Ahold

November 15, 2012

Interim Report

Third quarter 2012

Gaining market share in a challenging environment

Highlights – third quarter 2012

- Sales of €7.6 billion (up 3.7% at constant exchange rates)
- Operating income €289 million (down 3.7%)
- Net income €139 million (down 45.9%), including a €90 million ICA tax charge
- Underlying operating margin 4.1%
- Conversion of first 14 Jumbo stores completed

Amsterdam, the Netherlands – Ahold today published its interim report for the third quarter of 2012.

CEO Dick Boer said: "We continued to invest in competitiveness and gained market share in our major markets. Market conditions remained challenging, with consumers cautious in their spending and with ongoing high levels of promotional activity in both the United States and Europe.

"Sales growth in the United States was modest, reflecting declining retail price inflation and a strong sales quarter last year. Through stringent cost control we were able to deliver a solid margin performance. In the Netherlands we were pleased with a strong sales performance, as our value investments gained traction. Margins in the Netherlands were impacted by these investments, which were not fully offset by cost savings and by the inclusion of bol.com for the full quarter.

"We remain cautious in our outlook and expect market conditions to continue to be difficult. We will closely monitor the potential impact of rising food commodity costs, particularly in the United States. We are confident that we are well on track to execute our strategy and we will continue to invest in growth."

Group performance

(€ million)	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
Net sales	7,598	6,856	10.8%*	25,006	22,981	8.8%*
Underlying operating income	313	303	3.3%	1,059	1,034	2.4%
Operating income	289	300	(3.7)%	1,031	1,019	1.2%
Income from continuing operations	143**	254***	(43.7)%	671	758	(11.5)%
Net income	139**	257***	(45.9)%	669	747	(10.4)%

* *At constant exchange rates, net sales increased by 3.7% in Q3 2012 (Q3 YTD 2012: 3.0%).*

** *Negatively impacted by Ahold's €90 million share of a tax charge taken by ICA.*

*** *Positively impacted by a tax provision release of €109 million, partially offset by a charge of €92 million related to the estimated impact of a legal judgment.*

We are making progress on our Reshaping Retail strategy at Ahold and continue to focus on improving our competitive position through cost reductions and overall simplification of our processes. We are on target to deliver our €350 million cost savings program for the years 2012-2014.

We continue to invest in profitable growth and act when opportunities arise.

- Giant Carlisle included the first full quarter of operations for the 15 former Genuardi's stores.
- Peapod started piloting a pick-up service in the Chicago area.
- Albert Heijn converted the first 14 of the 82 stores acquired from Jumbo into Albert Heijn supermarkets.
- We opened our first store in Germany, an *Albert Heijn to go* convenience store in the city center of Aachen.
- We opened another two Albert Heijn supermarkets in Belgium. Year-to-date we added six stores bringing our total number of Belgian stores to eight.
- Bol.com opened a specialist health and beauty internet store, and made it possible for customers to search and order using their cell phones.
- Albert.nl opened its third distribution center in the Netherlands to extend its capacity.

Furthermore, we announced in the third quarter that we are exploring strategic options regarding our 60% holding in ICA.

Third quarter 2012 (compared to third quarter 2011)

Net sales were €7.6 billion, up 10.8%. At constant exchange rates, net sales increased by 3.7%. During the quarter, Ahold USA achieved 1.9% sales growth, measured in US dollars, and the Netherlands achieved 8.1% growth. Sales in Other Europe (Czech Republic and Slovakia combined) decreased 1.7% at constant exchange rates.

Operating income was €289 million, down 3.7% (down 9.3% at constant exchange rates). Operating income this year included €18 million of impairment costs compared to €6 million last year. Underlying operating income was €313 million, up 3.3%. Underlying operating margin was 4.1% compared with 4.4% last year.

Income from continuing operations was €143 million, €111 million lower than last year. This is primarily due to a €90 million negative impact on our income from joint ventures as ICA's net income included a tax charge. The third quarter last year included a provision within net financial expense, related to a judgment on a lease litigation with Vornado, offset by the release of an income tax contingency. Income per share from continuing operations was €0.14, a decrease of €0.09 compared to last year.

Net income was €139 million, down €118 million. The result from discontinued operations related to past divestments was a loss of €4 million, compared to an income of €3 million last year.

Free cash flow was €159 million, €38 million lower than last year. Operating cash flows from continuing operations were up €30 million, while investments in non-current assets increased by €78 million.

Cash and cash equivalents decreased during the quarter by €210 million to €1,541 million, primarily as a result of the acquisition of stores from Jumbo.

Net debt increased by €41 million during the quarter to €1,736 million, primarily due to the decrease in cash and cash equivalents, partly offset by a decrease in gross debt due to foreign exchange.

First three quarters 2012 (compared to first three quarters 2011)

Net sales were €25.0 billion, up 8.8%. At constant exchange rates, net sales increased by 3.0%.

Operating income was €1,031 million, up 1.2% (down 3.6% at constant exchange rates). Underlying operating income was €1,059 million, up 2.4%. Underlying operating margin was 4.2% (2011: 4.5%).

Income from continuing operations decreased €87 million (11.5%) to €671 million, primarily due to our share of €90 million in tax charges at ICA. In addition, last year was impacted by a provision within net financial expense, related to a judgment on a lease litigation with Vornado, offset by the release of an income tax contingency.

Net income was €669 million, down €78 million. The loss from discontinued operations was €2 million in the first three quarters of 2012 compared to €11 million last year.

Free cash flow was €838 million, €197 million higher than last year. The increase was mainly due to higher operating cash flows from continuing operations of €275 million and increased divestments of assets of €25 million, partly offset by higher capital expenditures of €114 million. Higher operating cash flows from continuing operations were predominantly due to changes in working capital of €88 million, mainly driven by inventory increases last year, lower tax payments of €70 million, and higher operating income and depreciation adjustments.

Net debt increased by €648 million during the first three quarters of 2012. Free cash flows of €838 million were more than offset by dividends paid on common shares of €415 million; the share buyback of €277 million; the repayment of a €407 million note; and the €703 million of net purchase consideration that was paid primarily for the acquisition of bol.com, Genuardi's and Jumbo and the long-term debt assumed as part of these acquisitions.

Performance by segment

Ahold USA
For the third quarter, net sales were $5.9 billion, up 1.9%. Identical sales were down 0.2% (down 1.5% excluding gasoline), reflecting ongoing challenging market conditions, strong sales growth in the third quarter of last year, and the impact of a decline in pharmacy sales due to the conversion of brand-name drugs to generic versions. We achieved market share gains in both the supermarket and all outlets channel as sales benefited from our strong promotional activities. Underlying operating margin was 4.0% compared to 4.2% last year. We were able to largely offset the impact of both increased promotional activities, which are necessary in the current economic downturn, and cost inflation in wages, pensions and insurance.

For the first three quarters, net sales were $19.7 billion, up 2.7%. Identical sales were up 1.2% (0.3% excluding gasoline). Underlying operating margin was 4.1% compared to 4.3% last year.

The Netherlands
For the third quarter, net sales increased 8.1% versus last year to €2.5 billion with identical sales up 2.5%. It was the first full quarter including bol.com, which contributed 4.2% to the third quarter sales growth in the Netherlands. Also, the first 14 of the 82 stores acquired from Jumbo were converted to Albert Heijn supermarkets during the quarter. Albert Heijn ran successful campaigns, resulting in solid identical sales growth, and was able to increase market share.

Underlying operating margin was 5.6% compared to 6.4% last year. Excluding bol.com, underlying operating margin was 5.8%. The year-over-year margin variance reflects higher hourly wages, value investments and costs to integrate the stores acquired from Jumbo. Included in the Netherlands segment are the results of our stores in Belgium, where we opened our seventh and eighth stores during the quarter. We also opened our first store in Germany (an *Albert Heijn to go* convenience store in the city of Aachen) and continued to invest in our online activities at both albert.nl and bol.com.

For the first three quarters, net sales increased 4.5% to €8.4 billion. Identical sales were up 1.3%. Underlying operating margin was 5.7% (5.8% excluding bol.com) compared to 6.2% last year.

Other Europe (Czech Republic and Slovakia)
For the third quarter, net sales decreased 3.6% to €378 million. At constant exchange rates, net sales decreased 1.7% and identical sales were down 1.8% (1.8% excluding gasoline). Sales were impacted by low consumer confidence. In the Czech Republic, our identical sales performance was stronger than the market average; a slight decline in market share resulted from the competition continuing to open new stores. In Slovakia, we closed two stores this year and operated 24 stores at the end of the quarter. Underlying operating margin was 1.1% compared to 0.8% last year, reflecting increased operational efficiencies and cost savings.

For the first three quarters, net sales decreased 4.1% to €1,271 million. At constant exchange rates net sales decreased 1.5%. Identical sales decreased 1.9% (2.1% excluding gasoline). Underlying operating margin was 0.9%, unchanged from last year.

Unconsolidated joint ventures
For the third quarter, Ahold’s share in income of unconsolidated joint ventures was a loss of €34 million, down €85 million from last year. The decrease resulted from ICA, where in Q3 2012 additional tax expense of €150 million (Ahold’s share: €90 million) was recognized following an adverse court ruling by the Swedish Tax Agency related to the denial of certain interest deductions made in 2004-2008. Excluding this tax impact, Ahold’s net share of income from ICA was €48 million, up €10 million compared to the third quarter of last year. For the first three quarters of the year, Ahold’s share in income of joint ventures decreased by €78 million to €20 million.

Corporate Center
For the third quarter, underlying Corporate Center costs were €17 million, down €3 million (excluding the impact of the Company’s insurance activities, costs were €17 million, down €1 million from last year.) For the first three quarters of the year, underlying Corporate Center costs were €60 million, unchanged from last year (up €6 million from last year to €59 million when excluding insurance activities).

Other financial and operating information

Identical/comparable sales growth (% year-over-year)[1]

	Q3 2012 Identical	Q3 2012 Identical excluding gasoline	Q3 2012 Comparable	Q3 YTD 2012 Identical	Q3 YTD 2012 Identical excluding gasoline	Q3 YTD 2012 Comparable
Ahold USA	(0.2)%	(1.5)%	0.3%	1.2%	0.3%	1.7%
The Netherlands	2.5%	2.5 %		1.3%	1.3%	
Other Europe	(1.8)%	(1.8)%		(1.9)%	(2.1)%	

1. For the definition of identical and comparable sales see section "Other information" – "Use of non-GAAP financial measures."

Underlying operating income[1]

	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
$ million						
Ahold USA	233	241	(3.3)%	814	828	(1.7)%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7959*	*0.7129*	*11.6%*	*0.7804*	*0.7120*	*9.6%*
€ million						
Ahold USA	185	171	8.2%	634	589	7.6%
The Netherlands	141	149	(5.4)%	473	493	(4.1)%
Other Europe	4	3	33.3%	12	12	-
Total retail	330	323	2.2%	1,119	1,094	2.3%
Corporate Center	(17)	(20)	15.0%	(60)	(60)	-
Ahold Group	**313**	**303**	**3.3%**	**1,059**	**1,034**	**2.4%**

1. For the definition of underlying operating income see section "Other information" – "Use of non-GAAP financial measures."

Underlying operating margin

Underlying operating margin is defined as underlying operating income as a percentage of net sales.

	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
Ahold USA	4.0%	4.2%	4.1%	4.3%
The Netherlands	5.6%	6.4%	5.7%	6.2%
Other Europe	1.1%	0.8%	0.9%	0.9%
Total retail	4.3%	4.7%	4.5%	4.8%
Ahold Group	**4.1%**	**4.4%**	**4.2%**	**4.5%**

Store portfolio (including franchise stores)

	End of 2011	Opened/ acquired	Closed/ sold	End of Q3 2012	End of Q3 2011
Ahold USA	756	22	(5)	773	757
The Netherlands[1]	1,946	41	(15)	1,972	1,934
Other Europe	306	2	(2)	306	306
Ahold Group	**3,008**	**65**	**(22)**	**3,051**	**2,997**

1. The number of stores at the end of Q3 2012 includes 1,093 specialty stores (Etos and Gall & Gall) (Q3 2011: 1,083).

EBITDA[1]

(€ million)	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
Ahold USA	301	285	5.6%	1,031	952	8.3%
The Netherlands	194	198	(2.0)%	646	662	(2.4)%
Other Europe	13	15	(13.3)%	46	49	(6.1)%
Corporate Center	(20)	(20)	-	(58)	(59)	1.7%
EBITDA by segment	488	478	2.1%	1,665	1,604	3.8%
Share in income (loss) of joint ventures	(34)	51	n/m	20	98	(79.6)%
Income (loss) from discontinued operations	(4)	3	n/m	(2)	(11)	81.8%
Total EBITDA	**450**	**532**	**(15.4)%**	**1,683**	**1,691**	**(0.5)%**

1. For the definition of EBITDA see section "Other information" – "Use of non-GAAP financial measures."

Free cash flow[1]

(€ million)	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
Operating cash flows from continuing operations	425	395	1,477	1,202
Purchase of non-current assets	(242)	(164)	(653)	(539)
Divestments of assets / disposal groups held for sale	9	3	43	18
Dividends from joint ventures	-	2	142	129
Interest received	4	4	10	21
Interest paid	(37)	(43)	(181)	(190)
Free cash flow	**159**	**197**	**838**	**641**

1. For the definition of free cash flow see section "Other information" – "Use of non-GAAP financial measures."

Net debt

(€ million)	October 7, 2012	July 15, 2012	January 1, 2012
Loans	1,468	1,546	1,489
Finance lease liabilities	1,209	1,297	1,158
Cumulative preferred financing shares	497	497	497
Non-current portion of long-term debt	3,174	3,340	3,144
Short-term borrowings and current portion of long-term debt	142	146	536
Gross debt	3,316	3,486	3,680
Less: Cash, cash equivalents and short-term deposits[1]	1,580	1,791	2,592
Net debt	**1,736**	**1,695**	**1,088**

1. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. These balances amounted to €141 million, €144 million, and €181 million as of October 7, 2012, July 15, 2012, and January 1, 2012, respectively.*

Consolidated income statement

(€ million, except per share data)	Note	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
Net sales	4	7,598	6,856	25,006	22,981
Cost of sales	5	(5,640)	(5,057)	(18,529)	(16,973)
Gross profit		**1,958**	**1,799**	**6,477**	**6,008**
Selling expenses		(1,432)	(1,284)	(4,704)	(4,294)
General and administrative expenses		(237)	(215)	(742)	(695)
Total operating expenses	5	(1,669)	(1,499)	(5,446)	(4,989)
Operating income	4	**289**	**300**	**1,031**	**1,019**
Interest income		1	4	9	14
Interest expense		(53)	(55)	(181)	(187)
Other financial income (expense)		10	(93)	5	(88)
Net financial expense		(42)	(144)	(167)	(261)
Income before income taxes		**247**	**156**	**864**	**758**
Income taxes	6	(70)	47	(213)	(98)
Share in income (loss) of joint ventures	7	(34)	51	20	98
Income from continuing operations		**143**	**254**	**671**	**758**
Income (loss) from discontinued operations	8	(4)	3	(2)	(11)
Net income attributable to common shareholders		**139**	**257**	**669**	**747**
Net income per share attributable to common shareholders					
basic		0.13	0.23	0.64	0.67
diluted		0.13	0.23	0.62	0.65
Income from continuing operations per share attributable to common shareholders					
basic		0.14	0.23	0.64	0.68
diluted		0.14	0.22	0.63	0.66
Weighted average number of common shares outstanding (in millions)					
basic		1,038	1,101	1,041	1,123
diluted		1,101	1,163	1,103	1,186
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.7959	0.7129	0.7804	0.7120

Consolidated statement of comprehensive income

(€ million)	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
Net income	**139**	**257**	**669**	**747**
Currency translation differences in foreign interests:				
Currency translation differences before taxes	(181)	158	28	(10)
Income taxes	-	-	-	-
Cash flow hedges:				
Fair value losses in the year	(17)	(25)	(36)	(24)
Transfers to net income	19	(3)	12	(16)
Income taxes	(1)	7	6	10
Share of other comprehensive income (loss) of joint ventures - net of income taxes	(13)	1	(13)	13
Other comprehensive income (loss)	(193)	138	(3)	(27)
Total comprehensive income (loss) attributable to common shareholders	**(54)**	**395**	**666**	**720**

Consolidated balance sheet

(€ million)	Note	October 7, 2012	January 1, 2012
Assets			
Property, plant and equipment		6,103	5,984
Investment property		567	593
Intangible assets		1,663	836
Investments in joint ventures		1,007	1,087
Other non-current financial assets		1,009	859
Deferred tax assets		300	394
Other non-current assets		35	34
Total non-current assets		**10,684**	**9,787**
Assets held for sale		5	-
Inventories		1,479	1,466
Receivables		711	751
Other current financial assets		85	336
Income taxes receivable		56	27
Other current assets		171	175
Cash and cash equivalents	11	1,541	2,438
Total current assets		**4,048**	**5,193**
Total assets		**14,732**	**14,980**
Equity and liabilities			
Equity attributable to common shareholders	9	**5,890**	**5,877**
Loans		1,468	1,489
Other non-current financial liabilities		1,912	1,813
Pensions and other post-employment benefits		90	94
Deferred tax liabilities		284	199
Provisions		652	664
Other non-current liabilities		234	230
Total non-current liabilities		**4,640**	**4,489**
Liabilities related to assets held for sale		4	-
Accounts payable		2,470	2,436
Other current financial liabilities		239	648
Income taxes payable		145	136
Provisions		257	253
Other current liabilities		1,087	1,141
Total current liabilities		**4,202**	**4,614**
Total equity and liabilities		**14,732**	**14,980**
Quarter-end U.S. dollar exchange rate (euro per U.S. dollar)		0.7672	0.7724

Consolidated statement of changes in equity

(€ million)	Share capital	Additional paid-in capital	Currency translation reserve*	Cash flow hedging reserve*	Other reserves including accumulated deficit*	Equity attributable to common shareholders
Balance as of January 2, 2011	**358**	**9,916**	**(385)**	**(63)**	**(3,916)**	**5,910**
Dividends	-	-	-	-	(328)	(328)
Total comprehensive income	-	-	(10)	(30)	760	720
Share buyback	-	-	-	-	(578)	(578)
Cancellation of treasury shares	(9)	(289)	-	-	298	-
Share-based payments	-	-	-	-	19	19
Balance as of October 9, 2011	**349**	**9,627**	**(395)**	**(93)**	**(3,745)**	**5,743**
Balance as of January 1, 2012	**330**	**9,094**	**(265)**	**(93)**	**(3,189)**	**5,877**
Dividends	-	-	-	-	(415)	(415)
Total comprehensive income	-	-	28	(18)	656	666
Share buyback	-	-	-	-	(277)	(277)
Cancellation of treasury shares	(12)	(381)	-	-	393	-
Share-based payments	-	-	-	-	39	39
Balance as of October 7, 2012	**318**	**8,713**	**(237)**	**(111)**	**(2,793)**	**5,890**

* The comparative information was changed to conform to the current year presentation, as disclosed in Note 2.

Consolidated statement of cash flows

(€ million)	Note	Q3 2012	Q3 2011*	Q3 YTD 2012	Q3 YTD 2011*
Operating income		289	300	1,031	1,019
Adjustments for:					
Depreciation, amortization and impairments		217	184	663	596
Gains on the sale of assets / disposal groups held for sale		(2)	(1)	(18)	(11)
Share-based compensation expenses		8	8	29	23
Operating cash flows before changes in operating assets and liabilities		512	491	1,705	1,627
Changes in working capital:					
Changes in inventories		(35)	(48)	3	(69)
Changes in receivables and other current assets		(5)	(9)	55	53
Changes in payables and other current liabilities		1	21	(128)	(142)
Changes in non-current assets and liabilities		(45)	(39)	(63)	(102)
Cash generated from operations		428	416	1,572	1,367
Income taxes paid - net		(3)	(21)	(95)	(165)
Operating cash flows from continuing operations		425	395	1,477	1,202
Operating cash flows from discontinued operations		(2)	(1)	(5)	(6)
Net cash from operating activities		**423**	**394**	**1,472**	**1,196**
Purchase of non-current assets		(242)	(164)	(653)	(539)
Divestments of assets / disposal groups held for sale		9	3	43	18
Acquisition of businesses, net of cash acquired	3	(269)	-	(703)	(21)
Divestment of businesses, net of cash divested		(2)	(5)	(46)	(14)
Changes in short-term deposits		-	-	116	-
Dividends from joint ventures		-	2	142	129
Interest received		4	4	10	21
Other		1	(5)	1	40
Investing cash flows from continuing operations		(499)	(165)	(1,090)	(366)
Net cash from investing activities		**(499)**	**(165)**	**(1,090)**	**(366)**
Interest paid		(37)	(43)	(181)	(190)
Repayments of loans		(4)	(3)	(456)	(14)
Repayments of finance lease liabilities		(17)	(13)	(52)	(49)
Changes in short-term loans		(1)	(4)	3	3
Dividends paid on common shares	9	-	-	(415)	(328)
Share buyback	9	-	(223)	(277)	(578)
Change in derivatives		(11)	(10)	111	(20)
Other		4	1	7	4
Financing cash flows from continuing operations		(66)	(295)	(1,260)	(1,172)
Financing cash flows from discontinued operations		(1)	(1)	(3)	(3)
Net cash from financing activities		**(67)**	**(296)**	**(1,263)**	**(1,175)**
Net cash from operating, investing and financing activities	**11**	**(143)**	**(67)**	**(881)**	**(345)**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.7959	0.7129	0.7804	0.7120

* The comparative information was changed to conform to the current year presentation.

For the reconciliation between net cash from operating, investing and financing activities and cash and cash equivalents as presented in the balance sheet, see Note 11.

Notes to the condensed consolidated interim financial statements

1. The Company and its operations

The principal activity of Koninklijke Ahold N.V. ("Ahold" or the "Company"), a public limited liability company with its registered seat in Zaandam, the Netherlands, and its head office in Amsterdam, the Netherlands, is the operation of retail food stores in the United States and Europe through subsidiaries and joint ventures.

The information in these condensed consolidated interim financial statements ("financial statements") is unaudited.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting policies applied in these financial statements are consistent with those applied in Ahold's 2011 consolidated financial statements.

Ahold's reporting calendar is based on 13 periods of four weeks, with 2012 and 2011 each comprising 52 weeks. The third quarter in both 2012 and 2011 comprised 12 weeks and the first three quarters of these years comprised 40 weeks. The financial year of Ahold's unconsolidated joint ventures, ICA AB ("ICA") and JMR - Gestão de Empresas de Retalho, SGPS. S.A. ("JMR"), corresponds to the calendar year. Any significant transactions and / or events between ICA's and JMR's quarter-end and Ahold's quarter-end are taken into account in the preparation of Ahold's financial statements.

New accounting policies not yet effective for 2012

IAS 19 "Employee Benefits" was amended in June 2011 and endorsed by the EU in June 2012. The amendment will be effective for Ahold as from January 1, 2013. The main changes in the revised IAS 19 are to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying a discount rate to the net defined benefit liability (asset).

As of January 1, 2012, the combined unrecognized actuarial losses and the unrecognized past service costs amounted to €149 million. Had these actuarial losses and past service costs been recognized immediately, this would have negatively impacted equity in the amount of €59 million (net of tax) and decreased the net pension asset in the amount of €149 million. Due to a number of variables, the main being the settlement of the US Frozen Pension Plan, the impact on the 2012 income statement cannot be reasonably estimated as of the balance sheet date.

Change in presentation

In Q4 2011, Ahold adjusted the presentation of the components of equity in the consolidated statement of changes in equity, which resulted in a retrospective impact on the first three quarters of 2011. The 2011 comparative figures have been changed to conform to the current year presentation resulting in a net reclassification of €13 million between other reserves, including accumulated deficit and the currency translation reserve and cash flow hedging reserve. The total equity attributable to common shareholders has not been impacted.

3. Business combinations

Acquisition of bol.com

On May 9, 2012, Ahold announced that it had successfully completed the acquisition of bol.com. The purchase consideration was €353 million in cash for 100% of the voting equity interest. The acquisition was made to further expand Ahold's online presence and broaden its range of offered products into new non-food categories. Goodwill recognized in the amount of €248 million, which will not be deductible for tax purposes, represents the ability to broaden Ahold's offering and expand its geographic reach, as well as expected synergies from the combination of operations. In addition to goodwill, other intangible assets have been acquired, such as information technology, customer lists and a trade name.

Bol.com contributed €159 million to net sales and had an insignificant impact on net income in the period from May 9 to October 7, 2012. The impact excludes €6 million in transaction costs related to the acquisition, included in general and administrative expenses. Had the acquisition occurred on January 2, 2012, Ahold's pro-forma revenue through October 7, 2012 would have increased by €182 million to €25,188 million. The pro-forma effect on Ahold's overall net income of €669 million for the first three quarters would have been insignificant.

Acquisition of Genuardi's Family Markets stores
On July 13, 2012, Ahold announced that its Giant Carlisle division had finalized the acquisition of 15 Genuardi's Family Markets stores from Safeway. The stores acquired are located in the greater Philadelphia area. The total purchase consideration was €91 million ($113 million) in cash for 15 store locations, equipment, and lease agreements. Tax deductible goodwill recognized amounted to €64 million ($80 million) and represents the ability to service customers in a new geographic area, as well as synergies from the combination of operations.

These stores contributed €63 million ($80 million) to net sales and had an insignificant impact on net income in the period from July 13 to October 7, 2012, before one-time start-up and conversion costs of €11 million ($14 million). The result excludes €2 million in transaction costs related to the acquisition, included within general and administrative expenses in the second quarter of 2012. It is not practicable to provide the pro-forma effect on Ahold's revenue and net income from January 2 through October 7, 2012.

Acquisition of stores from Jumbo
On August 14, 2012, Ahold announced that its Albert Heijn division had completed its transaction with Jumbo concerning 78 C1000 and 4 Jumbo stores for €290 million in cash, with €267 million paid to date and the remaining to be settled as agreements are reached with the franchisees. During Q3 2012, 14 of the stores were converted to the Albert Heijn banner. The remaining 68 franchisee-owned stores will be converted to the Albert Heijn banner over a period of time, in close cooperation with the entrepreneurs. Goodwill recognized in the amount of €51 million, which will not be deductible for tax purposes, represents the ability to expand Ahold's geographic reach, as well as expected synergies from the combination of operations.

The 14 individual stores that were converted to the Albert Heijn banner have contributed €10 million to net sales and an insignificant amount to net income. It is not practicable to provide the pro-forma effect on Ahold's revenue and net income from January 2 through October 7, 2012.

Other acquisitions
In February, the Giant Landover division acquired two Fresh & Green's stores. The stores acquired are located in Maryland. The total purchase consideration was €12 million ($15 million). Tax deductible goodwill recognized amounted to €8 million ($10 million). Other acquisitions that have occurred during 2012 relate to the buyout of single stores from franchisees.

The allocation of the fair value of the net assets acquired and the goodwill arising at the acquisition date for each acquisition during the first three quarters of 2012 is as follows:

(€ million)	bol.com	Genuardi's	Jumbo	Other	Total
Property, plant and equipment	2	89	4	11	106
Goodwill	248	64	51	12	375
Other intangible assets	196	8	212	1	417
Current assets	52	8	-	-	60
Non-current liabilities	(81)	(74)	-	(8)	(163)
Current liabilities	(64)	(4)	-	-	(68)
Total purchase consideration	**353**	**91**	**267**	**16**	**727**
Cash acquired	(24)	-	-	-	(24)
Acquisition of business, net of cash	**329**	**91**	**267**	**16**	**703**

The amounts recognized in the financial statements for these business combinations have been determined on a provisional basis.

A reconciliation of Ahold's goodwill balance, which is included in intangible assets, is as follows:

€ million	Goodwill
As of January 1, 2012	
At cost	407
Accumulated impairment losses	(3)
Opening carrying amount	**404**
Business acquisitions	375
Exchange rate differences	(3)
Closing carrying amount	**776**
As of October 7, 2012	
At cost	779
Accumulated impairment losses	(3)
Carrying amount	**776**

4. Segment reporting

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint ventures ICA and JMR, and Ahold's Corporate Center are presented separately.

Reportable segment	Included in the Reportable segment
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle, and Peapod
The Netherlands	Albert Heijn, Albert Heijn Belgium, Albert Heijn Germany, Etos, Gall & Gall, bol.com, and albert.nl
Other Europe	Albert (Czech Republic and Slovakia) and Hypernova (Slovakia)

Other	Included in Other
Other retail	Unconsolidated joint ventures ICA (60%) and JMR (49%)
Corporate Center	Corporate staff (the Netherlands, Switzerland, and the United States)

Net sales
Net sales per segment are as follows:

	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
$ million						
Ahold USA	5,888	5,780	1.9%	19,703	19,185	2.7%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7959*	*0.7129*	*11.6%*	*0.7804*	*0.7120*	*9.6%*

	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
€ million						
Ahold USA	4,686	4,119	13.8%	15,379	13,655	12.6%
The Netherlands	2,534	2,345	8.1%	8,356	8,000	4.5%
Other Europe	378	392	(3.6)%	1,271	1,326	(4.1)%
Ahold Group	**7,598**	**6,856**	**10.8%**	**25,006**	**22,981**	**8.8%**

The combined net sales of Ahold's unconsolidated joint ventures ICA and JMR amounted to €3,690 million and €3,470 million for Q3 2012 and Q3 2011, respectively (Q3 YTD 2012: €10,671 million and Q3 YTD 2011: €10,140 million).

Operating income
Operating income (loss) per segment is as follows:

	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
$ million						
Ahold USA	212	237	(10.5)%	780	796	(2.0)%
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.7959*	*0.7129*	*11.6%*	*0.7804*	*0.7120*	*9.6%*

	Q3 2012	Q3 2011	% change	Q3 YTD 2012	Q3 YTD 2011	% change
€ million						
Ahold USA	168	168	-	607	567	7.1%
The Netherlands	138	149	(7.4)%	473	501	(5.6)%
Other Europe	4	3	33.3%	11	11	-
Corporate Center	(21)	(20)	(5.0)%	(60)	(60)	-
Ahold Group	**289**	**300**	**(3.7)%**	**1,031**	**1,019**	**1.2%**

Ahold USA
Operating income in Q3 2012 included $22 million (€18 million) of impairments (Q3 YTD 2012: $36 million (€28 million)), $1 million (€1 million) gain on sale of assets (Q3 YTD 2012: $4 million (€3 million)). Further, the first three quarters of 2012 includes $2 million (€2 million) of business acquisition costs related to the acquisition of the Genuardi's stores.

Operating income in Q3 2011 included a net $2 million (€2 million) release of provisions for restructuring and related activities (Q3 YTD 2011: $22 million charge (€15 million)), $8 million (€6 million) of impairments (Q3 YTD 2011: $14 million (€10 million)), and $2 million (€1 million) gains on the sale of assets (Q3 YTD 2011: $4 million (€3 million)). Further, the first three quarters of 2011 included $15 million (€11 million) of reorganization and IT integration costs.

The Netherlands

Q3 2012 operating income included €4 million of restructuring and related activities (Q3 YTD 2012: €5 million, which included €1 million of business acquisition costs related to the transaction with Jumbo) and €1 million gain on the sale of assets (Q3 YTD 2012: €5 million).

Operating income in the first three quarters of 2011 included a €8 million of gain on the sale of assets.

Other Europe

Operating income in the first three quarters included €1 million of impairments, which is consistent with 2011.

Corporate Center

Excluding the impact of the Company's insurance activities, Q3 2012 Corporate Center costs were €21 million, €3 million higher than last year (Q3 YTD 2012: €59 million, €6 million higher than last year). Corporate Center costs in 2012 were impacted by €10 million of restructuring related costs, which include €6 million of acquisition costs related to the acquisition of bol.com, offset by a €10 million gain on the sale of investments in associates.

5. Expenses by nature

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

€ million	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
Cost of product	5,357	4,818	17,659	16,160
Employee benefit expenses	1,003	913	3,328	3,057
Other operational expenses	610	529	1,940	1,788
Depreciation and amortization	199	178	634	585
Rent expenses and income - net	124	113	403	372
Impairment losses and reversals - net	18	6	29	11
Gains on the sale of assets - net	(2)	(1)	(18)	(11)
Total	**7,309**	**6,556**	**23,975**	**21,962**

6. Income taxes

In Q3 2012, income taxes included a tax expense arising from a partial reversal of an estimated benefit in the prior quarter.

In Q3 2011, the Company recognized an income tax benefit in the amount of €109 million from the release of an income tax contingency reserve related to financing transactions that occurred prior to 2004.

7. Share in income (loss) of joint ventures

The Company's share in income (loss) of joint ventures is net of income taxes and is specified as follows:

€ million	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
ICA	(42)	38	15	83
JMR	9	12	3	14
Other	(1)	1	2	1
Total	**(34)**	**51**	**20**	**98**

In Q3 2012, ICA's net income was negatively impacted by a tax expense of €150 million (Ahold's share: €90 million) related to the denial by the Swedish Tax Agency of certain interest deductions made in 2004-2008. For more details on ICA's tax claim, see Note 12.

8. Discontinued operations

Income (loss) from discontinued operations, consisting of results on divestments, is specified as follows:

€ million	Q3 2012	Q3 2011	Q3 YTD 2012	Q3 YTD 2011
BI-LO and Bruno's	(1)	-	2	(1)
Other*	(3)	3	(4)	(10)
Results on divestments	(4)	3	(2)	(11)
Income (loss) from discontinued operations, net of income taxes	**(4)**	**3**	**(2)**	**(11)**

** Includes adjustments to the result on various past divestments.*

9. Equity attributable to common shareholders

Dividend on common shares

On April 17, 2012, the General Meeting of Shareholders approved the dividend over 2011 of €0.40 per common share (€415 million in the aggregate). The dividend was paid on May 2, 2012.

Share buyback

On March 19, 2012, Ahold completed its €1 billion share buyback program. Under this program, 106,814,343 of the Company's own shares were repurchased and delivered in 2011 and 2012 (2011: 79,982,258 and 2012: 26,832,085) for a total consideration of €1 billion (2011: €723 million and 2012: €277 million), at an average price of €9.36 (2011: €9.04 and 2012: €10.33).

Of the total shares repurchased, 39,900,000 were cancelled on July 9, 2012.

The number of outstanding common shares as of October 7, 2012 was 1,038,279,214 (January 1, 2012: 1,059,805,233).

10. Pensions and other post-employment benefits

On September 14, 2012, Ahold received approval from the U.S. Internal Revenue Service to terminate the Frozen Plan in the United States. Plan participants have the opportunity to elect a lump sum or annuity payment option if the present value of their benefit is in excess of $5,000, all other participants will be paid in lump sums. Lump sum settlements are expected to be made in mid-December while the purchase of annuity contracts is to occur in 2013. The final settlement expense is highly variable and dependent on the proportion of participants electing to receive a lump sum or annuity payment, the interest rates at the time of settlement and the value of frozen plan assets. The final settlement expense is expected to be recognized in the fourth quarter of 2012. We are unable to provide a reasonable estimate of the settlement expense at this time.

11. Cash flow

The following table presents the changes in cash and cash equivalent balances for the first three quarters of 2012 and 2011, respectively:

€ million	Q3 YTD 2012	Q3 YTD 2011
Cash and cash equivalents at the beginning of the year	2,438	2,600
Restricted cash	(31)	(21)
Cash and cash equivalents beginning of the year, excluding restricted cash	2,407	2,579
Net cash from operating, investing and financing activities	(881)	(345)
Effect of exchange rate differences on cash and cash equivalents	(14)	13
Restricted cash	29	20
Cash and cash equivalents at the end of the quarter	**1,541**	**2,267**

12. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 2, 2011 was included in Note 34 to Ahold's 2011 consolidated financial statements, which were published as part of Ahold's Annual Report on March 6, 2012.

Tops northeast Ohio stores

Ahold has reached an agreement with the International Brotherhood of Teamsters Local 400 Food Terminal Employee's Pension Plan regarding its obligation for a mass withdrawal liability for workers of a warehouse in northeast Ohio. During the second quarter of 2012, Ahold paid $21 million (€17 million) in full and final settlement of its obligation. Ahold had previously provided $27 million (€20 million) for its obligation and the remaining balance has been reversed to income (loss) from discontinued operations.

ICA tax claims

ICA has lost its appeal with the Administrative Court of Appeal regarding the Swedish Tax Agency's denial of interest deductions made in 2004-2008 to a Dutch ICA Group company. The Tax Agency's claim amounts to SEK 1,279 million (€150 million) (including penalties and interest). In January 2011 ICA paid €132 million against this claim and recognized it as a receivable from the Tax Agency, as it was convinced that the deductions complied with applicable laws. During the third quarter of 2012, ICA recognized the €150 million settlement by derecognizing the receivable and accruing for the remaining balance to the Tax Agency. Ahold's share is €90 million and is reflected in share in income of joint ventures.

Use of non-GAAP financial measures

This interim report includes the following non-GAAP financial measures:

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

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

- **Identical sales.** Net sales from exactly the same stores and online sales in existing market areas, in local currency for the comparable period.

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

- **Comparable sales.** Identical sales plus net sales from replacement stores in local currency. Comparable sales are only reported for Ahold USA.

- **Underlying operating income.** Total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, and restructuring and related charges, including business acquisition transaction costs. Ahold's management believes this measure provides better insight into the underlying operating performance of Ahold's operations.

  As we pursue our growth strategy launched in November 2011, management has determined that it is more appropriate to manage Ahold's business according to a broader set of ambitions than net sales growth and underlying retail margin. In that context, in 2012 we began reporting underlying operating margin for the total Group, which includes Corporate Center costs. Underlying operating margin for the Group is a more relevant measure of profitability for food retail companies.

  The reconciliation from the underlying operating income per segment to the operating income per segment is as follows for Q3 2012 and Q3 2011 and for the first three quarters of 2012 and 2011, respectively:

(€ million)	Underlying operating income Q3 2012	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q3 2012
Ahold USA	185	(18)	1	-	168
The Netherlands	141	-	1	(4)	138
Other Europe	4	-	-	-	4
Total retail	330	(18)	2	(4)	310
Corporate Center	(17)	-	-	(4)	(21)
Ahold Group	**313**	**(18)**	**2**	**(8)**	**289**

(€ million)	Underlying operating income Q3 2011	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q3 2011
Ahold USA	171	(6)	1	2	168
The Netherlands	149	-	-	-	149
Other Europe	3	-	-	-	3
Total retail	323	(6)	1	2	320
Corporate Center	(20)	-	-	-	(20)
Ahold Group	**303**	**(6)**	**1**	**2**	**300**

(€ million)	Underlying operating income Q3 YTD 2012	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q3 YTD 2012
Ahold USA	634	(28)	3	(2)	607
The Netherlands	473	-	5	(5)	473
Other Europe	12	(1)	-	-	11
Total retail	1,119	(29)	8	(7)	1,091
Corporate Center	(60)	-	10	(10)	(60)
Ahold Group	**1,059**	**(29)**	**18**	**(17)**	**1,031**

(€ million)	Underlying operating income Q3 YTD 2011	Impairments	Gains on the sale of assets	Restructuring and related charges	Operating income Q3 YTD 2011
Ahold USA	589	(10)	3	(15)	567
The Netherlands	493	-	8	-	501
Other Europe	12	(1)	-	-	11
Total retail	1,094	(11)	11	(15)	1,079
Corporate Center	(60)	-	-	-	(60)
Ahold Group	**1,034**	**(11)**	**11**	**(15)**	**1,019**

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

- **Earnings before interest, taxes, depreciation and amortization.** EBITDA is net income before net financial expense, income taxes, depreciation and amortization. However, EBITDA does not exclude impairments. EBITDA allows investors to analyze the profitability between companies and industries by eliminating the effects of financing (i.e. net financial expense) and capital investments (i.e. depreciation and amortization).

The reconciliation from EBITDA per segment to operating income per segment is as follows for Q3 2012 and Q3 2011 and for the first three quarters of 2012 and 2011, respectively:

(€ million)	EBITDA Q3 2012	Depreciation and amortization	Operating income Q3 2012	EBITDA Q3 2011	Depreciation and amortization	Operating income Q3 2011
Ahold USA	301	(133)	168	285	(117)	168
The Netherlands	194	(56)	138	198	(49)	149
Other Europe	13	(9)	4	15	(12)	3
Corporate Center	(20)	(1)	(21)	(20)	-	(20)
Total	**488**	**(199)**	**289**	**478**	**(178)**	**300**

(€ million)	EBITDA Q3 YTD 2012	Depreciation and amortization	Operating income Q3 YTD 2012	EBITDA Q3 YTD 2011	Depreciation and amortization	Operating income Q3 YTD 2011
Ahold USA	1,031	(424)	607	952	(385)	567
The Netherlands	646	(173)	473	662	(161)	501
Other Europe	46	(35)	11	49	(38)	11
Corporate Center	(58)	(2)	(60)	(59)	(1)	(60)
Total	**1,665**	**(634)**	**1,031**	**1,604**	**(585)**	**1,019**

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

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

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

Financial calendar

Ahold's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31.

Ahold's 2012 financial year consists of 52 weeks and ends on December 30, 2012. The quarters in 2012 are:

First quarter (16 weeks)	January 2 through April 22, 2012
Second quarter (12 weeks)	April 23 through July 15, 2012
Third quarter (12 weeks)	July 16 through October 7, 2012
Fourth quarter (12 weeks)	October 8 through December 30, 2012

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Cautionary notice

This interim 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, expectations on market conditions, the impact of rising food commodity costs, the progress and deliverance of Ahold's strategies and cost reduction and simplification programs, Ahold's investment in growth, Ahold's response to market opportunities, the expansion of Ahold's geographic reach, the synergy from the combination of operations, and the final pension settlement expense and its recognition. 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 the effect of general economic or political conditions, fluctuations in exchange rates or interest rates, increases or changes in competition, Ahold's ability to successfully implement and complete its plans and strategies, the benefits from and resources generated by Ahold's plans and strategies being less than or different from those anticipated, changes in Ahold's liquidity needs, the actions of competitors and third parties and other factors 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 interim report. Ahold does not assume any obligation to update any public information or forward-looking statements in this interim report to reflect subsequent events or circumstances, except as may be required by applicable laws. Outside the Netherlands, Koninklijke Ahold N.V., being its registered name, presents itself under the name of "Royal Ahold" or simply "Ahold."