



Putting the customer first

Contents

2 Group at a glance



Watch the CEO online:
<http://arreport2010.ahold.com>



Dick Boer
Chief Executive Officer

Our brands	3
Group highlights	4
Message from our CEO	6
Our strategy	8
Our values	12

13 Performance

Net sales
€29.5 billion

Underlying retail operating margin
4.9%



Group performance	13
Performance by segment	20
Non-GAAP measures	30

32 Governance

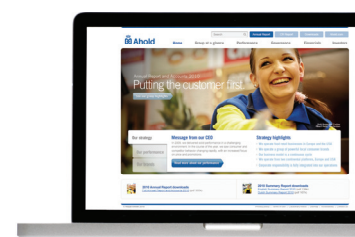
How we manage risk	32
Our leadership	39
Corporate governance	41
Supervisory Board report	48
Remuneration	54
Declarations	58

59 Financials

Financial statements	59
Consolidated income statement	60
Consolidated statement of comprehensive income	61
Consolidated balance sheet	62
Consolidated statement of changes in equity	63
Consolidated statement of cash flows	64
Notes to the consolidated financial statements	65
Parent company financial statements	121
Notes to the parent company financial statements	122
Other information	127
Independent auditor's report	127
Distribution of profit	128
Subsequent events	128
Annual information update	129

130 Investors

Share capital	130
Share performance	132
Dividend	133
Five-year overview	134
Contact information	135
Cautionary notice	136



Group at a glance

Ahold is an international retailing group based in the Netherlands, with powerful consumer brands in Europe and the United States. At the end of 2010, we had:

2,970 stores

213,000 employees

€29.5 billion sales

The foundation of our company is selling great food – this is what we are known for and is our core business. We provide customers with great value and a convenient and innovative shopping experience with a wide range of products and healthy choices. Our vision is to offer all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – better choice, better value, better life, every day. We are committed to acting responsibly in all that we do.

We have simplified and streamlined our businesses and are looking at growth opportunities. We are focused on innovation to ensure we continue to offer great products, services, and store formats and stay at the forefront of consumer trends and customer needs.

Our employees are the key to our success. Their commitment to the customer and to providing a great shopping experience sets us apart and is essential to the profitable growth of our company.

Our brands

European operations



1. The Netherlands



1. The Netherlands



1. The Netherlands



1. The Netherlands



2. Czech Republic
3. Slovakia



3. Slovakia



4. Estonia
5. Latvia
6. Lithuania
7. Norway
8. Sweden



9. Portugal

U.S. operations



10. Connecticut
11. Massachusetts
12. New Hampshire
13. Rhode Island
14. New York
15. New Jersey



16. Virginia
17. Maryland
18. Delaware
19. District of Columbia



16. Virginia
17. Maryland



20. Pennsylvania
21. West Virginia



10. Connecticut
11. Massachusetts
12. New Hampshire
13. Rhode Island
14. New York
15. New Jersey
16. Virginia
17. Maryland
19. District of Columbia
22. Illinois
23. Indiana
24. Wisconsin

Group highlights

In 2010, we made solid progress with our strategy for sustainable profitable growth. Highlights include:

Ahold Group

Net sales

€29.5 billion

+4.4% at constant exchange rates and adjusted for the impact of week 53 in 2009

Operating income

€1.3 billion

Up €39 million or 3.0% from 2009

Underlying retail operating margin

4.9%

Proposed dividend

€0.29
per common share

+26% compared to last year's dividend

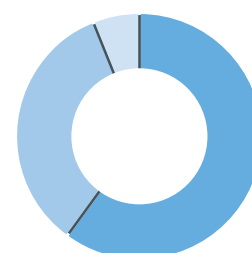
Performance by segment

Net sales (€ million)

	2010	Growth ¹
Ahold USA	17,783	5.1%
The Netherlands	10,087	4.7%
Other Europe	1,660	(3.5)%
Total	29,530	4.4%

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

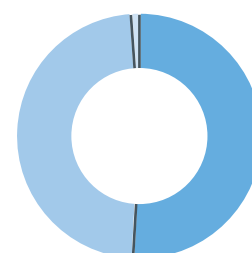
Contribution by segment



Underlying retail operating income (€ million)

	2010	Underlying margin
Ahold USA	742	4.2%
The Netherlands	691	6.9%
Other Europe	16	1.0%
Total	1,449	4.9%

Contribution by segment



Group highlights continued

Ahold Europe

The Netherlands

- Albert Heijn realized another year of market share growth
- Albert Heijn rolled out a new assortment of affordable, everyday, non-food items and increased the number of products under its “AH puur&eerlijk” organic and sustainable own brand
- Albert Heijn’s XL store format was named the best supermarket in the Netherlands for the second consecutive year
- Etos was named the most customer-friendly drugstore in the Netherlands
- Gall & Gall continued to open small stores adjacent to Albert Heijn supermarkets and remodeled its 100th store to the company’s new format

Other Europe

- Albert in the Czech Republic successfully improved its commercial position through a value campaign, and by investing in its fresh food assortment

Ahold USA

- Reorganized into four geographic divisions with one support organization and executive leadership team
- Volumes increased across the divisions and Ahold USA increased its market share
- Giant Carlisle integrated the Ukrop’s Super Markets chain, remodeling the 25 stores into the Martin’s banner
- The Stop & Shop divisions integrated five former Shaw’s supermarkets
- Giant Landover successfully completed Project Refresh, the three-year program to remodel approximately 100 of its stores
- Peapod expanded into Indianapolis, Manhattan, and southeastern Wisconsin

Message from our CEO



Dick Boer
Chief Executive Officer



Watch the CEO online:
<http://arreport2010.ahold.com>

Net sales

€29.5 billion

Operating income

€1.3 billion

Underlying retail operating margin

4.9%

Proposed dividend

€0.29
per common share

Dear shareholder,

It is a pleasure to write to you for the first time as the new CEO of Ahold.

The past year was another challenging one for the food retail industry worldwide and I am particularly happy that we were able to once again deliver a solid performance in our businesses in both Europe and the United States. We succeeded in driving volumes and growing market share in almost all of our markets.

In 2010, our sales grew 5.7 percent and we achieved an underlying retail operating margin of 4.9 percent, in line with our mid-term target of five percent. As a result of our performance, I am pleased that we are able to propose a dividend of €0.29 per common share, a 26 percent increase compared to last year. We will also launch a new 18-month €1 billion share buyback program following the successful completion of our earlier €500 million share buyback program.

In the Netherlands, Albert Heijn continued to provide great value to customers, win new business, and increase its market share. Our XL store format was voted the best supermarket in the Netherlands for the second year in a row. Albert Heijn also rolled out a new assortment of affordable, everyday, non-food items and increased the number of products under its "AH puur&eerlijk" organic and sustainable own brand. Our drugstore chain, Etos, was named the most customer-friendly in the Netherlands, while our wine and liquor business, Gall & Gall, remodeled its 100th store into its new, modern, customer-friendly format.

In the Czech Republic, Albert continued to improve its profitability by attracting more customers with its new fresh assortment and extended opening hours, and by reducing costs and simplifying the business.

In the United States, we completed our reorganization of the businesses into four geographic divisions with one executive leadership team and support organization. We also completed the acquisition, integration, and rebranding of the Ukrop's Super Markets chain in Richmond, Virginia, under our Martin's banner. In addition, we acquired and remodeled five former Shaw's supermarkets to our Stop & Shop banner, and acquired two Genuardi's stores in the Giant Carlsle market area. We also successfully completed Project Refresh at Giant Landover, a three-year program that involved remodeling almost 100 of our stores. Peapod, our online grocery business, expanded into the Indianapolis, Manhattan, and southeastern Wisconsin markets, and continued to grow market share. It is now the largest internet grocer in the United States, serving 11 states and the District of Columbia.

We continued to focus on cost reduction across the business, and are ahead of our plan on the three-year €350 million program we started at the beginning of last year. Our ability to continuously take costs out of the business is essential, and was particularly important in 2010 with challenging markets and consumers focused on value and promotions. Despite these conditions, we continued to successfully balance sales and margins and provide great value to all our customers.

In 2010 we aligned our company values so that all of our businesses share a common definition and understanding of who we are, what's important to us, and how we do things. This is the first time we have had a common set of values for all our employees. We also developed a new vision for the company that says we want to offer all of our stakeholders better choice, better value, better life, every day.

Over the course of the year there were a number of changes within our senior management team. After five years with Ahold, and more than three as CEO, John Rishton left the company at the end of February 2011 to become CEO of Rolls-Royce. John was instrumental in strengthening our company, restoring its credibility, and making employees proud to work at Ahold once again.

Message from our CEO continued

Larry Benjamin retired as our COO of Ahold USA at the end of January this year. He joined the company in 2003 as the CEO of our former subsidiary, U.S. Foodservice, and oversaw its recovery and sale in 2007. Following this, he led the successful repositioning of our retail operations in the United States and was a member of the Corporate Executive Board since 2008.

On behalf of everyone at Ahold, I would like to thank John and Larry for their strong leadership and the tremendous contribution they made during their time with us.

In addition to these two Board changes, in September, we announced the appointment of Carl Schlicker as our new COO of Ahold USA and Sander van der Laan as our new COO for Ahold Europe, both reporting to me.

On a sad note, in January this year we said goodbye to Albert Heijn, the grandson of the founder of our company. His death marks the passing of the last member of the Heijn family to lead our company and the end of a remarkable chapter in food retail. During his lifetime, Albert changed the way people in the Netherlands ate and shopped and he took our company from an exclusively Dutch supermarket business to a major international food retailer. He grew the company from €18 million in annual sales when he started in 1949 to €8 billion when he retired forty years later. Albert's entrepreneurial spirit and achievements will have a lasting impact – both in the Netherlands and around the world.

One of Albert's priorities was to do the right thing for customers and others whose lives the business touched. I feel the same way and am particularly pleased with the progress we made in our key corporate responsibility priority areas – healthy living, sustainable trade, climate action, and community engagement – over the course of the year. We also made significant steps in defining how we carry out and measure our activities and in setting clear, measurable targets for all our corporate responsibility priorities between now and 2015. You can read more about our strategy and achievements in our 2010 Corporate Responsibility Report.

It is an exciting time for the food retail industry and for Ahold. Rapid changes in the way people shop and the ever-increasing demand for new products and services present great opportunities for retailers. In the year ahead, we will continue to broaden our offering by introducing new and innovative products and a greater range of services, to win the hearts of customers and satisfy more of their daily needs.

Everything we have achieved over the past year is thanks to the passion and commitment of the more than 210,000 employees in our stores, distribution centers, and offices on both sides of the Atlantic. I, along with my colleagues on the Corporate Executive Board, thank them for their dedication, hard work, and unrelenting focus on doing what is right for the customer. As we look to the coming year, I am confident that we will continue to delight and surprise those who shop with us, grow the business, and increase shareholder value.

Dick Boer

Chief Executive Officer

March 2, 2011

Our strategy

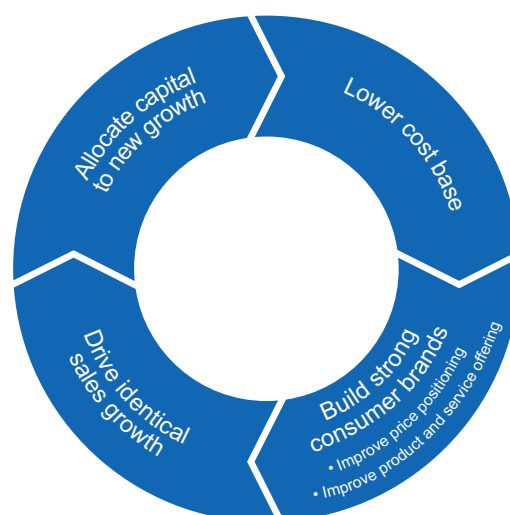


Our strategy for profitable growth is designed to accelerate identical sales growth, improve returns, and build on our strong foundation to continue creating value for shareholders.

In 2010 we launched a new vision aimed at offering all our stakeholders better choice, better value, better life, every day. To help achieve this, we have further aligned our business objectives and priorities and adopted a common strategic framework across the Group.

We are looking at opportunities to grow our operations in our existing markets and new ones. We are also working to expand our non-food offering, online businesses and other services.

To drive our strategy, we have a company-wide business model. The model is a virtuous circle in which we continuously work to lower our cost base in order to invest in price, value, and the products and services we offer. This allows us to drive sales, win new customers, and allocate capital to further grow our business.



We continue to reduce costs by streamlining and standardizing processes and simplifying how we operate to improve efficiency. We are ahead of plan with our three-year €350 million cost reduction program (2010–2012) that will enable further investment to benefit our customers. The program focuses on all aspects of our business, including store expenses, supply chain, and overhead, and will also deliver additional sourcing cost savings over the same period.

Our strategy continued

We have built powerful consumer brands in each of our markets that provide value, an appealing offering of products and services, and a great shopping experience for our customers. We continue to find new ways to increase existing customer loyalty, win new customers, and further drive identical sales growth.

We allocate capital to improve our infrastructure, IT systems, and store formats, and for acquisitions in existing and new markets.

Our Group-wide strategy remains focused on five areas: our portfolio, growth, our organization, financial targets, and corporate responsibility.

Our portfolio

We operate retail businesses in Europe and the United States in markets where we have clear prospects for sustainable profitable growth. We are, or aim to be, number one or two in each market.

We continue to grow in both our existing markets and new ones. In 2010, we made the following acquisitions in the United States. In February, Giant Carlisle successfully completed the acquisition of 25 stores in Richmond, Virginia, from Ukrop's Super Markets. In April, Stop & Shop acquired five former Shaw's stores in Connecticut, a move that further strengthens our market-leading position there. In November, Giant Carlisle announced the acquisition of two former Genuardi's stores in Pennsylvania.

Growth strategy

Our strategy is to achieve sustainable profitable growth and grow our operations in existing and new markets. We are also working to expand in areas such as non-food, e-commerce, and other services. We have repositioned each of our local brands by improving the price, quality, and service we provide our customers.

Our strategy is aligned across Ahold and tailored to our local markets. We adapt the strategy to changing market developments and our insight into what our customers want.

We build our competitive advantage by understanding our customers better than the competition. This enables us to see changing patterns in consumer trends and behavior and develop targeted strategies in response.

Our strategy continued

Organizational structure

We have reorganized our businesses, further simplified and standardized processes, and aligned our structures in both Europe and the United States over the past four years to create a stronger platform for growth. Our structure today ensures a sharper focus on local customer needs, more efficient support functions, and a robust approach to business development.

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

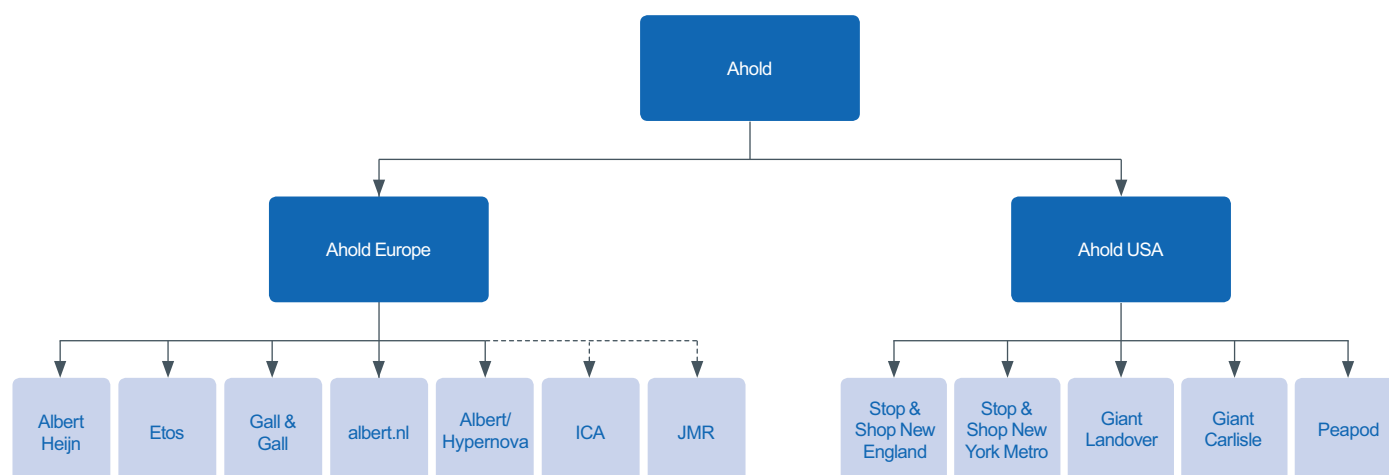
Ahold Europe comprises Albert Heijn, Etos, Gall & Gall, and albert.nl in the Netherlands and Albert / Hypemova in the Czech Republic and Slovakia. In Europe, each operating company has a general manager reporting to the COO of Ahold Europe.

Ahold USA is organized into four retail divisions: Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, and Giant Carlisle. Each has a division president reporting to the COO of Ahold USA. Peapod is included within Ahold USA.

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

Corporate Center

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



Financial targets

Our mid-term financial targets are to achieve a sustainable net sales growth of five percent (mainly from identical sales growth) and a sustainable underlying retail operating margin of five percent, while maintaining an investment grade credit rating.

Corporate responsibility

Acting responsibly is central to our business. We play a day-to-day role in the lives of millions of people. Our corporate responsibility strategy focuses on issues that are closely related to our business and where we can make a difference. This strategy, and our corporate responsibility goals and targets, are set globally by the Ahold Corporate Executive Board and implemented locally.

In 2010, we set a series of clear, measurable targets for each of our priority areas between now and 2015: healthy living, sustainable trade, climate action, community engagement, and our people. We take our commitments seriously and are ambitious in our targets. We want to be the responsible retailer.

To find out more about our corporate responsibility strategy, activities, and performance, see our 2010 Corporate Responsibility Report. Our reporting approach continues to be based on the standards developed by the Global Reporting Initiative (GRI).



To find out more about our CR Report:
<http://crreport2010.ahold.com>

Our values



In 2010 we aligned Ahold's values across the Group. All of our companies now share five common values that define who we are, what's important to us, and how we do things. These values are:

Putting the customer first



Doing what's right



Loving what we do



Making ideas happen



Getting better every day



Group performance



In 2010, we continued to provide value to our customers and deliver solid financial results.

The repositioning actions of our businesses in recent years and our strong focus on the customer have enabled us to increase volumes and market share in our major markets.

Overview

Market conditions remained challenging in 2010, with customers continuing to focus on value and with high levels of promotional activity. In addition, cost inflation increased, particularly in the second half of the year, and was not fully passed on to customers. Despite these conditions, we successfully managed the balance between sales and margins, and increased market share and volumes in the Netherlands and the United States.

In the Netherlands, Albert Heijn achieved another year of market share growth. Albert in the Czech Republic improved its performance as a result of an enhanced commercial position, and a lower cost structure. In the United States, we completed our reorganization of the businesses into four geographic divisions with one executive leadership team and support organization. Giant Carlisle acquired and integrated 25 former Ukrop's stores, Stop & Shop integrated five former Shaw's stores, and Giant Landover successfully completed Project Refresh, the three-year program to remodel approximately 100 of its stores.

Net sales in 2010 were €29.5 billion, up 5.7 percent compared to 2009. At constant exchange rates and excluding the impact of week 53 in 2009, net sales grew 4.4 percent. Our underlying retail operating margin was 4.9 percent; excluding the acquired Ukrop's stores, it was 5.1 percent, the same as in 2009.

We expect 2011 to remain challenging for the food retail industry. Although there are signs of a gradual economic recovery, we expect consumers to remain focused on value and cautious in their spending in an inflationary environment. We will continue to reduce costs so that we can invest in our offering to improve the value we provide, while managing the balance between sales and margin.

Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a 26 percent increase in our dividend to €0.29 per common share. Our strong balance sheet enables us to launch a new €1 billion share buyback program for the next 18 months while continuing to actively pursue our growth strategy and taking advantage of opportunities as they arise.

At current exchange rates, we expect net interest expense for 2011 to be in the range of €230 million to €250 million and capital expenditures to be around €0.9 billion.

Group performance continued

Results from operations

Ahold's 2010 and 2009 consolidated income statements are summarized as follows:

	2010 (52 weeks)		2009 (53 weeks)		% better / (worse)
	€ million	% of net sales	€ million	% of net sales	
Net sales	29,530	100.0	27,925	100.0	5.7%
Gross profit	7,920	26.8	7,587	27.2	4.4%
Retail operating expenses	(6,471)	(21.9)	(6,172)	(22.1)	(4.8)%
Underlying retail operating income	1,449	4.9	1,415	5.1	2.4%
Items excluded from underlying retail operating income:					
Impairments and impairment reversals – net	(27)		(39)		
Gains (losses) on the sale of assets – net	14		7		
Restructuring and related charges	(24)		(23)		
Retail operating income	1,412	4.8	1,360	4.9	3.8%
Corporate Center costs	(76)	(0.3)	(63)	(0.2)	(20.6)%
Operating income	1,336	4.5	1,297	4.6	3.0%
Net financial expense	(259)		(283)		8.5%
Income taxes	(271)		(148)		(83.1)%
Share in income of joint ventures	57		106		(46.2)%
Income from continuing operations	863		972		(11.2)%
Loss from discontinued operations	(10)		(78)		87.2%
Net income	853		894		(4.6)%

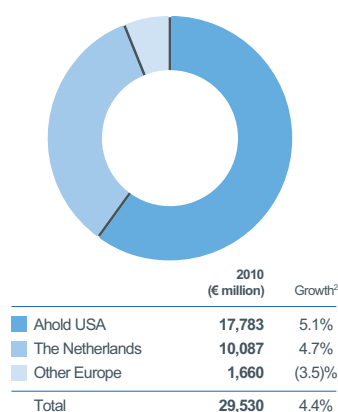
Net sales (€ million)

		Growth ¹
2010	29,530	4.4%
2009	27,925	3.9%
2008	25,648	6.9%
2007	24,824	6.6%
2006	24,584	4.2%

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

Net sales

Contribution by segment



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

Week 53

Our financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31. Financial year 2010 consisted of 52 weeks, while 2009 consisted of 53 weeks. Net sales in 2009 were positively impacted by the additional week, while the impact on operating margins for the year was negligible. In some of the discussions below, we have included comparisons of 2010 with 2009 excluding week 53 (referred to as adjusted 2009).

Net sales

Net sales in 2010 were €29.5 billion, up 5.7 percent compared to 2009. Compared to adjusted 2009 and at constant exchange rates, net sales growth in 2010 was 4.4 percent. We delivered strong sales performance in our major markets despite market conditions that remained challenging, particularly in the United States. Net sales growth was positively impacted by identical sales growth, store remodeling and expansion, new stores, and acquisitions, primarily the acquisition of 25 Ukrop's stores by Giant Carlisle in February 2010. You can read more about our operating companies' net sales in *Performance by segment*.

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

Group performance continued

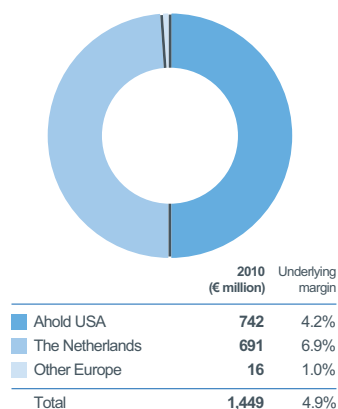
Operating income (€ million)

		Margin ¹
2010	1,336	4.9%
2009	1,297	5.1%
2008	1,202	5.1%
2007	1,071	4.9%
2006	992	4.8%

1 Underlying retail operating margin.

Underlying retail operating income

Contribution by segment



Operating income

In 2010, operating income was €1.3 billion, up €39 million or 3.0 percent compared to 2009. Underlying retail operating income (which excludes impairments, gains and losses on the sale of assets, and restructuring and related charges) was €1.4 billion, or 4.9 percent of net sales, consistent with our mid-term target of 5 percent. Higher operating profits were primarily driven by significantly improved results in our Other Europe segment (Czech Republic and Slovakia). Lower results from Ahold USA, which were impacted by losses from the acquired Ukrop's stores, reorganization and IT integration costs, and a challenging economic environment, were a partial offset. You can read more about our operating companies' results in *Performance by segment*. Impairments, gains and losses on the sale of assets, and restructuring and related charges are listed below.

Corporate Center costs were €76 million, up €13 million compared to 2009. This increase was primarily caused by our self-insurance activities, which had a negative impact of €1 million on Corporate Center costs in 2010, while in 2009 they had a positive impact of €11 million (driven by increased interest rates). Core Corporate Center costs (as defined in Non-GAAP financial measures) were €78 million, up €2 million compared to 2009.

Impairment of assets

Ahold recorded the following impairments and reversals of impairments of assets in 2010 and 2009:

	2010 € million	2009 € million
Ahold USA	(17)	(16)
The Netherlands	(6)	(6)
Other Europe	(4)	(17)
Ahold Europe	(10)	(23)
Total	(27)	(39)

In 2010, impairments related primarily to underperforming stores. In 2009, impairments at Ahold USA were related to real estate and the closing of a number of in-store Starbucks locations. Other Europe impairments were due to store closures and underperforming stores.

Gains and losses on the sale of assets

Ahold recorded the following gains on the sale of non-current assets in 2010 and 2009:

	2010 € million	2009 € million
Ahold USA	9	—
The Netherlands	3	6
Other Europe	2	1
Ahold Europe	5	7
Total	14	7

Group performance continued

Restructuring and related charges

Restructuring and related charges were as follows in 2010 and 2009:

	2010 € million	2009 € million
Ahold USA	(20)	1
The Netherlands	–	–
Other Europe	(4)	(24)
Ahold Europe	(4)	(24)
Total	(24)	(23)

In 2010, restructuring and related charges at Ahold USA primarily related to the organizational changes announced in November 2009. In 2009, restructuring and related charges primarily resulted from the closure of underperforming stores and the downsizing of large hypermarkets in the Czech Republic.

Net financial expense

Net financial expense decreased by €24 million compared to 2009, as a result of lower interest expense, partially offset by lower interest income following lower average yields on our outstanding cash balances. Interest expense, at €288 million, was down €28 million following significant debt reductions in 2009 (€0.5 billion) and 2010 (€0.4 billion), partially offset by a stronger U.S. dollar against the euro in 2010. Net interest expense was €270 million, at the mid-point of our guidance (at constant exchange rates, net interest was at the lower end of our guidance).

Income taxes

In 2010, income tax expense was €271 million compared to €148 million last year. The effective tax rate, calculated as a percentage of income before income taxes, was 25.2 percent (14.6 percent in 2009). The lower effective tax rate in 2009 was primarily the result of the recognition of €101 million in deferred tax assets primarily arising from U.S. net operating losses carried over from previous years.

Share in income of joint ventures

Ahold's share in income of joint ventures of €57 million decreased by €49 million compared to last year. These results primarily relate to our 60 percent shareholding in ICA and our 49 percent shareholding in JMR. Improved operating results at both ICA and JMR were more than offset by a tax provision recognized by ICA following an adverse court ruling (Ahold's share €47 million, for more information, see *Note 34* to the consolidated financial statements), and a provision against deferred tax assets at ICA Norway (Ahold's share €42 million). You can read more about ICA's and JMR's results in *Performance by segment*.

Loss from discontinued operations

Results from discontinued operations in 2010 and 2009 were most significantly impacted by Ahold's former subsidiaries, BI-LO and Bruno's, filing for protection under Chapter 11 of the U.S. Bankruptcy Code in 2009. This resulted in the recognition of a €62 million provision, after tax, in 2009, which represented our best estimate of our obligations under various lease guarantees.

In 2010, following various developments in the BI-LO and Bruno's bankruptcy proceedings (as further described in *Note 34* to the consolidated financial statements), we reduced our provision by €23 million, after tax.

In 2010 and 2009, results from discontinued operations were also impacted by various adjustments to the results of prior years' divestments (primarily U.S. Foodservice and Tops), as a consequence of warranties and indemnifications provided in the relevant sales agreements.

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

Net interest expense

€270 million

Group performance continued

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

2010	0.73
2009	0.81
2008	0.74
2007	0.53
2006	0.44

Earnings per share

Diluted income from continuing operations per common share was €0.73, a decrease of 9.9 percent compared to 2009. Higher operating profits were more than offset by higher income taxes and lower results from joint ventures. The average number of outstanding common shares decreased as a result of the shares bought back under the €500 million, 12-month share buyback program, which started in April 2010. This was partially offset by shares that were issued under employee share-based compensation programs.

Financial position

Ahold's consolidated balance sheets as of January 2, 2011 and January 3, 2010 are summarized as follows:

	January 2, 2011		January 3, 2010	
	€ million	%	€ million	%
Property, plant and equipment	5,827	39.6	5,407	38.8
Other non-current assets	3,704	25.1	3,421	24.6
Cash, cash equivalents, and short-term deposits	2,824	19.2	2,983	21.4
Other current assets	2,370	16.1	2,122	15.2
Total assets	14,725	100.0	13,933	100.0
Equity	5,910	40.1	5,440	39.0
Non-current portion of long-term debt	3,444	23.4	3,242	23.3
Other non-current liabilities	1,279	8.7	1,226	8.8
Short-term borrowings and current portion of long-term debt	117	0.8	458	3.3
Other current liabilities	3,975	27.0	3,567	25.6
Total equity and liabilities	14,725	100.0	13,933	100.0

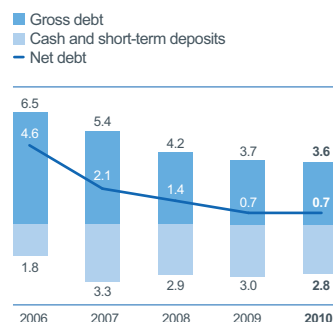
Property, plant and equipment increased by €420 million, primarily as a result of capital expenditures (including acquisitions) and the strengthening of the U.S. dollar against the euro.

The increase in other non-current assets primarily relates to goodwill paid on acquisitions (€111 million), mainly those of Ukrop's and Shaw's stores, and the improved financial position of our pension plans (€130 million). For the total group, our defined benefit plans showed a surplus of €81 million at year-end 2010 compared to a deficit of €78 million at year-end 2009. This improvement was due to positive investment results on the plan assets and cash contributions made to the plans, partially offset by the effect of lower interest rates in the United States.

A significant number of union employees in the United States are covered by multi-employer plans. With the help of external actuaries, we have adjusted the most recent available information that these plans have provided (largely related to financial years ending between July 1, 2009 and December 31, 2009) for market trends and conditions through the end of 2010. We estimate our proportionate share of the total deficit to be \$841 million (€628 million, pre-tax) at year-end 2010. While this is our best estimate based on the information available to us, it is imprecise and not necessarily reliable. For more information see Note 23 to the consolidated financial statements.

Equity increased by €470 million, mainly as a result of the addition of the current year's net income, partially offset by the dividend payment related to 2009 and the share buyback program that started in April 2010.

Group performance continued

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

In 2010, gross debt decreased €139 million to €3.6 billion as a result of loan repayments of €0.4 billion, partially offset by the strengthening of the U.S. dollar against the euro. Ahold's net debt was €737 million as of January 2, 2011, virtually unchanged compared to last year. Net debt does not include our commitments under operating lease contracts, which, on an undiscounted basis, amount to €6.0 billion.

Liquidity and cash flows

Liquidity

Ahold relies on cash provided by operating activities as a primary source of liquidity, in addition to debt and equity issuances in the capital markets, letters of credit under credit facilities, and available cash balances. Based on our current operating performance and liquidity position, we believe that cash provided by operating activities and available cash balances (including short-term deposits) will be sufficient for working capital, capital expenditures, dividend payments, interest payments, and scheduled debt repayment requirements for the next 12 months and the foreseeable future. A total of €19 million in loans will mature in 2011, €0.5 billion in 2012 through 2015, and €1.4 billion after 2015.

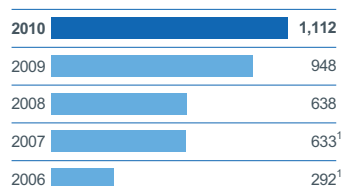
Our strategy over the past several years has positively impacted the credit ratings assigned to Ahold by Moody's and Standard & Poor's (S&P). In June 2009, S&P upgraded Ahold's corporate credit rating to BBB with a stable outlook. Moody's affirmed Ahold's Baa3 issuer credit rating and changed its outlook from stable to positive in November 2009. Both ratings were unchanged in 2010. Maintaining investment grade credit ratings is a cornerstone of our strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

Group credit facility

Ahold's €1.2 billion committed, unsecured, multi-currency, and syndicated credit facility has a base term of five years ending in August 2012. The credit facility may be used for working capital and for general corporate purposes and provides for the issuance of \$550 million (€411 million) in letters of credit. As of January 2, 2011, there were no outstanding borrowings under the credit facility other than letters of credit to an aggregate amount of \$392 million (€293 million).

Free cash flow

Free cash flow (€ million)



¹ Includes the settlement of the securities class action of €536 million in 2006 and €284 million in 2007.

	2010 € million	2009 € million
Operating cash flows from continuing operations	2,111	1,906
Purchase of non-current assets	(870)	(770)
Divestment of assets and disposal groups held for sale	32	22
Dividends from joint ventures	111	69
Interest received	15	31
Interest paid	(287)	(310)
Free cash flow	1,112	948
Repayments of loans	(419)	(524)
Dividends paid on common shares	(272)	(212)
Share buyback	(386)	–
Acquisition of businesses, net of cash acquired	(159)	(4)
(Investment in) / divestment of short-term deposits	85	(289)
Other	(118)	(88)
Net cash from operating, investing, and financing activities	(157)	(169)

Free cash flow, at €1.1 billion, increased by €164 million compared to 2009. Higher cash generated from operations, up €294 million, and a higher dividend received from ICA, were partially offset by a higher level of both capital expenditures and income taxes paid.

The free cash flow was used to return €658 million to shareholders (through our annual dividend and the share buyback program), for repayment of loans (€419 million), and for business acquisitions, primarily of 25 stores from Ukrop's by Giant Carlisle.

Group performance continued

Properties

At the end of 2010, we operated 2,970 stores, a net increase of 61 stores. Total sales area increased by 3.6 percent to 4.5 million square meters. This includes franchise stores and excludes the stores operated by our joint ventures ICA and JMR.

	January 2, 2011	Opened / Acquired	Closed / Sold	January 3, 2010
Ahold USA	751	40	2	713
The Netherlands ¹	1,914	38	16	1,892
Other Europe	305	3	2	304
Total	2,970	81	20	2,909

¹ The number of stores as of January 2, 2011 includes 1,071 specialty stores (Etos and Gall & Gall).

Franchisees operated 782 Albert Heijn, Etos, and Gall & Gall stores, 465 of which were either owned by the franchisees or leased independently from Ahold. Of the 2,505 stores that Ahold leases or owns, 20 percent were company-owned and 80 percent were leased (67 percent under operating leases and 13 percent under finance leases and financings). Ahold's stores range in size from 20 to over 10,000 square meters: the average sales area of our stores in the United States is approximately 3,800 square meters and in Europe approximately 1,300 square meters (excluding Etos and Gall & Gall, which operate much smaller stores).

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

We also operated the following other properties as of January 2, 2011:

Warehouses / distribution centers / production facilities / offices	66
Properties under construction / development	48
Investment properties	725
Total	839

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

The 725 investment properties consist of buildings and land. Virtually all these properties were subleased to third parties. The majority were shopping centers containing one or more Ahold stores and third-party retail units generating rental income. In 2007, Ahold completed a review of its global real estate portfolio. The review concluded that the majority of Ahold's investment properties have strategic importance for operating purposes and will remain in the portfolio; the non-strategic assets were to be sold in subsequent years, with estimated cash proceeds of approximately €100 million. Most of this €100 million was realized in the course of 2008 and by the end of 2010 the program was completed.

Capital expenditures of €1.1 billion in 2010 and €0.8 billion in 2009 were primarily related to the construction, remodeling, and expansion of stores and supply chain infrastructure improvements. In 2010, capital expenditures also included the acquisition and subsequent remodeling of the Ukrop's and Shaw's stores. Both 2010 and 2009 included significant investments related to Project Refresh, the three-year investment plan announced in October 2007 to remodel or replace approximately 100 Giant Landover stores, which was completed in 2010.

Capital expenditures

€1.1 billion

Performance by segment

The Netherlands

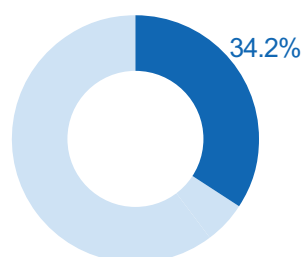
Sales (€ million)

2010 10,087

2009 9,843

3.6% Identical sales growth

Contribution to Group sales



Operating income (€ million)

2010 688

2009 654

6.9% On an underlying basis

Number of stores (at year end)

	2010	2009
Albert Heijn	843	835
Etos	523	518
Gall & Gall	548	539
The Netherlands	1,914	1,892

Highlights of the year

- Albert Heijn realized another year of market share growth
- Albert Heijn rolled out a new assortment of affordable, everyday, non-food items and increased the number of products under its "AH puur&eerlijk" organic and sustainable own brand
- Albert Heijn's XL store format was named the best supermarket in the Netherlands for the second consecutive year; Albert Heijn's supermarket format took second place
- During the World Cup Soccer Championships, Albert Heijn gave away a stuffed toy mascot that created a national hype
- Etos was named the most customer-friendly drugstore in the Netherlands
- Gall & Gall remodeled its 100th store to the company's new format and introduced a new gift concept
- Gall & Gall continued to open small stores adjacent to Albert Heijn supermarkets

Albert Heijn, Etos, Gall & Gall, and the online delivery service albert.nl comprise the segment called the Netherlands. The following table contains operational information, including net sales and operating income, for the Netherlands in 2010 and 2009:

	2010	2009
Net sales in € millions	10,087	9,843
Change in identical sales	3.6%	1.8%
Operating income in € millions	688	654
Operating income as a percentage of net sales	6.8%	6.6%
Underlying operating income as a percentage of net sales	6.9%	6.6%
Number of employees at year-end (headcount)	84,107	80,471
Number of employees at year-end (FTE)	28,425	27,399
Sales area of own operated stores (in thousands of square meters)	876	865

Net sales

Net sales increased to €10.1 billion in 2010, a rise of 4.7 percent adjusted for the additional week in 2009. Despite a competitive market, identical sales increased by 3.6 percent, largely due to customer loyalty strengthened by our successful value repositioning at Albert Heijn and Etos in recent years, as well as effective promotions at Albert Heijn, Etos, and Gall & Gall.

Operating income

In 2010, operating income increased €34 million, or 5.2 percent, to €688 million. The Netherlands achieved solid identical sales growth and continued to focus on efficiencies. Results included a total of €19 million in positive non-recurring items. Impairments of €6 million were partly offset by a €3 million gain on the sale of real estate, as discussed in *Results from operations* under *Group performance*.

Performance by segment continued

The Netherlands continued



Established: 1887

Joined Ahold: The Ahold Group was established by Albert Heijn

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

Market area: The Netherlands, in Europe

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

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



Albert Heijn

Albert Heijn is the leading food retailer in the Netherlands and one of the country's best-known brands. At the end of 2010, Albert Heijn operated 843 stores – eight more than the previous year – and continued to grow sales and market share by providing value to its customers. In 2010, more than 80 stores were remodeled, relocated or expanded. The company further developed its innovative store formats, own-brand product range, and overall offering to meet changing customer needs and local preferences.

Albert Heijn also worked with the Dutch Ministry of Internal Affairs to help make certain neighborhoods that the government identified as in need of attention, and in which Albert Heijn operates more than 40 stores, better places to live. One way Albert Heijn did this was by encouraging schools in these neighborhoods to participate in the “Ik eet het beter” program that aims to teach children healthier eating habits. Ahold also sponsored the “Dam to Dam” run, a well-known and long-established 16.1 kilometer race from Amsterdam to Zaandam in the Netherlands. The 55,000 participants included 2,650 Ahold employees.



More about Albert Heijn online:
www.ah.nl



Established: 1918

Joined Ahold: 1974

Brands: Etos

Market area: The Netherlands, in Europe

Store formats: Drugstores, and online shopping

Own brands include: Etos Huismerk (house brand) and Etos Voordeelselectie (value selection)

Etos

Etos is one of the largest drugstore chains in the Netherlands. It offers customers a wide selection of quality health and beauty, body care, and baby care products at affordable prices, and friendly, knowledgeable service. At the end of 2010, Etos operated 523 stores – five more than the previous year – and continued to grow sales.

In 2010, customers voted Etos one of the most customer-friendly companies – and the most customer-friendly drugstore – in the Netherlands.



More about Etos online:
www.etos.nl



Performance by segment continued

The Netherlands continued



Established: 1884

Joined Ahold: 1989

Brands: Gall & Gall

Market area: The Netherlands, in Europe

Store formats: Wine and liquor stores and online shopping

Own brands include: Gall & Gall huiswijn (range of selected own-brand wines)



Gall & Gall

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

At the end of 2010, Gall & Gall operated 548 stores, an increase of nine over the previous year. The company remodeled its 100th store into its new wine and liquor format and continued to roll out small liquor stores adjacent to Albert Heijn supermarkets under the format, "Gall & Gall gemak" (Gall & Gall convenience). To inspire and attract customers, Gall & Gall introduced a new gift concept that offers wines in festive packaging and developed special events, including a contest for wine enthusiasts. It also continued its successful Wild Wine Days ("Wilde Wijn Dagen") promotional campaign, offering customers great deals on wine.



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



Established: 2001

Joined Ahold: albert.nl was established by Ahold

Brands: albert.nl, Albert

Market area: The Netherlands, in Europe

Store formats: Online grocery ordering and delivery



albert.nl

The online delivery service of Albert Heijn, Etos, and Gall & Gall is the largest online grocery service in the Netherlands. It offers products from all three brands for delivery right into customers' kitchens. 2010 was another year of sales growth for the company, driven by an increased average order size.



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

Performance by segment continued

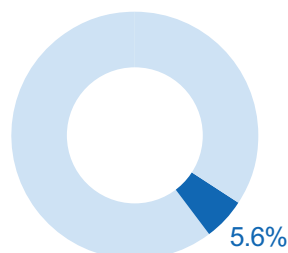
Other Europe

Sales (€ million)

2010	1,660
2009	1,683

0.8% Identical sales growth

Contribution to Group sales



Operating income (€ million)

2010	10
2009	(76)

1.0% On an underlying basis

Number of stores (at year end)

	2010	2009
Czech Republic	279	278
Slovakia	26	26
Other Europe	305	304

Highlights of the year

- Albert in the Czech Republic successfully improved its commercial position through a value campaign focused on competitive prices, and by investing in the quality and presentation of its assortment, particularly fresh food products
- Albert extended its store opening hours in the Czech Republic by more than 15 percent
- Albert began to benefit from a lower cost structure as a result of continuous improvements that simplified the business and lowered costs. In 2010, Albert / Hypernova completed the downsizing of all of its hypermarkets in Slovakia

Albert / Hypernova in the Czech Republic and Slovakia comprises the segment called Other Europe. The following table contains operational information, including net sales and operating income (loss), for Other Europe in 2010 and 2009:

	2010	2009
Net sales in € millions	1,660	1,683
Change in identical sales	0.8%	(1.2)%
Change in identical sales (excluding gasoline sales)	0.7%	(1.2)%
Operating income in € millions	10	(76)
Operating income as a percentage of net sales	0.6%	(4.5)%
Underlying operating income as a percentage of net sales	1.0%	(2.1)%
Number of employees at year-end (headcount)	12,140	12,927
Number of employees at year-end (FTE)	11,144	12,096
Sales area of own operated stores (in thousands of square meters)	452	462

Net sales

Net sales amounted to €1.7 billion in 2010, a decrease of 3.5 percent at constant exchange rates and adjusted for the additional week in 2009. The decline was due to last year's closing of 23 loss-making stores and downsizing of large hypermarkets. Identical sales increased 0.8 percent as a result of a successful second half of the year in the Czech Republic. This was impacted by improvements to Albert's commercial position, supported by a new campaign, promotions, and extended store opening hours.

Operating income

Other Europe reported an operating income of €10 million, an improvement over last year's operating loss of €76 million. 2009 was impacted by rebranding costs and significant restructuring charges related to the simplification of the business, reduction of its cost base, downsizing of large hypermarkets, and closure of 23 loss-making stores. In 2010, the company began to benefit from a more competitive cost base as a result of continued operational improvements and simplification that started in the previous year. The 2010 operating income included €8 million in restructuring and impairment charges and a €2 million gain on the sale of real estate.

Performance by segment continued

Other Europe continued



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

Joined Ahold: Albert / Hypernova was established by Ahold

Brands: Albert, Hypernova

Market area: The Czech Republic and Slovakia, in Europe

Store formats: Hypermarkets, compact hypermarkets, and supermarkets

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



Albert / Hypernova

Albert and Hypernova are among the best-known food retail brands in the Czech Republic and Slovakia. At the end of 2010, the company operated 279 stores in the Czech Republic – one more than last year – and operated 26 stores in Slovakia. Last year the company completed the rebranding of all its Hypernova stores in the Czech Republic to one brand, Albert. Operating under a single brand has enabled the company to achieve a stronger position in the market. Albert / Hypernova downsized several hypermarkets in Slovakia in response to changing consumer preferences and trends.

In both the Czech Republic and Slovakia, Albert / Hypernova invested in lower prices and attractive promotions to improve customer perception and the company's value proposition. Albert, particularly in the Czech Republic, focused on further improving its fresh food assortment and own-brand product range to strengthen its commercial proposition.

Albert ran its "Bertici" charitable campaign for the 11th year in a row. The campaign raised €0.3 million to help children in need through donations to hundreds of institutions, social care homes and orphanages. The company also started to charge one Czech crown for the plastic bags customers use for their groceries. Profits are donated to the Albert Charity Foundation, which supports families, promotes health, and helps individuals in need in the Czech Republic.



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

Performance by segment continued

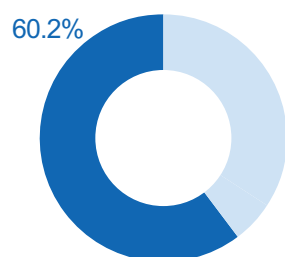
Ahold USA

Sales (€ million)

2010	17,783
2009	16,399

1.5% Identical sales growth

Contribution to Group sales



Operating income (€ million)

2010	714
2009	782

4.2% On an underlying basis

Number of stores (at year end)

	2010	2009
Stop & Shop New England	217	212
Stop & Shop New York Metro	175	169
Giant Landover	179	180
Giant Carlisle	180	152
Ahold USA	751	713

Highlights of the year

- Reorganized into four geographic divisions – Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, and Giant Carlisle – with one support organization and executive leadership team
- Volumes increased across the divisions and Ahold USA increased its market share
- Giant Carlisle integrated the Ukrop's Super Markets chain, remodeling the 25 stores into the Martin's banner
- The Stop & Shop divisions integrated five former Shaw's supermarkets
- Giant Landover successfully completed Project Refresh, the three-year program to remodel approximately 100 of its stores
- Peapod expanded into Indianapolis, Manhattan, and southeastern Wisconsin

Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle, and Peapod comprise the segment called Ahold USA. The following table contains operational information, including net sales and operating income, for Ahold USA in 2010 and 2009:

	2010	2009
Net sales in € millions	17,783	16,399
Net sales in \$ millions	23,523	22,825
Change in identical sales	1.5%	1.7%
Change in identical sales (excluding gasoline sales)	0.4%	2.3%
Change in comparable sales (excluding gasoline sales)	0.8%	2.8%
Operating income in € millions	714	782
Operating income in \$ millions	941	1,087
Operating income as a percentage of net sales	4.0%	4.8%
Underlying operating income as a percentage of net sales	4.2%	4.9%
Number of employees at year-end (headcount)	115,993	112,602
Number of employees at year-end (FTE)	82,182	78,350
Sales area (in thousands of square meters)	2,838	2,689

Net sales

In 2010, net sales increased to \$23.5 billion, a 5.1 percent rise when adjusted for the additional week last year. Sales generated by the acquired Ukrop's stores amounted to \$0.5 billion. Identical sales, excluding gasoline, increased 0.4 percent in 2010, compared to 2.3 percent in 2009. Ahold USA continues to grow in a competitive market by offering quality products and services and running effective promotional activities. During 2010, the company succeeded in growing market share in most of its markets.

Operating income

In 2010, operating income decreased \$146 million or 13.4 percent to \$941 million, impacted by an additional week in 2009. Results were impacted by \$43 million in transition costs and \$26 million in restructuring and related charges, the majority of which resulted from the restructuring of Ahold USA into one organization. The acquired Ukrop's Super Market chain had a negative operating result of \$53 million. Impairment charges were \$23 million and gains on the sale of assets \$12 million, as discussed in *Results from operations* under *Group performance*. A positive release of \$20 million of insurance reserves was also recorded during the year. Gross profit margins across Ahold USA were impacted by product cost inflation that we did not fully pass through to our retail prices. Our U.S. banners continued to focus on promotions, in line with the rest of the market. Successful operational cost saving initiatives partially offset the lower margins.

Performance by segment continued

Ahold USA continued

**Established:** 1914**Joined Ahold:** 1996**Brands:** Stop & Shop

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

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

Store formats: Supermarkets and superstores

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



Stop & Shop New England

Stop & Shop is a major supermarket brand in the northeastern United States. The Stop & Shop New England division operates 217 stores and 67 fuel stations in southern New England. In 2010, the division opened five new stores, three of which were acquired, relocated two stores, and remodeled 27.

Stop & Shop New England continued its strong commitment to supporting local charities and fundraising initiatives throughout the year. For example, customers and employees raised over \$1 million to support regional food banks. In recognition of Stop & Shop's efforts in raising \$50 million for cancer research and treatment over the last 20 years, the company received the prestigious "Sidney Farber Medical Research Award."

Stop & Shop New York Metro

Stop & Shop is a major supermarket brand in the northeastern United States. The Stop & Shop New York Metro division operates 175 stores and eight fuel stations in a competitive and diverse marketplace serving customers of many ethnic and socio-economic backgrounds.

In 2010, Stop & Shop New York Metro opened six new stores, including two that were acquired, and remodeled a further 16 stores. One of the new stores was considered the cornerstone of the revitalization of a neighborhood in the New York City borough of Queens.

The division continued its strong support of local communities; for example, customers, employees, and vendor partners raised \$1.25 million for Memorial Sloan Kettering Hospital.

Stop & Shop New York Metro is also the largest sponsor of local food banks throughout the region.



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

**Established:** 1936**Joined Ahold:** 1998**Brands:** Giant

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

Store formats: Supermarkets and super stores

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



Giant Landover

Giant Landover is a leading supermarket chain in the mid-Atlantic United States. It operates 179 stores in three states and the District of Columbia. Giant Landover also operates nine fuel stations. In 2010, the division successfully completed its three-year "Project Refresh" program launched in 2008 to remodel or replace approximately 100 of its stores. In addition, Giant Landover closed one store and completed two relocations. In May, Giant Landover launched a new gas rewards loyalty initiative, in partnership with Shell, enabling its customers to save on gasoline.

In 2010, Giant Landover was named Retailer of the year by Food For All, a non-profit organization based in Virginia, and also received the first "Gift of Life" award by The Children's Cancer Foundation, based in Maryland.



More about Giant Landover online:
www.giantfood.com

Performance by segment continued

Ahold USA continued



Established: 1923

Joined Ahold: 1981

Brands: Giant Food Stores and Martin's Food Markets

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

Store formats: Supermarkets and super stores

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



Giant Carlisle

Giant Carlisle is a leading supermarket chain in the mid-Atlantic United States. It operates 180 grocery stores under the names of Giant Food Stores and Martin's Food Markets and 81 fuel stations in four states. In the first half of 2010, Giant Carlisle successfully remodeled 25 former Ukrop's stores, acquired in February 2010, under the Martin's banner, expanding its presence in Virginia. In addition, Giant Carlisle opened four stores – three new and one renovated – expanded three stores, and remodeled another three. In November, Giant announced the acquisition of two Genuardi's stores that will be rebranded as Giant and open in the first half of 2011.

Giant Carlisle continued to build on its extensive tradition of community engagement. Among other efforts, Giant's Bag Hunger campaign surpassed \$1 million in donations for the first time. The company received the Golden Grocer Award by the U.S. Department of Agriculture in recognition of its sustained commitment to the fight against hunger. Giant also raised more than \$1.1 million to benefit local United Way charities.



More about Giant Carlisle online:
www.giantfoodstores.com

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

Peapod®

Established: 1989

Joined Ahold: 2000

Brands: Peapod

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

Store formats: Online grocery ordering and delivery



Peapod

Peapod is the leading online grocery service in the United States. It works in partnership with Stop & Shop and Giant Landover to serve markets in 11 states and the District of Columbia. In 2010, Peapod was able to strongly grow sales in its existing markets. In addition, the company successfully entered Indianapolis, Indiana; Manhattan, New York; and southeastern Wisconsin.



More about Peapod online:
www.peapod.com

Performance by segment continued

Joint ventures

**Established:** 1917**Joint venture with Ahold formed:** 2000

Brands: In Sweden, ICA Nära, ICA Supermarket, ICA Kvantum, and Maxi ICA Hypermarket. In Norway, ICA Nar, ICA Supermarked, ICA Maxim, and Rimi. In the Baltics, Rimi Hypemarket, Rimi Supermarket, SuperNetto, and Saastumarket.

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

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

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



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

ICA

ICA is a food retail group, headquartered in Stockholm, Sweden. As of year-end 2010, ICA served 2,270 retailer-owned and company-operated retail food stores in Sweden, Norway, and the Baltic States. The company also provides limited consumer financial services in Sweden through its bank.

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

In 2010, ICA introduced a new pharmacy chain called Cura inside its Swedish Maxi ICA hypermarkets. The company opened 30 of these pharmacies over the course of the year, each providing a wide range of prescription and non-prescription medication, trained pharmacy staff, convenient locations, and extended opening hours.

In Norway, the store rebranding program continued, with the company rolling out the new Rimi store format that emphasizes its low prices while providing a brighter, more modern and inspiring store environment. In 2010, 108 stores were converted, bringing the total number of converted Rimi stores to 184.

In the Baltics, the Rimi stores launched a major, market-wide value campaign in April, cutting prices on many products as part of its efforts to further improve the company's price image.

Net sales

In 2010, net sales were €9.8 billion, an increase of 0.9 percent at constant exchange rates. The increase was due to a continuing solid performance in Sweden. Sales decreased in Norway, which is under pressure from fierce competition, and in the Baltic countries, which were heavily impacted by the economic downturn, but started to recover in the second half of the year.

Operating income

In 2010, operating income increased €52 million to €304 million and the operating margin was 3.1 percent. At constant exchange rates, operating profit increased €24 million. The increase was due to a strong performance in Sweden and improved, though still negative, operating income in the Baltics. It was partially offset by continued negative results in Norway.

Net income

In 2010, net income decreased €92 million to €54 million. Improved operating income and a positive impact from changes in exchange rates were offset by higher income taxes due to a provision related to a tax claim by the Swedish tax authorities and a provision against deferred tax assets in Norway.



More about ICA online:
www.ica.se

Performance by segment continued

Joint ventures continued



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

Joint venture with Ahold formed: 1992

Brands: Pingo Doce

Market area: Portugal, in Europe

Store formats: Supermarkets and hypermarkets

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



JMR

In 1992, Ahold became a 49 percent partner in the joint venture JMR along with Jerónimo Martins Retail, SGPS, S.A. (51 percent). Under the terms of the shareholders' agreement, the Company shares equal voting power with Jerónimo Martins, SGPS, S.A. JMR is headquartered in Lisbon, Portugal.

At the end of 2010, JMR owned and operated 364 stores in Portugal under the brand name Pingo Doce. In 2010, Pingo Doce celebrated its 30th anniversary. The company closed one store, and opened seven stores and 11 in-store restaurants during the year.

Net sales

In 2010, net sales increased by 10.5 percent to €3.0 billion, driven by identical sales growth and new stores. This strong identical growth reflected further improvements to the company's commercial proposition, with a continued emphasis on own brand and the quality of perishable products and increased commercial communications relating to its competitive pricing.

Operating income

In 2010, operating income increased to €100 million as a result of higher sales; the operating margin was 3.3 percent.

Net income

In 2010, net income increased €2 million to €47 million.



More about Pingo Doce online:
www.pingodoce.pt

Non-GAAP measures

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

Net sales at constant exchange rates

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

Net sales in local currency

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

Adjusted full year 2009 sales

Adjusted full year 2009 sales exclude net sales in the 53rd week of 2009. Ahold's management believes that this measure provides an insight into the impact of an additional week when net sales are compared to the previous year.

Identical sales

Net sales from exactly the same stores in local currency for the comparable period (the comparable period corresponds to the adjusted full year 2009).

Identical sales, excluding gasoline net sales

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

Comparable sales

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

Underlying retail operating income

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

Operating income in local currency

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

Core Corporate Center costs

Core Corporate Center costs relate to the core responsibilities of the Corporate Center, including Corporate Finance, Corporate Strategy, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Communications, Corporate Responsibility, and the Corporate Executive Board. Total corporate costs also include results from other activities coordinated centrally but not allocated to any operating company. Management believes that this measure provides a better insight into the Company's operating performance.

Non-GAAP measures continued

Free cash flow

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

Net debt

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

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

How we manage risk



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

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

Risk management and internal control

Enterprise risk management

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

Ahold Business Control Framework

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

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

How we manage risk continued



More about *Code of Conduct* online:
www.ahold.com

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

Code of Conduct

Our Global Code of Professional Conduct and Ethics is based on Ahold's core values. It is intended to help each employee understand and follow relevant compliance and integrity rules, and know when and where to ask for advice. The code applies to Ahold, its operating companies and all management-level employees, as well as to third parties hired by or acting for and on behalf of Ahold. It co-exists with the local codes of conduct at each of our operating companies. The code is available in the corporate governance section of Ahold's public website at www.ahold.com.

Monitoring

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

Governance Risk and Compliance Committee

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

Declaration

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

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

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

With respect to financial reporting, management has assessed whether the risk management and control systems provide reasonable assurance that the 2010 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework. It included tests of the design and operating effectiveness of entity level controls, transactional controls at significant locations, and relevant general computer controls. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, management determined that the Company's financial reporting systems are adequately designed and operated effectively in 2010.

Risk factors

The principal risk factors that may impede the achievement of Ahold's objectives with respect to strategy, operations and compliance are described in the following section. The enterprise risk management system, the governance and control standards incorporated into our ABC Framework and the monitoring systems described above are the principal means by which we manage these risks. Management is not aware of any important failings in these systems as of year-end 2010.

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

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

Strategic risks

Ahold may not be able to successfully implement its strategy or may not achieve the anticipated benefits due to adverse macro-economic conditions and competitive pressures.

Our strategy for profitable and sustainable growth has several main areas of focus. We have realigned our portfolio to focus on our core retail businesses in Europe and the United States, building our individual retail banners into powerful local brands. We are using our continental organizational structures to ensure that management decisions are made at the most appropriate level and economies of scale and best practices can effectively be leveraged to support our local operating companies. In addition, we are working to meet our financial targets, including a €350 million cost reduction program, and have brought a more focused and coordinated approach to our Corporate Responsibility program. For more information see *Our strategy*. However, Ahold is subject to a number of risks, mainly macro-economic and competitive, that may impair our ability to effectively implement our strategy or realize the anticipated benefits.

Risks related to macro economic circumstances

The global economic downturn that started in late 2007 has impacted all of the economies and markets in which we operate, and a recovery is slow to materialize. High unemployment, reduced consumer confidence and disposable incomes, and food and fuel price volatility can negatively affect customer demand and may negate the results of investments we have made through our value repositioning programs. The financial crisis has restricted the availability of credit in our markets and limits governments' abilities to implement further fiscal stimuli. This may result in sustained, sluggish growth in customer demand as shoppers remain price sensitive, cause the failure of key suppliers, or otherwise disrupt our supply chains, impacting the cost and availability of goods. As a result of the current economic climate, our competitors continue to take aggressive actions. These factors or other unforeseen effects of the current economic climate could impair the effectiveness of Ahold's strategy, reduce the anticipated benefits of its price repositioning and cost savings programs or other strategic initiatives, and may have a material adverse effect on the Company's financial position, results of operations, and liquidity.

Risks related to acquisition and integration

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

How we manage risk continued

Risks related to expansion

One of our strategic objectives is to expand by opening new stores in Europe and the United States. Our ability to open new stores is dependent on whether we are able to purchase properties or enter into leases on commercially reasonable terms for properties that are suitable for our needs. If Ahold fails to secure property in a timely manner, its growth may be impaired.

Operational risks**Risk related to collective bargaining**

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

Risks related to information security

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

Risks related to business and IT continuity

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

Risks related to food and non-food safety

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

How we manage risk continued

Risks related to corporate responsibility

Increased regulatory demands, stakeholder awareness and the growing sentiment that large retailers must address sustainability issues across the entire supply chain mean that Ahold's brand and reputation may suffer if it does not adequately address relevant corporate responsibility issues affecting the food retail industry. Furthermore, if we fail to effectively increase the fuel and energy efficiency of our operations or to reduce waste, our operational and cost competitiveness may be adversely affected. We continue to develop a broad range of coordinated and focused programs to address issues such as climate change, energy efficiency, waste reduction, social accountability, healthy living, community engagement, and corporate responsibility reporting. If these programs are not successful or are otherwise inadequate, Ahold's reputation and competitive position could suffer. See Ahold's Corporate Responsibility Report 2010 for additional information about our policies and programs in this area.

Risks related to business transformation

Ahold has made changes in its European and U.S. businesses to create strong platforms for future growth. The reorganization in both continents has delineated areas of responsibility and further simplified and standardized processes and structures so that the Company can integrate acquisitions more easily. These projects were carefully planned and changes are being implemented with a high degree of ongoing attention from executive management. However, it is possible that some transformation initiatives will not be fully effective. These transformation activities could cause disruption as systems, processes and resource talent have recently changed, and this disruption could adversely affect Ahold's financial position, results of operations, and liquidity.

Risk related to large strategic projects

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

Financial risks**Risks related to contingent liabilities associated with lease guarantees**

Following the divestment of subsidiary businesses, such as BI-LO / Bruno's and Tops, and the closure of certain other facilities, Ahold has outstanding contingent liabilities to third parties relating to lease guarantees it has issued. Ahold may face financial exposure in the event that some of these divested businesses encounter financial difficulty or go into bankruptcy, which could have a material adverse effect on Ahold's financial position, results of operations, and liquidity. For further information, see *Note 34* to the consolidated financial statements.

How we manage risk continued

Risks associated with insurance programs

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

Risks related to health care and pension funding requirements

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

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

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

Other financial risks include:

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

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

Compliance and regulatory risks

Risks related to unforeseen tax liabilities

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

Risks related to the legislative and regulatory environment and litigation

Ahold is subject to federal, regional, state, and local laws and regulations in each country in which it operates relating to, among others, zoning, land use, antitrust restrictions, work place safety, public health including food and non-food safety, environmental protection, community right-to-know, alcoholic beverage sales, pharmaceutical sales, and information security.

A number of jurisdictions regulate the licensing of supermarkets, which may entail the restriction or prohibition of certain business operations. Employers are also subject to laws governing their relationship with employees, including but not limited to minimum wage, overtime, working conditions, health care, disabled access, and work permit requirements. The cost of compliance with, or changes in, these laws could reduce the profitability of Ahold's stores and could affect its business, financial condition or results of operations. Ahold is subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which it operates. In a number of markets, Ahold has market positions that may make future significant acquisitions more difficult and may limit its ability to expand by acquisition or merger. Due to the wider scope of activity of various regulatory and governing bodies, and the litigious environment that Ahold may experience in the markets in which it operates, litigation may increase in frequency and materiality.

Our leadership – Corporate Executive Board



Dick Boer

Chief Executive Officer

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

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

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

Dick is chairman of Central Office Food Trade (CBL), president of the European Retail Round Table, and a member of the executive board of The Confederation of Netherlands Industry and Employers (VNO-NCW). He is also member of the advisory boards of G-star and the Red Cross Hospital Beverwijk, and a member of the supervisory board of AMS Sourcing B.V.



Kimberly Ross

Executive Vice President and Chief Financial Officer

Kimberly Ross (May 5, 1965) is a U.S. national. She was appointed to the position of Executive Vice President and Chief Financial Officer and acting member of the Corporate Executive Board on November 15, 2007, after having served as Deputy Chief Financial Officer since July 1, 2007. On April 23, 2008, Ahold's shareholders appointed Kimberly to the Corporate Executive Board.

Kimberly joined Ahold in September 2001 as Assistant Treasurer. In April 2002, she became Vice President and Group Treasurer and was promoted to Senior Vice President and Group Treasurer in January 2004. She was appointed Senior Vice President and Chief Treasury and Tax Officer in April 2005.

Prior to joining Ahold, Kimberly held the position of Senior Manager at Ernst & Young in New York and Director of Corporate Finance for the Americas at Joseph E. Seagram & Sons Inc. She also held a number of other management positions at Joseph E. Seagram & Sons Inc. from 1995 through 2001 as well as at Anchor Glass from 1992 to 1995.

Kimberly is a member of the advisory board of the Rotterdam School of Management, Erasmus University.



Lodewijk Hijmans van den Bergh

Executive Vice President and Chief Corporate Governance Counsel

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

Prior to joining Ahold, Lodewijk was a partner and member of the managing committee of Amsterdam-based law firm De Brauw Blackstone Westbroek, where he was head of the corporate practice group. He was the resident partner of De Brauw's London office from 1994 to 1998.

Lodewijk is the deputy chairman of the board of the Royal Concertgebouw Orchestra.

Our leadership – Supervisory Board



René Dahan
Chairman

Chairman of the Selection and Appointment Committee

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



Tom de Swaan
Vice Chairman

Chairman of the Audit Committee

Tom de Swaan (March 4, 1946) is a Dutch national. He was first appointed to the Supervisory Board on May 3, 2007, and his term runs until 2011. Tom is former CFO of ABN AMRO Bank N.V. He also held various executive positions at the Dutch Central Bank and was a non-executive director of the Financial Services Authority in London. Tom is a member of the board of GlaxoSmithKline Plc and chairman of its audit committee, and a member of the board of directors of Zurich Financial Services. He is chairman of the supervisory board of Van Lanschot Bankiers N.V. and a member of the supervisory board of Royal DSM and chairman of its audit committee. In addition, Tom is chairman of the advisory board of the Rotterdam School of Management, Erasmus University.



Karen de Segundo

Karen de Segundo (December 12, 1946) is a Dutch national. She was first appointed to the Supervisory Board on June 2, 2004. Karen will resign as member of the Supervisory Board as of April 20, 2011 – the day of the annual General Meeting of Shareholders. Karen is former CEO of Shell International Renewables and President of Shell Hydrogen and, prior to that, CEO of Shell International Gas & Power. She is a member of the supervisory board of E.ON AG, member of the board of Pöyry Oyj, and non-executive director of British American Tobacco Plc, Lonmin Plc and Ensus Holding Ltd. Karen is a former non-executive director of BlackRock New Energy Investment Trust Plc (2000 – 2009) and member of the eco advisory board of General Electric (2006 – 2009).



Derk C. Doijer

Chairman of the Remuneration Committee

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



Stephanie M. Shern

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



Judith Sprieser

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



Mark McGrath

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



Ben Noteboom

Ben Noteboom (July 4, 1958) is a Dutch national. He was appointed to the Supervisory Board on April 28, 2009, and his term runs until 2013. Mr. Noteboom currently holds the position of CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in March 2003. He joined Randstad in 1993 and since then has held various senior management positions within the company. From 2000, he was responsible for in-house services Europe-wide, joining the executive board in 2001.

Corporate governance



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

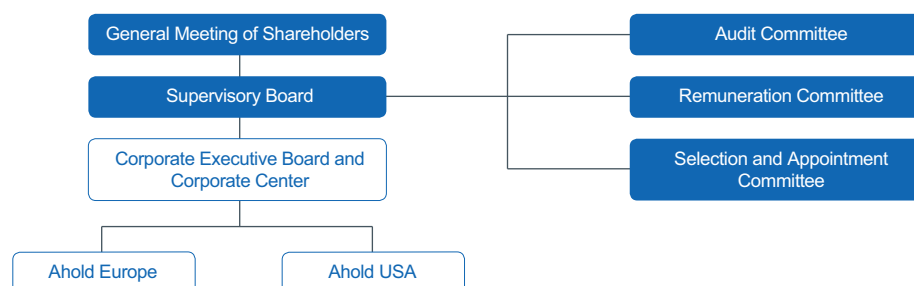
This section contains an overview of Ahold's corporate governance structure and includes information required under the Dutch Corporate Governance Code.

Governance structure

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

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

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



Corporate Executive Board

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

Composition

According to Ahold's Articles of Association, the Corporate Executive Board must consist of at least three members. The current members of the Corporate Executive Board are: Dick Boer, Chief Executive Officer; Kimberly Ross, Executive Vice President and Chief Financial Officer; and Lodewijk Hijmans van den Bergh, Executive Vice President and Chief Corporate Governance Counsel.

Lodewijk Hijmans van den Bergh was appointed to the Corporate Executive Board at the annual General Meeting of Shareholders on April 13, 2010, having served as acting member since December 2009.

During the entire financial year 2010, John Rishton served as Chief Executive Officer and Lawrence Benjamin as Executive Vice President and Chief Operating Officer Ahold USA. John Rishton left his position on February 28, 2011 and was succeeded by Dick Boer. Lawrence Benjamin retired on January 31, 2011. As of March 2011, the Corporate Executive Board comprises three members, while the continental Chief Operating Officers report directly to the CEO.

Appointment, suspension and dismissal

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

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

Remuneration

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

Retirement and possible reappointment schedule

Name	Date of birth	Date of appointment	Date of possible reappointment
Dick Boer	August 31, 1957	May 3, 2007	2011
Kimberly Ross	May 5, 1965	April 23, 2008	2012
Lodewijk Hijmans van den Bergh	September 16, 1963	April 13, 2010	2014

Supervisory Board

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

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

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

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

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

Appointment

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

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

Conflict of interest

Each member of the Corporate Executive Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other members of the Corporate Executive Board and provide them with all relevant information. Each Supervisory Board member is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide him or her with all relevant information. The Chairman determines whether there is a conflict of interest. If a member of the Supervisory Board or a member of the Corporate Executive Board has a conflict of interest with the Company, the member may not participate in the discussions and / or decision-making process on a subject or transaction relating to the conflict of interest. The Chairman of the Supervisory Board will arrange for such transactions to be disclosed in the Annual Report. No conflicts of interest occurred in 2010. In accordance with best practice provision III.6.4 of the Dutch Corporate Governance Code, Ahold reports that no transactions between the Company and legal or natural persons who hold at least 10 percent of the shares in the Company occurred in 2010.

Shares and shareholders' rights

General Meeting of Shareholders

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

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

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

Voting rights

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

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

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

Cumulative preferred financing shares

All outstanding cumulative preferred financing shares have been issued to SAPFAA. Holders of depositary receipts can obtain proxies from SAPFAA. In accordance with its articles, the board of SAPFAA consists of three members: one A member, one B member, and one C member. The A member is appointed by the general meeting of depositary receipt holders, the B member is appointed by the Company, and the C member is appointed by a joint resolution of the A member and the B member. As of March 2, 2011, the members of the board of SAPFAA are:

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

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

Cumulative preferred shares

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

As of March 2, 2011, the members of the board of SAC are:

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

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

Issue of additional shares and pre-emptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Corporate Executive Board and with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Corporate Executive Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Corporate Executive Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. The General Meeting of Shareholders approved a delegation of this authority to the Corporate Executive Board, relating to the issuance and / or granting of rights to acquire common shares up to a maximum of 10 percent of the issued common shares through October 13, 2011 and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold's common shares have a pre-emptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold's common shares. According to the Company's Articles of Association, this pre-emptive right does not apply to any issuance of shares to employees of Ahold. The General Meeting of Shareholders may decide to restrict or exclude pre-emptive rights. The General Meeting of Shareholders may also resolve to designate the Corporate Executive Board as the corporate body authorized to restrict or exclude pre-emptive rights for a period not exceeding five years. The General Meeting of Shareholders has delegated to the Corporate Executive Board, subject to approval of the Supervisory Board, the authority to restrict or exclude the pre-emptive rights of holders of common shares upon the issuance of common shares and / or upon the granting of rights to subscribe for common shares through October 13, 2011.

Repurchase by Ahold of its own shares

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

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

The Corporate Executive Board has been authorized to acquire a number of common shares in the Company or depository receipts for shares, as permitted within the limits of the law and the Articles of Association and subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between par value and 110 percent of the opening price of the shares at Euronext Amsterdam by NYSE Euronext on the date of their acquisition. The authorization takes into account the possibility to cancel the repurchased shares. This authorization is valid through October 13, 2011. Ahold may acquire shares in its capital for no consideration or for the purpose of transferring these shares to employees through share plans or option plans, without such authorization.

Major shareholders

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

Significant ownership of voting shares

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

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

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

The following table lists the shareholders on record in the AFM register on March 2, 2011 that hold an interest of 5 percent or more in the share capital of the Company.

Shareholder	Date of disclosure	Capital interest ²	Voting rights ²
BlackRock, Inc.	December 1, 2009	0%	6.74%
Stichting Administratiekantoor Preferente Financieringsaandelen Ahold ¹	January 3, 2008	18.38%	5.87%
ING Groep N.V.	April 8, 2008	9.26%	4.92%
DeltaFort Beleggingen B.V.	August 23, 2007	11.23%	3.82%

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

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

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

Articles of Association

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

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

Auditor

The General Meeting of Shareholders appoints the external auditor. The Audit Committee recommends to the Supervisory Board the external auditor to be proposed for reappointment by the General Meeting of Shareholders. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors. On April 13, 2010, the General Meeting of Shareholders appointed Deloitte Accountants B.V. as external auditor for the Company for the financial year 2010.

Decree Article 10 EU Takeover Directive

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

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

Compliance with Dutch Corporate Governance Code

Ahold applies the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company, to the Corporate Executive Board and to the Supervisory Board, in the manner as set out in the *Governance* section. The Dutch Corporate Governance Code was last amended on December 10, 2008, and can be found at www.commissiecorporategovernance.nl.

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

Corporate Governance statement

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

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

Supervisory Board report



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

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

Composition of the Supervisory Board

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

The Supervisory Board Charter states that if a member is concurrently a member of another company's Supervisory Board, the main duties arising from and / or the number and nature of any other supervisory board memberships must not conflict or interfere with that person's duties as a member of Ahold's Supervisory Board. On April 13, 2010, the General Meeting of Shareholders reappointed Judith Spriesser for a second term. On April 20, 2011, Karen de Segundo will resign as a member of the Supervisory Board.

Induction

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

Supervisory Board report continued

Supervisory Board

Diversity profile

Name	Date of birth	American	European	Retail	Food industry	Finance	Social / employment	CR	Disclosure / communication	Marketing	Management experience	Active management	Gender
René Dahan	August 26, 1941	•	•				•		•		•		m
Karen De Segundo	December 12, 1946		•				•	•	•		•		f
Derk Doijer	October 9, 1949		•	•	•						•		m
Stephanie Shern	January 7, 1948	•		•		•				•	•		f
Judith Sprieser	August 3, 1953	•	•		•	•	•		•		•		f
Tom De Swaan	March 4, 1946		•			•	•		•		•		m
Mark McGrath	August 10, 1946	•		•	•					•	•		m
Ben Noteboom	July 4, 1958		•				•	•	•	•	•	•	m

Retirement and reappointment schedule

Name	Date of initial appointment	Date of reappointment	Date of possible reappointment
René Dahan	June 2, 2004	April 23, 2008	2012
Karen de Segundo	June 2, 2004	April 23, 2008	n/a ¹
Derk Doijer	May 18, 2005	April 28, 2009	2013
Stephanie Shern	May 18, 2005	April 28, 2009	2013
Judith Sprieser	May 18, 2006	April 13, 2010	2014
Tom de Swaan	May 3, 2007		2011
Mark McGrath	April 23, 2008		2012
Ben Noteboom	April 28, 2009		2013

¹ Karen de Segundo will resign on April 20, 2011.

Meetings and activities of the Supervisory Board

In 2010, the Supervisory Board held seven meetings in person and two meetings by conference call. The members of the Corporate Executive Board attended the meetings and other members of senior corporate, continental, and local management were regularly invited to present. The Supervisory Board held one private meeting without other attendees to independently review certain issues and to discuss matters related to the functioning of the Corporate Executive and Supervisory Boards. The external auditor attended the meeting on March 3, 2010, at which the 2009 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders. In a separate private meeting attended by the CEO, the Supervisory Board assessed its own performance, that of its committees and its individual members, as well as the performance of the Corporate Executive Board and its individual members. The performance assessment was based upon a questionnaire distributed in advance to the members of the Supervisory Board. The members of the Supervisory Board have regular contact with the members of the Corporate Executive Board and other company management outside of the scheduled meetings of the Supervisory Board.

Supervisory Board report continued

During 2010, the Supervisory Board reviewed matters related to all aspects of Ahold's activities, results, strategies, and management, but focused specifically on three important areas:

- The senior management succession issues related to the resignation of John Rishton and Lawrence Benjamin
- The restructuring and reorganization of the Ahold USA business, including the integration of the Ukrop's acquisition
- The Company's long term strategy with particular emphasis on strategic growth options

With the assistance of the Audit Committee the Supervisory Board reviewed areas such as:

- Review of the financial reporting process and, in particular, quarterly interim reports and the 2009 Annual Report
- Review of reports related to the enterprise risk management of the Group, on subjects including the main risks of the business and the results of the Corporate Executive Board's assessment of the design and effectiveness of the internal risk management and control systems, and any changes required
- Review of the reports by the internal and the external auditor
- Approval of the proposal for the nomination of the external auditor
- Review and approval of the annual budget
- Reviews of updates on the functioning of IT systems and the implementation of improvements, where necessary
- Regular reviews of the European and U.S. businesses
- Review of Company strategy as part of the annual strategic planning cycle, including specific reviews of several strategic growth options
- Review of Ahold's corporate responsibility strategy and initiatives and of the 2009 Corporate Responsibility Report
- Regular updates on major legal proceedings with potential impact on Ahold
- Review of reports of the various committees of the Supervisory Board
- Regular assessment of the functioning of the Corporate Executive Board
- Regular assessment of organizational strategy, talent management, and succession planning

Attendance, independence

No Supervisory Board member was frequently absent from the meetings held in 2010.

The Supervisory Board confirms that as of March 2, 2011, all Supervisory Board members are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

Supervisory Board report continued

Remuneration

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

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

¹ Travel compensation per round trip air travel.

Committees of the Supervisory Board

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

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

Audit Committee

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

In 2010, the Audit Committee held five meetings in person and one conference call to review the publication of quarterly results.

Supervisory Board report continued

Throughout the year, the Audit Committee closely monitored the financial closing process. Updates on internal controls were provided during all Audit Committee meetings. The Audit Committee was informed regularly on litigation and related exposure, reviewed and received regular updates on Ahold's whistleblower program, and verified the outcome of the annual incentive program.

The Audit Committee further discussed items including:

- Quarterly interim reports
- Annual trading statement
- 2009 Annual Report and financial statements
- Review and approval of the internal audit plan
- Review of and discussions on the findings in the internal audit letter and the management letter of the external auditor
- Ahold's finance structure
- Treasury
- Capital investment reappraisals
- Tax
- Pensions
- Guarantees
- Enterprise risk management
- Insurance
- Appointment of the external auditor

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

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

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

Selection and Appointment Committee

In 2010, the Selection and Appointment Committee held four meetings. Its main areas of focus were the succession issues related to the departure of John Rishton as the CEO of the Company, and of Lawrence Benjamin, as Executive Vice President and Chief Operating Officer Ahold USA. It was also involved in organizational and management changes at Ahold Europe and Ahold USA, and discussed overall succession and management development processes at Ahold.

Remuneration Committee

In 2010, the Remuneration Committee held four meetings in person and one conference call. The Chief Executive Officer was invited to most of these meetings. For a report on remuneration and the activities of the Remuneration Committee, see *Remuneration*.

Conclusion

The Supervisory Board is of the opinion that during the year 2010, its composition, the mix and depth of the available expertise, its working processes, the level and frequency of engagement in all critical Company activities, its access to all necessary and relevant information, and the Company's management and staff were fully satisfactory and enabled it to adequately and fully carry out its duties towards all the Company's stakeholders. The Supervisory Board wishes to express its appreciation to Karen de Segundo, who will leave the Supervisory Board on April 20, 2011, for the contribution she has made to the Company during her membership on the Supervisory Board since 2004.

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

Supervisory Board

Amsterdam, the Netherlands

March 2, 2011

Remuneration



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

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

Remuneration Committee

The main responsibilities of the Remuneration Committee include:

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

The Remuneration Committee uses internal and external advisors for market data and recent developments. In 2010, external advisors were hired to provide advice regarding market practices and developments relating to the remuneration policy and short- and long-term incentive plans. Ultimately, the Supervisory Board determines the level and composition of the remuneration components for the individual members of the Corporate Executive Board.

The current members of the Remuneration Committee are Supervisory Board members Derk Doijer (Chairman), Stephanie Shern, Judith Sprieser, Mark McGrath, and Ben Noteboom. In 2010, the Remuneration Committee met four times.

Remuneration policy 2010

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

Total Direct Compensation

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

Peer group

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

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

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

Base salary

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

Annual cash incentive plan

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

Equity-based program: Global Reward Opportunity

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

The Supervisory Board has set the target value to be granted under GRO for the members of the Corporate Executive Board at 125 percent of base pay. The number of conditional shares to be granted is determined by the at-target value of the grant, the annual cash incentive plan multiplier of the preceding year and the average share price during the six months preceding the date of grant. For example, assuming an at-target grant value of €100,000 and an annual incentive multiplier for the preceding year of 0.8, the value to be granted would be $0.8 \times €100,000 = €80,000$. Assuming, furthermore, a six-month average share price preceding the date of grant of €8.00, the number of shares to be conditionally granted would be 10,000. Of these 10,000 shares, 5,000 would be granted through the three-year component and 5,000 through the five-year Total Shareholder Return (TSR)-related component. If the annual incentive multiplier is zero, 50 percent of the grant value at target would be granted through the five-year program only.

Remuneration continued

As a result of the two abovementioned factors (the relation between the annual cash incentive and the GRO program, and the fact that the maximum annual cash incentive multiplier is capped at 1.25), the maximum grant value is 156.25 percent of base salary.

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

Three-year component

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

Five-year component

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

Corporate Executive Board Members

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

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

Pension and other contract terms**Pension**

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

Remuneration continued

Other contract terms

Loans

Ahold does not provide loans to members of the Corporate Executive Board. There are no loans outstanding.

Additional arrangements

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

Employment agreements

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

Outlook remuneration policy

No major changes to either the policy or the design of the incentive programs are suggested for 2011.

Declarations

Introduction

This 2010 Ahold Annual Report dated March 2, 2011 (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

For the consolidated and the parent company's 2010 financial statements (jaarrekening) within the meaning of section 2:361 of the Dutch Civil Code, please refer to Financials. The members of the Corporate Executive Board and the Supervisory Board have signed the 2010 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code.

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

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

Declarations

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

- The 2010 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of January 2, 2011, and of the development and performance of the business for the financial year then ended
- The management report includes a description of the principal risks and uncertainties that the Company faces

Corporate Executive Board

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

This Annual Report, including the 2010 financial statements, audited by Deloitte Accountants B.V., has been presented to the Supervisory Board. The 2010 financial statements and the independent auditor's report relating to the audit of the 2010 financial statements were discussed with the Audit Committee in the presence of the Corporate Executive Board and the external auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2010 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2010 of €0.29 per common share.

Supervisory Board

René Dahan (Chairman)	Stephanie Shern
Tom de Swaan (Vice Chairman)	Judith Sprieser
Karen de Segundo	Mark McGrath
Derk Doijer	Ben Noteboom

Financial statements

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes to the consolidated financial statements

- 1 The Company and its operations
- 2 Basis of preparation
- 3 Significant accounting policies
- 4 Acquisitions
- 5 Assets and liabilities held for sale and discontinued operations
- 6 Segment reporting
- 7 Net sales
- 8 Expenses by nature
- 9 Net financial expense
- 10 Income taxes
- 11 Property, plant and equipment
- 12 Investment property
- 13 Intangible assets
- 14 Investments in joint ventures
- 15 Other non-current financial assets
- 16 Inventories
- 17 Receivables
- 18 Other current financial assets
- 19 Cash and cash equivalents
- 20 Equity attributable to common shareholders
- 21 Loans and credit facilities
- 22 Other non-current financial liabilities
- 23 Pensions and other post-employment benefits
- 24 Provisions
- 25 Other non-current liabilities
- 26 Other current financial liabilities
- 27 Other current liabilities
- 28 Cash flow
- 29 Earnings per share
- 30 Financial risk management and financial instruments
- 31 Related party transactions
- 32 Share-based compensation
- 33 Operating leases
- 34 Commitments and contingencies
- 35 Subsequent events
- 36 List of subsidiaries, joint ventures and associates

Parent company financial statements

Income statement

Balance sheet

Notes to the parent company financial statements

- 1 Significant accounting policies
- 2 Employees
- 3 Auditor fees
- 4 Financial assets
- 5 Receivables
- 6 Shareholders' equity
- 7 Provisions
- 8 Loans
- 9 Other non-current liabilities
- 10 Current liabilities
- 11 Derivatives
- 12 Commitments and contingencies

Consolidated income statement

€ million	Note	2010	2009
Net sales	7	29,530	27,925
Cost of sales	8	(21,610)	(20,338)
Gross profit		7,920	7,587
Selling expenses		(5,714)	(5,488)
General and administrative expenses		(870)	(802)
Total operating expenses	8	(6,584)	(6,290)
Operating income		1,336	1,297
Interest income		18	27
Interest expense		(288)	(316)
Other financial income		11	6
Net financial expense	9	(259)	(283)
Income before income taxes		1,077	1,014
Income taxes	10	(271)	(148)
Share in income of joint ventures	14	57	106
Income from continuing operations		863	972
Loss from discontinued operations	5	(10)	(78)
Net income attributable to common shareholders		853	894
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		0.73	0.76
Diluted		0.72	0.74
Income per share from continuing operations attributable to common shareholders			
Basic		0.74	0.82
Diluted		0.73	0.81
Weighted average number of common shares outstanding (in millions)			
Basic		1,169	1,180
Diluted		1,230	1,243

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

Consolidated statement of comprehensive income

€ million	2010	2009
Net income	853	894
Currency translation differences in foreign interests:		
Currency translation differences in foreign interests before income taxes	305	(2)
Income taxes	(1)	–
Cash flow hedges:		
Fair value gains in the year	10	25
Transfers to net income	(29)	(2)
Income taxes	6	(5)
Share of other comprehensive income (loss) of joint ventures – net of income taxes	(60)	16
Other comprehensive income	231	32
Total comprehensive income attributable to common shareholders	1,084	926

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

Consolidated balance sheet

€ million	Note	January 2, 2011	January 3, 2010
Assets			
Property, plant and equipment	11	5,827	5,407
Investment property	12	582	531
Intangible assets	13	762	619
Investments in joint ventures	14	1,072	1,066
Other non-current financial assets	15	853	750
Deferred tax assets	10	410	429
Other non-current assets		25	26
Total non-current assets		9,531	8,828
Assets held for sale	5	26	10
Inventories	16	1,331	1,209
Receivables	17	772	700
Other current financial assets	18	245	310
Income taxes receivable		11	13
Other current assets		209	175
Cash and cash equivalents	19	2,600	2,688
Total current assets		5,194	5,105
Total assets		14,725	13,933
Equity and liabilities			
Equity attributable to common shareholders	20	5,910	5,440
Loans	21	1,851	1,753
Other non-current financial liabilities	22	1,726	1,660
Pensions and other post-employment benefits	23	129	96
Deferred tax liabilities	10	177	173
Provisions	24	623	584
Other non-current liabilities	25	217	202
Total non-current liabilities		4,723	4,468
Liabilities related to assets held for sale	5	20	–
Accounts payable		2,323	2,137
Other current financial liabilities	26	216	564
Income taxes payable		243	141
Provisions	24	152	152
Other current liabilities	27	1,138	1,031
Total current liabilities		4,092	4,025
Total equity and liabilities		14,725	13,933

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

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Legal reserves		Equity attributable to common shareholders
						Other legal reserves	Accumulated deficit	
Balance as of December 28, 2008		358	9,916	(651)	(62)	402	(5,276)	4,687
Dividends		—	—	—	—	—	(212)	(212)
Total comprehensive income		—	—	19	14	(1)	894	926
Share-based payments		—	—	—	—	—	39	39
Change in other legal reserves		—	—	—	—	43	(43)	—
Balance as of January 3, 2010		358	9,916	(632)	(48)	444	(4,598)	5,440
Dividends		—	—	—	—	—	(272)	(272)
Total comprehensive income		—	—	247	(15)	(1)	853	1,084
Share buyback	20	—	—	—	—	—	(386)	(386)
Share-based payments		—	—	—	—	—	44	44
Change in other legal reserves		—	—	—	—	(47)	47	—
Balance as of January 2, 2011	20	358	9,916	(385)	(63)	396	(4,312)	5,910

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

Consolidated statement of cash flows

€ million	Note	2010	2009
Operating income		1,336	1,297
Adjustments for:			
Depreciation, amortization and impairments		812	771
Gains on the sale of assets / disposal groups held for sale – net		(14)	(7)
Share-based compensation expenses		33	30
Operating cash flows before changes in operating assets and liabilities		2,167	2,091
Changes in working capital:			
Changes in inventories		(43)	99
Changes in receivables and other current assets		(19)	(31)
Changes in payables and other current liabilities		205	(73)
Changes in non-current assets and liabilities		(76)	(146)
Cash generated from operations		2,234	1,940
Income taxes paid		(123)	(34)
Operating cash flows from continuing operations		2,111	1,906
Operating cash flows from discontinued operations		(8)	(14)
Net cash from operating activities		2,103	1,892
Purchase of non-current assets		(870)	(770)
Divestments of assets / disposal groups held for sale		32	22
Acquisition of businesses, net of cash acquired	28	(159)	(4)
Divestment of businesses, net of cash divested	28	(34)	(8)
Changes in short-term deposits		85	(289)
Dividends from joint ventures		111	69
Interest received		15	31
Other		12	(3)
Investing cash flows from continuing operations		(808)	(952)
Investing cash flows from discontinued operations		–	(1)
Net cash from investing activities		(808)	(953)
Interest paid		(287)	(310)
Repayments of loans		(419)	(524)
Repayments of finance lease liabilities		(54)	(47)
Dividends paid on common shares		(272)	(212)
Share buyback		(386)	–
Other		(30)	(11)
Financing cash flows from continuing operations		(1,448)	(1,104)
Financing cash flows from discontinued operations		(4)	(4)
Net cash from financing activities		(1,452)	(1,108)
Net cash from operating, investing, and financing activities	28	(157)	(169)

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

Notes to the consolidated financial statements

1 The Company and its operations

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

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Historical cost is used as the measurement basis unless otherwise indicated.

Ahold's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2010 consisted of 52 weeks and ended on January 2, 2011. The comparative financial year 2009 consisted of 53 weeks and ended on January 3, 2010.

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

	2010	2009
Average exchange rate	0.7555	0.7194
Year-end closing exchange rate	0.7474	0.6980

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

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

3 Significant accounting policies

Changes in accounting policies

In 2008, the International Accounting Standards Board (IASB) issued a revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements." These standards were changed to address guidance for applying the acquisition method of accounting for business combinations by stressing the "economic entity" view of the reporting entity and greater use of fair value through the income statement. These standards are applicable to Ahold prospectively for business combinations as of 2010.

The 2008 amendment of IAS 27 included an amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates." The amendment to IAS 21 changed the methodology Ahold applies in recycling its currency translation reserve to income upon the disposal of a foreign operation and in certain intercompany financing transactions, such as dividend payments and capital or permanent loan repayments. This amendment to IAS 21 is applicable to Ahold prospectively as of 2010. No significant recycling out of the currency translation reserve has taken place in 2010.

Segment reporting presentation

On November 5, 2009, Ahold announced a series of changes in its European and U.S. businesses. Ahold's U.S. operations contain four newly organized divisions: Stop & Shop New England, Stop & Shop New York Metro, Giant Landover and Giant Carlisle. As of 2010, Ahold has changed its segment reporting presentation by aggregating its U.S. operating segments into one reportable segment, Ahold USA. This change has been applied retrospectively.

Consolidation

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

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

Foreign currency translation

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

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

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

Segmentation

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

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

Net sales

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

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

Cost of sales

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

Vendor allowances

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

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

Selling expenses

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

General and administrative expenses

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

Share-based compensation

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

Income taxes

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

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

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

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

Non-current assets held for sale and discontinued operations

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

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

Property, plant and equipment

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

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

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

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

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

Investment property

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

Leases and sale and leaseback transactions**Leases**

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

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

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

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued**Leases and sale and leaseback transactions continued***Sale and leaseback*

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

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

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

Intangible assets*Goodwill and impairment of goodwill*

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

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

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

Other intangible assets

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

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

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

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

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

Investments in joint ventures and associates

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

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

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

Impairment of non-current assets other than goodwill

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

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

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

Inventories

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

Financial instruments

Financial assets and liabilities

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

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

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

Investments at fair value through profit or loss

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

Loans and receivables

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

Held to maturity financial assets

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Loans and short-term borrowings

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

Derivative financial instruments

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

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

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

Reinsurance assets and liabilities

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

Financial guarantees

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

Notes to the consolidated financial statements continued

3 Significant accounting policies continued

Equity

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

Cumulative preferred financing shares

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

Pension and other post-employment benefits

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

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

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

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

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

Provisions

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

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

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

New accounting policies not yet effective for 2010

The IASB issued several Standards, or revisions thereto, and Interpretations in 2010 and 2009 that have been endorsed by the European Union, but which are not yet effective for 2010. The Company does not expect that these will have a significant impact on its financial statements.

Notes to the consolidated financial statements continued**4 Acquisitions****2010 acquisitions***Acquisition of stores from Ukrop's Super Markets*

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

The allocation of the net assets acquired and the goodwill arising at the acquisition date is as follows:

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

Goodwill recognized is mainly attributable to intangible assets that do not qualify for separate recognition, such as non-contractual customer relationships. The total amount of goodwill is expected to be deductible for tax purposes.

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

Acquisition of Shaw's supermarket stores

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

Other 2010 acquisitions

Ahold also completed several other minor acquisitions. All acquisitions were accounted for using the purchase method of accounting.

2009 acquisitions

Ahold completed several minor acquisitions. All acquisitions were accounted for using the purchase method of accounting.

5 Assets and liabilities held for sale and discontinued operations**Assets and liabilities held for sale**

At year-end 2010 and 2009 the balances classified as held for sale consisted primarily of property, plant and equipment and liabilities related to financing transactions.

Discontinued operations

Loss from discontinued operations is specified as follows:

€ million	2010	2009
BI-LO / Bruno's	23	(62)
Tops	(20)	(5)
U.S. Foodservice	(12)	(9)
Various ¹	(1)	(2)
Results on divestments²	(10)	(78)
Loss from discontinued operations, net of income taxes	(10)	(78)

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

² Results on divestments are net of income tax expense of €3 million and income tax benefits of €50 million in 2010 and 2009, respectively.

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

Notes to the consolidated financial statements continued

5 Assets and liabilities held for sale and discontinued operations continued*BI-LO / Bruno's*

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

Tops

Expenses estimated for the settlement of a union pension liability and additional costs under the lease obligations retained upon the divestment were included in the results from the divestment in 2010.

U.S. Foodservice

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

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

6 Segment reporting**Reportable segments**

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

Reportable segment	Included in the Reportable segment
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle, and Peapod
The Netherlands	Albert Heijn, Etos, Gall & Gall, and albert.nl
Other Europe	Albert (Czech Republic and Slovakia) and Hypernova (Slovakia)
Other	Included in Other
Other retail	Unconsolidated joint ventures ICA and JMR
Corporate Center	Corporate Center staff (the Netherlands, Switzerland and the United States)

Net sales (excluding intersegment sales)

€ million	2010	2009
Ahold USA	17,783	16,399
The Netherlands	10,087	9,843
Other Europe	1,660	1,683
Ahold Europe	11,747	11,526
Ahold Group	29,530	27,925

Operating income

€ million	2010	2009
Ahold USA	714	782
The Netherlands	688	654
Other Europe	10	(76)
Ahold Europe	698	578
Corporate Center	(76)	(63)
Ahold Group	1,336	1,297

Notes to the consolidated financial statements continued

6 Segment reporting continued**Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)**

€ million	2010	2009
Ahold USA	773	551
The Netherlands	304	205
Other Europe	39	29
Ahold Europe	343	234
Corporate Center	1	3
Ahold Group	1,117	788

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

€ million	2010	2009
Ahold USA	527	483
The Netherlands	208	197
Other Europe	49	51
Ahold Europe	257	248
Corporate Center	1	1
Ahold Group	785	732

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

€ million	2010	2009
Ahold USA	5,132	4,587
The Netherlands	1,567	1,500
Other Europe	467	464
Ahold Europe	2,034	1,964
Corporate Center	5	6
Ahold Group	7,171	6,557

Additional segment information

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

Notes to the consolidated financial statements continued

6 Segment reporting continued

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

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

€ million	2010	2009
Net sales	12,887	11,668
Operating income	404	338
Net income	101	191
Additions to property, plant and equipment, investment property, and intangible assets	365	305
Depreciation and amortization	261	239
Impairment losses and reversals – net	(9)	(4)
Non-current assets	4,032	3,640
Current assets	2,119	1,900
Non-current liabilities	1,144	1,018
Current liabilities	3,290	2,800

7 Net sales

€ million	2010	2009
Sales to retail customers	26,938	25,439
Sales to franchisees and franchise fees	2,082	2,002
Internet sales	426	390
Other sales	84	94
Net sales	29,530	27,925

8 Expenses by nature

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

€ million	2010	2009 ¹
Cost of product	20,517	19,381
Employee benefit expenses	4,072	3,831
Other operational expenses	2,324	2,164
Depreciation and amortization	785	732
Rent (income) expense – net	483	488
Impairment losses and reversals – net	27	39
Gains on the sale of assets – net	(14)	(7)
Total expenses	28,194	26,628

1 Comparative amounts have been adjusted to conform to the presentation in the current year.

Notes to the consolidated financial statements continued

9 Net financial expense

€ million	2010	2009
Interest income	18	27
Interest expense	(288)	(316)
Gains (losses) on foreign exchange	3	(25)
Fair value gains (losses) on financial instruments	10	41
Other financial expense	(2)	(10)
Net financial expense	(259)	(283)

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

The gains (losses) on foreign exchange in both 2010 and 2009 mainly result from the foreign exchange translation of the GBP 250 million notes. Foreign exchange results on financial assets and liabilities, including amounts released from the cash flow hedging reserve, are presented as part of net financial expense, within gains (losses) on foreign exchange. Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2010, the Company included net exchange losses of €1 million in operating income (2009: losses of €9 million).

Fair value gains (losses) on financial instruments mainly include fair value changes in swaps related to the GBP 250 million notes. These swaps do not qualify for hedge accounting treatment. For more information on financial instruments, see *Note 30*.

Other financial expense in 2009 primarily included a loss of €7 million incurred on the buyback of certain notes. For more information, see *Note 21*.

10 Income taxes**Income taxes on continuing operations**

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

€ million	2010	2009
Current income taxes		
Domestic taxes (the Netherlands)	(169)	(68)
Foreign taxes		
United States	(48)	(38)
Europe – Other	(4)	(11)
Total current tax expense	(221)	(117)
Deferred income taxes		
Domestic taxes (the Netherlands)	(10)	(52)
Foreign taxes		
United States	(33)	(4)
Europe – Other	(7)	25
Total deferred tax expense	(50)	(31)
Total income taxes on continuing operations	(271)	(148)

Notes to the consolidated financial statements continued

10 Income taxes continued**Effective income tax rate on continuing operations**

Ahold's effective tax rates in the income statement differed from the statutory income tax rate of the Netherlands of 25.5 percent in both 2010 and 2009. The following table reconciles these statutory income tax rates with the effective income tax rates in the income statement:

	2010		2009	
	€ million	%	€ million	%
Income before income taxes	1,077		1,014	
Income tax expense at statutory tax rates	(275)	25.5%	(259)	25.5%
Adjustments to arrive at effective income tax rates:				
Rate differential (local rates versus the statutory rate of the Netherlands)	25	(2.3)%	(12)	1.2%
Deferred tax income due to changes in tax rates	4	(0.3)%	12	(1.2)%
Deferred tax income related to recognition of deferred tax assets – net	–	–	101	(9.9)%
Reserves, (non-)deductibles, and discrete items	(25)	2.3%	10	(1.0)%
Total income taxes	(271)	25.2%	(148)	14.6%

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

The deferred tax income related to the recognition of deferred tax assets in 2009 primarily arose from U.S. net operating losses carried over from previous years.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to an expense of €3 million in 2010 and a benefit of €50 million in 2009 and has been applied against the result from discontinued operations. Included in 2010 tax expense is €17 million in expense related to the reversal of provisions Ahold recognized in relation to the financial obligations under various lease guarantees that the Company had previously provided to landlords of its former BI-LO and Bruno's subsidiaries and a €17 million benefit related to Tops. For further information, see *Notes 5 and 34*.

Notes to the consolidated financial statements continued

10 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 2, 2011 and January 3, 2010 (including discontinued operations) are as follows:

€ million	December 28, 2008	Recognized in income statement	Other	January 3, 2010	Recognized in income statement	Other	January 2, 2011
Leases and financings	188	12	(3)	197	11	14	222
Pensions and other post-employment benefits	108	(54)	(2)	52	(18)	12	46
Provisions	77	60	—	137	(16)	10	131
Derivatives and loans	16	(4)	(6)	6	(3)	4	7
Interest	32	5	(1)	36	(4)	3	35
Other	20	2	5	27	21	4	52
Total gross deductible temporary differences	441	21	(7)	455	(9)	47	493
Unrecognized deductible temporary differences	(21)	3	1	(17)	(4)	1	(20)
Total recognized deductible temporary differences	420	24	(6)	438	(13)	48	473
Tax losses and tax credits	241	296	7	544	(5)	33	572
Unrecognized tax losses and tax credits	(207)	(224)	(3)	(434)	11	(36)	(459)
Total recognized tax losses and tax credits	34	72	4	110	6	(3)	113
Total net deferred tax asset position	454	96	(2)	548	(7)	45	586
Property, plant and equipment and intangible assets	(110)	(82)	1	(191)	(48)	(6)	(245)
Inventories	(88)	(6)	2	(92)	(5)	(6)	(103)
Other	(13)	8	(4)	(9)	5	(1)	(5)
Total deferred tax liabilities	(211)	(80)	(1)	(292)	(48)	(13)	(353)
Net deferred tax assets	243	16	(3)	256	(55)	32	233

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

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

€ million	January 2, 2011	January 3, 2010
Deferred tax assets	410	429
Deferred tax liabilities	(177)	(173)
Net deferred tax assets	233	256

Notes to the consolidated financial statements continued**10 Income taxes** continued

As of January 2, 2011, Ahold had operating and capital loss carryforwards of a total nominal amount of €4,057 million, expiring between 2011 and 2029 (January 3, 2010: €3,602 million). The following table specifies the years in which Ahold's operating and capital loss carryforwards are scheduled to expire:

€ million	2011	2012	2013	2014	2015	2016- 2020	2021- 2025	After 2025	Total
Operating and capital losses	1,564	1,372	4	14	49	97	618	339	4,057

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €3,065 million relates to U.S. state taxes, for which a weighted average tax rate of 6.4 percent applies.

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

Income taxes in equity

Current and deferred income taxes recognized in and transferred from equity in 2010 and 2009 are as follows:

€ million	2010	2009
Share-based compensation	7	2
Cash flow hedges	6	(5)
Currency translation differences in foreign interests	(1)	–
Total	12	(3)

Notes to the consolidated financial statements continued

11 Property, plant and equipment

€ million	Buildings and land		Machinery and equipment	Other	Under construction	Total
	Stores	Other				
As of December 28, 2008						
At cost	5,742	545	3,048	165	155	9,655
Accumulated depreciation and impairment losses	(1,887)	(161)	(1,959)	(121)	(1)	(4,129)
Carrying amount	3,855	384	1,089	44	154	5,526
Year ended January 3, 2010						
Additions (including transfers from under construction)	323	7	347	21	(27)	671
Depreciation	(287)	(22)	(318)	(16)	(1)	(644)
Impairment losses	(12)	(1)	(11)	–	(10)	(34)
Impairment reversals	–	–	1	–	1	2
Assets classified as held for sale or sold	(14)	–	3	–	–	(11)
Other movements	(107)	–	(2)	–	71	(38)
Exchange rate differences	(52)	(2)	(8)	–	(3)	(65)
Closing carrying amount	3,706	366	1,101	49	185	5,407
As of January 3, 2010						
At cost	5,760	551	3,199	179	189	9,878
Accumulated depreciation and impairment losses	(2,054)	(185)	(2,098)	(130)	(4)	(4,471)
Carrying amount	3,706	366	1,101	49	185	5,407
Year ended January 2, 2011						
Additions (including transfers from under construction)	446	8	364	18	(26)	810
Acquisitions through business combinations	89	–	10	1	–	100
Depreciation	(314)	(21)	(330)	(16)	(1)	(682)
Impairment losses	(23)	–	(6)	–	–	(29)
Assets classified as held for sale or sold	(25)	–	1	–	(3)	(27)
Other movements	(40)	(2)	1	–	(1)	(42)
Exchange rate differences	215	12	49	3	11	290
Closing carrying amount	4,054	363	1,190	55	165	5,827
As of January 2, 2011						
At cost	6,471	555	3,606	196	165	10,993
Accumulated depreciation and impairment losses	(2,417)	(192)	(2,416)	(141)	–	(5,166)
Carrying amount	4,054	363	1,190	55	165	5,827

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

In 2010, Ahold recognized impairment losses of €29 million. These were related to Ahold USA (€19 million), the Netherlands (€6 million), and Other Europe (€4 million). The carrying amount of the affected assets exceeded the higher of their value in use and fair value less costs to sell. These methods involve estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 7.8 percent and 12.1 percent (2009: 10.0 percent – 12.8 percent).

The additions to property, plant and equipment include capitalized borrowing costs of €3 million (2009: €4 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 5.2 percent and 9.5 percent (2009: 7.0 percent – 10.5 percent).

Notes to the consolidated financial statements continued

11 Property, plant and equipment continued

Other movements mainly include transfers to and from investment property.

The carrying amount of land and buildings includes an amount related to assets held under finance leases and financings of €795 million and €203 million (January 3, 2010: €716 million and €223 million), respectively. In addition, the carrying amount of machinery and equipment includes an amount of €6 million (January 3, 2010: €9 million) relating to assets held under finance leases. Ahold does not have legal title to these assets. Company-owned property, plant and equipment with a carrying amount of €74 million (January 3, 2010: €76 million) has been pledged as security for liabilities, mainly for loans.

12 Investment property

€ million	2010	2009
At the beginning of the year		
At cost	734	664
Accumulated depreciation and impairment losses	(203)	(163)
Carrying amount	531	501
Additions	16	14
Acquisitions through business combinations	–	10
Depreciation	(25)	(21)
Impairment losses	(1)	(6)
Assets classified from / (to) held for sale or sold	(5)	4
Transfers from property, plant and equipment	37	35
Exchange rate differences	29	(6)
Closing carrying amount	582	531
At the end of the year		
At cost	809	734
Accumulated depreciation and impairment losses	(227)	(203)
Carrying amount	582	531

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

In 2010, Ahold recognized impairment losses of €1 million related to Ahold USA.

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €45 million and €51 million (January 3, 2010: €47 million and €42 million), respectively. Ahold does not have legal title to these assets. Company-owned investment property with a carrying amount of €70 million (January 3, 2010: €60 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 2, 2011 amounted to approximately €745 million (January 3, 2010: €744 million). Fair value represents the price at which a property could be sold to a knowledgeable, willing party, and has generally been determined based on internal appraisals, using discounted cash flow projections. In certain instances, Ahold cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property included in the income statement in 2010 amounted to €67 million (2009: €65 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2010 amounted to €27 million (2009: €21 million, which was decreased by €16 million to correct the amount disclosed in Ahold's 2009 Annual Report.).

Notes to the consolidated financial statements continued

13 Intangible assets

€ million	Goodwill	Lease-related intangibles	Software	Customer relationships	Under development	Other	Total
As of December 28, 2008							
At cost	254	229	426	39	61	121	1,130
Accumulated amortization and impairment losses	(3)	(109)	(358)	(27)	—	(35)	(532)
Carrying amount	251	120	68	12	61	86	598

Year ended January 3, 2010

Additions (including transfers from under development)	—	1	64	1	9	14	89
Acquisitions through business combinations	4	—	—	—	—	—	4
Amortization	—	(12)	(40)	(4)	(1)	(10)	(67)
Impairment losses	—	—	—	—	—	(1)	(1)
Other movements	—	1	(1)	—	2	—	2
Exchange rate differences	(1)	(2)	(1)	—	(1)	(1)	(6)
Closing carrying amount	254	108	90	9	70	88	619

As of January 3, 2010

At cost	257	225	464	40	70	131	1,187
Accumulated amortization and impairment losses	(3)	(117)	(374)	(31)	—	(43)	(568)
Carrying amount	254	108	90	9	70	88	619

Year ended January 2, 2011

Additions (including transfers from under development)	—	—	26	—	33	11	70
Acquisitions through business combinations	111	1	—	8	—	1	121
Amortization	—	(11)	(47)	(4)	(6)	(10)	(78)
Assets classified as held for sale or sold	—	—	—	—	(2)	—	(2)
Other movements	—	6	—	(1)	—	1	6
Exchange rate differences	8	7	3	1	3	4	26
Closing carrying amount	373	111	72	13	98	95	762

As of January 2, 2011

At cost	376	240	509	48	98	151	1,422
Accumulated amortization and impairment losses	(3)	(129)	(437)	(35)	—	(56)	(660)
Carrying amount	373	111	72	13	98	95	762

Goodwill recognized on acquisitions in 2010 relates mainly to the acquisitions of Ukrop's Super Markets stores and Shaw's supermarket stores at Ahold USA (see *Note 4* for more details). Goodwill recognized on acquisitions in 2009 related mainly to the acquisitions of individual stores at Ahold USA and the Netherlands.

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

Notes to the consolidated financial statements continued

13 Intangible assets continued

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

€ million		January 2, 2011	January 3, 2010
Reportable segment	Cash Generating Unit		
Ahold USA	Stop & Shop New England	7	–
	Stop & Shop New York Metro	5	–
	Giant Carlisle	158	56
	Peapod	19	18
The Netherlands	Albert Heijn	151	150
	Etos	6	4
	Gall & Gall	1	1
Other Europe	Czech Republic	26	25
Ahold Group		373	254

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU was determined based on value-in-use calculations. Value-in-use was determined using discounted cash flow projections generally covering a maximum period of five years that are based on five-year financial plans approved by the Company's management. The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 5.9 percent for Ahold USA, 6.1 percent for the Netherlands, and 7.9 percent for the Czech Republic.

Lease-related intangible assets consist primarily of favorable operating lease contracts acquired in business acquisitions. Customer relationships consist primarily of pharmacy scripts. Intangible assets under development relates mainly to software development. "Other" mainly includes intangible assets related to location development rights, deed restrictions, and similar assets.

The additions to intangibles under development include capitalized borrowing costs of €3 million (2009: €3 million). The capitalization rate used was the same as for property, plant and equipment (see Note 11).

14 Investments in joint ventures

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

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

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

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

€ million	2010	2009
Beginning of the year	1,066	972
Share in income of joint ventures	57	106
Dividend	(111)	(69)
Other changes	(2)	(8)
Exchange rate differences	62	65
End of the year	1,072	1,066

Notes to the consolidated financial statements continued

15 Other non-current financial assets

€ million	January 2, 2011	January 3, 2010
Derivative financial instruments	346	334
Defined benefit asset	408	278
Reinsurance assets	58	44
Loans receivable	32	81
Other	9	13
Total other non-current financial assets	853	750

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

The defined benefit asset represents defined benefit pension plans for which the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognized actuarial gains or losses, results in a net asset. The asset reflects unrecognized actuarial losses as well as Ahold's unconditional right to a refund assuming the gradual settlement of the plan liabilities over time until all members have left the plan. Therefore, the defined benefit asset is not realizable immediately as of January 2, 2011. For more information on defined benefit plans, see *Note 23*.

Of the non-current loans receivable, €7 million matures between one and five years and €25 million after five years (January 3, 2010: €59 million between one and five years and €22 million after five years). The current portion of loans receivable of €67 million is included in other receivables (January 3, 2010: €12 million).

Under the self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold assumes a share of the reinsurance treaty risks that is measured by Ahold's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Notes 18, 22, and 26*) on its balance sheet. There were no significant gains or losses related to this pooling arrangement during 2010 or 2009.

16 Inventories

€ million	January 2, 2011	January 3, 2010
Finished products and merchandise inventories	1,330	1,214
Raw materials, packaging materials, technical supplies, and other	45	35
	1,375	1,249
Valuation allowance	(44)	(40)
Total inventories	1,331	1,209

In 2010, €568 million has been recognized as a write-off of inventories in the income statement (2009: €529 million). The comparative amount has been adjusted from the amount disclosed in Ahold's 2009 Annual Report, primarily reflecting the inclusion of inventories directly written-off as an expense.

Notes to the consolidated financial statements continued

17 Receivables

€ million	January 2, 2011	January 3, 2010
Trade receivables	355	368
Vendor allowance receivables	223	185
Other receivables	212	166
	790	719
Provision for impairment	(18)	(19)
Total receivables	772	700

Other receivables include the current portion of loans receivable of €67 million (January 3, 2010: €12 million). The current portion of loans receivable as of January 2, 2011 includes €58 million (January 3, 2010: €55 million – classified in non-current loans receivable) of preference shares, which carry an accumulated fixed cumulative dividend of 6.5 percent per year. Ahold acquired these shares in 2008 as part of the transaction with CVC and Schuitema. Ahold, as a holder of these preference shares, has to give its prior approval in case Schuitema acquires, is acquired by, or merges with a Dutch food retailer with a substantial number of food retail stores in the Netherlands. Ahold cannot exercise this right if Schuitema offers Ahold a number of stores, selected by Schuitema, based upon certain agreed objective principles. The purchase price for stores offered to Ahold is to be established on an arm's-length basis and to be agreed upon at the moment Ahold purchases such stores. This arrangement lapses on April 22, 2011 or, if sooner, once Ahold has agreed to purchase a maximum number of stores in one or more transactions. Upon termination of this arrangement, Ahold can sell, and Schuitema's majority shareholder can acquire, Ahold's preference shares at cost plus accrued dividends.

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

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

At January 3, 2010, the aging analysis of receivables was as follows:

€ million	Total	Not past due	Past due			
			0 – 3 months	3 – 6 months	6 – 12 months	> 12 months
Trade receivables	368	293	54	7	6	8
Vendor allowance receivables	185	142	37	2	2	2
Other receivables	166	101	30	15	3	17
	719	536	121	24	11	27
Provision for impairment	(19)	–	(1)	(2)	(3)	(13)
Total receivables	700	536	120	22	8	14

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base is large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on the aging analysis performed as of January 2, 2011. For more information about credit risk, see Note 30.

Notes to the consolidated financial statements continued

17 Receivables continued

The changes in the provision for impairment were as follows:

€ million	2010	2009
Beginning of the year	(19)	(18)
Additions	(15)	(16)
Used	8	5
Released to income	9	11
Exchange rate differences	(1)	(1)
End of the year	(18)	(19)

18 Other current financial assets

€ million	January 2, 2011	January 3, 2010
Short-term deposits	224	295
Reinsurance assets – current portion (see <i>Note 15</i>)	19	12
Other	2	3
Total other current financial assets	245	310

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

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

19 Cash and cash equivalents

€ million	January 2, 2011	January 3, 2010
Cash in banks and cash equivalents	2,312	2,344
Cash on hand	288	344
Total cash and cash equivalents	2,600	2,688

Of the cash and cash equivalents as of January 2, 2011, €21 million was restricted (January 3, 2010: €22 million). This primarily consisted of cash held for insurance purposes for U.S. workers' compensation and general liability programs.

Ahold's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €138 million and €159 million as of January 2, 2011 and January 3, 2010, respectively. No right to offset with other bank balances exists for these book overdraft positions.

20 Equity attributable to common shareholders**Shares and share capital**

Authorized share capital is comprised of the following classes of shares as of January 2, 2011:

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

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

Notes to the consolidated financial statements continued

20 Equity attributable to common shareholders continued**Common shares and additional paid-in capital**

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

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of December 28, 2008	1,191,888	15,203	1,176,685
Share-based payments	—	(4,529)	4,529
Balance as of January 3, 2010	1,191,888	10,674	1,181,214
Share buyback	—	38,718	(38,718)
Share-based payments	—	(2,649)	2,649
Balance as of January 2, 2011	1,191,888	46,743	1,145,145

Dividends on common shares

On April 13, 2010, the General Meeting of Shareholders approved the dividend over 2009 of €0.23 per common share (€272 million in the aggregate). The dividend was paid on May 4, 2010. The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a dividend of €0.29 per common share be paid in 2011 with respect to 2010. Based on the number of outstanding common shares as of March 2, 2011, the dividend would amount to approximately €329 million in the aggregate. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of January 2, 2011. The payment of this dividend will not have income tax consequences for the Company.

Share buyback

On March 4, 2010, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over a 12-month period. Under this program, 38,717,603 of the Company's own common shares were repurchased and delivered in 2010. Shares were repurchased at an average price of €9.96 per share for a total amount of €386 million.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could prevent, or at least delay, an attempt by a potential bidder to make a hostile takeover bid. In this respect, but also in other circumstances, this ability may safeguard the interests of the Company and all stakeholders in the Company and resist influences that might conflict with those interests by affecting the Company's continuity, independence, or identity. No cumulative preferred shares were outstanding as of January 2, 2011 or during 2010 and 2009.

In March 1989, the Company entered into an agreement with Stichting Ahold Continuïteit (SAC) as amended and restated in April 1994, March 1997, December 2001 and December 2003 (the Option Agreement). Pursuant to the Option Agreement, SAC was granted an option, without payment, to acquire from the Company, from time to time until December 2016, cumulative preferred shares up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold's share capital, excluding cumulative preferred shares, at the time of exercising the option. The Option Agreement provides for an increase of the total par value of cumulative preferred shares under option, taking into account the new, increased authorized share capital. The holders of the cumulative preferred shares are entitled to 1,666.67 votes per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1 percent, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on balance sheet total as at the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75 percent. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Corporate Executive Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25 percent of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SAC would then only be entitled to a market-based interest return on its investment.

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

Notes to the consolidated financial statements continued

20 Equity attributable to common shareholders continued

Legal reserves

In accordance with the Netherlands Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. The currency translation reserve and cash flow hedging reserve are both legal reserves. The other legal reserves primarily consist of the cumulative share in income of joint ventures and associates less dividends received and adjusted for any direct equity movements of joint ventures and associates. Legal reserves are not available for distribution to the Company's shareholders. If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

21 Loans and credit facilities

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

€ million	Current portion Within 1 year	Non-current portion		Total January 2, 2011	Current portion Within 1 year	Non-current portion		Total January 3, 2010
		Between 1 to 5 years	After 5 years			Between 1 to 5 years	After 5 years	
Notional redemption amounts								
USD 700 notes 8.25%, due July 2010 ¹	–	–	–	–	351	–	–	351
EUR 600 notes 5.875%, due March 2012 ²	–	407	–	407	–	407	–	407
GBP 500 notes 6.50%, due March 2017 ^{3,4}	–	–	268	268	–	–	257	257
USD 94 indebtedness 7.82%, due January 2020 ⁵	4	24	29	57	4	20	33	57
USD 71 indebtedness 8.62%, due January 2025	–	–	53	53	–	–	49	49
USD 500 notes 6.875%, due May 2029	–	–	374	374	–	–	349	349
JPY 33,000 notes LIBOR plus 1.5%, due May 2031 ⁶	–	–	304	304	–	–	248	248
Deferred financing costs	–	(1)	(3)	(4)	–	(1)	(3)	(4)
Total notes	4	430	1,025	1,459	355	426	933	1,714
Other loans	1	1	–	2	1	–	–	1
Financing obligations ⁷	11	60	329	400	11	73	313	397
Mortgages payable ⁸	3	6	–	9	2	7	1	10
Total loans	19	497	1,354	1,870	369	506	1,247	2,122

1 \$10 million was repaid early via an open market repurchase in October 2008. \$187 million was repaid early, in July 2009, as a result of a public tender for the notes, with the Company paying a repurchase price of \$197 million. A loss of \$10 million (€7 million) incurred on the buyback of these notes was reported in the income statement in 2009 as other financial expense (see Note 9). The remaining outstanding balance of the notes, \$503 million, was repaid on maturity.

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

3 During 2005 Ahold bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million (€292 million) has been reduced by €24 million (2009: €25 million) representing an unamortized adjustment related to a fair value hedge that no longer meets the criteria for hedge accounting.

4 The remaining notional amount of GBP 250 million was, through two swap contracts, swapped to \$356 million and carries a six-month floating U.S. dollar interest rate. Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. \$178 million has been paid down as of January 2, 2011.

5 As of January 2, 2011, \$18 million was repaid since inception.

6 Notes were swapped to €299 million at an interest rate of 7.065 percent.

7 The average interest rate for the financing obligations amounted to 7.9 percent in 2010 (2009: 7.8 percent).

8 Mortgages payable are collateralized by buildings and land. The average interest rate for these mortgages payable amounted to 7.5 percent in 2010 (2009: 7.3 percent).

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

Notes to the consolidated financial statements continued

21 Loans and credit facilities continued

The Company has a Euro Medium Term Note (EMTN) program that had an aggregate of €1,003 million of outstanding notes as of January 2, 2011. The notes issued under the program include the remaining outstanding balances of €600 million, GBP 500 million, and JPY 33,000 million notes, maturing in 2012, 2017, and 2031, respectively. The notes issued under the EMTN program contain customary restrictive covenants. During 2010, Ahold was in compliance with these covenants.

Credit facilities

Ahold has access to a €1.2 billion unsecured, committed, multi-currency, and syndicated credit facility that may be used for working capital and for general corporate purposes of the Company and provides for the issuance of letters of credit to an aggregate maximum amount of \$550 million (€411 million). The expiration date of the facility is August 2012.

The facility contains customary covenants. The facility is subject to a financial covenant that requires Ahold not to exceed a maximum leverage ratio, as defined in the facility agreement, of 4.28:1.

During 2010, Ahold was in compliance with these covenants, and as of January 2, 2011, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of \$392 million (€293 million).

Ahold also has access to various uncommitted credit facility lines serving working capital needs that, as of January 2, 2011, totaled €110 million. No amounts were drawn under these credit facility lines as of January 2, 2011.

22 Other non-current financial liabilities

€ million	January 2, 2011	January 3, 2010
Finance lease liabilities	1,096	992
Cumulative preferred financing shares	497	497
Derivative financial instruments	69	124
Reinsurance liabilities	63	46
Other	1	1
Total other non-current financial liabilities	1,726	1,660

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

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

€ million	January 2, 2011			January 3, 2010		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	154	95	59	140	89	51
Between one and five years	604	331	273	535	309	226
After five years	1,193	370	823	1,139	373	766
Total	1,951	796	1,155	1,814	771	1,043
Current portion finance lease liabilities			59			51
Non-current portion finance lease liabilities			1,096			992

Finance lease liabilities are principally for buildings. Terms range from 10 to 25 years and include renewal options if it is reasonably certain, at the inception of the lease, that they will be exercised. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company-specific interest rate applicable for long-term borrowings is used. As of January 2, 2011, the finance lease liabilities are recorded at their present value at an average interest rate of 8.7 percent (January 3, 2010: 8.8 percent).

Notes to the consolidated financial statements continued

22 Other non-current financial liabilities continued

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

During 2010, interest expense on finance lease liabilities was €101 million (2009: €94 million) of which €3 million related to discontinued operations (2009: €3 million). Total future minimum sublease income expected to be received under non-cancelable subleases as of January 2, 2011 is €117 million (January 3, 2010: €133 million). The total contingent rent expense recognized during the year on finance leases was €1 million (2009: €1 million).

Cumulative preferred financing shares

	Number of shares (x 1,000)	€ million
Issued cumulative preferred financing shares (€0.30 par value each)	268,415	81
Authorized cumulative preferred financing shares (€0.30 par value each)	477,581	143
€ million		Other non-current financial liabilities
Paid-in capital issued cumulative preferred financing shares		81
Additional paid-in capital cumulative preferred financing shares		416
Balance as of January 2, 2011 and January 3, 2010		497

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

The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 74 million. This represents approximately 6 percent of the total number of votes that can be cast (this total being calculated as the sum of the outstanding cumulative preferred financing shares and the outstanding common shares).

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

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

Notes to the consolidated financial statements continued

23 Pensions and other post-employment benefits

Defined benefit plans

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

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

€ million	January 2, 2011	January 3, 2010
Defined benefit liabilities	(129)	(96)
Defined benefit assets	408	278
Total defined benefit plans	279	182

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

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

€ million	2010	2009
Current service cost	76	73
Interest cost	174	171
Expected return on plan assets	(205)	(181)
Actuarial (gains) losses	28	19
Past service cost	(8)	–
Curtailments and settlements	–	(3)
Total net periodic benefit cost	65	79

Notes to the consolidated financial statements continued

23 Pensions and other post-employment benefits continued

The changes in the defined benefit obligation and plan assets in 2010 and 2009 were as follows:

€ million	The Netherlands		United States		Total	
	2010	2009	2010	2009	2010	2009
Defined benefit obligation						
Beginning of the year	2,050	1,817	1,117	1,018	3,167	2,835
Current service cost	58	47	18	26	76	73
Interest cost	101	103	73	68	174	171
Actuarial (gains) losses	(17)	168	82	69	65	237
Contributions by plan participants	14	11	–	–	14	11
Benefits paid	(88)	(96)	(62)	(47)	(150)	(143)
Curtailments	–	–	–	2	–	2
Other	–	–	(8)	3	(8)	3
Exchange rate differences	–	–	77	(22)	77	(22)
End of the year	2,118	2,050	1,297	1,117	3,415	3,167
Plan assets						
Fair value of assets, beginning of the year	2,225	1,931	864	705	3,089	2,636
Expected return on plan assets	137	124	68	57	205	181
Actuarial gains (losses)	72	88	39	69	111	157
Company contribution	116	167	51	96	167	263
Contributions by plan participants	14	11	–	–	14	11
Benefits paid	(88)	(96)	(62)	(47)	(150)	(143)
Other	–	–	–	2	–	2
Exchange rate differences	–	–	60	(18)	60	(18)
Fair value of assets, end of the year	2,476	2,225	1,020	864	3,496	3,089
Surplus / (deficit)	358	175	(277)	(253)	81	(78)
Unrecognized actuarial (gains) losses	(37)	70	237	192	200	262
Unrecognized past service cost	–	–	(2)	(2)	(2)	(2)
Net asset / (liability)	321	245	(42)	(63)	279	182

The total defined benefit obligation of €3,415 million as of January 2, 2011 includes €138 million related to plans that are wholly unfunded. These plans include other benefits (such as life insurance and medical care) and supplemental executive retirement plans.

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

Notes to the consolidated financial statements continued

23 Pensions and other post-employment benefits continued*Cash contributions*

Company contributions are expected to remain the same at €116 million in the Netherlands and increase from \$67 million (€51 million) to \$94 million (€70 million) in the United States from 2010 to 2011, respectively. The increase in the U.S. contributions includes an additional contribution to bring the frozen plan's funding ratio, as described below, to 100 percent.

As of year-end 2010, the funding ratio, calculated in accordance with regulatory requirements, of the largest Dutch plan was 112 percent, the ongoing U.S. pension plan was 103 percent, and the U.S. frozen plan was 92 percent. Under the financing agreement with the Dutch pension fund, Ahold can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105 percent (€50 million was paid under this agreement in 2009). The contributions to the U.S. plans in 2009 included additional contributions of \$88 million (€62 million) in order to bring funding ratios to minimum required levels.

Actuarial assumptions

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

€ million	2010	2009	2008	2007	2006
Defined benefit obligations at year end	(3,415)	(3,167)	(2,835)	(3,028)	(3,739)
Fair value of plan assets at year end	3,496	3,089	2,636	3,514	3,673
Surplus / (deficit)	81	(78)	(199)	486	(66)
Experience gains (losses) on defined benefit obligations	(25)	2	(29)	39	4
Experience gains (losses) on plan assets	112	157	(785)	(156)	184

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

Percent	The Netherlands		United States	
	2010	2009	2010	2009
Discount rate for obligations	5.4	5.0	5.8	6.2
Expected return on plan assets	6.3	6.3	7.3	7.9
Future salary increases	3.6	3.8	5.0	5.0

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

The following table shows the effect on the defined benefit obligation and on net periodic benefit cost if the discount rate had been 0.5 percentage-points higher or lower as of year-end 2010. Positive amounts represent increases and negative amounts represent decreases in defined benefit obligations and net periodic benefit cost:

€ million	The Netherlands	United States	Total
0.5 percentage-point increase			
Defined benefit obligations at year-end 2010	(153)	(85)	(238)
Net periodic benefit cost 2011	(8)	(6)	(14)
0.5 percentage-point decrease			
Defined benefit obligations at year-end 2010	186	95	281
Net periodic benefit cost 2011	10	10	20

The expected return on plan assets is determined as a weighted-average rate of return based on the current and projected investment portfolio mix of each plan, taking into account the corresponding long-term yields for the separate asset categories, which depend on components such as the risk-free rate of return in real terms, expected inflation and expected risk and liquidity premiums. In addition, actual long-term historical return information is taken into account. The actual return on plan assets in 2010 was 8.9 percent for the Dutch plans (2009: 10.2 percent) and 11.4 percent for the U.S. plans (2009: 16.1 percent).

Notes to the consolidated financial statements continued

23 Pensions and other post-employment benefits continued

The assumed medical cost trend rates used in measuring the defined benefit obligations related to medical care plans were 9.0 percent in 2010 and 8.6 percent in 2009, declining to an ultimate trend rate of 5.0 percent as of 2019. Because of the limited size of Ahold's medical care plans, the impact of a 1.0 percentage-point increase or decrease in assumed medical cost trend rates on the defined benefit obligation and net periodic benefit cost would be negligible.

Plan assets

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

Percent	The Netherlands		United States	
	2010	2009	2010	2009
Equity securities	34	44	38	52
Debt securities	51	43	55	40
Real estate	10	8	1	1
Other	5	5	6	7
Total	100	100	100	100

In the Netherlands, the investment strategies are based on the composition of the plan liabilities. With the aid of Asset Liability Management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined for each plan to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. Currently the strategic targets for asset allocation of the Dutch pension plan are: 35 percent equity securities (including equity derivatives and forward currency contracts), 50 percent debt securities, 10 percent real estate investments, and 5 percent other investments, cash included. To partially hedge against interest rate risk exposure on the pension liabilities, the Dutch pension plan uses interest rate swap contracts. The Dutch early retirement plan has a relatively short remaining term; therefore the plan assets are invested in fixed income securities and cash instruments only.

In the United States, the plan assets are generally managed by outside investment managers and rebalanced periodically. The committees for the various U.S. plans establish investment policies and strategies and regularly monitor the performance of the assets, including the selection of investment managers, setting long-term strategic targets, and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, subject to variation from time to time, or as circumstances warrant. Occasionally, the committees may approve allocations above or below a target range. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and applicable fiduciary standards. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio between assets and plan liabilities without undue exposure to risk. Currently, the strategic targets are: between 50-70 percent equity securities, 25-45 percent debt securities, and 0-10 percent other investments. These strategic targets are followed by the ongoing plans; however the weighted average allocations presented above are impacted by the frozen plan, which has 100 percent of its investments in debt securities in order to meet the planned settlement in 2012.

In 2010, the fair value of the plan assets (Dutch and U.S. plans in the aggregate) invested in Ahold shares was nil (2009: €5 million).

Defined contribution plans

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

During 2010 and 2009, the Company contributed €27 million and €17 million, respectively, to defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2010 and 2009.

Multi-employer plans

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

Notes to the consolidated financial statements continued

23 Pensions and other post-employment benefits continued

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

Defined benefit plans

Ahold participates in 14 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. Ahold's participation in these plans varies from less than two percent to over 50 percent. As of January 2, 2011, based on the latest available information received from these plans (generally as of December 31, 2009) adjusted for market trends and conditions through the end of 2010, Ahold's estimated proportionate share in plans with a deficit position is €648 million (2009: €705 million) and its proportionate share in plans with a surplus position is €20 million (2009: nil). This is based on an estimated total net deficit of these plans of €10.1 billion (2009: €10.8 billion) and the relative amount of contributions made by Ahold in relation to the total amount of contributions made to these plans. This estimate does not represent Ahold's direct obligation. While this is our best estimate, based upon information available to us, it is imprecise and not necessarily reliable.

During 2010 and 2009, the Company contributed €68 million and €56 million, respectively, to multi-employer defined benefit plans, which has been recognized as an expense in the consolidated income statement. If the underfunded liabilities of these plans are not reduced, either by improved market conditions or collective bargaining changes, increased future payments by the Company and the other participating employers may result. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a substantial withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reasonably estimated. Included in the 2010 and 2009 contributions disclosed above were nil and €7 million, respectively, of withdrawal payments. Ahold's risk of increased contributions and withdrawal liabilities may be greater if any of the participating employers in an underfunded multi-employer plan withdraw from the plan or, due to insolvency, are not able to contribute an amount sufficient to fund the underfunded liabilities associated with their participants in the plan.

Defined contribution plans

Ahold also participates in over 39 multi-employer plans that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. During 2010 and 2009, the Company contributed €215 million and €199 million, respectively, to multi-employer defined contribution plans. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2010 and 2009. These plans vary significantly in size, with contributions to the three largest plans representing 64 percent of total contributions.

Notes to the consolidated financial statements continued

24 Provisions

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

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
As of January 3, 2010							
Current portion	91	9	24	15	9	4	152
Non-current portion	324	38	13	36	138	35	584
Carrying amount	415	47	37	51	147	39	736
Year ended January 2, 2011							
Additions charged to income	115	19	37	27	7	9	214
Used during the year	(97)	(15)	(22)	(20)	(24)	(5)	(183)
Released to income	(20)	(5)	(8)	(3)	(51)	(2)	(89)
Interest accretion	7	2	—	5	8	2	24
Effect of changes in discount rates	8	3	—	4	7	5	27
Exchange rate differences	30	—	2	3	9	2	46
Closing carrying amount	458	51	46	67	103	50	775
As of January 2, 2011							
Current portion	78	10	13	23	24	4	152
Non-current portion	380	41	33	44	79	46	623

Maturities of total provisions as of January 2, 2011 are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
Amount due within one year	78	10	13	23	24	4	152
Amount due between two and five years	227	35	19	18	53	10	362
Amount due after five years	153	6	14	26	26	36	261
Total	458	51	46	67	103	50	775

Self-insurance program

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

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

Loyalty programs

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

Claims and legal disputes

The Company is a party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.

Notes to the consolidated financial statements continued

24 Provisions continued

Restructuring

In 2010, Ahold recognized restructuring provisions of €27 million, mainly related to Ahold's U.S. operations. The provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed. The balance of the provision as of January 2, 2011, consisted of €34 million related to rent and closing costs for Ahold's former Tops stores €16 million and €17 million for restructurings within Ahold's U.S. and Czech operations, respectively.

Onerous contracts

Onerous contract provisions mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the obligations under the contracts over the benefits expected to be received under such contracts. In 2010, Ahold released a part of provisions that were recognized in 2009, related to the financial obligations under various lease guarantees that Ahold had previously provided to landlords of its former BI-LO and Bruno's subsidiaries. The release of these provisions amounted to €46 million and was included within results on divestment, together with related tax offsets. For more information, see *Note 34*.

Other

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

25 Other non-current liabilities

€ million	January 2, 2011	January 3, 2010
Step rent accruals	168	141
Deferred income	35	47
Other	14	14
Total other non-current liabilities	217	202

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

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

26 Other current financial liabilities

€ million	January 2, 2011	January 3, 2010
Finance lease liabilities – current portion (see <i>Note 22</i>)	59	51
Interest payable	44	58
Short-term borrowings	39	38
Dividend cumulative preferred financing shares	30	32
Reinsurance liabilities – current portion (see <i>Note 15</i>)	20	13
Loans – current portion (see <i>Note 21</i>)	19	369
Other	5	3
Total other current financial liabilities	216	564

Notes to the consolidated financial statements continued

27 Other current liabilities

€ million	January 2, 2011	January 3, 2010 ¹
Accrued expenses	553	513
Compensated absences	236	216
Payroll taxes, social security and VAT	206	172
Deferred income	95	88
Deposit liabilities	45	39
Other	3	3
Total other current liabilities	1,138	1,031

¹ Comparative amounts have been adjusted to conform to the presentation in the current year.

28 Cash flow

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

€ million	2010	2009
Cash and cash equivalents at the beginning of the year	2,688	2,863
Restricted cash	(22)	(19)
Cash and cash equivalents at the beginning of the year, excluding restricted cash	2,666	2,844
Net cash from operating, investing and financing activities	(157)	(169)
Effect of exchange rate differences on cash and cash equivalents	70	(9)
Restricted cash	21	22
Cash and cash equivalents at the end of the year	2,600	2,688

The following table presents additional cash flow information:

€ million	2010	2009
Non-cash investing activities		
Accounts payable at year end related to purchased non-current assets	120	128
Assets acquired under finance leases from continuing operations	28	39
Non-cash financing activities		
Finance lease liabilities originated from continuing operations	(28)	(39)
Acquisition of businesses		
Fair value of assets acquired	(129)	(10)
Fair value of assets given	–	10
Goodwill	(111)	(4)
Less: Liabilities assumed	80	–
Total consideration paid	(160)	(4)
Cash acquired	1	–
Acquisition of businesses, net of cash acquired	(159)	(4)
Divestments of businesses		
Net assets divested	–	1
Result on divestments of discontinued operations before income taxes	(7)	(128)
Changes in accounts receivable / payable and provisions – net	(27)	119
Divestment of businesses, net of cash divested	(34)	(8)

Notes to the consolidated financial statements continued

29 Earnings per share

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

	2010	2009
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	853	894
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	30	32
Net income attributable to common shareholders for the purposes of diluted earnings per share	883	926

Number of shares (in millions)

Weighted average number of common shares for the purposes of basic earnings per share	1,169	1,180
Effect of dilutive potential common shares:		
Share options and conditional shares	13	9
Cumulative preferred financing shares	48	54
Weighted average number of common shares for the purposes of diluted earnings per share	1,230	1,243

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

€ million	2010	2009
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	863	972
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	30	32
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	893	1,004

Basic and diluted income per share from discontinued operations attributable to common shareholders amounted to negative €0.01 and negative €0.01, respectively (2009: negative €0.06 basic and negative €0.07 diluted). They are based on the income from discontinued operations attributable to common shareholders of negative €10 million (2009: negative €78 million) and the denominators detailed above.

30 Financial risk management and financial instruments

Financial risk management

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

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

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

30 Financial risk management and financial instruments continued

Currency risk

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

Foreign currency sensitivity analysis

Approximately 65 percent of Ahold's net sales is generated by subsidiaries whose activities are conducted in a currency other than the euro (2009: 64 percent), mainly in the U.S. dollar. Assuming the euro had strengthened (weakened) by 10 percent against the U.S. dollar in 2010 compared to the actual 2010 rate, with all other variables held constant, the hypothetical result on income before income taxes would be a decrease (increase) of €35 million (2009: €53 million).

Interest rate risk

Ahold's interest rate risk arises primarily from its debt. To manage interest rate risk, Ahold has an interest rate management policy aimed at reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. Ahold's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps and cross-currency interest rate swaps. As of January 2, 2011, after taking into account the effect of interest rate swaps and cross-currency swaps, approximately 96 percent of Ahold's long-term borrowings were at fixed rates of interest (2009: 96 percent).

Interest rate sensitivity analysis

The total interest expense recognized in the 2010 income statement related to the variable rates of long-term debt, net of swaps, amounted to €9 million (2009: €13 million). The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2009: nil). In addition, a hypothetical result relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of €4 million or a gain of €5 million, respectively (2009: a loss of €4 million or a gain of €5 million, respectively). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0 percent.

The total interest income recognized in the 2010 income statement related to variable rate money market fund investments and deposits amounted to €18 million (2009: €27 million). The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant this would result in a hypothetical effect on income before income taxes of a gain (loss) of €6 million (2009: a gain (loss) of €5 million). In performing this analysis, the effect was limited to a point where the absolute value of the reference interest would not decrease below 0 percent.

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

Credit risk

Ahold has no significant concentrations of credit risk. Sales to retail customers are made in cash, checks, and debit cards, or via major credit cards. Sales to franchisees are done on credit. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions' products. Ahold invests in funds with a rating of AAA (Standard & Poor's). With respect to credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swap and Derivatives Association. The counterparties have an externally validated investment grade credit rating. Ahold has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and continually monitors these exposures. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets on the balance sheet (refer to the table on fair values of financial instruments below in this Note). The maximum net amount of a credit risk loss that Ahold would incur if financial institutions that are parties to the derivative instruments completely failed to perform according to the terms of the contracts is €279 million as of January 2, 2011 (January 3, 2010: €211 million).

Notes to the consolidated financial statements continued

30 Financial risk management and financial instruments continued

The majority of Ahold's past due but not impaired financial assets as of January 2, 2011 consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as the Company's customer base and vendor base is large and unrelated. As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on an aging analysis, performed as of January 2, 2011. For further discussion on Ahold's receivables, see *Notes 15 and 17*.

Liquidity risk

Ahold manages its liquidity risk on a consolidated basis with cash provided from operating activities being the primary source of liquidity in addition to debt and equity issuances in the capital markets, committed and uncommitted credit facilities, letters of credit under credit facilities, and available cash. Ahold manages short-term liquidity based on projected cash flows over rolling periods of six months. As of January 2, 2011, Ahold had €0.9 billion of committed undrawn bank facilities, which can be drawn on for working capital and general corporate purposes, €2.6 billion of cash balances and €0.2 billion of short-term deposits available to manage its liquidity.

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

The following tables summarize the expected maturity profile of the Company's derivative financial instruments and non-derivative financial liabilities as of January 2, 2011 and January 3, 2010, respectively, based on contractual undiscounted payments:

Year ended January 2, 2011

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

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

Notes to the consolidated financial statements continued

30 Financial risk management and financial instruments continued

Year ended January 3, 2010

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	(1,714)	(464)	(696)	(1,579)	(2,739)
Other loans	(1)	(1)	–	–	(1)
Financing obligations	(397)	(42)	(162)	(387)	(591)
Mortgages payable	(10)	(6)	(6)	(1)	(13)
Finance lease liabilities	(1,043)	(140)	(535)	(1,139)	(1,814)
Cumulative preferred financing shares ¹	(497)	(32)	(61)	(23)	(116)
Short-term borrowings	(38)	(38)	–	–	(38)
Reinsurance liabilities	(59)	(14)	(31)	(16)	(61)
Accounts payable	(2,137)	(2,137)	–	–	(2,137)
Other	(2)	–	–	(2)	(2)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	185	(30)	67	44	81
Interest derivatives and interest flows	26	10	13	7	30

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

All derivative financial instruments and non-derivative financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of January 2, 2011 and January 3, 2010, respectively. Refer to *Note 34* for the liquidity risk related to guarantees.

Credit ratings

As of January 2, 2011, Moody's Long Term Issuer Rating on Ahold was Baa3 with a positive outlook and Standard & Poor's Corporate Credit Rating assigned to Ahold was BBB with a stable outlook, both unchanged during 2010.

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

Capital risk management

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

The capital structure of the Company consists of net debt, which includes borrowings, cash, cash equivalents and short-term deposits (see *Notes 18, 19, 21, 22, and 26*), and equity (see *Note 20*). Ahold may balance its overall capital structure in a number of ways, including through the payment of dividends, capital reduction, new share issues, and share buybacks as well as the issuance of new debt or the redemption of existing debt.

Notes to the consolidated financial statements continued

30 Financial risk management and financial instruments continued

Financial instruments

Fair values of financial instruments

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

€ million	January 2, 2011		January 3, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	99	111	93	98
Receivables	710	710	698	698
Reinsurance assets	77	77	56	56
Total loans and receivables	886	898	847	852
Cash and cash equivalents	2,600	2,600	2,688	2,688
Short-term deposits held to maturity	224	224	295	295
Derivatives	348	348	336	336
Available for sale	3	3	3	3
Total financial assets	4,061	4,073	4,169	4,174
Notes	(1,459)	(1,676)	(1,714)	(1,869)
Other loans	(2)	(2)	(1)	(1)
Financing obligations	(400)	(520)	(397)	(507)
Mortgages payable	(9)	(10)	(10)	(12)
Finance lease liabilities	(1,155)	(1,515)	(1,043)	(1,362)
Cumulative preferred financing shares	(497)	(500)	(497)	(525)
Dividend cumulative preferred financing shares	(30)	(30)	(32)	(32)
Accounts payable	(2,323)	(2,323)	(2,137)	(2,137)
Short-term borrowings	(39)	(39)	(38)	(38)
Interest payable	(44)	(44)	(58)	(58)
Reinsurance liabilities	(83)	(82)	(59)	(59)
Other	(2)	(2)	(2)	(2)
Total financial liabilities at amortized cost	(6,043)	(6,743)	(5,988)	(6,602)
Derivatives	(73)	(73)	(125)	(125)
Total financial liabilities	(6,116)	(6,816)	(6,113)	(6,727)

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

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

Notes to the consolidated financial statements continued

30 Financial risk management and financial instruments continued

Derivatives

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

€ million	Maturity	January 2, 2011			January 3, 2010		
		Fair value		Notional amount	Fair value		Notional amount
		Assets	Liabilities		Assets	Liabilities	
Forward foreign currency contracts ¹	Within 1 year	–	–	1	–	–	11
Total fair value hedges		–	–	1	–	–	11
Forward foreign currency contracts ²	Within 1 year	2	–	82	1	–	58
Cross-currency swaps ³	Between 1-5 years	151	–	407	173	–	407
Cross-currency swaps ³	After 5 years	–	(69)	304	–	(124)	248
Total cash flow hedges		153	(69)	793	174	(124)	713
Forward foreign currency contracts ⁴	Within 1 year	–	(4)	52	–	(1)	28
Total net investment hedges		–	(4)	52	–	(1)	28
Forward foreign currency contracts	Within 1 year	–	–	1	–	–	2
Interest rate swaps	After 5 years	39	–	292 ⁶	26	–	282 ⁶
Cross-currency swaps ⁵	After 5 years	156	–	292 ⁶	136	–	282 ⁶
Total derivatives – no hedge accounting treatment		195	–	293 ⁶	162	–	284 ⁶
Total derivative financial instruments		348	(73)	1,139	336	(125)	1,036

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

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

3 Cross-currency swaps accounted for as cash flow hedges are used to hedge currency and cash flow interest rate risk on fixed and floating debt denominated in foreign currency.

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

5 As of January 2, 2011, the valuation of the cross-currency swaps (assets) includes the impact of the mark-to-market valuation of an embedded credit clause in a GBP 250 million cross-currency swap in the amount of €10 million. The volatility in the financial markets resulted in a €3 million loss related to this credit clause in the year 2010 (€13 million gain in 2009).

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

Gains and losses recognized in cash flow hedging reserve in equity as of January 2, 2011 mainly relate to the swap on the JPY 33,000 notes and will be released to the income statement over a period lasting until 2031.

Notes to the consolidated financial statements continued

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company determined that key management personnel consist of the members of the Corporate Executive Board and the members of the Supervisory Board.

Employment contracts with individual Corporate Executive Board members

Dick Boer

In 2010, the Company provided Dick Boer with a base salary of €637,500, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100 percent of base salary and is capped at 125 percent in case of extraordinary performance. Unless Boer's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2011. In the event the Company terminates his employment agreement for reasons other than cause or because he is not reappointed, Boer is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Boer with a notice period of six months. Boer participates in Ahold's Dutch Pension Plan. Boer has been appointed as the new CEO of Ahold effective March 1, 2011.

Kimberly Ross

In 2010, the Company provided Kimberly Ross with a base salary of €550,000, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive program (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100 percent of the base salary and is capped at 125 percent in case of extraordinary performance. Unless Ross' employment agreement is otherwise terminated, she will be eligible for reappointment in 2012. In the event the Company terminates Ross' employment agreement for reasons other than cause or because she is not reappointed, she is entitled to a severance payment equal to one year's base salary. Ross' employment agreement may be terminated by the Company with a notice period of 12 months and by Ross with a notice period of six months. Ross participates in the U.S. Benefits Plans – the Salary Continuation Plan (SCP), the Ahold USA Pension Plan and the 401(k) Plan.

Lodewijk Hijmans van den Bergh

In 2010, the Company provided Lodewijk Hijmans van den Bergh with a base salary of €500,000, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100 percent of base salary and is capped at 125 percent in case of extraordinary performance. Unless Hijmans van den Bergh's employment agreement is otherwise terminated, he will be eligible for reappointment in 2014. In the event the Company terminates his employment agreement for reasons other than cause or because he is not reappointed, Hijmans van den Bergh is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Hijmans van den Bergh with a notice period of six months. Hijmans van den Bergh participates in Ahold's Dutch Pension Plan.

John Rishton

In 2010, the Company provided John Rishton with a base salary of €945,000, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive program (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan was 100 percent of the base salary and was capped at 125 percent in case of extraordinary performance. He participated in Ahold's Dutch Pension Plan. Rishton resigned from the Corporate Executive Board on February 28, 2011.

Lawrence Benjamin

In 2010, the Company provided Lawrence Benjamin with a base salary of \$986,000, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan was 100 percent of base salary and was capped at 125 percent in case of extraordinary performance. He participated in the U.S. Benefit Plans – the Salary Continuation Plan (SCP) and the 401(k) Plan. Benjamin retired on January 31, 2011.

Notes to the consolidated financial statements continued

31 Related party transactions continued

Remuneration of the individual Corporate Executive Board members

The remuneration of the individual Corporate Executive Board members, which is disclosed as of the year the member's appointment was approved by the General Meeting of Shareholders, can be specified as follows:

€ thousand			Direct remuneration		Deferred remuneration		Total remuneration
	Base salary	Bonuses ¹	Other ²	Total direct remuneration	Share-based compensation ³	Pensions ⁴	
Dick Boer							
2010	638	574	14	1,226	720	117	2,063
2009	625	488	14	1,127	632	186	1,945
Kimberly Ross							
2010	550	495	174	1,219	503	162	1,884
2009	500	390	159	1,049	384	78	1,511
Lodewijk Hijmans van den Bergh							
2010	500	450	11	961	98	149	1,208
2009	—	—	—	—	—	—	—
John Rishton⁵							
2010	945	851	189	1,985	(275)	257	1,967
2009	945	737	173	1,855	830	193	2,878
Lawrence Benjamin⁶							
2010	745	663	139	1,547	1,486	349	3,382
2009	683	517	128	1,328	188	149	1,665
Peter Wakkie⁷							
2010	—	—	—	—	—	—	—
2009	600	468	8	1,076	1,834	170	3,080
Total 2010	3,378	3,033	527	6,938	2,532	1,034	10,504
Total 2009	3,353	2,600	482	6,435	3,868	776	11,079

1 Bonuses represent accrued bonuses to be paid in the following year.

2 "Other" mainly includes allowances for housing expenses, international school fees, employer's contributions to social security plans, and benefits in kind such as tax advice, tax compensation, and medical expenses, and the associated tax gross up.

3 The amounts represent the share-based compensation expense calculated under IFRS 2. The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2010 reflects this year's portion of the share grants over the previous five years (2006 to 2010), whereas the expense for 2009 reflects that year's portion of share grants for the four years from 2006 to 2009.

4 Pension costs are the total net periodic pension costs.

5 John Rishton resigned from the Corporate Executive Board on February 28, 2011. The share-based compensation expense related to John Rishton's service period during 2010 was €317,000 (inclusive of shares vesting in 2011). In addition, an amount of €592,000 was reversed, representing the share-based compensation expense recognized in the previous years related to shares that were forfeited (three-year grants for 2009 and 2010 and the five-year grants for 2007, 2008, 2009, and 2010).

6 Under the GRO program, all retirees are allowed to retain shares that have been granted to them and normal vesting conditions apply. Lawrence Benjamin's service period, for share-based compensation expense purposes, ended with his retirement eligibility date on December 1, 2010. The share-based compensation expense related to the service performed by Lawrence Benjamin during 2010 was €402,000. In addition, an amount of €1,084,000 was recognized, representing the remaining unamortized expense on the non-vested portion of GRO shares granted to him, as his service period ended with his retirement eligibility.

7 Peter Wakkie's service period ended with his retirement on December 31, 2009. The share-based compensation expense related to the service performed by Peter Wakkie during 2009 was €551,000. In addition, an amount of €1,283,000 was recognized, representing the remaining unamortized expense on the non-vested portion of GRO shares granted to him, as his service period ended with his retirement.

Notes to the consolidated financial statements continued

31 Related party transactions continued

Remuneration of the Supervisory Board members

€ thousand	2010	2009
René Dahan (reappointed in 2008)	86	69
Tom de Swaan (appointed in 2007)	84	79
Karen de Segundo (reappointed in 2008)	86	71
Derk C. Doijer (reappointed in 2009)	76	60
Stephanie M. Shern (reappointed in 2009)	99	69
Judith Sprieser (reappointed in 2010)	92	78
Mark McGrath (appointed in 2008)	84	62
Ben Noteboom (appointed in 2009)	76	43
Total	683	531

Shares and other interests in Ahold

As of January 2, 2011, Corporate Executive Board members held the following shares and other interests in Ahold:

	Common shares subject to additional holding requirement ¹	Other common shares	Total common shares
Dick Boer	32,972	119,151	152,123
Kimberly Ross	17,392	1	17,393
Lodewijk Hijmans van den Bergh	—	—	—
John Rishton	44,641	63,600	108,241
Lawrence Benjamin	—	40,000	40,000
Total	95,005	222,752	317,757

¹ In line with best practice II.2.5 of the Dutch Corporate Governance Code, mid-term (three-year) shares granted and vested under the GRO program to Corporate Executive Board members will have to be retained for a period of at least five years after granting, except to finance tax due at the vesting date, or until at least the end of the employment, if this period is shorter.

As of January 2, 2011, René Dahan held 112,000 Ahold common shares. None of the other Supervisory Board members held Ahold shares.

Trading transactions

Ahold has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices.

During 2010 and 2009, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 2, 2011

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ICA	22	2	10	8
Stationsdrogisterijen	16	—	—	4
JMR	7	—	4	1
Accounting Plaza B.V.	1	26	—	1
A.M.S. Coffee Trading	—	—	—	1
Other	3	—	8	2
Total	49	28	22	17

Notes to the consolidated financial statements continued

31 Related party transactions continued

For the year ended January 3, 2010

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ICA	20	5	7	7
Stationsdrogisterijen	15	—	—	3
JMR	4	—	1	1
Accounting Plaza B.V.	—	27	—	—
A.M.S. Coffee Trading	—	6	—	1
Other	2	—	9	—
Total	41	38	17	12

These unconsolidated related parties consist of:

- ICA, a joint venture of Ahold in the retail business
- Stationsdrogisterijen C.V., a joint venture of Ahold in the health and beauty care retail business
- JMR, a joint venture of Ahold in the retail business
- Accounting Plaza B.V., an associate of Ahold that renders accounting and administrative services to certain Ahold subsidiaries in the Netherlands, Czech Republic, and Slovakia
- A.M.S. Coffee Trading AG, an associate of Ahold that generated sales transactions with Ahold Coffee Company
- "Other," which includes mainly real estate joint ventures, in which Ahold has an interest, holding properties operated by Ahold, and Loyalty Management Nederland B.V., an associate of Ahold that renders services relating to the management of customer loyalty programs to certain Ahold subsidiaries in the Netherlands

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 23*.

32 Share-based compensation

In 2010, Ahold's share-based compensation program consisted of a conditional share grant program (Global Reward Opportunity – "GRO"). This program, introduced in 2006, replaced the Company's share option plans. In principle, plan rules will not be altered during the term of the plans. Total 2010 GRO share-based compensation expenses were €33 million (2009: €30 million). Ahold's share-based compensation programs are equity-settled.

The grant date fair value of the shares granted under the GRO program in 2010 was €32 million, of which €2 million related to Corporate Executive Board members. This fair value is expensed over the vesting period of the grants adjusted for assumed annual forfeitures of 6 percent (2009: 6 percent). For the share-based compensation expenses allocable to the individual Corporate Executive Board members, see *Note 31*.

GRO program*Main characteristics*

Under the GRO program, Ahold shares are granted through a mid-term (three-year) and a long-term (five-year) program. The number of conditional shares to be granted depends on the at-target value, the annual incentive multiplier of the preceding year and the average share price for six months preceding the date of the grant. The shares are granted on the day after the annual General Meeting of Shareholders and vest on the day after the publication of Ahold's full-year results in the third year (mid-term component) or fifth year (long-term component) after the grant, provided the participant is still employed by Ahold. Shares granted to Corporate Executive Board members vest after three years (mid-term component) or five years (long-term component), subject to continued employment. Corporate Executive Board members are not allowed to sell their shares within a period of five years from the grant date, except to finance tax due at the date of vesting. For participants other than the Corporate Executive Board members, the mid-term component of the program contains a matching feature. For every five shares a participant holds for an additional two years after the vesting date, the participant will receive one additional share.

Notes to the consolidated financial statements continued

32 Share-based compensation continued

The conditional shares granted through the long-term component are subject to a performance condition. The number of shares that will ultimately vest depends on Ahold's performance compared to 11 other retail companies (refer to the *Remuneration* section for the composition of the peer group), measured over a five-year period using the Total Shareholder Return (TSR, which is the sum of share price growth and dividends). The table below indicates the percentage of conditional shares that could vest based on the ranking of Ahold within the peer group:

Rank	1	2	3	4	5	6	7	8	9	10	11	12
Corporate Executive Board	150%	130%	110%	90%	70%	50%	25%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2010, Ahold held the first position with respect to the 2006 and 2007 share grant, the second position for the 2008 share grant, the fourth position for the 2010 share grant, and the fifth position for the 2009 share grant. The 2006 grant's long-term component vests on the day after the publication of the 2010 annual results. The final TSR ranking for this component is the first position (150 percent). The positions with respect to the 2007, 2008, 2009, and 2010 share grants are not an indication of Ahold's final ranking at the end of the performance periods, nor do they provide any information related to the vesting of shares.

Upon termination of employment due to retirement, disability, or death, the same vesting conditions as described above apply. Upon termination of employment without cause (e.g. restructuring or divestment), a pro rata part of the granted shares will vest on the date of termination of employment.

The following table summarizes the status of the GRO program during 2010 for the individual Corporate Executive Board (CEB) members and for all other employees in the aggregate.

Notes to the consolidated financial statements continued

32 Share-based compensation continued

	Outstanding at the beginning of 2010	Granted ¹	Vested ²	Forfeited	Outstanding at the end of 2010	Minimum number of shares ³	Maximum number of shares ⁴	Fair value per share at the grant date
Dick Boer⁵								
Five-year 2006 grant	28,963	—	—	—	28,963	—	43,444	6.38
Three-year 2007 grant	39,779	—	39,779	—	—	—	—	9.28
Five-year 2007 grant	39,779	—	—	—	39,779	—	59,668	8.03
Three-year 2008 grant	52,674	—	—	—	52,674	52,674	52,674	8.97
Five-year 2008 grant	52,674	—	—	—	52,674	—	79,011	8.04
Three-year 2009 grant	54,706	—	—	—	54,706	54,706	54,706	8.04
Five-year 2009 grant	54,706	—	—	—	54,706	—	82,059	7.02
Three-year 2010 grant	—	33,671	—	—	33,671	33,671	33,671	9.50
Five-year 2010 grant	—	33,671	—	—	33,671	—	50,506	7.29
Kimberly Ross⁵								
Five-year 2006 grant	6,193	—	—	—	6,193	—	9,289	6.38
Three-year 2007 grant	11,199	—	11,199	—	—	—	—	9.28
Five-year 2007 grant	11,199	—	—	—	11,199	—	16,798	9.10
Three-year 2008 grant	42,139	—	—	—	42,139	42,139	42,139	8.97
Five-year 2008 grant	42,139	—	—	—	42,139	—	63,208	8.04
Three-year 2009 grant	43,764	—	—	—	43,764	43,764	43,764	8.04
Five-year 2009 grant	43,764	—	—	—	43,764	—	65,646	7.02
Three-year 2010 grant	—	29,050	—	—	29,050	29,050	29,050	9.50
Five-year 2010 grant	—	29,050	—	—	29,050	—	43,575	7.29
Lodewijk Hijmans van den Bergh								
Three-year 2010 grant	—	30,472	—	—	30,472	30,472	30,472	9.50
Five-year 2010 grant	—	30,472	—	—	30,472	—	45,708	7.29
John Rishton								
Five-year 2006 grant	34,924	—	—	—	34,924	—	52,386	5.84
Three-year 2007 grant	35,268	—	35,268	—	—	—	—	9.28
Five-year 2007 grant	35,268	—	—	35,268	—	—	—	8.03
Three-year 2008 grant	79,642	—	—	—	79,642	79,642	79,642	8.97
Five-year 2008 grant	79,642	—	—	79,642	—	—	—	8.04
Three-year 2009 grant	82,715	—	—	82,715	—	—	—	8.04
Five-year 2009 grant	82,715	—	—	82,715	—	—	—	7.02
Three-year 2010 grant	—	49,912	—	49,912	—	—	—	9.50
Five-year 2010 grant	—	49,912	—	49,912	—	—	—	7.29
Lawrence Benjamin								
Three-year 2009 grant	68,469	—	—	—	68,469	68,469	68,469	8.04
Five-year 2009 grant	68,469	—	—	—	68,469	—	102,703	7.02
Three-year 2010 grant	—	38,301	—	—	38,301	38,301	38,301	9.50
Five-year 2010 grant	—	38,301	—	—	38,301	—	57,451	7.29
Subtotal CEB members	1,090,790	362,812	86,246	380,164	987,192	472,888	1,244,340	
Other employees								
2006 grant	2,131,134	—	87,679	48,765	1,994,690			
2007 grant	3,245,578	—	1,646,660	64,589	1,534,329			
2008 grant	4,149,054	—	80,912	187,205	3,880,937			
2009 grant	5,451,992	—	65,226	286,284	5,100,482			
2010 grant	—	2,999,498	13,910	138,349	2,847,239			
Total number of shares	16,068,548	3,362,310	1,980,633	1,105,356	16,344,869			

1 Represents the number of shares originally granted.

2 The vesting date of the three-year 2007 grant was March 5, 2010 for Kimberly Ross and April 14, 2010 for John Rishton and Dick Boer. The Euronext closing share price was €9.63 as of March 5, 2010 and €10.45 as of April 14, 2010.

3 For the three-year grants, the minimum number of shares equals the number of outstanding shares. For the five-year grants, the minimum number of shares would be nil if Ahold's ranking was eight or lower (as explained in the section *Main characteristics* above).

4 For the three-year grants, the maximum number of shares equals the number of outstanding shares. For the five-year grants, the maximum number of shares equals 150 percent of outstanding shares if Ahold's ranking is one (as explained in the section *Main characteristics* above).

5 For participants other than the Corporate Executive Board members, the mid-term component of the program contains a matching feature. Since Dick Boer was not a Corporate Executive Board member at the time of the 2006 grant and Kimberly Ross was not a Corporate Executive Board member at the time of the 2006 and 2007 grant, they are eligible for this matching shares feature. The maximum number of matching shares that could vest is 2,775 for Dick Boer and 3,477 for Kimberly Ross.

Notes to the consolidated financial statements continued

32 Share-based compensation continued

Valuation model and input variables

The weighted average fair value of the conditional shares granted in 2010, for all eligible participants including Corporate Executive Board members, amounted to €9.42 and €8.37 per share for the three-year and five-year components, respectively (2009: €8.07 and €7.84, respectively). The fair value of the three-year component is based on the share price on the grant date, reduced by the present value of dividends expected to be paid during the vesting period. The fair value of the five-year component is determined using a Monte Carlo simulation model. The most important assumptions used in the valuations of the three- and five-year components were as follows (expressed as weighted averages):

Percent	2010	2009
Risk-free interest rate	1.9	2.1
Volatility	29.1	34.1
Assumed dividend yield	3.0	2.7

Expected volatility has been determined based on historical volatilities.

Share option plans

In 2005, Ahold had one global share option plan with a uniform set of rules and conditions for all participants, except members of the Corporate Executive Board, to whom a separate plan applied. The term of the 2005 share options for all participants except Corporate Executive Board members is eight years and the exercise of these options is conditional upon continued employment during a three-year vesting period. Upon termination of employment, share options that have vested can be exercised during the four weeks following termination and are forfeited thereafter. The share option grant made in 2005 to members of the Corporate Executive Board had a five- and a ten-year term and was subject to a performance criterion at vesting: the average economic value-added improvement versus targeted improvement over the three financial years prior to vesting. In 2008, the final vesting percentage was set at 96 percent.

Until January 2, 2005, Ahold had three share option plans (the Dutch, U.S., and International Share Option Plans – collectively the “Plans”). Under these Plans, participants were granted share options with either a five- or ten-year term. In addition, a limited number of share options were granted in 2006 under the 2005 global share option plan rules with a five- or ten-year term. After the introduction of GRO, options were discontinued as a remuneration component. All options vested by the end of 2009.

Notes to the consolidated financial statements continued

32 Share-based compensation continued

The following table summarizes the status of the share option plans during 2010 for the individual Corporate Executive Board (CEB) members and for all other employees in the aggregate.

Description of grant	Outstanding at the beginning of 2010	Exercised	Forfeited	Expired	Outstanding at the end of 2010	Exercise price	Expiration date
Dick Boer							
Eight-year 2005 grant	70,200	—	—	—	70,200	6.36	04/03/2013
Ten-year 2001 grant	12,000	—	—	12,000	—	34.36	12/31/2010
Ten-year 2002 grant	12,000	—	—	—	12,000	32.68	12/30/2011
Ten-year 2003 grant	21,000	—	—	—	21,000	11.65	12/29/2012
Ten-year 2004 grant	21,000	—	—	—	21,000	5.83	12/28/2013
Kimberly Ross							
Eight-year 2005 grant	33,150	—	—	—	33,150	6.36	04/03/2013
Ten-year 2002 grant	833	—	—	—	833	32.68	12/30/2011
Ten-year 2003 grant	9,000	—	—	—	9,000	11.65	12/29/2012
Ten-year 2004 grant	9,000	—	—	—	9,000	5.83	12/28/2013
Lawrence Benjamin							
Five-year 2006 grant	30,000	30,000	—	—	—	6.33	12/31/2010
Eight-year 2005 grant	78,000	—	—	—	78,000	6.36	04/03/2013
Ten-year 2004 grant	60,000	—	—	—	60,000	5.83	12/28/2013
Ten-year 2006 grant	30,000	—	—	—	30,000	6.33	12/31/2015
Subtotal CEB members	386,183	30,000	—	12,000	344,183		
Weighted average exercise price	8.39				7.66		
Other employees							
Five-year	145,500	145,500	—	—	—	—	—
Eight-year	2,674,456	538,943	18,307	—	2,117,206	6.36	
Ten-year	4,616,874	98,144	69,005	879,829	3,569,896	15.93	
Subtotal other employees	7,436,830	782,587	87,312	879,829	5,687,102	12.37	
Total options	7,823,013	812,587	87,312	891,829	6,031,285	12.10	
Weighted average exercise price	14.09	6.30	17.30	34.34	12.10		
Weighted average share price at date of exercise		9.86					

The following table summarizes information about the total number of outstanding share options as of January 2, 2011:

Exercise price (range)	Number outstanding and exercisable at January 2, 2011	Weighted average exercise price	Weighted average remaining contractual years
5.83 – 6.57	3,252,874	6.24	2.55
11.65	1,811,532	11.65	1.99
32.68	966,879	32.68	0.99
Total	6,031,285		

Notes to the consolidated financial statements continued

33 Operating leases

Ahold as lessee

Ahold leases a significant number of its stores, as well as distribution centers, offices, and other assets, under operating lease arrangements. The aggregate amounts of Ahold's minimum lease commitments payable to third parties under non-cancelable operating lease contracts are as follows:

€ million	January 2, 2011	January 3, 2010
Within one year	655	600
Between one and five years	2,194	2,042
After five years	3,130	3,108
Total	5,979	5,750

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

The annual costs of Ahold's operating leases from continuing operations, net of sublease income, are as follows:

€ million	2010	2009
Minimum rentals	627	610
Contingent rentals	32	49
Sublease income	(107)	(93)
Total	552	566

In addition to the operating lease commitments disclosed above, Ahold has signed lease agreements for properties under development of which it has not yet taken possession. The total future minimum lease payments for these agreements amount to approximately €251 million (2009: €435 million). These lease contracts are subject to conditions precedent to the rent commencement date.

Ahold as lessor

Ahold rents out its investment properties (mainly retail units in shopping centers containing an Ahold store) and also (partially) subleases various other properties, which are leased by Ahold under operating leases. The aggregate amounts of the related future minimum lease and sublease payments receivable under non-cancelable lease contracts are as follows:

€ million	January 2, 2011	January 3, 2010
Within one year	162	179
Between one and five years	393	438
After five years	349	460
Total	904	1,077

The total contingent rental income recognized during the year on all leases where Ahold is the lessor was €4 million (2009: €6 million).

Notes to the consolidated financial statements continued

34 Commitments and contingencies

Capital investment commitments

As of January 2, 2011, Ahold had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €116 million and €5 million, respectively (January 3, 2010: €144 million and nil, respectively).

Ahold's share in the capital investment commitments of its unconsolidated joint ventures ICA and JMR amounted to €39 million as of January 2, 2011 (January 3, 2010: €37 million).

Purchase commitments

Ahold enters into purchase commitments with vendors in the ordinary course of business. Ahold has long-term purchase contracts with some vendors for varying terms that require Ahold to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of January 2, 2011, the Company's purchase commitments were approximately €594 million (January 3, 2010: €642 million). The amount as of January 3, 2010 includes a decrease of €127 million in order to correct the amount disclosed in Ahold's 2009 Annual Report. Not included in the purchase commitments are those purchase contracts for which Ahold has received advance vendor allowances, such as up-front signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold can be summarized as follows:

€ million	January 2, 2011	January 3, 2010
Lease guarantees	758	792
Lease guarantees backed by letters of credit	103	112
Corporate and buyback guarantees	48	47
Loan guarantees	7	8
Total	916	959

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for \$216 million (€161 million), which was reduced to \$128 million (€96 million) as of January 2, 2011. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007. The outstanding amount of this guarantee as of January 2, 2011 was €7 million. These reductions followed the decreases in the underlying guarantees given by Ahold.

Ahold is contingently liable for leases that have been assigned to third parties in connection with facility closings and asset disposals. Ahold could be required to assume the financial obligations under these leases if any of the assignees are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the assigned leases, which extend through 2027. The amounts of the lease guarantees exclude cost of common area maintenance and real estate taxes; such amounts may vary in time, per region and per property. Of the €758 million in the undiscounted lease guarantees, €383 million relates to the BI-LO / Bruno's divestment and €282 million to the Tops divestment. On a discounted basis those lease guarantees amount to €592 million and €556 million as of January 2, 2011 and January 3, 2010, respectively.

On February 5, 2009 and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the filings). As a result of the filings, Ahold has made an assessment of its potential obligations under the lease guarantees based upon the remaining initial term of each lease, an assessment of the possibility that Ahold would have to pay under a guarantee and any potential remedies that Ahold may have to limit future lease payments. Consequently, in 2009, Ahold recognized provisions of €109 million and related tax benefit offsets of €47 million within results on divestments.

In connection with the filings, on December 18, 2009, certain Ahold affiliates entered into a Settlement and Term Loan Acquisition Agreement (Settlement Agreement) with Lone Star Fund V, LLC (Lone Star Fund) and certain other Lone Star entities. Pursuant to the Settlement Agreement, Ahold acquired \$260 million (€190 million) of BI-LO's existing term loans during February 2010. Lone Star Fund and certain other Lone Star entities (Lone Star) provided Ahold with funding of \$130 million (€95 million) and security relating to the repayment of the acquired term loans.

Notes to the consolidated financial statements continued

34 Commitments and contingencies continued

On May 12, 2010, the reorganized BI-LO exited bankruptcy protection and subsequently the existing \$260 million (€204 million) in term loans held by Ahold were repaid in full and Ahold repaid to Lone Star the funding of \$130 million (€102 million). BI-LO assumed 149 operating locations that are guaranteed by Ahold. During the BI-LO bankruptcy, BI-LO rejected a total of 16 leases which are guaranteed by Ahold and Ahold also took assignment of 12 other BI-LO leases with Ahold guarantees. Based on the foregoing developments, Ahold recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010.

Since the end of the second quarter of 2010, Ahold has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that are guaranteed by Ahold. At the end of 2010 the remaining provision relating to BI-LO and Bruno's is €54 million with a related tax benefit offset of €23 million. This amount represents Ahold's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold under the various lease guarantees. Ahold continues to pursue its mitigation efforts with respect to these lease guarantee liabilities and to closely monitor any developments with respect to Bruno's and BI-LO.

Ahold has provided corporate guarantees to certain suppliers of Ahold's franchisees or non-consolidated entities. Ahold would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2017.

Loan guarantees relate to the principal amounts of certain loans payable by Ahold's franchisees, non-consolidated real estate development entities, and joint ventures. The term of most guarantees is equal to the term of the related loan, the last of which matures in 2016. Ahold's maximum liability under the guarantees equals the total amount of the related loans plus, in most cases, reasonable costs of enforcement of the guarantee.

Representations and warranties as part of the sale of Ahold's operations

Ahold has provided, in the relevant sales agreements, certain customary representations and warranties including, but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, one to seven years after the date of the relevant transaction completion date.

	Closing date	Contingent liability cap	
		Local currency million	€ million
Disco	November 1, 2004	\$15 ¹	11 ¹
BI-LO / Bruno's	January 31, 2005	\$33	25
Deli XL	September 12, 2005	€40	40
Poland (Ahold Polska Sp. Z o.o.)	July 2, 2007	€108 ²	108 ²
U.S. Foodservice	July 3, 2007	None ³	None ³
Tops Markets	December 3, 2007	\$70	52
Tops' Wilson Farms / Sugarcreek	December 3, 2007	\$5	4
Schuitema	June 30, 2008	€129	129

1 Ahold assesses the likelihood to be liable up to the amount of the contingent liability cap to be remote. The cap does not include Ahold's indemnification obligations relating to legal proceedings described below.

2 Including €33 million for the divestment of hypermarkets in 2005.

3 No cap on contingent liability, but an indemnification obligation of Ahold, if a \$40 million threshold is exceeded. The threshold was exceeded in 2009.

The most significant sales of operations are described below. In addition, specific, limited representations and warranties exist for certain of Ahold's smaller divestments in 2004, 2005, 2006, and 2007. The aggregate impact of a claim under such representations and warranties is not expected to be material.

Notes to the consolidated financial statements continued

34 Commitments and contingencies continued

Bradlees

In 1992, Stop & Shop spun off Bradlees Stores, Inc. (Bradlees) as a public company (the Bradlees Spin-off). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the Bradlees Bankruptcies), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Disco

Ahold is required to indemnify the buyers of Disco and Disco for (i) certain claims made in relation to the mandatory conversions into Argentine pesos of certain of Disco's U.S. dollar debts and (ii) certain claims made by creditors of certain Uruguayan and other banks. For additional information on these legal proceedings, see the *Legal proceedings* section below. Ahold's indemnification obligations relating to these legal proceedings are not capped at a certain amount nor restricted to a certain time period.

BI-LO / Bruno's

In connection with the sale of BI-LO and Bruno's, Ahold may be contingently liable to landlords under guarantees of some 200 BI-LO or Bruno's operating or finance leases that existed at the time of the sale in the event of a future default by the tenant under such leases. As a result of the bankruptcy filings by BI-LO and Bruno's during 2009, a provision was recognized in 2009. BI-LO exited bankruptcy in May 2010 and the Company has re-evaluated its estimate of liability. For more information, refer to the *Guarantees* section above in this Note.

U.S. Foodservice

In connection with the sale of U.S. Foodservice, which closed on July 3, 2007 (the Completion), Ahold indemnified U.S. Foodservice against damages incurred after the Completion relating to matters including (i) the putative class actions filed in 2006 and 2007 and referred to below under "Waterbury litigation" and any actions that might be brought by any current or former U.S. Foodservice customers that concern the pricing practices at issue in such litigation for sales made by U.S. Foodservice prior to the Completion and (ii) the investigation by the Civil Division of the U.S. Department of Justice into U.S. Foodservice's pricing practices for sales made to the U.S. Government prior to the Completion. See also below.

Tops Markets, LLC

In connection with the sale of Tops in 2007, Ahold has certain post-closing indemnification obligations under the sale agreement (the 2007 Tops Sale Agreement) that Ahold believes are customary for transactions of this nature. Ahold retained certain liabilities in the sale, including contingent liability for 49 leases that carry Ahold guarantees. Additionally, Ahold retained liabilities related to stores previously sold, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined below.

Tops convenience stores

Pursuant to applicable law, Tops may be contingently liable to landlords under 193 leases assigned in connection with the sale of the Tops' Wilson Farms and Sugarcreek convenience stores in the event of a future default by the tenant under such leases. Ahold may also be contingently liable to landlords under the guarantees of 71 such leases in the event of a future default by the tenant under these leases.

Tops northeast Ohio stores

Tops closed all of its locations in northeast Ohio prior to year-end 2006. As of January 3, 2011, 34 of the total 55 closed locations in northeast Ohio have been sold, subleased, or partially subleased. An additional 14 leases have been terminated or have terms due to expire within one year. Seven stores continue to be marketed. In connection with the store sales, Tops and Ahold have certain post-closing indemnification obligations under the sale agreements, which Ahold believes are customary for transactions of this nature. Pursuant to applicable law, Ahold may be contingently liable to landlords under guarantees of 14 of such leases in the event of a future default by the tenant under such leases. In the event Ahold is able to assign the leases for the remaining northeast Ohio stores, then pursuant to applicable law, Ahold also may be contingently liable to landlords under guarantees of certain of such remaining leases in the event of a future default by the tenant under such leases. Additionally, under U.S. pension law, the buyers of certain Tops stores assumed the pension withdrawal liability associated with the underfunding of certain pension funds and Tops remains secondarily liable in the event the buyer defaults within five years as described in the relevant pension plan.

In January, 2011, Tops Holdings, LLC, an Ahold subsidiary, was notified that a mass withdrawal had occurred under the International Brotherhood of Teamsters Local 400 Food Terminal Employees' Pension Plan, which covered workers of a warehouse in northeast Ohio previously owned by Tops Markets LLC and divested to Erie Logistics, LLC in 2002. This warehouse was closed in 2006 in connection with the closing of the Tops stores in northeast Ohio. Tops Markets, LLC may have contractual liability to Erie Logistics, LLC for this mass withdrawal liability and, pursuant to the 2007 Tops Sale Agreement, Tops Holdings, LLC may have also indemnified Tops Markets, LLC for this liability. Based on Ahold's current assessment of this potential loss contingency, at year end 2010 Ahold has recognized a provision of \$27 million (€20 million) relating to this potential liability.

Notes to the consolidated financial statements continued

34 Commitments and contingencies continued

Other contingent liabilities

ICA tax claims

In 2007, the Swedish Tax Agency disallowed interest deductions by ICA Finans AB of SEK 1,795 million (€199 million) for the period 2001–2003. ICA appealed the decision to the County Administrative Court, which in December 2008 ruled in favor of the Tax Agency. ICA appealed the County Administrative Court's decision to the Administrative Court of Appeal, which in June 2010 published its ruling in favor of the Tax Agency. ICA has reported a tax charge of SEK 747 million (€78 million) in 2010 in accordance with the decision of the Administrative Court of Appeal. ICA has filed an appeal and request for leave to appeal to the Supreme Administrative Court on June 29, 2010 and the corresponding motivation on August 27, 2010.

In a separate case, the Swedish Tax Agency has decided to disallow interest deductions to a Dutch ICA Group company in 2004–2008. In December 2010, the County Administrative Court affirmed the Tax Agency's ruling and denied interest deductions of SEK 3,358 million (€373 million). The tax claim amounts to SEK 1,187 million (€132 million), including penalties and interest. ICA is convinced that the deductions complied with applicable tax laws. This assessment is shared by outside counsel, which has analyzed the Tax Agency's argument and the legal principles applied by the court. ICA has appealed the County Administrative Court's decision to the Administrative Court of Appeal. The Tax Agency has denied ICA's request to defer payment, due to which SEK 1,187 million (€132 million) was paid in January 2011. The amount paid has been booked as a receivable from the Tax Agency.

Legal proceedings

Ahold and certain of its subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax, employment, and other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold's financial condition, results of operations, or cash flows. Ahold may enter into discussions regarding settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interests of Ahold's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

U.S. Foodservice – Waterbury litigation

In October 2006, a putative class action was filed against U.S. Foodservice by Waterbury Hospital and Cason, Inc. and Frankie's Franchise Systems Inc. with the United States District Court for the District of Connecticut in relation to certain U.S. Foodservice pricing practices (the Waterbury Litigation). Two additional putative class actions were filed in 2007 by customers of U.S. Foodservice, Catholic Healthcare West, and Thomas & King, Inc., in the U.S. District Courts for the Northern District of California and the Southern District of Illinois, respectively. These two new actions involved the same pricing practices as those in the Waterbury Litigation. The new actions also named Ahold and two individuals as defendants. In accordance with the decision of the Judicial Panel on Multidistrict Litigation, in 2008, the actions were consolidated with the Waterbury litigation before the Court in Connecticut. Ahold was (among other parties) named as defendant. Both Ahold and U.S. Foodservice filed a motion to dismiss against the complaint. In December 2009, the Court in Connecticut granted Ahold's motion to dismiss, as a result of which Ahold is no longer party in the proceedings. U.S. Foodservice's motion to dismiss was partially rejected by the Court, as a result of which U.S. Foodservice remains defendant in the ongoing proceedings. Ahold cannot at this time provide a reasonable estimate of any of its potential liability in connection with the indemnification obligation mentioned in the table above.

U.S. Foodservice – Governmental / regulatory investigations

The Civil Division of the U.S. Department of Justice was conducting an investigation, which related to certain past pricing practices of U.S. Foodservice for sales made to the U.S. government prior to the date of completion of the disposal of U.S. Foodservice (July 3, 2007). In September 2010, a settlement was reached with the Department of Justice under which U.S. Foodservice was obliged to pay an amount of \$33 million (€24 million) to the U.S. government. Ahold paid under its indemnification agreement with U.S. Foodservice an amount of \$23 million (€17 million), of which \$12 million (€8 million) had already been provided for in 2009. Ahold cannot exclude the possibility of further indemnification obligations resulting from other governmental or regulatory actions.

Uruguayan litigation

Ahold, together with Disco S.A. (Disco) and Disco Ahold International Holdings N.V. (DAIH), is a party to certain legal proceedings in Uruguay related to Ahold's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH.

The proceedings are ongoing. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately \$70 million (€52 million) plus interest and costs. As part of the sale of Disco to Cencosud in 2004, Ahold has indemnified Cencosud and Disco against the outcome of these legal proceedings. Ahold continues to believe that these legal proceedings are without merit and will continue to vigorously oppose the plaintiffs' claims.

34 Commitments and contingencies continued

D&S litigation

In April 2005, the public company Distribucion y Servicio D&S S.A. (D&S) initiated legal proceedings against Ahold in the Netherlands, in connection with Disco's acquisition in 2000 of Supermercados Ekono S.A., which owned supermarkets in Buenos Aires, Argentina. D&S sought payment of approximately \$47 million (€35 million) plus interest. In May 2007, the Court of First Instance decided against D&S in its judgment and dismissed its claim against Ahold. The Court of Appeals has confirmed this judgment. In November 2009, D&S filed an appeal against this decision with the Dutch Supreme Court on procedural grounds only. Ahold does not expect the matter before the Supreme Court to change the outcome of the material proceedings. A judgment by the Supreme Court is expected in 2011.

At the initiative of D&S, an arbitration panel was appointed in February 2008 in proceedings against Disco in Argentina. The parties made their final submissions in the proceedings before the arbitration panel in 2010. A judgment is expected in 2011. Disco believes it has meritorious defenses in these proceedings. As part of the sale of Disco to Cencosud in 2004, Ahold has indemnified Cencosud and Disco against this claim from D&S.

Stop & Shop Bradlees Lease Litigation with Vornado

In connection with the spin-off of Bradlees in May 1992, discussed under Contingent Liabilities above, Stop & Shop, Bradlees, and Vornado (or certain of its affiliates, collectively Vornado) entered into a Master Agreement and Guaranty (the Master Agreement) relating to 18 leases for which Vornado was the landlord. Pursuant to the Bradlees Bankruptcies, Bradlees either rejected or assumed and assigned the leases subject to the Master Agreement. In 2002, Vornado sent a written demand to Stop & Shop to pay certain so-called "rental increases" allegedly due under the Master Agreement in connection with certain leases, comprised of \$5 million (€4 million) annually through 2012, and, if certain renewal options are exercised, \$6 million (€4 million) annually thereafter through the expiration of the last lease covered by the Master Agreement, which Vornado alleges could extend until 2031, depending upon whether renewal options are exercised. In 2002, Stop & Shop filed a Court claim that it is not obligated to pay the rental increases demanded by Vornado. In 2005, Vornado filed a counterclaim seeking damages and a declaration that Stop & Shop is obligated to pay rental increases. The proceedings are ongoing. Stop & Shop continues to believe that it is not obligated to pay the rental increases demanded by Vornado and continues to vigorously pursue the litigation and defend against Vornado's claims.

Other legal proceedings

In addition to the legal proceedings described above, Ahold and its subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold's financial position, results of operations, or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is not predictable. It is possible that Ahold could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

35 Subsequent events

Completion of share buyback program announced in March 2010

On February 24, 2011, Ahold completed its €500 million share buyback program announced on March 4, 2010. The total number of shares repurchased under the program was 50,359,330 common shares, for a total consideration of €500 million, at an average price of €9.93.

In accordance with resolutions adopted at Ahold's 2010 General Meeting of Shareholders, 30 million of the shares bought back are in the process of being cancelled. The remaining 20,359,330 of the shares bought back will be held by Ahold as treasury shares and are intended to be used for employee share-based compensation in future years.

New share buyback program

On March 2, 2011, Ahold decided to return €1 billion to its shareholders by way of a share buyback program, to be completed over the next 18 months.

Notes to the consolidated financial statements continued

36 List of subsidiaries, joint ventures and associates

The following are Ahold's significant subsidiaries, joint ventures, and associates as of January 2, 2011:

Consolidated subsidiaries

Unless otherwise indicated, these are, directly or indirectly, wholly or virtually wholly owned subsidiaries. Subsidiaries not important to providing an insight into the Ahold Group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Netherlands Civil Code. Pursuant to said section 403, Ahold has assumed joint and several liabilities for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Ahold has issued 403 declarations are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands
Albert Heijn Franchising B.V., Zaandam, the Netherlands
Gall & Gall B.V., Zaandam, the Netherlands
Etos B.V., Zaandam, the Netherlands
AHOLD Czech Republic, a.s., Prague, Czech Republic
AHOLD Retail Slovakia, k.s., Bratislava, Slovak Republic
Albert Heijn België N.V., Antwerp, Belgium

Retail trade United States

The Stop & Shop Supermarket Company LLC, Boston, Massachusetts
Giant Food Stores, LLC, Carlisle, Pennsylvania
Giant of Maryland LLC, Landover, Maryland
Peapod, LLC, Skokie, Illinois

Other

Ahold Coffee Company B.V., Zaandam, the Netherlands
Ahold Nederland B.V., Amsterdam, the Netherlands
Ahold Real Estate & Construction B.V., Zaandam, the Netherlands
Ahold Finance U.S.A., LLC, Amsterdam, the Netherlands
Ahold Financial Services, LLC, Carlisle, Pennsylvania, United States
Ahold Information Services, Inc., Greenville, South Carolina, United States
Ahold International Sarl, Zug, Switzerland
Ahold Lease U.S.A., Inc., Boston, Massachusetts, United States
Ahold Licensing Sàrl, Geneva, Switzerland
Ahold Tsjechië B.V., Zaandam, the Netherlands
Ahold U.S.A., Inc., Boston, Massachusetts, United States
American Sales Company, LLC, Lancaster, New York, United States
MAC Risk Management, Inc., Canton, Massachusetts, United States
The MollyAnna Company, Montpelier, Vermont, United States
Ahold Insurance N.V., Willemstad, Curaçao
Ahold Finance Company N.V., Curaçao; Geneva branch, Geneva, Switzerland
Ahold Finance Company N.V., Curaçao; Zurich branch, Zurich, Switzerland

Joint ventures and associates (unconsolidated)

ICA AB (60 percent), Stockholm, Sweden
JMR – Gestão de Empresas de Retalho, SGPS, S.A. (49 percent), Lisbon, Portugal
Jerónimo Martins Retail Services S.A. (49 percent), Klosters, Switzerland

Parent company financial statements

Income statement

€ million	2010	2009
Income from subsidiaries and investments in joint ventures after income taxes	835	988
Other gains and losses after income taxes	18	(94)
Net income	853	894

Balance sheet

Before appropriation of current year result.

€ million	Note	January 2, 2011	January 3, 2010 ¹
Assets			
Property, plant and equipment		3	4
Deferred tax assets		18	—
Financial assets	4	10,501	11,335
Total non-current assets		10,522	11,339
Receivables	5	96	25
Cash and cash equivalents		334	539
Total current assets		430	564
Total assets		10,952	11,903
Liabilities and shareholders' equity			
Issued and paid-in share capital		358	358
Additional paid-in capital		9,916	9,916
Legal reserves		(52)	(236)
Accumulated deficit		(5,165)	(5,492)
Net income		853	894
Shareholders' equity	6	5,910	5,440
Provisions	7	54	509
Loans	8	304	1,932
Cumulative preferred financing shares	8	497	497
Other non-current liabilities	9	417	460
Total non-current liabilities		1,218	2,889
Current liabilities	10	3,770	3,065
Total liabilities and shareholders' equity		10,952	11,903

1 Comparative amounts have been adjusted to conform to the presentation in the current year.

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

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

The parent company financial statements of Ahold have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see *Note 3* to the consolidated financial statements).

As the financial data of Koninklijke Ahold N.V. (the Parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Investments in subsidiaries, joint ventures, and associates

Investments in subsidiaries, joint ventures, and associates are accounted for using the net equity value. Ahold calculates the net equity value using the accounting policies as described in *Note 3* to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of Ahold's share in the net assets of the subsidiary, plus Ahold's share in income or losses since acquisition, less dividends received. Goodwill paid upon acquisition of an investment in a joint venture or associate is included in the net equity value of the investment and is not shown separately on the face of the balance sheet.

2 Employees

The average number of employees of Koninklijke Ahold N.V. in full-time equivalents during 2010 was 136 (2009: 140). Salaries, social security charges, and pension expenses amounted to €29 million, €1 million, and €4 million, respectively, for 2010 (2009: €27 million, €1 million, and €2 million, respectively).

For information on the Parent company's defined benefit pension plan, the remuneration of the Corporate Executive Board and the Supervisory Board and the Parent company's share-based compensation plans, see *Notes 23, 31 and 32*, respectively, to the consolidated financial statements.

The net pension assets and the net pension expense are calculated on the basis of the Parent company's active employees only.

3 Auditor fees

Expenses for services provided by the Parent company's independent auditor, Deloitte Accountants B.V., and its member firms and / or affiliates to Ahold and its subsidiaries can be specified as follows:

€ thousand	Deloitte Accountants B.V.	Member firms / affiliates	Total 2010	Deloitte Accountants B.V.	Member firms / affiliates	Total 2009
Audit fees	2,248	2,503	4,751	2,216	2,489	4,705
Audit-related fees	84	3	87	84	23	107
Tax advisory fees	—	—	—	—	33	33
Other non-audit fees	—	—	—	—	—	—
Total	2,332	2,506	4,838	2,300	2,545	4,845

Notes to the parent company financial statements continued

4 Financial assets

€ million	January 2, 2011	January 3, 2010
Investments in subsidiaries	7,471	7,679
Investments in joint ventures	178	1,046
Loans receivable from subsidiaries	2,495	2,209
Other loans receivable	–	55
Hedging derivatives external	151	173
Other derivatives external	196	162
Pensions and other post-employment benefits	9	10
Deferred financing cost	1	1
Total financial assets	10,501	11,335

For more information on derivatives, see *Note 11* to these parent company financial statements.

Investments in subsidiaries and joint ventures

€ million	Subsidiaries	Joint ventures	2010 Total	2009 Total
Beginning of year	7,679	1,046	8,725	7,882
Share in income	780	55	835	988
Dividends	(690)	(110)	(800)	(592)
Intercompany transfers	(345)	(871)	(1,216)	366
Direct equity movements	5	(4)	1	11
Transfers (to) / from loans receivable	207	–	207	630
Transfers (to) / from provisions	(402)	–	(402)	(582)
Exchange rate differences	237	62	299	22
End of year	7,471	178	7,649	8,725

For a list of subsidiaries, joint ventures, and associates, see *Note 36* to the consolidated financial statements.

Loans receivable

€ million	Subsidiaries	Other	2010 Total	2009 Total
Beginning of year	2,209	55	2,264	2,702
Issued	3,236	3	3,239	579
Redemptions	(2,958)	–	(2,958)	(377)
Transfers (to) / from investments	(207)	–	(207)	(630)
Exchange rate differences	215	–	215	(10)
End of year	2,495	58	2,553	2,264
Current portion	–	(58)	(58)	–
Non-current portion of loans	2,495	–	2,495	2,264

In 2010, Ahold performed an intra-group reorganization of part of its finance and holding activities. Certain investments, including the investment in Ahold's unconsolidated joint venture ICA, were transferred from the Parent company to a newly established Swiss subsidiary, Ahold International Sarl (AIS), in exchange for a 75 percent ownership interest in AIS. The remaining 25 percent ownership interest in AIS is owned by another Ahold's subsidiary, Ahold Finance U.S.A., LLC. Loans previously held by the Parent company from and to subsidiaries were terminated, and a new loan was issued to AIS in the amount of \$2.5 billion.

Notes to the parent company financial statements continued

5 Receivables

€ million	January 2, 2011	January 3, 2010
Loan receivable	58	—
Receivables from subsidiaries	22	8
Receivables from joint ventures	6	3
Hedging derivatives external	—	1
Hedging derivatives intercompany	1	—
Other derivatives intercompany	4	—
Income tax receivable	—	9
Other receivables	5	4
Total receivables	96	25

6 Shareholders' equity

For a specification of shareholders' equity, see the consolidated statement of changes in equity. Legal reserves for the purposes of the Parent company's shareholders' equity are the same as the reserves disclosed in the consolidated statement of changes in equity and *Note 20* to the consolidated financial statements.

7 Provisions

€ million	January 2, 2011	January 3, 2010 ¹
Provision for negative equity subsidiaries	41	443
Deferred tax liability	—	52
Other provisions	13	14
Total provisions	54	509

¹ Comparative amounts have been adjusted to conform to the presentation in the current year.

As of January 2, 2011, none of other provisions is expected to be utilized within one year.

8 Loans

€ million	January 2, 2011		January 3, 2010	
	Non-current portion	Current portion	Non-current portion	Current portion
JPY 33,000 notes LIBOR plus 1.5%, due May 2031	304	—	248	—
Loans from subsidiaries	—	—	1,684	—
Total loans	304	—	1,932	—

For more information on the external loans, see *Note 21* to the consolidated financial statements. For information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements. Loans from subsidiaries were terminated as part of the intra-group reorganization. For more information, see *Note 4* in these parent company financial statements.

9 Other non-current liabilities

€ million	January 2, 2011	January 3, 2010
Hedging derivatives external	69	124
Hedging derivatives intercompany	151	173
Other derivatives intercompany	196	162
Finance lease liabilities	1	1
Total other non-current liabilities	417	460

For more information on derivatives, see *Note 11* to these parent company financial statements.

Notes to the parent company financial statements continued

10 Current liabilities

€ million	January 2, 2011	January 3, 2010
Short-term borrowings from subsidiaries	3,613	3,004
Income taxes payable	75	—
Dividend cumulative preferred financing shares	30	32
Payables to subsidiaries	18	—
Payables to joint ventures	2	2
Interest payable	1	1
Hedging derivatives intercompany	1	1
Other derivatives external	4	1
Other current liabilities	26	24
Total current liabilities	3,770	3,065

The current liabilities are liabilities that mature within one year.

11 Derivatives

The Parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the Parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Hedging derivatives external" and "Hedging derivatives intercompany," respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Other derivatives external" and "Other derivatives intercompany," respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. The Parent company has one cash flow hedge to hedge the interest rate and currency exposure on the JPY 33,000 million notes. In relation to the cash flow hedge on the JPY 33,000 million notes, the Parent company recorded a fair value gain of €55 million in the cash flow hedge reserve in 2010 (2009: a fair value loss of €7 million) and recognized a loss of €56 million (2009: a loss of €11 million) in the income statement from the cash flow hedge reserve release. Details of these derivative contracts and the Parent company's risk management strategies are included in Note 30 to the consolidated financial statements and in the tables presented below.

Non-current hedging derivatives – assets

€ million	Hedging derivatives external	Other derivatives external	2010 Total	2009 Total
Beginning of year	173	162	335	259
Fair value changes	(22)	34	12	76
End of year	151	196	347	335

Non-current hedging derivatives – liabilities

€ million	Hedging derivatives external	Hedging derivatives intercompany	Other derivatives intercompany	2010 Total	2009 Total
Beginning of year	124	173	162	459	375
Fair value changes	(55)	(22)	34	(43)	84
End of year	69	151	196	416	459

Fair value changes include exchange rate differences and installments paid on a cross-currency swap that was entered into on behalf of one of the Parent company's subsidiaries.

Notes to the parent company financial statements continued

12 Commitments and contingencies

Notes and loans issued by certain subsidiaries are guaranteed by the Parent company, as disclosed in *Note 21* to the consolidated financial statements. The Parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the Parent company regarding the financial obligations of third parties and non-consolidated entities amount to €855 million as of January 2, 2011 (January 3, 2010: €898 million).

As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for \$216 million (€151 million) which was reduced to \$128 million (€96 million) as of January 2, 2011. As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for €152 million in June 2007. The outstanding amount of this guarantee as of January 2, 2011 was €7 million. These reductions followed the decreases in the underlying guarantees given by Ahold.

Under customary provisions, the Parent company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. The Parent company forms a fiscal unity with Ahold's major Dutch and certain other subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Netherlands Civil Code are disclosed in *Note 36* to the consolidated financial statements.

Corporate Executive Board

Amsterdam, the Netherlands

March 2, 2011

Supervisory Board

Other information

Independent auditor's report

To: the Shareholders, Supervisory Board and Corporate Executive Board of Koninklijke Ahold N.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended January 2, 2011 of Koninklijke Ahold N.V., Zaandam. The financial statements include the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at January 2, 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The parent company financial statements comprise the parent company balance sheet as at January 2, 2011, the parent company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at January 2, 2011 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company financial statements

In our opinion, the parent company financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at January 2, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 2, 2011

Deloitte Accountants B.V.

P.J.M.A. van de Goor

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Corporate Executive Board, will then be available for distribution to the common shareholders subject to approval at the General Meeting of Shareholders. The Corporate Executive Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

Distribution of profit

The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a final dividend of €0.29 per common share be paid in 2011 with respect to 2010 (2009: €0.23). Based on the number of outstanding common shares as of March 2, 2011, the dividend would amount to approximately €329 million in the aggregate.

Subsequent events

For information regarding subsequent events, see *Note 35* to the consolidated financial statements.

Other information continued

Annual information update

Pursuant to article 5:25f of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht), Ahold has issued an Annual Information Update (AIU) (jaarlijks document) that covers the period from March 4, 2010 through March 2, 2011. The AIU contains references to public disclosures made by Ahold over the period referred to above, under applicable laws and regulations relating to securities, issuers, and security markets. The AIU is available on Ahold's public website at www.ahold.com.

Share capital



We work to broaden the investment community's understanding of our Company by providing accurate and timely information on Ahold's performance and prospects.

Ahold's authorized share capital as of January 2, 2011, was comprised of the following:

- 1,700,000,000 common shares at €0.30 par value each;
- 477,580,949 cumulative preferred financing shares at €0.30 par value each;
- 1,250,000 cumulative preferred shares at €500 par value each.

For additional information about Ahold's share capital, see *Notes 20* and *22* to the consolidated financial statements. Ahold is a public limited liability company registered in the Netherlands with a listing of shares (symbol: AH) on Euronext's Amsterdam Stock Exchange (AEX). Ahold's common shares trade in the United States on the over-the-counter (OTC) market through www.otcmatrix.com (symbol: AHONY) in the form of American Depositary Shares (ADSs) and are evidenced by American Depositary Receipts (ADRs).

Ahold's Depositary for its ADSs is Citibank. Each ADS entitles the holder to receive one common share deposited under an amended and restated deposit agreement between Ahold and the Depositary dated July 2, 2010. Ahold has been informed by the Depositary that as of January 2, 2011, there were 49,830,660 ADSs outstanding in the United States, compared with 53,257,581 as of January 3, 2010.

Vesting of shares under the GRO plan

On March 4, 2011, a maximum of 1.9 million conditional shares granted in 2008 to Ahold employees under the mid-term component of the Global Reward Opportunity (GRO) equity-based long-term incentive plan, 3.0 million performance shares granted in 2006 to Ahold employees under the long-term component of the GRO plan, and 0.2 million matching shares granted in 2006 to Ahold employees under the mid-term component of the GRO plan are expected to vest. Vesting is subject to the participant being employed by the Company on the applicable vesting date. On the vesting date, participants are eligible, subject to the GRO plan rules, to sell all or part of the shares vested.

Geographic spread of shareholdings

Percent	February 2011	February 2010
North America	26.3	32.1
The Netherlands	14.9	11.8
UK / Ireland	13.9	11.9
France	7.5	4.4
Rest of Europe	7.3	5.8
Switzerland	3.2	3.0
Rest of the world	2.4	1.3
Germany	2.0	2.0
Undisclosed ¹	22.5	27.7

¹ The undisclosed percentage of shareholdings includes all retail holdings.

Share capital continued

On April 21, 2011, a maximum of 0.2 million conditional shares granted in 2008 to members of the Corporate Executive Board under the mid-term component of the GRO plan and 0.1 million performance shares granted in 2006 to members of the Corporate Executive Board under the long-term component of the GRO plan are expected to vest. Except to finance tax due on the vesting date, members of the Corporate Executive Board cannot sell the conditional shares for a period of at least five years following the grant date, or until the end of their employment, if this period is shorter.

The Company will use treasury shares for delivery of the vested shares.

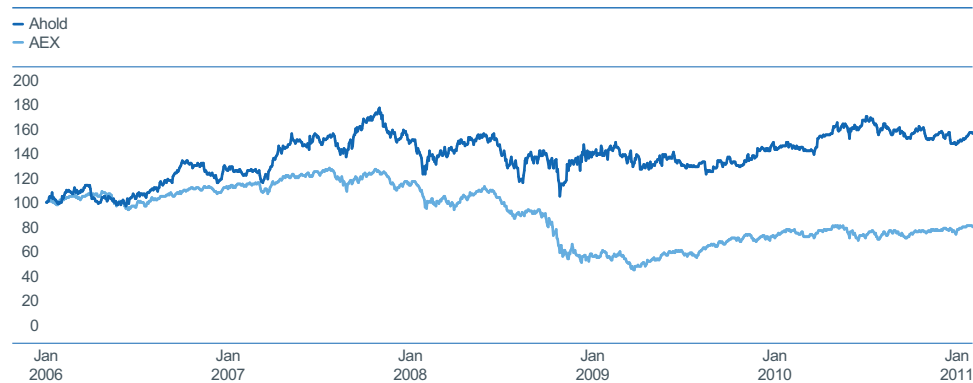
Share performance

Closing share prices for Ahold's common shares on Euronext Amsterdam for the periods indicated below were:

	2010	2009
Closing common share price at year end (in €)	9.88	9.26
Average closing common share price (in €)	9.82	8.58
Highest closing common share price (in €)	10.78	9.43
Lowest closing common share price (in €)	8.77	7.77
Average daily trading volume	4,779,907	5,661,423

Source: Euronext

The development of the closing prices for Ahold's common shares on Euronext Amsterdam during calendar years 2006–2010 relative to the AEX index (base 100 = January 2, 2006) was as follows:



Dividend

Ahold reinstated its annual dividend on common shares and announced a new dividend policy in the 2007 financial year. The policy states that Ahold intends to increase future annual dividends while meeting the capital needs of the business and maintaining an efficient investment grade capital structure. For the 2007 financial year, we paid a cash dividend of €0.16 per common share.

For the 2008 financial year, Ahold paid a cash dividend of €0.18 per common share. For the 2009 financial year, a cash dividend of €0.23 per common share was approved by the annual General Meeting of Shareholders on April 13, 2010, and paid on May 4, 2010.

The announced dividend for the 2010 financial year of €0.29 per common share will be proposed to shareholders at the annual General Meeting of Shareholders to be held on April 20, 2011.

Dividends on cumulative preferred financing shares

Ahold paid an annual dividend on cumulative preferred financing shares in 2010 and plans to pay dividends on these shares in 2011 as required by the terms of the shares.

Five-year overview

Results, cash flow and other information

€ million, except per share data

	2010	2009	2008	2007	2006
Net sales	29,530	27,925	25,648	24,824	24,584
Net sales growth at constant exchange rates ¹	4.4%	3.9%	6.9%	6.6%	4.2%
Operating income	1,336	1,297	1,202	1,071	992
Underlying retail operating margin	4.9%	5.1%	5.1%	4.9%	4.8%
Net interest expense	(270)	(289)	(233)	(293)	(450)
Income (loss) from continuing operations	863	972	887	779	680
Income (loss) from discontinued operations	(10)	(78)	195	2,167	235
Net income	853	894	1,082	2,946	915
Net income per common share (basic)	0.73	0.76	0.92	2.03	0.58
Net income per common share (diluted)	0.72	0.74	0.90	2.01	0.58
Income (loss) per common share from continuing operations (diluted)	0.73	0.81	0.74	0.53	0.44
Dividend per common share	0.29	0.23	0.18	0.16	–
Free cash flow ²	1,112	948	638	633	292
Net cash from operating, investing, and financing activities	(157)	(169)	(445)	1,487	(249)
Capital expenditures (including acquisitions) ³	1,117	788	1,094	807	1,234
Capital expenditures as % of net sales	3.8%	2.8%	4.3%	3.3%	5.0%
Average exchange rate (€ per \$)	0.7555	0.7194	0.6828	0.7307	0.7964

1 Net sales growth in 2010 and 2009 is adjusted for the impact of week 53 in 2009.

2 Includes the settlement of the securities class action of €536 million in 2006 and €284 million in 2007.

3 The amounts represent additions to property, plant and equipment, investment property, and intangible assets. The amounts include assets acquired through business combinations and exclude discontinued operations.

Balance sheet and other information

€ million	January 2, 2011	January 3, 2010	December 28, 2008	December 30, 2007	December 31, 2006
Equity ¹	5,910	5,440	4,687	3,897	5,270
Gross debt	3,561	3,700	4,241	5,379	6,480
Cash, cash equivalents, and short-term deposits	2,824	2,983	2,863	3,263	1,844
Net debt	737	717	1,378	2,116	4,636
Net debt / equity ratio	12%	13%	29%	54%	88%
Total assets	14,725	13,933	13,603	13,953	18,442
Number of stores	2,970	2,909	2,897	3,225	3,480
Number of employees (in FTEs)	122,027	118,121	118,523	118,715	164,078
Number of employees (headcount) ²	212,527	206,287	202,569	196,736	243,875
Common shares outstanding (x 1,000) ¹	1,145,145	1,181,214	1,176,685	1,171,922	1,555,678
Share price at Euronext (€)	9.88	9.26	8.83	9.47	8.06
Market capitalization ¹	11,314	10,938	10,390	11,098	12,539
Year-end exchange rate (€ per \$)	0.7474	0.6980	0.7111	0.6795	0.7576

1 In 2010, €386 million was returned to shareholders through a share buyback. In 2007, €4 billion was returned to shareholders through a capital repayment and share buyback.

2 Number of employees (headcount) in 2007 and 2006 has been adjusted from numbers previously reported to include discontinued operations.

Contact information

General information

Ahold Communications
P.O. Box 985
1000 AZ Amsterdam
The Netherlands
Telephone: +31 (0)20 509 5100
Email: communications@ahold.com

Shareholder information

Ahold Investor Relations
P.O. Box 985
1000 AZ Amsterdam
The Netherlands
Telephone: +31 (0)20 509 5213
Email: investor.relations@ahold.com

ADR information

Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077
USA
Telephone: 1 800 649 4134 (toll free)
Telephone: 1 781 585 4555 (outside the United States)
Fax: 1 201 324 3284
Email: Citibank@shareholder-online.com
www.citi.com/dr

Visiting address

Ahold Corporate Center
Piet Heinkade 167-173
1019 GM Amsterdam
The Netherlands
www.ahold.com
Trade Register No. 35000363

Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, including but not limited to, Ahold's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Ahold's plans and strategies being less than anticipated, the effect of general economic or political conditions, the actions of competitors and other third parties, increases or changes in competition, Ahold's ability to retain and attract employees who are integral to the success of the business, acquisition and integration, expansion, collective bargaining, information security, business and IT continuity, food and non-food safety, corporate responsibility, business transformation, large strategic projects, contingent liabilities associated with lease guarantees, insurance programs, Ahold's liquidity needs (including but not limited to health care and pension funding requirements) exceeding expected levels, foreign currency translation risk, credit risk, interest rate risk, tax liabilities and legislative and regulatory environment and litigation risks, and other factors discussed in this Annual Report, in the paragraphs on *How we manage risk*, and in Ahold's other public filings and disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Ahold does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws. Outside the Netherlands, Ahold presents itself under the name of "Royal Ahold" or simply "Ahold." For the reader's convenience, "Ahold," "the Company," "Ahold Group", or "the Group" are also used throughout this Annual Report. The Company's registered name is "Koninklijke Ahold N.V."