Annual Report 2014

Ahold

Reshaping Retail

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Ahold at a glance

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We are Ahold...

We are an international retailing group based in the Netherlands and active in the United States and Europe.

Ahold is built on a solid foundation, with strong and trusted local consumer brands, millions of loyal customers, leadership in our markets and proud associates. Operating supermarkets and selling great food has been our core business for over 125 years.

Today, we serve our customers' changing needs by offering them their channel of choice. We have a great network of stores and market-leading online businesses. Through our omni-channel offering our customers can shop anytime, anyhow and anywhere that is most convenient for them.

We work to be an even better neighbor and make meaningful contributions in all our communities. We support the health and well-being of our customers, associates and communities, source our products responsibly and care about the environment.

We are able to offer customers great quality and value, an easy and inspirational shopping experience, and all the right choices because of our people. Our associates are passionate about serving our customers and getting better every day. The relationships they build with our customers are an important part of why they keep coming back to shop with us.

Stores serving customers in five countries

3,206

Associates

227,000

Serving a trade area population of around

90 million+

Strong and trusted omni-channel retailer, with online net sales of

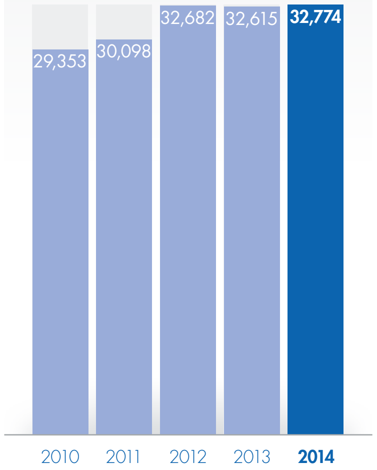
€1.3 billion

Group financial highlights

In 2014, we achieved net sales of €32.8bn and generated free cash flow of €1.1bn

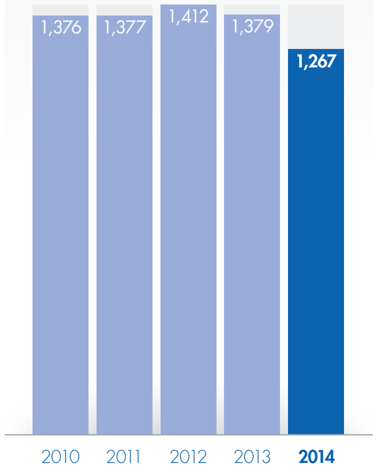
Net sales
€ million

€32.8bn



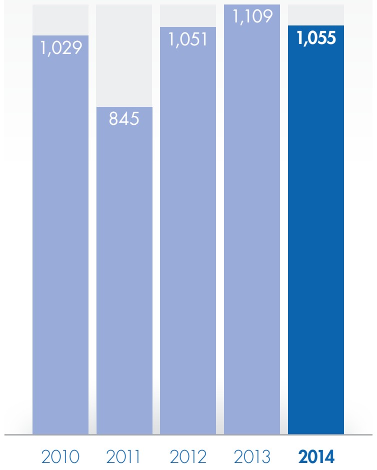
Underlying operating income
€ million

€1.3bn



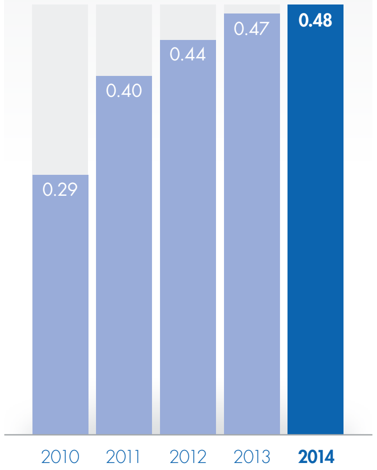
Free cash flow
€ million

€1.1bn



Dividend per common share
€

€0.48



Net sales increase at constant exchange rates

0.8%

Underlying operating margin

3.9%
(2013: 4.2%)

Total returns to shareholders through dividend payments and share buyback and capital repayment programs

€2.7bn
(2013: €1.2bn)

Adjusted income from continuing operations per share

€0.88
(2013: €0.79)

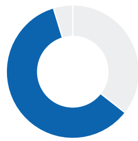
Read more detail:
See page 26

Highlights by segment

The strength of our brands, with leading market positions in all of our markets, underpins our financial performance

USA

Net sales
€19,557 million
(0.5)% growth in local currency
59.7% contribution to group net sales



Underlying operating income
€738 million
3.8% underlying operating margin
55.5% contribution (before Corporate Center costs)

Our brands
Stop&Shop, Giant, GIANT, MARTIN'S, Peapod

The Netherlands

Belgium
Germany

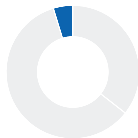
Net sales
€11,696 million
1.8% growth
35.7% contribution to group net sales

Underlying operating income
€574 million
4.9% underlying operating margin
43.1% contribution (before Corporate Center costs)

Our brands
ah, etos, Gall & Gall, bol.com

Czech Republic

Net sales
€1,521 million
11.7% growth in local currency
4.6% contribution to group net sales



Underlying operating income
€19 million
1.2% underlying operating margin
1.4% contribution (before Corporate Center costs)

Our brands
albert

Joint venture

Portugal

Net sales
€3,565 million

Stake
49%

Ahold holds 49% of the shares in the joint venture JMR, and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A.

Our brands
pingo doce

Read more detail:
See pages 07–09

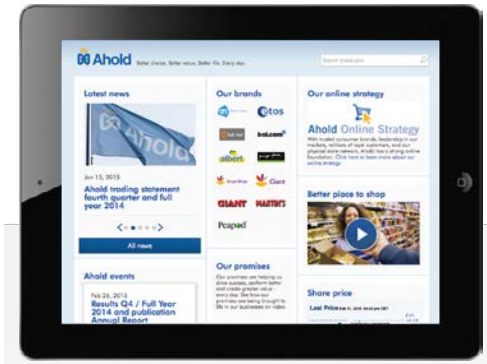
Our brands and how we operate

We operate strong brands in all our markets

Our strong local brands in the United States and Europe are well-known and popular with customers – and most are leaders in their markets.

Associates
227,000

Serving a trade area population of around
90 million+



Find out more about and stay up-to-date with our brands at:
ahold.com

United States

In the United States, we serve a trading area of approximately 56 million people.

The food market remains highly competitive, with food being sold in a wide range of retail formats as more and more U.S. retailers use it to drive traffic. The grocery channel represents approximately 57% of the food market in our trading area. In a market that was flat year-over-year, Ahold USA's market share was down slightly in 2014.[1]

1 Based on Nielsen data
2 Source: GfK Belgium

Read more detail:
See page 07

Europe

In Europe we serve a trading area of approximately 34 million people in four countries, with the greater part of our business in the Netherlands and the Czech Republic, and we also have a growing presence in Belgium.

The food retail sector in the Netherlands showed limited growth in 2014, but also some further consolidation in the supermarket industry. Albert Heijn's market share grew slightly in 2014.[1]

In Belgium, we operate in Dutch-speaking Flanders. While the market showed modest volume growth in a deflationary environment in 2014, Albert Heijn continued to successfully expand our business there and gained market share.[2]

In the Czech Republic, the competitive environment remained intense in 2014. Our Czech business made a step increase in market share with the acquisition of the Czech SPAR stores.[1]

Read more detail:
See pages 08–09

Ahold USA

Net sales
€19,557 million

Identical sales growth
(excluding gasoline)
(0.1)%

Underlying operating margin
3.8%

Stores	Associates	Pick-up points
768	115,000	209

Stop & Shop New England

Stop & Shop is a leading supermarket brand in the northeastern United States.

Market area
Connecticut, Massachusetts, and Rhode Island

Store formats
Supermarkets and super stores.

216 Stores

Stop & Shop New York Metro

Stop & Shop is a leading supermarket brand in the northeastern United States.

Market area
Connecticut, New York, and New Jersey

Store formats
Supermarkets and super stores.

182 Stores

Giant Landover

Giant Landover is a leading supermarket brand in the mid-Atlantic United States.

Market area
Virginia, Maryland, Delaware, and the District of Columbia

Store formats
Supermarkets and super stores.

170 Stores

Giant Carlisle

Giant Carlisle is a leading supermarket brand in the mid-Atlantic United States.

Market area
Pennsylvania, Virginia, Maryland and West Virginia

Store formats
Supermarkets and super stores.

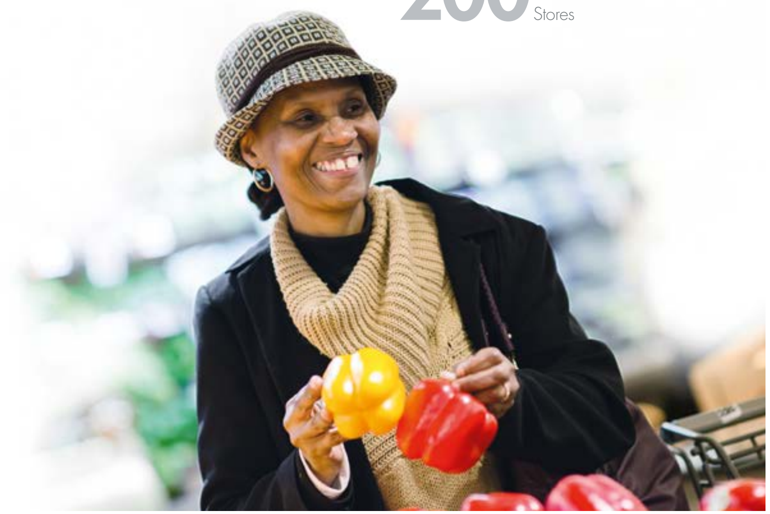
200 Stores

Peapod

Peapod is the leading online grocery service in the United States. It works in partnership with Stop & Shop, Giant Landover and Giant Carlisle.

Market area
Connecticut, District of Columbia, Illinois, Indiana, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and Wisconsin

Formats
Online grocery shopping.



The Netherlands

Including Belgium and Germany

Net sales
€11,696 million

Identical sales growth
(excluding VAT on tobacco sales)
(0.5)%

Underlying operating margin
4.9%

Stores	Associates	Pick-up points
2,105	97,000	34

Albert Heijn

Albert Heijn is the leading supermarket and online food retailer in the Netherlands and one of the country's best-known brands. Albert Heijn also operates in Belgium where it has a growing presence.

Store formats
Supermarkets, convenience stores and online shopping and delivery for food and non-food.

966 Stores

Etos

Etos is one of the largest drugstore chains in the Netherlands.

Store formats
Drugstores and online shopping.

539 Stores

Gall & Gall

Gall & Gall is the leading wine and liquor retailer in the Netherlands.

Store formats
Wine and liquor stores and online shopping.

600 Stores

bol.com

bol.com is the number one online retailer in the Netherlands and also operates in Belgium.

Store formats
Online shopping for general merchandise.

Czech Republic

Net sales
€1,521 million

Identical sales growth
(excluding gasoline)
(1.2)%

Underlying operating margin
1.2%

Stores	Associates
333	15,000

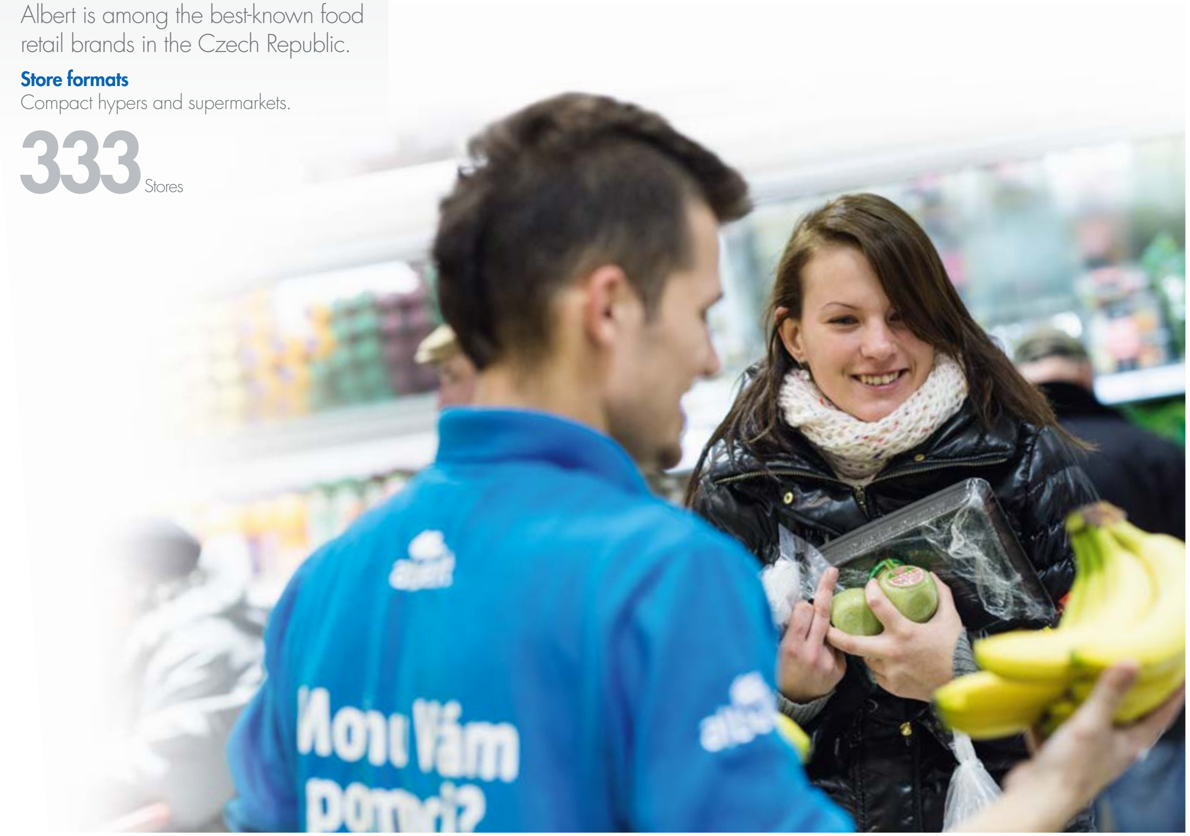
Acquisition of SPAR stores in the Czech Republic completed

albert

Albert is among the best-known food retail brands in the Czech Republic.

Store formats
Compact hypers and supermarkets.

333 Stores



Joint venture: JMR

Ahold holds 49% of the shares in the joint venture JMR, and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A.

Stake
49%

Net sales
€3,565 million

JMR

Pingo Doce is the largest supermarket chain in Portugal, and is managed by JMR.

382 Stores

Business review

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Dear shareholders,

We live in a time of unparalleled change in our industry, and 2014 was no exception. One thing that never changes, though, is that our customers remain at the center of all we do and at the heart of our promise to be a better place to shop. This year our businesses continued to adapt to the evolving needs and demands of our customers and we made great strides in improving the total shopping experience – online and offline – while offering healthier choices than ever before.

Watch Dick Boer's review of the year in full at:
www.ahold.com

In 2014, we offered customers their channel of choice – to shop anywhere, anytime, anyhow

Exceeded our Simplicity target, saving €865 million from 2012-2014

€865m

New target for growth in online consumer sales: €2.5 billion by the end of 2017

€2.5bn

Returned €2.7 billion cash to shareholders in 2014

€2.7bn

Message from Dick Boer, Ahold CEO (continued)

Online, convenience, transparency, quality, value, health: all are trends that are having a major impact on the food retail sector. Customers have never had so many ways to shop, and have never known so much about the products they buy – and their demands are growing. They want value for their money, innovative and healthy products, and an easy shopping experience personalized to their needs – and they want it today. Retailers who will be successful in the future will need to provide all this and more.

After more than 125 years in the business, change is in our DNA. As food retail continues to evolve, we see significant growth opportunities in catering to the rapid shifts in how our customers shop. Our Reshaping Retail strategy helps us reinvent the shopping experience for our customers to maintain our long-term, sustainable profitability while tackling difficult market circumstances in the short term. Our promises are helping us to get better every day for our customers, our associates and our communities.

Our 2014 financial performance

We grew sales by 0.8% at constant exchange rates in 2014, reflecting challenging market conditions with no volume growth and value-focused customers. Our successful Simplicity cost savings program enabled us to invest in our customer proposition while maintaining our operating income at a level comparable to 2013. Our net income included the cost of settling the Waterbury litigation, while in 2013 net income had been boosted by the results from the sale of our former joint venture ICA. We continued to generate strong free cash flow, exceeding €1 billion in 2014.

Better stores, better value

In 2014, we invested in our value offering and our in-store experience, to make our stores more attractive and friendlier places to shop, and provide the right products at the right prices for our customers.

In the U.S., we launched a program to improve our customer proposition and rolled it out to around 525 stores during the year. We are investing in our Fresh offering, enhancing the customer experience through associate engagement training and making targeted price reductions across the store. We are seeing encouraging early results and volumes have started to pick up in locations where the program has been up and running for several quarters. We expect to have it rolled out to all our stores in the first half of 2015.

In the Netherlands, our Albert Heijn business continued to introduce innovative new products and make significant improvements to its assortment and formats. We started to see a positive impact on sales, especially towards the end of the year, with a successful holiday season.

Etos also ended the year strong. Our specialty drugstore business grew in both its health and beauty care categories in 2014 and managed to attract more customers and increase sales in a competitive market. Our liquor store chain, Gall & Gall, is putting a strong focus on service and staff friendliness, which consumers recognized by voting it Best Retail Chain in the Netherlands this year in the Food Specialty Stores category.

Our acquisition of SPAR's business in the Czech Republic was certainly transformational for our Czech business. We are pleased with the sales performance of the stores that were rebranded into Albert and expect to have all stores rebranded by Easter 2015.

As a result of the acquisition, our Czech business made a step increase in market share, while Albert Heijn improved its market share slightly over the year. In the U.S., market share was down slightly, mainly related to Giant Landover.

Developing our omni-channel offering

Although the vast majority of our customers can – and do – shop in our stores, today they can also order online for pickup or home delivery. Enabling them to choose the channel that fits their needs best, online and offline, is becoming ever more important to our business.

Our stores provide a world of inspiration – serving as the customer interface, to play a role in our local communities, to enable customers to taste, try and test instead of "only" shopping for groceries and to serve as the connector between the online and offline world.

For the new generation of "digital natives" coming of age, online is an integral part of everything they do. They expect a seamlessly integrated shopping experience that is at least on par with – and preferably better than – what the best brick-and-mortar stores can offer. Ahold is well-positioned to serve these demanding customers through our leading online businesses: Albert Heijn Online, bol.com and Peapod.

As we move forward, our online growth strategy will revolve around three elements: "more customers," benefiting from general market growth and driving share growth; "more places," expanding into new regions; and "more choices," expanding the offering for customers and partners.

We continue to invest in our online capabilities, technology and marketing in order to stay at the forefront of omni-channel retail. Albert Heijn Online is experiencing its highest growth ever and offers a wide assortment of products and more choices to our customers. In the U.S., we opened a new distribution center in the New Jersey area to expand the capacity of our Peapod business so we can serve more places and more customers in the metro New York market.

Our online general merchandise retailer bol.com reached a milestone in 2014 when its store partners, who are able to sell products on bol.com's site through its Plaza marketplace, together achieved sales in excess of €100 million over a 12-month period. By opening its doors to outside retailers, bol.com has increased its offering by over 2.5 million items and customers can now choose from over nine million in all.

This year we reached €1.4 billion in total online consumer sales. In November, we announced the next stage of our ambition, aiming for a growth in online consumer sales to €2.5 billion by the end of 2017. We believe our online business and our omni-channel offering are crucial for our future growth and long-term value creation.

Strengthening our own brands

Our own brands are another important part of our strategy – they enable us to provide a more relevant assortment of products in different price ranges, develop new and innovative alternatives and build customer loyalty.

We further strengthened our own brands this year, particularly in the U.S., where we increased own-brand penetration by 0.5% to 37.6%. Our natural and organic Nature's Promise and premium Simply Enjoy ranges are so well executed they are perceived by customers as separate consumer brands, helping us drive sales and differentiate our stores. Albert Heijn expanded its assortment of natural products and products for special dietary needs during the year, and launched a new organic own brand, to help customers make healthy choices. Albert in the Czech Republic leveraged the scale of our group when it launched Albert Heijn's value brand in all its stores this year.

Making healthy choices easy and affordable

Our focus on healthy own-brand products is only one example of the work we are doing to help people make healthy choices, as part of our responsible retailing strategy. We're learning more about the link between food and health, and it is clear that as food retailers we can have a significant impact on people's lives.

Our vision is to make healthy, fresh, sustainable food available and affordable for all our customers – while still offering plenty of choices for the occasional indulgence when they are looking for it. We invest in our own-brand ranges to offer healthy products at a good value. We play an important role in showing our customers how to use our great products through our magazines – such as *Allerhande*, the most widely read magazine among women in the Netherlands, our websites and through social media. We have programs in place in all our markets to educate children on healthy eating – over the past five years we've reached nearly 2.8 million children this way. It is only by making healthy choices accessible to a broad section of the population in our markets that we can have a real impact on our customers' health, and therefore their lives.

Responsible Retailing

We want to be a better neighbor and a responsible retailer everywhere we operate. I am very pleased with the results we have achieved against our responsible retailing targets this year. You can read more about the work we are doing to be a responsible retailer and a better neighbor in our Responsible Retailing Report 2014.

Engaged associates

As a retail company, our business is only as good as our people, and so we are committed to being a better place to work every day. Our 2014 Associate Engagement Survey had its highest response rate in three years and overall engagement was up 1% to 68% – a result that shows we are making progress in creating a culture where associates feel engaged and are focused on driving our strategy forward.

Our leadership

2014 was the first full year with our new Ahold Executive Committee (ExCo) in place and having leadership from key business and functional areas in our top management team has already made a positive impact.

We recently welcomed two new members to our ExCo. Jan Ernst de Groot started on February 1, 2015, as Chief Legal Officer. He is responsible for Ahold's legal affairs, governance and compliance and heads up responsible retailing and product integrity. Wouter Kolk was appointed CEO of Albert Heijn, to succeed Sander van der Laan, who stepped down as of February 1, 2015. I am very pleased that we were able to appoint an experienced leader with a strong track record from within our own company to this important role.

I would like to take this opportunity to personally thank Sander for his strong contributions to our company over his 16-year career with Ahold. Under his leadership, Albert Heijn ran memorable commercial campaigns that were very popular with customers, developed into a true multi-channel business, and began operating successfully outside its home market for the first time in Belgium. We wish Sander all the very best.

In October, we announced that Lodewijk Hijmans van den Bergh, Chief Corporate Governance Counsel and member of the Management Board and Executive Committee, would step down. This will take effect as of March 1, 2015. I would like to personally thank Lodewijk for his five years of excellent service to our company. During his tenure he successfully resolved some of Ahold's key legacy issues, actively contributed to the development and execution of our strategic agenda and played a pivotal role in developing our Responsible Retailing strategy. We are grateful for his many contributions and wish him all the best in the future.

We also had some changes to our Supervisory Board during the year. We welcomed a new member when shareholders appointed René Hooft Graafland to the Board in April, effective January 1, 2015. He came to us from Heineken, where he will serve as CFO until April 2015, bringing a wealth of experience in the areas of finance and consumer goods. In June, the Supervisory Board appointed Rob van den Bergh as interim Chairman to temporarily replace Jan Hommen when he became CEO of KPMG the Netherlands.

Creating value for our shareholders

As our shareholders, you are the owners of our company, and we always strive to make Ahold an investment that brings you good value. Due to our confidence in our Reshaping Retail strategy, and our ongoing strong cash generation, we propose an increase in our dividend to €0.48.

We continue to move towards a more efficient capital structure. In 2014, we returned €2.7 billion cash to shareholders through the completion of our €2 billion share buyback program, €1 billion capital reduction and reverse stock split, and a 7% increase in our dividend. We remain committed to our financial guidelines on leverage, liquidity and credit rating. Going forward we aim to maintain a balance between investing in profitable growth, returning cash to our shareholders and reducing debt and we will continue to move towards a more efficient capital structure. In February, we announced another €500 million share buyback program, to be completed in the next twelve months.

Outlook for 2015

We continue to invest in our customer proposition, providing better value, quality and service to our customers. These investments will continue to be largely funded by our Simplicity program, that is expected to deliver €350 million in cost and efficiency improvements in 2015. As mentioned earlier at our Online Strategy event, margins in the Netherlands will be impacted by increased investments, particularly at bol.com, to maintain strong sales growth in our online business and to further strengthen our market leading positions. Lower interest rates will result in an increase in underlying pension costs, especially in the Netherlands, although total cash contributions will be lower than last year. In the Czech Republic, we expect that the acquisition of SPAR will remain slightly margin-dilutive in 2015, but margin-enhancing from 2016 onwards with an additional one-off cost of €40 million in 2015. At current exchange rates, we expect free cash flow for the year to be broadly in line with last year.

Our thanks

In closing, on behalf of my colleagues on the Management Board and the Executive Committee, I want to thank our 227,000 associates around the company for their hard work and constant drive to bring a better offering to our customers. You will see examples throughout this report of how our associates are making the difference for our customers and communities through focus, innovative thinking, and wholeheartedly striving to get better every day. We are constantly working to make Ahold a better place to work for them. I also want to thank our customers for being our inspiration, and for giving us the chance to serve them, 365 days per year. We are grateful to our shareholders, for your confidence in our company and our strategy and for your support over the past year. It has been a real privilege to again lead our great company in 2014. Through our Reshaping Retail strategy we will continue to become better every day for our customers, while at the same time creating value for our shareholders and other stakeholders.

Dick Boer
Chief Executive Officer

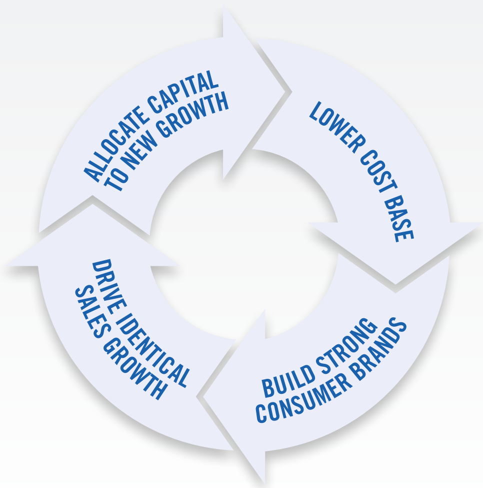
February 25, 2015

How are we reshaping retail at Ahold?

Our Reshaping Retail framework outlines our strategic ambitions, how we operate and what we want to be as a company.

We have a common set of values across all our businesses and a shared vision for the future. Our proven business model enables us to keep investing in our customer offering, and we are getting better every day through our shared promises. Our strategic pillars outline our clear ambition to grow and be competitive in years to come.

We have a robust **business model**, built on strong local brands…



we are keeping our **promises**…

Ahold is becoming a better place to shop, a better place to work, and a better neighbor.

and we have the ambition to drive performance and go for **growth**.

Creating growth:
- Increasing customer loyalty
- Broadening our offering
- Expanding geographic reach

Enabling growth:
- Simplicity
- Responsible retailing
- People performance

Our values
Putting the customer first; Doing what's right; Winning together; Making ideas happen; Getting better every day

Our vision
Better choice. Better value. Better life. Every day.

Our vision and values

We're committed to living the five common values that define who we are…

Our vision

Our vision is to offer better choice, better value, and a better life to all of our stakeholders – our customers, associates, suppliers, shareholders, and the communities we serve.

- → **Better choice.**
- → **Better value.**
- → **Better life. Every day.**

This vision describes our ambition to provide the right choices and great value that support a better life not only for our customers but also for our other stakeholders. We work to get better in each of these areas, every day.

Our values

All of our companies share five common values that define who we are, what's important to us, and how we do things around here to grow our business.

with a Group-wide business model that ensures we can keep getting better for our customers…

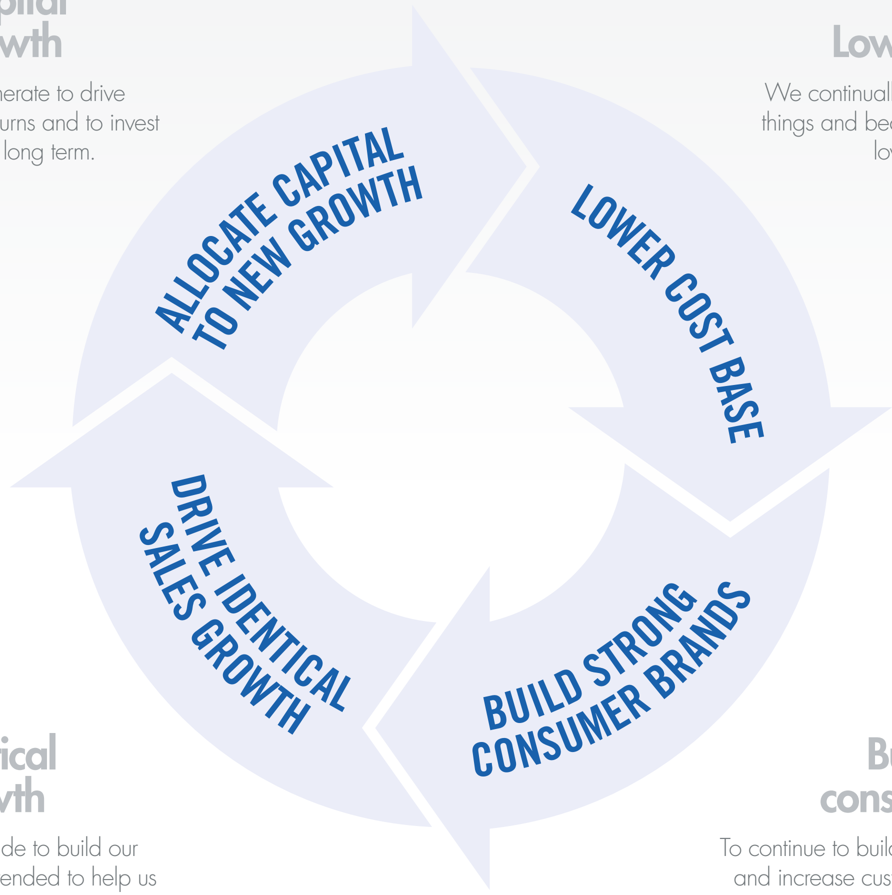
Our business model is a continuous cycle in which we work to lower our cost base so that we can invest in price, value, and the products and services we offer. This enables us to drive sales, win new customers and allocate capital to further grow our business.

Allocate capital to new growth

We use the capital we generate to drive new growth, to get the right returns and to invest in our businesses for the long term.

Lower cost base

We continually work to simplify how we do things and become more efficient in order to lower our cost base.



Drive identical sales growth

The investments we have made to build our strong consumer brands are intended to help us to drive identical sales growth, increase volumes and gain market share going forward.

Build strong consumer brands

To continue to build our strong local consumer brands and increase customer loyalty, we reinvest our cost savings into our offering and give customers more of what they want and need.

promises that help us get better every day...

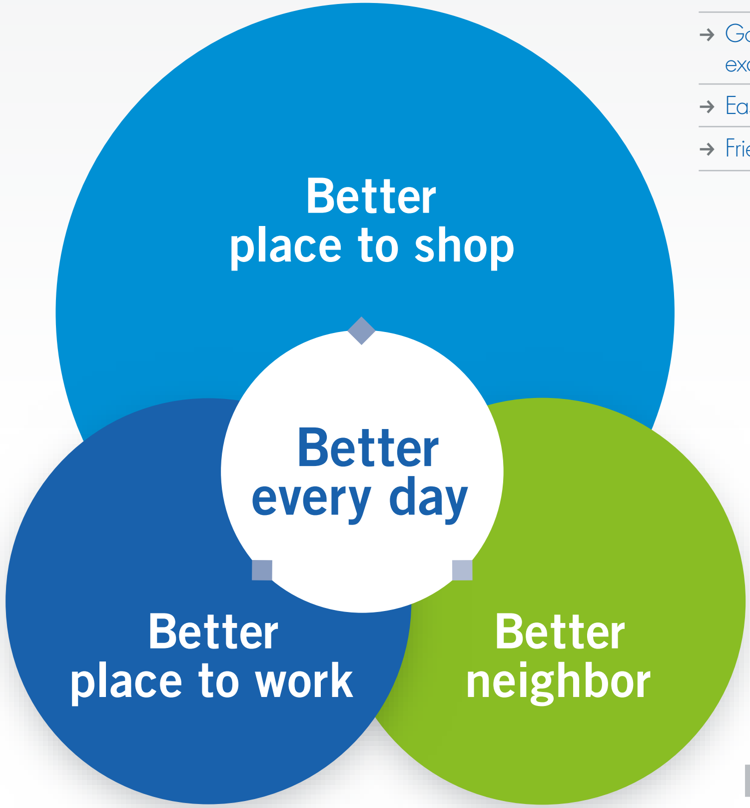
Our promises are helping us focus on the right priorities to drive success and create greater value on a daily basis. They stand for the continuous improvements we implement in our operations for the benefit of our stakeholders.

All three of our promises are interlinked – in order to build strong relationships with our customers, we need happy, engaged associates and a deep connection to our neighborhoods and communities. As retailers, our relationship with customers has always been at the center of everything we do. But in today's world, being a good retailer is also about creating a working environment where associates can be at their best and about ensuring we take on our role in the wider world our business impacts.

Our promises are to be a better place to shop, a better place to work and a better neighbor every day for our customers, our associates and our communities. Our promises run across all our businesses, but are applied locally at each of our banners according to their needs and priorities.

Better place to shop

- Great quality and freshness
- Finding the products you want
- Good prices and exciting promotions
- Easy to shop
- Friendly and helpful associates



Better place to work

- Respect for each other
- Good working conditions
- Opportunities to develop
- Support from my manager
- Recognition for performance

Better neighbor

- Healthy living choices made easy
- Contribution to community well-being
- Responsibly sourced products
- Care for the environment

Better place to shop

Putting the customer first has always been embedded in our culture and values – but in today's challenging and competitive environment, it is more important than ever. Being a better place to shop is about doing more each day to give our customers a shopping experience that surprises and delights them.

Better value, lower prices at Ahold USA

Customers in all our markets are watching their budgets. To give them even better value, stores across Ahold USA made more than 1,000 targeted price reductions focused largely on Fresh items in 2014. Giant Landover launched a division-wide service and savings campaign, engaging associates and using mass media tools and social media to communicate better service and pricing to customers.

Freshening up the bakery department at Albert Heijn

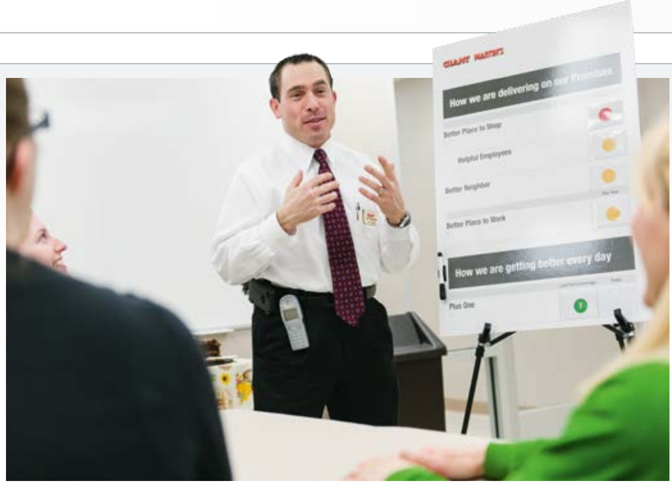
Albert Heijn rolled out an improved bakery department, with new products – including new and improved natural products – that are presented better. They also added a "bread guarantee," promising to offer three kinds of fresh-baked bread every day until closing time. The changes are proving to be popular with customers.

Best-of-breed integration of former SPAR stores in the Czech Republic

As Albert integrates the former SPAR stores, they are keeping the best from both companies to improve the customer offering. This includes implementing Albert's strong produce assortment at SPAR's large stores, and adopting SPAR bread recipes at Albert. They have tested nearly 700 SPAR and Albert products using consumer panels to identify the best own-brand products for the final assortment.

Better place to work

Our engaged associates are the face of our business and at the heart of our success. Throughout all our businesses, our associates are truly dedicated to serving our customers and getting better every day. In return, we are committed to making sure our companies continue to become even better places to work.

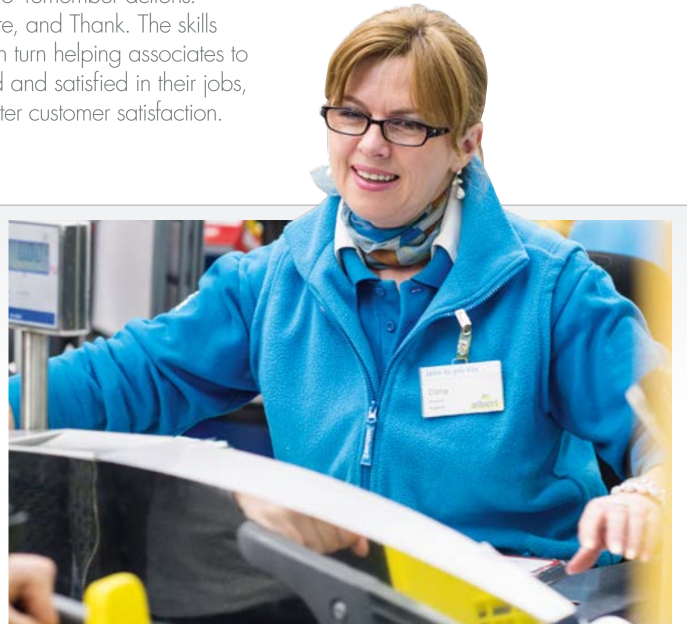


Intensified store associate training at Ahold USA

The Ahold USA divisions rolled out a training program aimed at increasing customer and associate engagement. Around 100,000 associates participated, learning to improve how they serve and engage customers through four easy-to- remember actions: Greet, Assist, Share, and Thank. The skills they learned are in turn helping associates to be more engaged and satisfied in their jobs, while driving greater customer satisfaction.

Becoming a better place to work at Albert in the Czech Republic

During a busy year, Albert continued to become a better place to work. For example, a new initiative calling for each store to strive to be the favorite in its market is building team pride, improving the store culture, and making associates feel valued. The “Respect for each other” exchange program is helping distribution center associates better understand each other’s work.



Expanding our targets for hiring disabled associates at Albert Heijn

Albert Heijn is creating more opportunities for associates who need extra support and face challenges in entering the job market. In 2014, the company decided to more than double the number of young disabled associates it hires – from 600 to 2,000 by the end of 2016. By using experienced associates to coach these young people, they are also creating development opportunities for store managers.

Better neighbor

We want to be a good neighbor everywhere we operate. As a company with over 3,000 stores and a trading area population of more than 90 million people, we can really make a difference in our communities through the economic benefits and job opportunities our businesses provide, and by supporting local causes that are important to our neighbors, our customers and our associates. We believe we have an opportunity to help our customers and associates make healthier choices, and promote health in our communities. We also endeavor to source our products responsibly and look after the environment we operate in.

Ahold USA on the leading edge with sustainable own-brands

After the groundbreaking decision to source UTZ certified coffee for 42 Simply Enjoy varieties, Ahold USA switched its "wedge" and Guaranteed Value own-brand canned coffees to UTZ. It also became the first supermarket chain in the U.S. to offer own-brand UTZ Certified chocolate bars, reinforcing its position on the leading edge of sustainability in own-brand products among U.S. grocers.

Healthy reformulation of own-brand products at Albert Heijn

Albert Heijn is continuously focused on reducing salt and (saturated) fat in its own-brand products, and most of its ready-to-eat meals now comply with its norms. For some meals, they were able to take out over 20% saturated fat. Albert Heijn also joined its food industry peers to sign an agreement with the Dutch government to improve the healthfulness of products.

Smurfs return to promote healthier products at Albert

The Smurfs returned to Albert for the third year in a row to make healthy eating more fun for Czech children. Albert's own-brand healthy "I know what I eat" products had Smurf-themed packaging to make them easy to spot. Customers could collect Smurf as well as fruit and vegetable figurines and visit a new microsite for fun games and healthy recipes.

Six pillars that help us achieve our growth ambitions

Our six strategic pillars outline how we aim to accelerate the growth of our company. While our promises stand for the continuous improvements we are making in our businesses each day, the pillars are designed to drive and enable step-change innovations and, where possible, to leverage the scale of the Group. They will also ensure we stay ahead of customer behavior and retail trends.

Increasing customer loyalty

In today's world, consumers have more choice than ever before. They also have growing expectations of retailers. To gain their loyalty, we have to understand them better than anyone else so that we can offer them the products and services they want, the quality and value they expect, and a shopping experience that makes their daily lives a little easier.

We are working to build more personal relationships with our customers so that they will want to keep coming back to shop with us. Our associates are key to this – the friendly and helpful service they provide builds our customers' loyalty and trust. We are also using our insights and innovative technologies to develop personalized communications and offers to customers on the products and services they need and want.

Our ambition

- → Add 1-2% to sales growth through our customer initiatives.

Our progress

We remain pleased with the progress of our company-wide initiatives. Both in the U.S. and the Netherlands, our loyalty card programs are showing satisfactory impact in terms of incremental sales.

Broadening our offering

We are broadening our offering by growing our online businesses, developing our store formats and improving our assortment – to give our customers shopping alternatives that meet their changing needs.

We are accelerating the growth of our online businesses so our customers can shop when, where and how they want – either in our stores or online, for delivery or pickup. We are building an even better, more relevant assortment, with a broader range of products and services, including new and innovative own-brand products and a growing assortment of non-food products. We continue to strengthen our successful supermarket formats, while developing additional formats to better serve our customers' needs.

Our ambition

- → Increase our online consumer sales to €2.5 billion by the end of 2017 and drive profitability.
- → Increase own-brand penetration to approximately 40% in our U.S. businesses by the end of 2016.
- → Open a minimum of 150 convenience stores in Europe by the end of 2016.

Our progress

Our online consumer sales in 2014 were €1.4 billion. Own-brand penetration in the U.S. grew by 0.5% to 37.6%. Moreover, we are pleased with the performance of our new Albert Heijn to go format, showing double-digit sales growth.

Expanding our geographic reach

Acquiring stores in our current markets enables us to make the most of our existing operations and better leverage our scale. We are also looking for opportunities to move into markets that are adjacent to where we operate, so we can apply our skills and build our scale even further.

Our ambition

- → Continue to focus on current and surrounding markets and evaluate new geographies.
- → Open 50 supermarkets in Belgium by the end of 2016.

Our progress

In 2014, we completed the acquisition of 49 SPAR stores in the Czech Republic, which we are now in the progress of integrating into our existing Albert business. We remain on track to achieving our ambitions in Belgium. In 2014, we opened nine new stores, now operating 28 stores in this market.

Simplicity

We are leveraging our capabilities and resources as an international company and working on better processes and systems across our businesses. The savings we unlock with Simplicity will be reinvested into our offering for customers to drive our successful business model.

Our ambition

- Reduce costs by €350 million in 2015.

Our progress

We set an ambition to deliver €600 million in Simplicity savings in the period 2012-2014. We have realized savings of €865 million, exceeding our target. For 2015, we will continue to drive improvements and we aim to deliver a further €350 million in savings to be reinvested back into the business.

Responsible Retailing

We support the health and well-being of our customers, associates and communities, source our products responsibly and care about the environment. Associates – throughout our businesses – are engaged in putting responsible retailing into practice, every day. We have five priority areas under our responsible retailing pillar: healthy living choices made easy, contribution to community well-being, responsibly sourced products, care for the environment, and our people.

Our ambition

- We have ambitions in five priority areas: healthy living, community well-being, responsible products, care for the environment and our people, measured by nine targets. Please see our Responsible Retailing Report 2014 for further detail.

Our progress

We are well on track towards realizing our Responsible Retailing targets for 2015. Please see our Responsible Retailing Report 2014 for further detail.

People performance

We are continuously investing in and supporting the development of our associates. At the same time, we are hiring new people with new skills, so that we have the capabilities we need to grow – and sharing these capabilities across our businesses. We will continue to build diverse workforces – in terms of both personal background and professional experience – to better serve our diverse customer base and help us successfully cross cultures and borders. We want to be a better place to work for our associates, and provide good working conditions, development opportunities, managerial support, recognition for performance, and an atmosphere of mutual respect.

Our ambition

- We have ambitions in and measure our performance across five areas: respect for each other, good working conditions, development opportunities, support from managers and recognition for performance.

Our progress

Our increasing associate engagement score (measured annually) shows we are making progress on our ambition to motivate and inspire our associates and enhance our performance culture. A uniform rating system based on both pre-set targets and on specific values-driven behavior has been developed and is currently being rolled out.

Our omni-channel offering

Supermarkets are the core of our business. However, we operate a range of other formats and continue to expand our online options to serve the needs of different communities and to give customers more shopping alternatives.

Supermarkets

Geography
United States, Netherlands, Belgium, Czech Republic

Offering
Full range of food and selected non-food products. Emphasis on fresh products

Convenience stores

Geography
Netherlands, Germany

Offering
Quick food solutions for on-the-go customers

Compact hypers

Geography
Czech Republic

Offering
Full range of food and selected non-food products. Emphasis on fresh products

Specialty stores

Geography
Netherlands

Offering
One chain offers health and beauty care products; another offers wine and liquor

Online food delivery

Geography
United States, Netherlands

Offering
Full range of food and selected non-food products

Online general merchandise delivery

Geography
Netherlands, Belgium

Offering
Wide general merchandise range

Pick-up points

Geography
United States, Netherlands

Offering
Full range of food and selected non-food products. Customers order online for pickup at designated locations

Gasoline stations

Geography
United States, Czech Republic

Offering
Gasoline and, in some locations, a small range of convenience products

Market overview

Our Reshaping Retail strategy is built around addressing the trends that are most important to our customers and our business.

Macro trends

Economics

The macroeconomic situation in our markets is improving. Purchasing power – especially in the middle income groups of our core customer base – is recovering. However, shoppers continue to be focused on value, price and promotions. To help our customers, we continuously work to lower our cost base as part of our Simplicity pillar, so that we can invest in price, value, and the products and services we offer.

Demographics

We are seeing limited population growth in our markets and an aging consumer base. There is increasing diversification, not only of ethnicity but also in other areas, including: household composition, affluence and urban versus suburban. For us, this presents new opportunities to diversify our offering to best meet the needs of local communities, becoming both a better place to shop and a better neighbor.

Lifestyle trends

Convenience

Many of our customers have busy lifestyles and increasingly demand convenience. They want food that is easy to prepare, personalized offers and a convenient, flexible shopping experience. As part of our "broadening our offering" pillar and to ensure we fulfill these customer needs, we offer, among other things, an increasing range of convenience meals and fresh-cut produce, as well as multiple delivery options for online orders.

Health and well-being

Customers are increasingly aware of the positive impact of food on a healthy lifestyle. They are also becoming more knowledgeable about lifestyle-related diseases, allergies, and other health conditions that may be affected by diet. Through our recipes (both in-store and online), our broad Fresh offering, and our increasing focus on providing health advice through dietitians in our U.S. stores, we have an opportunity to help customers make healthier choices, while giving them access to affordable products that are good for them and their families. This makes us both a better place to shop and a better neighbor.

Transparency and sustainability

Food is safer than ever today, and customers have a greater interest in what they eat and where it comes from. People are increasingly aware of the impact they can have on society and the environment through their buying decisions. They want retailers to help them make responsible decisions, and rely on them to ensure the integrity of the supply chain where possible. Our new Albert Heijn Organic range makes it easier for our customers to make such decisions.

Connection and communities

People are increasingly searching for a feeling of community and personal connection. They find this not only in their local neighborhoods, but also through social media and online and offline communities around common interests. Retailers have a unique opportunity to connect individuals and communities in many ways – whether that is through community centers based in stores, or through the personal relationships they build with customers in an online environment. The MyBonus program at Albert Heijn is a prime example of this kind of personal relationship building, aimed at increasing customer loyalty.

Industry trends

Competition

We are seeing increasingly diversified competition, both on the premium and discount ends of the retail spectrum, and new competition from outside of the traditional food retail industry. Customers are dividing their shopping trip over multiple stores for specific shopping needs or occasions. Retailers continue to evolve as consumers also diversify and change the way they shop, both online and offline.

Online and mobile

Grocery e-commerce is still a relatively small part of the overall retail food market, but it is growing rapidly. Online will be a key component of growth for retailers in years to come. Mobile apps are creating new opportunities for sales growth and an improved customer experience in online shopping. Customers are more in control of the shopping experience than ever, with more product information at their fingertips and the ability to match prices while they shop. With our existing online business and strategic focus on online retail under our "broadening our offering" pillar, we are well-positioned to capture this opportunity further in the coming years.

With our Reshaping Retail strategy we are getting ahead of these trends

We are working to provide quality products at affordable prices for our value-focused customers. We are making continuous innovations in our assortment, to offer the right products, including a wide range of fresh, healthy and responsible choices. Our own-brand ranges are helping us do this, while building loyalty to our brands. We have friendly and helpful associates of many different backgrounds to welcome our diverse customer base. And our omni-channel offering enables people with busy lifestyles, or those who are less mobile, to still benefit from our quality products, brought to them through new delivery channels.

Our stakeholders

As a major international retailing group with thousands of suppliers, employing over 200,000 associates, and serving a trading area population of 90 million people, we have many different stakeholders who impact or are impacted by our business in various ways.

Our stakeholders include our customers, associates, communities (including governments, NGOs, academic / research institutes and industry bodies), shareholders and suppliers. We engage with these groups in various ways, including through stakeholder events, industry-wide conferences, round-table discussions and supplier days. We do this in order to gain insight into their expectations and to share our progress with them. Listening to and engaging with our stakeholders enables us to better understand their needs.

Customers

Our customers are central to our business. We are committed to offering them healthy choices and providing products that are made with respect for people, animals and the environment. In addition, we aim to offer competitive prices combined with high product quality and a great shopping experience.

We regularly ask our customers what they think of our stores, assortment and service, including their perception of Ahold's brands as being healthy retailers. We receive feedback via third-party surveys, proprietary tracking studies and consumer panels, as well as directly from customers in stores and online.

Associates

Engaged associates are key to our success. Their hard work and commitment define us as a leading international retailer. We constantly strive to make sure we provide an even better place to work, every day. We do this by creating workplaces built on fairness and mutual respect, and by maintaining strong businesses to drive stable jobs and provide opportunities for great careers. We respect and protect the rights of associates: we are committed to the principles of equal employment opportunities, freedom of association, and respecting the legal rights to collective bargaining. We maintain an open and honest company culture and carry out an annual associate engagement survey. In 2014, 81% of our associates participated in the survey globally.

Communities

The communities where our customers and associates live are very important to us. Our businesses are committed to being active and engaged members of their communities. We do this through our initiatives, events and charitable contributions that support the communities and neighborhoods in which we operate.

Shareholders

Our shareholders are crucial to our business; they put their trust in us by investing in Ahold financially. They monitor our company closely and challenge us on our strategy and how we manage our company. We meet with investors, including socially responsible investment (SRI) analysts, on a regular basis and work to broaden the investment community's understanding of our company by providing accurate and timely information on Ahold's performance and prospects. We continually engage with our shareholders in various ways, and our general meetings also provide an opportunity for them to engage with Ahold.

Suppliers

We rely on our suppliers to deliver the high quality products our customers expect from us. Increasingly, we work in collaboration with our suppliers and engage with them in many ways, aiming to strengthen and improve our relationships. We hold supplier events to discuss a wide range of topics, including company strategy, sustainability, supplier diversity, and food safety. In addition, we hold a special supplier day during which awards are given out for good performance. Through the Albert Heijn Foundation in Africa we work to improve the livelihoods of Albert Heijn's African fruit and vegetable suppliers, which in turn supports their families and communities and helps to secure long-term relationships with them.

Monitoring our performance

Results	2014 € million	2013 € million	Change versus prior year	% change constant rates
Net sales	**32,774**	32,615	0.5%	0.8%
Underlying operating income	**1,267**	1,379	(8.1)%	(8.0)%
Underlying operating margin	**3.9%**	4.2%	(0.3)% pt	
Operating income	**1,250**	1,239	0.9%	0.9%
Income from continuing operations	**791**	805	(1.7)%	(1.9)%
Net income[1]	**594**	2,537	(76.6)%	(76.6)%

Shareholders	2014 €	2013 €	Change versus prior year
Net income per common share (basic)	**0.68**	2.48	(72.6)%
Adjusted income from continuing operations per share[2]	**0.88**	0.79	11.4%
Dividend payout ratio[3]	**51%**	51%	–
Dividend per common share	**0.48**	0.47	2.1%
Total shareholder return	**6.4%**	35.8%	(29.4)% pt
Return on capital employed	**13.0%**	13.8%	(0.8)% pt

Leverage and liquidity	2014	2013	Change versus prior year
Liquidity (€ billion)	**3.1**	5.0	(38.0)%
Net debt (€ million)	**1,311**	(942)	(239.2)%
Debt leverage (times)[4]	**1.9**	0.9	111.1%
Free cash flow (€ million)	**1,055**	1,109	(4.9)%

Other information	2014	2013	Change versus prior year
Number of stores (including franchise stores)	**3,206**	3,131	2.4%
Capital expenditures (excluding acquisitions)	**740**	830	(10.8)%
Number of employees	**227,000**	222,000	2.3%
Credit rating / outlook Standard & Poor's	**BBB / stable**	BBB / stable	–
Credit rating / outlook Moody's	**Baa3 / positive**	Baa3 / positive	–

Certain key performance indicators contain non-GAAP measures. The definitions of these non-GAAP measures are described on page 37 of this Annual Report.

1 The decline in net income for 2014 compared to 2013 was primarily due to the results from discontinued operations. 2014 results include a charge representing the net of tax settlement amount and associated legal fees for the Waterbury litigation of €194 million, while 2013 results included income of €1,751 million following the sale of our former joint venture ICA.
2 For more information on adjusted income from continuing operations, see the *Group financial review* in this section.
3 Dividend payout ratio is based on adjusted income from continuing operations, see the *Group financial review* section for more information.
4 The debt leverage ratio of the net lease adjusted debt divided by EBITDAR is defined in the non-GAAP measures section.

We remain focused on our business model, lowering our cost base and reinvesting the savings to improve our customer proposition.

The food retail sector has been undergoing major changes, turning a strong focus to Fresh, convenience and omni-channel. These developments are taking place in an environment that continues to be highly competitive, with customers remaining value-oriented and focused on price and promotion in all of our markets.

Under these market conditions, our strategic promise to be a better place to shop is helping us focus on the right priorities by improving quality, service and value for our customers while developing our formats and accelerating our online business.

Our continuous efforts have started to bear fruit, with sales trends stronger in the second half of the year.

However, cautious consumer spending kept volume growth under pressure and, combined with our investments in price improvements and low inflation, resulted in modest sales growth. Net sales in 2014 were €32.8 billion, up 0.5% compared to 2013. At constant exchange rates, net sales grew 0.8%.

Our net sales increased primarily due to new store openings, including the acquisition of 49 SPAR stores in the Czech Republic and the impact from 15 stores in the Netherlands that were converted in 2014 as part of the agreement to transfer 82 stores from Jumbo. In addition, we continued remodeling and expanding our stores. Identical sales growth was negative in all three segments. Both our grocery and general merchandise online businesses continued to grow by double-digits. Our online businesses contributed 3.9% to Ahold's net sales in 2014 (2013: 3.3%).

Tight cost management remains a core part of our business model. By the end of 2014, we exceeded our three-year (2012-2014) €600 million cost savings program, having delivered €865 million. This enabled us to continue to invest in our competitive position and, at the same time, our businesses benefited from optimized store processes and improved sourcing. In Europe, as part of our Simplicity program, we implemented a reorganization of our head office support roles to improve efficiency. In addition, we streamlined Albert Heijn's commercial organization to enable a greater focus on improving quality and value for our customers and to successfully introduce new products, especially in Fresh.

Ongoing initiatives from our Simplicity program, which will be re-invested in our customer proposition, are expected to deliver €350 million of cost savings in 2015.

Despite a successful savings program in 2014, our underlying operating margin was 3.9%, down from 4.2% in 2013, primarily due to investments in value and growth in our main markets and deleverage of fixed costs resulting from soft sales trends.

Underlying operating income (which excludes impairments, gains on the sale of assets, restructuring and related charges, and other unusual items listed below) was €1,267 million in 2014, down €112 million or 8.1% (down 8.0% at constant exchange rates). Operating income was €1,250 million, up €11 million or 0.9% compared to 2013.

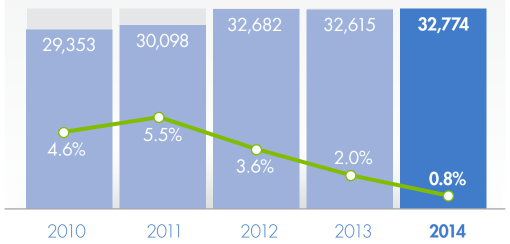
We remain committed to maintaining a balance between investing in profitable growth, returning cash to our shareholders, and reviewing opportunities for debt reduction. In 2014, we returned €2.7 billion cash to shareholders through the completion of our €2 billion share buyback program, €1 billion capital reduction and reverse stock split, and a 7% increase in our dividend. This helped us to move toward our capital structure guidelines for liquidity (€2 billion) and debt leverage (ratio of around 2 times).

During the year, we entered into a settlement agreement and paid $297 million (€241 million) to resolve a class action relating to the pricing practices of Ahold's former subsidiary U.S. Foodservice (referred to as "Waterbury litigation" in *Note 34* of the Financial statements in this Annual Report).

Consistent strong cash flow generation has enabled our continued investment in growth, with capital expenditure of €1 billion during the year including the acquisition of the SPAR business.

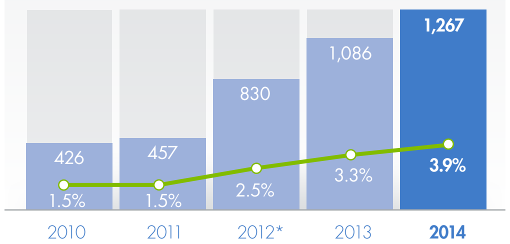
We will continue to look for ways to simplify our business in order to reduce costs and expect that ongoing investments in our customer proposition and further development of our formats and assortment will result in improved sales trends.

Net sales
€ million



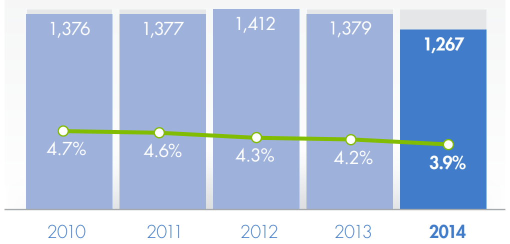
● Net sales
— Net sales growth at constant exchange rates

Online sales
€ million



● Online sales
— Contribution to Ahold's net sales
* During 2012 Ahold acquired bol.com

Underlying operating income
€ million



● Underlying operating income
— Underlying operating margin

Results from operations

Ahold's 2014 and 2013 consolidated income statements are summarized as follows:

€ million	**2014**	**% of net sales**	2013	% of net sales
Net sales	**32,774**	**100.0%**	32,615	100.0%
Gross profit	**8,686**	**26.5%**	8,682	26.6%
Underlying operating expenses	**(7,419)**	**(22.6)%**	(7,303)	(22.4)%
Underlying operating income	**1,267**	**3.9%**	1,379	4.2%
Impairments	**(31)**		(83)	
Gains on the sale of assets	**20**		28	
Restructuring and related charges and other items	**(6)**		(85)	
Operating income	**1,250**	**3.8%**	1,239	3.8%
Net financial expense	**(235)**		(291)	
Income taxes	**(248)**		(153)	
Share in income of joint ventures	**24**		10	
Income from continuing operations	**791**	**2.4%**	805	2.5%
Income / (loss) from discontinued operations	**(197)**		1,732	
Net income	**594**	**1.8%**	2,537	7.8%

Ahold USA

Net sales, at $26.0 billion, decreased by 0.5% in 2014. Identical sales, excluding gasoline, decreased by 0.1%. Sales growth was negatively impacted by the closure of 14 stores, including the exit from the New Hampshire market in 2013. This was partly offset by the initial results of the program to improve our customer proposition, and a business disruption at one of our main competitors in the Stop & Shop New England division. In a highly competitive landscape, market share was down slightly, mainly related to the Giant Landover division.

At Ahold USA, our main focus in 2014 was on the rollout of the program to improve our customer proposition through targeted price reductions and marketing, an improved Fresh offering, and an enhanced customer experience through in-store merchandising and associate engagement. The program is largely funded through Simplicity savings. In the 523 stores where we rolled out this program so far, we saw encouraging volume uplifts resulting in improved sales trends. We plan to complete the rollout to all stores in the first half of 2015.

During 2014, our U.S. business increased its own-brand penetration by 0.5 percentage points to 37.6%, towards our ambition of 40% in 2016.

Our online business, Peapod, continued to grow in its existing market area and opened 89 pick-up points where customers can drive up and conveniently pick up their online orders, bringing the total to 209. To enable further growth, Peapod increased its capacity by opening a new distribution center in the New Jersey area.

Ahold USA achieved an underlying operating income of $980 million, which was $84 million lower than last year. Underlying operating profit margin at 3.8% decreased by 0.3 percentage points.

The Netherlands

Net sales amounted to €11.7 billion in 2014, an increase of 1.8% compared to last year. For the full year, market share at Albert Heijn increased slightly, to 34.1% (source: Nielsen), positively impacted by the conversion of 15 more former C1000 supermarkets into our Albert Heijn format. By the end of 2014, we converted 54 out of 82 stores following our 2012 agreement with Jumbo.

Other factors that positively impacted sales were the continued growth of bol.com and the further extension of our store network in the Netherlands and Belgium.

Identical sales decreased by 0.5%. Similar to last year, at Albert Heijn, transactions in identical stores remained broadly stable while basket size continued to be under pressure. Towards the end of the year, basket size improved, positively driving identical sales. In 2014, we started to roll out format improvements to our larger Albert Heijn stores, to offer more inspiration to customers, primarily in our Fresh offering, and great value in dry grocery categories, resulting in an enhanced store experience. We are also pleased with the performance of our *Albert Heijn to go* convenience stores in the Netherlands that were remodeled to a new format.

In 2014, we further expanded our Albert Heijn business in Belgium by opening an additional nine supermarkets, bringing the total to 28 at year-end, and are on target to operate at least 50 supermarkets by the end of 2016.

Albert Heijn Online achieved double-digit sales growth by opening an additional 17 pick-up points for a total of 34, expanding its geographic reach within the Netherlands and through the full-year impact of doubling its assortment to over 20,000 products in 2013.

Bol.com delivered strong double-digit growth of over 25% in net consumer online sales, as in previous years fueled by the launch of new categories and accelerated growth in Belgium as well as the success of Plaza, which offers a marketplace to over 4,000 merchant partners and will be an important driver in delivering on our 2017 ambition of €2.5 billion.

Our net sales in the Netherlands consist of sales to consumers and to franchise stores. Franchise stores typically operate under the same format as Ahold-operated stores. Franchisees purchase merchandise primarily from Ahold, pay a franchise fee and receive support services, including management training, field support and marketing and administrative assistance.

The Netherlands reported an underlying operating income of €574 million, which was €45 million lower comparing to last year. The year-over-year underlying margin was down 0.5 percentage points to 4.9%. Excluding bol.com, underlying operating margin was 5.2% (2013: 5.6%).

In 2015, margins in the Netherlands will be impacted by increased investments in our online business, particularly at bol.com. We expect this to have a dilutive effect of 25 bps on the segment's underlying operating profit margin. In addition, due to lower interest rates, underlying operating profit margin will be negatively impacted by higher defined benefit pensions costs, up €23 million compared to 2014.

Czech Republic

Net sales amounted to €1.5 billion in 2014, an increase of 5.3%, or an increase of 11.7% at constant exchange rates. The main driver impacting sales growth was the successful integration of 49 acquired SPAR stores, of which all 14 supermarkets were remodeled to the Albert banner. With the acquisition of the SPAR business we made a step increase in our market share in the Czech Republic. After the conversion of all the remaining SPAR stores at the end of the first quarter of 2015, Albert will be a leading brand in the Czech food retail market.

Identical sales excluding gasoline decreased by 1.2% as the market continued to be significantly impacted by competitive pressure and an increasing share of promotional sales.

The Czech Republic reported an underlying operating income of €19 million, down €11 million from last year. The SPAR acquisition had a negative impact of €12 million on underlying operating income.

Underlying operating profit margin, at 1.2%, was 0.9 percentage points lower than last year. Excluding SPAR, underlying operating profit margin was 2.3%, or up 0.2 percentage points from 2013.

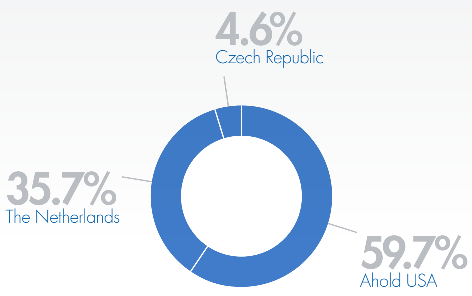
The acquisition of SPAR will remain slightly dilutive in 2015, but margin-enhancing from 2016 onwards. We expect an additional one-off cost of €40 million in 2015, related to this transaction.

During the first quarter of 2014, we successfully completed the divestment of our Slovakian operations, where we had a limited market position.

Corporate Center

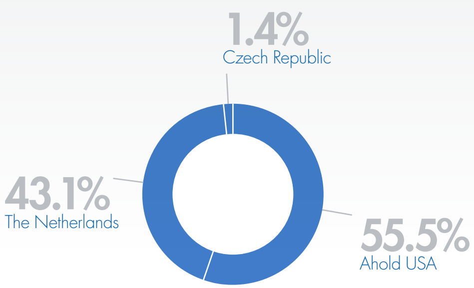
Underlying Corporate Center costs were €64 million, down €7 million compared to 2013. Excluding the impact of our self-insurance activities, underlying Corporate Center costs were €82 million, €2 million lower than last year.

Net sales contribution by segment



Online net sales contribution by category

Underlying operating income contribution by segment



Net sales in 2014 and 2013 were as follows:

million	2014	2013	Sales growth	Identical sales growth[1]	Identical sales growth ex gas[1]	Comparable sales growth ex gas[1]
Ahold USA ($)	**25,976**	26,118	**(0.5)%**	**(0.4)%**	**(0.1)%**	**0.1%**
Czech Republic (CZK)	**41,908**	37,522	**11.7%**	**(1.8)%**	**(1.2)%**	**(1.1)%**
€ million						
Ahold USA	**19,557**	19,676	**(0.6)%**	**(0.4)%**	**(0.1)%**	**0.1%**
The Netherlands[2]	**11,696**	11,494	**1.8%**	**(0.5)%**	**(0.5)%**	**(0.3)%**
Czech Republic	**1,521**	1,445	**5.3%**	**(1.8)%**	**(1.2)%**	**(1.1)%**
Total	**32,774**	32,615	**0.5%**	**(0.5)%**	**(0.5)%**	**(0.3)%**

1 For the definition of identical and comparable sales excluding gas see non-GAAP measures at the end of this section.
2 Identical sales growth in the Netherlands excludes the VAT on tobacco sales. For the definition see non-GAAP measures at the end of this section.

Underlying operating income and underlying operating income margin for 2014 and 2013 were as follows:

	Underlying operating income			Underlying operating margin		
million	2014	2013	% Change	2014	2013	% pt Change
Ahold USA ($)	**980**	1,064	(7.9)%	**3.8%**	4.1%	(0.3)% pt
€ million						
Ahold USA	**738**	801	(7.9)%	**3.8%**	4.1%	(0.3)% pt
The Netherlands	**574**	619	(7.3)%	**4.9%**	5.4%	(0.5)% pt
Czech Republic	**19**	30	(36.7)%	**1.2%**	2.1%	(0.9)% pt
Corporate Center	**(64)**	(71)	9.9%			
Total	**1,267**	1,379	(8.1)%	**3.9%**	4.2%	(0.3)% pt

Adjustments to underlying operating income

Impairment of assets

Ahold recorded the following impairments and reversals of impairments of assets (primarily related to stores) in 2014 and 2013:

€ million	2014	2013
Ahold USA	**(10)**	(75)
The Netherlands	**(21)**	(9)
Czech Republic	**–**	1
Total	**(31)**	(83)

The impairment of assets in 2013 at Ahold USA included charges related to the exit from New Hampshire.

Gains and losses on the sale of assets

Ahold recorded the following gains on the sale of non-current assets in 2014 and 2013:

€ million	2014	2013
Ahold USA	**6**	25
The Netherlands	**14**	2
Czech Republic	**–**	–
Corporate Center	**–**	1
Total	**20**	28

Restructuring and related charges and other items

Restructuring and related charges and other items in 2014 and 2013 were as follows:

€ million	2014	2013
Ahold USA	**(7)**	(88)
The Netherlands	**17**	–
Czech Republic	**(6)**	–
Corporate Center	**(10)**	3
Total	**(6)**	(85)

In 2014, restructuring and related charges and other items included gains from the Dutch pension plan amendments totaling €59 million (of which €50 million was in The Netherlands and €9 million at Corporate Center). These were partly offset by the €40 million restructuring charge related to the European reorganization (of which €24 million was in The Netherlands and €16 million at Corporate Center). In addition, Czech Republic recognized €6 million in restructuring and related charges primarily related to the acquisition of SPAR.

In 2013, restructuring and related charges at Ahold USA included €63 million of costs related to reducing our exposure to our U.S. multi-employer pension plans through negotiations with the New England Teamsters and Trucking Industry Pension Fund as well as a €23 million restructuring provision related to our exit from New Hampshire.

Net financial expense

Net financial expense, at €235 million, decreased by €56 million compared to 2013. Excluding interest income and expense on defined benefit pension plans, net interest expense of €206 million was €12 million lower than in 2013, and it fell at the lower end of our guidance of €200-€220 million. Net interest expense on defined benefit pension plans decreased by €8 million in 2014.

Other financial expense of €13 million was lower by €36 million compared to 2013 and primarily related to a €22 million lower valuation adjustments related to notes and derivatives and an €11 million one-time adjustment to a financial liability in 2013.

At current exchange rates, we expect net interest expense for 2015 to be in the range of €215 million to €235 million, excluding net interest on defined benefit pension plans.

Income taxes

In 2014, income tax expense was €248 million, up €95 million compared to last year. In 2013, income tax expense was positively impacted by one-time transactions and by movements in income tax contingency reserves. The effective tax rate, calculated as a percentage of income before income taxes, was 24.4% (2013: 16.1%), in line with our guidance. Similar to 2014, we anticipate the effective tax rate to be in the mid-twenties in 2015.

Share in income of joint ventures

Ahold's share in income of joint ventures, which relates primarily to our 49% shareholding in JMR, was €24 million in 2014, up by €14 million compared to last year. For further information about joint ventures, see *Note 14* to the consolidated financial statements.

Income (loss) from discontinued operations

The main contributor to the €197 million loss from discontinued operations in 2014 was a charge representing the net of tax settlement amount and associated legal fees for the Waterbury litigation of €194 million. Income from discontinued operations in 2013 included a gain on the sale of our 60% stakeholding in ICA of €1,751 million.

In April, we completed the sale of our Slovakian business to Condorum, an agreement we had announced in November 2013. An exit from this country enables management to focus on the continued successful improvement of our business in the Czech Republic. Ahold recorded a net loss of €1 million in 2014 on this divestment, with negative cash proceeds amounting to €34 million. Ahold Slovakia operated 24 stores, with net sales of €139 million in 2013.

In addition, 2014 and 2013 results from discontinued operations were impacted by various adjustments to the results of prior years' divestments as a consequence of warranties and indemnifications provided in the relevant sales agreements.

For further information about discontinued operations, see *Note 5* to the consolidated financial statements.

Earnings and dividend per share

Basic income from continuing operations per common share was €0.90, an increase of €0.11 or 13.9% compared to 2013. This increase was primarily driven by the average number of outstanding common shares, which decreased as a result of (i) the shares repurchased under the €2 billion share buyback program that we completed in 2014 and (ii) the €1 billion capital repayment and reverse stock split transaction. The value of shares repurchased in 2014 amounted to €1,232 million. The decrease in the average number of outstanding common shares was marginally offset by shares that were issued under employee share-based compensation programs.

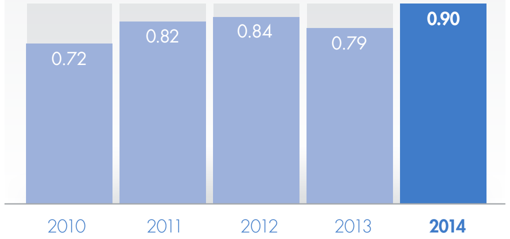
Our dividend policy is to target a payout ratio in the range of 40-50% of adjusted income from continuing operations. As part of our dividend policy we adjust income from continuing operations for significant nonrecurring items. Adjusted income from continuing operations amounted to €777 million and €807 million in 2014 and 2013, respectively, and was determined as follows:

€ million	2014	2013
Income from continuing operations	**791**	805
Income from continuing operations per share	**0.90**	0.79
Add-back (after-tax):		
European reorganization	**30**	–
Dutch pension plan amendments	**(44)**	–
Multi-employer pension plan settlement with the New England Teamsters and Trucking Industry Pension Fund	**–**	39
Movements in income tax contingency reserves	**–**	(37)
Adjusted income from continuing operations	**777**	807
Adjusted income from continuing operations per share	**0.88**	0.79

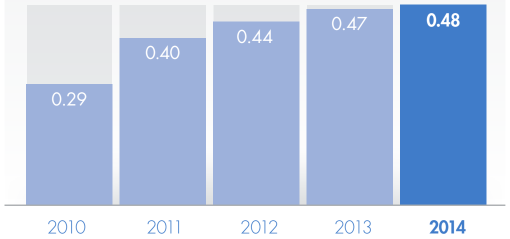
Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a common stock dividend of €0.48 for the financial year 2014, up 2% from last year. It represents a payout ratio of 51%, based on the expected dividend payment on adjusted income from continuing operations. We consider this to be broadly in line with our dividend policy.

Our strong balance sheet enables us to launch a new 12-month €500 million share buyback program while continuing to actively pursue our growth strategy and taking advantage of opportunities as they arise.

Income from continuing operations per common share (basic)
€



Dividend per common share (2014 includes proposed dividend)
€



Financial position

Ahold's consolidated balance sheets as of December 28, 2014, and December 29, 2013, are summarized as follows:

€ million	December 28, 2014	% of total	December 29, 2013	% of total
Property, plant and equipment	**6,150**	**43.5%**	5,712	37.7%
Intangible assets	**1,763**	**12.5%**	1,563	10.3%
Pension assets	**5**	**–**	5	–
Other non-current assets	**1,772**	**12.5%**	1,594	10.5%
Cash, cash equivalents and short-term deposits and similar instruments	**1,886**	**13.3%**	3,963	26.2%
Inventories	**1,589**	**11.2%**	1,450	9.6%
Other current assets	**973**	**7.0%**	855	5.7%
Total assets	**14,138**	**100.0%**	15,142	100.0%
Equity	**4,844**	**34.3%**	6,520	43.1%
Non-current portion of long-term debt	**3,032**	**21.4%**	2,873	19.0%
Pensions and other post-employment benefits	**290**	**2.1%**	348	2.3%
Other non-current liabilities	**1,506**	**10.6%**	1,259	8.3%
Short-term borrowings and current portion of long-term debt	**165**	**1.2%**	148	1.0%
Payables	**2,655**	**18.8%**	2,387	15.7%
Other current liabilities	**1,646**	**11.6%**	1,607	10.6%
Total equity and liabilities	**14,138**	**100.0%**	15,142	100.0%

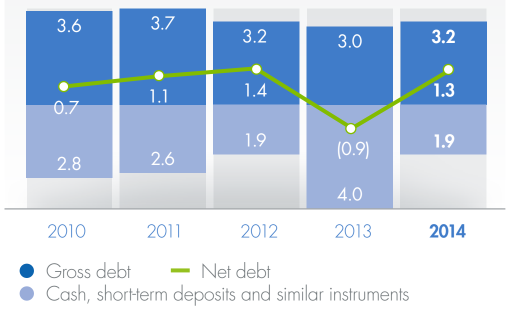
Property, plant and equipment increased by €438 million, primarily due to the strengthening of the U.S. dollar against the euro, while capital expenditures were more than offset by depreciation and impairments.

Our defined benefit plans showed a net deficit of €285 million at year-end 2014 compared to a net deficit of €343 million at year-end 2013. This improvement was primarily due to positive investment results on the plan assets and a decrease of 0.7% in the indexation assumption for the Dutch plan, mostly offset by decreases of 1.3% and 0.7% in the discount rate assumption for the Dutch and U.S. plans, respectively. A significant number of union employees in the United States are covered by multi-employer plans. With the help of external actuaries, we have updated the most recent available information that these plans have provided (generally as of January 1, 2014) for market trends and conditions through the end of 2014. We estimate our proportionate share of the total net deficit to be $658 million (€540 million) at year-end 2014 (2013: $662 million or €481 million). These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and not necessarily reliable. For more information see *Note 23* to the consolidated financial statements.

Equity decreased by €1,676 million, primarily reflecting returns to shareholders which, in 2014, included €1,232 million share buyback on the €2 billion program, €1 billion capital repayment and reverse stock split, and the dividend payment related to 2013 of €414 million. These were partially offset by the current year's net income.

In 2014, gross debt increased by €176 million to €3.2 billion, primarily due to the strengthening of the U.S. dollar against the euro, partly offset by regular payments on finance lease liabilities. Ahold's net debt was €1,311 million as of December 28, 2014, up €2,253 million compared to last year, reflecting the significant reduction in cash balances primarily as a result of returns to shareholders.

Gross and net debt
€ billion



Net debt does not include our commitments under operating lease contracts, which, on an undiscounted basis, amounted to €5.8 billion at year-end 2014.

These off-balance sheet commitments impact our capital structure. The present value of these commitments is added to net debt to measure our leverage against EBITDAR (i.e. underlying operating income before depreciation, amortization and gross rent expense). The ratio of net lease-adjusted debt to EBITDAR stood at 1.9 times at year-end 2014, up from 0.9 times last year, distorted by a temporary increase in cash balance. Under normal conditions we expect to operate at around 2 times, which is consistent with our commitment to maintaining an investment grade credit rating.

Our ambition for return on capital employed is to deliver in the top quartile of the food retail sector.

Liquidity and cash flows

Liquidity

Ahold relies on cash provided by operating activities as a primary source of liquidity, in addition to debt and equity issuances in the capital markets, credit facilities and available cash balances. Based on our current operating performance and liquidity position, we believe that cash provided by operating activities and available cash balances (including short-term deposits and similar instruments) will be sufficient for working capital, capital expenditure, planned shareholder returns including dividend payments and our new €500 million share buyback program, interest payments, and scheduled debt repayment requirements for the next 12 months and the foreseeable future. A total of €30 million in loans will mature in 2015, €0.4 billion in 2016 through 2019 and €1.0 billion after 2019.

As of year-end 2014, liquidity amounted to €3.1 billion (2013: €5.0 billion), defined as cash (including cash, cash equivalents and short-term deposits and similar instruments) of €1.9 billion and the undrawn portion of the committed credit facility of €1.2 billion.

We continue to take a balanced approach between investing in the business, repaying debt, and returning cash to shareholders.

Under normal conditions we expect to operate with liquidity of around €2.0 billion, evenly split between cash and the undrawn portion of our committed credit facilities. It is our intention to move to this level of liquidity as we continue to invest in growth, reduce our debt and return cash to shareholders, resulting in a more efficient capital structure.

Group credit facility

Ahold has access to a €1.2 billion committed, unsecured, multi-currency and syndicated credit facility which was refinanced in June 2011. In June 2013, the full amount of the facility was extended to June 2018. The facility may be used for working capital and for general corporate purposes and provides for the issuance of $550 million (€400 million) in letters of credit. As of December 29, 2013, there were no outstanding borrowings under the credit facility other than letters of credit to an aggregate amount of $16 million (€13 million).

In the beginning of 2015, we issued a request to our relationship banks to amend the facility by extending it through 2020 and reducing the amount from €1.2 billion down to €1 billion, which we expect to be the undrawn amount. Ahold expects to close the process during the first quarter of 2015.

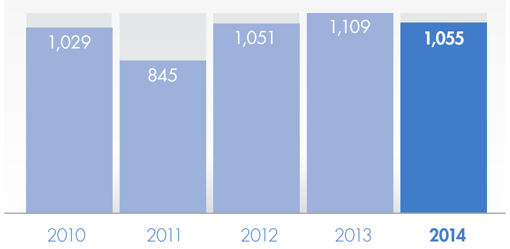
Credit ratings

Maintaining investment grade credit ratings is a cornerstone of our strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets. 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.

Cash flows

Free cash flow, at €1,055 million, decreased by €54 million compared to 2013. Operating cash flows from continuing operations were down €158 million, primarily as a result of higher income tax paid. The purchase of non-current assets was lower by €79 million.

Free cash flow
€ million



Ahold consolidated cash flows for 2014 and 2013 are as follows:

€ million	2014	2013
Operating cash flows from continuing operations	**1,893**	2,051
Purchase of non-current assets	**(732)**	(811)
Divestment of assets / disposal groups held for sale	**77**	52
Dividends from joint ventures	**18**	27
Interest received	**6**	6
Interest paid	**(207)**	(216)
Free cash flow	**1,055**	1,109
Repayments of loans and finance lease liabilities	**(104)**	(94)
Dividends paid on common shares	**(414)**	(457)
Share buyback	**(1,232)**	(768)
Acquisition / divestments of businesses, net of cash acquired / divested	**(481)**	2,343
Cash flows from discontinued operations	**(19)**	115
Capital repayment	**(1,008)**	–
Other	**(24)**	(95)
Change in cash, cash equivalents, and short-term deposits and similar instruments	**(2,227)**	2,153
Changes in short-term deposits and similar instruments	**1,222**	(1,472)
Net cash from operating, investing and financing activities	**(1,005)**	681

In 2014, the main uses of free cash flow included:

- → Completion of the €2 billion share buyback program of €1,232 million
- → Capital repayment and reverse stock split of €1 billion
- → Common stock dividend at €0.47 per share resulting in a cash outflow of €414 million
- → Settlement of Waterbury class action amounting to €241 million
- → Acquisition of SPAR of €167 million (total purchase consideration net of cash acquired)
- → Debt repayments totaling €104 million primarily related to regular payments on finance lease liabilities

In 2013, cash flow from discontinued operations reflects the dividend received from ICA.

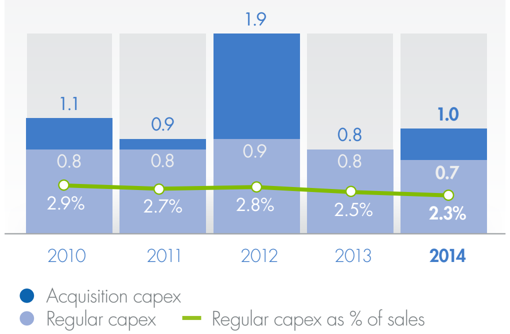
Other cash flows in 2013 included a settlement paid to Vornado (€92 million), the result of a judgment rendered in the Stop & Shop Bradlees lease litigation.

Capital investments and property overview

Capital expenditure, which include new finance leases, amounted to €1 billion in 2014 and €0.8 billion in 2013. Our investments were primarily related to the construction, remodeling and expansion of stores and supply chain (including online) and IT infrastructure improvements. In 2014, capital expenditure also included the acquisition of SPAR in the Czech Republic. Excluding acquisitions, capital expenditure in 2014 was €0.7 billion, below our guidance of €0.9 billion.

At current exchange rates, capital expenditures, excluding acquisitions, are expected to be around €0.9 billion in 2015.

Capital expenditures
€ billion



At the end of 2014, we operated 3,206 stores, a net increase of 75 stores. Total sales area increased by 5.1% (or 1.7% excluding the SPAR stores) to 4.9 million square meters. This includes franchise stores and excludes the stores operated by our joint venture JMR.

	December 29, 2013	Opened / acquired	Closed / sold	December 28, 2014
Ahold USA	**767**	3	(2)	**768**
The Netherlands[1]	**2,056**	74	(25)	**2,105**
Czech Republic	**284**	50	(1)	**333**
Continuing operations	**3,107**	127	(28)	**3,206**
Slovakia	**24**	–	(24)	**–**
Total number of stores	**3,131**	127	(52)	**3,206**

1 The number of stores as of December 28, 2014, includes 1,139 specialty stores (Etos and Gall & Gall). In addition, 15 C1000 stores were converted to the Albert Heijn banner during 2014.

Franchisees operated 869 Albert Heijn, Etos and Gall & Gall stores, 523 of which were either owned by the franchisees or leased independently from Ahold.

	Ahold	Franchisees	Total
Number of stores leased or owned	2,683	523	**3,206**
Number of stores subleased to franchisees	(346)	346	**–**
Number of stores operated	2,337	869	**3,206**

Ahold's stores range in size from 20 to 10,000 square meters. The average sales area of our stores in the United States is approximately 3,850 square meters and in Europe approximately 1,350 square meters (excluding Etos and Gall & Gall, which operate much smaller stores).

At the end of 2014, Ahold operated 243 pick-up points, 106 more than in 2013. These were either standalone, in-store or office-based. In 2014, we opened 89 pick-up points in the U.S., bringing the total to 209, and 17 in the Netherlands, bringing the total to 34.

Our total number of retail locations, including the 2,683 stores owned or leased by Ahold and 14 pick-up points in stand-alone locations, was 2,697 in 2014, higher by 73 compared to 2013.

We also operated the following other properties as of December 28, 2014:

Warehouse / distribution centers / production facilities / offices	84
Properties under construction / development	9
Investment properties	685
Total	**778**

The investment properties consist of buildings and land. Virtually all these properties were subleased to third parties. The majority were shopping centers containing one or more Ahold stores and third-party retail units generating rental income.

The following table breaks down the ownership structure of our 2,697 retail locations and 778 other properties as of December 28, 2014:

% of total	Retail locations	Other properties
Company-owned	20%	40%
Leased	80%	60%
of which:		
Finance leases	13%	7%
Operating leases	67%	53%

Our leased properties have terms of up to 25 years, with renewal options for additional periods. Store rentals are normally payable on a monthly basis at a stated amount or, in a limited number of cases, at a guaranteed minimum amount plus a percentage of sales over a defined base.

Ahold USA

Number of stores	2014	2013
Stop & Shop New England	**216**	215
Stop & Shop New York Metro	**182**	182
Giant Landover	**170**	170
Giant Carlisle	**200**	200
Total Ahold USA	**768**	767
Sales area of own-operated stores (in thousands of square meters)	**2,958**	2,941

Ahold USA increased its number of stores by one, net of three openings and two closures. Peapod opened another 89 pick-up points, bringing the total to 209 in 2014.

In 2014, the Ahold USA divisions remodeled, expanded, relocated or reconstructed 43 stores as part of their continuous focus on keeping stores fresh and up-to-date. Total investments at Ahold USA amounted to around 2% of sales and ranged from new stores to investments in IT, distribution centers, and minor construction work in the stores.

At the end of 2014, Ahold USA operated 231 fuel stations, an increase of one station over last year, the majority of which are located in the Giant Carlisle and the Stop & Shop New England market areas.

The Netherlands

Number of stores	2014	2013
Albert Heijn: the Netherlands	**872**	849
Albert Heijn: Belgium	**28**	19
Albert Heijn to go: the Netherlands	**62**	59
Albert Heijn to go: Germany	**4**	5
Etos	**539**	538
Gall & Gall	**600**	586
Total The Netherlands	**2,105**	2,056
Sales area of own-operated stores (in thousands of square meters)	**976**	935

In 2014, we opened an additional 49 stores net of closings, bringing the total to 2,105. This year, 15 former C1000 stores were converted to the Albert Heijn brand, bringing the total converted stores to 54. These converted stores were part of the 2012 transfer of 82 stores from Jumbo. We also opened another nine stores in Belgium, bringing the total number of stores there to 28.

Albert Heijn online opened another 17 pick-up points, bringing the total to 34 in 2014.

In the Netherlands, our businesses remodeled, expanded, relocated or reconstructed 131 stores as part of their continuous focus on keeping stores fresh and up-to-date. Total investments in the Netherlands amounted to around 2.8% of sales and ranged from opening new stores to investing in IT, distribution centers, and minor construction work in the stores.

Czech Republic

Number of stores	2014	2013
Czech Republic	**333**	284
Sales area of own-operated stores (in thousands of square meters)	**550**	393

In 2014, the main focus area in the Czech Republic was the integration of the 49 stores following the acquisition of the SPAR business, including the successful re-branding of 14 SPAR supermarkets and one hypermarket into Albert.

We also remodeled 15 Albert stores in part as a result of the further rollout of the project started in 2011 to remodel all its hypers to a new compact format.

At the end of 2014, Albert operated 333 stores in the Czech Republic, 91 of which were compact hypers, and 242 supermarkets.

The key financial and non-financial information per segment for 2014 and 2013 is presented below:

€ million	Ahold USA 2014	Ahold USA 2013	The Netherlands 2014	The Netherlands 2013	Czech Republic 2014	Czech Republic 2013
Net sales (€ millions)	**19,557**	19,676	**11,696**	11,494	**1,521**	1,445
Net sales ($ millions)	**25,976**	26,118				
Net sales growth	**(0.5)%**	1.1%	**1.8%**	4.0%	**5.3%**	(4.7)%
Identical sales growth[1]	**(0.4)%**	0.2%	**(0.5)%**	0.6%	**(1.8)%**	(1.7)%
Identical sales growth (excluding gasoline sales)	**(0.1)%**	0.3%			**(1.2)%**	(1.5)%
Comparable sales growth (excluding gasoline sales)[1]	**0.1%**	0.4%	**(0.3)%**	0.5%	**(1.1)%**	(1.5)%
Operating income (€ millions)	**727**	663	**584**	612	**13**	31
Operating income ($ millions)	**965**	883				
Underlying operating income (€ millions)	**738**	801	**574**	619	**19**	30
Underlying operating margin	**3.8%**	4.1%	**4.9%**	5.4%	**1.2%**	2.1%
Number of employees / headcount (at year end in thousands)	**115**	117	**97**	94	**15**	10
Number of employees / FTEs (at year end in thousands)	**83**	83	**31**	30	**12**	8
Contribution to Ahold net sales	**59.7%**	60.3%	**35.7%**	35.3%	**4.6%**	4.4%
Contribution to Ahold underlying operating income[2]	**55.5%**	55.3%	**43.1%**	42.7%	**1.4%**	2.0%

1 Identical sales growth and comparable sales growth in the Netherlands excludes the VAT on tobacco sales. For the definition see non-GAAP measures at the end of this section.
2 Before Corporate Center costs.

Non-GAAP measures

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

Adjusted income from continuing operations
Income from continuing operations adjusted for significant non-recurring items. This measure is a component of Ahold's dividend policy, which sets the dividend payout ratio to be 40-50% of adjusted income from continuing operations.

Comparable sales, excluding gasoline net sales
Identical sales plus net sales from replacement stores in local currency, 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 comparable store sales.

Corporate Center costs
Corporate Center costs relate to the responsibilities of the Corporate Center, including Corporate Finance, Corporate Strategy, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Communications, Corporate Responsibility, and the majority of the Executive Committee. Corporate costs also include results from other activities coordinated centrally but not allocated to any operating company. Underlying Corporate Center costs exclude impairments of non-current assets, gains and losses on the sale of assets, and restructuring and related charges and other items, including business acquisition transaction costs.

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.

Gross rent
Gross rent comprises all of the rent that Ahold is required to pay to third parties and is not corrected for rental income Ahold receives from other third parties.

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.

Identical / comparable sales, excluding VAT from tobacco sales
Until July 1, 2013, Value Added Tax (VAT) on tobacco products sold in the Netherlands was levied over the retail price at the same time as the excise duties were due. From July 1, 2013, levying VAT on tobacco products was aligned with the mechanism of levying VAT on all other consumer products. The result is a reduction in recognized net sales related to tobacco products without a corresponding reduction in volume or gross margin. Ahold's management believes that excluding the pre- as well as the post-July 1, 2013 VAT from tobacco sales in the measure of identical / comparable sales provides a better insight into the growth of its identical / comparable store sales.

Liquidity
Cash and cash equivalents, short-term deposits and similar instruments, and undrawn funds available under the committed credit facility. Ahold's management believes this measure is useful because it provides insight into funds available to manage the company.

Net consumer online sales
Total online sales to customers, excluding sales taxes and value-added taxes, but including sales of third parties via bol.com's Plaza. Ahold management believes that this measure provides more insight into the growth of our online businesses.

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 and similar instruments. In management's view, because cash, cash equivalents, and short-term deposits and similar instruments 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.

Net lease adjusted debt / EBITDAR
Net debt increased by the present value of future operating lease commitments over underlying operating income before depreciation, amortization and gross rent expense. Ahold's management believes this measure is useful because it provides insight into Ahold's leverage, adjusted for the impact of operating leases that count for a significant part of Ahold's capital structure.

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.

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.

Return on capital employed
Return on capital employed (ROCE) is calculated as the sum of underlying operating income and the 50% gross rent add back, divided by the annual rolling average of the sum of property, plant and equipment, intangible assets, working capital components, and gross rent expense multiplied by eight.

Total shareholder return
Total shareholder return (TSR) is the sum of share price growth and dividends paid. In this report, we disclose TSR as defined for the purposes of Ahold's Global Reward Opportunity (GRO) program. A daily TSR index obtained from Thomson Reuters is averaged over a six-month period preceding the year end (average TSR index). Annual TSR is an increase in the average TSR index compared to the average TSR index in the previous year.

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

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.

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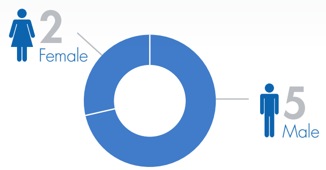
Our Executive Committee and Management Board[1]

A balance of expertise and experience

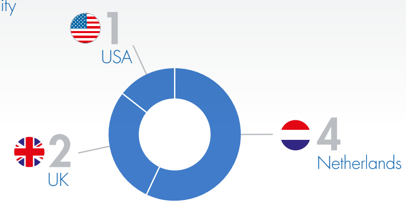
Our Executive Committee and Management Board provide a management structure designed to support our business, meet the needs of our stakeholders and comply with relevant rules and regulations. Our Executive Committee is comprised of our Management Board (that has ultimate responsibility for the overall management of the company) and certain of our key officers.

Board diversity

Gender



Nationality



Dick Boer

President and Chief Executive Officer

Chairman Management Board and Executive Committee

Dick Boer (August 31, 1957) is a Dutch national. On September 29, 2010, the Supervisory Board appointed him Chief Executive Officer of Ahold, effective March 1, 2011. Prior to that date, Dick had served as Chief Operating Officer Ahold Europe since November 6, 2006.

Dick joined Ahold in 1998 as CEO of Ahold Czech Republic and was appointed President and CEO of Albert Heijn in 2000. In 2003, he became President and CEO of Ahold's Dutch businesses. Ahold's shareholders appointed him to the Management Board on May 3, 2007.

Prior to joining Ahold, Dick spent more than 17 years in various retail positions for SHV Holdings N.V. in the Netherlands and abroad and for Unigro N.V.

Dick is co-chair of The Consumer Goods Forum, member of the board of the European Retail Round Table, and vice chair and a member of the executive board of The Confederation of Netherlands Industry and Employers (VNO-NCW). He is also a member of the advisory board of G-star.

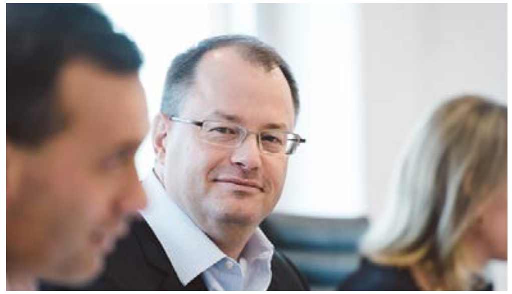
Jeff Carr

Executive Vice President and Chief Financial Officer

Member Management Board and Executive Committee

Jeff Carr (September 17, 1961) is a British national. Ahold's shareholders appointed him to the Management Board on April 17, 2012. Jeff joined Ahold in November 2011 as acting member of the Management Board and Chief Financial Officer (CFO).

Before joining Ahold, Jeff was group finance director and a member of the board at UK-based FirstGroup, the leading transport operator in the United Kingdom and North America. He began his career at Unilever, and held senior roles in finance at easyJet, Associated British Foods, Reckitt Benckiser and Grand Metropolitan. Jeff has served as CFO of listed companies since 2005, and has lived and worked in Europe and the United States.



James McCann

Executive Vice President and Chief Operating Officer Ahold USA

Member Management Board and Executive Committee

James McCann (October 4, 1969) is a British national. Ahold's shareholders appointed him to the Management Board on April 17, 2012. James had first joined Ahold on September 1, 2011, as acting member of the Management Board and Chief Commercial & Development Officer. On February 1, 2013, he became Chief Operating Officer Ahold USA.

Before joining Ahold, James was executive director for Carrefour France and a member of Carrefour's group executive board for one year. During the previous seven years, he held leading roles in various countries for Tesco plc. Prior to that, he worked for Sainsbury's, Mars and Shell.

1 The duties of the Management Board are described under Corporate Governance in this Annual Report.

Our Executive Committee and Management Board (continued)

Hanneke Faber

Chief Commercial Officer

Member Executive Committee

Hanneke Faber (April 19, 1969) is a Dutch national. On August 21, 2013, the Supervisory Board appointed Hanneke as Chief Commercial Officer and member of the Executive Committee, effective September 1, 2013. She is responsible for leading the global online and customer loyalty initiatives, ensuring and accelerating an integrated approach to the first two pillars of Ahold's strategy, "increasing customer loyalty" and "broadening our offering."

Before joining Ahold, Hanneke was vice president and general manager Global Pantene, Head & Shoulders and Herbal Essences at Procter & Gamble. She began her career at Procter & Gamble in 1992 and has held various senior roles in marketing in both Europe and in the United States.

Abbe Luersman

Chief Human Resources Officer

Member Executive Committee

Abbe Luersman (December 4, 1967) is a U.S. national. The Supervisory Board appointed Abbe as Chief Human Resources Officer and member of the Executive Committee, effective November 1, 2013. She is responsible for HR, inclusive of talent, performance, leadership and organizational development, Total Reward and HR Services and Solutions.

Before joining Ahold, Abbe worked for Unilever, where she held various HR leadership roles, most recently as head of Human Resources for Unilever Europe. Prior to Unilever, Abbe worked at Whirlpool Corporation, holding various senior roles in human resources, both in the United States and internationally.

Jan Ernst de Groot

Chief Legal Officer

Member Executive Committee

Jan Ernst de Groot (April 11, 1963) is a Dutch national. On January 8, 2015, the Supervisory Board appointed Jan Ernst as Chief Legal Officer and member to the Executive Committee, effective February 1, 2015. He is responsible for legal affairs, the Company's governance and compliance functions, product integrity, and our responsible retailing strategy.

Before joining Ahold, Jan Ernst was general counsel and managing director External Affairs & Corporate Responsibility at TNT Express. Prior to that, he worked for KLM Royal Dutch Airlines in a wide range of business and legal roles, most recently as managing director and member of the board of management. He was also responsible for the development and implementation of KLM's transformative sustainability strategy.

Jan Ernst is chairman of the supervisory councils of Hivos and Wetlands International. He is a board member of the Hermitage Museum Amsterdam and of the U.S. non-profit Salzburg Global Seminar where he chairs the health & sustainability committee.

Wouter Kolk

Chief Operating Officer Ahold Netherlands and Chief Executive Officer Albert Heijn

Member Executive Committee

Wouter Kolk (April 26, 1966) is a Dutch national. On January 14, 2015, the Supervisory Board appointed Wouter as Chief Executive Officer Albert Heijn and member of the Executive Committee, effective February 1, 2015. Wouter had re-joined Ahold in 2013 as EVP Specialty Stores and New Markets at Albert Heijn following a six-year career as CEO of international retailer WE Fashion. He first started at Ahold in 1991, and over the next 16 years served in several commercial and operational management roles, including Commercial Director Asia-Pacific based in Singapore, Regional Director Albert Heijn, General Manager Gall & Gall, and, until 2007, General Manager of Etos.

Supervisory Board

Rob van den Bergh

Chairman (ad interim)

Chairman of the Remuneration Committee

Rob van den Bergh (April 10, 1950) is a Dutch national. He was appointed to the Supervisory Board on April 20, 2011, and his term runs until 2015. Rob was designated as interim Chairman of the Supervisory Board on June 14, 2014, to temporarily replace Jan Hommen in view of his appointment as CEO of KPMG the Netherlands. Rob is former CEO of VNU N.V. Prior to that, he held various other executive positions within VNU and was a member of the executive board from 1992 until his appointment as CEO in 2000. Rob is currently chairman of the supervisory boards of Stichting Isala Klinieken and N.V. Deli Maatschappij, from which latter board Rob will step down as of April 1, 2015. Rob is a member of the advisory boards of CVC Capital Partners and Pon Holdings B.V.

Judith Sprieser

Vice Chairman

Judith Sprieser (August 3, 1953) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2006, and she will step down from the Supervisory Board following our 2015 annual General Meeting of Shareholders. Judith is former CEO of Transora Inc., which she founded in 2000. Prior to that, she was executive vice president and CFO of Sara Lee Corporation. She is the managing director of Warrenton Advisors LLC and a director of Allstate Corporation, Reckitt Benckiser plc., Jimmy Choo plc., Intercontinental Exchange Inc. and Experian plc.

Stephanie Shern

Chairman of the Audit Committee

Stephanie Shern (January 7, 1948) is a U.S. national. She was first appointed to the Supervisory Board on May 18, 2005, and her term runs until 2017. Stephanie was with Ernst & Young for over 30 years, most recently as vice chairman and global director of retail and consumer products and a member of Ernst & Young's U.S. Management Committee. She is the lead director and chair of the audit committee of Gamestop and a member of the board and audit committee of Abercrombie & Fitch. Stephanie is also a member of the advisory board of Pennsylvania State University's accounting major program and a founding member of the Lead Director Network and of the Southwest Region of the United States Audit Committee Network, both organized by Tapestry Networks in the United States.

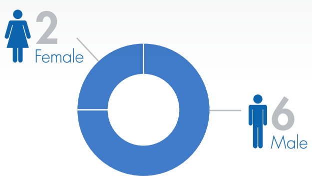
Jan Hommen

Chairman of the Selection and Appointment Committee

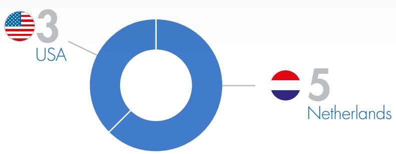
Jan Hommen (April 29, 1943) is a Dutch national. He was appointed to the Supervisory Board at the General Meeting of Shareholders on April 17, 2013. His term runs until 2017. Jan was previously Vice Chairman of Ahold's Supervisory Board and served as Chairman of the Audit Committee from 2003 to 2007. He is the former CEO of ING Group N.V., former CFO and vice chairman of the board of management of Royal Philips Electronics N.V. and former CFO of Aluminum Company of America. He has held chairman positions on the supervisory boards of TNT N.V. and Reed Elsevier N.V. and was a member of the board of Campina. Currently he is the CEO of KPMG the Netherlands, chairman of Brabantse Ontwikkelings Maatschappij Holding B.V. and a member of the supervisory board of PSV N.V. He is also chairman of the board of trustees of Tilburg University and a member of the board of trustees of the Royal Concertgebouw Orchestra.

Board diversity

Gender



Nationality



Supervisory Board (continued)

Derk Doijer

Derk Doijer (October 9, 1949) is a Dutch national. He was first appointed to the Supervisory Board on May 18, 2005, and his term runs until 2017. Derk is a former member of the executive board of directors of SHV Holdings N.V. and, prior to that, held several executive positions in the Netherlands and South America. He is chairman of the supervisory board of Lucas Bols N.V.

Mark McGrath

Mark McGrath (August 10, 1946) is a U.S. national. He was appointed to the Supervisory Board on April 23, 2008, and his term runs until 2016. Mark is a director emeritus of McKinsey & Company. He led the firm's Americas' Consumer Goods Practice from 1998 until 2004, when he retired from the company. Mark is a former director of GATX and Aware, Inc. He is advisory board chairman of the University of Notre Dame's Kellogg International Studies Institute. He also serves on the advisory councils of the University of Chicago's Booth Graduate School of Business and Notre Dame's Kroc International Peace Studies Institute. Mark is a trustee and serves on the executive committee of the Chicago Symphony Orchestra Association.

Ben Noteboom

Ben Noteboom (July 4, 1958) is a Dutch national. He was appointed to the Supervisory Board on April 28, 2009, and his term runs until 2017. Ben is former CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in 2001. He had first joined Randstad in 1993 and held various senior management positions during his time with the company. Ben is a member of the boards of the Holland Festival Foundation and the Cancer Center Amsterdam.

René Hooft Graafland

René Hooft Graafland (September 24, 1955) is a Dutch national. He was appointed to the Supervisory Board on April 16, 2014, with effect from January 1, 2015, and his term runs until 2018. René currently holds the position of CFO and member of the executive board of Heineken N.V., from which position he will step down in April 2015. Before being appointed member of Heineken's executive board in 2002, he held various international management positions with the company in Europe, Asia and Africa. René is member of the supervisory board of Wolters Kluwer N.V. and, as of May 1, 2015, of the supervisory board of Koninklijke FrieslandCampina N.V. He is also chairman of the supervisory board of Royal Theatre Carré and member of the board of the Stichting African Parks Foundation.

Corporate governance

Ahold is committed to a corporate governance structure that best supports its business and meets the needs of its stakeholders and that complies with relevant rules and regulations.

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

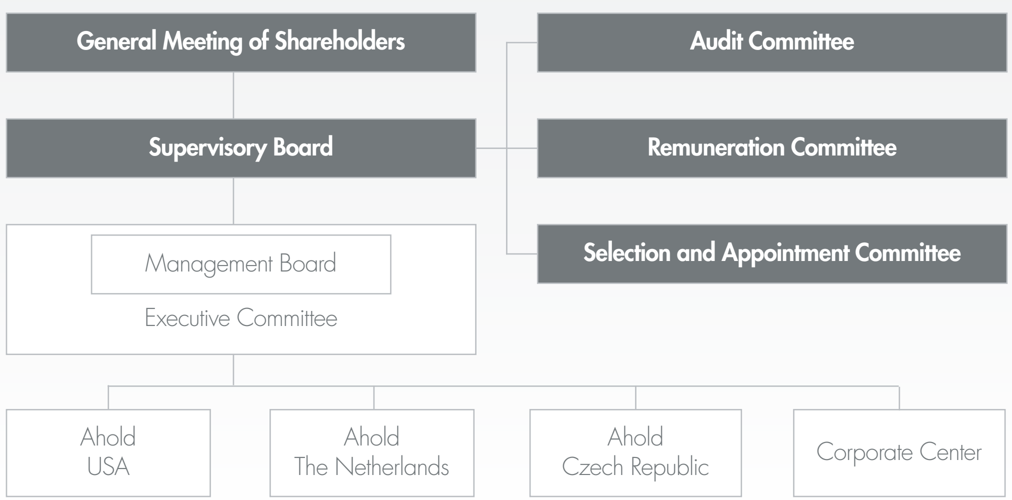
Governance structure

Koninklijke Ahold N.V. (the Company) is a public company under Dutch law with a two-tier board structure. Our Management Board has ultimate responsibility for the overall management of Ahold. We also have an Executive Committee comprised of our Management Board as well as certain key officers of the Company. The Executive Committee is led by the Chief Executive Officer and is accountable to the Management Board. The Management Board is supervised and advised by a Supervisory Board. The Management Board and the Supervisory Board are accountable to Ahold's shareholders.

Our Company is structured to effectively execute our strategy and to balance local, continental and global decision-making. It is comprised of a Corporate Center and three platforms: Ahold USA, Ahold The Netherlands and Ahold Czech Republic, each of which contains a number of businesses.

The following diagram shows Ahold's governance structure. A list of subsidiaries, joint ventures and associates is included in *Note 36* to the consolidated financial statements.

Governance structure



Management Board and Executive Committee

The Executive Committee manages our general affairs and ensures that we can effectively implement our strategy and achieve our objectives. The Management Board is ultimately responsible for the actions and decisions of the Executive Committee, and the overall management of Ahold. For a more detailed description of the responsibilities of the Executive Committee and the Management Board, please refer to the rules of procedure in the corporate governance section of Ahold's public website at www.ahold.com.

Composition

According to our Articles of Association, the Management Board must consist of at least three members. The current members of the Management Board are: Dick Boer, President and Chief Executive Officer; Jeff Carr, Executive Vice President and Chief Financial Officer; Lodewijk Hijmans van den Bergh, Executive Vice President and Chief Corporate Governance Counsel; and James McCann, Executive Vice President and Chief Operating Officer Ahold USA. The current members of the Executive Committee are the members of the Management Board plus Hanneke Faber, Chief Commercial Officer; Wouter Kolk, Chief Operating Officer Ahold Netherlands and Chief Executive Officer Albert Heijn; Abbe Luersman, Chief Human Resources Officer and Jan Ernst de Groot, Chief Legal Officer. In October 2014, we announced that Lodewijk Hijmans van den Bergh, Chief Corporate Governance Counsel and member of the Management Board and Executive Committee, would step down. This will take effect as of March 1, 2015. The size and composition of our Management Board and Executive Committee and the combined experience and expertise of their members should reflect the best fit for Ahold's profile and strategy. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Ahold, as of March 1, 2015, having a Management Board in which all three members are male and an Executive Committee in which five members are male and two are female. In order to increase gender diversity of the Management Board, in accordance with article 2:276 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new Management Board members. In addition, we continuously recruit female executives, as demonstrated by the appointment of two women to the Executive Committee. We also encourage the professional development of female associates, which has already led to the promotion of several women to key leadership positions across the Group.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend, or dismiss a Management Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held.

In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal. Management Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Management Board member.

Remuneration

On April 17, 2013, Ahold's General Meeting of Shareholders adopted our current remuneration policy for Management Board members. You can find details of this policy in Remuneration. For detailed information on the individual remuneration of Management Board members, see *Notes 31* and *32* to the consolidated financial statements.

Possible reappointment schedule of Management Board

Name	Date of birth	Date of first appointment	Date of possible reappointment
Dick Boer	August 31, 1957	May 3, 2007	2015
Jeff Carr	September 17, 1961	April 17, 2012	2016
Lodewijk Hijmans van den Bergh	September 16, 1963	April 13, 2010	NA*
James McCann	October 4, 1969	April 17, 2012	2016

* Lodewijk Hijmans van den Bergh will step down from the Management Board as of March 1, 2015.

Supervisory Board

The Supervisory Board is responsible for supervising and advising our Management Board and overseeing the general course of affairs and strategy of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders. The Supervisory Board is responsible for monitoring and assessing its own performance. Ahold's Articles of Association require the approval of the Supervisory Board for certain major resolutions proposed to be taken by the Management Board, including:

- → Issuance of shares
- → Acquisitions, redemptions, repurchases of shares, and any reduction in issued and outstanding capital
- → Allocation of duties within the Management Board and the adoption or amendment of the Rules of Procedure of the Executive Committee and the Management Board
- → Significant changes in the identity or the nature of the Company or its enterprise

Appointment

The General Meeting of Shareholders can appoint, suspend or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised, regardless of the number of shares represented at the meeting, is required. A Supervisory Board member is appointed for a four-year term and is eligible for reappointment. However, a Supervisory Board member may not serve for more than 12 years.

You can find more detailed information on the Supervisory Board in the Supervisory Board report. The Rules of Procedure of the Supervisory Board can be found in the corporate governance section of Ahold's public website at www.ahold.com. The composition of the Supervisory Board, including its members' combined experience and expertise, independence, and diversity of age and gender, should reflect the best fit for Ahold's profile and strategy. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Ahold currently having a Supervisory Board in which two members are female and six members are male. In order to increase gender diversity in the Supervisory Board in accordance with article 2:276 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new Supervisory Board candidates.

Conflict of interest

Each member of the Management Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other members of the Management Board and provide them with all relevant information. Each member of the Supervisory Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide him or her with all relevant information. The Chairman determines whether there is a conflict of interest. If a member of the Supervisory Board or a member of the Management Board has a conflict of interest with the Company, the member may not participate in the discussions and / or decision-making process on subjects or transactions relating to the conflict of interest. The Chairman of the Supervisory Board will arrange for such transactions to be disclosed in the Annual Report. No such transaction occurred in 2014. In accordance with best practice provision III.6.4 of the Dutch Corporate Governance Code, Ahold reports that no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2014.

Shares and shareholders' rights

General Meeting of Shareholders

Ahold shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. We are required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Management Board, or by one or more shareholders representing at least 10% of the issued share capital. The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold's Articles of Association and under Dutch law, including the adoption of our annual financial statements. Shareholders are entitled to propose items for the agenda of the General Meeting of Shareholders provided that they hold at least 1% of the issued share capital or the shares that they hold represent a market value of at least €50 million. The adoption of such a proposal requires a majority of votes cast at the General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but a majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or Articles of Association provide otherwise). Proposals for agenda items for the General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting. The General Meeting of Shareholders is also entitled to vote on important decisions regarding Ahold's identity or character, including major acquisitions and divestments.

Dutch law prescribes a record date to be set 28 days prior to the date of the General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

We encourage participation in Ahold's General Meetings of Shareholders. We use Deutsche Bank Trust Company Americas, the Depositary for the Company's ADR facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Voting rights

Each common share entitles its holder to cast one vote. Subject to certain exceptions provided by Dutch law or our Articles of Association, resolutions are passed by a majority of votes cast. A resolution to amend the Articles of Association that would change the rights vested in the holders of a particular class of shares requires the prior approval of a meeting of that particular class. A resolution to dissolve the Company may be adopted by the General Meeting of Shareholders following a proposal of the Management Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the General Meeting of Shareholders at which that proposal is to be considered.

Neither Ahold nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at the General Meeting of Shareholders. Holders of depositary receipts of cumulative preferred financing shares may attend the General Meeting of Shareholders. The voting rights on the underlying shares may be exercised by the Stichting Administratiekantoor Preferente Financierings Aandelen Ahold (SAPFAA), a foundation organized under the laws of the Netherlands.

Cumulative preferred financing shares

All outstanding cumulative preferred financing shares have been issued to SAPFAA. Holders of depositary receipts can obtain proxies from SAPFAA. In accordance with its articles, the board of SAPFAA consists of three members: one A member, one B member and one C member. The A member is appointed by the general meeting of depositary receipt holders, the B member is appointed by the Company and the C member is appointed by a joint resolution of the A member and the B member. As of February 25, 2015, the members of the board of SAPFAA are:

Member A:	J.L. van der Giessen
Member B:	C.W. de Monchy
Member C:	H.J. Baeten, Chairman

Ahold pays a mandatory annual dividend on cumulative preferred financing shares, which is calculated in accordance with the provisions of article 39.4 of the Company's Articles of Association. For further details on cumulative preferred financing shares and the related voting rights, see *Note 22* to the consolidated financial statements.

Cumulative preferred shares

No cumulative preferred shares are currently outstanding. We entered into an option agreement with the Dutch foundation Stichting Ahold Continuïteit (SAC) designed to exercise influence in the event of a potential change of control over the Company. The purpose of SAC, according to its articles of association, is to safeguard the interests of the Company and all its stakeholders and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity.

As of February 25, 2015, the members of the board of SAC are:

Name	Principal or former occupation
W.G. van Hassel, Chairman	Former lawyer and former chairman Dutch Bar Association
G.H.N.L. van Woerkom	Former President and CEO of ANWB
J. van den Belt	Former CFO Océ
B. Vree	CEO APM Terminals Europe

SAC is independent from the Company. For details on Ahold's cumulative preferred shares, see *Note 20* to the consolidated financial statements.

Issue of additional shares and preemptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Management Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Management Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Management Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. The General Meeting of Shareholders approved a delegation of this authority to the Management Board, relating to the issuance and / or granting of rights to acquire common shares up to a maximum of 10% of the issued common shares through October 16, 2015, and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold's common shares have a preemptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold's common shares. According to the Company's Articles of Association, this preemptive right does not apply to any issuance of shares to Ahold associates. The General Meeting of Shareholders may decide to restrict or exclude preemptive rights. The General Meeting of Shareholders may also resolve to designate the Management Board as the corporate body authorized to restrict or exclude preemptive rights for a period not exceeding five years. The General Meeting of Shareholders has delegated to the Management Board, subject to the approval of the Supervisory Board, the authority to restrict or exclude the preemptive rights of holders of common shares upon the issuance of common shares and / or upon the granting of rights to subscribe for common shares through October 16, 2015.

Repurchase by Ahold of its own shares

Ahold may only acquire fully paid shares of any class in its capital for a consideration following authorization by the General Meeting of Shareholders and subject to certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold's Articles of Association; and

2. Ahold and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10% of the issued share capital. The Management Board has been authorized to acquire a number of common shares in the Company or depository receipts for shares, as permitted within the limits of the law and the Articles of Association and subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between par value and 110% of the opening price of the shares at Euronext Amsterdam by NYSE Euronext on the date of their acquisition. The authorization takes into account the possibility to cancel the repurchased shares. This authorization is valid through October 16, 2015. Ahold may acquire shares in its capital for no consideration or for the purpose of transferring these shares to associates through share plans or option plans, without such authorization.

Major shareholders

Ahold is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under "Cumulative preferred shares" above.

Significant ownership of voting shares

According to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Ahold's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM) if the acquisition or disposal causes the percentage of outstanding capital interest or voting rights held by that person or legal entity to reach, exceed or fall below any of the following thresholds:

3%	5%	10%	15%	20%
25%	30%	40%	50%	60%
75%	95%			

The obligation to notify the AFM also applies when the percentage of capital interest or voting rights referred to above changes as a result of a change in Ahold's total outstanding capital or voting rights. In addition, local rules may apply to investors.

The following table lists the shareholders on record in the AFM register on February 25, 2015, that hold an interest of 3% or more in the share capital of the Company. For details on the number of outstanding shares, see *Note 20* to the consolidated financial statements. For details on capital structure, listings, share performance and dividend policy in relation to Ahold's common shares, see *Investors*.

The following disclosures were on record in the AFM register on February 25, 2015, of shareholders that hold an interest of 3% or more in the share capital of the Company[1].

- Silchester International Investors LLP – 2.99% shareholding (3.58% voting rights) disclosed on January 21, 2015
- Blackrock, Inc – 2.88% shareholding (4.35% voting rights) disclosed on September 5, 2014
- Mondrian Investment Partners Limited – 4.26% shareholding (4.99% voting rights) disclosed on September 27, 2012
- ING Groep N.V. – 9.26% shareholding (4.92% voting rights) disclosed on April 8, 2008[2]
- DeltaFort Beleggingen I B.V. – 11.23% shareholding (3.82% voting rights) disclosed on August 23, 2007[2]
- Stichting Administratiekantoor Preferente Financieringsaandelen Ahold – 20.19% shareholding (6.55% voting rights) disclosed on July 13, 2012[3]

1 In accordance with the filing requirements, the percentages shown include both direct and indirect capital interests and voting rights and both real and potential capital interests and voting rights. Further details can be found at www.afm.nl.
2 The interest on record for ING Groep N.V. and DeltaFort Beleggingen B.V. includes both the direct and real interest from the common shares as well as the indirect and / or potential interest from the depository receipts.
3 SAPFAA holds all outstanding cumulative preferred financing shares and it issued corresponding depository receipts to investors that were filed under ING Group N.V. and DeltaFort Beleggingen B.V. Therefore, in relation to the outstanding cumulative preferred financing shares, disclosures are made by both SAPFAA (for the shares) and by ING Group N.V. and DeltaFort Beleggingen B.V. (for the corresponding depository receipts).

Articles of Association

Our Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on our public website at www.ahold.com.

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Management Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but a majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only a majority of votes, regardless of the number of shares represented at the meeting, is required. The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Auditor

The General Meeting of Shareholders appoints the external auditor. The Audit Committee recommends to the Supervisory Board the external auditor to be proposed for (re)appointment by the General Meeting of Shareholders. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors. On April 16, 2014, the General Meeting of Shareholders appointed PricewaterhouseCoopers Accountants N.V. as external auditor for the Company for the financial year 2014.

Decree Article 10 EU Takeover Directive

According to the Decree Article 10 EU Takeover Directive, we have to report on, among other things, our capital structure, restrictions on voting rights and the transfer of securities, significant shareholdings in Ahold, the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board and the amendment of the Articles of Association, the powers of the Management Board (in particular the power to issue shares or to repurchase shares), significant agreements to which Ahold is a party and which are put into effect, changed or dissolved upon a change of control of Ahold following a takeover bid, and any agreements between Ahold and the members of the Management Board or associates providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate governance* section and under *Investors*, and the notes referred to in these sections or included in the description of any relevant contract.

Compliance with Dutch Corporate Governance Code

We apply the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company, to the Management Board and to the Supervisory Board, in the manner set out in the Governance section, as long as it does not entail disclosure of commercially sensitive information, as accepted under the code. The Dutch Corporate Governance Code was last amended on December 10, 2008, and can be found at www.commissiecorporategovernance.nl.

Our shareholders consented to apply the Dutch Corporate Governance Code during the Extraordinary General Meeting of Shareholders on March 3, 2004. Ahold continues to seek ways to improve its corporate governance by measuring itself against international best practice.

Following Jan Hommen's appointment as CEO of KPMG the Netherlands, the Supervisory Board designated Rob van den Bergh as interim Chairman of the Supervisory Board to temporarily replace Jan Hommen as Chairman of the Supervisory Board as of June 14, 2014. Given his experience, Rob van den Bergh was the most obvious choice for the position, although his designation was in deviation from best practice III.5.11 of the Dutch Corporate Governance Code. The Supervisory Board endeavors to resolve this temporary non-compliance with section III.5.11 of the Dutch Corporate Governance Code shortly and with due care to the interests of the Company.

Corporate Governance statement

The Dutch Corporate Governance Code requires companies to publish a statement concerning their approach to corporate governance and compliance with the Code. This is referred to in article 2a of the decree on additional requirements for annual reports "Vaststellingsbesluit nadere voorschriften inhoud jaarverslag" last amended on January 1, 2010 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code (published at www.commissiecorporategovernance.nl), as required by article 3 of the Decree, can be found in the section *Compliance with the Dutch Corporate Governance Code.*
- The information concerning Ahold's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant section under *How we manage risk.*
- The information regarding the functioning of Ahold's General Meeting of Shareholders and the authority and rights of Ahold's shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders' rights.*
- The information regarding the composition and functioning of Ahold's Management Board and the Company's Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant sections under *Corporate governance.*
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive.*

Supervisory Board report

The Supervisory Board is an independent corporate body responsible for supervising and advising our Management Board and overseeing the general course of affairs and strategy of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

Composition of the Supervisory Board

Ahold's Supervisory Board determines the number of its members. The Supervisory Board profile is published on Ahold's public website at www.ahold.com. The composition of the Supervisory Board should match this profile in terms of combined experience and expertise, independence, and variety of ages and genders. The Supervisory Board is of the opinion that its composition is currently in accordance with the profile. The Supervisory Board profile is updated regularly.

The Rules of Procedure of the Supervisory Board state that if a member is concurrently a member of another company's Supervisory Board, the main duties arising from and / or the number and nature of any other supervisory board memberships must not conflict or interfere with that person's duties as a member of Ahold's Supervisory Board. On April 16, 2014, the General Meeting of Shareholders appointed René Hooft Graafland as a member of the Supervisory Board with effect from January 1, 2015, and reappointed Judith Sprieser for a third term. On April 15, 2015, Rob van den Bergh will be nominated for reappointment.

Induction

Ongoing education is an important part of good governance. New members of our Supervisory Board attend a multiple-day induction program at our businesses in the U.S. and the Netherlands and at Corporate Center in Zaandam at which they are briefed on their responsibilities and informed by senior management on the financial, social, corporate responsibility, human resources, governance, legal and reporting affairs of our Company and businesses. Throughout the year, all members of our Supervisory Board visit several of our businesses, operations and other parts of the Company to gain greater familiarity with senior management and to develop deeper knowledge of local operations, opportunities and challenges.

Diversity profile Supervisory Board

Name	Date of birth	American	Netherlands	International experience	Retail	Food industry	Finance	Social / employment	CR	Disclosure / communication	Marketing	Management experience	Gender
Rob van den Bergh	April 10, 1950		●	●						●		●	M
Judith Sprieser	August 3, 1953	●		●		●	●	●		●		●	F
Stephanie Shern	January 7, 1948	●		●	●		●			●	●	●	F
Jan Hommen	April 29, 1943		●	●			●	●	●	●		●	M
Derk Doijer	October 9, 1949		●	●	●	●						●	M
Mark McGrath	August 10, 1946	●		●	●	●					●	●	M
Ben Noteboom	July 4, 1958		●	●				●	●	●	●	●	M
René Hooft Graafland	September 24, 1955		●	●		●	●			●	●	●	M

Retirement and reappointment schedule

Name	Date of initial appointment	Date of reappointment	Date of possible reappointment
Rob van den Bergh	April 20, 2011		2015
Judith Sprieser	May 18, 2006	April 16, 2014	2018*
Stephanie Shern	May 18, 2005	April 17, 2013	—
Jan Hommen	April 17, 2013		2017**
Derk Doijer	May 18, 2005	April 17, 2013	—
Mark McGrath	April 23, 2008	April 17, 2012	2016
Ben Noteboom	April 28, 2009	April 17, 2013	2017
René Hooft Graafland (effective January 1, 2015)	April 16, 2014		2018

* Judith Sprieser will step down from the Supervisory Board following our 2015 annual General Meeting of Shareholders.
** Jan Hommen will not be available for reappointment in 2017.

Meetings and activities of the Supervisory Board

In 2014, the Supervisory Board held six meetings in person and four meetings by conference call. The Chief Executive Officer, Chief Financial Officer and Chief Corporate Governance Counsel attended the meetings. The other members of the Executive Committee as well as other senior corporate, continental and local management were regularly invited to be present. The Supervisory Board held several private meetings without other attendees to independently review certain issues and to discuss matters related to the functioning of the Management and Supervisory Boards. The external auditor at the time attended the meeting on February 25, 2014, at which the 2013 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders.
The Supervisory Board assessed its own performance over 2014, that of its committees and its individual members, as well as the performance of the Management Board and its individual members through a survey, followed by one-on-one meetings with the Chairman and a private meeting (partly) attended by the CEO. The Supervisory Board was positive, overall, about its own performance as well as the performance of its committees and the Management Board. As part of the outcome of the assessment, the Supervisory Board will closely monitor the succession planning of both the Supervisory Board and the Executive Committee.
The members of the Supervisory Board have regular contact with the members of the Management Board and other Company management outside of the scheduled meetings of the Supervisory Board. These informal consultations ensure that the Supervisory Board remains well-informed about the running of the Company's operations.

During 2014, the Supervisory Board reviewed matters related to all significant aspects of Ahold's activities, results, strategies and management. During its meetings throughout the year, the Supervisory Board reviewed reports from its various committees and regularly assessed the functioning of the Management Board, the organizational strategy, talent management and succession planning.

- In January 2014, the Supervisory Board held two conference calls: one to discuss the FY / Q4 2013 Trading Statement and the organizational changes in Ahold's European business and one to discuss and approve an offer to acquire SPAR's business in Czech Republic.
- In February 2014, the Supervisory Board met to discuss the FY / Q4 2013 results and the 2013 Annual Report and financial statements, including related reports from the internal and external auditors and a report from the Management Board on the Company's internal control system. The Supervisory Board supported the dividend proposal and approved the agenda and explanatory notes for the annual General Meeting of Shareholders in April 2014, including the proposal to appoint René Hooft Graafland as member of the Supervisory Board and the proposal for the nomination of the external auditor. The Supervisory Board established the annual compensation of the Management Board members in accordance with the Company's remuneration policy and with the assistance of the Remuneration Committee.
- Also in February 2014, the Supervisory Board appointed Judith Sprieser as Vice Chairman of the Supervisory Board and adopted the Rules of Procedure of the Supervisory Board as a replacement for the former charters of the Supervisory Board and its committees. The Board also reviewed Ahold's responsible retailing initiatives and approved its 2013 Responsible Retailing Report. Furthermore, the Supervisory Board received updates on the U.S., Netherlands, and Czech businesses, the functioning of IT systems, the enterprise risk management of the Group and major legal proceedings with potential impact on Ahold.
- The successive 2014 quarterly results and related reports and updates were discussed in May, August and November 2014, respectively. Prior to the annual General Meeting of Shareholders on April 16, 2014, the Supervisory Board met to review updates on the Dutch and U.S.businesses and, in particular, Albert Heijn's strategic initiatives.
- In May, the Supervisory Board held a conference call to further discuss the intended settlement in the Waterbury class action in the U.S.
- Also in May, the Supervisory Board appointed Rob van den Bergh as interim Chairman of the Supervisory Board effective June 14, 2014, temporarily replacing Jan Hommen, in view of his appointment as CEO of KPMG the Netherlands.
- In July, the Supervisory Board met in the U.S. to visit the Ahold USA divisions and to review the Company's strategy as part of the annual strategic planning cycle, including specific reviews of several strategic initiatives.
- The Supervisory Board visited Ahold's Czech business during its meeting in August 2014.
- The Supervisory Board members attended the Company's leadership development program in the U.S. in October 2014 and held a meeting at which they reviewed strategic initiatives and market developments in Ahold's businesses in the U.S. and the Netherlands, including its online businesses.
- The Supervisory Board also reviewed and approved the Company's long-term business and finance plans.
- In November 2014, the Supervisory Board met to discuss and approve the annual budget for 2015 and to review annual updates on responsible retailing and product integrity.

Attendance, independence

Except on three occasions, and for valid reasons, all Supervisory Board members attended all Supervisory Board meetings in 2014. All Supervisory Board members made adequate time available to give sufficient attention to matters concerning Ahold. The Supervisory Board confirms that as of February 25, 2015, all Supervisory Board members are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

Board Attendance	Number of meetings held	Number of meetings attended
Rob van den Bergh	6	6
Judith Sprieser	6	5
Stephanie Shern	6	5
Jan Hommen	6	6
Derk Doijer	6	6
Mark McGrath	6	6
Ben Noteboom	6	5

Remuneration

The annual remuneration of the members of the Supervisory Board was determined by the General Meeting of Shareholders on April 16, 2014. Remuneration is subject to an annual review by the Supervisory Board.

Chairman Supervisory Board	€95,000
Vice Chairman Supervisory Board	€75,000
Member Supervisory Board	€65,000
Chairman Audit Committee	€17,500
Member Audit Committee	€12,000
Chairman Remuneration Committee	€12,000
Member Remuneration Committee	€9,000
Chairman Selection and Appointment Committee	€12,000
Member Selection and Appointment Committee	€9,000
Travel compensation intercontinental	€7,500
Travel compensation continental	€2,500

Travel compensation per round trip air travel.

Committees of the Supervisory Board

The Supervisory Board has three permanent committees to which certain tasks are assigned. The committees provide the Supervisory Board with regular updates on their meetings. The Chairman of the Supervisory Board attends all committee meetings. The composition of each committee is detailed in the following table.

	Audit Committee	Remuneration Committee	Selection and Appointment Committee
Rob van den Bergh, Chairman		Chairman	Member
Judith Sprieser, Vice Chairman	Member	Member	
Stephanie Shern	Chairman	Member	
Jan Hommen			Chairman
Derk Doijer	Member		Member
Mark McGrath		Member	Member
Ben Noteboom		Member	Member
René Hooft Graafland	Member		Member

Audit Committee

The Audit Committee assists the Supervisory Board in its responsibility to oversee Ahold's financing, financial statements, financial reporting process and system of internal business controls and risk management. The Chief Executive Officer, Chief Financial Officer, Chief Corporate Governance Counsel, Senior Vice President Internal Audit, Senior Vice President Accounting, Reporting, Risks & Controls and representatives of the external auditor are invited to and also attend the Audit Committee meetings. Other members of senior staff are invited when the Audit Committee deems it necessary or appropriate. The Audit Committee determines how the external auditor should be involved in the content and publication of financial reports other than the financial statements. The Management Board and the Audit Committee report to the Supervisory Board annually on their dealings with the external auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external auditor that is submitted to the General Meeting of Shareholders.

In 2014, the Audit Committee held six meetings in person and one conference call to review the publication of quarterly results.

Throughout the year, the Audit Committee closely monitored the financial closing process. Updates on internal controls were provided during all Audit Committee meetings. The Audit Committee was informed regularly on compliance and reviewed and received regular updates on Ahold's whistleblower program.

The Audit Committee was closely involved in the evaluation of Ahold's external auditor, in accordance with provision V.2.3 of the Dutch Corporate Governance Code.

The Audit Committee further discussed items including:

- Quarterly interim reports
- 2013 Annual Report including the financial statements
- Review and approval of the internal audit plan
- Review of and discussions on the findings in the internal audit letter and the management letter of the external auditor
- Ahold's finance structure
- Treasury
- Tax
- Pensions
- Guarantees
- Insurance
- Appointment of the external auditor
- Code of Conduct

The Audit Committee and the Chairman of the Audit Committee also held private individual meetings with the Chief Financial Officer, Senior Vice President Internal Audit and external auditor.

In a separate private meeting, the Audit Committee carried out a self-evaluation on the basis of written questionnaires, which provided the framework for discussions on its own functioning as well as that of its individual members. This review concluded that the Audit Committee's composition, its work processes, the scope and depth of its activities, its interfaces with the Management Board and the Supervisory Board, and the personal contribution of each individual committee member are satisfactory and adequately serve the Company's needs.

The Supervisory Board has determined that Stephanie Shern, Judith Sprieser and René Hooft Graafland are "Audit Committee Financial Experts" within the meaning of the Dutch Corporate Governance Code.

Selection and Appointment Committee

In 2014, the Selection and Appointment Committee held four meetings, all of which the Chief Executive Officer was invited to attend. The Committee's main areas of focus were long-term succession planning for the Supervisory Board and management development. It was also involved in organizational and management changes at Ahold Netherlands and Ahold USA and discussed overall succession and management development processes at Ahold. During one of its meetings, the Selection and Appointment Committee evaluated its own functioning and concluded that its composition and activities are satisfactory and adequately serve the Company's needs.

Remuneration Committee

The main responsibilities of the Remuneration Committee include:

- Preparing proposals for the Supervisory Board on the remuneration policy for the Management Board, to be adopted by the General Meeting of Shareholders
- Preparing proposals on the remuneration of individual members of the Management Board
- Advising on the level and structure of compensation for senior personnel other than members of the Management Board

In 2014, the Remuneration Committee held three meetings, all of which the Chief Executive Officer was invited to attend. For more information on the remuneration policy, see *Remuneration*. During one of its meetings, the Remuneration Committee evaluated its own functioning and concluded that its composition and activities are satisfactory and adequately serve the Company's needs.

Conclusion

The Supervisory Board is of the opinion that during the year 2014, its composition, mix and depth of available expertise; working processes; level and frequency of engagement in all critical Company activities; and access to all necessary and relevant information and the Company's management and staff were satisfactory and enabled it to carry out its duties towards all the Company's stakeholders.

The Supervisory Board would like to thank Sander van der Laan and Lodewijk Hijmans van den Bergh for their highly valued contributions to the Company.

The Supervisory Board would like to thank Ahold's shareholders for the trust they have put in the Company and its management. The Supervisory Board also wishes to express its appreciation for the continued dedication and efforts of the Management Board and all Ahold's associates.

Supervisory Board

Zaandam, the Netherlands
February 25, 2015

How we manage risk

Having a structured and consistent approach to managing risks and uncertainties is key to being able to fulfill our stakeholders' expectations.

In order to meet our Reshaping Retail objectives, Ahold needs to be agile and entrepreneurial to respond quickly and effectively to rapid changes in the retail landscape. Having a well-established and embedded risk management approach benefits our decision making processes to create and preserve value. Managing risks and unpredictable conditions in a timely way increases the likelihood that we will achieve our business objectives, while ensuring compliance with internal and external requirements.

Ahold strives for a culture of openness and transparency in which identified risks are disclosed proactively and unexpected events are reported as soon as they occur. Risk management is an integral part of responsible leadership.

Risk management and internal control

Enterprise risk management

Ahold's enterprise risk management program is designed to provide executive management with an understanding of the Company's key business risks and associated risk management practices. Within each business, management identifies the principal risks to the achievement of important business objectives and the actions needed to mitigate these risks. Senior executives periodically review these risks and the related mitigation practices. The findings are aggregated into an enterprise risk management report that is presented to the Executive Committee and the Supervisory Board. Executive management is required to review the principal risks and risk management practices with the Executive Committee as a regular part of the business planning and performance cycle. In turn, the Executive Committee provides complementary insights into existing and emerging risks that are subsequently included in the program. Ahold's enterprise risk management program influences the formation of controls and procedures, the scope of internal audit activities and the focus of the business planning and performance process.

Risk appetite

Risk boundaries are set through our strategy, Code of Conduct, bill of authority, budgets and policies. Our risk appetite differs by objective category:

→ *Strategic*
In pursuing our strategic ambition to grow, Ahold is prepared to take risks in a responsible way that takes our stakeholders' interests into account.

→ *Operational*
The core promise of our Company: "better every day," applies to the day-to-day running of our businesses and describes our commitment to be a better place to shop, a better place to work, and a better neighbor. Risks related to our promises should be in balance with the related rewards.

→ *Financial*
With respect to financial risks, Ahold has a prudent financing strategy, including a balanced combination of self-insurance and commercial insurance coverage. The Company is committed to maintaining an investment grade credit rating.

→ *Compliance*
At Ahold, an essential part of responsible retailing is behaving according to our values. One of Ahold's values is "Doing what's right," which means that the Company and all its employees are responsible for acting with honesty, integrity, and respect for others. We strive to comply with applicable laws and regulations everywhere we do business.

Control framework

We maintain the Ahold Business Control Framework (ABC Framework), which incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. The aim of the ABC Framework is to provide reasonable assurance that risks to achieving important objectives are identified and mitigated. The ABC Framework is based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM).

We have developed uniform governance and control standards in areas such as ethical conduct, agreements, accounting policies and product integrity. These and other policies and procedures are incorporated into the ABC Framework as mandatory guidelines for all of Ahold's consolidated entities. Local management is responsible for business operations, including risk mitigation and compliance with laws and regulations. Authority limits have been established to ensure that all expenditures and decisions are approved by the appropriate levels of management.

How we manage risk (continued)

Our key control requirements are documented in Ahold Control Memoranda (ACMs). Compliance with the ACMs is mandatory for all of Ahold's fully-owned entities. The ACMs cover controls relating to financial reporting and various other business processes. They include the requirement for management to assess the operating effectiveness of all ACM key controls.

Our Global Code of Conduct (the "Code") focuses on Ahold's core value "Doing what's right" and establishes Group-wide principles and rules with regard to employee conduct. It is intended to help each employee understand and follow relevant compliance and integrity rules and know when and where to ask for advice or report a breach of the Code. The principles of the Code apply to all employees of Ahold and its operating companies. Employees of defined grade levels have been trained and acknowledge compliance with the Code on an annual basis. The full Code is available in the corporate governance section of Ahold's public website at www.ahold.com.

Monitoring and assurance

We use a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. We assess business performance according to both financial and non-financial targets. In order to meet business needs and the requirements of the Dutch Corporate Governance Code, we have a Group-wide management certification process in place, which requires that the executive management team members at each of our reporting entities send letters of representation to the Chief Corporate Governance Counsel on a quarterly basis. These letters confirm whether the reporting entities are in compliance with Ahold's global Code of Conduct, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements. Compliance with Ahold's responsible retailing standards is confirmed through bi-annual letters of representation. Both our Internal Control and Internal Audit functions help to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control. Internal Audit undertakes regular risk-based, objective and critical audits. These functions also monitor the effectiveness of corrective actions undertaken by management, including significant audit findings.

Governance, Risk management and Assurance Committee

An ExCo sub-committee, the Governance, Risk management and Assurance (GRA) Committee, oversees governance, risk management and assurance processes. The GRA Committee is chaired by the Chief Corporate Governance Counsel and (i) advises the Executive Committee on matters concerning the GRA Framework, including an overall GRA vision and strategy, (ii) oversees activities to develop and maintain a fit-for-purpose GRA Framework and (iii) engages with Ahold's senior management on important developments in the context of GRA.

During 2014, the GRA Committee met three times. In addition to Ahold's Chief Corporate Governance Counsel (Chairman), the Chief Financial Officer sits on the GRA Committee, along with the heads of Finance of our main businesses and other members of management responsible for governance, risk management, compliance and assurance functions.

Declaration

Annual declaration on risk management and control systems regarding financial reporting risks

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

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

With respect to financial reporting, management has assessed whether the risk management and control systems provide reasonable assurance that the 2014 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework. It included tests of the design and operating effectiveness of entity level controls, transactional controls at significant locations, and relevant general computer controls. Any control weaknesses not fully remediated at year end were evaluated. Based on this assessment, management determined that the Company's financial reporting systems are adequately designed and operated effectively in 2014 and provide reasonable assurance that the financial statements are free of material misstatement.

Risk factors

The principal risk factors that may impede the achievement of Ahold's objectives with respect to strategy, operations, financial and compliance matters are described in the following section. The enterprise risk management system, the governance and control standards incorporated within our ABC Framework, and the monitoring systems described above are the principal means by which we identify and manage these risks. Management is not aware of any important failings in these systems as of year-end 2014.

The following overview of risks relating to Ahold should be read carefully when evaluating the Company's business, its prospects and the forward-looking statements contained in this Annual Report. Any of the following risks could have a material adverse effect on Ahold's financial position, results of operations and liquidity or could cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report.

The risks described below are not the only risks the Company faces. There may be additional risks that we are currently unaware of or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on Ahold's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report. For additional information regarding forward-looking statements, see the *Cautionary notice*.

Ahold's principal risks and uncertainties

Description of risk	Strategy	Key risk drivers	Risk mitigating actions	Potential consequence
Business continuity (O) Disruption of critical business processes may result in non-availability of products for customers	**Better place to shop**	– Dependency on IT systems – Dependency on supply chain – Centralized facilities – Dependency on logistics service providers – Dependency on suppliers of strategic own-brand products and services – Cyber threats	– Business continuity governance structure – Business continuity strategic guidelines and tactical policy – Business continuity framework with guidance, procedures and document templates – Business continuity management plans – Insurance program	While Ahold continues to maintain and invest in business continuity management plans, business interruptions could have a material adverse effect on the Company's financial position, results of operations, liquidity, customer perception and reputation.
Collective bargaining (O) Ahold's businesses might not be able to negotiate extensions or replacements on acceptable terms, which could result in work stoppages	**Better place to work**	– Expiring collective bargaining agreements – Relationships with the relevant trade unions	– Contract negotiation process – Human Resource functions to support relationships with trade unions – Contingency plans	A work stoppage due to the failure of one or more of Ahold's businesses to renegotiate a collective bargaining agreement, or otherwise, could be disruptive to our business, lead to adverse publicity and have a material adverse effect on the Company's results of operations and financial position.
Competitive advantage and economic conditions (S) A weak macro-economic climate and changes to the competitive landscape without appropriate response could threaten Ahold's ability to achieve its strategic business plan	**Business model**	– Price perception – Consumer confidence and unemployment – Consumers' purchasing power under pressure – Changes in the retail landscape and competition – Lack of distinctiveness – Inflationary forces impacting cost of goods sold	– Research and monitoring of consumer behavior – Price benchmarking competition – Analysis of economic developments – Promotional activities – Building more personalized customer relationships – Strengthening own brands	Ahold is focused on the execution of its strategic pillars and promises. Unforeseen effects could impair the effectiveness of Ahold's strategy and reduce the anticipated benefits of its price repositioning and cost savings programs or other strategic initiatives. These factors may have a material adverse effect on the Company's financial position, results of operations and liquidity. For more information see *Business review.*

1 Risk objectives: strategic (S), operational (O), financial (F) and compliance (C) risks listed in alphabetical order.

Ahold's principal risks and uncertainties

Description of risk	Strategy	Key risk drivers	Risk mitigating actions	Potential consequence
Information security (O) A lack of security around, or non-compliance with, privacy requirements for customer data might negatively impact strategic initiatives relating to customer loyalty	**Better place to shop**	– Consumer confidence – Sensitivity of data – Changing privacy regulations – Use of third parties to process and store data – Global security threats – Growth of online sales	– Strategic and tactical information security policy and guidelines – Information security governance – Control standards for information management and security – Payment Card Industry (PCI) and privacy compliant control framework – Information security capabilities – Information security awareness program – Cyber insurance coverage	Ahold's business operations generate and maintain confidential commercial and personal information concerning customers, employees, suppliers and the Company. Disclosure of confidential information to unintended third parties may negatively impact Ahold's corporate reputation and competitive position or result in litigation or regulatory action. This could have a material adverse effect on Ahold's financial position.
Legislative and regulatory environment (C) A changing legislative and regulatory environment increases the cost of doing business, tax levels and the complexity of our operations	**Simplicity**	– Compliance deadlines – Increased and targeted enforcement – Government budget deficits – Public opinion / pressure – International Tax Developments (e.g. OECD and EU regulations)	– Knowledge and awareness of regulations – Monitoring, review and reporting on changes – Operational procedures and guidance	Ahold's activities are subject to various laws and regulations in each local market where it operates. The cost of compliance with any of these laws could impact Ahold's operations and reduce its profitability. See further discussion of consequences of the legislative and regulatory risks below.
Product safety (O, C) The consumption of own-brand products or other food or non-food products, or food fraud in the supply chain could result in our customers' injury, illness or death	**Responsible retailing**	– Internationalization of the supply chain – Incidents across the world – Increased number of own-brand products – Speed of communications (social media)	– Product safety policies – Control standards for food and non-food products – Standard operating procedures – Dedicated product integrity departments at Group level and in the business – Monitoring of performance in the business – Third-party certification	Though it has mitigating actions in place, Ahold may face product safety problems, including disruptions to the supply chain caused by food-borne illnesses and negative consumer reaction to incidents, which may have a material adverse effect on the Company's reputation, results of operations and financial position.

1 Risk objectives: strategic (S), operational (O), financial (F) and compliance (C) risks listed in alphabetical order.

Ahold's principal risks and uncertainties

Description of risk	Strategy	Key risk drivers	Risk mitigating actions	Potential consequence
Pension plan funding (F) Ahold is exposed to the financial consequences of a number of defined benefit pension plans covering a large number of its employees in the Netherlands and in the United States, as well as multi-employer plans (MEP) covering both pensions and other benefits	**Business model**	– Insolvency or bankruptcy of MEP participants – Decreasing interest rates – Poor stock market performance – Changing pension laws – Longevity – Increasing U.S. healthcare costs	– Governance structure – Yearly MEP risk assessment study – Monitoring MEPs / participants	A decrease in equity returns or interest rates may negatively affect the funding ratios of Ahold's pension funds, which could lead to higher pension charges and contributions payable. According to Dutch law and / or contractually agreed funding arrangements, Ahold may be required to make additional contributions to its pension plans in case minimum funding requirements are not met. In addition, a significant number of union employees in the United States are covered by MEPs. An increase in the unfunded liabilities of these MEPs may result in increased future payments by Ahold and the other participating employers. The bankruptcy of a participating MEP employer could result in Ahold assuming a larger proportion of that plan's funding requirements. In addition, Ahold may be required to pay significantly higher amounts to fund U.S. employee healthcare plans in the future. Significant increases in healthcare and pension funding requirements could have a material adverse effect on the Company's financial position, results of operations and liquidity. For additional information, see *Note 23* to the consolidated financial statements
Strategic projects (S) Activities are increasingly undertaken in the form of projects. Ahold might not be able to deliver on the objectives of its strategic projects	**Our promises and pillars**	– Changing retail environment – Dependencies between projects and operational activities – Availability of required capabilities	– Ahold's Executive Committee (ExCo) governance structure – Program and project management – Promises reporting – Embedding pillars and promises in the business	Ahold is continuing with its strategy to reshape the way we do business and drive growth. If the Company is not able to deliver on the objectives of its underlying strategic projects, the realization of key elements of its strategy may be at risk. This could have a material adverse effect on Ahold's financial position, results of operations and liquidity.

1 Risk objectives: strategic (S), operational (O), financial (F) and compliance (C), risks listed in alphabetical order.

How we manage risk (continued)

In addition to the principal risks and uncertainties as linked to our strategy above, the Company has risks in the following areas:

Responsible retailing (S, O)

Increased regulatory demands, stakeholder awareness and the growing sentiment that large retailers must address sustainability issues across the entire supply chain mean that Ahold's brands and reputation may suffer if it does not adequately address relevant corporate responsibility issues affecting the food retail industry. Ahold has integrated responsible retailing into its Reshaping Retail strategy to ensure that responsible retailing is part of the daily business. For more information see Ahold's Responsible Retailing Report 2014.

Insurance programs (F)

Ahold manages its insurable risks through a combination of self-insurance and commercial insurance coverage. Our U.S. operations are self-insured for workers' compensation, general liability, vehicle accident and certain health care-related claims. Self-insurance liabilities are estimated based on actuarial valuations. While we believe that the actuarial estimates are reasonable, they are subject to changes caused by claim reporting patterns, claim settlement patterns, regulatory economic conditions and adverse litigation results. It is possible that the final resolution of some claims may require us to make significant expenditures in excess of our existing reserves. In addition, third-party insurance companies that provide the fronting insurance that is part of our self-insurance programs require us to provide certain collateral. We take measures to assess and monitor the financial strength and credit-worthiness of the commercial insurers from which we purchase insurance. However, we remain exposed to a degree of counterparty credit risk with respect to such insurers. If conditions of economic distress were to cause the liquidity or solvency of our counterparties to deteriorate, we may not be able to recover collateral funds or be indemnified from the insurer in accordance with the terms and conditions of our policies.

Other financial risks (F)

Other financial risks include foreign currency translation risk, credit risk, interest rate risk, liquidity risk and contingent liabilities to third parties relating to lease guarantees.

For information relating to these financial risks, see *Note 30* and *Note 34* to the consolidated financial statements.

Unforeseen tax liabilities (C)

Because Ahold operates in a number of countries, its income is subject to taxation in differing jurisdictions and at differing tax rates. Significant judgment is required in determining the consolidated income tax position. We seek to organize our affairs in a tax-efficient and balanced manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The tax authorities in the jurisdictions where Ahold operates may audit the Company's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of the Company's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate, which could have a material adverse effect on Ahold's financial position, results of operations and liquidity. In addition, any examination by the tax authorities could cause Ahold to incur significant legal expenses and divert management's attention from the operation of its business.

Risks related to the legislative and regulatory environment and litigation (C)

Ahold and its businesses are subject to various federal, regional, state and local laws and regulations in each country in which they operate, relating to, among other areas: zoning; land use; antitrust restrictions; work place safety; public health including food and non-food safety; environmental protection; alcoholic beverage, tobacco and pharmaceutical sales; and information security. Ahold and its businesses are also subject to a variety of laws governing the relationship with employees, including but not limited to minimum wage, overtime, working conditions, health care, disabled access and work permit requirements. The cost of compliance with, or changes in, any of these laws could impact the operations and reduce the profitability of Ahold or its businesses and thus could affect Ahold's financial condition or results of operations. Ahold and its businesses are also subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which they operate, which may impact or limit Ahold's ability to realize certain acquisitions, divestments, partnerships or mergers.

From time to time, Ahold and its businesses are parties to legal and regulatory proceedings in a number of countries, including the United States. Based on the prevailing regulatory environment or economic conditions in the markets in which Ahold businesses operate, litigation may increase in frequency and materiality. These legal and regulatory proceedings may include matters involving personnel and employment issues, personal injury, antitrust claims, franchise claims and other contract claims and matters. We estimate our exposure to these legal proceedings and establish accruals for the estimated liabilities where it is reasonably possible to estimate and where the potential realization of a loss contingency is more likely than not.

The assessment of exposures and ultimate outcomes of legal and regulatory proceedings involves uncertainties. Adverse outcomes of these legal proceedings, or changes in our assessments of proceedings, could potentially result in material adverse effects on our financial results. For further information, see *Note 34* to the consolidated financial statements.

Remuneration

Ahold's remuneration policy is prepared in accordance with the Dutch Corporate Governance Code and was adopted at the General Meeting of Shareholders on April 17, 2013.

Remuneration policy

Ahold's remuneration policy aims to attract, motivate and retain the best-qualified workforce, in a cost-effective way. The policy is reviewed annually. The current policy, which was adjusted to be simpler and more transparent than the previous policy, was submitted and approved in the 2013 annual General Meeting of Shareholders. It aligns with our Reshaping Retail strategy and better supports the Company's pay-for-performance culture.

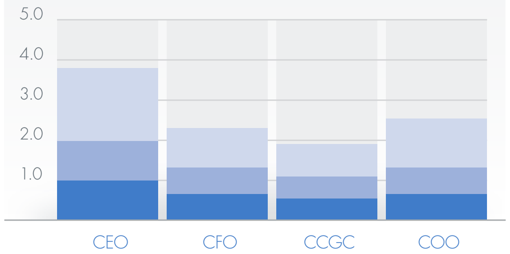
Further details on the Management Board members' employment agreements, individual remuneration, pension, shares, and other interests in Ahold are outlined in *Notes 31* and *32* to the consolidated financial statements.

Total Direct Compensation

Three elements of remuneration – a base salary, an annual cash incentive and a long-term equity-based component – are collectively referred to as Total Direct Compensation.

Although an important component of the overall remuneration package, the pension benefit is not part of Total Direct Compensation. Further details on Ahold's pension benefit are outlined in the chapter *Pensions and other contract terms*.

Total Direct Compensation
€ million



1 Bonuses represent at-target opportunity.
2 "GRO" represents the at-target value award.

Benchmark

The competitiveness of the Management Board remuneration is benchmarked annually. The remuneration packages are benchmarked against the same peer group used to benchmark the performance of Ahold (see table below).

Wal-Mart Stores	Costco	Supervalu
Carrefour	Kroger	Delhaize Group
Metro	Target	Staples
Tesco	Safeway	

The peer group reflects Ahold's geographic operating areas and the markets most relevant to the recruitment and retention of top management. In addition, AEX market practice in the Netherlands is also taken into consideration. In addition to the level of overall remuneration, Ahold evaluates the composition of the Total Direct Compensation, including the risk profile and the level of fixed (base salary) and variable (annual and long-term incentives) components, on an annual basis.

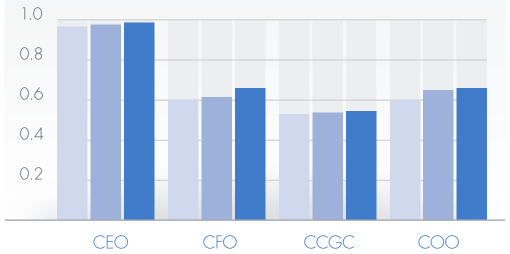
The target Total Direct Compensation level is typically around the median of the peer group.

In anticipation of potential changes to the peer group due to de-listing, mergers and / or other extraordinary circumstances, the Supervisory Board has defined a short list with substitutes. At the Supervisory Board's discretion, companies in the main peer group can be replaced by companies from the substitute list. In general, geographical spread is leading so, if a U.S.-based peer drops out, it is replaced by a U.S.-based company from the substitute list. For benchmarking purposes, from 2015 onwards, Casino will be the substitute for Safeway in the Ahold peer group. For relative TSR measurement, this substitution comes into effect for all unvested and to-be-granted GRO performance shares.

Base salary

The level of the base salary of the members of the ExCo is derived from the benchmarking of Total Direct Compensation. Adjustment of the base salary is at the discretion of the Supervisory Board.

Base salary
€ million



Annual cash Plan; ExCo Incentive Plan

The Management Board members participate in the ExCo Incentive Plan (EIP). The EIP uses three equally weighted financial measures: net sales growth (30%), operating margin (30%) and operating cash flow (30%) and one non-financial performance measure (10%) that relates to Responsible Retailing as described below.

The at-target payout of the EIP as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 150% of the base salary.

Ahold does not disclose the actual targets per performance measure, as this is considered commercially sensitive information.

The EIP also includes a non-financial performance measure in addition to the quantitative financial performance measures. This non-financial measure relates to our Responsible Retailing strategic ambitions. Targets set under this non-financial performance measure are qualitative. The score under the non-financial component is linked to the performance of the financial components. If the financial multiplier is zero, the score on the non-financial component will also be zero (regardless of the achieved score on the non-financial component), resulting in no payout.

Equity-based program: Global Reward Opportunity (GRO)

Global Reward Opportunity (GRO) is Ahold's broad-based, long-term equity incentive program, offered to approximately 5,000 associates globally. Under the GRO program, shares are granted through a three-year program. Participants in the GRO program benefit when the value they have created is reflected in the Company's share price.

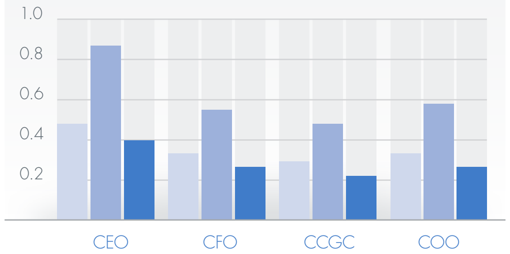
Under the GRO program, three types of shares are granted: one type of conditional share and two types of performance shares.

Conditional shares are shares awarded with a performance hurdle at grant and no performance hurdle at vesting. Performance shares are awarded with either a Return on Capital performance hurdle at vesting or with a Total Shareholder Return hurdle at vesting.

The at-target value of the shares to be granted is divided by the average share price over the six-month period preceding the grant date to calculate the number of shares to be granted.

Scenario analyses are prepared regularly to estimate possible future payout levels.

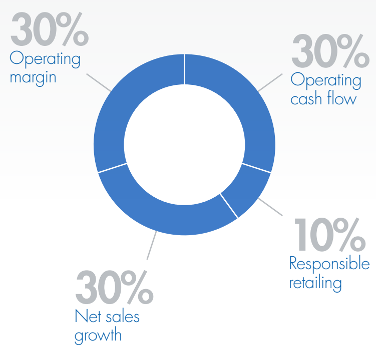
Actual EIP
€ million



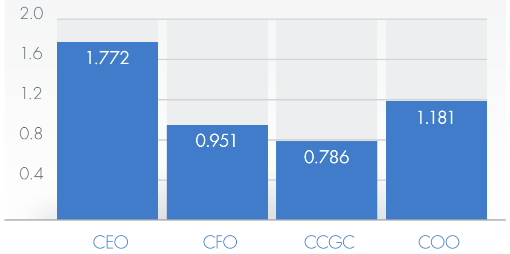
- Actual EIP 2012
- Actual EIP 2013
- Actual EIP 2014[1]

1 2014 EIP represents accrued bonuses to be paid in 2015 and subject to shareholder approval.

2014 EIP Performance measures
%



2014 Management Board GRO Grant Value
€ million



The 2014 GRO grant value consists of a one-third conditional grant value with an 89% multiplier plus the at-target RoC and TSR performance grants.

Conditional share grant

The target value to be granted under the conditional share grant component for the Management Board is 50% of base salary. The actual value of the conditional share grant is subject to a performance condition at grant. The performance condition is the EIP multiplier of the preceding year (with a range between 0% and a maximum of 150%). The maximum conditional share grant value is 75% of base salary.

Timeline for 2014 conditional GRO grant

Performance period for EIP	April grant			April vesting
2013	2014	2015	2016	2017

Performance share grant

The target value to be granted under the performance share grant is different for each Management Board position to align this component with market practice. For the CEO and the U.S.-based COO, the target grant value is 135% of base salary and for the CFO and the CCGC the grant value is 100% of base salary. The vesting of the performance shares is subject to a performance hurdle at vesting after a performance period of three years.

Half of the performance share grant is linked to a three-year return on capital target. The number of shares that eventually vest depends on RoC performance and can range between 0% and a maximum of 150% of the number of shares granted.

For the other half of the performance grant, the performance at vesting is measured using relative total shareholders return (TSR). Relative TSR measures share price growth plus dividends paid over the performance period benchmarked against the TSR performance of Ahold's peer group (see table under *Benchmarking*). The number of shares that will vest depends on Ahold's relative ranking in the peer group. An independent external advisor determines the ranking. The table below indicates the percentage of performance shares that will vest based on Ahold's ranking. No shares will vest to Management Board members if Ahold ranks below the sixth position.

2013-2014 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12
Percentage of performance shares vesting	175%	150%	125%	100%	75%	50%	0%	0%	0%	0%	0%	0%

At-target grant and maximum vesting (conditional and performance shares)

The at-target grant and maximum vesting (conditional and performance shares) per Management Board member can be summarized as follows:

	At-target grant conditional shares	At-target grant performance shares		Total at-target grant conditional and performance	Maximum vesting conditional shares	Maximum vesting performance shares	Total maximum vesting
		RoC	TSR				
CEO	50%	67.5%	67.5%	185%	75%	219.37%	294.37%
CFO	50%	50.0%	50.0%	150%	75%	162.50%	237.50%
CCGC	50%	50.0%	50.0%	150%	75%	162.50%	237.50%
COO	50%	67.5%	67.5%	185%	75%	219.37%	294.37%

All percentages constitute a percentage of base salary.

2014 GRO share grant calculation

CEO example[1]

	At-target share grant (% of base salary)	Multiplier (conditional shares only)	Grant value (base salary x at-target grant x multiplier)	Number of shares granted (award value divided by six-month average)
Grant conditional shares	50.0%	89%	€439,299	32,860
Grant performance shares (RoC)	67.5%	NA	€666,352	49,844
Grant performance shares (TSR)	67.5%	NA	€666,352	49,844
Totals	185.0%		€1,772,002	132,548

1 Base salary €987,188
Six-month average share price preceding the date of grant of €13.37
Annual incentive multiplier for the preceding year of 0.89

CFO example[2]

	At-target share grant (% of base salary)	Multiplier (conditional shares only)	Grant value (base salary x at-target grant x multiplier)	Number of shares granted (award value divided by six-month average)
Grant conditional shares	50%	89%	€292,866	21,907
Grant performance shares (RoC)	50%	NA	€329,063	24,614
Grant performance shares (TSR)	50%	NA	€329,063	24,614
Totals	150%		€950,991	71,135

2 Base salary €658,125
Six-month average share price preceding the date of grant of €13.37
Annual incentive multiplier for the preceding year of 0.89

History of grant vesting

Analysis shows that the GRO program rewards "pay for performance," as the value of the grants increased in the case of an above-target performance and decreased in the case of a below-par performance.

Before 2013, the EIP multiplier was applied over the total GRO grant. A low EIP multiplier resulted in a lower GRO grant, a higher multiplier resulted in a higher GRO grant. The EIP multiplier had an amplifying effect on the total GRO grant.

Under the new program, introduced in 2013, the EIP multiplier is only applied over the conditional shares; the performance shares are granted at target. As a result, the amplifying effect of the EIP multiplier has been reduced.

Share holding requirements and ownership guidelines

Management Board members must retain the shares awarded under the GRO program for a period of at least five years from the grant date. A portion of the shares is allowed to be sold to finance tax payable at the date of vesting. All members of the Management Board are required to hold shares in the Company with a value equal to 150% of their base salary before they are allowed to sell shares (other than for paying for taxes due). The holding may be built up by retaining all after-tax shares from the GRO program and does not require additional purchases. The year-end shareholdings of the Management Board are summarized in the paragraph Shares and other interests in Ahold in *Note 31*.

Claw-back

A claw-back clause is applicable to the Management Board members' annual cash incentive plan and GRO program.

Pension and other contract terms

Pension

The pension plan for Management Board members is identical to that of all other Ahold associates in the Netherlands and is referred to as a defined benefit plan, based on career average salary (at Ahold). From January 1, 2015 onwards, the normal retirement age is 67 (previously 65). Under this plan, each Management Board member pays a pension premium contribution of approximately 4.2% (2014) of his or her pension-bearing salary. The pension accrual for future benefits has been lowered from 2.25% to 2% as of January 1, 2014; contributions from participants will be gradually increased and the income offset component will be gradually lowered. The employer contribution and the conditional additional funding rules remained the same.

As of January 1, 2015, the pensionable salary has been capped at €96,500 and the income offset component has been lowered again. For salaries over €96,500, a new arrangement will be implemented, which is currently under discussion.

Loans

Ahold does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. There have been no such guarantees issued.

Additional arrangements

In addition to the remuneration of the Management Board members, a number of additional arrangements apply. These include expense allowances, medical insurance and accident insurance, and are in line with standard practice in the Netherlands.

Employment agreements

The term of appointment for all Management Board members is four years, while the term of employment is indefinite. If the Company terminates the employment agreement of any member of the Management Board, the severance payment is limited to one year's base salary. The same applies if an initial employment agreement for four years is not continued because the Management Board member is not reappointed. The employment agreements may be terminated by Ahold with a notice period of 12 months and by the Management Board member with a notice period of six months.

Future outlook

For 2015, no adjustments to the remuneration policy are expected.

Vesting of shares under the GRO plan

On April 16, 2015, a maximum of 0.2 million conditional shares granted in 2012 to members of the Management Board under the mid-term component of the GRO plan and 0.1 million performance shares granted in 2010 to members of the Management Board under the long-term component of the GRO plan are expected to vest with continuing and retired Board members who received the grants. Except to finance tax due on the vesting date, members of the Management Board cannot sell shares for a period of at least five years following the grant date, or until the end of their employment, if this period is shorter.

On February 27, 2015, a maximum of 2.6 million conditional shares granted in 2012 to Ahold associates under the mid-term component of the Global Reward Opportunity (GRO) equity-based long-term incentive plan, 1.2 million performance shares granted in 2010 to Ahold associates under the long-term component of the GRO plan, and 40,000 matching shares granted in 2010 to Ahold associates under the mid-term component of the GRO plan are expected to vest. Vesting is subject to the participant being employed by the Company on the applicable vesting date. On the vesting date, participants are allowed to sell all or part of the shares vested.

The Company will use treasury shares for delivery of the vested shares.

Declarations

Introduction

This 2014 Ahold Annual Report dated February 25, 2015, (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht."

For the consolidated and the parent company's 2014 financial statements "jaarrekening" within the meaning of section 2:361 of the Dutch Civil Code, please refer to *Financials*. The members of the Management Board and the Supervisory Board have signed the 2014 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code. The following sections of this Annual Report together form the management report "jaarverslag" within the meaning of section 2:391 of the Dutch Civil Code: *Ahold at a glance, Our strategy, Our performance, How we manage risk, Our leadership, Corporate governance, Remuneration and the subsection Remuneration included in the Supervisory Board report.*

For other information "overige gegevens" within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection *Other information under Financials*, and to the section *Investors*.

Declarations

The members of the Management Board 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 2014 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 the undertakings included in the consolidation taken as a whole as of December 28, 2014, 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.

Management Board

Dick Boer	President and Chief Executive Officer
Jeff Carr	Executive Vice President and Chief Financial Officer
Lodewijk Hijmans van den Bergh	Executive Vice President and Chief Corporate Governance Counsel
James McCann	Executive Vice President and Chief Operating Officer, Ahold USA

This Annual Report, including the 2014 financial statements, which are audited by PricewaterhouseCoopers Accountants N.V., has been presented to the Supervisory Board. The 2014 financial statements and the independent auditor's report relating to the audit of the 2014 financial statements were discussed with the Audit Committee in the presence of the Management Board and the external auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2014 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2014 of €0.48 per common share.

Supervisory Board

Rob van den Bergh (Chairman)
Judith Sprieser (Vice Chairman)
Stephanie Shern
Jan Hommen
Derk Doijer
Mark McGrath
Ben Noteboom

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9 Provisions
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Consolidated income statement

€ million, except per share data	Note	2014	2013
Net sales	7	**32,774**	32,615
Cost of sales	8	**(24,088)**	(23,933)
Gross profit		**8,686**	8,682
Selling expenses		**(6,424)**	(6,293)
General and administrative expenses		**(1,012)**	(1,150)
Total operating expenses	8	**(7,436)**	(7,443)
Operating income		**1,250**	1,239
Interest income		**6**	7
Interest expense		**(212)**	(225)
Net interest expense on defined benefit pension plans	23	**(16)**	(24)
Other financial expenses		**(13)**	(49)
Net financial expenses	9	**(235)**	(291)
Income before income taxes		**1,015**	948
Income taxes	10	**(248)**	(153)
Share in income of joint ventures	14	**24**	10
Income from continuing operations		**791**	805
Income (loss) from discontinued operations	5	**(197)**	1,732
Net income attributable to common shareholders		**594**	2,537
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		**0.68**	2.48
Diluted		**0.67**	2.39
Income from continuing operations per share attributable to common shareholders			
Basic		**0.90**	0.79
Diluted		**0.88**	0.77
Weighted average number of common shares outstanding (in millions)			
Basic		**879**	1,021
Diluted		**924**	1,072

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

Consolidated statement of comprehensive income

€ million	Note	2014	2013
Net income attributable to common shareholders		**594**	2,537
Remeasurements of defined benefit pension plans			
Remeasurements before taxes – income (loss)	*23*	**(25)**	230
Income taxes	*10*	**21**	(83)
Other comprehensive income (loss) that will not be reclassified to profit or loss		**(4)**	147
Currency translation differences in foreign interests:			
Currency translation differences before taxes from:			
Continuing operations		**389**	(149)
Discontinued operations		**–**	30
Cumulative translation differences from divestments transferred to net income	*5*	**–**	(82)
Income taxes	*10*	**–**	1
Cash flow hedges:			
Fair value result in the year		**(76)**	(10)
Transfers to net income		**9**	70
Income taxes	*10*	**16**	(15)
Other comprehensive income of joint ventures – net of income taxes:			
Other comprehensive loss transferred to net income	*5*	**–**	9
Other comprehensive income (loss) reclassifiable to profit or loss		**338**	(146)
Total other comprehensive income		**334**	1
Comprehensive income attributable to common shareholders		**928**	2,538
Attributable to:			
Continuing operations		**1,125**	849
Discontinued operations		**(197)**	1,689
Comprehensive income attributable to common shareholders		**928**	2,538

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

Consolidated balance sheet

€ million	Note	December 28, 2014	December 29, 2013
Assets			
Property, plant and equipment	11	**6,150**	5,712
Investment property	12	**560**	543
Intangible assets	13	**1,763**	1,563
Investments in joint ventures and associates	14	**206**	197
Other non-current financial assets	15	**482**	415
Deferred tax assets	10	**494**	411
Other non-current assets		**35**	33
Total non-current assets		**9,690**	8,874
Assets held for sale	5	**7**	28
Inventories	16	**1,589**	1,450
Receivables	17	**728**	665
Other current financial assets	18	**323**	1,520
Income taxes receivable		**59**	11
Other current assets		**118**	98
Cash and cash equivalents	19	**1,624**	2,496
Total current assets		**4,448**	6,268
Total assets		**14,138**	15,142
Equity and liabilities			
Equity attributable to common shareholders	20	**4,844**	6,520
Loans	21	**1,410**	1,307
Other non-current financial liabilities	22	**2,039**	1,882
Pensions and other post-employment benefits	23	**290**	348
Deferred tax liabilities	10	**150**	123
Provisions	24	**663**	585
Other non-current liabilities	25	**276**	235
Total non-current liabilities		**4,828**	4,480
Liabilities related to assets held for sale	5	**–**	48
Accounts payable		**2,655**	2,387
Other current financial liabilities	26	**280**	262
Income taxes payable		**22**	97
Provisions	24	**240**	191
Other current liabilities	27	**1,269**	1,157
Total current liabilities		**4,466**	4,142
Total equity and liabilities		**14,138**	15,142

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

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including accumulated deficit[1]	Equity attributable to common shareholders
Balance as of December 30, 2012		**318**	**8,713**	**(292)**	**(126)**	**(3,467)**	**5,146**
Net income		–	–	–	–	2,537	2,537
Other comprehensive income (loss)		–	–	(200)	45	156	1
Total comprehensive income (loss)		–	–	(200)	45	2,693	2,538
Dividends		–	–	–	–	(457)	(457)
Share buyback		–	–	–	–	(768)	(768)
Share-based payments		–	–	–	–	61	61
Balance as of December 29, 2013	*20*	**318**	**8,713**	**(492)**	**(81)**	**(1,938)**	**6,520**
Net income		–	–	–	–	594	594
Other comprehensive income (loss)		–	–	389	(51)	(4)	334
Total comprehensive income (loss)		–	–	389	(51)	590	928
Dividends		–	–	–	–	(414)	(414)
Capital repayment		(308)	(809)	–	–	109	(1,008)
Share buyback		–	–	–	–	(1,232)	(1,232)
Cancellation of treasury shares		(1)	(1,060)	–	–	1,061	–
Share-based payments		–	–	–	–	50	50
Balance as of December 28, 2014	*20*	**9**	**6,844**	**(103)**	**(132)**	**(1,774)**	**4,844**

1 Other reserves include the remeasurements of defined benefit plans.

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

Consolidated statement of cash flows

€ million	Note	2014	2013
Operating income		**1,250**	1,239
Adjustments for:			
Depreciation, amortization, write-downs and impairments		**910**	916
Gains on the sale of assets / disposal groups held for sale		**(20)**	(28)
Share-based compensation expenses		**43**	43
Operating cash flows before changes in operating assets and liabilities		**2,183**	2,170
Changes in working capital:			
Changes in inventories		**1**	(13)
Changes in receivables and other current assets		**(33)**	73
Changes in payables and other current liabilities		**146**	(21)
Changes in other non-current assets, other non-current liabilities and provisions		**(135)**	(42)
Cash generated from operations		**2,162**	2,167
Income taxes paid – net		**(269)**	(116)
Operating cash flows from continuing operations		**1,893**	2,051
Operating cash flows from discontinued operations		**(17)**	(16)
Net cash from operating activities		**1,876**	2,035
Purchase of non-current assets		**(732)**	(811)
Divestments of assets / disposal groups held for sale		**77**	52
Acquisition of businesses, net of cash acquired	*28*	**(190)**	(9)
Divestment of businesses, net of cash divested	*28*	**(291)**	2,352
Changes in short-term deposits and similar instruments		**1,222**	(1,472)
Dividends received from joint ventures	*14*	**18**	27
Interest received		**6**	6
Other		**(1)**	(1)
Investing cash flows from continuing operations		**109**	144
Investing cash flows from discontinued operations		**–**	135
Net cash from investing activities		**109**	279
Interest paid		**(207)**	(216)
Repayments of loans		**(24)**	(21)
Repayments of finance lease liabilities		**(80)**	(73)
Dividends paid on common shares	*20*	**(414)**	(457)
Share buyback	*20*	**(1,232)**	(768)
Capital repayment	*20*	**(1,008)**	–
Other cash flows from derivatives		**(20)**	(19)
Other		**(3)**	(75)
Financing cash flows from continuing operations		**(2,988)**	(1,629)
Financing cash flows from discontinued operations		**(2)**	(4)
Net cash from financing activities		**(2,990)**	(1,633)
Net cash from operating, investing and financing activities	*28*	**(1,005)**	681

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

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold N.V. (Ahold or the Company or Group or Ahold group), a public limited liability company with its registered seat in Zaandam, the Netherlands, is the operation of retail stores in Europe and the United States through subsidiaries and joint ventures. Ahold's significant subsidiaries, joint ventures and associates are listed in *Note 36*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. As the financial data of Koninklijke Ahold N.V. (the parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Dutch Civil Code).

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

Ahold's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2014 consisted of 52 weeks and ended on December 28, 2014. The comparative financial year 2013 consisted of 52 weeks and ended on December 29, 2013.

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

	2014	2013
U.S. dollar		
Average exchange rate	**0.7529**	0.7533
Year-end closing exchange rate	**0.8213**	0.7277
Czech crown		
Average exchange rate	**0.0363**	0.0385
Year-end closing exchange rate	**0.0360**	0.0365

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, and the disclosure of contingent assets and liabilities. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold's future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted. The estimates, assumptions and judgments that management considers most critical relate to:

Vendor allowances (*Note 3*)

The Company must estimate the allowances that are earned based on fulfillment of its related obligations, many of which require management to estimate the volume of purchases that will be made during a period of time. The Company must also estimate the amount of related product that has been sold and the amount that remains in ending inventories and allocate the allowance to cost of sales or inventories accordingly.

Income taxes (*Notes 3* and *10*)

The ultimate tax effects of transactions may 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. Judgment is required in determining whether deferred tax assets are realizable.

Intangible assets (*Note 3*)

Intangible assets acquired in a business acquisition are stated at fair value, as determined at the date of the acquisition. To determine the fair value at the acquisition date, judgments and estimates are required.

Leases and sale and leaseback transactions (*Note 3*)

The classification of leases as finance leases or operating leases requires judgments about the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the asset, whether or not to include renewal options in the lease term and the appropriate discount rate to calculate the present value of the minimum lease payments.

Revenue recognition with respect to sale and leaseback transactions depends on whether the Company transfers all risks and rewards to the buyer, does not maintain (or maintains only minor) continuing involvement in the property other than the lease payments and whether the transaction is established at fair value.

Impairments (*Note 3*)

Judgments and estimates are required, not only to determine whether there is an indication that an asset may be impaired, but also whether indications exist that impairment losses previously recognized may no longer exist or may have decreased (impairment reversal).

Company and multi-employer pension obligations (*Note 23*)

The present value of the pension obligations depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions comprise longevity and future salary and pension increases. Additional information is disclosed in *Note 23*.

Provisions and contingencies (*Notes 24* and *34*)

The recognition of provisions requires estimates and judgment regarding the timing and the amount of outflow of resources. The main estimates are as follows:

- Self-insurance program: estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation.
- Loyalty programs: estimated cost of benefits to which customers participating in the loyalty program are entitled, which includes assumptions on redemption rates.
- Claims and legal disputes: management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.

2 Basis of preparation (continued)

- Restructuring: the provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed.
- Onerous contracts: mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the obligations under the contracts over the benefits expected to be received under such contracts.

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 (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

3 Significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial figures of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Foreign currency translation

The financial statements of subsidiaries, joint ventures and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement and translation of monetary items are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries are included in other comprehensive income and in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in other comprehensive income and in equity, in the currency translation reserve.

On the disposal of a foreign operation resulting in loss of control, loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement.

Segmentation

Ahold's operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Management Board to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated.

The segments' performance is evaluated against several measures, of which operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties. Net sales are attributed to geographic regions based on the location of stores.

Net sales

Ahold generates and recognizes net sales to retail customers at the point of sale in its stores and upon delivery of goods through the online channel. Ahold also generates revenues from the sale of products to retail franchisees that are recognized upon delivery. Ahold recognizes franchise fees as revenue when all material services relating to the contract have been substantially performed. Revenue from the sale of gift cards and gift certificates is recognized when the gift card or gift certificate is redeemed by the retail customer. Future discounts earned by customers in connection with bonus or loyalty cards and other company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased, excluding sales taxes and value-added taxes. However, for certain products or services, such as sales through its online Plaza platform, the sale of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets, Ahold acts as an agent and consequently records the amount of commission income in its net sales.

3 Significant accounting policies (continued)

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing, storing, rent, depreciation of property, plant and equipment, salaries, and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Vendor allowances

Ahold receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract. Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue or a reimbursement of costs. Ahold recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

The accounting for vendor allowances requires a number of estimates. First, the Company must estimate the allowances that are earned based on the fulfillment of its related obligations, many of which require management to estimate the volume of purchases that will be made during a period of time. Second, the Company needs to estimate the amount of related product that was sold and the amount that remains in ending inventories and accordingly allocate the allowance to cost of sales or inventories. Management makes this estimate based on the turnover of the inventories and allocates a portion of the related vendor allowance to ending inventories until such product is estimated to have been sold to customers.

Selling expenses

Selling expenses relate to our store and online operations and consist of employees' salaries and wages, store expenses, rent income and rent expense or depreciation related to stores, advertising costs and other selling expenses.

General and administrative expenses

General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses.

Share-based compensation

The grant date fair value of equity-settled share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g., total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g., continued employment) are satisfied.

Income taxes

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the 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 on 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 on 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 taxes will be due. These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances the liabilities are presented as a reduction to deferred tax assets.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying

3 Significant accounting policies (continued)

amount and the fair value less costs of disposal. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead, dividends received are recognized in the consolidated income statement.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30-40 years
Material handling systems (in warehouses)	20-30 years
Building components	7-20 years
Machinery and equipment	5-12 years
Other	3-10 years

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

Investment property

Investment property consists of land and buildings held by Ahold to earn rental income or for capital appreciation, or both. These properties are not used by Ahold in the ordinary course of business. Ahold often owns (or leases under a finance lease) shopping centers containing both an Ahold store and third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold in its retail operations. Ahold recognizes the part of an owned (or leased under a finance lease) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Leases and sale and leaseback transactions

Leases

Ahold is a lessee of land, buildings and equipment under operating and finance lease arrangements. Ahold classifies its leases as finance leases when the lease agreement transfers substantially all of the risks and rewards of ownership to Ahold. For leases determined to be finance leases, the asset and liability are recognized based on their values at the inception of the lease at an amount equal either to the fair value of the leased asset or the present value of the minimum lease payments during the lease term, whichever is lower. Lease payments are apportioned between interest charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability balance. Contingent rentals are expensed as incurred.

Leases that do not qualify as finance leases are classified as operating leases, and the related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any rent-free period during which Ahold has the right to use the asset. Payments made to Ahold representing incentives to sign a new lease or representing reimbursements for leasehold improvements are deferred and recognized on a straight-line basis over the term of the lease as reductions to rental expense.

For leases with renewal options where the renewal is reasonably assured, the lease term used to (i) determine the appropriate lease classification, (ii) compute periodic rental expense and (iii) depreciate leasehold improvements (unless their economic lives are shorter) includes the periods of expected renewals.

Determining whether a lease agreement is a finance or an operating lease requires judgment on various aspects. These include the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and the determination of an appropriate discount rate to calculate the present value of the minimum lease payments.

Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the income statement immediately if (i) Ahold does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments, and (ii) these transactions occur at fair value. Any gain or loss on sale and finance leaseback transactions is deferred and amortized over the term of the lease. In classifying the leaseback in a sale and leaseback transaction, similar judgments have to be made as described above under *Leases*.

In some sale and leaseback arrangements, Ahold sells a property and only leases back a portion of that property. These properties generally involve shopping centers that contain an Ahold store as well as other stores leased to third-party retailers. In such situations, Ahold recognizes a sale and the resulting profit on the portion of the shopping center that is not leased back to the extent that (i) the property is sold for fair value and (ii) the risks and rewards of owning stores that are not leased back to Ahold have been fully transferred to the

3 Significant accounting policies (continued)

buyer. The leaseback of the Ahold store and any gain on the sale of the Ahold store is accounted for under the sale and leaseback criteria described above.

In some sale and leaseback arrangements, Ahold subleases the property to third parties (including franchisees) or maintains a form of continuing involvement in the property sold, such as earn-out provisions or obligations or options to repurchase the property. In such situations, the transaction generally does not qualify for sale and leaseback accounting, but rather is accounted for as a financing transaction (financing). The carrying amount of the asset remains on the balance sheet and the sale proceeds are recorded as a financing obligation. The financing obligation is amortized over the lease term. Once Ahold's continuing involvement ends, the sale is accounted for under the sale and leaseback criteria described above.

Intangible assets

Goodwill and impairment of goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Separately acquired intangible assets and internally developed software are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition (which is regarded as their cost).

Customer relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to the development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and to use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred. Lease-related intangible assets, consisting primarily of favorable operating lease contracts acquired in business acquisitions, are measured at the present value of the amount by which the contract terms are favorable relative to market prices at the date of acquisition.

Amortization is computed using the straight-line method based on estimated useful lives, which are as follows:

Customer relationships	7-25 years
Software	3-10 years
Lease-related intangibles	remaining expected duration of the lease
Brand names	indefinite
Other	5-indefinite

The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments in joint arrangements and associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where Ahold has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where Ahold has rights to the net assets of the arrangement and therefore equity accounts for its interest.

Associates are entities over which Ahold has significant influence but not control, generally accompanying a shareholding of between 20% and 50% 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 joint ventures and associates are measured initially at cost and subsequently adjusted for post-acquisition changes in Ahold's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial figures of joint ventures and associates to ensure consistency with the accounting policies of the Company.

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

Impairment of non-current assets other than goodwill

Ahold assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, Ahold estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, Ahold estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes.

3 Significant accounting policies (continued)

The recoverable amount is the higher of an asset's fair value less cost to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. For certain inventories, cost is approximated using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of 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. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

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

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active, or if the financial asset represents an unlisted security, the Company establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs. Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are those investments that are either held for trading or designated as such by the Company. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Financial instruments held for trading are measured at fair value and changes therein are recognized in the income statement.

Loans and receivables

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

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for held to maturity financial assets with maturities greater than 12 months after the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category of financial assets or not classified in any of the other categories. They are measured at fair value based on quoted market prices with changes therein recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to the income statement. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost. Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include all cash-on-hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits and similar instruments with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Loans and short-term borrowings

Loans and short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and short-term borrowings are subsequently stated at amortized cost, unless they are designated as fair value hedges. Any difference between the proceeds and redemption value is recognized in the 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.

3 Significant accounting policies (continued)

Derivative financial instruments

All derivative financial instruments are initially recognized 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 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.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the remaining period to maturity of the hedged item.

Reinsurance assets and liabilities

Under Ahold's self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Financial guarantees

Financial guarantees are recognized initially as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognized less cumulative amortization.

Equity

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Cumulative preferred financing shares

Cumulative preferred financing shares, for which dividend payments are not at the discretion of the Company, are classified as non-current financial liabilities and are stated at amortized cost. The dividends on these cumulative preferred financing shares are recognized as interest expense in the income statement, using the effective interest method. From the date when Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares, the cumulative preferred financing shares are classified as a separate class of equity.

Pension and other post-employment benefits

The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the actual surplus or deficit in Ahold's defined benefit plans measured as the present value of the defined benefit obligations less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined benefit obligations are actuarially calculated on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using market yields on high-quality corporate bonds (i.e., bonds rated AA or higher) denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Defined benefit costs are split into three categories:

- Service cost, past service cost, gains and losses on curtailment and settlements
- Net interest expense or income
- Remeasurement

The first category is presented as labor costs within operating earnings. Past-service costs are recognized in the income statement in the period of plan amendment. Results from curtailments or settlements are recognized immediately.

Past service years within the Dutch pension fund are calculated based upon a methodology that uses the maximum past service years based on accrued benefits or a participant's actual date of hire.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is presented within net financial expenses.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the balance sheet with a charge or credit to other comprehensive income in the period in which it occurs. Remeasurements recorded in other comprehensive income are not recycled to the income statement.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognized on the basis of estimates that are consistent with the estimates used for the defined benefit obligations, however discounted

3 Significant accounting policies (continued)

using Ahold's cost of debt rate. For these all actuarial gains and losses are recognized in the income statement immediately.

Provisions

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors and actual payroll costs.

Restructuring provisions are recognized when the Company has approved a detailed formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

New accounting policies effective for 2014

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualify to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended December 29, 2013.

New accounting policies not yet effective for 2014

The IASB issued several standards, or revisions to standards that are not yet effective for 2014, but will become effective in coming years.

IFRS 9, "Financial instruments," addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments that are to eventually form a complete replacement for IAS 39 "Financial Instruments: Recognition and Measurement." Based on Ahold's current financial position, the Company anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed. IFRS 9, as amended in July 2014, is effective for annual periods beginning on or after January 1, 2018.

Narrow scope amendments to IAS 19, "Employee Benefits," entitled "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)," apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments became effective for the Company as of July 1, 2014, however EU endorsement had not been received as of the balance sheet date. The adjustment will result in an increase of the defined benefit obligation and a decrease in other comprehensive income. When IAS 19R became effective for the Company in 2012, the amount relating to this amendment was €26 million. However, it is not practicable to provide a reasonable estimate of the effect of the amendment upon adoption date until a detailed calculation has been completed.

IFRS 15, "Revenue from Contracts with Customers," establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue," IAS 11 "Construction Contracts," and the related Interpretations when it becomes effective for annual periods beginning on or after January 1, 2017. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Company is in the process of evaluating the full impact of IFRS 15.

Amendments to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations," provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations." Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016. Based on Ahold's current financial position, the Company does not anticipate that the application of these amendments to IFRS 11 will have a significant effect on the future consolidated financial statements.

Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortization," prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment and introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. Currently the Company uses the straight-line method for depreciation and amortization of

3 Significant accounting policies (continued)

property, plant and equipment, and intangible assets, respectively. The Company believes that the straight-line method is the most appropriate method to reflect consumption of economic benefits in the respective assets and accordingly does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Narrow scope amendments to IAS 27, "Equity Method in Separate Financial Statements," will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied retrospectively. Based on Ahold's current financial position, these amendments will not have an effect on the future consolidated financial statements.

Narrow scope amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture," clarified an inconsistency between these standards with regards to the sale or contribution of assets between an investor and its associate or joint venture. Following the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company has yet to assess the amendments' full impact. The amendments will be effective for annual periods commencing on or after January 1, 2016.

Annual improvements to IFRSs 2010-2012 Cycle made a number of amendments to various IFRSs, which, based on Ahold's current financial position, the Company anticipates will not have a significant effect on the future consolidated financial statements. The amendments are summarized as follows:

- The amendments to IFRS 2, "Share-based Payment," changed the definitions of "vesting conditions" and "market condition" and added definitions for "performance condition" and "service condition," which were previously included within the definition of "vesting condition."
- The amendments to IFRS 3, "Business Combinations," clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date with changes in fair value (other than measurement period adjustments) being recognized in profit and loss.
- The amendments to IFRS 8, "Operating Segments," require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. They also clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions on IFRS 13, "Fair Value Measurement," clarify that the issuance of IFRS 13, and subsequent amendments to IAS 39 and IFRS 9, did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to IAS 16, "Property, Plan and Equipment," and IAS 38 "Intangible Assets," remove perceived inconsistencies in the accounting for accumulated depreciation / amortization when an item of property, plant and equipment or an intangible asset is revalued.
- The amendments to IAS 24, "Related Party Disclosures," clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Annual improvements to IFRSs 2011-2013 Cycle made a number of amendments to various IFRSs, which, based on Ahold's current financial position, the Company anticipates will not have a significant effect on the future consolidated financial statements. The amendments are summarized as follows:

- The amendments to IFRS 3, "Business Combinations," clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to IFRS 13, "Fair Value Measurement," clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets or financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
- The amendments to IAS 40, "Investment Property," clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property and whether the transaction meets the definition of a business combination.

Annual improvements to IFRSs 2012-2014 Cycle made a number of amendments to various IFRSs, which, based on Ahold's current financial position, the Company anticipates will not have a significant effect on the future consolidated financial statements. The amendments are summarized as follows:

- The amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," added specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution to shareholders or vice versa and cases in which held-for-distribution accounting is discontinued.
- The amendments to IFRS 7, "Financial Instruments: Disclosures," include a description of the term "continuing involvement" for the purpose of the transfer disclosures.
- The amendments to IAS 19, "Employee Benefits," clarify that the high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for. In particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 was endorsed by the EU on June 13, 2014, and is effective for annual periods beginning on or after June 17, 2014. The adoption of IFRIC 21 is not expected to have any financial effect on the consolidated financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that have been issued but are not yet effective that are expected to have a material effect on the future consolidated financial statements.

4 Acquisitions

2014 acquisitions

SPAR in the Czech Republic

On August 1, 2014, Ahold announced that it had successfully completed the acquisition of SPAR's business in the Czech Republic. The purchase consideration was CZK 5,170 million (€187 million) payable in cash for 100% of the voting equity interest, subject to finalization of the purchase price. With this transaction, Ahold acquired 49 stores, of which 35 are compact hypers and 14 are supermarkets, as well as a location which is still under development. Goodwill recognized in the amount of CZK 2,783 million (€100 million), which will not be deductible for tax purposes, represents expected synergies from the combination of operations.

As of the acquisition date, SPAR contributed €177 million to 2014 net sales and lowered net income by €13 million in 2014. The impact excludes €4 million in transaction costs related to the acquisition, that is included in general and administrative expenses. Had the acquisition occurred on December 30, 2013, Ahold's pro-forma net sales through December 28, 2014, would have been approximately €33,016 million. The pro-forma net income would have been approximately €572 million, due to the SPAR acquisition.

Jumbo

On August 14, 2012, Ahold announced that its Albert Heijn division had completed the acquisition of 78 C1000 and four Jumbo stores from Jumbo for €290 million in cash, with €266 million paid by December 28, 2014 (2014: €2 million, 2013: credit €1 million and 2012: €265 million), and the remaining amount to be settled as agreements are reached with the franchisees. As of December 28, 2014, Ahold had reached agreement with 58 franchisees, related to which 54 stores have been converted and opened under the Albert Heijn banner by the end of 2014. Agreements with the franchisees for the remaining 24 stores are yet to be reached and these stores are to be converted to the Albert Heijn banner over a period of time. In 2014, Ahold recognized an €8 million impairment loss of prepaid consideration. Goodwill recognized in the amount of €174 million by December 28, 2014 (2014: €45 million, 2013: €76 million and 2012: €53 million), which will not be deductible for tax purposes, represents expected synergies from the combination of operations, as well as the ability to expand Ahold's geographic reach.

The 54 stores that were converted to the Albert Heijn banner have contributed €278 million to 2014 net sales (2013: 39 stores, €149 million) and €7 million to 2014 net income (insignificant amount to 2013 net income). It is not practicable to provide the 2014 and 2013 pro-forma effect on Ahold's net sales and net income.

Other 2014 acquisitions

During 2014, Ahold completed several minor store acquisitions in the Netherlands, Belgium, and the U.S. for a combined purchase consideration of €21 million.

All acquisitions were accounted for using the acquisition method of accounting.

The allocation of the fair value of the net assets acquired and the goodwill arising from the acquisitions during 2014 is as follows:

€ million	SPAR	Jumbo	Other	**Total**
Property, plant and equipment and investment property	123	–	6	**129**
Goodwill	100	45	19	**164**
Other intangible assets	2	–	1	**3**
Reversal of other intangible assets	–	(43)	–	**(43)**
Deferred tax asset	32	–	–	**32**
Current assets	63	–	1	**64**
Non-current liabilities	(64)	–	(6)	**(70)**
Current liabilities	(69)	–	–	**(69)**
Total purchase consideration	**187**	**2**	**21**	**210**
Cash acquired	(18)	–	–	**(18)**
Consideration payable	(2)	–	–	**(2)**
Acquisition of business, net of cash acquired	**167**	**2**	**21**	**190**

5 Assets and liabilities held for sale and discontinued operations

Assets and liabilities held for sale

€ million	December 28, 2014	December 29, 2013
Non-current assets and disposal groups held for sale	7	3
Assets held for sale from discontinued operations	–	25
Total assets held for sale	**7**	28
Liabilities related to assets held for sale from discontinued operations	–	48

The non-current assets and disposal groups held for sale consisted primarily of property, plant and equipment.

At year-end 2013, the assets held for sale and liabilities related to assets held for sale from discontinued operations consisted of the carrying value of the Slovakian disposal group as presented below:

€ million	December 28, 2014	December 29, 2013
Non-current assets	–	1
Current assets	–	24
Total assets held for sale from discontinued operations	–	25
Non-current liabilities	–	25
Current liabilities	–	23
Total liabilities related to assets held for sale from discontinued operations	–	48

Discontinued operations

Income (loss) from discontinued operations is specified as follows:

€ million	2014	2013
Slovakia	(2)	(3)
ICA	–	137
Other	(1)	2
Operating results from discontinued operations[1]	**(3)**	136
U.S. Foodservice	(194)	(10)
Slovakia	(1)	(20)
ICA	–	1,614
Various[2]	1	12
Results on divestments[3]	**(194)**	1,596
Income (loss) from discontinued operations, net of income taxes	**(197)**	1,732

1 Operating results from discontinued operations are after net income tax benefits of €2 million and €8 million in 2014 and 2013, respectively.
2 Includes adjustments to the results on various other past divestments.
3 Results on divestments are after net income tax benefits of €28 million and €9 million in 2014 and 2013, respectively.

See *Note 28* for the reconciliation between results on divestments of discontinued operations and cash received.

5 Assets and liabilities held for sale and discontinued operations (continued)

Slovakia

On November 14, 2013, it was announced that Ahold had reached an agreement with Condorum regarding the sale of Ahold's Slovakian business. Upon the sale agreement, Ahold Slovakia qualified as held for sale and discontinued operation. On April 15, 2014, it was announced that the transaction was completed.

The 2014 operating results of Ahold Slovakia as included in the operating results from discontinued operations were a loss of €2 million (2013: €3 million). The condensed income statement for the Slovakian business is as follows:

€ million	2014	2013
Net sales	**29**	139
Cost of sales	**(22)**	(105)
Gross profit	**7**	34
Total operating expenses	**(9)**	(44)
Operating loss	**(2)**	(10)
Net financial expenses	**–**	(2)
Loss before income taxes	**(2)**	(12)
Income taxes[1]	**–**	9
Operating results from discontinued operations, net of income taxes	**(2)**	(3)

1 Included in income tax benefits of 2013 was a €6 million deferred tax asset recognized for 2012 operating losses which was not recognized in the respective period as it was assessed to be not recoverable unless Ahold was to cease operating in Slovakia.

Upon the divestment in the first quarter of 2014, Ahold recorded a loss of €2 million, offset by a net tax benefit of €1 million as presented below. In 2013, in connection with this divestment Ahold had recorded a loss of €29 million, offset by a net tax benefit of €9 million. Included in the loss on divestment recorded in 2013 were impairment loss on the measurement to fair value less cost of disposal of €16 million and an onerous contract provision of €12 million.

€ million	2014
Proceeds net of cost of disposal	**(34)**
Net liabilities divested	**21**
Use of provision on loss on divestment	**12**
Recognition of financial guarantee	**(1)**
Result on divestment before income taxes	**(2)**
Income taxes	**1**
Result on divestment of Slovakia	**(1)**

U.S. Foodservice

In connection with the settlement agreement Ahold signed to settle a class action relating to pricing practices of Ahold's former subsidiary, Ahold recorded a net provision in the amount of €187 million net of income tax benefits of €28 million. See *Note 34* for a description of U.S. Foodservice – Waterbury litigation. Also included in results from divestments in 2014 were legal costs of €7 million (2013: €10 million).

ICA

On February 10, 2013, Ahold reached a sale agreement with Hakon Invest regarding its 60% holding in ICA for proceeds of SEK 20 billion. Upon the sale agreement, Ahold's investment in ICA was classified as a discontinued operation and the transaction was completed on March 27, 2013.

5 Assets and liabilities held for sale and discontinued operations (continued)

The 2013 operating results from discontinued operations included Ahold's proportionate share in ICA's operating results for the month of January 2013 of a €2 million loss, as well as a dividend of SEK 1.2 billion (€142 million) received from ICA. The expected cash flows from the receipt of the dividend were subject to a cash flow hedge and, consequently, Ahold recognized €139 million of dividend income (€142 million dividend receivable at the date of recognition less the effect of the cash flow hedge of €3 million).

Ahold recorded a gain of €1,614 million as a result on divestment of ICA as presented below:

€ million	2013
Proceeds net of cost of disposal	2,368
Net assets divested	(828)
Results on divestment before recycling of currency exchange differences and other items	1,540
Currency exchange differences transferred from equity	82
Other items previously recognized in other comprehensive income	(9)
Results on divestments before income taxes	1,613
Income taxes	1
Result on divestment of ICA	**1,614**

6 Segment reporting

Reportable segments

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint venture JMR, and Ahold's Corporate Center are presented separately. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 3*.

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 Heijn Online
Czech Republic	Albert

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

Net sales

€ million	**2014**	2013
Ahold USA	**19,557**	19,676
The Netherlands	**11,696**	11,494
Czech Republic	**1,521**	1,445
Ahold group	**32,774**	32,615

6 Segment reporting (continued)

Operating income

€ million	2014	2013
Ahold USA	727	663
The Netherlands	584	612
Czech Republic	13	31
Corporate Center	(74)	(67)
Ahold group	1,250	1,239

Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)

€ million	2014	2013
Ahold USA	390	519
The Netherlands	332	289
Czech Republic (and Slovakia, prior to classification as discontinued operation)	263	34
Corporate Center	21	1
Ahold group	1,006	843

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

€ million	2014	2013
Ahold USA	566	544
The Netherlands	269	245
Czech Republic	42	35
Corporate Center	2	1
Ahold group	879	825

Net impairments of property, plant and equipment, investment property, intangible assets, and write-downs of intangible assets under development

€ million	2014	2013
Ahold USA	10	83
The Netherlands	21	9
Czech Republic	–	(1)
Ahold group	31	91

6 Segment reporting (continued)

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

€ million	2014	2013
Ahold USA	**5,419**	5,005
The Netherlands	**2,435**	2,428
Czech Republic	**598**	382
Corporate Center	**21**	3
Ahold group	**8,473**	7,818

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, write-downs, and impairment losses and reversals. For more information on write-downs of intangible assets under development, see *Note 13*.

Segment information joint ventures – Other retail (JMR)

The information with respect to JMR is presented in *Note 14*.

7 Net sales

€ million	2014	2013
Sales to retail customers	**28,882**	29,005
Sales to franchisees and franchise fees	**2,529**	2,421
Online sales	**1,267**	1,086
Other sales	**96**	103
Net sales	**32,774**	32,615

8 Expenses by nature

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

€ million	2014	2013
Cost of product	**23,009**	22,912
Labor costs	**4,637**	4,705
Other operational expenses	**2,473**	2,334
Depreciation and amortization	**879**	825
Write-down of intangible assets under development (*Note 13*)	**–**	8
Rent expenses and income – net	**515**	537
Impairment losses and reversals – net	**31**	83
Gains on the sale of assets – net	**(20)**	(28)
Total	**31,524**	31,376

9 Net financial expenses

€ million	2014	2013
Interest income	**6**	7
Interest expense	**(212)**	(225)
Net interest expense on defined benefit pension plans	**(16)**	(24)
Losses on foreign exchange	**(15)**	(8)
Fair value gains (losses) on financial instruments	**7**	(22)
Other	**(5)**	(19)
Other financial expenses	**(13)**	(49)
Net financial expenses	**(235)**	(291)

Interest income mainly relates to interest earned on cash and cash equivalents and short-term cash deposits and similar instruments.

Interest expense primarily relates to financial liabilities measured at amortized cost (mainly loans, finance lease liabilities, financing obligations and cumulative preferred financing shares) and interest accretions to provisions. At year end 2014 as well as 2013, substantially all pension plans were in a liability position. Consequently, during both years, the net interest component of pension expense resulted in interest expense.

Foreign exchange results on financial assets and liabilities are presented as part of net financial expenses, within losses on foreign exchange. The losses on foreign exchange in 2014 mainly resulted from the foreign exchange translation of the remaining GBP 250 million of the original GBP 500 million notes. Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2014, the Company recorded a net exchange loss (including impact of foreign exchange hedging instruments) of €2 million in operating income (2013: loss of €1 million).

In 2014 fair value gains (losses) on financial instruments primarily resulted from the derivatives related to the remaining GBP 250 million notes (an interest rate and a U.S. dollar cross-currency swap), which do not qualify for hedge accounting treatment.

For more information on financial instruments, see *Note 30*.

"Other" included in "Other financial expenses" in 2013 primarily comprised of €11 million relating to the change in discount rate used for a multi-employer pension plan withdrawal liability.

10 Income taxes

Income taxes on continuing operations

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

€ million	2014	2013
Current income taxes		
Domestic taxes (the Netherlands)	**(107)**	(103)
Foreign taxes		
United States	**(95)**	(26)
Europe – Other	**(10)**	4
Total current tax expense	**(212)**	(125)
Deferred income taxes		
Domestic taxes (the Netherlands)	**(4)**	(18)
Foreign taxes		
United States	**(30)**	(18)
Europe – Other	**(2)**	8
Total deferred tax expense	**(36)**	(28)
Total income taxes on continuing operations	**(248)**	(153)

Effective income tax rate on continuing operations

Ahold's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

	2014		2013	
	€ million	**%**	€ million	%
Income before income taxes	**1,015**		948	
Income tax expense at statutory tax rate	**(254)**	**25.0%**	(237)	25.0%
Adjustments to arrive at effective income tax rate:				
Rate differential (local rates versus the statutory rate of the Netherlands)	**(23)**	**2.3%**	(38)	4.0%
Deferred tax income (expense) related to recognition of deferred tax assets-net	**(6)**	**0.6%**	40	(4.2)%
Reserves, (non-) deductibles and discrete items	**35**	**(3.5)%**	82	(8.7)%
Total income taxes	**(248)**	**24.4%**	(153)	16.1%

"Rate differential" indicates the effect of Ahold's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. "Reserves, (non-) deductibles and discrete items" include one-time transactions. During 2013, a tax benefit of €37 million was recognized from movements in income tax contingency reserves.

10 Income taxes (continued)

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to a €30 million benefit in 2014 and a €17 million benefit in 2013 and has been included within the result from discontinued operations. The 2014 current and deferred income tax benefit on discontinued operations is mainly related to the U.S. The 2013 current and deferred income tax benefit on discontinued operations is mainly related to Slovakia. For further information, see *Notes 5* and *34*.

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 28, 2014, and December 29, 2013, are as follows:

€ million	December 30, 2012	Recognized in income statement	Other	December 29, 2013	Recognized in income statement	Other	**December 28, 2014**
Leases and financings	237	5	(19)	223	1	37	**261**
Pensions and other post-employment benefits	305	(7)	(88)	210	(27)	35	**218**
Provisions	114	20	21	155	(26)	(11)	**118**
Derivatives and loans	24	5	(14)	15	4	15	**34**
Interest	57	(29)	(1)	27	(11)	2	**18**
Other	78	(39)	(11)	28	(5)	10	**33**
Total gross deductible temporary differences	815	(45)	(112)	658	(64)	88	**682**
Unrecognized deductible temporary differences	(56)	3	49	(4)	–	–	**(4)**
Total recognized deductible temporary differences	759	(42)	(63)	654	(64)	88	**678**
Tax losses and tax credits	179	(15)	(1)	163	(4)	113	**272**
Unrecognized tax losses and tax credits	(44)	43	(34)	(35)	(8)	(72)	**(115)**
Total recognized tax losses and tax credits	135	28	(35)	128	(12)	41	**157**
Total net deferred tax asset position	894	(14)	(98)	782	(76)	129	**835**
Property, plant and equipment and intangible assets	(364)	(14)	(5)	(383)	49	(25)	**(359)**
Inventories	(111)	1	5	(105)	(8)	(12)	**(125)**
Other	(5)	(1)	–	(6)	(1)	–	**(7)**
Total deferred tax liabilities	(480)	(14)	–	(494)	40	(37)	**(491)**
Net deferred tax assets	414	(28)	(98)	288	(36)	92	**344**

The column "Other" in the table above includes amounts recorded in equity, the effects of acquisitions, divestments and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

10 Income taxes (continued)

Deferred income tax assets and liabilities are offset on 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. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	**December 28, 2014**	December 29, 2013
Deferred tax assets	**494**	411
Deferred tax liabilities	**(150)**	(123)
Net deferred tax assets	**344**	288

As of December 28, 2014, Ahold had operating and capital loss carryforwards of a total nominal amount of €1,949 million, mainly expiring between 2019 and 2034 (December 29, 2013: €1,239 million). The following table specifies the years in which Ahold's operating and capital loss carryforwards and tax credits are scheduled to expire:

€ million	2015	2016	2017	2018	2019	2020-2024	2025-2029	After 2029	Does not expire	**Total**
Operating and capital losses (nominal value)	48	21	40	51	391	515	375	469	39	**1,949**
Operating and capital losses (tax value)	9	5	10	14	89	49	21	27	9	**233**
Tax credits	7	6	6	5	5	4	–	–	6	**39**
Tax losses and tax credits	16	11	16	19	94	53	21	27	15	**272**
Unrecognized tax losses and tax credits	(9)	(4)	(2)	(3)	(73)	(7)	(4)	(9)	(4)	**(115)**
Total recognized tax losses and tax credits	7	7	14	16	21	46	17	18	11	**157**

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €1,480 million relates to U.S. state taxes, for which a weighted average tax rate of 5.59% applies.

The majority of the above mentioned deferred tax assets relate to tax jurisdictions in which Ahold has suffered a tax loss in the current or a preceding period. Significant judgment is required in determining whether deferred tax assets are realizable. Ahold determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

Income taxes in equity

Current and deferred income taxes recognized in and transferred from equity are as follows:

€ million	**2014**	2013
Share-based compensation	**6**	12
Cash flow hedges	**16**	(15)
Currency translation differences in foreign interest	**–**	1
Remeasurement of defined benefit pension plans	**21**	(83)
Total	**43**	(85)

11 Property, plant and equipment

€ million	Buildings and land: Stores	Buildings and land: Other	Furnishings, machinery and equipment	Other	Under construction	Total
As of December 30, 2012						
At cost	7,067	563	4,080	113	202	12,025
Accumulated depreciation and impairment losses	(2,902)	(198)	(2,831)	(56)	–	(5,987)
Carrying amount	**4,165**	**365**	**1,249**	**57**	**202**	**6,038**
Year ended December 29, 2013						
Additions	74	33	94	17	489	707
Transfers from under construction	233	47	251	3	(534)	–
Acquisitions through business combinations	–	–	4	–	–	4
Depreciation	(346)	(21)	(342)	(11)	(1)	(721)
Impairment losses	(55)	–	(15)	(1)	–	(71)
Impairment reversals	1	–	1	–	–	2
Assets classified to held for sale or sold	(18)	–	(5)	(1)	–	(24)
Other movements	(23)	(1)	(3)	–	(1)	(28)
Exchange rate differences	(139)	(12)	(35)	(3)	(6)	(195)
Closing carrying amount	**3,892**	**411**	**1,199**	**61**	**149**	**5,712**
As of December 29, 2013						
At cost	6,879	617	4,052	120	149	11,817
Accumulated depreciation and impairment losses	(2,987)	(206)	(2,853)	(59)	–	(6,105)
Carrying amount	**3,892**	**411**	**1,199**	**61**	**149**	**5,712**
Year ended December 28, 2014						
Additions	59	5	159	7	376	606
Transfers from under construction	191	26	215	4	(436)	–
Acquisitions through business combinations	79	–	45	–	–	124
Depreciation	(369)	(25)	(345)	(11)	–	(750)
Impairment losses	(8)	–	(6)	–	–	(14)
Impairment reversals	3	–	1	–	–	4
Assets classified to held for sale or sold	(11)	(1)	(2)	–	(7)	(21)
Other movements	(30)	(2)	3	2	(1)	(28)
Exchange rate differences	371	28	101	6	11	517
Closing carrying amount	**4,177**	**442**	**1,370**	**69**	**92**	**6,150**
As of December 28, 2014						
At cost	7,810	703	4,510	143	92	13,258
Accumulated depreciation and impairment losses	(3,633)	(261)	(3,140)	(74)	–	(7,108)
Carrying amount	**4,177**	**442**	**1,370**	**69**	**92**	**6,150**

11 Property, plant and equipment (continued)

Buildings and land includes improvements to these assets. "Other" buildings and land mainly includes distribution centers and warehouses. "Other" property, plant and equipment mainly consists of trucks, trailers and other vehicles. Assets under construction mainly consists of stores.

In 2014, Ahold recognized net impairment losses of €10 million for property, plant and equipment (2013: €69 million). These were mainly related to Ahold USA (2014: €7 million; 2013: €66 million). In 2013, Stop & Shop closed six stores and three gas stations in the New Hampshire area, as announced on August 6, 2013. Ahold recognized $24 million (€18 million) of impairments related to these stores based on the exit assumption. The remainder of the net impairment losses in 2013 related to various other operating and closed stores.

The higher of the value in use or fair value less cost of disposal represents an asset's recoverable amount. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 6.8% and 13.1% (2013: 6.4%-12.8%). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and has generally been measured by using discounted cash flow projections based on the assets' highest and best use from the market participants' perspective. In 2014, there was no impairment loss recorded based on fair value less cost of disposal measurement. In 2013, the fair value less cost of disposal was the recoverable amount in the determination of €15 million of the impairment losses.

The additions to property, plant and equipment include capitalized borrowing costs of €2 million (2013: €2 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 2.9% and 4.2% (2013: 3.6%-7.5%).

Other movements mainly include transfers to investment property and from lease-related intangible assets.

The carrying amount of land and buildings includes amounts related to assets held under finance leases and financings of €843 million and €211 million, respectively (December 29, 2013: €808 million and €163 million). In addition, the carrying amount of machinery and equipment and other includes an amount of €4 million (December 29, 2013: €4 million) relating to assets held under finance leases. Ahold does not have legal title to these assets. Company-owned property, plant and equipment with a carrying amount of €44 million (December 29, 2013: €48 million) has been pledged as security for liabilities, mainly for loans.

12 Investment property

€ million	**2014**	2013
At the beginning of the year		
At cost	**863**	876
Accumulated depreciation and impairment losses	**(320)**	(311)
Carrying amount	**543**	565
Additions	**11**	16
Acquisitions through business combinations	**5**	–
Depreciation	**(25)**	(22)
Impairment losses and reversals – net	**(9)**	(7)
Assets classified to held for sale or sold	**(38)**	(18)
Transfers from property, plant and equipment and lease-related intangibles	**28**	26
Exchange rate differences	**45**	(17)
Closing carrying amount	**560**	543
At the end of the year		
At cost	**893**	863
Accumulated depreciation and impairment losses	**(333)**	(320)
Carrying amount	**560**	543

12 Investment property (continued)

A significant portion of Ahold's investment property is comprised of shopping centers containing both an Ahold store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold in its retail operations. Ahold recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

In 2014, Ahold recognized net impairment losses of €9 million. These were related to Ahold USA (€3 million) and the Netherlands (€6 million).

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €29 million and €48 million (December 29, 2013: €33 million and €44 million), respectively. Ahold does not have legal title to these assets. Company-owned investment property with a carrying amount of €75 million (December 29, 2013: €65 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of December 28, 2014, amounted to approximately €744 million (December 29, 2013: €715 million). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and has generally been measured by using discounted cash flow projections based on the assets' highest and best use from the market participants' perspective. Ahold's fair value measurements are primarily categorized within Level 2. The most significant input into this valuation approach are observable market retail yields and tenant rents to calculate the fair value. An insignificant portion of the fair value measurement is based on the Company's own valuation methods, which are categorized within level 3. For mixed use properties and properties held for strategic purposes, Ahold cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property included in the income statement in 2014 amounted to €66 million (2013: €63 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2014 amounted to €30 million (2013: €30 million).

13 Intangible assets

€ million	Goodwill	Lease-related intangibles	Software	Customer relationships	Brand names	Other	Under development	Total
As of December 30, 2012								
At cost	772	254	714	121	86	379	55	2,381
Accumulated amortization and impairment losses	(3)	(156)	(532)	(44)	–	(77)	–	(812)
Carrying amount	**769**	**98**	**182**	**77**	**86**	**302**	**55**	**1,569**
Year ended December 29, 2013								
Additions	–	–	16	1	–	20	75	112
Transfers from under development	–	–	49	–	–	2	(51)	–
Acquisitions through business combinations	81	–	–	–	–	(77)	–	4
Amortization	–	(10)	(56)	(7)	–	(11)	–	(84)
Impairments and write-downs	(1)	(3)	–	(1)	–	(4)	(8)	(17)
Assets classified to held for sale or sold	–	(1)	(1)	–	–	–	–	(2)
Other movements	–	–	1	–	–	1	–	2
Exchange rate differences	(12)	(4)	(1)	–	–	(3)	(1)	(21)
Closing carrying amount	**837**	**80**	**190**	**70**	**86**	**230**	**70**	**1,563**
As of December 29, 2013								
At cost	841	239	680	119	86	320	70	2,355
Accumulated amortization and impairment losses	(4)	(159)	(490)	(49)	–	(90)	–	(792)
Carrying amount	**837**	**80**	**190**	**70**	**86**	**230**	**70**	**1,563**
Year ended December 28, 2014								
Additions	–	–	45	1	–	14	76	136
Transfers from under development	–	–	71	–	–	15	(86)	–
Acquisitions through business combinations	164	2	–	–	–	(42)	–	124
Amortization	–	(9)	(78)	(5)	–	(12)	–	(104)
Impairments	(4)	–	–	–	–	(8)	–	(12)
Assets classified to held for sale or sold	–	–	–	–	–	(2)	–	(2)
Exchange rate differences	34	9	4	1	–	9	1	58
Closing carrying amount	**1,031**	**82**	**232**	**67**	**86**	**204**	**61**	**1,763**
As of December 28, 2014								
At cost	1,039	268	828	127	86	306	61	2,715
Accumulated amortization and impairment losses	(8)	(186)	(596)	(60)	–	(102)	–	(952)
Carrying amount	**1,031**	**82**	**232**	**67**	**86**	**204**	**61**	**1,763**

13 Intangible assets (continued)

Goodwill recognized on acquisitions in 2014 relates mainly to the acquisition of SPAR in the Czech Republic and C1000 stores (see *Note 4* for more details). Goodwill recognized on acquisitions in 2013 relates mainly to the acquisition of C1000 stores.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination.

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

€ million		December 28, 2014	December 29, 2013
Reportable segment	**Cash-generating unit**		
Ahold USA	Stop & Shop New England	**15**	12
	Stop & Shop New York Metro	**25**	22
	Giant Carlisle	**235**	209
	Giant Landover	**8**	7
	Peapod	**21**	19
The Netherlands	Albert Heijn	**393**	335
	bol.com	**201**	201
	Etos	**8**	7
	Gall & Gall	**1**	1
Czech Republic	Czech Republic	**124**	24
Ahold group		**1,031**	837

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU is determined based on value-in-use calculations. Value-in-use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Company's management. Due to the expected continuation of high growth in the relevant online retail markets, we project cash flow for bol.com and Peapod over 10-year periods to better reflect the growth expectations in sales, profitability and cash generation after the first five-year projection period. The key assumptions for the value-in-use calculations relate to discount rate, sales growth and operating margin. The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 6.0% for Ahold USA, 5.9% for the Netherlands, 10.6% for bol.com and 6.6% for the Czech Republic. The sales growth rates and operating margins used to estimate future performance are based on past performance and our experience of growth rates and operating margins achievable in Ahold's main markets. The average annual compound sales growth rates applied in the projected period ranged between 13.8% and 14.0% for the CGUs of our online business and ranged between 1.3% and 5.0% for the other CGUs. The average operating margins applied in the projected period ranged between 1.2% and 2.0% for the CGUs of our online business and ranged between 3.0% and 6.1% for the other CGUs. Growth rates used to extrapolate cash flows beyond the explicit forecast period are set such that the return on invested capital never exceeds the weighted average cost of capital of the CGUs.

The sensitivity analyses indicated that the recoverable amounts of the CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom if the relevant discount rates for the CGUs were higher by 2% or the sales growth rates in the projected period were lower by 2%. Should the operating margin of bol.com be reduced by approximately 95 basis points in the projected period, the carrying value of this CGU would equal the recoverable amount.

Lease-related intangible assets consist primarily of favorable operating lease contracts acquired in business acquisitions. Customer relationships consist primarily of pharmacy scripts and customer lists recognized through the acquisition of bol.com in 2012. Brand names include the name "bol.com." Ahold expects that bol.com will play an important role in its business strategy and believes there is currently no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Therefore the brand is assessed to have an indefinite useful life. The asset is tested for impairment in accordance with the policies as stated in *Note 3*. "Other" mainly includes intangible assets related to location development rights, deed restrictions and similar assets. Included in "Other" is an intangible asset allocated to Stop & Shop New England with an indefinite useful life and a carrying value of €28 million (2013: €25 million). The useful life of this asset is assessed to be indefinite since it relates to the land portion of an owned location. Also included in 2014 is the prepaid purchase consideration for the transfer of C1000 stores of €74 million (2013: €127 million). The amount will be reallocated to the appropriate intangible assets (mainly goodwill) as agreements are reached with the franchisees. In 2014, Ahold recognized an €8 million impairment loss for the prepaid consideration.

Intangible assets under development relate mainly to software development. Amortization of software in 2014 includes €10 million of accelerated amortization that resulted from a re-evaluation of the useful lives. In 2013, there was a €8 million write-down of capitalized software development costs.

14 Investments in joint ventures and associates

On February 10, 2013 Ahold reached a sale agreement with Hakon Invest regarding its 60% holding in ICA for SEK 20 billion. The transaction was completed on March 27, 2013. For a description of the result on the divestment of ICA, see *Note 5*.

In 1992, Ahold partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR – Gestão de Empresas de Retalho, SGPS S.A. (JMR). Ahold holds 49% of the shares in JMR and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A. JMR operates food retail stores in Portugal under the brand name Pingo Doce. JMR is a joint venture and is accounted for using the equity method. There is no quoted market price available.

Ahold is also a partner in various smaller joint arrangements and associates that are individually not material to the Group. Ahold does not have subsidiaries with non-controlling interests that are material to the Group.

Changes in the carrying amount of Ahold's interest in joint ventures and associates are as follows:

€ million	**JMR 2014**	**Other 2014**	**Total 2014**	JMR 2013	ICA 2013	Other 2013	Total 2013
Beginning of the year	**167**	**30**	**197**	184	803	30	1,017
Share in income of joint ventures	**22**	**2**	**24**	9	–	1	10
Share in income of joint ventures classified as discontinued operations	**–**	**–**	**–**	–	(2)	–	(2)
Dividend	**(17)**	**(1)**	**(18)**	(26)	–	(1)	(27)
Investments classified from / (to) held for sale or sold	**–**	**–**	**–**	–	(828)	–	(828)
Other changes in equity of joint ventures	**1**	**–**	**1**	–	–	–	–
Exchange rate differences	**–**	**2**	**2**	–	27	–	27
End of the year	**173**	**33**	**206**	167	–	30	197

Share in profit from continuing operations for Ahold's interests in all individually immaterial joint ventures was €2 million (2013: €1 million) and nil for individually immaterial associates (2013: nil).

14 Investments in joint ventures and associates (continued)

Set out below is the summarized financial information for JMR (on a 100% basis).

€ million	JMR 2014	JMR[1] 2013
Summarized balance sheet		
Current		
Cash and cash equivalents	**74**	106
Other current assets	**312**	297
Total current assets	**386**	403
Financial liabilities (excluding trade payables)	**(250)**	(151)
Other current liabilities	**(879)**	(832)
Total current liabilities	**(1,129)**	(983)
Non-current		
Assets	**1,121**	1,171
Financial liabilities	**–**	(228)
Other liabilities	**(29)**	(25)
Total non-current liabilities	**(29)**	(253)
Net assets	**349**	338
Net assets attributable to JMR	**354**	341
Net assets attributable to non-controlling interest	**(5)**	(3)

€ million	JMR 2014	JMR[1] 2013
Summarized statement of comprehensive income		
Net sales	**3,565**	3,499
Depreciation and amortization	**(100)**	(102)
Interest income	**–**	1
Interest expense	**(13)**	(23)
Income tax expense	**(19)**	(26)
Profit from continuing operations	**44**	17
Net income	**44**	17
Net income attributable to JMR	**46**	18
Net income attributable to non-controlling interest	**(2)**	(1)
Other comprehensive income	**1**	1
Total comprehensive income attributable to JMR	**47**	19

1 Comparative figures for JMR have been adjusted to reflect changes in presentation within the joint venture. There is no impact on net income attributable to JMR.

14 Investments in joint ventures and associates (continued)

The information presented below represents a reconciliation of the summarized financial information presented above to the carrying amount of JMR.

€ million	JMR 2014	JMR 2013
Opening net assets attributable to JMR	**341**	375
Net income	**46**	18
Other comprehensive income	**1**	1
Dividend	**(34)**	(53)
Closing net assets attributable to JMR	**354**	341
Interest in joint venture	**49%**	49%
Carrying value	**173**	167

Commitments and contingent liabilities in respect of joint ventures and associates

There are no contingent liabilities or significant restrictions relating to the Company's interest in the joint ventures and associates. The commitments are presented in *Note 31*.

15 Other non-current financial assets

€ million	December 28, 2014	December 29, 2013
Derivative financial instruments	**310**	278
Defined benefit asset	**5**	5
Reinsurance assets	**117**	89
Loans receivable	**36**	32
Other	**14**	11
Total other non-current financial assets	**482**	415

For more information on derivative financial instruments and fair values, see *Note 30*.

The defined benefit asset represents defined benefit pension plans for which the fair value of plan assets exceeds the present value of the defined benefit obligations. For more information on defined benefit plans, see *Note 23*.

Of the non-current loans receivable, €18 million matures between one and five years and €18 million after five years (December 29, 2013: €17 million between one and five years and €15 million after five years). The current portion of loans receivable of €4 million is included in other receivables (December 29, 2013: €5 million).

Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold assumes a share of the reinsurance treaty risks that is measured by Ahold's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Notes 18, 22* and *26)* on its balance sheet. There were no significant gains or losses related to this pooling arrangement during 2014 or 2013.

16 Inventories

€ million	December 28, 2014	December 29, 2013
Finished products and merchandise inventories	**1,543**	1,410
Raw materials, packaging materials, technical supplies and other	**46**	40
Total inventories	**1,589**	1,450

In 2014, €664 million has been recognized as a write-off of inventories in the income statement (2013: €644 million). The write-off of inventories is Ahold's best estimate based on significant assumptions applied to certain products measured using the retail method.

17 Receivables

€ million	December 28, 2014	December 29, 2013
Trade receivables	**390**	358
Vendor allowance receivables	**203**	191
Other receivables	**155**	135
	748	684
Provision for impairment	**(20)**	(19)
Total receivables	**728**	665

The receivable balances are presented net of accounts payable subject to an enforceable netting arrangement between the Company and the counterparty. The total effect of netting as of December 28, 2014 is €136 million (December 29, 2013: €136 million, adjusted from last year's disclosure of €114 million).

At December 28, 2014, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0-3 months	3-6 months	6-12 months	> 12 months
Trade receivables	390	288	60	11	14	17
Vendor allowance receivables	203	173	25	3	1	1
Other receivables	155	94	41	13	1	6
	748	555	126	27	16	24
Provision for impairment	(20)	–	(2)	(1)	(2)	(15)
Total receivables	**728**	**555**	**124**	**26**	**14**	**9**

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

17 Receivables (continued)

At December 29, 2013, the aging analysis of receivables was as follows:

€ million	Total	Not past due	Past due 0–3 months	Past due 3–6 months	Past due 6–12 months	Past due > 12 months
Trade receivables	358	282	49	11	4	12
Vendor allowance receivables	191	152	35	3	1	–
Other receivables	135	84	28	13	5	5
	684	518	112	27	10	17
Provision for impairment	(19)	–	(2)	(1)	(2)	(14)
Total receivables	**665**	**518**	**110**	**26**	**8**	**3**

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on the aging analysis performed as of December 28, 2014. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	**2014**	2013
Beginning of the year	**(19)**	(17)
Released / (charged) to income	**(8)**	(9)
Used	**7**	6
Exchange rate differences	**–**	1
End of the year	**(20)**	(19)

18 Other current financial assets

€ million	**December 28, 2014**	December 29, 2013
Short-term deposits and similar instruments	**262**	1,467
Reinsurance assets – current portion (see *Note 15*)	**60**	47
Other	**1**	6
Total other current financial assets	**323**	1,520

As per December 28, 2014, short-term deposits and similar instruments included short-term investments with a maturity at acquisition of between three and twelve months.

Of the short-term deposits and similar instruments as of December 28, 2014, €16 million was restricted (December 29, 2013: €15 million). This primarily consisted of investments held for insurance purposes for U.S. workers' compensation and general liability programs.

Other mainly consists of the current portion of the derivative financial instruments. For more information on financial instruments and fair values, see *Note 30*.

19 Cash and cash equivalents

€ million	December 28, 2014	December 29, 2013
Cash in banks and cash equivalents	**1,281**	2,206
Cash on hand	**343**	290
Total cash and cash equivalents	**1,624**	2,496

Of the cash and cash equivalents as of December 28, 2014, €9 million was restricted (December 29, 2013: €4 million). This primarily consisted of cash held in escrow accounts mainly related to pending litigations and construction activities.

Ahold's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €184 million and €166 million as of December 28, 2014, and December 29, 2013, respectively. No right to offset with other bank balances exists for these book overdraft positions.

20 Equity attributable to common shareholders

Shares and share capital

Authorized share capital is comprised of the following classes of shares as of December 28, 2014:

€ million	2014	2013
Common shares (2014: 1,700,000,000 of €0.01 par value each, 2013: 1,700,000,000 of €0.30 par value each)	**17**	510
Cumulative preferred shares (2014: 43,520 of €500 par value each, and 2013: 1,250,000 of €500 par value each)	**22**	625
Total authorized share capital	**39**	1,135

In addition, Ahold has cumulative preferred financing shares outstanding. These cumulative preferred financing shares are considered debt under IFRSs until the date that Ahold receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares. Upon this notification, the cumulative preferred financing shares are classified as a separate class of equity since they no longer meet the definition of a liability. For disclosures regarding Ahold's cumulative preferred financing shares, see *Note 22*.

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of December 30, 2012	**1,060,988**	**22,481**	**1,038,507**
Share buyback	–	61,009	(61,009)
Share-based payments	–	(4,995)	4,995
Balance as of December 29, 2013	**1,060,988**	**78,495**	**982,493**
Share buyback	–	92,485	(92,485)
Reverse stock split	(81,615)	(7,999)	(73,616)
Cancellation of treasury shares	(85,000)	(85,000)	–
Share-based payments	–	(6,205)	6,205
Balance as of December 28, 2014	**894,373**	**71,776**	**822,597**

20 Equity attributable to common shareholders (continued)

Dividends on common shares

On April 16, 2014, the General Meeting of Shareholders approved the dividend over 2013 of €0.47 per common share (€414 million in the aggregate). This dividend was paid on May 2, 2014. The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.48 per common share be paid in 2015 with respect to 2014. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of December 28, 2014. The payment of this dividend will not have income tax consequences for the Company.

Share buyback

On December 12, 2014, Ahold completed its share buyback program initially announced as €500 million on February 28, 2013, and subsequently increased to €2 billion on June 4, 2013. Under this program, 153,494,149 of the Company's own shares were repurchased and delivered in 2013 and 2014 (2013: 61,008,851 and 2014: 92,485,298) for a total consideration of €2 billion (2013: €768 million and 2014: €1,232 million), at an average price of €13.03 (2013: €12.58 and 2014: €13.32).

Of the total shares repurchased, 85,000,000 were canceled on June 20, 2014.

Capital repayment and reverse stock split

On January 21, 2014, a capital repayment and reverse stock split was approved at an Extraordinary General Meeting of Shareholders. On March 28, 2014, the reverse stock split became effective. Every 13 existing shares with a nominal value of €0.30 each were consolidated into 12 new shares with a nominal value of €0.01 each. The capital repayment of €1.14 per remaining share, €1,007 million in the aggregate (excluding transaction costs), took place on April 3, 2014. The capital reduction attributable to treasury shares, which was €109 million in the aggregate, is reported in Other reserves.

Share-based payments

Share-based payments recognized in equity in the amount of €50 million (2013: €61 million) relate to the 2014 GRO share-based compensation expenses of €43 million (2013: €43 million), see *Note 32*; the stock options exercised of €1 million (2013: €6 million); and the current and deferred income taxes recognized in and transferred from equity relating to share-based compensation of €6 million (2013: €12 million), see *Note 10*.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could prevent, or at least delay, an attempt by a potential bidder to make a hostile takeover bid. Moreover, outside the scope of a public offer, but also in other circumstances, this ability may safeguard the interests of the Company and all stakeholders in the Company and resist influences that might conflict with those interests by affecting the Company's continuity, independence or identity. No cumulative preferred shares were outstanding as of December 28, 2014, or during 2014 and 2013.

In March 1989, the Company entered into an agreement with Stichting Ahold Continuïteit (SAC) as amended and restated in April 1994, March 1997, December 2001, and December 2003 (the Option Agreement). Pursuant to the Option Agreement, SAC was granted an option for no consideration to acquire cumulative preferred shares from the Company, from time to time until December 2018, up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold's share capital, excluding cumulative preferred shares, at the time of exercising the option. In case the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option. The holders of the cumulative preferred shares are entitled to 50,000 votes per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1%, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on the balance sheet total as of the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75%. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Management Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25% of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SAC would then only be entitled to a market-based interest return on its investment.

SAC is a foundation organized under the laws of the Netherlands. Its statutory purpose is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. In the case of liquidation, the SAC board of directors will decide on the use of any remaining residual assets. The SAC board of directors has four members, who are appointed by the board of SAC itself.

Legal reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. Of the total equity as per December 28, 2014, of €4,844 million, an amount of €219 million is non-distributable (December 29, 2013: €513 million out of total equity of €6,520 million). See *Note 8* to the parent company financial statements for more detail on the legal reserves.

21 Loans and credit facilities

The notes in the table below were issued by Ahold or one of its subsidiaries, the latter of which are guaranteed by Ahold unless otherwise noted. All related swap contracts have the same maturity as the underlying debt unless otherwise noted.

€ million	Current portion within 1 year	Non-current portion Between 1 to 5 years	Non-current portion After 5 years	Total December 28, 2014	Current portion within 1 year	Non-current portion Between 1 to 5 years	Non-current portion After 5 years	Total December 29, 2013
Notional redemption amounts								
GBP 500 notes 6.50%, due March 2017[1]	–	310	–	310	–	288	–	288
USD 94 indebtedness 7.82%, due January 2020[2]	8	31	–	39	6	29	6	41
USD 71 indebtedness 8.62%, due January 2025	–	–	58	58	–	–	52	52
USD 500 notes 6.875%, due May 2029	–	–	411	411	–	–	364	364
JPY 33,000 notes LIBOR plus 1.5%, due May 2031[3]	–	–	225	225	–	–	228	228
Deferred financing costs	–	(1)	(2)	(3)	–	(1)	(2)	(3)
Total notes	8	340	692	1,040	6	316	648	970
Other loans	–	1	2	3	–	2	1	3
Financing obligations[4]	20	92	275	387	14	64	268	346
Mortgages payable[5]	2	2	6	10	2	3	5	10
Total loans	30	435	975	1,440	22	385	922	1,329

1 During 2005, Ahold bought back GBP 250 million of the notes. The remaining notional redemption amount of GBP 250 million (€319 million) has been netted with €9 million as per December 28, 2014, (December 29, 2013: €12 million) representing an amount, amortized over 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 the GBP 250 million was swapped to U.S. dollars (see *Note 30* for additional information).
2 As of December 28, 2014, $47 million has been repaid since inception.
3 Notes were swapped to €299 million at an interest rate of 7.065% (see *Note 30* for additional information related to the JPY cross-currency swap).
4 The weighted average interest rate for the financing obligations amounted to 7.7% in 2014 (2013: 7.9%).
5 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 5.6% in 2014 (2013: 5.9%).

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold are disclosed in *Note 30*.

The Company has a Euro Medium Term Note (EMTN) program that had an aggregate of €544 million of outstanding notes as of December 28, 2014. The notes issued under the program include the remaining outstanding balances of GBP 500 million and JPY 33,000 million notes, maturing in 2017 and 2031, respectively. The notes issued under the EMTN program contain customary restrictive covenants. During 2014, Ahold was in compliance with these covenants.

Credit facilities

Ahold has access to a €1.2 billion unsecured, committed, multi-currency and syndicated credit facility that was refinanced in June 2011 and will mature in 2018. This credit facility may be used for working capital and for general corporate purposes and provides for the issuance of letters of credit to an aggregate maximum amount of $550 million (€452 million). A bilateral facility for standby Letter of Credit was signed in 2014 for a total amount of $218 million (€179 million), and was fully used per December 28, 2014.

The €1.2 billion facility contains customary covenants and is subject to a financial covenant that requires Ahold not to exceed a maximum leverage ratio, as defined in the facility agreement, of 4.0:1. During 2014, Ahold was in compliance with these covenants. As of December 28, 2014, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $16 million (€13 million). In the beginning of 2015, Ahold issued a request to our relationship banks to amend the facility by extending it through 2020 and reducing the amount from €1.2 billion down to €1 billion. Ahold expects to close the process during the first quarter of 2015.

Ahold also has access to various uncommitted credit facility lines serving working capital needs that, as of December 28, 2014, totaled €219 million. As of December 28, 2014, €0.3 million was drawn under these credit facility lines.

22 Other non-current financial liabilities

€ million	December 28, 2014	December 29, 2013
Finance lease liabilities	**1,125**	1,069
Cumulative preferred financing shares	**497**	497
Derivative financial instruments	**250**	182
Reinsurance liabilities	**126**	100
Other	**41**	34
Total other non-current financial liabilities	**2,039**	1,882

For more information on derivative financial instruments and fair values, see *Note 30*.

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies. For more information, see *Note 15*.

Other mainly consists of a pre-tax liability for the discounted amount of the remaining settlement liability of $34 million (€28 million) relating to an agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund, see *Note 23*.

22 Other non-current financial liabilities (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	December 28, 2014			December 29, 2013		
€ million	**Future minimum lease payments**	**Interest portion**	**Present value of minimum lease payments**	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	**179**	**91**	**88**	162	87	75
Between one and five years	**681**	**284**	**397**	629	281	348
After five years	**1,003**	**275**	**728**	1,011	274	737
Total	**1,863**	**650**	**1,213**	1,802	642	1,160
Continuing operations	**1,863**	**650**	**1,213**	1,779	636	1,143
Discontinued operations	**–**	**–**	**–**	23	6	17
Total	**1,863**	**650**	**1,213**	1,802	642	1,160
Current portion finance lease liabilities (see *Note 26*)			**88**			74
Current portion finance lease liabilities included in "liabilities related to assets held for sale" (see *Note 5*)			**–**			1
Non-current portion finance lease liabilities included in "liabilities related to assets held for sale" (see *Note 5*)			**–**			16
Non-current portion finance lease liabilities			**1,125**			1,069

Finance lease liabilities are principally for buildings. Terms range primarily from 10 to 25 years and include renewal options if it is reasonably certain, at the inception of the leases, that they will be exercised. At the time of entering into a finance lease agreement, the commitment is recorded at its present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company-specific interest rate applicable for long-term borrowings is used. As of December 28, 2014, the finance lease liabilities are recorded at their present value at a weighted average interest rate of 7.7% (December 29, 2013: 7.8%).

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

During 2014, interest expense on finance lease liabilities was €90 million (2013: €95 million), of which nil related to discontinued operations (2013: €2 million). Total future minimum sublease income expected to be received under non-cancelable subleases as of December 28, 2014, is €107 million (December 29, 2013: €116 million). The total contingent rent expense recognized during the year on finance leases was €2 million income (2013: €4 million expense).

22 Other non-current financial liabilities (continued)

Cumulative preferred financing shares

	Number of shares (x 1,000)	€ million
Issued cumulative preferred financing shares (€0.01 par value each)	268,415	3
Authorized cumulative preferred financing shares (€0.01 par value each)	477,581	5

€ million	**December 28, 2014**	December 29, 2013
Paid-in capital issued cumulative preferred financing shares	**3**	81
Additional paid-in capital cumulative preferred financing shares	**494**	416
Balance as of year-end	**497**	497

On January 21, 2014, a reduction in the nominal value of the cumulative preferred financing shares (from €0.30 to €0.01) was approved at an Extraordinary General Meeting of Shareholders. The amount related to this reduction has not been paid back in cash to the holders of these shares, but has been added to the additional paid-in capital. The reduction in nominal value per share resulted in a decrease in the total nominal value of the issued cumulative preferred financing shares of €78 million to €3 million and a decrease of the total nominal value of the authorized cumulative preferred financing shares of €138 million to €5 million.

The paid-in capital for the issued cumulative preferred financing shares decreased by €78 million from €81 million to €3 million and the additional paid-in capital related to the cumulative preferred financing shares increased by €78 million from €416 million to €494 million. The aggregate of the paid-in capital for issued cumulative preferred financing shares and the related additional paid-in capital remained unchanged at €497 million. This amount is presented under "other non-current financial liabilities" in the consolidated balance sheet as these cumulative preferred financing shares are considered debt under IFRS.

The cumulative preferred financing shares were issued in four tranches. Dividends are paid on each preferred financing share at a percentage (financing dividend percentage) that differs per tranche. When a period of 10 years has lapsed after the issue date of a tranche, and every 10 years thereafter (reset date), the financing dividend percentage is reset. The current financing dividend percentage is 5.93% per year for the shares issued in June 1996, 6.08% per year for the shares issued in August 1998, 3.85% per year for the shares issued in October 2000, and 3.35% per year for the shares issued in December 2003. The nominal value plus additional paid-in capital per tranche is €71 million (June 1996 tranche), €46 million (August 1998 tranche), €320 million (October 2000 tranche) and €60 million (December 2003 tranche); in the aggregate €497 million.

The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 75 million. This represents approximately 8% of the total number of votes that can be cast (this total being calculated as the sum of the outstanding cumulative preferred financing shares and the outstanding common shares).

The cumulative preferred financing shares are convertible into common shares. The conversion conditions have been set so as to avoid any transfer of value from the common shares to the cumulative preferred financing shares. The maximum number of common shares to be received upon conversion of all outstanding cumulative preferred financing shares is approximately 90 million. The conversion features are similar for all tranches. Conversion is allowed for all shares in one tranche held by one investor but not for fractions of tranches held by one investor. Upon conversion, the holders of (depositary receipts of) cumulative preferred financing shares will receive a number of common shares that is calculated by dividing the value of the cumulative preferred financing shares on the day before the conversion date by the average share price of Ahold common shares on the five trading days preceding the notification date, on the notification date, and on the four trading days following the notification date. The value of the cumulative preferred financing shares will be considered, for this purpose, to be equal to the lower of the nominal value plus the additional paid-in capital of the cumulative preferred financing shares (par value) or to the present value of the remaining preferred dividends until the first reset date plus the present value of the par value at the first reset date.

Subject to the approval of the General Meeting of Shareholders, the Company can redeem the cumulative preferred financing shares of a certain tranche, but not fractions of a tranche. Redemption of a tranche is subject to the approval of the holders of depositary receipts of that tranche, unless all (remaining) cumulative preferred financing shares are redeemed. Redemption takes place at the higher of the par value or the present value of the remaining preferred dividends plus the present value of the par value at the reset date.

23 Pensions and other post-employment benefits

Defined benefit plans

Ahold has a number of defined benefit pension plans covering a substantial number of employees, former employees and retirees in the Netherlands and the United States. Generally, the plans are career average or final pay defined benefit plans. In addition, Ahold provides additional pension benefits for certain company executives and life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, all of which the Company funds as claims are incurred.

The pension plans expose the Company to actuarial risks such as: longevity risk, interest rate risk, currency risk, salary risk and investment risk. Longevity risk relates to the mortality assumptions used to value the defined benefit obligation, where an increase in participants' life expectancies will increase a plan's liability. Interest rate risk relates to the discount rate used to value the defined benefit obligation, where a decrease in the discount rate will increase a plan's liability; however this will be partially offset by an increase in the return on a plan's investments in debt instruments. The pension plans may mitigate interest rate risk by entering into interest rate swap contracts. Currency risk relates to the fact that a plan holds investments that may not be denominated in the same currency as the plan's obligations. The pension plans may mitigate currency risk by purchasing forward currency instruments. Salary risk relates to salary increase assumptions used to value the defined benefit obligation, where an increase will result in a higher plan liability. See below for more details on the Company's asset-liability matching strategy employed to manage its investment risk.

Net assets relating to one plan are not offset against net liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

€ million	December 28, 2014	December 29, 2013
Defined benefit liabilities	**(290)**	(348)
Defined benefit assets	**5**	5
Total defined benefit plans	**(285)**	(343)

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

Net defined benefit cost is comprised of the following components. The net interest (income) expense is presented within net financial expenses in the income statement and plan remeasurements are presented as other comprehensive income. All other components of net defined benefit cost are presented in the income statement as cost of sales, selling expenses, and general and administrative expenses, depending on the functional areas of the employees earning the benefits.

€ million	2014	2013
Service cost		
Current service cost	**104**	119
Past service cost gain	**(68)**	–
Gain on settlement	**–**	(9)
Net interest expense	**16**	24
Administrative cost	**9**	8
Components of defined benefit cost recorded in the income statement	**61**	142
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) / cost	**(698)**	102
Loss from changes in demographic assumptions	**53**	13
(Gain) loss from changes in financial assumptions	**650**	(298)
Experience gains (losses)	**20**	(47)
Components of defined benefit cost recognized in other comprehensive income	**25**	(230)
Total net defined benefit cost	**86**	(88)

23 Pensions and other post-employment benefits (continued)

The changes in the defined benefit obligations and plan assets in 2014 and 2013 were as follows:

	The Netherlands		United States		Total	
€ million	**2014**	2013	**2014**	2013	**2014**	2013
Defined benefit obligations						
Beginning of the year	**3,372**	3,433	**1,020**	1,350	**4,392**	4,783
Current service cost	**87**	98	**17**	21	**104**	119
Past service cost	**(59)**	–	**(9)**	–	**(68)**	–
Gain on settlements	**–**	–	**–**	(9)	**–**	(9)
Interest expense	**124**	125	**52**	49	**176**	174
Contributions by plan participants	**18**	16	**–**	–	**18**	16
Benefits paid	**(87)**	(94)	**(65)**	(60)	**(152)**	(154)
Settlement payments	**–**	–	**–**	(164)	**–**	(164)
(Gain) loss from changes in demographic assumptions	**21**	(3)	**32**	16	**53**	13
(Gain) loss from changes in financial assumptions[1]	**527**	(157)	**123**	(141)	**650**	(298)
Experience (gains) losses	**24**	(46)	**(4)**	(1)	**20**	(47)
Exchange rate differences	**–**	–	**142**	(41)	**142**	(41)
End of the year	**4,027**	3,372	**1,308**	1,020	**5,335**	4,392
Plan assets						
Fair value of assets, beginning of the year	**3,195**	3,191	**854**	972	**4,049**	4,163
Interest income	**115**	114	**45**	36	**160**	150
Company contribution	**116**	122	**53**	61	**169**	183
Contributions by plan participants	**18**	16	**–**	–	**18**	16
Benefits paid	**(87)**	(94)	**(65)**	(60)	**(152)**	(154)
Settlement payments	**–**	–	**–**	(164)	**–**	(164)
Administrative cost	**(7)**	(4)	**(2)**	(4)	**(9)**	(8)
Return on plan assets, excluding amounts included in net interest (income) expense	**643**	(150)	**55**	48	**698**	(102)
Exchange rate differences	**–**	–	**117**	(35)	**117**	(35)
Fair value of assets, end of the year	**3,993**	3,195	**1,057**	854	**5,050**	4,049
Funded status	**(34)**	(177)	**(251)**	(166)	**(285)**	(343)

1 The 2014 loss of €527 million from changes in financial assumptions in the Netherlands' plans included a €1,005 million loss resulting from a decrease in the discount rate, offset by a €474 million gain resulting from a decrease in the future pension increase assumption.

The total defined benefit obligation of €5,335 million as of December 28, 2014, includes €99 million related to plans that are wholly unfunded. These plans include other benefits (such as life insurance and medical care) and supplemental executive retirement plans.

23 Pensions and other post-employment benefits (continued)

During 2014, Ahold amended its defined benefit pension plan in the Netherlands. The plan amendments included, among other changes, raising the retirement age to 67, introducing a maximum pensionable salary limit of €96,542, lowering the pensionable salary threshold by €1,000 and declaring that future pension increases for active participants will now be based on the price inflation instead of salary increases. The effect of all amendments was a net past service cost gain in the income statement of €59 million.

During 2014, Ahold amended a defined benefit plan in the United States that provides medical and prescription drug benefits to retirees. The plan amendment was to convert the plan from a self-insured plan to a fully insured employer group waiver program and to change employer subsidies. The effect of the amendment was a past service cost gain in the income statement of $12 million (€9 million).

During 2013, Ahold changed the way it accounts for the contributions it makes to prepay disbursement costs that will be incurred when future benefits are paid to beneficiaries. These costs were previously included in the defined benefit obligation of the pension plan for the Netherlands, but are now expensed as contributions are made. This change resulted in a reduction of the 2013 year-end defined benefit obligation of €102 million, which was treated as a remeasurement and recognized within other comprehensive income.

In 2008, the Company decided to transition its defined benefit pension plan for active salaried, non-union and certain union employees ("eligible employees") in the United States to a defined contribution pension plan. Eligible employees who were at least 50 years of age or had 25 or more years of service as of December 31, 2009, could choose to either stay in the defined benefit plan or transfer to a 401(k) plan. All other eligible employees were transferred to a 401(k) plan. Accrued benefits under the defined benefit plan for employees transferred to a 401(k) plan were frozen for pay and service as of December 31, 2009 (frozen plan). The resulting curtailment gain in 2008 was largely offset by accrued additional (transition) contributions to be made by the Company to a 401(k) plan for a period of five years (2010-2014) for employees meeting certain age or service requirements who were transferred to a 401(k) plan. During 2012, the Company settled the frozen accrued benefits of participants who elected to receive a lump sum payout. At that time, the Company recognized a settlement gain of €6 million. In 2013, the Company settled the remaining frozen accrued benefits by purchasing annuity contracts, which resulted in a further settlement gain of €9 million.

Cash contributions

From 2014 to 2015, Company contributions are expected to increase from €116 million to €117 million in the Netherlands and decrease from $71 million (€53 million) to $24 million (€19 million) in the United States.

As of year-end 2014, the funding ratio, calculated in accordance with regulatory requirements, of the largest Dutch plan was 117% and the U.S. pension plan was 127%. Under the financing agreement with the Dutch pension fund, contributions are made as a percentage of employees' salaries and shared between Ahold and the employees. The agreement also allows for a reduction in premiums if certain funding conditions are met. In addition, Ahold can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105%. Contributions to the U.S. pension plan are required under the current funding policy if the prior year-end funding ratio falls below 100% as measured under the Pension Protection Act in order to avoid variable Pension Benefit Guaranty Corporation (PBGC) premiums.

Actuarial assumptions

The calculations of the defined benefit obligation and net defined benefit cost are sensitive to the assumptions set out below. These assumptions require a large degree of judgment. Actual experience may differ from the assumptions made. The assumptions required to calculate the actuarial present value of benefit obligations and the net defined benefit costs are determined per plan are as follows (expressed as weighted averages):

	The Netherlands		United States	
Percent	**2014**	2013	**2014**	2013
Discount rate	**2.3**	3.6	**4.3**	5.0
Future salary increases	**3.7**	3.7	**4.5**	4.5
Future pension increases	**0.8**	1.5	**0.0**	0.0

The decrease in the future pension increase assumption of the plan in the Netherlands is the result of the effect of the application of a liability ceiling to the measurement of the defined benefit obligation.

23 Pensions and other post-employment benefits (continued)

Assumptions regarding longevity are based on published statistics and mortality tables. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	The Netherlands		United States	
Years	**2014**	2013	**2014**	2013
Longevity at age 65 for current pensioners				
Male	**20.9**	21.9	**20.0**	19.3
Female	**23.3**	23.7	**22.7**	21.1
Longevity at age 65 for current members aged 50				
Male	**22.7**	23.2	**20.9**	20.2
Female	**25.0**	24.5	**23.6**	21.6

The following table summarizes how the effect on the defined benefit obligations at the end of the reporting period would have increased (decreased) as a result of a 0.5% change in the respective assumptions.

€ million	The Netherlands	United States	Total
Discount rate			
0.5% increase	(450)	(82)	(532)
0.5% decrease	533	92	625
Future salary increases			
0.5% increase	62	7	69
0.5% decrease	(59)	(7)	(66)
Future pension increases			
0.5% increase	493	N/A	493
0.5% decrease	(422)	N/A	(422)
Life expectancy			
1 year increase at age 65	137	41	178

The above sensitivity analyses have been based on a change in the assumption while holding all other assumptions constant. In reality one might expect interrelationships between the assumptions, especially between discount rate and future salary increases as both depend to a certain extent on expected inflation rates. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

23 Pensions and other post-employment benefits (continued)

Plan assets

The pension plan asset allocation differs per plan. On a weighted average basis, the allocation of plan assets was as follows:

	The Netherlands		United States	
€ million	**2014**	2013	**2014**	2013
Equity instruments:				
Consumer goods	**205**	184	**48**	45
Financial services	**267**	166	**58**	48
Telecommunications and information	**80**	87	**66**	59
Energy and utilities	**62**	68	**29**	27
Industry	**107**	100	**32**	30
Other	**6**	4	**46**	41
Debt instruments:				
Government	**1,012**	840	**146**	106
Corporate bonds (investment grade)	**1,017**	861	**174**	143
Corporate bonds (non-investment grade)	**18**	14	**38**	37
Other	**–**	–	**54**	23
Real estate:				
Retail	**40**	41	**–**	–
Offices	**45**	48	**–**	–
Residential	**30**	31	**–**	–
Other	**–**	–	**33**	19
Investment funds	**684**	602	**316**	265
Derivatives:				
Interest rate swaps	**360**	(22)	**–**	–
Forward foreign exchange contracts	**(45)**	10	**–**	–
Cash and cash equivalents	**105**	163	**17**	11
Other	**–**	(2)	**–**	–
Total	**3,993**	3,195	**1,057**	854

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as level 2 instruments and real estate and some investment funds as level 3 instruments based on the definitions in IFRS 13, Fair value measurement. It is the policy of the Dutch pension plan to use interest rate swaps to hedge its exposure to interest rate risk. Foreign currency exposures are hedged by the use of forward foreign exchange contracts.

23 Pensions and other post-employment benefits (continued)

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of Asset Liability Management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. Currently, the strategic targets for asset allocation of the Dutch pension plan are: 40% variable yield and 60% fixed income. To partially hedge against interest rate risk exposure on the pension liabilities, the Dutch pension plan uses interest rate swap contracts. The Dutch early retirement plan has a relatively short remaining term; therefore the plan assets are invested in short-term fixed income securities and cash instruments only.

In the United States, the plan assets are managed by outside investment managers and rebalanced periodically. The committees for the various U.S. plans establish investment policies and strategies and regularly monitor the performance of the assets, including the selection of investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, subject to variation from time to time or as circumstances warrant. Occasionally, the committees may approve allocations above or below a target range. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and applicable fiduciary standards. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio between assets and plan liabilities without undue exposure to risk. Currently, the strategic targets are: 45% equity securities, 45% debt securities and 10% other investments.

In 2014, the Dutch plans had €0.6 million of plan assets invested in Ahold's financial instruments (2013: €3 million). In 2014 or 2013, the U.S. plans did not have any plan assets invested in Ahold financial instruments.

The actual return on plan assets in 2014 was 24.1% for the Dutch plans (2013: negative 1.0%) and 12.0% for the U.S. plans (2013: 9.2%).

Benefit maturities

The weighted average duration of the defined benefit obligations of the Dutch and U.S. plans are 25.4 and 14.1 years, respectively.

The Dutch and U.S. plans have the following expected schedule of benefit payments.

€ million	The Netherlands	United States	Total
Amount due within one year	81	63	144
Amount due between two and five years	322	271	593
Amount due between six and ten years	486	389	875

23 Pensions and other post-employment benefits (continued)

Defined contribution plans

In the Netherlands, United States and Czech Republic, there are defined contribution plans principally in the form of savings, incentive compensation and bonus plans. In connection with the Company's decision to transition its defined benefit pension plan for active salaried, non-union and certain union employees in the United States to a defined contribution pension plan, as further described above, a new 401(k) plan was introduced as of January 1, 2009.

During 2014 and 2013, the Company contributed €33 million and €34 million, respectively, to its defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2014 and 2013.

Multi-employer plans

A significant number of union employees in the United States are covered by multi-employer plans based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for oversight of the investment of the assets and administration of the plan. Contribution rates and benefit levels are generally determined through the collective bargaining process between the participating employers and unions. None of the Company's collective bargaining agreements require that a minimum funding requirement exists for these plans.

Most of these plans are defined contribution plans. All plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because sufficient information is not available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold is only one of several employers participating in each of these plans and there is no reliable basis to accurately determine Ahold's share of plan obligations and assets following defined benefit accounting principles. Furthermore, the financial statements of the multi-employer plans are drawn up on the basis of other accounting policies than those applied by Ahold. Consequently, these multi-employer plans are not included in Ahold's balance sheet.

The risks of participating in multi-employer plans are different from the risks of single employer plans. Ahold's contributions may be used to provide benefits to employees of other participating employers. Ahold may become obligated for a plan's unfunded obligations if other participating employers cease to participate in the plan. Similarly, if a number of employers cease to have employees participating in the plan, Ahold could be responsible for an increased share of the plan's deficit. If Ahold withdraws from a plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Defined benefit plans

Ahold participates in 13 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. The following table presents Ahold's estimate of its proportionate share of each plan's deficit or surplus. Ahold's participation is the relative amount of its contributions during the year in relation to the total amount of contributions made to the plan. The estimate of Ahold's net proportionate share of the plans' deficits is based on the latest available information received from these plans, such as the plans' measurement of plan assets and the use of discount rates between 6.5% and 8.5%. The information received has been updated for market trends and conditions through the end of 2014, and does not represent Ahold's direct obligation. While this is our best estimate, based upon information available to us, it is imprecise and not necessarily reliable.

23 Pensions and other post-employment benefits (continued)

€ million	Date of latest information	December 28, 2014 Annual contributions	Plan deficit / (surplus)	Ahold's participation	Ahold's proportionate share of deficit / (surplus)	December 29, 2013 Annual contributions	Plan deficit / (surplus)	Ahold's participation	Ahold's proportionate share of deficit / (surplus)
FELRA & UFCW Food Pension Fund	Jan. 1, 2014	23	887	60.9%	541	26	716	61.2%	438
Mid-Atlantic UFCW & Participating Employers Pension Fund	Jan. 1, 2014	7	–	64.6%	–	6	*	*	*
New England Teamsters & Trucking Industry Pension	Oct. 1, 2013	5	–	3.7%	–	6	*	*	*
UFCW Local 1262 & Employers Pension Fund	Jan. 1, 2013	5	89	22.9%	20	6	167	22.6%	38
United Food & Commercial Workers Intl Union – Industry Pension Fund	July 1, 2013	16	(553)	22.1%	(122)	17	(357)	21.9%	(78)
UFCW Local 1500 Pension Plan	Jan. 1, 2014	6	119	27.3%	32	6	132	26.8%	35
Warehouse Employees' Union Local 730 Pension Trust Fund	Jan. 1, 2014	2	82	81.8%	67	2	66	59.5%	39
Other plans	various	6	4,258	1.2%	2	5	3,699	1.3%	9
Total		70	4,882		540	74	4,423		481

* These were new plans in 2013 and Ahold had not yet received the valuation reports from the plan administrators.

Following a restructuring of the FELRA & UFCW Food Pension Fund, the Mid-Atlantic UFCW & Participating Employers Pension Fund was created for future service accruals for active Giant Landover employees. Both plans are funded by Ahold USA and any other participating employers. It is anticipated that the contribution levels of the Mid-Atlantic UFCW & Participating Employers Pension Fund will be sufficient to fully fund benefits earned by the employees of Ahold USA and other participating employers.

During 2013, Stop & Shop reached an agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund. This agreement followed NETTI's restructuring to create a new future benefit service "pool." Employers who participate in the new pool will be responsible only for the pension benefits of their own employees, without regard to any previous fund liabilities in the original pension pool. Under the settlement agreement, Stop & Shop has moved its employees into the new pool, effective March 31, 2013, without any loss of benefits for its employees and will settle its liability and payment obligations in the original pension pool through the payment of $100 million (€76 million), payable in two equal installments of $50 million. The first installment was paid on June 22, 2013, and the second installment is due by April 30, 2025.

If the underfunded liabilities of the multi-employer pension plans are not reduced, either by improved market conditions or collective bargaining changes, increased future payments by the Company and the other participating employers may result. However, all future increases will be subject to the collective bargaining process. In 2015, the Company expects its contributions to increase to €79 million. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a substantial withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reasonably estimated. Except for the NETTI withdrawal liability payment mentioned above, no other withdrawal payments were incurred or included in the 2014 and 2013 contributions disclosed above. Ahold's risk of increased contributions and withdrawal liabilities may be greater if any of the participating employers in an underfunded multi-employer plan withdraw from the plan or, due to insolvency, are not able to contribute an amount sufficient to fund the underfunded liabilities associated with their participants in the plan.

Defined contribution plans

Ahold also participates in 42 multi-employer plans that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. The Company contributed €228 million and €240 million to multi-employer defined contribution plans during both 2014 and 2013, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2014 and 2013. These plans vary significantly in size, with contributions to the three largest plans representing 62% of total contributions.

24 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
As of December 29, 2013							
Current portion	122	14	5	18	26	6	191
Non-current portion	388	33	4	52	54	54	585
Carrying amount	**510**	**47**	**9**	**70**	**80**	**60**	**776**
Year ended December 28, 2014							
Additions charged to income	132	18	217	43	6	15	431
Acquisitions through business combinations	–	–	–	–	63	–	63
Used during the year	(106)	(22)	(247)	(32)	(33)	(8)	(448)
Released to income	–	(3)	(1)	(13)	(5)	(12)	(34)
Interest accretion	6	1	–	2	2	1	12
Effect of changes in discount rates	(7)	1	–	–	–	–	(6)
Exchange rate differences	68	–	26	6	6	3	109
Closing carrying amount	**603**	**42**	**4**	**76**	**119**	**59**	**903**
As of December 28, 2014							
Current portion	151	14	1	33	34	7	240
Non-current portion	452	28	3	43	85	52	663

24 Provisions (continued)

Maturities of total provisions as of December 28, 2014, are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Restructuring	Onerous contracts	Other	Total
Amount due within one year	151	14	1	33	34	7	240
Amount due between two and five years	305	28	2	29	49	14	427
Amount due after five years	147	–	1	14	36	38	236
Total	**603**	**42**	**4**	**76**	**119**	**59**	**903**

Self-insurance program

Ahold is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation and property losses relating to its subsidiaries. The maximum self-insurance retention per occurrence, including defense costs, is $2 million (€2 million) for general liability, $5 million (€4 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation, and $17.5 million (€14 million) for property losses. Ahold purchased a stop-loss coverage of $50 million (€41 million) for property losses to limit the aggregate exposure for named windstorms through June 1, 2015. A portion of this risk is reinsured to third parties, see *Note 15*.

Measurement of the provision for the self-insurance program requires significant estimates. These estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation.

Loyalty programs

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

Claims and legal disputes

The Company is a party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized. During 2014, the Company received approval from the United States District Court for the District of Connecticut to settle a class action pending in the court. The Company has recorded a provision for this settlement in the amount of €215 million ($297 million), which was settled prior to December 28, 2014. This is further described in *Note 34*, under the heading U.S. Foodservice – Waterbury litigation.

Restructuring

In 2014, Ahold recognized restructuring provisions totaling €28 million that related to a reorganization of the support roles at Albert Heijn and the Corporate Center. The provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed. The balance of the provision as of December 28, 2014, consisted of €42 million related to rent and closing costs within U.S. operations (including provisions for Ahold's former Tops stores of €19 million), €22 million related to the reorganization of the support roles at Albert Heijn and the Corporate Center and €12 million for restructurings within Ahold's Czech operations.

Onerous contracts

Onerous contract provisions mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the obligations under the contracts over the benefits expected to be received under such contracts. Included in the balance of the provision as of December 28, 2014 were the remaining provision relating to BI-LO and Bruno's (see *Note 34*) of €24 million and a provision of €59 million recognized during 2014 in connection with the acquisition of SPAR in the Czech Republic, mainly for unfavorable lease contracts.

Other

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

25 Other non-current liabilities

€ million	December 28, 2014	December 29, 2013
Step rent accruals	**234**	201
Deferred income	**26**	17
Other	**16**	17
Total other non-current liabilities	**276**	235

Step rent accruals relate to the equalization of rent payments from lease contracts with scheduled fixed rent increases throughout the life of the contract.

Deferred income predominantly represents the non-current portions of deferred income on vendor allowances and deferred gains on sale and leaseback transactions.

26 Other current financial liabilities

€ million	December 28, 2014	December 29, 2013
Finance lease liabilities – current portion (see *Note 22*)	**88**	74
Interest payable	**26**	24
Short-term borrowings	**47**	52
Dividend cumulative preferred financing shares	**21**	24
Reinsurance liabilities – current portion (see *Note 15*)	**65**	52
Loans – current portion (see *Note 21*)	**30**	22
Other	**3**	14
Total other current financial liabilities	**280**	262

Other in 2013 mainly includes a multi-employer union pension withdrawal liability.

27 Other current liabilities

€ million	December 28, 2014	December 29, 2013
Accrued expenses	607	542
Compensated absences	271	248
Payroll taxes, social security and VAT	262	244
Deferred income	28	33
Gift card and deposit liabilities	87	73
Other	14	17
Total other current liabilities	**1,269**	**1,157**

28 Cash flow

The following table presents the reconciliation between the statement of cash flows and the cash and cash equivalents as presented on the balance sheet:

€ million	2014	2013
Cash and cash equivalents at the beginning of the year	2,496	1,886
Restricted cash	(4)	(22)
Cash and cash equivalents related to discontinued operations	5	–
Cash and cash equivalents at the beginning of the year, excluding restricted cash and including cash and cash equivalents related to discontinued operations	2,497	1,864
Net cash from operating, investing and financing activities	(1,005)	681
Effect of exchange rate differences on cash and cash equivalents	123	(48)
Restricted cash	9	4
Cash and cash equivalents related to discontinued operations	–	(5)
Cash and cash equivalents of continuing operations at the end of the year	**1,624**	**2,496**

28 Cash flow (continued)

The following table presents additional cash flow information:

€ million	2014	2013
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**88**	81
Assets acquired under finance leases from continuing operations	**18**	52
Non-cash financing activities		
Finance lease liabilities originated from continuing operations	**(18)**	(52)
Acquisition of businesses		
Total purchase consideration (see *Note 4*)	**(210)**	(15)
Assets given up	**–**	6
Cash acquired	**18**	–
Consideration payable	**2**	–
Acquisition of businesses, net of cash acquired	**(190)**	(9)
Divestments of businesses		
U.S. Foodservice[1]	**(248)**	(10)
Proceeds from divestment of Slovakia	**(34)**	(1)
Proceeds from divestment of ICA	**–**	2,368
Net cash flows related to other past divestments	**(4)**	(5)
Divestment of business	**(286)**	2,352
Cash divested	**(5)**	–
Divestment of businesses, net of cash divested	**(291)**	2,352
Reconciliation between results on divestments of discontinued operations and cash (paid) received		
Result on divestments of discontinued operations before income taxes	**(222)**	1,587
Net assets (liabilities) divested	**(21)**	828
Changes in accounts receivable / payable and provisions – net	**(43)**	(6)
Loss on fair value less cost of disposal measurement	**–**	16
Currency exchange differences transferred from equity	**–**	(82)
Other items previously recognized in other comprehensive income	**–**	9
Divestment of business	**(286)**	2,352
Cash divested	**(5)**	–
Divestment of businesses, net of cash divested	**(291)**	2,352

1 The cash flows from U.S. Foodservice includes settlement of Waterbury litigation of €241 million and legal fees of €7 million. See *Note 34* for a further explanation.

29 Earnings per share

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

	2014	2013
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	**594**	2,537
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	**22**	25
Net income attributable to common shareholders for the purposes of diluted earnings per share	**616**	2,562
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**879**	1,021
Effect of dilutive potential common shares:		
Share options and conditional shares	**11**	13
Cumulative preferred financing shares	**34**	38
Weighted average number of common shares for the purposes of diluted earnings per share	**924**	1,072

The calculation of the basic and diluted income from continuing operations per share attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	2014	2013
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	**791**	805
Effect of dilutive potential common shares – reversal of preferred dividends from earnings	**22**	25
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	**813**	830

Basic and diluted income per share from discontinued operations attributable to common shareholders amounted to negative €0.22 and negative €0.21, respectively (2013: €1.69 basic and €1.62 diluted). They are based on the loss from discontinued operations attributable to common shareholders of €197 million (2013: income €1,732 million) and the denominators detailed above.

30 Financial risk management and financial instruments

Financial risk management

The Treasury function provides a centralized service to the Company for funding, foreign exchange, interest rate, liquidity and counterparty risk management. Treasury operates within a framework of policies and procedures that is reviewed regularly. The Treasury function is not operated as a profit center. Treasury's function is also to manage the financial risks that arise in relation to underlying business needs. Ahold's Management Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold's management reviews material changes to Treasury policies and receives information related to Treasury activities.

In accordance with its Treasury policies, Ahold uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly connected with the interest rate and currency risks arising from the Company's operations and its sources of finance. Ahold does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold's Internal Control department reviews the Treasury internal control environment regularly.

Relationships with credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Currency risk

Ahold operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar. Since Ahold's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in commercial operations is naturally limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets and liabilities into euros for inclusion in its consolidated financial statements. Translation risk related to Ahold's foreign subsidiaries, joint ventures and associates is not actively hedged.

To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities and firm purchase commitments.

Foreign currency sensitivity analysis

Assuming the euro had strengthened (weakened) by 10% against the U.S. dollar compared to the actual 2014 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been a decrease (increase) of €6 million (2013: €6 million, adjusted from last year's disclosure of €32 million), as a result of foreign exchange losses on the translation of U.S. dollar denominated cash and cash equivalents.

Interest rate risk

Ahold's interest rate risk arises primarily from its debt. To manage interest rate risk, Ahold has an interest rate management policy aimed at reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed rate instruments. Ahold's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps and cross-currency interest rate swaps. As of December 28, 2014, after taking into account the effect of interest rate swaps and cross-currency swaps, approximately 98% of Ahold's interest bearing debt was at fixed rates of interest (2013: 98%).

Interest rate sensitivity analysis

The total interest expense recognized in the 2014 income statement related to the variable rates of long-term debt, net of swaps, amounted to €4 million (2013: €5 million). The Company estimates that with a possible increase (decrease) of U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a loss (gain) of nil (2013: nil). In addition, a hypothetical result relating to fair value movements of derivative hedges that do not qualify for hedge accounting would have been a loss of €2 million or a gain of €2 million, respectively (2013: a loss of €2 million or a gain of €2 million, respectively).

30 Financial risk management and financial instruments (continued)

The total interest income recognized in the 2014 income statement amounted to €6 million (2013: €7 million) related mainly to variable rate money market fund investments and deposits. The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would result in a hypothetical effect on income before income taxes of a gain of €3 million or a loss of €3 million, respectively (2013: gain of €9 million or a loss of €5 million). Due to the declining euro market interest rates, the 2013 assumption that the absolute value of the reference interest could not decrease below 0%, has not been applied for 2014.

The cash flow hedge reserve would be impacted by interest rate movements through the JPY cross-currency swap which qualified for cash flow hedge accounting. The impact of interest rate movements related to the bond and the swap's variable leg are not reflected, as they offset each other. The impact of a 25-basis-point increase (25-basis-point decrease) in euro interest rates related to the remaining fair value exposure on the swap's fixed leg (caused by a shifted discount rate on the swap's fixed EUR leg) is a gain of €17 million or a loss of €18 million (2013: gain of €15 million or a loss of €15 million).

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

Credit risk

Ahold has no significant concentrations of credit risk. Sales to retail customers are made in cash, checks and debit cards, or via major credit cards. Sales to franchisees are done on credit. The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on an aging analysis performed as of December 28, 2014. For further discussion on Ahold's receivables, see *Notes 15* and *17*.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions' products. Ahold invests in funds with a minimum rating of A- (Standard & Poor's). 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. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets on the balance sheet (refer to the table on fair values of financial instruments below in this note). The maximum exposure to a credit risk loss that Ahold would incur if financial institutions that are parties to the derivative instruments completely failed to perform according to the terms of the contracts is €311 million as of December 28, 2014 (December 29, 2013: €284 million). Netting agreements are in place with the financial counterparties that reduces the credit exposure (as of December 28, 2014, net exposure of €60 million).

Liquidity risk

Ahold manages its liquidity risk on a consolidated basis with cash provided from operating activities being the primary source of liquidity, in addition to debt and equity issuances in the capital markets, committed and uncommitted credit facilities, letters of credit under credit facilities, and available cash. Ahold manages short-term liquidity based on projected cash flows over rolling periods of six months. As of December 28, 2014, Ahold had €1.2 billion of committed undrawn bank facilities. The facilities can be drawn on for working capital and general corporate purposes and €1.9 billion of cash balances (including short-term deposits and similar instruments) are available to manage the Company's liquidity. In the beginning of 2015, Ahold issued a request to our relationship banks to amend the facility by extending it through 2020 and reducing the amount from €1.2 billion down to €1 billion. Ahold expects to close the process during the first quarter of 2015.

30 Financial risk management and financial instruments (continued)

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

The following tables summarize the expected maturity profile of the Company's financial liabilities (including derivatives) as of December 28, 2014, and December 29, 2013, respectively, based on contractual undiscounted payments.

All financial liabilities held at the reporting date, 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 28, 2014, and December 29, 2013, respectively. Refer to *Note 34* for the liquidity risk related to guarantees.

Year ended December 28, 2014

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	**(1,040)**	**(68)**	**(545)**	**(1,051)**	**(1,664)**
Other loans	**(3)**	**(2)**	**(1)**	**–**	**(3)**
Financing obligations	**(387)**	**(48)**	**(181)**	**(239)**	**(468)**
Mortgages payable	**(10)**	**(4)**	**(6)**	**(2)**	**(12)**
Finance lease liabilities	**(1,213)**	**(179)**	**(681)**	**(1,003)**	**(1,863)**
Cumulative preferred financing shares[1]	**(497)**	**(21)**	**(74)**	**(32)**	**(127)**
Short-term borrowings	**(47)**	**(47)**	**–**	**–**	**(47)**
Reinsurance liabilities	**(191)**	**(67)**	**(110)**	**(20)**	**(197)**
Accounts payable	**(2,655)**	**(2,655)**	**–**	**–**	**(2,655)**
Other	**(43)**	**(1)**	**(6)**	**(52)**	**(59)**
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	**(251)**	**(18)**	**(70)**	**(246)**	**(334)**

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2016, 2018, 2020 and 2023). No liability redemption was assumed. Actual cash flows may differ, see *Note 22*.

30 Financial risk management and financial instruments (continued)

Year ended December 29, 2013

€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
		Contractual cash flows			
Non-derivative financial liabilities					
Notes	(970)	(62)	(528)	(1,033)	(1,623)
Other loans	(3)	(2)	(2)	–	(4)
Financing obligations	(346)	(48)	(165)	(185)	(398)
Mortgages payable	(10)	(3)	(7)	(2)	(12)
Finance lease liabilities	(1,143)	(198)	(670)	(801)	(1,669)
Cumulative preferred financing shares[1]	(497)	(24)	(79)	(48)	(151)
Short-term borrowings	(52)	(52)	–	–	(52)
Reinsurance liabilities	(152)	(53)	(86)	(15)	(154)
Accounts payable	(2,387)	(2,387)	–	–	(2,387)
Other	(48)	(14)	(5)	(47)	(66)
Cross-currency swaps and foreign currency derivatives	(182)	(17)	(68)	(235)	(320)

1 Cumulative preferred financing shares have no maturity. For the purpose of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2016, 2018, 2020 and 2023). No liability redemption was assumed.

Credit ratings

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 the outlook to positive from stable. Maintaining investment grade credit ratings is a cornerstone of the Company's strategy as they serve to lower the cost of funds and to facilitate access to a variety of lenders and markets.

Capital risk management

The Company's primary objective in terms of managing capital is the optimization of its debt and equity balances in order to sustain the future development of the business, maintain an investment grade credit rating and maximize shareholder value.

The capital structure of the Company consists of net lease adjusted debt, which includes borrowings, cash and cash equivalents, short-term deposits and similar instruments, equity, and the present value of the operating lease commitments. Ahold may balance its overall capital structure in a number of ways, including through the payment of dividends, capital repayment, new share issues and share buybacks as well as the issuance of new debt or the redemption of existing debt.

30 Financial risk management and financial instruments (continued)

Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold'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 28, 2014 Carrying amount	December 28, 2014 Fair value	December 29, 2013 Carrying amount	December 29, 2013 Fair value
Loans receivable	**42**	**50**	37	44
Trade and other (non) current receivables	**731**	**731**	666	666
Reinsurance assets	**177**	**177**	136	136
Total loans and receivables	**950**	**958**	839	846
Cash and cash equivalents	**1,624**	**1,624**	2,496	2,496
Short-term deposits and similar instruments	**262**	**262**	1,467	1,467
Derivatives	**311**	**311**	284	284
Available for sale	**5**	**5**	4	4
Total financial assets	**3,152**	**3,160**	5,090	5,097
Notes	**(1,040)**	**(1,282)**	(970)	(1,169)
Other loans	**(3)**	**(3)**	(3)	(4)
Financing obligations	**(387)**	**(391)**	(346)	(356)
Mortgages payable	**(10)**	**(11)**	(10)	(12)
Finance lease liabilities	**(1,213)**	**(1,574)**	(1,143)	(1,468)
Cumulative preferred financing shares	**(497)**	**(564)**	(497)	(539)
Dividend cumulative preferred financing shares	**(21)**	**(21)**	(24)	(24)
Accounts payable	**(2,655)**	**(2,655)**	(2,387)	(2,387)
Short-term borrowings	**(47)**	**(47)**	(52)	(52)
Interest payable	**(26)**	**(26)**	(24)	(24)
Reinsurance liabilities	**(191)**	**(191)**	(152)	(152)
Other	**(43)**	**(51)**	(48)	(54)
Total non-derivative financial liabilities	**(6,133)**	**(6,816)**	(5,656)	(6,241)
Derivatives	**(251)**	**(251)**	(182)	(182)
Total financial liabilities	**(6,384)**	**(7,067)**	(5,838)	(6,423)

30 Financial risk management and financial instruments (continued)

Of Ahold's categories of financial instruments, only derivatives, assets available for sale and reinsurance assets (liabilities) 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 measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

The valuation of Ahold's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment ("CVA"), and for the reporting entity's own credit risk, called Debit Valuation Adjustment ("DVA"). The CVA / DVA calculations have been added to the risk-free fair value of Ahold'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 receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on market rates prevailing at year-end. The fair value calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22*. The accrued interest is included in other current financial liabilities (see *Note 26*) and not in the carrying amounts of non-derivative financial assets and liabilities.

Short-term deposits and similar instruments include financial assets at fair value through profit or loss (€131 million) and loans and receivables (€131 million). Short-term deposits and similar instruments contain short-term liquid investments that are considered part of Ahold's cash management financial assets, as these investment products provide short-term liquidity while also providing capital preservation.

Derivatives

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

		December 28, 2014			December 29, 2013		
		Fair value			Fair value		
€ million	Maturity	**Assets**	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Forward foreign currency contracts[1]	Within 1 year	**1**	**(1)**	**95**	6	–	124
Cross-currency swap[2]	After 5 years	**–**	**(250)**	**225**	–	(182)	228
Total cash flow hedges		**1**	**(251)**	**320**	6	(182)	352
Interest rate swap[3]	Between 1 to 5 years	**38**	**–**	**319**	41	–	300
Cross-currency swap[3,4]	Between 1 to 5 years	**272**	**–**	**319**	237	–	300
Total derivatives – no hedge accounting treatment		**310**	**–**	**319**	278	–	300
Total derivative financial instruments		**311**	**(251)**	**639**	284	(182)	652

1 Foreign currency forwards designated as cash flow hedges are used to hedge the future cash flows denominated in foreign currencies.
2 Cross-currency swap accounted for as a cash flow hedge used to hedge currency and cash flow risk on floating debt denominated in foreign currency, related to JPY 33,000 notes (see *Note 21* for additional information).
3 Interest rate swap and cross-currency swap relate to the same notional amount of GBP 250 million.
4 As of December 28, 2014, the valuation of the GBP 250 cross-currency swap, related to the GBP 250 notes (see *Note 21* for additional information) includes the impact of the mark-to-market valuation of an embedded credit clause in the amount of nil. The volatility in the financial markets resulted in a €1 million gain related to this credit clause in the year 2014 (€4 million gain in 2013). Ahold is required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. $287 million has been paid down as of December 28, 2014.

Gains and losses recognized in cash flow hedging reserve in equity as of December 28, 2014, mainly relate to the swap on the JPY 33,000 notes and will be released to the income statement over a period lasting until 2031.

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. In 2013, the Company announced a new leadership structure. A broader Executive Committee (ExCo) has been installed, replacing the Corporate Executive Board and the Ahold Executive Team. The ExCo consists of the Management Board (formerly referred to as the Corporate Executive Board) and three other ExCo members. The Company considers all members of the ExCo and the Supervisory Board to be key management personnel as defined in IAS 24 "Related parties."

The total compensation of key management personnel amounts to €16,456 thousand (2013: €13,755 thousand). This includes an estimate of additional wage tax on severance payments due in accordance with Dutch tax laws in the amount of €1.2 million. The 2013 amount included a crisis levy in the Netherlands of €758 thousand following the Budget Agreement 2013 Tax Measures Implementation Act that was extended in the 2014 Tax Plan. The crisis levy was €758 thousand for members of the ExCo and nil for the members of the Supervisory Board in 2013.

Employment contracts with individual Management Board members

Dick Boer

In 2014, the Company provided Dick Boer with an annual base salary of €987,000, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in case of extraordinary performance. Unless Dick Boer's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2015. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Dick Boer is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Dick Boer with a notice period of six months. Dick Boer participates in Ahold's Dutch Pension Plan.

Jeff Carr

In 2014, the Company provided Jeff Carr with an annual base salary of €658,000, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in case of extraordinary performance. Furthermore, Jeff Carr receives a housing allowance of €7,000 net per month for the first term of four years. Unless Jeff Carr's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2016. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, Jeff Carr is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Jeff Carr with a notice period of six months. Jeff Carr participates in Ahold's Dutch Pension Plan.

Lodewijk Hijmans van den Bergh

In 2014, the Company provided Lodewijk Hijmans van den Bergh with an annual base salary of €544,000, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in case of extraordinary performance. Lodewijk Hijmans van den Bergh participates in Ahold's Dutch Pension Plan. On October 14, 2014 it was announced that Lodewijk Hijmans van den Bergh will step down as Chief Corporate Governance Counsel. This will take effect as of March 1, 2015 and his employment relationship with Ahold will terminate as of December 31, 2015.

James McCann

In 2014, the Company provided James McCann with an annual base salary of €658,000, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in case of extraordinary performance. Furthermore, James McCann receives a housing allowance of $10,000 net per month for the first term of four years. Unless James McCann's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2016. In the event that the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by the shareholders, James McCann is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by James McCann with a notice period of six months. James McCann participates in Ahold's Dutch Pension Plan.

31 Related party transactions (continued)

Remuneration of the Management Board by member

€ thousand	Base salary	Bonuses[2]	Other[3]	Direct remuneration: Total direct remuneration	Deferred remuneration: Share-based compensation[4]	Deferred remuneration: Pensions[5]	Total remuneration[6]
Dick Boer							
2014	**987**	**444**	**13**	**1,444**	**1,214**	**(125)**	**2,533**
2013	975	868	12	1,855	1,114	433	3,402
Jeff Carr							
2014	**658**	**296**	**147**	**1,101**	**678**	**48**	**1,827**
2013	615	547	154	1,316	615	257	2,188
Lodewijk Hijmans van den Bergh[1]							
2014	**544**	**245**	**1,654**	**2,443**	**1,031**	**(48)**	**3,426**
2013	537	478	16	1,031	545	212	1,788
James McCann							
2014	**658**	**296**	**1,213**	**2,167**	**773**	**(39)**	**2,901**
2013	650	579	414	1,643	665	239	2,547
Total 2014	**2,847**	**1,281**	**3,027**	**7,155**	**3,696**	**(164)**	**10,687**
Total 2013	2,777	2,472	596	5,845	2,939	1,141	9,925

Remuneration of the Executive Committee including Management Board

The table below specifies the remuneration of the ExCo, comprising the Management Board members as listed above and the additional ExCo members who were not part of the Management Board.

€ thousand	**2014**	2013
Base salary	**4,399**	3,183
Bonuses[2]	**1,979**	2,821
Other[3]	**3,837**	865
Share-based compensation[4]	**4,930**	3,983
Pensions[5]	**(747)**	1,320
Total remuneration[6,7]	**14,398**	12,172

1 Lodewijk Hijmans van den Bergh, Chief Corporate Governance Counsel and member of the Management Board and Executive Committee, will step down on March 1, 2015. Ahold has agreed to pay his remuneration until the end of 2015. He will receive a severance payment amounting to one year's base salary (€544,000), and he will remain entitled to the 2015 EIP and GRO. Outstanding shares under the GRO plan will vest over the term of employment in accordance with the applicable plan rules. An estimate of the remuneration costs relating to the period after March 1, 2015, until December 31, 2015, has been recognized in 2014 (Other €1,641,000 and Share-Based Compensation €434,000) on the basis that he will be employed until the end of 2015. An estimate of additional wage tax of €1.2 million on severance payments due in accordance with Dutch tax laws, calculated on the basis of employment until the end of 2015, is excluded from "Total remuneration" as presented in the tables above.
2 Bonuses represent accrued bonuses to be paid in the following year.
3 Except for the amount for Lodewijk Hijmans van den Bergh, which is described under footnote 1 above, "Other" mainly includes tax compensation (tax equalization charges for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as tax advice, medical expenses, and the associated tax gross up. Included in "Other" for James McCann in 2014 is tax compensation of €969,000, of which €164,000 relates to the 2013 tax year.
4 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2014 reflects this year's portion of the share grants over the previous five years (2010 to 2014). The share-based compensation expense also includes the expense related to the shares under the special purpose plan as described in *Note 32*. Under this program 105,000 shares were granted in 2013 to ExCo members that were not part of the Management Board, of which 35,000 shares vested in 2014 (2013: 35,000). The total share-based compensation expense in 2014 for these ExCo members is €1,234,000 (2013: €1,044,000) of which €459,000 (2013: €792,000) relates to the special purpose plan and €775,000 (2013: €252,000) to the grants under the GRO program.
5 Pension costs are the total net periodic pension costs. During 2014, Ahold amended its pension plan in the Netherlands. For more details refer to *Note 23*.
6 The crisis levy of 16% of the wages from current employment (including any bonuses) that employers paid for their employees during 2013, insofar as such wages exceeded €150,000, came into effect in 2012 following the Budget Agreement 2013 Tax Measures Implementation Act and was extended through 2013 in the 2014 Tax Plan. The total crisis levy accrued for the Management Board members in 2013 was €707,000 and is excluded from "Total remuneration" as presented in the tables above. The crisis levy was €403,000, €94,000, €189,000 and €21,000 for Dick Boer, Jeff Carr, Lodewijk Hijmans van den Bergh and James McCann, respectively. The total crisis levy accrued for the ExCo members that were not part of the Management Board was €51,000 in 2013.
7 The ExCo became effective on September 1, 2013. On August 21, 2013, the Supervisory Board appointed Hanneke Faber and Sander van der Laan as member of the ExCo, effective September 1, 2013. The Supervisory Board appointed Abbe Luersman as member of the ExCo, effective November 1, 2013. On January 15, 2015, it was announced that Sander van der Laan, CEO Albert Heijn and member of the Executive Committee, will step down on February 1, 2015. Wouter Kolk, currently Executive Vice President Specialty Stores and New Markets at Albert Heijn, is the successor of Sander van der Laan as CEO of Albert Heijn, and member of the Ahold Executive Committee.

31 Related party transactions (continued)

Remuneration of the Supervisory Board members

€ thousand	2014	2013
Rob van den Bergh (appointed in 2011)	128	104
Judith Sprieser (reappointed in 2014)	126	112
Stephanie Shern (reappointed in 2013)	118	98
Jan Hommen (appointed in 2013)	117	35
Derk Doijer (reappointed in 2013)	108	100
Mark McGrath (reappointed in 2012)	129	109
Ben Noteboom (reappointed in 2013)	99	101
René Dahan (resigned in October 2013)	–	87
Tom de Swaan (resigned in October 2013)	–	79
Total	**825**	825

Shares and other interests in Ahold

As of December 28, 2014, Management Board members held the following shares and other interests in Ahold:

Number of shares	Common shares subject to additional holding requirement[1]	Other common shares	Total common shares
Dick Boer	46,582	214,594	261,176
Jeff Carr	32,046	9,230	41,276
Lodewijk Hijmans van den Bergh	30,252	–	30,252
James McCann	32,046	101,538	133,584
Total	**140,926**	**325,362**	**466,288**

1 In line with best practice II.2.5 of the Dutch Corporate Governance Code, mid-term (three-year) shares granted and vested under the GRO program to Management Board members should be retained for a period of at least five years after grant, except to finance tax payable at the vesting date, or at least until the end of a member's employment with the Company, if this period is shorter.

As of December 28, 2014, Ben Noteboom held 16,615 Ahold common shares and Rob van den Bergh held 13,846 Ahold common shares. None of the other Supervisory Board members held Ahold shares.

Ahold does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. Ahold does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. No such guarantees are outstanding.

31 Related party transactions (continued)

Trading transactions

Ahold has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices.

During 2014 and 2013, the Company entered into the following transactions with unconsolidated related parties:

For the year ended December 28, 2014

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
Stationsdrogisterijen	**16**	**–**	**–**	**5**	**–**
JMR	**5**	**–**	**1**	**–**	**–**
Cathedral Commons	**–**	**–**	**3**	**–**	**24**
Other	**2**	**2**	**12**	**2**	**17**
Total	**23**	**2**	**16**	**7**	**41**

For the year ended December 29, 2013

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
ICA	1	–	–	–	–
Stationsdrogisterijen	15	–	–	5	–
JMR	6	–	2	1	–
Cathedral Commons	–	–	3	–	22
Other	2	2	15	3	23
Total	24	2	20	9	45

These unconsolidated related parties consist of:

→ ICA, in which Ahold divested its interest in 2013. Sales to and purchases from ICA are presented for the period ending on March 27, 2013.

→ Stationsdrogisterijen C.V., a joint venture of Ahold in the health and beauty care retail business.

→ JMR, a joint venture of Ahold in the retail business.

→ Cathedral Commons Partners, LLC, a real estate joint venture of Ahold.

→ "Other," which includes mainly real estate joint ventures in which Ahold has an interest, holding properties operated by Ahold and Loyalty Management Nederland B.V., an associate of Ahold that renders services relating to the management of customer loyalty programs to certain Ahold subsidiaries in the Netherlands.

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 23*.

32 Share-based compensation

In 2014, Ahold's share-based compensation program consisted of a conditional share grant program called Global Reward Opportunity (GRO). This program, introduced in 2006, replaced the Company's share option plans. In principle, plan rules will not be altered during the term of the plans. Total 2014 GRO share-based compensation expenses were €43 million (2013: €43 million). Ahold's share-based compensation programs are equity-settled.

The fair value of the shares granted under the GRO program in 2014 at grant date was €47 million, of which €4 million related to Management Board members. This fair value is expensed over the vesting period of the grants adjusted for expected annual forfeitures of 5% (2013: 5%), excluding Management Board members. For the share-based compensation expenses allocable to the individual Management Board members, see *Note 31*.

GRO program

Main characteristics

Under the 2006-2012 GRO program, Ahold shares were granted through a mid-term (three-year) and a long-term (five-year) program. The number of shares granted depended on the at-target value, the annual incentive multiplier of the preceding year and the average share price for six months preceding the date of the grant. For participants other than the Management Board members, the mid-term component of the program contained a matching share feature. For every five shares a participant holds for an additional two years after the vesting date, the participant will receive one additional share.

The shares were granted on the day after the annual General Meeting of Shareholders and vest on the day after the publication of Ahold's full-year results in the third year (three-year programs) or fifth year (five-year program) after the grant, provided the participant is still employed by Ahold. Shares granted to Management Board members vest on the day after the annual General Meeting of Shareholders in the third year (mid-term component) or fifth year (long-term component) after the grant, subject to continued employment. Management Board members are not allowed to sell their shares within a period of five years from the grant date, except to finance tax payable at the date of vesting.

Under the 2006 GRO program, the shares granted through the long-term component are subject to a performance condition. The number of shares that will ultimately vest depends on Ahold's performance compared to 11 other retail companies (refer to the Remuneration section for the composition of the peer group), measured over a five-year period using Total Shareholder Return (TSR), which is the sum of share price growth and dividends paid. The table below indicates the percentage of conditional shares that could vest based on the ranking of Ahold within the peer group:

2006-2012 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12
Management Board	150%	130%	110%	90%	70%	50%	25%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

32 Share-based compensation (continued)

A revised GRO program was introduced as of the 2013 grant. Under the revised GRO program, shares are granted through a three-year program. The program consists of three components: one with a performance hurdle at grant (conditional share grant) and two components with a performance hurdle at vesting (performance share grants). The size of the conditional share grant is subject to the Executive Committee Multiplier Incentive plan of the preceding year for Management Board members and the Actual Multiplier of the preceding year for other employees. Half of the performance share grant is linked to a three-year return on capital (RoC) target. Dependent on RoC performance, the number of shares that eventually vest can range between 0% and a maximum of 150% of the number of shares granted. For the other half of the grant, the performance at vesting is measured using the TSR ranking. The table below indicates the percentage of shares with a TSR performance measure under the revised GRO program (2013 and 2014 GRO program) that could vest based on the ranking of Ahold within the peer group:

2013-2014 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12
Vice President and up	175%	150%	125%	100%	75%	50%	0%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2014, Ahold held the fourth position with respect to the 2010 share grant, the fifth position for the 2011 grant, the fourth position for the 2012 grant, the sixth position for the 2013 grant and the sixth position for the 2014 grant. For the 2010 share grant, the final TSR ranking is the fourth position (90% for Management Board members and 105% for other participants). The positions with respect to the 2011, 2012, 2013 and 2014 share grants are not an indication of Ahold's final ranking at the end of the performance periods, nor do they provide any information related to the vesting of shares.

At the end of each reporting period, Ahold revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions (RoC performance). Ahold recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. At the end of 2014, the revised estimate of the number of shares in the 2013 grant that will vest in 2016 dependent on RoC performance, is 51% (2013: 100%). The estimate for the 2014 grant is that 100% of the shares dependent on RoC performance will vest in 2017.

Upon termination of employment due to retirement, disability or death, the same vesting conditions as described above apply. Upon termination of employment without cause in certain circumstances (e.g., restructuring or divestment), a pro rata part of the granted shares will vest on the date of termination of employment. For the performance shares, the most recent performance results will be applied to calculate the number of vested shares.

In addition, a limited number of shares were granted to other ExCo members and other employees in 2013 and 2014 under a special purpose plan. This program consists of unconditional and conditional shares. The unconditional shares vest immediately on the award date. The conditional shares vest in two tranches. Half of the conditional shares vest on the day after the publication of Ahold's full-year results in the first year and half in the second year after the grant. Under this plan, 21,000 shares were granted in 2014 (2013: 123,000). In 2014, 48,000 shares vested (2013: 41,000). At the end of 2014, 55,000 shares were outstanding, of which 48,000 are to vest in 2015 and 7,000 in 2016.

The following table summarizes the status of the GRO program during 2014 for the individual Management Board members and for all other employees in the aggregate.

32 Share-based compensation (continued)

	Outstanding at the beginning of 2014	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2014**	Minimum number of shares[3]	Maximum number of shares[4]	Fair value per share at the grant date (€)
Dick Boer								
Five-year 2009 grant	54,706	16,411	71,117	–	**–**	–	–	7.02
Five-year 2010 grant	33,671	–	–	–	**33,671**	–	50,506	7.29
Three-year 2011 grant	65,965	–	65,965	–	**–**	–	–	8.59
Five-year 2011 grant	65,965	–	–	–	**65,965**	–	98,947	6.00
Three-year 2012 grant	73,026	–	–	–	**73,026**	73,026	73,026	9.23
Five-year 2012 grant	73,026	–	–	–	**73,026**	–	109,539	7.81
2013 TSR grant[5]	57,757	5,464	–	–	**63,221**	–	110,636	7.76
2013 RoC grant[5]	57,757	5,464	–	–	**63,221**	–	94,831	10.52
2013 conditional grant[5]	31,767	–	–	6,010	**25,757**	25,757	25,757	10.52
2014 TSR grant	–	49,844	–	–	**49,844**	–	87,227	11.20
2014 RoC grant	–	49,844	–	–	**49,844**	–	74,766	12.40
2014 conditional grant	–	32,860	–	–	**32,860**	32,860	32,860	12.40
Jeff Carr								
Three-year 2011 grant	50,388	–	50,388	–	**–**	–	–	8.31
Five-year 2011 grant	50,388	–	–	–	**50,388**	–	75,582	5.80
Three-year 2012 grant	45,405	–	–	–	**45,405**	45,405	45,405	9.23
Five-year 2012 grant	45,405	–	–	–	**45,405**	–	68,107	7.81
2013 TSR grant	29,539	–	–	–	**29,539**	–	51,693	7.76
2013 RoC grant	29,539	–	–	–	**29,539**	–	44,308	10.52
2013 conditional grant	16,247	–	–	–	**16,247**	16,247	16,247	10.52
2014 TSR grant	–	24,614	–	–	**24,614**	–	43,074	11.20
2014 RoC grant	–	24,614	–	–	**24,614**	–	36,921	12.40
2014 conditional grant	–	21,907	–	–	**21,907**	21,907	21,907	12.40

32 Share-based compensation (continued)

	Outstanding at the beginning of 2014	Granted[1]	Vested[2]	Forfeited	**Outstanding at the end of 2014**	Minimum number of shares[3]	Maximum number of shares[4]	Fair value per share at the grant date (€)
Lodewijk Hijmans van den Bergh[6]								
Five-year 2010 grant	30,472	–	–	–	**30,472**	–	45,708	7.29
Three-year 2011 grant	34,902	–	34,902	–	**–**	–	–	8.59
Five-year 2011 grant	34,902	–	–	–	**34,902**	–	52,353	6.00
Three-year 2012 grant	40,108	–	–	–	**40,108**	40,108	40,108	9.23
Five-year 2012 grant	40,108	–	–	–	**40,108**	–	60,162	7.81
2013 TSR grant	25,817	–	–	–	**25,817**	–	45,179	7.76
2013 RoC grant	25,817	–	–	–	**25,817**	–	38,725	10.52
2013 conditional grant	14,200	–	–	–	**14,200**	14,200	14,200	10.52
2014 TSR grant	–	20,354	–	–	**20,354**	–	35,619	11.20
2014 RoC grant	–	20,354	–	–	**20,354**	–	30,531	12.40
2014 conditional grant	–	18,115	–	–	**18,115**	18,115	18,115	12.40
James McCann								
Three-year 2011 grant	50,388	–	50,388	–	**–**	–	–	8.31
Five-year 2011 grant	50,388	–	–	–	**50,388**	–	75,582	5.80
Three-year 2012 grant	45,405	–	–	–	**45,405**	45,405	45,405	9.23
Five-year 2012 grant	45,405	–	–	–	**45,405**	–	68,107	7.81
2013 TSR grant[5]	38,505	3,642	–	–	**42,147**	–	73,757	7.76
2013 RoC grant[5]	38,505	3,642	–	–	**42,147**	–	63,220	10.52
2013 conditional grant[5]	21,178	–	–	4,007	**17,171**	17,171	17,171	10.52
2014 TSR grant	–	33,229	–	–	**33,229**	–	58,150	11.20
2014 RoC grant	–	33,229	–	–	**33,229**	–	49,843	12.40
2014 conditional grant	–	21,907	–	–	**21,907**	21,907	21,907	12.40
Subtotal Management Board members	1,316,651	385,494	272,760	10,017	**1,419,368**	372,108	2,015,181	

1 Represents the number of shares originally granted for the 2014 grant. For the five-year 2009 grant, the number of shares allocated in 2014 represents the additional number of shares allocated based on the final TSR ranking.
2 The vesting date of the five-year 2009 grant and the three-year 2011 grant was on April 17, 2014. The Euronext closing share price was €14.00 on April 17, 2014.
3 For the three-year grants under the 2006-2012 GRO program and the conditional shares under the 2013-2014 GRO program, the minimum number of shares that could potentially vest equals the number of outstanding shares. For the five-year grants, the minimum number of shares that could potentially vest would be nil if Ahold's ranking was eight or lower. For the 2013 and 2014 TSR grants, the minimum number of shares that could potentially vest would be nil if Ahold's ranking was seventh or lower. For the 2013 and 2014 RoC grants, the minimum number of shares that could potentially vest equals nil (as explained in the section Main characteristics above).
4 For the three-year grants under the 2006-2012 GRO program and the conditional shares under the 2013-2014 GRO program, the maximum number of shares that could potentially vest equals the number of outstanding shares. For the five-year grants, the maximum number of shares that could potentially vest equals 150% of outstanding shares if Ahold's ranking is one. For the 2013 and 2014 TSR grants, the maximum number of shares that could potentially vest equals 175% of outstanding shares if Ahold's ranking is one. For the 2013 and 2014 RoC grants, the maximum number of shares that could potentially vest equals 150% of outstanding shares (as explained in the section Main characteristics above).
5 The shares granted and forfeited for the 2013 grants for Dick Boer and James McCann represent a correction to the original grant.
6 In accordance with the GRO plan rules and his separation agreement (also refer to *Note 31*) a pro rata part of the outstanding shares will vest for Lodewijk Hijmans van den Bergh on the date of termination of employment.

32 Share-based compensation (continued)

	Outstanding at the beginning of 2014	Granted[1,3]	Vested[2]	Forfeited	**Outstanding at the end of 2014**
Other employees					
2009 grant	2,223,039	874,544	3,096,752	831	**–**
2010 grant	1,233,914	–	64,740	34,573	**1,134,601**
2011 grant	4,680,301	–	2,398,151	118,042	**2,164,108**
2012 grant	5,407,439	–	217,092	269,829	**4,920,518**
2013 grant[4]	4,339,430	–	95,511	270,850	**3,973,069**
2014 grant[5]	–	3,502,264	14,037	135,243	**3,352,984**
Subtotal Management Board members	1,316,651	385,494	272,760	10,017	**1,419,368**
Total number of shares	19,200,774	4,762,302	6,159,043	839,385	**16,964,648**

1 Represents the number of shares originally granted for the 2014 grant. For the five-year 2009 grant, the number of shares allocated in 2014 represents the additional number of shares allocated based on the final TSR ranking and the actual number of matching shares related to the 2009 grant.
2 The vesting date of the five-year 2009 grant, the matching shares related to the 2009 grant and the three-year 2011 grant was February 28, 2014. The Euronext closing share price was €13.52 on February 28, 2014.
3 The grant date fair value of the matching shares is expensed over the five-year vesting period. In this table the matching shares are presented as awarded in the year of vesting. The total number of matching shares granted up to and outstanding at the end of the 2014 is 169,496 (2013: 192,034).
4 The 2013 grant includes the new program as described above. Under this new program 123,000 shares were granted in 2013, of which 41,000 vested in 2013 and 41,000 in 2014. At the end of 2014, 41,000 shares under this program were outstanding, and will vest in 2015.
5 The 2014 grant includes the new program as described above. Under this new program 21,000 shares were granted in 2014, of which 7,000 vested in the same year. At the end of 2014, 14,000 shares under this program were outstanding, of which 7,000 will vest in 2015 and 7,000 in 2016.

Valuation model and input variables

The weighted average fair value of the shares granted in 2014, for all eligible participants including Management Board members, amounted to €12.41, €11.80 and €12.41 per share for the conditional shares, TSR performance shares and RoC performance shares, respectively (2013: €10.66, €8.72 and €10.64, respectively). The fair values of the conditional shares and the RoC performance shares are based on the Black-Scholes model. The fair values of the TSR performance shares are determined using a Monte Carlo simulation model. The most important assumptions used in the valuations of the fair values were as follows:

	2014	2013
Opening share price at grant date	**13.96**	11.95
Risk-free interest rate	**0.4%**	0.3%
Volatility	**19.3%**	17.6%
Assumed dividend yield	**3.9%**	4.2%

Expected volatility has been determined based on historical volatilities for a period of three years.

32 Share-based compensation (continued)

Share option plans

After the introduction of GRO in 2006, options were discontinued as a remuneration component. All options vested by the end of 2009. No options were outstanding for individual Management Board members during 2014. The following table summarizes the status of the share option plans during 2014 for all other employees in the aggregate.

Description of grant	Outstanding at the beginning of 2014	Exercised	Forfeited	Expired	**Outstanding at the end of 2014**	Exercise price	Expiration date
Ten-year	36,000	36,000	–	–	**–**	6.36	04/03/2015
Total options	36,000	36,000	–	–	**–**		
Weighted average exercise price	6.36	6.36					
Weighted average share price at date of exercise		14.10					

33 Operating leases

Ahold as lessee

Ahold leases a significant number of its stores, as well as distribution centers, offices and other assets, under operating lease arrangements. The aggregate amounts of Ahold's minimum lease commitments payable to third parties under non-cancelable operating lease contracts are as follows:

€ million	**December 28, 2014**	December 29, 2013
Within one year	**768**	687
Between one and five years	**2,457**	2,155
After five years	**2,564**	2,409
Total	**5,789**	5,251

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold's leases impose restrictions on Ahold's ability to pay dividends, incur additional debt or enter into additional leasing arrangements. The annual costs of Ahold's operating leases from continuing operations, net of sublease income, are as follows:

€ million	**2014**	2013
Minimum rentals	**690**	705
Contingent rentals	**20**	21
Sublease income	**(113)**	(111)
Total	**597**	615

During the fourth quarter of 2013, Ahold closed six stores and three gas stations in the New Hampshire area. In the annual costs relating to minimum rentals for 2013, costs are included for the provision to cover the lease exposure for the closed locations.

In addition to the operating lease commitments disclosed above, Ahold has signed lease agreements for properties under development of which it has not yet taken possession. The total future minimum lease payments for these agreements amount to approximately €195 million (2013: €184 million). These lease contracts are subject to conditions precedent to the rent commencement date.

33 Operating leases (continued)

Ahold as lessor

Ahold rents out its investment properties (mainly retail units in shopping centers containing an Ahold store) and also (partially) subleases various other properties that are leased by Ahold under operating leases. The aggregate amounts of the related future minimum lease and sublease payments receivable under non-cancelable lease contracts are as follows:

€ million	December 28, 2014	December 29, 2013
Within one year	197	180
Between one and five years	514	474
After five years	323	353
Total	1,034	1,007

The total contingent rental income recognized during the year on all leases where Ahold is the lessor was €2 million (2013: €2 million).

34 Commitments and contingencies

Capital investment commitments

As of December 28, 2014, Ahold had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €119 million and €8 million, respectively (December 29, 2013: €126 million and €6 million, respectively). Ahold's share in the capital investment commitments of its unconsolidated joint venture JMR amounted to €6 million as of December 28, 2014 (December 29, 2013: €6 million).

Purchase commitments

Ahold enters into purchase commitments with vendors in the ordinary course of business. Ahold has purchase contracts with some vendors for varying terms that require Ahold to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of December 28, 2014, the Company's purchase commitments were approximately €859 million (December 29, 2013: €1,220 million). The decrease in 2014 is primarily due to the expiry of a single purchase commitment with a three-year term. Not included in the purchase commitments are those purchase contracts for which Ahold has received advance vendor allowances, such as up-front signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold can be summarized as follows:

€ million	December 28, 2014	December 29, 2013
Lease guarantees	499	491
Lease guarantees backed by letters of credit	68	67
Corporate and buyback guarantees	34	46
Loan guarantees	–	3
Total	601	607

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $83 million (€68 million) as of December 28, 2014 (2013: $93 million (€67 million)).

34 Commitments and contingencies (continued)

Ahold is contingently liable for leases that have been assigned to third parties in connection with facility closings and asset disposals. Ahold could be required to assume the financial obligations under these leases if any of the assignees are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the assigned leases, which extend through 2040. The amounts of the lease guarantees exclude the cost of common area maintenance and real estate taxes; such amounts may vary in time, per region, and per property. Of the €499 million in the undiscounted lease guarantees, €221 million relates to the BI-LO / Bruno's divestment and €173 million to the Tops divestment. On a discounted basis the lease guarantees amount to €434 million and €424 million as of December 28, 2014, and December 29, 2013, respectively.

On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the filings). As a result of the filings, Ahold has made an assessment of its potential obligations under the lease guarantees based upon the remaining initial term of each lease, an assessment of the possibility that Ahold would have to pay under a guarantee and any potential remedies that Ahold may have to limit future lease payments. Consequently, in 2009, Ahold recognized provisions of €109 million and related tax benefit offsets of €47 million within results on divestments.

On May 12, 2010, the reorganized BI-LO exited bankruptcy protection and BI-LO assumed 149 operating locations that are guaranteed by Ahold. During the BI-LO bankruptcy, BI-LO rejected a total of 16 leases which are guaranteed by Ahold and Ahold also took assignment of 12 other BI-LO leases with Ahold guarantees. Based on the foregoing developments, Ahold recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that are guaranteed by Ahold.

At the end of 2014, the remaining provision relating to BI-LO and Bruno's was €24 million (2013: €25 million) with a related tax benefit offset of €10 million (2013: €11 million). This amount represents Ahold's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold under the various lease guarantees. Ahold continues to monitor any developments and pursue its mitigation efforts with respect to these lease guarantee liabilities.

Ahold has provided corporate guarantees to certain suppliers of Ahold's franchisees or non-consolidated entities. Ahold would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2023.

Loan guarantees relate to the principal amounts of certain loans payable by Ahold's franchisees, non-consolidated real estate development entities and joint ventures. The term of most guarantees is equal to the term of the related loan, the last of which matures in 2016. Ahold's maximum liability under the guarantees equals the total amount of the related loans plus, in most cases, reasonable costs of enforcement of the guarantee.

Representations and warranties as part of the sale of Ahold's operations

Ahold has provided, in the relevant sales agreements, certain customary representations and warranties including, but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, a number of years after the date of the relevant transaction completion date.

		Contingent liability cap	
	Closing date	Local currency million	€ million
Disco[1]	November 1, 2004	€15	15
BI-LO / Bruno's	January 31, 2005	$33	27
Tops Markets	December 3, 2007	$70	57
Tops' Wilson Farms / Sugarcreek	December 3, 2007	$5	4

1 Ahold assesses the likelihood to be liable up to the amount of the contingent liability cap to be remote. The cap does not include Ahold's indemnification obligation relating to the litigation described below.

The most significant sales of operations are described below. In addition, specific, limited representations and warranties exist for certain of Ahold's smaller divestments in 2004, 2005, 2007, 2012, 2013 and 2014. The aggregate impact of a claim under such representations and warranties is not expected to be material.

34 Commitments and contingencies (continued)

Bradlees

In 1992, Stop & Shop spun off Bradlees Stores, Inc. (Bradlees) as a public company (the Bradlees Spin-off). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the Bradlees Bankruptcies), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Disco

Ahold is required to indemnify the buyers of Disco S.A. (Disco) and Disco for certain claims made by alleged creditors of certain Uruguayan and other banks. For additional information, see the Uruguayan litigation described in the Legal proceedings section of this Note. Ahold's indemnification obligation relating to this litigation is not capped at a certain amount nor restricted to a certain time period.

BI-LO / Bruno's

In connection with the sale of BI-LO and Bruno's, Ahold may be contingently liable to landlords under guarantees of some 200 BI-LO or Bruno's operating or finance leases that existed at the time of the sale in the event of a future default by the tenant under such leases. As a result of the bankruptcy filings by BI-LO and Bruno's during 2009, a provision was recognized in 2009. BI-LO exited bankruptcy in May 2010 and the Company has re-evaluated its estimate of liability. For more information, refer to the Guarantees section of this Note.

U.S. Foodservice

In connection with the sale of U.S. Foodservice, which closed on July 3, 2007 (the Completion), Ahold indemnified U.S. Foodservice against damages incurred after the Completion relating to matters including the putative class actions filed in 2006 and 2007 and referred to under Waterbury litigation in this Note and any actions that might be brought by any current or former U.S. Foodservice customers that concern the pricing practices at issue in such litigation for sales made by U.S. Foodservice prior to the Completion. See *Legal proceedings* section on U.S. Foodservice below.

Tops Markets, LLC

In connection with the sale of Tops in 2007, Ahold has certain post-closing indemnification obligations under the sale agreement that Ahold believes are customary for transactions of this nature. Ahold retained certain liabilities in the sale, including contingent liability for 45 leases that carry Ahold guarantees. Additionally, Ahold retained liabilities related to stores previously sold, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined under Tops convenience stores.

Tops convenience stores

Pursuant to applicable law, Tops may be contingently liable to landlords under 186 leases assigned in connection with the sale of the Tops' Wilson Farms and Sugarcreek convenience stores in the event of a future default by the tenant under such leases. Ahold may be contingently liable to landlords under the guarantees of 77 of these leases in the same event.

Tops northeast Ohio stores

Tops closed all of its locations in northeast Ohio prior to year-end 2006. As of January 1, 2015, 34 of the total 55 closed locations in northeast Ohio have been sold, subleased or partially subleased. An additional 19 leases have been terminated or have terms due to expire within one year. Two stores continue to be marketed. In connection with the store sales, Tops and Ahold have certain post-closing indemnification obligations under the sale agreements, which Ahold believes are customary for transactions of this nature. Pursuant to applicable law, Ahold may be contingently liable to landlords under guarantees of 13 of such leases in the event of a future default by the tenant under such leases. If Ahold is able to assign the leases for the remaining northeast Ohio stores, then pursuant to applicable law, Ahold also may be contingently liable to landlords under guarantees of certain of such remaining leases in the event of a future default by the tenant under such leases.

34 Commitments and contingencies (continued)

Legal proceedings

Ahold and certain of its former or current subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax, employment, and other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold's financial condition, results of operations or cash flows. Ahold may enter into discussions regarding settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interests of Ahold's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

Albert Heijn Franchising

The Vereniging Albert Heijn Franchisenemers (an association of Albert Heijn franchisees or VAHFR) has asserted claims against an Ahold subsidiary, Albert Heijn Franchising BV (AHF), for the years 2008 through 2012, the alleged value of which in aggregate exceeds €200 million. AHF and the VAHFR have for a number of years had ongoing discussions about the resolution of certain cost items under individual franchise agreements. On December 24, 2014, AHF and other legal entities within the Ahold Group of companies received a writ in which VAHFR and 239 individual claimants initiate proceedings as of April 15, 2015 before the District Court of Haarlem with respect to these discussions. While repeating the previous quantification of the total value of their claims for the period 2008-2012, VAHFR and the individual claimants do not specify or seek payment for any specific amount by the defendants in the litigation.

AHF believes that the position of the VAHFR and individual claimants as expressed in the writ of summons lacks substance and is without merit.

AHF and its affiliates will vigorously defend their interests in the legal proceedings. The claims period covers the years 2008 and 2009, even though these years have already been settled. While it cannot be ruled out that individual franchisees have claims for the years 2010-2012, such claims have not been specifically and individually asserted let alone confirmed as valid based on an analysis on merit and amounts involved. Notwithstanding the foregoing, the years from 2010 onwards are still to be settled. Ahold has an existing provision of €17 million with regard to the settlement of costs with individual franchisees for the entire period up to and including 2014.

U.S. Foodservice – Waterbury litigation

In October 2006, a putative class action was filed against U.S. Foodservice by Waterbury Hospital, Cason Inc. and Frankie's Franchise Systems Inc. with the United States District Court for the District of Connecticut in relation to certain U.S. Foodservice pricing practices (the Waterbury Litigation). Two additional putative class actions were filed in 2007 by customers of U.S. Foodservice, Catholic Healthcare West and Thomas & King Inc., in the U.S. District Courts for the Northern District of California and the Southern District of Illinois, respectively. These two new actions involved the same pricing practices as those in the Waterbury Litigation. The new actions also named Ahold and two individuals as defendants. In accordance with the decision of the Judicial Panel on Multidistrict Litigation, in 2008 the actions were consolidated with the Waterbury litigation before the U.S. District Court in Connecticut. Ahold was (among other parties) named as defendant. In July 2009, the Plaintiffs filed a motion to certify a Plaintiff class in the action. Both Ahold and U.S. Foodservice filed a motion to dismiss against the complaint and also filed motions opposing the certification of a class in the action. In December 2009, the Court in Connecticut granted Ahold's motion to dismiss, as a result of which Ahold was no longer party in the proceedings. U.S. Foodservice's motion to dismiss was partially rejected by the Court, as a result of which U.S. Foodservice remained defendant in the ongoing proceedings.

On November 30, 2011, the U.S. District Court granted the Plaintiffs' motion to certify a class in the action certifying a class consisting of any person in the United States who purchased products from U.S. Foodservice pursuant to an arrangement that defined a sale price in terms of a cost component plus a markup ("cost-plus contract"), and for which U.S. Foodservice used a so-called "Value Added Service Provider" or "VASP" transaction to calculate the cost component. On August 30, 2013, the U.S. Court of Appeals for the Second Circuit ("Second Circuit") affirmed the decision of the U.S. District Court. The effect of the District Court's class certification order, if it were not reversed, vacated or otherwise modified, was to increase the potential liability exposure because it allowed the named Plaintiffs to litigate breach of contract claims and claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) on behalf of all Class Members. A RICO claim, if it were to be successful, could have led to an award to the plaintiffs of three times their compensatory damages.

On May 21, 2014, Ahold announced that it had signed a term sheet agreeing in principle to settle the Waterbury Litigation. Subsequently, the parties entered into a long-form settlement agreement (the "Settlement Agreement") setting forth the entirety of the parties' agreement.

Under the Settlement Agreement, Ahold agreed to make a payment of $297 million (equivalent to €215 million at the end of Q1 2014) into a settlement fund in return for a release from all claims from all participating class members in relation to the challenged pricing practices. The amount paid in December 2014 to satisfy the claim was equivalent to €241 million.

The settlement was subject to approval by the U.S. District Court, which preliminarily approved the Settlement Agreement on July 16, 2014, and issued an Order granting final approval on December 9, 2014. Ahold made the $297 million payment to the settlement fund on December 19, 2014. The appeal period relating to the U.S. District Court's final approval Order expired on January 8, 2015, with no appeal having been filed. Accordingly, the settlement is now final and the potential liability for Ahold in this class action litigation has been resolved.

Ahold had recorded a net provision in the amount of €187 million in Q1 2014 (€215 million net of an estimated tax recovery of €28 million).

34 Commitments and contingencies (continued)

Uruguayan litigation

Ahold, together with Disco and Disco Ahold International Holdings N.V. (DAIH), is a party to legal proceedings in one lawsuit in Uruguay related to Ahold's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The two other related lawsuits in Uruguay have been finally decided in favor of Ahold in 2013. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $62 million (€51 million) plus interest and costs. As part of the sale of Disco to Cencosud in 2004, Ahold indemnified Cencosud and Disco against the outcome of these legal proceedings. The proceedings in the one remaining lawsuit are ongoing. Ahold continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

Other legal proceedings

In addition to the legal proceedings described previously in this Note, Ahold and its former or current subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold's financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

35 Subsequent events

New share buyback program

On February 26, 2015, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over the next 12 months.

36 List of subsidiaries, joint ventures and associates

The following are Ahold's significant subsidiaries, joint ventures and associates as of December 28, 2014:

Consolidated subsidiaries

Unless otherwise indicated, these are, directly or indirectly, wholly or virtually wholly-owned subsidiaries. Subsidiaries not important to providing an insight into the Ahold group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to said section 403, Ahold has assumed joint and several liabilities for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Ahold has issued 403 declarations are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands

Albert Heijn Franchising B.V., Zaandam, the Netherlands

Gall & Gall B.V., Zaandam, the Netherlands

Etos B.V., Zaandam, the Netherlands

bol.com B.V., Utrecht, the Netherlands

AHOLD Czech Republic a.s., Prague, Czech Republic

Albert Heijn België N.V., Schoten, Belgium

Ahold Germany GmbH, Mettmann, Germany

Retail trade United States

The Stop & Shop Supermarket Company LLC, Boston, Massachusetts

Giant Food Stores LLC, Carlisle, Pennsylvania

Giant of Maryland LLC, Landover, Maryland

Peapod LLC, Skokie, Illinois

36 List of subsidiaries, joint ventures and associates (continued)

Other

Ahold Coffee Company B.V., Zaandam, the Netherlands

Ahold Nederland B.V., Zaandam, the Netherlands

Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands

Ahold Finance U.S.A. LLC, Zaandam, the Netherlands

Ahold Financial Services LLC, Carlisle, Pennsylvania, United States

Ahold Information Services Inc., Greenville, South Carolina, United States

Ahold International Sàrl, Zug, Switzerland

Ahold Lease U.S.A. Inc., Boston, Massachusetts, United States

Ahold Licensing Sàrl, Geneva, Switzerland

Ahold U.S.A. Inc., Boston, Massachusetts, United States

American Sales Company LLC, Lancaster, New York, United States

MAC Risk Management Inc., Boston, Massachusetts, United States

The MollyAnna Company, Montpelier, Vermont, United States

Ahold Insurance N.V., Willemstad, Curaçao

Ahold Finance Company N.V., Zug, Switzerland

Joint ventures and associates (unconsolidated)

JMR – Gestão de Empresas de Retalho SGPS, S.A., Lisbon, Portugal (49% owned by Ahold's subsidiary Ahold International Sàrl)

Jerónimo Martins Retail Services S.A., Klosters, Switzerland (49% owned by Ahold's subsidiary Ahold International Sàrl)

Income statement

€ million	2014	2013
Income from subsidiaries and investments in joint ventures after income taxes	647	2,524
Other gains and losses after income taxes	(53)	13
Net income	**594**	2,537

Balance sheet

Before appropriation of current year result.

€ million	Note	December 28, 2014	December 29, 2013
Assets			
Property, plant and equipment		–	1
Intangible assets	4	20	–
Deferred tax assets		45	26
Financial assets	5	9,447	11,867
Total non-current assets		9,512	11,894
Receivables	6	35	19
Other current financial assets	7	131	1,265
Cash and cash equivalents		199	1,020
Total current assets		365	2,304
Total assets		9,877	14,198
Liabilities and shareholders' equity			
Issued and paid-in share capital		9	318
Additional paid-in capital		6,844	8,713
Currency translation reserve		(103)	(492)
Cash flow hedging reserve		(132)	(81)
Reserve participations		210	195
Accumulated deficit		(2,578)	(4,670)
Net income		594	2,537
Shareholders' equity	8	4,844	6,520
Provisions	9	24	42
Loans	10	871	2,174
Cumulative preferred financing shares	10	497	497
Other non-current liabilities	11	561	460
Total non-current liabilities		1,929	3,131
Current liabilities	12	3,080	4,505
Total liabilities and shareholders' equity		9,877	14,198

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

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

The parent company financial statements of Ahold have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are accounted for using the accounting policies as described in *Note 3* to the consolidated financial statements.

2 Employees

The average number of employees of Koninklijke Ahold N.V. in full-time equivalents during 2014 was 169 (2013: 161). Salaries, social security charges and pension expenses amounted to €40 million and €2 million expenses and €5 million income, respectively, for 2014 (2013: expenses of €32 million, €3 million and €4 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Management Board and the Supervisory Board and the parent company's share-based compensation plans, see *Notes 23, 31* and *32*, respectively, to the consolidated financial statements.

The net pension liability and the net pension expense are calculated on the basis of the parent company's active employees only.

3 Auditor fees

Expenses for services provided by the parent company's independent auditor, PricewaterhouseCoopers Accountants N.V. ("PwC") and its member firms and / or affiliates to Ahold and its subsidiaries in 2014 and in 2013, are specified as follows:

€ thousand	**PwC**	**Member firms / affiliates**	**Total 2014**	PwC	Member firms / affiliates	Total 2013
Audit fees	**2,221**	**1,951**	**4,172**	2,106	1,938	4,044
Audit-related fees	**225**	**–**	**225**	223	–	223
Tax advisory fees	**106**	**118**	**224**	252	198	450
Total	**2,552**	**2,069**	**4,621**	2,581	2,136	4,717

4 Intangible assets

€ million	Software
As of December 29, 2013	
At cost	**1**
Accumulated amortization and impairment losses	**(1)**
Carrying amount	**–**
Year ended December 28, 2014	
Additions	22
Amortization	(2)
Closing carrying amount	**20**
As of December 28, 2014	
At cost	23
Accumulated amortization and impairment losses	(3)
Carrying amount	**20**

5 Financial assets

€ million	December 28, 2014	December 29, 2013
Investments in subsidiaries	**8,876**	10,591
Loans receivable from subsidiaries	**258**	994
Other derivatives external	**310**	278
Deferred financing cost	**3**	4
Total financial assets	**9,447**	11,867

For more information on derivatives, see *Note 13* to these parent company financial statements.

Investments in subsidiaries and joint ventures

€ million	2014	2013
Beginning of year	**10,591**	8,068
Share in income	**647**	2,524
Dividends	**(3,327)**	(2,085)
Intercompany transfers	**619**	2,074
Share of other comprehensive income (loss) and other changes in equity	**(30)**	163
Transfers (to) / from loans receivable	**8**	(10)
Transfers (to) / from provisions	**(20)**	29
Other comprehensive income (loss) transferred to net income	**–**	(73)
Exchange rate differences	**388**	(99)
End of year	**8,876**	10,591

Intercompany transfers include capital contributions and capital repayments. For a list of subsidiaries, joint ventures and associates, see *Note 36* to the consolidated financial statements.

Loans receivable

€ million	2014	2013
Beginning of year	**994**	2,797
Issued – net	**–**	145
Intercompany transfers	**(728)**	(1,936)
Transfers from / (to) investments	**(8)**	10
Exchange rate differences	**–**	(22)
End of year	**258**	994
Current portion	**–**	–
Non-current portion of loans	**258**	994

The loans receivable are related to loans with subsidiaries. On June 17, 2013, the parent company assigned the subordinated loan facility to Ahold Finance U.S.A. LLC.

6 Receivables

€ million	December 28, 2014	December 29, 2013
Receivables from subsidiaries	**25**	15
Receivables from joint ventures	**1**	2
Prepaid expenses	**7**	1
Income tax receivable	**1**	–
Other receivables	**1**	1
Total receivables	**35**	19

7 Other current financial assets

€ million	December 28, 2014	December 29, 2013
Short-term deposits and similar instruments	**130**	1,263
Hedging derivatives intercompany	**–**	1
Other	**1**	1
Total other current financial assets	**131**	1,265

As per December 28, 2014, short-term deposits and similar instruments included short-term investments with a remaining maturity at acquisition between three and twelve months.

8 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserve participations and accumulated deficit are presented separately.

The currency translation reserve, cash flow hedging reserve and legal reserve participations are legal reserves that are required by Dutch law. The legal reserve participations include the increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

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. Of the total equity as per December 28, 2014, €4,844 million, an amount of €219 million is non-distributable (December 29, 2013: €513 million out of total equity of €6,520 million). For more information on the dividends on common shares, see *Note 20* to the consolidated financial statements.

8 Shareholders' equity (continued)

The movements in equity can be specified as follows:

€ million	Share capital	Additional paid-in capital	Legal reserves: Currency translation reserve	Legal reserves: Cash flow hedging reserve	Legal reserves: Reserve participations	Other reserves including accumulated deficit[1]	Equity attributable to common shareholders
Balance as of December 30, 2012	**318**	**8,713**	**(292)**	**(126)**	**326**	**(3,793)**	**5,146**
Net income	–	–	–	–	–	2,537	2,537
Other comprehensive income (loss)	–	–	(200)	45	–	156	1
Total comprehensive income (loss)	–	–	(200)	45	–	2,693	2,538
Dividends	–	–	–	–	–	(457)	(457)
Share buyback	–	–	–	–	–	(768)	(768)
Share-based payments	–	–	–	–	–	61	61
Other changes in reserves	–	–	–	–	(131)	131	–
Balance as of December 29, 2013	**318**	**8,713**	**(492)**	**(81)**	**195**	**(2,133)**	**6,520**
Net income	–	–	–	–	–	594	594
Other comprehensive income (loss)	–	–	389	(51)	–	(4)	334
Total comprehensive income (loss)	–	–	389	(51)	–	590	928
Dividends	–	–	–	–	–	(414)	(414)
Capital repayment	(308)	(809)	–	–	–	109	(1,008)
Share buyback	–	–	–	–	–	(1,232)	(1,232)
Cancellation of treasury shares	(1)	(1,060)	–	–	–	1,061	–
Share-based payments	–	–	–	–	–	50	50
Other changes in reserves	–	–	–	–	15	(15)	–
Balance as of December 28, 2014	**9**	**6,844**	**(103)**	**(132)**	**210**	**(1,984)**	**4,844**

1 Accumulated deficit includes the remeasurements of defined benefit plans.

9 Provisions

€ million	**December 28, 2014**	December 29, 2013
Provision for negative equity subsidiaries	**14**	36
Other provisions	**10**	6
Total provisions	**24**	42

As of December 28, 2014, €3 million is expected to be utilized within one year (December 29, 2013: €2 million).

10 Loans

€ million	December 28, 2014 Non-current portion	December 28, 2014 Current portion	December 29, 2013 Non-current portion	December 29, 2013 Current portion
JPY 33,000 notes LIBOR plus 1.5%, due May 2031	**225**	**–**	228	–
Loans from subsidiaries	**646**	**1,300**	1,946	–
Total loans	**871**	**1,300**	2,174	–

The loans from subsidiaries mature in 2015 (€1,300 million), 2017 (€125 million), 2018 (€50 million) and 2022 (€471 million). For more information on the external loans, see *Note 21* to the consolidated financial statements. For information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements.

11 Other non-current liabilities

€ million	December 28, 2014	December 29, 2013
Hedging derivatives external	**251**	182
Other derivatives intercompany	**310**	278
Total other non-current liabilities	**561**	460

For more information on derivatives, see *Note 13* to these parent company financial statements.

12 Current liabilities

€ million	December 28, 2014	December 29, 2013
Short-term borrowings from subsidiaries	**1,731**	4,414
Loans – current portion	**1,300**	–
Dividend cumulative preferred financing shares	**21**	24
Income tax payable	**–**	32
Payables to subsidiaries	**2**	2
Payables to joint ventures	**2**	2
Interest payable	**1**	1
Other current liabilities	**23**	30
Total current liabilities	**3,080**	4,505

The current liabilities are liabilities that mature within one year.

13 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Hedging derivatives external" and "Hedging derivatives intercompany," respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Other derivatives external" and "Other derivatives intercompany," respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments and the parent company's risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current hedging derivatives – assets

€ million	2014	2013
Beginning of year	278	280
Fair value changes	32	(2)
End of year	**310**	278

Non-current hedging derivatives – liabilities

€ million	Hedging derivatives external	Other derivatives intercompany	2014	2013
Beginning of year	182	278	460	455
Fair value changes	69	32	101	5
End of year	**251**	**310**	**561**	460

Fair value changes include exchange rate differences and installments paid on a cross-currency swap that was entered into on behalf of one of the parent company's subsidiaries.

14 Related party transactions

Koninklijke Ahold N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

15 Commitments and contingencies

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 21* to the consolidated financial statements. The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities amount to €561 million as of December 28, 2014 (December 29, 2013: €554 million).

As part of the divestment of U.S. Foodservice in 2007, Ahold received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $83 million (€68 million) as of December 28, 2014.

Under customary provisions, the parent company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. The parent company forms a fiscal unity with Ahold's major Dutch and certain other subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Dutch Civil Code are disclosed in *Note 36* to the consolidated financial statements.

Zaandam, the Netherlands

February 25, 2015

Management Board

Dick Boer

Jeff Carr

Lodewijk Hijmans van den Bergh

James McCann

Supervisory Board

Rob van den Bergh (Chairman ad interim)

Judith Sprieser (Vice Chairman)

Stephanie Shern

Jan Hommen

Derk Doijer

Mark McGrath

Ben Noteboom

Independent auditor's report

To: the general meeting and supervisory board of Koninklijke Ahold N.V.

Report on the financial statements for the year ended December 28, 2014

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. and its subsidiaries ("the group") as at December 28, 2014 and of their result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the company financial statements give a true and fair view of the financial position of Koninklijke Ahold N.V. as at December 28, 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements for the year ended December 28, 2014 of Koninklijke Ahold N.V., Zaandam ("the company"). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at December 28, 2014;
- the following statements for the year ended December 28, 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at December 28, 2014;
- the company income statement for the year ended December 28, 2014; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Koninklijke Ahold N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Management Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Apart from the key audit matters, which will be explained in the table below, other points of focus in our audit included the valuation of investment property, inventory valuation, lease accounting and disclosures for stores and distribution centers, goodwill and other intangible assets impairment testing, derivatives valuation and hedge accounting, uncertain tax positions and the estimates for loyalty programs and self-insurance liabilities. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

Materiality

- → Overall materiality: €45 million which represents 4.5% of profit before tax.

Audit scope

- → Our audit covered all significant reporting units within the company.
- → Each significant reporting unit is audited by component teams, based in the United States, the Netherlands, the Czech Republic and Portugal.
- → The group engagement team audited amongst others the company financial statements, the consolidation, financial statement disclosures and complex or significant accounting positions taken by the company.
- → In addition, the group engagement team reviewed the quality and execution of the work performed by the component teams through a review of periodic reports and site visits.

Key audit matters

- → Recognition of vendor allowances.
- → SPAR acquisition – purchase price allocation.
- → Impairment testing of store assets.
- → Contingent liabilities relating to legal matters.
- → Employee benefit plan measurement.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims to provide reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€45 million (2013: €46 million).
How we determined it	4.5% of profit before tax.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €2.3 million (2013: €2.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Koninklijke Ahold N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke Ahold N.V.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account: the geographic and management structure of the group; the accounting processes and controls; and the markets in which the group operates through its retail channels. The group's financial statements are a consolidation of its world-wide reporting units, comprising its retail operations and centralised functions.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting units by the group engagement team and by component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. For each reporting unit we determined whether we required an audit of their complete financial information or whether higher level procedures would be sufficient. Those where a complete audit was required included the three largest reporting units (the United States, the Netherlands and Czech Republic). We included one reporting unit to have audit coverage on the group's investments in joint ventures with unrelated parties (Portugal), and performed specified procedures on two other reporting units (in the United States and Curaçao) in order to obtain sufficient coverage of specific financial statement line items in the consolidated financial statements. In addition, we performed higher level procedures with respect to the remaining reporting units.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team at the company's head office. These include derivative financial instruments, goodwill impairment testing, share based payments, the purchase price allocation of the SPAR acquisition in the Czech Republic and judgemental accounting positions. The group engagement team also visited the businesses in the United States, the Netherlands and the Czech Republic to direct the planning, review the work undertaken and assess the findings. Taken together, and excluding our higher level procedures, our audit work performed at individual component locations and at the head office addressed 100% of group net sales.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters which, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Recognition of vendor allowances The group receives various types of vendor allowances, as further discussed in *Note 3* of the financial statements. These allowances are a significant component in the cost of sales. The majority of vendor allowances are settled during the financial year. The vendor allowance receivable at December 28, 2014 amounted to €203 million (*Note 17*). We focused on this area because the recognition of vendor allowance income and receivables requires, to some extent, judgment from management, for example concerning the nature and level of fulfilment of the company's obligations under the vendor agreements, estimates with respect to purchase or sales volumes to support income recognition and the allocation of vendor allowance income between inventory and cost of sales.	Our procedures included understanding and testing management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting systems. We also agreed the recorded amounts during the year to contractual evidence on a sample basis. For the vendor allowance receivable at December 28, 2014, amounts are either confirmed by vendors, recalculated by us based on contractual terms confirmed by vendors or reconciled to post year-end settlements in cash. In addition, to evaluate the reliability of management's estimates, we performed a retrospective review of subsequent collections on prior year vendor allowance receivables. Finally we tested cut-off through assessing the obligation fulfilment of vendor allowance income recorded during a period shortly before and after year-end.
SPAR acquisition – purchase price allocation The group acquired SPAR's business in the Czech Republic in 2014, as disclosed in *Note 4*. The purchase consideration for the 49 stores and one location under construction amounted to €187 million and the goodwill recognized was €100 million. The accounting for this acquisition required a significant amount of management estimation. The key judgments relate to the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies.	In evaluating the company's purchase price allocation for SPAR, we tested the identification and valuation of the (in)tangible assets and liabilities assumed against available market data, in particular for the acquired real estate and (un)favourable rental contracts. We evaluated the competency and objectivity of the external appraiser engaged by the company and involved our internal valuation experts to support us in our audit work. We also involved our internal tax experts to assess the recognition and valuation of deferred tax assets and liabilities. We also reviewed the work of SPAR's predecessor auditor to obtain comfort on the closing balance and, on a sample basis, attended stock counts close to the acquisition date. Finally we conducted additional audit procedures to assess other aspects of the accounting including the adjustments made to align accounting policies with those of the group and the disclosures made in *Note 4*.
Impairment testing of store assets The group operates retail stores in Europe and the United States. The associated store assets are important to our audit due to the size of the store asset carrying value of €4,177 million as well as the judgment involved in the assessment of the recoverability of the invested amounts. Such judgment focuses predominantly on future store performance, which is, amongst others, dependent on the expected store traffic, basket size and the competitive landscape in local markets. Management assesses, on a quarterly basis, whether there are triggering events indicating potential impairment. In 2014 management recognized a net impairment charge of €5 million. We refer to *Note 11* of the financial statements.	Our audit procedures included, amongst others, an evaluation of the group's policies and procedures to identify triggering events for potential impairment of assets related to underperforming stores. We challenged management's main cash flow assumptions and corroborated them by comparing them to internal forecasts and long term and strategic plans that were approved by senior management as well as historic trend analyses. We also involved our valuation experts to evaluate the applied WACC calculated by the group.
Contingent liabilities relating to legal matters The group is involved in various legal matters. We refer to *Note 34* of the financial statements for further details. We focused on this area because of the potential significance of these commitments and contingencies (in particular as they relate to the asserted claim from the Vereniging Albert Heijn Franchisenemers). The assessment as to whether or not a liability should be recognized and whether amounts can be reliably estimated includes, to a certain extent, judgment from management.	Our procedures included, amongst others, an assessment of the legal advice obtained by the group as well as periodic meetings with management and review of board minutes to discuss developments in legal proceedings and (un)asserted claims. We also obtained confirmations from the group's external legal counsels in order to compare their expert opinions to management's position on measurement and/or disclosures for each of the material contingencies.

Employee benefit plan measurement

The group has defined benefit plans in the Netherlands and the United States, giving rise to defined benefit obligations of €4 billion and €1.3 billion, respectively (*Note 23*). This area was important to our audit because of the magnitude of the amounts, the judgment involved (for example concerning salary increases, inflation, discount rates and mortality) and technical expertise required to determine these amounts and the impact of the plan amendments discussed in *Note 23*.

The group also has a significant number of union employees in the United States whose pension benefits are covered by multi-employer plans (we also refer to the risk factor on pension plan funding on page 55 of the annual report). In *Note 23* the group disclosed an overview of its possible proportionate share of the total net deficit or surplus in these plans.

Our procedures included, amongst others, evaluating the actuarial and demographic assumptions and valuation methodologies used by the group to assess the company's various pension obligations. We assessed whether the key actuarial assumptions are reasonable and fall within an acceptable bandwidth. We validated that assumptions are consistently applied and that changes to the Dutch pension plan, as disclosed in *Note 23* are appropriately accounted for. We involved our pension experts to assist us in these procedures. We tested management's controls over payroll data and reconciled the membership census data used in the actuarial models to the payroll data of the group. We also assessed the accounting for the plan amendments and disclosures.

In addition, we evaluated the adequacy of the disclosed proportionate share of the total net deficit or surplus under the multi-employer plans in the United States. We reconciled the related inputs of this disclosure to supporting documentation such as audited plan information and actuarial calculations.

Responsibilities of the Management Board and the Supervisory Board

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS 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; and for
- such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Management Report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Management Report and other information):

- 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 by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Management Report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Koninklijke Ahold N.V. by the Supervisory Board following the passing of a resolution by the shareholders at the general meeting held on April 17, 2013.

Amsterdam, February 25, 2015

PricewaterhouseCoopers Accountants N.V.

P.J. van Mierlo RA

Appendix to our auditor's report on the financial statements for the year ended December 28, 2014 of Koninklijke Ahold N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Appendix

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with EU-IFRS 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 the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Dutch Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Management Board, will then be available for distribution to the common shareholders subject to approval at the General Meeting of Shareholders. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

Distribution of profit

The Management Board, with the approval of the Supervisory Board, proposes that a final dividend of €0.48 per common share be paid in 2015 with respect to 2014 (2013: €0.47).

Subsequent events

For information regarding subsequent events, see *Note 35* to the consolidated financial statements.

Investors

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Share performance

The case for investing in Ahold

By purchasing Ahold shares, investors gain a stake in an international retailing group with strong local consumer brands in the United States and Europe with:

- → A workforce of 227,000 employees
- → Market leading positions
- → Focus on profitable growth, cash generation and value creation
- → A strong balance sheet and capital discipline
- → Attractive shareholder returns

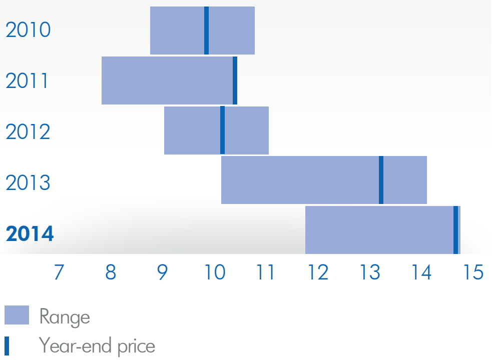
Share performance in 2014

On December 24, 2014, the closing price of Ahold's ordinary share on Euronext Amsterdam was €14.66, an 11% increase compared to €13.22 one year earlier. During the same period, the STOXX Europe Consumer Services 600 index increased by 5% and AEX index increased by 6%.

In 2014, Ahold shares traded on Euronext Amsterdam at an average closing price of €13.38 and an average daily trading volume of 3.3 million shares. Ahold's market capitalization was €12 billion at year-end 2014. The highest closing price for Ahold's shares during 2014 in Amsterdam was €14.75 on December 23, 2014, and the lowest was €11.76 on October 16, 2014.

On December 26, 2014, the closing price of Ahold's ADR was $17.87, 2% lower than the closing price on December 27, 2013 ($18.21). In the same period the Dow Jones index increased by 10%. In 2014, the average daily trading volume of Ahold American Depository Receipts (ADRs) was 95,186.

Ahold share price
in EUR, NYSE Euronext Amsterdam



Performance of Ahold's common shares on Euronext Amsterdam

	2014	2013
Closing common share price at year-end (in €)	**14.66**	13.22
Average closing common share price (in €)	**13.38**	12.22
Highest closing common share price (in €)	**14.75**	14.10
Lowest closing common share price (in €)	**11.76**	10.14
Average daily trading volume	**3,347,398**	3,167,996
Market capitalization (€ million)	**12,059**	12,989

Source: Euronext

Shareholder structure

Share capital

During 2014, Ahold's issued share capital decreased by approximately 160 million common shares to 823 million common shares. The reasons for this decrease were the 92 million shares Ahold acquired, pursuant to the €2 billion share repurchase program and the impact of the reverse stock split of 74 million shares, offset by the use of 6 million treasury shares for the GRO program. The common shares issued decreased by 167 million to 894 million at the end of 2014. The reasons for this decrease were the impact of the reverse stock split of 82 million shares and the cancellation of 85 million shares on June 20, 2014.

As of December 28, 2014, there were 72 million shares held in treasury, the majority held by Ahold to cover the equity-based long-term incentive plan for employees.

Ahold's authorized share capital as of December 28, 2014, was comprised of the following:

- → 1,700,000,000 common shares at €0.01 par value each
- → 477,580,949 cumulative preferred financing shares at €0.01 par value each
- → 43,520 cumulative preferred shares at €500 par value each

Shareholders by region[2]:

Percent	**February 2015**	February 2014
UK / Ireland	**22.8**	19.3
North America	**20.6**	23.5
Rest of Europe	**8.1**	7.2
The Netherlands[1]	**7.1**	7.8
France	**4.9**	5.1
Rest of the world	**3.9**	3.5
Germany	**3.8**	3.6
Switzerland	**1.8**	2.1
Undisclosed[1]	**27.0**	27.9

1 The Netherlands excludes the percentage of shareholdings of all retail holdings and treasury shares, which are included in Undisclosed.
2 Source: CMi2i.

For additional information about Ahold's share capital, see *Notes 20* and *22* to the consolidated financial statements. Ahold is a public limited liability company registered in the Netherlands with a listing of shares (symbol: AH) on Euronext's Amsterdam Stock Exchange (AEX).

American Depositary Receipts (ADRs)

Ahold's shares trade in the United States on the over-the-counter (OTC) market (www.otcmarkets.com) in the form of American Depositary Receipts (ADRs) (ticker: AHONY). The ratio between Ahold ADRs and the ordinary Netherlands (euro denominated) shares is 1:1, i.e., one ADR represents one Ahold ordinary share.

Deutsche Bank Trust Company Americas (the Depositary) acts as depositary bank for Ahold's ADR program. Ahold has been informed by the Depositary that as of December 28, 2014, there were 38,166,087 ADRs outstanding in the United States, compared with 36,818,201 as of December 29, 2013.

Please also see *Contact information* for details on how to contact Deutsche Bank regarding the ADR program.

Security codes

Common shares:

Bloomberg code: AH NA
ISIN code: NL0010672325
Common code: 104822215
Sedol code: BKWP5S5

American Depositary Receipts (ADR):

Ticker: AHONY
Bloomberg code: AHONY US
ISIN code: US5004671054
Sedol code: 2037813 US
CUSIP: 500467105
Structure: Sponsored Level I ADR
Exchange: OTC
Ratio (DR:ORD): 1:1

Other codes:

Reuters code: AHLN.AS

Shareholder returns

For the 2013 financial year, a cash dividend of €0.47 per common share was approved by the annual General Meeting of Shareholders on April 16, 2014, and paid on May 2, 2014.

The announced common stock dividend of €0.48 for the financial year 2014 is up 2% from last year and will be proposed to shareholders at the annual General Meeting of Shareholders to be held on April 15, 2015. The payout ratio of 51% is slightly higher than our dividend policy range of 40-50% of adjusted income from continuing operations.

Shareholders KPIs 2010-2014

	2014	2013	2012	2011	2010
Dividend per common share	**0.48***	0.47	0.44	0.40	0.29
Dividend yield	**3.3%**	3.6%	4.3%	3.8%	2.9%
Payout ratio	**51%**	51%	50%	47%	39%
Total shareholder return	**6.4%**	35.8%	13.8%	(5.4)%	17.2%

*Subject to the approval of the annual General Meeting of Shareholders.

Dividends on cumulative preferred financing shares

Ahold paid an annual dividend on cumulative preferred financing shares in 2014 and plans to pay dividends on these shares in 2015 as required by the terms of the shares.

Share buyback

On February 28, 2013, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over a 12-month period. Subsequently, on June 4, 2013, Ahold announced an extension to this program of an additional €1.5 billion, for a total share buyback of €2 billion, expected to be completed by the end of 2014. By the end of 2014, Ahold had completed 100% of the €2 billion share buyback program, which lowered the number of outstanding common shares by 92,485,298 in 2014.

As of December 28, 2014, there were 71,775,672 shares held in treasury, the majority held by Ahold to cover long-term incentive and employee stock purchase plans.

Capital repayment and reverse stock split

On January 21, 2014, a capital repayment and reverse stock split was approved at an Extraordinary General Meeting of Shareholders. On March 28, 2014, the reverse stock split became effective. Every 13 existing shares with a nominal value of €0.30 each were consolidated into 12 new shares with a nominal value of €0.01 each. The capital repayment of €1.14 per remaining share, €1,007 million in the aggregate (excluding transaction costs), took place on April 3, 2014. The capital reduction attributable to treasury shares, €109 million in the aggregate, is reported in Other reserves.

Key dates

Key dates 2015

Annual General Meeting of Shareholders	April 15
Ex-dividend date	April 17
Dividend record date	April 20
Payment date	April 30
Announcement of first quarter 2015 results	May 27
Announcement of half-year 2015 results	August 20
Announcement of third quarter 2015 results	November 11

AGM 2015

This year's annual General Meeting of Shareholders (AGM) will be held at the Muziekgebouw aan 't IJ in Amsterdam, the Netherlands, on April 15, 2015. The meeting will start at 2.00 pm (CET).

Five-year overview

Results, cash flow and other information

€ million, except per share data	**2014**	2013	2012	2011	2010
Net sales	**32,774**	32,615	32,682	30,098	29,353
Net sales growth at constant exchange rates[1]	**0.8%**	2.0%	3.6%	5.5%	4.6%
Operating income	**1,250**	1,239	1,336	1,351	1,341
Underlying operating margin	**3.9%**	4.2%	4.3%	4.6%	4.7%
Net interest expense	**(222)**	(242)	(207)	(223)	(268)
Income from continuing operations	**791**	805	869	914	837
Income (loss) from discontinued operations	**(197)**	1,732	46	103	16
Net income	**594**	2,537	915	1,017	853
Net income per common share (basic)	**0.68**	2.48	0.88	0.92	0.73
Net income per common share (diluted)	**0.67**	2.39	0.85	0.89	0.72
Income from continuing operations per common share (basic)	**0.90**	0.79	0.84	0.82	0.72
Income from continuing operations per common share (diluted)	**0.88**	0.77	0.81	0.80	0.70
Dividend per common share	**0.48**	0.47	0.44	0.40	0.29
Free cash flow	**1,055**	1,109	1,051	845	1,029
Net cash from operating, investing and financing activities	**(1,005)**	681	(511)	(226)	(157)
Capital expenditures (including acquisitions)[2]	**1,005**	843	1,876	880	1,104
Capital expenditures as % of net sales	**3.1%**	2.6%	5.7%	2.9%	3.8%
Regular capital expenditures	**740**	830	929	807	846
Regular capital expenditures as % of net sales	**2.3%**	2.5%	2.8%	2.7%	2.9%
Average exchange rate (€ per $)	**0.7529**	0.7533	0.7782	0.7189	0.7555

1 Net sales growth in 2010 is adjusted for the impact of week 53 in 2009.
2 The amounts represent additions to property, plant and equipment, investment property and intangible assets. The amounts include assets acquired through business combinations and exclude discontinued operations.

Balance sheet and other information

€ million	December 28, 2014	December 29, 2013	December 30, 2012	January 1, 2012	January 2, 2011
Equity[2]	**4,844**	6,520	5,146	5,810	5,910
Gross debt	**3,197**	3,021	3,246	3,680	3,561
Cash, cash equivalents, and short-term deposits and similar instruments	**1,886**	3,963	1,886	2,592	2,824
Net debt	**1,311**	(942)	1,360	1,088	737
Total assets	**14,138**	15,142	14,572	15,228	14,725
Number of stores[1]	**3,206**	3,131	3,074	3,008	2,970
Number of employees (in thousand FTEs)[1]	**126**	123	125	121	128
Number of employees (in thousands headcount)[1]	**227**	222	225	218	213
Common shares outstanding (in millions)[2]	**823**	982	1,039	1,060	1,145
Share price at Euronext (€)	**14.66**	13.22	10.16	10.41	9.88
Market capitalization[2]	**12,059**	12,989	10,551	11,033	11,314
Year-end exchange rate (€ per $)	**0.8213**	0.7277	0.7566	0.7724	0.7474

1 The number of stores and employees include discontinued operations (Slovakia).
2 In 2014, €1,232 million was returned to shareholders through a share buyback (2013: €768 million, 2012: €277 million, 2011: €837 million and 2010: €386 million) and €1,007 million as a result of the capital repayment (see *Note 20*).

Contact information

Ahold proactively maintains an open dialogue with shareholders, providing accurate information in a timely and consistent way. The Company does this through press releases, the Annual Report, presentations, webcasts, and regular briefings with analysts, fund managers and shareholders.

Ahold is covered by approximately 30 analysts who frequently issue reports on the Company.

Corporate website

Whether you want to view the Company's latest press releases or learn more about our local brands and heritage, our commitment to being a responsible retailer, or our approach to corporate governance, Ahold's corporate website provides a wealth of information for shareholders. If you have a general question about your shareholding, the "Financial information" section of our corporate website can help, as it contains much of the information that is most frequently requested from our shareholder helpline. Investors are also encouraged to sign up to receive emailed news alerts, which include all financial news releases throughout the year. You can access the corporate website at www.ahold.com

The Company is responsible for the maintenance and integrity of the financial information on our website. This information has been prepared under the relevant accounting standards and legislation.

Electronic communication

In recent years, changes in legislation have removed the requirement for companies to mail large quantities of paper communications to shareholders. Instead, companies are choosing to communicate with their shareholders via the internet, because of its speed and environmental benefits, and to save costs. Ahold actively encourages shareholders to sign up to receive electronic communications, as part of our commitment to being a responsible retailer. For information about how to register to receive electronic communications, please visit the "Contact us" section of our corporate website.

How to get in touch

Group Communications

Marike Westra
SVP Group Communications

communications@ahold.com

Media Relations

Tim van der Zanden
Head of External Communications

communications@ahold.com

+31 88 659 51 34

Investor Relations

Henk Jan ten Brinke
VP Investor Relations

investor.relations@ahold.com

+31 88 659 52 13

Investor Relations

Kim Verdouw-Essebaggers
Senior Manager Investor Relations

investor.relations@ahold.com

+31 88 659 52 13

General information

Ahold Group Communications
Provincialeweg 11
1506 MA Zaandam
The Netherlands
Telephone: +31 88 659 5100
Email: communications@ahold.com
www.ahold.com
Trade Register No. 35000363

Shareholder information

Ahold Investor Relations
Provincialeweg 11
1506 MA Zaandam
The Netherlands
Telephone: +31 88 659 5213
Email: investor.relations@ahold.com

Visiting address

Ahold Corporate Center
Provincialeweg 11
1506 MA Zaandam
The Netherlands

ADR information

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050
New York, NY 10272-2050
Email: DB@amstock.com

Shareholder Service (toll-free) Tel. (866) 706-0509
Shareholder Service (international) Tel. (718) 921-8124
http://www.amstock.com

Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, including but not limited to, Ahold's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Ahold's plans and strategies being less than anticipated, the effect of general economic or political conditions, Ahold's ability to retain and attract employees who are integral to the success of the business, business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions, information security, legislative and regulatory environment and litigation risks, product safety, pension plan funding, strategic projects, responsible retailing, insurance, unforeseen tax liabilities and other factors discussed in this Annual Report, in particular the paragraphs on How we manage risk and in Ahold's other 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. Ahold does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws.

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

Nielsen's information as included in this Annual Report does not constitute a reliable independent basis for investment advice or Nielsen's opinion as to the value of any security or the advisability of investing in, purchasing or selling any security.