

Ahold Delhaize reports strong Q2 results that continue to be impacted by COVID-19

- * Net sales were €19.1 billion, up 17.1%, or 15.9% at constant exchange rates
- * In the U.S. and Europe, comp sales growth excluding gas was up 20.6% and 10.2%, respectively
- * Net consumer online sales grew 77.6% at constant exchange rates; Ahold Delhaize will reach €7 billion net consumer online sales goal in 2020, one year ahead of plan
- * COVID-19-related costs were approximately €330 million in the first half of the year, and approximately €260 million in Q2, including safety measures and enhanced associate pay
- * Operating income was €1,004 million, increasing 78.0% at constant exchange rates
- * Underlying operating margin was 5.3%, up 1.7% points from the prior year at constant exchange rates
- * Diluted EPS was €0.65; diluted underlying EPS was €0.65, increasing 87.9%
- * 2020 outlook raised, with underlying EPS growth in the low-to-mid-20% range; free cash flow expected to be at least €1.7 billion, net of paying the majority of a tentative U.S. pension plan withdrawal agreement
- * 2020 interim dividend is €0.50, up 67% and based on 40% of first half 2020 underlying income per share¹

¹ from continuing operations

Zaandam, the Netherlands, August 5, 2020 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and eCommerce, reports second quarter and half year results today.

The interim report for the second quarter and half year 2020 can be viewed and downloaded at www.aholddelhaize.com.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
	Q2 2020	% change constant rates	Q2 2020	% change constant rates	Q2 2020	% change constant rates	YTD 2020	% change constant rates	YTD 2020	% change constant rates	YTD 2020	% change constant rates
Net sales	19,103	15.9 %	11,856	18.7 %	7,247	11.4 %	37,310	14.3 %	23,170	16.2 %	14,140	11.2 %
Comparable sales growth excl. gas	16.4 %		20.6 %		10.2 %		14.4 %		17.2 %		10.0 %	
Online sales	1,347	68.7 %	512	126.8 %	834	45.8 %	2,345	49.7 %	836	84.3 %	1,509	35.6 %
Net consumer online sales	1,846	77.6 %	512	126.8 %	1,334	63.9 %	3,191	58.3 %	836	84.3 %	2,355	50.7 %
Operating income	1,004	78.0 %	716	112.7 %	325	15.6 %	1,967	57.1 %	1,458	79.8 %	623	17.5 %
Operating margin	5.3 %	1.8 pts	6.0 %	2.7 pts	4.5 %	0.2 pts	5.3 %	1.4 pts	6.3 %	2.2 pts	4.4 %	0.2 pts
Underlying operating income	1,009	68.8 %	724	103.7 %	323	11.9 %	1,970	50.8 %	1,477	74.9 %	607	12.7 %
Underlying operating margin	5.3 %	1.7 pts	6.1 %	2.5 pts	4.5 %	— pts	5.3 %	1.3 pts	6.4 %	2.1 pts	4.3 %	0.1 pts
Diluted EPS	0.65	114.3 %					1.24	78.0 %				
Diluted underlying EPS	0.65	86.8 %					1.24	64.3 %				
Free cash flow	533	9.3 %					1,761	396.0 %				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"COVID-19 has presented adversity across society and business. It has impacted our communities, associates, customers, and their families. I would like to thank associates across all our local brands and support offices for their outstanding service during this crisis. Their agility and dedication have ensured the safety of our stores and distribution centers, sustained the strength of our supply chains, and helped nourish families and local communities. I am grateful for the commitment they have shown and continue to show. I am also pleased that we were able to make important investments in additional safety measures, enhanced associate pay and benefits, and significant charitable donations, including to several local food banks. Additionally, our brands hired more than 45,000 associates globally in Q2.

"The engagement and strong execution of our teams have translated this unprecedented demand in both the U.S. and Europe, due to COVID-19, into outstanding results. These developments, along with the benefit of comparing against the same quarter last year, when we saw a negative impact from the strike at

the Stop & Shop brand in the U.S., have led to strong underlying operating margin performance in the quarter.

"Our Q2 performance illustrates the challenge all companies are facing in predicting results in the highly uncertain environment created by COVID-19. Despite the high levels of market uncertainty, we are accelerating investments to support our increasing digital and omnichannel ambitions and raising our 2020 outlook due to our strong performance in the first half of the year. We now expect that our group underlying operating margin will be higher than in 2019, with underlying EPS growth in the low-to-mid-20% range. We are also raising our free cash flow target to at least €1.7 billion, net of paying the majority of the recently announced tentative U.S. pension plan withdrawal agreement.

"We continue to adapt to the changes we are seeing in consumer shopping patterns and behavior. One of these changes is the increased demand for our online offerings, which, combined with investments to increase capacity, has resulted in net consumer online sales growth of 127% in the U.S., at constant exchange rates, and 64% in Europe. Our increased investments in digital and omnichannel capabilities should lead to continued wallet share gains. As a result, we now expect over 55% growth in global net consumer online sales in 2020. This puts us on track to reach our goal of doubling global net consumer online sales from €3.5 billion in 2018 to €7 billion in 2020, one year earlier than we outlined at our November 2018 Capital Markets Day.

"We also remain dedicated to health and sustainability in these challenging times. During the second quarter, we published our inaugural Human Rights Report, outlining the steps we are taking to safeguard human rights. We also issued our first Sustainability Bond Report in June 2020, documenting how we used bond financing from 2019 to support sustainable products, reduce climate impacts and promote healthier eating. We have subsequently announced our commitment to achieve long-term, science-based targets on climate change, including the goal to reduce our own carbon emissions by 50% by 2030 and a new goal to reduce emissions from our overall value chain by 15%. After officially becoming a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), we are in the process of developing voluntary and consistent climate-related risk disclosures.

"Our second quarter results reflect excellent operational execution by associates during the COVID-19 crisis. We will continue to make protecting and investing in the health and safety of associates and customers, as well as supporting our local communities, our top priorities."

Q2 Financial highlights

Group net sales were €19.1 billion, up 17.1%, or 15.9% at constant exchange rates, driven largely by 16.4% comparable sales growth excluding gasoline. Group comparable sales were mainly driven by demand related to COVID-19 and, to a lesser extent, benefited from the comparison against Q2 2019, when the strike and subsequent recovery at Stop & Shop in the U.S. unfavorably impacted sales by 2.0 percentage points. Group net consumer online sales grew 77.6% in Q2 at constant exchange rates. Group underlying operating margin in Q2 was 5.3%, up 1.7 percentage points from the prior year at constant exchange rates, benefiting largely from higher operating leverage due to higher sales trends related to COVID-19 as well as lapping the roughly €90 million operating profit headwind caused by the strike at Stop & Shop in the U.S. in the prior year's quarter. This was offset in part by significant costs related to COVID-19, which amounted to approximately €260 million in Q2, and approximately €330 million in the first half of the year.

U.S. comparable store sales excluding gasoline grew 20.6%, with all brands generating double-digit comparable sales growth. This was due largely to the COVID-19 outbreak and the lapping of last year's Stop & Shop strike, which unfavorably impacted Q2 2019 sales in the U.S. by 3.2 percentage points. Online sales in the segment were up 126.8% in constant currency. U.S. underlying operating margin was 6.1%, up 2.5 percentage points from the prior year at constant exchange rates, driven largely by operating leverage from higher sales growth due to COVID-19, as well as the aforementioned Stop & Shop strike (roughly €90 million).

Europe's comparable sales excluding gasoline grew 10.2%, due largely to demand related to COVID-19, slightly offset by an unfavorable calendar shift impact of -0.1 percentage points in the quarter. Net

consumer online sales in the segment were up 63.9%. Underlying operating margin in Europe was 4.5%, relatively flat compared to the prior year. Operating leverage from higher sales growth was largely offset by higher costs related to COVID-19 as well as €11 million of pension expense in the Netherlands during the quarter.

At bol.com, the online retail platform in the Benelux included within the Europe segment's results, net consumer sales grew by 65.4%. Bol.com's third-party sales grew 107% in the quarter, with nearly 34,000 merchant partners on the platform.

Ahold Delhaize's net income was €693 million, up 107.6% in the quarter. Diluted EPS was €0.65, up 115.6%, and diluted underlying EPS was €0.65, up 87.9%. Nearly 8.1 million shares were purchased in the quarter for €183 million, bringing the total amount to €519 million in the first half of the year. The 2020 interim dividend is €0.50, up 67% versus the prior year, and represents 40% of first half 2020 underlying income per share from continuing operations.

Outlook

COVID-19 continues to create significant uncertainty for the 2020 outlook, though, due to the Company's strong performance in the first half of the year, guidance for underlying operating margin, underlying EPS, and free cash flow is being raised.

IFRS results will be unfavorably impacted by the withdrawal agreement to the UFCW International Union – Industry Pension Fund announced on July 21, 2020. If ratified by the UFCW Locals, the transaction will be treated as an extraordinary item and will, therefore, not impact the underlying operating results outlook for 2020.

Underlying operating margin is now expected to be higher than 2019 versus broadly in line with 2019 as previously expected. Embedded in this margin outlook is a lower margin rate in the second half of the year compared with the first half of the year. This is due to the expectation that sales growth will moderate relative to the first half of the year, which creates an operating deleverage effect when factoring in significant ongoing costs related to COVID-19 as well as investments in digital/omnichannel capabilities.

The underlying EPS outlook for 2020, however, has been raised to low-to-mid-20% growth from mid-single-digit growth.

The 2020 free cash flow outlook has also been raised to at least €1.7 billion, compared to the previous outlook of over €1.5 billion, and now includes the effect of paying the majority of the €583 million pre-tax obligation for a tentative agreement to withdraw from the UFCW International Union – Industry Pension Fund and contribute to the transition reserve for the new variable annuity pension plan at Stop & Shop, which was announced on July 21, 2020. The capital expenditure guidance of around €2.5 billion is maintained and now also reflects the Company's accelerated investments in digital and omnichannel capabilities. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2020, as previously stated.

	Full-year outlook	Underlying operating margin ¹	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow ²	Dividend payout ratio ³	Share buyback
Updated Outlook	2020	Higher than 2019	Low-to-mid-20% growth	€600 million	~ €2.5 billion	> €1.7 billion	40-50%	€1 billion
Previous Outlook	2020	Broadly in line with 2019	Mid-single-digit growth	€600 million	~ €2.5 billion	> €1.5 billion	40-50%	€1 billion

1. No significant impact to underlying operating margin from the 53rd week, though the 53rd week should benefit net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 53-week basis. As previously communicated, the margin includes a dilution of €45 million in transition expenses from the U.S. supply chain initiative, and an increased non-cash service charge of €45 million for the Netherlands employee pension plan, resulting from lower discount rates in the Netherlands.
2. Excludes M&A
3. Calculated as a percentage of underlying income from continuing operations

Group performance

€ million, except per share data	Q2 2020	Q2 2019	% change	% change constant rates	HY 2020	HY 2019	% change	% change constant rates
Net sales	19,103	16,315	17.1 %	15.9 %	37,310	32,193	15.9 %	14.3 %
Of which: online sales	1,347	794	69.7 %	68.7 %	2,345	1,555	50.8 %	49.7 %
Net consumer online sales ¹	1,846	1,035	78.4 %	77.6 %	3,191	2,005	59.1 %	58.3 %
Operating income	1,004	560	79.3 %	78.0 %	1,967	1,235	59.3 %	57.1 %
Income from continuing operations	693	334	107.6 %	106.4 %	1,338	770	73.8 %	71.3 %
Net income	693	334	107.6 %	106.4 %	1,338	769	74.0 %	71.5 %
Basic income per share from continuing operations (EPS)	0.65	0.30	115.7 %	114.4 %	1.24	0.69	80.5 %	78.0 %
Diluted income per share from continuing operations (diluted EPS)	0.65	0.30	115.6 %	114.3 %	1.24	0.69	80.6 %	78.0 %
Underlying EBITDA ¹	1,725	1,267	36.1 %	34.9 %	3,391	2,623	29.3 %	27.5 %
Underlying EBITDA margin ¹	9.0 %	7.8 %			9.1 %	8.1 %		
Underlying operating income ¹	1,009	594	70.0 %	68.8 %	1,970	1,288	52.9 %	50.8 %
Underlying operating margin ¹	5.3 %	3.6 %			5.3 %	4.0 %		
Underlying income per share from continuing operations – basic (underlying EPS) ¹	0.65	0.35	87.9 %	86.9 %	1.24	0.75	66.5 %	64.3 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS) ¹	0.65	0.34	87.9 %	86.8 %	1.24	0.74	66.5 %	64.3 %
Free cash flow ¹	533	486	9.7 %	9.3 %	1,761	351	402.2 %	396.0 %

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, refer to section [Alternative performance measures](#) in this press release.

Performance by segment

The United States

	Q2 2020	Q2 2019	% change	% change constant rates	HY 2020	HY 2019	% change	% change constant rates
\$ million								
Net sales	13,044	10,986	18.7 %		25,527	21,967	16.2 %	
Of which: online sales	564	249	126.8 %		921	500	84.3 %	
€ million								
Net sales	11,856	9,780	21.2 %	18.7 %	23,170	19,446	19.2 %	16.2 %
Of which: online sales	512	221	131.5 %	126.8 %	836	442	89.1 %	84.3 %
Operating income	716	329	117.7 %	112.7 %	1,458	789	84.7 %	79.8 %
Underlying operating income	724	347	108.4 %	103.7 %	1,477	822	79.7 %	74.9 %
Underlying operating margin	6.1 %	3.6 %			6.4 %	4.2 %		
Comparable sales growth	18.8 %	(0.2)%			16.1 %	0.3 %		
Comparable sales growth excluding gasoline	20.6 %	0.2 %			17.2 %	0.7 %		

Europe

€ million	Q2 2020	Q2 2019	% change	% change constant rates	HY 2020	HY 2019	% change	% change constant rates
Net sales	7,247	6,535	10.9 %	11.4 %	14,140	12,746	10.9 %	11.2 %
Of which: online sales	834	572	45.8 %	45.8 %	1,509	1,113	35.6 %	35.6 %
Net consumer online sales	1,334	814	63.9 %	63.9 %	2,355	1,563	50.7 %	50.7 %
Operating income	325	283	15.1 %	15.6 %	623	531	17.2 %	17.5 %
Underlying operating income	323	290	11.4 %	11.9 %	607	540	12.4 %	12.7 %
Underlying operating margin	4.5 %	4.4 %			4.3 %	4.2 %		
Comparable sales growth	10.1 %	2.9 %			9.9 %	2.1 %		
Comparable sales growth excluding gasoline	10.2 %	2.9 %			10.0 %	2.1 %		

Global Support Office

€ million	Q2 2020	Q2 2019	% change	% change constant rates	HY 2020	HY 2019	% change	% change constant rates
Underlying operating loss	(37)	(44)	(14.2)%	(14.7)%	(114)	(74)	54.2 %	53.1 %
Underlying operating loss excluding insurance results	(35)	(33)	3.9 %	3.2 %	(71)	(65)	9.1 %	8.2 %

In the quarter, underlying Global Support Office costs were €37 million, which was €6 million lower than the prior year, a result of the favorable impact of €7 million from insurance. Underlying costs excluding insurance results were €35 million, compared to €33 million in Q2 2019. These insurance results mainly reflect the discounting effect on the Company's insurance provision, which was impacted by a lower decline in discount rates than in Q2 last year.

Consolidated income statement

€ million, except per share data	Q2 2020	Q2 2019	HY 2020	HY 2019
Net sales	19,103	16,315	37,310	32,193
Cost of sales	(13,771)	(11,944)	(26,906)	(23,433)
Gross profit	5,332	4,371	10,404	8,759
Selling expenses	(3,670)	(3,204)	(7,107)	(6,331)
General and administrative expenses	(658)	(607)	(1,330)	(1,193)
Total operating expenses	(4,328)	(3,811)	(8,437)	(7,525)
Operating income	1,004	560	1,967	1,235
Interest income	10	17	21	40
Interest expense	(33)	(48)	(69)	(97)
Net interest expense on defined benefit pension plans	(4)	(4)	(8)	(9)
Interest accretion to lease liability	(90)	(91)	(182)	(181)
Other financial income (expense)	9	(19)	(13)	(23)
Net financial expenses	(108)	(145)	(250)	(270)
Income before income taxes	895	414	1,717	964
Income taxes	(202)	(89)	(384)	(208)
Share in income of joint ventures	—	9	5	14
Income from continuing operations	693	334	1,338	770
Income (loss) from discontinued operations	—	—	—	(1)
Net income attributable to common shareholders	693	334	1,338	769
Net income per share attributable to common shareholders				
Basic	0.65	0.30	1.24	0.69
Diluted	0.65	0.30	1.24	0.68
Income from continuing operations per share attributable to common shareholders				
Basic	0.65	0.30	1.24	0.69
Diluted	0.65	0.30	1.24	0.69
Weighted average number of common shares outstanding (in millions)				
Basic	1,070	1,112	1,076	1,118
Diluted	1,075	1,116	1,081	1,123
Average U.S. dollar exchange rate (euro per U.S. dollar)	0.9087	0.8902	0.9076	0.8853

Consolidated statement of comprehensive income

€ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Net income	693	334	1,338	769
Remeasurements of defined benefit pension plans				
Remeasurements before taxes – income (loss)	88	(62)	(64)	(87)
Income taxes	(21)	14	16	19
Other comprehensive income (loss) that will not be reclassified to profit or loss	66	(49)	(48)	(68)
Currency translation differences in foreign interests:				
Continuing operations	(67)	(129)	(90)	70
Income taxes	(1)	(2)	2	(2)
Cash flow hedges:				
Fair value result for the period	—	(5)	—	(5)
Transfers to net income	—	2	—	2
Income taxes	—	1	—	1
Non-realized gains (losses) on debt and equity instruments:				
Fair value result for the period	—	—	(1)	—
Other comprehensive income (loss) reclassifiable to profit or loss	(68)	(133)	(88)	66
Total other comprehensive loss	(2)	(182)	(137)	(2)
Total comprehensive income attributable to common shareholders	692	152	1,201	767
Attributable to:				
Continuing operations	692	152	1,201	768
Discontinued operations	—	—	—	(1)
Total comprehensive income attributable to common shareholders	692	152	1,201	767

Consolidated balance sheet

€ million	June 28, 2020	December 29, 2019
Assets		
Property, plant and equipment	10,671	10,519
Right-of-use asset	7,603	7,308
Investment property	805	883
Intangible assets	12,048	12,060
Investments in joint ventures and associates	217	229
Other non-current financial assets	650	661
Deferred tax assets	198	213
Other non-current assets	50	49
Total non-current assets	32,241	31,920
Assets held for sale	26	67
Inventories	3,360	3,347
Receivables	1,845	1,905
Other current financial assets	471	317
Income taxes receivable	16	39
Prepaid expenses	287	178
Cash and cash equivalents	5,219	3,717
Total current assets	11,224	9,570
Total assets	43,465	41,490
Equity and liabilities		
Equity attributable to common shareholders	14,302	14,083
Loans	4,014	3,841
Other non-current financial liabilities	8,919	8,716
Pensions and other post-employment benefits	748	677
Deferred tax liabilities	824	786
Provisions	762	724
Other non-current liabilities	62	74
Total non-current liabilities	15,329	14,818
Accounts payable	6,633	6,311
Other current financial liabilities	4,032	3,257
Income taxes payable	135	82
Provisions	355	349
Other current liabilities	2,679	2,591
Total current liabilities	13,834	12,590
Total equity and liabilities	43,465	41,490
Year-end U.S. dollar exchange rate (euro per U.S. dollar)	0.8913	0.8947

Consolidated statement of changes in equity

€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings	Equity attributable to common shareholders
Balance as of December 30, 2018	12	13,999	(80)	(2)	276	14,205
Net income attributable to common shareholders	—	—	—	—	769	769
Other comprehensive income (loss)	—	—	68	(2)	(68)	(2)
Total comprehensive income (loss) attributable to common shareholders	—	—	68	(2)	701	767
Dividends	—	—	—	—	(784)	(784)
Share buyback	—	—	—	—	(632)	(632)
Share-based payments	—	—	—	—	33	33
Balance as of June 30, 2019	12	13,999	(12)	(4)	(405)	13,590
Balance as of December 29, 2019	11	12,246	159	(3)	1,670	14,083
Net income attributable to common shareholders	—	—	—	—	1,338	1,338
Other comprehensive income (loss)	—	—	(88)	—	(49)	(137)
Total comprehensive income (loss) attributable to common shareholders	—	—	(88)	—	1,289	1,201
Dividends	—	—	—	—	(494)	(494)
Share buyback	—	—	—	—	(517)	(517)
Share-based payments	—	—	—	—	30	30
Other items	—	—	—	—	(1)	(1)
Balance as of June 28, 2020	11	12,246	70	(3)	1,978	14,302

Consolidated statement of cash flow

€ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Income from continuing operations	693	334	1,338	770
Adjustments for:				
Net financial expenses	108	145	250	270
Income taxes	202	89	384	208
Share in income of joint ventures	—	(9)	(5)	(14)
Depreciation, amortization and impairments	731	689	1,445	1,365
(Gains) losses on leases and the sale of assets / disposal groups held for sale	(20)	(6)	(45)	(10)
Share-based compensation expenses	18	21	29	34
Operating cash flows before changes in operating assets and liabilities	1,733	1,264	3,395	2,624
Changes in working capital:				
Changes in inventories	(400)	(58)	(29)	(80)
Changes in receivables and other current assets	89	32	(51)	34
Changes in payables and other current liabilities	136	310	541	(63)
Changes in other non-current assets, other non-current liabilities and provisions	19	20	56	(4)
Cash generated from operations	1,577	1,568	3,914	2,511
Income taxes paid – net	(199)	(92)	(231)	(317)
Operating cash flows from continuing operations	1,378	1,476	3,682	2,193
Net cash from operating activities	1,378	1,476	3,682	2,193
Purchase of non-current assets	(506)	(569)	(1,214)	(1,022)
Divestments of assets / disposal groups held for sale	40	39	82	49
Acquisition of businesses, net of cash acquired	—	(14)	(4)	(19)
Divestment of businesses, net of cash divested	(1)	(1)	(1)	(9)
Changes in short-term deposits and similar instruments	(92)	(53)	(137)	165
Dividends received from joint ventures	15	16	16	16
Interest received	8	18	16	36
Lease payments received on lease receivables	25	23	49	49
Other	(1)	(1)	6	(2)
Investing cash flows from continuing operations	(512)	(542)	(1,188)	(736)
Net cash from investing activities	(512)	(542)	(1,188)	(736)
Proceeds from long-term debt	497	596	497	596
Interest paid	(51)	(84)	(82)	(122)
Repayments of loans	(12)	(597)	(426)	(609)
Changes in short-term loans	(220)	(479)	878	955
Repayment of lease liabilities	(375)	(432)	(787)	(849)
Dividends paid on common shares	(494)	(784)	(494)	(784)
Share buyback	(183)	(325)	(519)	(633)
Other cash flows from derivatives	3	(5)	3	(5)
Other	(4)	(4)	(6)	(4)
Financing cash flows from continuing operations	(840)	(2,115)	(936)	(1,455)
Net cash from financing activities	(840)	(2,115)	(936)	(1,455)
Net cash from operating, investing and financing activities	26	(1,181)	1,559	2
Cash and cash equivalents at the beginning of the period (excluding restricted cash)	5,217	4,343	3,701	3,110
Effect of exchange rates on cash and cash equivalents	(39)	(19)	(55)	31
Cash and cash equivalents at the end of the period (excluding restricted cash)	5,204	3,143	5,204	3,143
Average U.S. dollar exchange rate (euro per U.S. dollar)	0.9087	0.8902	0.9076	0.8853

Alternative performance measures

This results release includes alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included in *Definitions: Performance measures* in Ahold Delhaize's Annual Report 2019.

As of the first quarter of 2020, both the basic and diluted underlying income per share from continuing operations will be disclosed. The updated definition is provided below.

Basic and diluted underlying income per share from continuing operations

Underlying income per share from continuing operations is calculated as underlying income from continuing operations, divided by the weighted average number of shares outstanding, also referred to as "underlying earnings per share" or "underlying EPS." Diluted underlying income per share from continuing operations is calculated as diluted underlying income from continuing operations, divided by the diluted weighted average number of common shares outstanding, also referred to as "diluted underlying EPS."

Free cash flow

€ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,752	1,284	3,452	2,619
Changes in working capital	(175)	284	462	(109)
Income taxes paid – net	(199)	(92)	(231)	(317)
Purchase of non-current assets	(506)	(569)	(1,214)	(1,022)
Divestments of assets / disposal groups held for sale	40	39	82	49
Dividends received from joint ventures	15	16	16	16
Interest received	8	18	16	36
Interest paid	(51)	(84)	(82)	(122)
Lease payments received on lease receivables	25	23	49	49
Repayment of lease liabilities	(375)	(432)	(787)	(849)
Free cash flow	533	486	1,761	351

In Q2 2020, free cash flow was €533 million, which represents an increase of €47 million compared to Q2 2019. The main drivers for this improvement were the better operating cash flow of €469 million, the lower net investments of €64 million, lower net lease repayments of €59 million and lower net interest paid of €23 million. These developments were partially offset by lower changes in working capital of €459 million and higher income taxes paid of €107 million.

Free cash flow for half year 2020 was €1,761 million, or €1,411 million higher than last year. This increase is mainly the result of better operating cash flow of €832 million and favorable changes in working capital of €571 million, partly offset by higher net investments of €160 million.

Net debt

€ million	June 28, 2020	March 29, 2020	December 29, 2019
Loans	4,014	3,548	3,841
Lease liabilities	8,676	8,551	8,484
Non-current portion of long-term debt	12,689	12,099	12,325
Short-term borrowings and current portion of long-term debt	3,898	4,114	3,119
Gross debt	16,588	16,214	15,445
Less: Cash, cash equivalents, short-term deposits and similar instruments and short-term portion of investments in debt instruments ^{1, 2, 3, 4}	5,509	5,432	3,863
Net debt	11,079	10,782	11,581

- Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at June 28, 2020, was €149 million (March 29, 2020: €60 million, December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.
- Included in the short-term portion of investments in debt instruments is a U.S. Treasury investment fund in the amount of €141 million (March 29, 2020: €141 million, December 29, 2019: €130 million).
- 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 June 28, 2020, was €316 million (March 29, 2020: €295 million, December 29, 2019: €277 million).
- Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,955 million (March 29, 2020: €1,979 million, December 29, 2019: €1,391 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.

Net debt increased in Q2 2020 by €297 million to €11,079 million, mainly as a result of the dividend payment of €494 million, the share buyback of €183 million and the net increase in lease liabilities of €142 million, which were partially offset by the free cash flow of €533 million.

Underlying EBITDA

€ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Underlying operating income	1,009	594	1,970	1,288
Depreciation and amortization ¹	716	674	1,421	1,335
Underlying EBITDA	1,725	1,267	3,391	2,623

- The difference between the total amount of depreciation and amortization for HY 2020 of €1,425 million (HY 2019: €1,344 million) and the €1,421 million (HY 2019: €1,335 million) mentioned here relates to items that were excluded from underlying operating income.

Operating income increased in Q2 2020 by €444 million to €1,004 million. Operating income, after adjusting for impairments of €12 million (Q2 2019: €13 million); (gains) and losses on leases and the sale of assets of €(15) million (Q2 2019: €(7) million); and restructuring and related charges and other items of €9 million (Q2 2019: €27 million), resulted in underlying operating income of €1,009 million (up €416 million over Q2 2019).

For the first half of the year, operating income increased by €733 million to €1,967 million. Recorded in operating income are:

- Impairments of €20 million (HY 2019: €22 million)
- (Gains) and losses on leases and the sale of assets of €(40) million (HY 2019: €(11) million)
- Restructuring and related charges and other items of €23 million (HY 2019: €43 million)

These total €3 million (HY 2019: €54 million) and have been adjusted to arrive at underlying operating income of €1,970 million (HY 2019: €1,288 million).

Underlying income from continuing operations

€ million, except per share data	Q2 2020	Q2 2019	HY 2020	HY 2019
Income from continuing operations	693	334	1,338	770
Adjustments to operating income	6	34	3	54
Unusual items in net financial expenses	—	24	—	24
Tax effect on adjusted and unusual items	(5)	(8)	(4)	(14)
Underlying income from continuing operations	694	384	1,337	834
Underlying income from continuing operations for the purpose of diluted earnings per share	694	384	1,337	834
Basic income per share from continuing operations ¹	0.65	0.30	1.24	0.69
Diluted income per share from continuing operations ²	0.65	0.30	1.24	0.69
Underlying income per share from continuing operations – basic ¹	0.65	0.35	1.24	0.75
Underlying income per share from continuing operations – diluted ²	0.65	0.34	1.24	0.74

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 2020 is 1,070 million (Q2 2019: 1,112 million).*
2. *The diluted income 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 2020 is 1,075 million (Q2 2019: 1,116 million).*

Income from continuing operations was €693 million in Q2 2020, which was €359 million higher than last year. This follows mainly from the increase in operating income of €444 million and decrease in net financial expenses of €37 million, which were partly offset by higher income taxes of €113 million and lower income from joint ventures of €9 million.

For the first half of 2020, income from continuing operations was €1,338 million, which was €568 million higher than last year. This reflects the increase in operating income of €733 million and the decrease in net financial expenses of €20 million, which were partially offset by higher income taxes of €176 million and lower income from joint ventures of €9 million.

Segment reporting
Q2 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	11,856	7,247	—	19,103
Of which: online sales	512	834	—	1,347
Operating income (loss)	716	325	(37)	1,004
Impairment losses and reversals – net	4	7	—	12
(Gains) losses on leases and the sale of assets – net	(1)	(14)	—	(15)
Restructuring and related charges and other items	5	5	—	9
<i>Adjustments to operating income</i>	<i>8</i>	<i>(2)</i>	<i>—</i>	<i>6</i>
Underlying operating income (loss)	724	323	(37)	1,009

Q2 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	9,780	6,535	—	16,315
Of which: online sales	221	572	—	794
Operating income (loss)	329	283	(52)	560
Impairment losses and reversals – net	13	1	—	13
(Gains) losses on leases and the sale of assets – net	(6)	—	—	(7)
Restructuring and related charges and other items	12	7	8	27
<i>Adjustments to operating income</i>	<i>18</i>	<i>7</i>	<i>8</i>	<i>34</i>
Underlying operating income (loss)	347	290	(44)	594

Half year 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	23,170	14,140	—	37,310
Of which: online sales	836	1,509	—	2,345
Operating income (loss)	1,458	623	(114)	1,967
Impairment losses and reversals – net	10	10	—	20
(Gains) losses on leases and the sale of assets – net	(7)	(34)	—	(40)
Restructuring and related charges and other items	15	9	—	23
<i>Adjustments to operating income</i>	<i>18</i>	<i>(16)</i>	<i>—</i>	<i>3</i>
Underlying operating income (loss)	1,477	607	(114)	1,970

Half year 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	19,446	12,746	—	32,193
Of which: online sales	442	1,113	—	1,555
Operating income (loss)	789	531	(86)	1,235
Impairment losses and reversals – net	19	3	—	22
(Gains) losses on leases and the sale of assets – net	(10)	(1)	—	(11)
Restructuring and related charges and other items	23	7	13	43
<i>Adjustments to operating income</i>	<i>33</i>	<i>9</i>	<i>12</i>	<i>54</i>
Underlying operating income (loss)	822	540	(74)	1,288

Additional information

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

\$ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Net sales	13,044	10,986	25,527	21,967
Of which: online sales	564	249	921	500
Operating income	786	369	1,605	893
Underlying operating income	794	390	1,625	929

Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q2 2019	Opened / acquired	Closed / sold	End of Q2 2020
The United States	1,971	11	(11)	1,971
Europe ¹	4,867	234	(44)	5,057
Total	6,838	245	(55)	7,028

1. The number of stores at the end of Q2 2020 includes 1,122 specialty stores (Etos and Gall & Gall); (end of Q2 2019: 1,133).

	End of Q4 2019	Opened / acquired	Closed / sold	End of Q2 2020
The United States	1,973	2	(4)	1,971
Europe ¹	4,994	89	(26)	5,057
Total	6,967	91	(30)	7,028

1. The number of stores at the end of Q2 2020 includes 1,122 specialty stores (Etos and Gall & Gall); (end of Q4 2019: 1,127).

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 2020 financial year consists of 53 weeks and ends on January 3, 2021.

The key publication dates for 2020 are as follows:

November 4 Results Q3 2020

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. While our principal risks have not changed significantly compared to those disclosed within the Annual Report 2019, the COVID-19 outbreak has directly impacted our business operations and increased our overall risk profile. In particular, the principal risks relating to business continuity and the competitive environment are heightened, due to supply chain disruption and the rapid channel shift to online, respectively. Our material topic and risk relating to the health and safety of our consumers and associates also increased due to the COVID-19 outbreak. The Company has initiated several actions to mitigate the impact of the COVID-19 outbreak on our business, with a focus on protecting our associates and customers, ensuring the continuity of our operations, as well as reviewing our strategy to expedite additional planned investments in our digital and omnichannel capabilities. The impact of this risk is being monitored and any required actions will be reassessed as necessary.

Cautionary notice

This press release contains information that qualifies as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as continue (to), will, reach, goal, 2020, outlook, expect(ed), increase, predicting, uncertain(ty)/(ties), accelerating, raising, guidance, tentative, to, should, lead to, expect, on track, remain(s), if, expectation, creates, ongoing, effect, 53rd week, 53-week basis, risks, mitigate, impacted, focus on or ensuring, 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; natural disasters, pandemics and geopolitical events; 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 corporate responsibility 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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Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and eCommerce. Its family of great, local brands serves 54 million customers each week in Europe, the United States, and Indonesia. Together, these brands employ 380,000 associates in 6,967 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit www.aholddelhaize.com.

