norge intends to respond to Horn c.s. on October 17, 2003, requesting the claim be dismissed and bringing a counterclaim against Horn c.s. for not fulfilling their obligations under the contract. The hearing of the case is not expected to commence until September 2004. The Company has determined that a loss is not probable, although it is reasonably possible that the Company could incur losses or expenditures arising from this matter in amounts that cannot be reasonably estimated.

Ahold and its subsidiaries are parties to a number of other legal proceedings and investigations that arose as a result of its business operations. The Company believes that the ultimate resolution of these proceedings will not, in the aggregate, have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Contingent liabilities

Sale of Ahold's Operations Indonesia, Malaysia and Santa Isabel S.A. - Chile

Related to the sale of the assets of Ahold's operations in Malaysia, Indonesia, and Santa Isabel S.A. - Chile, the Company has provided in the relevant sales agreement customary representations and warranties including but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters and employee benefits and taxes. These representations and warranties will generally terminate, depending on the specific representation and warranties, one to two years after the date of the relevant agreement. The claims under the representation and warranties are capped at MYR 32 (EUR 8) for Malaysia and IDR 53,400 (EUR 6) for Indonesia. The claims under the representations and warranties are capped at USD 30 for Chile.

Similar representations and warranties exist for smaller divestitures as described in the subsequent events paragraph in the additional information. The aggregate impact of such representations and warranties is not expected to be material.

U.S. Foodservice

Various matters raised by the USF investigation were further reviewed to determine their impact, if any, on Ahold's consolidated financial statements. One such matter relates to certain USF vendor invoicing practices. These practices resulted in overbillings by various USF local branches of various vendors with respect to vendor allowances of approximately USD 5 in fiscal 2002, USD 7 in fiscal 2001, USD 6 in fiscal 2000 and USD 13 in fiscal 1999 and prior periods. Ahold has recorded an accrual to cover any refunds that Ahold or USF expects to be required to pay to vendors for these overbillings, and has restated its financial statements for fiscal 2001 and 2000 with respect to these overbillings. Other billing practices also were identified at USF that could result in other potential overbilling claims by vendors in an amount totalling approximately USD 60. Ahold believes that USF may have defenses to this category of claims. Accordingly, no liability has been accrued for this amount.

Lease Defaults

As a result of the issues that were announced on February 24, 2003, and related events, including our credit downgrades and failure to publish our audited financial statements in a timely manner, the lessors under three of our equipment operating leases delivered to us a notice of default. As of September 30, 2003, we have made aggregate payments of approximately USD 7 million to lessors as a result of these breaches, have denied that we are in breach of other lease contracts, and are currently negotiating with one of our lessors for a waiver of any defaults. If we are unable to obtain waivers and are found to be in breach of these leases, we could be required to purchase the equipment covered by the leases. Our total exposure as of September 30, 2003, would have been approximately USD 80 million. If required to make these payments, we do not believe that they would have a material adverse effect on our financial condition, results of operations and liquidity.

In addition, on March 7, 2003, we repaid amounts owing under an operating lease agreement used to finance the acquisition and construction of two distribution centers and an office building, that was entered into by USF in July 1998, and that we guaranteed, because the agreement had required us to maintain an investment grade rating. As a result, we were required to purchase the trust which owned the leased properties for approximately USD 42 million.

Insurance

As a result of the issues that were announced on February 24, 2003, and related events, including our credit rating downgrades and failure to publish our audited financial statements in a timely manner, the letter of credit and cash collateral requirements required by third-party insurance companies for the fronting insurance necessary to operate our existing insurance programs have increased from USD 10 million to USD 214 million for periods through December 2003. In addition, surety companies have required us to provide collateral in the form of letters of credit totalling USD 100 million for previously unsecured financial guarantee bonds (i.e., surety bonds relating to construction or permit obligations or to

workers' compensation self-insurance). We believe that our letter of credit requirements will continue to increase and that we will be required to post significantly greater amounts in the future, particularly with respect to workers' compensation coverage by third parties.

Put/call arrangements

Ahold has entered into various put and call options in the past in connection with some of its acquisitions. These put and call options include: the Paiz Ahold put option, the ICA put option, the CRC. Ahold Co. Ltd. call option and the Luis Paez S.A. put/call option. Furthermore, there is a put/call option for a development project in Ahold Real Estate Czech Republic B.V.

Paiz Ahold Put Option

Under the shareholders agreement relating to the Paiz Ahold joint venture, a put arrangement exists with the Paiz Family, one of the Company's joint venture partners, pursuant to which Ahold has the obligation to purchase the Paiz family's interest in Paiz Ahold should the Paiz family's indirect interest in CARHCO falls below 13.33%. If Ahold and the Paiz family cannot agree on a valuation for the family's interest in Paiz Ahold, the family's interest will be purchased at fair market value to be determined by an independent third-party valuation in accordance with the terms of the Paiz Ahold shareholders agreement. Furthermore, subject to limited exceptions, neither the Paiz Family nor Ahold may transfer its interest in Paiz Ahold prior to January 2007.

ICA Ahold AB put option

Under the shareholders' agreement dated as of February 24, 2000, relating to Ahold's joint venture, ICA Ahold Holding AB ("ICA"), Ahold is contingently liable pursuant to put arrangements with its joint venture partners, ICA Förbundet Invest AB ("IFAB") and Canica AS ("Canica," and together with IFAB, the "ICA Partners"). Under this put option arrangements (the "ICA Put Option"), each of the ICA Partners has the right of first refusal with respect to the sale of the shares in ICA of the other ICA Partner. If one of the ICA Partners is offered the shares of the other ICA Partner constituting no less than 5% of the outstanding shares of ICA (the "Option Shares") and opts not to purchase the Option Shares, the selling ICA Partner may exercise its ICA Put Option pursuant to which Ahold is obligated to purchase the Option Shares for cash. If the selling ICA Partner is exercising its ICA Put Option with respect to all of the ICA shares held by that ICA Partner, Ahold also is obligated to offer to purchase all of the shares held by the non-selling ICA Partner on the same terms and conditions as those applicable to the sale of the Option Shares. The ICA Put Option may be exercised beginning on April 27, 2004.

If an ICA Put Option is exercised, Ahold and the selling ICA Partner must negotiate the price of the Option Shares in good faith. If Ahold and the selling ICA Partner cannot agree on a price, the price will be determined using a valuation procedure, which varies depending on the periods in which the ICA Put Option is exercised, as described in more detail below. If the ICA Put Option is exercised prior to April 27, 2005, the valuation of the Option Shares (if the parties cannot agree to the price of the shares) will be performed by an independent valuation expert. The valuation procedure must use a formula equal to the fair market value of the Option Shares to be put to Ahold (not including any control premium) at the time of exercise multiplied by a premium rate equal to the price Ahold paid to acquire its 50% interest in ICA divided by the fair market value (not including any control premium or assumed future synergies resulting from the acquisition) of the shares of ICA that were purchased at the time of acquisition. If the ICA Put Option is exercised on, or after, April 27, 2005, and the parties cannot agree on the price of the Option Shares being sold, the valuation of the Option Shares will be performed by three independent valuation experts using a formula based on the acquisition value of ICA, as well as an amount reflecting the premium that would be expected to be paid in a transfer of the full control of ICA. Under the shareholders' agreement of ICA, Ahold is able to nominate a majority of the members of ICA's board of directors if Ahold acquires more than 70% of the voting rights and shares of ICA.

Since the value of ICA may change and is subject to negotiations, Ahold currently cannot determine the price it would have to pay for the Option Shares upon the exercise of the ICA Put Option, or the likelihood that one or both of the ICA Partners will exercise the ICA Put Option. However, based on (i) the estimated value of ICA as of fiscal year-end 2002, as determined by a valuation expert engaged by us, and (ii) completion of the first steps of the valuation procedure described above on October 6, 2003, performed by an independent valuation expert, we expect that in the event of an exercise of the ICA Put Option on all the option shares, we would have to pay an amount of approximately EUR 1.8 billion for all of the Option Shares held by the ICA Partners, subject to variations in the market conditions that may occur and unknown parameters in the second and final step of the valuation procedure to be performed, which is likely to happen in 2004. Under Dutch GAAP, no liability is recorded to reflect the amounts that would be payable if the ICA Put Option were to be exercised, because purchasing the Option Shares, if they were put to Ahold, would not put Ahold in an onerous situation. Under US GAAP the estimated fair value of the ICA Put Option, but not the shares themselves, is recorded as a liability as further discussed in Note 31.

CRC. Ahold Co. Ltd. call option
In 1998, at the same time that the Company acquired the outstanding shares in CRC. Ahold Co. Ltd ("CRC"), a company based in Thailand, resulting in a 100% ownership interest, the Company entered into an agreement with the seller, Central Retail Corp. Limited, whereby the seller has the right to buy back (the "call option") 50% of the shares of CRC at Ahold's 1998 acquisition price, plus annual effective interest of 14.5%. The call option has three tranches which expire in 2004, 2005 and 2006, respectively, with shares equaling one-third of the total shareholding of Ahold in CRC in each tranche, and has been exercisable since 1998. The call option does not permit net settlement and is not marked to fair value. However, the Company did evaluate whether the call option represents a liability as of December 29, 2002, and December 30, 2001.

As of December 29, 2002, and December 30, 2001, the call option does not represent a liability to the Company due to depreciating market conditions and cumulative losses incurred by CRC. If the seller had exercised its call option as of the most recent balance sheet date, Ahold would have realized a gain on the transaction.

Luis Paez S.A. put/call option
The Medina Group ("Medina"), Ahold's partner in Luis Paez S.A. ("Luis Paez"), has a call option (the "Medina Call Option"), pursuant to which if (i) Luis Paez experiences a deviation of more than a EUR 3 from its projected cash flows as described in the business plan and (ii) all of the debt owed by Medina to Ahold has been repaid, then Medina may call the shares of Luis Paez held by Ahold. In addition, Medina has granted Ahold a put option over the shares held by Ahold in Luis Paez (the "Ahold put option") which entitles Ahold to sell, and requires Medina to purchase, at the price of EUR 1 per share all of the shares of Luis Paez held by Ahold. However, the Ahold put option may only be exercised by Ahold if Medina fails to exercise the Medina Call Option. Ahold has not recorded a liability because the risk that the Medina call option will be exercised by Medina is judged by Ahold to be remote.

Ahold Real Estate Czech Republic B.V.: put and call option and call option regarding a Czech Republic development project
In connection with Retail Development Company Holding B.V. ("RDCH"), a joint venture and development project of the Company, Ahold Real Estate Czech Republic B.V. ("Ahold Czech Republic") entered into a call and put option agreement with its partner in the joint venture, Multi Development Corporation International B.V. ("MDI"), whereby Ahold Czech Republic is entitled to acquire the remaining 50% share of RDCH or to sell its 50% interest in RDCH to MDI, and MDI has the call option to acquire Ahold Czech Republic's interest in RDCH. The exercise price for each option is an amount equal to 50% of the shareholders' equity of RDCH as of the first date of the month preceding the month in which the option is being exercised. The MDI call option expires on August 16, 2005. The Ahold Czech Republic options (both put and call) can only be exercised during the 90-day period that begins on August 17, 2005.

Under a shareholders' agreement in connection with RDCH, the Company is required to act as an "interim" end investor and purchase 50% of the development projects that cannot be sold to a third-party purchaser. The purchase price would be based on the development costs of a project, including management fees paid to MDI and the Company during the cause of the project. If the project were then sold to a third-party within two years, the Company is required to divide the profits on the sale with MDI in accordance with a schedule included in the shareholders' agreement. If the project cannot be sold to a third-party purchaser within two years, then MDI must pay 20% of the management fees received by it from the project to the Company. As of the end of fiscal 2002, the Company has recorded a liability of EUR 50 for two development projects RDCH expects to complete by the end of 2004 and for which no investor has been found.

31 Reconciliation of Dutch GAAP to US GAAP

The Company's consolidated financial statements have been prepared in accordance with Dutch GAAP, which varies in certain respects from US GAAP. Such differences involve methods for measuring the amounts shown in the consolidated financial statements as well as additional disclosures required by US GAAP. The principal differences between Dutch GAAP and US GAAP for the Company are quantified and described below, followed by a summary of the effect of restatements made to net income for fiscal 2001 and 2000 and shareholders' equity as of December 30, 2001 under US GAAP in Note 31.b.

A. Reconciliation of consolidated net income (loss) and consolidated shareholders' equity from Dutch GAAP to US GAAP

The effects of the application of US GAAP on consolidated net income (loss) for fiscal 2002, 2001 and 2000 are set out in the table below:

		Fiscal 2002	Fiscal 2001 (as restated – see Note 31.b)	Fiscal 2000 (as restated – see Note 31.b)
Net income (loss) in accordance with Dutch GAAP		**(1,208)**	**750**	**920**
Items increasing (decreasing) net income (loss):				
Recognition and amortization of goodwill	*(1)*	253	(160)	(252)
Recognition and amortization of other intangible assets	*(2)*	(25)	(50)	(37)
Impairment of:				
Goodwill and other intangible assets	*(3)*	(751)	(4)	—
Other long-lived assets	*(4)*	9	—	—
USF purchase accounting adjustments	*(5)*	—	—	(117)
Restructuring provisions	*(6)*	(26)	33	(1)
Sale and leaseback of property	*(7)*	(36)	(142)	(24)
Derivative instruments	*(8)*	(30)	(111)	—
Valuation of ICA Put Option	*(9)*	(31)	(10)	(40)
Other	*(10)*	(2)	(35)	(24)
Income tax effects	*(11)*	30	116	78
Share in income (loss) of joint ventures and equity investees, net of tax	*(12)*	119	(588)	(57)
Minority interest impact on reconciling items		—	5	13
Dividend on cumulative preferred financing shares	*(13)*	(38)	(38)	(17)
Income (loss) in accordance with US GAAP before cumulative effect of changes in accounting principles		**(1,736)**	**(234)**	**442**
Cumulative effect of changes in accounting principles for:				
Derivative financial instruments, net of income tax benefits of EUR 4	*(8)*	—	(20)	—
Goodwill and other intangible assets including EUR 1,846 relating to USF, net of income tax benefit of EUR 257	*(3)*	(2,499)	—	—
Goodwill in joint ventures and equity method investees	*(12)*	(93)	—	—
Net income (loss) in accordance with US GAAP		**(4,328)**	**(254)**	**442**

Net income (loss) in accordance with US GAAP per common share	**Fiscal 2002**	Fiscal 2001 (as restated – see Note 31.b)	Fiscal 2000 (as restated – see Note 31.b)
Basic:			
Net income (loss) before cumulative effect of a changes in accounting principle	(1.87)	(0.28)	0.60
Cumulative effect of changes in accounting principle for:			
Derivative instruments	—	(0.02)	—
Goodwill	(2.70)	—	—
Goodwill in joint ventures and equity method investees	(0.10)	—	—
Net income (loss) per common share	**(4.67)**	**(0.30)**	**0.60**
Diluted:			
Net income (loss) before cumulative effect of a changes in accounting principle	(1.87)	(0.28)	0.55
Cumulative effect of changes in accounting principle for:			
Derivative instruments	—	(0.02)	—
Goodwill	(2.70)	—	—
Goodwill in joint ventures and equity method investees	(0.10)	—	—
Net income (loss) per common share	**(4.67)**	**(0.30)**	**0.55**
Weighted average number of common shares outstanding *(x 1,000)*:			
Basic	926,546	857,509	737,403
Diluted	926,546	857,509	797,121

The following are the Company's consolidated statements of comprehensive income prepared in accordance with US GAAP for fiscal 2002, 2001 and 2000:

	Fiscal 2002	Fiscal 2001 (as restated – see Note 31.b)	Fiscal 2000 (as restated – see Note 31.b)
Net income (loss) in accordance with US GAAP	**(4,328)**	**(254)**	**442**
Other US GAAP comprehensive income (loss):			
Foreign currency translation adjustments	(2,037)	240	199
Minimum pension liability adjustments, net of income tax benefit of EUR 65 and EUR 3, respectively	(120)	(6)	—
Unrealized gain on marketable equity securities, net of income taxes of zero	1	—	—
Unrealized loss on derivative instruments, net of income tax benefit of EUR 65 and 9, respectively	(94)	(17)	—
Cumulative effect of a change in accounting principle for derivative instruments, net of income taxes of EUR 6	—	1	—
Total other comprehensive income (loss)	(2,250)	218	199
Comprehensive income (loss) in accordance with US GAAP	**(6,578)**	**(36)**	**641**

The effects of the application of US GAAP on consolidated shareholders' equity as of December 29, 2002 and December 30, 2001 are set out in the table below:

		December 29, 2002	December 30, 2001 (as restated – see Note 31.b)
Shareholders' equity in accordance with Dutch GAAP		**2,609**	**5,496**
Items increasing (decreasing) shareholders' equity:			
Goodwill, net of accumulated amortization	*(1)*	7,866	8,572
Other intangible assets, net of accumulated amortization	*(2)*	737	889
Impairment of:			
Goodwill and other intangible assets	*(3)*	(3,511)	(4)
Other long-lived assets	*(4)*	5	(5)
Restructuring provisions	*(6)*	12	42
Sale and leaseback of property	*(7)*	(210)	(190)
Derivative instruments	*(8)*	(352)	(165)
Valuation of ICA Put Option	*(9)*	(541)	(510)
Other	*(10)*	(20)	(7)
Income tax effects	*(11)*	195	(207)
Investments in joint ventures and equity investees, net of tax	*(12)*	1,878	1,818
Minority interest impact on reconciling items		(127)	(185)
Shareholders' equity in accordance with US GAAP		**8,541**	**15,544**

(1) Recognition and amortization of goodwill

Recognition and amortization of goodwill

Under Dutch GAAP, through November 2000, goodwill was charged directly to shareholders' equity upon acquisition. As discussed in Note 2, effective December 1, 2000, the Company changed its accounting policy to capitalize and amortize goodwill on a straight-line basis over a period not exceeding 20 years. This change in accounting policy was applied prospectively for all business combinations completed after December 1, 2000.

Under US GAAP, for business combinations initiated through June 30, 2001, goodwill was capitalized and amortized on a straight-line basis over a period not exceeding 40 years. In June 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS No. 141"), which addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. Under US GAAP, the Company adopted SFAS No. 141 for business combinations initiated after June 30, 2001. In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 addresses the accounting for goodwill and other intangible assets subsequent to a business acquisition. SFAS No. 142 requires that intangible assets with finite useful lives be amortized over their estimated useful lives and that goodwill and other intangible assets with indefinite useful lives are not amortized, but rather tested, at least annually, for impairment. For business combinations consummated after June 30, 2001, the provisions of SFAS No. 142 were applied from the date of acquisition. Effective December 31, 2001, the provisions of SFAS No. 142 were applied to goodwill and other intangible assets acquired prior to June 30, 2001.

During fiscal 2001 and 2000, the Company recognized additional goodwill amortization under US GAAP of EUR 155 and EUR 240, respectively, primarily related to acquisitions that were completed prior to the change in the Company's Dutch GAAP accounting policy to capitalize goodwill effective December 1, 2000, which was partially offset by the impact of a difference in the amortization period for goodwill under Dutch GAAP and US GAAP. During fiscal 2002, the Company recognized EUR 253 less goodwill amortization under US GAAP since goodwill is no longer amortized under US GAAP, after the adoption of SFAS No. 142, effective December 31, 2001.

Measurement date for acquisitions

Under Dutch GAAP as applicable in fiscal 2000 the measurement date used to determine the value of shares issued as consideration in connection with a business acquisition is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer. Under US GAAP, the measurement date used to determine the value of shares is the date on which the significant terms are agreed upon and announced. As a result, a difference arose on the valuation of the Ahold shares issued as consideration in connection with the acquisition of Superdiplo in December 2000. Accordingly, goodwill recorded for this transaction was EUR 36 lower under US GAAP.

(2) Recognition and amortization of other intangible assets

Under Dutch GAAP, intangible assets are amortized over a period no longer than 20 years. Through December 2000, brand names and other intangible assets acquired as part of a business combination were recognized as an integral part of goodwill upon acquisition. Effective January 1, 2001, the Company changed its accounting policy to capitalize and amortize brand names and other intangible assets, on a straight-line basis over a period not exceeding 20 years. This change in accounting policy was applied for all business combinations completed after January 1, 2001.

Under US GAAP, through December 30, 2001, intangible assets were amortized over a period not exceeding 40 years. Upon adoption of SFAS No. 142 on December 31, 2001, the Company re-assessed the useful lives of its other intangible assets and deemed its brand names to have an indefinite useful life as defined under SFAS No. 142. Accordingly, they are no longer amortized under US GAAP after December 31, 2001.

During fiscal 2002, 2001 and 2000, the Company recognized additional other intangible assets amortization under US GAAP of EUR 25, EUR 50 and EUR 37, respectively, primarily related to intangible assets acquired as part of business combinations before January 1, 2001. In fiscal 2002, this effect is partially offset since the Company ceased to amortize brand names under US GAAP.

The Company's other intangible assets as determined in accordance with US GAAP consist of:

	As of December 29, 2002			As of December 30, 2001		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying cmount
Amortized intangible assets:						
Customer relationships	473	115	358	538	56	482
Trade name licenses	68	15	53	72	12	60
Favorable lease contracts	268	78	190	292	56	236
Other	84	34	50	68	25	43
Total – amortized other intangible assets	**893**	**242**	**651**	**970**	**149**	**821**
Unamortized other intangible assets:						
Intangible pension asset	N.A.	N.A.	17	1	—	1
Brand names [1]	N.A.	N.A.	639	850	79	771
Total – unamortized other intangible assets	**N.A.**	**N.A.**	**656**	**851**	**79**	**772**

[1] Brand names are no longer amortized after the implementation of SFAS No. 142, effective December 31, 2001.

Total amortization expense for other intangible assets recognized under US GAAP was EUR 111 for the year ended December 29, 2002. Estimated amortization expense for the next five years for the other intangible assets is as follows:

	Estimated amortization expense
2003	112
2004	112
2005	112
2006	100
2007	97

The following table summarizes what Ahold's reported US GAAP net income (loss) and per share amounts would have been for all periods presented excluding the amortization expense recognized in those periods related to goodwill and brand names that are no longer amortized, after the adoption of SFAS No. 142:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss)	**(4,328)**	**(254)**	**442**
Add back: goodwill amortization	—	307	245
Add back: brand names amortization	—	20	18
Adjusted net income (loss)	**(4,328)**	**73**	**705**
Net income (loss) per share - basic:			
Reported net income (loss)	(4.67)	(0.30)	0.60
Goodwill amortization	—	0.36	0.33
Brand names amortization	—	0.02	0.02
Adjusted net income (loss)	**(4.67)**	**0.08**	**0.95**
Net income (loss) per share – diluted:			
Reported net income (loss)	(4.67)	(0.30)	0.55
Goodwill amortization	—	0.35	0.31
Brand names amortization	—	0.02	0.02
Adjusted net income (loss)	**(4.67)**	**0.07**	**0.88**

(3) Impairment of goodwill and other intangible assets

Under Dutch GAAP, goodwill and other intangible assets are evaluated for impairment if there are changes in circumstances that indicate that the carrying amount of the assets may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its recoverable amount, calculated as the higher of the net selling price or the discounted future net cash flows expected to result from the use of the asset and its eventual disposition.

Under US GAAP, the Company adopted SFAS No. 142 on December 31, 2001 and, at that time, ceased amortizing goodwill and brand names that resulted from business combinations completed prior to June 30, 2001. SFAS No. 142 requires an evaluation of goodwill for impairment at a reporting unit level upon adoption, annually thereafter, and more frequently if circumstances indicate a possible impairment. This impairment test is comprised of two steps. The initial step is designed to identify potential goodwill impairment by comparing an estimate of the fair value of a reporting unit to its carrying value, including goodwill. If the carrying value exceeds the fair value of the reporting unit, a second step is performed, which compares the implied fair value of the applicable reporting unit's goodwill with the carrying amount of that goodwill, to measure the amount of goodwill impairment, if any. As required, the Company performed a transitional impairment test on each of its reporting units upon adoption of SFAS No. 142.

Under US GAAP, the reporting unit measurement of fair value was based on management's best estimates of future discounted cash flows. Each reporting units' discounted cash flow analysis used a discount rate that corresponds to the reporting unit's weighted-average cost of capital, which is consistent with that used for investment decisions and takes into account the specific risks associated with the reporting unit and the general risk of the economic environment in which it operates. Certain other key assumptions utilized, including changes in customer base, revenue, product cost, operating expenses and effective tax rates, are based on estimates related to the reporting units' initiatives. Such assumptions are also consistent with those utilized in the reporting unit's annual planning processes.

The additional impairment losses recognized under US GAAP mainly relate to an impairment of goodwill that had been capitalized under US GAAP prior to December 1, 2000, when goodwill was charged directly to equity under Dutch GAAP. Furthermore, reconciling items between Dutch and US GAAP arise from the difference in the manner in which the goodwill impairment is calculated as described above.

In fiscal 2002, under Dutch GAAP, the Company recognized goodwill impairment losses of EUR 1,281, and impairment losses on other intangible assets of EUR 6. Under US GAAP, additional goodwill impairment losses were recognized of EUR 3,228 including a transitional impairment loss of EUR 2,493 net of income tax benefit of EUR 257. Additional impairment losses of EUR 16 relating to impairment losses on other intangible assets were recognized.

The Company recognized a transitional goodwill impairment loss of EUR 2,493, net of income tax benefit of EUR 257 upon adoption of SFAS No. 142, related to certain consolidated subsidiaries as a cumulative effect of a change in accounting principle. The transitional goodwill impairment loss relates to goodwill that was not capitalized under Dutch GAAP and was comprised of the following:

- Impairment losses amounting to EUR 136 related to one of its reporting units within the "Retail – Europe Other" reportable segment. The impairment loss relates principally to operations in Spain.
- Impairment losses amounting to EUR 331 related to one of its reporting units within the "Retail – Latin America" reportable segment. The impairment loss relates principally to operations in Brazil.
- Impairment losses amounting to EUR 180 related to several of its reporting units within the "Retail – Asia Pacific" reportable segment. The impairment loss relates principally to operations in Malaysia of EUR 29 and Thailand of EUR 150.
- Impairment losses amounting to EUR 1,846, net of income tax benefit of EUR 257, related to USF, mainly as a result of accounting errors found as a result of investigations discussed in Note 3. As a result of these accounting errors estimated future profitability was significantly reduced.

The company recognized a transitional impairment loss of EUR 6 related to Peapod Inc's brandname, which is included in its "Retail – U.S. Other" reportable segment. In addition to transitional impairment losses and impairment losses recorded under Dutch GAAP, the Company recognized additional impairment losses under US GAAP related to goodwill and other intangible assets amounting to EUR 735 and EUR 16, respectively, during fiscal 2002 in connection with the annual impairment test required by SFAS No. 142, primarily consisting of the following:

- Impairment losses amounting to EUR 529 related to USF. This goodwill impairment relates to goodwill that was not capitalized under Dutch GAAP. The impairment resulted from a reassessment of the previously performed impairment test, taking into account the accounting errors discussed in Note 3 and the resulting revisions to the estimated future profitability of USF.
- Impairment losses amounting to EUR 50 related to several of its reporting units within the "Retail – U.S. Other" reportable segment. The impairment loss related to Peapod Inc. and Bruno's Supermarkets, in an amount of EUR 43 and EUR 7, respectively. Peapod Inc. is an on-line grocer, and during 2002 the impairment was recognized as a result of revised expectations of the future cash flows of Peapod's operations, due to lower expected growth of our internet grocery sales. The impairment related to goodwill that was not capitalized under Dutch GAAP. The additional impairment charge recognized for Bruno's under US GAAP is the result of the higher carrying value of the goodwill under US GAAP.
- Additional goodwill impairment losses amounting to EUR 115 related to part of the "Retail – Europe Other" reportable segment were the result of a higher carrying value of goodwill under US GAAP. As described in Note 6, the impairment was recorded as a result of lower than expected operating performance after the acquisition of Superdiplo in December 2000, which is mainly the result of a slow down of the Spanish economy since the acquisition and lower than expected cost savings from the integration of Ahold's businesses in Spain.
- Impairment losses amounting to EUR 41 related to several of its reporting units within the "Retail – Latin America" reportable segment was the result of an impairment of goodwill that was not capitalized under Dutch GAAP relating to Bompreço and a difference in the carrying value of goodwill in Ahold's operations in Argentina and Chile. As discussed in Note 6, the total impairment losses resulted principally from downward revisions to expected future cash flows resulting from an economic downturn in Argentina, Brazil and Chile.
- The Company recognized additional impairment losses under US GAAP amounting to EUR 16 related to impairment of other intangible assets, relating to its "Retail – Other Europe" reportable segment.

As a result of the aforementioned Dutch GAAP and additional US GAAP impairments, total goodwill impairment losses under US GAAP amounted to EUR 4,766. Total impairment losses relating to other intangible assets amounted to EUR 28.

Prior to the implementation of SFAS No. 142, the Company reviewed goodwill recorded under US GAAP for impairment whenever facts or circumstances indicated that the carrying amounts may not have been recoverable. If an evaluation was required, the estimated future undiscounted cash flows associated with the underlying business operations were compared to the carrying amount of goodwill to determine if a write-down was required. If such an assessment indicated that the undiscounted future cash flows would not be recovered, the carrying amount was reduced to the estimated fair value.
For the periods prior to the implementation of SFAS No. 142 undiscounted cash flows exceeded the carrying amounts of goodwill, which had a 40 year life; accordingly, no impairment write-downs of goodwill were recorded in the restated consolidated financial statements under US GAAP for 2001 and 2000, respectively.

The following table discloses Ahold's US GAAP goodwill balance by reportable segment within its retail segment:

	Retail							
	Stop & Shop	Giant Landover	U.S. Other	Albert Heijn	Europe Other	Latin America	Asia Pacific	Total
Balance, January 2, 2000	**1,579**	**1,732**	**537**	**62**	**264**	**106**	**198**	**4,478**
Acquisitions	—	—	49	—	298	511	—	858
Purchase accounting adjustments	—	—	35	13	10	10	18	86
Divestitures	—	—	—	—	(12)	—	—	(12)
Transfers	304	—	(304)	—	—	—	—	—
Amortization	(47)	(49)	(20)	(2)	(27)	(11)	(30)	(186)
Exchange rate difference	100	131	63	—	2	(37)	(10)	249
Balance, December 31, 2000	**1,936**	**1,814**	**360**	**73**	**535**	**579**	**176**	**5,473**
Acquisitions	—	—	198	6	1,140	126	—	1,470
Purchase accounting adjustments	(83)	—	2	—	99	(2)	—	16
Divestitures	—	—	(4)	—	—	(6)	—	(10)
Amortization	(56)	(51)	(16)	(4)	(46)	(13)	(5)	(191)
Impairment losses	—	—	—	—	(4)	—	—	(4)
Exchange rate difference	125	121	31	1	1	(50)	9	238
Balance, December 30, 2001	**1,922**	**1,884**	**571**	**76**	**1,725**	**634**	**180**	**6,992**
Transitional impairment losses	—	—	—	—	(136)	(331)	(180)	(647)
Acquisitions	—	—	6	14	—	237	2	259
Purchase accounting adjustments	13	(6)	42	—	22	(47)	—	24
Divestitures	—	—	—	—	(1)	—	—	(1)
Impairment losses	—	—	(178)	—	(997)	(310)	(2)	(1,487)
Exchange rate difference	(295)	(289)	(90)	—	—	(150)	—	(824)
Balance, December 29, 2002	**1,640**	**1,589**	**351**	**90**	**613**	**33**	**—**	**4,316**

The following table discloses Ahold's US GAAP goodwill balance by operating segment within its food service segment:

	Foodservice		
	U.S.	Europe	Total
Balance, January 2, 2000	**—**	**107**	**107**
Acquisitions	4,228	(3)	4,225
Purchase accounting adjustments	(28)	43	15
Amortization	(56)	(3)	(59)
Exchange rate difference	11	1	12
Balance, December 31, 2000	**4,155**	**145**	**4,300**
Acquisitions	1,626	2	1,628
Purchase accounting adjustments	55	—	55
Divestitures	(2)	—	(2)
Amortization	(112)	(4)	(116)
Exchange rate difference	302	—	302
Balance, December 30, 2001	**6,024**	**143**	**6,167**
Transitional impairment losses	(2,103)	—	(2,103)
Acquisitions	78	—	78
Purchase accounting adjustments	101	—	101
Divestitures	—	(2)	(2)
Impairment losses	(529)	—	(529)
Exchange rate difference	(598)	—	(598)
Balance, December 29, 2002	**2,973**	**141**	**3,114**

(4) Impairment of other long-lived assets
Under Dutch GAAP, long-lived assets are subject to periodic impairment tests when circumstances indicate that an impairment may exist. In determining whether impairments exist, the Company groups its assets at the lowest level of identifiable cash flows. If the carrying amount of an asset (or asset group) exceeds its fair value, which is generally measured based on discounted cash flows, an impairment loss is recognized in an amount equal to the difference.

Under US GAAP, long-lived assets are subject to periodic impairment tests when circumstances indicate that an impairment may exist. In determining whether impairments exist, the carrying value of the asset is compared to the undiscounted cash flows associated with the asset. The Company groups its assets at the lowest level of identifiable cash flows only. Only if an asset's (or asset group's) carrying amount exceeds the sum of the undiscounted cash flows that are expected to be generated from the use and eventual disposition of the asset, an impairment loss is recognized in an amount equal to the amount by which the asset's carrying amount exceeds its fair value, which is generally measured based on discounted cash flows. Long-lived assets and certain identifiable other intangible assets to be disposed of are reported at the lower of carrying amount or fair value.

As a result of the difference described above a EUR 9 adjustment was included in the reconciliation of consolidated net income (loss) relating principally to lower impairments recorded under US GAAP in Tops Markets of EUR 8.

(5) USF purchase accounting adjustments
As described in Note 3, the Company identified certain accounting errors relating to pre-acquisition transactions at USF, which was found to have inappropriately recorded EUR 117 of vendor allowances in excess of those earned at its acquisition date in April 2000. Under Dutch GAAP, the adjustments necessary to correct these vendor allowances were recognized as an adjustment to the original purchase price allocation, resulting in an increase in goodwill which was charged directly to equity at the time. Under US GAAP, the adjustments necessary to correct these vendor allowances were recognized immediately as a loss in income in fiscal 2000.

(6) Restructuring provisions
Under Dutch GAAP, through December 31, 2000, the Company recorded provisions for closed and divested facilities ("exit costs") and severance and other personnel costs (all costs collectively, "Restructuring Costs") when it entered into plans for store and distribution center closures or sales, as described in Note 2. Effective January 1, 2001, restructuring provisions are recorded for expected costs of planned reorganizations only if certain specified criteria are met.

Under US GAAP, the criteria that must be met in order to record a restructuring provision, including a requirement to communicate terms of a restructuring plan to employees prior to recognition of the related provision, are defined in EITF Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3") and EITF Issue No. 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" ("EITF 95-3") and further discussed in SEC Staff Accounting Bulletin No. 100 "Restructuring and Impairment Charges" ("SAB 100"). Application of these provisions can result in a difference relating to the timing and amount of restructuring charges recognized between US GAAP and Dutch GAAP.

The Company has, under Dutch GAAP, incurred restructuring provisions as a result of both restructuring of operations and also as a direct result of certain acquisitions.

In fiscal 2001, the Company incurred provisions for the acquisition of Alliant in November 2001. The main feature of the restructuring plan for this acquisition related to the integration of USF's operations and those of Alliant, and caused the Company to recognize a provision for restructuring of its USF operations. The expected total provisions under Dutch GAAP of EUR 141 included EUR 111 costs provided in December 2001 for the integration of USF and Alliant post-acquisition. Under US GAAP, at December 30, 2001, the Company did not meet the notification criteria for recognizing certain restructuring costs including EUR 31 for the acquisition and integration of Alliant. In addition, provisions of EUR 2 for other entities were not recognized in fiscal 2001 under US GAAP.

In fiscal 2002, under Dutch GAAP, the Company incurred provisions for restructuring plans of EUR 42, mainly relating to USF and Albert Heijn. Under US GAAP additional restructuring charges were recognized in income amounting to EUR 26, relating to timing differences for the recognition of restructuring costs of which EUR 19 related to USF and EUR 7 to various other entities.

(7) Sale and leaseback of property

As discussed in Note 2, the Company enters into sale and leaseback arrangements with various financial institutions, whereby the Company sells various retail properties and simultaneously leases them back from the purchaser. Under Dutch GAAP, if a sale and leaseback transaction transfers substantially all risks and rewards of ownership to the buyer-lessor and the transaction is established at fair value, the gain or loss on the sale is recognized immediately in the consolidated statements of operations. If such sale and leaseback transaction is established above fair value, the excess of the sales price over fair value of the underlying property should be deferred and amortized over the lease term. If a sale and leaseback transaction does not transfer substantially all risks and rewards of ownership to the buyer-lessor, any gain should be deferred and recognized ratably over the lease term.

US GAAP has specific accounting criteria for sale and leasebacks under SFAS No. 28 "Accounting for Sales with Leasebacks", SFAS No. 66 "Accounting for Sales of Real Estate" and SFAS No. 98, "Accounting for Leases." Under SFAS No. 98, a seller-lessee is required to make a determination whether the transaction qualifies for sale and leaseback accounting. Where sale and leaseback transactions do not qualify for sale and leaseback accounting, they are required to be accounted for as a financing. Sale and leaseback accounting shall be used by a seller-lessee only if a sale and leaseback transaction meets all of the following criteria: (i) a sale is consummated, (ii) the transaction involves a normal leaseback, (iii) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property and (iv) the seller has transferred to the buyer substantially all of the other risks and rewards of ownership demonstrated by the absence of any continuing involvement in the real estate by the seller-lessee.

Gains on transactions qualifying as sale and leasebacks are recognized based on the degree to which the seller-lessee retains the right to use the real estate through the leaseback. Where the seller-lessee retains substantially all of the use of the property, the gain on the sale transaction is required to be deferred and amortized over the lease term. Were the seller-lessee retains only a minor use of the property, any profit or loss generally is recognized at the date of sale. If the seller-lessee retains more than a minor part but less than substantially all of the use of the property, any profit in excess of the present value of the minimum lease payments is recognized at the date of sale. Losses are recognized immediately upon consummation of the sale. As a result of the aforementioned difference between US GAAP and Dutch GAAP certain gains that were recognized at the date of sale and leaseback transactions under Dutch GAAP were deferred under US GAAP.

In fiscal 2000 US GAAP net income was EUR 24 lower than Dutch GAAP net income. This was the result of EUR 30 of gains deferred under US GAAP, mainly relating to three sale and leaseback transactions entered into by Ahold Real Estate Europe in fiscal 2000, which were partially offset by the amortization of EUR 6 relating to previously deferred gains on sale and leaseback transactions.

In fiscal 2001 US GAAP net income was EUR 142 lower than Dutch GAAP net income. This was mainly the result of a deferral of EUR 82 in connection with the USD 638 million leveraged lease transaction, EUR 44 in connection with several sale and leaseback transactions by Ahold Real Estate Europe and EUR 30 in connection with sale and leaseback transactions by various other operating companies. These deferred gains were partially off set by the amortization of EUR 14 relating to previously deferred gains on sale and leaseback transactions.

In fiscal 2002 US GAAP net income was EUR 36 lower than Dutch GAAP net income. This was mainly the result of deferral of EUR 25 in connection with several sale and leaseback transactions by Ahold Real Estate Europe, EUR 11 in connection with a sale and leaseback transaction by Giant Landover, EUR 11 in connection with the sale and leaseback transactions in Poland and EUR 7 in connection with sale and leaseback transactions by various other operating companies. These deferred gains were partially offset by the amortization of EUR 18 relating to previously deferred gains on sale and leaseback transactions

(8) Derivative instruments

Under Dutch GAAP, gains and losses from derivative financial instruments that are designated and qualify as hedges are deferred and are recognized in the consolidated statement of operations in the same period in which the underlying hedge exposure affects earnings.

Under US GAAP, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") was adopted by the Company as of January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including embedded derivatives, and for hedging activities. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. Depending on the documented designation of a derivative instrument, any change in fair value is recognized either in income or shareholders' equity (as a component of accumulated other comprehensive income ("OCI"). The effect of

adopting SFAS No. 133 on January 1, 2001, representing the initial re-valuation of derivative instruments, resulted in an unrealized loss of EUR 20 (net of income tax benefit of EUR 4) that was recognized in the consolidated statement of operations as a cumulative effect of a change in accounting principle and an unrealized gain of approximately EUR 1 (comprising an asset of EUR 74 less a liability of EUR 79 net of income tax benefits of EUR 6) that was recognized as a component of other comprehensive income.

SFAS No. 133 prescribes requirements for designation and documentation of hedging relationships and ongoing retrospective and prospective assessments of effectiveness in order to qualify for hedge accounting. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument is 80 to 125 percent effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction. Measurement of amounts to be recorded in income due to ineffectiveness of hedges are based on the dollar-offset method as required by SFAS No. 133.

Contracts that do not in their entirety meet the definition of a derivative may contain embedded derivative instruments. If certain conditions are met, SFAS No. 133 requires an embedded derivative to be separated from its host contract and accounted for separately at fair value.

For qualifying fair value hedges, the change in the fair value of the derivative and the change in the fair value of the hedged item that is due to the hedged risk(s) is recorded in income. If a derivative instrument qualifies as a cash flow hedge, the effective portion of the hedging instruments gain or loss is reported in shareholders' equity as other comprehensive income and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of a hedging derivative's fair value change is recorded in current earnings.

(9) Valuation of ICA Put Option

In connection with the acquisition of its 50% interest in ICA in April 2000, the Company granted the ICA Put Option to its joint venture partners. As described in more detail in Note 30, the joint venture partners have the right to sell their shares in ICA to Ahold. The price at which the shares can be sold to Ahold includes a premium over the value at which the estimated price the Option Shares would be trading if ICA were deemed to be a publicly traded company, the deemed fair market value.

Under Dutch GAAP, the ICA Put Option would only be recognized if the premium that the Company is expected to pay over the deemed fair market value upon the exercise of the ICA Put Option is considered onerous, which is not deemed to be the case.

Under US GAAP, the ICA Put Option is considered to be an in-the-money written put option that should be recorded at fair value since the price at which the shares can be sold to the Company under the ICA Put Option includes a premium in excess of the fair value of the Option shares. The fair value was estimated at approximately EUR 459 at the date the 50% interest in ICA was purchased. Under US GAAP, EUR 459 was recorded as part of the consideration paid to acquire the Company's 50% interest in ICA. Accordingly, the fair value of the ICA Put Option has been reflected as an increase in the Company's investment in ICA at acquisition, resulting in an increase of goodwill with an offsetting amount recorded as a liability. Subsequently, increases in the fair value of EUR 31, EUR 10 and EUR 40 of the ICA Put Option have been recognized as a financial expense in fiscal 2002, 2001 and 2000, respectively. Furthermore, amortization of EUR 11 and EUR 8 of this additional goodwill was recognized in fiscal 2001 and 2000, respectively.

(10) Other

Other includes adjustments for provisions, leases, capitalized software costs and other various insignificant items. A summary of the components of "Other" is included in the table below:

	Consolidated net income (loss)			Consolidated shareholders' equity	
	Fiscal 2002	Fiscal 2001	Fiscal 2000	**December 29, 2002**	December 30, 2001
Provisions	—	(29)	(17)	(5)	(6)
Leases	(4)	—	—	(15)	—
Capitalized software costs	(3)	(5)	(5)	—	3
Other	5	(1)	(2)	—	(4)
Total	**(2)**	**(35)**	**(24)**	**(20)**	**(7)**

(11) Income tax effects of reconciling items

The accounting for deferred tax assets and liabilities under Dutch GAAP and US GAAP are similar, except that under Dutch GAAP a deferred tax asset is recorded where it is probable that the benefit will be realized. Under US GAAP the asset is recognized to the extent it is more likely than not that the benefit will be realized. Under US GAAP, the Company's deferred tax valuation allowance was EUR 9 higher than under Dutch GAAP, as the realization of the related deferred tax assets was deemed to be more likely than not rather than probable as required under Dutch GAAP. In addition there are tax effects of reconciling items between Dutch GAAP and US GAAP.

(12) Share in income (loss) of joint ventures and equity investees, net of tax

Ahold's joint ventures and equity investees report their income (loss) under Dutch GAAP and US GAAP. Ahold's share in net income (loss) of joint ventures and equity investees under Dutch GAAP is recognized in the consolidated statements of operations. This adjustment reflects the difference between Ahold's share in net income (loss) of joint ventures and equity investees determined under Dutch GAAP and its share in net income (loss) of joint ventures and equity investees determined under US GAAP.

In fiscal 2000 the difference mainly relates to the amortization of goodwill relating to joint ventures and equity investees under US GAAP that was charged directly to shareholders' equity under Dutch GAAP.

In fiscal 2001, the principal difference relates to a goodwill impairment loss of EUR 505 recognized under US GAAP in fiscal 2001, relating to DAIH. Under Dutch GAAP, this impairment loss was not recognized because the related goodwill was charged directly to equity upon acquisition (see Note 31(a)1).

SFAS No. 142 requires that goodwill arising on the acquisition of investments in joint ventures and equity investees no longer be amortized effective December 31, 2001. However, this goodwill continues to be evaluated for impairment in accordance with APB Opinion No. 18 as a whole with the investment balance, as applicable, recording an impairment charge if the total decline in value is judged to be other than temporary, which is also the impairment policy under Dutch GAAP. The goodwill balances discussed in Note 16 are classified within the "Other" balance in the US GAAP condensed consolidated balance sheets presented below. The difference between Dutch GAAP and US GAAP in fiscal 2002 primarily relates to the impairment of goodwill under Dutch GAAP related to DAIH. While under US GAAP, in fiscal 2002, the Company recognized a transitional goodwill impairment loss of EUR 93 related to certain equity method investees, representing the Company's proportionate interest in transitional impairment losses recognized by the investees, as a cumulative effect of a change in accounting principle. The impairment loss related principally to DAIH.

(13) Dividend on cumulative preferred financing shares

Under Dutch GAAP, dividends on the Company's cumulative preferred financing shares are considered to be a distribution of profits and are, therefore, charged directly to shareholders' equity (retained earnings). Under US GAAP, dividends on the Company's cumulative preferred financing shares are reflected as charges to the consolidated statements of operations. Under both Dutch GAAP and US GAAP, dividends on the Company's cumulative preferred financing shares are taken into account in calculating net income (loss) per common share.

B. Restatements of US GAAP consolidated net income and shareholders' equity

In addition to the restatements to its Dutch GAAP financial statements described in Note 3, the Company also made certain adjustments to its previously-reported consolidated shareholders' equity as of December 30, 2001 and consolidated net income (loss) for fiscal 2001 and 2000, that only had an impact on the Company's previously reported US GAAP amounts. The total impact of these adjustments on consolidated shareholders' equity as of December 30, 2001 and consolidated net income (loss) for fiscal 2001 and 2000 ended under US GAAP are presented below. Restatements of EUR 77 relating to periods prior to fiscal 2000 were recorded as a reduction of opening retained earnings as of January 2, 2000:

		Fiscal 2001	Fiscal 2000
Net income (loss) in accordance with US GAAP, as previously reported		**120**	**794**
Effect of Dutch GAAP restatements on US GAAP net income (loss):			
Aggregate Dutch GAAP restatements (Note 3)		(363)	(196)
Less: Amounts which are not restatements for US GAAP purposes	*(1)*	32	3
Effect of restatements of previously-reported US GAAP net income (loss):			
Amortization and impairment of goodwill	*(2)*	564	48
Amortization and impairment of intangible assets	*(3)*	(50)	(37)
USF purchase accounting adjustments	*(4)*	—	(117)
Sale and leaseback of property	*(5)*	(5)	(24)
Derivative instruments	*(6)*	(6)	—
Valuation of ICA Put Option	*(7)*	(10)	(40)
Other		(30)	(19)
Income tax effects of above restatements	*(8)*	69	74
Share in net income (loss) of joint ventures and equity investees, net of tax	*(9)*	(588)	(57)
Minority interests impact on above restatements		5	13
Net income (loss) in accordance with US GAAP, as restated before cumulative effect of changes in accounting principle		**(262)**	**442**
Cumulative effect of a change in accounting principle for derivative instruments	*(6)*	8	—
Net income (loss) in accordance with US GAAP, as restated		**(254)**	**442**
Net income (loss) per common share – basic			
As previously reported:			
Income (loss) before cumulative effect of a change in accounting principle		0.17	1.08
Cumulative effect of a change in accounting principle for derivative instruments		(0.03)	—
Net income (loss) per common share		**0.14**	**1.08**
As restated:			
Income (loss) before cumulative effect of a change in accounting principle		(0.28)	0.60
Cumulative effect of a change in accounting principle for derivative instruments		(0.02)	—
Net income (loss) per common share		**(0.30)**	**0.60**
Net income (loss) per common share – diluted			
As previously reported:			
Income (loss) before cumulative effect of a change in accounting principle		0.17	1.06
Cumulative effect of a change in accounting principle for derivative instruments		(0.03)	—
Net income (loss) per common share		**0.14**	**1.06**
As restated:			
Income (loss) before cumulative effect of a change in accounting principle		(0.28)	0.55
Cumulative effect of a change in accounting principle for derivative instruments		(0.02)	—
Net income (loss) per common share		**(0.30)**	**0.55**

	Fiscal 2001	Fiscal 2000
Weighted average number of common shares outstanding *(x 1,000)*		
As previously reported:		
Basic	857,509	737,403
Diluted	861,722	767,197
As restated:		
Basic	857,509	737,403
Diluted	857,509	797,121

		December 30, 2001
Shareholders' equity in accordance with US GAAP, as previously reported		**16,210**
Effect of Dutch GAAP restatements on US GAAP shareholders' equity:		
Aggregate Dutch GAAP restatements (Note 3)		(396)
Less: Amounts which are not restatements for US GAAP purposes	*(1)*	(110)
Effect of restatements on previously-reported US GAAP shareholders' equity:		
Goodwill, net of accumulated amortization	*(2)*	(1,924)
Other intangible assets, net of accumulated amortization	*(3)*	889
USF purchase accounting adjustments	*(4)*	—
Sale and leaseback of property	*(5)*	(53)
Derivative instruments, including cumulative effect adjustment	*(6)*	55
Valuation of ICA Put Option	*(7)*	(510)
Other		(7)
Income tax effects of above restatements	*(8)*	(243)
Investment in joint ventures and equity investees, net of tax	*(9)*	1,818
Minority interests impact on above restatements		(185)
Shareholders' equity in accordance with US GAAP, as restated		**15,544**

The following is a description of the adjustments that only had an impact on net income (loss) and shareholders' equity determined in accordance with US GAAP:

(1) Impact of Dutch GAAP restatements on US GAAP

The restatements to the Company's fiscal 2000 and 2001 financial position and results under Dutch GAAP as described in Note 3, have the same impact on shareholders' equity and net income presented under US GAAP, except for restatements with respect to pensions, revaluation of real estate and certain provisions which were previously presented as a reconciliation item between Dutch GAAP and US GAAP. Accordingly, no restatement of shareholders' equity or net income under US GAAP is required with respect to these items. Accordingly, the aggregate Dutch GAAP restatements are adjusted to eliminate the effects of these items, which are summarized below:

	Consolidated net income (loss)		Consolidated shareholders' equity
	Fiscal 2001	Fiscal 2000	December 30, 2001
Pensions and other post retirement benefits [a)]	(24)	(17)	(79)
Revaluation of real estate [b)]	(2)	(2)	32
Other provisions [c)]	58	22	(63)
	32	**3**	**(110)**

a) Under Dutch GAAP the accounting for pensions and other post retirement benefits was changed to conform the accounting under Dutch GAAP to the requirements of SFAS No. 87 and SFAS No. 106, which were already applied under US GAAP as described in Note 2 and 3.

b) The Company changed its accounting for the revaluation of real estate and, accordingly, reversed revaluations it had previously recorded under Dutch GAAP. These revaluations were never recorded under US GAAP and presented as reconciling items between Dutch GAAP and US GAAP in fiscal 2001 and 2000.

c) Under Dutch GAAP the Company made restatements for a change in accounting policy relating to restructuring provisions. After the change in accounting policy regarding restructuring provisions under Dutch GAAP, stricter criteria are applied before a provision is recognized. The new criteria are more consistent with criteria previously applied under US GAAP.

(2) Amortization and impairment of goodwill

As discussed in Note 3(d), the Company recorded adjustments to acquisition accounting in connection with several of its historical acquisitions. These adjustments related to restructuring provisions and the fair value of acquired assets. As a result of these adjustments, the goodwill related to these acquisitions was restated, as well as the amortization and impairments of goodwill recognized in subsequent periods.

(3) Amortization and impairment of other intangible assets
As discussed in Note 3(d), the Company recorded adjustments in connection with several acquisitions for which the respective purchase prices were not allocated to identifiable other intangible assets based on the fair value of such assets at the date of acquisition. This adjustment reflects the effect of the capitalization of certain other intangible assets and the subsequent amortization and impairment recognized on these assets. Under US GAAP, prior to the adoption of SFAS No. 142 effective December 31, 2001, other intangible assets were capitalized and amortized over a period not exceeding 40 years. After the adoption of SFAS No. 142, intangibles that are determined to have indefinite lives are no longer amortized, but tested for impairment at least annually. Other intangible assets continue to be amortized over a period not exceeding 40 years.

(4) USF purchase accounting adjustments
As discussed in Note 3(c), the Company identified certain accounting irregularities relating to pre-acquisition transactions at USF relating to vendor allowances. The Company determined that certain net receivables from vendors at the date of the USF acquisition in 2000 did not exist at the time. In addition, the Company determined that, at the date of acquisition, a liability for deferred revenue related to unearned vendor allowances was not recorded. Furthermore, the Company determined that a liability should have been recognized at the date of acquisition for amounts that had been overbilled to vendors for vendor allowances. The total amount of these adjustments led to a pre-tax overstatement of net assets acquired by EUR 117. Under US GAAP these misstatements in the acquisition balance sheet of USF are recorded as a write-off to income at the acquisition date.

(5) Sale and leaseback of property
As discussed in Note 3(f), the Company performed a comprehensive an analysis of all sale and leaseback transactions under Dutch and US GAAP. Certain gains previously recognized for Dutch GAAP on sale and leaseback transactions were deferred as part of the Dutch GAAP restatements described in Note 3(f). Since the gains had been previously deferred under US GAAP, the Dutch GAAP restatement had the effect of creating a US GAAP difference. Additionally, certain gains on sale and leaseback transactions were appropriately recognized under Dutch GAAP but inappropriately recognized under US GAAP. Accordingly, the restatement of the reconciliation in the table above includes the effect of deferring these gains for US GAAP reporting purposes.

(6) Derivative instruments, including cumulative effect adjustment
Upon adoption of SFAS No. 133 in 2001, the Company initially applied hedge accounting to certain derivative financial instruments based on the criteria of SFAS No. 133 that required Ahold to account for the instruments as either fair value or cash flow hedges. Based on a further evaluation of the requirements to document the hedge relationship and effectiveness, the company concluded that it had not sufficiently documented its hedging transactions in fiscal 2001 to meet the documentation requirements of SFAS No. 133. The company additionally miscalculated the fair value of the foreign currency derivatives embedded in certain lease contracts. Additional adjustments were made to account for the tax effect of certain derivatives that was not previously recorded. Accordingly, the fiscal 2001 financial position and results were adjusted to record the Company's derivative financial instruments at fair value and record gains and losses in the consolidated statements of operations. The company believes that documentation was sufficiently prepared and compiled by January 1, 2002, such that hedge accounting could be applied prospectively from that date.

(7) Valuation of ICA Put Option
As described in Note 31(a)9, the Company issued an ICA Put Option which was not previously accounted for under US GAAP. Under US GAAP, the financial position and results for fiscal 2001 and 2000 have been adjusted to record the fair value of the ICA Put Option as part of the consideration paid to acquire the Company's 50% interest in ICA and a corresponding liability. Changes in the fair value of the written put options are recorded in income.

(8) Other
Other adjustments represent various individually insignificant adjustments such as adjustments relating to capitalized software and impairment of other long-lived assets.

(9) Investment in joint ventures and equity investees, net of tax
As discussed in Note 31(a)12, certain GAAP differences exist with respect to the Company's equity method investees. Certain of these differences were not accounted for in the reconciliation of consolidated net income (loss) and consolidated shareholders' equity to US GAAP in prior years. Accordingly, the reconcilations of consolidated net income (loss) and consolidated shareholders' equity have been restated to reflect these differences. Differences mainly related to various adjustments similar to the adjustments described above that have been recorded in the books of the joint ventures and equity investees. The adjustment also reflects the reclassification of amortization and impairment of goodwill that

relates to joint ventures and equity investees from the line item "Recognition and amortization of goodwill" in an amount of EUR 566 and EUR 44, for fiscal 2001 and fiscal 2000, respectively, as a result of the deconsolidation of certain joint ventures (Note 3(a))

C. Condensed consolidated statements of operations under US GAAP

The following presents the Company's condensed consolidated statements of operations in accordance with US GAAP:

	Fiscal 2002	Fiscal 2001 (as restated – see Note 31.b)	Fiscal 2000 (as restated – see Note 31.b)
Net sales	**62,683**	**54,213**	**40,833**
Cost of sales	(49,218)	(42,229)	(31,396)
Gross profit	**13,465**	**11,984**	**9,437**
Operating expenses	(13,841)	(10,394)	(8,258)
Operating income	**(376)**	**1,590**	**1,179**
Financial expense, net	(1,032)	(865)	(608)
Income (loss) before income tax	**(1,408)**	**725**	**571**
Income tax expense	(360)	(154)	(157)
Income (loss) after income taxes	**(1,768)**	**571**	**414**
Share in net income (loss) of joint ventures and equity investees	81	(780)	22
Minority interest	(11)	13	23
Dividends on cumulative preferred financing shares	(38)	(38)	(17)
Income (loss) before cumulative effect of changes in accounting principle	**(1,736)**	**(234)**	**442**
Cumulative effect of changes in accounting principle for goodwill and derivative instruments, net of income taxes of EUR 257, and EUR 4, respectively	(2,499)	(20)	—
Cumulative effect of a change in accounting principle for goodwill in joint ventures and equity method investees	(93)	—	—
Net income (loss)	**(4,328)**	**(254)**	**442**

D. Condensed consolidated balance sheet under US GAAP

The following presents the Company's condensed consolidated balance sheets in accordance with US GAAP:

	December 29, 2002	December 30, 2001 (as restated – see Note 31.b)
Assets		
Current assets	7,876	8,962
Non-current assets:		
Tangible fixed assets	11,031	11,919
Intangible assets	8,954	15,016
Other	4,559	4,113
Total non-current assets	**24,544**	**31,048**
Total assets	**32,420**	**40,010**
Liabilities and shareholders' equity:		
Current liabilities	9,155	8,262
Non-current liabilities	14,541	15,971
Total liabilities	**23,696**	**24,233**
Minority interests	183	233
Shareholders' equity	8,541	15,544
Total liabilities and shareholders' equity	**32,420**	40,010

E. Additional US GAAP disclosure

Shareholders' equity

The changes in shareholders' equity accounts under US GAAP were as follows:

	December 29, 2002	December 30, 2001 (as restated – see Note 31.b)	December 31, 2000 (as restated – see Note 31.b)
Shareholders' equity, beginning of year	**15,544**	**11,874**	**8,029**
Changes in shareholders' equity during the year:			
Net income (loss) in accordance with US GAAP	(4,328)	(254)	442
Dividends	(433)	(94)	(44)
Common shares issued from exercise of option rights	5	67	55
Common shares issued	—	3,731	2,825
Cumulative preferred financing shares issued	—	—	395
Other comprehensive income (loss)	(2,250)	218	199
Other	3	2	(27)
Shareholders' equity, end of year	**8,541**	**15,544**	**11,874**

Stock option plans

As part of Ahold's US GAAP significant accounting policies, the Company adopted the following additional disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". In fiscal 2002, the Company recognized EUR 2 of income related to the reversal of previously recognized compensation charges. In fiscal 2001 and 2000, the Company recognized compensation cost of less than EUR 1, related to minor issuances of stock options accounted for using variable accounting. These adjustments are included within the caption "Other" within the reconciliations of US GAAP consolidated net income and consolidated shareholders' equity. Had compensation costs for the Company's stock option plans described in Note 11 been determined in accordance with SFAS No. 123, "Accounting

for Stock Based Compensation," US GAAP stock-based compensation cost and results would have been as follows (on a pro forma basis):

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss), as reported under US GAAP	**(4,328)**	**(254)**	**442**
Add: stock-based employee compensation expense included in reported net income, net of related tax effects	(2)	—	1
Deduct: Total stock-based employee compensation: expense for all awards accounted for under SFAS No. 123, net of related tax effects	(42)	(42)	(33)
US GAAP pro forma net income	**(4,372)**	**(296)**	**410**
Earnings per share:			
Basic, as reported	(4.67)	(0.30)	0.60
Basic, pro forma	(4.72)	(0.34)	0.56
Diluted, as reported	(4.67)	(0.30)	0.55
Diluted, pro forma	(4.72)	(0.34)	0.51

Advertising cost

Advertising costs have been expensed as incurred. Advertising expenses totaled EUR 672, EUR 643 and EUR 497 in fiscal years 2002, 2001 and 2000, respectively.

Derivative financial instruments

The number of derivative contracts, nominal values, and fair values segregated by the maturity of the contracts (excluding embedded derivatives) are presented in the table below:

	December 29, 2002			December 30, 2001		
	Contracts	Nominal	Fair value	Contracts	Nominal	Fair value
Interest rate swaps:						
up to 1 year	2	57	(1)	—	—	—
from 1 year to 5 years	1	192	(20)	4	429	(27)
from 5 years to 10 years	1	600	60	1	600	27
Total interest rate swaps	**4**	**849**	**39**	**5**	**1,029**	—
Cross currency swaps:						
up to 1 year	1	24	(5)	—	—	—
from 1 year to 5 years	7	1,727	(34)	8	1,751	(352)
from 5 years to 10 years	1	600	67	—	—	—
greater than 10 years	4	1,068	(17)	4	1,705	(16)
Total cross currency swaps	**13**	**3,419**	**11**	**12**	**3,456**	**(368)**
Foreign currency forwards and swaps:						
up to 1 year	33	359	(7)	19	187	4
from 1 year to 5 years	6	55	2	4	38	2
Total foreign currency forwards and swaps	**39**	**414**	**(5)**	**23**	**225**	**6**
Commodity forward contracts:						
up to 1 year	8	—	1	6	—	(3)
from 1 year to 5 years	2	—	1	1	—	—
Total commodity forward contracts	**10**	—	**2**	**7**	—	**(3)**
Total derivative financial instruments	**66**	**4,682**	**47**	**47**	**4,710**	**(365)**

The use of derivatives is confined to the hedging of the operating business, the related investments and financing transactions. Instruments commonly used are foreign currency forwards, interest rate swaps and cross currency swaps, as well as diesel fuel commodity futures.

As of December 29, 2002, excluding embedded derivatives in lease contracts, the Company had 66 financial derivative contracts outstanding of which one was designated as a fair value hedge of a financial instrument, 60 were designated as

cash flow hedging instruments and five did not qualify for hedge accounting. Prior to December 31, 2001, none of the derivatives qualified for hedge accounting treatment due to the strict documentation requirements of SFAS No. 133.

The majority of the derivatives held by the Company match the terms of the underlying, which qualifies for the "matched-terms" method to assess hedge effectiveness. The Company uses the hypothetical derivative method to assess the hedge effectiveness of all instruments that do not qualify for the "matched-terms" method. The fair value of derivatives are based on the amount at which the instruments could be settled at the date of the balance sheet based on estimates obtained from financial institutions.

In addition, the Company had currency derivatives embedded in lease contracts of some of its foreign subsidiaries. These embedded derivatives have not been designated as hedges and the Company accounts for these derivatives at fair value with gains and losses recognized in the statement of operations at each reporting period under US GAAP. Gains and losses on these instruments are reflected as "Selling, general and administrative Expenses."

Fair Value Hedges

Changes in the fair value of derivatives that hedge interest rate risk are recorded in net financial expense each period with the offsetting changes in the fair values of the related debt are also recorded in net financial expense. The Company maintains no other fair value hedges. For fiscal 2002 and 2001, the Company recognized no ineffectiveness for any of the fair-value hedges. All components of the Company's interest rate swap gains or losses were included in the assessment of hedge effectiveness.

Cash Flow Hedges

The effects of hedges of financial instruments in foreign currency-denominated cash receipts are reported in net financial expense, and the effects of hedges of payments are reported in the same line item of the underlying payment. The effects of hedges of commodity prices are reported in cost of sales. In fiscal 2002, hedge ineffectiveness for cash flow hedges resulted in less than EUR 1 being recognized in the consolidated statements of operations and no amounts were reclassified to earnings for forecasted transactions that did not occur. During fiscal 2002 and 2001, the Company reclassified a loss of EUR 10 (net of 6 tax benefit) and a loss of EUR 17 (net of 9 tax benefit) respectively, from accumulated other comprehensive income (loss) to other financial income and expense related to its cash flow hedges. The estimated net amount of the existing gains or losses on the reporting date that are expected to be reclassified to earnings within the next twelve months amounts to a loss of EUR 17 (net of 8 tax benefit). Cash flow hedge results are reclassified into earnings during the same period in which the related exposure impacts earnings. If a hedged forecasted transaction is no longer probable of occurring, application of hedge accounting ceases and amounts previously deferred in accumulated other comprehensive income are frozen and reclassified to income in the same period in which the previously hedged transaction affects earnings. However, if it is considered probable that the originally forecast transaction will not occur by the end of the originally specified time period, the unrealized gain or loss in accumulated other comprehensive income is reclassified immediately to income.

Other derivative instruments

In countries were the local currency is subject to large fluctuations, the Company often enters into lease agreements denominated in currencies that differ from local currency (historically, this included the US dollar and currencies subsequently replaced by the Euro). As a result, the Company had embedded foreign exchange derivatives in certain lease contracts in the Czech Republic, Slovakia and Poland. To the extent that the currency in which the lease payments are made is not the functional currency of either the Company or the lease counterparty, these embedded derivatives are required to be separately accounted for at fair value on the balance sheet under SFAS No. 133 rules. The fair value of these embedded derivatives were EUR (17) and EUR 26 at December 29, 2002 and December 30, 2001, respectively.

Hedges of Net Investment in a Foreign Entity

The Company does not maintain any hedges of a net investment in a foreign entity.

Income taxes

Deferred income tax assets (liabilities) under US GAAP were as follows:

	December 29, 2002		
	SFAS No. 109 Applied to Dutch GAAP Balances	SFAS No. 109 adjustments	Deferred taxes under SFAS No. 109
Deferred tax assets:			
Capitalized lease commitments	171	5	176
Benefit plans	208	—	208
Restructuring provisions	8	(4)	4
Provisions not yet deductible	246	6	252
Sale and leaseback of property	—	76	76
Derivative instruments	—	138	138
Goodwill	—	249	249
Other	—	1	1
Operating loss carry forwards	451	—	451
Alternative minimum tax carry forwards	4	—	4
General business tax credit carry forwards	—	—	—
Gross deferred tax assets	**1,088**	**471**	**1,559**
Valuation allowances on carry forwards	(384)	—	(384)
Valuation allowances on other deferred tax assets	(37)	(9)	(46)
Net deferred tax assets	**667**	**462**	**1,129**
Deferred tax liabilities:			
Tangible fixed assets	(489)	(2)	(491)
Identifiable intangibles	—	(265)	(265)
Inventory	(61)	—	(61)
Other	(232)	—	(232)
Total deferred tax liabilities	**(782)**	**(267)**	**(1,049)**
Net deferred tax liabilities	**(115)**	**195**	**80**

	December 30, 2001		
	SFAS No. 109 Applied to Dutch GAAP Balances	SFAS No. 109 adjustments	Deferred taxes under SFAS No. 109
Deferred tax assets:			
Capitalized lease commitments	103	—	103
Benefit plans	112	—	112
Restructuring provisions	32	(15)	17
Provisions not yet deductible	94	6	100
Sale and leaseback of property	—	70	70
Derivative instruments	—	78	78
Other	—	3	3
Operating loss carry forwards	228	—	228
Alternative minimum tax carry forwards	20	—	20
General business tax credit carry forwards	1	—	1
Gross deferred tax assets	**590**	**142**	**732**
Valuation allowances on carry forwards	(98)	—	(98)
Valuation allowances on other deferred tax assets	(2)	(3)	(5)
Net deferred tax assets	**490**	**139**	**629**
Deferred tax liabilities:			
Tangible fixed assets	(381)	—	(381)
Identifiable intangibles	—	(328)	(328)
Goodwill	—	(17)	(17)
Inventory	(37)	—	(37)
Other	(127)	(1)	(128)
Total deferred tax liabilities	**(545)**	**(346)**	**(891)**
Net deferred tax liabilities	**(55)**	**(207)**	**(262)**

Dutch GAAP does not permit deferred tax assets and liabilities to be offset if they are dissimilar in nature or if the timing in which the particular asset or liability will be settled is different. US GAAP requires these balances to be offset if they originate within the same tax jurisdiction for a particular tax-paying component of the Company. The deferred income taxes discussed above are classified in the condensed consolidated balance sheets under US GAAP as follows:

	December 29, 2002	December 30, 2001
Non-current deferred tax assets	551	316
Non-current deferred tax liabilities	(471)	(578)

F. Recent US GAAP accounting pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of long-lived assets. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. SFAS No. 143 is required to be adopted by the Company effective January 1, 2003. The Company has not yet determined what the effect of adopting SFAS No. 143 will be on its consolidated results of operations, financial position or its cash flows.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", which required that all gains and losses from extinguishment of debt be aggregated and classified as an extraordinary item. SFAS No. 145 requires that gains and losses from extinguishment of debt be classified as extraordinary only if they meet the criteria in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently

Occurring Events and Transactions", which defines transactions that are part of recurring operations as separate from those that are unusual or infrequent, or that meet the criteria for classification as an extraordinary item. SFAS No. 145 amends SFAS No. 13, "Accounting for Leases", to require that lease modifications that have economic effects similar to sale and leaseback transactions be accounted for in the same manner as sale and leaseback transactions. In addition, SFAS No. 145 rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers", and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking - Fund Requirements", which are not currently applicable to the Company. The provisions of SFAS No. 145 as they relate to the rescission of SFAS No. 4 are required to be applied beginning January 1, 2003. Certain provisions related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Management does not expect the adoption of SFAS No. 145 to have a material impact on the Company's consolidated results of operations, financial condition or liquidity.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated by the Company on January 1, 2003 and thereafter. The Company has not yet determined what the effect of adopting SFAS No. 146 will be on the consolidated results of operations, financial position or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and income per share in annual and interim financial statements in the summary of significant accounting policies. SFAS No. 148 does not amend SFAS 123 to require companies to account for their employee stock-based awards using the fair value method. However, the Company was required to adopt the disclosure provisions in fiscal 2002 even though Ahold continues to apply the intrinsic value method described in APB No. 25. The transition provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and early application is permitted. The Company adopted the disclosure provisions of this standard in fiscal 2002 and does not expect this Statement to have a material effect on its financial position, results of operations, or its cash flows.

In April 2003 the FASB issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities". The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FASB Interpretation ("FIN") No. 45, "Guarantor Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and (4) amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of SFAS No. 149 that relate to SFAS No. 133's Implementation Issues ("Implementation Issues") that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. SFAS No. 149 is applied prospectively. The Company is currently evaluating the impact of SFAS 149 on its consolidated results of operations, financial position and cash flows.

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The Statement requires that those instruments be classified as liabilities in statements of financial position. SFAS No. 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

- Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets.
- Instruments, other than outstanding shares, that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts.

- Obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares.

SFAS No. 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety. In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS No. 150 also requires disclosures about alternative ways of settling those instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The Company is currently evaluating the impact of SFAS No. 150 on its consolidated results of operations, financial position and cash flows.

In November 2002, the FASB published FIN 45, "Guarantor's Accounting and Disclosure requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FIN 34: "Disclosure of Indirect Guarantees of Indebtedness of Others an Interpretation of FASB Statement No. 5" which has been superseded. FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. FIN 45 also clarifies that at the time a company issues a guarantee, the Company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The provisions of FIN 45 are required to be applied on a prospective basis to guarantees issued or modified by the Company on January 1, 2003 and after. The expanded disclosure requirements of FIN 45 are effective for the year ended December 29, 2002 (see Note 30).

In November 2002, the EITF of the FASB reached a consensus on Issue No. 02-16, "Accounting for Consideration Received from a Vendor by a Customer (Including a Reseller of the Vendor's Products)" ("EITF 02-16"). This Issue addresses the treatment of cash consideration received by a reseller, raised as a response to EITF Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" ("EITF 01-9"). EITF Issue No. 02-16 addresses the income statement classification of consideration from a vendor, as well as the appropriate timing and method of recognition. This issue is effective for the Company's consolidated financial statements for the period beginning January 1, 2003. The Company has not yet determined the effect on the Company's consolidated financial statements as a result of this issue.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities". FIN 46 introduces a new concept of a variable interest entity ("VIE"). A VIE is an entity that meets any of the following criteria: (1) it has a total equity investment at risk that is not sufficient to finance its activities without additional subordinated financial support from other parties, (2) the equity owners do not have the ability to make significant decisions about the entity's activities through voting or similar rights, (3) the equity owners do not have an obligation to absorb the entity's expected losses, or (4) the equity owners do not have the right to receive the entity's expected residual returns. In October 2003, the FASB issued FASB Interpretation No. 46-6, "Consolidation of Variable Interest Entities" which resulted in the acceleration of the effective date of FIN 46 for foreign private issuers. As a result the Company should account for an interest held in a VIE, effective fiscal 2003, that meets both of the following conditions: (i) the entity was not created to undertake a single specified purpose and (ii) the entity has assets that are predominantly non-financial in nature.

The Company has entered into various transactions related to real estate in the U.S. and Central Europe that result in it having interests in VIEs. In addition, the Company has purchasing arrangements with value-added service providers ("VASPs") that are VIEs. It is reasonably possible that the Company will have to consolidate some of these entities beginning in January 2004. Consolidation of these entities is not expected to have a material adverse effect on the Company's consolidated results of operations or financial position, including its ability to obtain financing.

Since fiscal 2000, the Company has entered into transactions involving the sale and leaseback of various properties in the U.S. and Central Europe. For certain of these properties sold and leased back, an unaffiliated third party established a VIE to act as buyer-lessor. Upon the initial transfer of assets to these entities, the company received total proceeds of approximately EUR 1,255. As of December 29, 2002, the Company does not believe its maximum exposure related to these entities would have a significant impact on the Company's financial position.

Ahold and B.V. Maatschappij tot Ontwikkeling van Middenstandsprojecten C.K.K. ("CKK") own 73% and 25% of Schuitema N.V., respectively. CKK's creation and activities are a result of cooperation between Schuitema and its

franchisees. The shares representing CKK's 25% indirect ownership of Schuitema are held as collateral by third-party banks, which provided loans of approximately EUR 55 million to franchisees. Schuitema has the right to re-acquire and may be obligated to repurchase these shares at their nominal value of EUR 94 thousand if approved by a majority vote of the board of CKK, which consist of an equal number of Schuitema and franchisee members.

The Company has relationships with VASPs that provide varying degrees of support to the Company in the procurement of its private label and signature brand products. Although the Company does not have any ownership rights in respect of the VASPs, the entities appear to be VIEs and the Company holds a majority of the risks and rewards associated with them. The majority of the assets and liabilities of the VASPs have been recorded in the Company's consolidated financial statements in accordance with SFAS No. 49, which has been disclosed in Note 2 and Note 28. There are no exposures to loss that currently are not reflected in the financial position of the Company.

32 List of subsidiaries and affiliates of Ahold

As of December 29, 2002

Consolidated subsidiaries

Retail trade U.S.

The Stop & Shop Supermarket Company, Boston, Massachusetts
BI-LO, LLC, Mauldin, South Carolina
Bruno's Supermarkets, Inc., Birmingham, Alabama
Giant Food Stores, LLC, Carlisle, Pennsylvania
Giant Food LLC, Landover, Maryland
Tops Markets, LLC, Buffalo, New York
American Sales Company, Inc., Lancaster, New York
Peapod, LLC, Skokie, Illinois

Retail trade Europe

Albert Heijn B.V., Zaandam, The Netherlands
Albert Heijn Franchising B.V., Zaandam, The Netherlands
Gall & Gall B.V., Hoofddorp, The Netherlands
Etos B.V., Zaandam, The Netherlands
Jamin Winkelbedrijf B.V., Oosterhout, The Netherlands
De Tuinen B.V., 's-Gravenhage, The Netherlands
Schuitema N.V. (73.2%), Amersfoort, The Netherlands
  Eemburg C.V. (82%), Amersfoort, The Netherlands
Ahold Czech Republic A.S., Prague, Czech Republic
Euronova Holding A.S., Prague, Czech Republic
ZIOS A.S. (98%), Brno, Czech Republic
Ahold Retail Slovakia, k.s., Bratislava, Slovak Republic
Ahold Slovakia, s.r.o., Bratislava, Slovak Republic
Ahold Supermercados, S.L., Madrid, Spain
Ahold Polska Sp. z o.o., Krakow, Poland

Retail trade Latin America

Bompreço S.A. Supermercados do Nordeste, Recife, Brazil
Bompreço Bahia S.A., Salvador, Brazil
Hipercard Administradora de Cartão de Crédito Ltda., Recife, Brazil
G. Barbosa Ltda., Aracaju, Brazil
Disco Ahold International Holdings N.V., Curaçao, Netherlands Antilles
  Santa Isabel S.A. (97%), Santiago, Chile
    Supermercados Santa Isabel S.A., Lima, Peru
    Supermercados Stock S.A., Asunción, Paraguay
  Disco S.A., Buenos Aires, Argentina

Retail trade Asia Pacific

CRC. Ahold Co. Ltd., Bangkok, Thailand
TOPS Retail (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
PT Putra Serasi Pioneerindo, Jakarta, Indonesia

Foodservice

U.S. Foodservice, Inc., Columbia, Maryland, U.S.
- PYA/Monarch, LLC., Columbia, Maryland, U.S.
- Alliant Exchange, Inc., Columbia, Maryland, U.S.
- Allen Foods Inc., St. Louis, Missouri, U.S.

Deli XL B.V., Almere, The Netherlands
- Bert Muller B.V., Almere, The Netherlands
- Deli XL N.V./S.A., Brussels, Belgium

Real Estate

Ahold Real Properties LLC, Chantilly, Virginia, U.S.
Ahold Real Estate Company, Landover, Maryland, U.S.
Onroerende Goederenmaatschappij "Nefater" B.V., Zaandam, The Netherlands
Ahold Real Estate Europe B.V., Zaandam, The Netherlands
- Ahold Vastgoed B.V., Zaandam, The Netherlands
- Ahold Real Estate Spain B.V., Zaandam, The Netherlands
- Ahold Real Estate Poland B.V., Zaandam, The Netherlands
- Ahold Real Estate Slovakia B.V., Zaandam, The Netherlands
- Ahold Real Estate Czech Republic B.V., Zaandam, The Netherlands
- Ahold Inmobiliaria España, S.L., Madrid, Spain

Other

Ahold Nederland B.V., Zaandam, The Netherlands
Ahold USA B.V., Zaandam, The Netherlands
Ahold Coffee Company B.V., Zaandam, The Netherlands
Ahold European Sourcing B.V., Zaandam, The Netherlands
Ahold Americas Holdings, Inc., Chantilly, Virginia, U.S.
Ahold U.S.A. Holdings, Inc., Chantilly, Virginia, U.S.
Ahold U.S.A., Inc., Wilmington, Delaware, U.S.
Ahold Finance U.S.A. LLC, Wilmington, Delaware, U.S.
Ahold Financial Services, LLC, Carlisle, Pennsylvania, U.S.
Ahold Information Services, Inc., Greenville, South Carolina, U.S.
Ahold Insurance N.V., Curaçao, Netherlands Antilles
Ahold Investment N.V., Curaçao, Netherlands Antilles
Ahold Finance Company N.V., Curaçao, Netherlands Antilles
Ahold België N.V., Brussels, Belgium
Ahold Finance, S.A., Geneva, Switzerland
Ahold Retail Services AG, Klosters, Switzerland
Ahold Global Commodity Trading AG, Zug, Switzerland
Croesus, Inc., Wilmington, Delaware, U.S.
Swallow Retail Operations B.V., Zaandam, The Netherlands
Ahold U.S.A. Support Services, Inc., Chantilly, Virginia, U.S.

Unconsolidated affiliates

JMR – Gestão de Empresas de Retalho, SGPS. S.A. (49%), Lisbon, Portugal
- Gestiretalho – Gestão e Consultoria para a Distribuiçao a Retalho, SGPS, S.A., Lisbon, Portugal
- Pingo Doce – Distribuiçao Alimentar, S.A., Lisbon, Portugal
- Feira Nova – Hipermercados, S.A., Lisbon, Portugal
- Funchalgest, SGPS, S.A. (50%), Madeira, Portugal

Jerónimo Martins Retail Services AG (49%), Klosters, Switzerland

ICA Ahold AB (50%), Solna, Sweden
- ICA Handlarnas AB, Solna, Sweden
- Hakon Gruppen AS, Oslo, Norway
- ICA Baltic AB, Solna, Sweden
- ICA Danmark A/S, Copenhagen, Denmark
- ICA Banken AB, Stockholm, Sweden
- ICA Menyföretagen AB, Stockholm, Sweden
- Statoil Detaljhandel Skandinavia AS (50%), Oslo, Norway

Accounting Plaza B.V. (40%), Wormer, The Netherlands

Luis Paez, S.A. (50%), Jerez de la Frontera, Spain
- Bodegas Williams & Humbert S.L., Jerez de la Frontera, Spain

Paiz Ahold N.V. (50%), Curaçao, Netherlands Antilles
- CARHCO N.V.(67%), Curaçao, Netherlands Antilles
  - La Fragua, S.A. (83%), Guatemala City, Guatemala
  - Operadora del Oriente S.A. de C.V., Tegucigalpa, Honduras
  - Operadora del Sur S.A. de C.V., San Salvador, El Salvador
  - Corporación de Supermercados Unidos, S.A., San José, Costa Rica
  - Corporación de Compañias Agroindustriales, CCA. S.A., San José, Costa Rica
  - Comercial Sacuanjoche, S.A., Managua, Nicaragua
  - Comercial Brassavola, S.A., Tegucigalpa, Honduras

Unless otherwise indicated, these are wholly or virtually wholly owned subsidiaries. Subsidiaries not important to providing an insight into the Group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of The Netherlands' Civil Code. Pursuant to said section 403, Ahold has issued declarations of assumption of liability for the Dutch subsidiaries forming part of the consolidation with the exception of Schuitema N.V. and Onroerende Goederenmaatschappij "Nefater" B.V.

Parent Company Statements of Operations and Balance Sheets

(in EUR millions, before appropriation of current year result)

Statements of operations

	Fiscal 2002	Fiscal 2001 (as restated - see Note 3)	Fiscal 2000 (as restated - see Note 3)
Income (loss) after income taxes:			
Income (loss) from subsidiaries and affiliates	(972)	145	430
Other gains and losses	(236)	605	490
	(1,208)	**750**	**920**

Balance sheets

	Note	December 29, 2002	December 30, 2001 (as restated - see Note 3)
Assets			
Non-current assets:			
Intangible assets	*1*	52	138
Tangible fixed assets	*2*	14	13
Financial assets	*3*	8,220	10,317
		8,286	10,468
Current assets:			
Receivables	*4*	204	391
Cash and cash equivalents		46	187
		250	578
Total		**8,536**	**11,046**
Liabilities and shareholders' equity			
Shareholders' equity	*5*		
Issued and paid-in share capital		298	295
Additional paid-in capital		11,220	11,218
Legal and statutory reserves		291	212
Other reserves		(1,451)	(202)
Accumulated deficit		(6,541)	(6,777)
Net income (loss)		(1,208)	750
Total shareholders' equity		2,609	5,496
Liabilities:			
Provisions	*6*	28	41
Loans	*7*	3,710	4,186
Other non-currnent liabilities		22	35
Current liabilities	*8*	2,167	1,288
		5,927	5,550
Total		**8,536**	**11,046**

Notes to the Parent Company Statements of Operations and Balance Sheets *(in EUR millions)*

General

For the applied accounting principles we refer to Note 2 to the consolidated financial statements.

1 Intangible assets

	Goodwill	Other intangible fixed assets	December 29, 2002	December 30, 2001
Book value beginning of year	**79**	**59**	**138**	**67**
Investments	96	—	96	80
Amortization/impairment	(175)	(7)	(182)	(9)
	—	52	52	138
Book value:				
At cost	—	67	67	153
Accumulated amortization	—	(15)	(15)	(15)
Book value	**—**	**52**	**52**	**138**

The "Other intangible fixed assets" mainly consist of trade name licenses.

2 Tangible fixed assets

	December 29, 2002	December 30, 2001
Book value beginning of year	**13**	**2**
Investments	3	12
Depreciation	(2)	(1)
	14	13
Book value:		
At cost	25	22
Accumulated depreciation	(11)	(9)
Book value	**14**	**13**

The "Tangible fixed assets" primarily consist of "Other tangible fixed assets".

3 Financial assets

	December 29, 2002	December 30, 2001
Investments in subsidiaries and affiliates	1,846	2,700
Loans receivable from subsidiaries and affiliates	6,333	7,557
Loans receivable	41	60
	8,220	**10,317**

Investments in subsidiaries and affiliates	Group companies	Other subsidiaries and affiliates	December 29, 2002 Total	December 30, 2001 Total
Beginning of year:	**2,173**	**527**	**2,700**	**2,329**
Investments / Increase in shareholdings	6,277	117	6,394	1,865
Goodwill paid	(94)	(2)	(96)	(78)
Sale and settlement of shareholdings	(2)	(3)	(5)	(7)
Transfer from loans to associates	(3,893)	(395)	(4,288)	(561)
Other movements	(124)	(5)	(129)	(267)
Exchange rate differences	(1,427)	10	(1,417)	(397)
Results	(922)	(50)	(972)	145
Dividends	(280)	(61)	(341)	(329)
Consolidated	(539)	539	–	–
End of year:	**1,169**	**677**	**1,846**	**2,700**

Loans receivable	2002	2001
Beginning of year	60	58
Issued	6	18
Redemptions	(25)	(16)
End of year	**41**	**60**

4 Receivables

	December 29, 2002	December 30, 2001
Receivables from subsidiaries and affiliates	170	345
Other receivables	34	46
	204	**391**

5 Shareholders' equity

For a specification of the shareholders' equity we refer to Note 21 to the consolidated financial statements.

6 Provisions

	December 29, 2002	December 30, 2001
Deferred income tax	20	33
Pensions and early retirement	5	5
Provision for other personnel costs	3	3
	28	**41**

7 Loans

	Repayment commitments				
	after 5 years	between 1 and 5 years	within 1 year	**December 29, 2002**	December 30, 2001
Subordinated loans:					
6.75%, subordinated bonds	—	—	91	91	91
5.875%, subordinated bonds	—	91	—	91	91
3.0% convertible subordinated notes	—	—	678	678	678
4.0% convertible subordinated notes	—	920	—	920	920
Other loans:					
EUR 158 million EURIBOR +0.63%	—	—	158	158	—
EUR 1,500 million bond, 5.875%	1,500	—	—	1,500	1,500
EUR 200 million 6.375% bond	—	200	—	200	200
EUR 66 million floating rate note EURIBOR plus 0.8%	—	66	—	66	66
EUR 95 million loan, 5.625%	95	—	—	95	55
EUR 50 million EURIBOR +0.4%	—	50	—	50	—
USD 150 million loan, LIBOR plus 10 bps	—	—	128	128	163
CZK 3,000 million floating rate note PRIBOR plus 0.28%	—	96	—	96	95
JPY 33,000 million bond, LIBOR plus 150 bps	299	—	—	299	299
USD loans from subsidiaries and affiliates (interest ranging from 1.7525% to 5.4%)	—	393	—	393	28
	1,894	1,816	1,055	4,765	4,186
Current portion	—	—	(1,055)	(1,055)	—
Long-term portion of loans	**1,894**	**1,816**	**—**	**3,710**	**4,186**

For a further detailed narrative of the loans we refer to Note 24 of the consolidated financial statements.

8 Current liabilities

	December 29, 2002	December 30, 2001
Short-term borrowings	1,624	270
Payables to subsidiairies and affiliates	265	785
Deferred gains	14	14
Corporate income tax payable	122	50
Other taxes payable	1	—
Interest	108	124
Dividend cumulative preferred financing shares	18	18
Other current liabilities	15	27
Total	**2,167**	**1,288**

The current liabilities are liabilities that mature within 1 year.

9 Commitments and contingencies that are not included in the balance sheet

Other commitments and contingencies are taken into account at Note 30 to the consolidated financial statements, which we refer to.

Corporate Executive Board
A.C. Moberg, *President and CEO*
H. Ryöppönen, *CFO*
J.G. Andreae
D.G. Eustace
W.J. Grize
M.P.M. de Raad

Zaandam, October 14, 2003

Supervisory Board
H. de Ruiter, *Chairman*
R. Fahlin
J. Hommen
Sir M. Perry GBE
Dr. C.P. Schneider
R.G. Tobin
L.J.R. de Vink
K. Vuursteen

Additional information

Auditors' report

Introduction

We have audited the financial statements of Koninklijke Ahold N.V. ("Royal Ahold"), Zaandam, for the year 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Royal Ahold as at December 29, 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

The accounting principles used can vary in significant respects from accounting principles generally accepted in the United States. The effect of the principal differences in the determination of net income (loss) and shareholders' equity is set out in Note 31 to the consolidated financial statements.

Deloitte & Touche Accountants

Amsterdam, The Netherlands
October 14, 2003

Ahold statutory profit-sharing statement

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to article 39 of the Articles of Association, first a dividend will be declared on cumulative preferred shares and on cumulative preferred financing shares out of net income. The remaining income, after reservations made by the Supervisory Board in consultation with the Corporate Executive Board, will be available for distribution to the common shareholders upon approval at the general meeting of shareholders. Upon recommendation of the Corporate Executive Board, with the approval of the Supervisory Board, the general meeting of shareholders can decide to pay a dividend wholly or partly in the form of common shares. Amounts not paid in the form of dividends will be added to the reserves. In case the net income is not sufficient to declare a dividend on the cumulative preferred financing shares, the dividend will be declared out of the other reserves. The proposed appropiation of current year result is as follows:

	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net income (loss)	(1,208)	750	920
Dividend on cumulative preferred financing shares	(38)	(38)	(17)
Dividend on common shares	(204)	(653)	(506)
Accumulated deficit / Other reserves	**(1,450)**	**59**	**397**

As a result of the reported loss in fiscal 2002, no final dividend was paid in respect to 2002 (2001: EUR 0.51 per share; 2000: EUR 0.45 per share). EUR 0.22 per share was paid as interim dividend in 2002 (2001: EUR 0.22 per share; 2000: EUR 0.18 per share).

Subsequent events

Investigations

Following the announcements on February 24, 2003 that Ahold would restate its earnings for fiscal 2001 and 2000, civil and criminal investigations were initiated by both U.S. and non-U.S. governmental and regulatory authorities and numerous civil lawsuits were filed as discussed in Note 30. Ahold has given its full cooperation to all current investigations. These investigations remain outstanding.

Divestments

The following investments were sold, or the sale was initiated in fiscal 2003. None of these divestments qualified for presentation as a discontinued operation in fiscal 2002. These divestitures were made or planned consistent with the Company's strategy to reduce its debt and increase profitability by disposing some of its non-core businesses or to withdraw from certain markets that are not expected to contribute to the Company's long-term profitability.

Chile

In July 2003, Ahold closed the sale of its 99.6% interest in Santa Isabel S.A. to the Chilean retailer Cencosud S.A. Ahold and Cencosud S.A. completed the transaction based on a total value, excluding any liabilities, of approximately USD 150 for Ahold's operations in Chile. After adjustment of the value for net working capital and external interest-bearing debt, the net proceeds of the transaction for Ahold amounted to approximately USD 77. Cencosud S.A. assumed Santa Isabel's external interest-bearing debt of USD 18. Santa Isabel S.A. operated stores in Chile in the retail trade segment.

The transaction was limited to Ahold's supermarket activities in Chile. Its activities in Peru and Paraguay, previously conducted through subsidiaries of Santa Isabel S.A., remained with Ahold. As discussed below Ahold subsequently sold its operations in Paraguay. It expects to sell its operations in Peru.

De Tuinen

In May 2003 Ahold completed the divestment of wholly–owned subsidiary De Tuinen, a chain of natural product stores in the retail trade segment located throughout the Netherlands. De Tuinen was sold to NBTY's British subsidiary Holland & Barrett Europe Ltd. for approximately EUR 16. The transaction includes all De Tuinen chain stores and their inventory. The franchise stores will also conduct their business with Holland & Barrett.

Jamin

In June 2003, Ahold divested its Dutch candy store chain Jamin Winkelbedrijf B.V, which was included in the retail trade segment. Through a management buy-out, Jamin's current executive team will continue to run the company as an independent entity. The transaction includes all five Jamin chain stores and their inventory, stock and debtors. The franchise stores will also continue to conduct their business with Jamin.

Malaysia

In May 2003, Ahold reached an agreement for the sale of its Malaysian assets, operating under the name of TOPS Retail (Malaysia) Sdn Bhd, to Dairy Farm Giant Retail Sdn Bhd ("Giant"), a subsidiary of Dairy Farm International Holdings Limited. The transaction, an asset purchase agreement, was finalized in the third quarter of 2003.

The transaction involves stores and a grocery distribution center, all of which are included in the retail trade segment. The actual transfer of the stores and distribution center will take place following regulatory approvals in Malaysia and the satisfaction of other customary conditions.

De Walvis

In August 2003, Ahold announced the divestment of its Dutch restaurant "De Hoop op d'Swarte Walvis" (De Walvis) located in Zaandam. The Nedstede Group has acquired the restaurant through an asset sale and purchase agreement that includes inventory and real estate included in the other segment. The agreement was completed on September 8, 2003.

Indonesia

In April 2003, Ahold announced it had reached agreement for the sale of its Indonesian operations under the name of PT Putra Serasi Pioneerindo to PT Hero Supermarket Tbk for approximately EUR 11, including proceeds from the sale of store inventory. The transfer of assets took place in stages, which began in June 2003 and was finalized in the third quarter of 2003.

The transaction involves stores and two distribution centers, all of which are included in the retail trade segment. The actual transfer of the stores and both distribution centers will take place following the approval of Hero shareholders.

Golden Gallon

In August 2003, Ahold announced it had reached agreement to sell Golden Gallon, its fuel and merchandise convenience store operation in the retail trade segment in the southeastern U.S., to The Pantry, Inc. The sale of Golden Gallon was completed in October 2003.

The assets to be sold include the Golden Gallon operations, working capital and all of the real estate.

Supermercados Stock - Paraguay

In September 2003, Ahold announced it has successfully completed the sale of its 100% interest in Supermercados Stock S.A. to A.J. Vierci. Supermercados Stock S.A. operated 10 supermarkets at year-end 2002 and has been part of Ahold's portfolio since 1998. At year-end 2002, the Company was a subsidiary of Santa Isabel S.A. in Chile and employed approximately 800 employees.

The carrying amounts of the major classes of assets and liabilities held for sale subsequent to the balance sheet date, are as follows:

	December 29, 2002
Condensed balance sheet data:	
Non-current assets	
Intangible assets	1
Tangible fixed assets	49
Current assets	
Inventory	33
Trade accounts receivable	7
Cash	12
Other	6
Current liabilities	
Loans payable	38
Accounts payable and accrued expenses	38
Other	1
Non-current liabilities	
Provisions	2
Long-term debt	28
Shareholders' equity	1

Business Acquisitions

La Despensa de Don Juan - El Salvador

On January 20, 2003, the El Salvadorian operations of La Fragua acquired the assets (excluding real estate) of La Despensa de Don Juan in El Salvador. The assets consist of 31 stores and are located throughout the country.

Announced reorganization Albert Heijn

In September 2003, management of Albert Heijn communicated that the plans have been finalized to restructure its head office. Albert Heijn expects to terminate approximately 440 employees.

Stock options

Effective in fiscal 2003, the ratio between the five and ten year options (see Note 11 for a discussion of these options) has been set at 50% with a five year term and 50% with a ten year term. Also effective 2003, all share options granted as of 2003 can only be exercised after a minimum three-year term.

Credit Rating

On November 12, 2002, Ahold's subordinated debt rating of Baa2 and senior unsecured debt rating of Baa1 were put on review for possible downgrade by Moody's Investor Service. On January 17, 2003, Moody's Investor Service downgraded Ahold's subordinated debt and senior unsecured debt two notches to Ba1 and Baa3, respectively. On January 24, 2003, Standard & Poor's downgraded Ahold's long-term local issuer credit and long-term foreign issuer credit rating from BBB+ to BBB with a stable outlook. After the announcements on February 24, 2003, Standard & Poor's downgraded Ahold's long-term foreign issuer credit and long-term local issuer credit two notches from BBB to BB+ with a negative outlook and Ahold's short-term foreign issuer credit and short-term local issuer credit were downgraded from A-2 to B. The same day Moody's Investor Service put Ahold's subordinated debt and senior unsecured debt on review for possible downgrade, and downgraded them the next day to B2, and B1, respectively, with both ratings remaining on review for possible downgrade. Further, because Ahold was downgraded to a non-investment grade, Moody's Investor Service released an Issuer Rating of B1 and a Senior Implied Issuer rating of Ba3, with both ratings on review for possible downgrade. On May 8, 2003, Standard & Poor's downgraded Ahold's long-term foreign issuer credit and long-term local issuer credit each to BB-, and both remain on negative outlook. The USD 2 billion revolving credit facility contains a step up provision which increases the pricing for each notch downgrade below Baa3 and BBB- by 0.75%.

New credit facility

On March 3, 2003, the Company replaced the 2002 Credit Facility, under which USD 550 was drawn and USD 150 in letters of credit were outstanding as of February 24, 2003, with the 2003 Credit Facility. The 2003 Credit Facility provides for aggregate borrowings of up to EUR 600 and USD 2.2 billion in two tranches. The borrowings under the EUR 600 tranche and under the USD 1,285 tranche are collateralized by a pledge of shares of Ahold's significant Dutch and U.S. subsidiaries. Ahold may use borrowings under the 2003 Credit Facility to refinance intercompany indebtedness, fund intercompany loans, provide for working capital and for general corporate purposes.

The 2003 Credit Facility contains customary information and financial covenants. The information requirements include delivery of monthly, quarterly, and annual results and certain information on liquidity. In addition, the Company must report on a quarterly basis on compliance with the interest coverage ratio. This ratio, determined on a four quarter rolling average basis, is 2.25:1.00.

Under separate Receivable Sale and Related Agreements, USF and Alliant sell, on a revolving basis, their eligible trade receivables to the Receivable Companies. In connection with these receivables securitization programs, the Company has entered into guarantee agreements pursuant to which the Company has agreed to guarantee some of the obligations of USF and Alliant as servicers and certain of the obligations of the Receivable Companies. As a result of amendments to the underlying agreements in July 2003, Ahold will be required to consolidate the USF securitization program, as a result of which, the USF receivables securitization program will no longer be an off-balance sheet obligation. For a discussion of the receivables securitization programs, please see Note 19.

Under both of these financing arrangements, the Company is subject to certain financial and non-financial covenants including the maintenance of certain ratios, restrictions on additional indebtedness and payments of cash dividends and restricted payments. The more restrictive of these covenants requires that the Company maintain an interest coverage ratio (defined as operating results adjusted for certain factors, to net interest expense) ranging from 2.25:1 (2003 credit facility) to 2.5:1 (securitization), determined on a rolling four-quarter average basis. As of October 1, 2003, the Company obtained the following waivers:

- As discussed above, the Company is party to a receivables securitization agreement, which required the Company to submit audited annual financial statements by September 30, 2003. The agreement was amended, and the deadline for financial statement submission has been extended to December 5, 2003.
- As discussed above, in March 2003, the Company entered into a new Credit Facility, which requires, among other things, that the Company provide certain financial information to the lender. The Company has not met the deadlines set forth in the new Credit Facility. As a result, the Company has reached an agreement with the banks to extend these deadlines, based on recent events.

The Company has obtained agreement from the counterparties that the quarterly certificates of compliance with the above mentioned ratios will not be required until quarterly financial statements are available. Management also believes that it will be necessary to reach an agreement with the banks as to the new methodology on which to base these financial ratio calculations in light of the Company's accounting for the deconsolidation of joint ventures.

Five-year comparative summary *(in EUR millions, except where noted otherwise)*

Net sales (excluding intersegment sales)

	2002	2001	2000	1999	1998
US Retail	27,836	25,918	22,769	18,390	14,503
US Foodservice	18,508	13,556	6,649	—	—
Europe	13,690	13,021	10,155	9,083	8,219
Latin America	2,143	1,274	810	—	—
Asia	458	400	402	476	410
Other activities	48	44	48	37	33
Total	**62,683**	**54,213**	**40,833**	**27,986**	**23,165**

Operating income

US Retail	1,551	1,442	1,113	916	594
US Foodservice	314	128	110	—	—
Europe	304	380	320	288	202
Latin America	(6)	56	51	(2)	(4)
Asia	(31)	(20)	(30)	(41)	(47)
Other activities	13	77	76	20	38
Operating income (loss) before impairment and amortization of Goodwill and Exceptional loss	**2,145**	**2,063**	**1,640**	**1,181**	**783**
Exceptional items	(372)	—	—	—	—
Goodwill impairment and amortization	(1,534)	(152)	(5)	—	—
Operating income	**239**	**1,911**	**1,635**	**1,181**	**783**
Net interest expense	(944)	(812)	(600)	(233)	(181)
Other financial gains and losses	(64)	105	32	22	3
Income taxes	(390)	(270)	(235)	(264)	(164)
Income from unconsolidated subsidiaries	(38)	(192)	78	32	55
Minority interest	(11)	8	10	—	13
Net earnings	**(1,208)**	**750**	**920**	**738**	**509**

Other financial information

Net earnings*	795	1,086	924	738	509
Depreciation tangible fixed assets	(1,286)	(1,137)	(907)	(710)	(577)
Depreciation, amortization and impairments	(3,142)	(1,411)	(957)	(726)	(591)
EBITDA**	3,753	3,322	2,592	1,927	1,395
Operational cash flow	2,486	1,961	2,063	N/A	N/A
Investment in tangible fixed assets	2,321	2,737	2,056	1,445	1,186
Total assets	24,738	28,626	21,534	11,652	9,374
Group equity	2,665	5,544	2,422	2,412	1,789
Group equity percentage	10.8%	19.4%	7.7%	20.7%	19.1%
Net interest bearing debt	11,594	11,345	9,859	3,691	3,013
Average net interest bearing debt / EBITDA**	3,18	3,01	3,21	1,72	1,29
Interest coverage ratio	2.27	2.54	2.73	5.13	4.44

Number of employees

Number of employees at year-end in FTE	278,486	247,963	223,194	155,010	150,406

* *Excluding the net earnings impact of exceptional items, goodwill amortization and impairment.*

** *Excluding exceptional items before depreciation, amortization and impairment.*

Share data

		2002	2001	2000	1999	1998
Number of shares outstanding at year-end:						
Common shares		931,107	920,979	816,849	646,484	628,096
Cumulative preferred financing shares		259,317	259,317	259,317	144,000	144,000
Average number of common shares outstanding		926,546	857,509	737,403	657,320	598,869
Data per common share:						
Net earnings (after preferred dividend)		(1.34)	0.83	1.22	1.10	0.83
Diluted earnings (after prefererd dividend)		(1.34)	0.82	1.19	1.08	0.80
Net earnings*		0.85	1.18	1.13	1.14	0.82
Cash flow		2.06	2.47	2.51	2.21	1.80
Group equity		2.86	6.02	2.97	3.73	2.85
Dividends		0.22	0.73	0.63	0.49	0.38
Share price at AEX	high	32.25	37.39	36.84	38.55	31.76
Share price at AEX	low	10.32	29.13	21.25	25.61	23.46
Share price at AEX	at year-end	11.65	32.68	34.36	29.39	31.49

US GAAP data

Net earnings	(4,328)	(254)	442	556	360
Total assets	32,420	40,010	31,749	18,521	15,090
Equity	8,541	15,544	11,874	8,029	6,592
Equity percentage	*26.3%*	*38.9%*	*37.4%*	*43.4%*	*43.7%*
Earnings per share - basic	(4.67)	(0.30)	0.60	0.85	0.60
Earnings per share - diluted	(4.67)	(0.30)	0.55	0.82	0.59

** Excluding the net earnings impact of exceptional items, goodwill amortization and impairment.*

List of Definitions

ADR American Depository Receipt. Ahold's common shares are listed on the Euronext Amsterdam and the Swiss Exchange. Ahold also has a listing on the New York Stock Exchange, here the shares trade in the form of American Depository Shares and are evidenced by sponsored American Depository Receipts ("ADR").

ADS American Depository Shares. See also ADR.

AFM Netherlands Authority for the Financial Markets, a supervisory body for the Dutch financial markets, including Euronext.

Class action lawsuit A legal action in which a representative plaintiff sues or a representative defendant is sued on behalf of a class of plaintiffs or defendants who have the same interests in the litigation as their representative and whose rights or liabilities can be more efficiently determined as a group than in a series of individual suits.

Comparable sales Identical sales plus sales from replacement stores. See also Identical sales.

Consolidation Presentation as one economic entity of the earnings of a parent and subsidiary (subsidiaries) subsequent to the date of the acquisition. The parent company owns more than 50% of the voting common stock and is therefore in control. In consolidation, the reporting mechanism is the entire group and not the separate companies.

Currency impact The impact of using different exchange rates to translate the sales of our subsidiaries to Euros. The sales of the previous year are restated using the actual exchange rates in order to eliminate this currency impact.

Dutch GAAP Generally Accepted Accounting Principles in The Netherlands.

EURIBOR (Euro Interbank Offered Rate) is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank. See also LIBOR.

Euronext Amsterdam Amsterdam Stock Exchange.

Fiscal year Fiscal year: the 2002 fiscal year ended December 29, 2002.

Forensic investigation Forensic accounting provides for an accounting analysis that is suitable to a court of law which will form the basis for discussion, debate and ultimately dispute resolution. Forensic accounting encompasses investigative accounting and litigation support.

IAS International Accounting Standards.

IFRS International Financial Reporting Standards.

Identical sales Identical sales compare sales from exactly the same stores.

LIBOR The BBA LIBOR is the most widely used benchmark or reference rate for short term interest rates. It is compiled by the BBA and released to the market at about 11.00 each day. LIBOR stands for the London Interbank Offered Rate and is the rate of interest at which banks borrow funds from other banks, in marketable size, in the London Interbank market. See also EURIBOR.

SAC Stichting Ahold Continuïteit, the Ahold Continuity Foundation.

Sarbanes-Oxley The Sarbanes-Oxley Act of 2002 contains a number of sweeping reforms to corporate governance and accounting and applies to all companies that are required to file periodic reports with the United States Securities and Exchange Commission.

SEC	United States Securities and Exchange Commission.
US GAAP	Generally Accepted Accounting Principles in the United States.
Vendor allowance	Vendor allowances are payments or rebates from a vendor or supplier to a distributor.

Investor Relations

In our communications we are committed to the interests of both private and institutional investors, and of both equity and fixed income investors. The goal of Ahold Investor Relations is to provide timely, accurate and comprehensive information regarding Ahold´s financial activities and developments to enable investors to make informed investment decisions. We ensure that material information is available to all investors at the same time. In doing so, we follow, to the extent reasonably practicable, the guidelines and principles laid out in the Regulation Fair Disclosure, issued by the U.S. Securities and Exchange Commission.

In our efforts to broaden the investment community's understanding of Ahold we encourage analysts to provide research coverage. In addition to our quarterly results announcements, we host conference calls and analyst meetings to further enhance the understanding of the company by analysts and investors. These are available through our website at **www.ahold.com**.

Contact information can be found in the back of this annual report. For more background and financial information, please also visit our website at **www.ahold.com**.

Dividend

Ahold in 2002 offered its shareholders an interim dividend. The shareholders had the option to choose between a payment in cash of EUR 0.22 per share or a 1% share dividend.

In the light of the news the company announced on February 24, 2003, the company proposes not to offer its shareholders a final dividend for 2002.

At the Annual General Meeting of Shareholders, the shareholders will be asked for their approval of the 2002 dividend proposal.

Dividend Reinvestment

Ahold offers a Dividend Reinvestment and Stock Purchase Plan for ADR holders in the United States. For information on this plan, please contact The Bank of New York at: +1 800 649 4134.

Stock Information

Listings & ticker symbols

Ahold shares are traded on the Euronext Exchanges of Amsterdam, Paris and Brussels (symbol AHLN). Ahold also has a secondary listing on the Swiss Exchange in Zürich (AHO). Additionally, sponsored American Depository Receipts (ADRs) are traded on the New York Stock Exchange (AHO). Our depositary bank is The Bank of New York. For information regarding ADRs please see www.bankofny.com/adr or contact The Bank of New York at: +1 800 649 4134.

Geographical spread shareholders (at year-end 2002)

North America	21.0%
Dutch Institutions	16.7%
Dutch Private	13.2%
UK/Ireland	13.7%
Germany	5.2%
Switzerland	2.8%
France	2.2%
Rest of Europe	6.5%
Rest of World	0.6%
Unidentified/undisclosed	18.1%

Based on 931 million common shares outstanding.

Per share table	1998	1999	2000	2001	2002
Common shares year-end	628,096,550	646,484,126	816,849,445	920,979,176	**931,106,897**
Cumulative preferred financing shares	144,000,000	144,000,000	259,317,164	259,317,164	**259,317,164**
Stock price year-end	31.49	29.39	34.36	32.68	**12.10**
Average stock price	28.13	32.87	29.55	33.50	**20.59**
Stock price high	31.76	38.55	36.84	37.39	**32.25**
Stock price low	23.46	25.61	21.25	29.13	**10.32**
Stock dividend	3/100	3/100	3/100	3/100	**1/100**
Cash dividend	0.38	0.49	0.63	0.73	**0.22**

Source: Bloomberg/Ahold

Equity Weightings

At year-end 2002, Ahold had the following equity weightings:

AEX	**4.962%**
Euronext Top 100	**1.004%**
MSCI EAFE	**0.168%**
MSCI Pan-Euro	**0.253%**
DJ Eurostoxx 50	**1.029%**
FTSE Eurotop 100	**0.420%**
FTSE Eurotop 300	**0.316%**
FTSE E300 FD&D	**15.885%**

Source: Bloomberg

Contact Info / Additional Information

Ahold Investor Relations

P.O. Box 3050
1500 HB Zaandam
The Netherlands
+31 75 659 5828
investor.relations@ahold.com
www.ahold.com

ADR Information

The Bank of New York
Investor Relations
Church Street Station
P.O. Box 11258
New York, NY 10286-1258 USA
+1 800 649 4134
shareowner-svcs@bankofny.com
www.adrbny.com

Board and management

As of October 14, 2003

Ahold

Corporate Executive Board

Anders Moberg,
President and CEO
Hannu Ryöppönen, *CFO*
Jan Andreae
Dudley Eustace
William Grize
Theo de Raad
Peter Wakkie [1]

Corporate Officers

SENIOR VICE PRESIDENTS

Accounting and Control
Joost Sliepenbeek
Business Support
Arthur Brouwer
Corporate Communications
Sharon Christians
Finance and Fiscal Affairs
André Buitenhuis
Human Resources
Jim Lawler
Internal Audit
Thijs Smit
Legal Affairs
Ton van Tielraden

CORPORATE SECRETARY

Norbert Berger

UNITED STATES

Retail operations

William Grize,
President and CEO
Brian Hotarek, *CFO*
Gary Preston
Donald Sussman

Stop & Shop, Quincy, MA
Marc Smith,
President and CEO

Giant Food, Landover, MD
Richard Baird,
President and CEO

BI-LO / Bruno's, Mauldin, SC
Dean Cohagan,
President and CEO

Giant Food Stores / Tops Markets, Carlisle, PA / Buffalo, NY
Anthony Schiano,
President and CEO

Peapod, Skokie, IL
Marc van Gelder,
President and CEO

Foodservice

U.S. Foodservice, Columbia, MD
Robert Tobin,
Interim President and CEO
Lawrence Benjamin,[2]
President and CEO

[1] Subject to appointment at Shareholders' Meeting
[2] As of November 1, 2003
[3] Unconsolidated joint ventures

EUROPE

Jan Andreae, *Liaison Officer*
Dirk Anbeek, *CFO*

Netherlands

Dick Boer, *CEO*

Other Netherlands

Deli XL
Frits Visser, *CEO*

Schuitema
Jan Brouwer, *CEO*

Scandinavia and Baltic States

ICA AB [3]
Kenneth Bengtsson,
President and CEO

Central Europe

Ahold Central Europe
Jacquot Boelen, *President and CEO*

Spain / Portugal

Ahold Supermercados
Gerard van Breen, *President and CEO*

Jerónimo Martins Retail [3]
Pedro Soares dos Santos, *CEO*

LATIN AMERICA / ASIA

Theo de Raad, *Liaison Officer*

Latin America

Argentina
Disco
Luc de Jong, *CEO*

Peru
Santa Isabel
Alfredo Garcia Pye, *CEO*

Brazil
Ronald van Solt, *Interim CEO*

Central America / CARHCO [3]

Guatemala
La Fragua
Mario Chiu, *CEO*

Costa Rica
CSU
Rodolfo Arguedas, *CEO*

Asia

Thailand
Randy Guttery, *CEO*

Disclaimer

Certain statements contained in this annual report are "forward-looking statements" within the meaning of the U.S. federal securities laws. Those statements include, but are not limited to: statements as to expected increases in net sales, operating results, market shares and certain expenses, including interest expenses, in respect to certain of our operations, as to the timing, effects, limits and effectiveness of proposed improvements and changes to our accounting policies and internal control systems, regarding our expected return on capital investment commitments, regarding the timing, scope and impact of certain divestments and acquisitions, including our intentions with regards to U.S. Foodservice, as to the expected impact of changes in accounting standards, including International Financial Reporting Standards, as to the expected timing, strategy, outcome and impact of certain litigation proceedings and investigations and the sufficiency of our available defenses and responses, as to the timing of future dividend payments, if any, regarding the extent of our obligations under certain contingent liabilities, as to our compliance with various environmental laws and regulations and estimations as to the materiality of any related costs and statements as to expected improvements in and changes to accounting policies and internal controls, as well as expectations as to the impact of operational improvements on productivity levels, operating results and profitability in our stores, as to the savings from new projects and programs and from increased cooperation between our subsidiaries, particularly in the United States and Europe, regarding our financial condition and prospects, our access to liquidity, the sufficiency of our working capital and the sufficiency of our existing and new bank facilities, as well as to the timing and amounts of certain payments thereunder and the sources of funds available for such payments, expectations as to the sufficiency of our directors' and officers' liability insurance, as to the sufficiency of our product liability insurance, as to the cost of contributions to certain pension plans and other employee benefit plans, as to the risks and liabilities of hedging transactions entered into, as to our competitive position and the impact of the weakened economy on our business, as to relations between our operating companies and their employees, including relationships with labor unions, regarding our growth and capital expenditures and expectations as to the impact of the announced accounting irregularities on our operations, liquidity and business.

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. Important factors that could cause actual results to differ materially from the information set forth in any forward-looking statements include, but are not limited to: our liquidity needs exceeding expected levels and amounts available under our credit facilities, our ability to maintain normal terms with vendors and customers, our ability to successfully implement our cash flow and debt reduction plan, as well as our divestment program, in particular our ability to refinance our debt obligations maturing in fiscal 2004 and fiscal 2005, the effect of general economic conditions and changes in interest rates in the countries in which we operate, difficulties encountered in the cooperation efforts among our subsidiaries and the implementation of new operational improvements, diversion of management's attention, the loss of key personnel, the integration of new members of management, and our ability to attract and retain key executives and associates, increases in competition in the markets in which our subsidiaries and joint ventures operate and changes in marketing methods utilized by competitors, our ability to maintain satisfactory labor relations, the potential adverse impact of certain joint venture options, if exercised, on our liquidity and cash flow, fluctuations in exchange rates between the Euro and the other currencies in which our assets, liabilities and operating results are denominated, in particular, the US dollar, the Argentine Peso and the Brazilian Real, our ability to maintain our market share, the results of pending or future legal proceedings to which we and certain of our current and former directors, officers and employees are a party, the actions of government regulators and law enforcement agencies, any further downgrading of our credit ratings, the potential adverse impact of the disclosure in this annual report on our results of operations and liquidity and the other factors discussed elsewhere in this annual report.

Many of these factors are beyond our ability to control or predict. Given these uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements, which only speak as of the date of this annual report. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

For additional information on these forward-looking statements and the factors that could cause actual results to differ materially from future results expressed or implied by these forward-looking statements, please see Ahold's public filings. Outside The Netherlands the company presents itself under the name of "Royal Ahold" or simply "Ahold". For reader convenience, "Royal Ahold" or "Ahold" are also used throughout the financial statements. The registered name of the company is "Koninklijke Ahold N.V.".

For information

Investor Relations

Telephone: +31 (0)75 659 58 28
Fax: +31 (0)75 659 83 59
E-mail: investor.relations@ahold.com

Corporate Communications

Telephone: +31 (0)75 659 57 20
Fax: +31 (0)75 659 83 60
E-mail: corp.communications@ahold.com

Design & Realization: Dart Design, Amsterdam
Printed by: Hollandia Equipage, Heerhugowaard

P.O. Box 3050
1500 HB Zaandam
The Netherlands

Telephone: +31 (0)75 659 91 11
Fax: +31 (0)75 659 83 50

Zaandam Trade Register No. 35000363

www.ahold.com