Annual Report

Ahold Finance U.S.A., LLC – Year 2013
Management report

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

AFUSA's home Member State is the Netherlands, as referred to in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). AFUSA has issued notes under a Euro Medium Term Note program, out of which the 2017 notes are in part still outstanding and are admitted to trading at Euronext Amsterdam and at the Luxembourg Stock Exchange. AFUSA also has notes that are due May 2029 which are not listed.

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

Highlights

During this financial period, KA commenced an intra-group reorganization. As part of this intra-group reorganization Ahold International SARL ("AIS") distributed its shareholding in Ahold Finance Company N.V. ("AFC") as a dividend in kind to KA (75 percent) and AFUSA (25 percent).

During the first half of 2013, Ahold's 60 percent stake in ICA was sold to Hakon Invest. Through its indirect investment in ICA of 25 percent, AFUSA recorded a gain of $547 million on the divestment of ICA.

On June 17, 2013, KA completed the intra-group reorganization. KA assigned to AFUSA its subordinated loan facility with AFC and in consideration for the assignment AFUSA transferred its 25 percent shareholding in AIS and AFC to KA. The excess of the value of the receivable under the loan ($2,575 million) which was transferred and assigned in exchange for the 25 percent shareholdings ($2,147 million) was settled via a net capital contribution from KA into AFUSA ($428 million) as share premium.

Financial performance

($ million)	2013	2012 (restated)[1]
Net financial income (expense)	89	(40)
Income taxes	18	10
Share in income of associate - net	588	104
Net income	**695**	**74**

1. See Note 2 for a further explanation of the restatements.

Related party transactions

Related party transactions are described in Note 10 to the financial statements.

Governance, risks and uncertainties

As a wholly owned subsidiary of KA, AFUSA benefits from the Ahold Group's corporate governance structure. KA is committed to a corporate governance structure that best suits its business and stakeholders and that complies with the relevant rules and regulations. Ahold applies the relevant principles and best practices of the Dutch Corporate Governance Code in the manner set out in the "governance" sections of Ahold's 2013 annual report.

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

Credit risk

AFUSA's counterparties are related parties within the Ahold Group and its current outstanding obligations to third parties are fully guaranteed by KA. S&P upgraded Ahold's corporate credit rating to BBB with a stable outlook in June 2009 and, since then, this rating has remained unchanged. In July 2013, Moody's affirmed Ahold's Baa3 issuer credit rating and changed its outlook to positive from stable.

Financial risk

Refer to Note 8 for the discussion on AFUSA's financial risk management.

Taxation risk

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

Outlook

AFUSA will continue to engage in finance activities. As of the date of this report, management does not expect significant changes in the activities or AFUSA's financial position.

Declarations

Management of AFUSA, as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision, confirm that to the best of their knowledge:

- The 2013 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report included in this Annual Report gives a true and fair view of the position of the Company and its undertakings as of December 29, 2013, and of the development and performance of the business for the financial year then ended.
- The management report includes a description of the principal risks and uncertainties that the Company faces.

Amsterdam, the Netherlands
February 26, 2014

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

Income statement

($ million)	Note	2013	2012 (restated)[1]
Interest expense	3	(43)	(49)
Interest income	3	112	–
Other financial income	3	20	9
Net financial income (expense)		89	(40)
Income (loss) before income taxes		**89**	**(40)**
Income taxes	4	18	10
Share in income of associate - net	5	588	104
Net income attributable to member		**695**	**74**

1. See Note 2 for a further explanation of the restatements.

Statement of comprehensive income

($ million)	2013	2012 (restated)[1]
Net income	**695**	**74**
Currency translation differences in foreign interests	17	25
Cumulative translation differences transferred to net income	(49)	–
Cash flow hedges:		
Fair value gains (losses) in the year	–	3
Transfers to net income	(1)	(1)
Income taxes	–	(1)
Share of other comprehensive income (loss) of associate	44	(39)
Other comprehensive income (loss) reclassifiable to profit or loss	11	(13)
Total comprehensive income attributable to member	**706**	**61**

1. See Note 2 for a further explanation of the restatements.

Balance sheet

($ million)	Note	December 29, 2013	December 30, 2012 (restated)[1]	January 1, 2012 (restated)[1]
Assets				
Investments in associate	5	–	1,505	1,197
Other non-current financial assets (related parties)	6,10	2,957	370	309
Total non-current assets		**2,957**	**1,875**	**1,506**
Receivables from related parties	6,10	2	2	5
Other current financial assets (related parties)	6,10	–	–	182
Total current assets		**2**	**2**	**187**
Total assets		**2,959**	**1,877**	**1,693**
Equity and liabilities				
Share capital		–	–	–
Additional paid-in capital		1,166	797	146
Currency translation reserve		–	32	7
Cash flow hedging reserve		1	2	1
Legal reserve participations		–	12	12
Retained earnings		158	27	(42)
Net income		695	74	108
Member's equity	9	**2,020**	**944**	**232**
Notes payable	7	896	883	862
Deferred tax liabilities		17	24	21
Total non-current liabilities		**913**	**907**	**883**
Notes payable	7	–	–	527
Interest payable	7	26	26	51
Total current liabilities		**26**	**26**	**578**
Total equity and liabilities		**2,959**	**1,877**	**1,693**

1. See Note 2 for a further explanation of the restatements.

Statement of changes in equity

($ million)	Note	Share capital	Additional paid-in capital	Legal reserves: Currency translation reserve	Legal reserves: Cash flow hedging reserve	Legal reserves: Legal reserves participations	Retained earnings including result for the year	Member's equity
Balance as of January 1, 2012		**–**	**146**	**7**	**1**	**12**	**143**	**309**
Adjustments[1]		–	–	–	–	–	(77)	(77)
As Restated		–	**146**	**7**	**1**	**12**	**66**	**232**
Net income (restated)[1]		–	–	–	–	–	74	74
Other comprehensive income (loss) (restated)[1]		–	–	25	1	–	(39)	(13)
Total comprehensive income (restated)[1]		–	–	25	1	–	35	61
Capital contribution		–	748	–	–	–	–	748
Dividends		–	(97)	–	–	–	–	(97)
Balance as of December 30, 2012 (restated)[1]	*9*	–	**797**	**32**	**2**	**12**	**101**	**944**
Net income		–	–	–	–	–	695	695
Other comprehensive income (loss)		–	–	(32)	(1)	–	44	11
Total comprehensive income (loss)		–	–	(32)	(1)	–	739	706
Capital contribution		–	444	–	–	–	–	444
Dividends		–	(75)	–	–	–	–	(75)
Share in direct equity changes of investments in associate		–	–	–	–	–	1	1
Other changes in reserves		–	–	–	–	(12)	12	–
Balance as of December 29, 2013	*9*	**–**	**1,166**	**–**	**1**	**–**	**853**	**2,020**

1. See Note 2 for a further explanation of the restatements.

Statement of cash flows

($ million)	2013	2012
Operating income	–	–
Interest settled on loans to related parties	110	(1)
Interest settled on notes	(41)	(73)
Other changes in loans, derivatives and receivables to and from related parties	(79)	590
Income taxes settled with related parties	10	14
Net cash from operating activities	**–**	**530**
Repayments of notes	–	(530)
Net cash from financing activities	**–**	**(530)**
Net increase (decrease) in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of period	–	–
Cash and cash equivalents at end of period	**–**	**–**

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

Notes to the financial statements

1. AFUSA and its operations

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

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

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

2. Accounting policies

Basis of preparation

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

The separate financial statements of AFUSA LLC are prepared in accordance with subsection 8 of section 362, Book 2 of the Dutch civil code. As a result, these separate financial statements are identical to the financial statements that would have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and have therefore not been repeated in this document. The presented financial statements serve as both our IFRS ('economic interest') financial statements and our separate financial statements under subsection 8 of section 362, Book 2 of the Dutch civil code.

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

AFUSA’s financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2013 consisted of 52 weeks and ended on December 29, 2013. The comparative financial year 2012 consisted of 52 weeks and ended on December 30, 2012.

These financial statements are presented in U.S. dollar ($).

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good-faith assessments of AFUSA's future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted. The estimates, assumptions and judgments that management considers most critical relate to income taxes (see Note 4) and fair value of financial instruments (see Note 8).

Foreign currency translation

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

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

Income taxes
AFUSA is a part of the fiscal unity between KA and its main Dutch subsidiaries for Dutch corporate income tax. Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income. 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. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

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

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

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

Investments in associates
Associates are entities over which AFUSA has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

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

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

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

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

Loans and receivables

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

Loans and short-term borrowings

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

Derivative financial instruments

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

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

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

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

Fair value measurements
For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

New and revised IFRSs effective in 2013
The amendment to IAS 1, "Presentation of Financial Statements," as part of the "Annual Improvements to IFRSs 2009-2011 Cycle," became effective in 2013. These amendments require AFUSA to group the items in other comprehensive income on the basis of whether they are potentially able to be subsequently reclassified to profit or loss (reclassification adjustments). The presentation of AFUSA's statement of comprehensive income has been adjusted to comply with these amendments; however the amendments have no effect on AFUSA's financial position or performance.

IAS 19, "Employee Benefits," (as revised June 2011) became effective as of January 1, 2013. AFUSA has applied the revised standard retrospectively and in accordance with the transitional provisions as set out in IAS 19.173 (as revised). These transitional provisions do not have an effect on future periods.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting within certain of the Company's associates for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19, and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 have been replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined liability or asset. The effect of these changes is presented below.

IFRS 13, "Fair value measurement," became effective for the Company as of January 1, 2013. It is applied prospectively. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within the IFRSs. Upon the adoption of the standard, there has been no change in how the Company measures fair value. As a result, the adoption of IFRS 13 does not have a significant effect on AFUSA's financial position or performance. For more information about financial instruments and fair value measurements, see Note 8.

In addition, the following new and amended IASB pronouncements have been adopted by the Company. The initial application of these pronouncements has been assessed and they do not have any significant effect on AFUSA's financial position or performance.

- IFRS 10, "Consolidated financial statements" and amendments to IAS 27, "Separate financial statements"
- IFRS 11, "Joint arrangements" and amendments to IAS 28, "Investments in associates and joint ventures"
- IFRS 12, "Disclosures of interests in other entities"

Change in presentation

As of December 29, 2013, AFUSA changed the presentation of the release of the currency translation reserve. On a disposal resulting in the loss of significant influence of an associate, the related cumulative exchange rate difference that was included in equity is transferred to the income statement. In AFUSA's 2013 Interim Report, $63 million was released against additional paid-in capital. This amount has been restated to $49 million to reflect the exchange rate differences arising upon the translation of income of investments in associates. The $49 million has been transferred to net income. The half year 2013 numbers will be restated with the publication of the 2014 Interim Report.

The restatements to AFUSA's 2012 comparative amounts for the adoption of IAS 19 (as revised) are as follows:

($ million)	2012 As Reported	IAS 19 Restatement	2012 As Restated
Income statement line items			
Net financial expense	(40)	–	(40)
Loss before income taxes	(40)	–	(40)
Income taxes	10	–	10
Share in income of associate - net	78	26	104
Net income attributable to member	**48**	**26**	**74**

($ million)	2012 As Reported	IAS 19 Restatement	2012 As Restated
Statement of comprehensive income line items			
Net income attributable to member	**48**	**26**	**74**
Other comprehensive income that will not be reclassified to profit or loss	–	–	–
Other comprehensive income that may be reclassified to profit or loss	25	(38)	(13)
Total other comprehensive income	**25**	**(38)**	**(13)**
Total comprehensive income attributable to member	**73**	**(12)**	**61**

($ million)	January 1, 2012 As Reported	IAS 19 Restatement	January 1, 2012 As Restated
Balance sheet line items			
Investments in associate	1,274	(77)	1,197
Member's equity	309	(77)	232

($ million)	December 30, 2012 As Reported	IAS 19 Restatement	December 30, 2012 As Restated
Balance sheet line items			
Investments in associate	1,594	(89)	1,505
Member's equity	1,033	(89)	944

($ million)	December 30, 2012 As Reported	IAS 19 Restatement	December 30, 2012 As Restated
Statement of changes in equity line items			
Retained earnings including result for the year	190	(89)	101
Member's equity	1,033	(89)	944

3. Net financial result

($ million)	2013	2012
Interest expense	(43)	(49)
Interest income	112	–
Gain (loss) on foreign exchange	41	(18)
Fair value gains (losses) on financial instruments	(21)	27
Net financial income (expense)	**89**	**(40)**

Interest expense primarily relates to financial liabilities measured at amortized cost (mainly notes).

Interest income relates to the loan to AFC ($2,575 million) as of June 17, 2013. For additional information, see Note 5.

As a result of the intra-group reorganization the currency translation reserve of $49 million was transferred to net income, see Note 2. The gain on foreign exchange is offset by a $8 million loss from foreign exchange translation on the GBP 500 million notes.

Fair value gains (losses) on financial instruments mainly include fair value changes in swaps related to the GBP 500 million notes (with GBP 250 million outstanding amount). These swaps do not qualify for hedge accounting treatment.

4. Income taxes

Income tax expense

($ million)	2013	2012
Total current tax expense	11	12
Total deferred tax expense	7	(2)
Total income taxes	**18**	**10**

Effective income tax rate

AFUSA's management moved from the United States to the Netherlands on January 1, 2008 and, therefore, AFUSA became a Dutch resident taxpayer as of that date. AFUSA's effective tax rates in the income statement can differ from the statutory income tax rate of the Netherlands of 25 percent in 2013 (25 percent in 2012).

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

	2013		2012	
	$ million	%	$ million	%
Income (loss) before income taxes	89		(40)	
Income tax benefit at statutory tax rates	(22)	25.0%	10	25.0%
Adjustments to arrive at effective income tax rates:				
Unrecognized currency translation	12	(13.6)%	–	–
Dutch participation exemption	28	(31.6)%	–	–
Total income taxes	**18**	**(20.2)%**	**10**	**25.0%**

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 29, 2013 and December 30, 2012 are as follows:

($ million)	January 1, 2012	Recognized in income statement	Recognized directly in equity	December 30, 2012	Recognized in income statement	Recognized directly in equity	December 29, 2013
Derivatives	(21)	(2)	(1)	(24)	7	–	(17)
Total deferred tax liabilities	**(21)**	**(2)**	**(1)**	**(24)**	**7**	**–**	**(17)**

5. Investments in associate

As of July 30, 2010, AFUSA became a shareholder in AIS. AFUSA owned all issued and outstanding preferred shares type B in the share capital of AIS representing 25 percent of the total issued and outstanding share capital of AIS. Preferred shares type B provided preferences in distribution of the first $72 million of dividends declared by AIS. On December 18, 2012, all classes of shares in the capital of AIS were converted to common shares and AFUSA converted its outstanding preferred shares B in the capital of AIS into common shares, maintaining its 25 percent ownership in AIS.

On December 31, 2012, KA commenced an intra-group reorganization. As part of this intra-group reorganization AIS distributed its shareholding in AFC as a dividend in kind to KA (75 percent) and AFUSA (25 percent). AFUSA became a shareholder in AFC (value $1,482 million) owning all issued and outstanding preferred shares B in the share capital of AFC, representing 25 percent of the total issued and outstanding share capital of AFC.

On June 17, 2013, KA completed the intra-group reorganization. KA assigned to AFUSA its subordinated loan facility with AFC and in consideration for the assignment AFUSA transferred its 25 percent shareholding in AIS and AFC to KA. The excess of the value of the receivable under the loan ($2,575 million) which was transferred and assigned in exchange for the 25 percent shareholdings ($2,147 million) was settled via a net capital contribution from KA into AFUSA ($428 million) as share premium.

Share in income of $588 million includes a gain of $547 million on the divestment of ICA and $41 million other income from investments in associates.

The movements in 2013 in the investments are summarized as follows:

($ million)	2013	2012
Beginning of the year (restated)	1,505	1,197
Acquisition / contributions of investments	1,482	–
Divestment of investments	(2,147)	–
Share in income	588	104
Dividends	(1,482)	(241)
Share of other comprehensive income (loss) and other equity changes of associate	37	420
Exchange rate differences	17	25
Balance as of year-end	**–**	**1,505**

6. Other current and non-current financial assets

	December 29, 2013			December 30, 2012		
($ million)	Current	Non-current	Total	Current	Non-current	Total
Loans receivable from related parties	–	2,575	2,575	–	–	–
Other receivables from related parties	2	–	2	2	–	2
Related party other derivatives	–	382	382	–	370	370
Total other financial assets	**2**	**2,957**	**2,959**	**2**	**370**	**372**

The increase in the value of the other derivatives relates to a cross-currency swap and an interest rate swap on the GBP 500 million notes (with GBP 250 million outstanding amount (see Note 7).

On June 17, 2013, KA assigned to AFUSA its subordinated loan facility for a total amount of $5 billion of which $2,575 million was withdrawn by means of a loan to AFC (see Note 5). The amount of interest due under the loan facility in respect of each interest period shall not exceed the net income of the borrower in the financial reporting year to which the respective interest period relates. The interest rate is 7.97%.To the extent the interest in respect of any interest period is not due, that (part of the) interest is added to the interest accrued in the next interest period.

7. Financial liabilities

	December 29, 2013				December 30, 2012			
	Current	Non-current			Current	Non-current		
Notional redemption amounts ($ million)	Within 1 year	From 1 to 5 years	After 5 years	Total	Within 1 year	From 1 to 5 years	After 5 years	Total
GBP 500 notes 6.50%, due March 2017[1]	–	396	–	396	–	383	–	383
USD 500 notes 6.875%, due May 2029	–	–	500	500	–	–	500	500
Total notes	–	396	500	896	–	383	500	883
Interest payable	26	–	–	26	26	–	–	26
Total financial liabilities	**26**	**396**	**500**	**922**	**26**	**383**	**500**	**909**

[1] During 2005 AFUSA bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million ($412 million) has been reduced by $16 million (2012: $21 million) representing an amount which is amortized until the remaining terms of the notes, that relates to a hedging instrument that stopped qualifying for fair value hedge accounting. The remaining notional amount of GBP 250 million was, through two intra-group swap contracts, swapped to $356 million and carries a six-month floating U.S. dollar interest rate. AFUSA is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $260 million has been paid down as of December 29, 2013.

8. Financial risk management and financial instruments

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

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

Interest rate risk
AFUSA's interest rate risk arises from its debt. To manage interest rate risk, AFUSA complies with Ahold's interest rate management policy for reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. AFUSA accomplishes this by utilizing long-term debt issues and derivative financial instruments, such as interest rate swaps and cross-currency interest rate swaps. As of December 29, 2013, after taking into account the effect of interest rate swaps and cross currency swaps, approximately 56 percent of AFUSA's borrowings were at fixed rates of interest (2012: 55 percent).

Interest rate sensitivity analysis
The total interest expense recognized in the 2013 income statement related to variable rates of long-term debt, net of swaps, amounted to $7 million (2012: $9 million). The Company estimates that an increase (decrease) of U.S. dollar market interest rates of 25 basis points, with all other variables (including foreign exchange rates) held constant, would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2012: nil). In addition, hypothetical results relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of $3 million or a gain of $3 million, respectively (2012: a loss of $5 million or a gain of $5 million, respectively).

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

Credit risk with respect to certain financial instruments
With respect to credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swap and Derivatives Association. The counterparties have an externally validated investment grade credit rating. Ahold has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and continually monitors these exposures. All financial assets of AFUSA are held from the related parties of the Ahold Group. Therefore, AFUSA does not have a direct exposure to a third party credit risk.

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

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

The following tables summarize the expected maturity profile of AFUSA's derivative financial instruments and non-derivative financial liabilities as of December 29, 2013 and December 30, 2012, respectively, based on contractual undiscounted payments:

December 29, 2013 ($ million)	Net carrying amount	Contractual cash flows Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	(896)	(61)	(630)	(861)	(1,552)
Derivative financial assets					
Cross currency derivatives and interest flows	325	(22)	375	–	353
Interest derivatives and interest flows	57	16	42	–	58

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

All financial instruments held at the reporting date, and for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of December 29, 2013 and December 30, 2012, respectively.

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

$ million	December 29, 2013 Carrying amount	Fair value	December 30, 2012 Carrying amount	Fair value
Loans receivable from related parties	2,575	2,575	–	–
Other receivables from related parties	2	2	2	2
Derivatives	382	382	370	370
Total	**2,959**	**2,959**	**372**	**372**
Notes	(896)	(1,068)	(883)	(1,122)
Interest payable	(26)	(26)	(26)	(26)
Total	**(922)**	**(1,094)**	**(909)**	**(1,148)**

Of AFUSA's categories of financial instruments, only derivatives are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is calculated based on discounted expected future cash flows. Interest rate swaps and cross currency swaps are measured at the present value of expected future cash flows and discounted based on the applicable yield curves derived from quoted interest rates.

The valuation of AFUSA's derivatives instruments is adjusted for the credit risk of the counterparty (counterparty credit risk) and of the reporting entity (own credit risk) in accordance with IFRS 13. The valuation adjustment for counterparty credit risk requires a Credit Valuation Adjustment ("CVA") and a Debit Valuation Adjustment ("DVA") for an adjustment to own credit risk. The CVA / DVA calculations have been added to the risk-free fair value of AFUSA's interest and cross currency swaps. The valuation technique for the CVA / DVA calculation is based on relevant observable market inputs.

The carrying amount of interest payable and other receivables from related parties approximate their fair values because of the short-term nature of these instruments. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair values of loans receivable from related parties that are not traded in an active market are estimated using a benchmark of financial instruments with comparable duration taking into account the Company's credit status. Given the nature of the subordinated loan facility with AFC, the Company determined a range of interest rates to approximate the fair value of this financial instrument. Changes in fair value are disclosed when the median of the current year determined range of interest rates, falls outside the prior year range.

9. Member's equity

Member interest

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

KA is AFUSA's sole member since July 13, 2010, holding a 100 percent interest in the capital and profit and loss of the Company.

Share capital and additional paid-in capital

The Company's share capital is ten U.S. dollars. During 2013, the additional paid-in capital increased by $369 million, which reflected two capital contributions from KA of $16 million and $428 million, offset by a $75 million dividend. The net $428 million capital contribution was received from KA on June 17, 2013 as a result of the intra-group reorganization (see Note 5).

Legal reserves

In accordance with the Dutch Civil Code, legal reserves have to be established in certain circumstances. The currency translation reserve, cash flow hedging reserve and legal reserve participation are legal reserves. Legal reserves are not available for distribution to the Company's shareholders. If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

On June 17, 2013, KA completed the intra-group reorganization, whereby KA assigned to AFUSA its subordinated loan facility with AFC and in exchange for the assignment AFUSA transferred its 25 percent shareholding in AIS and AFC. As a consequence of the transfer of shareholdings, the related cumulative exchange result was transferred to net income. The participation reserve balances were re-allocated with the Ahold group. Therefore, $12 million of legal reserves participations were transferred to retained earnings via other changes in equity and $49 million of currency translation reserves were transferred to net income.

10. Related parties

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

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

	Income statement – 2013			Balance sheet – December 29, 2013	
($ million)	Interest income	Interest expense	Fair value changes in derivatives	Amount owed by	Amount owed to
KA (parent company)	–	(1)	(16)	384	–
AFC	112	–	–	2,575	–
Total	**112**	**(1)**	**(16)**	**2,959**	**–**

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

In addition, AFUSA entered into an intra-group reorganization as further disclosed in Note 5 and Note 9.

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

11. Guarantee

KA provided AFUSA with a guarantee of the current outstanding obligations to third parties of AFUSA as of July 30, 2010.

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

12. Audit fees

Expenses for services provided by the company's independent auditor, PricewaterhouseCoopers Accountants N.V. were €18 thousand ($24 thousand) in 2013 and €20 thousand ($26 thousand) for Deloitte Accountants B.V. in 2012.

13. List of subsidiaries

As of December 29, 2013, AFUSA has no subsidiaries, joint ventures or associates.

Amsterdam, the Netherlands
February 26, 2014

Management
Eugène Bartman
Guy Thomson
Gavin Jones

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

Independent auditor's report

To: the general meeting of Ahold Finance U.S.A., LLC.

Report on the financial statements

We have audited the accompanying financial statements for the year ended December 29, 2013 of Ahold Finance U.S.A., LLC, Delaware, United States of America. The financial statements comprise the balance sheet as at December 29, 2013, the income statement, the statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Ahold Finance U.S.A., LLC as at December 29, 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, February 26, 2014
PricewaterhouseCoopers Accountants N.V.

P.J. van Mierlo RA

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

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

Distribution of profit
The management proposes to add the net income of $695 million to retained earnings.

Subsequent events
There were no significant subsequent events.

Cautionary notice

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