Press Release

Royal Ahold
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Remarks by
Ahold President & CEO Cees van der Hoeven
and Ahold Chief Financial Officer Michiel Meurs
at an analyst conference call
on Monday April 8, 2002,
at corporate headquarters
in Zaandam, The Netherlands

Cees van der Hoeven

Ladies and gentlemen,

Welcome to the Ahold conference call. This conference call is clearly necessary and we will attempt to address all of your concerns.

When we had our conference call on March 7 and the long analyst meeting on March 8, we did not have as yet a full reconciliation of Dutch GAAP to US GAAP. So far we have generally done this reconciliation only once a year in preparation of the Annual Report and 20-F. We are in the process of changing this practice and we will inform you on a quarterly basis of any major differences beginning 1st Quarter 2002. The differences in 2001 were very significant and Michael will address them in much greater detail later on in the call.

The interpretation that several of you have made is that we have overstated our 2001 Dutch GAAP earnings. This of course is factually incorrect as we have totally conformed to Dutch accounting rules. However, you may argue that some of the gains could have been explained in more detail as part of our 2001 Dutch GAAP results. This applies in particular to real estate gains as well as the gains on derivative transactions.

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Real estate
Real estate gains are a normal part of our business as we get involved with the development of shopping centers and other real estate in which we are the anchor tenant. We sell them off once they reach a steady value and the real estate markets are favorable. Real estate investment is simply not our core business. The gains made will of course vary year by year and in 2001 they were higher than normal. Usually one should see approx. EUR 50-100 million in real estate gains and last year these were EUR 159 million. However, we had singled them out in the cash flow presentation that Michael made on March 8 and therefore they should not have come as a surprise. In our earnings outlook for 2002 we have taken into account a normal level of real estate gains. In other words, we expect to make up the difference with 2001 in 2002 operating earnings.

Derivatives transactions
The SFAS 133 adjustment is new to all of us and requires a detailed explanation. The upshot is that net financial expense in 2001 benefited from a pre-tax gain of EUR 76 million because of a swap transaction. Under US GAAP these gains amortize during the remaining lifetime of the underlying item being hedged, which in this particular case is the next 6 years. We did tell you in March of 2001 that we expected approx. EUR 900 million of net financial expenses for the year. We reduced this guidance in September partly because of the one-time gain of a swap transaction.

From now on we will clearly notify you of any such one-time items if they were to occur in the future. Again here we have taken the 2001 gain into account when projecting our growth targets for 2002. It signifies that we expect operating earnings growth to make up for the difference.

Michael will now take you through the details and I will come back with some closing remarks.

<u>*Michiel Meurs:*</u>
Good afternoon and good morning, ladies and gentlemen. Thank you for joining us today to discuss the release of our 2001 results under US GAAP included in the annual report. The purpose of this call is to clearly define the differences between our results under US GAAP versus Dutch GAAP, and to explain why these results came to the market in the manner in which they did.

On March 7, Ahold reported net earnings of EUR 1.1 billion using Dutch GAAP, the accounting standard Ahold has used for decades. As required by the SEC, Ahold performs a reconciliation at the end of the fiscal year of its results under Dutch GAAP to US GAAP. Due to differences between Dutch GAAP and US GAAP, accounting standards related to goodwill, derivatives, and real estate gains our results were materially impacted, resulting in US GAAP net earnings of EUR 120 million, after preferred dividend. We will walk you through the three major items that impacted the results under the two accounting standards.

Goodwill
The largest item is goodwill, representing a EUR 728 million reduction to net earnings under US GAAP. An analysis of our investment in Disco resulted in an impairment write down of EUR 511 million under US GAAP. This impairment is related to the value of our shares in Disco Ahold International Holdings.

Under Dutch GAAP we already deducted the goodwill from equity on the date of the acquisition, which was in January 1998 (as we did with all goodwill on acquisitions dating from before December 2000). Due to the economic conditions in Argentina and the value of the Peso, we adjusted the value of these 2619 shares in DAIH from $272,000 to $100,000.

It should be noted that under US GAAP, goodwill can only be revised downwards to reflect depreciable value, not upward to reflect any appreciation in other businesses. The remaining EUR 217 million reduction in goodwill is related to the difference in treatment of goodwill under US GAAP and Dutch GAAP.

Please note that under the US GAAP as well as under Dutch GAAP reconciliation, also the impact of the lower exchange rate of the Argentine Peso versus the US Dollar has been included. Decree 214, which sees to a transition of all third party US Dollar denominated debt under Argentine law, is now working in our favor, more than we previously foresaw. At an exchange rate of 3 Peso to the Dollar, most likely, there would be no impact on our earnings under both GAAP systems. The current exposed third party debt in US dollars amounts to $ 190 million as per today.

Outside of the obligations recorded on our balance sheet, we also have certain commitments and contingencies that may have future cash requirements. These commitments primarily consist of operating lease commitments and a maximum contingent liability of $492 million (EUR 557 million) under our guarantee of the indebtedness of our partner in Disco, Velox. These contingent liabilities will only materialize in such a case that Velox defaults under the above referenced bank indebtedness.

For the last couple of months we have been in close contact with Velox management. As stated in our annual report, Velox has confirmed to us that no such default had occurred and that it intends to be a long-term partner of Disco. We believe that the purchase price for existing and new Disco shares exceeds the current fair market value. The extent to which this would lead to an impairment of goodwill in the future is too early to say. If such an impairment of goodwill would occur, this will lead to a charge to earnings in the quarter in which required payments would be made.

New derivatives standard

The second significant adjustment to Dutch earnings under US GAAP is the introduction of the controversial and complex new standard on derivatives, Statement No.133, Accounting for Derivative Instruments and Hedging Activities, the impact of which, was a negative EUR 133 million adjustment to earnings.

This EUR 133 million adjustment can be divided into three parts:

1) prior year transition adjustment of negative EUR 28 million,
2) ineffective portion of hedges for 2001 of negative EUR 29 million and
3) a gain taken under Dutch GAAP of EUR 76 million, which must be amortized for US GAAP purposes.

I will now address each of these in more detail.

In our 20F for year 2000, we noted that we expected to record a negative EUR 18 million cumulative transition adjustment during 2001 for the implementation of this new standard, the actual transition adjustment for 2001 was EUR 28 million. SFAS 133 is a complex standard and it has been a learning curve for banks and accounting firms as well as Ahold. Even what constitutes a “derivative” seems to be subject to discussion. As we advanced with the implementation of SFAS 133 it was noted that some additional items needed to be included for SFAS purposes, therefore the increase in the implementation adjustment.

Under SFAS 133, all derivative contracts must be marked to market and depending on the type of derivative and what it is being used for, a portion, or all of the change in market value may have to run through the P&L. In 2001, the mark to market value of the derivative portfolio was a negative EUR 365 million and the ineffective amount was a negative EUR 29 million, i.e. EUR 29 million impacted the 2001 P&L.

As an illustration of how this number is derived, imagine you have an obligation of 100 that is hedged. At the end of the year, the mark to market, or change in value, of the hedge is negative 15 and the corresponding change in value of the underlying balance sheet item is positive 14. The difference is negative 1. This amount is considered the ineffective portion of the hedge and must run through the P&L. Thus, the change in value between Ahold's derivative contracts and their underlying obligations in 2001 (the ineffective portion of the hedge) was negative EUR 29 million.

The third piece of the 133 million negative adjustment is the treatment of a EUR 76 million gain associated with a hedge contract entered into during 2001. For Dutch GAAP purposes this amount was recognized as financial income income, while US GAAP requires amortization over the life of the contract, which is six years.

As with most other multinationals, Ahold uses derivatives to hedge foreign exchange and interest rate exposures arising from operations and financing activities. As many of you have noted, during 2001 the notional value of our derivative portfolio increased from EUR 1.7 billion to EUR 5 billion. This increase is largely attributed to 2001 debt issuances that were swapped to the USD or the EUR.

The main items contributing to the increase are:

*JPY debt issuance of EUR 300 million swapped to EUR
*GBP debt issuance of EUR780 million swapped to USD
*EUR debt issuance of 600 million swapped to USD
*EUR debt issuance of 1.5 billion of which EUR 600 million was swapped to floating debt
*Year end liquidity swaps of EUR 150 million

Please see page 55 of the Annual Report for further information.

In order to obtain the lowest cost of financing, and the necessary maturities, we sometime issue debt in currencies other then the functional currency of the issuing entity. In these cases, we subsequently hedge the debt to protect earnings from adverse movements in interest rates and foreign exchange rates. Additionally, as part of our ongoing cash management operations, we frequently use short dated swaps to temporarily convert Dollars to Euros or other currency pairs. This is a standard practice for multinational treasury centers.

As a final note regarding derivatives, I would like to reiterate that Ahold does not engage in proprietary trading and all derivative contracts are for the purpose of hedging exposures resulting from our operating or financing activities.

Sale of properties
The final large adjustment to Dutch earnings was EUR 137 million in gains from the sale of properties. Ahold frequently develops its own projects with one of its stores as the anchor tenant. After the project is completed, the project is sold to a real estate investor, often resulting in a gain to Ahold. Although the amount of real estate gains have increased over the last couple years, this is normal course of business for us. US GAAP and Dutch GAAP differ in the timing of the recognition of gains related to operational leases. Under US GAAP, if a property is sold and leased back, the gain is amortized over the life of the lease. Under Dutch GAAP, the entire gain has to be recognized in the year of sale, provided the lease qualifies as an operational lease.

As we have stated, real estate gains are an ongoing part of doing business for us. Over the past three years, real estate gains have amounted to EUR 28.5 million in 1999, EUR 95.5 million in 2000, and EUR 158.6 million in 2001. As a percentage of operating earnings before goodwill and exceptionals, this amounts to 2.0%, 4.2%, and 5.3% respectively. Real estate gains are included in EBITA; thus some concern has been raised by the market as to what margin movement has been without these gains, especially in the United States. We intend to provide this information.

Real estate gains in the United States amounted to EUR 10.2 million in 1999, EUR 43.8 million in 2000, and EUR 54.4 million in 2001. Thus, adjusting for real estate gains, margin improvement in 2001 in the U.S. was approximately 26 basis points, in line with the improvement if you include real estate gains. The rest of the real estate gains are primarily in Europe, with the Netherlands and Scandinavia being the largest contributors. Real estate gains in Europe amounted to EUR 18.3 million in 1999, EUR 52.7 million in 2000, and EUR 103.7 million in 2001.

Adjusting for real estate gains in Europe, margins fell approximately 19 basis points in 2001, higher than the 4 basis point reduction including real estate gains.

In the future, we will provide real estate gains by region so that you can calculate margins excluding real estate gains if you choose. We wish to note, however, that regardless of whether you include or exclude real estate gains from the numbers, the trend in margins in the various regions is the same. As Cees mentioned, we expect real estate gains of between EUR 50 and 100 million. We expect that about 25% of the gains will come from the US and the remainder from Europe.

As of Quarter 1, 2002, we will report the material differences between US GAAP and Dutch GAAP on a quarterly basis. By doing so, we expect to erase most of the confusion surrounding the disparities between Dutch GAAP and US GAAP. It should however be noted that today, Ahold is the only global food retailer who does the work of reconciling its accounting standard to US GAAP for its investors.

If you have any further queries, on these issues, please do not hesitate to contact me or the Investor Relations department. We are most focused to clear up all outstanding issues.

Closing remarks

Thank you, Michael. Ladies and gentlemen, the level of our disclosure in the sector is second to none, but we will step up our efforts even further. We want to be absolutely sure that we restore total credibility and we will feed you with all the details of our business to satisfy everyone of you. We are faced with different accounting rules which in themselves have been a moving target. However, we realize that we have fallen short of the transparency requirements that the market demands today; a much and much higher level than just 12 months ago. We will step to the plate and deliver as we have always done.

In closing, one comment about the business. We are on track to deliver the targets that we have set out to achieve for 2002. We do, however, repeat that sales and earnings growth will be somewhat backloaded towards the latter half of this year.

We are now ready to take your questions.

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