

Annual Report 2008



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Group at a glance

Ahold is an international group of leading supermarket companies based in the United States and Europe. We offer customers great value, a convenient and appealing shopping experience, and healthy choices. We love being in the food business and are committed to being a leader in each of the markets we serve.

The power of our local brands sets us apart from the competition. As a group, we leverage knowledge, consumer insight and scale across our businesses to operate in a simple, responsible and efficient way.

Our people play an important role in our success by developing strong relationships with customers and others in our local communities. We continuously innovate products, services and store formats to build customer loyalty and achieve sustainable profitable growth for our Company.

Where we operate

U.S. operations



European operations



Highlights

In 2008, we made good progress with our strategy for sustainable profitable growth. Highlights include:

Ahold

- Net sales of EUR 25.7 billion, an increase of 6.9 percent at constant exchange rates;
- Operating income of EUR 1.2 billion, up 12.2 percent or EUR 130 million from 2007;
- Retail operating margin was 5.0 percent; underlying retail operating margin was also 5.0 percent;
- We repaid EUR 1.1 billion of debt, reduced costs, and proposed a dividend for 2008 of EUR 0.18, up 12.5 percent compared to last year's dividend;
- We published our carbon footprint for the first time, along with goals for each component of our corporate responsibility strategy.

Ahold USA

- Stop & Shop/Giant-Landover completed its Value Improvement Program (VIP) and rebranded its stores;
- In the second half of the year, Giant-Landover delivered two quarters of positive identical sales growth, the first time it has had positive identical sales since 2002;
- Giant-Carlisle continued its strong track record of continuous growth;
- Carl Schlicker moved from Giant-Carlisle to become President and CEO of Stop & Shop/Giant-Landover;
- Sander van der Laan moved from Albert Heijn to become President and CEO of Giant-Carlisle.

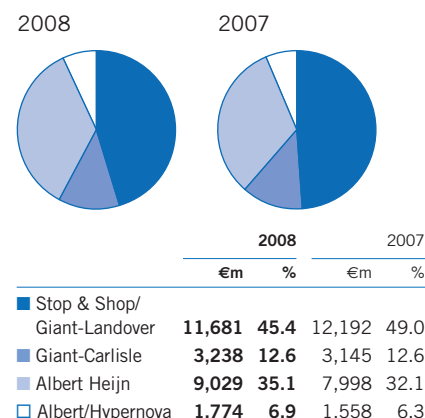
Ahold Europe

- Ahold divested its 73.2 percent stake in Schuitema;
- Albert Heijn opened or remodeled 95 stores;
- Etos opened its 500th store and was named "Best drugstore in the Netherlands";
- Gall & Gall won the Dutch retail prize for food specialty stores of the year;
- Albert/Hypernova made further progress with the rebranding of its stores under the name Albert;
- Albert was voted "Supermarket of the Year" in the Czech Republic for the fourth year in a row.

€25.7 billion

net sales

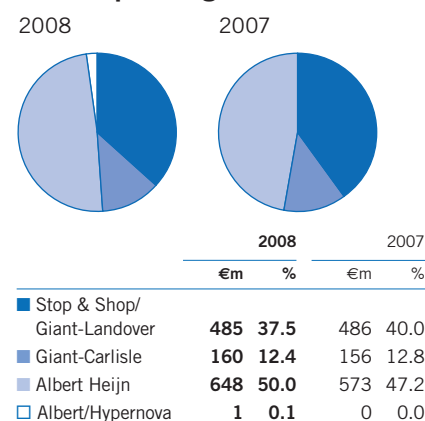
Net sales



€1.2 billion

operating income

Retail operating income



Message from our CEO



I am pleased to report that 2008 was another successful year for Ahold. Despite the turbulent economic conditions around the world, we made good progress with our strategy for profitable growth, increased sales and operating income and strengthened our competitive position.

We completed our Value Improvement Program at Stop & Shop and Giant-Landover in the United States, including the introduction of new branding, a new store look and new logos. The program to reinvigorate these powerful local consumer brands has gained momentum. As anticipated, sales performance and margins improved during the year. In addition, Giant-Carlisle had another outstanding year and continued to grow and gain market share in a highly competitive environment.

In the Netherlands, Albert Heijn performed exceptionally well again, growing sales and market share and maintaining a strong margin. We also took an important step by selling our 73 percent stake in Schuitema which enabled us to acquire 56 stores, all of which have now been converted to Albert Heijn stores. In the Czech Republic and Slovakia, we continued our repositioning and rebranding programs. Our operations are not yet where we want them to be and the management focus for 2009 will be to drive sales, cut costs, and close underperforming stores.

It was a challenging year for ICA, our joint venture in Scandinavia and the Baltics. Although sales increased, operating income for the ICA group decreased slightly, primarily because of losses at ICA Norway.

“We made good progress with our strategy for profitable growth, increased sales and operating income and strengthened our competitive position.”



Message from our CEO

Another major priority for management over the past year has been the implementation of our corporate responsibility strategy. Each of our operating companies worked hard to make a difference for customers, employees, and our other stakeholders in our key focus areas of healthy living, sustainable trade, climate action and community engagement. We have been particularly active in supporting food banks in the United States that distribute food supplies to an increasing number of people in need as a result of the current economic downturn. You can read more about our activities and the hard work of our employees, in our corporate responsibility report.

There were a number of key appointments and management changes made during the year. Mark McGrath was appointed to our Supervisory Board and Lawrence Benjamin, our Chief Operating Officer for Ahold USA, has been nominated to the Corporate Executive Board for appointment at this year's Annual General Meeting of Shareholders. In July, we appointed Carl Schlicker to be the new President and CEO of Stop & Shop/Giant-Landover and appointed Sander van der Laan from Albert Heijn to succeed him as President and CEO of Giant-Carlisle.

As we look to 2009, the economic environment is dominating the headlines. We believe we are well placed to respond to the effects of recession and rapid changes in consumer behavior. We have a strong balance sheet and we have repositioned our businesses over recent years to give better value to our customers.

Our results in 2008, and the continued progress we are making with our strategy, are due to the hard work and dedication of all our employees, for which I and the Board send our sincere thanks. I am proud of their achievements and confident that with their continued support we will continue to deliver value for our customers and shareholders in the year ahead.

On behalf of the Corporate Executive Board,



John Rishton

Chief Executive Officer

Amsterdam, the Netherlands, February 27, 2009

“We believe we are well placed to respond to the effects of recession and rapid changes in consumer behavior.”



Our strategy

Ahold's strategy for sustainable profitable growth is designed to accelerate identical sales growth, improve returns, strengthen our foundation for future expansion and create value for shareholders.

The strategy focuses on five areas:

- Portfolio;
- Growth;
- Organization;
- Financial targets;
- Corporate responsibility.

Our portfolio

We operate food retail businesses in the United States and Europe. We operate in markets where we believe we can secure a number one or number two position and where there are clear prospects for sustainable profitable growth.

In 2008, as part of our growth strategy for Albert Heijn, we divested our 73.2 percent stake in Schuitema to private equity firm CVC Capital Partners. We are in the process of selling our stake in Jerónimo Martins Retail.

Growth

To achieve our growth objectives, we are transforming our retail banners into powerful local consumer brands. The critical elements of this transformation process are:

Improved products and services offering

All of our operating companies are improving their assortments, including their private label product lines, to give customers better choices. They are also making shopping easier for customers by providing more convenience products and services and by improving the customer experience with new store formats and technology.

Everyday competitive prices

We are improving everyday value to customers by investing in price and increasing our range of private label products so customers have a wider selection of price levels to choose from.

Cutting costs

We will reduce operating costs by EUR 500 million by the end of 2009 under a company-wide cost reduction program announced at the end of 2006. We are simplifying and making our businesses more efficient, in areas such as store operations, shrink, logistics, energy usage and local overhead.

Better understanding our customers

We gather detailed customer data and analyze it to deepen our understanding of customer behavior. Having a clear understanding of consumer trends and customer needs enables us to respond quickly to changing patterns.

We operate in markets where we believe we can secure a number one or number two position.

€500 million

operating costs reduction by the end of 2009

We are simplifying and making our businesses more efficient.

Our strategy

Organization

We operate from two continental platforms, Ahold USA and Ahold Europe, each led by a Chief Operating Officer. This structure helps us balance local, continental and global decision-making. It also enables us to leverage continental scale and talent effectively to support our local operating companies.

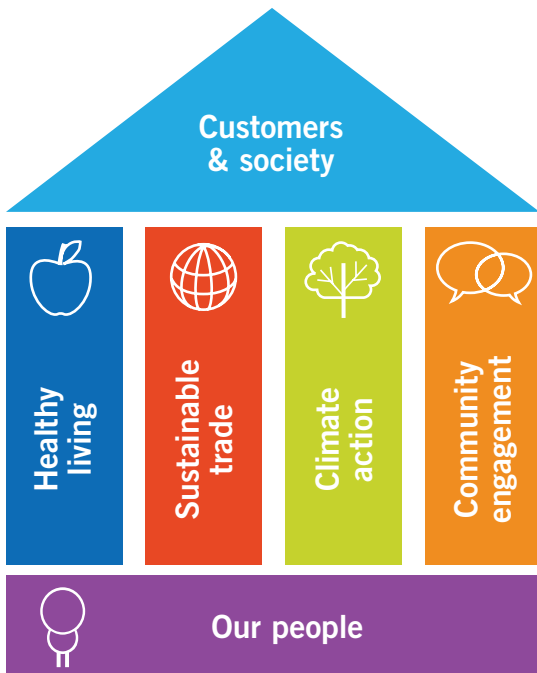
In 2008, we achieved our target to halve Corporate Center costs compared to 2005. The savings were made by streamlining functions and reducing staff and discretionary spend.

Financial targets

Our long-term financial targets are to achieve a sustainable net sales growth of 5 percent (mainly from identical sales growth) and a sustainable retail operating margin of 5 percent, while maintaining an investment grade credit rating.

Corporate responsibility

Corporate responsibility is fully integrated into our day-to-day operations. Our corporate responsibility activities are organized around four main themes – healthy living, sustainable trade, climate action and community engagement. These areas are most relevant to our business and are where we believe we can make a positive impact. We aim to balance the interests of people, planet and profit to ensure our business is responsible, sustainable and profitable. Our strategy, goals and targets are set globally by Ahold and implemented locally.



In 2008, we established processes to collect data to track and report on our performance in corporate responsibility. This year, we have published our carbon footprint for the first time, along with targets and objectives for each of our corporate responsibility themes. Our reporting approach is based on the standards developed by the Global Reporting Initiative (GRI).

To find out more about our corporate responsibility strategy, activities and performance, see our 2008 Corporate Responsibility Report.

To achieve our growth objectives, we are transforming our retail banners into powerful local consumer brands.

5%

retail operating margin

In 2008, we achieved our target to halve Corporate Center costs compared to 2005.

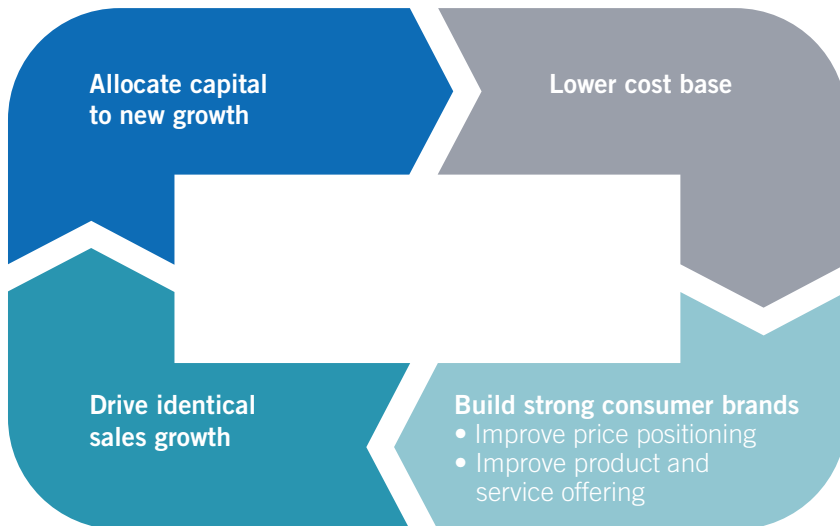
We aim to balance the interests of people, the planet and profit.



Our strategy

Our business model

Ahold is a group of supermarket companies based in the United States and Europe. We win the loyalty of customers in each of our markets by providing products and services they want at prices that are competitive with all food channels.



We operate from two continental platforms, Ahold Europe and Ahold USA.

Allocating capital for growth

We continue to grow in areas where we can achieve an attractive return. We are improving our existing store formats and opening innovative new format concepts in many of our markets.

Lowering cost base

We are reducing costs by simplifying all aspects of our business, including store operations, shrink, logistics, energy usage and overhead. We have also taken a rigorous approach in dealing with underperforming stores. We continue to build on our continental sourcing strategy.

Building strong consumer brands

We are building powerful consumer brands in each of our markets by delivering on the promises we make to our customers every day.

Driving identical sales growth

Our brand positioning and customer offering are increasing customer loyalty, winning new customers and driving identical sales growth in our businesses.

Our business

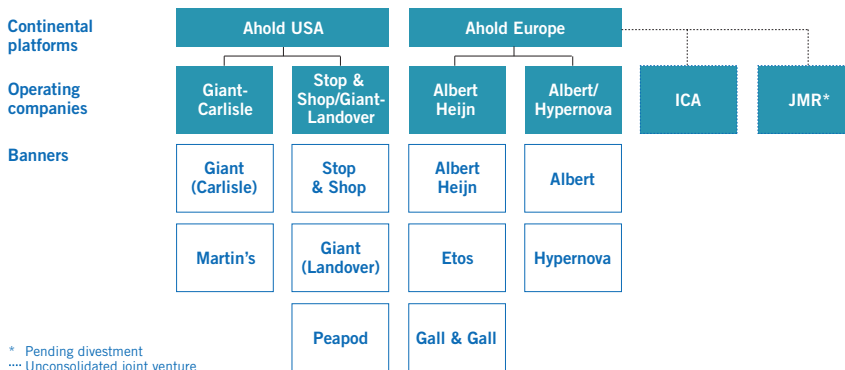
At the end of 2008, we operated 2,897 retail locations in the United States and Europe, employed more than 200,000 people and had combined sales of EUR 25.7 billion.

Organizational structure

Our business is organized into two continental platforms, in the United States and Europe, each led by a Chief Operating Officer. They are responsible for overseeing their respective operating companies and for implementing continental synergies and company-wide initiatives.

Ahold USA comprises Stop & Shop/Giant-Landover and Giant-Carlisle. Ahold Europe comprises Albert Heijn in the Netherlands and Albert/Hypernova in the Czech Republic and Slovakia.

We also hold a 60 percent interest in ICA AB (ICA) that operates in Sweden, Norway and the Baltic States. We are in the process of selling our 49 percent stake in Jerónimo Martins Retail, which operates in Portugal.



1887: Albert Heijn took over his father's grocery store in the Dutch town of Zaandam.

Corporate Center

Our Company headquarters are based in Amsterdam, the Netherlands. We also have corporate offices in the United States and Switzerland. Corporate Center is responsible for strategy and finance, internal audit, legal, insurance, human resources, communications, and information technology.

Joint ventures

ICA

Ahold has a 60 percent interest in ICA, a food retail and wholesale group headquartered in Stockholm, Sweden. The remaining 40 percent stake is held by Hakon Invest AB, a Swedish company listed on the Stockholm Stock Exchange. As of December 31, 2008, ICA served over 2,200 retailer-owned and company-operated retail food stores in Sweden, Norway, Estonia, Latvia and Lithuania. The group reported net sales of EUR 9.5 billion over 2008, which was up 9.6 percent from the previous year at constant exchange rates. ICA also provides limited consumer financial services through its bank in Sweden.

Under the shareholders' agreement with Hakon Invest AB, our 60 percent stake in ICA provides that strategic, financial and operational decisions will be made only on the basis of mutual consent.



Discontinued operations

Schuitema

In 2008, Ahold divested its 73.2 percent interest in Schuitema, acquired in 1988. As part of the transaction, Ahold retained 56 stores, 54 of which were converted into Albert Heijn supermarkets during the second half of 2008, and the remaining two in the first quarter of 2009. In addition, Ahold acquired a 20 percent indirect interest in Schuitema. Full details of the transaction can be found in Note 5 to the consolidated financial statements in this Annual Report.

Jerónimo Martins Retail

Ahold has a 49 percent stake in Jerónimo Martins Retail (JMR), which is headquartered in Lisbon, Portugal. The remaining 51 percent is owned by Jerónimo Martins, SGPS, S.A. As of December 31, 2008, JMR owned and operated 356 retail food stores in Portugal under the brand names Pingo Doce and Feira Nova. The decision was taken to divest our stake in JMR following Ahold's strategic review in 2006. We are in the process of selling JMR and it has been classified as a discontinued operation.



Group performance

In 2008, we delivered solid performance with particularly strong results in the last quarter, and achieved an underlying retail operating margin of 5.0 percent for the full year. Net sales were EUR 25.7 billion, up by 3.3 percent compared to last year. At constant exchange rates, net sales increased by 6.9 percent.

During 2008, we completed the Value Improvement Program, including the rebranding of Stop & Shop and Giant-Landover. This strengthened our relative price position and led to market share gains and improved financial results in the second half of the year. Meanwhile, Giant-Carlisle continued its strong performance, gaining significant market share.

In Europe, Albert Heijn had another excellent year, including the conversion of 54 stores to the Albert Heijn banner following the divestment of our stake in Schuitema. Albert/Hypernova was able to maintain its market position and break even in very competitive markets in the Czech Republic and Slovakia.

Ahold's operating income was up EUR 130 million, or 12.2 percent to EUR 1,198 million. Income from continuing operations was EUR 868 million, up 15.3 percent compared to last year.

Last year, we reinstated an annual dividend and for 2008, we propose to increase our dividend by 12.5 percent to 18 eurocents per common share.

€25.7 billion

net sales

6.9%

net sales increase at constant exchange rates

€1.2 billion

operating income

5.0%

underlying retail operating margin

€1.1 billion

net income

Results from operations

	2008		2007		Change %
	€ million	% of net sales	€ million	% of net sales	
Net sales	25,722	100.0	24,893	100.0	3.3%
Gross profit	6,924	26.9	6,860	27.6	0.9%
Operating expenses	(5,627)	(21.9)	(5,621)	(22.6)	(0.1)%
Underlying retail operating income	1,297	5.0	1,239	5.0	4.7%
Unusual items excluded from underlying retail operating income:					
Impairments and impairment reversals – net	(13)	(0.1)	(29)	(0.1)	n/m
Gains (losses) on the sale of assets – net	46	0.2	37	0.1	n/m
Restructuring and related charges	(36)	(0.1)	(32)	(0.1)	n/m
Retail operating income	1,294	5.0	1,215	4.9	6.5%
Corporate Center costs	(96)	(0.3)	(120)	(0.5)	20.0%
Unallocated costs	–	–	(27)	(0.1)	100.0%
Operating income	1,198	4.7	1,068	4.3	12.2%
Net financial expense	(214)		(300)		28.7%
Income taxes	(225)		(153)		(47.1)%
Share in income of joint ventures	109		138		(21.0)%
Income from continuing operations	868		753		15.3%
Income from discontinued operations	211		2,192		(90.4)%
Net income	1,079		2,945		(63.4)%



Net sales

Net sales in 2008 were EUR 25.7 billion, up 3.3 percent compared to 2007. At constant exchange rates, net sales increased by 6.9 percent. Net sales growth was positively impacted by identical sales growth, store expansions, remodeling of stores and the conversion of 54 former Schuitema stores into the Albert Heijn format in the second half of 2008. You can read more about the net sales of our operating companies in Performance by segment.

Our net sales consist of consumer sales and sales to franchise stores. Franchise stores typically operate under the same format as Ahold-operated stores, and are not distinguishable from them. Franchisees generally purchase merchandise from Ahold, pay a franchise fee and receive support services, including management training, field support and marketing and administrative assistance.

Operating income

In 2008, operating income was EUR 1.2 billion, up EUR 130 million or 12.2 percent compared to 2007. Lower gross margins as a result of price investments were more than offset by cost reductions, resulting in an underlying retail operating income of EUR 1.3 billion, or 5.0 percent of net sales, in line with our 2008 guidance of 4.8 percent to 5.3 percent. Underlying retail operating income is total retail operating income adjusted for impairments gains and losses on the sale of assets and restructuring and related charges. We believe this measure provides better insight into the underlying performance of our retail operations. You can read more about the results of our operating companies in Performance by segment. Impairments, gains and losses on the sale of assets and restructuring and related charges are listed below.

Core Corporate Center costs (as defined in Non-GAAP financial measures) were EUR 86 million, down EUR 20 million compared to 2007 and exceeding our 2006 target to halve core costs by the end of 2008. The savings were achieved by staff reductions and substantial cuts in discretionary spend. Total Corporate Center costs were EUR 96 million, down 20 percent compared to 2007. In line with our organizational structure, Ahold's general merchandising and global sourcing activities are no longer coordinated centrally, but were incorporated in the two continental platforms in 2007. The resulting reduction of Corporate Center costs in 2008 was offset by increased costs related to our self-insurance activities in the United States. In 2008, interest rates declined significantly, resulting in higher discounted provisions to cover future insurance claims.

Impairment of assets

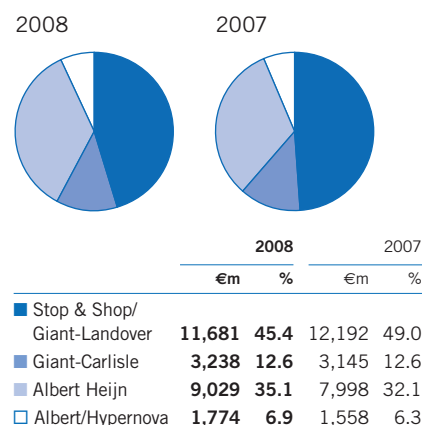
Ahold recorded the following impairments and reversals of impairments of assets in 2008 and 2007:

	2008 € million	2007 € million
Stop & Shop/Giant-Landover	(10)	(17)
Giant-Carlisle	-	(2)
Albert Heijn	(4)	(7)
Albert/Hypernova	1	(3)
Total Retail	(13)	(29)
Corporate Center	-	(5)
Total	(13)	(34)

Net sales

08	25,722	6.9%*
07	24,893	6.6%*
06	24,642	4.2%*
05	23,767	2.3%*
04	23,117	4.3%*

*Net sales growth at constant exchange rates



In both 2008 and 2007, the majority of impairments related to store closures at Stop & Shop/Giant-Landover, primarily as part of the operating company's network rationalization program.

Gains and losses on the sale of assets

Ahold recorded the following gains (losses) on the sale of non-current assets in 2008 and 2007:

	2008 € million	2007 € million
Stop & Shop/Giant-Landover	19	17
Giant-Carlisle	-	-
Albert Heijn	24	19
Albert/Hypernova	3	1
Total Retail	46	37
Corporate Center	-	(2)
Total	46	35

In 2008, the most significant gains on the sale of assets were the sale of a shopping center at Stop & Shop/Giant-Landover and the sale of stores at Albert Heijn. Some of these stores were sold to franchisees.

In 2007, the most significant gains on the sale of assets were the sale of a distribution facility at Stop & Shop/Giant-Landover and the sale of stores at Albert Heijn required by the Dutch competition authority following the approval of the Konmar acquisition in 2006.

Restructuring and related charges

In 2008, restructuring and related charges of EUR 36 million related to Stop & Shop/Giant-Landover (EUR 29 million) and Giant-Carlisle (EUR 7 million), primarily resulting from the lease termination of an office building used by Ahold USA's IT organization. Restructuring and related charges at Stop & Shop/Giant-Landover also included store closure costs and a loss related to withdrawing from a multi-employer pension plan.

In 2007, restructuring and related charges of EUR 40 million were mainly due to store closures at Stop & Shop/Giant-Landover and severance charges following staff reductions across Ahold, primarily at the Corporate Center.

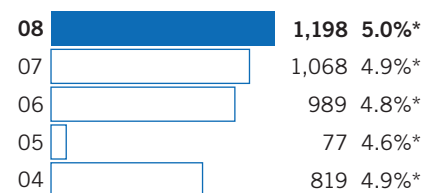
Net financial expense

Net financial expense decreased by EUR 86 million compared to 2007, mainly because of lower interest expense of EUR 83 million following significant debt reductions in 2007 (EUR 0.6 billion) and 2008 (EUR 1.1 billion). Interest income decreased by EUR 23 million compared to 2007, as a result of lower average cash balances and lower yields. Net interest expense was EUR 234 million, down EUR 60 million from 2007 and in line with our guidance of EUR 230 million to EUR 250 million.

Income taxes

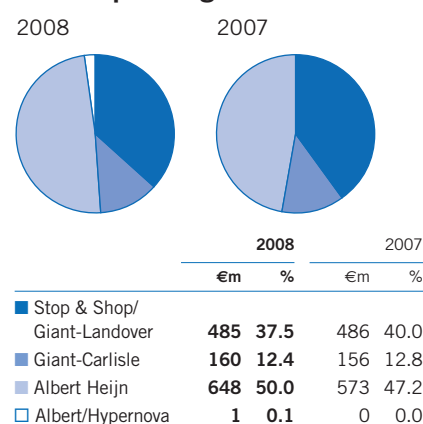
In 2008, income tax expense was EUR 225 million compared to a EUR 153 million expense in 2007. The effective tax rate, calculated as a percentage of income before income taxes, increased to 22.9 percent (19.9 percent in 2007). The higher effective tax rate in 2008 was primarily the result of changes in the geographical mix of earnings and a lower release of tax contingency reserves compared to 2007.

Operating income



*Retail operating margin

Retail operating income



Share in income of joint ventures

Ahold's share in income of joint ventures of EUR 109 million decreased EUR 29 million. The decrease was due to lower gains on the sale of assets at ICA (Ahold's share in these gains was EUR 16 million in 2008 and EUR 39 million in 2007) and weak performance at ICA Norway.

Income from discontinued operations

In 2008, income from discontinued operations of EUR 211 million related primarily to the divestment of our 73.2 percent stake in Schuitema. It also includes operational results from Schuitema until divestment date (June 30, 2008) and dividends and fees from JMR. During 2008, market conditions deteriorated significantly, however, Ahold remains committed to sell its stake in JMR and continues to actively market it. During 2007, Ahold sold U.S. Foodservice, its Polish operations and Tops, largely completing the divestment program announced in November 2006. This resulted in income from discontinued operations of EUR 2.2 billion in 2007. For further information about income from discontinued operations, see Note 5 to the consolidated financial statements.

Earnings per share

Diluted income from continuing operations per common share was EUR 0.73, an increase of 40.4 percent compared to 2007. The increase in earnings per share exceeded the increase in total income from continuing operations. This was due to the lower average number of common shares outstanding following the capital repayment and reverse stock split and the share buyback program, both in the second half of 2007.

Financial position

	December 28, 2008		December 30, 2007	
	€ million	%	€ million	%
Property, plant and equipment	5,532	40.7	5,390	38.6
Other non-current assets	2,764	20.3	2,727	19.6
Cash and cash equivalents	2,863	21.1	3,263	23.4
Other current assets	2,433	17.9	2,564	18.4
Total assets	13,592	100.0	13,944	100.0
Group equity	4,676	34.4	3,887	27.9
Non-current portion of long-term debt	3,782	27.8	4,187	30.0
Other non-current liabilities	996	7.3	937	6.7
Short-term borrowings and current portion of long-term debt	459	3.4	1,192	8.6
Other current liabilities	3,679	27.1	3,741	26.8
Total group equity and liabilities	13,592	100.0	13,944	100.0

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

08	0.73
07	0.52
06	0.42
05	(0.09)
04	0.42

€0.73

diluted earnings per share from continuing operations

Property, plant and equipment increased by EUR 142 million, as a result of the strengthening of the U.S. dollar against the euro as well as capital expenditures exceeding depreciation; the divestment of Schuitema was a partial offset. Capital expenditures increased mainly at Giant-Landover, because of its store remodeling program, and at Albert Heijn, because of the conversion of 54 former Schuitema stores into Albert Heijn stores.

Equity increased by EUR 789 million, mainly as a result of the addition of current year's net income, partially offset by the dividend payment related to 2007.

In 2008, gross debt decreased from EUR 5.4 billion to EUR 4.2 billion. This was mainly due to loan repayments of EUR 1.1 billion and the divestment of Schuitema, partially offset by the strengthening of the U.S. dollar against the euro. Ahold's net debt to equity ratio was 29 percent as of December 28, 2008 compared to 54 percent as of December 30, 2007.

Ahold's pension and other post-employment benefit plans showed a deficit of EUR 199 million as of December 28, 2008 compared to a surplus of EUR 486 million as of December 30, 2007. This deterioration was mainly due to significant negative investment results on the plan assets. However, actuarial gains and losses (such as differences between expected and actual returns on assets, or the impact of changes in the discount rates) are not recognized if they are within certain limits (as further described in Note 3 to the consolidated financial statements). Therefore, the defined benefit plan assets and liabilities on the balance sheet improved compared to last year, mainly as a result of cash contributions to the plans. For more information on Ahold's defined benefit plans, see Note 22 to the consolidated financial statements.

Liquidity and cash flows

Liquidity

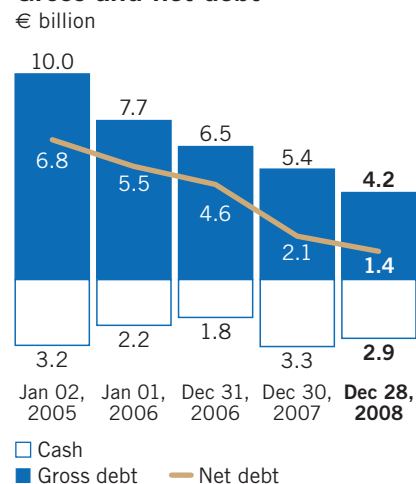
Ahold relies on cash provided by operating activities as a primary source of liquidity in addition to debt and equity issuances in the capital markets, letters of credit under credit facilities and available cash balances. Our strategy over the past years, including the divestments resulting from the 2006 strategic review, have positively impacted the credit ratings assigned to Ahold by Moody's and Standard & Poor's ("S&P"). Both agencies restored our corporate rating to investment grade during 2007. S&P revised its outlook to positive on January 14, 2009. For more information about our credit ratings, please refer to "Credit ratings" in Note 29 to the consolidated financial statements.

Based on our current operating performance and liquidity position, we believe that cash provided by operating activities and available cash balances 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 EUR 372 million of loans will mature in 2009, EUR 1.0 billion in 2010 through 2013 and EUR 1.3 billion after 2013.

Group credit facility

Ahold's EUR 1.2 billion committed unsecured syndicated multi-currency credit facility has a base term of five years ending August 2012, with an option to extend it to August 2014. The credit facility may be used for working capital and for general corporate purposes and provides for the issue of USD 550 million of letters of credit. As of December 28, 2008, there were no outstanding borrowings under the credit facility other than letters of credit to an aggregate amount of USD 413 million.

Gross and net debt



€1.4 billion

net debt, down 35% compared to last year



Condensed cash flow statement

	2008 € million	2007 € million
Cash generated from operations	1,867	1,460
Other operating cash flows	(124)	380
Net cash from operating activities	1,743	1,840
Purchase of non-current assets	(1,019)	(738)
Divestment of businesses, net of cash divested	321	5,435
Other investing cash flows	227	90
Net cash from investing activities	(471)	4,787
Cash flow before financing activities	1,272	6,627
Interest paid	(349)	(431)
Repayments of loans	(1,069)	(577)
Dividends on common shares	(188)	–
Capital repayment and share buyback	–	(4,016)
Other financing cash flows	(111)	(116)
Net cash from financing activities	(1,717)	(5,140)
Net cash from operating, investing and financing activities	(445)	1,487

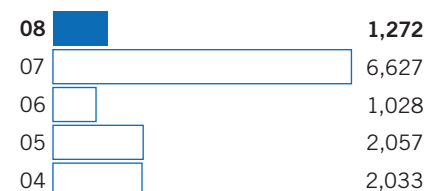
Cash generated from operations increased by EUR 407 million compared to 2007. In 2007, the final payment under the Securities Class Action settlement was made (EUR 284 million), as were additional contributions in excess of required amounts to Ahold's pension plans (EUR 133 million). Net cash from operating activities decreased by EUR 97 million compared to 2007, mainly due to higher income taxes paid and the absence of operating cash flows from divested businesses.

Net cash from investing activities decreased by EUR 5.3 billion compared to 2007, which included EUR 5.4 billion related to the sale of U.S. Foodservice, Ahold's Polish activities and Tops. Capital expenditures increased by EUR 281 million compared to 2007, primarily as a result of Giant-Landover's store remodeling program and the conversion of 54 former Schuitema stores into Albert Heijn stores.

Net cash used in financing activities was EUR 1.7 billion, a EUR 3.4 billion lower outflow than in 2007. This was mainly due to the distribution of proceeds from divestments to shareholders in 2007 through a capital repayment of EUR 3 billion and a share buyback program of EUR 1 billion. In 2007, Ahold reinstated its annual dividend payments and in May 2008 paid a dividend of EUR 188 million (EUR 0.16 per common share). Loan repayments were EUR 1.1 billion, related mainly to a EUR 949 million note that matured in May 2008. The loans were repaid from Ahold's cash balances. As a result of the significant debt repayments in 2007 and 2008, interest paid decreased by EUR 82 million to EUR 349 million.

As a result of the net cash flows mentioned above, Ahold's cash and cash equivalents decreased from EUR 3.3 billion as of December 30, 2007 to EUR 2.9 billion as of December 28, 2008.

Cash flow before financing activities



€188 million

dividend paid

€1.1 billion

loan repayments

Properties

At the end of 2008, we operated 2,897 stores, excluding the stores of our joint ventures ICA and JMR. This was a net increase of 115 stores for our continuing operations.

	December 28, 2008	Opened/ acquired	Closed/ sold	December 30, 2007
Stop & Shop/Giant-Landover	563	13	10	560
Giant-Carlisle	148	4	1	145
Albert Heijn	1,861	132	27	1,756
Albert/Hypernova	325	5	1	321
Divested businesses – Schuitema	–	0	443	443
Total	2,897	154	482	3,225

Franchisees and associates operated 783 of the stores, 477 of which were owned or leased independently from Ahold. Of the 2,416 locations that Ahold leases or has an ownership interest in, 66 percent had operating leases, 20 percent were company-owned, and 14 percent had finance leases and financings in which Ahold does not have a legal title. Ahold's stores range in size from 20 to over 10,000 square meters.

We also operated the following other properties as of December 28, 2008:

Warehouses/distribution centers/production facilities/offices	63
Properties under construction/development	70
Investment properties	786
Total	919

Of these other properties, 53 percent had operating leases, 40 percent were company-owned, and 7 percent had finance leases and financings in which Ahold does not have a legal title.

The 786 investment properties consist of buildings and land. 92 percent of 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 property has 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 EUR 100 million. The majority of this EUR 100 million was realized in the course of 2008, and we expect the remaining part of the cash proceeds in 2009.

Capital expenditures of EUR 1,128 million in 2008 and EUR 979 million in 2007 were primarily related to the construction, remodeling and expansion of stores and supply chain infrastructure improvements. The increase from 2007 was primarily due to investments in remodeling stores into the new Albert Heijn format in the Netherlands, including 54 stores that were transferred from Schuitema to Albert Heijn; remodeling at Stop & Shop/Giant-Landover, including the remodels related to Project Refresh, the three-year investment plan announced in October 2007 to remodel approximately 100 Giant-Landover stores; and store remodels in the Czech Republic.

The Company's retail locations range in size from 20 to over 10,000 square meters.

115

increase of stores for our continuing operations

Performance by segment

The following covers the results of operations, including net sales and operating income, for Ahold’s business segments.

Stop & Shop/Giant-Landover

Stop & Shop

Company name	The Stop & Shop Supermarket Company LLC
Established	1914
Joined Ahold	1996
Region	United States, specifically the states of Massachusetts, Connecticut, Rhode Island, Maine, New Hampshire, New York and New Jersey
Store formats	Supermarkets and superstores
Private labels	Include: Stop & Shop, Nature’s Promise, Simply Enjoy, CareOne, Guaranteed Value, Cottontails, Simply Dry, and Companion

Stop & Shop is one of the leading food retailers in the northeast United States. We operate over 380 stores, throughout seven states, employing approximately 60,000 people. In 2008, we launched a new brand identity at Stop & Shop that includes a fresh look for the stores, new logos, new prepared foods assortment, an expanded private label offering, and new shopping technology and customer websites. The initiatives are an important part of our Value Improvement Program to improve the products and services we offer, lower our prices and reduce our costs.

Giant-Landover

Company name	Giant of Maryland LLC
Established	1936
Joined Ahold	1998
Region	United States, specifically the states of Virginia, Maryland and Delaware and the District of Columbia
Store formats	Supermarkets and superstores
Private labels	Include: Giant, Nature’s Promise, Simply Enjoy, CareOne, Guaranteed Value, Cottontails, Simply Dry, and Companion

Giant-Landover is one of the leading supermarket brands in the mid-Atlantic United States. We operate more than 180 supermarkets across three states and the District of Columbia, employing over 22,000 people.

In 2008, we launched a new brand identity at Giant-Landover that includes a fresh look for the stores, new logos, new prepared foods assortment, an expanded private label offering, and new shopping technology and customer websites. The initiatives are an important part of our Value Improvement Program.



“From self-service markets to the introduction of the region’s first superstore, Stop & Shop has always been an industry pioneer.”

Carl Schlicker
President and CEO
Stop & Shop/Giant-Landover



“At Giant, we’re proud of our heritage and our deep community roots.”

Robin Michel
Executive Vice President and General Manager
Giant-Landover

At the same time, we are on-track with our three-year program "Project Refresh" to remodel or replace approximately 100 of our stores. In 2008, we completed 33 remodel or replacement stores at Giant-Landover.

The following table contains operational information including net sales and operating income for Stop & Shop/Giant-Landover in 2008 and 2007:

	2008	2007
Net sales in EUR (millions)	11,681	12,192
Net sales in USD (millions)	17,097	16,689
Change in identical sales (excluding gasoline sales):		
Stop & Shop	2.1%	0.6%
Giant-Landover	(0.5)%	(1.1)%
Change in comparable sales (excluding gasoline sales):		
Stop & Shop	2.4%	1.0%
Giant-Landover	(0.3)%	(0.9)%
Operating income in EUR (millions)	485	486
Operating income in USD (millions)	701	662
Operating income as a percentage of net sales	4.1%	4.0%
Underlying operating income as a percentage of net sales	4.3%	4.2%
Number of employees at year end (Headcount)	84,664	81,215
Number of employees at year end (FTE)	59,860	59,439
Sales area (in thousands of square meters)	2,086	2,060

Stop & Shop/Giant-Landover also operates Peapod, LLC ("Peapod"), an online grocery delivery service that works in partnership with the Stop & Shop/Giant-Landover operating company. Peapod also services the metropolitan areas of Chicago, Illinois, and Milwaukee, Wisconsin. Sales are included in sales of Stop & Shop/Giant-Landover.

Net sales

Net sales increased 2.4 percent in 2008 to USD 17.1 billion. The increase was due to identical sales growth and the opening of new and replacement stores; store closures were a partial offset. In 2008, net sales included USD 114 million of sales to Tops. Prior to the disposal of Tops, such sales were recorded as inter-company sales.

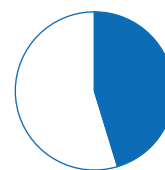
Excluding gasoline net sales, Stop & Shop identical sales increased 2.1 percent in 2008 compared with a 0.6 percent increase in 2007. Over the full year, Giant-Landover identical store sales growth was negative, impacted by lower pharmacy sales. However, Giant-Landover identical sales growth was positive in the second half of the year – the first time since 2002. During 2008, Giant-Landover opened its first two supermarket gasoline facilities.

Operating income

In 2008, operating income increased USD 39 million or 5.9 percent to USD 701 million. The increase was largely due to higher sales and cost efficiencies. The results included approximately USD 59 million of impairments, restructuring and related charges, as well as gains on the sale of real estate of USD 30 million. See Results from operations for more details.

	December 28, 2008	December 30, 2007
	Number	Number
Store portfolio development		
Stop & Shop	381	376
Giant	182	184
Stop & Shop/Giant-Landover	563	560

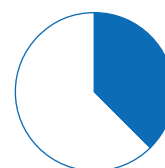
Sales



45.4%
share in total
Ahold sales

□ Ahold (total group) €25,722m
■ Stop & Shop/Giant-Landover €11,681m

Retail operating income



37.5%
share in total Ahold
retail operating income

□ Ahold (total group) €1,294m
■ Stop & Shop/Giant-Landover €485m



Highlights: Stop & Shop/ Giant-Landover

- The Value Improvement Program ("VIP") was completed;
- In July 2008, Carl Schlicker was appointed President & CEO of Stop & Shop/Giant-Landover;
- In August 2008, Stop & Shop and Giant-Landover rebranded with new logos and initiatives designed to enhance the customer store experience;
- Giant-Landover completed 33 store remodels or replacements as part of Project Refresh.



Giant-Carlisle

Company name	Giant Food Stores, LLC
Established	1923
Joined Ahold	1981
Region	United States, the states of Pennsylvania, Virginia, Maryland and West Virginia
Store formats	Supermarkets and superstores
Private labels	Include: Giant, Nature's Promise, Simply Enjoy, CareOne, Guaranteed Value

Giant-Carlisle is one of the leading supermarket brands in the mid-Atlantic United States. We operate nearly 150 stores in four states and employ approximately 27,000 people. Twenty-five stores operate under the name Martin's Food Markets.

In 2008, Sander van der Laan joined Giant-Carlisle from Albert Heijn as its new President and CEO. He is known for his strengths in building innovative formats and developing private labels.

The following table contains operational information including net sales and operating income information for Giant-Carlisle in 2008 and 2007:

	2008	2007
Net sales in EUR (millions)	3,238	3,145
Net sales in USD (millions)	4,738	4,307
Change in identical sales (excluding gasoline sales): Giant-Carlisle	4.7%	3.2%
Change in comparable sales (excluding gasoline sales): Giant-Carlisle	5.4%	4.6%
Operating income in EUR (millions)	160	156
Operating income in USD (millions)	233	213
Operating income as a percentage of net sales	4.9%	4.9%
Underlying operating income as a percentage of net sales	5.1%	5.0%
Number of employees at year end (Headcount)	26,890	23,594
Number of employees at year end (FTE)	17,087	15,553
Sales area (in thousands of square meters)	561	531

Net sales

In 2008, net sales increased 10 percent to USD 4.7 billion. Excluding gasoline, identical sales increased 4.7 percent in 2008, compared to 3.2 percent in 2007. Giant-Carlisle continues to grow in a competitive market by offering quality products and services and running effective promotional activities.

Operating income

In 2008, operating income increased USD 20 million or 9.4 percent to USD 233 million. The improvement was driven by strong sales growth, cost efficiencies and cost savings initiatives. The results were impacted by USD 11 million of restructuring and related charges, as discussed in Results from operations.

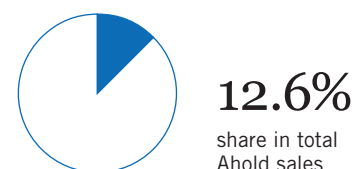
	December 28, 2008	December 30, 2007
	Number	Number
Store portfolio development		
Giant	123	120
Martin's	25	25
Giant-Carlisle	148	145



“David Javitch founded Giant on ‘the best product at the fairest price.’ Eighty-five years later, Giant continues to offer value and serve as a trusted member of the community.”

Sander van der Laan
President and CEO
Giant-Carlisle

Sales



□ Ahold (total group) €25,722m
■ Giant-Carlisle €3,238m

Retail operating income



□ Ahold (total group) €1,294m
■ Giant-Carlisle €160m

Highlights: Giant-Carlisle

- Continued strong track record of continuous growth and increased market share;
- In July 2008, Sander van der Laan was appointed President and CEO;
- Celebrated 85th anniversary;
- Expanded private label assortment, particularly in its value-driven Guaranteed Value brand.

Albert Heijn/Etos/Gall & Gall

Albert Heijn

Company name	Albert Heijn B.V.
Established	1887
Region	Europe, the Netherlands
Store formats	Compact hypermarkets, supermarkets, convenience stores and home shopping. Also Etos and Gall & Gall specialty stores
Private labels	Include: AH Huismerk (house label), AH Excellent, AH Biologisch (organic), AH Express and Euroshopper

Albert Heijn is the leading food retailer in the Netherlands and one of the country's best-known brands. Albert Heijn operates more than 820 stores and employs over 70,000 people. In 2008, Albert Heijn increased its number of stores by 71, including 54 stores acquired as part of the sale of our majority stake in Schuitema. We continue to grow sales and market share by providing value and an extensive range of private label products. We also continue to innovate our store formats and offering in response to the changing needs of customers and specific local preferences.

The Albert Heijn operating company includes Etos, Gall & Gall, and the Ahold Coffee Company which produces coffee, mainly for Ahold's subsidiaries and joint ventures.

The following table contains operational information including net sales and operating income information for Albert Heijn/Etos/Gall & Gall in 2008 and 2007:

	2008	2007
Net sales in EUR (millions)	9,029	7,998
Change in identical sales:		
Albert Heijn supermarkets	9.2%	7.9%
Operating income in EUR (millions)	648	573
Operating income as a percentage of net sales	7.2%	7.2%
Underlying operating income as a percentage of net sales	7.0%	7.0%
Number of employees at year end (Headcount)	76,065	67,278
Number of employees at year end (FTE)	27,382	24,112
Sales area of own operated stores (in thousands of square meters)	823	747

Net sales

Net sales increased 12.9 percent to EUR 9 billion in 2008. This growth was largely down to the continuing success of Albert Heijn's value repositioning program, effective promotional activities and the transfer of 54 former Schuitema stores to Albert Heijn during the second half of the year. Both Etos and Gall & Gall showed strong sales growth too.

Operating income

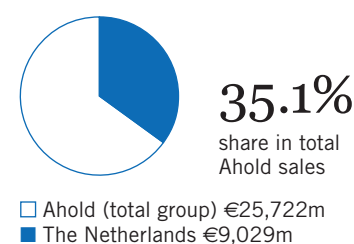
In 2008, operating income increased EUR 75 million or 13.1 percent to EUR 648 million as Albert Heijn benefited from higher identical sales and lower pension charges. The results were impacted by EUR 4 million of impairments, this was more than offset by EUR 24 million gains on the sale of real estate, as discussed in Results from operations.



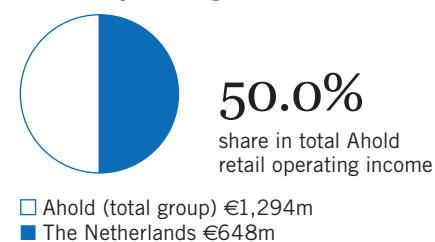
“One of Albert Heijn's greatest strengths as a company is our ability to understand what the customer wants and translate that insight into innovative products and services.”

Dick Boer
President and CEO
Albert Heijn

Sales



Retail operating income



Highlights: Albert Heijn

- Albert Heijn extended its store portfolio by 71 stores, including 54 former Schuitema stores;
- Albert Heijn introduced a new slogan “Simply Albert Heijn” and a new look and feel for its website www.ah.nl;
- Began the roll-out of a new Albert Heijn supermarket format.

Etos

Company name	Etos B.V.
Established	1918
Joined Ahold	1974
Region	Europe, the Netherlands
Store formats	Drugstores
Private labels	Include: Etos house label (Etos Huismerk) and Etos value selection (Etos Voordeelselectie)

Etos is one of the leading health and beauty retailers in the Netherlands, operating over 500 stores and employing over 2,500 people. In 2007, we successfully began repositioning Etos in the highly competitive Dutch market. Etos offers health and beauty shoppers affordable prices as well as service, quality, selection and knowledgeable staff.

Gall & Gall

Company name	Gall & Gall B.V.
Established	1884
Joined Ahold	1989
Region	Europe, the Netherlands
Store formats	Wine and liquor stores
Private label	Includes: range of selected Gall & Gall house wines

Gall & Gall is the leading wine and liquor specialist in the Netherlands, operating over 530 stores and employing over 1,200 people. In 2008, we began the roll-out of a new type of liquor store with an updated brand image designed to appeal to a broader customer base. We also piloted a smaller store format designed to be incorporated into an Albert Heijn supermarket. In addition, we are labeling shelves according to wine type rather than country of origin to make selecting easier for customers who like wine but are not experts. We are training our staff to provide quality service and advice.

	December 28, December 30,	
	2008	2007
	Number	Number
Store portfolio development		
Albert Heijn	823	752
Etos	506	485
Gall & Gall	532	519
Albert Heijn/Etos/Gall & Gall	1,861	1,756



“Customers come to Etos for a wide assortment of A-brand and private label products at competitive prices and in a store with friendly and knowledgeable personnel.”

Jan van Dam
General Manager
Etos

Highlights: Etos

- Etos opened its 500th store and was named the best drugstore in the Netherlands.



“We want to be the most accessible, attractive and inspiring wine and liquor store in the Netherlands.”

Peter Zoutendijk
General Manager
Gall & Gall

Highlights: Gall & Gall

- Gall & Gall converted 11 former Schuitema stores to Gall & Gall stores and opened four new stores.

Albert/Hypernova

Company name	Albert/Hypernova
Established	Ahold Czech Republic (1991), Ahold Retail Slovakia (2001)
Region	Europe, the Czech Republic and Slovakia
Store formats	Hypermarkets and supermarkets
Private labels	Include: Albert, Albert Excellent, Albert Bio, Euroshopper

Albert and Hypernova are among the best-known food retail brands in the Czech Republic and Slovakia. We operate 300 stores in the Czech Republic and 25 stores in Slovakia and employ over 14,500 people in both countries.

We are currently rebranding all our Albert and Hypernova supermarkets in the Czech Republic to Albert to build a single powerful brand and achieve a stronger position in the market. Our offering – particularly fresh food – and our private label products are playing an important part in strengthening the brand. In 2008, we launched Albert Excellent with premium products and Albert Bio to meet the growing demand for organic produce.

The following table contains operational information including net sales and operating income (loss) information for Albert/Hypernova in 2008 and 2007:

	2008	2007
Net sales in EUR (millions)	1,774	1,558
Change in identical sales (excluding gasoline sales): Albert/Hypernova	3.1%	7.1%
Operating income in EUR (millions)	1	0
Operating income as a percentage of net sales	0.1%	0.0%
Underlying operating income as a percentage of net sales	(0.2)%	0.1%
Number of employees at year end (Headcount)	14,656	15,003
Number of employees at year end (FTE)	13,913	14,243
Sales area (in thousands of square meters)	525	529

Net sales

Net sales increased 13.9 percent to EUR 1.8 billion in 2008; at constant exchange rates, net sales growth was 2.8 percent. The increase in net sales was primarily due to increased identical store sales, partially offset by stores that were closed for remodeling during the year. In the second half of the year, the market deteriorated as a result of the economic downturn and continuing competition.

Operating profit

The operating company increased its operating result from breakeven in 2007 to EUR 1 million in 2008. The result included approximately EUR 3 million of gains on the sale of real-estate and EUR 1 million of an impairment reversal.

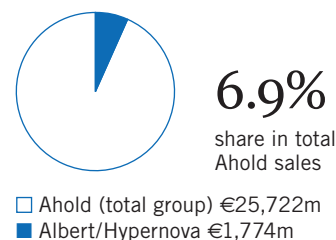
	December 28, December 30,	
	2008 Number	2007 Number
Store portfolio development		
Czech Republic	300	296
Slovakia	25	25
Albert/Hypernova	325	321



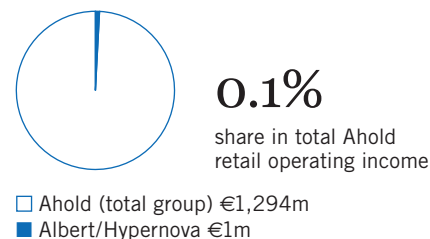
“We are focused on providing the best products and service – and a touch of inspiration to make the difference in our customers’ lives.”

Johan Boeijenga
President and CEO
Albert/Hypernova

Sales



Retail operating income



Highlights: Albert/Hypernova

- Albert was voted Supermarket of the Year by customers in the Czech Republic for the fourth consecutive year;
- Albert/Hypernova was listed among top 30 employers in the Czech Republic;
- Albert/Hypernova continued to roll-out its rebranding program to a single brand, Albert;
- Conducted innovative and award-winning advertising campaign.

Non-GAAP financial measures

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

Net sales at constant exchange rates

In certain instances, net sales are presented at constant exchange rates or in local currencies. We believe these measures provide a better insight into the operating performance of our foreign subsidiaries or joint ventures.

Identical sales, excluding gasoline net sales

Because gasoline prices have experienced greater volatility than food prices, we believe that by excluding gasoline net sales, this measure provides a better insight into the growth of identical stores sales.

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. We believe that excluding these elements provides a better insight into our underlying operating performance.

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, Human Resources, Information Technology, Communications and the Corporate Executive Board. Total corporate costs also include results from other activities coordinated centrally but not allocated to any operating company. We believe that this measure provides a better insight into the Company's operating performance.

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 and cash equivalents. We believe that because cash and cash equivalents can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure of Ahold's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Cash flow before financing activities

Cash flow before financing activities is the sum of net cash from operating activities and net cash from investing activities. We believe that because this measure excludes net cash from financing activities, this measure is useful where such financing activities are discretionary, as in the case of voluntary debt prepayments.

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

We are committed to operating with the utmost integrity. Rigorous controls and strict adherence to business principles are essential for protecting Ahold and its stakeholders.

Our risk management and control systems are designed to provide reasonable assurance that Ahold's objectives are achieved. We take a structured and consistent approach to risk management and internal control by aligning strategy, policies, procedures, people and technology to manage the uncertainties we face.

Risk management and internal control

Enterprise risk management

Ahold's enterprise risk management program provides senior management with an understanding of Ahold's key business risks and practices in place to manage these risks. At each operating company, functional management identifies the principal risks the company faces, and the mitigating actions to manage these risks. Business risk committees comprised of senior executives at each operating company periodically review these risks and the related mitigation practices. They consolidate their findings in an enterprise risk management report that is presented to Ahold's Corporate Executive Board and 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. The outcome of our enterprise risk management program influences the formation of Ahold's policies and internal controls, the scope of internal audit activities and the focus of our 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 businesses. The aim of the ABC Framework is to provide reasonable assurance that risks to achieving important objectives are identified and mitigated. The 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, contracts and agreements, accounting policies, and the financial closing process. These, and other Corporate Executive Board-approved policies and procedures, are incorporated into the ABC Framework as mandatory guidelines for all Ahold operating companies. Within the 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.

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 to 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 on behalf of Ahold. It co-exists with the local codes of conduct in place at each of Ahold's operating companies. The code is available in the corporate governance section of Ahold's public website.

Monitoring

Ahold uses a comprehensive business planning and performance review process to forecast and monitor its performance. This process covers the adoption of strategy, budgeting, and the reporting of current and projected results. Business performance is assessed according to both financial and non-financial targets.

We 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 at each operating company sends a letter of representation to Ahold's Disclosure and Compliance Committee confirming compliance with Ahold's Global Code of Professional Conduct and Ethics, policies on fraud prevention and detection, accounting and global control standards, disclosure requirements and corporate responsibility.



How we manage risk

Our Internal Audit function helps to ensure that we continuously maintain and improve the integrity and effectiveness of our system of risk management and internal control by regular risk-based, objective and critical evaluations. It monitors Ahold's risk management and control systems to provide the Corporate Executive Board, and the Supervisory Board through its Audit Committee, with reasonable assurance on the reliability of financial reporting, compliance with relevant laws and regulations, safeguarding of assets, and efficiency and effectiveness of operations. Internal Audit also monitors the effectiveness of corrective actions undertaken by management with specific follow-up procedures to significant audit findings.

Disclosure and Compliance Committee

Ahold's Disclosure and Compliance Committee oversees the collection and analysis of financial and non-financial information to be publicly disclosed by Ahold. It also monitors Ahold's compliance with applicable laws, regulations and internal governance and control standards. The Committee ensures that information to be publicly disclosed is accurate, complete and disclosed in a timely manner. It reviews all such information prior to its publication in annual reports and before it is disclosed to the public or financial community. Four sub-committees assist the Disclosure and Compliance Committee: one coordinates the preparation of the Annual Report and Corporate Responsibility Report, a second oversees Ahold's internal and external websites, a third monitors Ahold's information security practices, and a fourth operates the management certification process. The Committee also assists the Corporate Executive Board in ensuring that Ahold has effective governance and control policies and procedures in place.

Annual declaration on risk management and control systems

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

The Corporate Executive Board is responsible for establishing and maintaining adequate internal risk management and control systems. These systems are designed to manage the risk of failure to achieve objectives. They are intended to provide reasonable, but not absolute, assurance against material misstatement or loss.

With regard to financial reporting, management has assessed whether Ahold's risk management and control systems provide reasonable assurance that the 2008 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 company-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 Ahold's financial reporting systems were adequately designed and operated effectively in 2008.

The risk factors that may impede Ahold achieving its objectives relating to strategy, operations and compliance are described below. The enterprise risk management program, the ABC Framework and ongoing monitoring activities are the principal means by which Ahold manages these risks. Management is not aware of any important failings in these systems in 2008.

Risks

Risk factors

The following discussion of risks relating to Ahold should be read carefully when evaluating the Company's business, prospects and the forward-looking statements 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 in this Annual Report.

Taking risks is an inherent part of entrepreneurial behavior. Ahold recognizes various strategic, operational, financial, compliance and regulatory-level risk categories. The risks described below are not the only risks Ahold faces. There may be additional risks that Ahold is currently unaware of or risks that management believes are immaterial or 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 "Cautionary notice".



How we manage risk

Strategic risks

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

Ahold's 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 the United States and Europe. We are building our individual retail banners into powerful local brands. We have put in place a continental organization aimed at ensuring that management decisions are made at the most appropriate level and that economies of scale and best practices can be effectively leveraged to support our local operating companies. Other elements of our strategy include meeting our financial targets (including a EUR 500 million cost reduction program), and bringing a more focused and coordinated approach to our corporate responsibility program. For additional information on our strategy, see Our Strategy in this Annual Report. However, Ahold is subject to a number of risks, mainly macroeconomic and competitive, that may impair our ability to effectively implement our strategy or realize the anticipated benefits.

The current global economic downturn is impacting all of the economies and markets in which we operate. Rising unemployment is increasing pressure on consumer confidence and disposable incomes and, in conjunction with underlying food and fuel price volatility, may negatively impact customer demand despite the price investments we have made through our value improvement programs. The liquidity crisis is restricting the availability of credit, which may negatively impact customer demand or cause the failure of key suppliers or otherwise disrupt our supply chains, impacting the cost and availability of goods. The increased pressure on retail margins being experienced in the current economic climate may also result in our competitors taking aggressive competitive actions. Any of these factors or other unforeseen effects of the current macroeconomic climate could impair the effectiveness of our strategy. This could reduce the anticipated benefits of our price repositioning and cost savings programs or our other strategic initiatives and may have a material adverse effect on Ahold's financial position, results of operations and liquidity.

Operational risks

Ahold might not be able to negotiate future collective bargaining agreements on acceptable terms, which could result in work stoppages

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, any failure of our operating companies to effectively renegotiate these agreements could result in work stoppages or other labor actions. Ahold may not be able to resolve any issues in a timely manner and its contingency plans may not be sufficient to avoid an impact on the business. The failure of one or more of its operating companies to renegotiate collective bargaining agreement on acceptable terms could have a material adverse effect on Ahold's financial position, results of operations and liquidity.

Ahold faces risks related to IT outsourcing

Ahold outsources various IT services in the United States and the Netherlands and is dependent on its outsourcing service provider for these services. We may encounter unforeseen technical or service level delivery difficulties with our outsourced IT services. We may be unable to resolve such issues or resolving them may lead to cost increases and distract management attention. Although Ahold has a right to conduct audits to determine the functionality of these outsourced services, it may face disruptions to its IT applications and infrastructure if outsourced IT systems fail to perform as specified or if the parties that provide these services do not fulfill their obligations. Any failures could potentially have a material adverse effect on Ahold's financial position, results of operations and liquidity. In addition, IT outsourcing might not achieve the expected benefits and cost savings or fail to achieve them as quickly as expected.

Ahold faces risks related to information security

Ahold's business operations generate and maintain confidential commercial information and personal information concerning customers and employees. Ahold has an information security policy to ensure the confidentiality, integrity and availability of this kind of information. We have tools in place to support compliance with this policy and to monitor compliance. However, disclosure of confidential commercial or personal information may negatively impact Ahold's competitive position and corporate reputation, result in litigation or regulatory action and have a material adverse effect on Ahold's financial position, results of operations and liquidity.



How we manage risk

Ahold faces business continuity risks in relation to its dependence on a limited number of centralized facilities, IT systems and key personnel to support its critical business processes and functions

Several 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 and key personnel for which Ahold has limited or no comparable back-up available. If any of Ahold's critical business processes or functions or those of key strategic suppliers are interrupted by catastrophic events (such as natural disasters, pandemic illness, IT or outsourcing failures), which render facilities, critical IT systems or infrastructure or key personnel unavailable, Ahold could experience disruption to its supply chain, store and administrative operations. We continue to invest in disaster-recovery plans and security initiatives to protect our facilities and the technology systems supporting our 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 our financial position, results of operations and liquidity.

Ahold faces risks related to food and product safety

The growing internationalization of our supply chain, the increased penetration of Ahold's own brand products in its assortment and increasing levels of regulatory and consumer focus continue to render food and product safety one of Ahold's most significant business risks. Although Ahold's food and product safety policies and practices address the complete supply chain, from farm and production level to Ahold's own operations, we may still face food and product safety problems, including disruptions to the supply chain caused by food-borne illnesses, which may have a material adverse effect on Ahold's reputation, sales, financial position, results of operations and liquidity.

Ahold faces risks related to corporate responsibility

Increasing transparency, regulatory demands and stakeholder awareness, and the growing sentiment that large retailers need to address environmental and sustainability issues across the entire supply chain, mean that Ahold's brand and reputation may suffer if it does not adequately manage the range of corporate responsibility issues affecting the food retail industry. Furthermore, our operational and cost competitiveness may be adversely affected if we fail to effectively increase the fuel and energy efficiency of our operations and reduce waste. Ahold continues to develop a broad range of coordinated and focused programs to address issues such as climate change, energy efficiency, waste reduction, labor standards in the supply chain, sustainability, 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 be adversely affected. See Ahold's Corporate Responsibility Report 2008 for additional information about Ahold's policies and programs in the area of corporate responsibility.

Financial risks

Currency translation risks and currency transaction risks

Ahold is exposed to foreign currency translation risks and currency transaction risks relating to cash flows, including lease payment obligations, dividends and firm purchase commitments and assets and liabilities denominated in foreign currencies. A substantial portion of our assets, liabilities and results of operations are denominated in foreign currencies, primarily the U.S. dollar. Ahold is therefore subject to foreign currency exchange risks due to exchange rate movements as a result of translating the financial results of our foreign subsidiaries into euros for inclusion in its consolidated financial statements. Although we manage our foreign currency exchange exposure by borrowing in local currency and entering into forward contracts and currency swaps, we cannot fully eliminate currency exchange rate risk. Currency exchange rate volatility and movement could therefore have an adverse effect on our financial position, results of operations and liquidity. For additional information concerning Ahold's use of financial instruments and derivatives, see Note 29 to the consolidated financial statements.

Ahold faces credit risk with respect to certain financial instruments

Ahold is exposed to credit risk related to its cash and cash equivalents (which are primarily invested in money market funds) and derivative financial instruments. Cash and cash equivalents amounted to EUR 2.9 billion and total derivative financial assets amounted to EUR 267 million as of December 28, 2008. Derivative contracts are entered into primarily under standard terms and conditions of the International Swap and Derivatives Association. Counterparties for cash and derivative transactions are limited to high credit-quality financial institutions with 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 these exposures are continually monitored. However, there is no guarantee that all third parties will be able to honor their obligations to us in full, and any default could have a material adverse effect on our financial position, results of operations, and liquidity. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the consolidated balance sheet. For further information, see Note 29 to the consolidated financial statements.



How we manage risk

Contingent liabilities associated with lease guarantees

Following the divestment of subsidiary businesses, such as BI-LO, Bruno's and Tops, or the closure of facilities, Ahold has outstanding contingent liabilities to third parties in the form of lease guarantees it issued in relation to the obligations and commitments of these entities. For additional information, see Note 33 to the consolidated financial statements. If BI-LO, Bruno's, Tops or a significant number of other such third parties fail to meet their obligations under assigned leases subject to outstanding Ahold guarantees, whether due to the impact of current macroeconomic conditions on their businesses or otherwise, Ahold may be required to satisfy such guarantees. This could have a material adverse effect on Ahold's financial position, results of operations and liquidity.

Ahold faces risks related to pension and health care funding requirements. Decreasing interest rates, poor performance of the stock markets and the rising cost of health care benefits may cause Ahold to record significant charges related to its pension and benefit plans

Ahold has a number of defined benefit pension plans, covering a substantial number of its employees in the Netherlands and in the United States. Falling stock and bond market values negatively affect the assets of Ahold's pension funds. Lower interest rates result in higher pension obligations, which may lead to higher pension charges, pension premiums and contributions payable. Some of Ahold's employees in the United States are covered by multi-employer plans, which have a total unfunded liability of EUR 4.2 billion as of December 31, 2007 (the latest date for which information is available). We estimate our proportionate share of the total unfunded liability of these plans at EUR 375 million. This estimate does not reflect the expected negative 2008 returns on plan assets, which could significantly increase the deficit. These unfunded liabilities are not recognized in Ahold's consolidated balance sheet. The unfunded liabilities of these plans may result in increased future payments by Ahold and the other participating employers. Furthermore, our proportionate share of unfunded liabilities may increase 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 enough to fund the unfunded liabilities associated with its plan participants.

If Ahold is unable to meet any required funding obligations for certain of its U.S. pension plans, or if the Pension Benefit Guaranty Corporation (the PBGC), as the insurer of some 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). The pension plans covering our Dutch operations are regulated by the Dutch Central Bank (De Nederlandsche Bank or DNB). Ahold has entered into a financial agreement covering these Dutch pension plans under which we may be required to make additional contributions to our pension plans in order to meet the minimum DNB funding requirements. In addition, U.S. health care costs have risen significantly in recent years – a trend which 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 pension and health care funding requirements could have a material adverse effect on the Company's financial position, results of operations and liquidity. For additional information, see Note 22 to the consolidated financial statements included in this Annual Report.

Compliance and regulatory risks

Ahold may face unforeseen tax liabilities in the future, including as a result of audits of the Company's tax returns

Because Ahold operates in a number of countries, its income is subject to taxation in differing jurisdictions with a range of tax rates. Therefore, Ahold needs to apply significant judgment to determine its 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 our multi-jurisdictional operations, we are exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of these tax laws. The tax authorities in the jurisdictions where we operate may audit Ahold's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of Ahold's tax returns may result in additional tax liabilities and may adversely affect our 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 us to incur significant legal expenses and divert management's attention from the operation of our business.



Our leadership

Corporate Executive Board



John Rishton
Chief Executive Officer

John Rishton (February 21, 1958) is a British national. He was appointed President and Chief Executive Officer on November 15, 2007, after having served as acting President and CEO since July 1, 2007. John joined Ahold on January 1, 2006, as Executive Vice President and Chief Financial Officer. Ahold's shareholders appointed him to the Corporate Executive Board on May 18, 2006. John is former Chief Financial Officer of British Airways Plc. He has also worked for Ford Europe in various executive positions. John is a non-executive director of Rolls Royce Group Plc. At Ahold, John goes by the title of Chief Executive Officer.



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.



Peter Wakkie
Executive Vice President
and Chief Corporate
Governance Counsel

Peter Wakkie (June 22, 1948) is a Dutch national. He joined Ahold as Executive Vice President and Chief Corporate Governance Counsel and acting member of the Corporate Executive Board on October 15, 2003. Ahold's shareholders appointed him to the Corporate Executive Board on November 26, 2003. On April 23, 2008, Ahold's shareholders reappointed him for a second term to the Corporate Executive Board. Prior to joining Ahold, Peter was a partner at law firm De Brauw Blackstone Westbroek. He is a member of the Supervisory Board of Wolters Kluwer N.V. In addition, Peter is a board member of the Dutch Association of Security Issuers (Vereniging Effecten Uitgevende Ondernemingen).



Dick Boer
Executive Vice President
and Chief Operating
Officer Ahold Europe,
President and
CEO Albert Heijn

Dick Boer (August 31, 1957) is a Dutch national. He was appointed Chief Operating Officer Ahold Europe on November 6, 2006. On May 3, 2007, Ahold's shareholders appointed him to the Corporate Executive Board. 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 the Albert Heijn operating company. 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., now Super de Boer N.V. Dick is Co-Chairman of ECR Europe and ECR Nederland/GS1, Deputy Chairman of Central Office Food Trade (CBL) and a member of the Supervisory Boards of AMS Sourcing B.V. and of the Red Cross Hospital in Beverwijk, the Netherlands. Dick is a member of the Executive Boards of VNO-NCW, the Dutch Retail Trade Council and the Platform Retail Trade Nederland and a member of the European Retail Round Table.



Lawrence Benjamin
Executive Vice President
and Chief Operating
Officer Ahold USA; acting
member of the Corporate
Executive Board

Acting member of and nominee to the Corporate Executive Board

Lawrence Benjamin (November 6, 1955) is a U.S. national. In July 2008, Ahold announced his nomination by the Supervisory Board for appointment to the Corporate Executive Board. His appointment will be proposed at the General Meeting of Shareholders on April 28, 2009. Lawrence was appointed Chief Operating Officer Ahold USA as of November 6, 2006. He joined Ahold in October 2003 as President and Chief Executive Officer of U.S. Foodservice. From 2002 to October 2003, he was Chief Executive Officer of the NutraSweet Company in Chicago, Illinois. Prior to joining NutraSweet, Lawrence worked with the private equity firm of Oak Hill Capital Management and served as President and Chief Executive Officer of Stella Foods and Specialty Foods Corporation. He also held a number of management-level positions in the retail and ingredient divisions of Kraft Foods from 1986 to 1994.

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 Boards of the Guggenheim Group in New York, United States, and 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, Mr. De Swaan 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 and her term runs until 2012. 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 Board of Pöyry Group Oyj and Non-Executive Director of E.on AG, British American Tobacco Plc, Lonmin Plc, BlackRock New Energy Investment Trust Plc and Ensus Holding Ltd. Karen is a member of the Eco Advisory Board of General Electric.



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 2009. 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, Stihl Group and ZBG Group.



Stephanie M. Shern

Stephanie 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 2009. 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 and a member of the Boards and Chair of the Audit Committees of GameStop, Scotts Miracle-Gro and Embarq. Stephanie is also a member of the Compensation Committee of Embarq and of the Advisory Board of Pennsylvania State University, 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 2010. Judith is former CEO of Transora, Inc. Prior to founding Transora in 2000, she was Executive Vice President and CFO of Sara Lee Corporation. She is a director of Allstate Corporation, USG Corporation, Reckitt Benckiser plc, Intercontinental Exchange, Inc. and Adecco S.A., and a member of Northwestern University's Board of Trustees.



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, a private management consulting firm. He led the firm's Americas' Consumer Goods Practice from 1998 until 2004 when he retired from McKinsey & Company. Mark is a Director of GATX and Aware, Inc and a member of the Board of Lincoln Park Zoo, Chicago. 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 Graduate School of Business and Notre Dame's Kroc International Peace Studies Institute. Mark is a senior advisor with Gleacher Partners LLC, a firm providing strategic advisory services to corporations.

Corporate governance

Ahold is committed to a corporate governance structure that best suits its business and stakeholders, and that complies with relevant rules and regulations.

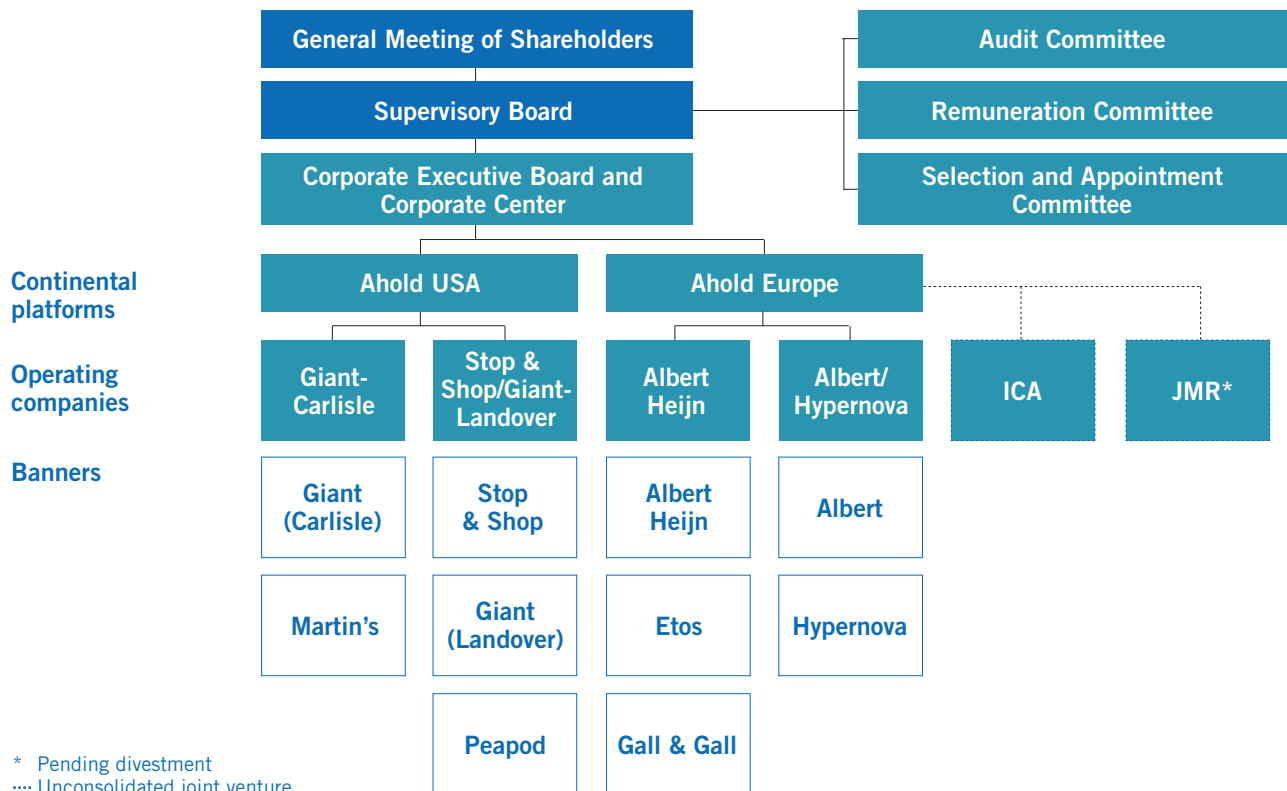
This section contains an overview of Ahold's corporate governance structure and includes details of the information required under the Dutch Corporate Governance Code.

General governance and business structure

Koninklijke Ahold N.V. is a public company under Dutch law with a two-tiered 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 USA and Ahold Europe, each of which contains a number of operating companies.

The following diagram shows the governance structure of Ahold and its businesses. A list of subsidiaries, joint ventures and associates is included in Note 35 to the consolidated financial statements in this Annual Report.



Corporate governance

Corporate Executive Board

The Corporate Executive Board is responsible for the management and the general affairs of Ahold. The charter of the Corporate Executive Board can be found 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: John Rishton, Chief Executive Officer; Kimberly Ross, Executive Vice President and Chief Financial Officer; Peter Wakkie, Executive Vice President and Chief Corporate Governance Counsel; and Dick Boer, Executive Vice President and Chief Operating Officer Ahold Europe.

Kimberly Ross was appointed to the Corporate Executive Board at the Annual General Meeting of Shareholders on April 23, 2008. She had been serving as acting member since November 15, 2007. On April 23, 2008, the General Meeting of Shareholders also reappointed Peter Wakkie for a second term to the Corporate Executive Board.

In July 2008, Lawrence Benjamin, Chief Operating Officer Ahold USA, started serving as an acting member of the Corporate Executive Board. Mr. Benjamin will be nominated for appointment to the Corporate Executive Board at the Annual General Meeting of Shareholders scheduled for April 28, 2009.

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. Details of this policy can be found in the "Remuneration" section of this Annual Report.

For detailed information on the individual remuneration of Corporate Executive Board members, see Notes 30 and 31 to the consolidated financial statements in this Annual Report.

Retirement and reappointment schedule

Name	Date of birth	Date of appointment and reappointment	Date of possible reappointment
John Rishton	Feb 21, 1958	May 18, 2006	2010
Kimberly Ross	May 5, 1965	Apr 23, 2008	2012
Peter Wakkie	Jun 22, 1948	Nov 26, 2003 Apr 23, 2008	2012
Dick Boer	Aug 31, 1957	May 3, 2007	2011

Supervisory Board

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



Corporate governance

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.

For more detailed information on the Supervisory Board see the "Supervisory Board report" section. 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 member of the Supervisory Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide him 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. During 2008, Derk Doijer did not participate in the discussions and/or decision-making process of a possible transaction with Corio N.V. in view of his membership of the Supervisory Board of Corio N.V. No other conflicts of interest occurred in 2008. In accordance with 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 2008.

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 1 percent of the issued share capital or the shares that they hold represent a market value of at least EUR 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. Ahold may, however, refrain from including an item on the agenda if to do so would prejudice its vital interests. 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.

The Corporate Executive Board may set a record date to determine whether a person may attend and exercise the rights relating to a 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 The Bank of New York, the Depository for Ahold's ADR facility, to enable ADR holders to exercise their voting rights represented by the common shares underlying the ADRs.



Corporate governance

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 a 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 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. Pursuant to 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 February 27, 2009, the members of the board of SAPFAA are:

Member A	J.H. Ubas, Chairman
Member B	W.A. Koudijs
Member C	C.W.H. Brüggemann

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 21 to the consolidated financial statements in this Annual Report.

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, 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 February 27, 2009, 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 of the Company. For details on Ahold's cumulative preferred shares, see Note 19 to the consolidated financial statements in this Annual Report.

Issue of additional shares and pre-emptive rights

Shares may be issued pursuant to a resolution by the General Meeting of Shareholders upon 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 23, 2009 and subject to the approval of the Supervisory Board.



Corporate governance

Upon the issuance of new common shares, holders of Ahold's common shares have a pre-emptive right to subscribe for common shares in proportion to the aggregate 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 resolve to restrict or exclude pre-emptive rights. The General Meeting of Shareholders may also designate by resolution 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 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 to the Corporate Executive Board through October 23, 2009.

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:

- 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
- Ahold and its subsidiaries would not, as a result, hold a number of shares exceeding an aggregate 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, shall 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 23, 2009. 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 a percentage of outstanding capital interest or voting rights held by any person or legal entity reaches, exceeds or falls below a threshold 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 on February 27, 2009 in the AFM register 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
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 depository 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 obtained at www.afm.nl



Corporate governance

For details on the number of outstanding shares, see Note 19 to the consolidated financial statements included in this Annual Report. For details on capital structure, listings, share performance, and dividend policy with respect to Ahold's common shares, see the "Investor relations" section.

Articles of Association

Ahold's Articles of Association set forth certain aspects governing organization and corporate governance. 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 (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 made by 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 (re)appointment by the General Meeting of Shareholders. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors.

On April 23, 2008, the General Meeting of Shareholders appointed Deloitte Accountants B.V. as external auditor for the Company for the financial year 2008.

Decree Article 10 EU Takeover Directive

According to the Decree Article 10 Takeover Directive, Ahold has to report on 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 effectuated, 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 the "Investor relations" section, 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 all of the relevant provisions of the Dutch Corporate Governance Code.

Ahold shareholders consented to apply all of the relevant provisions of 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. Ahold will consider the changes to the Dutch Corporate Governance Code which are in effect as of January 1, 2009 for financial years starting in 2009 and make any required adjustments to its reporting.



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 Company strategy.

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 (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 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 23, 2008, the General Meeting of Shareholders appointed Mark McGrath to the Supervisory Board.

The Supervisory Board is of the opinion that its composition is currently in accordance with the profile, although it believes an active member of management of an internationally operating company would be a welcome addition.

On November 17, 2008, the nomination of Ben Noteboom for appointment to Ahold's Supervisory Board was announced. His nomination will be on the agenda of the Annual General Meeting of Shareholders scheduled for April 28, 2009. The present terms of Derk Doijer and Stephanie Shern are due to expire in 2009. After assessing the memberships of Stephanie and Derk, and taking into account the board's profile and that they are both available for a new term, the Supervisory Board recommends their reappointment to the General Meeting of Shareholders.

See table below for retirement and reappointment schedule.

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 a member of the Supervisory Board and briefed by senior management of the financial, social, 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.

Meetings

In 2008, the Supervisory Board held six 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 to the Supervisory Board. The Supervisory Board held four private meetings without other attendees to independently review certain issues and to discuss matters related to the functioning of the Corporate Executive and Supervisory Board. The external auditor attended the

Retirement and reappointment schedule

Name	Date of birth	Date of initial appointment	Date of reappointment	Date of possible reappointment
René Dahan	August 26, 1941	June 2, 2004	April 23, 2008	2012
Karen de Segundo	December 12, 1946	June 2, 2004	April 23, 2008	2012
Derk Doijer	October 9, 1949	May 18, 2005		2009
Stephanie Shern	January 7, 1948	May 18, 2005		2009
Judith Spriesser	August 3, 1953	May 18, 2006		2010
Tom de Swaan	March 4, 1946	May 3, 2007		2011
Mark McGrath	August 10, 1946	April 23, 2008		2012



Supervisory Board report

meeting in March at which the 2007 Annual Report and financial statements were endorsed. In March 2008, in a separate private meeting, 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. For this purpose, all members and regular meeting attendees completed questionnaires. The consolidated results were also discussed in that meeting. For 2008, the Supervisory Board decided to perform the self-assessment in November. Supervisory Board members discussed the performance of the Corporate Executive Board and its members and the Supervisory Board and its members and committees in a private meeting partly attended by the CEO. The members of the Supervisory Board have regular contacts with the members of the Corporate Executive Board and other Company management outside the scheduled meetings of the Supervisory Board.

Activities

During 2008, the Supervisory Board reviewed matters related to all aspects of Ahold's activities, results, strategies and management, including:

- Establishment of the annual compensation of Corporate Executive Board members in accordance with the remuneration policy and with the assistance of the Remuneration Committee;
- Decisions on nominations for appointments to the Corporate Executive Board and Supervisory Board with the assistance of the Selection and Appointment Committee;
- With the assistance of the Audit Committee:
 - Review of the financial reporting process and, in particular, the approval of quarterly earnings statements and related press releases and the 2007 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 result 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;
 - Review and approval of the annual update of the three-year business plan.
- Reviews of updates on the functioning of IT systems and the implementation of improvements, where necessary;
- Regular reviews of the U.S. businesses, including the implementation of the Value Improvement Program (VIP) and the execution of the new brand strategy at Stop & Shop and Giant-Landover;
- Regular reviews of the European businesses;
- Review of Company strategies as part of the annual strategic planning cycle;
- The divestment of Ahold's majority interest in Schuitema in the Netherlands;
- Review of Ahold's corporate responsibility strategy and initiatives and of the 2007 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 Corporate Executive Board, including the plans for succession of its members.

Attendance, independence

No Supervisory Board member was frequently absent from the meetings held in 2008. The Supervisory Board confirms that as of February 27, 2009, all Supervisory Board members are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

Remuneration

	€
Chairman Supervisory Board	55,000
Vice Chairman Supervisory Board	47,500
Member Supervisory Board	40,000
Chairman Audit Committee	10,000
Member Audit Committee	8,000
Chairman Remuneration Committee, or Selection and Appointment Committee	5,000
Member Remuneration Committee, or Selection and Appointment Committee	3,000

In addition, for each meeting of the Supervisory Board and the Audit Committee, each member receives an attendance fee of EUR 1,250, or EUR 3,000 when the meeting is held at a location that requires intercontinental travel from the residence of a member.

During 2009, the Supervisory Board will review its remuneration.

For detailed information on the individual remuneration of Supervisory Board members, see Note 30 to Ahold's consolidated financial statements.



Supervisory Board report

Committees of the Supervisory Board

The Supervisory Board has three permanent committees to which certain tasks are assigned. 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 Spriesser	Member	Member	
Mark McGrath		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, Chief Internal Audit Officer 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 2008, the Audit Committee held six meetings in person and four conference calls to review the release of the quarterly trading statements.

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:

- Review of quarterly trading statements;
- Quarterly earnings press releases and interim financial statements;
- 2007 Annual Report and financial statements;
- Review and approval of the internal and external audit plan;
- Review and discussions on the findings in the internal audit letter and the management letter of the external auditor;

- Ahold's finance structure;
- Composition and functioning of the Treasury department;
- Pensions;
- Guarantees;
- Enterprise risk management;
- Insurance;
- Appointment of the external auditor.

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

The Audit Committee and Supervisory Board assessed the independence and performance of the external auditor in the different capacities in which it acts. The Audit Committee pre-approved the fees for audit and permitted non-audit services to be performed by external auditors as negotiated by the Corporate Executive Board. The Audit Committee and the external auditor reviewed the internal audit plan. The Audit Committee also reviewed its own functioning as well as that of its individual members.

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

The Selection and Appointment Committee held four meetings in 2008. Its main focus was the selection of an additional member of the Corporate Executive Board and a new member of the Supervisory Board. It was also involved in the change of the management at Stop & Shop/Giant-Landover and Giant-Carlisle, and discussed succession and management development at Ahold. Mark McGrath was appointed to the Selection and Appointment Committee in April 2008.

Remuneration Committee

The Remuneration Committee held five meetings in 2008. The Chief Executive Officer was invited to most of these meetings. For a report on remuneration and the activities of the Remuneration Committee, see the Remuneration section of this Annual Report. Mark McGrath was appointed to the Remuneration Committee in April 2008.

In conclusion

The Supervisory Board would like to thank the shareholders for the trust they have put in Ahold 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, February 27, 2009.



Remuneration

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

Further details on employment agreements, individual remuneration, pension, shares and other interests in the Company for the Corporate Executive Board members are outlined in Notes 30 and 31 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 2008, 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, Mark McGrath, Stephanie Shern and Judith Sprieser. In 2008, the Remuneration Committee met five times.

Remuneration policy 2008

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 the 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.

The peer group:

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

To anticipate changes to the peer group, a short list with substitutes has been defined. In selecting the most appropriate replacement, the Supervisory Board uses the same criteria as 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 targeted at 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 clawback 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 determined the target value to be granted under GRO to be 125 percent of base pay. The number of conditional shares to be granted depends on 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 EUR 100,000 and an annual incentive multiplier for the preceding year of 0.8, the value to be granted will be $0.8 \times \text{EUR } 100,000 = \text{EUR } 80,000$. Assuming furthermore a six-month average share price preceding the date of grant of EUR 8.00, the number of shares to be conditionally granted will be 10,000. Of these 10,000 shares, 5,000 will be granted through the three-year component and 5,000 will be granted 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 will be granted through the five-year program only.

The relation between the annual cash incentive and the GRO program, plus the fact that the maximum annual cash incentive multiplier is capped at 1.25, results in a maximum grant value of 156.25 percent of base salary.

Three-year component

For Corporate Executive Board members, 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	%
1	150%	5	70%	9	0%
2	130%	6	50%	10	0%
3	110%	7	25%	11	0%
4	90%	8	0%	12	0%

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 1 percent of his or her pension-bearing salary. Upon appointment to the Corporate Executive Board, CFO Kimberly Ross continued her participation in the U.S. pension plan.

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. The term of employment is equal to the term of appointment, unless the Corporate Executive Board member is reappointed for another term or was already employed by Ahold immediately prior to the appointment. In both cases 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, in principle, 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 anticipated for 2009.

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 (Wet op het Financieel Toezicht) confirm that to the best of their knowledge:

- These 2008 financial statements 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;
- This Annual Report gives a true and fair view of the Company's position and the undertakings included in the consolidation taken as a whole as of December 28, 2008 and of the development and performance of the business for the financial year then ended;
- This Annual Report includes a description of the principal risks and uncertainties that the Company faces.

This Annual Report and the 2008 financial statements, audited by Deloitte Accountants B.V., have been presented to the Supervisory Board. The 2008 financial statements and the external auditor's report relating to the audit of the 2008 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 2008 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2008 of EUR 0.18 per common share.

All members of the Corporate Executive Board and the Supervisory Board have signed pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code.

Corporate Executive Board

John Rishton (CEO)
Kimberly Ross (CFO)
Peter Wakkie
Dick Boer

Supervisory Board

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



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Consolidated income statement

€ million	Note	2008	2007
Net sales	7	25,722	24,893
Cost of sales	8	(18,798)	(18,033)
Gross profit		6,924	6,860
Selling expenses		(4,973)	(4,980)
General and administrative expenses		(753)	(812)
Total operating expenses	8	(5,726)	(5,792)
Operating income		1,198	1,068
Interest income		110	133
Interest expense		(344)	(427)
Other financial income (expense)		20	(6)
Net financial expense	9	(214)	(300)
Income before income taxes		984	768
Income taxes	10	(225)	(153)
Share in income of joint ventures	14	109	138
Income from continuing operations		868	753
Income from discontinued operations	5	211	2,192
Net income		1,079	2,945
Attributable to:			
Common shareholders		1,074	2,931
Non-controlling interests		5	14
Net income		1,079	2,945
Earnings per share (in euros)	28		
Net income per share attributable to common shareholders:			
Basic		0.91	2.03
Diluted		0.89	2.01
Income per share from continuing operations attributable to common shareholders:			
Basic		0.74	0.52
Diluted		0.73	0.52
Weighted average number of common shares outstanding (x 1,000):			
Basic		1,173,924	1,447,378
Diluted		1,237,813	1,456,484

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



Consolidated statement of comprehensive income

€ million	2008	2007
Net income	1,079	2,945
Currency translation differences in foreign interests:		
Currency translation differences before tax	(15)	(314)
Cumulative translation differences related to divestments transferred to net income	–	(120)
Income taxes	–	3
Cash flow hedges:		
Fair value gains in the year	9	51
Transfers to net income	(37)	(32)
Income taxes	6	(3)
Share of other comprehensive income of joint ventures – net	9	37
Other comprehensive income (loss)	(28)	(378)
Total comprehensive income	1,051	2,567
Attributable to:		
Common shareholders	1,046	2,553
Non-controlling interests	5	14
Total comprehensive income	1,051	2,567

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



Consolidated balance sheet

€ million	Note	December 28, 2008	December 30, 2007
Assets			
Property, plant and equipment	11	5,532	5,390
Investment property	12	495	463
Intangible assets	13	598	603
Investments in joint ventures	14	802	869
Other non-current financial assets	15	485	397
Deferred tax assets	10	358	370
Other non-current assets		26	25
Total non-current assets		8,296	8,117
Assets held for sale	5	179	206
Inventories	16	1,319	1,263
Receivables	17	744	941
Other current financial assets		18	22
Income taxes receivable		66	7
Other current assets		107	125
Cash and cash equivalents	18	2,863	3,263
Total current assets		5,296	5,827
Total assets		13,592	13,944
Group equity and liabilities			
Equity attributable to common shareholders	19	4,676	3,810
Non-controlling interests		–	77
Group equity		4,676	3,887
Loans	20	2,260	2,658
Other non-current financial liabilities	21	1,664	1,688
Pensions and other post-employment benefits	22	113	183
Deferred tax liabilities	10	115	34
Provisions	23	442	408
Other non-current liabilities	24	184	153
Total non-current liabilities		4,778	5,124
Accounts payable		2,284	2,240
Other current financial liabilities	25	579	1,342
Income taxes payable		101	126
Provisions	23	170	196
Other current liabilities	26	1,004	1,029
Total current liabilities		4,138	4,933
Total group equity and liabilities		13,592	13,944

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	Legal reserves			Accumulated deficit	Net income	Equity attributable to common shareholders
				Currency translation reserve	Cash flow hedging reserve	Other legal reserves			
Balance as of December 31, 2006		389	13,453	(241)	(55)	254	(9,669)	899	5,030
Appropriation of net income		–	–	–	–	–	899	(899)	–
Total comprehensive income		–	–	(394)	16	–	–	2,931	2,553
Conversion of preferred financing shares		6	163	–	–	–	–	–	169
Capital repayment		(16)	(2,979)	–	–	–	–	–	(2,995)
Share buyback		–	–	–	–	–	(1,021)	–	(1,021)
Share-based payments		2	62	–	–	–	10	–	74
Change in other legal reserves		–	–	–	–	73	(73)	–	–
Balance as of December 30, 2007		381	10,699	(635)	(39)	327	(9,854)	2,931	3,810
Appropriation of net income:									
Dividend		–	–	–	–	–	–	(188)	(188)
Accumulated deficit		–	–	–	–	–	2,743	(2,743)	–
Total comprehensive income		–	–	(8)	(22)	2	–	1,074	1,046
Retirement of treasury shares		(23)	(779)	–	–	–	802	–	–
Share-based payments		–	–	–	–	–	57	–	57
Change in other legal reserves		–	–	–	–	39	(39)	–	–
Acquisition of non-controlling interests	5	–	–	–	–	–	(54)	–	(54)
Other		–	(4)	–	(2)	–	11	–	5
Balance as of December 28, 2008	19	358	9,916	(643)	(63)	368	(6,334)	1,074	4,676

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



Consolidated statement of cash flows

€ million	Note	2008	2007
Operating income		1,198	1,068
Adjustments for:			
Depreciation, amortization and impairments		674	705
Gains on the sale of assets and disposal groups held for sale		(46)	(35)
Other		32	31
Operating cash flows before changes in working capital		1,858	1,769
Changes in inventories		(103)	(11)
Changes in receivables and other current assets		(11)	(44)
Changes in payables and other current liabilities		214	231
Changes in non-current assets and liabilities		(91)	(201)
Class action settlement		–	(284)
Cash generated from operations		1,867	1,460
Income taxes (paid) received – net		(147)	62
Operating cash flows from continuing operations		1,720	1,522
Operating cash flows from discontinued operations		23	318
Net cash from operating activities		1,743	1,840
Purchase of non-current assets		(1,019)	(738)
Divestments of assets and disposal groups held for sale		88	74
Acquisition of businesses, net of cash acquired	27	(26)	(31)
Divestment of businesses, net of cash divested	5, 27	321	5,435
Dividends from joint ventures		70	66
Interest received		110	124
Other		(15)	2
Investing cash flows from continuing operations		(471)	4,932
Investing cash flows from discontinued operations		–	(145)
Net cash from investing activities		(471)	4,787
Interest paid		(349)	(431)
Repayments of loans		(1,069)	(577)
Repayments of finance lease liabilities		(43)	(47)
Dividends paid on common shares		(188)	–
Capital repayment	19	–	(2,995)
Share buyback	19	–	(1,021)
Other		(36)	27
Financing cash flows from continuing operations		(1,685)	(5,044)
Financing cash flows from discontinued operations		(32)	(96)
Net cash from financing activities		(1,717)	(5,140)
Net cash from operating, investing and financing activities	27	(445)	1,487

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 activities 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, are the operation of retail food stores in the United States and Europe through subsidiaries and joint ventures. In addition, some of its subsidiaries finance, develop and manage store sites and shopping centers, primarily to support Ahold's retail operations. Ahold's significant subsidiaries, joint ventures and associates are listed in Note 35.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). All standards and all interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") effective for 2008 and relevant to Ahold have been adopted by the EU, except that the EU carved out certain hedge accounting provisions of IAS 39. Ahold does not utilize this carve out permitted by the EU. Consequently, the accounting policies applied by Ahold also comply fully with IFRS. 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 2008 consisted of 52 weeks and ended on December 28, 2008. The comparative financial year 2007 consisted of 52 weeks and ended on December 30, 2007.

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:

	2008	2007
Average exchange rate	0.6828	0.7307
Year-end closing exchange rate	0.7111	0.6795

The preparation of financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of 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 consolidated 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);
- Non-current assets held for sale and discontinued operations (Notes 3 and 5);
- Income taxes (Notes 3 and 10);
- Equity method of accounting for ICA (Note 14);
- Measurement of defined benefit obligations (Note 22);
- Provisions and contingencies (Notes 23 and 33).

3 Significant accounting policies

Changes in accounting policies

As of 2008, Ahold has early applied the revised IAS 1 "Presentation of Financial Statements". The revised standard introduces requirements to present all changes in equity arising from transactions with owners in their capacity as owners separately from non-owner changes in equity and to disclose (i) income tax related to each component of other comprehensive income and (ii) reclassification adjustments relating to components of other comprehensive income. In addition, when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements, IAS 1 requires the presentation of a third balance sheet as of the beginning of the earliest comparative period. The adoption of the revised IAS 1 did not have an impact on the Company's financial results or position.

As of 2008, Ahold has early applied IFRS 8 "Operating segments". IFRS 8 introduces new disclosure requirements with respect to segment information. The adoption of IFRS 8 did not have an impact on Ahold's segment structure, consolidated financial results or position; however, segment results no longer include intercompany royalties. Comparative information has been changed accordingly, with the effect that Giant-Carlisle's 2007 operating income increased by EUR 14 million and the Corporate Center's operating result decreased by the same amount.

Income statement reclassification

Comparative information in the consolidated income statement has been changed to properly present certain intercompany eliminations on the same line item. This resulted in an increase of selling expenses by EUR 18 million and a decrease of general and administrative expenses by EUR 18 million, with no impact to operating income.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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 the power to govern the financial and operating policies, 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 in the consolidated balance sheet and the consolidated income statement for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries, respectively. The interest of non-controlling shareholders 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.

Foreign currency translation

The financial statements of each subsidiary are prepared in its functional currency, which is determined based on the primary economic environment in which such a subsidiary operates. Transactions in currencies other than the functional currency 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 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 exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Exchange rate differences arising on consolidation are included in group 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 and the exchange rate differences relating to these loans are therefore also included in group equity, in the currency translation reserve. On the disposal of a foreign operation, in part or in full, the related cumulative exchange rate difference that was included in group equity, is 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 segment and to assess its performance. In establishing the reportable segments, certain operating segments have been aggregated as they have similar economic characteristics.

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. Discounts earned by customers, including those provided in connection with bonus or loyalty cards, are recognized as a reduction of sales at the time of the sale.

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 it relates to bringing the inventories to the location and condition ready for sale.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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.

The accounting for vendor allowances requires a number of estimates. First, the Company must estimate the allowances that are earned based on 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 be sold to customers.

Selling expenses

Selling expenses consist of salaries and wages of store employees, store expenses, rent or depreciation of stores, advertising costs and other selling expenses.

General and administrative expenses

General and administrative expenses consist of salaries and wages of support office employees, rent and depreciation of support offices, impairment losses and reversals, amortization charges of non-current assets, 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 options or 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 consolidated 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 asset to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset in the consolidated 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 consolidated 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.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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. For the sale to be highly probable, (i) the Corporate Executive Board must be committed to a plan to sell the asset, (ii) an active program to locate a buyer and complete the plan must have been initiated, (iii) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale should be expected to be completed within one year and (v) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. 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.

A discontinued operation is a component of the Company that either has been disposed of, or that 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 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 includes 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. For the measurement of investment property a reference is made to the accounting policies on property, plant and equipment.



Notes to the consolidated financial statements

3 Significant accounting policies continued

Leases and sale and leaseback transactions

Leases

Ahold is a lessee of 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 lease 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.

Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the consolidated 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. Ahold recognizes a sale and the profit thereon 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, which 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 consolidated 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. Each unit (or group of units) to which the goodwill is allocated, represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and that is not larger than a segment. 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.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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

For software, lives in excess of six years are used only when management is satisfied that the lives of these assets will clearly exceed that period. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Ahold assesses on a quarterly basis whether there is any indication that other intangible assets may be impaired.

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 as 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. Where 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 its 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 consolidated 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 its carrying amount is increased to the revised recoverable amount, if required. 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 cost or net realizable value, whichever is lower. 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



Notes to the consolidated financial statements

3 Significant accounting policies continued

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, whereby the sales value of the inventories is reduced by the appropriate percentage 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 or (iii) 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.

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 consolidated 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category 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 consolidated 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.

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 consolidated 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 consolidated 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.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the consolidated 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 consolidated income statement over the remaining period to maturity of the hedged item.

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.

Equity

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments which 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 consolidated 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 consolidated 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 in 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 in case 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. 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 at 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 consolidated income statement immediately.



Notes to the consolidated financial statements

3 Significant accounting policies continued

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.

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. 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.

New accounting policies not yet effective for 2008

The IASB issued several Standards, or revisions thereto, and Interpretations in 2008 and 2007, which are not yet effective for 2008. Except as detailed below, the Company expects these will not have an impact on its financial statements.

In 2008, the 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. The adoption of these standards will impact the Company's financial results or position prospectively for business combinations occurring as from 2010.

In 2007, the IASB issued IFRIC 13 "Customer Loyalty Programs", which addresses accounting by entities that grant customer loyalty award credits to their customers. The adoption of IFRIC 13 in 2009 will not have an impact on the Company's

financial results or position; however, it may result in reclassifications in the consolidated balance sheet and consolidated income statement. Ahold is in the process of evaluating the impact of such reclassifications.

In 2008, the IASB issued IFRIC 15 "Agreements for the Construction of Real Estate", which provides guidance on the accounting for agreements for the construction of real estate, particularly with regard to the accounting standard to be applied and the timing of revenue recognition. IFRIC 15 is effective for annual periods beginning on or after January 1, 2009. Ahold is in the process of evaluating the impact on the Company's financial results or position.

In 2008, the IASB issued IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", which addresses the foreign exchange risks from investments in foreign operations that qualify for hedge accounting and how net investment hedge accounting should be applied in the consolidated financial statements. IFRIC 16 is effective for annual periods beginning on or after October 1, 2008, with earlier application permitted. The adoption of this interpretation could impact the Company's financial results or position prospectively.

4 Acquisitions

2008 Acquisitions

In December 2008, Stop & Shop completed the acquisition of three stores from Grand Union Markets. The total purchase consideration amounted to EUR 16 million. Intangible assets were recognized for EUR 11 million relating to lease rights. No goodwill was recognized on this acquisition.

Ahold completed several other acquisitions that were insignificant both individually and in the aggregate. All acquisitions have been accounted for by the purchase method of accounting.

Under the Purchase and Sale Agreement between Ahold, Schuitema and CVC Capital Partners ("CVC"), as described in Note 5, Ahold retained 56 Schuitema stores and transferred these to the Albert Heijn segment. This transaction was not accounted for as an acquisition; the assets and liabilities related to these stores have been retained in Ahold's consolidated balance sheet at their carrying amounts.

2007 Acquisitions

In 2007, Ahold completed several acquisitions that were insignificant both individually and in the aggregate. All acquisitions have been accounted for by the purchase method of accounting.



Notes to the consolidated financial statements

5 Assets held for sale and discontinued operations

Assets held for sale

At year-end 2008 and 2007, the following balances were classified as held for sale:

€ million	December 28, 2008	December 30, 2007
Non-current assets and disposal groups held for sale	20	45
Assets related to discontinued operations	159	161
Total assets held for sale	179	206

The non-current assets and disposal groups held for sale, other than those related to discontinued operations, consist primarily of property, plant and equipment.

The assets related to discontinued operations consist of Ahold's 49 percent stake in JMR. JMR operates food retail stores in Portugal under the brands Pingo Doce (supermarkets) and Feira Nova (hypermarkets). On November 6, 2006, the Company announced its intention to divest its 49 percent stake in JMR. Since then, the Company has actively marketed its stake in JMR at a price it considers reflects a reasonable value for it. During 2008, market conditions deteriorated significantly. However, Ahold remains committed to sell its stake in JMR and continues to actively market it.

Discontinued operations

Income from discontinued operations per segment, consisting of results from discontinued operations and results on divestments, was as follows:

€ million		2008	2007
Segments	Discontinued operations		
Giant-Carlisle	Tops	–	3
Albert/Hypernova	Poland	–	1
Schuitema	Schuitema	17	44
Other retail	JMR	16	17
U.S. Foodservice	U.S. Foodservice	–	88
Results from discontinued operations		33	153
Giant-Carlisle	Tops	7	38
Albert/Hypernova	Poland	(5)	249
Schuitema	Schuitema	161	–
U.S. Foodservice	U.S. Foodservice	13	1,750
Various	Various	2	2
Results on divestments of discontinued operations		178	2,039
Income from discontinued operations, net of income taxes		211	2,192



Notes to the consolidated financial statements

5 Assets held for sale and discontinued operations continued

Results from discontinued operations

The following table presents the condensed income statement from the Company's discontinued operations until their respective divestment dates. As a result of JMR's classification as held for sale and discontinued operation as of December 31, 2006, JMR is no longer accounted for using the equity method. JMR's 2008 and 2007 result represents dividends and fees received.

Condensed income statement

€ million	2008	2007
Net sales	1,686	12,176
Cost of sales	(1,499)	(10,686)
Gross profit	187	1,490
Operating expenses	(162)	(1,268)
Operating income	25	222
Net financial expense	(3)	(27)
Income before income taxes	22	195
Income taxes	(5)	(59)
Income from joint ventures (JMR)	16	17
Results from discontinued operations	33	153

Results on divestments of discontinued operations

2008 divestments

On April 23, 2008, Ahold announced that it had reached an agreement with Schuitema and CVC on the divestment of its 73.2 percent interest in Schuitema to CVC. The sale was completed on June 30, 2008 for proceeds of EUR 515 million. At the same time, Ahold, Schuitema and CVC entered into a store purchase agreement for the transfer of 56 Schuitema stores, including owned real estate, for a total purchase price of EUR 208 million, valuing Ahold's previously owned 73.2 percent interest in these stores at EUR 153 million. Taken together, the net consideration for the sale of Ahold's 73.2 percent interest in Schuitema (i.e., net of the 56 stores retained) amounted to EUR 362 million, as summarized below, resulting in a gain on divestment of EUR 161 million.

€ million	Total Schuitema	56 stores retained	Total sold
Fair value (100%)	703	208	495
Non-controlling interest (26.8%)	(188)	(55)	(133)
Fair value of Ahold's 73.2% interest	515	153	362

The retained stores were transferred to Albert Heijn in several tranches during the second half of 2008 and in early 2009. Until the date of transfer, the stores were operated by Schuitema under its trading name and for its benefit. Following the transfer, the stores were converted into Albert Heijn stores.

Schuitema's results for 2008 and prior years have been classified as results from discontinued operations in their entirety. The assets and liabilities related to the stores that were transferred to Albert Heijn (primarily land and buildings and finance lease assets and liabilities) have been retained in Ahold's consolidated balance sheet at their carrying amounts. The 26.8 percent non-controlling interest related to the 56 retained stores has effectively been acquired by Ahold as part of the transaction. The excess of the fair value paid over the existing carrying amount of the non-controlling interest related to the retained stores amounted to EUR 54 million and was recognized directly in equity. In addition to the assets and liabilities retained, Ahold also acquired real estate related to certain of the retained stores from a third party for EUR 51 million.



Notes to the consolidated financial statements

5 Assets held for sale and discontinued operations continued

As part of the transaction, Ahold acquired preference shares for EUR 50 million, carrying a fixed cumulative dividend of 6.5 percent per year, representing a 20 percent indirect interest in Schuitema. The preference shares are presented in the consolidated balance sheet as a loan receivable within other non-current financial assets. Ahold, as 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 it 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. The intangible asset represented by the rights attached to Ahold's preference shares as described above has not been recognized in the consolidated balance sheet, because it is uncertain that Ahold will obtain future economic benefits attributable to these rights and because it is not possible to reliably measure the cost of these rights.

2007 divestments

On December 4, 2006, Ahold announced it had reached an agreement on the divestment of its retail operations in Poland to Carrefour. The transaction was completed on July 2, 2007 and was valued at EUR 375 million, consisting of cash consideration and assumed debt.

On May 2, 2007, Ahold announced it had reached an agreement on the sale of U.S. Foodservice to Clayton, Dubilier & Rice and Kohlberg Kravis Roberts for a purchase price of USD 7.1 billion (EUR 5.2 billion). Shareholder approval for the transaction was obtained at an Extraordinary General Meeting held on June 19, 2007 and the transaction closed on July 3, 2007.

On October 11, 2007, Ahold announced it had reached an agreement on the sale of Tops Markets to Morgan Stanley Private Equity in a transaction valued at USD 310 million (EUR 219 million). The transaction closed on December 3, 2007.

The adjustments to the result on divestment in 2008 for U.S. Foodservice and Tops were primarily related to income taxes and for Poland were primarily related to purchase price adjustments.

The following table presents the reconciliation between cash received and result on divestments of discontinued operations:

€ million	2008	2007
Cash received (net of cash divested of EUR 16 million and EUR 288 million, respectively)	321	5,435
Net assets divested	(173)	(3,441)
Changes in accounts receivable/payable – net	11	(49)
Cumulative exchange rate differences transferred from equity	–	120
Income taxes	19	(26)
Result on divestments of discontinued operations	178	2,039



Notes to the consolidated financial statements

6 Segment reporting

Ahold's retail operations are presented in five segments. In addition, Ahold's Corporate Center is presented separately. Ahold's 73.2 percent stake in Schuitema, which was sold in 2008, also represented a separate segment. 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.

Segment	Significant operations in the segment
Stop & Shop/Giant-Landover	Stop & Shop, Giant-Landover and Peapod
Giant-Carlisle	Giant-Carlisle
Albert Heijn	Albert Heijn, Etos, Gall & Gall and Ahold Coffee Company
Albert/Hypernova	Czech Republic and Slovakia
Other retail	Unconsolidated joint ventures: ICA (60%) and JMR ¹ (49%)
Corporate Center	Corporate staff (the Netherlands, Switzerland and the United States)

¹ Classified as held for sale and discontinued operation, as further disclosed in Note 5.

Ahold operates in the following geographical regions, identified on the basis of the location of the stores:

Geographical region	Significant operations included in the geographical region
United States	Stop & Shop, Giant-Landover, Giant-Carlisle, Peapod, corporate staff (United States)
The Netherlands	Albert Heijn, Etos, Gall & Gall, Ahold Coffee Company, corporate staff (the Netherlands)
Europe – Other	Albert/Hypernova (Czech Republic and Slovakia), corporate staff (Switzerland) and the unconsolidated joint ventures ICA (60%) and JMR ¹ (49%)

¹ Classified as held for sale and discontinued operation, as further disclosed in Note 5.

Net sales (excluding intersegment sales)

€ million	2008	2007
Stop & Shop/Giant-Landover	11,681	12,192
Giant-Carlisle	3,238	3,145
Albert Heijn	9,029	7,998
Albert/Hypernova	1,774	1,558
Ahold Group	25,722	24,893
Region		
United States	14,919	15,337
The Netherlands	9,029	7,998
Europe – Other	1,774	1,558
Ahold Group	25,722	24,893



Notes to the consolidated financial statements

6 Segment reporting continued

Operating income

€ million	2008	2007
Stop & Shop/Giant-Landover	485	486
Giant-Carlisle	160	156
Albert Heijn	648	573
Albert/Hypernova	1	–
Total retail	1,294	1,215
Corporate Center	(96)	(120)
Unallocated ¹	–	(27)
Ahold Group	1,198	1,068

¹ Unallocated costs included various general and administrative expenses that were allocated to Tops and Poland within their respective segments prior to their qualification as held for sale and discontinued operations. These costs were not allocable to Tops and Poland as costs from discontinued operations. The classification of these costs as “unallocated” ceased as of divestment date.

Assets related to operations (including intersegment balances)

€ million	December 28, 2008	December 30, 2007
Stop & Shop/Giant-Landover	5,504	4,982
Giant-Carlisle	1,137	1,139
Albert Heijn	2,612	2,079
Albert/Hypernova	768	751
Schuitema	–	788
Other retail (ICA)	778	848
Total retail	10,799	10,587
Corporate Center	2,652	3,035
Intersegment balances	(729)	(609)
Assets related to operations	12,722	13,013
Derivative financial instruments	267	348
Deferred and current income taxes	424	377
Assets related to continuing operations	13,413	13,738
Other retail (JMR)	159	161
Other	20	45
Assets held for sale	179	206
Ahold Group	13,592	13,944

Capital expenditures (additions to property, plant and equipment, investment property and intangible assets)

€ million	2008	2007
Stop & Shop/Giant-Landover	489	397
Giant-Carlisle	107	131
Albert Heijn	424	238
Albert/Hypernova	75	38
Schuitema	13	101
Total retail	1,108	905
U.S. Foodservice	–	41
Corporate Center	1	4
Ahold Group	1,109	950



Notes to the consolidated financial statements

6 Segment reporting continued

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

€ million	2008	2007
Stop & Shop/Giant-Landover	354	386
Giant-Carlisle	88	85
Albert Heijn	166	146
Albert/Hypernova	52	52
Total retail	660	669
Corporate Center	1	2
Ahold Group	661	671

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

€ million	December 28, 2008	December 30, 2007
Region		
United States	4,625	4,304
The Netherlands	1,499	1,679
Europe – Other	501	473
Ahold Group	6,625	6,456

Additional segment information

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

The Company's management reviews the full financial position and results of operations of its joint venture ICA (Other retail segment). The information presented below with respect to ICA (on a 100 percent basis) represents amounts that are not consolidated in the Company's financial statements since the investment in ICA is accounted for under the equity method, as described in Notes 3 and 14.

Segment information joint ventures – Other retail (ICA)

€ million	2008	2007
Net sales	9,460	8,900
Operating income	211	275
Net income	173	230
Capital expenditures	277	308
Depreciation and amortization	161	161
Non-current assets	2,226	2,439
Current assets	1,508	1,596
Assets related to operations	3,673	3,973
Non-current liabilities	508	646
Current liabilities	2,025	2,081

7 Net sales

€ million	2008	2007
Sales to retail customers	23,345	22,864
Sales to franchisees and franchise fees	1,829	1,589
Internet sales	344	318
Other sales	204	122
Net sales	25,722	24,893

Other sales in 2008 included USD 114 million (EUR 76 million) of sales to Tops. Prior to its disposal in December 2007, such sales were eliminated as intercompany sales.



Notes to the consolidated financial statements

8 Expenses by nature

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

€ million	2008	2007
Cost of product	17,888	17,167
Employee benefit expenses	3,365	3,497
Other store expenses	1,646	1,530
Depreciation and amortization	661	671
Rent expenses	506	511
Impairment losses and reversals	13	34
Gains on the sale of assets	(46)	(35)
Other expenses	491	450
Total expenses	24,524	23,825

9 Net financial expense

€ million	2008	2007
Interest income	110	133
Interest expense	(344)	(427)
Gains on foreign exchange	87	13
Fair value losses on financial instruments	(66)	(11)
Other financial expense	(1)	(8)
Net financial expense	(214)	(300)

Interest income is mainly attributable to the interest on cash and cash equivalents (EUR 95 million in 2008 and EUR 121 million in 2007). Interest expense primarily originates from financial liabilities measured at amortized cost (mainly loans, finance lease liabilities and preferred financing shares) and interest accretions to provisions.

The gains on foreign exchange in 2008 mainly include a foreign exchange retranslation gain on the GBP 250 million notes. This is partly offset by fair value changes of the related GBP 250 million swaps, which do not qualify for hedge accounting treatment, and which are recorded in fair value losses on financial instruments. For more information on fair value gains (losses) on financial instruments, see Note 29.

Foreign exchange results on financing transactions and on financial assets and liabilities, including amounts released from the cash flow hedging reserve, are presented as part of net financial expense. 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 2008, the Company included net exchange losses of EUR 10 million in operating income (2007: loss of EUR 6 million).



Notes to the consolidated financial statements

10 Income taxes

Income taxes continuing operations

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

€ million	2008	2007
Current income taxes		
Domestic taxes	(122)	(74)
Foreign taxes:		
United States	–	5
Europe – Other	(12)	(19)
Total current tax expense	(134)	(88)
Deferred income taxes		
Domestic taxes	(33)	(43)
Foreign taxes:		
United States	(59)	(27)
Europe – Other	1	5
Total deferred tax expense	(91)	(65)
Total income taxes on continuing operations	(225)	(153)

Effective income tax rate continuing operations

Ahold's effective tax rates in the consolidated income statement differ from the statutory income tax rate of the Netherlands of 25.5 percent in both 2008 and 2007. The following table reconciles these statutory income tax rates with the effective income tax rates in the consolidated income statement:

	2008		2007	
	€ million	%	€ million	%
Income before income taxes	984		768	
Income tax expense at statutory tax rates	(251)	25.5%	(196)	25.5%
Adjustments to arrive at effective income tax rates:				
Rate differential (local statutory rates versus the statutory rates of the Netherlands)	(23)	2.4%	1	(0.1)%
Deferred tax income (expense) due to changes in tax rates	(4)	0.4%	–	–
Deferred tax income (expense) related to movements of impairment of deferred tax assets	4	(0.4)%	(16)	2.1%
Financing and related costs	57	(5.8)%	40	(5.2)%
Reserves, (non-)deductibles and discrete items	(8)	0.8%	18	(2.4)%
Total income taxes	(225)	22.9%	(153)	19.9%

Financing and related costs include the result of Ahold's intercompany finance activities, which are carried out from the Company's Treasury Center in Geneva, Switzerland.

Income taxes discontinued operations

Income tax related to discontinued operations amounted to a benefit of EUR 14 million in 2008 and an expense of EUR 85 million in 2007 and has been applied against income from discontinued operations. For further information, see Note 5.



Notes to the consolidated financial statements

10 Income taxes continued

Deferred income tax

The significant components of deferred income tax assets and liabilities as of December 28, 2008 and December 30, 2007 (including discontinued operations), as well as the deferred income tax benefit and expense recognized in income from continuing operations for 2008 and 2007, are as follows:

€ million	Consolidated balance sheet		Consolidated income statement	
	December 28, 2008	December 30, 2007	2008	2007
Leases and financings	188	167	10	10
Pensions and other post-employment benefits	108	136	(37)	(46)
Provisions	77	68	(22)	(9)
Derivatives and loans	16	–	(4)	–
Interest	32	21	11	16
Other	20	35	(51)	3
Total gross deferred tax assets	441	427	(93)	(26)
Unrecognized deferred tax assets	(21)	(17)	(3)	(2)
Total recognized deferred tax assets	420	410	(96)	(28)
Tax losses and tax credits	241	327	30	36
Unrecognized tax losses and tax credits	(207)	(279)	23	(92)
Total recognized tax losses and tax credits	34	48	53	(56)
Total net tax assets position	454	458	(43)	(84)
Property, plant and equipment and intangible assets	110	24	(31)	31
Inventories	88	74	(11)	(11)
Derivatives	–	3	–	(1)
Other	13	21	(6)	–
Total deferred tax liabilities	211	122	(48)	19
Deferred income tax expense			(91)	(65)
Net deferred tax assets	243	336		

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

€ million	December 28, 2008	December 30, 2007
Deferred tax assets	358	370
Deferred tax liabilities	115	34
Net deferred tax assets	243	336

As of December 28, 2008, Ahold had operating and capital loss carryforwards of a total nominal amount of EUR 2,406 million, expiring between 2009 and 2027 (December 30, 2007: EUR 3,364 million). The 2007 capital loss carryforward was adjusted to reflect the correct state capital loss on the sale of U.S. Foodservice. Future utilization of these losses is not considered probable to warrant recognition on the balance sheet. The following table specifies the years in which Ahold's operating and capital loss carryforwards are scheduled to expire:

€ million	2009	2010	2011	2012	2013	2014-2018	2019-2023	After 2023	Total
Operating and capital losses	44	40	354	1,311	19	15	193	430	2,406

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, EUR 2,026 million relates to U.S. state taxes, for which a weighted average tax rate of 4.1 percent applies.



Notes to the consolidated financial statements

10 Income taxes continued

The majority of the above mentioned deferred tax assets relate to tax jurisdictions in which Ahold suffered a 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

Income taxes recognized in and transferred from equity in 2008 and 2007 are as follows:

€ million	2008	2007
Derivatives	6	(3)
Share-based compensation	1	6
Share issuance costs	5	–
Other	–	3
Total	12	6

11 Property, plant and equipment

€ million	Buildings and land		Machinery and equipment	Other	Under construction	Total
	Stores	Other				
As of December 31, 2006						
At cost	6,023	1,555	3,866	568	294	12,306
Accumulated depreciation and impairment losses	(1,876)	(434)	(2,648)	(417)	(6)	(5,381)
Carrying amount	4,147	1,121	1,218	151	288	6,925
Year ended December 30, 2007						
Additions	370	43	333	18	40	804
Acquisitions through business combinations	5	–	3	–	–	8
Depreciation	(289)	(43)	(316)	(34)	–	(682)
Impairment losses	(31)	(2)	(16)	–	(1)	(50)
Impairment reversals	8	–	7	–	–	15
Assets classified as held for sale or sold	(205)	(553)	(182)	(75)	(55)	(1,070)
Other movements	(46)	(55)	(5)	2	(21)	(125)
Exchange rate differences	(309)	(32)	(74)	(5)	(15)	(435)
Closing carrying amount	3,650	479	968	57	236	5,390
As of December 30, 2007						
At cost	5,421	678	3,211	311	237	9,858
Accumulated depreciation and impairment losses	(1,771)	(199)	(2,243)	(254)	(1)	(4,468)
Carrying amount	3,650	479	968	57	236	5,390
Year ended December 28, 2008						
Additions	534	35	414	18	(69)	932
Acquisitions through business combinations	6	–	1	–	–	7
Depreciation	(280)	(23)	(282)	(16)	–	(601)
Impairment losses	(4)	(1)	(5)	–	–	(10)
Impairment reversals	2	–	–	–	–	2
Assets classified as held for sale or sold	(186)	(108)	(29)	(15)	(14)	(352)
Other movements	(12)	(4)	(6)	(1)	4	(19)
Exchange rate differences	145	6	28	1	3	183
Closing carrying amount	3,855	384	1,089	44	160	5,532
As of December 28, 2008						
At cost	5,742	545	3,048	165	161	9,661
Accumulated depreciation and impairment losses	(1,887)	(161)	(1,959)	(121)	(1)	(4,129)
Carrying amount	3,855	384	1,089	44	160	5,532



Notes to the consolidated financial statements

11 Property, plant and equipment continued

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

In 2008, Ahold recognized impairment losses of EUR 10 million related to Stop & Shop/Giant-Landover (EUR 7 million), Albert Heijn (EUR 2 million) and Albert/Hypernova (EUR 1 million). The carrying amount of the affected assets exceeded the higher of the present value of their estimated future cash flows and fair value less costs to sell. The present value of estimated future cash flows has been calculated using discount rates ranging between 9.0-12.6 percent (2007: 8.4-12.5 percent).

Assets classified as held for sale or sold during 2008 mainly relate to the divestment of Schuitema.

The additions to property, plant and equipment include capitalized borrowing costs of EUR 4 million (2007: EUR 6 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 5.8-8.4 percent (2007: 4.3-6.7 percent). Other movements include transfers to and from investment property.

The carrying amount of land and buildings includes an amount of EUR 762 million and EUR 243 million (December 30, 2007: EUR 795 million and EUR 236 million) in respect of assets held under finance leases and financings, respectively. In addition, the carrying amount of machinery and equipment includes an amount of EUR 8 million (December 30, 2007: EUR 9 million) in respect of 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 EUR 75 million (December 30, 2007: EUR 196 million) have been pledged as security for liabilities, mainly for loans.

12 Investment property

€ million	2008	2007
At the beginning of the year		
At cost	658	592
Accumulated depreciation and impairment losses	(195)	(161)
Carrying amount	463	431
Additions	52	8
Depreciation	(18)	(14)
Impairment losses	(2)	(1)
Assets classified as held for sale or sold	(32)	(20)
Transfers from property, plant and equipment	18	89
Exchange rate differences	14	(30)
Closing carrying amount	495	463
At the end of the year		
At cost	658	658
Accumulated depreciation and impairment losses	(163)	(195)
Carrying amount	495	463

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 shopping centers leased to third-party retailers as investment property, unless it represents an insignificant portion of the property.

The carrying amount of investment property includes an amount of EUR 49 million (December 30, 2007: EUR 41 million) and EUR 38 million (December 30, 2007: EUR 37 million) in respect of assets held under finance leases and financings, respectively. Ahold does not have legal title to these assets. Company-owned investment property with a carrying amount of EUR 65 million (December 30, 2007: EUR 67 million) has been pledged as security for liabilities, mainly for loans.



Notes to the consolidated financial statements

12 Investment property continued

The fair value of investment property as of December 28, 2008 amounted to approximately EUR 716 million (December 30, 2007: EUR 635 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 consolidated income statement amounted to EUR 72 million (2007: EUR 64 million which was increased by EUR 6 million to correct the amount disclosed in Ahold's 2007 Annual Report). Direct operating expenses (including repairs and maintenance) arising from rental income generating investment property in 2008 amounted to EUR 34 million (2007: EUR 38 million). Direct operating expenses (including repairs and maintenance) arising from vacant investment property in 2008 amounted to EUR 5 million (2007: EUR 8 million).

13 Intangible assets

€ million	Goodwill	Lease-related intangibles	Software	Customer relationships	Under development	Other	Total
As of December 31, 2006							
At cost	2,205	219	476	262	52	208	3,422
Accumulated amortization and impairment losses	(21)	(94)	(397)	(187)	–	(69)	(768)
Carrying amount	2,184	125	79	75	52	139	2,654
Year ended December 30, 2007							
Acquisitions/additions	27	3	50	8	10	32	130
Amortization	–	(10)	(43)	(19)	–	(21)	(93)
Impairment losses	(2)	(2)	(3)	–	(2)	(1)	(10)
Classified as held for sale or sold	(1,905)	(8)	(23)	(48)	(19)	(13)	(2,016)
Other movements	–	17	6	3	(1)	(8)	17
Exchange rate differences	(52)	(12)	(5)	(3)	(1)	(6)	(79)
Closing carrying amount	252	113	61	16	39	122	603
As of December 30, 2007							
At cost	261	212	417	39	39	213	1,181
Accumulated amortization and impairment losses	(9)	(99)	(356)	(23)	–	(91)	(578)
Carrying amount	252	113	61	16	39	122	603
Year ended December 28, 2008							
Additions	–	1	39	–	22	36	98
Acquisitions through business combinations	5	13	–	1	–	1	20
Amortization	–	(10)	(30)	(4)	–	(10)	(54)
Impairment losses	–	(1)	–	–	(2)	–	(3)
Classified as held for sale or sold	(9)	–	(6)	–	(1)	(62)	(78)
Other movements	–	–	3	(2)	2	(3)	–
Exchange rate differences	3	4	1	1	1	2	12
Closing carrying amount	251	120	68	12	61	86	598
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

Notes to the consolidated financial statements

13 Intangible assets continued

Goodwill recognized upon acquisitions in 2008 and 2007 relates mainly to acquisitions of individual stores at Giant-Carlisle, Albert Heijn and Schuitema.

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

€ million		December 28, 2008	December 30, 2007
Segment	CGU		
Stop & Shop/Giant-Landover	Peapod	18	18
Giant-Carlisle	Giant-Carlisle	57	51
Albert Heijn	Albert Heijn	146	142
	Etos	4	3
	Gall & Gall	1	–
Albert/Hypernova	Czech Republic	25	25
Schuitema	Schuitema	–	13
Ahold Group		251	252

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 is determined based on value-in-use or fair value less costs to sell calculations. Value-in-use calculations use cash flow projections generally covering a maximum period of five years that are based on three-year financial budgets approved by Company management. Cash flows beyond this three-year period are extrapolated using estimated growth rates that do not exceed the long-term average growth rate for the retail trade business in which the CGU operates and are consistent with forecasts included in industry reports. The rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 7.6 percent for the United States, 7.3 percent for the Netherlands, and 8.7 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.

14 Investments in joint ventures

Ahold owns 60 percent of the outstanding common shares of 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. For condensed financial information on ICA, see Note 6.

Ahold also has a 49 percent stake in JMR, which is classified as held for sale and discontinued operation (see Note 5), and is a partner in various smaller joint ventures. Changes in investments in joint ventures are as follows:

€ million	2008	2007
Beginning of the year	869	799
Investments and increases in existing shareholdings	6	1
Share in income of joint ventures	109	138
Dividend	(70)	(66)
Classified as held for sale or sold	(4)	(2)
Exchange rate differences	(109)	(1)
Other changes	1	–
End of the year	802	869

Effective January 1, 2009, the tax legislation in Sweden concerning intercompany loans has been changed. ICA estimates that this will result in approximately SEK 300 million (EUR 27 million) higher income tax charges annually for the ICA Group.



Notes to the consolidated financial statements

15 Other non-current financial assets

€ million	December 28, 2008	December 30, 2007
Derivative financial instruments	259	328
Defined benefit asset	112	19
Loans receivable	87	36
Other	27	14
Total other non-current financial assets	485	397

For more information on derivative financial instruments and fair values, see Note 29.

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 Ahold's unconditional right to a refund assuming the gradual settlement of the plan liabilities over time until all members have left the plan and accordingly the defined benefit asset is not realizable immediately as of December 28, 2008. For more information on defined benefit plans, see Note 22.

Of the non-current loans receivable, EUR 63 million matures between one and five years and EUR 24 million after five years. The current portion of loans receivable of EUR 9 million is included in other receivables (December 30, 2007: EUR 42 million). Loans receivable as of December 28, 2008 include EUR 52 million 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. For more information, see Note 5.

16 Inventories

€ million	December 28, 2008	December 30, 2007
Finished products and merchandise inventories	1,337	1,279
Raw materials, packaging materials, technical supplies and other	31	36
	1,368	1,315
Valuation allowance	(49)	(52)
Total inventories	1,319	1,263

In 2008, EUR 212 million has been recognized as a write-off of inventories in the consolidated income statement (2007: EUR 195 million, which was increased by EUR 110 million to correct the amount disclosed in Ahold's 2007 Annual Report), of which EUR 0 million (2007: EUR 26 million) related to discontinued operations.

17 Receivables

€ million	December 28, 2008	December 30, 2007
Trade receivables	380	458
Vendor allowance receivables	219	287
Other receivables	163	246
	762	991
Provision for impairment	(18)	(50)
Total receivables	744	941

Other receivables include the current portion of loans receivable of EUR 9 million (December 30, 2007: EUR 42 million). In 2007, this included EUR 27 million of loans that had been granted to assist managers and other employees of the Company with information on investments in the Albert Heijn Vaste Klanten Fonds ("Dutch Customer Fund"). These loans were repaid in 2008. For more information on the Dutch Customer Fund, see Note 30.



Notes to the consolidated financial statements

17 Receivables continued

At December 28, 2008, 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	380	296	67	6	7	4
Vendor allowance receivables	219	191	18	2	4	4
Other receivables	163	96	23	29	4	11
	762	583	108	37	15	19
Provision for impairment	(18)	(2)	(3)	(2)	(1)	(10)
Total receivables	744	581	105	35	14	9

The concentration of credit risk with respect to receivables is limited due to the Company's customer and vendor base being 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 December 28, 2008. For more information about credit risk, see Note 29.

The changes in the provision for impairment were as follows:

€ million	2008	2007
Beginning of the year	(50)	(72)
Additions	(11)	(23)
Classified as held for sale or sold	34	23
Used	1	13
Change in estimates	8	8
Exchange rate differences	–	1
End of the year	(18)	(50)

18 Cash and cash equivalents

€ million	December 28, 2008	December 30, 2007
Cash in banks and cash equivalents	2,541	2,974
Cash on hand	322	289
Total cash and cash equivalents	2,863	3,263

Cash and cash equivalents include all cash on hand balances, checks, debit and credit card receivables that process in less than seven days, short-term highly liquid cash investments and time deposits with original maturities of three months or less. Bank overdrafts are included in short-term borrowings.

Of the cash and cash equivalents as of December 28, 2008, EUR 19 million was restricted (December 30, 2007: EUR 21 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 EUR 195 million and EUR 156 million as of December 28, 2008 and December 30, 2007, respectively. No right to offset with other bank balances exists.



Notes to the consolidated financial statements

19 Equity attributable to common shareholders

Shares and share capital

Authorized share capital is comprised of the following classes of shares as of December 28, 2008:

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

In addition, Ahold has cumulative preferred financing shares ("preferred financing shares") outstanding. These preferred financing shares are considered debt under IFRS until the date that Ahold receives irrevocable notification from a holder of preferred financing shares to convert these shares into common shares. Upon this notification the preferred financing shares are classified as a separate class of equity as they no longer meet the definition of a liability as from that date. For disclosures regarding Ahold's preferred financing shares, see Note 21.

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 31, 2006	1,555,678	–	1,555,678
Conversion of preferred financing shares	22,419	–	22,419
Reverse stock split	(316,832)	–	(316,832)
Purchase of own shares	–	96,427	(96,427)
Share-based payments	7,050	(34)	7,084
Balance as of December 30, 2007	1,268,315	96,393	1,171,922
Retirement of treasury shares	(76,427)	(76,427)	–
Share-based payments	–	(4,763)	4,763
Balance as of December 28, 2008	1,191,888	15,203	1,176,685

On April 23, 2008, Ahold's shareholders approved the payment of a dividend of EUR 0.16 per common share (EUR 188 million in the aggregate), which was paid on May 13, 2008. With respect to the current year, the Corporate Executive Board, with the approval of the Supervisory Board, proposes that a dividend of EUR 0.18 per common share (EUR 212 million in the aggregate) be paid in 2009 with respect to 2008. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability in the consolidated balance sheet as of December 28, 2008. The payment of this dividend will not have income tax consequences for the Company.

On June 19, 2007, a capital repayment and reverse stock split was approved at an Extraordinary General Meeting of Shareholders. On August 22, 2007, the reverse stock split became effective. Every five existing shares with a nominal value of EUR 0.24 each were consolidated into four new shares with a nominal value of EUR 0.30 each. The capital repayment of EUR 1.89 per existing share, EUR 2,994 million in the aggregate, took place on August 28, 2007.

On August 30, 2007, Ahold announced a EUR 1 billion share buyback program which was finalized on November 20, 2007. A total of 96,427,207 common shares were repurchased under this program at an average price of EUR 10.37. Of the total shares repurchased, 76,427,207 were canceled on January 3, 2008. The remaining shares repurchased are held as treasury shares for delivery under employee share-based compensation plans. For more information on the Company's share-based compensation plans, see Note 31.



Notes to the consolidated financial statements

19 Equity attributable to common shareholders continued

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 from making 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 December 28, 2008 or during 2008 and 2007.

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 for 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.

Legal reserves

In accordance with the Netherlands Civil Code, 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.



Notes to the consolidated financial statements

20 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	Non-current portion		Total December 28, 2008	Current portion	Non-current portion	Total December 30, 2007
	Within 1 year	Between 1 and 5 years	After 5 years		December 30, 2007	December 30, 2007	
Notional redemption amounts							
Notes							
EUR 1,500 notes 5.875%, due May 2008 ¹	–	–	–	–	952	–	952
EUR 600 notes 5.875%, due March 2012 ²	–	407	–	407	–	407	407
USD 500 notes 6.25%, due May 2009	356	–	–	356	–	340	340
USD 700 notes 8.25%, due July 2010 ³	–	491	–	491	–	476	476
USD 94 indebtedness 7.82%, due January 2020 ⁴	2	17	40	59	6	57	63
USD 71 indebtedness 8.62%, due January 2025	–	–	51	51	–	48	48
USD 500 notes 6.875%, due May 2029	–	–	356	356	–	340	340
GBP 500 notes 6.50%, due March 2017 ⁵	–	–	231	231	–	307	307
JPY 33,000 notes LIBOR plus 1.5%, due May 2031 ⁶	–	–	259	259	–	199	199
Deferred financing costs	(1)	(1)	(4)	(6)	(2)	(5)	(7)
Total notes	357	914	933	2,204	956	2,169	3,125
Other loans							
EUR 95 note 5.625%, due December 2008	–	–	–	–	95	–	95
EUR 75 EURIBOR facility, due June 2010 ⁷	–	–	–	–	–	38	38
EUR 100 EURIBOR loan, due March 2012 ⁷	–	–	–	–	15	54	69
Other loans (euro denominated)	1	–	–	1	–	–	–
Total other loans	1	–	–	1	110	92	202
Financing obligations ⁸	10	70	333	413	9	385	394
Mortgages payables ⁹	4	8	2	14	3	12	15
Total loans	372	992	1,268	2,632	1,078	2,658	3,736

¹ EUR 600 million was swapped to a six-month floating interest rate. The outstanding balance of the notes of EUR 949 million was repaid at maturity in May 2008.

² Notes were swapped to USD 534 million at an interest rate of 6.835 percent. During 2005, Ahold bought back a part of the notes in a principal amount of EUR 193 million and terminated a notional portion of the corresponding swap in the same amount.

³ USD 10 million was early redeemed in October 2008.

⁴ USD 10 million was redeemed until December 28, 2008.

⁵ During 2005, Ahold bought back GBP 250 million of the notes. The remaining notional amount of GBP 250 million was, through two swap contracts, swapped to USD 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. USD 123 million has been paid down as of December 28, 2008.

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

⁷ The loan and facility related to Schuitema, which was divested in 2008, and were not guaranteed by Ahold.

⁸ The average interest rate for the financing obligations amounted to 7.8 percent in 2008 (2007: 8.0 percent).

⁹ Mortgages payables are collateralized by buildings and land. The average interest rate for these mortgages payables amounted to 7.3 percent in 2008 (2007: 7.5 percent).

Debt instruments are issued in various currencies and can carry fixed or floating interest rates. The breakdown of debt instruments issued by Ahold in currency and interest type (excluding the effect of swap contracts) is as follows:

€ million	December 28, 2008		December 30, 2007	
	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
USD	1,642	–	1,580	–
EUR	473	–	1,516	106
GBP	231	–	307	–
JPY	–	259	–	199
CZK	27	–	28	–
Total	2,373	259	3,431	305



Notes to the consolidated financial statements

20 Loans and credit facilities continued

The fair values of these instruments, corresponding derivatives and the foreign exchange and interest rate risk management policies applied by Ahold are disclosed in Note 29.

The Company has a Euro Medium Term Note program (EMTN) which had an aggregate of EUR 0.9 billion of outstanding notes as of December 28, 2008. The notes issued under the program include EUR 600 million, GBP 500 million, and JPY 33,000 million, maturing in 2012, 2017 and 2031, respectively. Notes issued under the EMTN program contain customary restrictive covenants, including but not limited to negative pledge covenants and default provisions in the event of a change of control. During 2008, Ahold updated the program documentation and was in compliance with the covenants.

Credit facilities

Ahold also has access to a EUR 1,200 million unsecured committed syndicated multi-currency credit facility which 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 USD 550 million (EUR 391 million). The expiration date of the facility is August 2012, and the facility agreement includes an option to extend it up to and including August 2014 with lender agreement.

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 2008, Ahold was in compliance with the covenants, and as of December 28, 2008, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of USD 413 million (EUR 294 million).

Ahold also has access to various uncommitted credit facility lines serving working capital needs which as at December 28, 2008 totaled EUR 233 million, of which EUR 3 million was drawn.

21 Other non-current financial liabilities

€ million	December 28, 2008	December 30, 2007
Finance lease liabilities	1,025	1,032
Cumulative preferred financing shares	497	497
Derivative financial instruments	116	154
Other	26	5
Total other non-current financial liabilities	1,664	1,688

For more information on derivative financial instruments, see Note 29.

Finance lease liabilities

Finance lease liabilities are payable as follows:

€ million	December 28, 2008			December 30, 2007		
	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	143	93	50	141	93	48
Between one and five years	537	323	214	528	330	198
After five years	1,236	425	811	1,316	482	834
Total	1,916	841	1,075	1,985	905	1,080
Current portion finance lease liabilities			50			48
Non-current portion finance lease liabilities			1,025			1,032

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 December 28, 2008, the finance lease liabilities are recorded at their present value at an average interest rate of 8.8 percent (December 30, 2007: 9.1 percent).



Notes to the consolidated financial statements

21 Other non-current financial liabilities continued

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

During 2008, interest expense on finance lease liabilities was EUR 94 million (2007: EUR 111 million), of which EUR 6 million related to discontinued operations (2007: EUR 16 million). Total future minimum sublease income expected to be received under non-cancelable subleases as of December 28, 2008 is EUR 175 million (December 30, 2007: EUR 144 million, which was increased by EUR 78 million to correct the amount disclosed in Ahold's 2007 Annual Report). There were no contingent rentals recognized as expense during the period.

Cumulative preferred financing shares

	Number of shares (x 1,000)	Share capital € million
Issued cumulative preferred financing shares	268,415	81
Authorized cumulative preferred financing shares (EUR 0.30 par value each)	477,581	143
<hr/>		
€ million		Other non-current financial liabilities
Paid-in capital issued shares		81
Additional paid-in capital		416
Balance as of December 28, 2008		497

The preferred financing shares were issued in four tranches. Dividends are paid on each preferred financing share at a percentage (the "Financing Dividend Percentage") that differs per tranche. For the shares issued in October 2000, this percentage is based on the average effective yield on Dutch state loans with a remaining life of 9 to 10 years and determined at the time that the shares were issued. When a period of 10 years has elapsed after the issue date of a tranche, and every 10 years thereafter (the "Reset date"), the Financing Dividend Percentage is reset. For the shares issued in June 1996, August 1998 and December 2003, the percentage is based on the 10-year euro swap rate. 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, 6.27 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 are EUR 71 million (June 1996 tranche), EUR 46 million (August 1998 tranche), EUR 320 million (October 2000 tranche) and EUR 60 million (December 2003 tranche), in aggregate EUR 497 million.

The total number of votes that can be exercised by the preferred financing shares is approximately 75 million, representing approximately 6 percent of the total vote (expressed as the sum of the outstanding preferred financing shares and the outstanding common shares).

The 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 preferred financing shares. The maximum number of common shares to be received upon conversion of all outstanding 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) preferred financing shares will receive a number of common shares that is calculated by dividing the value of the 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 preferred financing shares will for this purpose be considered to equal the lower of the nominal value plus the additional paid-in capital of the preferred financing shares (the "Par Value") or 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 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) 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

22 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 in the consolidated balance sheet:

€ million	December 28, 2008	December 30, 2007
Defined benefit liabilities	(113)	(183)
Defined benefit assets	112	19
Total defined benefit plans	(1)	(164)

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

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

€ million	2008	2007
Current service cost	71	93
Interest cost	158	151
Expected return on plan assets	(217)	(207)
Actuarial gains	(26)	(15)
Past service cost	–	2
Gains on curtailments and settlements	(3)	(3)
Total net periodic benefit cost (income)	(17)	21

In addition, net periodic benefit income of EUR 40 million and EUR 49 million related to discontinued operations was recognized in 2008 and 2007, respectively.



Notes to the consolidated financial statements

22 Pensions and other post-employment benefits continued

The changes in the defined benefit obligation and plan assets in 2008 and 2007 were as follows:

€ million	The Netherlands		United States		Total	
	2008	2007	2008	2007	2008	2007
Defined benefit obligation						
Beginning of the year	2,105	2,318	923	1,421	3,028	3,739
Current service cost	50	73	25	40	75	113
Interest cost	109	112	59	72	168	184
Actuarial (gains) losses	(48)	(336)	12	(88)	(36)	(424)
Contributions by plan participants	18	21	–	–	18	21
Past service cost	–	–	–	4	–	4
Benefits paid	(85)	(83)	(42)	(56)	(127)	(139)
Curtailments	–	–	(4)	–	(4)	–
Settlements	(332)	–	–	(347)	(332)	(347)
Exchange rate differences	–	–	45	(123)	45	(123)
End of the year	1,817	2,105	1,018	923	2,835	3,028
Plan assets						
Fair value of assets, beginning of the year	2,689	2,602	825	1,071	3,514	3,673
Expected return on plan assets	165	168	63	72	228	240
Actuarial gains (losses)	(593)	(161)	(207)	6	(800)	(155)
Company contribution	80	142	34	122	114	264
Contributions by plan participants	18	21	–	–	18	21
Benefits paid	(85)	(83)	(42)	(56)	(127)	(139)
Settlements	(343)	–	–	(287)	(343)	(287)
Exchange rate differences	–	–	32	(103)	32	(103)
Fair value of assets, end of the year	1,931	2,689	705	825	2,636	3,514
Surplus/(deficit)	114	584	(313)	(98)	(199)	486
Unrecognized actuarial (gains) losses	(2)	(625)	202	(23)	200	(648)
Unrecognized past service cost	–	–	(2)	(2)	(2)	(2)
Net asset/(liability)	112	(41)	(113)	(123)	(1)	(164)

The total defined benefit obligation of EUR 2,835 million as of December 28, 2008 includes EUR 93 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 current 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 are at least 50 or have 25 or more years of service as of December 31, 2009 can choose to either stay in the current defined benefit plan or transfer to the new 401(k) plan. All other eligible employees will transfer to the new 401(k) plan. Accrued benefits under the current defined benefit plan for employees transferring to the new 401(k) plan will be frozen for pay and service as of December 31, 2009. The resulting curtailment gain in 2008 is 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 will transfer to the new 401(k) plan, resulting in a net gain of EUR 4 million. The Company intends to settle the frozen accrued benefits in 2012. If a settlement occurs, the resulting gain or loss (i.e., the difference between the value of the benefits determined under the prevailing rules at that time and the value of the corresponding assets at that time) will be recognized at the settlement date.

The settlements in 2008 and 2007 related to Schuitema and U.S. Foodservice, respectively; the resulting gains were presented as part of the result on divestment of discontinued operations.



Notes to the consolidated financial statements

22 Pensions and other post-employment benefits continued

Cash contributions

Company contributions are expected to increase from EUR 80 million to EUR 108 million in the Netherlands and from USD 49 million (EUR 34 million) to USD 130 million (EUR 93 million) in the United States from 2008 to 2009, respectively.

The expected 2009 contributions to the U.S. plans include additional contributions of USD 88 million (EUR 63 million). The funding ratio of the largest U.S. plan as of year-end 2008 (calculated in accordance with regulatory requirements) was 85 percent, whereas a minimum of 94 percent is required in 2009. The funding ratio of the Dutch plan as of year-end 2008 (calculated in accordance with regulatory requirements) was 102 percent. Since the funding ratio is below the minimum required 105 percent, the Dutch regulator requires that a three-year remediation plan be put together. This plan should be submitted to the regulator before April 1, 2009 and could result in additional contributions. The 3 percent-point shortfall at year-end 2008 represents an amount of approximately EUR 50 million. In case of a funding ratio below 105 percent, Ahold can be required under the financing agreement with the pension fund to contribute a maximum amount of EUR 150 million over a five-year period.

The 2008 company contributions in the Netherlands reflect a 20 percent discount on the normal contribution level, which was based on the funding ratio as of December 30, 2007. The 2007 company contributions included additional contributions of EUR 32 million in the Netherlands and USD 139 million (EUR 101 million) in the United States.

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 which 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 Company's consolidated balance sheet at the end of that year.

€ million	2008	2007	2006	2005	2004
Defined benefit obligations at year end	(2,835)	(3,028)	(3,739)	(4,110)	(3,547)
Fair value of plan assets at year end	2,636	3,514	3,673	3,324	2,549
Surplus/(deficit)	(199)	486	(66)	(786)	(998)
Experience gains (losses) on defined benefit obligations	(29)	39	4	(70)	47
Experience gains (losses) on plan assets	(785)	(156)	184	220	89

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	
	2008	2007	2008	2007
Discount rate for obligations	5.6	5.6	6.5	6.5
Expected return on plan assets	6.5	6.4	7.9	7.9
Future salary increases	3.8	3.7	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. As a result of the credit crisis, credit spreads on corporate bonds increased significantly in 2008, which was offset by lower risk-free rates. Although there was a wide dispersion of yields on high-quality corporate bonds at the end of 2008, the derived discount rates were unchanged in both the Netherlands and the United States compared to the end of 2007. In determining the discount rates, the Company has used consistent methodologies compared to prior years.



Notes to the consolidated financial statements

22 Pensions and other post-employment benefits continued

The following table shows the effect on the defined benefit obligation and on net periodic benefit cost if the discount rate would have been 0.5 percent higher or lower as of year-end 2008:

€ million	The Netherlands	United States	Total
0.5%-point increase			
Defined benefit obligations at year-end 2008	(135)	(63)	(198)
Net periodic benefit cost 2009	(7)	(8)	(15)
0.5%-point decrease			
Defined benefit obligations at year-end 2008	152	70	222
Net periodic benefit cost 2009	8	9	17

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 like 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 2008 was negative 17.5 percent for the Dutch plans (2007: positive 0.3 percent) and negative 18.8 percent for the U.S. plans (2007: positive 8.6 percent).

The assumed medical cost trend rates used in measuring the defined benefit obligations related to medical care plans were 9.2 percent in 2008 and 9.8 percent in 2007, declining to an ultimate trend rate of 5.0 percent as of 2015. Because of the limited size of Ahold's medical care plans, the impact of a 1.0 percent-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 can differ per plan. On a weighted average basis, the allocation was as follows:

Percent	The Netherlands		United States	
	2008	2007	2008	2007
Equity securities	31	40	48	58
Debt securities	53	43	39	32
Real estate	9	9	3	2
Other	7	8	10	8
Total	100	100	100	100

In the Netherlands, the investment strategies are based on the composition of the obligations of the pension funds. With the aid of Asset Liability Management-models (ALM), analyses have been made of scenarios that could occur in the future. Based on these analyses, investment portfolios are determined on a plan-by-plan basis to produce a maximum return given a risk that is acceptable to all parties involved. Less favorable years can be part of these scenarios. Currently the strategic targets are between 40-50 percent for equity securities, 35-45 percent for debt securities, 5-15 percent for real estate investments and 0-20 percent for other investments.

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. The investment strategy with respect to pension plan assets is to invest in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") and fiduciary standards. The long-term primary objective for the plan assets is to protect the assets from erosion of purchasing power, and to provide for a reasonable amount of long-term growth of capital, without undue exposure to risk. Currently, the strategic targets are between 50-70 percent for equity securities, 25-45 percent for debt securities and 0-10 percent for other investments.

In 2008, the fair value of the plan assets (Dutch and U.S. plans in the aggregate) included EUR 1 million of Ahold shares (2007: EUR 1 million).



Notes to the consolidated financial statements

22 Pensions and other post-employment benefits continued

Defined contribution plans

In the United States, 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 the current 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 2008 and 2007, the Company contributed EUR 11 million and EUR 21 million, respectively, to defined contribution plans. These contributions are recognized as an expense in the consolidated income statement, of which EUR 0 million and EUR 9 million, respectively, related to discontinued operations.

Multi-employer plans

A significant number of union employees in the United States are covered by multi-employer plans. 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 consolidated balance sheet.

Defined benefit plans

Ahold participates in 11 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. Ahold's participation percentage in these plans is 5 percent on average, varying from less than 2 percent to over 50 percent. On the basis of the most recent reliable information available (generally as of December 31, 2007), the total deficit of these pension plans amounts to EUR 4.2 billion (2007: EUR 4.0 billion). The estimated proportionate share of the total deficit allocable to Ahold is EUR 375 million (2007: EUR 458 million), which is based on the relative amount of contributions made by Ahold in relation to the total amount of contributions made to these plans. This deficit does not reflect the expected negative 2008 returns on plan assets, which could significantly increase the deficit. The 2007 estimates provided as comparative information were generally based on information as of December 31, 2005.

During 2008 and 2007, the Company contributed EUR 46 million and EUR 45 million, respectively, to multi-employer defined benefit plans from continuing operations which is recognized as an expense in the consolidated income statement. The unfunded liabilities of these plans may result in increased future payments by the Company 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.

Defined contribution plans

Ahold also participates in over 50 multi-employer plans which 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 2008 and 2007, the Company contributed EUR 164 million and EUR 226 million, respectively, to multi-employer defined contribution plans. These contributions are recognized as an expense in the consolidated income statement, of which EUR 0 million and EUR 31 million, respectively, related to discontinued operations. These plans vary significantly in size, with contributions to the four largest plans representing 68 percent of total contributions.



Notes to the consolidated financial statements

23 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 December 30, 2007							
Current portion	110	10	23	44	7	2	196
Non-current portion	275	46	16	18	15	38	408
Carrying amount	385	56	39	62	22	40	604
Year ended December 28, 2008							
Additions charged to income	107	23	6	12	27	12	187
Used during the year	(99)	(16)	(19)	(25)	(10)	(10)	(179)
Released to income	–	(14)	(3)	(5)	(2)	(3)	(27)
Interest accretion	8	3	–	2	2	1	16
Classified as held for sale or sold	(3)	–	(1)	–	(5)	(4)	(13)
Exchange rate differences	20	–	(2)	2	3	1	24
Closing carrying amount	418	52	20	48	37	37	612
As of December 28, 2008							
Current portion	126	12	9	16	4	3	170
Non-current portion	292	40	11	32	33	34	442

Maturities of total provisions as of December 28, 2008 are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
Amount due within one year	126	12	9	16	4	3	170
Amount due between two and five years	234	40	11	18	30	5	338
Amount due after five years	58	–	–	14	3	29	104
Total	418	52	20	48	37	37	612

Self-insurance program

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

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 claims reporting patterns, claim settlement patterns, judicial decisions and legislation.

Loyalty programs

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

Claims and legal disputes

The Company is party to a number of legal proceedings arising out of business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsels, 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

23 Provisions continued**Restructuring**

In 2008, Ahold recognized additional restructuring provisions of EUR 12 million, mainly related to Stop & Shop/Giant-Landover (EUR 11 million) and Giant-Carlisle (EUR 1 million). 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.

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 2008, Ahold recognized additional provisions of EUR 27 million, mainly related to the lease termination of an office building used by Ahold USA's IT organization (EUR 22 million).

Other

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

24 Other non-current liabilities

€ million	December 28, 2008	December 30, 2007
Step rent accruals	117	97
Deferred gains	55	48
Other	12	8
Total other non-current liabilities	184	153

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 gains predominantly represent the non-current portions of deferred gains on sale and leaseback transactions.

25 Other current financial liabilities

€ million	December 28, 2008	December 30, 2007
Loans – current portion (see Note 20)	372	1,078
Finance lease liabilities – current portion	50	48
Interest	65	106
Short-term borrowings	37	66
Dividend cumulative preferred financing shares	31	31
Derivative financial instruments	14	13
Other	10	–
Total other current financial liabilities	579	1,342

26 Other current liabilities

€ million	December 28, 2008	December 30, 2007
Accrued expenses	567	590
Compensated absences	225	222
Payroll taxes, social security and VAT	179	192
Deferred gains	29	23
Other	4	2
Total other current liabilities	1,004	1,029



Notes to the consolidated financial statements

27 Cash flow

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the consolidated balance sheet:

€ million	2008	2007
Cash and cash equivalents of continuing operations at the beginning of the year	3,263	1,844
Restricted cash	(21)	(23)
Cash and cash equivalents related to discontinued operations	–	23
Cash and cash equivalents at the beginning of the year, including discontinued operations, excluding restricted cash	3,242	1,844
Net cash from operating, investing and financing activities	(445)	1,487
Effect of exchange rate differences on cash and cash equivalents	47	(89)
Restricted cash	19	21
Cash and cash equivalents of continuing operations at the end of the year	2,863	3,263

The following table presents additional cash flow information:

€ million	2008	2007
Non-cash investing activities		
Accounts payable at year end related to purchased non-current assets	163	114
Assets acquired under finance leases from continuing operations	3	31
Assets acquired under finance leases from discontinuing operations	–	4
Non-cash financing activities		
Finance lease liabilities originated from continuing operations	(3)	(31)
Finance lease liabilities originated from discontinuing operations	–	(4)
Acquisition of businesses		
Fair value of assets acquired	(23)	(12)
Goodwill	(5)	(19)
Less: Liabilities assumed	2	–
Total consideration paid	(26)	(31)
Cash acquired	–	–
Acquisition of businesses, net of cash acquired	(26)	(31)
Divestments of businesses		
Carrying amount of assets divested (net of cash divested EUR 16 million and EUR 288 million, respectively)	702	5,039
Liabilities	(449)	(1,598)
Non-controlling interests	(80)	–
Net assets divested	173	3,441
Result on divestments of discontinued operations before income taxes	159	2,065
Cumulative exchange rate differences transferred from equity	–	(120)
Changes in accounts receivable/payable – net	(11)	49
Divestment of businesses, net of cash divested	321	5,435

Notes to the consolidated financial statements

28 Earnings per share

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

	2008	2007
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	1,074	2,931
Effect of dilutive potential common shares, reversal of preferred dividends from earnings	31	–
Net income attributable to common shareholders for the purposes of diluted earnings per share	1,105	2,931
Number of shares (x 1,000)		
Weighted average number of common shares for the purposes of basic earnings per share	1,173,924	1,447,378
Effect of dilutive potential common shares:		
Share options and conditional shares	8,677	9,106
Cumulative preferred financing shares	55,212	–
Weighted average number of common shares for the purposes of diluted earnings per share	1,237,813	1,456,484

The August 2007 capital repayment and reverse stock split, as disclosed in Note 19, reduced the number of common shares outstanding by 20 percent with a corresponding reduction in cash resources. Consequently, the overall effect of the capital repayment and reverse stock split was a share buyback at fair value. Therefore, the weighted average number of shares outstanding in the table above for 2007 is adjusted for the reduction in the number of shares as of the date of the reverse stock split and prior periods are not restated.

The cumulative preferred financing shares were antidilutive in 2007 (i.e., assuming their conversion to common shares would increase earnings per share) and were therefore not included in the calculation of the diluted earnings per share. For the conversion features of the cumulative preferred financing shares and the maximum number of common shares issuable upon their conversion, see Note 21.

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	2008	2007
Income from continuing operations	868	753
Non-controlling interests	–	–
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	868	753
Effect of dilutive potential common shares, reversal of preferred dividends from earnings	31	–
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	899	753

Basic and diluted income per share from discontinued operations attributable to common shareholders amounted to EUR 0.17 and EUR 0.16, respectively (2007: EUR 1.51 basic and EUR 1.49 diluted) and are based on the income from discontinued operations attributable to common shareholders of EUR 206 million (2007: EUR 2,178 million) and the denominators detailed above.

29 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 which is reviewed regularly. The treasury function is not operated as a profit center but 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 Finance Committee reviews material changes to treasury policy and receives management information related to treasury activities.



Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

In accordance with treasury policy, Ahold uses derivative instruments solely for the purpose of hedging exposures which corresponds to managing 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 rate and interest rate. In order to manage the risk arising from these exposures, various financial instruments may be utilized.

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 income and assets and liabilities of its foreign subsidiaries into euros for inclusion in its consolidated financial statements. To protect the value of future foreign currency cash flows, including 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 commitments. Translation risk related to Ahold's foreign subsidiaries, joint ventures and associates is not actively hedged.

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, mainly in the U.S. dollar. Assuming the euro had strengthened (weakened) by 10 percent against the U.S. dollar in 2008, with all other variables held constant, the hypothetical result on income before income taxes would be a decrease (increase) of EUR 38 million (2007: EUR 31 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 December 28, 2008, after taking into account the effect of interest rate swaps and cross-currency swaps, approximately 96 percent of Ahold's long-term borrowings are at a fixed rate of interest.

Interest rate sensitivity analysis

The total interest expense recognized in the 2008 consolidated income statement related to variable rate of long-term debt, net of swaps, amounts to EUR 28 million (2007: EUR 56 million). The Company estimates that with a reasonably possible increase (decrease) of euro and U.S. dollar market interest rates of 100 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 EUR 4 million (2007: EUR 9 million). 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 EUR 17 million or a gain of EUR 18 million, respectively (2007: a loss of EUR 17 million or a gain of EUR 19 million, respectively).

The total interest income recognized in the 2008 consolidated income statement related to variable rate money market fund investments and deposits amounts to EUR 95 million (2007: EUR 122 million). The Company estimates that with a reasonably possible increase (decrease) of euro and U.S. dollar market interest rates of 100 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 EUR 25 million (2007: EUR 27 million).

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



Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

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 money market funds with a rating of AAA (Standard & Poor's). With respect to credit risk, derivative contracts with counterparties are entered primarily into under 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 these exposures are continually monitored. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the consolidated balance sheet (refer to the fair values classes of financial instruments table). The maximum 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 EUR 158 million as of December 28, 2008 (December 30, 2007: EUR 205 million).

The majority of Ahold's past due but not impaired financial assets as of December 28, 2008 consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited due to the Company's customer and vendor base being 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 December 28, 2008. 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 a 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 including net cash from divestments. Ahold manages short-term liquidity based on projected cash flows over rolling periods of six months. As of December 28, 2008, Ahold had EUR 0.9 billion of committed undrawn bank facilities, which can be drawn on for working capital and general corporate purposes and EUR 2.9 billion of cash balances 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 maturity profile of the Company's derivative and non-derivative financial liabilities as of December 28, 2008 and December 30, 2007, respectively, based on contractual undiscounted payments:

€ million	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
Year ended December 28, 2008					
Non-derivative financial liabilities					
Notes	(2,204)	(490)	(1,251)	(1,617)	(3,358)
Other loans	(1)	(1)	–	–	(1)
Financing obligations	(413)	(42)	(166)	(434)	(642)
Mortgages payable	(14)	(5)	(9)	(4)	(18)
Finance lease liabilities	(1,075)	(143)	(537)	(1,236)	(1,916)
Cumulative preferred financing shares ¹	(497)	(31)	(82)	(35)	(148)
Short-term borrowings	(37)	(37)	–	–	(37)
Other	(36)	(10)	(19)	(8)	(37)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	111	(31)	56	(25)	–
Interest derivatives and interest flows	27	–	14	16	30

¹ Cumulative preferred financing shares have no maturity. For the purposes of the tables above and determining future dividend cash flows, it is assumed that the dividend is calculated until the coupon reset date of each of the four-share series being 2010, 2013, 2016 and 2018, but with no liability redemption.



Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

€ million	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
Year ended December 30, 2007					
Non-derivative financial liabilities					
Notes	(3,125)	(1,155)	(1,656)	(1,671)	(4,482)
Other loans	(202)	(121)	(100)	–	(221)
Financing obligations	(394)	(61)	(218)	(356)	(635)
Mortgages payable	(15)	(4)	(10)	(6)	(20)
Finance lease liabilities	(1,080)	(141)	(528)	(1,316)	(1,985)
Cumulative preferred financing shares ¹	(497)	(31)	(92)	(27)	(150)
Short-term borrowings	(66)	(66)	–	–	(66)
Other	(5)	–	–	(5)	(5)
Derivative financial assets and liabilities					
Cross-currency derivatives and interest flows	164	(33)	86	(8)	45
Interest derivatives and interest flows	18	16	(2)	7	21

¹ Cumulative preferred financing shares have no maturity. For the purposes of the tables above and determining future dividend cash flows, it is assumed that the dividend is calculated until the coupon reset date of each of the four-share series being 2010, 2013, 2016 and 2018, but with no liability redemption.

All 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 curves interest rates as of December 28, 2008 and December 30, 2007, respectively.

Credit ratings

As of December 28, 2008, Moody's Long Term Issuer rating was Baa3 (with a stable outlook) and Standard & Poor's Corporate Credit Rating was BBB- (with a stable outlook), both unchanged during 2008. Standard & Poor's revised its outlook to positive on January 14, 2009.

Maintaining investment grade credit ratings is an important part 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 when managing capital is optimization of its debt and equity balance in order to sustain the future development of the business, support an investment grade credit rating and to maximize shareholder value.

The capital structure of the Company consists of net debt (which includes borrowings and cash and cash equivalents as disclosed in Notes 18, 20, 21 and 25) and equity (as disclosed in Note 19). 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.

Financial instruments**Categories of financial instruments**

The following table presents the carrying amounts for each of the categories of financial instruments:

€ million	December 28, 2008	December 30, 2007
Cash and cash equivalents	2,863	3,263
Available for sale	3	15
Loans and receivables	864	969
Derivative instruments at fair value	267	348
Total financial assets	3,997	4,595
At amortized cost	(6,657)	(7,761)
Derivative instruments at fair value	(130)	(167)
Total financial liabilities	(6,787)	(7,928)



Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

Fair values of financial instruments

The following table presents the fair values, based on our financial categories of financial instruments, including current portions compared to the carrying amounts for which these instruments are included in the consolidated balance sheet:

€ million	December 28, 2008		December 30, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	96	102	78	86
Available for sale	3	3	15	15
Derivatives	267	267	348	348
Receivables	735	735	891	891
Cash and cash equivalents	2,863	2,863	3,263	3,263
Other	33	33	–	–
Total financial assets	3,997	4,003	4,595	4,603
Notes	(2,204)	(2,232)	(3,125)	(3,304)
Other loans	(1)	(1)	(202)	(204)
Financing obligations	(413)	(563)	(394)	(475)
Mortgages payable	(14)	(17)	(15)	(19)
Finance lease liabilities	(1,075)	(1,471)	(1,080)	(1,326)
Cumulative preferred financing shares	(497)	(498)	(497)	(507)
Dividend cumulative preferred financing shares	(31)	(31)	(31)	(31)
Derivatives	(130)	(130)	(167)	(167)
Accounts payable	(2,284)	(2,284)	(2,240)	(2,240)
Short-term borrowings	(37)	(37)	(66)	(66)
Interest	(65)	(65)	(106)	(106)
Other	(36)	(36)	(5)	(5)
Total financial liabilities	(6,787)	(7,365)	(7,928)	(8,450)

The carrying amount of receivables, cash and cash equivalents, accounts payable 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 of derivative financial assets and liabilities are estimated by discounting future cash flows with prevailing market rates or based on the rates and quotations obtained from third parties. The fair value calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in Note 21. The accrued interest is included in other current financial liabilities (Note 25) and not in the carrying amounts of non-derivative financial assets and liabilities.

Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

Derivatives

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

	December 28, 2008			December 30, 2007		
	Number of contracts	Assets € million	Liabilities € million	Number of contracts	Assets € million	Liabilities € million
Interest rate swaps – cash flow hedges: ¹						
Between one and five years	–	–	–	2	3	–
After five years	–	–	–	–	–	–
Total interest rate swaps – cash flow hedges	–	–	–	2	3	–
Cross-currency swaps – cash flow hedges: ²						
Between one and five years	1	158	–	1	169	–
After five years	1	–	(116)	1	–	(139)
Total cross-currency swaps – cash flow hedges	2	158	(116)	2	169	(139)
Foreign currency forwards and swaps – net investment hedge: ³						
Within one year	2	8	–	–	–	–
Total foreign currency forwards and swaps – net investment hedge	2	8	–	–	–	–
Foreign currency forwards and swaps – fair value hedges:						
Within one year	2	–	–	–	–	–
Total foreign currency forwards and swaps – fair value hedges	2	–	–	–	–	–
Foreign currency forwards and swaps – cash flow hedges: ⁴						
Within one year	44	–	(8)	24	–	(6)
Between one and five years	–	–	–	24	–	(7)
Total foreign currency forwards and swaps – cash flow hedges	44	–	(8)	48	–	(13)
Derivative contracts – no hedge accounting treatment:						
Within one year	24	–	(6)	19	20	(7)
Between one and five years	–	–	–	16	1	(4)
After five years ⁵	2	101	–	2	155	(4)
Total derivative contracts – no hedge accounting treatment	26	101	(6)	37	176	(15)
Total derivative financial instruments	76	267	(130)	89	348	(167)

¹ Interest rate swaps designated as cash flow hedges are used to hedge cash flow interest rate risk on floating rate debt.

² 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.

³ Foreign currency forwards and swaps accounted for as net investment hedges are used to hedge cash flow currency risk on ICA dividend flow.

⁴ Foreign currency forwards and swaps designated as cash flow hedges are used to hedge the future cash flows denominated in foreign currencies.

⁵ The valuation of the cross-currency swaps (asset) includes the impact of the mark-to-market of an embedded credit clause in a GBP 250 million cross-currency swap. The extreme volatility in the financial markets in 2008 resulted in EUR 7 million losses related to this credit clause.

Notes to the consolidated financial statements

29 Financial risk management and financial instruments continued

The notional amounts of the derivative financial instruments outstanding as of December 28, 2008 are summarized below. The summary is based on the currency of the exposures being hedged and includes the gross amount of all notional values for outstanding contracts (with all amounts expressed in millions of the respective currencies).

	CHF million	PLN million	CZK million	USD million	SEK million	GBP million	JPY million	EUR million
Interest rate swaps:								
After five years	–	–	–	–	–	250	–	–
Cross-currency interest rate swaps:								
Between one and five years	–	–	–	–	–	–	–	407
After five years	–	–	–	–	–	250	33,000	–
Foreign currency forwards and swaps:								
Within one year	22	38	75	1	444	1	–	45
Total notional amounts derivative financial instruments	22	38	75	1	444	501	33,000	452

In 2008, a loss of EUR 66 million (2007: loss of EUR 11 million) is included in the consolidated income statement under fair value gains (losses) on financial instruments in relation to fair value changes of derivatives that do not qualify for hedge accounting treatment or in relation to ineffective portions of qualifying hedging instruments.

Gains and losses recognized in cash flow hedging reserve in equity as of December 28, 2008 will be released to the consolidated income statement at various dates over a period of 23 years from the balance sheet date.

30 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 consists of members of the Supervisory Board, members and acting members of the Corporate Executive Board, the continental Chief Operating Officers and Senior Vice Presidents reporting directly to a Corporate Executive Board member, acting in that capacity.

Employment contracts with individual Corporate Executive Board members**John Rishton**

The Company's revised employment agreement with John Rishton to account for his appointment as CEO of the Company, dated November 20, 2007, provides for a base salary of EUR 945,000 per year. It also provides for participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive program (GRO – see Note 31). 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. On the starting date of his employment, John Rishton was granted 100,000 Ahold common shares to compensate the loss of long-term perquisites from his previous employer. The vesting of these shares was conditional upon three years of employment. Unless John Rishton's employment agreement is otherwise terminated, he will be eligible for reappointment in 2010. In the event the Company terminates John Rishton's employment agreement for reasons other than cause or because he is not reappointed, John Rishton is entitled to a severance payment equal to one year's base salary. John Rishton's employment agreement may be terminated by the Company with a notice period of twelve months and by John Rishton with a notice period of six months. John Rishton participates in Ahold's Dutch Pension Plan.



Notes to the consolidated financial statements

30 Related party transactions continued

Kimberly Ross

The Company's revised employment agreement with Kimberly Ross, dated February 25, 2008, provides for a base salary of EUR 500,000 per year, retroactively as of November 16, 2007, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive program (GRO – see Note 31). 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 Kimberly Ross' employment agreement is otherwise terminated, she will be eligible for reappointment in 2012. In the event the Company terminates Kimberly Ross' employment agreement for reasons other than cause or because she is not reappointed, Kimberly Ross is entitled to a severance payment equal to one year's base salary. Kimberly Ross' employment agreement may be terminated by the Company with a notice period of twelve months and by Kimberly Ross with a notice period of six months. Kimberly Ross participates in the US Benefits Plans: the Salary Continuation Plan (SCP), the Ahold USA Pension Plan and the 401(k) Plan.

Peter Wakkie

The Company's employment agreement with Peter Wakkie, dated October 9, 2003, provides for a base salary currently set at EUR 600,000 per year, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive program (GRO – see Note 31). 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. Peter Wakkie was reappointed in 2008. Unless Peter Wakkie's employment agreement is otherwise terminated, he will be eligible for reappointment in 2012. In the event the Company terminates Peter Wakkie's employment agreement for reasons other than cause or because he is not reappointed, Peter Wakkie is entitled to a severance payment equal to one year's base salary. Peter Wakkie's employment agreement may be terminated by the Company with a notice period of twelve months and by Peter Wakkie with a notice period of six months. Peter Wakkie participates in Ahold's Dutch Pension Plan.

Dick Boer

The Company's revised employment agreement with Dick Boer, dated March 29, 2007, provides for a base salary of EUR 625,000 per year, participation in the annual cash incentive plan, as well as participation in the Company's equity-based long-term incentive plan (GRO – see Note 31). 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 Dick Boer's employment agreement is otherwise terminated, he will be eligible for reappointment in 2011. In the event the Company terminates Dick Boer's employment agreement for reasons other than cause or because he is not reappointed, Dick Boer is entitled to a severance payment equal to one year's base salary. Dick Boer's employment agreement may be terminated by the Company with a notice period of twelve months and by Dick Boer with a notice period of six months. Dick Boer participates in Ahold's Dutch Pension Plan.



Notes to the consolidated financial statements

30 Related party transactions continued

Remuneration of the individual Corporate Executive Board members

Remuneration of the individual Corporate Executive Board members, which is disclosed as of the year the General Meeting of Shareholders approved the appointment of a member, can be specified as follows:

€ thousand	Base salary	Bonuses ¹	Share-based compensation ²	Pensions ³	Termination benefits	Other ^{4,5}	Total
J.F. Rishton							
2008	945	1,143	528	189	–	156	2,961
2007	835	1,044	224	177	–	149	2,429
K.A. Ross							
2008	500	605	218	132	–	190	1,645
2007	–	–	–	–	–	–	–
P.N. Wakkie							
2008	600	726	377	140	–	13	1,856
2007	600	1,050	231	165	–	13	2,059
A.D. Boer							
2008	625	756	469	152	–	209	2,211
2007	625	781	908	239	–	10	2,563
A.C. Moberg (resigned from the Board effective July 1, 2007)							
2008	–	–	–	–	–	–	–
2007	750	2,556	457	–	3,379	111	7,253
Total 2008	2,670	3,230	1,592	613	–	568	8,673
Total 2007	2,810	5,431	1,820	581	3,379	283	14,304

¹ Bonuses represent accrued bonuses to be paid in the following year. Peter Wakkie's 2007 bonus included EUR 300,000 as a reward for the successful completion of the divestment program.

² The amounts included in the table for share-based compensation represent the share-based compensation expense calculated under IFRS 2. The fair value of share-based compensation grants is expensed on a straight-line basis over the vesting period of the grants. For more information on share-based compensation programs, including outstanding options and shares for individual Corporate Executive Board members, see Note 31.

³ Pension costs are the total net periodic pension costs.

⁴ "Other" mainly includes allowances for representation expenses, housing expenses, relocation expenses, private medical insurance, international school fees, employer's contributions to social security plans, and benefits in kind such as tax advice and medical expenses.

⁵ For shares granted under the Global Reward Opportunity program (GRO, introduced in May 2006) it is allowed to sell sufficient shares to finance income tax at the time it is due. However, this was not allowed for the 190,333 conditional shares granted to Dick Boer in January 2006, which vested in January 2008. Given restrictions on Insider Information and Securities Trading, no shares could be sold to finance income tax due until the end of August 2008. "Other" in 2008 includes a reimbursement for the lost value of the shares that would otherwise have been sold upon vesting.

Remuneration of the Supervisory Board members

€ thousand	2008	2007
R. Dahan (appointed in 2004)	68	71
T. de Swaan (appointed in 2007)	83	75
D.C. Doijer (appointed in 2005)	60	63 ¹
M.G. McGrath (appointed in 2008)	43	–
K.M.A. de Segundo (appointed in 2004)	72	75
S.M. Shern (appointed in 2005)	79	86
J. Sprieser (appointed in 2006)	79	79
M. Hart (resigned in 2007)	–	50
J. Hommen (resigned in 2007)	–	26
Total	484	525

¹ Decreased by EUR 12 thousand to correct the amount disclosed in Ahold's 2007 Annual Report, which erroneously included VAT.



Notes to the consolidated financial statements

30 Related party transactions continued

Shares and other interests in Ahold

As of December 28, 2008, Corporate Executive Board members held the following shares and other interests in Ahold:

	Common shares
J.F. Rishton	–
K.A. Ross	1
P.N. Wakkie	6,000
A.D. Boer	119,151
Total	125,152

On January 1, 2006, the starting date of his employment, John Rishton was conditionally granted 100,000 Ahold common shares. These shares became unconditional in January 2009, after three years of employment.

As of December 28, 2008, René Dahan held 112,000 Ahold common shares. None of the other Supervisory Board members held Ahold shares.

Other key management personnel

The Company recognized remuneration expenses of EUR 14 million (2007: EUR 28 million) for consideration paid, payable or provided to other key management personnel (i.e., not members of the Corporate Executive Board or Supervisory Board). This consisted of short-term employee benefits of EUR 7 million (2007: EUR 23 million, which included amounts paid in connection with the successful completion of the divestment program), post-employment benefits of EUR 0 million (2007: EUR 1 million), termination benefits of EUR 1 million (2007: EUR 0 million) and share-based compensation of EUR 6 million (2007: EUR 4 million).

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, adjusted to reflect the volume of transactions and the relationship between the parties.

During 2008 and 2007, the Company entered into the following transactions with unconsolidated related parties:

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
For the year ended December 28, 2008				
ICA	11	8	3	8
JMR	4	–	2	1
Stationsdrogisterijen	15	–	–	2
Accounting Plaza B.V.	–	31	–	–
A.M.S. Coffee Trading	–	48	–	1
Other	3	10	10	–
Total	33	97	15	12

€ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
For the year ended December 30, 2007				
ICA	7	1	3	5
JMR	5	–	1	2
Stationsdrogisterijen	14	–	–	2
Accounting Plaza B.V.	1	22	–	–
A.M.S. Coffee Trading	–	41	–	2
Kobalt Media Services B.V.	1	63	–	–
Related parties of Schuitema	1	11	2	1
Ahold Dutch managers and employees	–	–	27	–
Other	15	1	15	8
Total	44	139	48	20



Notes to the consolidated financial statements

30 Related party transactions continued

These unconsolidated related parties consist of:

- ICA, a joint venture of Ahold in the retail business;
- JMR, 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;
- 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 generates sales transactions with Ahold Coffee Company;
- Kobalt Media Services B.V., a former associate of Ahold that renders promotional and advertising services to certain Ahold subsidiaries in the Netherlands. Ahold sold its stake in Kobalt Media Services B.V. in December 2007;
- Several related parties of Schuitema rendered services in support of certain projects of franchisees and associated food retailers serviced by Schuitema;
- Ahold Dutch managers and employees. In January 1994, July 1996 and April 1998, Ahold granted loans to certain of its Dutch managers and employees to purchase investments in the Dutch Customer Fund, an independent investment fund that primarily invested all of its assets in Ahold's shares and debt. These loans were repaid in 2008. For more information on these loans, see Note 17;
- Other 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 22.

31 Share-based compensation

In 2008, 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 addition, conditional shares are incidentally granted to employees outside the GRO program as part of their remuneration. In principle, plan rules will not be altered during the term of the plans. Total share-based compensation expenses were as follows:

€ million	2008	2007
GRO program	24	17
Other conditional shares	7	6
Share option plans	1	7
Total share-based compensation expenses	32	30

Ahold's share-based compensation programs are equity-settled. At December 28, 2008, the Company held 15,202,890 of its own shares for delivery under share-based compensation programs (December 30, 2007: 19,965,205).

The grant date fair value of the shares granted under the GRO program in 2008 was EUR 45 million, of which EUR 4 million related to Corporate Executive Board members. This fair value is expensed over the vesting period of the grants. For the share-based compensation expenses allocable to the individual Corporate Executive Board members, see Note 30.



Notes to the consolidated financial statements

31 Share-based compensation continued

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.

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 "Remuneration" section of this Annual Report for the composition of the peer group), measured over a five-year period using the Total Shareholder Return ("TSR", 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 2008, Ahold held the third position with respect to the 2006 share grant, the fourth position for the 2007 share grant and the fifth position for the 2008 share grant. These positions are not an indication of Ahold's final ranking at the end of the performance periods, nor do they provide any information related to 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.



Notes to the consolidated financial statements

31 Share-based compensation continued

The following table summarizes the status of the GRO program during 2008 for the individual Corporate Executive Board members and for all other employees in the aggregate (with each year's grant consisting of an equal number of shares granted under the three-year and five-year program):

	Outstanding at the beginning of 2008 ¹	Granted ¹	Settled ²	Forfeited	Outstanding at the end of 2008 ¹
J.F. Rishton					
2006 grant	69,848	–	–	–	69,848
2007 grant	70,536	–	–	–	70,536
2008 grant	–	159,284	–	–	159,284
K.A. Ross					
2006 grant	12,386	–	–	–	12,386
2007 grant	22,398	–	–	–	22,398
2008 grant	–	84,278	–	–	84,278
P.N. Wakkie					
2006 grant	59,974	–	–	–	59,974
2007 grant	48,452	–	–	–	48,452
2008 grant	–	101,134	–	–	101,134
A.D. Boer					
2006 grant	57,926	–	–	–	57,926
2007 grant	79,558	–	–	–	79,558
2008 grant	–	105,348	–	–	105,348
Other employees					
2006 grant	5,079,536	–	142,294	242,238	4,695,004
2007 grant	3,722,980	–	47,392	261,354	3,414,234
2008 grant	–	4,589,770	11,821	194,231	4,383,718
Total number of shares	9,223,594	5,039,814	201,507	697,823	13,364,078

¹ Represents number of shares originally granted.

² Includes increases/(decreases) based on TSR performance.

Valuation model and input variables

The weighted average fair value of the conditional shares granted in 2008 amounted to EUR 9.00 and EUR 8.93 per share for the three-year and five-year component, respectively (2007: EUR 9.28 and EUR 9.05, 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 valuation were as follows:

Percent	2008	2007
Weighted average assumptions		
Risk-free interest rate	4.1	4.2
Volatility	30.7	32.4
Assumed annual forfeitures	6.0	6.0
Assumed dividend yield	2.1	1.3

Expected volatility has been determined as the average of the implied volatility and the historical volatility, whereby the extraordinarily volatile month after February 24, 2003 has been excluded.

Other conditional shares

In addition to the shares granted under the GRO program, Ahold granted an at-target number of 950,000 conditional shares in 2007. The fair value per share, determined in the same manner as the three-year GRO shares, was EUR 9.44. The shares vested at the end of 2008, after two years of continued employment. Half of these shares were subject to a performance condition. The final number of performance shares will be determined in 2009, based on the average annual incentive multiplier for 2007 and 2008.



Notes to the consolidated financial statements

31 Share-based compensation continued

Share option plans

In 2005, Ahold had one global share option plan with a uniform set of rules and conditions (the “2005 Plan”) for all participants, except members of the Corporate Executive Board. The term of the 2005 share options 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 four weeks after termination and are forfeited thereafter, while share options that have not vested will be forfeited immediately. In 2005, share options were granted on the first Monday in April and the exercise price of each share option equaled the closing market price of Ahold’s common shares on the last trading day prior to the grant date. A separate plan applies to members of the Corporate Executive Board. The share option grant made in 2005 to members of the Corporate Executive Board had a five- and ten-year term and was subject to a performance criterion at vesting, being the average economic value added improvement versus targeted improvement over the three financial years prior to vesting. The number of options that could vest was 80 percent to 120 percent of the targeted number of options depending on performance against the vesting criteria (with zero options vesting if performance against the vesting criteria would have been below 80 percent of target). In 2008, the final vesting percentage was determined at 96 percent. Other characteristics of the plan are the same as for the 2005 Plan described above.

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, generally exercisable after three years. Share options were granted on the first business day of each year and the exercise price of each share option equaled the closing market price of Ahold’s common shares on the last trading day prior to the grant date. Upon termination of employment, all share options granted under the Dutch Plan can be exercised within four weeks after termination and are forfeited thereafter. Share options granted under the U.S. and International Plans can, upon termination of employment, be exercised within four weeks after termination provided they have vested and are forfeited thereafter, while share options that have not vested will be forfeited immediately.

Under all option plans, upon termination of employment due to retirement, disability or death, all share options are exercisable during their relevant exercise periods.



Notes to the consolidated financial statements

31 Share-based compensation continued

The following table summarizes the status of the share option plans during 2008 for the individual Corporate Executive Board members and for all other employees in the aggregate. After the introduction of GRO, options were discontinued as a remuneration component:

Description of grant	Outstanding at the beginning of 2008	Granted	Exercised	Forfeited	Expired	Outstanding at the end of 2008	Exercise price	Expiration date
J.F. Rishton	–	–	–	–	–	–	–	–
K.A. Ross								
Five-year 2004 grant	9,000	–	9,000	–	–	–	5.83	12/28/2008
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
P.N. Wakkie								
Five-year 2005 grant ¹	45,000	–	–	9,000	–	36,000	6.36	04/03/2010
Ten-year 2005 grant ¹	45,000	–	–	9,000	–	36,000	6.36	04/03/2015
A.D. Boer								
Five-year 2004 grant	21,000	–	21,000	–	–	–	5.83	12/28/2008
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
Subtotal Corporate Executive Board members	308,183	–	30,000	18,000	–	260,183		
Weighted average exercise price	8.96	–	5.83	6.36	–	9.50		
Other employees								
Five-year	2,202,714	–	1,891,119	50,268	73,227	188,100	6.40	
Eight-year	5,116,888	–	1,499,270	126,734	–	3,490,884	6.36	
Ten-year	6,833,707	–	295,291	207,680	4,619	6,326,117	19.18	
Subtotal other employees	14,153,309	–	3,685,680	384,682	77,846	10,005,101	14.47	
Total options	14,461,492	–	3,715,680	402,682	77,846	10,265,284	14.34	
Weighted average exercise price	12.14	–	5.96	11.87	6.99	14.34		
Weighted average share price at date of exercise			9.06					

¹ The options granted to members of the Corporate Executive Board in 2005 were subject to a performance criterion at vesting, as described above under Share option plans in this note 31. The number of options outstanding at the beginning of 2008 represented the maximum (120 percent-level), whereas the number outstanding at the end of 2008 represents the number that ultimately vested in 2008.

The following table summarizes information about the total number of outstanding share options at December 28, 2008:

Exercise price (range)	Number outstanding at December 28, 2008	Weighted average exercise price	Weighted average remaining contractual years	Number exercisable at December 28, 2008	Weighted average exercise price	Weighted average remaining contractual years
5.20-6.57	5,554,119	6.16	4.39	5,419,119	6.15	4.38
11.65	1,902,997	11.65	4.00	1,902,997	11.65	4.00
25.38-34.36	2,808,168	32.35	1.91	2,808,168	32.35	1.91
Total	10,265,284			10,130,284		



Notes to the consolidated financial statements

32 Operating leases

Ahold leases a significant number of its stores, as well as distribution centers, offices and other assets, under operating lease arrangements. Various properties leased under operating leases are (partially) subleased to third parties. The aggregate amounts of Ahold's minimum lease commitments payable to, as well as minimum sublease payments receivable from, third parties under non-cancelable operating lease contracts are disclosed in the table below. The total 2007 net amount of EUR 4,928 million was increased by EUR 243 million to correct the amount disclosed in Ahold's 2007 Annual Report:

€ million	December 28, 2008			December 30, 2007		
	Lease commitments	Subleases receivable	Total	Lease commitments	Subleases receivable	Total
Within one year	574	(120)	454	620	(164)	456
Between one and five years	1,888	(331)	1,557	1,995	(456)	1,539
After five years	3,225	(380)	2,845	3,361	(428)	2,933
Total	5,687	(831)	4,856	5,976	(1,048)	4,928

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

The annual costs of Ahold's operating leases from continuing operations are disclosed in the table below. The total 2007 amount of EUR 545 million was increased by EUR 69 million to correct the amount disclosed in Ahold's 2007 Annual Report:

€ million	2008	2007
Minimum rentals	550	596
Contingent rentals	44	26
Sublease income ¹	(83)	(77)
Total	511	545

¹ Includes amounts presented as part of net sales in the consolidated income statement.

Ahold rents out its investment properties (mainly retail units in shopping centers containing an Ahold store) and also subleases various other properties. The aggregate amounts of future minimum lease payments receivable under non-cancelable operating lease contracts related to assets recognized on the consolidated balance sheet are as follows:

€ million	December 28, 2008	December 30, 2007
Within one year	70	74
Between one and five years	189	208
After five years	340	257
Total	599	539

33 Commitments and contingencies**Capital investment commitments**

As of December 28, 2008 Ahold had outstanding capital investment commitments for property plant and equipment and for intangible assets of approximately EUR 146 million and EUR 0 million, respectively (December 30, 2007: EUR 266 million and EUR 10 million, respectively). Ahold's share in the capital investment commitments of its unconsolidated joint venture ICA amounted to EUR 19 million and EUR 94 million as of December 28, 2008 and December 30, 2007, respectively.

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 December 28, 2008, the Company's purchase commitments were approximately EUR 906 million (December 30, 2007: EUR 496 million). Not included in these 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 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 consolidated balance sheet.



Notes to the consolidated financial statements

33 Commitments and contingencies continued

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold, primarily covering liabilities and commitments of its subsidiaries, can be summarized as follows:

€ million	December 28, 2008	December 30, 2007
Lease guarantees	1,096	1,329
Loan guarantees	13	12
Corporate and buy back guarantees	44	175
Total	1,153	1,516

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. On a discounted basis the lease guarantees are EUR 787 million and EUR 985 million as of December 28, 2008 and December 30, 2007, respectively. Of the EUR 1,096 million of lease guarantees, EUR 484 million relates to the BI-LO/Bruno's divestment and EUR 370 million to the Tops divestment. The weakness of the banking sector in particular and the economies in general in both the United States and Europe has led to a heightened likelihood that the Company may be required to assume a material amount of these obligations. The Company has reviewed the status of its individual contingent liabilities and, given that various remedies are available to Ahold, has determined that the financial guarantees are adequately recognized and measured at their initial fair value less accumulated amortization in the amount of EUR 3 million (December 30, 2007: EUR 3 million). The Company has guaranteed leases of Bruno's Supermarkets LLC ("Bruno's") with an outstanding amount totaling USD 17 million (EUR 12 million). On February 5, 2009, Bruno's filed for protection under Chapter 11 of the U.S. Bankruptcy Code and stated that its cash from operations will be enough to meet its normal business obligations. To date the Company is not able to determine the amount of any liability on its part for payment under these guarantees in the future.

As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for EUR 152 million in June 2007 which was reduced to EUR 7 million as of December 28, 2008. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable stand by letter of credit for USD 216 million (EUR 154 million).

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. 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.

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 the financial obligations, as described in the guarantee.

Buy back guarantees relate to Ahold's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buy back guarantee reflects the maximum committed repurchase value under the guarantee.



Notes to the consolidated financial statements

33 Commitments and contingencies continued**Representations and warranties as part of 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
Bompreço/Hipercard	February 29, 2004	EUR 38	38
Disco	November 1, 2004	USD 15 ¹	11 ¹
Spain (Ahold Supermercados)	December 1, 2004	EUR 50	50
BI-LO/Bruno	January 31, 2005	USD 33	23
Deli XL	September 12, 2005	EUR 40	40
Poland (Ahold Polska Sp. Z o.o.)	July 2, 2007	EUR 108 ²	108 ²
U.S. Foodservice	July 3, 2007	None ³	None ³
Tops Markets	December 3, 2007	USD 70	50
Tops' Wilson Farm/Sugarcreek	December 3, 2007	USD 5	4
Schuitema	June 30, 2008	EUR 129	129

¹ Excluding Ahold's indemnification obligations relating to legal proceedings described below.

² Including EUR 33 million for the divestment of hypermarkets in 2005.

³ No cap on contingent liability, but an indemnification obligation of Ahold, if a USD 40 million threshold is exceeded.

The most significant sales of operations are described below. In addition, specific, limited representations and warranties were given with respect to the divestment of Paiz Ahold. The claims under those representations and warranties were capped at the sale price, but the impact of any claim under such representations and warranties is not expected to be material. Similar 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.

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 for (i) certain claims made in relation to the mandatory conversions into Argentine pesos of certain U.S. dollar debts of Disco 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 200 BI-LO or Bruno's operating or finance leases, which existed at the time of the sale in the event of a future default by the tenant under such leases. On February 5, 2009, Bruno's Supermarkets LLC filed for protection under Chapter 11 under the U.S. Bankruptcy Code and stated that its cash from operations will be enough to meet its normal business obligations. To date the Company is not able to determine the amount of any liability on its part for payment under these guarantees in the future.

Notes to the consolidated financial statements

33 Commitments and contingencies continued

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 commenced 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. These investigations are described below.

Tops Markets, LLC

In connection with the sale of Tops in 2007, Ahold has certain post-closing indemnification obligations under the sale agreement which Ahold believes are customary for transactions of this nature. Ahold retained certain liabilities in the sale, including contingent liability for 54 leases which carry Ahold guarantees. Additionally, Ahold retained liabilities related to stores previously sold, including guarantees on five Tops stores in Eastern New York, 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 and Ahold may be contingently liable to landlords under guarantees of 73 of such leases in the event of a future default by the tenant under such leases.

Tops northeast Ohio stores

Tops closed all of its locations in northeast Ohio prior to year-end 2007. As of January 31, 2009, 30 of the total 55 closed locations in northeast Ohio have been sold or subleased. An additional 11 leases have been terminated. 14 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 of 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.

Schuitema

In connection with the sale of Ahold's interest in Schuitema, Ahold has only given very limited guarantees. In addition, Albert Heijn B.V. has acquired certain C1000 stores through a share purchase agreement. Effectively, Albert Heijn has acquired the shares of approximately 12 newly established companies, in which the relevant assets, being stores and real estate, had been split off from Schuitema.

Other contingent liabilities

ICA tax claims

The Swedish tax authorities have denied interest deductions made by ICA for interest on borrowings from an Irish subsidiary of nearly SEK 1.8 billion (EUR 164 million) for the period 2001-2003. The Swedish tax authorities' claim amounts to SEK 742 million (EUR 68 million), including penalties and interest. The Irish subsidiary's operations were wound up in 2003. The County Administrative Court confirmed the tax authorities' decision in December 2008. In January 2009, the Swedish Tax Agency announced that it would not allow ICA to delay the payment of this claim. ICA believes that the deductions were in compliance with tax rules and is contesting the claim and penalties and has appealed the Court's ruling to the Administrative Court of Appeal. ICA has paid the disputed amount in February 2009 and recorded a receivable for the paid amount.

In a separate case, the Swedish tax authorities have also denied interest deductions made by ICA for payments of interest to a Dutch subsidiary for the period 2004-2007. The tax authorities' claim amounts to SEK 1.1 billion (EUR 98 million), including penalties and interest. ICA believes that the deductions were in compliance with tax rules. ICA is contesting the claim and penalties and has appealed the ruling to the County Administrative Court.



Notes to the consolidated financial statements

33 Commitments and contingencies continued

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. 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 in Ahold's consolidated balance sheets.

Governmental/regulatory investigations

Following the announcement on February 24, 2003 that Ahold would be restating its financial position and results for the years 2001 and 2000, the U.S. Department of Labor ("DOL") opened an investigation under the Employment Retirement Income Security Act (ERISA) into whether any criminal violations were committed by Ahold and certain of its current and/or former officers, directors and employees in connection with the 401(k) plans of Ahold U.S.A., U.S. Foodservice and Stop & Shop. In addition, in 2003 the DOL also commenced a civil investigation relating to the U.S. Foodservice, Inc. 401(k) Savings Plan Master Trust to determine whether any violations have occurred, including breaches of fiduciary duty, which investigation remains pending. To date, these investigations have not been concluded. Ahold is fully cooperating with each of the DOL investigations.

The Civil Division of the U.S. Department of Justice is conducting an investigation, which Ahold believes relates to certain 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). Although Ahold believes it is probable that claims will be asserted in the civil investigation, Ahold believes it may have meritorious defenses to such claims as may be asserted. Due to the stage of the civil investigation, Ahold cannot at this time provide a reasonable estimate of the amount of any potential liability.

Proceedings regarding terminations

In October 2007, Ahold and its former Chief Executive Officer, Cees van der Hoeven and Chief Financial Officer, Michiel Meurs, agreed in the context of their separation of Ahold in 2003 on the determination of their severance package in their respective settlement agreements. Under the respective settlements, Mr. Van der Hoeven and Mr. Meurs completed payments of respectively EUR 5 million and EUR 0.6 million in 2008.

In February 2004, James L. Miller, former Chief Executive Officer of U.S. Foodservice, filed an action against Ahold, Ahold U.S.A., U.S. Foodservice and various executive officers and directors of Ahold, asserting various causes of action in connection with U.S. Foodservice's termination of his employment as of October 1, 2003. In December 2007, Ahold and Mr. Miller reached a settlement under which Mr. Miller completed his payment of USD 8 million in 2008.

Uruguayan and Argentine 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 and Argentina related to Ahold's acquisition of Velox Retail Holdings' shares in the capital of DAIH in 2002.

The proceedings are ongoing. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately USD 70 million (EUR 50 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.

D&S c.s. litigation

In April 2005, the public companies Distribucion y Servicio D&S S.A. and Servicios Profesionales y de Comercializacion S.A. (together "D&S c.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 c.s. sought payment of approximately USD 47 million (EUR 33 million) plus interest. In May 2007, the court in its judgment decided against D&S and dismissed its claim against Ahold. D&S has appealed against this judgment. These appeal proceedings are ongoing.

At the initiative of D&S, an arbitration panel was appointed in February 2008 in proceedings against Disco in Argentina. Parties have been exchanging formal documents in 2008 and the proceedings are ongoing. 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.



Notes to the consolidated financial statements

33 Commitments and contingencies continued

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"), and a landlord on a number of the assigned leases, 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 USD 5 million (EUR 4 million) annually through 2012, and, if certain renewal options are exercised, USD 6 million (EUR 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 intends to vigorously pursue the litigation and defend against Vornado's claims.

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 involve the same pricing practices as those in the Waterbury Litigation. The new actions also name Ahold and two individuals as defendants. In accordance with the decision of the Judicial Panel on Multidistrict Litigation, in 2008 the actions have been consolidated with the Waterbury litigation before the Court in Connecticut. In the consolidated complaint, Ahold is (among other parties) named as defendant. Parties exchanged formal documents in 2008. Oral argument took place in February, 2009. Ahold believes it has meritorious defenses to the claims set forth in the complaint and intends to defend vigorously against the lawsuit. Ahold cannot at this time provide a reasonable estimate of any potential liability.

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 consolidated 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.

34 Subsequent events

In January 2009, the Swedish Tax Agency announced that it would not allow ICA to delay the payment of SEK 742 million (EUR 68 million) for disputed interest deductions from ICA during 2001-2003. ICA has paid the disputed amount in February 2009, but appealed the decision and recorded a receivable for the paid amount. For more details regarding this tax claim, see Note 33.

35 List of subsidiaries, joint ventures and associates

The following are Ahold's significant subsidiaries, joint ventures and associates as of December 28, 2008.

Consolidated subsidiaries

Unless otherwise indicated, these are 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.



Notes to the consolidated financial statements

35 List of subsidiaries, joint ventures and associates continued**Retail trade U.S.**

The Stop & Shop Supermarket Company LLC, Boston, Massachusetts
 Giant Food Stores, LLC, Carlisle, Pennsylvania
 Giant of Maryland LLC, Landover, Maryland
 Peapod, LLC, Skokie, Illinois

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands
 Albert Heijn Franchising B.V., Zaandam, the Netherlands
 Gall & Gall B.V., Beverwijk, the Netherlands
 Etos B.V., Beverwijk, the Netherlands
 AHOLD Czech Republic, a.s., Prague, Czech Republic
 AHOLD Retail Slovakia, k.s., Bratislava, Slovak Republic

Other

Ahold Coffee Company B.V., Zaandam, the Netherlands
 Ahold Nederland B.V., Amsterdam, the Netherlands
 Ahold Vastgoed B.V., Zaandam, the Netherlands
 Ahold Americas Holdings, Inc., Boston, Massachusetts, U.S.
 Ahold Central Holdings, LLC, Boston, Massachusetts, U.S.
 Ahold Finance U.S.A., LLC, Boston, Massachusetts, U.S.
 Ahold Financial Services, LLC, Carlisle, Pennsylvania, U.S.
 Ahold Information Services, Inc., Greenville, South Carolina, U.S.
 Ahold Lease U.S.A., Inc., Boston, Massachusetts, U.S.
 Ahold U.S.A., Inc., Boston, Massachusetts, U.S.
 American Sales Company, Inc., Lancaster, New York, U.S.
 MAC Risk Management, Inc., Canton, Massachusetts, U.S.
 The MollyAnna Company, Montpelier, Vermont, U.S.
 Ahold Insurance N.V., Curaçao, Netherlands Antilles
 Ahold Finance Company N.V., Curaçao, Netherlands Antilles

Joint ventures and associates (unconsolidated)

JMR – Gestão de Empresas de Retalho, SGPS. S.A. (49 percent), Lisbon, Portugal
 JMR – Prestação de Serviços para a Distribuição, S.A., Lisbon, Portugal
 Pingo Doce – Distribuição Alimentar, S.A., Lisbon, Portugal
 Feira Nova – Hipermercados, S.A., Lisbon, Portugal
 Funchalgest, SGPS, S.A. (50 percent), Madeira, Portugal
 Comespa – Gestão de Espaços Comerciais, S.A. (49 percent), Lisbon, Portugal
 Jerónimo Martins Retail Services AG (49 percent), Klosters, Switzerland
 ICA AB (60 percent), Stockholm, Sweden
 ICA Sverige AB, Stockholm, Sweden
 ICA Norge AS, Oslo, Norway
 ICA Baltic AB, Stockholm, Sweden
 ICA Banken AB, Stockholm, Sweden
 ICA Fastigheter AB, Stockholm, Sweden



Parent company financial statements

Before appropriation of current year result

Income statement

€ million	2008	2007
Income from subsidiaries and investments in joint ventures after income taxes	982	2,919
Other gains and losses after income taxes	92	12
Net income	1,074	2,931

Balance sheet

€ million	Note	December 28, 2008	December 30, 2007
Assets			
Intangible assets	4	–	1
Property, plant and equipment	5	4	5
Financial assets	6	10,840	7,824
Total non-current assets		10,844	7,830
Receivables	7	92	110
Cash and cash equivalents		702	1,029
Total current assets		794	1,139
Total assets		11,638	8,969
Liabilities and shareholders' equity			
Issued and paid-in share capital		358	381
Additional paid-in capital		9,916	10,699
Legal reserves		(338)	(347)
Accumulated deficit		(6,334)	(9,854)
Net income		1,074	2,931
Shareholders' equity	8	4,676	3,810
Provisions	9	1,037	1,130
Loans	10	2,330	199
Cumulative preferred financing shares	10	497	497
Other non-current liabilities	11	431	483
Total non-current liabilities		4,295	2,309
Current liabilities	12	2,667	2,850
Total liabilities and shareholders' equity		11,638	8,969



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 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 2008 was 140 (2007: 237). Salaries, social security charges and pension expenses amounted to EUR 29 million, EUR 1 million and EUR 2 million, respectively, for 2008 (2007: EUR 50 million, EUR 1 million and EUR 5 million, respectively).

For information on the Company's defined benefit pension plan, the remuneration of the Corporate Executive Board and the Supervisory Board and the Company's share-based compensation plans, see Notes 22, 30 and 31, respectively, to the consolidated financial statements.

3 Auditor fees

Expenses for services provided by the 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 2008	Deloitte Accountants B.V.	Member firms/ affiliates	Total 2007
Audit fees	2,573	2,564	5,137	3,720	4,282	8,002
Audit-related fees	52	–	52	42	250	292
Tax advisory fees	–	–	–	–	–	–
Other non-audit fees	–	–	–	–	–	–
Total	2,625	2,564	5,189	3,762	4,532	8,294

4 Intangible assets

€ million	2008	2007
Carrying amount beginning of year	1	3
Acquisitions/additions	–	1
Intercompany transfers	(1)	(2)
Amortization	–	(1)
Carrying amount end of year	–	1
At cost	1	2
Accumulated amortization and impairment losses	(1)	(1)
Carrying amount	–	1

Intangible assets primarily consist of software.



Notes to the parent company financial statements

5 Property, plant and equipment

€ million	2008	2007
Carrying amount beginning of year	5	6
Depreciation	(1)	(1)
Carrying amount end of year	4	5
At cost	17	17
Accumulated depreciation	(13)	(12)
Carrying amount	4	5

Property, plant and equipment primarily consists of office furniture and leasehold improvements.

6 Financial assets

€ million	December 28, 2008	December 30, 2007
Investments in subsidiaries	6,941	5,924
Investments in joint ventures	930	1,007
Loans receivable from subsidiaries	2,650	548
Other loans receivable	52	–
Pensions and other post-employment benefits	6	4
Hedging derivatives intercompany	–	6
Hedging derivatives external	158	169
Other derivatives intercompany	–	7
Other derivatives external	101	156
Deferred financing cost	2	3
Total financial assets	10,840	7,824

Investments in subsidiaries and joint ventures

€ million			2008	2007
	Subsidiaries	Joint ventures	Total	Total
Beginning of year	5,924	1,007	6,931	6,542
Divestments	(209)	–	(209)	–
Liquidations	71	–	71	–
Intercompany transfers	303	–	303	53
Share in income	864	118	982	2,919
Direct equity movements	18	3	21	(9)
Dividends	(6)	(82)	(88)	(170)
Exchange rate differences	94	(110)	(16)	(393)
Transfers to loans receivable	(42)	–	(42)	(3,114)
Transfers (to)/from provisions	(78)	–	(78)	1,103
Other changes	2	(6)	(4)	–
End of year	6,941	930	7,871	6,931

Included in investments in joint ventures is an amount of EUR 156 million related to JMR (December 30, 2007: EUR 158 million), which the Company intends to divest. See Note 5 to the consolidated financial statements. For a list of subsidiaries, joint ventures and associates, see Note 35 to the consolidated financial statements.



Notes to the parent company financial statements

6 Financial assets continued

Loans receivable

€ million			2008	2007
	Subsidiaries	Other	Total	Total
Beginning of year	548	27	575	2,063
Issued	1,968	52	2,020	–
Transfers from investments	42	–	42	3,114
Redemptions	–	(27)	(27)	(4,602)
Exchange rate differences	92	–	92	–
End of year	2,650	52	2,702	575
Current portion	–	–	–	(27)
Non-current portion of loans	2,650	52	2,702	548

7 Receivables

€ million	December 28, 2008	December 30, 2007
Corporate income tax receivable	54	–
Receivables from subsidiaries	4	12
Receivables from joint ventures	2	–
Hedging derivatives intercompany	8	7
Other derivatives external	8	19
Other derivatives intercompany	4	3
Current portion loans receivable	–	27
Other receivables	12	42
Total receivables	92	110

8 Shareholders' equity

For a specification of shareholders' equity, see the consolidated statement of changes in equity. Legal reserves for 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 19 to the consolidated financial statements.

9 Provisions

€ million	December 28, 2008	December 30, 2007
Provision negative equity subsidiaries	1,025	1,103
Other provisions	12	27
Total provisions	1,037	1,130

As of December 28, 2008, EUR 2 million of Other provisions is expected to be utilized within one year.

10 Loans

€ million	December 28, 2008		December 30, 2007	
	Non-current portion	Current portion	Non-current portion	Current portion
Bonds and notes	259	–	199	952
Other loans	–	–	–	95
Loans from subsidiaries	2,071	–	–	–
	2,330	–	199	1,047
Deferred financing costs	–	–	–	(1)
Total loans	2,330	–	199	1,046



Notes to the parent company financial statements

10 Loans continued

€ million	Carrying amounts – maturities			December 28, 2008	December 30, 2007
	Within 1 year	Between 1 and 5 years	After 5 years		
Bonds and notes					
EUR 1,500 notes 5.875%	–	–	–	–	952
JPY 33,000 notes LIBOR +1.5%	–	–	259	259	199
Other loans					
EUR 95 loan 5.625%	–	–	–	–	95
Loans from subsidiaries					
U.S. dollar loans from subsidiaries	–	–	2,071	2,071	–
Total	–	–	2,330	2,330	1,246
Current portion	–	–	–	–	(1,047)
Non-current portion of loans	–	–	2,330	2,330	199

For more information on the external loans, see Note 20 to the consolidated financial statements. For information on the cumulative preferred financing shares, see Note 21 to the consolidated financial statements.

11 Other non-current liabilities

€ million	December 28, 2008	December 30, 2007
Deferred tax liability	55	4
Financial guarantees	1	1
Hedging derivatives intercompany	158	169
Hedging derivatives external	116	145
Other derivatives intercompany	101	156
Other derivatives external	–	8
Total other non-current liabilities	431	483

12 Current liabilities

€ million	December 28, 2008	December 30, 2007
Current portion of notes and loans	–	1,046
Short-term borrowings from subsidiaries	2,536	1,626
Payables to subsidiaries	56	24
Payables to joint ventures	2	6
Taxes payable	–	39
Interest	1	37
Dividend cumulative preferred financing shares	31	31
Hedging derivatives external	8	7
Other derivatives external	4	3
Other current liabilities	29	31
Total current liabilities	2,667	2,850

The current liabilities are liabilities that mature within one year.

Notes to the parent company financial statements

13 Derivatives

The Company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the 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 in 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 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 Company recorded a fair value gain of EUR 22 million in the cash flow hedge reserve in 2008 (2007: EUR 19 million) and recognized a gain of EUR 58 million (2007: a loss of EUR 11 million) in the income statement from the cash flow hedge reserve release. Details of these derivative contracts and the Company’s risk management strategies are included in Note 29 to the consolidated financial statements and in the tables presented below.

Non-current hedging derivatives – assets

€ million	Hedging derivatives external	Hedging derivatives intercompany	Other derivatives external	Other derivatives intercompany	2008 Total	2007 Total
Beginning of year	169	6	156	7	338	340
Reclassification	–	(5)	–	(7)	(12)	(4)
Contracts matured or terminated	–	(1)	–	–	(1)	–
Fair value changes	(11)	–	(55)	–	(66)	2
End of year	158	–	101	–	259	338

Non-current hedging derivatives – liabilities

€ million	Hedging derivatives external	Hedging derivatives intercompany	Other derivatives external	Other derivatives intercompany	2008 Total	2007 Total
Beginning of year	145	169	8	156	478	471
Reclassification	(5)	–	–	–	(5)	–
Contracts matured or terminated	(1)	–	–	–	(1)	–
Fair value changes	(23)	(11)	(8)	(55)	(97)	7
End of year	116	158	–	101	375	478

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 Company’s subsidiaries.



Notes to the parent company financial statements

14 Commitments and contingencies

Notes and loans issued by certain subsidiaries are guaranteed by the Company, as disclosed in Note 20 to the consolidated financial statements. The 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 EUR 1,092 million as of December 28, 2008 (December 30, 2007: EUR 1,412 million). As part of the divestment of Ahold's Polish retail operations, Ahold received a guarantee from Carrefour for EUR 152 million in June 2007 which was reduced to EUR 7 million as of December 28, 2008. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable stand by letter of credit for USD 216 million (EUR 154 million). Under customary provisions the Company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in Note 33 to the consolidated financial statements. The parent company forms a fiscal unity with Ahold's major Dutch 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 35 to the consolidated financial statements.

Corporate Executive Board

Amsterdam, the Netherlands

February 27, 2009

Supervisory Board



To the Shareholders, Supervisory Board and Corporate Executive Board of Koninklijke Ahold N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the year ended December 28, 2008 of Koninklijke Ahold N.V., Zaandam. The financial statements consist of the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 28, 2008, 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 a summary of significant accounting policies and other explanatory notes. The parent company financial statements comprise the parent company balance sheet as at December 28, 2008, the income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the information as defined in 2:391 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 December 28, 2008, and of its result and its cash flow 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 Netherlands 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 December 28, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the information as defined in 2:391 of the Netherlands Civil Code as included in the Annual Report 2008 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

M.R. van Leeuwen

Amsterdam, the Netherlands

February 27, 2009



Ahold statutory profit-sharing statement

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to 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.

The Corporate Executive Board, with the approval of the Supervisory Board, proposes that a final dividend of EUR 0.18 per common share be paid in 2009 with respect to 2008 (2007: EUR 0.16). This proposal results in the following appropriation of net income:

€ million	2008	2007
Net income	1,074	2,931
Dividends on common shares	(212)	(188)
Add to accumulated deficit	862	2,743

Subsequent events

For information regarding subsequent events, see Note 34 to the consolidated financial statements.



Investor relations

The goal of Ahold's investor relations department is to keep private and institutional investors and equity and fixed income investors informed of Ahold's performance and prospects.

For more background and financial information go to Ahold's investor relations section on www.ahold.com.

Our shares

Ahold's authorized share capital as of December 28, 2008 was comprised of the following:

- 1,700,000,000 common shares at EUR 0.30 par value each;
- 477,580,949 cumulative preferred financing shares at EUR 0.30 par value each;
- 1,250,000 cumulative preferred shares at EUR 500 par value each.

For additional information about Ahold's share capital, see Notes 19 and 21 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). The common shares trade in the United States on the over-the-counter (OTC) market through www.pinksheets.com (symbol: AHONY) in the form of American Depositary Shares (ADS) and are evidenced by American Depositary Receipts (ADRs).

Ahold's Depository for its American Depositary Shares is The Bank of New York. Each ADS evidences the holder to receive one common share deposited under an agreement between Ahold and the Depository dated January 20, 1998, as amended and restated as of January 29, 2004, and as further amended and restated as of October 29, 2007. Ahold has been informed by the Depository that as of December 28, 2008, there were 66,212,085 American Depositary Shares outstanding and 35,000 record owners in the United States, compared with 88,019,197 American Depositary Shares outstanding and 39,500 record owners in the United States at the end of the 2007 fiscal year.

Share performance

Closing share prices for Ahold's common shares on Euronext Amsterdam during 2008 were:

	2008	2007
Closing common share price at year end (in EUR)	8.83	9.47
Average closing common share price (in EUR)	8.75	9.27
Highest closing common share price (in EUR)	9.90	11.20
Lowest closing common share price (in EUR)	6.67	7.37
Average daily trading volume	8,380,638	10,439,399

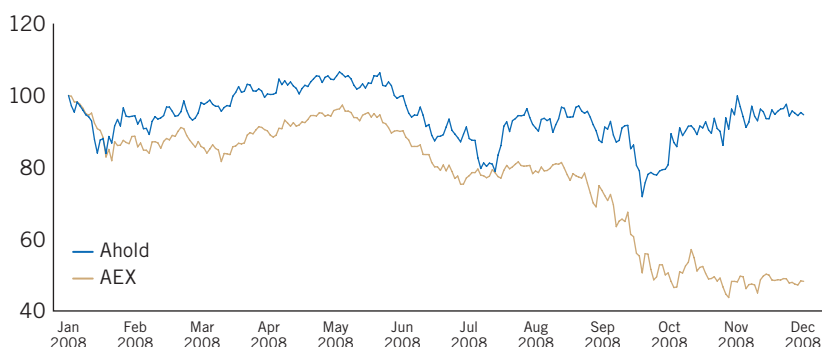
Source: Euronext

Geographic spread of shareholdings

	February 2009 %	February 2008 %
■ North America	35.0	28.1
■ UK/Ireland	14.1	7.1
■ The Netherlands	11.0	8.5
■ Rest of Europe	3.3	3.9
■ Switzerland	3.1	2.4
■ France	2.7	2.9
■ Rest of the World	2.2	1.7
■ Germany	1.7	2.9
□ Undisclosed*	27.0	42.5

*The undisclosed percentage of shareholdings includes all retail holdings

The development of Ahold's common shares closing prices on Euronext Amsterdam during calendar year 2008 relative to the AEX index (base 100 = 2 January 2008) was as follows:



€0.18

proposed dividend per common share announced for 2008

Dividends

In the 2007 financial year, Ahold reinstated its annual dividend on common shares and announced a new dividend policy. 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, a cash dividend of EUR 0.16 per common share was approved by the Annual General Meeting of Shareholders on April 23, 2008 and paid on May 13, 2008.

The announced dividend for the 2008 financial year of EUR 0.18 per common share will be proposed to shareholders at the Annual General Meeting of Shareholders to be held on April 28, 2009.

Dividends on cumulative preferred financing shares

Ahold paid an annual dividend on cumulative preferred financing shares in 2008 and plans to pay dividends on these shares in 2009 as required by the terms of the shares.

Share ownership

Associates Stock Purchase Plan

Ahold's United States employees can purchase Ahold's American Depositary Shares through the Associates Stock Purchase Plan (the "ASPP"). This plan gives them the choice of buying ADSs through voluntary payroll deductions. During 2008, 140,927 ADSs were purchased by Ahold's United States employees through the ASPP.

Annual Information Update

Pursuant to article 5:24 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 6, 2008 through February 27, 2009. 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 (www.ahold.com).



Five-year overview

Results and cash flow information

€ million, except per share data	2008	2007 ¹	2006 ¹	2005 ¹	2004 ¹
Net sales	25,722	24,893	24,642	23,767	23,117
Net sales growth at constant exchange rates	6.9%	6.6%	4.2%	2.3%	4.3%
Operating income	1,198	1,068	989	77 ²	819
Retail operating margin	5.0%	4.9%	4.8%	4.6%	4.9%
Net interest expense	(234)	(294)	(452)	(520)	(641)
Income (loss) from continuing operations	868	753	649	(147)	646
Income from discontinued operations	211	2,192	266	293	237
Net income	1,079	2,945	915	146	883
Net income per common share (basic)	0.91	2.03	0.58	0.08	0.56
Net income per common share (diluted)	0.89	2.01	0.58	0.08	0.56
Income (loss) per common share from continuing operations (diluted)	0.73	0.52	0.42	(0.09)	0.42
Dividend per common share	0.18⁴	0.16	–	–	–
Cash flow before financing activities	1,272	6,627	1,028	2,057	2,033
Net cash from operating, investing and financing activities	(445)	1,487	(249)	(1,137)	25
Capital expenditures ³	1,019	738	857	770	973
Capital expenditures as % of net sales ³	4.0%	3.0%	3.5%	3.2%	4.2%
Average exchange rate (euro per U.S. dollar)	0.6828	0.7307	0.7964	0.8051	0.8050

¹ Comparative figures have been adjusted from amounts previously reported to reflect the effect of discontinued operations.

² Includes the settlement of the securities class action (EUR 803 million).

³ Excludes assets acquired under finance leases, business acquisitions and discontinued operations.

⁴ Subject to approval by the General Meeting of Shareholders.

Balance sheet and other information

€ million	December 28, 2008	December 30, 2007	December 31, 2006	January 1, 2006	January 2, 2005
Group equity	4,676	3,887	5,270	4,661	3,917
Gross debt	4,241	5,379	6,480	7,748	10,020
Cash and cash equivalents	2,863	3,263	1,844	2,228	3,205
Net debt	1,378	2,116	4,636	5,520	6,815
Net debt-equity ratio	29%	54%	88%	118%	174%
Total assets	13,592	13,944	18,442	19,958	21,344
Number of stores	2,897	3,225	3,480	3,455	4,072
Number of employees (in FTEs)	118,523	118,715	164,078	167,801	206,441
Common shares outstanding (x 1,000)	1,176,685	1,171,922	1,555,678	1,555,313	1,554,263
Share price at Euronext	8.83	9.47	8.06	6.33	5.70
Market capitalization	10,390	11,098 ¹	12,539	9,845	8,859
Year-end exchange rate (euro per U.S. dollar)	0.7111	0.6795	0.7576	0.8444	0.7375

¹ In 2007, EUR 4.0 billion was returned to shareholders through a capital repayment and a share buyback program.



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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 those anticipated, the effect of general economic or political conditions, the actions of Ahold's shareholders, competitors, customers, and other third parties, increases or changes in competition, Ahold's ability to retain and attract personnel who are integral to the success of the business, Ahold's IT outsourcing and information security, Ahold's ability to address food safety, product safety and corporate responsibility issues, fluctuations in exchange rates or interest rates, contingent

liabilities associated with lease guarantees, Ahold's liquidity needs exceeding expected levels, including but not limited to health care and pension funding requirements, credit risk with respect to certain financial instruments and compliance and regulatory risks and other factors discussed in this Annual Report, in the paragraphs on risk management and internal control, and in Ahold's other public filings.

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 securities laws. Outside the Netherlands, Ahold presents itself under the name of "Royal Ahold" or simply "Ahold". For the reader's convenience, "Ahold" or "the Company" is also used throughout this Annual Report. The Company's registered name is "Koninklijke Ahold N.V."

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