

May 27, 2015

Interim Report

First quarter 2015

Zaandam, the Netherlands – Ahold today published its summary report for the first quarter of 2015.

- Q1 sales of €11.3 billion, up 14.9% driven by currency (up 1.4% at constant exchange rates)
- Sales excluding gas up 3.1% at constant exchange rates
- Sales in the Netherlands up 5.7%, driven by successful promotions and improved product offering
- Underlying operating margin of 3.5%, reflects investments in growth and higher insurance charge
- Conversion of SPAR stores in the Czech Republic completed

CEO Dick Boer said: "We are encouraged by the positive momentum in our sales trend, with sales growth of 3.1% excluding gas and at constant exchange rates, despite the adverse timing of Easter. We have continued to respond to the changing needs of our customers, by making further price investments, increasing and improving our assortments, expanding our store network, introducing new formats and continuing to strengthen our leading online proposition.

"In the Netherlands, Albert Heijn delivered strong sales growth, supported by successful promotions, and continued to improve its product assortment to further differentiate its offering. Albert Heijn grew market share in the Netherlands and we made further progress expanding our network in Belgium with new store openings bringing the total to 30 stores. In the U.S., we saw further benefits from our improved customer proposition, which we have continued to roll out to more stores during the quarter, resulting in an increased volume market share. In the Czech Republic, we completed the process of rebranding the 49 SPAR stores.

"Our business performance remains on track to deliver in line with full year expectations. We continue to execute our Reshaping Retail strategy, offering quality and value to our customers."

Group performance

€ million, except per share data	Q1 2015	Q1 2014	% change	% change constant rates
Net sales	11,289	9,821	14.9 %	1.4 %
Underlying operating income	390	392	(0.5)%	(11.9)%
Underlying operating margin	3.5%	4.0%		
Operating income	346	380	(8.9)%	(19.3)%
Income from continuing operations	211	235	(10.2)%	(19.6)%
Net income ¹	213	50	326.0 %	669.0 %
Basic earnings per share from continuing operations	0.26	0.25	4.0 %	(7.1)%

¹ The increase in net income for Q1 2015 compared to Q1 2014 is primarily due to a charge of €180 million recorded in discontinued operations for Q1 2014 representing the net of tax settlement amount and associated legal fees for the Waterbury litigation.

Performance by segment

Ahold USA

€ million	Q1 2015	Q1 2014	% change	% change constant rates
Net sales	7,026	5,859	19.9 %	(2.1)%
Underlying operating income	257	227	13.2 %	(7.7)%
Underlying operating margin	3.7 %	3.9 %		
Identical sales growth	(2.4)%	(0.2)%		
Identical sales growth excluding gasoline	0.1 %	0.1 %		
Comparable sales growth excluding gasoline	0.2 %	0.2 %		

Total first quarter net sales of €7,026 million were up 19.9%, 2.1% lower than last year at constant exchange rates, impacted by lower gas sales. Excluding gas, net sales at constant exchange rates was 0.4% higher than last year, while identical sales growth was 0.1%

The underlying sales trends were positive. The adverse impact of the timing of Easter was partly offset by additional sales as a consequence of high snowfall levels during the quarter in the Stop & Shop and Giant Carlisle markets.

This quarter, the first wave of our program to improve our customer proposition was rolled out to another 183 stores, bringing the total to 704 stores, and the next waves are being deployed in all our divisions. The results of the program continue to show positive sales trends across all market areas, with improved identical sales performance versus the previous quarter, adjusted for Easter. We continued to focus on growing own-brand penetration across our businesses. In all of our market areas, we are sustaining the improvements in price perception scores seen at the end of last year.

Ahold USA's market share grew in volume for the third consecutive quarter and was flat in dollars compared to last year, reflecting ongoing price investments. In New England, the trend in market share development improved from Q4 and our share in the Giant Carlisle and New York Metro market areas increased.

Ahold USA's underlying operating margin stood at 3.7%, down 0.2% from the same quarter last year. The margin decline reflects cost price inflation outpacing retail pricing, specifically in our non-perishable product range, and our decision to absorb part of this cost. This cost was partly offset by lower promotional spend and Simplicity cost savings. Lower gas sales due to falling gas prices had a positive impact on the operating margin but was more than offset by increased cost for snow removal, increased energy use and lower reimbursements on pharmacy products.

During the quarter, Ahold USA announced a restructuring of its support offices, which is to be completed by early summer 2015.

The Netherlands

€ million	Q1 2015	Q1 2014	% change
Net sales	3,748	3,547	5.7 %
Underlying operating income	166	178	(6.7)%
Underlying operating margin	4.4%	5.0 %	
Identical sales growth	2.5%	(1.4)%	
Comparable sales growth	3.0%	(1.3)%	

First quarter net sales of €3,748 million increased by 5.7% compared to last year, while identical sales grew by 2.5%, in spite of the post-Easter week falling into our first quarter.

Albert Heijn ran two successful promotions during the quarter, which included a large glassware collection campaign followed by a grow-your-own-garden promotional campaign. Albert Heijn also continued to improve its own-brand value product line and improved and extended its organic product range. For the quarter, Albert Heijn reported an increased basket size and increased its market share. The sales growth was also partially due to the conversion of 16 former C1000 stores in the Netherlands and the opening of ten new Albert Heijn stores in Belgium versus last year.

We achieved consumer sales growth of over 20% at our online operations bol.com and Albert Heijn Online. In Belgium, where we opened our 30th store, we continued to see strong sales growth.

The underlying operating margin of 4.4% was impacted by the cost of the glassware collection campaign and higher pension costs as a result of lower interest rates.

As part of our omni-channel strategy, we continue to invest in our online businesses. This additional investment has reduced our margin by 0.1% in the Netherlands versus last year. For the full year 2015, we expect to accelerate our investments in our online businesses, and expect that the negative impact on the Netherlands margin will be 25 basis points versus last year.

Czech Republic

€ million	Q1 2015	Q1 2014	% change	% change constant rates
Net sales	515	415	24.1 %	24.8 %
Underlying operating income	2	9	(77.8)%	(74.8)%
Underlying operating margin	0.4 %	2.2%		
Identical sales growth	(2.3)%	0.5%		
Identical sales growth excluding gasoline	(2.1)%	0.5%		
Comparable sales growth excluding gasoline	(2.1)%	0.6%		

Excluding gas, net sales at constant exchange rates was 26.3% higher than last year. Total first quarter net sales of €515 million were 24.8% higher than last year at constant exchange rates, driven by the inclusion of 49 acquired SPAR stores as of August 1, 2014.

Identical sales excluding gas were down 2.1%. This included the unfavorable impact of the post-Easter week falling into our first quarter.

During the quarter, the remaining 35 SPAR stores were successfully converted and rebranded to the Albert banner. This marked the end of the eight-month project to convert and rebrand all 49 SPAR stores. The integration of the SPAR stores reinforces Albert's position as a leading food retailer in the Czech market.

The underlying operating margin of 0.4% for the quarter was impacted by €4 million of non-recurring cost related to the SPAR integration. Restructuring charges of €11 million related to this acquisition were booked in the quarter. For the full year 2015, we expect that the acquisition of SPAR will remain slightly margin-dilutive.

Corporate Center

Underlying Corporate Center costs were €35 million, an increase of €13 million over last year, of which €9 million relates to insurance activities (primarily reflecting a non-cash charge which is largely a result of lower discount rates).

Outlook

Our business performance remains on track to deliver in line with full year expectations.

As previously communicated, higher pension costs and increased investments in our Dutch online businesses will lower margins in the Netherlands by 40 to 50 basis points compared to last year. In the Czech Republic, the SPAR acquisition will remain slightly margin-dilutive in 2015, with additional one-off costs of €40 million, of which €4 million has been recognized in underlying operating income.

We expect free cash flow to be broadly in line with last year, based on current exchange rates.

Financial review

First quarter 2015 (compared to first quarter 2014)

Underlying operating income was €390 million; €2 million lower than last year. Underlying operating margin was 3.5%, which was down from 4.0% last year. Contributing to the decline was the impact of the rollout of the program to improve the customer proposition in the U.S., increased investments in our online businesses, and the integration of SPAR in the Czech Republic.

Operating income decreased by €34 million to €346 million. This included, when compared to Q1 2014, increased restructuring and related charges of €23 million and higher impairments of €10 million. The increase in restructuring and related charges is primarily due to provisions of €14 million related to the restructuring of support offices in Ahold USA and €11 million related to the acquisition and integration of the SPAR business in the Czech Republic. The higher impairments reflect a write-down of prepaid consideration in the Netherlands of €9 million related to the C1000 stores acquired in 2012 from Jumbo that are either to be returned to Jumbo or sold.

Income from continuing operations was €211 million; €24 million lower than last year. The decrease in operating income of €34 million and higher financial expenses of €9 million were partially offset by lower income taxes of €20 million.

Net income was €213 million, up €163 million compared with last year. The change is primarily due to a charge of €180 million recorded in discontinued operations for Q1 2014, representing the net of tax settlement amount and associated legal fees for the Waterbury litigation.

Free cash flow of €186 million declined by €116 million compared to Q1 2014. This decrease was mainly driven by lower cash generated from operations of €191 million and higher purchases of non-current assets of €17 million, partly offset by lower income taxes paid of €100 million. The lower cash generated from operations was predominantly due to unfavorable year-over-year changes in working capital, partly as a result of the timing of year end and Easter.

Net debt increased in Q1 2015 by €43 million to €1,354 million. Free cash flow of €186 million was offset by the share buyback of €40 million and the exchange impact on dollar denominated net debt components.

Consolidated income statement

€ million, except per share data	Note	Q1 2015	Q1 2014
Net sales	4	11,289	9,821
Cost of sales	5	(8,226)	(7,198)
Gross profit		3,063	2,623
Selling expenses		(2,307)	(1,918)
General and administrative expenses		(410)	(325)
Total operating expenses	5	(2,717)	(2,243)
Operating income	4	346	380
Interest income		1	2
Interest expense		(72)	(64)
Net interest expense on defined benefit pension plans		(4)	(5)
Other financial expenses		(4)	(3)
Net financial expenses		(79)	(70)
Income before income taxes		267	310
Income taxes	6	(58)	(78)
Share in income of joint ventures		2	3
Income from continuing operations		211	235
Income (loss) from discontinued operations	7	2	(185)
Net income attributable to common shareholders		213	50
Net income per share attributable to common shareholders			
Basic		0.26	0.05
Diluted		0.26	0.05
Income from continuing operations per share attributable to common shareholders			
Basic		0.26	0.25
Diluted		0.25	0.24
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8928	0.7288

Consolidated statement of comprehensive income

€ million	Q1 2015	Q1 2014
Net income attributable to common shareholders	213	50
Remeasurements of defined benefit pension plans		
Remeasurements before taxes - income (loss)	(88)	(18)
Income taxes	25	7
Other comprehensive loss that will not be reclassified to profit or loss	(63)	(11)
Currency translation differences in foreign interests before taxes from:		
Continuing operations	457	(18)
Cash flow hedges:		
Fair value result in the year	(6)	(15)
Transfers to net income	(31)	(2)
Income taxes	9	4
Other comprehensive income (loss) reclassifiable to profit or loss	429	(31)
Total other comprehensive income (loss)	366	(42)
Comprehensive income attributable to common shareholders	579	8
Attributable to:		
Continuing operations	577	193
Discontinued operations	2	(185)
Comprehensive income attributable to common shareholders	579	8

Consolidated balance sheet

€ million	Note	April 19, 2015	December 28, 2014
Assets			
Property, plant and equipment		6,627	6,150
Investment property		604	560
Intangible assets		1,821	1,763
Investments in joint ventures and associates		210	206
Other non-current financial assets		524	482
Deferred tax assets		560	494
Other non-current assets		42	35
Total non-current assets		10,388	9,690
Assets held for sale		8	7
Inventories		1,656	1,589
Receivables		672	728
Other current financial assets		552	323
Income taxes receivable		39	59
Other current assets		228	118
Cash and cash equivalents	9	1,635	1,624
Total current assets		4,790	4,448
Total assets		15,178	14,138
Equity and liabilities			
Equity attributable to common shareholders	8	5,002	4,844
Loans		1,557	1,410
Other non-current financial liabilities		2,190	2,039
Pensions and other post-employment benefits		417	290
Deferred tax liabilities		113	150
Provisions		732	663
Other non-current liabilities		309	276
Total non-current liabilities		5,318	4,828
Accounts payable		2,424	2,655
Other current financial liabilities		711	280
Income taxes payable		46	22
Provisions		262	240
Other current liabilities		1,415	1,269
Total current liabilities		4,858	4,466
Total equity and liabilities		15,178	14,138
Quarter-end U.S. dollar exchange rate (euro per U.S. dollar)		0.9253	0.8213

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including accumulated deficit	Equity attributable to common shareholders
Balance as of December 29, 2013		318	8,713	(492)	(81)	(1,938)	6,520
Net income		—	—	—	—	50	50
Other comprehensive loss		—	—	(18)	(13)	(11)	(42)
Total comprehensive income (loss)		—	—	(18)	(13)	39	8
Dividends		—	—	—	—	(414)	(414)
Capital repayment		(308)	(809)	—	—	109	(1,008)
Share buyback		—	—	—	—	(439)	(439)
Share-based payments		—	—	—	—	18	18
Balance as of April 20, 2014		10	7,904	(510)	(94)	(2,625)	4,685
Balance as of December 28, 2014		9	6,844	(103)	(132)	(1,774)	4,844
Net income		—	—	—	—	213	213
Other comprehensive income (loss)		—	—	457	(28)	(63)	366
Total comprehensive income (loss)		—	—	457	(28)	150	579
Dividends	8	—	—	—	—	(396)	(396)
Share buyback	8	—	—	—	—	(40)	(40)
Share-based payments		—	—	—	—	15	15
Balance as of April 19, 2015		9	6,844	354	(160)	(2,045)	5,002

Consolidated statement of cash flows

€ million	Note	Q1 2015	Q1 2014
Operating income		346	380
Adjustments for:			
Depreciation, amortization, write-downs and impairments	5	319	254
Gains on the sale of assets / disposal groups held for sale	5	(2)	(1)
Share-based compensation expenses		13	13
Operating cash flows before changes in operating assets and liabilities		676	646
Changes in working capital:			
Changes in inventories		49	16
Changes in receivables and other current assets		8	(32)
Changes in payables and other current liabilities		(273)	56
Changes in other non-current assets, other non-current liabilities and provisions		(7)	(42)
Cash generated from operations		453	644
Income taxes paid - net		(23)	(123)
Operating cash flows from continuing operations		430	521
Operating cash flows from discontinued operations		(2)	(9)
Net cash from operating activities		428	512
Purchase of non-current assets		(205)	(188)
Divestments of assets / disposal groups held for sale		9	8
Acquisition of businesses, net of cash acquired	3	(8)	(12)
Divestment of businesses, net of cash divested	7	(4)	(44)
Changes in short-term deposits and similar instruments		(201)	791
Dividends received from joint ventures		2	1
Interest received		2	3
Investing cash flows from continuing operations		(405)	559
Investing cash flows from discontinued operations		—	—
Net cash from investing activities		(405)	559
Interest paid		(52)	(43)
Repayments of loans		(15)	(11)
Repayments of finance lease liabilities		(34)	(22)
Share buyback	8	(40)	(439)
Capital repayment		—	(1,008)
Other cash flows from derivatives		(11)	(10)
Other		4	(4)
Financing cash flows from continuing operations		(148)	(1,537)
Financing cash flows from discontinued operations		—	(2)
Net cash from financing activities		(148)	(1,539)
Net cash from operating, investing and financing activities	9	(125)	(468)
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8928	0.7288

For the reconciliation between net cash from operating, investing and financing activities and cash and cash equivalents as presented in the balance sheet, see *Note 9*.

Notes to the consolidated summary financial statements

1. The Company and its operations

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

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's 2014 consolidated financial statements.

Ahold's reporting calendar in 2015 is based on 12 periods of four weeks and one period of five weeks, a total of 53 weeks. The 2014 reporting calendar is based on 13 periods of four weeks, a total of 52 weeks. In 2015 and 2014, the first quarter comprised 16 weeks.

New and revised IFRSs effective in 2015

Contributions from employees to defined benefit plans - Amendments to IAS 19

The objective of the amendments was to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The simplification was to allow entities the option to recognize employee contributions as a reduction of service costs in the period in which the related service is rendered, instead of attributing the employee contributions to periods of service. The amendments have no impact on the Group, as Ahold has chosen not to avail itself of the practical expedient offered in the amendment and will continue to attribute employee contributions to periods of service.

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The adoption of IFRIC 21 does not have a significant financial effect on the consolidated financial statements of the Group.

Annual improvements to IFRSs 2010-2012 and to IFRSs 2011-2013

Annual improvements to IFRSs 2010-2012 Cycle and annual improvements to IFRSs 2011-2013 Cycle made a number of amendments to various IFRSs, which, based on Ahold's current financial position, will not have a significant effect on the consolidated financial statements.

3. Business combinations

On August 14, 2012, Ahold announced that its Albert Heijn division had completed the acquisition of 78 C1000 and four Jumbo stores from Jumbo for €290 million in cash, with €269 million paid by April 19, 2015 (of which €3 million was paid in Q1 2015), and the remaining amount to be settled as agreements are reached with the franchisees. As of April 19, 2015, Ahold had reached agreement concerning 75 franchisees, related to which 61 stores have been converted and opened under the Albert Heijn banner. For the remaining seven stores, Ahold did not reach agreement with the franchisees and these stores will be transferred back to Jumbo. During the first quarter of this year, Ahold recognized an €8.6 million impairment loss of prepaid consideration. Goodwill recognized in the amount of €200 million by April 19, 2015 (Q1 2015: €26 million), which will not be deductible for tax purposes, represents expected synergies from the combination of operations, as well as the ability to expand Ahold's geographic reach.

The seven stores that were converted to the Albert Heijn banner in Q1 2015 have contributed €8 million to Q1 2015 net sales and an insignificant amount to net income in Q1 2015.

Other acquisitions

Ahold completed several minor store acquisitions for a combined purchase consideration of €5 million.

The allocation of the fair value of the net assets acquired and the goodwill arising from the acquisitions during 2015 is as follows:

€ million	Jumbo	Other	Total
Goodwill	26	7	33
Reversal of other intangible assets	(23)	—	(23)
Other non current assets	—	1	1
Current assets	—	(3)	(3)
Acquisition of business, net of cash acquired	3	5	8

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

€ million	Goodwill
As of December 28, 2014	
At cost	1,039
Accumulated impairment losses	(8)
Opening carrying amount	1,031
Acquisitions through business combinations	33
Impairment losses	—
Exchange rate differences	40
Closing carrying amount	1,104
As of April 19, 2015	
At cost	1,112
Accumulated impairment losses	(8)
Carrying amount	1,104

4. Segment reporting

Ahold's retail operations are presented in three reportable segments. In addition, Other retail, consisting of Ahold's unconsolidated joint venture JMR, and Ahold's Corporate Center are presented separately.

Reportable segment	Included in the Reportable segment
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle and Peapod
The Netherlands	Albert Heijn, Albert Heijn Belgium, Albert Heijn Germany, Etos, Gall & Gall, bol.com and Albert Heijn Online
Czech Republic	Albert
Other	Included in Other
Other retail	Unconsolidated joint venture JMR (49%)
Corporate Center	Corporate Center staff (the Netherlands, Switzerland and the United States)

Net sales

Net sales per segment are as follows:

	Q1 2015	Q1 2014
\$ million		
Ahold USA	7,874	8,040
<i>Average U.S. dollar exchange rate (euro per U.S. dollar)</i>	<i>0.8928</i>	<i>0.7288</i>
CZK million		
Czech Republic	14,208	11,386
<i>Average Czech Crown exchange rate (euro per Czech Crown)</i>	<i>0.0363</i>	<i>0.0364</i>
€ million		
Ahold USA	7,026	5,859
The Netherlands	3,748	3,547
Czech Republic	515	415
Ahold Group	11,289	9,821

Operating income

Operating income (loss) per segment is as follows:

	Q1 2015	Q1 2014
\$ million		
Ahold USA	267	307
CZK million		
Czech Republic	(282)	238
€ million		
Ahold USA	238	224
The Netherlands	159	175
Czech Republic	(10)	9
Corporate Center	(41)	(28)
Ahold Group	346	380

5. Expenses by nature

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

€ million	Q1 2015	Q1 2014
Cost of product	7,859	6,877
Labor costs	1,693	1,413
Other operational expenses	883	743
Depreciation and amortization	305	250
Rent expenses and income - net	191	155
Impairment losses and reversals - net	14	4
Gains on the sale of assets - net	(2)	(1)
Total	10,943	9,441

6. Income taxes

The decrease in income tax is mainly the result of lower taxable income for Q1 2015.

7. Assets and liabilities held for sale and discontinued operations

Income from discontinued operations is specified as follows:

€ million	Q1 2015	Q1 2014
Slovakia	—	(2)
Other ¹	—	(2)
Operating results from discontinued operations ²	—	(4)
U.S. Foodservice ⁴	—	(180)
Slovakia	—	(1)
Other ¹	2	—
Results on divestments of discontinued operations ³	2	(181)
Income (loss) from discontinued operations, net of income taxes	2	(185)

¹ Includes adjustments to the result on various discontinued operations and past divestments.

² Operating results from discontinued operations are after net income tax benefits of nil and €2 million for the first quarter of 2015 and 2014 respectively.

³ Results on divestments are after net income tax expense of €1 million for the first quarter of 2015 (Q1 2014: €39 million benefit).

⁴ Q1 2014 comprises legal costs of €3 million and a settlement provision of €177 million related to the Waterbury litigation.

The cash flows from the divestment of businesses as presented in the cash flow statement are as follows:

€ million	Q1 2015	Q1 2014
Proceeds from divestment of Slovakia	—	(34)
Net cash flows related to other past divestments	(4)	(5)
Divestment of businesses	(4)	(39)
Cash divested	—	(5)
Divestment of businesses, net of cash divested	(4)	(44)

8. Equity attributable to common shareholders

Dividend on common shares

On April 15, 2015, the General Meeting of Shareholders approved the dividend over 2014 of €0.48 per common share (€396 million in the aggregate). This dividend was included as a liability on the balance sheet as of April 19, 2015, and was paid on April 30, 2015.

Share buyback

On February 26, 2015, Ahold announced its decision to return €500 million to its shareholders by way of a share buyback program, to be completed over a 12-month period. Under this program, 2,210,249 of the Company's own shares were repurchased and delivered in the first quarter of 2015. Shares were repurchased at an average price of €18.20 per share for a total amount of €40 million.

The number of outstanding common shares as of April 19, 2015, was 824,579,777 (December 28, 2014: 822,597,462). The increase is the net effect of the share buyback and the re-issuance of treasury shares for the delivery of the shares vested under the Global Reward Opportunity program.

9. Cash flow

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

€ million	Q1 2015	Q1 2014
Cash and cash equivalents at the beginning of the year	1,624	2,496
Restricted cash	(9)	(4)
Cash and cash equivalents related to discontinued operations	—	5
Cash and cash equivalents at the beginning of the year, excluding restricted cash and including cash and cash equivalents related to discontinued operations	1,615	2,497
Net cash from operating, investing and financing activities	(125)	(468)
Effect of exchange rate differences on cash and cash equivalents	136	(5)
Restricted cash	9	4
Cash and cash equivalents of continuing operations at the end of the quarter	1,635	2,028

10. Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold'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 19, 2015		December 28, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	46	55	42	50
Trade and other (non) current receivables	674	674	731	731
Reinsurance assets	207	207	177	177
Total loans and receivables	927	936	950	958
Cash and cash equivalents	1,635	1,635	1,624	1,624
Short-term deposits and similar instruments	480	480	262	262
Derivatives	330	330	311	311
Available for sale	6	6	5	5
Total financial assets	3,378	3,387	3,152	3,160

€ million	April 19, 2015		December 28, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Notes	(1,154)	(1,414)	(1,040)	(1,282)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(422)	(431)	(387)	(391)
Mortgages payable	(11)	(12)	(10)	(11)
Finance lease liabilities	(1,331)	(1,758)	(1,213)	(1,574)
Cumulative preferred financing shares	(497)	(566)	(497)	(564)
Dividend cumulative preferred financing shares	(28)	(28)	(21)	(21)
Accounts payable	(2,424)	(2,424)	(2,655)	(2,655)
Short-term borrowings	(51)	(51)	(47)	(47)
Dividend common stock	(396)	(396)	—	—
Interest payable	(22)	(22)	(26)	(26)
Reinsurance liabilities	(230)	(230)	(191)	(191)
Other	(54)	(64)	(43)	(51)
Total non-derivative financial liabilities	(6,623)	(7,399)	(6,133)	(6,816)
Derivatives	(264)	(264)	(251)	(251)
Total financial liabilities	(6,887)	(7,663)	(6,384)	(7,067)

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

Of Ahold's categories of financial instruments, only derivatives, assets available for sale 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.

The valuation of Ahold's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment ("CVA"), and for the reporting entity's own credit risk, called Debit Valuation Adjustment ("DVA"). The CVA / DVA calculations have been added to the risk-free fair value of Ahold's interest and cross-currency swaps. The valuation technique for the CVA / DVA calculation is based on relevant observable market inputs.

The carrying amount of 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 of the fact that any recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings are based on ask-market 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 calculation method and the conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22* of Ahold's Annual Report 2014. 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 28, 2014, was included in *Note 34* of Ahold's 2014 consolidated financial statements, which were published as part of Ahold's Annual Report 2014 on February 26, 2015. There have been no significant changes to this overview through Q1 2015.

Other financial and operating information

Net sales per channel

€ million	Q1 2015	Q1 2014	% change	% change constant rates
Online sales ¹	448	362	23.8%	14.0%
Store sales ²	10,841	9,459	14.6%	0.9%
Total net sales	11,289	9,821	14.9%	1.4%

1. Total net consumer online sales increased 25.5% in the first quarter to €482 million.

2. Store sales also includes sales under franchise agreements and other sales to third parties.

Underlying operating income¹

Underlying operating income per segment is as follows:

€ million	Underlying operating income Q1 2015	Impairments	Gains (losses) on the sale of assets	Restructuring and related charges	Other	Operating income Q1 2015
Ahold USA	257	(5)	—	(14)	—	238
The Netherlands	166	(9)	2	—	—	159
Czech Republic	2	—	—	(12)	—	(10)
Corporate Center	(35)	—	—	(6)	—	(41)
Ahold Group	390	(14)	2	(32)	—	346

1 Underlying operating income is a non-GAAP measure. See section "Use of non-GAAP financial measures" for more information on the use of non-GAAP measures.

Underlying operating income in local currency for Q1 2015 is \$288 million for Ahold USA and CZK 59 million for Czech Republic.

€ million	Underlying operating income Q1 2014	Impairments	Gains (losses) on the sale of assets	Restructuring and related charges	Other	Operating income Q1 2014
Ahold USA	227	(2)	1	(2)	—	224
The Netherlands	178	(2)	—	(1)	—	175
Czech Republic	9	—	—	—	—	9
Corporate Center	(22)	—	—	(6)	—	(28)
Ahold Group	392	(4)	1	(9)	—	380

Underlying operating income in local currency for Q1 2014 is \$312 million for Ahold USA and CZK 234 million for Czech Republic.

EBITDA¹

€ million	EBITDA Q1 2015	Depreciation and amortization	Operating income Q1 2015	EBITDA Q1 2014	Depreciation and amortization	Operating income Q1 2014
Ahold USA	443	(205)	238	387	(163)	224
The Netherlands	242	(83)	159	251	(76)	175
Czech Republic	6	(16)	(10)	20	(11)	9
Corporate Center	(40)	(1)	(41)	(28)	—	(28)
Total by segment	651	(305)	346	630	(250)	380
Share in income of joint ventures	2			3		
Income (loss) from discontinued operations	2			(185)		
Total EBITDA	655			448		

¹ EBITDA is a non-GAAP measure. See section Use of non-GAAP financial measures for more information on the use of non-GAAP measures.

Free cash flow¹

€ million	Q1 2015	Q1 2014
Operating cash flows from continuing operations before changes in working capital and income taxes paid	669	604
Changes in working capital	(216)	40
Income taxes paid - net	(23)	(123)
Purchase of non-current assets	(205)	(188)
Divestments of assets / disposal groups held for sale	9	8
Dividends received from joint ventures	2	1
Interest received	2	3
Interest paid	(52)	(43)
Free cash flow	186	302

¹ Free cash flow is a non-GAAP measure. See section Use of non-GAAP financial measures for more information on the use of non-GAAP measures.

Net debt¹

€ million	April 19, 2015	December 28, 2014
Loans	1,557	1,410
Finance lease liabilities	1,232	1,125
Cumulative preferred financing shares	497	497
Non-current portion of long-term debt	3,286	3,032
Short-term borrowings and current portion of long-term debt	183	165
Gross debt	3,469	3,197
Less: Cash, cash equivalents, and short-term deposits and similar instruments ^{2, 3}	2,115	1,886
Net debt	1,354	1,311

1 Net debt is a non-GAAP measure. See section Use of non-GAAP financial measures for more information on the use of non-GAAP measures.

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 19, 2015, was €480 million (December 28, 2014: €262 million) and is presented within Other current financial assets in the consolidated balance sheet.

3 Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. These balances amounted to €143 million and €184 million as of April 19, 2015 and December 28, 2014, respectively.

Store portfolio (including franchise stores)

	End of 2014	Opened / acquired	Closed / sold	End of Q1 2015	End of Q1 2014
Ahold USA	768	—	(2)	766	765
The Netherlands ¹	2,105	23	(14)	2,114	2,062
Czech Republic	333	3	(1)	335	284
Total	3,206	26	(17)	3,215	3,111

1 The number of stores at the end of Q1 2015 includes 1,138 specialty stores (Etos and Gall & Gall) (Q1 2014: 1,122). During Q1 2015, seven C1000 stores were converted to the Albert Heijn banner.

Use of non-GAAP financial measures

This interim report includes non-GAAP financial measures. The descriptions of these non-GAAP financial measures are included on page 37 of Ahold's Annual Report 2014.

Financial calendar

Ahold's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31.

Ahold's 2015 financial year consists of 53 weeks and ends on January 3, 2016. The quarters in 2015 are:

First quarter (16 weeks)	December 29, 2014, through April 19, 2015
Second quarter (12 weeks)	April 20 through July 12, 2015
Third quarter (12 weeks)	July 13 through October 4, 2015
Fourth quarter (13 weeks)	October 5, 2015, through January 3, 2016

2015/12

Cautionary notice

This press release includes forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those included in such statements. These forward-looking statements include, but are not limited to statements as to Ahold's business performance, Reshaping Retail strategy, customer proposition, growing own-brand penetration across Ahold's business, restructuring of staff services at Ahold U.S.A., omni-channel strategy, acceleration of Ahold's investments in online business and the expected negative impact thereof on the Netherlands margin, the SPAR acquisition being expected to be slightly margin-dilutive and one-off costs in the Czech Republic, free cash flow, expected effect of revised IFRSs, the return of former C1000 stores to Jumbo, expected synergies from combination of operations, Ahold's ability to expand its geographical reach, the share buyback and GRO shares. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Ahold's ability to control or estimate precisely, such as the effect of general economic or political conditions, fluctuations in exchange rates or interest rates, increases or changes in competition, Ahold's ability to implement and successfully complete its plans and strategies, the benefits from and resources generated by Ahold's plans and strategies being less than or different from those anticipated, changes in Ahold's liquidity needs, the actions of competitors and third parties and other factors discussed in Ahold's public filings and other disclosures. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Ahold does not assume any obligation to update any public information or forward-looking statements in this press release to reflect subsequent events or circumstances, except as may be required by applicable laws. Outside the Netherlands, Koninklijke Ahold N.V., being its registered name, presents itself under the name of "Royal Ahold" or simply "Ahold."

