Press Release

Royal Ahold
Public Relations

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For more information: +31 75 659 57 20 / 5666

Address by Cees van der Hoeven
Ahold President & CEO
at the Press Conference announcing the 2001 Annual Results
on Thursday, March 7, 2002
at Ahold corporate headquarters
in Zaandam, The Netherlands

Ladies and Gentlemen,

Results in 2001 were heavily impacted by exceptionals, particularly as a consequence of the situation in Argentina. However, our underlying business continues to be very strong. Other than the exceptionals, we are proud that once again we have announced record sales and earnings and that we delivered the results we set out to achieve in 2001. Annual sales reached Euro 66.6 billion, a 29% increase over 2000. Net earnings before goodwill amortization and exceptional charges including the impact of the Argentine Peso devaluation, were Euro 1.5 billion, 36.2% higher. Reported net earnings at Euro 1.1 billion were equal to last year. Earnings per share before goodwill amortization and exceptional charges, including the impact of the Argentine Peso devaluation at Euro 1.73 were 16.0% up. Excluding currency fluctuations, adjusted earnings per share rose 15.1%, in line with our forecast.

In the light of challenging external circumstances the results achieved in 2001 were satisfactory, notwithstanding the USD 95 million of exceptional charges related to the restructuring of the U.S. Foodservice business and consequences of the Alliant acquisition and the Euro 214 million charges against third-party dollar debt within our joint venture company Disco in Argentina. However, please bear in mind that the only change to our earlier trading statement of early January is that we took a non-cash provision against the minority interest on the Peso devaluation charge.

We did absorb the restructuring charges for the conversion of 56 Grand Union stores of USD 28 million that we had singled out as extraordinary charges at the beginning of last year.

In most countries economic growth slowed down during the course of the year, exacerbated by the effects of the September 11 terrorist attacks. This slow-down has also impacted the retail environment and particularly the 4th quarter as the sector was up against strong numbers in 2000. Also the foodservice sector was affected, especially with respect to service to hotels, resorts and other airline destinations.

Organic sales growth in our company slowed down to 4.0 % in the 4th quarter to reach an average of 6.1% for the year (6.3% in 2000). This was below our target of over 7% annual organic sales growth, the runrate through the 3rd quarter. On the other hand, organic earnings were 20.2% for the year, a phenomenal result in current circumstances.

Albert Heijnweg 1, Zaandam
P.O. Box 3050, 1500 HB Zaandam
The Netherlands
Phone: +31 (0)75 659 5720
Fax: +31 (0)75 659 8302

This was achieved because the consequences of the sales deceleration were adequately compensated by earlier cost reduction programs as well as increasing synergies across all Ahold companies.

We were prepared for a slowdown and we responded accordingly. Between and within our four operating regions (USA, Europe, Latin America and Asia Pacific) there were major differences.

The US retail environment softened in the course of the second half and sales growth at Ahold USA Retail was a reflection of that. Organic sales growth was 6.2%, comparable sales growth 3.1% and identical sales growth 2.6% for the year. However, we have seen that stronger companies weather the headwinds quite well and we are proud that once again, outside of Peapod, we have been able to achieve increasing operating margins (5.7% vs 5.4% in 2000).

The US foodservice sector was more affected by the aftermath of September 11 than it was by the economic slow-down. This is evidenced by a breakdown of sales by customer segment. Overall, our sales in foodservice were remarkably resilient. Organic sales for the year were 10.4% higher.

Also in Europe there was a slow-down in economic activity, albeit not as pronounced as in the United States. Our overall performance was solid, but there were differences among countries, which will be discussed by Jan Andreae. Excluding currency differences, organic sales growth was 6.7%.

The economic and retail environment in Latin America was extremely challenging. Against the background of a severe recession in Argentina, our results were excellent. They were achieved because timely measures were taken to prepare for the worst. In other Latin American countries our results were more or less to expectation. Excluding the currency differences organic sales growth slowed down to 1.2%.
In Asia Pacific we saw modest sales growth and reduced losses.

In the light of all this, what were our strengths and weaknesses during the year? Obviously the heavy load of exceptionals in 2001 is not something to be proud of. However, we should realize that for a large part they were caused by external circumstances and please understand that about 80% is non-cash.
We were not satisfied with our performance in working capital as we invested Euro 800 million more than in 2000. Some of it is explained by organic growth and new acquisitions as well as the impact of more foodservice and wholesale business. However, we think that part of this investment was unnecessary and we have taken measures to correct it in 2002. A number of our operating companies underperformed against target, including BI-LO and our Portuguese joint venture. These companies have effective programs in place to address the issues and we expect improvements during this year.

Recently, we were very disturbed by wrongful speculation about so-called “accounting and tax issues” at Ahold. These rumors are totally unfounded and we will address them specifically in the coming days during conference calls, analyst presentations and roadshows. We will, however, step up our efforts to communicate the details behind our key performance indicators because we recognize that in our sector, because of size and complexity, we are a difficult company to fully comprehend.

There were also major achievements last year. Amongst the many well performing companies, fortunately the top five (by size) performed according to or better than expectation. These include U.S. Foodservice, Stop & Shop, Giant Food (Landover), Albert Heijn and ICA Sweden. They form a solid core unwavered by deteriorating circumstances.

Throughout the company the benefits of economies of scale, inter-company and cross-border synergies as well as exchange of best practices, have become very apparent. There is no doubt that our performance would have been significantly less had it not been for the great enthusiasm and high level of motivation with which our associates have worked together behind the scenes. This is truly our core strength: the open mindset, our common goals and values and our people's willingness to learn and to share.

Ahold's knowledge network has once again proved to be the key to better performance. The benefits translate into higher sales, better margins and lower costs. For the same reason we have also been able to integrate newly acquired companies very quickly and smoothly. Our record in this is second to none and it gives us great confidence in our future to generate substantial further organic earnings growth as well as contributions from newly acquired companies.

Certainly a major achievement of the last two years has been our swift move into foodservice with the successive acquisitions of US Foodservice (2000), PYA/Monarch (2000) and Alliant (2001). In 2002 U.S. Foodservice is expected to reach approximately US$ 18.5 to 19 billion in sales. Our company has become a prominent provider in this attractive segment of the food business. The integration of PYA/Monarch with U.S. Foodservice was a role model for the future and it bodes well for the task ahead to integrate Alliant.

We saw a successful conversion of the Grand Union stores and current performance exceeds our expectations. The Bruno's acquisition, which closed in December, is already expected to contribute in 2002 as we are vigorously addressing the many opportunities at hand. It was a proud moment when we announced our newly formed partnership in Central America between CSU in Costa Rica and La Fragua, our joint venture company in Guatemala. The combined entity will be the prominent food retailer in the region with some US$ 1.3 billion sales.

Last but not least the equity offering of September 5 in order to finance the acquisitions of Alliant and Bruno's. We were able to raise Euro 2.6 billion in new equity capital within 24 hours. The reason that we chose to proceed with accelerated book building was to ensure that the impact on the stock price for existing shareholders was minimal and we believe that we have succeeded in that objective.

So what is the outlook for the current year 2002? Our expectation is that the retail environment particularly in the United States will slowly improve in the course of this year. Therefore we expect to see somewhat stronger growth rates in the second half, particularly as we are up against the weaker numbers of last year. However, we have been cautious in putting our sales budgets together because we do not want to undershoot the targets.

In view of the expected sales trends and the time needed to successfully integrate Alliant, we expect our results to be slightly back-loaded towards the latter half of the year. However, earlier on we have already forecasted another year of 15% earnings per share growth excluding currency differences and goodwill amortization. This should be compared to the comparable number of 2001 of Euro 1.73 per share from which the exceptional charges have been excluded. We realize that in the current circumstances this is a tough target but we are confident that it will be achieved. Please realize though that the situation in Argentina may cause us to take further exceptional charges in 2002.

What will be the main drivers to generate this substantial further earnings growth? As of the beginning of 2002 we have embarked on a comprehensive economic value added program, reflected in detailed targets and consequential incentive plans. The components of the EVA-program are:

1. to increase organic sales growth
2. to improve margin management
3. to reduce operating costs
4. to use capital more efficiently

For these components detailed programs are in place at all of our operating companies and again, much of the improvements will come from Ahold Networking.
We are also looking forward to the contribution of newly acquired companies and joint ventures such as Alliant, Bruno's and CARHCO in Central America.

As mentioned, our focus will be on organic growth of both sales and earnings. In the current circumstances we foresee a slowdown in acquisition activity. Organic growth and the occasional smaller acquisition will be financed from operating cash flow and we intend to limit our call on additional external funds. Total net capital investment in 2002 is expected to reach about Euro 3.2 billion compared to Euro 2.6 billion in 2001.

Our strategy is very transparent and consistent. We are entirely comfortable with our multi-channel, multi-brand, multi-format and multi-regional approach. It provides us with the best possible opportunities to develop close customer relationships and to capture a greater share of our customer's food expenditure. We want to be the best local food provider whatever, wherever and whenever our customers' needs are. Everything the customer sees is local and we try to make all things the customer does not see either regional or global.

Behind the scenes we are a close-knit family with a strong support system and a structure to ensure that the whole of our company is worth substantially more than the sum of its parts. This way we feel that we can provide the best proposition for our customers and a fun and exciting work place for our associates. In this regard we owe a huge thank-you to all our associates around the world. They have been and will be the key to our success going forward.

On behalf of all of them I would like to thank you for your interest in our company. Now it is Michiel Meurs' turn for his financial presentation.

Ahold Public Relations: +31 75 659 5720 / 5666
Mobile: Hans Gobes +31 655 822 298, Nick Gale +31 655 77 22 83

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