

Koninklijke Ahold Delhaize N.V.

Q1 2020 Report

Issued on May 7, 2020

Ahold Delhaize reports Q1 results significantly impacted by COVID-19

- * Net sales were €18.2 billion, up 14.7%, or 12.7% at constant exchange rates
- * In the U.S. and Europe, comp sales growth excluding gas was up 13.8% and 9.8%, respectively
- * Net consumer online sales grew 37.7% at constant exchange rates
- * Operating income was €964 million, up 40.0% at constant exchange rates
- * Underlying operating margin was 5.3%, up 0.9% points from the prior year
- * Diluted underlying EPS was €0.59, up 49.5%; diluted EPS was €0.59

Zaandam, the Netherlands, May 7, 2020 – Ahold Delhaize, one of the world’s largest food retail groups and a leader in both supermarkets and eCommerce, reports first quarter results today.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group		The United States		Europe	
	Q1 2020	% change constant rates	Q1 2020	% change constant rates	Q1 2020	% change constant rates
Net sales	18,208	12.7 %	11,315	13.7 %	6,893	11.0 %
Comparable sales growth excl. gas	12.2 %		13.8 %		9.8 %	
Online sales	998	30.0 %	324	42.3 %	674	24.8 %
Net consumer online sales	1,345	37.7 %	324	42.3 %	1,021	36.3 %
Operating margin	5.3 %	1.0 pts	6.6 %	1.8 pts	4.3 %	0.3 pts
Underlying operating margin	5.3 %	0.9 pts	6.7 %	1.7 pts	4.1 %	0.1 pts
Diluted EPS	0.59	51.8 %				
Diluted underlying EPS	0.59	46.5 %				
Free Cash Flow	1,228	NM				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"I greatly admire the dedication shown by the associates across our brands, who have stepped up to serve their local communities in the face of the immense challenges arising from the COVID-19 crisis. We remain relentlessly committed to protecting the health and safety of associates and customers, and living up to our values, two of which are 'care' and 'teamwork.'

"Clearly, our Q1 sales performance across all geographies was impacted by the unprecedented demand and pressures created by the COVID-19 outbreak. We have responded by implementing additional safety and protective measures, enhancing associate pay and benefits, and making charitable donations to support local communities. The costs related to our efforts will more significantly impact subsequent quarters. Nevertheless, we maintain our full-year outlook that our group underlying operating margin will be broadly in line with 2019.

"Protecting the health and safety of our associates and customers remains our first and foremost priority, along with operating our brands and supply chains smoothly. We will keep monitoring and learning from changes in consumer shopping patterns and behavior. While it is still too early to know which paradigm shifts will emerge from the COVID-19 crisis, we continue to prioritize investments in accelerating our digital and omnichannel capabilities, as well as improving our store fleet, in order to grow our share of wallet.

"Separately, I'd like to welcome Natalie Knight, who was appointed as our CFO on April 8. With her demonstrated leadership in financial discipline and business transformation efforts, she is ideally qualified to help us accelerate our Leading Together strategy."

Q1 Financial highlights

Group net sales were €18.2 billion, up 14.7%, or 12.7% at constant exchange rates, driven largely by 12.2% comparable sales growth excluding gasoline. Group comparable sales were favorably impacted by 26.9% growth in March due primarily to COVID-19, and unfavorably impacted by -0.3% points due to the net effect of a weather and calendar shift in the quarter. Group net consumer online sales grew 37.7% in Q1 at constant exchange rates. Group underlying operating margin in Q1 was 5.3%, up 0.9% points from the prior year, benefiting largely from the timing of unexpectedly higher sales that preceded the timing of significant investments related to COVID-19. This was a phenomenon that was more pronounced in the U.S. than in Europe, as Europe experienced earlier customer stockpiling in late February, and therefore saw earlier investments related to COVID-19, while the U.S. experienced later stockpiling in March.

U.S. comparable store sales excluding gasoline grew 13.8%, with all brands generating double-digit comparable sales growth due largely to the COVID-19 outbreak. Comparable sales were favorably impacted by 33.8% growth in March due primarily to COVID-19, and unfavorably impacted by less severe winter weather, which amounted to -0.8% points in the quarter. Online sales in the segment were up 42.3% in constant currency. U.S. underlying operating margin was 6.7%, up 1.7% points from the prior year, driven largely by the aforementioned timing benefit from higher sales preceding material COVID-19-related investments.

Europe's comparable sales excluding gasoline grew 9.8%, to a significant degree due to the COVID-19 crisis. Comparable sales were favorably impacted by 15.9% growth in March due primarily to COVID-19, and were also impacted by a calendar shift benefit of +0.4% points in the quarter. Net consumer online sales in the segment were up 36.3%. All countries in Europe experienced higher than normal demand, though in the central and southeastern European countries, demand grew slightly faster than the overall segment. Underlying operating margin in Europe was 4.1%, up 0.1% points from the prior year. The aforementioned timing benefit from higher sales preceding material COVID-19 investments was less pronounced in Europe, and the benefit was offset partly by higher pension expense in the Netherlands, amounting to €11 million, as well as additional planned investments in digital and omnichannel capabilities.

At bol.com, the online retail platform in the Benelux included within the Europe segment results, net consumer sales grew by 39.5%. Bol.com's third party sales grew 66% in the quarter with nearly 21,000 merchant partners on the platform.

Net income was €645 million, up 48.2%. Diluted EPS was €0.59, up 54.9%, and diluted underlying EPS was €0.59, up 49.5%.

Outlook

We maintain our full-year outlook, as updated on April 7. While COVID-19 has created uncertainty for the 2020 outlook, COVID-19 related investments became material at the end of Q1 and will become significantly more visible in subsequent quarters. We expect 2020 free cash flow to be above €1.5 billion. The upside is mainly related to strong levels of free cash flow generated in Q1, rather than delays in capital spending, as we had previously indicated. While some capital projects will inevitably be delayed, we are accelerating investments in digital and omnichannel capabilities. We remain committed to our dividend policy and share buyback program, but given the uncertainty caused by COVID-19, we will continue to monitor macroeconomic developments.

Full-year outlook	Underlying operating margin	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow ¹	Dividend payout ratio ³	Share buyback
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, there will be margin dilution related to €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

Supplementary information: Sales results in January/February vs. March 2020

January/February sales results

In the combined January and February 2020 period, Group net sales grew 4.1% at constant exchange rates. Group comparable sales excluding gasoline grew 3.4%, or an estimated 3.7% excluding weather and calendar effects. In the U.S., comparable store sales excluding gasoline grew 1.7%, or 2.6% excluding the unfavorable impact of less severe winter weather, which amounted to -0.9% points. In Europe, comparable store sales excluding gasoline grew 6.1%, or an estimated 4.9% excluding an estimated +0.4% points of COVID-19 benefit and a +0.8% point calendar shift benefit.

March sales results

In March 2020, Group net sales grew 26.7% at constant exchange rates. Group comparable sales excluding gasoline grew 26.9%, or an estimated 27.1% excluding weather and calendar effects. In the U.S., comparable store sales excluding gasoline grew 33.8%, or 34.2% excluding the unfavorable impact of less severe winter weather, which amounted to -0.3% points. In Europe, comparable store sales excluding gasoline grew 15.9%, or an estimated 16.0% excluding a +0.1% point calendar shift benefit.

Group performance

€ million, except per share data	Q1 2020	Q1 2019	% change	% change constant rates
Net sales	18,208	15,878	14.7 %	12.7 %
Of which: online sales	998	761	31.1 %	30.0 %
Net consumer online sales ¹	1,345	970	38.6 %	37.7 %
Operating income	964	675	42.8 %	40.0 %
Income from continuing operations	644	436	47.9 %	44.9 %
Net income	645	435	48.2 %	45.1 %
Basic income per share from continuing operations (EPS)	0.60	0.39	53.6 %	50.5 %
Diluted income per share from continuing operations (diluted EPS)	0.59	0.38	54.9 %	51.8 %
Underlying EBITDA ¹	1,666	1,356	22.9 %	20.6 %
Underlying EBITDA margin ¹	9.2 %	8.5 %		
Underlying operating income ¹	961	695	38.3 %	35.7 %
Underlying operating margin ¹	5.3 %	4.4 %		
Underlying income per share from continuing operations – basic (underlying EPS) ¹	0.59	0.40	48.2 %	45.2 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS) ¹	0.59	0.40	49.5 %	46.5 %
Free cash flow ¹	1,228	(136)	NM	NM

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

	Q1 2020	Q1 2019	% change	% change constant rates
\$ million				
Net sales	12,482	10,980	13.7 %	
Of which: online sales	357	251	42.3 %	
€ million				
Net sales	11,315	9,666	17.0 %	13.7 %
Of which: online sales	324	221	46.5 %	42.3 %
Operating income	743	461	61.3 %	56.6 %
Underlying operating income	753	475	58.7 %	54.0 %
Underlying operating margin	6.7 %	4.9 %		
Comparable sales growth	13.4 %	0.9 %		
Comparable sales growth excluding gasoline	13.8 %	1.2 %		

Europe

	Q1 2020	Q1 2019	% change	% change constant rates
€ million				
Net sales	6,893	6,211	11.0 %	11.0 %
Of which: online sales	674	540	24.8 %	24.8 %
Net consumer online sales	1,021	749	36.3 %	36.3 %
Operating income	297	249	19.5 %	19.6 %
Underlying operating income	284	250	13.6 %	13.7 %
Underlying operating margin	4.1 %	4.0 %		
Comparable sales growth	9.7 %	1.3 %		
Comparable sales growth excluding gasoline	9.8 %	1.4 %		

Global Support Office

	Q1 2020	Q1 2019	% change	% change constant rates
€ million				
Underlying operating loss	(77)	(30)	152.4 %	150.0 %
Underlying operating loss excluding insurance results	(36)	(31)	14.6 %	13.5 %

In the quarter, underlying Global Support Office costs were €77 million, which was €46 million higher than the prior year, due mainly to the unfavorable impact of €42 million from insurance driven by a significant decline in the discount rate. Underlying costs excluding insurance results were €36 million, compared to €31 million in Q1 2019.

Financial review

First quarter 2020 (compared to first quarter 2019)

Operating income increased by €289 million to €964 million. Operating income, after adjusting for impairments of €8 million (Q1 2019: €8 million); gains and losses on leases and the sale of assets of €25 million (Q1 2019: €5 million); and restructuring and related charges and other items of €14 million (Q1 2019: €16 million), resulted in underlying operating income of €961 million (up €266 million over Q1 2019).

Income from continuing operations was €644 million, which was €209 million higher than last year. This follows mainly from the increase in operating income of €289 million, offset by higher net financial expenses of €16 million and higher income taxes of €63 million.

Free cash flow was €1,228 million, which represents an increase of €1,364 million compared to Q1 2019. The main drivers for this improvement are the increased cash generated from operations of €1,394 million and lower income taxes paid of €194 million, partially offset by higher net investments of €224 million. The increase in cash generated from operations was mainly driven by the impact of the COVID-19 outbreak on the profit and working capital balances at the end of the quarter, which resulted in low inventories and higher accounts payable balances.

Net debt decreased in Q1 2020 by €800 million to €10,782 million, mainly as a result of the free cash flow of €1,228 million, partially offset by the share buyback of €336 million.

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. Whilst our principal risks have not changed as compared to those disclosed within the 2019 Annual Report, the COVID-19 outbreak has directly impacted our business operations and increased our overall risk profile, particularly with respect to the "business continuity" principal risk. The company has initiated several actions to mitigate the impact of the outbreak on our business, with a focus on protecting our employees and customers, and ensuring the continuity of our operations. The impact of this risk is being monitored and any required actions will be reassessed as necessary.

Consolidated income statement

€ million, except per share data	Note	Q1 2020	Q1 2019
Net sales	5/6	18,208	15,878
Cost of sales	7	(13,135)	(11,489)
Gross profit		5,073	4,389
Selling expenses		(3,437)	(3,127)
General and administrative expenses		(672)	(587)
Total operating expenses	7	(4,109)	(3,714)
Operating income	5	964	675
Interest income		12	22
Interest expense		(35)	(49)
Net interest expense on defined benefit pension plans		(4)	(4)
Interest accretion to lease liability		(92)	(90)
Other financial expenses		(23)	(5)
Net financial expenses		(142)	(125)
Income before income taxes		822	550
Income taxes	8	(182)	(119)
Share in income of joint ventures		5	5
Income from continuing operations		644	436
Income (loss) from discontinued operations		—	(1)
Net income attributable to common shareholders		645	435
Net income per share attributable to common shareholders			
Basic		0.60	0.39
Diluted		0.59	0.38
Income from continuing operations per share attributable to common shareholders			
Basic		0.60	0.39
Diluted		0.59	0.38
Weighted average number of common shares outstanding (in millions)			
Basic		1,082	1,124
Diluted		1,087	1,149
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9065	0.8804

Consolidated statement of comprehensive income

€ million	Note	Q1 2020	Q1 2019
Net income		645	435
Remeasurements of defined benefit pension plans			
Remeasurements before taxes – loss		(152)	(24)
Income taxes		37	6
Other comprehensive loss that will not be reclassified to profit or loss		(115)	(19)
Currency translation differences in foreign interests:			
Continuing operations		(24)	199
Income taxes		3	—
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		(20)	199
Total other comprehensive income (loss)		(135)	180
Total comprehensive income attributable to common shareholders		510	615
Attributable to:			
Continuing operations		510	616
Discontinued operations		—	(1)
Total comprehensive income attributable to common shareholders		510	615

Consolidated balance sheet

€ million	Note	March 29, 2020	December 29, 2019
Assets			
Property, plant and equipment		10,676	10,519
Right-of-use asset		7,448	7,308
Investment property		816	883
Intangible assets		12,065	12,060
Investments in joint ventures and associates		210	229
Other non-current financial assets		637	661
Deferred tax assets		208	213
Other non-current assets		53	49
Total non-current assets		32,112	31,920
Assets held for sale		45	67
Inventories		2,978	3,347
Receivables		1,905	1,905
Other current financial assets		383	317
Income taxes receivable		6	39
Prepaid expenses		332	178
Cash and cash equivalents	11	5,231	3,717
Total current assets		10,880	9,570
Total assets		42,993	41,490
Equity and liabilities			
Equity attributable to common shareholders	9	14,268	14,083
Loans		3,548	3,841
Other non-current financial liabilities		8,794	8,716
Pensions and other post-employment benefits	10	803	677
Deferred tax liabilities		782	786
Provisions		758	724
Other non-current liabilities		68	74
Total non-current liabilities		14,752	14,818
Accounts payable		6,521	6,311
Other current financial liabilities		4,264	3,257
Income taxes payable		159	82
Provisions		364	349
Other current liabilities		2,665	2,591
Total current liabilities		13,973	12,590
Total equity and liabilities		42,993	41,490
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8976	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		—	—	—	—	435	435
Other comprehensive income (loss)		—	—	199	—	(19)	180
Total comprehensive income attributable to common shareholders		—	—	199	—	416	615
Share buyback		—	—	—	—	(307)	(307)
Share-based payments		—	—	—	—	14	14
Balance as of March 31, 2019		12	13,999	119	(2)	399	14,527
Balance as of December 29, 2019		11	12,246	159	(3)	1,670	14,083
Net income attributable to common shareholders		—	—	—	—	645	645
Other comprehensive income (loss)		—	—	(20)	1	(115)	(135)
Total comprehensive income (loss) attributable to common shareholders		—	—	(20)	1	530	510
Share buyback	9	—	—	—	—	(334)	(334)
Share-based payments		—	—	—	—	10	10
Other items		—	—	—	—	(1)	(1)
Balance as of March 29, 2020		11	12,246	138	(3)	1,875	14,268

Consolidated statement of cash flow

€ million	Note	Q1 2020	Q1 2019
Income from continuing operations		644	436
Adjustments for:			
Net financial expenses		142	125
Income taxes		182	119
Share in income of joint ventures		(5)	(5)
Depreciation, amortization and impairments	7	714	676
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(26)	(4)
Share-based compensation expenses		11	13
Operating cash flows before changes in operating assets and liabilities		1,662	1,360
Changes in working capital:			
Changes in inventories		371	(22)
Changes in receivables and other current assets		(140)	2
Changes in payables and other current liabilities		405	(374)
Changes in other non-current assets, other non-current liabilities and provisions		37	(24)
Cash generated from operations		2,336	942
Income taxes paid – net		(32)	(226)
Operating cash flows from continuing operations		2,304	717
Net cash from operating activities		2,304	717
Purchase of non-current assets		(708)	(452)
Divestments of assets / disposal groups held for sale		42	10
Acquisition of businesses, net of cash acquired	4	(4)	(5)
Divestment of businesses, net of cash divested		(1)	(8)
Changes in short-term deposits and similar instruments		(45)	218
Dividends received from joint ventures		—	1
Interest received		8	18
Lease payments received on lease receivables		24	26
Other		7	(1)
Investing cash flows from continuing operations		(676)	(193)
Net cash from investing activities		(676)	(193)
Interest paid		(31)	(38)
Repayments of loans		(414)	(12)
Changes in short-term loans		1,098	1,434
Repayment of lease liabilities		(412)	(417)
Share buyback	9	(336)	(307)
Other		(1)	—
Financing cash flows from continuing operations		(96)	660
Net cash from financing activities		(96)	660
Net cash from operating, investing and financing activities		1,532	1,183
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		3,701	3,110
Effect of exchange rates on cash and cash equivalents		(16)	50
Cash and cash equivalents at the end of the period (excluding restricted cash)	11	5,217	4,343
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9065	0.8804

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, are combined into one reportable segment, Europe.

New and revised IFRSs effective in 2020

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 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." To determine the diluted underlying income from continuing operations, the underlying income from continuing operations is adjusted by the expense for preferred dividends on the cumulative preferred financing shares.

Free cash flow

€ million	Q1 2020	Q1 2019
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,700	1,337
Changes in working capital	636	(394)
Income taxes paid – net	(32)	(226)
Purchase of non-current assets	(708)	(452)
Divestments of assets / disposal groups held for sale	42	10
Dividends received from joint ventures	—	1
Interest received	8	18
Interest paid	(31)	(38)
Lease payments received on lease receivables	24	26
Repayment of lease liabilities	(412)	(417)
Free cash flow	1,228	(136)

Net debt

€ million	March 29, 2020	December 29, 2019
Loans	3,548	3,841
Lease liabilities	8,551	8,484
Non-current portion of long-term debt	12,099	12,325
Short-term borrowings and current portion of long-term debt	4,114	3,119
Gross debt	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}	5,432	3,863
Net debt	10,782	11,581

- Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at March 29, 2020, was €60 million (December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.
- Included in the short-term portion of investments in debt instruments is a U.S. Treasury investment fund in the amount of €141 million (December 29, 2019: €130 million).
- Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at March 29, 2020, was €295 million (December 29, 2019: €277 million).
- Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €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	Q1 2020	Q1 2019
Underlying operating income	961	695
Depreciation and amortization ¹	705	661
Underlying EBITDA	1,666	1,356

- The €7 million difference between the total amount of depreciation and amortization for Q1 2019 of €668 million and the €661 million mentioned here relates to an item that was excluded from underlying operating income.

Underlying income from continuing operations

€ million, except per share data	Q1 2020	Q1 2019
Income from continuing operations	644	436
Adjustments to operating income	(3)	19
Tax effect on adjusted and unusual items	1	(5)
Underlying income from continuing operations	642	450
Effect of dilutive potential common shares – reversal of preferred dividend	—	4
Underlying income from continuing operations for the purpose of diluted earnings per share	642	454
Basic income per share from continuing operations ¹	0.60	0.39
Diluted income per share from continuing operations ²	0.59	0.38
Underlying income per share from continuing operations – basic ¹	0.59	0.40
Underlying income per share from continuing operations – diluted ²	0.59	0.40

- 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 Q1 2020 is 1,082 million (Q1 2019: 1,124 million).
- The diluted income per share from continuing operations and diluted underlying EPS is 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 Q1 2020 is 1,087 million (Q1 2019: 1,149 million).

4. Business combinations and goodwill

During 2020, Ahold Delhaize 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 2020 is as follows:

€ million	Total acquisitions
Goodwill	5
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	5
Exchange rate differences	1
Closing carrying amount	7,239
As of March 29, 2020	
At cost	7,248
Accumulated impairment losses	(8)
Closing carrying amount	7,239

On January 4, 2019, Ahold Delhaize announced that Stop & Shop agreed to acquire King Kullen Grocery Co., based in Long Island, New York. The acquisition includes King Kullen's 29 supermarkets, five Wild by Nature stores and the use of its corporate offices located in Bethpage, New York. The transaction is currently expected to close during the second half of 2020, subject to customary closing conditions.

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.

Q1 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	11,315	6,893	—	18,208
Of which: online sales	324	674	—	998
Operating income (loss)	743	297	(77)	964
Impairment losses and reversals – net	6	2	—	8
(Gains) losses on leases and the sale of assets – net	(6)	(20)	—	(25)
Restructuring and related charges and other items	10	4	—	14
<i>Adjustments to operating income</i>	11	(13)	—	(3)
Underlying operating income (loss)	753	284	(77)	961

Q1 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	9,666	6,211	—	15,878
Of which: online sales	221	540	—	761
Operating income (loss)	461	249	(34)	675
Impairment losses and reversals – net	6	2	—	8
(Gains) losses on leases and the sale of assets – net	(3)	(1)	—	(5)
Restructuring and related charges and other items	11	—	4	16
<i>Adjustments to operating income</i>	<i>14</i>	<i>1</i>	<i>4</i>	<i>19</i>
Underlying operating income (loss)	475	250	(30)	695

Additional information

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

\$ million	Q1 2020	Q1 2019
Net sales	12,482	10,980
Of which: online sales	357	251
Operating income	819	523
Underlying operating income	831	539

6. Net sales
Q1 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	10,920	4,691	15,611
Sales to and fees from franchisees and affiliates	—	1,510	1,510
Online sales	324	674	998
Wholesale sales	40	10	50
Other sales	31	8	39
Net sales	11,315	6,893	18,208

Q1 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	9,383	4,286	13,669
Sales to and fees from franchisees and affiliates	—	1,364	1,364
Online sales	221	540	761
Wholesale sales	33	10	43
Other sales	29	10	40
Net sales	9,666	6,211	15,878

7. Expenses by nature

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

€ million	Q1 2020	Q1 2019
Cost of product	12,530	10,973
Labor costs	2,617	2,335
Other operational expenses	1,439	1,251
Depreciation and amortization	705	668
Rent expenses	16	19
Rent income	(46)	(48)
Impairment losses and reversals – net	8	8
(Gains) losses on leases and the sale of assets – net	(25)	(5)
Total expenses by nature	17,244	15,203

8. Income taxes

The increase in the income tax expense in Q1 2020 is mainly caused by increased income compared to Q1 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 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 2019

On January 2, 2020, the Company commenced the €1 billion share buyback program that was announced on December 4, 2019. In total, 15,507,507 of the Company's own shares were repurchased at an average price of €21.26 per share. The program is expected to be completed before the end of 2020.

The number of outstanding common shares as of March 29, 2020, was 1,072,448,090 (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 US 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	March 29, 2020	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	5,217	3,701
Restricted cash	14	17
Cash and cash equivalents as presented on the balance sheet ¹	5,231	3,717

1. Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,979 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:

€ million	March 29, 2020		December 29, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets at amortized cost</i>				
Loans receivable	55	61	59	65
Trade and other (non-)current receivables	1,914	1,914	1,914	1,914
Lease receivable	456	485	444	473
Cash and cash equivalents	5,231	5,231	3,717	3,717
Short-term deposits and similar instruments	60	60	15	15
	7,715	7,750	6,150	6,185
<i>Financial assets at fair value through profit or loss (FVPL)</i>				
Reinsurance assets	256	256	236	236
Investments in debt instruments	150	150	141	141
	406	406	377	377
<i>Derivative financial instruments</i>				
Derivatives	1	1	—	—
Total financial assets	8,122	8,157	6,527	6,562

Interim financial statements

€ million	March 29, 2020		December 29, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(3,554)	(3,733)	(3,962)	(4,246)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(272)	(236)	(263)	(216)
Mortgages payable	(63)	(67)	(66)	(65)
Accounts payable	(6,521)	(6,521)	(6,311)	(6,311)
Short-term borrowings	(2,548)	(2,548)	(1,455)	(1,455)
Interest payable	(44)	(44)	(37)	(37)
Other	(92)	(100)	(92)	(97)
	(13,098)	(13,252)	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(255)	(255)	(238)	(238)
Derivative financial instruments				
Derivatives	—	—	(1)	(1)
Total financial liabilities excluding lease liabilities	(13,353)	(13,508)	(12,429)	(12,669)
Lease liabilities	(9,773)	N/A	(9,696)	N/A
Total financial liabilities	(23,126)	N/A	(22,125)	N/A

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

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

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

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

14. Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q1 2019	Opened / acquired	Closed / sold	End of Q1 2020
The United States	1,963	18	(10)	1,971
Europe ¹	4,822	249	(40)	5,031
Total	6,785	267	(50)	7,002

1. The number of stores at the end of Q1 2020 includes 1,121 specialty stores (Etos and Gall & Gall); (end of Q1 2019: 1,134).

	End of Q4 2019	Opened / acquired	Closed / sold	End of Q1 2020
The United States	1,973	1	(3)	1,971
Europe ¹	4,994	53	(16)	5,031
Total	6,967	54	(19)	7,002

1. The number of stores at the end of Q1 2020 includes 1,121 specialty stores (Etos and Gall & Gall); (end of Q4 2019: 1,127).

15. Subsequent events

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 will 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 will be applied for the refinancing of debt and for general corporate purposes.

Zaandam, the Netherlands, May 6, 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:

August 5 Results Q2 2020

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 2020, remain, committed, subsequent quarters, maintain, full-year, outlook, will be, remains, monitoring, changes, will, emerge, continue to, to grow, strategy, become, expect, to be, be delayed, monitor, developments, growth, should, to mitigate, focus on, continuity, continuing operations, long-term, during, expected, end of 2020, further, exposure, indefinitely, plan, expects, change, seek, from time to time, estimated, commitments and contingencies, 2021 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 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

Depository 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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