Koninklijke Ahold Delhaize N.V.

Q2 2021 Report

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Press Office: +31 88 659 5134
Investor Relations: +31 88 659 5213
www.aholddelhaize.com

Social Media
Instagram: @Ahold-Delhaize
LinkedIn: @Ahold-Delhaize

Ahold Delhaize reports firm Q2 results with higher two-year comparable sales growth rates**; raises full-year earnings and underlying operating margin guidance

* On a two-year comparable sales growth basis**, comparable sales excluding gas in the U.S. were up 19.1% and in Europe were up 12.6% in Q2 2021, a sequential acceleration versus growth in full year 2020 of 15.8% and 12.3%, respectively.
* Q2 Group net sales were €18.6 billion, up 3.0% at constant exchange rates, down 2.4% at actual exchange rates.
* In the U.S. and Europe, Q2 comparable sales excluding gas were (1.5)% and 2.4%, respectively.
* In Q2, net consumer online sales grew 35.8% at constant exchange rates, building on top of the significant 77.6% growth in Q2 2020.
* Q2 underlying operating margin was 4.5%; Q2 diluted underlying EPS was €0.53.
* Q2 IFRS-reported operating income was €817 million; Q2 IFRS-reported diluted EPS was €0.52.
* Raising 2021 underlying EPS and Group underlying operating margin outlook; expect underlying EPS to grow in the high-teen range versus 2019 and Group underlying operating margin to be approximately 4.3%.
* 2021 interim dividend is €0.43 compared to 2020 interim dividend of €0.50, based on the Group's interim dividend policy of 40% payout of first half underlying income per share from continuing operations.

*** Two-year comparable sales growth is a stack of the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful to improve the understanding of trends in periods that are affected by variations in prior year growth rates.*

Zaandam, the Netherlands, August 11, 2021 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports second quarter results today.

Summary of key financial data

	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
€ million, except per share data	Q2 2021	% change constant rates	Q2 2021	% change constant rates	Q2 2021	% change constant rates	HY 2021	% change constant rates	HY 2021	% change constant rates	HY 2021	% change constant rates
Net sales	18,645	3.0 %	11,115	2.7 %	7,529	3.6 %	36,909	4.4 %	21,854	3.1 %	15,055	6.4 %
Comparable sales growth excl. gas	— %		(1.5)%		2.4 %		2.1 %		— %		5.2 %	
Online sales	1,812	39.2 %	753	61.0 %	1,059	26.9 %	3,793	66.8 %	1,608	110.4 %	2,184	44.8 %
Net consumer online sales	2,447	35.8 %	753	61.0 %	1,693	27.0 %	5,126	64.3 %	1,608	110.4 %	3,517	49.4 %
Operating income	817	(13.3)%	546	(16.2)%	308	(5.8)%	1,645	(11.1)%	1,035	(22.2)%	670	7.5 %
Operating margin	4.4 %	(0.8)pts	4.9 %	(1.1)pts	4.1 %	(0.4)pts	4.5 %	(0.8)pts	4.7 %	(1.5)pts	4.5 %	— pts
Underlying operating income	832	(12.2)%	554	(15.9)%	314	(3.1)%	1,680	(9.2)%	1,071	(20.5)%	669	10.2 %
Underlying operating margin	4.5 %	(0.8)pts	5.0 %	(1.1)pts	4.2 %	(0.3)pts	4.6 %	(0.7)pts	4.9 %	(1.5)pts	4.4 %	0.2 pts
Diluted EPS	0.52	(13.9)%					1.05	(9.9)%				
Diluted underlying EPS	0.53	(12.1)%					1.07	(7.5)%				
Free cash flow	428	(14.8)%					723	(56.4)%				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"We are pleased with our Q2 performance. During the quarter, associates in all our brands and businesses continued to work tirelessly in a rapidly shifting environment, marked by the gradual reopening of the economies across our markets. We remain grateful to them for their hard work and dedication to serving customers and communities. We would also like to express our support for everyone impacted by the recent flooding in the Netherlands and Belgium and fires in Greece, and are committed to serving these communities and our brands' associates during these difficult times. We are aware of the recent increases in infection rates in many of our markets and will continue to support COVID-19 vaccination efforts in the U.S. and provide help and assistance in all our communities. We remain on track to deliver on our pledge to contribute €20 million in charitable donations, spread evenly between the U.S. and Europe, during 2021. This is part of our broader spending for COVID-19-related care, which amounted to €84 million in the quarter. In Q2, our brands, together with suppliers, remained focused on fulfilling their vital role in society by maintaining food and product supplies to local communities.

"While communities across our markets reopened during Q2, food-at-home demand remained very resilient. Many of the habits formed by consumers during the COVID-19 pandemic in 2020 are proving sticky, aided by our initiatives to improve our omnichannel offerings for consumers. This drove Group net sales of €18.6 billion in the quarter and was exemplified by the acceleration in the Group two-year comparable sales stack in Q2 to 16.4%, versus growth of 14.4% in full year 2020. The two-year comparable sales stack growth rates were strong in both of our regions, but particularly in the U.S.

"While COVID-19 continues to create significant uncertainty, our Q2 results provide us with the confidence to raise our underlying EPS and underlying operating margin forecast for the full year. We also announced a 2021 interim dividend of €0.43 compared to the 2020 interim dividend of €0.50, in line with our dividend policy which is equal to 40% of the year-to-date underlying income per share from continuing operations. As previously communicated, expect to grow the full-year 2021 dividend year-over-year.

"We continue to be in a strategically stronger position in 2021 relative to the time before the COVID-19 pandemic began. Our investments in our online proposition continue to serve us well. In Q2, net consumer online sales continued to grow, coming on top of the very robust growth profile from the same quarter last year. During the quarter, we added 86 new click-and-collect locations in the U.S., continued to expand AH Compact (our no-fee delivery service in the Netherlands) to new markets, and doubled Albert Heijn's home delivery coverage in Belgium's Flanders region.

"Our "Save for Our Customers" program remains on track to produce savings of more than €750 million in 2021 and we continue to execute against our initiatives aimed at becoming a more efficient company beyond 2021. For example, after a successful pilot program, the U.S. businesses will scale up the use of artificial intelligence-enabled 'exosuits' to reduce fatigue and improve safety for associates in distribution centers. We also remain on schedule to achieve 65% self-distribution in the U.S. supply chain by year-end and 85% by 2022.

"We continue to make progress in elevating our Healthy and Sustainable strategy. We are proud to be one of the leading signers of the EU Code of Conduct for Responsible Food Business and Marketing Practices, as part of the European Green Deal, committed to shifting to a sustainable food system. As part of the pact, we have made commitments in the areas of healthier choices, product transparency, waste reduction and climate impact. In Europe, Romania has added the Nutri-Score nutritional navigation system to all of its own-brand ranges, joining Delhaize Belgium and our Serbian brands, which already utilize the Nutri-Score system. In the U.S., 52.4% of our Q2 sales are healthy, earning the Guiding Stars 1, 2, or 3 rating. This is in support of our company-wide ambition to raise sales of healthy own-brand products to 51% by the end of 2022; in 2020 we reached 49.8%."

Q2 Financial highlights

Group highlights

Group net sales were €18.6 billion, down 2.4% at actual exchange rates, but up 3.0% at constant exchange rates, impacted by unfavorable foreign exchange rate, acquisitions, a rebound in gasoline sales, and flat comparable sales growth excluding gasoline, cycling strong Q2 2020 results. Comparable sales were negatively impacted by approximately 0.3 percentage points from unfavorable calendar shifts in 2021. On a two-year comparable sales stack basis, growth for the Group of 16.4% in Q2 2021 was an acceleration from the 14.4% growth posted for the full year 2020, and consistent with the 16.4% growth from Q1 2021. In Q2, Group net consumer online sales grew 35.8% at constant exchange rates, aided by the FreshDirect acquisition.

In Q2, Group underlying operating margin was 4.5%, down 0.8 percentage points from the prior year at constant exchange rates, as margins lapped unusually high levels in the prior year due to COVID-19. Margins in 2020 benefited largely from higher operating leverage due to higher sales trends related to COVID-19. In Q2, Group IFRS-reported operating margin was 4.4%.

Underlying income from continuing operations was €551 million, down 20.6% in the quarter. Ahold Delhaize's IFRS-reported net income in the quarter was €540 million. Diluted EPS was €0.52 and diluted underlying EPS was €0.53, down 17.5% compared to last year's record Q2 results. Management believes that framing 2021 diluted underlying EPS growth relative to 2019 (prior to COVID-19) provides a helpful context for investors. Therefore, compared to Q2 2019, diluted underlying EPS in the quarter was up approximately 55%. In the quarter, 7.5 million own shares were purchased for €176 million, bringing the total amount to €488 million in the first half of the year.

U.S. highlights

U.S. net sales increased 2.7% at constant exchange rates, and declined 6.2% at actual exchange rates. U.S. comparable sales excluding gasoline declined 1.5%, as they were unfavorably impacted by the lapping of significant consumer stock-up activity related to COVID-19 in 2020, when comparable sales excluding gasoline grew 20.6% in the second quarter. On a two-year comparable sales stack basis for Q2 2021, growth was 19.1%, a sequential acceleration versus the 15.8% growth for the full year 2020. Brand performance continued to be led by Food Lion.

In Q2, online sales in the segment were up 61.0% in constant currency, driven by continued expansion of click-and-collect facilities and the FreshDirect acquisition. Excluding the FreshDirect acquisition, U.S. online sales grew 29.0% in constant currency, building on top of the significant 126.8% growth in the same quarter last year.

Underlying operating margin in the U.S. was 5.0%, down 1.1 percentage points from the prior year at constant exchange rates, as the prior year period benefited from higher operating leverage due to higher sales trends related to COVID-19 and, to a smaller extent, continued costs related to COVID-19. In Q2, U.S. IFRS-reported operating margin was 4.9%.

Europe highlights

European net sales grew 3.6% at constant exchange rates and 3.9% at actual exchange rates. Europe's comparable sales excluding gasoline grew 2.4%, despite lapping high comparable sales excluding gas of 10.2% in the same quarter last year. Q2 comparable sales were negatively impacted by approximately 0.7 percentage points from calendar shifts in 2021. On a two-year comparable sales stack basis for Q2 2021, growth was 12.6%, an acceleration compared to growth of 12.3% in 2020. The strong growth was led by performance at Albert Heijn, bol.com and in the Czech Republic.

In Q2, net consumer online sales in the segment were up 27.0%, which comes on top of 63.9% growth in the same period last year. At bol.com, net consumer sales grew by 24.2% in the quarter, which comes on top of 65.4% growth in Q2 2020. Bol.com's sales from third-party sellers grew 26% in the quarter, with nearly 47,000 merchant partners on the platform.

Underlying operating margin in Europe was 4.2%, down 0.3 percentage points from the prior year at constant exchange rates, as the prior year period benefited from higher operating leverage due to higher sales trends related to COVID-19 and to a smaller extent, continued costs related to COVID-19. In Q2, European IFRS-reported operating margin was 4.1%.

Outlook

While COVID-19 continues to create significant uncertainty for the remainder of 2021, our results in Q2 provide management the confidence to once again raise the underlying EPS growth outlook for 2021, and to raise the underlying operating margin outlook for 2021.

As previously reported, COVID-19, and to a lesser extent, a 53-week calendar, significantly distorted Ahold Delhaize's 2020 financial results. Lapping these effects will impact results in 2021, which returns to a 52-week calendar.

In 2021, the Group underlying operating margin outlook has been raised to approximately 4.3%, versus at least 4.0% previously, reflecting the strong margin performance over the first half of the year. The outlook continues to reflect the effects of the cost savings of over €750 million largely offsetting cost pressures related to COVID-19, that are expected to continue and the negative impact from increased online sales penetration.

The underlying EPS guidance has been raised and is now expected to grow in the high-teen range relative to 2019 earnings, versus low- to mid-teen growth previously. Management believes that framing 2021 underlying EPS guidance relative to 2019, which was prior to COVID-19 and also on a 52-week calendar, provides a helpful context for investors.

The free cash flow outlook is unchanged at approximately €1.6 billion. This puts the Company on track to reach €5.6 billion in cumulative free cash flow from 2019-2021 (averaging nearly €1.9 billion annually), which exceeds the Capital Markets Day 2018 target of €5.4 billion (averaging €1.8 billion annually). Capital expenditure is expected to be around €2.2 billion, and reflects the Company's higher investments in digital and omnichannel capabilities and for improvements related to recent M&A. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2021, as previously stated. We expect to grow the full-year 2021 dividend year-over-year.

	Full-year outlook	Underlying operating margin[1]	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow[2]	Dividend payout ratio[3, 4]	Share buyback[4]
Updated outlook	**2021**	**~ 4.3%**	**High-teen growth vs. 2019**	**> €750 million**	**~ €2.2 billion**	**~ €1.6 billion**	**40-50% payout; YOY growth in dividend per share**	**€1 billion**
Previous outlook	2021	At least 4%	Low- to mid-teen growth vs. 2019	> €750 million	~ €2.2 billion	~ €1.6 billion	40-50% payout; YOY growth in dividend per share	€1 billion

1. *No significant impact to underlying operating margin from returning to a 52-week calendar versus a 53-week calendar in 2020, though the return to a 52-week calendar will negatively impact net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 52-week basis.*
2. *Excludes M&A.*
3. *Calculated as a percentage of underlying income from continuing operations.*
4. *Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity.*

Group performance

€ million, except per share data	Q2 2021	Q2 2020	% change	% change constant rates	HY 2021	HY 2020	% change	% change constant rates
Net sales	18,645	19,103	(2.4)%	3.0 %	36,909	37,310	(1.1)%	4.4 %
Of which: online sales	1,812	1,347	34.5 %	39.2 %	3,793	2,345	61.7 %	66.8 %
Net consumer online sales[1]	2,447	1,846	32.5 %	35.8 %	5,126	3,191	60.6 %	64.3 %
Operating income	817	1,004	(18.6)%	(13.3)%	1,645	1,967	(16.4)%	(11.1)%
Income from continuing operations	540	693	(22.1)%	(17.1)%	1,090	1,338	(18.5)%	(13.4)%
Net income	540	693	(22.1)%	(17.1)%	1,090	1,338	(18.5)%	(13.4)%
Basic income per share from continuing operations (EPS)	0.52	0.65	(19.1)%	(14.0)%	1.05	1.24	(15.3)%	(10.0)%
Diluted income per share from continuing operations (diluted EPS)	0.52	0.65	(19.0)%	(13.9)%	1.05	1.24	(15.2)%	(9.9)%
Underlying EBITDA[1]	1,562	1,725	(9.4)%	(3.9)%	3,131	3,391	(7.7)%	(2.1)%
Underlying EBITDA margin[1]	8.4 %	9.0 %			8.5 %	9.1 %		
Underlying operating income[1]	832	1,009	(17.6)%	(12.2)%	1,680	1,970	(14.7)%	(9.2)%
Underlying operating margin[1]	4.5 %	5.3 %			4.6 %	5.3 %		
Underlying income per share from continuing operations – basic (underlying EPS)[1]	0.53	0.65	(17.6)%	(12.3)%	1.08	1.24	(13.1)%	(7.6)%
Underlying income per share from continuing operations – diluted (diluted underlying EPS)[1]	0.53	0.65	(17.5)%	(12.1)%	1.07	1.24	(13.0)%	(7.5)%
Free cash flow[1]	428	533	(19.8)%	(14.8)%	723	1,761	(58.9)%	(56.4)%

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 2021	Q2 2020	% change	% change constant rates	HY 2021	HY 2020	% change	% change constant rates
$ million								
Net sales	13,399	13,044	2.7 %		26,324	25,527	3.1 %	
Of which: online sales	908	564	61.0 %		1,937	921	110.4 %	
€ million								
Net sales	11,115	11,856	(6.2)%	2.7 %	21,854	23,170	(5.7)%	3.1 %
Of which: online sales	753	512	47.0 %	61.0 %	1,608	836	92.3 %	110.4 %
Operating income	546	716	(23.7)%	(16.2)%	1,035	1,458	(29.0)%	(22.2)%
Underlying operating income	554	724	(23.4)%	(15.9)%	1,071	1,477	(27.5)%	(20.5)%
Underlying operating margin	5.0 %	6.1 %			4.9 %	6.4 %		
Comparable sales growth	(0.5)%	18.8 %			0.5 %	16.1 %		
Comparable sales growth excluding gasoline	(1.5)%	20.6 %			— %	17.2 %		

Europe

€ million	Q2 2021	Q2 2020	% change	% change constant rates	HY 2021	HY 2020	% change	% change constant rates
Net sales	7,529	7,247	3.9 %	3.6 %	15,055	14,140	6.5 %	6.4 %
Of which: online sales	1,059	834	26.9 %	26.9 %	2,184	1,509	44.8 %	44.8 %
Net consumer online sales	1,693	1,334	27.0 %	27.0 %	3,517	2,355	49.4 %	49.4 %
Operating income	308	325	(5.4)%	(5.8)%	670	623	7.7 %	7.5 %
Underlying operating income	314	323	(2.9)%	(3.1)%	669	607	10.2 %	10.2 %
Underlying operating margin	4.2 %	4.5 %			4.4 %	4.3 %		
Comparable sales growth	2.4 %	10.1 %			5.2 %	9.9 %		
Comparable sales growth excluding gasoline	2.4 %	10.2 %			5.2 %	10.0 %		

Global Support Office

€ million	Q2 2021	Q2 2020	% change	% change constant rates	HY 2021	HY 2020	% change	% change constant rates
Underlying operating loss	(37)	(37)	(1.9)%	1.4 %	(60)	(114)	(47.2)%	(44.7)%
Underlying operating loss excluding insurance results	(40)	(35)	17.1 %	20.1 %	(77)	(71)	9.7 %	12.6 %

In Q2, underlying Global Support Office costs were €37 million, which was in line with the prior year. Excluding insurance results, underlying Global Support Office costs increased versus the prior year due to IT and digital initiatives. The insurance results were favorable versus the prior year, mainly reflecting the favorable discounting effect on the Company's insurance provision.

Financial review

Q2 2021 (compared to Q2 2020)

Underlying operating income decreased by €178 million to €832 million, and was adjusted for the following items, which impacted reported IFRS operating income: impairments of €14 million (Q2 2020: €12 million); (gains) and losses on leases and the sale of assets of €(12) million (Q2 2020: €(15) million); and restructuring and related charges and other items of €13 million (Q2 2020: €9 million). Including these items, IFRS operating income decreased by €186 million to €817 million.

Income from continuing operations was €540 million, representing a decline of €153 million compared to last year. This follows mainly from the €186 million decrease in operating income, which was partly offset by lower income taxes of €41 million.

Free cash flow was €428 million, which represents a decrease of €106 million compared to Q2 2020, mainly driven by the lower operating cash flow of €159 million, partially offset by the lower income taxes paid of €69 million.

Net debt increased in Q2 2021 by €109 million to €12,921 million. This was attributable to the dividend payment of €414 million and the share buyback of €176 million. These impacts were partially offset by the free cash flow of €428 million.

Half year 2021 (compared to half year 2020)

Underlying operating income of €1,680 million (HY 2020: €1,970 million) was adjusted for the items below, in the amount of €35 million (HY 2020: €3 million), which impacted reported IFRS operating income:

- Impairments of €21 million (HY 2020: €20 million)
- (Gains) and losses on leases and the sale of assets of €(20) million (HY 2020: €(40) million)
- Restructuring and related charges and other items of €33 million (HY 2020: €23 million).

Including these items, IFRS operating income decreased by €322 million to €1,645 million.

Income from continuing operations was €1,090 million, which was €247 million lower than last year. This mainly reflects the decrease in operating income of €322 million, which was partially offset by lower income taxes of €80 million.

Free cash flow was €723 million, or €1,038 million lower than last year. This decrease was expected and is mainly the result of lower operating cash flow of €261 million and the unfavorable development in working capital of €989 million. The latter was mainly due to the reversal of last year's favorable payables and inventories positions as a result of the strong sales increase related to COVID-19. These developments were partly offset by the lower net investments of €196 million.

For 2021, the interim dividend is €0.43 per common share, compared to the 2020 interim dividend of €0.50 per common share. The 2021 interim dividend will be paid on September 2, 2021. 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 continued to affect the Company's results in the second quarter of 2021. Comparable sales continue to be impacted by changes in consumer demand as a result of COVID-19. The continued operating leverage due to elevated sales was, in part, offset by higher costs related to COVID-19 in Q2 2021 of approximately €84 million. 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 any rent concessions; however it has provided some rent concessions. As a result of the COVID-19 outbreak, which resulted in an increase in online sales demand, the Company's investments in digital and omnichannel capabilities increased. It also incurred additional costs related to several safety measures implemented throughout its operations to protect associates and customers and charitable donations to support local communities.

It is very challenging to determine the future impact of COVID-19 on the business. The pandemic has created an uncertain environment that is decelerating in comparable sales growth versus 2020 performance, increasing continued demand for online offerings, increasing safety requirements and government restrictions and continues to cause uncertainty about COVID-19 health, safety and labor expenses. The expectations for the outlook on 2021 results have been included in the *Outlook* section in this interim report.

Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, July 4, 2021, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 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. Our principal risks have not changed significantly compared to those disclosed within the Annual Report 2020. The COVID-19 pandemic continues to impact our business operations and our overall risk profile. The Company has initiated several actions to mitigate the impact of the COVID-19 pandemic on our business, with a focus on protecting associates and customers, ensuring the continuity of our operations and making additional investments into our digital and omnichannel capabilities. The impact of this risk is being monitored and any required actions will be reassessed as necessary. The updated integrated comprehensive analysis of the principal risks faced by Ahold Delhaize will be included in the Annual Report 2021.

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 Financial Markets Supervision Act.

Consolidated income statement

€ million, except per share data	Note	Q2 2021	Q2 2020[1]	HY 2021	HY 2020[1]
Net sales	5/6	18,645	19,103	36,909	37,310
Cost of sales	7	(13,551)	(13,799)	(26,752)	(26,957)
Gross profit		**5,094**	**5,304**	**10,156**	**10,353**
Other income		128	119	255	234
Selling expenses	7	(3,668)	(3,725)	(7,276)	(7,219)
General and administrative expenses	7	(737)	(694)	(1,490)	(1,401)
Operating income	5	**817**	**1,004**	**1,645**	**1,967**
Interest income		8	10	14	21
Interest expense		(44)	(33)	(89)	(69)
Net interest expense on defined benefit pension plans		(4)	(4)	(9)	(8)
Interest accretion to lease liability		(83)	(90)	(168)	(182)
Other financial income (expense)		1	9	(11)	(13)
Net financial expenses		(123)	(108)	(262)	(250)
Income before income taxes		**694**	**895**	**1,384**	**1,717**
Income taxes	8	(161)	(202)	(304)	(384)
Share in income of joint ventures		8	—	10	5
Income from continuing operations		**540**	**693**	**1,090**	**1,338**
Income (loss) from discontinued operations		—	—	—	—
Net income		**540**	**693**	**1,090**	**1,338**
Net income per share attributable to common shareholders					
Basic		0.52	0.65	1.05	1.24
Diluted		0.52	0.65	1.05	1.24
Income from continuing operations per share attributable to common shareholders					
Basic		0.52	0.65	1.05	1.24
Diluted		0.52	0.65	1.05	1.24
Weighted average number of common shares outstanding (in millions)					
Basic		1,031	1,070	1,035	1,076
Diluted		1,034	1,075	1,039	1,081
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8297	0.9087	0.8302	0.9076

1. *Comparative balances have been restated to conform to the current year's presentation (see Note 2).*

Consolidated statement of comprehensive income

€ million	Note	Q2 2021	Q2 2020	HY 2021	HY 2020
Net income		**540**	**693**	**1,090**	**1,338**
Remeasurements of defined benefit pension plans:					
Remeasurements before taxes – income (loss)		(64)	88	11	(64)
Income taxes		16	(21)	(3)	16
Other comprehensive income (loss) that will not be reclassified to profit or loss		(48)	66	8	(48)
Currency translation differences in foreign interests:					
Continuing operations		(75)	(67)	294	(90)
Income taxes		(1)	(1)	(1)	2
Cash flow hedges:					
Transfers to net income		—	—	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		(75)	(68)	293	(88)
Total other comprehensive income (loss)		**(123)**	**(2)**	**301**	**(137)**
Total comprehensive income attributable to common shareholders		**417**	**692**	**1,391**	**1,201**
Attributable to:					
Continuing operations		417	692	1,391	1,201
Discontinued operations		—	—	—	—
Total comprehensive income attributable to common shareholders		**417**	**692**	**1,391**	**1,201**

Consolidated balance sheet

€ million	Note	July 4, 2021	January 3, 2021
Assets			
Property, plant and equipment		11,141	10,696
Right-of-use asset		8,312	7,455
Investment property		703	739
Intangible assets		12,067	11,565
Investments in joint ventures and associates		220	227
Other non-current financial assets		769	705
Deferred tax assets		310	323
Other non-current assets		53	53
Total non-current assets		**33,576**	**31,764**
Assets held for sale		141	19
Inventories		3,486	3,245
Receivables		1,883	1,975
Other current financial assets		420	360
Income taxes receivable		110	58
Prepaid expenses and other current assets		288	337
Cash and cash equivalents	11	3,577	2,933
Total current assets		**9,905**	**8,928**
Total assets		**43,481**	**40,692**
Equity and liabilities			
Equity attributable to common shareholders	9	**12,946**	**12,432**
Loans		4,534	3,863
Other non-current financial liabilities		9,745	8,905
Pensions and other post-employment benefits	10	1,346	1,235
Deferred tax liabilities		761	664
Provisions		758	718
Other non-current liabilities		68	63
Total non-current liabilities		**17,212**	**15,448**
Liabilities related to assets held for sale		26	—
Accounts payable		6,921	6,795
Other current financial liabilities		3,166	2,386
Income taxes payable		178	128
Provisions		377	378
Other current liabilities		2,654	3,125
Total current liabilities		**13,323**	**12,812**
Total equity and liabilities		**43,481**	**40,692**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8428	0.8187

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 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**
Balance as of January 3, 2021		**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**
Net income attributable to common shareholders		—	—	—	—	1,090	**1,090**
Other comprehensive income (loss)		—	—	293	—	8	**301**
Total comprehensive income (loss) attributable to common shareholders		—	—	293	—	1,098	**1,391**
Dividends	9	—	—	—	—	(414)	**(414)**
Share buyback	9	—	—	—	—	(487)	**(487)**
Cancellation of treasury shares		(1)	(1,258)	—	—	1,259	**—**
Share-based payments		—	—	—	—	24	**24**
Balance as of July 4, 2021		**10**	**10,988**	**(546)**	**(2)**	**2,496**	**12,946**

Consolidated statement of cash flow

€ million	Note	Q2 2021	Q2 2020	HY 2021	HY 2020
Income from continuing operations		**540**	**693**	**1,090**	**1,338**
Adjustments for:					
Net financial expenses		123	108	262	250
Income taxes		161	202	304	384
Share in income of joint ventures		(8)	—	(10)	(5)
Depreciation, amortization and impairments	7	745	731	1,472	1,445
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(11)	(20)	(17)	(45)
Share-based compensation expenses		10	18	23	29
Operating cash flows before changes in operating assets and liabilities		1,562	1,733	3,124	3,395
Changes in working capital:					
Changes in inventories		(40)	(400)	(165)	(29)
Changes in receivables and other current assets		76	89	190	(51)
Changes in payables and other current liabilities		(170)	136	(552)	541
Changes in other non-current assets, other non-current liabilities and provisions		31	19	66	56
Cash generated from operations		1,459	1,577	2,664	3,914
Income taxes paid – net		(130)	(199)	(231)	(231)
Operating cash flows from continuing operations		1,329	1,378	2,433	3,682
Net cash from operating activities		**1,329**	**1,378**	**2,433**	**3,682**
Purchase of non-current assets		(489)	(506)	(943)	(1,214)
Divestments of assets / disposal groups held for sale		2	40	7	82
Acquisition of businesses, net of cash acquired	4	(16)	—	(399)	(4)
Divestment of businesses, net of cash divested		2	(1)	1	(1)
Changes in short-term deposits and similar instruments		33	(92)	(61)	(137)
Dividends received from joint ventures		17	15	18	16
Interest received		6	8	8	16
Lease payments received on lease receivables		24	25	55	49
Other		18	(1)	15	6
Investing cash flows from continuing operations		(402)	(512)	(1,297)	(1,188)
Net cash from investing activities		**(402)**	**(512)**	**(1,297)**	**(1,188)**
Proceeds from long-term debt		—	497	598	497
Interest paid		(39)	(51)	(77)	(82)
Repayments of loans		(14)	(12)	(411)	(426)
Changes in short-term loans		(317)	(220)	1,006	878
Repayment of lease liabilities		(423)	(375)	(779)	(787)
Dividends paid on common shares	9	(414)	(494)	(414)	(494)
Share buyback	9	(176)	(183)	(488)	(519)
Other cash flows from derivatives		—	3	—	3
Other		1	(4)	(2)	(6)
Financing cash flows from continuing operations		(1,382)	(840)	(566)	(936)
Net cash from financing activities		**(1,382)**	**(840)**	**(566)**	**(936)**
Net cash from operating, investing and financing activities		**(455)**	**26**	**570**	**1,559**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		4,038	5,217	2,910	3,701
Effect of exchange rates on cash and cash equivalents		(18)	(39)	86	(55)
Cash and cash equivalents at the end of the period (excluding restricted cash)	11	**3,565**	**5,204**	**3,565**	**5,204**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8297	0.9087	0.8302	0.9076

Notes to the consolidated interim financial statements

1. The Company and its operations

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

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

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting.” The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize’s 2020 Financial Statements, except as otherwise indicated below under "New and revised IFRSs effective in 2021."

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

Ahold Delhaize's financial year consists of 52 weeks in 2021, compared with 53 weeks in 2020, and is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks.

Segmentation

Ahold Delhaize’s operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses, and whose operating results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated. As Ahold Delhaize’s operating segments offer similar products using complementary business models, and there is no discernible difference in customer bases, Ahold Delhaize’s policy on aggregating its operating segments into reportable segments is based on geography, macro-economic environment and management oversight.

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

Changes in presentation

As of the first quarter of 2021, other income is presented as a separate line in the income statement, as a result of the increase in amounts reported. Other income includes rent income, advertising income, as well as other revenue derived from operational activities and revenue from contracts that do not qualify as net sales. These amounts were previously included in expenses, as an offset to cost of sales, selling expenses, and general and administrative expenses.

This change results in reclassifications within the 2020 income statement and expenses by nature. The adjustments to Ahold Delhaize's 2020 comparative amounts for the changes in presentation are as follows:

€ million	Q2 2020 as reported	Changes in presentation	Q2 2020 restated	HY 2020 as reported	Changes in presentation	HY 2020 restated
Consolidated income statement						
Net sales	19,103	—	19,103	37,310	—	37,310
Cost of sales	(13,771)	(28)	(13,799)	(26,906)	(51)	(26,957)
Gross profit	**5,332**	**(28)**	**5,304**	**10,404**	**(51)**	**10,353**
Other income	—	119	119	—	234	234
Selling expenses	(3,670)	(54)	(3,725)	(7,107)	(111)	(7,219)
General and administrative expenses	(658)	(37)	(694)	(1,330)	(71)	(1,401)
Operating income	**1,004**	**—**	**1,004**	**1,967**	**—**	**1,967**

€ million	Q2 2020 as reported	Changes in presentation	Q2 2020 restated	HY 2020 as reported	Changes in presentation	HY 2020 restated
Note 7. Expenses by nature						
Other operational expenses	1,451	75	1,526	2,889	145	3,034
Rent income	(43)	43	—	(89)	89	—
Total expenses by nature	**18,099**	**119**	**18,218**	**35,343**	**234**	**35,577**

COVID-19

The COVID-19 pandemic affected the Company’s results, balance sheet and cash flows presented in these interim financial statements. The impact of the pandemic on significant accounting policies is disclosed in *Note 2* of Ahold Delhaize’s 2020 Financial Statements, as included in the Annual Report 2020, published on March 3, 2021.

New and revised IFRSs effective in 2021

On March 31, 2021, the International Accounting Standards Board extended by one year the application period of the practical expedient in IFRS 16, “*Leases,*” to help lessees account for COVID-19-related rent concessions. The original amendment was issued in May 2020. Ahold Delhaize did not apply the optional exemption and accounted for rent concessions in accordance with IFRS 16. The amendment is effective for annual reporting periods beginning on or after April 1, 2021. The IFRS 16 amendment is not yet adopted pursuant to the EU endorsement procedure.

In addition, the following amendments and revisions to existing standards became effective for Ahold Delhaize’s consolidated financial statements as of January 4, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “*Interest Rate Benchmark Reform – Phase 2*”

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

3. Alternative performance measures

These interim financial statements include alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included in *Definitions: Performance measures* in Ahold Delhaize's Annual Report 2020.

Free cash flow

€ million	Q2 2021	Q2 2020	HY 2021	HY 2020
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,593	1,752	3,190	3,452
Changes in working capital	(134)	(175)	(527)	462
Income taxes paid – net	(130)	(199)	(231)	(231)
Purchase of non-current assets	(489)	(506)	(943)	(1,214)
Divestments of assets / disposal groups held for sale	2	40	7	82
Dividends received from joint ventures	17	15	18	16
Interest received	6	8	8	16
Interest paid	(39)	(51)	(77)	(82)
Lease payments received on lease receivables	24	25	55	49
Repayment of lease liabilities	(423)	(375)	(779)	(787)
Free cash flow	**428**	**533**	**723**	**1,761**

Net debt

€ million	July 4, 2021	April 4, 2021	January 3, 2021
Loans	4,534	4,561	3,863
Lease liabilities	9,183	9,206	8,442
Non-current portion of long-term debt	13,717	13,767	12,305
Short-term borrowings and current portion of long-term debt	3,030	3,388	2,249
Gross debt	16,747	17,155	14,554
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[1, 2, 3, 4]	3,826	4,342	3,119
Net debt	**12,921**	**12,812**	**11,434**

1. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at July 4, 2021, was €119 million (April 4, 2021: €153 million, January 3, 2021: €58 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 €129 million (April 4, 2021: €128 million, January 3, 2021: €129 million).*
3. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at July 4, 2021, was €306 million (April 4, 2021: €351 million, January 3, 2021: €441 million).*
4. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,303 million (April 4, 2021: €1,747 million, January 3, 2021: €681 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 2021	Q2 2020	HY 2021	HY 2020
Underlying operating income	**832**	**1,009**	**1,680**	**1,970**
Depreciation and amortization[1]	731	716	1,451	1,421
Underlying EBITDA	**1,562**	**1,725**	**3,131**	**3,391**

1. *The difference between the total amount of depreciation and amortization for Q2 2020 of €720 million and HY 2020 of €1,425 million, and the €716 million and €1,421 million, respectively, mentioned here relates to items that were excluded from underlying operating income. In 2021, there were no amounts excluded from underlying operating income.*

Underlying income from continuing operations

€ million, except per share data	Q2 2021	Q2 2020	HY 2021	HY 2020
Income from continuing operations	**540**	**693**	**1,090**	**1,338**
Adjustments to operating income	14	6	35	3
Tax effect on adjusted and unusual items	(4)	(5)	(8)	(4)
Underlying income from continuing operations	**551**	**694**	**1,117**	**1,337**
Underlying income from continuing operations for the purpose of diluted earnings per share	**551**	**694**	**1,117**	**1,337**
Basic income per share from continuing operations[1]	0.52	0.65	1.05	1.24
Diluted income per share from continuing operations[2]	0.52	0.65	1.05	1.24
Underlying income per share from continuing operations – basic[1]	0.53	0.65	1.08	1.24
Underlying income per share from continuing operations – diluted[2]	0.53	0.65	1.07	1.24

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 2021 is 1,031 million (Q2 2020: 1,070 million).*
2. *The diluted earnings per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income from continuing operations by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares used for calculating the diluted underlying EPS for Q2 2021 is 1,034 million (Q2 2020: 1,075 million).*

4. Business combinations and goodwill

During 2021, Ahold Delhaize has completed the acquisition of FreshDirect and various store acquisitions (mainly including 71 BI-LO and Harveys Supermarket stores) for a total purchase consideration of €415 million. The provisional allocation of the fair values of the identifiable assets acquired, liabilities assumed and goodwill arising from the acquisitions through Q2 2021 is as follows:

€ million	FreshDirect	Other acquisitions	Total acquisitions
Property, plant and equipment	320	44	364
Right-of-use asset	206	282	488
Other intangible assets	100	7	107
Other non-current financial assets	34	—	34
Other non-current assets	1	—	1
Inventories	14	1	15
Receivables	9	1	10
Other current financial assets	1	—	1
Prepaid expenses and other current assets	4	—	4
Cash and cash equivalents	23	1	24
Loans	(67)	—	(67)
Lease liabilities	(199)	(219)	(418)
Other non-current financial liabilities (due to non-controlling interest)	(68)	—	(68)
Deferred tax liability	(43)	—	(43)
Provisions	(8)	—	(8)
Other non-current liabilities	(4)	—	(4)
Accounts payable	(36)	(2)	(38)
Other current financial liabilities	(78)	(12)	(91)
Provisions	(3)	—	(3)
Other current liabilities	(39)	—	(40)
Net identifiable assets acquired	**164**	**103**	**268**
Goodwill	106	42	147
Total purchase consideration	**270**	**145**	**415**
Purchase consideration in kind	—	(9)	(9)
Deferred consideration payable	—	(2)	(2)
Cash acquired (excluding restricted cash)	(5)	(1)	(6)
Acquisition of businesses, net of cash	**265**	**134**	**399**

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

€ million	Goodwill
As of January 3, 2021	
At cost	6,839
Accumulated impairment losses	(8)
Opening carrying amount	**6,831**
Acquisitions through business combinations	147
Transfers to / from assets held for sale	(1)
Exchange rate differences	133
Closing carrying amount	**7,111**
As of July 4, 2021	
At cost	7,119
Accumulated impairment losses	(8)
Closing carrying amount	**7,111**

Acquisition of FreshDirect

On November 18, 2020, Ahold Delhaize and Centerbridge Partners announced they entered into a definitive agreement to acquire FreshDirect, an online grocer based in New York City. On January 5, 2021, the transaction closed and Ahold Delhaize acquired the majority share, funded by cash on hand. Centerbridge Partners became a minority equity investor with a 20% stake. Ahold Delhaize's share of the purchase consideration is €270 million ($329 million).

The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisition of FreshDirect on a provisional basis is presented in the table above. The call and put options embedded in the non-controlling interest are classified as "Other long-term financial liability" and are subsequently measured at amortized cost pursuant to IFRS 9.

The goodwill recognized is attributable to the synergies expected from the combination of the operations and the ability to strengthen our geographical presence. The goodwill from the acquisition of FreshDirect is not deductible for tax purposes.

Since the acquisition, FreshDirect contributed €150 million ($181 million) to Q2 2021 net sales (YTD 2021: €308 million ($371 million)) and had a modest negative impact on Q2 2021 and YTD 2021 net income.

Other acquisitions

Other acquisitions mainly include the acquisition by Food Lion of 71 BI-LO and Harveys Supermarket stores from Southeastern Grocers. On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarket stores from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia. The closing of the acquisition of stores took place over a staggered period from January to April 2, 2021. As of April 14, 2021, all 62 stores were converted and opened under the Food Lion brand. This transaction with Southeastern Grocers also includes the acquisition of a distribution center in Mauldin, South Carolina. The closing took place on May 3, 2021. On March 3, 2021, Food Lion entered into an agreement to acquire nine additional supermarkets from Southeastern Grocers. This transaction was completed in April 2021. The total cash purchase consideration was €123 million ($148 million).The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions on a provisional basis is presented in the table above in "Other acquisitions."

Other acquisitions contributed approximately €186 million to Q2 2021 net sales (YTD 2021: €240 million) and had an insignificant impact on Q2 2021 and YTD 2021 net income.

5. Segment reporting

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

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

Reportable segment	Operating segments included in the reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food, FreshDirect and Peapod[1]
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize ("Delhaize Le Lion" including Belgium and Luxembourg) bol.com (including the Netherlands and Belgium) Albert (Czech Republic) Alfa Beta (Greece) Mega Image (Romania) Delhaize Serbia (Republic of Serbia) Etos (the Netherlands) Gall & Gall (the Netherlands)

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

1. *On February 18, 2020, Ahold Delhaize USA closed the Midwest division of its Peapod online grocery sales business.*

Q2 2021

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

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**

Half year 2021

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

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**

Additional information

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

$ million	Q2 2021	Q2 2020	HY 2021	HY 2020
Net sales	13,399	13,044	26,324	25,527
Of which: online sales	908	564	1,937	921
Operating income	658	786	1,248	1,605
Underlying operating income	669	794	1,291	1,625

6. Net sales

Q2 2021

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	10,319	4,756	15,075
Sales to and fees from franchisees and affiliates	—	1,688	1,688
Online sales	753	1,059	1,812
Wholesale sales	44	27	70
Net sales	**11,115**	**7,529**	**18,645**

Q2 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores[1]	11,296	4,702	15,999
Sales to and fees from franchisees and affiliates	—	1,696	1,696
Online sales	512	834	1,347
Wholesale sales	47	14	61
Net sales	**11,856**	**7,247**	**19,103**

1. *Miscellaneous store income was reported separately in previous years as Other sales, but is now presented under Sales from owned stores. Miscellaneous store income represents less than 0.5% of total net sales and is similar in nature to Sales from owned stores.*

Half year 2021

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	20,163	9,495	29,657
Sales to and fees from franchisees and affiliates	—	3,338	3,338
Online sales	1,608	2,184	3,793
Wholesale sales	83	38	121
Net sales	**21,854**	**15,055**	**36,909**

Half year 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores[1]	22,247	9,401	31,648
Sales to and fees from franchisees and affiliates	—	3,206	3,206
Online sales	836	1,509	2,345
Wholesale sales	87	24	111
Net sales	**23,170**	**14,140**	**37,310**

1. *Miscellaneous store income was reported separately in previous years as Other sales, but is now presented under Sales from owned stores. Miscellaneous store income represents less than 0.5% of total net sales and is similar in nature to Sales from owned stores.*

7. Expenses by nature

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

€ million	Q2 2021	Q2 2020[1]	HY 2021	HY 2020[1]
Cost of product	12,848	13,116	25,379	25,646
Labor costs	2,756	2,844	5,476	5,460
Other operational expenses	1,604	1,526	3,182	3,034
Depreciation and amortization	731	720	1,451	1,425
Rent expenses	14	16	29	32
Impairment losses and reversals – net	14	12	21	20
(Gains) losses on leases and the sale of assets – net	(12)	(15)	(20)	(40)
Total expenses by nature	**17,955**	**18,218**	**35,518**	**35,577**

1. *Comparative balances have been restated to conform to the current year's presentation (see Note 2).*

8. Income taxes

The decrease in income tax expense in Q2 2021 and HY 2021 compared to Q2 2020 and HY 2020 is mainly caused by lower income in Q2 2021 and HY 2021.

9. Equity attributable to common shareholders

Dividend on common shares

On April 14, 2021, the General Meeting of Shareholders approved the dividend over 2020 of €0.90 per common share. The interim dividend for 2020 of €0.50 per common share was paid on August 27, 2020. The final dividend of €0.40 per common share was paid on April 29, 2021.

Share buyback

On January 4, 2021, the Company commenced the €1 billion share buyback program that was announced on November 4, 2020. In the first half of the year, 21,057,661 of the Company's own shares were repurchased at an average price of €23.14 per share. The share buyback program resulted in an expense of €0.3 million in the first half of the year. The program is expected to be completed before the end of 2021.

The number of outstanding common shares as of July 4, 2021, was 1,028,922,842 (January 3, 2021: 1,047,035,604).

10. Pensions and other post-employment benefits

€ million	July 4, 2021	January 3, 2021
Defined benefit liabilities	866	763
Other long-term pension plan obligations	480	472
Total pension and other post-employment benefits	**1,346**	**1,235**

Post-employment benefits are provided through a number of funded and unfunded defined benefit plans and defined contribution plans, the most significant of which are in the United States and the Netherlands.

American Rescue Plan Act of 2021 (ARPA)

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. ARPA establishes a special financial assistance program to be administered by the Pension Benefit Guaranty Corporation ("PBGC") and funded by transfers from the Treasury through September 30, 2030. Under this program, eligible multi-employer pension plans may apply to receive a one-time cash payment in the amount required for the plan to pay all benefits through the last day of the plan year ending in 2051. The payment received under this special financial assistance program would not be considered a loan and would not need to be paid back.

In our financial year 2020, Giant Food, UFCW Locals 27 and 400 (collectively the "Union Locals"), the PBGC, the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") finalized a settlement agreement on Giant Food's funding obligations with respect to FELRA and MAP. As a result of this agreement, the PBGC approved the combining of MAP into FELRA (the "Combined Plan") and agreed to provide financial assistance to the Combined Plan following its insolvency, which is currently projected to occur in 2022. As part of this agreement, Giant Food agreed to cover benefits accrued under the Combined Plan by Giant Food associates and certain other participants that exceed the PBGC's guarantee level following the Combined Plan's insolvency ("excess benefits"). The majority of these excess benefits would be provided through a new single-employer plan established by Giant Food and the Union Locals.

The anticipated special financial assistance to the Combined Plan is expected to delay the insolvency of the Combined Plan to 2051 and consequently significantly reduce the liability of the single-employer plan for excess benefits for which Ahold Delhaize recorded a defined benefit liability in the amount of $211 million in our financial year 2020. ARPA has no impact on the FELRA and MAP withdrawal liability presented in the table above as “Other long-term pension plan obligations.” It also has no impact on the 2020 withdrawals from the United Food & Commercial Workers International Union - Industry Pension Fund (the “National Plan”) and the United Food & Commercial Workers (UFCW) - Local 1500 Pension Fund (the “1500 Plan”).

Eligible plans include, among others, plans that are in “critical and declining” status in any plan year beginning in 2020, 2021, or 2022. Applications for financial assistance must be submitted no later than December 31, 2025. Each of the following plans to which various subsidiaries of Ahold Delhaize contribute are expected to be eligible, and to apply, for the special financial assistance:

- Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund (the Combined Plan referenced above)
- New England Teamsters & Trucking Industry Pension Plan
- Warehouse Employees’ Union Local 730 Pension Trust Fund
- Bakery and Confectionary Union and Industry Pension Fund

The PBGC issued an interim final rule regarding the special assistance program on July 9, 2021. The PBGC included a 30-day public comment period from the date of publication. The guidance provides additional clarity regarding the application process, plans eligible for priority consideration, the method for determining the specific amount of the special financial assistance available to an eligible plan, conditions on plans that receive the assistance (including with respect to withdrawal liability), investment considerations, and the timing of payments. Ahold Delhaize will continue to monitor and assess the implications of the relief for all of these plans as additional information becomes available.

While ARPA is expected to provide financial assistance to the New England Teamsters & Trucking Industry Pension Plan, the Warehouse Employees’ Union Local 730 Pension Trust Fund and the Bakery and Confectionary Union and Industry Pension Fund, the expected future contributions will not be impacted in the short term. The ongoing contribution requirements will continue to be based on the collective bargaining agreements in place. Accordingly, the special financial assistance for these three plans should not have any impact on Ahold Delhaize’s ongoing contribution obligation.

11. Cash

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

€ million	July 4, 2021	January 3, 2021
Cash and cash equivalents as presented in the statement of cash flows	3,565	2,910
Restricted cash	20	23
Cash and cash equivalents held for sale	(8)	—
Cash and cash equivalents as presented on the balance sheet	**3,577**	**2,933**

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,303 million (January 3, 2021: €681 million), which is fully offset by an identical amount included under "Other current financial liabilities."

12. Financial instruments

Fair values of financial instruments

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

	July 4, 2021		January 3, 2021	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	44	47	47	52
Trade and other (non-)current receivables	1,888	1,888	1,982	1,982
Lease receivable	463	485	442	468
Cash and cash equivalents	3,577	3,577	2,933	2,933
Short-term deposits and similar instruments	119	119	58	58
	6,092	6,116	5,461	5,493
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	268	268	254	254
Investments in debt instruments	139	139	138	138
	407	407	391	391
Derivative financial instruments				
Derivatives	2	2	—	—
Total financial assets	**6,501**	**6,525**	**5,853**	**5,884**
Financial liabilities at amortized cost				
Notes	(4,300)	(4,709)	(3,920)	(4,422)
Other loans	(23)	(23)	(2)	(2)
Financing obligations	(210)	(163)	(214)	(176)
Mortgages payable	(45)	(46)	(74)	(80)
Accounts payable	(6,921)	(6,921)	(6,795)	(6,795)
Short-term borrowings	(1,786)	(1,786)	(757)	(757)
Interest payable	(27)	(27)	(33)	(33)
Other long-term financial liabilities[1]	(378)	(393)	(291)	(309)
Other	(29)	(29)	(28)	(28)
	(13,721)	(14,099)	(12,115)	(12,603)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(262)	(262)	(248)	(248)
Derivative financial instruments				
Derivatives	(1)	(1)	—	—
Total financial liabilities excluding lease liabilities	**(13,984)**	**(14,362)**	**(12,363)**	**(12,851)**
Lease liabilities	(10,382)	N/A	(9,586)	N/A
Total financial liabilities	**(24,366)**	**N/A**	**(21,949)**	**N/A**

1. *Other long-term financial liabilities include a long-term financial liability for the non-controlling interest in FreshDirect in the amount of $93 million (€78 million) (see Note 4).*

Issuance of a Sustainability-Linked Bond

On March 11, 2021, Ahold Delhaize announced it successfully priced its inaugural Sustainability-Linked Bond, amounting to €600 million with a term of nine years, maturing on March 18, 2030.

The bond pays an annual coupon of 0.375% and was issued at a price of 99.63% of the nominal value. The bond settled on March 18, 2021, and is listed on Euronext Amsterdam. The proceeds are used for the refinancing of debt maturities and general corporate purposes.

The bond is linked to Ahold Delhaize achieving two Sustainability Performance Targets (SPTs) by 2025:

- SPT 1: Reduction of Scope 1 and 2 CO_2e emissions by 29% from a 2018 baseline
- SPT 2: Reduction of food waste by 32% from a 2016 baseline

The sustainability-linked feature will result in a coupon adjustment if Ahold Delhaize's performance does not achieve one or both of the stated SPTs.

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

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

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

No CVA/DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. Ahold Delhaize holds a deposit as collateral in the amount of €1 million as of July 4, 2021 (January 3, 2021: nil). Ahold Delhaize has an obligation to repay the deposit to the counterparties upon settlement of the contracts.

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on quoted prices at the end of the reporting period. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market is estimated using discounted cash flow analyses based on prevailing market rates.

13. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 3, 2021, is included in *Note 34* of Ahold Delhaize's 2020 Financial Statements, as included in the Annual Report 2020, published on March 3, 2021.

14. Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q2 2020	Opened / acquired	Closed / sold	End of Q2 2021
The United States	1,971	78	(5)	2,044
Europe[1]	5,057	206	(44)	5,219
Total	**7,028**	**284**	**(49)**	**7,263**

1. *The number of stores at the end of Q2 2021 includes 1,114 specialty stores (Etos and Gall & Gall); (end of Q2 2020: 1,122).*

	End of Q4 2020	Opened / acquired	Closed / sold	End of Q2 2021
The United States	1,970	75	(1)	2,044
Europe[1]	5,167	72	(20)	5,219
Total	**7,137**	**147**	**(21)**	**7,263**

1. *The number of stores at the end of Q2 2021 includes 1,114 specialty stores (Etos and Gall & Gall); (end of Q4 2020: 1,118).*

15. Subsequent events

There have been no significant subsequent events.

Zaandam, the Netherlands, August 10, 2021

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 2021 financial year consisted of 52 weeks and ends on January 2, 2022.
The key publication dates for 2021 are as follows:

November 10 Results Q3 2021

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 remain, would, committed, during, continue(s)/(d), on track, to be, strategically, aimed, becoming, beyond 2021, progress, uncertainty, outlook, expected, believes, to grow, year-over-year, confidence, impact, to reach, target, Increased, considers, focus, before, end of 2021, may, projected, 2022, anticipated, future, 2025, result or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to 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:

Press office: +31 88 659 5134 Investor relations: +31 88 659 5213 Social media: Instagram @Ahold-Delhaize
LinkedIn: @Ahold-Delhaize

About Ahold Delhaize

Ahold Delhaize is one of the world’s largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great local brands serves 54 million customers each week, both in stores and online, in the United States, Europe and Indonesia. Together, these brands employ more than 410,000 associates in 7,137 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. The company’s focus on four growth drivers – drive omnichannel growth, elevate healthy and sustainable, cultivate best talent and strengthen operational excellence – is helping to fulfil its purpose, achieve its vision and prepare its brands and businesses for tomorrow. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit: www.aholddelhaize.com

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