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Press Release

Ahold CEO Dick Boer addresses Annual General Meeting

Amsterdam, the Netherlands – Welcome and thanks to all of you for coming here today, and also to those of you who are attending by webcast.

It's a pleasure to be here to talk to you about what Ahold has achieved in 2012.

But before I start, I want to take a moment to express the sadness we share with our American colleagues over the tragic events that occurred at the Boston Marathon earlier this week. The Boston area is, of course, one of our main U.S. markets and our thousands of employees are shocked by Monday's events. Our thoughts are with everyone in the city of Boston and the surrounding communities, and especially the families and friends of those affected. I know that our colleagues at the Stop & Shop New England division are doing all they can support their local communities here during this very difficult time.

At Ahold, our customers' needs are at the core of what we do. However, as you've just seen in the video, our connection to the communities we serve and our commitment to our employees run just as deep – and are fundamental to our passion about being good retailers.

In 2012, we launched our promises to be a better place to shop, a better place to work and a better neighbor. They are about how we will get better every day for those our businesses touch. They give us a clear framework for how we think about what we do. They make what we stand for more transparent – which will help us be even better retailers in the years to come. As you entered the building today you will have experienced some of what our promises are all about.

Being a better place to shop means focusing on what is important to our customers. It's about providing the right assortment of fresh, great quality products at good value, and making it easy for customers to make healthy choices. It's about giving them the most convenient shopping experience – and making customers feel welcome in our stores and online.

One part of this is the work we do in partnership with our suppliers to ensure that the products we sell meet our customers' expectations in terms of quality, value, and being produced with respect for people, animals and the environment. Stakeholders in all our markets are increasingly focused on where and how products are produced.

Food safety always comes first, which is why we've played a leading role in the Global Food Safety Initiative for the past several years, to raise food safety standards across our industry. The recent horse meat scandal has shown that our thorough and structured approach to food safety made it possible for us to quickly identify fraudulent products in the supply chain.

In addition, we've also been working to further increase our understanding of our own-brand supply chain and to improve the sustainability of our own-brand products. We made significant progress on this in 2012.

The work we do to improve our own-brand products is often made possible by the long-term relationships we've built with many of our suppliers. This year, Albert Heijn invited customers to visit 175 farms and suppliers here in the Netherlands to find out more about how some of our fresh products are produced. Over 85,000 people took part.

To provide the best shopping experience for customers, we need great employees, who are proud to work at our companies. Retail is a people business – you know yourself that when you shop at a place where employees are happy and engaged, you can feel it in everything they do. Throughout Ahold, we are fortunate to have incredible people who excel at retail – they are the key to our success. Their hard work, innovative thinking and dedication to customers keep every one of us getting better every day.

Our employees are critical to the growth of our companies, and we're committed to their success. Everywhere we operate, across the globe, we strive for workplaces built on fairness and mutual respect. We provide good working conditions and competitive wages and benefits. And we create thousands of new opportunities each year for people from all walks of life to build and grow a career.

In fact, at a time when employment at many of our competitors has shrunk dramatically, Ahold's continued growth has actually allowed us to expand our workforces by 23,000 people since 2008.

We truly appreciate how our employees contribute to our success. We seek out and act on their input – including through our Group-wide employee survey – and we deeply respect their rights. Where employees have chosen union representation, we are committed to maintaining constructive relationships with the leaders of those unions. While there are sometimes bumps along the way – particularly in the face of enormous external challenges – the connections with our unions continue to be productive. Recent examples are proof of that.

Here in the Netherlands, we have reached new agreements with both the CNV and FNV that, among other things, include a 3.5% pay rise over the next two years and commitments relating to to job security for employees in our distribution centers.

In the U.S., two thirds (66%) of employees are members of unions. The rate at private-sector companies in the U.S. overall is approximately 6.6%.

Stop & Shop New England division, for instance, recently agreed on a new contract with the Teamsters union covering employees at its distribution center in Massachusetts. The Giant Carlisle division reached a new contract with the UFCW for the employees it represents in two Giant stores.

And, perhaps, most significantly, Stop & Shop worked closely with five UFCW local unions to reach groundbreaking new collective bargaining agreements covering nearly 40,000 employees in New England. Faced with massive cost increases when the requirements of the complicated new U.S. health care law, called the Affordable Care Act, take effect in

2014, both sides worked together over the course of several months to find solutions that worked for employees and for the company.

Together, the UFCW locals and Stop & Shop found ways to continue to provide full- and part-time employees with wages and benefits that are among the best of area retailers, while enabling Stop & Shop to remain competitive in a challenging business environment.

We are pleased that Stop & Shop and the UFCW's leaders together reached these important new contracts, which will serve both Stop & Shop employees and the business well into the future.

As food retailers, we operate at the heart of society. To be a better place to shop and a better place to work, our businesses need to be closely connected to the communities we serve. We believe we have a unique responsibility – and opportunity – to positively impact the lives of everyone our business touches. We are dedicated to helping create better places to live.

We run programs that help people – including schoolchildren – learn how to make healthy choices. In the Netherlands, Albert Heijn's "Ik eet het beter" program reached over 374,000 children during 2012 – educating them in how to eat healthily and lead an active lifestyle.

Along with our employees, customers and suppliers, we contribute millions of euros and countless hours each year to support vital causes – like hunger relief and education – in our markets. Through the Our Family Foundation, our four U.S. divisions raised 67 million dollars for local organizations in 2012, with the help of customer, supplier and employee donations.

Our companies play an important role in society by offering flexible employment opportunities to parents, students, seniors and others, to secure their first jobs or return to the workforce. The training and education we give to students, in particular, helps them to successfully make the transition from school to working life.

We also work to reduce our environmental impact and ensure our products are sourced with respect for people, animals and the environment.

Our commitment to responsible retailing –which has been in the company's genes for decades already – runs through all three of our promises. And our promises are closely linked – we need to be good at all of them in order to be successful in today's retail environment.

The food retail industry we operate in is extremely dynamic – our customers' needs are changing faster than ever before. And the competition is fierce. It requires retailers like us to be nimble and have the ability to change the shopping experience to keep up with customer expectations.

At our shareholder meeting last year we celebrated our 125th anniversary. We've been around for so long because our businesses have always been good at seeing what was around the corner and transforming the shopping experience as customers' needs, the industry and technology changed.

Our Reshaping Retail strategy is helping us do this once again – and ensuring we can keep growing in years to come. I'll take you through some highlights of what we've already achieved in just a moment.

First, I'll say a few words about the numbers. Ahold delivered another year of good financial performance in 2012 even though we had challenging market conditions. We grew net sales by 8.5%, to €32.8 billion. Our net sales were up 3.5% at constant exchange rates. We had €1.2 billion in operating income and our underlying operating margin was 4.3%, despite challenging market conditions and low consumer confidence everywhere we operate. In this environment, we were also able to gain market share once again in all of our major markets.

Jeff will tell you more about our financial performance in a few moments. I would now like to look at our strategy a bit more and explain what it means in practice.

Our six strategic pillars are what are driving our growth now and in the future. We launched our six pillars back in 2011, and I am pleased to tell you that our strategy is working. We made exciting steps forward in all of our businesses in 2012. Let me give you some highlights.

Customers today expect more value for less, and we are broadening our offering to give them more of what they want. Our U.S. businesses are improving their own-brand product lines to give customers more choices at different price points to fit their budgets. They are on track to build own-brand penetration here to a target of 40% by 2016. Last year, the divisions reformulated one in five own-brand products to meet higher quality standards. And it's paying off – sales of their Guaranteed Value own-brand range are up almost 20%.

In the Czech Republic, we're making our offering more attractive to customers – last year we improved the deli departments in all our supermarkets – and we have rebuilt the first 10 of our new supermarkets.

Advances in technology are enabling people to research and buy anything they want, at any time of day, anywhere they happen to be. We're tapping into this important trend by offering more alternatives for how, when and where people shop, by building our online offering on both continents. For example, a customer can now make shopping lists and menus via our apps, order what they need online, pick up the groceries at a store or a pick-up point, or have them delivered at home. We achieved double-digit online sales growth in 2012.

Customers appreciate the convenience of the pick-up points our businesses opened during the year, including the first Peapod pick-up points in the United States, and the first pick-up points in the Netherlands. Albert Heijn also opened 59 in-store pick-up points for bol.com in 2012, allowing Dutch customers to collect their online, non-food purchases in its stores. Results have exceeded our expectations and our businesses are continuing to roll out more pick-up points in 2013.

Our acquisition of online retailer bol.com is enabling us to provide Dutch and Belgian customers with a far wider selection of non-food products, so they can come to us for more of what they need every day.

We expanded our geographic reach during the year, to serve more customers. We added 15 Genuardi's stores at Giant Carlisle in the United States, and agreed with Jumbo on the transfer of 82 new stores in the Netherlands, to be converted to the Albert Heijn format. We are happy to welcome these new stores, and also the franchise owners, to our Group. More than 25% of our stores in the Netherlands are run by franchisees, whose commitment to their customers and pride in their stores help us to build stronger brands.

We also opened nine more supermarkets in Belgium. We are very pleased with their performance and the positive customer feedback, and are confident we're creating a sustainable position here. We also opened our first three *Albert Heijn to go* convenience stores in Germany; this will provide us with valuable insights in the German retail landscape.

Cost reduction is an important enabler of our growth strategy. Simplification of processes is one the pillars of that strategy. During the year, we were able to simplify our business in order to save costs so that we could invest more into offering value to shoppers. In fact, we increased the target for our 2012-2014 cost reduction program from €350 million to €600 million. This is an aggressive but achievable goal to further drive our efforts to simplify our business where we see opportunities. A good example is that our U.S. divisions reduced inventory levels in their back rooms significantly. This has no adverse impact on the customer’s shopping experience and is clearly favorable for us.

Recently, we finalized the sale of our 60% stake in joint venture ICA to Hakon Invest. We want to focus our efforts on our growth strategy and on the businesses we control – something we feel is in the best interest of our company and our shareholders. Having successfully completed the transaction earlier than we expected, we’re now evaluating how we want to allocate the proceeds. We expect to be able to give a further update on this later in the year.

In the past several years, we’ve been strengthening our leadership across all our businesses, to ensure we have teams with the right mix of capabilities to carry out our reshaping retail strategy.

We made some key leadership changes in 2012. We announced that Carl Schlicker would be retiring after 25 years with Ahold. Carl made an enormous contribution to our company over the years, particularly in positioning our U.S. businesses well for the future. With James McCann taking over leadership as of February this year, we’ve had a smooth transition here. We expect to be able to tell you more about who will take up the position of COO and succeed James.

We also made changes to the structure of our European leadership team, to put the Albert Heijn business in a more central position for the future growth of Ahold in Europe. These changes included appointing Sander van der Laan as CEO of Albert Heijn, in addition to his role as COO Ahold Europe.

As most of you will know, René Dahan has announced that he will step down as our Chairman later this year, making this the last annual General Meeting he will chair. I would like to take this opportunity to express my appreciation and great respect for René’s commitment and the contributions he has made to the success of the company over the past nine years. René's leadership has been a source of inspiration for me personally and for my colleagues on the Corporate Executive Board and senior management of the company. Thank you, René.

If we look back over the past five years, we’ve shown strong performance in relation to our sector. We have been outperforming our peers in sales growth in the food category in the Netherlands and the United States year-over-year and have delivered above average margin performance. Specifically, we have increased sales by €7.2 billion to €32.8 billion over a five-year period – an annual average growth of more than 5%, mainly from our existing businesses. We’ve had positive ID sales growth for 20 consecutive quarters and solid market share development in our main markets over the past five years.

We grew our share by 240 basis points in the supermarket channel in the U.S. But it's even more important to look at the all outlets channel in the U.S. where food is sold; there we grew our share by 40 basis points.

And in the Netherlands, Albert Heijn has gone from 31.3% to 33.7%, which is also a significant increase. So we're very pleased to see how we gained market share over the last five years and again in 2012, on both continents.

Our performance has enabled us to consistently deliver good returns to our shareholders. As I mentioned, in our view, creating shareholder value requires a balanced approach of investing in growth while at the same time providing attractive returns. We continue to achieve top quartile return on capital and total shareholder return, relative to the group of food peers we compare ourselves to. In general we can say we will continue to maintain a strong capital discipline and improve the efficiency of our capital structure by reducing excess liquidity.

So, what do we see ahead for the rest of 2013? We know we can't change the environment we're operating in, but we're well-positioned to respond to it, as you've seen in our 2012 performance. We have the right strategy in place, and we will keep delivering on it in 2013.

We will double our store count in Belgium and continue to roll out pick-up points in the U.S. and the Netherlands. We will keep working to simplify our business to reduce costs so that we can invest in our offering and further improve the value we provide to our customers.

We have also announced recently that we will be replacing our Euroshopper brand with a new own brand: AH BASIC. This provides us with an even greater opportunity to offer customers more quality at a very attractive price.

And we will continue to do our best to create exciting promotions to attract customers into our stores – our Dutch customers, for example, can expect some surprises around the coronation at the end of this month.

Our strong cash generation allows us to keep investing in our offering and giving customers value, while providing attractive returns to shareholders at the same time. We will continue to focus on keeping our day-to-day business strong by living up to our promises.

I am confident that we have what it takes to keep performing well in the year ahead. And I feel this most strongly when I talk to the men and women working in the offices, stores and distribution centers in all our businesses. I'm constantly impressed by their passion for the customer and their dedication to keep getting better for all of those we serve every day. I want to thank them for making all of the achievements I've talked about today possible.

I would also like to thank our customers for their loyalty to our brands – and you, our shareholders, for your confidence and support over the past year.

And now over to our CFO, Jeff Carr.

Cautionary notice

This press release 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 statements as to the payment of dividend. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, such as discussed in Ahold's public filings and other disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Koninklijke Ahold N.V. does not assume any obligation to update any public information or forward-looking statements in this release to reflect subsequent events or circumstances, except as may be required by law. Outside the Netherlands, Koninklijke Ahold N.V., being its registered name, presents itself under the name of "Royal Ahold" or simply "Ahold".