

I INTRODUCTION

A. Admission as an Interested Party

1. COPERA has reviewed the Request and Petition for Civil Judicial Hearing Concerning Ahold N.V. within the meaning of Article 2:345 paragraph 1 of the Netherlands Civil Code filed with the Enterprise Section on February 12, 2004 (the “Petition”) on behalf of the Association of Stockholders (Vereniging van Effectenbezitters, “VEB”) and a number of other petitioners, requesting that an inquiry be held into Koninklijke Ahold N.V., a public company with limited liability (“Ahold”), having its registered office and principal place of business at Albert Heijnweg 1, (1507 EH) Zaandam, the Netherlands.
2. This statement of defense moves that COPERA be admitted as an interested party in the proceedings between VEB and Ahold on the part of VEB, and is to support the petition for an inquiry into Ahold.

B. COPERA

3. COPERA was founded in 1931 and operates under the authority of the State of Colorado General Assembly. COPERA is responsible for payment of pension benefits and other benefits to the employees of over 380 government agencies and public entities in the State of Colorado. COPERA’s membership includes, *inter alia*, employees of the State of Colorado, nearly all teachers in Colorado, employees of universities, judges and civil servants of local authorities. With approximately USD 30 billion in assets under management, COPERA is the 23rd largest public pension fund in the United States and the 48th largest pension fund for the public sector in the world.
4. COPERA acquired Ahold common shares on the Amsterdam Euronext stock exchange at various times from March 10, 1998 through February 24, 2003, as well as on the occasion of a global issue of more than 70,000,000 Ahold common shares and American Depository Shares (ADRs) in September 2001. As a result of the decline in the value of Ahold’s common stock as of February 24, 2003 COPERA has suffered financial losses exceeding USD 16 million.

C. Ahold’s press release of February 24, 2003

5. In a press release dated 24 February 2003 Ahold announced that there had been accounting irregularities, incorrect financial reporting and illegal transactions in its company:

- (i) as a result of an overvaluation of income of USF¹ by an estimated amount of USD 500 million the net profit and the profit per share for the book year 2002 would be considerably less than expected earlier;
 - (ii) the joint ventures ICA, JMR and DAIH had been, in violation of Dutch GAAP and US GAAP, consolidated in their entirety and would only be proportionally consolidated as per book year 2002. Over the previous book years the joint ventures concerned were also to be deconsolidated;
 - (iii) Over the period that Ahold did not control the joint ventures Bompreco and Paiz the financial accounts were to be corrected over the previous book years for the proportionate consolidation of these joint ventures;
 - (iv) At the Argentine operating company, Disco, an investigation was conducted with respect to suspect transactions and the financial processing thereof.
6. The press release of February 24, 2003, marked the outline of the biggest accounting scandal ever to involve a Dutch company. Since then, Ahold has announced further corrections on its income, which have amounted to more than USD 24 billion in operational income and USD 1.2 billion in profits.
7. That same day of February 24, 2003, the price of Ahold shares fell dramatically by 63% from EUR 9.71 to EUR 3.59, on extremely heavy trading volume.

D. The Securities Class Action in the United States

8. Shortly after the press release of February 24, 2003 numerous class actions alleging violations of the United States Securities laws were filed in the United States against, among others, Ahold. Because the lawsuits were filed in several different federal district courts in the United States, the United States Judicial Panel on Multidistrict litigation entered an order on June 18, 2003 consolidating all such securities class actions and transferring them to Judge Catherine C. Blake of the United States District Court for the District of Maryland.
9. In securities class actions filed in the United States, the Court before which such an action is pending must consolidate the actions and select a Lead Plaintiff pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (“PSLRA”). In general, the PSLRA requires a that the Lead Plaintiff to be appointed is “the member or members of the purported plaintiff class” that the Court finds “most capable of adequately representing the interests of class members.”

¹ COPERA refers to parties and entities in this statement of defense with the same abbreviations as in the Petition.

10. Further to an court order of November 4, 2003, COPERA was appointed as Lead Plaintiff for the Consolidated Securities Class Action in the United States District Court for the District of Maryland, which is captioned: *In re Royal Ahold NV Securities and ERISA Litigation* - MDL 1:03-md-01539.² Thus, COPERA serves as the fiduciary for a putative class of individuals and entities (the “Class”) that purchased Ahold common stock and/or American Depository Receipts (“ADRs”) during the period from March 10, 1998 through February 24, 2003 (the “Class Period”). The Class includes all investors who purchased Ahold equity securities during the Class Period, without regard to the nation of their residence. The class thus includes investors in the United States, the Netherlands, and beyond. As Lead Plaintiff, COPERA is responsible for prosecuting the claims for financial recovery for the Class members for losses suffered in connection with their Class Period Purchases of Ahold Common Stock and/or ADR’s.

12. On February 17, 2004, COPERA filed a 430-page Consolidated Amended Securities Class Action Complaint (the “Complaint”) in the United States District Court for the District of Maryland, setting forth the grounds for the claim for damages.³ In summary, COPERA states in the Complaint that the defendants named therein, including in the first place Ahold, artificially inflated the price of Ahold securities during the Class Period by issuing materially false and misleading statements and by omitting to state material facts concerning Ahold’s business operations and financial performance.

E. Support of the Petition

13. COPERA agrees with VEB that there is good reason to doubt proper management at Ahold. COPERA supports the Petition and the grounds on which it is based and incorporates the grounds set forth in the Petition by reference as if fully set forth herein. In particular the VEB states the following grounds:
 - (i) the consolidation of participations and the way in which side letters and control letters were used;
 - (ii) the fraud discovered at USF and other U.S. subsidiaries;
 - (iii) the overstatements of earnings and shareholders’ equity of Ahold in financial years 1999, 2000, 2001 and 2002 (the three first quarters of 2002);

² Judge Blake also appointed Generic Trading of Philadelphia LLP as a Lead Plaintiff and appointed the law firm of Entwistle & Cappucci LLP as sole lead counsel in the class action pending in the United States.

³ A copy of the Complaint is attached hereto as Exhibit 5. All references to the Complaint set forth herein shall be indicated as Compl. ¶().

- (iv) the deficiencies found in the internal controls and administrative organization;
 - (v) the accounting and administrative irregularities;
 - (vi) the dubious transactions and affairs regarding the participation in Argentina and the reporting on this;
 - (vii) Ahold's failure to inform the investing public of the problems and general affairs at Ahold before 24 February 2003;
 - (viii) the failure in the providing of information after 24 February 2003 regarding the problems found and the way these were being addressed and, in general, Ahold's conduct with regard to its shareholders after that date;
 - (ix) the procedure during the general meeting of shareholders of 4 September 2003; and
 - (x) the lack of effective measures in the period prior to 24 February 2003 and the lack of a consistent approach by the legal entities and/or persons responsible for the problems after 24 February 2003.
14. COPERA will supplement these grounds and submit further grounds requiring that an inquiry be ordered, as they have presented themselves or have been established after filing of the Petition. In general the objections of COPERA come down to the fact that Ahold and parties involved with Ahold during subsequent years deliberately gave a false representation with respect to the financial results, by issuing materially false and misleading statement and/or by omitting to state material facts. Ahold has, in many instances, even admitted that the accounting problems that it announced on February 24, 2003 and thereafter were the result of deliberate fraud and/or a complete lack of adequate internal controls.
15. Furthermore, as specified herein, COPERA requests that the scope of the inquiry be expanded beyond that sought by VEB.

II ADMISSIBILITY

A. Admissibility of COPERA as interested party

16. COPERA is filing this defense as an interested party pursuant to Article 282 paragraph 1 of the Netherlands Code of Civil Procedure.
17. As of the date of this defense, COPERA owns 79,484 Ahold shares.
18. As an owner of Ahold shares, COPERA has an existing investment in Ahold and, as such, it should be deemed and recognized to be an interested party within the context of these proceedings. COPERA's position of interest is not altered by the fact that it does not

provide a share in the capital of Ahold to such an extent that it is entitled to file an independent petition for an inquiry pursuant to Article 2:346 of the Netherlands Civil Code.⁴

19. COPERA is acting not only on its own behalf, but is also acting as a fiduciary on behalf of the Class. In its decision dated 4 November 2003, the United States District Court for the District of Maryland designated COPERA as a Lead Plaintiff. This means that the District Court considers COPERA to be “most capable of adequately representing the interests of class members”. Therefore, COPERA should also be deemed to represent all investors who acquired Ahold securities from 10 March 1998 through 24 February 2003. As such is there is all the more reason to admit COPERA as interested party.⁵

B. Admissibility of its own Petition

20. Pursuant to Article 282 paragraph 4 of the Netherlands Code of Civil Procedure, as an interested party, COPERA is entitled to submit its own petition setting forth additional grounds for ordering an inquiry.⁶

III. BACKGROUND

A. Ahold

21. Ordinary shares in Ahold are quoted on the Amsterdam Euronext stock exchange, the Brussels stock exchange and the Paris stock exchange. In addition, Ahold shares are traded (secondary listing) on the Swiss stock exchange in Zurich. Furthermore, ahold ADRs are traded on the New York Stock Exchange. As per 31 December 2002, 931 million ordinary shares in Ahold had been issued. According to Ahold, 29.9% of the shares are believed to be owned by Dutch institutional and individual investors and 21% by investors in the United States. For a further description of Ahold’s activities and the scope thereof, COPERA refers to Ahold’s 2002 annual report.

⁴ Enterprise Section, 27 April 1999, JOR 1999/105, ground for the decision no. 3.3; A.F.J.A. Leijten, *De positie van de derde in het enquêterecht*, in: G. van Solinge and M. Holtzer (ed.), *Geschriften vanwege de Vereniging Corporate Litigation 2001-2002*, Serie vanwege het Van der Heijden Instituut, vol. 68, Kluwer, Deventer 2002, pp. 66-67; J.H.M. Willems, *De enquêteprocedure: een efficiënte dienstmaagd*, in: *Conflicten rondom de rechtspersoon*, Serie Monografieën vanwege het Van der Heijden Instituut, vol. 62, Kluwer, Deventer 2000, p. 32.

⁵ Enterprise Section, 25 October 2002, JOR 2002/217, annotated by Brink (Laurus).

⁶ E.g.: Enterprise Section, 27 May 1999, JOR 1999/121 (Gucci).

22. Ahold's first takeover outside the Netherlands was in 1976. In 1977 Ahold first took over a company in the United States. Subsequently, Ahold started a series of takeovers of supermarkets and food companies throughout the world.
23. In particular in the 1990's, under the management of Mr. Cees van der Hoeven ("Van der Hoeven"), who had been appointed President of the Board in 1993 and through 1996 also continued to carry out his former duties as financial manager, Ahold pursued an ambitious and aggressive growth strategy, realizing countless takeovers throughout the world and entering into numerous joint ventures. In September 1992 Mr. Pierre Everaert, the then President of the Board, announced that he wanted to double Ahold's turnover and profit within five years to a turnover of NLG 40 billion and a profit of NLG 500 million. Shortly after he became President of the Board, Van der Hoeven formulated an even more extreme target. He promised investors a growth of the profit per share by 10% per year, representing that he would make the pursuit of such growth figure his top priority. Only an unbridled growth could ensure that Ahold could meet the high expectations that it had raised among investors and other capital providers. Between 1996 and 2003 Ahold spent USD 19 billion on acquiring companies all over the world.
24. As per 31 December 2002, Ahold was the largest food company in the Netherlands and one of the largest in the United States. In 2002, 74% of Ahold's income was generated in the United States, 22% in Europe, 3% in South America and 1% in Asia and the Far East.

B. Press release of February 24, 2003 and Subsequent Events

25. On February 24, 2003, Ahold's impetuous growth as reported over the previous years turned out to be a misrepresentation, which had been maintained for just as many years, and came to an abrupt ending. In the press release of that date for the first time a large series of accounting irregularities, financial misstatements, and suspicious transactions were disclosed, as described here above.
26. Further in the press release of February 24, 2003, it was announced that Van der Hoeven and Mr. Michael Meurs, Ahold's Chief Financial Officer, resigned from the Board of Ahold and that chairman of the supervisory board de Ruiter, would take on the daily control of the board and the state of affairs of Ahold.
27. The publication of the annual account 2002, initially scheduled on March 5, 2003, was postponed by Ahold pending several investigations into the established irregularities. D&T announced that it postponed the audit of the annual account 2002 in anticipation of the

completion of the various investigations. Further D&T withdrew the unqualified audit opinion with respect to the 2000 and 2001 annual accounts with retroactive effect.

28. Immediately following the press release of February 24, 2003, various authorities in the Netherlands and the United States started civil and criminal investigations. In the United States, investigations are being conducted by the Securities Exchange Commission, the Department of Justice and the New York Stock Exchange. In the Netherlands, investigations were started by the Public Prosecutor, Euronext and the Authority for Financial Markets.
29. Ahold also commenced internal investigations. On May 8, 2003 Ahold issued a press release announcing that the internal forensic accounting investigation at USF, conducted by Pricewaterhouse Coopers (“PwC”), was substantially complete. The investigation had shown that over the period of April 1, 2000, (the date that Ahold acquired USF) until December 28, 2002, the overvaluation of income before tax amounted to USD 880 million. Previously the amount was estimated at USD 500 million.
30. In connection with reporting sales for the first quarter of 2003 on May 16, 2003, Ahold announced in a press release on May 16, 2003, that it was reducing its revenue figures for the last two years by 22 billion euros (USD 24.8 billion)⁷. This as a consequence of the change in accounting methods applicable to the joint ventures ICA, JMR, DAIH, Bompreço, and Paiz Ahold, for which Ahold booked all of the revenue in the past -- even though the Company did not control them. The reason for this change in accounting methods was to comply with US GAAP.
31. In a press release of May 26, 2003, Ahold made public that the internal forensic accounting investigations into 14 subsidiaries were nearly finalized and the investigations into three company divisions were it expected to be completed within two weeks⁸. At this time, the investigations had shown “intentional accounting irregularities involving earnings management and misapplications of generally accepted accounting principles” in particular at its Tops Markets U.S. subsidiary. The accounting irregularities amounted to USD 29 million.

⁷ Exhibit 1

⁸ Exhibit 2

32. Subsequently, in a press release of July 1, 2003, Ahold announced that it had completed its internal forensic accounting investigations⁹. The investigations had revealed an additional EUR 73 million (USD 84.5 million) in “intentional accounting irregularities related to improper purchase accounting” with which the result before tax had to be reduced, not including the earlier announcement of a restatement of approximately USD 909 million in earnings regarding USF and Tops Markets. The total earnings restatement, together with restated financial results attributable to the Disco in Argentina, amounted to USD 1.12 billion (which does not include the USD 24.8 billion in revenue restatements attributable to the joint ventures). Further, the investigations also uncovered serious internal control infirmities at Ahold.

33. Key portions of Ahold’s restated financial results are summarized below:¹⁰

Y/E 1998				
(in millions of Euros)				
Dutch GAAP				
	Originally Reported	Restated	Difference	%
Net sales	26,484	23,165	3,319	12.5%
Net income <loss>	547	509	38	7%
U.S. GAAP				
Net income <loss>	398	360	38	9.6%

Y/E 1999				
(in millions of Euros)				
Dutch GAAP				
	Originally Reported	Restated	Difference	%
Net sales	33,560	27,986	5,574	16.6%
Net income <loss>	752	738	14	1.9%

⁹ Exhibit 3

¹⁰ The information in these tables is derived from Ahold’s 2002 Form 20-F (Exhibit 4) and Forms 20-F over previous years, as filed with the SEC. The 2002 Form 20-F is attached as Exhibit 4 for information purposes as far as relevant. Annexes are not attached. The relevant 2002 Form 20-F paragraphs are quoted below.

U.S. GAAP				
Net income <loss>	586	556	30	5.1%

<u>Fiscal 2000 – Dutch GAAP</u>				
(in millions of Euros)				
	Originally Reported	Restated	Difference	%
Net Sales	52,471	40,833	11,638	22.2%
Gross Profit	11,887	9,554	2,333	19.6%
Operating Income	2,274	1,635	639	28.1%
Net income	1,116	920	196	17.6%

<u>Fiscal 2000 – U.S. GAAP</u>				
(in millions of Euros)				
	Originally Reported	Restated	Difference	%
Net income <loss> -- U.S. GAAP	794	442	352	44.3%

<u>Fiscal 2001 – Dutch GAAP</u>				
(in millions of Euros)				
	Originally Reported	Restated	Difference	%
Net Sales	66,593	54,213	12,380	18.6%
Gross Profit	14,716	11,986	2,730	18.6%
Operating Income	2,705	1,911	794	29%
Net income	1,114	750	364	32.7%

<u>Fiscal 2001 – U.S. GAAP</u>				
(in millions of Euros)				
	Originally Reported	Restated	Difference	%
Net income <loss> -- U.S. GAAP	120	<254>	374	312%

IV GROUNDS TO DOUBT PROPER MANAGEMENT

A. Introduction

34. These facts, depicted in short here before, as they appeared since February 24, 2003 through press releases issued by Ahold itself, as well as through announcements in the media, set forth sufficient grounds to doubt proper management.
35. In connection with the Class Action, COPERA conducted and is continuing to conduct an investigation into the facts and circumstances that culminated in Ahold's February 24, 2003 Announcement. Since the filing of the Petition on February 12, 2004, and the filing by COPERA of the Complaint on February 17, 2004, additional information has developed. Especially (i) the results of COPERA's own investigation, (ii) articles in NRC Handelsblad ("NRC") in February 2004¹¹ and (iii) the book "Het drama Ahold" published in February 2004, give COPERA additional grounds to doubt proper management at Ahold. Further to the grounds as mentioned in the Petition, COPERA will set out these additional grounds below.

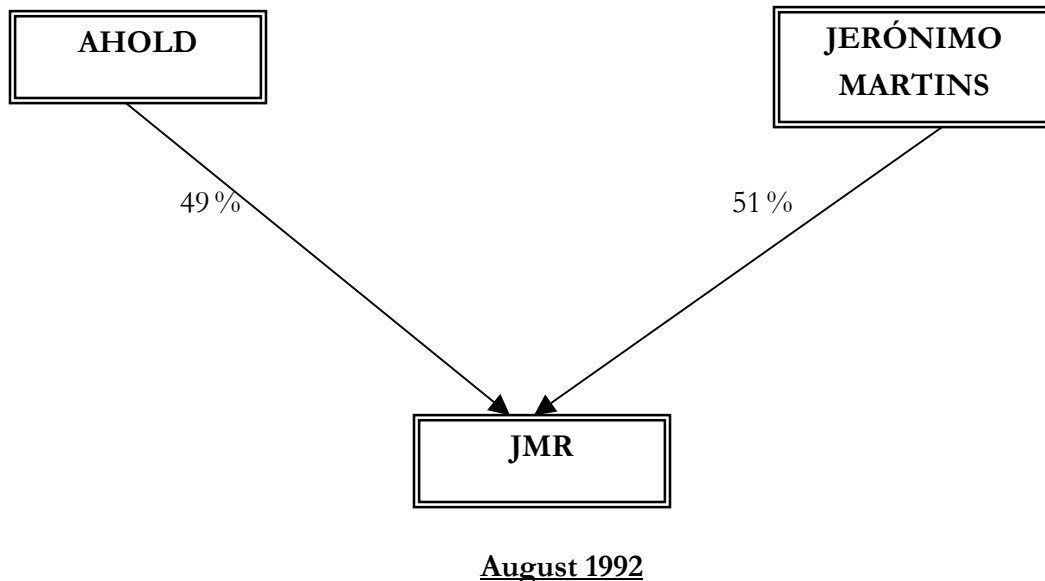
B. Improper consolidation of joint ventures

36. As part of its press release of February 24, 2003, Ahold announced that, as of 2002, the joint ventures ICA, JMR, DAIH, Bompreço and Paiz Ahold in Scandinavia, Portugal, South America and Central America, respectively, would no longer be fully consolidated and that the figures for the preceding years would be adjusted accordingly retrospectively. As a result of the revised accounting methods with regard to the joint ventures, Ahold announced in its press release of May 16, 2003, that it was reducing its revenue figures for 2001 and 2002 by EUR 22 billion (USD 24.8 billion). Ahold stated as only reason for the sudden revision of its accounting that it would thus comply with accounting standards in the US and, to a lesser extent, with the International Accounting Standards.
37. The various joint ventures, with the exception of JMR, were consolidated because Ahold allegedly had control of them as appeared from agreements with the joint venture partners laid down in so-called "control letters". The side letters were signed by members of the Board of Directors of Ahold. Only in the case of JMR there was no control letter and also no related side letter existed. In the annual accounts 2002, Ahold acknowledged the existence of the side letters.

¹¹ Exhibits 6, 7, 8 and 9

Jerónimo Martins Retail

- 38. In August 1992, Ahold entered into a joint venture agreement with Estabelecimentos Jerónimo Martins & Filho Administração e Participações S.A. (“Jerónimo Martins”). The joint venture would be known as Jerónimo Martins Retail (“JMR”). The Soares dos Santos family is the major shareholder of Jerónimo Martins.
- 39. Under the agreement, Jerónimo Martins, which was active in the Portuguese food retail and wholesale market, transferred its 41 retail stores (Pingo Doce and Supergarb) to JMR in exchange for a 51 percent stake in the joint venture. Ahold acquired the remaining 49 percent for an amount of approximately NLG 100 million.
- 40. Rather than granting control of the joint venture to either party, Article Five of the shareholders’ agreement provides for *joint control* of JMR by Ahold and Jerónimo Martins. JMR was governed by a Board of Directors consisting at the outset of seven members, four being appointed by Jerónimo Martins and three by Ahold. Decisions of the Board would be taken unanimously. Ahold, therefore, neither did nor does control the Board.
- 41. A depiction of the ownership interests in JMR appears below:



- 42. On January 13, 2000, Jerónimo Martins and Ahold announced that they were in discussions to significantly extend and enlarge their current joint venture operations by establishing a new 50/50 joint venture that would include the current operations of JMR in Portugal -

Pingo Doce supermarkets, Feira Nova hypermarkets and JMR's interest in Madeira¹². JMR's food distribution activities, Recheio in Portugal, and Madeira in Poland, and its Se Supermarkets in Brazil as well as Ahold's operations in the Czech Republic, Poland and Spain, were to be included. Soon, the talks were suspended for six months. After the talks had resumed in fall of 2000, they were suspended for an indefinite period. Accordingly, the governing structure in JMR remained as it was.

43. Although Ahold doesn't have more than a 49 percent interest in JMR and decisions are made unanimously, JMR was fully consolidated in Ahold's annual accounts as of 1993. The full consolidation coincides to Van der Hoeven becoming CEO of Ahold. Van der Hoeven, then also having the function of CEO, announced in the annual accounts 1992 that full consolidation of JMR as of 1993 is justified, taking into account: "*our managerial involvement and shareholders' agreements.*" This, despite the fact that the shareholders' agreement, which had been presented to the Commission of the European Economic Community for approval, provides for joint control of JMR.
44. According to an article in NRC of February 21, 2004, full consolidation of JMR has always been a source of discussions between Ahold and D&T. Among other things, in 1998, D&T urged Ahold to issue a side letter on the basis of which Ahold after all could prove to have control of JMR. In 2000, D&T explained in a memo to Ahold that full consolidation was not allowed. Also the Board of Ahold was very much aware that it had no control of JMR. In this respect, NRC refers to the minutes of a conference call on December 11, 2002, in which Van der Hoeven remarked with regard to JMR: "*In Portugal our influence is more from a distance.*"
45. Despite warnings from D&T and Ahold's own knowledge that no control existed in the absence of a side letter, Ahold and Deloitte continued full consolidation of JMR from 1993 through 2001. Over the years 1999, 2000 and 2001, Ahold overreported turnover totalling approximately EUR 2 billion. As a result there are serious grounds to doubt proper management.

ICA

46. In April 2000, Ahold acquired a participating interest of 50% in ICA Ahold AB ("ICA")¹³. Apart from Ahold, the shares in ICA are owned 30% by the Swedish company, ICA Förbundet AB, and 20% by the Norwegian company, Canica, that is owned by the

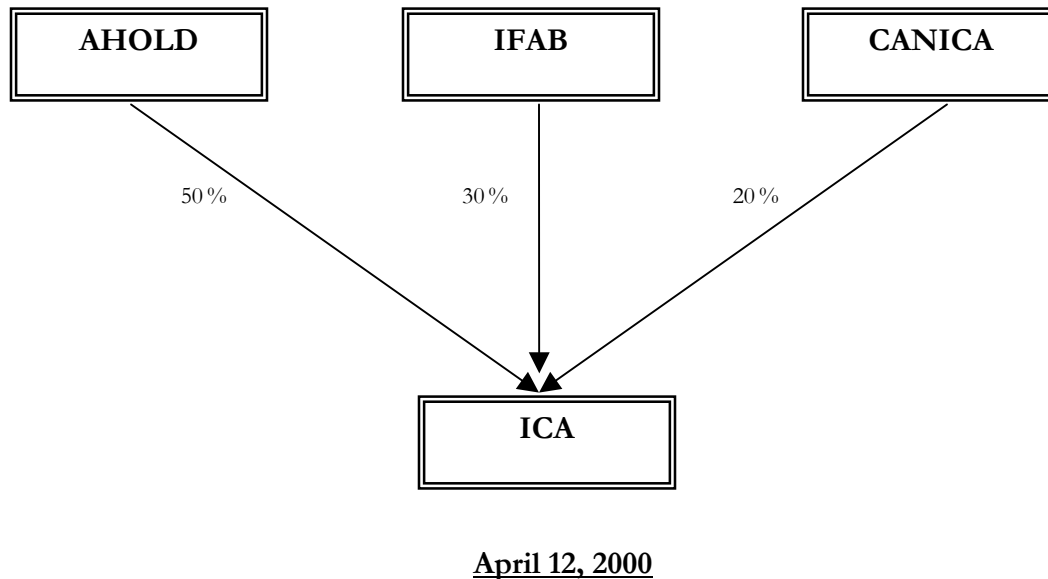
¹² Exhibit 10

¹³ Exhibits 11 and 12

Norwegian businessman S.E. Hagen (“Hagen”). Roland Fahlin (“Fahlin”), chairman of the Board of Management of ICA Förbundet, was appointed chairman of the Board of Management of the joint venture. Hagen and a person designated by Ahold were each appointed vice-chairmen of the Board of Management.

47. ICA is the holding of the ICA Group, a group of companies operating, among other things, supermarkets in Scandinavia and the Baltic States.

48. A graphic representation of the interests of ownership in ICA during the period in respect of which COPERA requests an investigation is set forth below:



49. Ahold never acquired control over ICA. ICA Förbundet sought to prevent this as guarantee for the independence of the members of the ICA Group. However, Ahold wanted to fully consolidate ICA, like its other joint ventures. NRC Handelsblad reported on February 14, 2004 that D&T had pointed out to Ahold on January 11, 2000 that the participating interest of 50% in ICA did not allow for a full consolidation. Marjanne van Ittersum (“Van Ittersum”), employed in the Ahold Administration and Control department, which handles the accounts of Ahold, reportedly informed Bert Verhelst (“Verhelst”), chief of the Ahold Administration and Control department, in an internal confidential memorandum on the warning by D&T and added the suggestion: *“The sole possibility may be a “side letter”, but even I have my doubts regarding this.”* She further indicated that the matter was handled by Meurs.

50. A proposal by Ahold in an internal memorandum dated April 19, 2000 to gather evidence in the course of the year that Ahold did have substantial control over ICA was reportedly dismissed by D&T.
51. In a letter of May 2, 2000 a member of the Board of Management of Ahold, Jan Andreae (“Andreae”), wrote to the other ICA joint venture partners that Ahold takes the joint venture agreement to mean that it has a decisive vote in the decision-making in the event of a lack of agreement (the “ICA control letter”). On May 5, 2000 the letter was signed for approval by Fahlin on behalf of ICA Förbundet and by Hagen on behalf of Canica. Again in a letter letter of May 5, 2000, Fahlin and Hagen informed Ahold that they could not agree to the ICA control letter and thereby nullified the undertaking set forth therein (the “ICA side letter”). The ICA side letter was again signed for approval by Andreae on behalf of Ahold¹⁴.
52. On the basis of the ICA control letter D&T agreed to the full consolidation of ICA. D&T was allegedly not informed of the existence of the ICA side letter.
53. As from September 2000, Fahlin joined the Supervisory Board of Ahold and has been a member of the Audit Committee. Despite the knowledge Fahlin had of the ICA side letter co-signed by him, he never pointed out as a member of the Audit Committee that the full consolidation of ICA in the financial statement of Ahold, approved by him, was incorrect.
54. Only in September 2002 the internal accounting department and the legal affairs department of Ahold were informed of the ICA side letter in the context of a forensic investigation into Hagen and his activities. Further to this, advice was obtained from the American law firm White & Case LLP, which advised to immediately inform both D&T and the Supervisory Board on the ICA side letter.
55. On October 25, 2002 Ahold informed D&T of the ICA side letter. According to the financial statement 2002 also the Supervisory Board was informed in October 2002. By letter of 12 November 2002 D&T advised De Ruiter to carry out an investigation in anticipation of which D&T ceased its activities. On November 18, 2002, De Ruiter commissioned Mr Eisma and Mr Van Dijk from De Brauw Blackstone Westbroek lawyers (“DBBW”) to institute the advised investigation.

¹⁴ Exhibit 13

56. Pending the investigation of Eisma and Van Dijk into the ICA side letter, both Meurs and Van der Hoeven held their position that the consolidation of ICA was possible because Ahold factually had substantial control. In a letter of November 5, 2002 to D&T, Meurs summed up various facts that would justify that consolidation, although the joint venture agreement and the ICA side letter implied the contrary¹⁵. Mr. Van der Hoeven also sent another memo to the Audit Committee on January 8, 2003 in which he set out that Ahold in fact had control of ICA¹⁶.
57. On January 13, 2003, Eisma and Van Dijk presented their report. According to the article in *NRC Handelsblad* of February 14, 2004, the report was said to contain, among other things, the following conclusions and recommendations: (i) immediate stepping down of Meurs, (ii) consider the position of Fahlin as member of the Audit Committee and supervisory board, (iii) consolidation of ICA was not allowed either under Dutch GAAP or under US GAAP, (iv) informing the SEC and (v) adjusting the figures with regard to ICA and perhaps also JMR. Until February 24, 2003, none of the recommendations were acted upon by the supervisory board.
58. Both the public prosecutor's office and Euronext Amsterdam started investigations in 2003 into, among other things, the ICA side letter. The public prosecutor focuses on the suspicion of falsification. The investigation is still ongoing. Euronext Amsterdam has meanwhile given Ahold a serious written warning on May 28, 2004 for the violation of article 28 h Listing and Issuing Rules. Ahold should have immediately disclosed the information that on January 13, 2003 there was (reasonable) doubt about the possibility to consolidate ICA in 2002, which it failed to do. It was furthermore considered in this context that it was established on January 13, 2003 that consolidation of ICA in the previous years could not be maintained.
59. COPERA furthermore points out that Ahold not only suppressed the ICA side letter, but also that it can be obliged as of April 27, 2004 to acquire the participating interests of Canica and ICA Förbundet in ICA at market value. This means that Ahold bears a considerable (latent) liability of an estimated EUR 1.5 billion that was not disclosed until October 8, 2002 in a press release, more than two years after entering into the joint venture¹⁷.
60. Remarkably, Van der Hoeven, in his letter to the Audit Committee, used the obligation of Ahold to buy the shares of its partners in ICA as an argument to substantiate the

¹⁵ Exhibit 14

¹⁶ Exhibit 17

¹⁷ Exhibits 15 and 16

justification to consolidate ICA. In the aforesaid memo, Van der Hoeven points out that the obligation entails considerable risks for Ahold. This apparent realization on the part of Van der Hoeven is hard to reconcile with withholding the obligation for more than two years. Such a significant risk should have been disclosed.

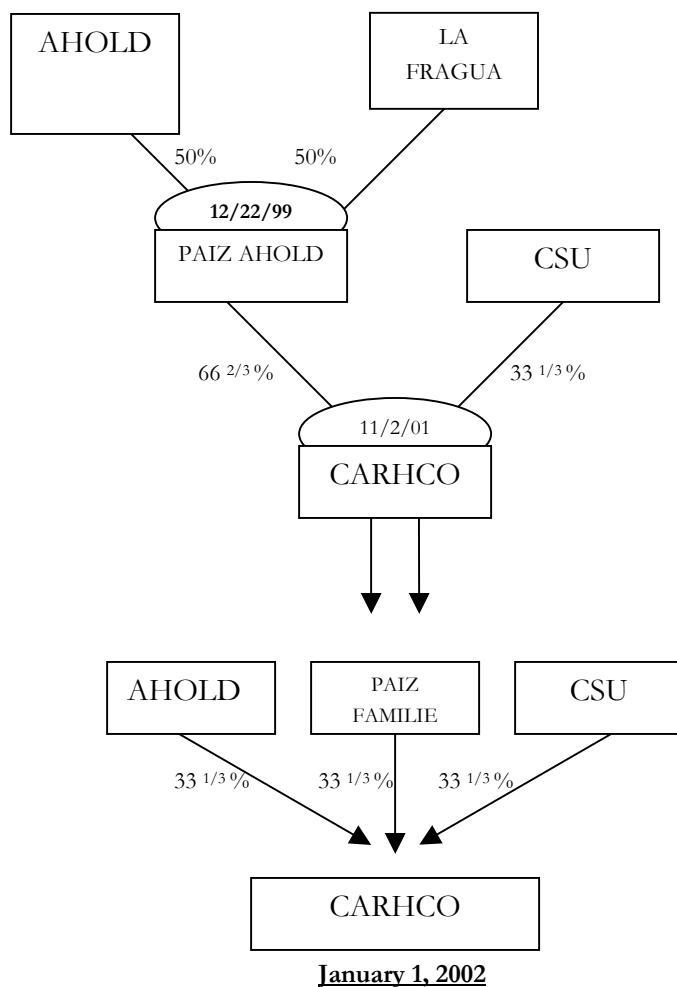
61. In short, COPERA establishes that Ahold (i) has failed to inform D&T for over two years about the ICA side letter, (ii) Fahlin was aware of the ICA side letter, but failed to inform Audit Committee and the supervisory board, (iii) Fahlin approved financial statements of Ahold, while he was aware of the wrongful consolidation of ICA, (iv) failed to inform the investing public and regulators about the ICA side letter, although its existence was already known in a broader circle within Ahold in October 2002, (v) did not act upon any of the recommendations of Eisma of January 13, 2003 prior to February 2003. This constitutes sufficient reason to doubt adequate management at Ahold.

Paiz Ahold

62. In December 1999, Ahold acquired 50% of the shares in Paiz Ahold¹⁸. The other 50% of the shares were held by Coban Holdings, a company of which the shares are held by the Paiz family. Paiz Ahold held 80.5% of the shares in La Fragua S.A. in Guatemala (“La Fragua”), which operates supermarkets in Guatemala, El Salvador and Honduras. The other 19.5% of the shares in La Fragua were held by the employees and by third parties close to the Paiz family.
63. In November 2001, Paiz Ahold entered into a joint venture with CSU International from Costa Rica under the name Central American Retail Holding Companies (“CARHCO”)¹⁹. The new joint venture was intended to join activities in Central America. The participating interest in La Fragua was transferred by Paiz Ahold to CARHCO in consideration of 66 2/3% of the shares in CARHCO. CSU International acquired the remaining 33 1/3% of the shares.
64. Shown below is Ahold’s participating interest in the Paiz Ahold company:

¹⁸ Exhibit 18

¹⁹ Exhibit 19



65. Until the incorporation of CARHCO on January 1, 2002, Ahold fully consolidated Paiz Ahold, although it did not have substantial control. In this case, too, consolidation was effected through a control letter. At no point in time was Ahold therefore allowed to fully consolidate Paiz Ahold.
66. As was the case with ICA, Ahold has the (latent) obligation to acquire the participating interest of its joint venture partner at market value if the participating interest of the Paiz family in CARHCO declines to 13.3% or less. This obligation, too, was not disclosed by Ahold until October 8, 2002.
67. In summary, COPERA establishes that Ahold (i) wrongly consolidated Paiz Ahold, (ii) concealed the existence of a control letter and a side letter, as well as (iii) the obligation to buy out the Paiz family. This constitutes sufficient reason to doubt a proper policy.

Bompreço

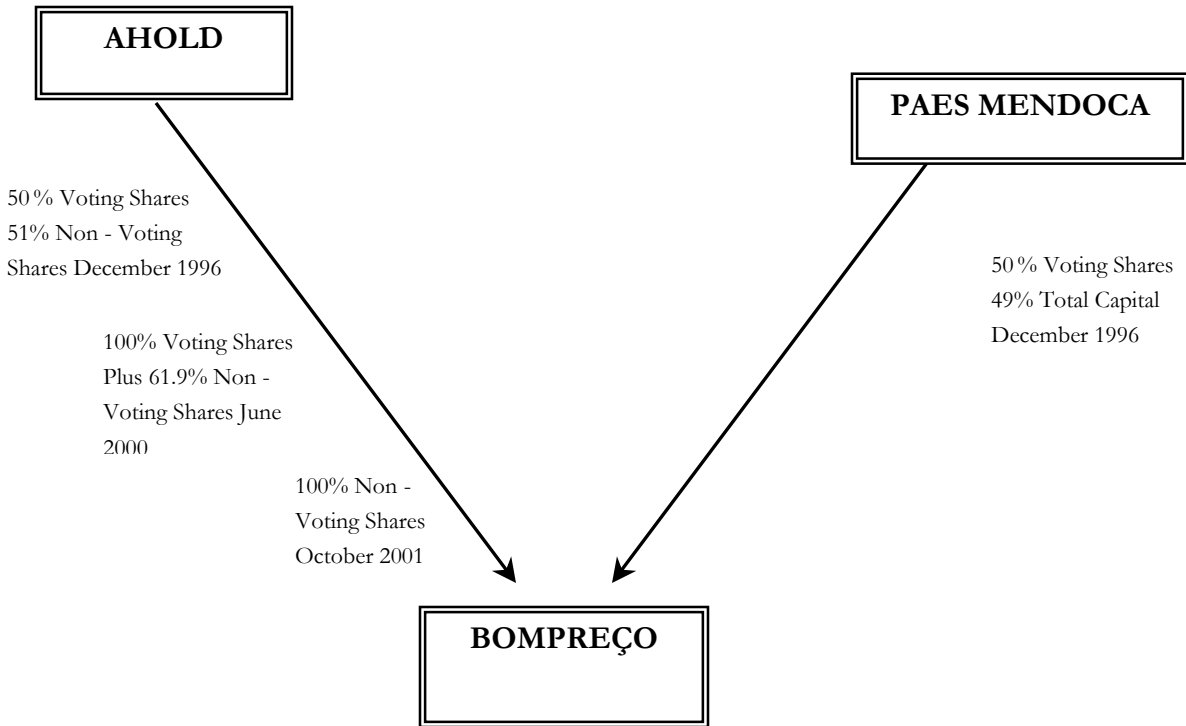
68. Ahold first entered into a joint venture in South-America in 1996 by acquiring a 50.1% participating interest in Bompreço S.A. Supermercados Nordeste (“Bompreço”), a subsidiary of Bompreço S.A. Bompreço is headquartered Brazil. According to the agreement, Ahold indirectly acquired 50% of the shares with voting rights and 50.1% of the total capital of Bompreço. Joao Carlos Paes Mendonca, chairman of the management board of Bompreço, and his family were the (indirect) owners of the remaining participating interest in the joint venture.

69. In order to be able to fully consolidate Bompreço, in spite of the lack of control, Ahold used a control letter in this case, too, that was subsequently nullified by a side letter. According to the article in NRC of 14 February 2004, Meurs sent a letter to Joao Carlos Paes Mendonca on May 12, 1999 with the same purpose as the later ICA control letter, in order to attempt to justify full consolidation of Bompreço. On May 17, 1999, Joao Carlos Paes Mendonca signed the letter for approval while at the same time authoring a letter to CFO Meurs which stated that he rejected Ahold’s interpretation of the shareholders’ agreement. Meurs, in turn, signed that letter for approval. What is more, Van der Hoeven allegedly also co-signed this letter.

70. In June 2000, Ahold acquired all shares in Bompreço, and thus full control.²⁰ Meanwhile, Ahold sold Bompreço to Wal Mart Stores Inc. in March 2004.

71. A depiction of the evolution of Ahold’s ownership in Bompreço appears below:

²⁰ Exhibit 20



72. In summary, COPERA establishes that in the case of Bompreço, too, Ahold (i) wrongly consolidated the joint venture fully, while up to 2000 it did not have full control (ii) kept the side letter hidden. This again gives reason to doubt a correct policy at Ahold.

Disco Ahold International Holdings N.V. (“DAIH”)

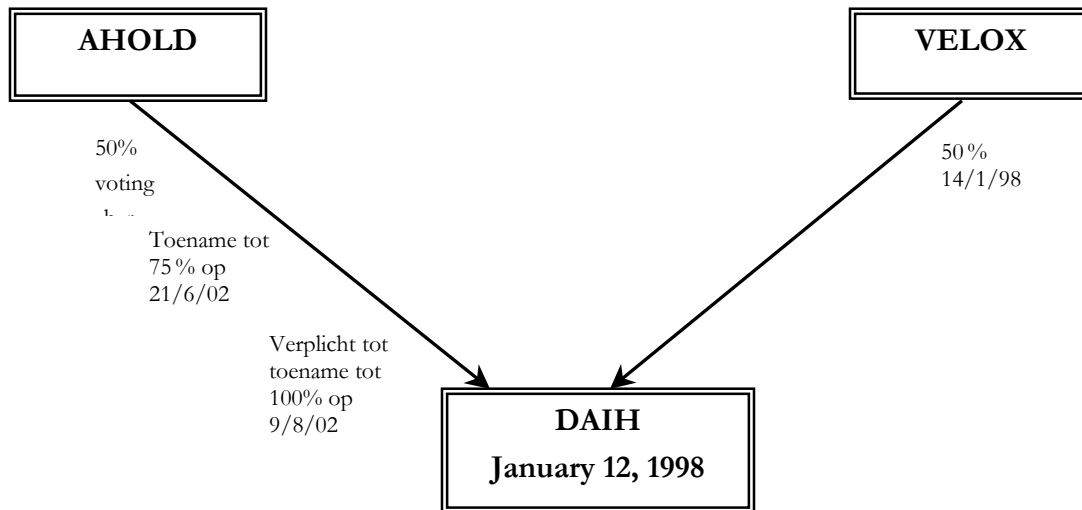
73. In January 1998, Ahold acquired from Velox Retail Holdings (“VRH”) 50% of the shares in the Dutch Antillean company DAIH, which in turn held 50.4% of the shares in Disco, an Argentine chain of supermarkets, and the Chilean supermarket company Santa Isabel S.A. with activities in Chili, Peru, Paraguay and Ecuador. VRH is owned and led by the Peirano family and is part of the Velox group. Ahold and VRH both had equal control in DAIH.

74. In the course of July and August 2002, Ahold acquired all shares in DAIH and, with it, full control²¹. Nonetheless, this joint venture was also fully consolidated from the start based on a control letter. According to an article in *NRC Handelsblad* of February 17, 2004 DAIH director Eduardo Orteu allegedly disclosed the existence of the side letter within Ahold after Ahold had announced his discharge, which then led to the press release of February 24, 2003.

²¹ Exhibit 22

75. Whatever the case may be, COPERA again establishes that Ahold, by giving an incorrect account of matters, wrongly fully consolidated DAIH as from 1998. This constitutes a valid reason to doubt proper management.

76. A depiction of the respective ownership interests in DAIH appears below:



C. The VRH loans

77. The acquisition of the remaining 50% of the shares in DAIH by Ahold in July and August 2002 was not voluntary. VRH had taken out loans at several banks to continue meeting its obligation to invest in DAIH. As security for repayment of the loans, the shares held by VRH in DAIH were pledged to the banks. Ahold, in turn, had undertaken to take over the shares from the banks against a predetermined price if the banks would exercise their right of pledge, and had thus indirectly guaranteed the repayment of the loans.

78. In a press release of July 17, 2002, Ahold announced that it had received word that VRH had defaulted on its obligations in respect of the loans, so that Ahold was obliged to take over the shares and the loans, leading to a cost of approximately USD 490 million²². On October 2, 2003, Ahold stated that the net result was negatively influenced by EUR 372 million as a consequence of the guarantee obligation.²³

²² Exhibit 21

²³ Exhibit 23

79. Ahold neglected to make a provision for the contingent liability in respect of the banks for the loans to VRH, or to notify the liability in the financial statements 1998, 1999 and 2000. This means that there are adequate grounds to doubt proper management.
80. For the sake of completeness, COPERA remarks that VRH and the relationship between VRH and Ahold are still the object of judicial inquiry and of procedures in various South American countries. In the Netherlands, the Dutch Foundation for the Investigation of Corporate Information (“SOBI”) filed a complaint with the Amsterdam public prosecutor against Van der Hoeven entailing a suspicion of complicity in embezzlement as related to the amount paid by Ahold for the benefit of VRH. At the center of the allegations is the link between Van der Hoeven and members of the Peirano family, who own VRH’s parent company, the Velox group. According to SOBI, the specified amount may have been embezzled.

D. U.S. Foodservice

81. USF is located in the United States with its headquarters in Columbia, Maryland. USF supplies food products to restaurants, food service establishments, hospitals, universities and hotels. Ahold acquired all shares in USF in April 2000 for approximately USD 3.6 billion in cash²⁴.
82. In the press release of February 24, 2003, Ahold announced that there was an overstatement of income up to approximately USD 500 million based on promotional allowance / vendor rebate income at USF. As mentioned above, the Company later increased the total amount to USD 880 million. Generally, promotional allowances / vendor rebates are payments made by manufacturers of brand name products to retailers to promote the subject products to their consumers. USF had booked a higher amount in promotional allowances than USF had actually received.
83. It was not until February 12, 2003 that Ahold had an internal forensic investigation carried out into USF by White & Case and Protiviti, Inc., an accounting firm. However, Ahold should have been alarmed about irregularities at USF at much earlier phase and should have taken measures. Already, when it acquired USF in April 2000 Ahold admittedly knew that the internal controls at USF were inadequate, especially with regard to promotional allowances.

²⁴ Exhibit 25

Eustace admits that Ahold knew of USF's inadequate internal controls

84. On March 11, 2003, Dudley Eustace ("Eustace") was appointed interim Chief Financial Officer at Ahold²⁵.
85. On May 8, 2003, Ahold conducted two conference calls to update analysts and investors concerning the results of the Company's internal forensic accounting investigations into USF. The first conference call was conducted at 11:30 a.m. (CET) and the second conference call was conducted at 4:00 p.m. (CET). Both conference calls can be heard at the website of Ahold.
86. During the first conference call of May 8, 2003, Eustace made, among other things, the following statements:

Question: Good morning. To what extent is the cash or the net debt position at Ahold different because of the (unintelligible), everything that is taking place, that cash left the business.

Eustace: Good question. But, in fact, in this particular case cash has not left the business. What we had was a false receivable. So what it means is that cash that we expected to collect is not coming in. So the balance that was on the books on December, '02 of 880 million is not receivable.

* * *

Question: Okay. Thank you. The second point is one of more of curiosity really. If as we understand the fraud is linked to two specific individuals and goes no further, doesn't it slightly concern you that the senior management's control was such that they knew that they did not realize that two-thirds of the business profitability didn't exist.

Eustace: Certainly I have the same sort of concerns as you reflect. I find it inconceivable that such a fraud can remain undetected for so long. But I can only also speculate as to what the atmosphere was within a tight-knit group of people that have been working together for years, where loyalties and confidences are taken as red and suspicions are not raised. But it does seem to me also quite extraordinary that a business can go on so long with the creation of fraudulent receivables and they are not picked up, either, by the way, by management or by the auditors.

87. About the failing internal controls at USF, Eustace made the following remarks:

²⁵ Exhibit 26

Eustace: Let me just talk about the controls, if I may. I think it's terribly important. When we bought U.S. Foods effective April 1, 2000 the management, Jim Miller said you have to know my control systems on PA's are not good at all. So the company took that on board and looked at improving the control systems and they spent some time working on that and then bought a company called PYA Monarch. This is a company which has better systems than we got so let's try to migrate those systems to U.S. Food. So they started working on that and then they bought Alliant which was last 2001 in the autumn I think, December, 2001, and they found that Alliant had a far better system than any they had seen before called SIS. So they said this is the system we are going to use for the whole of U.S. Food. That is the program which they are now installing where they expect the first stage to be live in July and the whole thing to be finished by December of this year. What it's meant of course is that essentially the company has been flying blind with very, very inadequate control systems on what is the most important part of its income and if you have got a system which is inadequate and, B, collusion to create fraud, then you have a recipe for disaster and that is actually what happened.

88. During the second conference call of May 8, 2003, Eustace was once again asked questions about the inadequate financial controls at USF. Eustace made the following remarks about this:

Question: Lastly, what type of remedial action will you be taking at U.S. Foodservice to not let this type of thing happen again?

Eustace: Well, the basic problem has been poor systems, poor systems that came to us with U.S. Food Service, which Jim Miller pointed out to the company and said, look, you have to realize my systems controlling my PA is not good and needed attention. Attention was given to improving those systems and kept changing as the year went by or as the years went by. When we bought PYA Monarch they thought well maybe the PYA Monarch systems are better than the ones that U.S. Food had and then we bought Alliant and it was felt this had the best systems in the business, a system called SIS. So the company now is implementing the IT system from Alliant and they expect the first section will be fully implemented by July and fully implemented by the end of the year. But the fraud was perpetrated in part because -- was facilitated I should say, I should say, because the systems were not good enough to track the PA's.

89. During the first conference call of May 8, 2003, Eustace admitted that Ahold was continuously informed about the inadequate internal controls at USF, but apparently simply ignored it:

Question: Why was -- if there was an issue on the control system with the Foodservice business, why wasn't that flagged to the auditors by senior management?

Eustace: Well, the auditors actually -- the auditors raised it in every report.

“Whistle-blower” Ernie Smith warned Ahold as early as 2000

90. Shortly after the press release of February 24, 2003, various newspapers in the United States reported that former USF CFO Ernie Smith (“Smith”) had brought the serious shortcomings in the internal controls and accounting of USF to the attention of Ahold in the first months of 2001.

91. On March 10, 2003, *The Financial Times* published an article that contains, among other things, the following²⁶:

A senior finance officer at US Foodservice alerted the Netherlands headquarters of Ahold, the grocery retailer and distributor, about potential problems in the US food distributor's accounts as early as 2001, according to a former executive at Ahold.

The former executive, who asked not to be identified, said Ernie Smith, a respected veteran of Ahold USA, left the company three months after being appointed chief financial officer of US Foodservice, a Maryland-based division of the Dutch grocery conglomerate, because he was allegedly uncomfortable with US Foodservice's accounting standards.

The former insider says senior Ahold finance officials were alerted to questionable accounting at US Foodservice two years ago by Mr. Smith. Those concerns were not properly addressed, the person added. Mr. Smith declined to comment.

The incident was not the first time Ahold was made aware of potential problems at US Foodservice, which was built by Jim Miller, chief executive officer. A former Ahold executive said internal Ahold auditors were puzzled by US Foodservice's accounts before the Dollars 3.6bn takeover in 2000.

92. On March 15, 2003, *The Washington Post* published an article containing, among other things, the following information²⁷:

²⁶ Exhibit 27

²⁷ Exhibit 28

Since the Rykoff-Sexton acquisition, U.S. Foodservice has gone through four chief financial officers in five years, with at least one of them citing concerns upon departure.

Ernie Smith, U.S. Foodservice's chief financial officer until March 2001 and a former executive at parent company Ahold, said he could not comment about his departure, citing a nondisclosure agreement. But a person familiar with his departure said Smith left after he raised questions about the way the company accounted for marketing dollars it received from manufacturers.

Smith "called me two days before and said, I'm not going to make it there," the person said. "He said it had to do with the reporting. It wasn't right and he wasn't going to do it."

Before Smith left, he called both the chief executive and the CFO of Royal Ahold NV about his concerns, according to the source. "He was really disappointed when they didn't take action." A spokeswoman for Ahold said the company is aware of these allegations but declines to comment.

One former finance manager who worked at U.S. Foodservice after it acquired Alliant Foodservice in 2000 said the company seemed more focused on raising money from food manufacturer rebates than from selling food and other products to restaurants, which puzzled him.

93. In the book, *Het drama Ahold*, journalist Jeroen Smit described in detail the attempts of Smith to improve the internal controls at USF. Even during the due diligence preceding Ahold's acquisition of USF, Smith raised concerns with the accounting systems in place at USF. Moreover, immediately after Smith assumed his post as USF's CFO on January 2, 2001, he was distressed by the continuing weakness of the accounting information with which he was asked to work.
94. After struggling to finalize USF's figures for 2000, Ernie Smith approached the Ahold board with a plan to upgrade and centralize USF's various accounting systems – with a particular focus upon accounting for promotional allowances / vendor rebates. Smith chose the Performance Allowance Tracking System ("PATs") that was also utilized at PYA/Monarch, a United States food supplier that Ahold purchased on December 5, 2000.
95. In general, PATs is an automated system that enables a user to enter contract details into the system as soon as an agreed-upon discount is entered into the computer. At that point, the PATs sends a letter to the vendor from whom the discount is anticipated. The supplier is then asked to confirm the amount of the discount by sending a letter to USF's accountant D&T.

96. Eventually, certain personnel from PYA/Monarch came to train USF people in utilizing PATS. However, to Smith's surprise, the PATS system had no data entered into it as of early March 2001. Smith then encouraged Miller to require that people at USF use PATS, but nothing happened. For this reason, Smith called CFO Meurs to enlist the CFO's support. Smith informed Meurs that unless USF gets its internal financial controls organized, there would be significant problems in the future.
97. Based upon his telephone conversation with Smith, Meurs discussed the accounting systems at USF with Van der Hoeven, Robert Tobin ("Tobin"), and Jim Miller. Miller reassured Meurs and Van der Hoeven that everything was under control and that Smith was becoming a nuisance. The Ahold executives decided to take no action.
98. Within a week after voicing his concerns to Meurs, Smith decided that he could no longer operate as USF's CFO. During an exit interview with Tobin, Smith again explained that USF had serious problems in its accounting for supplier discounts. Two weeks after this meeting with Tobin, Smith sent a memorandum to Meurs in which Smith described the accounting problems that Smith believed USF must remedy. Eventually, Meurs discussed the substance of Smith's memorandum with Tobin and with members of Ahold's Audit Committee under de Ruiter's direction. Furthermore, Meurs discussed Smith's concerns with Thijs Smit, who as of April 1, 2001 was Senior Vice President Internal Audit at Ahold. With the approval of Robert Tobin and the Audit Committee of Ahold, Meurs and Smit traveled to the United States to inspect the situation regarding the internal controls at USF.
99. Based upon their visit to the United States, Meurs and Smit concluded that the accounting systems in place at USF were inadequate. With the participation of the Company's accountants at Deloitte & Touche, Meurs and Smit decided to improve USF's vendor rebate confirmation system. The new system, which was recommended by Deloitte & Touche, was to be implemented during the Spring and Summer of 2001. Under this new computer system, the accountants at Deloitte & Touche were to receive a confirmation letter from a USF supplier every time that USF booked a rebate amount. For this reason, among others, Robert Tobin was particularly shocked when he received the news of the massive income overstatement at USF: Tobin wondered how the accounting system installed at Deloitte & Touche's urging could have failed to detect these tremendous problems.

100. Moreover, it was customary to book higher vendor rebates than were actually received at USF for much longer. On March 16, 2003, *The Baltimore Sun* published an article with the following contents²⁸:

A former executive with a predecessor of U.S. Foodservice, the embattled Columbia food distributor whose accounting practices are under federal investigation, said yesterday that the company was using controversial bookkeeping methods at least six years ago - three years earlier than previously disclosed - and perhaps since the company was founded in 1989.

David F. McAnally, the former chief financial officer of Rykoff-Sexton Inc., said he alerted his board of directors to the "smoke and mirrors approach" when his company proposed to merge with JP Foodservice Inc. in 1997, a deal that would later create the modern U.S. Foodservice. He said he resigned when the board rejected his concerns and followed through with the merger, siding with James Miller, the JP executive who is now chief executive officer of U.S. Foodservice.

"It was my belief, as CFO, that their approach to booking income was overstating their values by an awful lot of money," said McAnally, who now runs a small energy company in Pennsylvania. He could not recall a dollar figure, but said he believed that the company's books were "off by hundreds of millions of dollars of value" at the time.

McAnally said he encountered similar accounting tactics when Rykoff-Sexton Inc. was considering its merger with JP Foodservice, a Columbia-based company that Miller founded in 1989. The two companies merged in 1997 to create the nation's second-largest food distributor and later took on the name U.S. Foodservice, which had been a Rykoff-Sexton subsidiary.

According to McAnally, JP Foodservice had long been recording some promotional discounts before it sold the related products, and proposed to continue that practice after the merger. McAnally said he objected and recommended that his board of directors reject the deal.

"I believed very strongly that if you were going to realize income you needed to sell the product first," McAnally said. "Jim Miller's approach was to book it based on a history of being able to push those volumes through the distribution cycle. It was an approach that, in my opinion, was destined for failure."

"I was not at all surprised when I saw that it had all come back to haunt them," he said.

²⁸ Exhibit 29

101. For the sake of completeness, COPERA again points out that irregularities were also found at another subsidiary of Ahold in the United States. The pre-tax earnings of Ahold also had to be downward adjusted by USD 29 million as a consequence of irregularities at Tops. In this context, Eustace, in an interview with the Financial Times, also spoke of fraud.²⁹

Conclusion

102. In spite of concrete leads Ahold and Deloitte had as early as April 2000, that the internal controls and accounting at USF fell short, they failed to act. The urge to present favorable figures was apparently bigger. Between April 2000 and February 2003, Ahold did nothing to improve the situation, in spite of the situation that existed. Therefore, this constitutes a valid reason to doubt adequate policy at Ahold.

E. Fraud at Disco

103. Apart from the incorrect consolidation of DAIH joint venture and the problems with partner VRH, irregularities were also found with Disco, in which DAIH owns the shares, as was disclosed on February 24, 2003.
104. On February 27, 2003 Ahold disclosed that the investigation into the suspect transactions at Disco was finalized and that a new management at Disco was appointed. According to Ahold, the investigation would have no significant effect on the financial results³⁰.
105. On March 26, 2003, Ahold disclosed that the investigation into suspect transactions at Disco had in fact not been finalized. Instead, Ahold indicated that it would carry out a further check of certain transactions at Disco³¹.
106. On July 1, 2003, Ahold announced that the internal forensic audit had been finalized. Again, questionable transactions were reported. However, the nature of the questionable transactions was never disclosed.
107. Meanwhile, Ahold reported that Disco will be sold to the Chilean corporation Cencosud.³²

²⁹ Exhibit 30

³⁰ Exhibit 31

³¹ Exhibit 32

³² Exhibit 24

F. Admission of incorrect policy at Ahold

108. Adequate grounds to doubt proper management at Ahold were already provided, not in the last instance, by the unequivocal admission of the matter from the part of Ahold itself. On several occasions after February 24, 2003 Ahold executives and members of the Supervisory Board freely admitted that the policy had been incorrect and that there had even been fraud.

Ahold admits fraud and weaknesses in internal controls in the Company's 2002 Form 20-F

109. After repeated postponement, Ahold published the long-awaited restated financial results on previous years in October 2003 in the financial statement 2002³³. On October 17, 2003, Ahold filed the 2002 Form 20-F at the SEC, as amended on October 31, 2003. The 2002 Form 20-F includes countless admissions that the accounting irregularities, as disclosed on February 24, 2003 are the result of fraud and inadequate internal controls. Nonetheless, Ahold still appears to be unwilling to provide all information needed to determine the true extent of the fraud at Ahold and the reliability of the restated financial results.³⁴

110. In the 2002 Form 20-F, Ahold restated the financial results previously reported on the period 1998 through 2002, thereby admitting that original reports were incorrect and misleading. In the preamble to its 2002 Form 20-F Ahold stated:

In this annual report on Form 20-F for the fiscal year ended December 29, 2002, we are restating our consolidated financial statements for fiscal 2001 and fiscal 2000 to reflect certain accounting adjustments. We have also recorded correcting accounting adjustments that are reflected in our fiscal 2002 consolidated financial statements. Although these accounting adjustments primarily relate to fiscal 2002, fiscal 2001 and fiscal 2000, certain adjustments relate back to fiscal 1999, fiscal 1998 and prior periods. As a result, the figures for fiscal 1999 and fiscal 1998 included in the five-year summary data contained herein have been restated to reflect the applicable adjustments discussed herein. These accounting adjustments were primarily made to address accounting irregularities and other accounting errors made by us and our subsidiaries in the application of accounting principles generally accepted in The Netherlands ("Dutch GAAP") and accounting principles generally accepted in the United States ("U.S. GAAP") and to address other issues identified or confirmed through investigations performed by outside law firms and forensic accountants and during the fiscal 2002 year-end audit of our financial statements. Upon review of the aggregate impact of all of these adjustments, we concluded that restating our consolidated financial statements for fiscal 2001 and fiscal 2000 were required. (2002 Form 20-F, at 1).

³³ Exhibit 33

³⁴ A more detailed report of the admissions of fraud by Ahold in Form 20-F 2002 of the Company has been included in the Complaint sub ¶¶290-309.

111. The restatement of the financial results of several years has been carried out on the basis of the results of the internal investigations at Ahold. Nonetheless, Ahold has still not disclosed the reports of the internal investigations, as a result of which shareholders must rely exclusively on the explanation given by Ahold itself with regard to these investigations. Particularly since it is an established fact that the investigations demonstrated (i) fraud and (ii) irregularities as a result of failing internal control, insight should be given in the results of the investigations in order to assess the restatement in terms of its accuracy.

Ahold Admits Fraud At USF

112. In a summary of the findings of the internal investigation at USF, Ahold admits in its 2002 Form 20-F:

The USF investigation identified accounting fraud relating to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances and an understatement of cost of goods sold. The investigation found that certain senior officers of USF and other employees were involved in the fraud. It was also found that inappropriate vendor allowance accounting had existed at the date of the acquisition of USF. The investigation also identified or confirmed numerous material weaknesses in internal controls. (2002 Form 20-F, at 66)

113. In addition, the 2002 Form 20-F reports findings from the internal investigation into USF by PricewaterhouseCoopers (“PwC”):

On June 25, 2003, PwC reported further detailed findings. The PwC investigation identified accounting fraud related to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances, which caused vendor allowance income to be overstated and therefore cost of goods sold to be understated. The PwC investigation found that certain USF senior officers and other employees used inflated recognition rates for vendor allowances for the purpose of overstating vendor allowance income and accrued vendor allowance receivable balances, intentionally caused the incorrect accounting for and mischaracterization of vendor allowance cash receipts, and intentionally caused the misapplication of Dutch GAAP and U.S. GAAP. As part of the fraud, certain members of USF management and other employees interfered with the audit confirmation process for vendor allowance receivables from vendors, concealed vendor contracts and their true terms, made misrepresentations regarding the absence of prepayments from vendors, and caused the creation of certain inaccurate accounting records. The PwC investigation further identified numerous material weaknesses in internal controls, including a failure to properly record and track vendor allowance transactions and balances, inadequate accounting and financial reporting systems for vendor allowances generally, and

failure by management to understand and properly apply GAAP and Ahold's stated accounting policies in the area of vendor allowances and rebates. (2002 Form 20-F, at 69)

Ahold Admits Fraud at Retail activities United States

114. Ahold's 2002 Form 20-F states that after the press release dated February 24, 2003, the Audit Committee of Ahold ordered an investigation at seventeen Ahold operating companies and real-estate companies in order to form a judgment on: (i) whether there were any accounting irregularities or errors; (ii) the integrity of the management; and (iii) the sufficiency of internal controls. Lawyers of Wilmer Cutler & Pickering ("WCP") and accountants of PwC carried out these investigations, which led, among other things, to the discovery of USD 29 million of accounting irregularities at Tops disclosed by Ahold on May 26, 2003. Ahold has still not disclosed the report of the internal investigation carried out at these seventeen operating companies.
115. With respect to (the internal investigation into) the fraud at Tops, Giant-Carlisle and other operating companies of Ahold, the 2002 Form 20-F states:

On March 24, 2003, the Audit Committee ordered the commencement of a series of additional internal investigations to assess whether accounting irregularities, errors and/or issues existed, the integrity of management, and the adequacy of internal controls. These investigations were conducted by WCP, assisted by forensic accountants from PwC, at 17 Ahold operating companies and real estate companies and at the Ahold parent company. The forensic investigations found accounting irregularities at Tops and at Giant-Carlisle (although involving relatively small amounts). The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. At Tops, these accounting irregularities consisted of intentional improper recognition of vendor allowances and pervasive earnings management, including the recording of unsupported vendor allowance income, premature recognition of contract signing fees and vendor allowance billings, over-billings to vendors and the improper holding of company funds at vendors, as well as other instances of earnings management. At Giant-Carlisle, the accounting irregularities consisted of pervasive earnings management, including the intentional deferral of earned vendor allowance receivables and vendor allowance accrued reserves, as well as the improper holding of company funds at vendors. According to the investigatory findings, accounting irregularities also occurred at the Ahold parent company involving the misapplication of purchase accounting in respect of the acquisitions of ICA and Superdipló. The investigations also resulted in findings of varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed. These errors or issues most frequently involved improper accounting for reserves through excess provisioning or inappropriate release and the unnecessary deferral or premature recognition of income from vendor allowances. The investigations also found a number of internal control weaknesses, especially relating to accounting and

monitoring for vendor allowances and contracts, deviations from Dutch GAAP and U.S. GAAP, and a general lack of sufficient technical knowledge of Dutch GAAP and U.S. GAAP at many of the companies reviewed. (2002 Form 20-F, at 70)

116. In Note 3 to the Company's 2002 Form 20-F, Ahold further admits in respect of the fraud discovered at USF and Tops:

As a result of the findings of the investigations at USF and Tops, the Company determined that its income from vendor allowances for fiscal 2001 and 2000 was overstated due to the intentional and unintentional misapplication of Dutch GAAP and U.S. GAAP and the intentional inappropriate accounting for and mischaracterization of cash receipts which led to the recognition of vendor allowances before it was appropriate to do so under Dutch GAAP and U.S. GAAP. Furthermore, certain vendor allowances were misclassified as revenue instead of as a reduction of cost of sales or selling expense, general and administrative expenses, as required under Dutch GAAP and U.S. GAAP.

The restated consolidated financial position and results reflect adjustments to correct overstated vendor allowance income, to correct for the timing of the recognition of vendor allowances, and to reclassify certain vendor allowances from net sales to cost of sales.

The Company determined that net receivables from vendors at the date of the USF acquisition in fiscal 2000 did not exist at the time. In addition, the Company determined that, at the date of acquisition, a liability for deferred revenue related to vendor allowances, that were not yet earned, were not recorded. Furthermore, the Company determined that a liability should have been recognized at the date of acquisition for amounts that had been overbilled to vendors for vendor allowances. The total amount of these adjustments led to an overstatement of net assets acquired by EUR 70 [million].

Ahold Admits Fraud At Disco

117. With regard to the internal investigation at Disco, Ahold admits in its 2002 Form 20-F:

The Disco investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. In addition, in some instances these payments were improperly capitalized rather than expensed. Significant internal control weaknesses were also found.

118. Further, Ahold admits that it had knowledge of fraud at Disco well before February 24, 2003:

As a result of finding invoices for suspicious transactions at Disco in July 2002, our internal audit department conducted an investigation. This investigation, which was completed in early December 2002, identified additional suspicious transactions. We then instructed forensic accountants at D&T to conduct a further forensic investigation of Disco. During the course of the investigation, the law firm of Wilmer, Cutler & Pickering (“WCP”) was retained to assist with the investigation. On February 17, 2003, D&T reported their preliminary findings to Ahold.

In late March 2003, we determined that a further investigation at Disco was warranted, which was undertaken by WCP and a forensic accounting team from PwC. The investigation was completed in May 2003. The investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. The investigation further noted that these payments had been improperly capitalized with respect to certain of these transactions that should have been expensed. The investigation also identified significant internal control weaknesses.

119. Despite the fact that Ahold was therefore aware of the fraud in July 2002, no information was provided on this matter. Nor did Ahold provide full information after February 24, 2003 regarding the suspected transactions in Argentina.

Ahold admits fraud in connection with accounts of Joint Ventures

120. Form 20-F 2002 also states that it has been established on the basis of the internal investigations that the joint ventures were wrongly consolidated entirely, albeit only some conclusions are represented:

On February 22, 2003, it was discovered that letters similar to the ICA Side Letter also existed in respect of control letters given in connection with other Ahold joint ventures and that these letters also had not been provided to D&T. The joint ventures were: (1) Bompreço, which was formed in December 1996 with Ahold having a 50% interest until July 2000 when Ahold acquired 100% of the joint venture, (2) DAIH, which was formed in January 1998 with Ahold having a 50% interest which interest was increased to more than 66 2/3 % in July 2002 and 100% in August 2002, and (3) Paiz Abold, which was formed in December 1999 with Ahold having a 50% interest until January 2002 when Paiz Abold became party to a joint venture with another party and Ahold’s indirect interest in the new joint venture was reduced to 33 1/3%. All of these joint ventures had been fully consolidated in our financial statements since the respective dates of formation, except Paiz Abold which ceased to be consolidated on January 1, 2002, when our indirect interest in the new joint venture was reduced to 33 1/3%, at which time we began to account for our interest in the joint venture on an equity basis.

In light of the various side letters referred to above and on the basis of the available facts and circumstances, we decided in February 2003 that we should restate our historical financial statements so as to proportionally consolidate ICA and the other joint ventures for which there were side letters for the periods they were 50% owned by us, as well as our joint venture in Portugal, JMR. We have held a 49% interest in JMR since its formation in 1992 and, although no side letters existed regarding our control of JMR, we had been fully consolidating JMR in our financial statements since the formation of the joint venture, as we believed that we had control over JMR. In light of the evaluation of the accounting for the other joint ventures, we reconsidered our accounting for JMR and concluded that we had significant influence, but not control over JMR.

121. Note 3 to the 2002 Form 20-F provides the following explanation for: (i) the decision by Ahold to deconsolidate and (ii) the necessary restatement of the Company's previously issued financial results:

Prior to fiscal 2002, the Company consolidated its joint venture interests in ICA, DAIH, Bompreço and Paiç Ahold based upon the Control Letters among the shareholders that seemingly gave control over the joint ventures to Ahold. The Company subsequently determined that Side Letters had been executed by the relevant shareholders that nullified the effects of the Control Letters. As a result, management concluded that the Company did not control these joint ventures. Additionally, prior to 2002, the Company had consolidated JMR. In light of the evaluation of the accounting for the other joint ventures, the Company reconsidered its accounting for JMR and concluded that it had significant influence, but not control over JMR. The Company concluded that consolidation of the aforementioned joint ventures was inappropriate under Dutch GAAP and U.S. GAAP, since the Company did not control them.

Summary of accounting errors found in the internal investigation

122. The 2002 Form 20-F of the Company contains a summary of the adjustments that Ahold had to make in previous financial statements, on the basis of the internal investigations. Particularly, the following adjustments are mentioned:

The restatements of the fiscal 2001 and fiscal 2000 consolidated financial statements and the correcting adjustments reflected in the fiscal 2002 consolidated financial statements reflect adjustments that correct accounting irregularities and other errors previously made in the application of Dutch GAAP and U.S. GAAP.

These adjustments relate to:

- a. the deconsolidation of the joint venture companies not controlled by Ahold;*
- b. improper or premature recognition of vendor allowances;*
- c. misapplication of accounting principles and misuse of facts relating to acquisition accounting;*
- d. improper accounting for certain reserves, allowances and provisions;*

- e. *improper accounting for certain real estate transactions; and*
- f. *certain other accounting issues and items arising as a result of the misapplication of or errors in the application of Dutch GAAP and U.S. GAAP.*

Ahold admits substantial shortcomings in internal controls

123. Ahold's 2002 Form 20-F mentions the measures taken by Ahold in order to prevent fraud and accounting irregularities in the future. Ahold admits in this respect that its internal controls, like the internal controls at USF, were inadequate prior to February 24, 2003:

As discussed above, as a result of the events leading up to and following Ahold's February 24, 2003 announcement, the Audit Committee ordered numerous, extensive internal investigations by various outside legal counsel and forensic accounting experts. In total, 19 operating and real estate companies (including USF and Disco) were reviewed, in addition to the Ahold parent company. In addition, investigations were undertaken with respect to the issues surrounding the deconsolidation of certain joint ventures. In response to the findings of the internal investigations, the Audit Committee requested in June 2003 that Ahold management take prompt and effective remedial actions to correct any identified accounting irregularities and errors, and strengthen internal controls to prevent any reoccurrence of the items found.

Ahold management and the Audit Committee have reviewed all of the accounting issues identified in the internal investigations and in the course of the audit of Ahold's fiscal 2002 financial statements, including the 470 separate items identified by PwC. Ahold management has researched and analyzed all of these issues. Management and the Audit Committee determined, in consultation with D&T and PwC, Ahold's positions with respect to all of these issues and the adjustments required to be made to our financial statements as a result thereof.

Ahold is in the process of taking steps to address the significant internal control weaknesses raised or confirmed in the internal investigations. Over 275 items relating to internal control weaknesses were identified.

In addition, the reporting line for Ahold's internal audit department has been changed. The internal audit department now reports directly to Ahold's Chief Executive Officer and to the Audit Committee, instead of solely to Ahold's Chief Executive Officer, as previously was the case.

Admission of incorrect policy in annual report 2002

124. The Annual Report 2002 includes a letter to the shareholders of the current chairman of the Board of Management, Anders Moberg ("Moberg"). Moberg writes, among other things:

We recognize that we must ensure that our company is never again confronted with a similar crisis of controls and governance. To this end, we aim to implement the highest possible standards of compliance, disclosure and professional conduct throughout the business. The fact that these very standards may not have been the highest priority in the past has strengthened our resolve to renew these principles, build a committed culture across the entire enterprise and develop a changed leadership style. Our company culture must be truly open and honest. Our behavior across all our professional, business and stakeholder relationships must comply with the highest standards of transparency and integrity. This is not negotiable. (emphasis added).

125. The report of the Supervisory Board in the annual report 2002 is probably the most succinct summary of the grounds to doubt the management at Ahold:

The U.S. Foodservice investigation identified accounting fraud relating to fictitious and overstated vendor allowance receivables and improper or premature recognition of vendor allowances and an understatement of cost of goods sold. The investigation found that certain senior officers of U.S. Foodservice and other employees were involved in the fraud. It was also found that inappropriate vendor allowance accounting had existed at the date of the acquisition of U.S. Foodservice.

The Disco investigation found a series of suspicious transactions, some of which involved the use of fictitious invoices to conceal or mischaracterize payments, or payments that were otherwise improperly documented. In addition, in some instances these payments were improperly capitalized rather than expensed.

The investigation into the joint venture letters found that there had been concealment of side letters from Ahold's Supervisory Board, Audit Committee and our auditors, Deloitte & Touche and that the consolidation of these joint ventures into Ahold's financial statements had been in error.

The additional internal investigations found accounting irregularities at Tops, consisting of intentional improper recognition of vendor allowances and pervasive earnings management, and at Giant-Carlisle, consisting of pervasive earnings management, although involving relatively small amounts. The investigations also concluded that certain accounting irregularities had occurred at the Ahold parent company. In addition, these investigations found varying degrees of earnings management and/or other accounting errors or issues at the Ahold parent company and at the other operating and real estate companies reviewed.

In addition, significant internal control weaknesses were raised or confirmed in the internal investigations. Over 275 items relating to internal control weaknesses were identified. A special task force reporting to the Audit Committee has been formed, now chaired by our current Chief Financial Officer, and composed

of our senior finance, legal and internal audit executives and supplemented by external advisors, to address the accounting issues and the internal control weaknesses that were identified. (emphasis added).

G. The role of banks in connection with Ahold

126. With VEB, COPERA is of the opinion that the role of the banks financing Ahold will have to be taken into account in an investigation, particularly now that it appears that shareholders were subordinated in the supply of information as compared to banks.
127. After February 24, 2003 the banks were favored by Ahold because the meanwhile approved financial statements of Albert Heijn and Stop & Shop were exclusively supplied to the banks in an early stage. A large part of the credit facility granted by the banks to Ahold depended on the supply of these financial statements. As a result of this, Ahold has been forced, among other things, to quickly complete the internal investigations in order to be able to prepare the financial results. In view hereof also the connection with D&T had to be brought back to normal fast. Thus the banks influenced the course of events and an investigation must also take into account their role.

H. Deloitte & Touche

128. An investigation must pay special attention to D&T. D&T has played a crucial part as accountant and advisor at Ahold in the period and regarding the facts to which the complaints of VEB are directed.
129. From 1992, D&T knew that the full consolidation by Ahold of JMR was not permitted by default of substantial control. Although D&T repeatedly pointed this out, the full consolidation was approved year after year.
130. Until 1999, the consolidation of Bompreço was not based on (presumed) substantial control either. However, this consolidation was likewise always permitted by D&T.
131. D&T also knew about the latent obligations relating to the loans of VRH guaranteed to the banks by Ahold VRH, but approved of the silence on this matter in several financial statements.
132. The due diligence investigation at USF was also conducted by D&T. For this reason, D&T was aware from the start of the faulty internal controls at USF. From 2001, D&T was also the checking accountant of USF. According to Eustace, it is inconceivable that the fraud at USF has gone unnoticed for so long.

133. D&T seems to have played a double role. On the one hand, D&T warned Ahold, while on the other hand D&T allowed the accounting methods. Also after February 24, 2003, D&T was maintained as accountant of Ahold. According to NRC, EUR 50 million is reported to have been charged to Ahold by D&T.

V. EXTENSION OF INVESTIGATION

134. COPERA thinks that the period of investigation proposed by the VEB from September 27, 1999 through December 18, 2003 is somewhat too limited in the sense that it does not fully include the consolidation problem. According to Ahold itself, the adjustments of financial results in any event go back to 1998, if not further. COPERA therefore deems a request on the period of January 1, 1998 through December 18, 2003 more obvious.

VI. CONCLUSION

135. Given the above and the statements in the Petition, COPERA deems that there are adequate grounds to doubt the management of Ahold on the period of January 1, 1998 through February 24, 2003, further to which an investigation is justified.

136. All the grounds set forth above boil down to the fact that Ahold and parties connected to Ahold have mischaracterized matters for many years. It is important that this course of events at Ahold is investigated.

137. The fields of attention deserving a special investigation, as stated sub 71, 72 and 73 of the Petition, can be listed as follows:

71 (i), the investigation into the due diligence findings on the acquisition of USF must also be targeted at D&T, D&T LLP and KPMG LLP;

71 (iii), the parties involved in the acquisition of stated sub a) through d) must be supplemented by D&T and D&T LLP, and also the relevant banks of Ahold;

71 (iv), the investigation must be focused on, among other things:

a) warnings and/or information from Miller, among others, that the internal controls of USF were inadequate

b) the complaints of Ernie Smith with respect to the accounting methods used by USF and the information supplied by him to Ahold on this matter, and also the grounds of his final dismissal;

c) the attempts to install an automating system to check promotional allowances vendor rebates, especially the Promotional Allowance Tracking System and the Supplier Incentive System;

71(v) the investigation into the joint ventures should in any event include:

- a) what has been the role of D&T in consolidating JMR;
- b) the role of D&T in the side letter with respect to ICA;
- c) the exchange of information between D&T, Meurs, Van Ittersson and Verhelst on ICA;
- d) the circumstances under which D&T was appointed accountant of ICA;
- e) the correspondence between Meurs and D&T partner Van den Dries on the period of the investigation;
- f) the information of D&T accountant Van der Vegte that consolidation of JMR was not completely allowed;
- g) the information of D&T accountant Osnoss that consolidation of JMR and Bompreço was not completely allowed;
- h) communication between Ahold and D&T on the possible liability as guarantee for the VHR loans relating to DIAH;
- i) communication between Ahold and D&T on the obligation to buy the shares relating to ICA;
- j) communication between Ahold and D&T on the possible liability on account of the obligation to take over the participating interest of the Paiz family in CARHO in connection with Paiz Ahold;

71(vi) the investigation must include in any event:

- a) The grounds on which D&T approved the promotional allowance vendor rebates at USF, Tops Markets, and Giant-Carlisle;
- b) The grounds on which D&T approved the accounting of income of the joint ventures;
- c) Announcements by D&T on the adequacy of the internal control systems at USF, Ahold and the joint ventures;
- d) Announcements by D&T on the Supplier Incentive System;
- e) Announcements by D&T on any limitations of the activities for Ahold and/or USF;

138. Furthermore, the investigators should have at their disposal of the following documents:

- a) The shareholders' agreements of the joint ventures;
- b) The letter of September 5, 1997 from D&T to Ahold regarding consolidation of the joint ventures;
- c) The letter of May 12, 1999 from Meurs to Joao Carlos Paes Mendonca;

- d) The letter of May 17, 1999 from Joao Carlos Paes Mendonca to Meurs;
- e) The letter of August 24, 1998 from D&T to Meurs;
- f) The letter of May 31, 2000 from Joel Osness to the Supervisory Board of Ahold;
- g) The memo of April 2001 from Ernie Smith to Meurs about the accounting methods at USF.

Reasons why:

COPERA requests the Court:

- I. to be admitted as an interested party in these proceedings;
- II. to award the request of VEB as submitted by petition of February 12, 2004, on the understanding that the period of investigation be extended from January 1, 1998 through December 18, 2003;
- III. to order Ahold to pay the costs of these proceedings.

Attorney of record