

Koninklijke Ahold Delhaize N.V.

Q1 2023 Report

Issued on May 10, 2023

Ahold Delhaize delivers solid Q1 2023 results, driven by its strong U.S. performance, continued customer loyalty and diverse global brand portfolio

- * Our brands' efforts to provide customers with the best value at competitive prices continue to deliver strong financial results. Through our Save for Our Customers cost-savings program and by continuing to invest in the expansion of low-cost, high-quality own-brand assortments and personalized benefits through digital omnichannel and loyalty programs, our brands are well positioned to best serve their customers and local communities during these challenging times of elevated inflation.
- * Q1 Group net sales were €21.6 billion, up 6.3% at constant exchange rates and up 9.4% at actual exchange rates.
- * Q1 comparable sales excluding gas increased by 6.2% in the U.S. and 6.1% in Europe.
- * Net consumer online sales increased by 5.9% in Q1 at constant exchange rates. Grocery online sales increased 9.7% at constant rates.
- * Q1 underlying operating margin was 4.0%, a decrease of 0.2 percentage points. Strong underlying U.S. margin partially offset declines in European margin and a reduction in GSO insurance gains.
- * Q1 IFRS-reported operating income was €822 million and Q1 IFRS-reported diluted EPS was €0.57.
- * Q1 diluted underlying EPS was €0.61, an increase of 10.5% over the prior year at actual rates.
- * The Company reiterates its 2023 full-year outlook, including underlying operating margin of $\geq 4.0\%$; underlying EPS at around 2022 levels; free cash flow of approximately €2.0 billion; and net capital expenditures of approximately €2.5 billion.

Zaandam, the Netherlands, May 10, 2023 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports first quarter results today.

Summary of key financial data

	Ahold Delhaize Group			The United States		Europe	
	Q1 2023	% change	% change constant rates	Q1 2023	% change constant rates	Q1 2023	% change constant rates
€ million, except per share data	13 weeks 2023 vs. 13 weeks 2022						
Net sales	21,624	9.4 %	6.3 %	13,479	5.7 %	8,145	7.2 %
Comparable sales growth excluding gasoline		6.2 %		6.2 %		6.1 %	
Online sales	2,248	9.2 %	6.9 %	1,124	11.9 %	1,125	2.4 %
Net consumer online sales	2,922	7.6 %	5.9 %	1,124	11.9 %	1,798	2.5 %
Operating income	822	0.4 %	(2.8) %	632	12.0 %	202	(21.2) %
Operating margin	3.8 %	(0.3)pp	(0.4)pp	4.7 %	0.3 pp	2.5 %	(0.9)pp
Underlying operating income	864	4.2 %	0.9 %	648	14.5 %	229	(13.2) %
Underlying operating margin	4.0 %	(0.2)pp	(0.2)pp	4.8 %	0.4 pp	2.8 %	(0.7)pp
Diluted EPS	0.57	6.3 %	2.9 %				
Diluted underlying EPS	0.61	10.5 %	7.0 %				
Free cash flow	21	NM ¹	NM ¹				

1. Not meaningful, as free cash flow was negative in Q1 2022.

Comments from Frans Muller, President and CEO of Ahold Delhaize

"Our brands' ability to adapt their assortments and omnichannel customer journeys to rising consumer price sensitivity is resonating well with customers, and this is clearly reflected in our Q1 results. Comparable store sales excluding gas grew 6.2% in Q1. Leveraging these strong sales, we delivered an underlying operating margin of 4.0% and diluted underlying EPS growth of 10.5%. Our strong earnings performance was largely driven by a strong operating performance in the U.S, which partially offset increased energy costs in Europe and the impact of strikes in Belgium.

"With the price/value equation of the utmost importance to customers in this inflationary environment, our brands continue providing the best value at competitive pricing for customers. This is reflected in strong and innovative assortments with a large variety of affordable and healthy options. On top of that, our brands' loyalty programs provide customers with highly personalized discounts to fit their needs. Together with our ongoing work with suppliers, the scale and leverage provided by our global portfolio, as well as our €1 billion Save for Our Customers program, we are keeping prices as low as possible.

"The U.S. brands continue to deliver consistent and strong performance. In the quarter, comparable sales grew by 8.1%, excluding weather and calendar shifts. We also delivered a strong underlying operating profit, driven by better shelf availability, as supply chains are much improved compared to a year ago. It is clear that customers are finding great value through our brands' various omnichannel propositions. During the quarter, the loyalty programs at Food Lion, Stop & Shop, and Giant Food were named among 'America's Best Loyalty Programs 2023' by Newsweek.

"In Europe, excluding the impact of strikes in Belgium following the announcement by local management of their intention to transform its integrated supermarkets there into independently operated Delhaize stores, comparable sales were up 7.7%. Excluding the impacts of inflated energy costs and strikes, underlying operating margins modestly exceeded prior year levels.

"We know that customers value our omnichannel ecosystems, which offer them the flexibility and convenience of shopping whenever and wherever they want. Net consumer online sales increased by 5.9% during the quarter, with online sales in grocery up 9.7%. At bol.com, Gross Merchandise Value (GMV) excluding VAT was €1.3 billion, up 1.2% versus the prior year and a sequential growth rate improvement compared to Q4 2022. Now, having lapped the difficult COVID-19-related comparisons, we expect growth rates to materially improve going forward, as the business is powered by bol.com's three key business models: e-commerce, advertising and logistic services.

"We also remain strongly focused on our long-term sustainability agenda and we consider sustainable finance instruments to be key in supporting our efforts. In March, we successfully priced our inaugural Green Bond for €500 million. With this, Ahold Delhaize became the first corporate European borrower to issue three different ESG-related formats, confirming our ambition to set the pace in sustainable finance. The bond proceeds will be allocated towards projects contributing to our healthy and sustainable targets.

"As we look to the next quarters, our strong global portfolio of number one and number two local brands provides ample opportunities and cushion to navigate the environment. In the U.S., our brands are well positioned as inflation levels start to moderate. In Europe, although inflation rates remain in the double digits, our brands are taking the right measures to continue to raise the bar competitively to drive long-term relative market share gains. While some of these actions, like those initiated by Delhaize Belgium, take a lot of courage and are disruptive in the short term, I am confident these measures will also ensure the long-term success of our brands, for the benefit of all our stakeholders."

Q1 Financial highlights

Group highlights

Group net sales were €21.6 billion, an increase of 6.3% at constant exchange rates, and up 9.4% at actual exchange rates. Group net sales were driven by comparable sales growth excluding gasoline of 6.2%, and, to a lesser extent, by foreign currency translation benefits. Weather and calendar shifts, and, to a lesser extent, strikes in Belgium, had a negative net impact on Q1 Group comparable sales of approximately 1.8 percentage points.

In Q1, Group net consumer online sales increased by 5.9% at constant exchange rates, led by robust performance in the U.S., which increased 11.9% compared to the prior year. Net consumer online sales increased 2.5% in Europe. Group online sales in grocery increased 9.7% at constant exchange rates.

In Q1, Group underlying operating margin was 4.0%, a decrease of 0.2 percentage points at constant exchange rates. Strong underlying U.S. margin and decreased non-cash service charge for the Dutch employee pension plan, resulting from higher discount rates in the Netherlands, partially offset margin declines in Europe and a reduction in Global Support Office insurance gains. Excluding the impacts of inflated energy costs and strikes, underlying operating margin modestly exceeded the prior year. In Q1, Group IFRS-reported operating income was €822 million, representing an IFRS-reported operating margin of 3.8%, mainly impacted by restructuring and related costs from the Accelerate initiative and Belgium.

Underlying income from continuing operations was €593 million, an increase of 6.9% in the quarter at actual rates. Ahold Delhaize's IFRS-reported net income in the quarter was €561 million. Diluted EPS was €0.57 and diluted underlying EPS was €0.61, up 10.5% at actual currency rates compared to last year's results. In the quarter, Ahold Delhaize purchased 7.2 million own shares for €205 million.

U.S. highlights

U.S. net sales were €13.5 billion, an increase of 5.7% at constant exchange rates and up 10.5% at actual exchange rates. U.S. comparable sales excluding gasoline increased by 6.2%. Excluding weather and calendar shifts, U.S. comparable sales would have been 8.1%, continuing to highlight the momentum at all of our U.S. brands. Food Lion continues to lead brand performance, delivering its 42nd consecutive quarter of positive sales growth.

In Q1, online sales in the segment were up 11.9% in constant currency driven primarily by over 20% growth at Food Lion and The GIANT Company, which both opened four new click-and-collect locations during the quarter.

Underlying operating margin in the U.S. was 4.8%, up 0.4 percentage points at constant exchange rates from the prior year period, building on the strong performance in the prior quarter and higher on-shelf availability resulting from improving supply chains. In Q1, U.S. IFRS-reported operating margin was 4.7%.

Europe highlights

European net sales were €8.1 billion, an increase of 7.2% at constant exchange rates and 7.5% at actual exchange rates. Europe's comparable sales increased by 6.1%.

On March 7, Ahold Delhaize's Belgian brand, Delhaize, announced its intention to transform all of its integrated supermarkets in Belgium into independently operated Delhaize stores to strengthen its position in the country's competitive retail market. Ahold Delhaize supports the intention to transform to one aligned operating model, which will allow the brand to better serve customers in the long term. By having all stores operated by local entrepreneurs in the future, Delhaize will have a better opportunity to respond to local conditions. Following the announcement, Delhaize Belgium has been impacted by strikes. Excluding the impact of strikes, Europe's comparable sales increased by 7.7%.

In Q1, net consumer online sales increased by 2.5%. Online sales in grocery increased by 4.6%. At bol.com, gross merchandise value ("GMV") was €1.3 billion, a sequential growth rate improvement compared to Q4 2022. Bol.com's GMV sales from its nearly 52,000 third-party sellers increased by 3.7% in Q1, and represented 65% of sales.

Underlying operating margin in Europe was 2.8% in Q1, down 0.7 percentage points from the prior year mainly due to the impact of escalating energy costs and strikes in Belgium. Excluding these impacts, underlying operating margin in Europe modestly exceeded the prior year. Additionally, the non-cash service charge for the Netherlands employee pension plan decreased €17 million as a result of higher discount rates in the Netherlands. Europe's Q1 IFRS-reported operating margin was 2.5%, mainly impacted by restructuring charges of €15 million primarily related to Belgium.

Outlook

Ahold Delhaize reiterates the Group's 2023 outlook, which we announced when we published our Q4 2022 results. Underlying operating margin is expected to be $\geq 4.0\%$, in line with the Company's historical profile. Underlying EPS is expected to remain at around 2022 levels at current exchange rates. Free cash flow is expected to be approximately €2.0 billion. Net capital expenditures are expected to total around €2.5 billion, with increased investments in digital and online capabilities as well as healthy and sustainable initiatives. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2023, as previously stated.

	Full-year outlook	Underlying operating margin	Underlying EPS	Save for Our Customers	Net capital expenditures	Free cash flow ¹	Dividend payout ratio ^{2,3}	Share buyback ³
Outlook	2023	$\geq 4.0\%$	Around 2022 levels	$\geq \text{€1 billion}$	$\sim \text{€2.5 billion}$	$\sim \text{€2.0 billion}$	40-50% payout; YOY growth in dividend per share	€1 billion

1. Excludes M&A.

2. Calculated as a percentage of underlying income from continuing operations.

3. Management remains committed to our share buyback and dividend programs, but, given the uncertainty caused by the wider macro-economic consequences of the war in Ukraine, will continue to monitor macro-economic developments. The program is also subject to changes resulting from corporate activities, such as material M&A activity.

Group performance

€ million, except per share data	Q1 2023 (13 weeks)	Q1 2022 (13 weeks)	% change	% change constant rates
Net sales	21,624	19,774	9.4 %	6.3 %
Of which: online sales	2,248	2,059	9.2 %	6.9 %
Net consumer online sales ¹	2,922	2,715	7.6 %	5.9 %
Operating income	822	818	0.4 %	(2.8)%
Income from continuing operations	561	546	2.8 %	(0.5)%
Net income	561	546	2.9 %	(0.5)%
Basic income per share from continuing operations (EPS)	0.58	0.54	6.4 %	2.9 %
Diluted income per share from continuing operations (diluted EPS)	0.57	0.54	6.3 %	2.9 %
Underlying EBITDA ¹	1,736	1,636	6.1 %	2.9 %
Underlying EBITDA margin ¹	8.0 %	8.3 %		
Underlying operating income ¹	864	829	4.2 %	0.9 %
Underlying operating margin ¹	4.0 %	4.2 %		
Underlying income per share from continuing operations – basic (underlying EPS) ¹	0.61	0.55	10.6 %	7.1 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS) ¹	0.61	0.55	10.5 %	7.0 %
Free cash flow ¹	21	(21)	NM ²	NM ²

1. Net consumer online sales, underlying EBITDA, underlying operating income, basic and diluted underlying income per share from continuing operations and free cash flow are alternative performance measures that are used throughout the report. For a description of alternative performance measures, see [Note 3: Alternative performance measures](#) to the interim financial statements.
2. Not meaningful, as free cash flow was negative in Q1 2022.

Performance by segment

The United States

	Q1 2023 (13 weeks)	Q1 2022 (13 weeks)	% change	% change constant rates
\$ million				
Net sales	14,464	13,680	5.7 %	
Of which: online sales	1,206	1,077	11.9 %	
€ million				
Net sales	13,479	12,199	10.5 %	5.7 %
Of which: online sales	1,124	961	17.0 %	11.9 %
Operating income	632	540	17.0 %	12.0 %
Underlying operating income	648	542	19.6 %	14.5 %
Underlying operating margin	4.8 %	4.4 %		
Comparable sales growth	5.7 %	4.1 %		
Comparable sales growth excluding gasoline	6.2 %	3.3 %		

Europe

	Q1 2023 (13 weeks)	Q1 2022 (13 weeks)	% change	% change constant rates
€ million				
Net sales	8,145	7,575	7.5 %	7.2 %
Of which: online sales	1,125	1,098	2.4 %	2.4 %
Net consumer online sales	1,798	1,754	2.5 %	2.5 %
Operating income	202	255	(20.9)%	(21.2)%
Underlying operating income	229	263	(12.8)%	(13.2)%
Underlying operating margin	2.8 %	3.5 %		
Comparable sales growth	6.1 %	(3.1)%		
Comparable sales growth excluding gasoline	6.1 %	(3.1)%		

Global Support Office

	Q1 2023 (13 weeks)	Q1 2022 (13 weeks)	% change	% change constant rates
€ million				
Underlying operating income (expense)	(13)	25	NM ¹	NM ¹
Underlying operating expense excluding insurance results	(30)	(36)	(14.4)%	(15.8)%

1. Not meaningful, as the result is an income in Q1 2022, compared to a loss in Q1 2021.

In Q1, underlying Global Support Office operating expense was €13 million, compared to an income of €25 million in the prior year, mainly due to a decrease of €43 million in positive insurance results. The insurance results in Q1 2022 included a significant favorable discounting effect on the Company's insurance provisions, driven by the increase in interest rates.

Financial review

Q1 2023 (compared to Q1 2022)

Underlying operating income increased by €35 million to €864 million, and was adjusted for the following items, which impacted reported IFRS operating income:

- Impairments of €13 million (Q1 2022: €5 million)
- (Gains) and losses on leases and the sale of assets of €2 million (Q1 2022: €(7) million)
- Restructuring and related charges and other items of €28 million – expense (Q1 2022: €12 million – expense).

Including these items, IFRS operating income increased by €3 million to €822 million.

Income from continuing operations was €561 million, representing an increase of €15 million compared to last year. This was driven by lower net financial expenses of €17 million and a €3 million increase in operating income, partially offset by a lower share in income of joint ventures of €3 million and higher income taxes of €2 million.

Free cash flow was €21 million, which represents an increase of €42 million compared to Q1 2022. This was driven by a higher operating cash flow of €95 million; lower net interest paid of €28 million; a favorable development in working capital of €13 million; and lower net investments of €10 million, partially offset by higher income taxes paid of €77 million and higher net lease repayments of €27 million.

Net debt increased in Q1 2023 by €274 million to €14,690 million, compared to Q4 2022. This was mainly driven by the share buyback of €205 million and an increase in lease liabilities of €162 million, partially offset by the foreign exchange impact on net debt of €85 million and the free cash flow of €21 million.

Store portfolio

Store portfolio (including franchise and affiliate stores):

	End of Q1 2022	Opened / acquired	Closed / sold	End of Q1 2023
The United States	2,046	8	(5)	2,049
Europe ¹	5,505	182	(100)	5,587
Total	7,551	190	(105)	7,636

1. The number of stores at the end of Q1 2023 includes 1,127 specialty stores (Etos and Gall & Gall); (end of Q1 2022: 1,129).

	End of Q4 2022	Opened / acquired	Closed / sold	End of Q1 2023
The United States	2,051	—	(2)	2,049
Europe ¹	5,608	26	(47)	5,587
Total	7,659	26	(49)	7,636

1. The number of stores at the end of Q1 2023 includes 1,127 specialty stores (Etos and Gall & Gall); (end of Q4 2022: 1,125).

Risks and uncertainties

Ahold Delhaize's enterprise risk management program provides executive management with a periodic and holistic understanding of Ahold Delhaize's key business risks and the management practices in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial, compliance / regulatory and ESG risk categories. The principal risks faced by Ahold Delhaize during the first quarter of the financial year were substantially the same as those disclosed within the 2022 Annual Report.

Consolidated income statement

€ million, except per share data	Note	Q1 2023	Q1 2022
Net sales	5/6	21,624	19,774
Cost of sales		(15,793)	(14,414)
Gross profit		5,831	5,360
Other income		169	143
Selling expenses		(4,304)	(3,957)
General and administrative expenses		(873)	(728)
Operating income	5	822	818
Interest income		32	9
Interest expense		(70)	(52)
Net interest expense on defined benefit pension plans		(4)	(4)
Interest accretion to lease liability		(91)	(85)
Other financial income (expense)		13	(5)
Net financial expenses		(120)	(137)
Income before income taxes		702	682
Income taxes		(143)	(141)
Share in income of joint ventures		2	5
Income from continuing operations		561	546
Loss from discontinued operations		—	—
Net income		561	546
Attributable to:			
Common shareholders		561	546
Non-controlling interests		—	—
Net income		561	546
Net income per share attributable to common shareholders:			
Basic		0.58	0.54
Diluted		0.57	0.54
Income from continuing operations per share attributable to common shareholders:			
Basic		0.58	0.54
Diluted		0.57	0.54
Weighted average number of common shares outstanding (in millions):			
Basic		974	1,007
Diluted		978	1,011
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9319	0.8919

Consolidated statement of comprehensive income

€ million	Note	Q1 2023	Q1 2022
Net income		561	546
Remeasurements of pension plans:			
Remeasurements before taxes – income (loss)		(27)	48
Income taxes		7	(12)
Other comprehensive income (loss) that will not be reclassified to profit or loss		(20)	36
Currency translation differences in foreign interests:			
Continuing operations		(133)	341
Income taxes		(1)	(1)
Cash flow hedges:			
Fair value result for the period		—	—
Transfers to net income		—	—
Income taxes		—	—
Non-realized gains (losses) on debt and equity instruments:			
Fair value result for the period		—	—
Income taxes		—	—
Other comprehensive income of joint ventures – net of income taxes:			
Share of other comprehensive income from continuing operations		—	—
Other comprehensive income (loss) reclassifiable to profit or loss		(134)	341
Total other comprehensive income (loss)		(154)	377
Total comprehensive income		408	923
Attributable to:			
Common shareholders		408	923
Non-controlling interests		—	—
Total comprehensive income		408	923
Attributable to:			
Continuing operations		408	923
Discontinued operations		—	—
Total comprehensive income		408	923

Consolidated balance sheet

€ million	Note	April 2, 2023	January 1, 2023, restated
Assets			
Property, plant and equipment		12,215	12,482
Right-of-use asset		9,720	9,607
Investment property		640	661
Intangible assets		13,092	13,174
Investments in joint ventures and associates		247	262
Other non-current financial assets		804	1,193
Deferred tax assets		234	242
Other non-current assets		121	116
Total non-current assets		37,073	37,737
Assets held for sale		41	26
Inventories		4,805	4,611
Receivables		2,073	2,340
Other current financial assets		432	424
Income taxes receivable		410	35
Prepaid expenses and other current assets		345	301
Cash and cash equivalents	9	3,666	3,082
Total current assets		11,773	10,818
Total assets		48,845	48,555
Equity and liabilities			
Equity attributable to common shareholders	8	15,623	15,405
Loans		4,491	4,527
Other non-current financial liabilities		11,114	11,055
Pensions and other post-employment benefits		714	696
Deferred tax liabilities		1,010	1,005
Provisions		746	742
Other non-current liabilities		42	44
Total non-current liabilities		18,116	18,068
Accounts payable		7,579	8,162
Other current financial liabilities		3,572	2,718
Income taxes payable		240	230
Provisions		386	377
Other current liabilities		3,328	3,595
Total current liabilities		15,106	15,082
Total equity and liabilities		48,845	48,555
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.9226	0.9341

See [Note 2](#) for details about the restatement of the 2022 figures due to the implementation of IFRS 17.

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings ¹	Equity attributable to common shareholders
Balance as of January 2, 2022		10	10,988	(75)	(2)	2,799	13,721
Net income attributable to common shareholders		—	—	—	—	546	546
Other comprehensive income attributable to common shareholders		—	—	341	—	36	377
Total comprehensive income attributable to common shareholders		—	—	341	—	582	923
Share buyback		—	—	—	—	(267)	(267)
Cancellation of treasury shares		—	—	—	—	—	—
Share-based payments		—	—	—	—	10	10
Balance as of April 3, 2022		10	10,988	266	(2)	3,125	14,387
Balance as of January 1, 2023		10	9,603	595	(1)	5,198	15,405
Net income attributable to common shareholders		—	—	—	—	561	561
Other comprehensive income attributable to common shareholders		—	—	(134)	—	(20)	(154)
Total comprehensive income attributable to common shareholders		—	—	(134)	—	541	408
Share buyback	8	—	—	—	—	(206)	(206)
Cancellation of treasury shares		—	(493)	—	—	493	—
Share-based payments		—	—	—	—	16	16
Balance as of April 2, 2023		10	9,110	461	(1)	6,044	15,623

1. Other reserves include, among others, the remeasurements of defined benefit plans.

Consolidated statement of cash flows

€ million	Note	Q1 2023	Q1 2022 restated
Income from continuing operations		561	546
Adjustments for:			
Net financial expenses		120	137
Income taxes		143	141
Share in income of joint ventures		(2)	(5)
Depreciation, amortization and impairments		884	812
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(1)	(6)
Share-based compensation expenses		12	10
Operating cash flows before changes in operating assets and liabilities		1,717	1,635
Changes in working capital:			
Changes in inventories		(228)	(303)
Changes in receivables and other current assets		241	25
Changes in payables and other current liabilities		(669)	(390)
Changes in other non-current assets, other non-current liabilities and provisions		(25)	(38)
Cash generated from operations		1,036	928
Income taxes paid – net		(96)	(20)
Operating cash flows from continuing operations		940	909
Operating cash flows from discontinued operations		—	—
Net cash from operating activities		940	909
Purchase of non-current assets		(528)	(511)
Divestments of assets / disposal groups held for sale		34	6
Acquisition of businesses, net of cash acquired	4	(2)	—
Divestment of businesses, net of cash divested		—	—
Changes in short-term deposits and similar instruments		—	—
Dividends received from joint ventures		1	—
Interest received		29	6
Lease payments received on lease receivables		29	30
Other		3	—
Investing cash flows from continuing operations		(435)	(468)
Investing cash flows from discontinued operations		—	—
Net cash from investing activities		(435)	(468)
Proceeds from long-term debt		—	—
Interest paid		(27)	(32)
Repayments of loans		(19)	(23)
Changes in short-term loans		829	962
Repayment of lease liabilities		(455)	(429)
Dividends paid on common shares	8	—	—
Share buyback	8	(205)	(268)
Other cash flows from derivatives		—	—
Other		3	(13)
Financing cash flows from continuing operations		125	197
Financing cash flows from discontinued operations		—	—
Net cash from financing activities		125	197
Net cash from operating, investing and financing activities		629	637
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		3,054	2,968
Effect of exchange rates on cash and cash equivalents		(27)	113
Cash and cash equivalents at the end of the period (excluding restricted cash)	9	3,656	3,718
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9319	0.8919

See [Note 2](#) for details about the restatement of the 2022 figures due to the implementation of IFRS 17.

Notes to the summarized financial information

1. The Company and its operations

The principal activity of Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize" or the "Company" or "Group" or "Ahold Delhaize Group"), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores and e-commerce primarily in the United States and Europe.

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

2. Accounting policies

Basis of preparation

This summarized financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize's 2022 financial statements, except as otherwise indicated below under "New and revised IFRSs effective in 2023."

All amounts disclosed are in millions of euros (€), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

Ahold Delhaize's financial year consists of 52 weeks in 2023 and 2022, and is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks.

New and revised IFRSs effective in 2023

The following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of January 2, 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2, "*Disclosure of Accounting policies*"
- Amendments to IAS 8, "*Definition of Accounting Estimates*"
- Amendments to IAS 12, "*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*"

These amendments do not have a significant impact on the Company's consolidated financial statements.

In addition to the amendments listed above, the following standard became effective for Ahold Delhaize's consolidated financial statements as of January 2, 2023:

- IFRS 17, "*Insurance Contracts*"

IFRS 17 replaces IFRS 4, "Insurance Contracts." The Company adopted IFRS 17 on January 2, 2023, and applied the full retrospective transition approach and, therefore, the comparative figures for the 2022 financial year have been restated, as presented below.

The impact of IFRS 17 on the 2022 balance sheet was as follows:

€ million	January 1, 2023, as reported	Effect of IFRS 17 adoption	January 1, 2023, restated
Assets			
Receivables	2,391	(51)	2,340
Other current financial assets	373	51	424
Total current assets	10,818	—	10,818
Total assets	48,555	—	48,555
Equity and liabilities			
Equity attributable to common shareholders	15,405	—	15,405
Accounts payable	8,191	(29)	8,162
Other current financial liabilities	2,689	29	2,718
Total current liabilities	15,082	—	15,082
Total liabilities and shareholders' equity	48,555	—	48,555

The impact of IFRS 17 on the Reinsurance contract asset and the Reinsurance contract liability as of January 1, 2023, as presented in [Note 10](#), was as follows:

€ million	January 1, 2023, as reported	Effect of IFRS 17 adoption	January 1, 2023, restated
Reinsurance contract asset	283	51	333
Reinsurance contract liability	(273)	(29)	(302)

The impact of IFRS 17 on the opening balance sheet at transition date was as follows:

€ million	January 3, 2022, as reported	Effect of IFRS 17 adoption	January 3, 2022, restated
Assets			
Receivables	2,058	(52)	2,005
Other current financial assets	356	52	408
Prepaid expenses and other current assets	387	(119)	268
Total current assets	9,584	(119)	9,465
Total assets	45,712	(119)	45,593
Equity and liabilities			
Equity attributable to common shareholders	13,721	—	13,721
Accounts payable	7,563	(32)	7,531
Other current financial liabilities	2,552	32	2,584
Other current liabilities	3,483	(119)	3,364
Total current liabilities	14,179	(119)	14,060
Total liabilities and shareholders' equity	45,712	(119)	45,593

The impact of IFRS 17 on the Q1 2022 cash flow statement was as follows:

€ million	Q1 2022 as reported	Effect of IFRS 17 adoption	Q1 2022 restated
Operating cash flows before changes in operating assets and liabilities	1,635	—	1,635
Changes in working capital:			
Changes in receivables and other current assets	65	(40)	25
Changes in payables and other current liabilities	(430)	39	(390)
Changes in other non-current assets, other non-current liabilities and provisions	(39)	1	(38)
Cash generated from operations	928	—	928

The impact of IFRS 17 on the Q1 2022 free cash flow, as presented in [Note 3](#), was as follows:

€ million	Q1 2022 as reported	Effect of IFRS 17 adoption	Q1 2022 restated
Operating cash flows before changes in working capital and income taxes paid	1,596	1	1,597
Changes in working capital	(668)	(1)	(669)
Free cash flow	(21)	—	(21)

3. Alternative performance measures

These interim financial statements include alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included under *Definitions and abbreviations* in Ahold Delhaize's Annual Report 2022.

Free cash flow

€ million	Q1 2023	Q1 2022 restated
Operating cash flows from continuing operations before changes in working capital and income taxes paid ¹	1,692	1,597
Changes in working capital ¹	(656)	(669)
Income taxes paid – net	(96)	(20)
Purchase of non-current assets	(528)	(511)
Divestments of assets / disposal groups held for sale	34	6
Dividends received from joint ventures	1	—
Interest received	29	6
Interest paid	(27)	(32)
Lease payments received on lease receivables	29	30
Repayment of lease liabilities	(455)	(429)
Free cash flow	21	(21)

1. Operating cash flows from continuing operations before changes in working capital and income taxes paid and Changes in working capital have been restated due to the implementation of IFRS 17 (see [Note 2](#)).

Net debt

€ million	April 2, 2023	January 1, 2023
Loans	4,491	4,527
Lease liabilities	10,709	10,637
Non-current portion of long-term debt	15,200	15,164
Short-term borrowings and current portion of long-term debt	3,301	2,476
Gross debt	18,500	17,640
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments ^{1, 2, 3, 4}	3,810	3,223
Net debt	14,690	14,416

1. Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at April 2, 2023, was €16 million (January 1, 2023: €16 million) and is presented within Other current financial assets in the consolidated balance sheet.
2. Included in the short-term portion of investments in debt instruments is a U.S. Treasury investment fund in the amount of €128 million (January 1, 2023: €125 million).
3. Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at April 2, 2023, was €323 million (January 1, 2023: €414 million).
4. Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,299 million (January 1, 2023: €712 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.

Underlying EBITDA

€ million	Q1 2023	Q1 2022
Underlying operating income	864	829
Depreciation and amortization	871	807
Underlying EBITDA	1,736	1,636

Underlying income from continuing operations

€ million, except per share data	Q1 2023	Q1 2022
Income from continuing operations	561	546
Adjustments to operating income	43	11
Tax effect on adjusted and unusual items	(11)	(2)
Underlying income from continuing operations	593	555
Underlying income from continuing operations for the purpose of diluted earnings per share	593	555
Basic income per share from continuing operations ¹	0.58	0.54
Diluted income per share from continuing operations ²	0.57	0.54
Underlying income per share from continuing operations – basic ¹	0.61	0.55
Underlying income per share from continuing operations – diluted ²	0.61	0.55

1. Basic and underlying earnings per share from continuing operations are calculated by dividing the (underlying) income from continuing operations attributable to equity holders by the average numbers of shares outstanding. The weighted average number of shares used for calculating the basic and underlying earnings per share for Q1 2023 is 974 million (Q1 2022: 1,007 million).
2. The diluted earnings per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income from continuing operations by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares used for calculating the diluted underlying EPS for Q1 2023 is 978 million (Q1 2022: 1,011 million).

4. Business combinations and intangible assets

Business combinations in Q1 included a store acquisition in the Netherlands with a purchase consideration of €2 million. The provisional allocation of the fair values of the identifiable assets acquired, liabilities assumed and goodwill arising from acquisitions through Q1 2023 is as follows:

€ million	Store acquisitions
Property, plant and equipment	—
Other intangible assets	—
Assets held for sale	—
Inventories	—
Net identifiable assets acquired	1
Goodwill	1
Total purchase consideration	3
Purchase consideration in kind	(1)
Cash acquired (excluding restricted cash)	—
Acquisition of businesses, net of cash acquired	2

A reconciliation of Ahold Delhaize's Goodwill balance is as follows:

€ million	Goodwill
As of January 1, 2023	
At cost	7,990
Accumulated impairment losses	(69)
Opening carrying amount	7,920
Acquisitions through business combinations	1
Exchange rate differences	(56)
Closing carrying amount	7,866
As of April 2, 2023	
At cost	7,932
Accumulated impairment losses	(66)
Closing carrying amount	7,866

5. Segment reporting

Ahold Delhaize's retail operations are presented in two reportable segments. In addition, "Other retail," consisting of Ahold Delhaize's unconsolidated joint ventures JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, is presented separately. The accounting policies used for the segments are the same as the accounting policies used for these interim financial statements.

All reportable segments sell a wide range of perishable and non-perishable food and non-food consumer products.

Reportable segment	Operating segments included in the reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food and FreshDirect
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize ("Delhaize Le Lion" including Belgium and Luxembourg) bol.com (including the Netherlands and Belgium) Albert (Czech Republic) Alfa Beta (Greece) Mega Image (Romania) Delhaize Serbia (Republic of Serbia) Etos (the Netherlands) Gall & Gall (the Netherlands)
Other	Included in Other
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)
Global Support Office	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)

Q1 2023

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	13,479	8,145	—	21,624
Of which: online sales	1,124	1,125	—	2,248
Operating income (expense)	632	202	(13)	822
Impairment losses and reversals – net	2	11	—	13
(Gains) losses on leases and the sale of assets – net	—	1	—	2
Restructuring and related charges and other items	13	15	—	28
<i>Adjustments to operating income</i>	15	28	—	43
Underlying operating income (expense)	648	229	(13)	864

Q1 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	12,199	7,575	—	19,774
Of which: online sales	961	1,098	—	2,059
Operating income (expense)	540	255	23	818
Impairment losses and reversals – net	4	1	—	5
(Gains) losses on leases and the sale of assets – net	(2)	(4)	—	(7)
Restructuring and related charges and other items	(1)	11	2	12
<i>Adjustments to operating income</i>	1	8	2	11
Underlying operating income (expense)	542	263	25	829

The Q1 2022 underlying operating income of €25 million at the Global Support Office includes €60 million income result from insurance activities, mainly due to a favorable discounting effect on the Company's insurance provisions driven by a significant increase in interest rates.

Additional information

Results in local currency for the United States are as follows:

\$ million	Q1 2023	Q1 2022
Net sales	14,464	13,680
Of which: online sales	1,206	1,077
Operating income	679	606
Underlying operating income	695	607

6. Net sales

€ million	Q1 2023			Q1 2022		
	The United States	Europe	Ahold Delhaize Group	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	12,305	5,181	17,485	11,194	4,834	16,028
Sales to and fees from franchisees and affiliates	—	1,818	1,818	—	1,619	1,619
Online sales	1,124	1,125	2,248	961	1,098	2,059
Wholesale sales	50	22	72	45	23	68
Net sales	13,479	8,145	21,624	12,199	7,575	19,774

7. Income taxes

The income tax expense and the effective tax rate for Q1 2023 are at the same level as for Q1 2022.

In March 2023, Ahold Delhaize signed an agreement with the Belgian tax authorities relating to its tax return over 2018. Based on this agreement, Ahold Delhaize expects to fully recover its outstanding receivable in this regard.

8. Equity attributable to common shareholders
Dividend on common shares

On April 12, 2023, the General Meeting of Shareholders approved the dividend over 2022 of €1.05 per common share. The interim dividend for 2022 of €0.46 per common share was paid on September 1, 2022. The final dividend of €0.59 per common share was paid on April 27, 2023.

Share buyback

On January 2, 2023, the Company commenced the €1 billion share buyback program that was announced on November 9, 2022. The program is expected to be completed before the end of 2023.

In the first quarter of the year, 7,212,795 of the Company's own shares were repurchased at an average price of €28.64 per share. During the quarter, the share buyback program resulted in a net transactional discount from the dealers of €1 million.

The number of outstanding common shares as of April 2, 2023, was 970,142,943 (January 1, 2023: 977,352,954).

9. Cash

The following table presents the reconciliation between the cash and cash equivalents as presented in the statement of cash flows and on the balance sheet:

€ million	April 2, 2023	January 1, 2023
Cash and cash equivalents as presented in the statement of cash flows	3,656	3,054
Restricted cash	10	28
Cash and cash equivalents as presented on the balance sheet	3,666	3,082

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,299 million (January 1, 2023: €712 million), which is fully offset by an identical amount included under Other current financial liabilities.

10. Financial instruments

The following table presents the fair value of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amount at which these instruments are included on the balance sheet. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss.

€ million	April 2, 2023		January 1, 2023, restated	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	33	31	36	34
Lease receivable	522	483	518	498
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance contract asset ¹	338	338	333	333
Investments in debt instruments	138	138	136	136
Derivative financial instruments				
Derivatives	3	3	2	2
Financial liabilities at amortized cost				
Notes	(4,344)	(4,123)	(4,373)	(4,075)
Financing obligations	(186)	(102)	(194)	(109)
Other long-term financial liabilities	(271)	(268)	(269)	(268)
Financial liabilities at fair value through profit or loss (FVPL)				
Reinsurance contract liability ¹	(301)	(301)	(302)	(302)
Derivative financial instruments				
Derivatives	(22)	(22)	(26)	(26)

1. Reinsurance contract asset and Reinsurance contract liability have been restated due to the implementation of IFRS 17 (see [Note 2](#)).

Of Ahold Delhaize's categories of financial instruments, only derivatives, investments in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. A description of the valuation techniques and inputs used to develop the measurements is included in *Note 30* of Ahold Delhaize's 2022 financial statements, as included in the Annual Report 2022, published on March 1, 2023.

Ahold Delhaize posted deposits as collateral in the net amount of €24 million as of April 2, 2023 (January 1, 2023: €26 million). The counterparties have an obligation to repay the deposits to Ahold Delhaize upon settlement of the contracts.

11. Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, April 2, 2023, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2022.

12. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 1, 2023, is included in *Note 34* of Ahold Delhaize's 2022 financial statements, as included in the Annual Report 2022, published on March 1, 2023.

13. Subsequent events

On March 28, 2023, Ahold Delhaize announced that it successfully launched and priced a €500 million Green Bond, with a term of five years, maturing on April 4, 2028. The issuance was priced at 99.851% and carries an annual coupon of 3.5%. The settlement of the bond issue took place on April 4, 2023. The bond proceeds will be used to finance and re-finance Ahold Delhaize's new or existing assets with a positive measurable environmental impact in the following categories:

- Green buildings
- Renewable energy
- Energy efficiency
- Clean transportation
- Pollution prevention and control

This inaugural Green Bond reinforces the continued alignment of the Company's funding strategy to its sustainability strategy and overall ESG ambitions.

Zaandam, the Netherlands, May 9, 2023

Management Board

Frans Muller (President and Chief Executive Officer)

Natalie Knight (Chief Financial Officer)

JJ Fleeman (Chief Executive Officer Ahold Delhaize USA)

Wouter Kolk (Chief Executive Officer Ahold Delhaize Europe and Indonesia)

Financial calendar

Ahold Delhaize's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31. Ahold Delhaize's 2023 financial year consists of 52 weeks and ends on December 31, 2023. The key publication dates for 2023 are as follows:

August 9 – Results Q2 2023 November 8 – Results Q3 2023

Cautionary notice

This communication contains information that qualifies as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation. This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as continu(e)/(ing), well positioned, constant, outlook, consistent, know, expect, remain, consider, ambition, well positioned, short term, confident, intention, opportunity, risks, uncertainties or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the "Company") to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions, including high levels of inflation, on consumer spending; changes in consumer expectations and preferences; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; energy supply issues; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to environmental, social and governance matters (including performance) and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; ransomware and other cybersecurity issues relating to the failure or breach of security of IT systems; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; inability to obtain effective levels of insurance coverage; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company's public filings and other disclosures.

Forward-looking statements reflect the current views of the Company's management and assumptions based on information currently available to the Company's management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

For more information:

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About Ahold Delhaize

Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great local brands serves 60 million customers each week, both in stores and online, in the United States, Europe and Indonesia. Together, these brands employ more than 414,000 associates in 7,659 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. The company's focus on four growth drivers – drive omnichannel growth, elevate healthy and sustainable, cultivate best talent and strengthen operational excellence – is helping to fulfil its purpose, achieve its vision and prepare its brands and businesses for tomorrow. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit: www.aholddelhaize.com.

