Ahold Delhaize

Interim Report

First quarter 2018

Ahold Delhaize reports another strong quarter with operating income up 10.5% at constant exchange rates

- Net sales of €14.9 billion, up 2.5% at constant exchange rates
- Net consumer online sales up 23.2% at constant exchange rates
- Underlying operating margin up 0.2%-point to 4.0%, underlying operating income €600 million
- Net income up 25.7% at constant exchange rates to €407 million
- Improved comparable sales growth in the U.S., with synergies driving further margin expansion
- Encouraging sales trends in Belgium as a result of improved commercial and operational performance
- Strong free cash flow of €441 million, up €244 million, mainly due to improved net working capital

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Zaandam, the Netherlands, May 9, 2018 - Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports another strong quarter with solid sales growth and higher margins, resulting in marked growth of operating income and strong growth of net income at constant exchange rates.

Dick Boer, CEO of Ahold Delhaize, said: "We are pleased with our performance during the first quarter, proving that the execution of our Better Together strategy continues to bear fruit, delivering sales growth and synergies throughout the business. Benefiting from our scale and building on our leading positions on the U.S. East Coast and in Europe, our great local brands demonstrated their capabilities and agility to meet rapidly changing consumer needs and preferences.

"First-quarter sales rose 2.5% at constant exchange rates to €14.9 billion, supported by a solid performance in our brick-and-mortar stores and ongoing strong growth of online businesses. Our underlying operating margin expanded to 4.0% from 3.8% in the same period last year, primarily driven by synergies. Net consumer online sales grew 23% across the group, maintaining our momentum to realize nearly €5 billion in online consumer sales by 2020.

"The U.S. brands, which are reported as one segment as of January 1, reported improved comparable sales growth excluding gasoline of 2.8%, supported by the favorable impact of holidays and some weather impact. The underlying operating margin rose 30 basis points to 4.3%, driven by synergies and with our "save for our customers" program offsetting cost inflation. In a competitive market with new entrants, Food Lion reported its 23rd consecutive quarter of comparable volume growth, as its "Easy, Fresh and Affordable" program is now deployed in more than 500 of its stores. Furthermore, online sales grew 9% across all our U.S. brands.

"The Netherlands reported comparable sales growth of 3.2%. Bol.com and ah.nl continued their strong performance, driving the 28% growth in net consumer sales, supported by ongoing investments. In Belgium, Delhaize reported encouraging sales figures, with comparable sales growth of 4.1%, as new management is starting to implement commercial and operational improvements. In Central and Southeastern Europe, Romania posted 19% sales growth, driven by strong comparable sales growth and new store openings, while sales in Greece were impacted by competition recovering, re-opening and remodeling their stores.

"We delivered €100 million of net cumulative synergy savings in the quarter, of which €44 million is incremental to the first quarter last year, and we remain firmly on track to realize €750 million of gross synergies by 2019, of which €250 million are to be reinvested in our brands.

"Free cash flow was €441 million, putting us on track to deliver on our target of around €1.9 billion, allowing us to keep investing in our omni-channel offering to provide customers with a convenient shopping experience and competitive prices.

"With Frans Muller succeeding me as CEO on July 1, I am confident our strong leadership team will continue to drive innovation and growth in stores and online as we create value for all our stakeholders and live up to our promise to be a better place to shop."

Group performance

€ million, except per share data	Q1 2018	Q1 2017	% change	% change constant rates
Net sales	14,933	15,870	(5.9)%	2.5%
Of which: online sales	631	554	14.0 %	19.5%
Net consumer online sales[1]	761	643	18.4 %	23.2%
Operating income	574	569	0.8 %	10.5%
Income from continuing operations	407	356	14.4 %	25.6%
Net income	407	356	14.5 %	25.7%
Basic income per share from continuing operations	0.34	0.28	21.4 %	30.8%
Underlying EBITDA[1]	1,037	1,061	(2.3)%	7.1%
Underlying EBITDA margin[1]	6.9%	6.7%		
Underlying operating income[1]	600	606	(1.0)%	8.5%
Underlying operating margin[1]	4.0%	3.8%		
Underlying income per share from continuing operations[1]	0.35	0.30	16.7 %	29.6%
Free cash flow[1]	441	197	124.0 %	175.6%

1. *Net consumer online sales, Underlying EBITDA, underlying operating income and free cash flow are alternative performance measures which are used throughout the report. For a description of alternative performance measures, refer to section* Use of alternative performance measures *at the end of this report.*

Changes to 2018 reporting

As of the first quarter of 2018, the Ahold USA and Delhaize America segments are reported as one reportable segment "The United States" following the restructuring and set up of the U.S. brand-centric organization, with Ahold Delhaize USA as the parent company as of January 1, 2018.

Since online is becoming a more substantial part of our business, we provide more detail on online sales, publishing net consumer online sales and net online sales per reportable segment. The online sales definition has been updated to reflect the sales from all online channels. Refer to note 5 of the interim financial statements.

As of the first quarter of 2018, Ahold Delhaize no longer publishes pro forma results, as the comparable year 2017 was already a full year as a merged company. Where published pro forma numbers for 2017 differ materially from non-pro forma numbers, this will be explained in the narrative or footnote.

Net sales growth of 2.5% at constant exchange rates for the first quarter of 2018 would be 3.1% adjusted for remedy stores sold over the course of 2017. The impact of remedy stores on other performance measures is negligible.

All amounts disclosed are in millions of euros, unless otherwise stated. The % change and margins are calculated based on the amounts in thousands (except per share data).

Performance by segment

The United States

	Q1 2018	Q1 2017	% change	% change constant rates
$ million				
Net sales	10,860	10,641	2.1 %	
Of which: online sales	222	203	9.4 %	
€ million				
Net sales	8,839	9,989	(11.5)%	2.1%
Of which: online sales	181	191	(5.1)%	9.4%
Operating income	366	374	(2.0)%	13.3%
Underlying operating income	378	401	(5.9)%	8.6%
Underlying operating margin	4.3%	4.0 %		
Comparable sales growth	3.0%	(0.7)%		
Comparable sales growth excluding gasoline	2.8%	(1.1)%		

In the first quarter of 2018, net sales in the United States increased by 2.1% at constant exchange rates to €8,839 million. Sales growth excluding gasoline was 1.9% and 2.7% adjusted for remedy stores sold over the course of 2017. Comparable sales excluding gas increased by 2.8%, favorably impacted by both the timing of the New Year's and Easter holidays versus the same quarter last year, as well as some positive weather impact. Price inflation was 2.3%, cycling a deflationary first quarter last year. Online sales in the U.S. increased by 9.4% at constant exchange rates to €181 million, driven by Peapod, the further expansion of the online service Hannaford To Go and by same day, third-party delivery.

Giant/Martin's[1] sales continued to benefit from the growth of its in-store Beer and Wine Eatery sites, resulting in an increase of transactions, driving comparable sales growth of 3.6% this quarter.

Food Lion reported its 23rd consecutive quarter of comparable volume growth. The brand announced in the quarter that it has agreed to purchase three Farm Fresh stores in the greater Norfolk market in Virginia. The transaction is expected to be completed in May. In addition, it plans to acquire four Bi-Lo stores, further strengthening its position in South Carolina.

Hannaford has rolled out its digital My Hannaford Rewards program chain wide this quarter, offering participating customers a reward on more than 5,000 own brand products, as well as personalized coupons for national- and regional-brand products.

Peapod lowered thousands of prices on products that matter most to customers. Peapod expanded its popular meal kit line to include new recipes, and introduced a discounted midweek subscription for PodPass customers.

Underlying operating margin was 4.3%, up 0.3% percentage points from the same quarter last year. The margin was higher due to continued strong synergy savings with our "save for our customers" programs offsetting cost inflation.

1. Giant/Martin's was previously named Giant Carlisle

The Netherlands

€ million	Q1 2018	Q1 2017	% change
Net sales	3,408	3,320	2.7 %
Of which: online sales	434	350	23.9 %
Net consumer online sales	564	440	28.3 %
Operating income	162	168	(3.7)%
Underlying operating income	166	167	(0.2)%
Underlying operating margin	4.9%	5.0%	
Comparable sales growth	3.2%	3.3%	

Net sales of €3,408 million increased by 2.7% compared to the previous year and 3.4% adjusted for remedy stores sold over the course of 2017. Comparable sales grew by 3.2%. The positive effect of the timing of Easter was offset by the timing of the New Year's holiday versus the same quarter last year. Last year's sales included a very successful savings campaign for high-quality pans at Albert Heijn.

Albert Heijn continued to grow its "Best Buy" product range to well over 800 products, offering value for money with "good products for the smallest price." Efforts to reduce the level of sugar, salt and saturated fat continued, with Albert Heijn's "Soups to Mash" for the second year in a row winning the Healthy Food Product of the Year Award.

Bol.com and ah.nl continued their strong sales performance. Online sales grew by 23.9% compared to last year, while net consumer online sales increased by 28.3%. Bol.com third party Plaza sales grew by 47%, with more than 20,000 merchants in the Netherlands and Belgium selling their products on this platform. Consumer electronics, now its largest category, reported strong sales growth of more than 30%. Bol.com was again named "Best Shop in the Netherlands" for its wide range, fast delivery and convenient shopping.

The underlying operating margin was 4.9%, down 0.1 percentage points compared to the same quarter last year, as a result of investments in online growth. The margin excluding bol.com was 5.6%. This was flat versus the same quarter last year, as a result of saving programs, which include synergy savings, and good cost control, offset by further investments in growth at ah.nl.

Belgium

€ million	Q1 2018	Q1 2017	% change
Net sales	1,245	1,186	5.0 %
Of which: online sales	12	10	26.6 %
Operating income	25	26	(6.3)%
Underlying operating income	28	29	(2.9)%
Underlying operating margin	2.3%	2.4 %	
Comparable sales growth	4.1%	(0.7)%	

Net sales in Belgium were €1,245 million, up 5.0% versus the same quarter last year. Comparable sales increased 4.1%, and included the positive impact of the timing of Easter. All store formats showed solid growth versus last year with increased transactions as well as a higher average basket size. The stores benefited from new elements in the company's commercial plan as well as the first results of the repositioning of the brand. Delhaize.be, our online business in Belgium, grew sales by 26.6%.

With consumers in Belgium and Luxembourg increasingly interested in making healthier food choices, Delhaize launched a multimedia campaign in the quarter that focuses on health and nutrition. The campaign will run throughout 2018.

Besides reinforcing the commercial plan, Delhaize made investments in the supply chain processes and improved the product availability in its own stores.

Underlying operating margin was 2.3%, down 0.1 percentage points compared to last year. Gross margin improved mainly due to synergies and lower logistical costs, partially offset by increased promotional activities, while operating expenses increased mainly due to higher operational labor costs.

Central and Southeastern Europe (CSE)

€ million	Q1 2018	Q1 2017	% change	% change constant rates
Net sales	1,441	1,375	4.7%	2.6%
Operating income	43	41	5.1%	4.8%
Underlying operating income	44	41	6.9%	6.5%
Underlying operating margin	3.0%	3.0%		
Comparable sales growth	0.4%	1.7%		
Comparable sales growth excluding gasoline	0.7%	1.5%		

Net sales increased by 2.6% at constant exchange rates to €1,441 million. Net sales growth in the first quarter resulted from comparable sales growth of 0.4% and the net addition of 115 stores compared to a year ago. In Greece, comparable sales growth was negative due to further normalizing and strengthening of the competitive environment. Romania reported 11.9% comparable sales growth, and Serbia and the Czech Republic also reported strong growth.

Mega Image continues to expand rapidly both in the greater Bucharest area as well as in a number of cities with similar positive sales response as in Bucharest. Albert, our Czech brand, successfully optimized 23 supermarkets during the quarter out of a total of 70 stores planned this year. It saw a further improvement in both sales and transactions in supermarkets as well as in compact hypermarkets.

The CSE's underlying operating margin was unchanged at 3.0%. Margin improvements in Serbia, Romania and the Czech Republic driven by sales growth and good cost control, offset the margin decrease in Greece, due to sales deleverage.

Global Support Office

€ million	Q1 2018	Q1 2017	% change	% change constant rates
Underlying operating loss	(16)	(32)	(49.8)%	(49.0)%
Underlying operating loss excluding insurance results	(32)	(37)	(12.6)%	(10.0)%

Underlying Global Support Office costs were €16 million, €16 million lower than the prior year. Excluding insurance results, underlying costs were €32 million compared to €37 million in Q1 2017, mostly driven by synergies.

Synergy savings

Ahold Delhaize remains committed to delivering net synergies of €500 million in 2019, resulting from the integration of the two companies. Total identified gross synergies are €750 million, of which more than €250 million will be reinvested in our brands.[1] The expected synergies are to be delivered in addition to the "save for our customers" programs in the brands. For the first quarter of 2018 net cumulative synergies amounted to €100 million, an increase of €44 million compared to the same quarter last year.

In addition to synergies from efficiencies, mainly from our buying activities across all parts of the Group, integration of the two corporate head offices into one Global Support Office has resulted in synergies of €9 million for the first quarter of 2018, an increase of €3 million versus the first quarter of 2017. In the United States, the implementation of the brand-centric operating model in which the brands are supported by Retail Business Services – which enables efficiencies in back office and support functions, and builds retail expertise in own-brand, digital and IT – was finalized during the quarter.

In the first quarter of 2018, the following net synergy savings have been delivered:

€ million	Q1 2018	Q1 2017
United States	66	35
Europe	25	15
Global Support Office	9	6
Ahold Delhaize Group	**100**	**56**

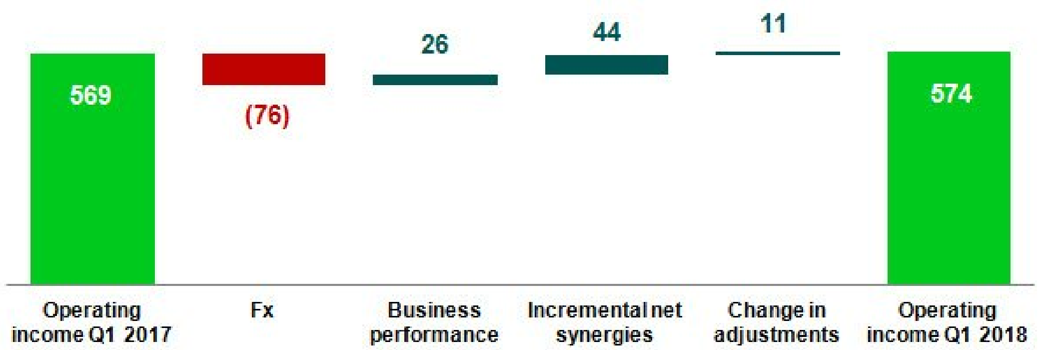
Operating income in the first quarter included €18 million (Q1 2017: €42 million) of integration costs.

1. Amounts are based on HY1 2017 exchange rates.

Financial review

First quarter 2018 (compared to first quarter 2017)

Operating income increased by €5 million to €574 million, which can be explained by:



The change in adjustments to operating income compared to Q1 2017 includes the decrease in impairments (€4 million), decrease in restructuring and related charges (€25 million) and the decrease on the gains on sale of assets (€18 million).

To arrive at underlying operating income of €600 million (down €6 million over Q1 2017), operating income is adjusted for:

- Impairments of €4 million;
- Restructuring and related charges of €23 million;
- Gains on sale of assets of €1 million

The restructuring and related charges of €23 million mainly included:

- €18 million of integration costs related to the merger between Ahold and Delhaize;
- €7 million related to restructuring costs;

Income from continuing operations was €407 million; €51 million higher than last year. This follows from the increase in operating income of €5 million, lower financial expenses of €25 million, lower income taxes of €23 million and lower income from joint ventures of €2 million.

Free cash flow of €441 million increased by €244 million compared to Q1 2017. This increase is mainly driven by:

- Improvement in working capital of €143 million;
- Lower purchases of non-current assets of €128 million; partly offset by
- Lower proceeds from divestments of assets of €37 million;

Net debt increased in Q1 2018 by €30 million to €2,533 million, which is mainly a result of the share buyback of €460 million, partly offset by our free cash flow of €441 million.

Outlook

We confirm our target for 2018 of realizing €420 million net synergies, including €268 million realized in 2017, and we remain confident to reach €750 million of gross synergies for 2019, of which more than €250 million will be reinvested in addition to our "save for our customers" savings.

We expect free cash flow in 2018 to be about €1.9 billion, after taking into account a cash benefit of around €200 million resulting from the U.S. tax reforms and including further improvements in working capital of €175 million in 2018, compared to 2016.

Our capital expenditure is expected to increase to €1.9 billion in 2018, focused on improving our store network, expanding our omni-channel offering and further developing our digital capabilities.

Following tax reforms in the U.S. and Belgium, we expect an effective tax rate for the Group at the low 20% range going forward.

Consolidated income statement

€ million, except per share data	Note	Q1 2018	Q1 2017
Net sales	5	14,933	15,870
Cost of sales	6	(10,890)	(11,609)
Gross profit		**4,043**	**4,261**
Selling expenses		(2,932)	(3,128)
General and administrative expenses		(537)	(564)
Total operating expenses	6	(3,469)	(3,692)
Operating income	4	**574**	**569**
Interest income		13	8
Interest expense		(73)	(80)
Net interest expense on defined benefit pension plans		(5)	(6)
Other financial income (expenses)	10	1	(11)
Net financial expenses		(64)	(89)
Income before income taxes		**510**	**480**
Income taxes	7	(107)	(130)
Share in income of joint ventures		4	6
Income from continuing operations		**407**	**356**
Income from discontinued operations		—	—
Net income attributable to common shareholders		**407**	**356**
Net income per share attributable to common shareholders			
Basic		0.34	0.28
Diluted		0.33	0.28
Income from continuing operations per share attributable to common shareholders			
Basic		0.34	0.28
Diluted		0.33	0.28
Weighted average number of common shares outstanding (in millions)			
Basic		1,214	1,268
Diluted		1,243	1,302
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8139	0.9387

Consolidated statement of comprehensive income

€ million	Note	Q1 2018	Q1 2017
Net income		**407**	**356**
Remeasurements of defined benefit pension plans			
Remeasurements before taxes - income		20	9
Income taxes	7	(6)	(5)
Other comprehensive income that will not be reclassified to profit or loss		14	4
Currency translation differences in foreign interests:			
Continuing operations		(256)	(135)
Cash flow hedges:			
Fair value result for the period		1	—
Non-realized gains (losses) on financial investments available for sale			
Fair value result for the period		—	1
Other comprehensive loss reclassifiable to profit or loss		(255)	(134)
Total other comprehensive loss		**(241)**	**(130)**
Total comprehensive income attributable to common shareholders		**166**	**226**
Attributable to:			
Continuing operations		166	226
Discontinued operations		—	—
Total comprehensive income attributable to common shareholders		**166**	**226**

Consolidated balance sheet

€ million	Note	April 1, 2018	December 31, 2017
Assets			
Property, plant and equipment		10,423	10,689
Investment property		638	650
Intangible assets		11,440	11,634
Investments in joint ventures and associates		209	230
Other non-current financial assets		183	192
Deferred tax assets		166	436
Other non-current assets		79	70
Total non-current assets		**23,138**	**23,901**
Assets held for sale		4	14
Inventories		2,977	3,077
Receivables		1,534	1,606
Other current financial assets		254	238
Income taxes receivable		117	154
Prepaid expenses and other current assets		376	300
Cash and cash equivalents	9	5,944	4,581
Total current assets		**11,206**	**9,970**
Total assets		**34,344**	**33,871**
Equity and liabilities			
Equity attributable to common shareholders	8	**14,885**	**15,170**
Loans	10	4,068	3,289
Other non-current financial liabilities		2,011	2,098
Pensions and other post-employment benefits		555	567
Deferred tax liabilities		846	1,105
Provisions		777	808
Other non-current liabilities		526	529
Total non-current liabilities		**8,783**	**8,396**
Accounts payable		4,965	5,277
Other current financial liabilities	10	2,939	2,210
Income taxes payable		170	136
Provisions		330	355
Other current liabilities		2,272	2,327
Total current liabilities		**10,676**	**10,305**
Total equity and liabilities		**34,344**	**33,871**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8114	0.8330

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	Equity attributable to common shareholders
Balance as of January 1, 2017		**13**	**15,802**	**754**	**(2)**	**(291)**	**16,276**
Net income attributable to common shareholders		—	—	—	—	356	**356**
Other comprehensive income (loss)		—	—	(135)	—	5	**(130)**
Total comprehensive income (loss) attributable to common shareholders		—	—	(135)	—	361	**226**
Share buyback		—	—	—	—	(279)	**(279)**
Share-based payments		—	—	—	—	26	**26**
Balance as of April 2, 2017		**13**	**15,802**	**619**	**(2)**	**(183)**	**16,249**
Balance as of December 31, 2017		**12**	**15,175**	**(555)**	**(4)**	**542**	**15,170**
Opening balance adjustment[1]		—	—	—	—	(1)	(1)
Balance as of January 1, 2018		**12**	**15,175**	**(555)**	**(4)**	**541**	**15,169**
Net income attributable to common shareholders		—	—	—	—	407	**407**
Other comprehensive income (loss)		—	—	(256)	1	14	**(241)**
Total comprehensive income (loss) attributable to common shareholders		—	—	(256)	1	421	**166**
Share buyback	8	—	—	—	—	(461)	**(461)**
Share-based payments		—	—	—	—	11	**11**
Balance as of April 1, 2018		**12**	**15,175**	**(811)**	**(3)**	**512**	**14,885**

1. *The opening balance adjustment is related to the implementation of IFRS 9. Refer to Accounting policies paragraph for more information.*

Consolidated statement of cash flow

€ million	Note	Q1 2018	Q1 2017
Income from continuing operations		407	356
Adjustments for:			
Net financial expenses		64	89
Income taxes		107	130
Share in income of joint ventures		(4)	(6)
Depreciation, amortization and impairments	6	441	463
Gains on the sale of assets / disposal groups held for sale	6	(1)	(19)
Share-based compensation expenses		11	19
Other changes to operating income		(1)	(2)
Operating cash flows before changes in operating assets and liabilities		1,024	1,030
Changes in working capital:			
Changes in inventories		52	2
Changes in receivables and other current assets		19	(81)
Changes in payables and other current liabilities		(274)	(267)
Changes in other non-current assets, other non-current liabilities and provisions		(17)	(29)
Cash generated from operations		804	655
Income taxes paid - net		(34)	(28)
Operating cash flows from continuing operations		770	627
Operating cash flows from discontinued operations		(1)	(2)
Net cash from operating activities		**769**	**625**
Purchase of non-current assets		(303)	(431)
Divestments of assets / disposal groups held for sale		13	50
Acquisition of businesses, net of cash acquired		—	(4)
Divestment of businesses, net of cash divested		(1)	(1)
Changes in short-term deposits and similar instruments		(24)	100
Dividends received from joint ventures		—	2
Interest received		15	9
Other		(3)	—
Investing cash flows from continuing operations		(303)	(275)
Net cash from investing activities		**(303)**	**(275)**
Proceeds from long-term debt	10	797	—
Interest paid		(54)	(60)
Repayments of loans		(13)	(301)
Changes in short-term loans	10	748	(87)
Repayments of finance lease liabilities		(43)	(49)
Share buyback	8	(460)	(279)
Other cash flows from derivatives		—	274
Other		(1)	4
Financing cash flows from continuing operations		974	(498)
Net cash from financing activities		**974**	**(498)**
Net cash from operating, investing and financing activities		**1,440**	**(148)**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		4,542	3,990
Effect of exchange rates on cash and cash equivalents		(75)	(25)
Cash and cash equivalents at the end of the period (excluding restricted cash)	9	**5,907**	**3,817**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8139	0.9387

Notes to the consolidated summary financial statements

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

These financial statements have 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 2017 consolidated financial statements, except as otherwise indicated below.

Taxes on income in the interim periods are accrued for using the tax rate that is expected to be applicable to the total annual profit or loss.

Ahold Delhaize's reporting calendar in 2018 and 2017 is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks, for a total of 52 weeks.

Segmentation

Ahold Delhaize’s operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated. As Ahold Delhaize’s operating segments offer similar products using complementary business models, and there is no discernible difference in customer bases, Ahold Delhaize’s policy on aggregating its operating segments into reportable segments is based on geography, functional currency and management oversight.

As of the first quarter of 2018, the previous Ahold USA and Delhaize America segments are combined into one reporting segment, "The United States."

New and revised IFRSs effective in 2018:

IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of the new standard has the following effects on the financial assets and liabilities on January 1, 2018.

The majority of the Company’s debt instruments that were measured at amortized cost satisfy the conditions to be classified at amortized costs under IFRS 9, so there is no change in how we account for these assets. However, certain investments in U.S. Treasury bond funds that were classified as available-for-sale financial assets do not meet the criteria to be classified as either at fair value through other comprehensive income (FVOCI) or at amortized cost and €157 million has been reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains of €3 million were transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018. There were no other changes to the classification and measurement of other financial assets.

There is no effect on the Group’s accounting for financial liabilities. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. For the Group, only derivatives and reinsurance liabilities are designated at fair value through profit or loss and there are no changes in the accounting for these liabilities as a result of IFRS 9. The derecognition rules have not changed from IAS 39, “Financial Instruments: Recognition and Measurement.”

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships could be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets measured at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15, "Revenue from Contracts with Customers," lease receivables, loan commitments and certain financial guarantee contracts. Due to the change in the impairment model the loss allowance for the financial receivables increased by €1 million at January 1, 2018.

IFRS 9 applies for annual periods beginning on or after January 1, 2018. The Company applies the new rules retrospectively from January 1, 2018, applying the practical expedients permitted under the standard. Comparatives for 2017 have not been restated.

IFRS 15, "Revenue "from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance, including IAS 18, "Revenue," IAS 11, "Construction Contracts," and the related interpretations. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The majority of the Company's revenue is derived from sales of retail products whereby control is transferred to the customer as purchases occur at the register. For goods shipped to customers, control transfers to the customer when the product is delivered and accepted. The Company previously recognized revenue as control passed and the adoption of IFRS 15 has no effect on when revenue is recognized.

The Company's policy is to allow customers to return product for replacement or refund. Revenue was previously recognized with an allowance for a reasonable estimate of the returns that can be made for a refund and this remained unchanged after adoption of IFRS 15. However, under IFRS 15, the Company is now required to recognize an asset that represents the right to receive returned product. The value of this asset represents the purchase cost of only the goods that will be of value to Ahold Delhaize. A returned product has value to Ahold Delhaize if it can be restocked for future resale or returned to the vendor for a refund. Based on the limited amount of sales that result in refunds to customers, the value of this new asset was €1 million at January 1, 2018.

IFRS 15 applies for annual periods beginning on or after January 1, 2018. The Company applies the new rules retrospectively from January 1, 2018, with the cumulative effect of initially applying the standard recognized as of that date. Comparatives for 2017 have not been restated.

New accounting policies not yet effective for 2018

The IASB issued several standards, or revisions to standards, that are not yet effective for 2017, but will become effective in coming years. For the assessment of the effects of these standards, refer to the description in Ahold Delhaize's Annual Report 2017.

3. Goodwill

A reconciliation of Ahold Delhaize's goodwill balance, which is presented within intangible assets, is as follows:

€ million	Goodwill
As of December 31, 2017	
At cost	6,868
Accumulated impairment losses	(8)
Opening carrying amount	**6,860**
Exchange rate differences	(110)
Closing carrying amount	**6,750**
As of April 1, 2018	
At cost	6,758
Accumulated impairment losses	(8)
Closing carrying amount	**6,750**

4. Segment reporting

Ahold Delhaize's retail operations are presented in four 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"), and Ahold Delhaize's Global Support Office, are presented separately. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 2*.

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, Giant/Martin's, Hannaford, Giant Food and Peapod
The Netherlands	Albert Heijn (including the Netherlands, Belgium and Germany), Etos, Gall & Gall and bol.com (including the Netherlands and Belgium)
Belgium	Delhaize (including Belgium and Luxembourg)
Central and Southeastern Europe	Albert (Czech Republic), Alfa Beta (Greece), Mega Image (Romania), Delhaize Serbia (Republic of Serbia)

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)

Net sales

Net sales per segment are as follows:

	Q1 2018	Q1 2017
$ million		
The United States	10,860	10,641
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.8139*	*0.9387*
€ million		
The United States	8,839	9,989
The Netherlands	3,408	3,320
Belgium	1,245	1,186
Central and Southeastern Europe	1,441	1,375
Ahold Delhaize Group	**14,933**	**15,870**

Operating income

Operating income (loss) per segment is as follows:

	Q1 2018	Q1 2017
$ million		
The United States	451	398
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.8139*	*0.9387*
€ million		
The United States	366	374
The Netherlands	162	168
Belgium	25	26
Central and Southeastern Europe	43	41
Global Support Office	(22)	(40)
Ahold Delhaize Group	**574**	**569**

5. Net sales

Q1 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores	8,603	2,254	620	1,400	12,877
Sales and fees to franchisees / affiliates	—	712	605	29	1,346
Online sales	181	434	12	4	631
Wholesale sales	30	—	4	8	42
Other sales	25	8	4	—	37
Net sales	**8,839**	**3,408**	**1,245**	**1,441**	**14,933**

Q1 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores[1]	9,737	2,263	600	1,334	13,934
Sales and fees to franchisees / affiliates	—	698	570	31	1,299
Online sales[1]	191	350	10	3	554
Wholesale sales	32	—	3	7	42
Other sales	29	9	3	—	41
Net sales	**9,989**	**3,320**	**1,186**	**1,375**	**15,870**

1. *Comparable numbers have been adjusted to reflect the updated online sales definition.*

6. Expenses by nature

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

€ million	Q1 2018	Q1 2017
Cost of product	10,419	11,132
Labor costs	2,162	2,312
Other operational expenses	1,111	1,170
Depreciation and amortization	437	455
Rent expenses and income – net	227	243
Impairment losses and reversals – net	4	8
(Gains) losses on the sale of assets – net	(1)	(19)
Total expenses by nature	**14,359**	**15,301**

7. Income taxes

The decrease in income tax expense and the effective tax rate for Q1 2018 is mainly caused by the reduction of the U.S. and Belgian statutory tax rates.

8. Equity attributable to common shareholders

Dividend on common shares

On April 11, 2018, the General Meeting of Shareholders approved the dividend over 2017 of €0.63 per common share. This dividend was paid on April 26, 2018.

Share buyback 2018

On January 2, 2018, the Company commenced the €2 billion share buyback program that was announced on November 8, 2017. In total 25,524,504 of the Company's own shares were repurchased at an average price of €18.06 per share. The program is expected to be completed before the end of 2018.

The number of outstanding common shares as of April 1, 2018, was 1,204,431,921 (December 31, 2017: 1,227,589,734).

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 1, 2018	December 31, 2017
Cash and cash equivalents as presented in the statement of cash flows	5,907	4,542
Restricted cash	37	39
Cash and cash equivalents as presented on the balance sheet[1]	**5,944**	**4,581**

1. *Cash and cash equivalents include an amount held under notional cash pooling arrangement of €2,087 million (December 31, 2017: €1,367 million). This cash amount is fully offset by an identical amount included under Other current financial liabilities.*

10. Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are included on the balance sheet:

€ million	April 1, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	57	63	59	65
Trade and other (non-)current receivables	1,527	1,527	1,605	1,605
Reinsurance assets	194	194	195	195
Total loans and receivables	1,778	1,784	1,859	1,865
Cash and cash equivalents	5,944	5,944	4,581	4,581
Short-term deposits and similar instruments	32	32	9	9
Investments in debt instruments	161	161	167	167
Total financial assets	**7,915**	**7,921**	**6,616**	**6,622**

€ million	April 1, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Notes	(4,136)	(4,189)	(3,407)	(3,518)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(284)	(249)	(325)	(291)
Mortgages payable	(104)	(123)	(22)	(23)
Finance lease liabilities	(1,524)	(1,805)	(1,607)	(1,932)
Cumulative preferred financing shares	(455)	(487)	(455)	(491)
Dividend cumulative preferred financing shares	(22)	(22)	(18)	(18)
Accounts payable	(4,965)	(4,965)	(5,277)	(5,277)
Short-term borrowings	(2,156)	(2,156)	(1,432)	(1,432)
Interest payable	(58)	(58)	(40)	(40)
Reinsurance liabilities	(204)	(204)	(205)	(205)
Other	(73)	(77)	(75)	(81)
Total non-derivative financial liabilities	(13,984)	(14,338)	(12,866)	(13,311)
Derivatives	(10)	(10)	(18)	(18)
Total financial liabilities	**(13,994)**	**(14,348)**	**(12,884)**	**(13,329)**

Issuance of EUR 800 million dual tranche debt offering of fixed rate notes and floating rate notes

On March 19, 2018, Ahold Delhaize issued €500 million fixed rate notes due in 2026 and €300 million floating rate notes due in 2021. The 8-year fixed rate notes bear a coupon of 1.125% per annum and were issued at a price of 99.107% of the nominal value. The 3-year floating rate notes bear a coupon of 18 basis points over 3-month EURIBOR per annum and were issued at a price of 100.449% of the nominal value. The net proceeds from the offering will be used for the refinancing of existing debt and for general corporate purposes.

Changes in short-term loans

Short term borrowings at €2,156 million were €724 million higher compared to Q4 2017, which is primarily due to the increase of the overdraft position of a notional cash pooling arrangement. The debit and credit balances within the cash pooling arrangement are presented on a gross basis on the balance sheet. The increase of the overdraft position is fully offset by an identical amount included under cash and cash equivalents.

Financial assets and liabilities measured at fair value on the balance sheet

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. The Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

To the extent that no cash collateral is contractually required, the valuation of Ahold Delhaize's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment (CVA), and adjusted for Ahold Delhaize's own credit risk, called Debit Valuation Adjustment (DVA). The valuation technique for the CVA / DVA calculation is based on relevant observable market inputs.

No CVA / DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized is specified as follows:

€ million	April 1, 2018	December 31, 2017
Cross-currency interest rate swaps	10	18
Total net derivative liabilities subject to collateralization	**10**	**18**
Collateralized amount	—	—

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. The fair values of quoted borrowings for which an active market exists are based on quoted prices at the end of the reporting period. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on prevailing market rates.

The fair value of the cumulative preferred financing shares is measured as the present value of expected future cash flows. Such cash flows include the dividend payments and the payments of the nominal value, plus paid-in capital. Expected future cash flows are discounted by using the yield curves derived from quoted interest rates and Credit Default Swap rates that match the maturity of the contracts. The conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22* of Ahold Delhaize’s Annual Report 2017. The accrued interest is included in other current financial liabilities and not in the carrying amounts of non-derivative financial assets and liabilities.

11. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of December 31, 2017, is included in *Note 34* of Ahold Delhaize’s 2017 consolidated financial statements, part of Ahold Delhaize's Annual Report 2017 dated February 27, 2018.

12. Subsequent event

There have been no significant subsequent events.

Other financial and operating information

Free cash flow[1]

€ million	Q1 2018	Q1 2017
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,007	1,001
Changes in working capital	(203)	(346)
Income taxes paid - net	(34)	(28)
Purchase of non-current assets	(303)	(431)
Divestments of assets / disposal groups held for sale	13	50
Dividends received from joint ventures	—	2
Interest received	15	9
Interest paid	(54)	(60)
Free cash flow	**441**	**197**

1. *Free cash flow is an alternative performance measure. For a description of this alternative performance measure refer to section* Use of alternative performance measures *at the end of this report.*

Net debt[1]

€ million	April 1, 2018	December 31, 2017
Loans	4,068	3,289
Finance lease liabilities	1,353	1,430
Cumulative preferred financing shares	455	455
Non-current portion of long-term debt	5,876	5,174
Short-term borrowings and current portion of long-term debt	2,785	2,076
Gross debt	8,661	7,250
Less: Cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[2, 3, 4, 5]	6,128	4,747
Net debt	**2,533**	**2,503**

1. *Net debt is an alternative performance measure. For a description of this alternative performance measure refer to section* Use of alternative performance measures *at the end of this report.*
2. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at April 1, 2018, was €32 million (December 31, 2017: €9 million) and is presented within Other current financial assets in the consolidated balance sheet.*
3. *Included in the short term portion of investments in debt instruments is a US treasury investment fund in the amount of €152 million (December 31, 2017: €157 million).*
4. *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 1, 2018, was €120 million (December 31, 2017: €172 million).*
5. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €2,087 million (December 31, 2017: €1,367 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.*

Underlying operating income and underlying EBITDA[1]

Underlying operating income per segment and underlying EBITDA per segment are as follows:

Q1 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**366**	**162**	**25**	**43**	**(22)**	**574**
Impairments	1	2	—	1	—	4
(Gains) losses on the sale of assets	(1)	—	—	—	—	(1)
Restructuring and related charges and other	12	2	3	—	6	23
Adjustments to operating income	*12*	*4*	*3*	*1*	*6*	*26*
Underlying operating income (loss)	**378**	**166**	**28**	**44**	**(16)**	**600**

1. *Underlying operating income and underlying EBITDA are alternative performance measures. For a description of these alternative performance measures refer to section* Use of alternative performance measures *at the end of this report.*

Underlying operating income in local currency for Q1 2018 was $464 million for The United States.

Q1 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**374**	**168**	**26**	**41**	**(40)**	**569**
Impairments	9	(1)	—	—	—	8
(Gains) losses on the sale of assets	(17)	(3)	1	—	—	(19)
Restructuring and related charges and other	35	3	2	—	8	48
Adjustments to operating income	*27*	*(1)*	*3*	—	*8*	*37*
Underlying operating income (loss)	**401**	**167**	**29**	**41**	**(32)**	**606**

Underlying operating income in local currency for Q1 2017 was $428 million for the United States.

Underlying EBITDA

€ million, except per share data	Q1 2018	Q1 2017
Underlying operating income	**600**	**606**
Depreciation and amortization	437	455
Underlying EBITDA	**1,037**	**1,061**

Underlying income from continuing operations[1]

€ million, except per share data	Q1 2018	Q1 2017
Income from continuing operations	**407**	**356**
Adjustments to operating income	26	37
Tax effect of unusual items	(7)	(12)
Underlying income from continuing operations	**426**	**381**
Basic income per share from continuing operations[2]	0.34	0.28
Underlying income per share from continuing operations[2]	0.35	0.30

1. *Underlying income from continuing operations is an alternative performance measure. For a description of this alternative performance measure refer to section* Use of alternative performance measures *at the end of this report.*
2. *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 2018 is 1,214 million (Q1 2017: 1,268 million).*

Store portfolio (including franchise and affiliate stores)

	End of 2017	Opened / acquired	Closed / sold	End of Q1 2018
The United States	1,960	—	(3)	1,957
The Netherlands[1,2]	2,163	4	(23)	2,144
Belgium	764	6	(7)	763
Central and Southeastern Europe	1,750	18	(3)	1,765
Total	**6,637**	**28**	**(36)**	**6,629**

1. *The number of stores at the end of Q1 2018 includes 1,146 specialty stores (Etos and Gall & Gall) (end of 2017: 1,153).*
2. *The closed/sold number of stores in The Netherlands during the quarter includes the stores related to our exit of Germany.*

Use of alternative performance measures

This interim report includes alternative performance measures (also known as non-GAAP measures). The descriptions of the alternative performance measures are included on pages 80 and 81 of Ahold Delhaize's Annual Report 2017.

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 2018 financial year consists of 52 weeks and ends on December 30, 2018. The quarters in 2018 are:

First quarter	January 1 through April 1, 2018
Second quarter	April 2 through July 1, 2018
Third quarter	July 2 through September 30, 2018
Fourth quarter	October 1 through December 30, 2018

Cautionary notice

This press release 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 such as ongoing, by 2020, remain, on track, are, to be, target, confident, will, live up to a promise, is, trends, expected, plans/planned, remains, outlook, improving, expanding, developing, going forward, 2018, to, applies, future, estimated, optimized, improvement 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 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 competition and pressure on profit margins in the food retail industry; the impact of the Company's outstanding financial debt; future changes in accounting standards; the Company's ability to generate positive cash flows; general economic conditions; the Company's international operations; the impact of economic conditions on consumer spending; turbulences in the global credit markets and the economy; the significance of the Company's U.S. operations and the concentration of its U.S. operations on the east coast of the U.S.; increases in interest rates and the impact of downgrades in the Company's credit ratings; competitive labor markets, changes in labor conditions and labor disruptions; environmental liabilities associated with the properties that the Company owns or leases; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; exchange rate fluctuations; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations in the U.S., the Netherlands, Belgium and other countries; product liability claims and adverse publicity; risks related to corporate responsibility and sustainable retailing; the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; its inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; unexpected outcomes with respect to tax audits; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; natural disasters and geopolitical events; inherent limitations in the Company's control systems; the failure or breach of security of IT systems; changes in supplier terms; antitrust and similar legislation; unexpected outcome in the Company's legal proceedings; adverse results arising from the Company's claims against its self-insurance programs; increase in costs associated with the Company's defined benefit pension plans; 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:

Press office: +31 88 659 5134 Investor relations: +31 88 659 5213 Social media: Twitter: @AholdDelhaize

YouTube: @AholdDelhaize

LinkedIn: @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 more than 50 million customers each week in 11 countries. Together, these brands employ more than 370,000 associates in more than 6,500 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. 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.

Proud companies of Ahold Delhaize