Koninklijke Ahold Delhaize N.V.

Q2 2022 Report

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Ahold Delhaize delivers resilient performance in Q2 2022; raises full-year EPS and free cash flow guidance

* With high levels of inflation, our brands are focused on helping customers efficiently manage their spending. Driven by our €850 million Save For Our Customers cost savings program, our brands are absorbing cost increases for customers, introducing more entry-priced products, expanding high-quality own-brand assortments and delivering personalized value through loyalty programs.
* Q2 Group net sales increased 6.4% at constant exchange rates to €21.4 billion. At actual exchange rates, net sales grew 15.0%.
* Q2 net sales accelerated in both regions compared to Q1, growing 7.7% in the U.S. and 4.2% in Europe at constant rates. Increased market share in the majority of markets reflects strong customer loyalty to our locally tailored customer value propositions.
* Net consumer online sales increased 4.8% at constant exchange rates. Net consumer online sales in grocery increased 11.5% at constant exchange rates, as we continue to invest in creating the leading local omnichannel food experience.
* Q2 underlying operating margin was 4.1%, in line with the Company's historical profile, versus last year's COVID-19-supported Q2 underlying operating margin of 4.5%.
* Q2 IFRS-reported operating income was €895 million and Q2 IFRS-reported diluted EPS was €0.60.
* Q2 diluted underlying EPS was €0.59, an increase of 11.0% over the prior year at actual rates.
* Based on the strong half-year earnings as well as other macro-economic, foreign exchange and interest rate factors, the Group now expects mid-single-digit growth in underlying EPS compared to 2021 levels (originally expected decline of low- to mid-single digits vs. 2021 levels) and an increase in 2022 free cash flow guidance to a level of approximately €2.0 billion (originally €1.7 billion).
* Cumulative Group free cash flow guidance increased to be around €7.5 billion from 2022 to 2025 (originally above €6 billion). Group capital expenditure now projected to average closer to 3% per annum from 2022 to 2025 (originally 3.5% per annum).
* Ahold Delhaize has decided to suspend its intention to sub-IPO bol.com in H2 2022 and will revisit when equity market conditions are more conducive.
* 2022 interim dividend is €0.46 compared to 2021 level of €0.43, based on the Group's dividend policy.

Zaandam, the Netherlands, August 10, 2022 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports second quarter results today.

Summary of key financial data

	Ahold Delhaize Group			The United States		Europe	
	Q2 2022	% change	% change constant rates	Q2 2022	% change constant rates	Q2 2022	% change constant rates
€ million, except per share data	13 weeks 2022 vs. 2021						
Net sales	21,445	15.0 %	6.4 %	13,577	7.7 %	7,868	4.2 %
Comparable sales growth excluding gasoline	4.7 %			6.4 %		1.8 %	
Online sales	2,028	11.9 %	6.1 %	994	16.4 %	1,034	(2.3) %
Net consumer online sales	2,669	9.1 %	4.8 %	994	16.4 %	1,675	(1.1) %
Operating income	895	9.6 %	0.5 %	642	3.6 %	273	(11.5) %
Operating margin	4.2 %	(0.2)pts	(0.2)pts	4.7 %	(0.2)pts	3.5 %	(0.6)pts
Underlying operating income	880	5.8 %	(2.9) %	635	0.9 %	264	(16.1) %
Underlying operating margin	4.1 %	(0.4)pts	(0.4)pts	4.7 %	(0.3)pts	3.4 %	(0.8)pts
Diluted EPS	0.60	15.2 %	5.7 %				
Diluted underlying EPS	0.59	11.0 %	1.8 %				
Free cash flow	596	39.1 %	19.0 %				

€ million, except per share data	Ahold Delhaize Group HY 2022	Ahold Delhaize Group % change	Ahold Delhaize Group % change constant rates	The United States HY 2022	The United States % change constant rates	Europe HY 2022	Europe % change constant rates
	26 weeks 2022 vs. 2021						
Net sales	41,219	11.7 %	5.0 %	25,776	6.8 %	15,443	2.2 %
Comparable sales growth excluding gasoline	2.7 %			4.9 %		(0.7)%	
Online sales	4,087	7.8 %	3.3 %	1,954	10.1 %	2,133	(2.4) %
Net consumer online sales	5,384	5.0 %	1.8 %	1,954	10.1 %	3,429	(2.5) %
Operating income	1,714	4.1 %	(2.4) %	1,182	3.2 %	528	(21.5) %
Operating margin	4.2 %	(0.3)pts	(0.3)pts	4.6 %	(0.2)pts	3.4 %	(1.0)pts
Underlying operating income	1,709	1.7 %	(4.8) %	1,176	(0.8) %	527	(21.5) %
Underlying operating margin	4.1 %	(0.4)pts	(0.4)pts	4.6 %	(0.3)pts	3.4 %	(1.0)pts
Diluted EPS	1.14	8.8 %	2.0 %				
Diluted underlying EPS	1.14	6.0 %	(0.7) %				
Free cash flow	575	(20.6) %	(28.7) %				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"I am pleased to report we had a strong second quarter. Our overall results confirm the strength and breadth of our brand portfolio. Our brands' unparalleled understanding of customers, broad assortments and product offerings as well as the stickiness of food-at-home consumption are giving us the opportunity to play to our strengths and support customers in a challenging environment.

"For consumers and businesses alike, these are difficult times. The war in Ukraine is causing an unprecedented energy crisis, commodity prices are high, and inflation has reached record levels. Consumers' household budgets are under pressure and household purchasing power is declining. Our brands are laser focused on supporting customers and helping them to manage their spending efficiently. Our brands do this by ensuring access to affordable, healthy food options, expanding their high-quality own-brand assortments, introducing more entry-priced product solutions, and ensuring our highly tailored omnichannel loyalty programs offer competitive and attractive solutions across all customer touchpoints. Our cost reduction programs also help Ahold Delhaize's great local brands absorb cost increases relating to energy, transport and labor, enabling us to keep prices as low as possible.

"By consistently executing our strategy, our brands again built on the prior quarter results, delivering sequential improvement in comparable sales across all brands compared to Q1. This is reflected in our results, with 4.7% growth in comparable sales excluding gas and diluted underlying earnings per share up 11.0% at actual rates to €0.59, exceeding our original expectations. Our brands' strong value propositions are reflected in increased market shares in the majority of our markets.

"This is particularly visible in the U.S., where the consistent and robust performance of our U.S. brands continued. In the quarter, net sales increased by 7.7% at constant rates, and we maintained a healthy underlying operating profit. Net consumer online sales grew by 16.4% during the quarter. Food Lion continues to perform strongly, achieving its 39th consecutive quarter of growth and double-digit comparable sales. Stop & Shop has taken the next steps in its remodeling program with the announcement of a $140 million investment across its New York City stores over the next two years. This targeted investment aims to improve the shopping experience for local customers by adding thousands of new products to the assortment that reflect the diversity of the neighborhoods and communities Stop & Shop serves.

"Turning to Europe, net sales increased 4.2% at constant rates. Despite continuing to cycle prior year lockdown measures in the Benelux, we saw a good improvement in comparable sales, with growth of 1.8% compared to a negative performance in Q1. This was supported by solid market share gains at Albert Heijn and bol.com as well as gains in the Central and Southeastern Europe (CSE) region. With the European economic climate becoming much more dynamic over the last year, operational excellence, tight cost control and disciplined capital allocation are paramount. As such, our teams are leaning in on three key areas, to boost profitability performance to be more in line with Group levels as well as reinforce our strategic focus to drive omnichannel market share.

"Firstly, we will focus on driving volume, market share and customer loyalty with a dedicated program for these tough times. This includes a strong focus on leveraging everyday low-price programs and own-brand product development. As of Q2, brands in all our European markets have introduced tailored high-quality, better-taste entry-priced programs. In Belgium, for example, Delhaize launched ‘Little Lions,’ optimizing its price/value equation on 500 of its most purchased own-brand products. After the program's first month, Delhaize has already seen a 15% increase of Little Lions product sales. Secondly, we are lowering our structural costs wherever possible to empower people, create more agile organizations and capture scale. One such initiative is a new joint CSE strategy that leverages brand proximity to address similar challenges with common solutions between the markets. In Belgium, we have also identified short- and medium-term operational and structural opportunities, and expect to see a stabilization of margin levels and improvements later this year. Finally, we are re-prioritizing and consolidating investments to reflect the current dynamic climate. An important example of this is a revised investment plan at bol.com. This new plan, which follows a modular approach, is less capital intensive while continuing to support bol.com's mid-term ambitions and growing infrastructure needs. Taking all of these measures together, we expect to unlock between €250 and €300 million in additional cost savings cumulatively in the next three years.

"Our Leading Together strategic priorities, particularly our omnichannel transformation, remain central to our agenda. We see that customers value our omnichannel ecosystems, which offer them the flexibility and convenience of shopping whenever and wherever they want. In Q2, Group net consumer online sales increased by 4.8% at constant exchange rates. This includes 16.4% growth in the U.S. offset by a 1.1% decline in Europe. At bol.com, net consumer online sales declined by 2.1% during the quarter, on top of 24.2% growth in Q2 2021. This represents a sequential improvement compared to Q1 2022 as bol.com again strongly outperformed the e-commerce market, which is estimated to have declined at a high-single-digit rate. Excluding bol.com, net consumer online sales increased by 11.5% at constant rates, as online grocery penetration rates continued to increase.

"Looking to the future, we remain strongly focused on our ESG ambitions. For a long time, sustainability has had a central position in our organization. It is one of our four key strategic focus areas, and a critical driver of our purpose: Eat well. Save time. Live better. With the recent appointment of Jan Ernst de Groot as our Chief Sustainability Officer, we will ensure that the full scope and dimension of sustainability and ESG are holistically represented at the Executive Committee level.

"In Q2, we again have many highlights to share. Of particular note is the publication of our second Human Rights Report in June. In addition, Ahold Delhaize also maintained its MSCI ESG 'AA' rating, with improvements noted in several criteria. In the U.S., Giant Food has partnered with Loop, a circular reuse platform, to bring reusable packaging solutions to customers. In light of the ongoing climate and energy crisis, and the importance of switching to renewable energy sources, Albert Heijn is accelerating the sustainability of transport to stores and customers by increasing the number of electric trucks and delivery cars it uses, starting with a 100% electric delivery fleet in 2022 for The Hague city center, with Rotterdam, Utrecht and Amsterdam to follow in 2023. The brand aims to switch completely to biofuels for all transport by 2024 and to no longer rely on gas for climate control in stores in the Netherlands and Belgium by 2023.

"Despite the expectation that challenging times remain ahead, I am confident that our brands are on the right path to support customers and deliver on our goals. Our half-year results exceeded our expectations. We have positive momentum going into the second half of the year. Based on the strong U.S. performance, we now expect underlying EPS to increase by mid-single digits compared to 2021 and free cash flow to be approximately €2.0 billion compared to the guidance we gave in May. Given the strength of our underlying operations and our medium-term investment plans, including the new lower capital intensity plan at bol.com, we now expect cumulative free cash flow of around €7.5 billion for the period 2022 to 2025, compared to our original expectation of over €6 billion.

"Finally, let me also provide an update on our intentions to sub-IPO bol.com. Considering current equity market conditions, we have decided that the second half of 2022 is no longer the right time to sub-IPO bol.com. We remain committed to securing the right future path to unlock value for bol.com and Ahold Delhaize, and will revisit opportunities when market conditions are more conducive. As such, our immediate priority is to ensure that bol.com continues to leverage its leadership position and execute its strategic growth agenda with a strong return on capital."

Q2 Financial highlights

Group highlights

Group net sales were €21.4 billion, an increase of 6.4% at constant exchange rates, and up 15.0% at actual exchange rates. Group net sales were driven by positive contributions from comparable sales growth excluding gasoline of 4.7%, foreign currency translation benefits and, to a lesser extent, by the DEEN acquisition and higher gasoline sales. Q2 Group comparable sales benefited by approximately 0.8 percentage points from calendar shifts relating to the timing of Easter.

In Q2, Group net consumer online sales increased by 4.8% at constant exchange rates, led by a robust performance in the U.S., which was partly offset by the cycling of a strong Q2 2021 in Europe at bol.com. Excluding bol.com, net consumer online sales increased 11.5% at constant exchange rates.

In Q2, Group underlying operating margin was 4.1%, down 0.4 percentage points compared to Q2 2021 at constant exchange rates, mainly reflecting higher labor, distribution and energy costs, and an unfavorable mix effect compared to the prior year period. In Q2, Group IFRS-reported operating income was €895 million, representing an IFRS-reported operating margin of 4.2%.

Underlying income from continuing operations was €593 million, up 7.6% in the quarter at actual rates. Ahold Delhaize's IFRS-reported net income in the quarter was €603 million. Diluted EPS was €0.60 and diluted underlying EPS was €0.59, up 11.0% at actual currency rates compared to last year's results. In the quarter, 9.5 million own shares were purchased for €255 million, bringing the total amount to €523 million in the first half of the year. The 2022 interim dividend is €0.46, up 7% versus the prior year, and, in line with the Group's dividend policy, represents 40% of first half 2022 underlying income per share from continuing operations.

U.S. highlights

U.S. net sales were €13.6 billion, an increase of 7.7% at constant exchange rates, and up 22.1% at actual exchange rates. U.S. comparable sales excluding gasoline increased 6.4%, benefiting by approximately 0.9 percentage points from calendar shifts. Food Lion continued to lead brand performance, with 39 consecutive quarters of positive sales growth.

In Q2, online sales in the segment were up 16.4% in constant currency. This builds on top of the strong 61.0% constant currency growth in the same quarter last year.

Underlying operating margin in the U.S. was 4.7%, down 0.3 percentage points at constant exchange rates from the prior year period. In Q2, U.S. IFRS-reported operating margin was also 4.7%.

Europe highlights

European net sales were €7.9 billion, an increase of 4.2% at constant exchange rates and 4.5% at actual exchange rates. These sales also benefited from the 2021 acquisition of 38 stores from DEEN in the Netherlands. Europe's comparable sales excluding gasoline increased 1.8% due in part to a positive impact of approximately 0.7 percentage points from calendar shifts.

In Q2, net consumer online sales in the segment were down 1.1%, following 27.0% growth in the same period last year. The decline was due to weak non-food e-commerce market conditions in the Benelux, which contracted at a high-single-digit rate as brick-and-mortar non-food retail sales recovered from prior year lockdown measures. Bol.com's percentage of net consumer online sales from its nearly 50,000 third-party sellers was 61% in Q2.

Underlying operating margin in Europe was 3.4%, down 0.8 percentage points from the prior year due to volume deleveraging, particularly in the Benelux from lapsed benefits of lockdown restrictions, as well as significant price competition in Belgium and Greece. Europe's Q2 IFRS-reported operating margin was 3.5%.

Update on bol.com sub-IPO intentions

Ahold Delhaize first announced its intention to explore a sub-IPO for bol.com at its November Investor Day 2021, in order to build on the remarkable success, customer loyalty and leadership position of bol.com as a retail tech platform. We believe strongly in the value and potential of bol.com, underpinned by its continued strong market share gains as well as its industry leading customer and partner satisfaction scores.

Considering current equity market conditions, we have decided that the second half of 2022 is no longer the right time to sub-IPO bol.com. We remain committed to securing the right future path to unlock value for bol.com and Ahold Delhaize, and will revisit opportunities when market conditions are more conducive. As such, our immediate priority is to ensure that bol.com continues to leverage its leadership position and execute its strategic growth agenda with a strong return on capital.

Like other companies in Europe, bol.com is adjusting to a more dynamic economic climate. Therefore, we have completed a detailed review of bol.com's medium-term growth and investment plan, to provide additional flexibility and agility going forward. In particular, we have identified a less capital intensive, modular approach to facilitate bol.com's infrastructure needs to support and deliver against its compelling growth and expansion opportunities. In the medium term, our new plans will ensure we remain in a strong position to grow faster than the market, yield a healthy double-digit sales and EBITDA compound annual growth rate, and deliver above Group average return on capital.

Outlook 2022 and update to 2025 Investment Plan

While current macro-environment trends, including high rates of inflation and rising energy costs, are expected to continue into the second half of the year, our results in the first half of the year provide management with the confidence to raise the underlying EPS growth outlook for 2022 and the free cash flow outlook for 2022.

Ahold Delhaize's 2022 Group underlying operating margin is expected to be at least 4.0%, in line with the Company's historical profile. Management believes that the Company's brands continue to offer consumers a strong shopping proposition and are well-positioned to maintain profitability in the current inflationary environment. Despite significant cost increases, Ahold Delhaize's Save for Our Customers initiative is expected to deliver more than €850 million in savings, which should help offset cost pressures related to inflation and supply chain issues, along with the negative impact to margins from increased online sales penetration.

Based on the strong half-year earnings as well as other macro-economic, foreign exchange and interest rate factors, we are raising underlying EPS guidance for 2022. We now expect underlying EPS to grow at a mid-single-digit rate relative to 2021 versus our original outlook of a low- to mid-single-digit decline relative to 2021 and our updated outlook, announced in May, of growth remaining comparable with 2021 levels.

The 2022 free cash flow outlook has also been raised to be approximately €2.0 billion, compared to the previous outlook of approximately €1.7 billion. Net capital expenditures are expected to total approximately €2.5 billion. As labor and raw material costs remain high, we reiterate our commitment to exercise discipline in executing and phasing the timing of investments, in order to ensure hurdle rates and return on capital metrics are achieved.

Given the strength of our underlying operations and our medium-term investment plans, which include lower capital intensity at bol.com, we now expect cumulative free cash flow of around €7.5 billion for the period 2022 to 2025, compared to our original expectation of over €6 billion. Total capital expenditure for the Company as a percentage of sales is expected to be around 3% (previously 3.5%). We will continue to focus these investments on our food omnichannel transformation, including our store networks, automation, monetization and last-mile delivery infrastructure, as well as furthering our efforts to reduce our climate impact.

In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program, as previously stated. We are on track to increase our full-year dividend within our 40-50% payout range, in line with our policy, and we are executing our €1 billion share repurchase program in 2022 as planned.

	Full-year outlook	Underlying operating margin	Underlying EPS	Save for Our Customers	Net capital expenditures	Free cash flow[1]	Dividend payout ratio[2,3]	Share buyback[3]
Outlook	**2022**	**At least 4%**	**Mid-single-digit growth vs. 2021**	**> €850 million**	**~ €2.5 billion**	**~ €2.0 billion**	**40-50% payout; YOY growth in dividend per share**	**€1 billion**

1. *Excludes M&A.*
2. *Calculated as a percentage of underlying income from continuing operations.*
3. *Management remains committed to the share buyback and dividend program, but, given the uncertainty caused by COVID-19, will continue to monitor macro-economic developments. The program is also subject to changes resulting from corporate activities, such as material M&A activity.*

Group performance

€ million, except per share data	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	% change	% change constant rates	HY 2022 (26 weeks)	HY 2021 (26 weeks)	% change	% change constant rates
Net sales	21,445	18,645	15.0 %	6.4 %	41,219	36,909	11.7 %	5.0 %
Of which: online sales	2,028	1,812	11.9 %	6.1 %	4,087	3,793	7.8 %	3.3 %
Net consumer online sales[1]	2,669	2,447	9.1 %	4.8 %	5,384	5,126	5.0 %	1.8 %
Operating income	895	817	9.6 %	0.5 %	1,714	1,645	4.1 %	(2.4)%
Income from continuing operations	603	540	11.7 %	2.4 %	1,149	1,090	5.4 %	(1.2)%
Net income	603	540	11.7 %	2.4 %	1,149	1,090	5.4 %	(1.2)%
Basic income per share from continuing operations (EPS)	0.60	0.52	15.1 %	5.6 %	1.15	1.05	8.8 %	2.0 %
Diluted income per share from continuing operations (diluted EPS)	0.60	0.52	15.2 %	5.7 %	1.14	1.05	8.8 %	2.0 %
Underlying EBITDA[1]	1,728	1,562	10.6 %	1.9 %	3,364	3,131	7.4 %	0.8 %
Underlying EBITDA margin[1]	8.1 %	8.4 %			8.2 %	8.5 %		
Underlying operating income[1]	880	832	5.8 %	(2.9)%	1,709	1,680	1.7 %	(4.8)%
Underlying operating margin[1]	4.1 %	4.5 %			4.1 %	4.6 %		
Underlying income per share from continuing operations – basic (underlying EPS)[1]	0.59	0.53	11.0 %	1.8 %	1.14	1.08	6.0 %	(0.7)%
Underlying income per share from continuing operations – diluted (diluted underlying EPS)[1]	0.59	0.53	11.0 %	1.8 %	1.14	1.07	6.0 %	(0.7)%
Free cash flow[1]	596	428	39.1 %	19.0 %	575	723	(20.6)%	(28.7)%

1. *Net consumer online sales, underlying EBITDA, underlying operating income, basic and diluted underlying income per share from continuing operations and free cash flow are alternative performance measures that are used throughout the report. For a description of alternative performance measures, see* *Note 3: Alternative performance measures* *to the interim financial statements.*

Performance by segment

The United States

	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	% change	% change constant rates	HY 2022 (26 weeks)	HY 2021 (26 weeks)	% change	% change constant rates
$ million								
Net sales	14,434	13,399	7.7 %		28,114	26,324	6.8 %	
Of which: online sales	1,057	908	16.4 %		2,134	1,937	10.1 %	
€ million								
Net sales	13,577	11,115	22.1 %	7.7 %	25,776	21,854	17.9 %	6.8 %
Of which: online sales	994	753	32.0 %	16.4 %	1,954	1,608	21.5 %	10.1 %
Operating income	642	546	17.6 %	3.6 %	1,182	1,035	14.2 %	3.2 %
Underlying operating income	635	554	14.4 %	0.9 %	1,176	1,071	9.8 %	(0.8)%
Underlying operating margin	4.7 %	5.0 %			4.6 %	4.9 %		
Comparable sales growth	7.4 %	(0.5)%			5.8 %	0.5 %		
Comparable sales growth excluding gasoline	6.4 %	(1.5)%			4.9 %	— %		

Europe

€ million	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	% change	% change constant rates	HY 2022 (26 weeks)	HY 2021 (26 weeks)	% change	% change constant rates
Net sales	7,868	7,529	4.5 %	4.2 %	15,443	15,055	2.6 %	2.2 %
Of which: online sales	1,034	1,059	(2.3)%	(2.3)%	2,133	2,184	(2.4)%	(2.4)%
Net consumer online sales	1,675	1,693	(1.1)%	(1.1)%	3,429	3,517	(2.5)%	(2.5)%
Operating income	273	308	(11.3)%	(11.5)%	528	670	(21.2)%	(21.5)%
Underlying operating income	264	314	(15.8)%	(16.1)%	527	669	(21.2)%	(21.5)%
Underlying operating margin	3.4 %	4.2 %			3.4 %	4.4 %		
Comparable sales growth	1.8 %	2.4 %			(0.7)%	5.2 %		
Comparable sales growth excluding gasoline	1.8 %	2.4 %			(0.7)%	5.2 %		

Global Support Office

€ million	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	% change	% change constant rates	HY 2022 (26 weeks)	HY 2021 (26 weeks)	% change	% change constant rates
Underlying operating income (expense)	(19)	(37)	(48.6)%	(50.3)%	6	(60)	NM[1]	NM[1]
Underlying operating expense excluding insurance results	(34)	(40)	(15.5)%	(19.0)%	(70)	(77)	(9.8)%	(12.6)%

1. *Not meaningful, as the result is an income for half year 2022, compared to an expense for half year 2021.*

In Q2, underlying Global Support Office costs were €19 million, or €18 million lower than the prior year, mainly due to a positive impact of €12 million from insurance, which reflects the favorable discounting effect on the Company's insurance provisions driven by the increase in interest rates.

Financial review

Q2 2022 (compared to Q2 2021)

Underlying operating income increased by €48 million to €880 million, and was adjusted for the following items, which impacted reported IFRS operating income: impairments of €14 million (Q2 2021: €14 million); (gains) and losses on leases and the sale of assets of €(9) million (Q2 2021: €(12) million); and restructuring and related charges and other items of €(21) million – income (Q2 2021: €13 million – expense). The last item includes a €27 million gain related to the resolution of claims and disputes. Including these items, IFRS operating income increased by €78 million to €895 million.

Income from continuing operations was €603 million, representing an increase of €63 million compared to last year. This follows mainly from the €78 million increase in operating income and the higher income from joint ventures of €14 million, partially offset by the higher net financial expenses of €22 million.

Free cash flow was €596 million, which represents an increase of €168 million compared to Q2 2021, mainly driven by the favorable development in working capital of €129 million and higher operating cash flow of €108 million, which were partially offset by higher income taxes paid of €54 million.

Net debt increased in Q2 2022 by €762 million to €15,281 million, compared to Q1 2022. This was mainly attributable to the dividend payment of €522 million, the foreign exchange impact on net debt of €428 million, the share buyback of €255 million and the increase in lease liabilities of €126 million. These impacts were partially offset by the free cash flow of €596 million.

Half year 2022 (compared to half year 2021)

Underlying operating income increased by €29 million to €1,709 million, and was adjusted for the items below, in the amount of €(5) million – income (HY 2021: €35 million – expense), which impacted reported IFRS operating income:

- Impairments of €20 million (HY 2021: €21 million)
- (Gains) and losses on leases and the sale of assets of €(15) million (HY 2021: €(20) million)
- Restructuring and related charges and other items of €(9) million – income (HY 2021: €33 million – expense).

Including these items, IFRS operating income increased by €68 million to €1,714 million.

Income from continuing operations was €1,149 million, which was €59 million higher than last year. This mainly reflects the increase in operating income of €68 million and the higher income from joint ventures of €16 million, partially offset by the higher net financial expenses of €20 million.

Free cash flow was €575 million, or €149 million lower than last year. The unfavorable development in working capital of €146 million, higher net lease repayments of €88 million and net investments of €65 million were partially offset by the higher operating cash flow of €107 million and the lower income taxes paid of €27 million compared to last year.

For 2022, the interim dividend is €0.46 per common share, compared to the 2021 interim dividend of €0.43 per common share. The 2022 interim dividend will be paid on September 1, 2022. The interim dividend is equal to 40% of the year-to-date underlying income per share from continuing operations (see *Note 3 Alternative performance measures* for a reconciliation of income from continuing operations to underlying income from continuing operations).

Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, July 3, 2022, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2021.

Risks and uncertainties

Ahold Delhaize’s enterprise risk management program provides the Company with a periodic and comprehensive understanding of Ahold Delhaize’s key business risks and the management practices, policies and procedures in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance/regulatory risk categories. Our principal risks have not changed significantly compared to those disclosed within the Annual Report 2021. While the Group does not have any operations in Ukraine or Russia, and is not directly affected by trading restrictions or sanctions, it is, to a certain extent, affected by the wider macro-economic consequences of the war and might be additionally impacted if the situation develops further. These wider macro-economic consequences, which include disruption of supply chains and rising inflation and interest rates, could impact the Company's balance sheet valuations, results and cash flow. We are closely monitoring and assessing any potential impacts of the war in Ukraine on our people or on macro-economic, operational, and supply chain aspects in the markets of our brands that border Ukraine and also elsewhere in Europe. The assessment of the impact is ongoing and will be updated as the situation unfolds. In addition, we have experienced an overall shortage of available and skilled labor across our markets, in particular within supply chain and our logistical operations. The HR functions within our brands monitor developments and, if needed, additional part-time labor has been contracted, or additional service providers were contracted to support the business. The integrated comprehensive analysis of the principal risks faced by Ahold Delhaize is included in the *Risks and opportunities* section of Ahold Delhaize's Annual Report 2021, which was published on March 2, 2022.

Independent auditor's involvement

The contents of this interim report have not been audited or reviewed by an independent external auditor.

Declarations

The members of Ahold Delhaize's Management Board hereby declare that, to the best of their knowledge, the half-year financial statements included in this interim report, which have been prepared in accordance with IAS 34 "Interim Financial Reporting," give a true and fair view of Ahold Delhaize’s assets, liabilities, financial position and profit or loss, and the undertakings included in the consolidation taken as a whole, and the half-year management report included in this interim report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9, of the FMSA.

Consolidated income statement

€ million, except per share data	Note	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	HY 2022 (26 weeks)	HY 2021 (26 weeks)
Net sales	5/6	21,445	18,645	41,219	36,909
Cost of sales	7	(15,723)	(13,551)	(30,137)	(26,752)
Gross profit		**5,722**	**5,094**	**11,082**	**10,156**
Other income		159	128	303	255
Selling expenses	7	(4,191)	(3,668)	(8,148)	(7,276)
General and administrative expenses	7	(795)	(737)	(1,523)	(1,490)
Operating income	5	**895**	**817**	**1,714**	**1,645**
Interest income		12	8	21	14
Interest expense		(55)	(44)	(107)	(89)
Net interest expense on defined benefit pension plans		(4)	(4)	(8)	(9)
Interest accretion to lease liability		(87)	(83)	(173)	(168)
Other financial income (expense)		(10)	1	(15)	(11)
Net financial expenses		(145)	(123)	(282)	(262)
Income before income taxes		**750**	**694**	**1,432**	**1,384**
Income taxes	8	(168)	(161)	(309)	(304)
Share in income of joint ventures		21	8	26	10
Income from continuing operations		**603**	**540**	**1,149**	**1,090**
Income (loss) from discontinued operations		—	—	—	—
Net income		**603**	**540**	**1,149**	**1,090**
Attributable to:					
Common shareholders		603	540	1,149	1,090
Non-controlling interests		—	—	—	—
Net income		**603**	**540**	**1,149**	**1,090**
Net income per share attributable to common shareholders					
Basic		0.60	0.52	1.15	1.05
Diluted		0.60	0.52	1.14	1.05
Income from continuing operations per share attributable to common shareholders					
Basic		0.60	0.52	1.15	1.05
Diluted		0.60	0.52	1.14	1.05
Weighted average number of common shares outstanding (in millions)					
Basic		1,000	1,031	1,003	1,035
Diluted		1,002	1,034	1,007	1,039
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9403	0.8297	0.9161	0.8302

Consolidated statement of comprehensive income

€ million	Note	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	HY 2022 (26 weeks)	HY 2021 (26 weeks)
Net income		**603**	**540**	**1,149**	**1,090**
Remeasurements of defined benefit pension plans:					
Remeasurements before taxes – income (loss)		351	(64)	399	11
Income taxes		(91)	16	(102)	(3)
Other comprehensive income (loss) that will not be reclassified to profit or loss		260	(48)	297	8
Currency translation differences in foreign interests:					
Continuing operations		696	(75)	1,037	294
Income taxes		1	(1)	—	(1)
Cash flow hedges:					
Fair value result for the period		—	—	—	—
Transfers to net income		—	—	1	1
Income taxes		—	—	—	—
Non-realized gains (losses) on debt and equity instruments:					
Fair value result for the period		—	—	—	—
Income taxes		—	—	—	—
Other comprehensive income of joint ventures – net of income taxes:					
Share of other comprehensive income from continuing operations		—	—	—	—
Other comprehensive income (loss) reclassifiable to profit or loss		697	(75)	1,037	293
Total other comprehensive income (loss)		**957**	**(123)**	**1,334**	**301**
Total comprehensive income		**1,560**	**417**	**2,483**	**1,391**
Attributable to:					
Common shareholders		1,560	417	2,483	1,391
Non-controlling interests		—	—	—	—
Total comprehensive income		**1,560**	**417**	**2,483**	**1,391**
Attributable to:					
Continuing operations		1,560	417	2,483	1,391
Discontinued operations		—	—	—	—
Total comprehensive income		**1,560**	**417**	**2,483**	**1,391**

Consolidated balance sheet

€ million	Note	July 3, 2022	January 2, 2022
Assets			
Property, plant and equipment		12,350	11,838
Right-of-use asset		9,782	9,010
Investment property		697	708
Intangible assets		13,525	12,770
Investments in joint ventures and associates		241	244
Other non-current financial assets		1,212	1,193
Deferred tax assets		293	289
Other non-current assets		97	76
Total non-current assets		**38,196**	**36,128**
Assets held for sale		52	18
Inventories		4,487	3,728
Receivables		2,290	2,058
Other current financial assets		409	356
Income taxes receivable		76	45
Prepaid expenses and other current assets		362	387
Cash and cash equivalents	11	3,439	2,993
Total current assets		**11,114**	**9,584**
Total assets		**49,311**	**45,712**
Equity and liabilities			
Equity attributable to common shareholders	9	**15,188**	**13,721**
Loans		4,554	4,678
Other non-current financial liabilities		11,307	10,473
Pensions and other post-employment benefits	10	852	1,107
Deferred tax liabilities		976	746
Provisions		788	746
Other non-current liabilities		54	62
Total non-current liabilities		**18,531**	**17,812**
Accounts payable		8,156	7,563
Other current financial liabilities		3,644	2,552
Income taxes payable		119	96
Provisions		474	484
Other current liabilities		3,199	3,483
Total current liabilities		**15,592**	**14,179**
Total equity and liabilities		**49,311**	**45,712**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.9602	0.8795

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of January 3, 2021		**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**
Net income attributable to common shareholders		—	—	—	—	1,090	**1,090**
Other comprehensive income		—	—	293	—	8	**301**
Total comprehensive income attributable to common shareholders		—	—	293	—	1,098	**1,391**
Dividends		—	—	—	—	(414)	**(414)**
Share buyback		—	—	—	—	(487)	**(487)**
Cancellation of treasury shares		(1)	(1,258)	—	—	1,259	**—**
Share-based payments		—	—	—	—	24	**24**
Balance as of July 4, 2021		**10**	**10,988**	**(546)**	**(2)**	**2,496**	**12,946**
Balance as of January 2, 2022		**10**	**10,988**	**(75)**	**(2)**	**2,799**	**13,721**
Net income attributable to common shareholders		—	—	—	—	1,149	**1,149**
Other comprehensive income		—	—	1,037	—	297	**1,334**
Total comprehensive income attributable to common shareholders		—	—	1,037	—	1,446	**2,483**
Dividends	9	—	—	—	—	(522)	**(522)**
Share buyback	9	—	—	—	—	(522)	**(522)**
Share-based payments		—	—	—	—	27	**27**
Balance as of July 3, 2022		**10**	**10,988**	**962**	**(1)**	**3,228**	**15,188**

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

Consolidated statement of cash flows

€ million	Note	Q2 2022 (13 weeks)	Q2 2021 (13 weeks)	HY 2022 (26 weeks)	HY 2021 (26 weeks)
Income from continuing operations		**603**	**540**	**1,149**	**1,090**
Adjustments for:					
Net financial expenses		145	123	282	262
Income taxes		168	161	309	304
Share in income of joint ventures		(21)	(8)	(26)	(10)
Depreciation, amortization and impairments	7	863	745	1,675	1,472
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(13)	(11)	(19)	(17)
Share-based compensation expenses		18	10	29	23
Operating cash flows before changes in operating assets and liabilities		1,764	1,562	3,399	3,124
Changes in working capital:					
Changes in inventories		(218)	(40)	(521)	(165)
Changes in receivables and other current assets		(195)	76	(130)	190
Changes in payables and other current liabilities		408	(170)	(21)	(552)
Changes in other non-current assets, other non-current liabilities and provisions		(63)	31	(102)	66
Cash generated from operations		1,696	1,459	2,625	2,664
Income taxes paid – net		(184)	(130)	(204)	(231)
Operating cash flows from continuing operations		1,512	1,329	2,421	2,433
Operating cash flows from discontinued operations		—	—	—	—
Net cash from operating activities		**1,512**	**1,329**	**2,421**	**2,433**
Purchase of non-current assets		(530)	(489)	(1,040)	(943)
Divestments of assets / disposal groups held for sale		33	2	39	7
Acquisition of businesses, net of cash acquired	4	(15)	(16)	(15)	(399)
Divestment of businesses, net of cash divested		—	2	—	1
Changes in short-term deposits and similar instruments		—	33	—	(61)
Dividends received from joint ventures		33	17	33	18
Interest received		9	6	15	8
Lease payments received on lease receivables		27	24	57	55
Other		(1)	18	(1)	15
Investing cash flows from continuing operations		(443)	(402)	(911)	(1,297)
Investing cash flows from discontinued operations		—	—	—	—
Net cash from investing activities		**(443)**	**(402)**	**(911)**	**(1,297)**
Proceeds from long-term debt		—	—	—	598
Interest paid		(51)	(39)	(83)	(77)
Repayments of loans		(67)	(14)	(90)	(411)
Changes in short-term loans		(205)	(317)	757	1,006
Repayment of lease liabilities		(439)	(423)	(868)	(779)
Dividends paid on common shares	9	(522)	(414)	(522)	(414)
Share buyback	9	(255)	(176)	(523)	(488)
Other		(9)	1	(21)	(2)
Financing cash flows from continuing operations		(1,547)	(1,382)	(1,350)	(566)
Financing cash flows from discontinued operations		—	—	—	—
Net cash from financing activities		**(1,547)**	**(1,382)**	**(1,350)**	**(566)**
Net cash from operating, investing and financing activities		**(478)**	**(455)**	**159**	**570**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		3,718	4,038	2,968	2,910
Effect of exchange rates on cash and cash equivalents		173	(18)	286	86
Cash and cash equivalents at the end of the period (excluding restricted cash)	11	**3,413**	**3,565**	**3,413**	**3,565**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9403	0.8297	0.9161	0.8302

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 e-commerce primarily in the United States and Europe.

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

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize's 2021 financial statements, except as otherwise indicated below under "New and revised IFRSs effective in 2022."

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

Ahold Delhaize's financial year consists of 52 weeks in 2022 and 2021, and is based on a 4/4/5-week calendar, with four equal quarters of 13 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, macro-economic environment and management oversight.

The segments' performance is evaluated against several measures, of which underlying operating income is the most important. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties.

Impact of the war in Ukraine

We are closely monitoring the developments in Ukraine, as well as the related international government responses, for their indirect macro-economic effects. While the Group does not have any operations in Ukraine or Russia, and is not directly affected by trading restrictions or sanctions, it is, to a certain extent, affected by the wider macro-economic consequences of the war and might be additionally impacted if the situation develops further. These wider macro-economic consequences could impact the Company's balance sheet valuations, results and cash flow. We are closely monitoring and assessing any potential impacts of the war in Ukraine on our people or on macro-economic, operational, and supply chain aspects in the markets of our brands that border Ukraine and also elsewhere in Europe. We will continue to reassess these impacts as the situation unfolds.

COVID-19

COVID-19 continues to affect the Company's business operations, but to a much lesser extent than in previous years. A comprehensive overview of the impact of COVID-19 and our response is included in the *COVID-19: Impact and our response* section of Ahold Delhaize's Annual Report 2021, published on March 2, 2022.

New and revised IFRSs effective in 2022

The following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of January 3, 2022:

- Amendments to IAS 16, "*Property, Plant and Equipment: Proceeds before Intended Use*"
- Amendments to IAS 37, "*Onerous Contracts Cost of Fulfilling a Contract*"
- Amendments to IFRS 3, "*Reference to the Conceptual Framework*"
- Annual improvements cycle 2018-2020, which included amendments to IFRS 1, "*First-time Adoption of International Financial Reporting Standards,*" IFRS 9, "*Financial Instruments,*" IFRS 16, "*Leases*" and IAS 41, "*Agriculture*"

These amendments have no impact on the Company's consolidated financial statements.

3. Alternative performance measures

These interim financial statements include alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included in the *Glossary* in Ahold Delhaize's Annual Report 2021.

Free cash flow

€ million	Q2 2022	Q2 2021	HY 2022	HY 2021
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,701	1,593	3,297	3,190
Changes in working capital	(5)	(134)	(672)	(527)
Income taxes paid – net	(184)	(130)	(204)	(231)
Purchase of non-current assets	(530)	(489)	(1,040)	(943)
Divestments of assets / disposal groups held for sale	33	2	39	7
Dividends received from joint ventures	33	17	33	18
Interest received	9	6	15	8
Interest paid	(51)	(39)	(83)	(77)
Lease payments received on lease receivables	27	24	57	55
Repayment of lease liabilities	(439)	(423)	(868)	(779)
Free cash flow	**596**	**428**	**575**	**723**

Net debt

€ million	July 3, 2022	April 3, 2022	January 2, 2022
Loans	4,554	4,663	4,678
Lease liabilities	10,866	10,334	10,061
Non-current portion of long-term debt	15,420	14,998	14,739
Short-term borrowings and current portion of long-term debt	3,452	3,414	2,350
Gross debt	18,872	18,412	17,089
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[1, 2, 3, 4]	3,591	3,893	3,143
Net debt	**15,281**	**14,519**	**13,946**

1. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at July 3, 2022, was €16 million (April 3, 2022: €15 million, January 2, 2022: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.*
2. *Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €135 million (April 3, 2022: €131 million, January 2, 2022: €135 million).*
3. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at July 3, 2022, was €743 million (April 3, 2022: €367 million, January 2, 2022: €397 million).*
4. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €728 million (April 3, 2022: €1,218 million, January 2, 2022: €807 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.*

Underlying EBITDA

€ million	Q2 2022	Q2 2021	HY 2022	HY 2021
Underlying operating income	**880**	**832**	**1,709**	**1,680**
Depreciation and amortization	848	731	1,655	1,451
Underlying EBITDA	**1,728**	**1,562**	**3,364**	**3,131**

Underlying income from continuing operations

€ million, except per share data	Q2 2022	Q2 2021	HY 2022	HY 2021
Income from continuing operations	**603**	**540**	**1,149**	**1,090**
Adjustments to operating income	(16)	14	(5)	35
Tax effect on adjusted and unusual items	5	(4)	3	(8)
Underlying income from continuing operations	**593**	**551**	**1,148**	**1,117**
Underlying income from continuing operations for the purpose of diluted earnings per share	**593**	**551**	**1,148**	**1,117**
Basic income per share from continuing operations[1]	0.60	0.52	1.15	1.05
Diluted income per share from continuing operations[2]	0.60	0.52	1.14	1.05
Underlying income per share from continuing operations – basic[1]	0.59	0.53	1.14	1.08
Underlying income per share from continuing operations – diluted[2]	0.59	0.53	1.14	1.07

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 Q2 2022 is 1,000 million (Q2 2021: 1,031 million).*
2. *The diluted earnings per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income from continuing operations by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares used for calculating the diluted underlying EPS for Q2 2022 is 1,002 million (Q2 2021: 1,034 million).*

4. Business combinations and goodwill

During 2022, Ahold Delhaize has completed the acquisition of Cycloon for a total purchase consideration of €43 million. The provisional allocation of the fair values of the identifiable assets acquired, liabilities assumed and goodwill arising from the acquisitions through Q2 2022 is as follows:

€ million	Cycloon	Other acquisitions[1]	Total acquisitions
Property, plant and equipment	3	—	3
Right-of-use asset	1	—	1
Other intangible assets	13	—	13
Other non-current assets	—	—	—
Assets held for sale	—	(1)	(1)
Inventories	—	—	—
Receivables	5	—	5
Prepaid expenses and other current assets	—	—	—
Cash and cash equivalents	—	—	—
Loans	—	—	—
Lease liabilities	(1)	—	(1)
Deferred tax liability	(1)	—	(1)
Accounts payable	(5)	—	(5)
Other current liabilities	(7)	(3)	(11)
Net identifiable assets acquired	**10**	**(5)**	**5**
Goodwill	34	5	39
Total purchase consideration	**43**	**—**	**43**
Deferred consideration payable – current	(2)	—	(2)
Deferred consideration payable – non-current	(27)	—	(27)
Purchase consideration settlement with other parties	—	1	1
Cash acquired (excluding restricted cash)	—	—	—
Acquisition of businesses, net of cash acquired	**14**	**1**	**15**

1. *Includes measurement period adjustments recognized subsequent to the amounts initially recognized and reported for other acquisitions in 2021.*

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

€ million	Goodwill
As of January 2, 2022	
At cost	7,649
Accumulated impairment losses	(8)
Opening carrying amount	**7,641**
Acquisitions through business combinations	39
Exchange rate differences	439
Closing carrying amount	**8,119**
As of July 3, 2022	
At cost	8,127
Accumulated impairment losses	(8)
Closing carrying amount	**8,119**

Cycloon

On December 21, 2021, Ahold Delhaize announced that bol.com entered into a strategic alliance with delivery expert Cycloon. The parties intend to jointly accelerate the growth of Cycloon and bol.com and share the ambition to make delivery more sustainable and social.

The transaction closed on April 30, 2022. A majority stake (50% plus one share) was acquired by bol.com, with an obligation to buy the remaining shares and become full owner in 2026. Ahold Delhaize paid €14 million in cash and recognized €29 million deferred consideration, of which €27 million is non-current relating to the obligation to increase its shareholding by a further 50% minus one share in 2026.

The deferred consideration for acquiring the remaining shares is classified as “Other long-term financial liability” and is subsequently measured at amortized cost pursuant to IFRS 9. The goodwill recognized is attributable to the synergies expected from the combination of the operations of bol.com and Cycloon. The goodwill from the acquisition of Cycloon is not deductible for tax purposes.

Since the acquisition, Cycloon had an insignificant impact on net sales and net income in Q2 2022.

5. Segment reporting

Ahold Delhaize's retail operations are presented in two reportable segments. In addition, "Other retail," consisting of Ahold Delhaize’s unconsolidated joint ventures JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, is presented separately. The accounting policies used for the segments are the same as the accounting policies used for these interim financial statements as described in Note 2.

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

Reportable segment	Operating segments included in the reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food and FreshDirect
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize ("Delhaize Le Lion" including Belgium and Luxembourg) bol.com (including the Netherlands and Belgium) Albert (Czech Republic) Alfa Beta (Greece) Mega Image (Romania) Delhaize Serbia (Republic of Serbia) Etos (the Netherlands) Gall & Gall (the Netherlands)

Other	Included in Other
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)
Global Support Office	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)

Q2 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	13,577	7,868	—	**21,445**
Of which: online sales	994	1,034	—	**2,028**
Operating income (expense)	642	273	(20)	**895**
Impairment losses and reversals – net	6	8	—	**14**
(Gains) losses on leases and the sale of assets – net	(14)	5	—	**(9)**
Restructuring and related charges and other items	—	(22)	1	**(21)**
Adjustments to operating income	*(7)*	*(9)*	*1*	***(16)***
Underlying operating income (expense)	635	264	(19)	**880**

Q2 2021

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	11,115	7,529	—	**18,645**
Of which: online sales	753	1,059	—	**1,812**
Operating income (expense)	546	308	(37)	**817**
Impairment losses and reversals – net	11	4	—	**14**
(Gains) losses on leases and the sale of assets – net	(9)	(3)	—	**(12)**
Restructuring and related charges and other items	7	5	—	**13**
Adjustments to operating income	*8*	*6*	—	***14***
Underlying operating income (expense)	554	314	(37)	**832**

Half year 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	25,776	15,443	—	**41,219**
Of which: online sales	1,954	2,133	—	**4,087**
Operating income	1,182	528	3	**1,714**
Impairment losses and reversals – net	10	9	—	**20**
(Gains) losses on leases and the sale of assets – net	(16)	1	—	**(15)**
Restructuring and related charges and other items	—	(11)	2	**(9)**
Adjustments to operating income	*(6)*	*(1)*	*2*	***(5)***
Underlying operating income	1,176	527	6	**1,709**

Half year 2021

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	21,854	15,055	—	**36,909**
Of which: online sales	1,608	2,184	—	**3,793**
Operating income (expense)	1,035	670	(60)	**1,645**
Impairment losses and reversals – net	18	4	—	**21**
(Gains) losses on leases and the sale of assets – net	(9)	(11)	—	**(20)**
Restructuring and related charges and other items	27	6	—	**33**
Adjustments to operating income	*36*	*(1)*	—	***35***
Underlying operating income (expense)	1,071	669	(60)	**1,680**

Additional information

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

$ million	Q2 2022	Q2 2021	HY 2022	HY 2021
Net sales	14,434	13,399	28,114	26,324
Of which: online sales	1,057	908	2,134	1,937
Operating income	682	658	1,288	1,248
Underlying operating income	674	669	1,281	1,291

6. Net sales

	Q2 2022			Q2 2021		
€ million	The United States	Europe	Ahold Delhaize Group	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	12,530	5,045	17,575	10,319	4,756	15,075
Sales to and fees from franchisees and affiliates	—	1,764	1,764	—	1,688	1,688
Online sales	994	1,034	2,028	753	1,059	1,812
Wholesale sales	53	25	78	44	27	70
Net sales	**13,577**	**7,868**	**21,445**	**11,115**	**7,529**	**18,645**

	HY 2022			HY 2021		
€ million	The United States	Europe	Ahold Delhaize Group	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	23,724	9,879	33,603	20,163	9,495	29,657
Sales to and fees from franchisees and affiliates	—	3,383	3,383	—	3,338	3,338
Online sales	1,954	2,133	4,087	1,608	2,184	3,793
Wholesale sales	98	48	146	83	38	121
Net sales	**25,776**	**15,443**	**41,219**	**21,854**	**15,055**	**36,909**

7. Expenses by nature

The aggregate of cost of sales, selling expenses and general and administrative expenses is specified by nature as follows:

€ million	Q2 2022	Q2 2021	HY 2022	HY 2021
Cost of product	14,804	12,848	28,356	25,379
Labor costs	3,164	2,756	6,176	5,476
Other operational expenses	1,869	1,604	3,583	3,182
Depreciation and amortization	848	731	1,655	1,451
Rent expenses	18	14	34	29
Impairment losses and reversals – net	14	14	20	21
(Gains) losses on leases and the sale of assets – net	(9)	(12)	(15)	(20)
Total expenses by nature	**20,709**	**17,955**	**39,808**	**35,518**

8. Income taxes

The income tax expense and the effective tax rate for Q2 and HY 2022 are at the same levels as for Q2 and HY 2021.

9. Equity attributable to common shareholders

Dividend on common shares

On April 13, 2022, the General Meeting of Shareholders approved the dividend over 2021 of €0.95 per common share. The interim dividend for 2021 of €0.43 per common share was paid on September 2, 2021. The final dividend of €0.52 per common share was paid on April 28, 2022.

Share buyback

On January 3, 2022, the Company commenced the €1 billion share buyback program that was announced on November 15, 2021. In total, 18,941,254 of the Company's own shares were repurchased at an average price of €27.32 per share. The share buyback program resulted in an expense of €5 million in the first half of the year. The program is expected to be completed before the end of 2022.

The number of outstanding common shares as of July 3, 2022, was 995,008,004 (January 2, 2022: 1,011,338,350).

10. Pensions and other post-employment benefits

€ million	July 3, 2022	January 2, 2022
Defined benefit liabilities	320	613
Other long-term pension plan obligations	531	493
Total pension and other post-employment benefits	**852**	**1,107**

The decrease in the defined benefit liabilities is mainly caused by increased discount rates.

A comprehensive overview of pensions and other post-employment benefits is included in *Note 24* of Ahold Delhaize's 2021 financial statements, as included in the Annual Report 2021, published on March 2, 2022.

American Rescue Plan Act of 2021 (ARPA)

The Pension Benefit Guaranty Corporation (PBGC) announced on April 29, 2022, that it has approved the application submitted to the Special Financial Assistance Program by the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Plan (FELRA Pension Plan). The assistance that the Combined FELRA and MAP plan will receive is in line with the application submitted to the PBGC on December 30, 2021. For more details see *Note 24* of the Annual Report 2021.

On July 6, 2022, the PBGC issued a final rule implementing changes to the Special Financial Assistance Program. The changes are responsive to public comments received on the PBGC's interim final rule and will better protect the pensions earned by workers and retirees covered by multi-employer plans eligible for assistance. The final rule became effective on August 8, 2022, and it provides an option for filers under the interim rule to supplement the application for special financial assistance. The assessment of whether the Combined FELRA and MAP will supplement the plan's application is ongoing.

11. 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	July 3, 2022	January 2, 2022
Cash and cash equivalents as presented in the statement of cash flows	3,413	2,968
Restricted cash	27	25
Cash and cash equivalents as presented on the balance sheet	**3,439**	**2,993**

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €728 million (January 2, 2022: €807 million), which is fully offset by an identical amount included under "Other current financial liabilities."

12. Financial instruments

Fair values of financial instruments

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

	July 3, 2022		January 2, 2022	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	90	89	85	85
Trade and other (non-)current receivables	2,697	2,697	2,445	2,445
Lease receivable	513	531	492	516
Cash and cash equivalents	3,439	3,439	2,993	2,993
Short-term deposits and similar investments	16	16	15	15
	6,757	6,774	6,029	6,053
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	295	295	281	281
Investments in debt instruments	145	145	145	145
	440	440	426	426
Derivative financial instruments				
Derivatives	—	—	—	—
Total financial assets	**7,197**	**7,214**	**6,455**	**6,479**

€ million	July 3, 2022		January 2, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(4,445)	(4,293)	(4,354)	(4,721)
Other loans	(217)	(216)	(274)	(274)
Financing obligations	(212)	(140)	(205)	(149)
Mortgages payable	(41)	(41)	(41)	(42)
Accounts payable	(8,156)	(8,156)	(7,563)	(7,563)
Short-term borrowings	(1,798)	(1,798)	(952)	(952)
Interest payable	(31)	(31)	(36)	(36)
Other long-term financial liabilities	(271)	(271)	(276)	(278)
Other	(28)	(28)	(29)	(29)
	(15,199)	(14,975)	(13,731)	(14,044)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(285)	(285)	(272)	(272)
Derivative financial instruments				
Derivatives	(18)	(18)	(2)	(2)
Total financial liabilities excluding lease liabilities	**(15,502)**	**(15,278)**	**(14,004)**	**(14,317)**
Lease liabilities	(12,159)	N/A	(11,262)	N/A
Total financial liabilities	**(27,661)**	**N/A**	**(25,266)**	**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. Ahold Delhaize posted deposits as collateral in the net amount of €21 million as of July 3, 2022 (January 2, 2022: nil). The counterparties have an obligation to repay the deposits to Ahold Delhaize upon settlement of the contracts.

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 is estimated using discounted cash flow analyses based on prevailing market rates.

13. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 2, 2022, is included in *Note 34* of Ahold Delhaize's 2021 financial statements, as included in the Annual Report 2021, published on March 2, 2022.

14. Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q2 2021	Opened / acquired	Closed / sold	End of Q2 2022
The United States	2,044	9	(5)	2,048
Europe[1]	5,219	395	(71)	5,543
Total	**7,263**	**404**	**(76)**	**7,591**

1. The number of stores at the end of Q2 2022 includes 1,127 specialty stores (Etos and Gall & Gall); (end of Q2 2021: 1,114).

	End of Q4 2021	Opened / acquired	Closed / sold	End of Q2 2022
The United States	2,048	4	(4)	2,048
Europe[1]	5,404	189	(50)	5,543
Total	**7,452**	**193**	**(54)**	**7,591**

1. The number of stores at the end of Q2 2022 includes 1,127 specialty stores (Etos and Gall & Gall); (end of Q4 2021: 1,136).

15. Subsequent events

The Company has decided to suspend its intention to sub-IPO bol.com in H2 2022 and to revisit when equity market conditions are more conducive. This decision will not have any impact on the Company's balance sheet valuations, results and cash flow. More information can be found in the section *Update on bol.com sub-IPO intentions* of this interim report.

Zaandam, the Netherlands, August 9, 2022

Management Board

Frans Muller (President and Chief Executive Officer)
Natalie Knight (Chief Financial Officer)
Kevin Holt (Chief Executive Officer Ahold Delhaize USA)
Wouter Kolk (Chief Executive Officer Ahold Delhaize Europe and Indonesia)

Financial calendar

Ahold Delhaize's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31. Ahold Delhaize's 2022 financial year consists of 52 weeks and ends on January 1, 2023.

The key publication dates for 2022 are as follows:
November 9 Results Q3 2022

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as resilient, full-year, guidance, focus(ed), introducing, expanding, constant, continu(e)/(ing)/(ed), expect(s)/(ation)/(ed), intention, will, more, strength, opportunit(y)/(ies), unprecedented, ensur(e)/(ing), growth, next steps, boost, reinforce, strategic, development, current, later this year, re-prioritize, strive, remain, sequential, commit(ted)/(ment), looking to the future, ambitions, going forward, medium-term, investment plans, ensure, accelerating, aims, no longer, remain, deliver, momentum, future path, priority, on track, believe, more dynamic, ensure, outlook, well-positioned, should, through, furthering, on track, uncertainties, might, develops further, ongoing, long-term or other similar words or expressions are typically used to identify forward-looking statements.

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

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

For more information:

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About Ahold Delhaize

Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great local brands serves 55 million customers each week, both in stores and online, in the United States, Europe and Indonesia. Together, these brands employ more than 413,000 associates in 7,452 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. The company's focus on four growth drivers – drive omnichannel growth, elevate healthy and sustainable, cultivate best talent and strengthen operational excellence – is helping to fulfil its purpose, achieve its vision and prepare its brands and businesses for tomorrow. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit: www.aholddelhaize.com.

Proud companies of Ahold Delhaize