Koninklijke Ahold Delhaize N.V.

Q2 2020 Report

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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 share[1]

[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.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group Q2 2020	% change constant rates	The United States Q2 2020	% change constant rates	Europe Q2 2020	% change constant rates	Ahold Delhaize Group YTD 2020	% change constant rates	The United States YTD 2020	% change constant rates	Europe 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, see* Note 3 Alternative performance measures *to the interim financial statements.*

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.

Financial review

Second quarter 2020 (compared to second quarter 2019)

Operating income increased 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).

Income from continuing operations was €693 million, 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.

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.

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.

Half year 2020 (compared to half year 2019)

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).

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.

Free cash flow 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.

For 2020, the interim dividend of €0.50 per common share will be paid on August 27, 2020. 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).

Impact of COVID-19

COVID-19 significantly affected the Company's results in the second quarter of 2020. Comparable sales growth was largely driven by the changes in consumer behavior as a result of COVID-19. Group operating margin in Q2 was 5.3%, up from last year, benefiting largely from higher operating leverage due to the higher sales trends, partially offset by significantly higher costs related to COVID-19 in Q2 of around €260 million, for a total of approximately €330 million in the first half of the year, as well as lapping the roughly €90 million operating profit headwind caused by the strike at Stop & Shop in the U.S. during the prior year's quarter. The definitions of the Company's alternative performance measures have not been adjusted to reflect the COVID-19 impact.

Ahold Delhaize has not applied for government assistance or received rent concessions; however it has provided some rent concessions, mainly to tenants in the U.S. market. As a result of the COVID-19 outbreak, which resulted in an increase in online sales demand, the Company accelerated investments in digital and omnichannel capabilities. It also incurred additional costs related to several safety measures implemented throughout its operations to protect associates and customers, enhanced associate pay and benefits, and increased charitable donations to support local communities.

It is challenging to determine the future impact of COVID-19 on the business. The pandemic has created an uncertain environment that could result in a significant deceleration of comparable sales growth versus year-to-date performance, a continued surge in demand for online offerings, safety requirements, government restrictions, ongoing product availability constraints in the supply chain, an increased level of promotions in the Company's markets, and continuing volatility and/or increases in COVID-19 health, safety and labor expenses. The expectations for the outlook on full year 2020 results have been included in the Outlook section in this interim report.

The increased economic uncertainty and risk has resulted in lower interest rates, which has impacted the insurance and pension provisions.

The Company’s liquidity position has been positively impacted as a result of the higher sales trends. Higher cash balances were invested in accordance with the Company’s investment policy, with a focus on capital preservation and risk diversification. The Company has procedures in place to monitor counterparty credit risk.

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, June 28, 2020, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2019.

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.

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 2020	Q2 2019	HY 2020	HY 2019
Net sales	5/6	19,103	16,315	37,310	32,193
Cost of sales	7	(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	7	(4,328)	(3,811)	(8,437)	(7,525)
Operating income	5	**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	8	(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	Note	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	Note	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	11	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	9	**14,302**	**14,083**
Loans		4,014	3,841
Other non-current financial liabilities		8,919	8,716
Pensions and other post-employment benefits	10	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	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings	Equity attributable to common shareholders
Balance as of 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	9	—	—	—	—	(494)	**(494)**
Share buyback	9	—	—	—	—	(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	Note	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	7	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	4	—	(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	9	(494)	(784)	(494)	(784)
Share buyback	9	(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)	11	**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

Notes to the consolidated interim financial statements

1. The Company and its operations

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

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

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting.” The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize’s 2019 Financial Statements, except as otherwise indicated below under "New and revised IFRSs effective in 2020."

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 53 weeks in 2020, compared with 52 weeks in 2019, and is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks and the last quarter of 2020 having 14 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.

As of the first quarter of 2020, the previous three reportable segments, The Netherlands, Belgium and Central and Southeastern Europe, have been combined into one reportable segment, Europe.

COVID-19

The COVID-19 pandemic affected the Company’s results, balance sheet and cash flows presented in these semi-annual condensed consolidated financial statements. The impact of the pandemic on significant accounting policies is disclosed below.

Use of estimates

The preparation of these interim financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. The Company regularly updates its significant assumptions and estimates. The estimates, assumptions and judgments that management considers most critical are disclosed in the Annual Report 2019. In relation to this, COVID-19 primarily impacted the following areas.

Impairments

Cash-generating units to which goodwill and brand names have been allocated as well as intangible assets under development and other intangible assets with indefinite lives are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit or asset may be impaired. COVID-19 and the resulting changes in the economic environment did not result in such an indication and the Company did not perform an impairment test.

Pension obligations and Self-insurance program provision

The Company's pension and insurance provisions are impacted by the increased economic uncertainty and related risks. In 2020, most discount rates used to discount the pension obligations and self-insurance program dropped compared to 2019. The impact of the lower discount rates has been reflected in Q1 and Q2 2020.

Income taxes

COVID-19 and the resulting changes in the economic environment did not result in changes to whether deferred tax assets are realizable and, therefore, recognized in the balance sheet.

Impairment testing financial assets

In line with the accounting policy disclosed in the Annual Report 2019, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables, contract assets and lease receivables. An updated assessment on the lifetime expected credit losses was made based on reasonable and supportable information. The overall COVID-19 impact, mainly on the lease receivables, was not significant.

Fair value measurements

Of the Company’s categories of financial instruments, only derivatives, investment 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 increased volatility and uncertainty in the financial markets did not significantly impact the fair values of these financial assets.

New and revised IFRSs effective in 2020

On May 28, 2020, the International Accounting Standards Board issued an amendment to IFRS 16, “Leases” to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment is effective June 1, 2020, but to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue. The IFRS 16 amendment is not yet adopted pursuant to the EU endorsement procedure. Ahold Delhaize did not apply the optional exemption and accounted for rent concessions in accordance with IFRS 16.

In addition, the following amendments and revisions to existing standards became effective for Ahold Delhaize’s consolidated financial statements as of December 30, 2019:

- Definition of a Business (amendments to IFRS 3, “*Business Combinations*”)
- Definition of Material (amendments to IAS 1, “*Presentation of Financial Statements*” and IAS 8, “*Accounting Policies, Changes in Accounting Estimates and Errors*”)
- Interest Rate Benchmark Reform (amendments to IFRS 9, “*Financial Instruments,*” IAS 39, “*Financial instruments: Recognition and Measurement*” and IFRS 7, “*Financial Instruments: Disclosures*”)

These amendments have no impact on the Company's consolidated financial statements, except for the amendments to IFRS 3, which could result in more future acquisitions being accounted for as asset acquisitions.

3. Alternative performance measures

This interim report 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**

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**

1. *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.*
2. *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).*
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 June 28, 2020, was €316 million (March 29, 2020: €295 million, December 29, 2019: €277 million).*
4. *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.*

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**

1. *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.*

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).*

4. Business combinations and goodwill

During 2020, Ahold Delhaize has completed various store acquisitions for a total purchase consideration of €5 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed and the goodwill arising from the acquisitions during the first half of 2020 is as follows:

€ million	Total acquisitions
Goodwill	6
Property, plant and equipment	1
Right-of-use asset	1
Cash and cash equivalents	1
Inventories	1
Loans	(1)
Lease liabilities	(1)
Current liabilities	(3)
Fair value of assets and liabilities recognized	**5**
Total purchase consideration	**5**
Cash acquired	(1)
Acquisition of businesses, net of cash	**4**

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

€ million	Goodwill
As of December 29, 2019	
At cost	7,242
Accumulated impairment losses	(8)
Opening carrying amount	**7,233**
Acquisitions through business combinations	6
Exchange rate differences	(28)
Closing carrying amount	**7,211**
As of June 28, 2020	
At cost	7,219
Accumulated impairment losses	(8)
Closing carrying amount	**7,211**

On June 3, 2020, Ahold Delhaize announced that Food Lion has agreed to purchase 62 BI-LO and Harveys Supermarkets from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia, and will be converted to Food Lion stores, as part of the brand's continued expansion in the southeast United States. As part of the transaction, Food Lion expects to hire more than 4,650 associates to serve customers at the 62 acquired stores. This transaction with Southeastern Grocers also includes the acquisition of an additional distribution center in Mauldin, South Carolina. Both acquisitions are currently expected to close in the first half of 2021, subject to customary closing conditions.

On June 10, 2020, Stop & Shop and King Kullen announced that they have terminated their Merger Agreement, through which Stop & Shop was to acquire King Kullen. A joint and amicable decision was made not to proceed with the acquisition because of significant, unforeseen changes in the marketplace that have emerged since the agreement was signed in December 2018, largely driven by the COVID-19 pandemic.

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 the financial statements as described in Note 2.

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

Reportable segment	Operating segments included in the reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food and Peapod[1]
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize Le Lion (including Belgium and Luxembourg) Albert (Czech Republic) bol.com (including the Netherlands and Belgium) 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)

1. *On February 11, 2020, Ahold Delhaize USA announced plans to close the Midwest division of its Peapod online grocery sales business in Q1 2020.*

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**
Adjustments to operating income	*8*	*(2)*	*—*	***6***
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**
Adjustments to operating income	*18*	*7*	*8*	***34***
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**
Adjustments to operating income	*18*	*(16)*	—	***3***
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**
Adjustments to operating income	*33*	*9*	*12*	***54***
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

6. Net sales

Q2 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	11,269	4,694	15,963
Sales to and fees from franchisees and affiliates	—	1,696	1,696
Online sales	512	834	1,347
Wholesale sales	47	14	61
Other sales	27	8	35
Net sales	**11,856**	**7,247**	**19,103**

Q2 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	9,491	4,459	13,950
Sales to and fees from franchisees and affiliates	—	1,481	1,481
Online sales	221	572	794
Wholesale sales	37	12	49
Other sales	31	10	41
Net sales	**9,780**	**6,535**	**16,315**

Half year 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	22,189	9,385	31,574
Sales to and fees from franchisees and affiliates	—	3,206	3,206
Online sales	836	1,509	2,345
Wholesale sales	87	24	111
Other sales	58	16	74
Net sales	**23,170**	**14,140**	**37,310**

Half year 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	18,874	8,746	27,619
Sales to and fees from franchisees and affiliates	—	2,845	2,845
Online sales	442	1,113	1,555
Wholesale sales	70	22	93
Other sales	60	20	80
Net sales	**19,446**	**12,746**	**32,193**

7. Expenses by nature

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

€ million	Q2 2020	Q2 2019	HY 2020	HY 2019
Cost of product	13,116	11,398	25,646	22,371
Labor costs	2,844	2,397	5,460	4,732
Other operational expenses	1,451	1,310	2,889	2,561
Depreciation and amortization	720	676	1,425	1,344
Rent expenses	16	15	32	34
Rent income	(43)	(46)	(89)	(94)
Impairment losses and reversals – net	12	13	20	22
(Gains) losses on leases and the sale of assets – net	(15)	(7)	(40)	(11)
Total expenses by nature	**18,099**	**15,756**	**35,343**	**30,958**

8. Income taxes

The increase in the income tax expense in Q2 2020 and HY 2020 is mainly caused by increased income compared to Q2 2019 and HY 2019.

9. Equity attributable to common shareholders

Dividend on common shares

On April 8, 2020, the General Meeting of Shareholders approved the dividend over 2019 of €0.76 per common share. The interim dividend for 2019 of €0.30 per common share was paid on August 29, 2019. The final dividend of €0.46 per common share was paid on April 23, 2020.

Share buyback 2020

On January 2, 2020, the Company commenced the €1 billion share buyback program that was announced on December 4, 2019. In the first half of the year, 23,596,050 of the Company's own shares were repurchased at an average price of €21.72 per share. The program is expected to be completed before the end of 2020.

The number of outstanding common shares as of June 28, 2020, was 1,066,850,924 (December 29, 2019: 1,087,955,597).

10. Pensions and other post-employment benefits

Disclosure on FELRA

Giant Food announced on February 19, 2020, that it had reached a tentative agreement with UFCW Locals 27 and 400 (the Union Locals) on new four-year collective bargaining agreements. The current collective bargaining agreements were originally scheduled to expire on October 26, 2019. However, Giant Food and the Union Locals agreed to indefinitely extend the existing collective agreements, provided that either side may cancel the extension at any time upon 72 hours' advance notice. The applicable bargaining union members ratified the new collective bargaining agreements on March 5, 2020.

Giant Food's negotiations with the Union Locals covered all terms and conditions of employment for the applicable bargaining unit members. Retirement benefits were one aspect of the negotiations. Giant Food and the Union Locals also reached a general agreement on Giant's funding obligations with respect to the FELRA and UFCW Pension Plan and the Mid-Atlantic UFCW and Participating Employers Pension Plan (the Plans). The Plans are both multi-employer plans. The implementation of the agreement with respect to the Plans remains also subject to further discussions and reaching agreement with various stakeholders, including the U.S. Pension Benefit Guaranty Corporation (PBGC), the Plans and the other significant contributing employer to the Plans.

In addition, and subject to PBGC approval on the proposed funding of the Plans, the Company also agreed to make contributions to a new single-employer plan and a new multi-employer pension plan to provide for future service benefits and accrued benefits in excess of the statutorily guaranteed amounts paid by the PBGC for certain participants. The Company is currently evaluating the effect of these new agreements on its consolidated financial statements and preliminarily expects to record a material increase in its pension-related liabilities with a corresponding non-cash charge to pension expense in 2020. The negotiations on this matter are still ongoing and we currently expect that the outcome should not vary materially from our proportionate share of the deficit in the FELRA and UFCW Pension Plan as disclosed in *Note 24* of our 2019 Consolidated Financial Statements. However, the negotiations are not yet completed and facts and circumstances might change.

The Company will continue to seek opportunities to reduce its exposure in U.S. multi-employer pension plans as those opportunities arise from time to time.

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	June 28, 2020	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	5,204	3,701
Restricted cash	15	17
Cash and cash equivalents as presented on the balance sheet[1]	**5,219**	**3,717**

1. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,955 million (December 29, 2019: €1,391 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:

	June 28, 2020		December 29, 2019	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	55	61	59	65
Trade and other (non-)current receivables	1,854	1,854	1,914	1,914
Lease receivable	448	472	444	473
Cash and cash equivalents	5,219	5,219	3,717	3,717
Short-term deposits and similar instruments	149	149	15	15
	7,724	7,754	6,150	6,185
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	259	259	236	236
Investments in debt instruments	150	150	141	141
	409	409	377	377
Derivative financial instruments				
Derivatives	—	—	—	—
Total financial assets	**8,133**	**8,163**	**6,527**	**6,562**

€ million	June 28, 2020		December 29, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(4,037)	(4,456)	(3,962)	(4,246)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(264)	(226)	(263)	(216)
Mortgages payable	(59)	(63)	(66)	(65)
Accounts payable	(6,633)	(6,633)	(6,311)	(6,311)
Short-term borrowings	(2,309)	(2,309)	(1,455)	(1,455)
Interest payable	(28)	(28)	(37)	(37)
Other	(89)	(95)	(92)	(97)
	(13,423)	(13,812)	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(258)	(258)	(238)	(238)
Derivative financial instruments				
Derivatives	—	—	(1)	(1)
Total financial liabilities excluding lease liabilities	**(13,682)**	**(14,071)**	**(12,429)**	**(12,669)**
Lease liabilities	(9,915)	N/A	(9,696)	N/A
Total financial liabilities	**(23,597)**	**N/A**	**(22,125)**	**N/A**

Issuance of a bond

On March 26, 2020, Ahold Delhaize announced that it successfully launched and priced €500 million fixed rate bonds due in 2027. The seven-year fixed rate bonds bear a coupon of 1.75% per annum and were issued at a price of 99.44% of the nominal value. The settlement of the bond issue took place on April 2, 2020. The net proceeds from the offering have been applied to the refinancing of debt and for general corporate purposes.

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

Of Ahold Delhaize’s categories of financial instruments, only derivatives, investments in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

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

No CVA / DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize’s own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized as of June 28, 2020, is nil (December 29, 2019: nil).

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on quoted prices at the end of the reporting period. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market 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 December 29, 2019, is included in Ahold Delhaize's 2019 Financial Statements, as published in the Company's Annual Report 2019 on February 26, 2020.

U.S. supply chain

On December 10, 2019, Ahold Delhaize announced that it is investing to transform and expand its supply chain operations on the U.S. East Coast. This included investments in two new fully automated Ahold Delhaize USA frozen food facilities to be constructed in the U.S. Northeast and Mid-Atlantic regions. On May 14, 2020, Ahold Delhaize USA entered into a 20-year service agreement for these two facilities, one in Connecticut and one in Pennsylvania. The development of these facilities will start in 2020 and the services will be provided as of 2022, at which time they will start impacting our consolidated income statement, balance sheet and statement of cash flows. The future 20-year undiscounted commitment related to this agreement is approximately $1 billion. The new self-distribution supply chain will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors, and improve product availability and freshness for customers.

14. 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).*

15. Subsequent events

Stop & Shop reaches tentative withdrawal agreement with local unions on UFCW International Union - Industry Pension Fund

Ahold Delhaize announced on July 21, 2020, that its U.S. brand Stop & Shop reached a tentative agreement to terminate its participation in the United Food & Commercial Workers International Union (UFCW) – Industry Pension Fund (the "National Plan"), through a transaction that the National Plan's trustees determined to be in the best interests of the National Plan's participants and beneficiaries.

Pending ratification of this agreement, Stop & Shop expects to pay the National Plan withdrawal liability of $649 million (€567 million), on a pre-tax basis, to fulfill Stop & Shop's obligations for past service for associates and retirees in the National Plan. Stop & Shop will also make an $18 million (€16 million) contribution to a transition reserve for a new variable annuity pension plan, described in further detail below. This results in a total payment of $667 million (€583 million). On an after-tax basis, the withdrawal liability and contribution to the transition reserve total approximately $500 million (€437 million). The withdrawal liability will be satisfied by installment payments to the National Plan over the next three years. Ahold Delhaize will therefore recognize a provision in these amounts, which will impact Q3 results.

Kroger and Albertsons have also entered into separate tentative agreements with the UFCW Locals and the National Plan Trustees to withdraw from the National Plan. These tentative agreements have been approved by Stop & Shop, the National Plan board of trustees and the UFCW local unions. They remain contingent upon approval and ratification by Stop & Shop and Kroger associates in 25 local UFCW unions, which is expected to occur by October 1, 2020. Together, these agreements are expected to materially improve the security of pension benefits for associates and reduce financial risk for the Company.

Zaandam, the Netherlands, August 4, 2020

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 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

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 continue (to), will, reach, goal, 2020, outlook, expect(ed), predicting, uncertain(ty)/(ties), accelerating, raising/raised, guidance, tentative, to, should, lead to, on track, remain(s), if, expectation(s), creates, ongoing, effect, 53rd week, 53-week basis, impact(ed), determine, future, could, full year, risk(s), focus on, mitigate, ensuring, as of, subject to, extend, extension, subject to, effect, might, from time to time or start, 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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YouTube: @AholdDelhaize
LinkedIn: @Ahold-Delhaize

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.

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