

Ahold Delhaize reports a solid quarter with growth in sales and net income

- Net sales of €15.9 billion, up 1.5% at constant exchange rates, adversely impacted by Easter timing
- Net consumer online sales up 25.0% at constant exchange rates
- Underlying operating margin of 4.4%, stable compared to the same quarter last year
- Net income of €435 million, up 2.4% at constant exchange rates
- Good performance in the U.S., not yet impacted by Stop & Shop strikes
- Solid results in the Netherlands, with bol.com net consumer sales up 35.2%

Zaandam, the Netherlands, May 8, 2019 – Ahold Delhaize, one of the world’s largest food retail groups and a leader in both supermarkets and eCommerce, reports a solid first quarter with growth in sales, underlying operating income and net income at constant exchange rates.

Frans Muller, President and CEO of Ahold Delhaize, said: “The execution of our Leading Together strategy is on track as our results are starting to illustrate. During the quarter, we also launched our new purpose: eat well, save time, live better. These are the guiding principles in everything we do as we execute on our strategy. Throughout our businesses we help our customers make healthier choices. Innovative solutions, both in-store and online, make shopping more convenient and less time-consuming. And to enable our customers to live better, we continue to support the local communities they live in.

“In the U.S., we had a good quarter, as we continue to invest in our customer experience and expand and improve our online offering. This resulted in comparable sales growth of 1.2%, excluding gasoline, or 2.2% adjusted for the timing of Easter. Our underlying operating margin came in at 4.9%, benefiting from synergies and our Save for Our Customers program with savings ahead of investments in our customer proposition.

“In the Netherlands, performance remained solid with net sales up 3.5% compared to a year ago. Net consumer sales at bol.com were up 35.2%. Our underlying operating margin came in at 5.0%, with start up investments in logistics and distribution this quarter. While sales in Belgium were adversely impacted by fewer opening days compared to a year ago, underlying trends show ongoing operational improvements. In Central and Southeastern Europe, the business in the Czech Republic and Romania reported a strong performance again this quarter.

“Free cash flow for the first quarter was negative by €136 million due to the timing of Easter, greater capital expenditure and higher income taxes paid. We remain committed to maintaining a balance between investing in our stores and rapidly growing our online businesses and an efficient, solid capital structure.

“As announced on April 23, we have adjusted our full-year outlook to reflect the one-off impact of the strikes at Stop & Shop. We now anticipate underlying operating margin for the group for 2019 to be slightly lower than 2018. Additionally, the percentage growth of underlying earnings per share in 2019 is revised from high single digits to low single digits. At the same time, we reiterate our expectation for 2019 free cash flow of around €1.8 billion, with capital expenditure of €2.0 billion.

“The period of the strikes has been challenging for everyone. However, we were able to reach fair and responsible agreements for our Stop & Shop associates in New England. We thank our customers for their patience and are welcoming them back to our stores to continue to provide them with great quality, service, selection and value.”

Group performance

€ million, except per share data

Net sales	15,878	14,933	6.3%	1.5 %
Of which: online sales	761	631	20.7%	17.9 %
Net consumer online sales ¹	970	761	27.5%	25.0 %
Operating income	675	623	8.3%	2.9 %
Income from continuing operations	436	403	8.1%	2.5 %
Net income	435	403	8.0%	2.4 %
Basic income per share from continuing operations	0.39	0.33	16.8%	10.7 %
Underlying EBITDA ¹	1,356	1,296	4.6%	(0.4)%
Underlying EBITDA margin ¹	8.5%	8.7%		
Underlying operating income ¹	695	651	6.8%	1.4 %
Underlying operating margin ¹	4.4%	4.4%		
Underlying income per share from continuing operations ¹	0.40	0.35	14.7%	8.8 %
Free cash flow ¹	(136)	398	NM	NM

1. *Net consumer online sales, underlying EBITDA, underlying operating income and free cash flow are alternative performance measures that 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 2019 reporting

Ahold Delhaize adopted the IFRS 16 accounting standard on December 31, 2018 (being the start of its 2019 financial year) and applied the full retrospective transition approach and, accordingly, comparative figures for 2018 have been restated.

IFRS 16 introduces a single, on-balance sheet accounting model for leases and for most of our leases we recognized a right-of-use asset, representing our right to use the underlying asset, and a lease liability, representing our obligation to make future lease payments.

The implementation of IFRS 16 has no economic or cash impact on the Group or the way we manage our business, nor does it drive decisions on the allocation of capital. However, it does have a significant impact on our balance sheet and income statement, as well as the classification of cash flows relating to lease contracts.

Refer to *Note 2* and section *Use of alternative performance measures* in this report for more information, and to *Note 13* and section *Alternative performance measures: restatement of 2018 comparatives* for the related effects. Refer to *Note 12* for the amendment to the credit facility.

Detailed information on the changes of IFRS 16 are provided in the published document "2018 Restatement for the adoption of IFRS 16," which can be accessed via this link: [2018 Restatement booklet IFRS 16](#).

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. The % change and margins are calculated based on the amounts in thousands (except per share data).

Performance by segment

The United States

\$ million				
Net sales	10,980	10,860	1.1%	
Of which: online sales	251	222	13.0%	
€ million				
Net sales	9,666	8,839	9.4%	1.1%
Of which: online sales	221	181	22.3%	13.0%
Operating income	461	394	16.9%	7.9%
Underlying operating income	475	408	16.4%	7.5%
Underlying operating margin	4.9%	4.6%		
Comparable sales growth	0.9%	3.0%		
Comparable sales growth excluding gasoline	1.2%	2.8%		

In the first quarter of 2019, net sales in the United States grew by 1.1% at constant exchange rates to €9,666 million. Comparable sales excluding gasoline increased by 1.2%, or 2.2% adjusted for the timing of Easter. Online sales increased by 13.0% at constant exchange rates to €221 million.

Stop & Shop continued the preparation for the next phase of the roll-out of the Re-imagining Stop & Shop remodeling program in Long Island, New York, based on the learnings from its remodeled Hartford, Connecticut stores in the fourth quarter last year.

Food Lion announced that it is investing \$158 million to remodel 92 stores in the greater Myrtle Beach, Florence, Columbia and Charleston markets in South Carolina this year, as well as \$40 million to remodel 23 stores throughout the Charlottesville and Harrisonburg markets in Virginia. The enhancements are part of the "Easy, Fresh and Affordable" program to make shopping easier, with simpler in-store navigation, expanded variety and assortment, and an enhanced customer service experience.

Giant/Martin's introduced a new store concept by opening the first Giant Heirloom Market in Philadelphia and launched its new online brand "Giant Direct" with the opening of an eCommerce hub in Lancaster, Pennsylvania in partnership with Peapod Digital Labs.

Underlying operating margin in the U.S. was 4.9%, up 0.3% points from the same quarter last year, driven by higher gross margins, mainly due to synergies and savings from our Save for Our Customers program being realized ahead of investments. Lower depreciation and amortization was partly offset by increased labor costs.

The Netherlands

€ million			
Net sales	3,528	3,408	3.5 %
Of which: online sales	522	434	20.2 %
Net consumer online sales	731	564	29.5 %
Operating income	173	172	0.6 %
Underlying operating income	175	176	(1.1)%
Underlying operating margin	5.0%	5.2%	
Comparable sales growth	2.9%	3.2%	

Net sales in the Netherlands of €3,528 million increased by 3.5% compared to the previous year. Comparable sales grew by 2.9%, or 3.2% adjusted for the timing of the New Year's and Easter holidays.

Bol.com and ah.nl continued their strong sales performance, with net consumer online sales for the segment increasing by 29.5% compared to last year. Bol.com, marking a big milestone in the quarter with its 20th anniversary, realized a net consumer online sales increase of 35.2% in the quarter. To keep up with strong growth at ah.nl, Albert Heijn plans to open a fifth fulfillment center this year and is expanding the number of distribution hubs with smaller trucks to make city deliveries.

Albert Heijn remodeled 26 stores this quarter with its newest concept, with even more focus and space for the fresh categories. The concept includes innovative technology to ensure the freshness and quality of produce and state-of-the-art digital communication with customers through displays with product information. The goal is to remodel 120 stores in total for 2019.

Additionally, Albert Heijn launched the Prijsfavorieten ("Price Favorites"), a range of more than 1,000 fresh and non-perishable popular high quality products at everyday low prices and will further extend this range in 2019.

The underlying operating margin in the Netherlands was 5.0%, down 0.2% points compared to the same quarter last year. The margin excluding bol.com was 5.6%, down 0.3% points compared to last year, mainly driven by higher transportation costs and ramp up costs of Albert Heijn's fully mechanized warehouse in Zaandam.

Belgium

€ million			
Net sales	1,217	1,245	(2.2)%
Of which: online sales	14	12	14.7 %
Operating income	29	26	12.7 %
Underlying operating income	29	29	0.2 %
Underlying operating margin	2.4 %	2.3%	
Comparable sales growth	(2.3)%	4.1%	

Net sales in Belgium were €1,217 million, down 2.2% versus the same quarter last year. Comparable sales decreased by 2.3%. Adjusted for the difference in opening days as well as the shift of the Easter holiday, comparable sales were down 0.3%, cycling a strong first quarter last year. The online sales growth of delhaize.be for the quarter was 14.7%.

Delhaize improved its store execution and on-shelf product availability for its customers. In addition, Delhaize is enhancing speed and convenience for shoppers with the launch of a mobile payment application called YesWeScan at its Delhaize Fresh Atelier store in Brussels.

Underlying operating margin in Belgium was 2.4%, up 0.1% points compared to last year, driven by synergies and good cost control.

Central and Southeastern Europe (CSE)

€ million				
Net sales	1,466	1,441	1.7 %	2.4 %
Operating income	47	53	(11.9)%	(11.3)%
Underlying operating income	47	54	(12.9)%	(12.3)%
Underlying operating margin	3.2%	3.7%		
Comparable sales growth	0.8%	0.4%		
Comparable sales growth excluding gasoline	0.8%	0.7%		

Net sales in Central and Southeastern Europe increased by 2.4% at constant exchange rates to €1,466 million. Net sales growth in the first quarter resulted from comparable sales growth excluding gasoline of 0.8%, or 1.3% adjusted for the timing of Easter, and the net addition of 132 stores – most of them convenience stores – that opened in Romania, Greece and Serbia. While Romania and the Czech Republic showed strong comparable sales growth in the quarter, the growth in Greece remained negative.

Mega Image in Romania, has agreed to acquire Zanfir, a supermarket chain with 10 stores in the Vrancea county. The transaction will further strengthen Mega Image's presence in eastern Romania and underscores how Ahold Delhaize's brands are strengthening their market positions through organic growth and fill-in acquisitions.

CSE's underlying operating margin was 3.2%, down 0.5% points versus last year, mainly driven by higher labor costs in Greece and the Czech Republic.

Global Support Office

€ million				
Underlying operating loss	(30)	(16)	87.5 %	94.3 %
Underlying operating loss excluding insurance results	(31)	(32)	(3.1)%	(5.0)%

Underlying Global Support Office costs were €30 million, which was €14 million higher than the prior year. Excluding insurance results, underlying costs were €31 million compared to €32 million in Q1 2018.

Synergy savings

Ahold Delhaize has almost reached its target to deliver gross synergies of €750 million¹ in 2019, resulting in €500 million net synergies from the integration of the two companies. The company expects to fully realize the target in Q2 2019. The expected synergies are to be delivered in addition to the Save for Our Customers programs in the brands. For the first quarter of 2019, net cumulative synergies amounted to €122 million, an increase of €22 million compared to the same quarter last year. The increase is mainly driven by our buying activities across all parts of the group.

In the first quarter of 2019, the following net synergy savings have been delivered:

€ million		
The United States	81	66
Europe	30	25
Global Support Office	11	9
Ahold Delhaize Group	122	100

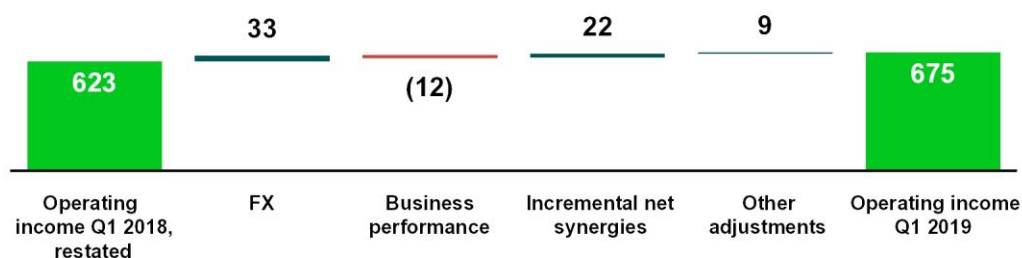
1. Amounts are based on HY1 2017 exchange rates.

Operating income in the first quarter included €9 million of integration costs (Q1 2018: €18 million) and €7 million of brand-centric setup costs (Q1 2018: nil).

Financial review

First quarter 2019 (compared to first quarter 2018)

Operating income increased by €52 million to €675 million, which can be explained by:



Other adjustments to operating income compared to Q1 2018 include the decrease in restructuring and related charges (€8 million) and the increase in gains on leases and the sale of assets (€6 million), offset by the increase in impairments (€5 million).

To arrive at underlying operating income of €695 million (up €44 million over Q1 2018), operating income is adjusted for:

- Impairments of €8 million;
- Gains on leases and the sale of assets of €5 million;
- Restructuring and related charges of €16 million.

The restructuring and related charges of €16 million included €9 million of integration costs and €7 million of brand-centric setup costs.

Income from continuing operations was €436 million, which was €33 million higher than last year. This follows from the increase in operating income of €52 million, higher income taxes of €14 million and higher financial expenses of €5 million.

Free cash flow, under the new definition following the implementation of IFRS 16, was negative €136 million, which represents a decrease by €534 million compared to Q1 2018, mainly driven by:

- Decline in changes in working capital of €195 million;
- Higher purchases of non-current assets of €149 million;
- Higher income taxes paid of €192 million;
- Higher repayments of lease liabilities of €54 million;
- Partially offset by increased cash flows from operations of €58 million.

Net debt increased in Q1 2019 by €542 million to €11,520 million, which is mainly a result of the share buyback of €307 million and negative free cash flow of €136 million.

Outlook

We confirm our target for 2019 of realizing €750 million gross synergies, resulting in €500 million net synergies from the integration of the two companies. In addition, we expect to save €540 million in 2019 as part of our €1.8 billion Save for Our Customers program for 2019-2021.

Related to the strikes at Stop & Shop, we anticipate underlying operating margin for the group for 2019 to be slightly lower than 2018. Additionally, the percentage growth of underlying earnings per share in 2019 has been revised from high single digits to low single digits. We expect group free cash flow to be

unchanged at around €1.8 billion (IFRS 16 definition) for the full year 2019 due to the continued business strength of our other U.S. and European brands.

Consolidated income statement

€ million, except per share data			
Net sales	4/5	15,878	14,933
Cost of sales	6	(11,489)	(10,890)
Gross profit		4,389	4,043
Selling expenses		(3,127)	(2,880)
General and administrative expenses		(587)	(540)
Total operating expenses	6	(3,714)	(3,420)
Operating income	4	675	623
Interest income		22	17
Interest expense		(49)	(48)
Net interest expense on defined benefit pension plans		(4)	(5)
Interest accretion to lease liability		(90)	(87)
Other financial income (expense)		(5)	3
Net financial expenses		(125)	(120)
Income before income taxes		550	503
Income taxes	7	(119)	(105)
Share in income of joint ventures		5	5
Income from continuing operations		436	403
Loss from discontinued operations		(1)	—
Net income attributable to common shareholders		435	403
Net income per share attributable to common shareholders			
Basic		0.39	0.33
Diluted		0.38	0.33
Income from continuing operations per share attributable to common shareholders			
Basic		0.39	0.33
Diluted		0.38	0.33
Weighted average number of common shares outstanding (in millions)			
Basic		1,124	1,214
Diluted		1,149	1,243
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8804	0.8139

Consolidated statement of comprehensive income

€ million		
Net income	435	403
Remeasurements of defined benefit pension plans		
Remeasurements before taxes - income (loss)	(24)	20
Income taxes	6	(6)
Other comprehensive income (loss) that will not be reclassified to profit or loss	(19)	14
Currency translation differences in foreign interests:		
Continuing operations	199	(246)
Cash flow hedges:		
Fair value result for the period	—	1
Other comprehensive income (loss) reclassifiable to profit or loss	199	(245)
Total other comprehensive income (loss)	180	(231)
Total comprehensive income attributable to common shareholders	615	172
Attributable to:		
Continuing operations	616	172
Discontinued operations	(1)	—
Total comprehensive income attributable to common shareholders	615	172

Consolidated balance sheet

€ million

Assets

Property, plant and equipment	10,135	10,046
Investment property	949	963
Right-of-use asset	7,150	7,027
Intangible assets	11,933	11,813
Investments in joint ventures and associates	203	213
Other non-current financial assets	667	636
Deferred tax assets	182	166
Other non-current assets	48	48
Total non-current assets	31,266	30,912

Assets held for sale	43	23
Inventories	3,256	3,196
Receivables	1,745	1,846
Other current financial assets	253	461
Income taxes receivable	152	53
Prepaid expenses and other current assets	349	217
Cash and cash equivalents	9	4,354
Total current assets	10,153	8,918

Total assets	41,419	39,830
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Equity and liabilities

Equity attributable to common shareholders	8	14,527	14,205
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Loans	3,302	3,683
Other non-current financial liabilities	9,055	8,946
Pensions and other post-employment benefits	586	532
Deferred tax liabilities	714	682
Provisions	753	751
Other non-current liabilities	86	88

Total non-current liabilities	14,496	14,682
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Accounts payable	5,542	5,815
Other current financial liabilities	4,075	2,215
Income taxes payable	84	110
Provisions	312	312
Other current liabilities	2,383	2,491

Total current liabilities	12,396	10,943
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Total equity and liabilities	41,419	39,830
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Year-end U.S. dollar exchange rate (euro per U.S. dollar)	0.8914	0.8738
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Consolidated statement of changes in equity

€ million

Balance as of January 1, 2018, as previously reported	12	15,175	(555)	(4)	541	15,169
Effect of change in accounting policy - IFRS 16	—	—	—	—	(578)	(578)
Balance as of January 1, 2018, restated	12	15,175	(555)	(4)	(37)	14,591
Net income attributable to common shareholders - restated	—	—	—	—	403	403
Other comprehensive income (loss) - restated	—	—	(246)	1	14	(231)
Total comprehensive income (loss) attributable to common shareholders - restated	—	—	(246)	1	417	172
Share buyback	—	—	—	—	(461)	(461)
Share-based payments	—	—	—	—	11	11
Balance as of April 1, 2018, restated	12	15,175	(801)	(3)	(70)	14,313
Balance as of December 30, 2018, as previously reported	12	13,999	(60)	(2)	867	14,816
Effect of change in accounting policy - IFRS 16	—	—	(20)	—	(591)	(611)
Balance as of December 30, 2018, restated	12	13,999	(80)	(2)	276	14,205
Net income attributable to common shareholders	—	—	—	—	435	435
Other comprehensive income (loss)	—	—	199	—	(19)	180
Total comprehensive income attributable to common shareholders	—	—	199	—	416	615
Share buyback	8	—	—	—	(307)	(307)
Share-based payments	—	—	—	—	14	14
Balance as of March 31, 2019	12	13,999	119	(2)	399	14,527

Consolidated statement of cash flow

€ million		
Income from continuing operations	436	403
Adjustments for:		
Net financial expenses	125	120
Income taxes	119	105
Share in income of joint ventures	(5)	(5)
Depreciation, amortization and impairments	6	676
(Gains) losses on the sale of assets / disposal groups held for sale	6	(2)
Share-based compensation expenses		13
Gains on leasing transactions	6	(2)
Operating cash flows before changes in operating assets and liabilities	1,360	1,278
Changes in working capital:		
Changes in inventories	(22)	52
Changes in receivables and other current assets	2	22
Changes in payables and other current liabilities	(374)	(273)
Changes in other non-current assets, other non-current liabilities and provisions	(24)	1
Cash generated from operations	942	1,080
Income taxes paid - net	(226)	(34)
Operating cash flows from continuing operations	717	1,046
Net cash from operating activities	717	1,046
Purchase of non-current assets	(452)	(303)
Divestments of assets / disposal groups held for sale	10	13
Acquisition of businesses, net of cash acquired	3	(5)
Divestment of businesses, net of cash divested	(8)	(1)
Changes in short-term deposits and similar instruments	218	(24)
Dividends received from joint ventures	1	—
Interest received	18	15
Lease payments received on lease receivables	26	20
Other	(1)	(3)
Investing cash flows from continuing operations	(193)	(283)
Net cash from investing activities	(193)	(283)
Proceeds from long-term debt	—	797
Interest paid	(38)	(30)
Repayments of loans	(12)	(13)
Changes in short-term loans	1,434	748
Repayment of lease liabilities	(417)	(363)
Share buyback	8	(307)
Other	—	(1)
Financing cash flows from continuing operations	660	678
Financing cash flows from discontinued operations	—	(1)
Net cash from financing activities	660	677
Net cash from operating, investing and financing activities	1,183	1,440
Cash and cash equivalents at the beginning of the period (excluding restricted cash)	3,110	4,542
Effect of exchange rates on cash and cash equivalents	50	(75)
Cash and cash equivalents at the end of the period (excluding restricted cash)	9	4,343
Average U.S. dollar exchange rate (euro per U.S. dollar)	0.8804	0.8139

Notes to the consolidated interim 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 eCommerce 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 2018 Financial Statements, except as otherwise indicated below under "New and revised IFRSs effective in 2019."

This is the first set of Ahold Delhaize's financial statements in which IFRS 16 has been applied. The details of the changes in accounting policies are described 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.

These consolidated financial statements are presented in millions of euros (€), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

Ahold Delhaize's reporting calendar in 2019 and 2018 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.

New and revised IFRSs effective in 2019

IFRS 16, "Leases"

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Company applies the recognition exemptions for short-term leases and leases of low-value items, defined by the Company to be below \$5,000 per item. The payments for these exempted leases are recognized in the income statement on a straight-line basis over their lease terms.

As a lessee

The Company recognizes a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognized as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are separately disclosed as a line in the balance sheet, but right-of-use assets that meet the definition of investment property are included in "Investment property," and separately disclosed in the notes.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, which are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price of a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is included in "Other current financial liabilities" and "Other non-current financial liabilities."

In the cash flow statement, the Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are not split between interest and principal portions but are shown as one line "Repayment of lease liabilities" in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

The Company applies judgment to determine the lease term for the lease contracts, in which it is a lessee, that include renewal and termination options. The assessment of whether the Company is

reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

As a lessor

Lessor accounting remains similar to the previous standard and the Company continues to classify leases as finance or operating leases at lease inception based upon whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset.

Leases classified as finance leases result in the recognition of a net investment in a lease representing the Company's right to receive rent payments. The value of the net investment in a lease is the value of the future rent payments to be received and the unguaranteed residual value of the underlying asset discounted using the rate implicit in the lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Rent expenses and income - net."

The Company has classified cash flows from operating leases as operating activities. Cash flows representing the collection of principal and interest payments for finance lease receivables are classified as investing activities and disclosed using a single line in the cash flow statement, being "Lease payments received on lease receivables."

The adoption of IFRS 16 has resulted in restatements of Ahold Delhaize's 2018 comparative amounts (see *Note 13*).

Amendments to IAS 19, "Plan Amendments, Curtailment or Settlement"

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must (i) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; (ii) recognize any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement; and (iii) separately recognize any changes in the asset ceiling through other comprehensive income. These amendments have no impact on the consolidated financial statements.

Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"

The amendments to IAS 28 were made to clarify that IFRS 9, "Financial Instruments," applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments have no impact on the consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The interpretation does not have an impact on the consolidated financial statements.

Annual improvements to IFRSs 2015-2017

A number of amendments were made to various IFRSs that do not have a significant effect on the consolidated financial statements.

3. Business combinations and goodwill

Ahold Delhaize completed various store acquisitions for a total purchase consideration of €5 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed and the goodwill arising from the acquisitions during Q1 2019 are as follows:

€ million			
Goodwill	—	1	1
Property, plant and equipment	3	1	4
Right of use asset	9	1	10
Lease liabilities	(9)	(1)	(10)
Fair value of assets and liabilities recognized	3	2	5
Acquisition of businesses, net of cash	3	2	5

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

€ million	
As of December 30, 2018	
At cost	7,102
Accumulated impairment losses	(8)
Opening carrying amount	7,094
Acquisitions through business combinations	1
Exchange rate differences	89
Closing carrying amount	7,184
As of March 31, 2019	
At cost	7,192
Accumulated impairment losses	(8)
Closing carrying amount	7,184

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"), as well as 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 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.

The United States	Stop & Shop, Food Lion, Giant/Martin's, Hannaford, Giant Food and Peapod
The Netherlands	Albert Heijn (including the Netherlands and Belgium), 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 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:

\$ million			
The United States		10,980	10,860
<i>Average U.S. dollar exchange rate (euro per U.S. dollar)</i>		<i>0.8804</i>	<i>0.8139</i>
€ million			
The United States		9,666	8,839
The Netherlands		3,528	3,408
Belgium		1,217	1,245
Central and Southeastern Europe		1,466	1,441
Ahold Delhaize Group		15,878	14,933

Operating income

Operating income (loss) per segment is as follows:

\$ million			
The United States		523	485
<i>Average U.S. dollar exchange rate (euro per U.S. dollar)</i>		<i>0.8804</i>	<i>0.8139</i>
€ million			
The United States		461	394
The Netherlands		173	172
Belgium		29	26
Central and Southeastern Europe		47	53
Global Support Office		(34)	(22)
Ahold Delhaize Group		675	623

5. Net sales

Q1 2019

€ million					
Sales from owned stores	9,383	2,275	591	1,420	13,669
Sales to and fees from franchisees and affiliates	—	725	607	32	1,364
Online sales	221	522	14	5	761
Wholesale sales	33	—	2	8	43
Other sales	29	6	3	1	40
Net sales	9,666	3,528	1,217	1,466	15,878

Q1 2018

€ million					
Sales from owned stores	8,603	2,254	620	1,400	12,877
Sales to and fees from franchisees and 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

6. Expenses by nature

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

€ million		
Cost of product	10,973	10,419
Labor costs	2,335	2,162
Other operational expenses	1,251	1,109
Depreciation and amortization	668	645
Rent expenses and income – net	(29)	(29)
Impairment losses and reversals – net	8	3
(Gains) losses on leases and the sale of assets – net	(5)	1
Total expenses by nature	15,203	14,310

7. Income taxes

The increase in income tax expense for Q1 2019 is mainly caused by higher income and also by one-time events in Q1 2019 and Q1 2018.

8. Equity attributable to common shareholders
Dividend on common shares

On April 10, 2019, the General Meeting of Shareholders approved the dividend over 2018 of €0.70 per common share. The dividend was paid on April 25, 2019.

As of 2019, Ahold Delhaize commits to semi-annual dividend payments. The interim dividend per share will be announced on the date of the release of the second quarter results and will be equal to 40% of the year-to-date underlying income per share from continuing operations.

Share buyback 2019

On January 2, 2019, the Company commenced the €1 billion share buyback program that was announced on November 13, 2018. In total 13,630,870 of the Company's own shares were repurchased at an average price of €22.70 per share. The program is expected to be completed before the end of 2019.

The number of outstanding common shares as of March 31, 2019 was 1,116,640,301 (December 30, 2018: 1,130,200,138).

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		
Cash and cash equivalents as presented in the statement of cash flows	4,343	3,110
Restricted cash	11	12
Cash and cash equivalents as presented on the balance sheet ¹	4,354	3,122

1. *Cash and cash equivalents include an amount held under notional cash pooling arrangement of €1,924 million (December 30, 2018: €695 million), which is 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				
Financial assets at amortized cost				
Loans receivable	71	77	69	72
Trade and other (non-)current receivables	1,653	1,653	1,756	1,756
Lease receivable	459	476	453	454
Cash and cash equivalents	4,354	4,354	3,122	3,122
Short-term deposits and similar instruments	50	50	266	266
	6,587	6,610	5,666	5,670
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	231	231	218	218
Investments in debt instruments	134	134	128	128
	365	365	346	346
Derivative financial instruments				
Derivatives	1	1	1	1
Total financial assets	6,953	6,975	6,014	6,017

€ million

Financial liabilities at amortized cost

Notes	(3,494)	(3,611)	(3,476)	(3,500)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(278)	(235)	(277)	(235)
Mortgages payable	(89)	(102)	(89)	(103)
Cumulative preferred financing shares	(455)	(478)	(455)	(481)
Dividend cumulative preferred financing shares	(21)	(21)	(17)	(17)
Accounts payable	(5,542)	(5,542)	(5,815)	(5,815)
Short-term borrowings	(2,201)	(2,201)	(753)	(753)
Interest payable	(46)	(46)	(38)	(38)
Other	(94)	(97)	(93)	(95)
	(12,223)	(12,336)	(11,016)	(11,040)

Financial liabilities at fair value through profit or loss

Reinsurance liabilities	(235)	(235)	(223)	(223)
Total financial liabilities excluding lease liabilities	(12,458)	(12,571)	(11,239)	(11,263)
Lease liabilities	(9,528)	n/a	(9,432)	n/a
Total financial liabilities	(21,986)	n/a	(20,671)	n/a

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 as of March 31, 2019, is nil (December 30, 2018: nil).

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 2018 Financial Statements. 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 30, 2018, is included in *Note 34* of Ahold Delhaize's 2018 Financial Statements, as included in the 2018 Annual Report, published on February 27, 2019.

12. Subsequent events

On April 10, 2019, the General Meeting of Shareholders authorized the Management Board to acquire all cumulative preferred financing shares in the Company, up to the maximum of 223,415,103 cumulative preferred financing shares, with an expected redemption value of €477 million. The Company intends to acquire and to cancel all cumulative preferred financing shares under this authorization in 2019.

As a result of the strikes that affected 246 of Stop & Shop's 415 stores and lasted 11 days, having started on April 11, 2019, Stop & Shop estimates a one-off impact on underlying operating profit of between \$90 - \$110 million, resulting from lower sales, increased shrink of seasonal and perishable inventory and additional supply chain costs. As a consequence, Ahold Delhaize updated its guidance for the full year 2019. Refer to the *Outlook* section on page 6.

Ahold Delhaize has access to a €1.0 billion committed credit facility which contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2, respectively, not to exceed a specified maximum leverage ratio. On May 3, 2019, the lenders agreed to amend the maximum leverage ratio from 4.0:1 to 5.5:1 as a result of the implementation of IFRS 16.

13. Changes in accounting policies – effect of IFRS 16 adoption

The Company adopted IFRS 16 on December 31, 2018, and applied the full retrospective transition approach, and, therefore, the comparative figures for the 2018 financial year have been restated, as presented below.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets, representing its rights to use the underlying assets, and lease liabilities, representing its obligation to make lease payments.

For the income statement, the nature of expenses related to leases, where the Company leases an asset (lessee), has changed as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

On transition to IFRS 16, the Company determined whether an arrangement contains a lease. When performing this assessment, the Company could choose whether to apply the IFRS 16 definition of a lease to all its contracts or apply the practical expedient allowed under IFRS 16 and not reassess whether a contract is, or contains, a lease. The Company chose to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it applied IFRS 16 to all contracts entered into before December 31, 2018, and identified as leases in accordance with IAS 17 and IFRIC 4.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, subleases under IFRS 16 are classified with reference to the right-of-use asset, not with reference to the underlying asset, as per IAS 17. As a result, more leases have been classified as finance leases.

 € million

Consolidated income statement

Net sales	14,933	—	14,933
Cost of sales	(10,890)	—	(10,890)
Gross profit	4,043	—	4,043
Selling expenses	(2,932)	52	(2,880)
General and administrative expenses	(537)	(3)	(540)
Total operating expenses	(3,469)	49	(3,420)
Operating income	574	49	623
Interest income	13	4	17
Interest expense	(73)	25	(48)
Net interest expense on defined benefit pension plans	(5)	—	(5)
Interest accretion to lease liability	—	(87)	(87)
Other financial income (expense)	1	2	3
Net financial expenses	(64)	(56)	(120)
Income before income taxes	510	(7)	503
Income taxes	(107)	2	(105)
Share in income of joint ventures	4	1	5
Income from continuing operations	407	(4)	403
Income (loss) from discontinued operations	—	—	—
Net income attributable to common shareholders	407	(4)	403

€ million

Consolidated statement of comprehensive income

Net income	407	(4)	403
Remeasurements of defined benefit pension plans			
Remeasurements before taxes - income (loss)	20	—	20
Income taxes	(6)	—	(6)
Other comprehensive income (loss) that will not be reclassified to profit or loss	14	—	14
Currency translation differences in foreign interests	(256)	10	(246)
Cash flow hedges:			
Fair value result for the period	1	—	1
Other comprehensive income (loss) reclassifiable to profit or loss	(255)	10	(245)
Total other comprehensive income (loss)	(241)	10	(231)
Total comprehensive income attributable to common shareholders	166	6	172
Attributable to:			
Continuing operations	166	6	172
Discontinued operations	—	—	—
Total comprehensive income attributable to common shareholders	166	6	172

€ million

Consolidated balance sheet
Assets

Property, plant and equipment	11,147	(1,101)	10,046
Investment property	629	334	963
Right-of-use asset	—	7,027	7,027
Intangible assets	12,013	(200)	11,813
Investments in joint ventures and associates	236	(23)	213
Other non-current financial assets	238	398	636
Deferred tax assets	149	17	166
Other non-current assets	77	(29)	48
Total non-current assets	24,489	6,423	30,912

Assets held for sale	23	—	23
Inventories	3,196	—	3,196
Receivables	1,759	87	1,846
Other current financial assets	461	—	461
Income taxes receivable	53	—	53
Prepaid expenses and other current assets	228	(11)	217
Cash and cash equivalents	3,122	—	3,122
Total current assets	8,842	76	8,918
Total assets	33,331	6,499	39,830

Equity and liabilities

Equity attributable to common shareholders	14,816	(611)	14,205
Loans	3,683	—	3,683
Other non-current financial liabilities	2,055	6,891	8,946
Pensions and other post-employment benefits	532	—	532
Deferred tax liabilities	864	(182)	682
Provisions	794	(43)	751
Other non-current liabilities	566	(478)	88
Total non-current liabilities	8,494	6,188	14,682

Accounts payable	5,816	(1)	5,815
Other current financial liabilities	1,232	983	2,215
Income taxes payable	110	—	110
Provisions	326	(14)	312
Other current liabilities	2,537	(46)	2,491
Total current liabilities	10,021	922	10,943
Total equity and liabilities	33,331	6,499	39,830

€ million

Consolidated balance sheet on transition (Opening balance sheet)
Assets

Property, plant and equipment	10,689	(1,132)	9,557
Investment property	650	366	1,016
Right-of-use asset	—	6,970	6,970
Intangible assets	11,634	(224)	11,410
Investments in joint ventures and associates	230	(25)	205
Other non-current financial assets	192	404	596
Deferred tax assets	436	31	467
Other non-current assets	70	(26)	44

Total non-current assets	23,901	6,364	30,265
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Assets held for sale	14	—	14
Inventories	3,077	—	3,077
Receivables	1,605	78	1,683
Other current financial assets	238	—	238
Income taxes receivable	154	—	154
Prepaid expenses and other current assets	300	(43)	257
Cash and cash equivalents	4,581	—	4,581

Total current assets	9,969	35	10,004
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Total assets	33,870	6,399	40,269
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Equity and liabilities

Equity attributable to common shareholders	15,169	(578)	14,591
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Loans	3,289	—	3,289
Other non-current financial liabilities	2,098	6,823	8,921
Pensions and other post-employment benefits	567	—	567
Deferred tax liabilities	1,105	(162)	943
Provisions	808	(60)	748
Other non-current liabilities	529	(472)	57

Total non-current liabilities	8,396	6,129	14,525
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Accounts payable	5,277	(1)	5,276
Other current financial liabilities	2,210	912	3,122
Income taxes payable	136	—	136
Provisions	355	(18)	337
Other current liabilities	2,327	(45)	2,282

Total current liabilities	10,305	848	11,153
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Total equity and liabilities	33,870	6,399	40,269
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€ million

Consolidated statement of cash flow

Income from continuing operations	407	(4)	403
Adjustments for:			
Net financial expenses	64	56	120
Income taxes	107	(2)	105
Share in income of joint ventures	(4)	(1)	(5)
Depreciation, amortization and impairments	441	207	648
Gains on the sale of assets / disposal groups held for sale	(1)	—	(1)
Share-based compensation expenses	11	—	11
Gains on leasing transactions	(1)	(2)	(3)
Operating cash flows before changes in operating assets and liabilities	1,024	254	1,278
Changes in working capital:			
Changes in inventories	52	—	52
Changes in receivables and other current assets	19	3	22
Changes in payables and other current liabilities	(274)	1	(273)
Changes in other non-current assets, other non-current liabilities and provisions	(17)	18	1
Cash generated from operations	804	276	1,080
Income taxes paid - net	(34)	—	(34)
Operating cash flows from continuing operations	770	276	1,046
Operating cash flows from discontinued operations	(1)	1	—
Net cash from operating activities	769	277	1,046
Purchase of non-current assets	(303)	—	(303)
Divestments of assets / disposal groups held for sale	13	—	13
Divestment of businesses, net of cash divested	(1)	—	(1)
Changes in short-term deposits and similar instruments	(24)	—	(24)
Interest received	15	—	15
Lease payments received on lease receivables	—	20	20
Other	(3)	—	(3)
Investing cash flows from continuing operations	(303)	20	(283)
Net cash from investing activities	(303)	20	(283)
Proceeds from long-term debt	797	—	797
Interest paid	(54)	24	(30)
Repayments of loans	(13)	—	(13)
Changes in short-term loans	748	—	748
Repayment of lease liabilities	(43)	(320)	(363)
Share buyback	(460)	—	(460)
Other	(1)	—	(1)
Financing cash flows from continuing operations	974	(296)	678
Financing cash flows from discontinued operations	—	(1)	(1)
Net cash from financing activities	974	(297)	677
Net cash from operating, investing and financing activities	1,440	—	1,440
Cash and cash equivalents at the beginning of the period (excluding restricted cash)	4,542	—	4,542
Effect of exchange rates on cash and cash equivalents	(75)	—	(75)

Cash and cash equivalents at the end of the period (excluding restricted cash)	5,907	—	5,907
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€ million

Note 6. Expenses by nature

Cost of product	10,419	—	10,419
Labor costs	2,162	—	2,162
Other operational expenses	1,111	(2)	1,109
Depreciation and amortization	437	208	645
Rent expenses and income – net	227	(256)	(29)
Impairment losses and reversals – net	4	(1)	3
(Gains) losses on leases and the sale of assets – net	(1)	2	1
Total expenses by nature	14,359	(49)	14,310

Zaandam, the Netherlands, May 7, 2019

Management Board

Frans Muller (President and Chief Executive Officer)

Jeff Carr (Chief Financial Officer)

Kevin Holt (Chief Executive Officer Ahold Delhaize USA)

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

Other financial and operating information

Free cash flow¹

€ million		
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,337	1,279
Changes in working capital	(394)	(199)
Income taxes paid - net	(226)	(34)
Purchase of non-current assets	(452)	(303)
Divestments of assets / disposal groups held for sale	10	13
Interest received	18	15
Interest paid	(38)	(30)
Lease payments received on lease receivables	26	20
Repayment of lease liabilities	(417)	(363)
Free cash flow	(136)	398

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 debt¹

€ million		
Loans	3,302	3,683
Lease liabilities	8,370	8,270
Cumulative preferred financing shares	455	455
Non-current portion of long-term debt	12,126	12,408
Short-term borrowings and current portion of long-term debt	3,921	2,077
Gross debt	16,048	14,485
Less: Cash, cash equivalents, short-term deposits and similar instruments and short-term portion of investments in debt instruments ^{2, 3, 4, 5}	4,528	3,507
Net debt	11,520	10,978

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 March 31, 2019, was €50 million (December 30, 2018: €266 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 U.S. treasury investment fund in the amount of €124 million (December 30, 2018: €119 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 March 31, 2019, was €233 million (December 30, 2018: €292 million).
5. Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,924 million (December 30, 2018: €695 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 income¹

Underlying operating income per segment is as follows:

Q1 2019

€ million						
Operating income (loss)	461	173	29	47	(34)	675
Impairments	6	1	—	1	—	8
(Gains) losses on leases and the sale of assets	(3)	—	—	(1)	—	(5)
Restructuring and related charges and other	11	—	—	—	4	16
<i>Adjustments to operating income</i>	<i>14</i>	<i>1</i>	<i>—</i>	<i>—</i>	<i>4</i>	<i>19</i>
Underlying operating income (loss)	475	175	29	47	(30)	695

1. *Underlying operating income 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.*

Underlying operating income in local currency for Q1 2019 was \$539 million for the United States.

Q1 2018, restated

€ million						
Operating income (loss)	394	172	26	53	(22)	623
Impairments	—	2	—	1	—	3
(Gains) losses on leases and the sale of assets	1	—	—	—	—	1
Restructuring and related charges and other	13	2	3	—	6	24
<i>Adjustments to operating income</i>	<i>14</i>	<i>4</i>	<i>3</i>	<i>1</i>	<i>6</i>	<i>28</i>
Underlying operating income (loss)	408	176	29	54	(16)	651

Restated underlying operating income in local currency for Q1 2018 was \$502 million for the United States.

Underlying EBITDA¹

€ million		
Underlying operating income	695	651
Depreciation and amortization ²	661	645
Underlying EBITDA	1,356	1,296

1. *Underlying EBITDA 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. *The €7 million difference between the total amount of depreciation and amortization for Q1 2019 of €668 million and the €661 million mentioned here relates to an item that was excluded from underlying operating income.*

Underlying income from continuing operations¹

€ million, except per share data		
Income from continuing operations	436	403
Adjustments to operating income	19	28
Tax effect on unusual items and unusual tax items	(5)	(7)
Underlying income from continuing operations	450	424
Basic income per share from continuing operations ²	0.39	0.33
Underlying income per share from continuing operations ²	0.40	0.35

- 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.*
- 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 2019 is 1,124 million (Q1 2018: 1,214 million).*

Store portfolio (including franchise and affiliate stores)

The United States	1,961	2	—	1,963
The Netherlands ¹	2,151	3	(7)	2,147
Belgium	777	3	(2)	778
Central and Southeastern Europe	1,880	21	(4)	1,897
Total	6,769	29	(13)	6,785

- The number of stores at the end of Q1 2019 includes 1,134 specialty stores (Etos and Gall & Gall); (end of 2018: 1,139).*

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 50 and 51 of Ahold Delhaize's 2018 Annual Report.

Due to the implementation of IFRS 16, Ahold Delhaize has updated some of its definitions of alternative performance measures. The updated definition are provided below.

Free cash flow

Following the adoption of IFRS 16, Ahold Delhaize defines free cash flow as operating cash flows from continuing operations minus net capital expenditures, net repayment of lease liabilities and receivables (both interest and principal portions) and net interest paid plus dividends received.

Previously, Ahold Delhaize did not include the repayment of finance lease liabilities under IAS 17 in free cash flow. In addition, Ahold Delhaize did not previously have lease receivables and all rent income was included in operating cash flows from continuing operations. However, after the adoption of IFRS 16, some lessor contracts were classified as finance leases resulting in the recognition of lease receivables. Rent payments received on such lease receivables continue to be included in free cash flow.

Underlying operating income and margin

Underlying operating income is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance.

Prior to the adoption of IFRS 16, gains and losses on leases and subleases were not adjusted for when determining underlying operating income, but the amounts were not significant.

Underlying income from continuing operations

Ahold Delhaize defines underlying income from continuing operations as income from continuing operations adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance, as well as material non-recurring finance costs and income tax expense, and the potential effect of income tax on all these items.

Prior to the adoption of IFRS 16, gains and losses on leases and subleases were not adjusted for when determining underlying income from continuing operations, but amounts were not significant.

The adoption of IFRS 16 has resulted in restatements of Ahold Delhaize's 2018 comparative amounts for the alternative performance measures, as presented in the section *Alternative performance measures: restatement of 2018 comparatives*.

Alternative performance measures: restatement of 2018 comparatives

Following the update of some definitions of alternative performance measures, as mentioned above, the comparative figures for the 2018 financial year have been restated.

Free cash flow

€ million			
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,007	272	1,279
Changes in working capital	(203)	4	(199)
Income taxes paid - net	(34)	—	(34)
Purchase of non-current assets	(303)	—	(303)
Divestments of assets / disposal groups held for sale	13	—	13
Interest received	15	—	15
Interest paid	(54)	24	(30)
Free cash flow - old definition	441	300	741
Lease payments received on lease receivables	—	20	20
Repayment of lease liabilities	(43)	(320)	(363)
Free cash flow - new definition	398	—	398

Underlying operating income

€ million			
Operating income	574	49	623
Impairments	4	(1)	3
(Gains) losses on leases and the sale of assets	(1)	2	1
Restructuring and related charges and other	23	1	24
<i>Adjustments to operating income</i>	26	2	28
Underlying operating income	600	51	651

Underlying EBITDA

€ million			
Underlying operating income	600	51	651
Depreciation and amortization	437	208	645
Underlying EBITDA	1,037	259	1,296

Underlying income from continuing operations

€ million, except per share data

Income from continuing operations	407	(4)	403
Adjustments to operating income	26	2	28
Tax effect of unusual items and unusual tax items	(7)	—	(7)
Underlying income from continuing operations	426	(2)	424
Basic income per share from continuing operations ¹	0.34	(0.01)	0.33
Underlying income per share from continuing operations ¹	0.35	—	0.35

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 2018 is 1,214 million.*

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 2019 financial year consists of 52 weeks and ends on December 29, 2019. The quarters in 2019 are:

First quarter	December 31, 2018 through March 31, 2019
Second quarter	April 1 through June 30, 2019
Third quarter	July 1 through September 29, 2019
Fourth quarter	September 30 through December 29, 2019

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 strategy, on track, outlook, anticipate, to be, expectation, will, will be, target, intends 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:

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Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and eCommerce. Its family of great, local brands serves more than 50 million customers each week in Europe, the United States, and Indonesia. Together, these brands employ more than 372,000 associates in more than 6,769 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.



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