# Annual Report

## Ahold Finance U.S.A., LLC - Year 2012
Management report

Ahold Finance U.S.A., LLC (“AFUSA” or “the Company”) is a wholly owned subsidiary of Koninklijke Ahold N.V. (“Ahold” or “KA”). As such, AFUSA is part of an international retailing group, defined as Ahold and its subsidiaries, based in the Netherlands with consumer brands in Europe and the United States. The purpose of AFUSA is to engage in financing activities.

AFUSA’s home Member State is The Netherlands, as referred to in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht). AFUSA has issued notes under a Euro Medium Term Note program, out of which the 2017 notes are in part still outstanding and are admitted to trading at Euronext Amsterdam and at the Luxembourg Stock Exchange.

This annual report is a full-year report as referred to in section 5:25c of the Dutch Financial Markets Supervision Act and comprises regulated information within the meaning of section 1:1 of this act.

## Highlights

During 2012, AFUSA received a €184 million ($241 million) dividend from its associate Ahold International SARL (“AIS”). AFUSA settled a €74 million ($97 million) dividend declaration with KA. These dividends were paid directly from AIS to KA. The difference between the received dividend from AIS (€184 million) and the paid dividend to KA (€74 million) has been used to settle AFUSA’s liabilities. During 2012, AFUSA received a $289 million capital contribution from KA. In March 2012, notes in the amount of €407 million were repaid upon maturity.

On December 18, 2012, AFUSA converted its outstanding preferred shares B in the capital of AIS into common shares, maintaining its 25 percent ownership in AIS. This event triggered AFUSA and its shareholder KA to consider the impact on the valuation of AFUSA’s interest in AIS. Whereas AFUSA has a 25 percent ownership of the total issued and outstanding capital of AIS, the Company has received an investment return incommensurate with its investment in AIS since 2010. This is caused by the preference of the first $72 million dividends declared on an annual basis from AIS as well as by the direct contribution of the investments in ICA and JMR by KA into the additional paid-in capital of AIS. Therefore, KA and AFUSA agreed as a result of the conversion of its outstanding preferred shares B in the capital of AIS into common shares in 2012 that the value of the incommensurate dividend return of $108 million and the value of the 25 percent ownership interests in ICA and JMR that AFUSA received of $351 million as a result of the direct contribution by KA of those companies by KA to AIS would be contributed by KA to AFUSA through the means of a capital contribution of $459 million from KA to AFUSA.

On December 31, 2012, KA performed an intra-group reorganization of a part of its finance and holding activities. Prior to this intra-group reorganization all classes of shares in the capital of AIS were converted to common shares. AFUSA agreed to convert its outstanding preferred shares B in the capital of AIS into common shares, maintaining its 25 percent ownership in AIS.

## Financial performance

| ($ million) | 2012 | 2011 |
|---|---|---|
| Net financial expense | (40) | (56) |
| Income taxes | 10 | 14 |
| Share in income of associate - net | 78 | 150 |
| **Net income** | **48** | **108** |

## Related party transactions

Related party transactions are described in Note 9 to the financial statements.

## Governance, risks and uncertainties

As a wholly owned subsidiary of KA, AFUSA benefits from the Ahold Group's corporate governance structure. KA is committed to a corporate governance structure that best suits its business and stakeholders and that complies with the relevant rules and regulations. Ahold applies the relevant principles and best practices of the Dutch Corporate Governance Code in the manner set out in the "Governance" sections of Ahold's 2012 annual report.

As a wholly owned subsidiary of KA, AFUSA benefits from the Ahold Group's risk management and control systems, including its enterprise risk management program. These risk management and control systems are designed to ensure that the Company takes a structured and consistent approach to risk management and internal control in order to provide reasonable assurance that business objectives are achieved.

### Credit risk

AFUSA's counterparties are related parties within the Ahold Group and its current outstanding obligations to third parties are fully guaranteed by KA.

### Financial risk

Refer to Note 10 for the discussion on AFUSA's financial risk management.

### Taxation risk

Considering its activities, AFUSA is exposed to a number of different tax risks including, but not limited to, changes in tax laws or the interpretation of tax laws. As AFUSA is a part of the fiscal unity between KA and its main Dutch subsidiaries for Dutch corporate income tax, AFUSA, along with other members of the fiscal unity, may face unforeseen tax liabilities in the future for the whole fiscal unity, which could have a material adverse effect on AFUSA's financial position, financial results and liquidity.

## Outlook

On December 31, 2012, KA performed an intra-group reorganization. As part of this intra-group reorganization AFUSA has become a shareholder in a Curaçao intermediary holding company (Ahold Finance Company N.V. ("AFC")) owning all issued and outstanding preferred shares B in the share capital of AFC, representing 25 percent of the total issued and outstanding share capital of AFC. AFUSA's outstanding preferred shares B in the capital of AIS have been converted to common shares, maintaining its 25 percent ownership in AIS. The intra-group reorganization did not change the nature of the Company and AFUSA will continue to engage in finance activities.

## Declarations

Management of AFUSA, 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 2012 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 its undertakings as of December 30, 2012, 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

Amsterdam, the Netherlands

February 27, 2013

**Management**
Eugene Bartman (President and CEO)
Guy Thomson (Treasurer and CFO)

# Income statement

| ($ million) | Note | 2012 | 2011 |
|---|---|---|---|
| Net financial expense | 3 | (40) | (56) |
| **Loss before income taxes** | | **(40)** | **(56)** |
| Income taxes | 4 | 10 | 14 |
| Share in income of associate - net | 5 | 78 | 150 |
| **Net income attributable to common shareholders** | | **48** | **108** |

# Statement of comprehensive income

| ($ million) | 2012 | 2011 |
|---|---|---|
| **Net income** | **48** | **108** |
| Currency translation differences in foreign interests | 25 | (28) |
| Cash flow hedges: | | |
| Fair value gains (losses) in the year | 3 | (20) |
| Transfers to net income | (1) | 18 |
| Income taxes | (1) | 1 |
| Share of other comprehensive income (loss) of associate | (1) | 18 |
| Other comprehensive income (loss) | 25 | (11) |
| **Total comprehensive income attributable to common shareholders** | **73** | **97** |

# Balance sheet

| ($ million) | Note | December 30, 2012 | January 1, 2012 |
|---|---|---|---|
| **Assets** | | | |
| Investments in associate | 5 | 1,594 | 1,274 |
| Other non-current financial assets (related parties) | 6,9,10 | 370 | 309 |
| **Total non-current assets** | | **1,964** | **1,583** |
| Receivables from related parties | 6,9 | 2 | 5 |
| Other current financial assets (related parties) | 6,9,10 | – | 182 |
| **Total current assets** | | **2** | **187** |
| **Total assets** | | **1,966** | **1,770** |
| **Equity and liabilities** | | | |
| Share capital | | – | – |
| Additional paid-in capital | | 797 | 146 |
| Currency translation reserve | | 32 | 7 |
| Cash flow hedging reserve | | 2 | 1 |
| Legal reserve participations | | 12 | 12 |
| Retained earnings | | 142 | 35 |
| Net income | | 48 | 108 |
| **Shareholder’s equity** | 8 | **1,033** | **309** |
| Notes payable | 7 | 883 | 862 |
| Deferred tax liabilities | 4 | 24 | 21 |
| **Total non-current liabilities** | | **907** | **883** |
| Notes payable | 7 | – | 527 |
| Interest payable | 7 | 26 | 51 |
| **Total current liabilities** | | **26** | **578** |
| **Total equity and liabilities** | | **1,966** | **1,770** |

## Statement of changes in equity

| ($ million) | Share capital | Additional paid-in capital | Legal reserves: Currency translation reserve | Legal reserves: Cash flow hedging reserve | Legal reserves: Legal reserves participations | Retained earnings including result for the year | Equity attributable to common shareholders |
|---|---|---|---|---|---|---|---|
| **Balance as of January 2, 2011** | **–** | **356** | **35** | **2** | **12** | **25** | **430** |
| Dividends | – | (270) | – | – | – | – | (270) |
| Capital contribution | – | 60 | – | – | – | – | 60 |
| Total comprehensive income | – | – | (28) | (1) | – | 126 | 97 |
| Share in direct equity changes of investments in associate | – | – | – | – | – | (8) | (8) |
| **Balance as of January 1, 2012** | **–** | **146** | **7** | **1** | **12** | **143** | **309** |
| Dividends | – | (97) | – | – | – | – | (97) |
| Capital contribution[1] | – | 748 | – | – | – | – | 748 |
| Total comprehensive income | – | – | 25 | 1 | – | 47 | 73 |
| **Balance as of December 30, 2012** | **–** | **797** | **32** | **2** | **12** | **190** | **1,033** |

[1] For more information on 'Capital contribution', see Note 8.

## Statement of cash flows

| ($ million) | 2012 | 2011 |
|---|---|---|
| Operating income | – | – |
| Interest settled on loans to related parties | (1) | (2) |
| Interest settled on notes | (73) | (71) |
| Other changes in loans, derivatives and receivables to and from related parties | 590 | 50 |
| Income taxes settled with related parties | 14 | 23 |
| **Net cash from operating activities** | **530** | **–** |
| Repayments of notes | (530) | – |
| **Net cash from financing activities** | **(530)** | **–** |
| **Net increase (decrease) in cash and cash equivalents** | – | – |
| **Cash and cash equivalents at beginning of period** | – | – |
| **Cash and cash equivalents at end of period** | **–** | **–** |

As the Company does not maintain its own bank account, cash settlements are paid or received on its behalf by other Ahold Group companies and the corresponding balance is reflected in loans, derivatives and receivables to and from related parties.

# Notes to the financial statements

## 1. AFUSA and its operations

Ahold Finance U.S.A., LLC ("AFUSA" or "the Company") is a limited liability company duly organized and validly existing under the laws of Delaware (in the United States), having its statutory seat in Delaware and managed and controlled in Amsterdam, The Netherlands. AFUSA was formed on December 18, 2001 and is governed by its operating agreement, which was last amended and restated on July 2, 2012. Until April 24, 2002, AFUSA was known as "Ahold Finance U.S.A., Inc." On April 24, 2002, Ahold Finance U.S.A., Inc. merged into Ahold International Finance LLC and changed its name to Ahold Finance U.S.A., LLC.

The purpose of AFUSA is to engage in financing activities and any other lawful business activity in connection with the foregoing.

The parent company of AFUSA is Koninklijke Ahold N.V. ("Ahold" or "KA").

## 2. Accounting policies

*Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Furthermore, these financial statements and the management report comply with the requirements pursuant to subsection 9, article 362, Book 2, Part 9 of the Netherlands Civil Code.

Historical cost is used as the measurement basis unless otherwise indicated.

AFUSA's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2012 consisted of 52 weeks and ended on December 30, 2012. The comparative financial year 2011 consisted of 52 weeks and ended on January 1, 2012.

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

| | 2012 | 2011 |
|---|---|---|
| Average exchange rate | 1.2850 | 1.3910 |
| Year-end closing exchange rate | 1.3216 | 1.2947 |

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. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good-faith assessments of AFUSA'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 income taxes (see Note 4) and fair value of financial instruments (see Note 10).

*Significant accounting policies*

There have been no significant changes in accounting policies in 2012.

*Foreign currency translation*

The financial statements of AFUSA are prepared in its functional currency, U.S. dollar, which is determined based on the primary economic environment in which AFUSA operates. Transactions in currencies other than the U.S. dollar are recorded at the rates of exchange prevailing at the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into U.S. dollars 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.

Investments in associates with a functional currency other than the U.S. dollar are translated into U.S. dollar using exchange rates prevailing at the balance sheet date. Exchange rate differences arising upon the translation of investments in associates are included in equity, in the currency translation reserve. On a disposal resulting in the loss of significant influence of an associate, the related cumulative exchange rate difference that was included in equity is transferred to the income statement. On a partial disposal that does not result in loss of significant influence of an associate, the related cumulative exchange rate difference that was included in equity is proportionately transferred to the income statement.

*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. 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 in 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 in 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 tax will be due. These liabilities are presented as current income taxes payable, except in the event that prior tax losses are being carried forward to be used to offset future taxes that will be due; in that instance the liabilities are presented as a reduction to deferred tax assets.

*Investments in associates*
Associates are entities over which AFUSA 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.

Associates are accounted for using the equity method. Under the equity method, investments in associates are initially measured at cost and subsequently adjusted for post-acquisition changes in AFUSA’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 associates to ensure consistency with the accounting policies of the Company.

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

*Financial assets and liabilities*
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a financial 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 cancelled.

At initial recognition, management classifies its financial assets as either (i) at fair value through profit or loss or (ii) loans and receivables, 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.

*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.

*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. 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 are classified as held for trading unless they are designated as hedges. 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.

The Company does not have any derivative instruments that are designated as fair value hedges for accounting purposes.

*Equity*
Equity instruments issued by the Company are recorded at the value of proceeds received.

*New accounting policies not yet effective for 2012*
The IASB issued several standards, or revisions to standards, and Interpretations that are not yet effective for 2012 but will become effective in coming years.

The amendment to IAS 1, “Presentation of Financial Statements” as part of the “Annual Improvements to IFRSs 2009–2011 Cycle” issued in May 2012, requires the Company to group the items in other comprehensive income on the basis of whether they are potentially able to be subsequently reclassified to profit or loss (reclassification adjustments). The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income. The amendment to IAS 1 was endorsed by the EU in 2012 and the Company will adopt the amendment in 2013.

IFRS 9, ”Financial instruments,” addresses the classification, measurement, and recognition of financial assets and financial liabilities. IFRS 9 was issued in parts in November 2009 and October 2010, respectively. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change that is due to an entity’s own credit risk is recorded in other comprehensive income rather than in the income statement. The Company has yet to assess IFRS 9’s full impact. The standard will be effective for the Company as of January 1, 2015, subject to EU endorsement.

IFRS 13, “Fair value measurement,” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within the IFRSs. IFRS 13 was endorsed by the EU in 2012 and will be effective for the Company as of January 1, 2013. It is unlikely that the adoption of IFRS 13 will significantly affect amounts reported in the future consolidated financial statements. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards.

There are no other IFRSs or IFRIC interpretations that have been issued but are not yet effective that are expected to have a material impact on the Company.

### 3. Net financial result

| ($ million) | 2012 | 2011 |
|---|---|---|
| Interest expense | (49) | (72) |
| Gain (loss) on foreign exchange | (18) | 1 |
| Fair value gains on financial instruments | 27 | 15 |
| **Net financial expense** | **(40)** | **(56)** |

Interest expense primarily relates to financial liabilities measured at amortized cost (mainly notes). The decrease is due to the settlement of the €407 million notes that matured on March 14, 2012.

The loss on foreign exchange mainly results from foreign exchange translation on the GBP 500 million notes.

Fair value gains on financial instruments mainly include fair value changes in swaps related to the GBP 500 million notes. These swaps do not qualify for hedge accounting treatment.

### 4. Income taxes

*Income tax expense*

| ($ million) | 2012 | 2011 |
|---|---|---|
| Total current tax expense | 12 | 19 |
| Total deferred tax expense | (2) | (5) |
| **Total income taxes** | **10** | **14** |

*Effective income tax rate*

AFUSA's management moved from the United States to the Netherlands on January 1, 2008 and, therefore, AFUSA became a Dutch resident taxpayer as of that date. AFUSA's effective tax rates in the income statement can differ from the statutory income tax rate of the Netherlands of 25.0 percent in 2012 (25.0 percent in 2011).

The following table reconciles these statutory income tax rates with the effective tax rates in the income statement:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | $ million | % | $ million | % |
| Loss before income taxes | (40) | | (56) | |
| Income tax benefit at statutory tax rates | 10 | 25.0% | 14 | 25.0% |
| **Total income taxes** | **10** | **25.0%** | **14** | **25.0%** |

*Deferred income tax*

The significant components and annual movements of deferred income tax assets and liabilities as of December 30, 2012 and January 1, 2012 are as follows:

| ($ million) | January 2, 2011 | Recognized in income statement | Recognized directly in equity | January 1, 2012 | Recognized in income statement | Recognized directly in equity | December 30, 2012 |
|---|---|---|---|---|---|---|---|
| Derivatives | (17) | (5) | 1 | (21) | (2) | (1) | (24) |
| **Total deferred tax liabilities** | **(17)** | **(5)** | **1** | **(21)** | **(2)** | **(1)** | **(24)** |

## 5. Investments in associate

As of July 30, 2010, AFUSA became a shareholder in AIS. AFUSA owned all issued and outstanding preferred shares type B in the share capital of AIS representing 25 percent of the total issued and outstanding share capital of AIS. Preferred shares type B provided preferences in distribution of the first $72 million of dividends declared by AIS. On December 18, 2012, all classes of shares in the capital of AIS were converted to common shares and AFUSA converted its outstanding preferred shares B in the capital of AIS into common shares, maintaining its 25 percent ownership in AIS. Following this conversion, AFUSA has received a capital contribution of $459 million from KA to AFUSA which has been formalized in the resolution of the settlement between KA and AFUSA. For additional information, see *Note 8*.

The movements in 2012 and 2011 in the investment in AIS are summarized as follows:

| ($ million) | 2012 | 2011 |
|---|---|---|
| Beginning of the year | 1,274 | 1,414 |
| Share in income | 78 | 150 |
| Dividends | (241) | (272) |
| Share of other comprehensive income (loss) and other equity changes of associate | (1) | 10 |
| Other changes in investments in associate | 459 | – |
| Exchange rate differences | 25 | (28) |
| **End of the year** | **1,594** | **1,274** |

During 2012, AFUSA received a €184 million ($241 million) dividend from its associate AIS (2011: €196 million ($272 million)).

The summarized financial information of AIS is as follows:

| ($ million) | 2012 | 2011 |
|---|---|---|
| Total revenues | – | – |
| Net income | 311 | 601 |
| | | |
| Total assets | 8,949 | 9,256 |
| Total liabilities | (2,575) | (2,576) |

AFUSA has a 25 percent share of the contingent liabilities of AIS. AIS owns a substantial part of the Ahold Group's business, mainly its U.S. operations. For the full overview of the Ahold Group's contingent liabilities, refer to Ahold's 2012 annual report.

## 6. Other current and non-current assets

| ($ million) | December 30, 2012 Current | Non-current | Total | January 1, 2012 Current | Non-current | Total |
|---|---|---|---|---|---|---|
| Receivables from related parties | 2 | – | 2 | 5 | – | 5 |
| Related party hedging derivatives[1] | – | – | – | 182 | – | 182 |
| Related party other derivatives[1] | – | 370 | 370 | – | 309 | 309 |
| **Total other assets** | **2** | **370** | **372** | **187** | **309** | **496** |

[1] *In situations where a derivative contract qualifies for hedge accounting treatment in the financial statements, it is presented as 'Hedging derivatives'. Otherwise, the derivative contracts are presented as 'Other derivatives'*

The decrease in the value of hedging derivatives relates to a cross-currency swap (a cash flow hedge) on the €600 million notes (with €407 million outstanding amount) and is caused by the maturity of the related swap on March 14, 2012.

The increase in the value of the other derivatives relates to a cross-currency swap and an interest rate swap on the GBP 500 million notes (with GBP 250 million outstanding amount) and is due to the combined effect of a strengthening of the GBP against the U.S. dollar together with a decrease of the USD floating interest rates and the installments made (see Note 7).

## 7. Financial liabilities

| | December 30, 2012 | | | | January 1, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | | | Current | Non-current | | |
| Notional redemption amounts ($ million) | Within 1 year | From 1 to 5 years | After 5 years | Total | Within 1 year | From 1 to 5 years | After 5 years | Total |
| EUR 600 notes 5.875%, due March 2012[1] | – | – | – | – | 527 | – | – | 527 |
| GBP 500 notes 6.50%, due March 2017[2] | – | 383 | – | 383 | – | – | 362 | 362 |
| USD 500 notes 6.875%, due May 2029 | – | – | 500 | 500 | – | – | 500 | 500 |
| Total notes | – | 383 | 500 | 883 | 527 | – | 862 | 1,389 |
| Interest payable | 26 | – | – | 26 | 51 | – | – | 51 |
| **Total financial liabilities** | **26** | **383** | **500** | **909** | **578** | **–** | **862** | **1,440** |

[1] Notes were swapped to the U.S. dollar at an interest rate of 6.835%. During 2005, AFUSA 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. The remaining €407 million notes were repaid at maturity in March 2012.

[2] During 2005 AFUSA bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million ($404 million) has been reduced by $21 million (2011: $26 million) representing an amount, which is amortized until the remaining terms of the notes, that relates to a hedging instrument that stopped qualifying for fair value hedge accounting. 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. AFUSA is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $232 million has been paid down as of December 30, 2012.

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by KA are disclosed in Note 10.

The notes were issued by AFUSA and are guaranteed by KA. All related swap contracts have the same maturity as the underlying debt unless otherwise noted. The €600 million and GBP 500 million notes were issued under the Euro Medium Term Note Program ("EMTN Program"). These notes contain customary restrictive covenants. During 2012, AFUSA was in compliance with these covenants.

**8. Equity attributable to common shareholders**

*Member interest*

The capital of the Company is composed of uncertificated membership interests, which are not divided into classes or numbers. The members of the Company have an interest in the capital and profit and loss of AFUSA, relative to their respective capital contributions to the Company (the "Member Interest").

KA is AFUSA's sole member, holding a 100 percent interest in the capital and profit and loss of the Company.

*Share capital and additional paid-in capital*

The Company's share capital is ten U.S. dollars. During 2012, the additional paid in capital increased by $651 million, which reflected a capital contribution from KA of $289 million and additionally a capital contribution of $459 million.

On December 18, 2012, AFUSA converted its outstanding preferred shares B in the capital of AIS into common shares, maintaining its 25 percent ownership in AIS. This event triggered AFUSA and its shareholder KA to consider the impact on the valuation of AFUSA's interest in AIS. Whereas AFUSA has a 25 percent ownership of the total issued and outstanding capital of AIS, the Company has received an investment return incommensurate with its investment in AIS since 2010. This is caused by the preference of the first $72 million dividends declared on an annual basis from AIS as well as by the direct contribution of the investments in ICA and JMR by KA into the additional paid-in capital of AIS. Therefore, KA and AFUSA agreed as a result of the conversion of its outstanding preferred shares B in the capital of AIS into common shares in 2012 that the value of the incommensurate dividend return of $108 million and the value of the 25 percent ownership interests in ICA and JMR that AFUSA received of $351 million as a result of the direct contribution by KA of those companies by KA to AIS would be contributed by KA to AFUSA through the means of a capital contribution of $459 million from KA to AFUSA.

The capital contribution amounting in total to $651 million was offset by the payment of dividends to KA of $97 million.

During 2011, the additional paid in capital decreased by $210 million, which reflected the payment to KA of dividends of $270 million (settled through intercompany receivables) offset by a capital contribution from KA of $60 million.

*Legal reserves*

In accordance with the Netherlands Civil Code, legal reserves have to be established in certain circumstances. The currency translation reserve, cash flow hedging reserve and legal reserve participation are legal reserves. 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.

**9. Related parties**

AFUSA has entered into arrangements with related parties within the Ahold Group in the ordinary course of business. These arrangements relate to financing agreements.

For the periods shown below, AFUSA had the following transactions and positions with its related parties:

| | Income statement – 2012 | | | Balance sheet – December 30, 2012 | |
|---|---|---|---|---|---|
| ($ million) | Interest income | Interest expense | Fair value changes in derivatives | Amount owed by | Amount owed to |
| KA (parent company) | – | (1) | 32 | 372 | – |
| **Total** | **–** | **(1)** | **32** | **372** | **–** |

| | Income statement – 2011 | | | Balance sheet – January 1, 2012 | |
|---|---|---|---|---|---|
| ($ million) | Interest income | Interest expense | Fair value changes in derivatives | Amount owed by | Amount owed to |
| KA (parent company) | – | (2) | 20 | 496 | – |
| **Total** | **–** | **(2)** | **20** | **496** | **–** |

In accordance with the AFUSA's operating agreement, no remuneration is paid to the management.

## 10. Financial risk management and financial instruments

*Financial risk management*

AFUSA is subject to the financial risk management of the Ahold Group. In accordance with Ahold treasury policy, AFUSA enters into derivative instruments solely for the purpose of hedging exposures, which correspond to managing interest rate and currency risks arising from the Ahold Group's operations and its sources of finance. AFUSA does not enter into derivative financial instruments for speculative purposes.

*Currency translation risks and currency transaction risks*

AFUSA is exposed to foreign currency translation risks and currency transaction risks relating to cash flows, including assets and liabilities denominated in foreign currencies (euro and British pounds). Currency exchange rate volatility and movement could, therefore, have an adverse effect on its financial position, financial results and liquidity. To protect itself against the risk of changes in the value of future foreign currency cash flows, including interest on notes and principal payments and the value of liabilities denominated in foreign currency, AFUSA mitigates its foreign currency exchange exposure by entering into various derivative financial instruments, including currency swaps.

*Interest rate risk*

AFUSA's interest rate risk arises from its debt. To manage interest rate risk, AFUSA complies with Ahold's interest rate management policy for reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. AFUSA accomplishes this by utilizing long-term debt issues and derivative financial instruments, such as interest rate swaps and cross-currency interest rate swaps. As of December 30, 2012, after taking into account the effect of interest rate swaps and cross currency swaps, approximately 55 percent of AFUSA's borrowings were at fixed rates of interest (2011: 73 percent).

*Interest rate sensitivity analysis*

The total interest expense recognized in the 2012 income statement related to variable rates of long-term debt, net of swaps, amounted to $9 million (2011: $11 million). The Company estimates that an 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, would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2011: nil). In addition, hypothetical results relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of $5 million or a gain of $5 million, respectively (2011: a loss of $6 million or a gain of $6 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 above sensitivity analyses are for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect AFUSA's financial position and results.

*Credit risk with respect to certain financial instruments*
All financial assets of AFUSA are held from the related parties of the Ahold Group. Therefore, AFUSA does not have a direct exposure to a third party credit risk.

*Liquidity risk*
In connection with AFUSA's conversion of the preferred shares B into common shares in the share capital of AIS, KA guarantees to make directly or indirectly available to AFUSA sufficient cash in order for the Company to meet its financial obligations to third parties.

All other financial liabilities of AFUSA are held against the related parties from the Ahold Group.

The following tables summarize the expected maturity profile of AFUSA's derivative financial instruments and non-derivative financial liabilities as of December 30, 2012 and January 1, 2012, respectively, based on contractual undiscounted payments:

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| December 30, 2012 ($ million) | Net carrying amount | Within 1 year | Between 1 and 5 years | After 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Notes | (883) | (61) | (647) | (895) | (1,603) |
| **Derivative financial assets** | | | | | |
| Cross currency derivatives and interest flows | 292 | (24) | 337 | – | 313 |
| Interest derivatives and interest flows | 78 | 15 | 64 | – | 79 |

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| January 1, 2012 ($ million) | Net carrying amount | Within 1 year | Between 1 and 5 years | After 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Notes | (1,389) | (617) | (238) | (1,344) | (2,199) |
| **Derivative financial assets** | | | | | |
| Cross currency derivatives and interest flows | 417 | 154 | (77) | 382 | 459 |
| Interest derivatives and interest flows | 74 | 12 | 47 | 17 | 76 |

All financial instruments held at the reporting date, and 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 December 30, 2012 and January 1, 2012, respectively.

## Financial instruments

*Fair values of financial instruments*

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

| ($ million) | December 30, 2012 Carrying amount | December 30, 2012 Fair value | January 1, 2012 Carrying amount | January 1, 2012 Fair value |
|---|---|---|---|---|
| Receivables from related parties | 2 | 2 | 5 | 5 |
| Derivatives | 370 | 370 | 491 | 491 |
| **Total** | **372** | **372** | **496** | **496** |
| | | | | |
| Notes | (883) | (1,122) | (1,389) | (1,577) |
| Interest payable | (26) | (26) | (51) | (51) |
| **Total** | **(909)** | **(1,148)** | **(1,440)** | **(1,628)** |

Of the Company's categories of financial instruments, only derivatives are measured at fair value using the Level 2 inputs as defined in IFRS 7. 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 calculated based on discounted expected future cash flows. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of expected future cash flows and discounted based on the applicable yield curves derived from quoted interest rates.

The carrying amount of interest payable and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair values 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 accrued interest is included in other current financial assets and liabilities and not in the carrying amounts of non-derivative financial assets and liabilities.

*Derivatives*

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

| | December 30, 2012 | | | January 1, 2012 | | |
|---|---|---|---|---|---|---|
| | Fair value | | Notional amount | Fair value | | Notional amount |
| ($ million) | Assets | Liabilities | | Assets | Liabilities | |
| Cross currency swap – cash flow hedges [1] within 1 year | – | – | – | 182 | – | 527 |
| Derivative contracts – no hedge accounting treatment[2,3] | 370 | – | 404 | 309 | – | 389 |
| **Total derivative financial instruments** | **370** | **–** | **404** | **491** | **–** | **916** |

1 Cross-currency swap accounted for as a cash flow hedge is used to hedge the currency exposure on the €600 million notes (with €407 million outstanding amounts).

2 The valuation of the cross currency swap includes the impact of the mark-to-market of an embedded credit clause in a GBP 250 million cross currency swap of $6 million as of December 30, 2012. The volatility in the financial markets resulted in $10 million gain related to this credit clause in 2012 ($3 million loss 2011).

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

The €600 million notes and its related swap were fully repaid at maturity in March 2012. Unrealized gains recognized in the cash flow hedging reserve in equity as of December 30, 2012 relate to the swap on the GBP 250 million notes and will be released to the income statement over a period lasting until March 2017.

**11. Guarantee**
In connection with the acquisition of shares of AIS, discussed in Note 5, KA provided AFUSA with a guarantee of the current outstanding obligations to third parties of AFUSA as of July 30, 2010.

AFUSA is part of a fiscal unity with KA and its main Dutch subsidiaries for Dutch corporate income tax purposes. For that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities of the whole fiscal unity.

Amsterdam, the Netherlands

February 27, 2013

**Management**
Eugène Bartman
Guy Thomson

# Ahold Finance U.S.A., LLC - Other information

To: the Management board of Ahold Finance U.S.A., LLC.

## Independent auditor's report

**Report on the financial statements**
We have audited the accompanying financial statements for the year ended December 30, 2012 of Ahold Finance U.S.A., LLC, Delaware, United States of America, which comprise the balance sheet as at December 30, 2012 the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and notes, comprising a summary of the significant 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 financial statements**
In our opinion, the financial statements give a true and fair view of the financial position of Ahold Finance U.S.A., LLC as at December 30, 2012, and of its results and its cash flows 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.

**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, February 27, 2013
Deloitte Accountants B.V.

P.J.M.A. van de Goor

# Ahold Finance U.S.A., LLC distribution of profit

**Formation provisions governing the distribution of profit**
The full net profit and net loss of the Company shall be allocated to its member. The full distributable profit, if any, is at the disposition of its member at such times and in such amounts as determined by the managers.

**Distribution of profit**
The management proposes to add the net income of €48 million to retained earnings.

## Subsequent events

On December 31, 2012, KA performed an intra-group reorganization. As part of this intra-group reorganization AIS distributed its shareholding in a Curaçao company (AFC) as a dividend in kind to KA (75 percent) and AFUSA (25 percent). AFUSA has become a shareholder in AFC owning all issued and outstanding preferred shares B in the share capital of AFC, representing 25 percent of the total issued and outstanding share capital of AFC. The Company has yet to assess the financial impact of the intra-group reorganization, however it should not impact AFUSA's ability to meet its obligations as they come due.

## Cautionary notice

This annual report includes forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those included in such statements. These forward-looking statements include, but are not limited to, statements as to benefits to AFUSA from the Ahold Group's corporate governance, Ahold Group's risk management and control systems and taxation risks. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed implied by the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond AFUSA's or its parent company KA's ability to control or estimate precisely, such as the effect of general economic or political conditions, fluctuations in exchange rates or interest rates, increases or changes in competition, the ability to implement and complete successfully its plans and strategies, the benefits from and resources generated by plans and strategies being less than or different from those anticipated, changes in liquidity needs, the actions of competitors and third parties and other factors discussed in respective AFUSA's and KA's 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. Neither AFUSA nor KA assumes any obligation to update any public information or forward-looking statements (referred to) in this report to reflect subsequent events or circumstances, except as may be required by applicable laws.