Koninklijke Ahold Delhaize N.V.

Q4 2020 Report

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Ahold Delhaize reports Q4 results; strengthens position as industry-leading local omnichannel retailer in 2021 and beyond

* In 2020, the Ahold Delhaize brands focused on fulfilling their vital role in society and meeting the challenges of COVID-19 by contributing €680 million to support customers, associates, and communities with COVID-19 relief care; brands also committed to contribute €1.4 billion to improve the security of associates' pension benefits.
* Associates across all the brands of Ahold Delhaize worked diligently to successfully maintain food and product supplies to local communities, to implement measures to keep customers and their colleagues safe, to care for their local communities, and to drive substantial progress in ESG initiatives in 2020; their efforts have helped Ahold Delhaize and its local brands solidify their positions as industry-leading local omnichannel retailers in each of their markets in 2021 and beyond.
* Net sales were €19.6 billion, up 18.0% in Q4 and up 14.2% in 2020 at constant exchange rates.
* In the U.S. and Europe, comparable sales excluding gas grew 11.2% and 10.6% in Q4, respectively, and were up 14.4% and 9.6% in 2020, respectively.
* Net consumer online sales grew 84.2% in Q4 and 67.4% in 2020 at constant exchange rates, including U.S. growth of 128.5% in Q4 and 105.1% in 2020.
* Underlying operating margin was 4.1% in Q4 and 4.8% in 2020; diluted underlying EPS was €0.53 in Q4 and €2.26 in 2020.
* IFRS-reported operating margin was 0.1% in Q4 and 2.9% in 2020, impacted by the U.S. pension plan withdrawals; as such, diluted EPS was €(0.01) in Q4 and €1.30 in 2020.
* 2020 free cash flow was €2.2 billion compared to guidance of at least €1.7 billion, despite a total of €609 million related to pension plan withdrawals and incremental pension funding payments, and net capital expenditures of €2.6 billion.
* 2021 outlook: Group net consumer online sales to grow over 30%; underlying operating margin to be at least 4%; underlying EPS to grow by mid- to high-single digits versus 2019; free cash flow to be approximately €1.6 billion, resulting in €5.6 billion in cumulative free cash flow from 2019-2021, which exceeds the Capital Markets Day 2018 target of €5.4 billion.

Zaandam, the Netherlands, February 17, 2021 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports fourth quarter results today.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
	Q4 2020	% change constant rates	Q4 2020	% change constant rates	Q4 2020	% change constant rates	2020	% change constant rates	2020	% change constant rates	2020	% change constant rates
	(14 weeks 2020 vs. 13 weeks 2019)						(53 weeks 2020 vs. 52 weeks 2019)					
Net sales[1]	19,600	18.0 %	11,425	18.7 %	8,175	17.1 %	74,736	14.2 %	45,470	15.6 %	29,266	12.1 %
Comparable sales growth excl. gas	11.0 %		11.2 %		10.6 %		12.5 %		14.4 %		9.6 %	
Online sales[1]	1,869	75.1 %	632	128.5 %	1,236	56.5 %	5,547	59.8 %	1,968	105.1 %	3,579	42.7 %
Net consumer online sales[1]	2,604	84.2 %	632	128.5 %	1,972	73.4 %	7,576	67.4 %	1,968	105.1 %	5,608	57.4 %
Operating income (loss)	16	(97.7) %	(417)	NM[2]	481	46.5 %	2,191	(16.6) %	1,006	(43.0) %	1,380	21.4 %
Operating margin	0.1 %	(4.2)pts	(3.6)%	NM[2]	5.9 %	1.2 pts	2.9 %	(1.1)pts	2.2 %	(2.0)pts	4.7 %	0.4 pts
Underlying operating income	811	10.8 %	442	7.9 %	418	18.4 %	3,594	31.2 %	2,466	45.5 %	1,325	10.3 %
Underlying operating margin[1]	4.1 %	(0.3)pts	3.9 %	(0.4)pts	5.1 %	0.1 pts	4.8 %	0.6 pts	5.4 %	1.1 pts	4.5 %	(0.1)pts
Diluted EPS	(0.01)	NM[2]					1.30	(16.8) %				
Diluted underlying EPS[1]	0.53	7.3 %					2.26	35.3 %				
Free cash flow	262	(73.1) %					2,199	22.2 %				

1. *For comparable information on a pro forma 13/52-week basis, refer to section* Pro forma information: financial data on a 13/52-week basis *in this summary report.*
2. *Not meaningful, as operating income in the U.S. was a loss and diluted underlying EPS was negative in Q4 2020.*

Comments from Frans Muller, President and CEO of Ahold Delhaize

"In 2020, the effects of COVID-19 and social unrest deeply impacted the communities we serve, and created unprecedented challenges for the Ahold Delhaize brands. Despite these challenges, the hundreds of thousands of associates across all our brands, distribution centers, and support offices demonstrated courage and care in protecting the safety of our stores and distribution centers, while providing great customer service and community support. I would like to once again thank each and every one of them for their tremendous efforts in 2020.

"To support the efforts of associates across our brands and businesses, we made significant investments in additional safety measures, enhanced associate pay and benefits, and substantial charitable donations, which resulted in approximately €210 million in COVID-19-related costs in the fourth quarter, and a total of approximately €680 million in 2020. We also committed to contribute over €1.4 billion to improve the security of pension benefits for associates and reduce financial risk for Giant Food and Stop & Shop. In addition, we shifted capital expenditure spending in 2020 to accelerate investments in digital and omnichannel capabilities. As a result of these combined efforts, we believe we ended 2020 in a strategically stronger position than before the COVID-19 pandemic began. We remain focused on making additional investments, as needed, to meet associate, customer and community needs – including continued support of health and safety, which remains a top priority to enable us to further strengthen our brands' positions as leading local omnichannel retailers, now and in the future.

"We are pleased with the underlying Q4 performance in both the U.S. and Europe. Our leading local omnichannel platform generated nearly 130% net consumer online sales growth in the U.S. and nearly 75% growth in Europe in the quarter, at constant exchanges rates. This strong Q4 performance allowed us to exceed our underlying EPS outlook and produce €2.2 billion in free cash flow in 2020, despite significant payments to withdraw or improve the security of pension plans in the U.S. and the Netherlands, and our accelerated investments in digital and omnichannel capabilities.

"Last quarter, we outlined plans to invest in our business to solidify our position as an industry-leading local omnichannel retailer in 2021 and beyond in order to increase our share of the consumer wallet, and find ways to improve our online productivity. Since then, we continued to bring to life, and build upon, several important initiatives, including significantly increasing our online capacity, driven in part by opening over 1,130 U.S. click-and-collect locations to date; launching the GIANT Company Choice Pass on January 19th, which offers unlimited free grocery delivery and pickup with an annual membership fee of $98; and rolling out the no-fee home delivery service AH Compact to additional markets in the Netherlands. We are also exceeding the key multi-year financial targets we outlined at our 2018 Capital Markets Day. As a result, we feel increasingly confident about our prospects in 2021 and beyond, and are now setting more ambitious targets in several key areas of our business, which include:

- Group net consumer online sales grew to €7.6 billion in 2020, exceeding our target of €7 billion one year early. This includes bol.com net consumer online sales of €4.3 billion in 2020, which surpassed our target of €3.5 billion, also one year early. With increased capacity and continued momentum, we now expect Group net consumer online sales to grow over 30% in 2021, which includes over 60% growth in U.S. online sales and achieving a new target of at least €5 billion in net consumer online sales at bol.com.
- Improving online productivity across all of our brands is one of our highest priorities for 2021 and beyond. We will accelerate U.S. online grocery fulfillment productivity growth through end-to-end improvement of processes, systems, operating practices and innovation, beginning in 2021 and continuing through the end of 2022, which should result in a lower cost to serve. To improve efficiency even further, we will open an additional micro-fulfillment center with Autostore/Swisslog inside of a new omnichannel fulfillment center in Philadelphia in Q4 2021. In both the U.S. and Europe, we will utilize technology to improve route optimization in order to reduce last-mile costs. At bol.com, we are pleased with the team's ability to drive positive operating profits and double-digit return on capital in 2020, and we expect this to continue in 2021.

- We are raising our cumulative cost savings target for 2019-2021 to €2.3 billion, up from our previous target of €1.9 billion. We achieved €844 million in cost savings in 2020 and expect to achieve at least €750 million in additional cost savings in 2021, which is above our previous annual targets of €600 million for both years. These cost savings efforts will enable our brands to invest in providing more value and convenience to customers, and help us mitigate cost pressures in the business, which we expect will lead to a solid Group underlying operating margin profile in 2021, which is expected to be at least 4%.

"Importantly, for the benefit of all our stakeholders, we aim to strike the appropriate balance between investing in the health and safety of associates and customers, supporting our local communities, prioritizing environmental, social, and governance (ESG) initiatives, and returning capital to shareholders. We therefore propose a cash dividend of €0.90 for the financial year 2020, an increase of 18.4% compared to 2019, reflecting our ambition to sustainably grow our dividend per share. This represents a payout ratio of 40%, based on the expected dividend payment on underlying income from continuing operations on a comparable 52-week period."

Continued progress on initiatives to solidify position as industry-leading local omnichannel retailer in 2021+

Ahold Delhaize will continue to solidify its position as industry-leading local omnichannel retailer in 2021 and beyond, concentrating on (1) significantly stepping up online capacity, supply chain and technological capabilities; (2) advancing omnichannel offerings to customers; and (3) addressing the call to action in ESG. We would like to highlight the following initiatives, which add to and build upon many of the initiatives announced in Q3 2020:

Continuing to solidify our position as an industry-leading local omnichannel retailer in 2021+

* *We will expand our reach to additional customers in the New York trade area, adding incremental sales in the U.S., with the acquisition of Fresh Direct, an online grocer based in New York City, which closed on January 5, 2021.*

* *The acquisition of 39 stores from Deen Supermarkets in the Netherlands will expand our reach to additional customers in the region. The deal is expected to close in the second half of 2021.*

* *We will continue to optimize our fulfillment capabilities, while maintaining the flexibility to adapt with the marketplace; to this end, we announced a new partnership with Autostore/Swisslog to open a micro-fulfillment center inside of a new omnichannel fulfillment center in Philadelphia in Q4 2021.*

* *Albert Heijn expanded its "AH Compact" no-fee home delivery service targeting smaller households to additional markets in the Netherlands, with plans to expand to more markets in 2021.*

* *In November, Ahold Delhaize was recognized as a world leader in the Food and Staples Retailing sector according to the 2020 Dow Jones Sustainability World Index (DJSI World), based on climbing to the #1 position in the U.S./Europe and #2 globally in the S&P Global CSA. Our score of 83 out of 100 was a 14-point improvement on 2019 and well above the industry average of 31 points.*

* *We are committed to science-based targets for 2030 to halve carbon emissions from our operations and reduce value chain emissions by 15%. The Company achieved 17% emissions reduction from own operations in 2020 compared to 2018.*

* *In January, Albert Heijn announced it halved carbon emissions per store since 2008 and switched to 100% Dutch wind energy.*

Continuing to solidify our position as an industry-leading local omnichannel retailer in 2021+

* *U.S. is partnering with HowGood to bring customers an easy-to-use environmental and social impact rating system. Giant Food, The GIANT Company, and Stop & Shop began to offer the rating system to customers shopping online last week.*
* *U.S. brands joined the CEO Action for Diversity & Inclusion program, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.*
* *U.S. brands were recognized as "Best Places to Work for LGBTQ+ Equality," receiving a perfect score on the Human Rights Campaign Foundation's 2021 Corporate Equality Index.*
* *In December, we closed a €1 billion sustainability-linked revolving credit facility. The facility draws a connection between its cost of borrowing and the achievement of the Company's ambitions to reduce food waste, reduce carbon emissions, and promote healthier eating as measured by percentage of own-brand food sales from healthy products.*

Q4 Financial highlights

Group net sales were €19.6 billion, up 12.8%, or 18.0% at constant exchange rates, driven largely by 11.0% comparable sales growth excluding gasoline. Group comparable sales were positively impacted by demand related to COVID-19. Group net consumer online sales grew 84.2% in Q4 at constant exchange rates. Group underlying operating margin in Q4 was 4.1%, down 0.3 percentage points from the prior year at constant exchange rates. Underlying operating margin was impacted by significant costs related to COVID-19, which amounted to approximately €210 million in Q4, a planned pension expense increase in the Netherlands, transition expenses related to the U.S. supply chain transformation initiative, and other one-time items in the U.S. These impacts were partly offset by a margin benefit of 0.2 percentage points from the calendar effect of a 14-week quarter, compared to 13-week quarter in 2019. Group IFRS-reported operating margin was 0.1% in Q4, impacted by the U.S. multi-employer pension plan withdrawal and settlement agreements.

U.S. comparable store sales excluding gasoline grew 11.2%, due largely to the COVID-19 outbreak. Brand performance was strong across the board. Online sales in the segment were up 128.5% in constant currency. Underlying operating margin in the U.S. was 3.9%, down 0.4 percentage points from the prior year at constant exchange rates, impacted by significant costs related to COVID-19. One-time items and the previously announced transition expenses related to the U.S. supply chain transformation initiative also unfavorably impacted margins by 0.5 percentage points. These impacts were partly offset by a margin benefit of 0.4 percentage points from the calendar effect of a 14-week quarter, compared to 13-week quarter in 2019.

Europe's comparable sales excluding gasoline grew 10.6%, positively impacted by demand related to COVID-19. Net consumer online sales in the segment were up 73.4%. Underlying operating margin in Europe was 5.1%, up 0.1 percentage points from the prior year at constant exchange rates. Operating leverage from higher sales growth was offset in part by higher costs related to COVID-19 as well as €11 million of pension expense in the Netherlands during the quarter. There was a margin benefit of 0.1 percentage points from the calendar effect of a 14-week quarter, compared to a 13-week quarter in 2019.

At bol.com, the online retail platform in the Benelux included within the Europe segment's results, net consumer sales grew by 69.6%. Bol.com's sales from third-party sellers grew 110% in the quarter, with over 41,000 merchant partners on the platform.

Underlying income from continuing operations was €561 million, down 1.0% in the quarter. Ahold Delhaize's net loss was €9 million, down in the quarter due primarily to previously announced provisions for U.S. multi-employer pension plan withdrawal and settlement agreements, which amounted to €841 million. Diluted EPS was €(0.01) and diluted underlying EPS was €0.53, up 2.8%. In the quarter, 12.3 million shares were purchased for €296 million, bringing the total amount to €1,001 million in 2020.

Outlook

COVID-19 continues to create significant uncertainty in 2021. In addition, COVID-19, and to a smaller extent, a 53-week calendar, significantly distorted Ahold Delhaize's 2020 financial results. Lapping these effects will impact 2021 results, which returns to a 52-week calendar.

In 2021, underlying operating margin is expected to be at least 4%. This outlook reflects a balanced approach with cost savings largely offsetting cost pressures. As there continues to be significant uncertainty due to COVID-19, a more specific range is not provided.

Underlying EPS is expected to grow by mid- to high-single digits relative to 2019. 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.

Free cash flow is expected to be 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 accelerated investments in digital and omnichannel capabilities and investments needed to improve recent M&A operations and capabilities. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2021, as previously stated.

	Full-year outlook	Underlying operating margin[1]	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow[2]	Dividend payout ratio[3 4]	Share buyback[4]
Updated outlook	**2021**	**At least 4%**	**Mid- to high-single-digit growth vs. 2019**	**> €750 million**	**~ €2.2 billion**	**~ €1.6 billion**	**40-50% year-over-year increase 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. The margin includes a dilution of $50 million in transition expenses from the U.S. supply chain initiative.*
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.*

Pro forma information: financial data on a 13/52-week basis

Considering that the financial year consisted of 53 weeks in 2020, compared with 52 weeks in 2019, with the last quarter of 2020 having 14 weeks, compared to 13 weeks in 2019, Ahold Delhaize has prepared pro forma information in order to provide a comparable base for the results. The pro forma information presented below is intended to provide comparable information on a 13-week basis for the fourth quarter and 52-week basis for the full year of 2020 versus 2019.

This pro forma information represents an estimate of the results related to a 13-week period for Q4 2020 and a 52-week period for the full-year 2020, and is calculated by deducting the estimated results related to the 53rd week of 2020 from the reported results for the fourth quarter and the full-year 2020, as presented in the other sections of this summary report.

€ million, except per share data	Pro forma information											
	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
	Q4 2020	% change constant rates	Q4 2020	% change constant rates	Q4 2020	% change constant rates	2020	% change constant rates	2020	% change constant rates	2020	% change constant rates
	(13 weeks 2020 vs. 2019)						(52 weeks 2020 vs. 2019)					
Net sales	18,415	10.9 %	10,627	10.3 %	7,788	11.6 %	73,551	12.4 %	44,673	13.4 %	28,879	10.6 %
Online sales	1,743	63.4 %	581	109.5 %	1,163	47.2 %	5,422	56.2 %	1,916	99.4 %	3,506	39.8 %
Net consumer online sales	2,428	71.7 %	581	109.5 %	1,848	62.5 %	7,400	63.5 %	1,916	99.4 %	5,483	53.9 %
Underlying operating margin	3.9 %	(0.5)pts	3.5 %	(0.8)pts	5.0 %	— pts	4.8 %	0.6 pts	5.4 %	1.0 pts	4.5 %	(0.1)pts
Diluted underlying EPS	0.47	(6.0) %					2.20	31.4 %				

Group performance

€ million, except per share data	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	% change	% change constant rates	2020 (53 weeks)	2019 (52 weeks)	% change	% change constant rates
Net sales[1]	19,600	17,378	12.8 %	18.0 %	74,736	66,260	12.8 %	14.2 %
Of which: online sales[1]	1,869	1,088	71.7 %	75.1 %	5,547	3,493	58.8 %	59.8 %
Net consumer online sales[1,2]	2,604	1,435	81.4 %	84.2 %	7,576	4,547	66.6 %	67.4 %
Operating income	16	749	(97.8)%	(97.7)%	2,191	2,662	(17.7)%	(16.6)%
Income (loss) from continuing operations	(9)	544	NM[3]	NM[3]	1,397	1,767	(20.9)%	(19.7)%
Net income (loss)	(9)	544	NM[3]	NM[3]	1,397	1,766	(20.9)%	(19.7)%
Basic income per share from continuing operations (EPS)	(0.01)	0.50	NM[3]	NM[3]	1.31	1.60	(17.9)%	(16.7)%
Diluted income per share from continuing operations (diluted EPS)	(0.01)	0.50	NM[3]	NM[3]	1.30	1.59	(18.0)%	(16.8)%
Underlying EBITDA[2]	1,529	1,476	3.6 %	8.4 %	6,435	5,510	16.8 %	18.3 %
Underlying EBITDA margin[2]	7.8 %	8.5 %			8.6 %	8.3 %		
Underlying operating income[2]	811	765	6.0 %	10.8 %	3,594	2,777	29.4 %	31.2 %
Underlying operating margin[1,2]	4.1 %	4.4 %			4.8 %	4.2 %		
Underlying income per share from continuing operations – basic (underlying EPS)[2]	0.53	0.52	2.8 %	7.3 %	2.28	1.71	33.4 %	35.4 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS)[1,2]	0.53	0.52	2.8 %	7.3 %	2.26	1.70	33.3 %	35.3 %
Free cash flow[2]	262	1,008	(74.1)%	(73.1)%	2,199	1,843	19.3 %	22.2 %

1. *For comparable information on a pro forma 13/52-week basis, refer to section Pro forma information: financial data on a 13/52-week basis in this summary report.*
2. *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 summarized financial information.*
3. *Not meaningful, as income from continuing operations and net income were losses, and EPS and diluted EPS were negative in Q4 2020.*

Performance by segment

The United States

	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	% change	% change constant rates	2020 (53 weeks)	2019 (52 weeks)	% change	% change constant rates
$ million								
Net sales	13,623	11,473	18.7 %		51,838	44,841	15.6 %	
Of which: online sales	755	330	128.5 %		2,259	1,101	105.1 %	
€ million								
Net sales[1]	11,425	10,368	10.2 %	18.7 %	45,470	40,066	13.5 %	15.6 %
Of which: online sales[1]	632	299	111.9 %	128.5 %	1,968	985	99.8 %	105.1 %
Operating income (loss)	(417)	443	NM[2]	NM[2]	1,006	1,668	(39.7)%	(43.0)%
Underlying operating income	442	442	0.2 %	7.9 %	2,466	1,712	44.1 %	45.5 %
Underlying operating margin[1]	3.9 %	4.3 %			5.4 %	4.3 %		
Comparable sales growth	10.3 %	2.1 %			13.3 %	1.1 %		
Comparable sales growth excluding gasoline	11.2 %	2.3 %			14.4 %	1.4 %		

1. *For comparable information on a pro forma 13/52-week basis, refer to section* Pro forma information: financial data on a 13/52-week basis *in this summary report.*
2. *Not meaningful, as operating income was a loss in Q4 2020.*

Europe

€ million	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	% change	% change constant rates	2020 (53 weeks)	2019 (52 weeks)	% change	% change constant rates
Net sales[1]	8,175	7,010	16.6 %	17.1 %	29,266	26,194	11.7 %	12.1 %
Of which: online sales[1]	1,236	790	56.5 %	56.5 %	3,579	2,508	42.7 %	42.7 %
Net consumer online sales[1]	1,972	1,137	73.4 %	73.4 %	5,608	3,562	57.4 %	57.4 %
Operating income	481	329	46.0 %	46.5 %	1,380	1,140	21.1 %	21.4 %
Underlying operating income	418	354	18.0 %	18.4 %	1,325	1,205	9.9 %	10.3 %
Underlying operating margin[1]	5.1 %	5.1 %			4.5 %	4.6 %		
Comparable sales growth	10.6 %	3.3 %			9.5 %	2.7 %		
Comparable sales growth excluding gasoline	10.6 %	3.3 %			9.6 %	2.7 %		

1. *For comparable information on a pro forma 13/52-week basis, refer to section* Pro forma information: financial data on a 13/52-week basis *in this summary report.*

Global Support Office

€ million	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	% change	% change constant rates	2020 (53 weeks)	2019 (52 weeks)	% change	% change constant rates
Underlying operating loss	(49)	(31)	60.5 %	60.1 %	(197)	(140)	41.0 %	41.1 %
Underlying operating loss excluding insurance results	(53)	(45)	19.1 %	21.1 %	(158)	(143)	10.2 %	10.8 %

In the quarter, underlying Global Support Office costs were €49 million, which was €19 million higher than the prior year, partly as a result of the negative impact of €10 million from insurance. The insurance results reflect mainly the unfavorable discounting effect on the Company's insurance provision.

Financial review

Fourth quarter 2020 (compared to fourth quarter 2019)

Underlying operating income increased by €46 million to €811 million, and was adjusted for the following items, which impacted reported operating income: impairments of €15 million (Q4 2019: €38 million); (gains) and losses on leases and the sale of assets of €(11) million (Q4 2019: €(32) million); and restructuring and related charges and other items of €791 million (Q4 2019: €10 million). The last item includes €841 million expense related to multi-employer pension plans in the U.S. and €107 million gain related to Dutch pension plan amendments. Including these items, operating income decreased by €733 million to €16 million.

Losses from continuing operations were €9 million, representing a decline of €553 million compared to last year. This follows mainly from the €733 million decrease in operating income, which was partly offset by lower income taxes of €176 million.

Free cash flow was €262 million, which represents a decrease of €747 million compared to Q4 2019, mainly driven by lower operating cash flow of €529 million impacted by payments related to pension plan withdrawals and incremental pension funding payments of €592 million, higher net investments of €238 million, higher income taxes paid of €69 million and higher net lease repayments of €54 million, which were partly offset by positive development in working capital of €168 million. The higher income taxes were mainly driven by higher taxable income in the U.S. and timing of payments.

Net debt decreased in Q4 2020 by €11 million to €11,434 million, mainly as a result of the share buyback of €296 million, which was partially offset by the free cash flow of €262 million.

Full year 2020 (compared to full year 2019)

Underlying operating income of €3,594 million (2019: €2,777 million) was adjusted for the below items, in the amount of €1,404 million (2019: €115 million), which impacted reported operating income:

- Impairments of €48 million (2019: €89 million)
- (Gains) and losses on leases and the sale of assets of €(57) million (2019: €(53) million)
- Restructuring and related charges and other items of €1,413 million (2019: €78 million). This includes €1,418 million expense related to multi-employer pension plan withdrawal and settlement agreements in the U.S. related to four multi-employer plans, and €107 million gain related to Dutch pension plan amendments.

Including these items, operating income decreased by €472 million to €2,191 million.

Income from continuing operations was €1,397 million, which was €370 million lower than last year. This mainly reflects the decrease in operating income of €472 million, which was partially offset by lower income taxes of €87 million.

Free cash flow was €2,199 million, or €355 million higher than last year. This increase is mainly the result of higher operating cash flow of €416 million and an improvement in working capital of €605 million, partly offset by higher net investments of €476 million, higher income taxes paid of €128 million and higher net lease repayments of €50 million. The operating cash flow includes payments related to pension plan withdrawals and incremental pension funding payments of €609 million.

Impact of COVID-19

COVID-19 significantly affected the Company's results in the fourth quarter of 2020. Comparable sales growth was largely driven by the changes in consumer behavior as a result of COVID-19. The higher operating leverage due to the increased sales was in part offset by the significantly higher costs related to COVID-19 in Q4 of approximately €210 million, for approximately €680 million year to date. 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, mainly to tenants in the U.S. market. As a result of the COVID-19 outbreak, which resulted in an increase in online sales demand, the Company accelerated investments in digital and omnichannel capabilities. It also incurred additional costs related to several safety measures implemented throughout its operations to protect associates and customers, enhanced associate pay and benefits, and increased charitable donations to support local communities.

It is challenging to determine the future impact of COVID-19 on the business. The pandemic has created an uncertain environment that could result in a significant deceleration of comparable sales growth versus 2020 performance, a continued surge in demand for online offerings, increased safety requirements and government restrictions, ongoing product availability constraints in the supply chain, an increased level of promotions in the Company's markets, and continuing volatility and/or increases in COVID-19 health, safety and labor expenses. The expectations for the outlook on 2021 results have been included in the Outlook section in this summary report.

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

The Company's liquidity position was positively impacted as a result of the higher sales in 2020. Higher cash balances were invested in accordance with the Company's investment policy, with a focus on capital preservation and risk diversification. The Company has procedures in place to monitor counterparty credit risk.

Dividend per share

Ahold Delhaize's policy is to target a dividend payout ratio range of 40-50% of its underlying income from continuing operations. The payout ratio is assessed on a 52-week year basis to permit a sustainable comparable year-on-year dividend per share growth. As part of our dividend policy, we adjust income from continuing operations for impairment losses and reversals – net, gains (losses) on leases and the sale of assets – net, restructuring and related charges, and other unusual items. Underlying income from continuing operations for 52 weeks amounted to an estimated €2,358 million in 2020 and €1,888 million in 2019, respectively.

We propose a cash dividend of €0.90 per share for the financial year 2020, an increase of 18.4% compared to 2019, reflecting our ambition to sustainably grow the dividend per share. This represents a payout ratio of 40% of underlying income from continuing operations for 52 weeks.

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020. The total dividend payment for the full year 2020 would, therefore, total €0.90 per share.

The interim dividend per share for 2021 will be announced on August 11, 2021, the date of the release of the second quarter results, and will be equal to 40% of the year-to-date underlying income per share from continuing operations.

Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, January 3, 2021, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2019.

Risks and uncertainties

Ahold Delhaize's enterprise risk management program provides the Company with a periodic and comprehensive understanding of Ahold Delhaize's key business risks and the management practices, policies and procedures in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance/regulatory risk categories. While our principal risks have not changed significantly compared to those disclosed within the Annual Report 2019, the COVID-19 outbreak has directly impacted our business operations and increased our overall risk profile. In particular, the principal risks relating to business continuity and the competitive environment are heightened, due to supply chain disruption and the rapid channel shift to online, respectively. Our material ESG topics and risks relating to the health and safety of our customers and associates also increased due to the COVID-19 outbreak. The Company has initiated several actions to mitigate the impact of the COVID-19 outbreak on our business, with a focus on protecting our associates and customers, ensuring the continuity of our operations and reviewing our strategy to expedite additional investments in 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 *Risks and material ESG impacts* section of Ahold Delhaize's Annual Report 2020, which will be published on March 3, 2021.

Auditor's involvement

The summarized financial information and other reported data in this press release have not been audited.

Consolidated income statement

€ million, except per share data	Note	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	2020 (53 weeks)	2019 (52 weeks)
Net sales	5/6	19,600	17,378	74,736	66,260
Cost of sales	7	(14,238)	(12,629)	(54,053)	(48,200)
Gross profit		**5,362**	**4,749**	**20,683**	**18,060**
Selling expenses		(3,805)	(3,408)	(14,374)	(13,021)
General and administrative expenses		(1,540)	(592)	(4,118)	(2,377)
Total operating expenses	7	(5,345)	(4,000)	(18,492)	(15,397)
Operating income	5	**16**	**749**	**2,191**	**2,662**
Interest income		6	13	35	65
Interest expense		(37)	(37)	(138)	(175)
Net interest expense on defined benefit pension plans		(4)	(4)	(16)	(18)
Interest accretion to lease liability		(87)	(93)	(357)	(366)
Other financial income (expense)		10	(10)	(9)	(35)
Net financial expenses		(111)	(132)	(485)	(528)
Income (loss) before income taxes		**(94)**	**617**	**1,706**	**2,134**
Income taxes	8	80	(96)	(331)	(417)
Share in income of joint ventures		5	22	22	50
Income (loss) from continuing operations		**(9)**	**544**	**1,397**	**1,767**
Income (loss) from discontinued operations		—	—	—	(1)
Net income (loss) attributable to common shareholders		**(9)**	**544**	**1,397**	**1,766**
Net income (loss) per share attributable to common shareholders					
Basic		(0.01)	0.50	1.31	1.60
Diluted		(0.01)	0.50	1.30	1.59
Income (loss) from continuing operations per share attributable to common shareholders					
Basic		(0.01)	0.50	1.31	1.60
Diluted		(0.01)	0.50	1.30	1.59
Weighted average number of common shares outstanding (in millions)					
Basic		1,052	1,092	1,067	1,107
Diluted		1,057	1,097	1,072	1,112
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8388	0.9037	0.8770	0.8934

Consolidated statement of comprehensive income

€ million	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	2020 (53 weeks)	2019 (52 weeks)
Net income (loss)	**(9)**	**544**	**1,397**	**1,766**
Remeasurements of defined benefit pension plans:				
Remeasurements before taxes – income (loss)	(75)	67	(108)	(76)
Income taxes	17	(14)	25	18
Other comprehensive income (loss) that will not be reclassified to profit or loss	(58)	53	(83)	(58)
Currency translation differences in foreign interests:				
Continuing operations	(501)	(221)	(999)	241
Income taxes	(1)	(1)	1	(2)
Cash flow hedges:				
Fair value result for the period	—	—	—	(5)
Transfers to net income	—	—	1	3
Income taxes	—	—	—	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	(503)	(221)	(997)	238
Total other comprehensive income (loss)	**(561)**	**(167)**	**(1,080)**	**180**
Total comprehensive income (loss) attributable to common shareholders	**(570)**	**376**	**316**	**1,945**
Attributable to:				
Continuing operations	(570)	376	316	1,946
Discontinued operations	—	—	—	(1)
Total comprehensive income (loss) attributable to common shareholders	**(570)**	**376**	**316**	**1,945**

Consolidated balance sheet

€ million	Note	January 3, 2021	December 29, 2019
Assets			
Property, plant and equipment		10,696	10,519
Right-of-use asset		7,455	7,308
Investment property		739	883
Intangible assets		11,565	12,060
Investments in joint ventures and associates		227	229
Other non-current financial assets		705	661
Deferred tax assets		323	213
Other non-current assets		53	49
Total non-current assets		**31,764**	**31,920**
Assets held for sale		19	67
Inventories		3,245	3,347
Receivables		1,975	1,905
Other current financial assets		360	317
Income taxes receivable		58	39
Prepaid expenses		337	178
Cash and cash equivalents	11	2,933	3,717
Total current assets		**8,928**	**9,570**
Total assets		**40,692**	**41,490**
Equity and liabilities			
Equity attributable to common shareholders	9	**12,432**	**14,083**
Loans		3,863	3,841
Other non-current financial liabilities		8,905	8,716
Pensions and other post-employment benefits	10	1,235	677
Deferred tax liabilities		664	786
Provisions		718	724
Other non-current liabilities		63	74
Total non-current liabilities		**15,448**	**14,818**
Accounts payable		6,795	6,311
Other current financial liabilities		2,386	3,257
Income taxes payable		128	82
Provisions		378	349
Other current liabilities		3,125	2,591
Total current liabilities		**12,812**	**12,590**
Total equity and liabilities		**40,692**	**41,490**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8187	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		—	—	—	—	1,766	**1,766**
Other comprehensive income (loss)		—	—	239	(1)	(58)	**180**
Total comprehensive income (loss) attributable to common shareholders		—	—	239	(1)	1,708	**1,945**
Dividends		—	—	—	—	(1,114)	**(1,114)**
Share buyback		—	—	—	—	(1,002)	**(1,002)**
Cancellation of treasury shares		(1)	(1,753)	—	—	1,753	**—**
Share-based payments		—	—	—	—	47	**47**
Other items		—	—	—	—	1	**1**
Balance as of December 29, 2019		**11**	**12,246**	**159**	**(3)**	**1,670**	**14,083**
Net income attributable to common shareholders		—	—	—	—	1,397	**1,397**
Other comprehensive income (loss)		—	—	(997)	1	(84)	**(1,080)**
Total comprehensive income (loss) attributable to common shareholders		—	—	(997)	1	1,313	**316**
Dividends	9	—	—	—	—	(1,026)	**(1,026)**
Share buyback	9	—	—	—	—	(1,001)	**(1,001)**
Share-based payments		—	—	—	—	61	**61**
Other items		—	—	—	—	(1)	**(1)**
Balance as of January 3, 2021		**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**

Consolidated statement of cash flow

€ million	Note	Q4 2020 (14 weeks)	Q4 2019 (13 weeks)	2020 (53 weeks)	2019 (52 weeks)
Income (loss) from continuing operations		(9)	544	1,397	1,767
Adjustments for:					
Net financial expenses		111	132	485	528
Income taxes		(80)	96	331	417
Share in income of joint ventures		(5)	(22)	(22)	(50)
Depreciation, amortization and impairments	7	733	751	2,892	2,848
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(10)	(31)	(64)	(53)
Share-based compensation expenses		17	4	59	51
Operating cash flows before changes in operating assets and liabilities		756	1,473	5,078	5,508
Changes in working capital:					
Changes in inventories		49	(14)	(89)	(104)
Changes in receivables and other current assets		(264)	(190)	(301)	(107)
Changes in payables and other current liabilities		915	737	1,319	535
Changes in other non-current assets, other non-current liabilities and provisions		161	(27)	821	(25)
Cash generated from operations		1,617	1,978	6,828	5,807
Income taxes paid – net		(93)	(24)	(486)	(358)
Operating cash flows from continuing operations		1,525	1,954	6,343	5,449
Net cash from operating activities		**1,525**	**1,954**	**6,343**	**5,449**
Purchase of non-current assets		(834)	(657)	(2,659)	(2,218)
Divestments of assets / disposal groups held for sale		17	77	108	144
Acquisition of businesses, net of cash acquired	4	—	(20)	(4)	(43)
Divestment of businesses, net of cash divested		(1)	(1)	(3)	(11)
Changes in short-term deposits and similar instruments		197	88	(60)	253
Dividends received from joint ventures		1	20	16	36
Interest received		4	10	24	56
Lease payments received on lease receivables		24	25	99	94
Other		7	—	3	1
Investing cash flows from continuing operations		(586)	(457)	(2,475)	(1,687)
Net cash from investing activities		**(586)**	**(457)**	**(2,475)**	**(1,687)**
Proceeds from long-term debt		10	—	507	596
Interest paid		(50)	(50)	(149)	(189)
Repayments of loans		(6)	(41)	(438)	(656)
Changes in short-term loans		(3,350)	(521)	(556)	689
Repayment of lease liabilities		(424)	(371)	(1,584)	(1,530)
Dividends paid on common shares	9	—	—	(1,026)	(1,114)
Share buyback	9	(296)	(228)	(1,001)	(1,002)
Other cash flows from derivatives		—	—	2	(5)
Other		1	—	(6)	(17)
Financing cash flows from continuing operations		(4,115)	(1,211)	(4,251)	(3,227)
Net cash from financing activities		**(4,115)**	**(1,211)**	**(4,251)**	**(3,227)**
Net cash from operating, investing and financing activities		**(3,176)**	**286**	**(383)**	**535**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		6,289	3,453	3,701	3,110
Effect of exchange rates on cash and cash equivalents		(202)	(38)	(408)	56
Cash and cash equivalents at the end of the period (excluding restricted cash)	11	**2,910**	**3,701**	**2,910**	**3,701**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8388	0.9037	0.8770	0.8934

Notes to the summarized financial information

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.

This summarized financial information is unaudited.

2. Accounting policies

Basis of preparation

This summarized financial information has been prepared in accordance with the accounting policies as applied by Ahold Delhaize and 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 consisted 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.

This summarized financial information does not constitute the full financial statements within the meaning of Part 9 of Book 2 of the Dutch Civil Code. The full-year 2020 numbers included in the summarized financial information in this communication are derived from Ahold Delhaize's 2020 Financial Statements as included in the Annual Report 2020. This Annual Report has not been authorized for issue and the Company has the ability to amend the financial statements up to the moment the financial statements have been adopted by the General Meeting of Shareholders. The Annual Report has not yet been published by law and still has to be adopted by the annual General Meeting of Shareholders on April 14, 2021.

The full Annual Report 2020 will be available for download on the Ahold Delhaize website (www.aholddelhaize.com) as of March 3, 2021.

Segmentation

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

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

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

COVID-19

The COVID-19 pandemic affected the Company’s results, balance sheet and cash flows presented in this summarized financial information. The impact of the pandemic on significant accounting policies is disclosed below.

Use of estimates

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

Impairments

Cash-generating units to which goodwill and brand names have been allocated as well as intangible assets under development and other intangible assets with indefinite lives are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit or asset may be impaired. During 2020, COVID-19 and the resulting changes in the economic environment did not result in such an indication. The annual impairment test was conducted during the fourth quarter and did not result in an impairment.

Pension obligations and self-insurance program provision

The Company's pension and self-insurance provisions are impacted by the increased economic uncertainty and related risks. In 2020, most discount rates used to discount the pension obligations and self-insurance program decreased compared to 2019. The impact of the lower discount rates has been reflected in 2020. The self-insured provision-related claims data has been revised and includes COVID-19-related claims. The projected losses for 2020 are based on the adjusted exposure estimates. However, there is still limited experience data available and our actuarial analysis does not make any adjustments for the impact of COVID-19, either from a claims standpoint or its effect on economic and legal activity, except for the reported COVID-19 claims. The level of uncertainty and underlying volatility in the potential future outcome increase as a result of COVID-19.

Income taxes

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

Impairment testing financial assets

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

Fair value measurements

Of the Company’s categories of financial instruments, only derivatives, investment in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The increased volatility and uncertainty in the financial markets did not materially impact the fair values of these financial assets.

New and revised IFRSs effective in 2020

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

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

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

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

3. Alternative performance measures

This summarized financial information 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.

Basic and diluted underlying income per share from continuing operations

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

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

Free cash flow

€ million	Q4 2020	Q4 2019	2020	2019
Operating cash flows from continuing operations before changes in working capital and income taxes paid	917	1,446	5,899	5,483
Changes in working capital	700	532	929	325
Income taxes paid – net	(93)	(24)	(486)	(358)
Purchase of non-current assets	(834)	(657)	(2,659)	(2,218)
Divestments of assets / disposal groups held for sale	17	77	108	144
Dividends received from joint ventures	1	20	16	36
Interest received	4	10	24	56
Interest paid	(50)	(50)	(149)	(189)
Lease payments received on lease receivables	24	25	99	94
Repayment of lease liabilities	(424)	(371)	(1,584)	(1,530)
Free cash flow	**262**	**1,008**	**2,199**	**1,843**

Net debt

€ million	January 3, 2021	September 27, 2020	December 29, 2019
Loans	3,863	3,948	3,841
Lease liabilities	8,442	8,435	8,484
Non-current portion of long-term debt	12,305	12,383	12,325
Short-term borrowings and current portion of long-term debt	2,249	5,772	3,119
Gross debt	14,554	18,154	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]	3,119	6,709	3,863
Net debt	**11,434**	**11,445**	**11,581**

1. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at January 3, 2021, was €58 million (September 27, 2020: €264 million, December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.*
2. *Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €129 million (September 27, 2020: €137 million, December 29, 2019: €130 million).*
3. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at January 3, 2021, was €441 million (September 27, 2020: €359 million, December 29, 2019: €277 million).*
4. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €681 million (September 27, 2020: €3,870 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	Q4 2020	Q4 2019	2020	2019
Underlying operating income	**811**	**765**	**3,594**	**2,777**
Depreciation and amortization[1]	718	711	2,840	2,732
Underlying EBITDA	**1,529**	**1,476**	**6,435**	**5,510**

1. *The difference between the total amount of depreciation and amortization for 2020 of €2,844 million (2019: €2,758 million) and the €2,840 million (2019: €2,732 million) mentioned here relates to items that were excluded from underlying operating income.*

Underlying income from continuing operations

€ million, except per share data	Q4 2020	Q4 2019	2020	2019
Income (loss) from continuing operations	**(9)**	**544**	**1,397**	**1,767**
Adjustments to operating income	794	16	1,404	115
Unusual items in net financial expenses	—	13	—	37
Tax effect on adjusted and unusual items	(224)	(6)	(373)	(30)
Underlying income from continuing operations	**561**	**566**	**2,427**	**1,888**
Underlying income from continuing operations for the purpose of diluted earnings per share	**561**	**566**	**2,427**	**1,888**
Basic income (loss) per share from continuing operations[1]	(0.01)	0.50	1.31	1.60
Diluted income (loss) per share from continuing operations[2]	(0.01)	0.50	1.30	1.59
Underlying income per share from continuing operations – basic[1]	0.53	0.52	2.28	1.71
Underlying income per share from continuing operations – diluted[2]	0.53	0.52	2.26	1.70

1. *Basic and underlying earnings per share from continuing operations are calculated by dividing the (underlying) income (loss) 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 Q4 2020 is 1,052 million (Q4 2019: 1,092 million).*
2. *The diluted earnings per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income (loss) 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 Q4 2020 is 1,057 million (Q4 2019: 1,097 million).*

4. Business combinations and goodwill

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

€ million	2020
Property, plant and equipment	1
Right-of-use asset	2
Cash and cash equivalents	1
Other current assets	1
Loans	(1)
Lease liabilities	(1)
Current liabilities	(3)
Net identifiable assets acquired	—
Goodwill	5
Total purchase consideration	**5**
Cash acquired	(1)
Acquisition of businesses, net of cash	**4**

Goodwill is attributable to the profitability of the acquired businesses and the synergies that are expected to result. The goodwill resulting from the acquisitions is not deductible for tax purposes.

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	(407)
Closing carrying amount	**6,831**
As of January 3, 2021	
At cost	6,839
Accumulated impairment losses	(8)
Closing carrying amount	**6,831**

Acquisitions subsequent to balance sheet date

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. The transaction was closed on January 5, 2021.

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. The closing date for the distribution center will be no later than four weeks following the last store closing or May 1, 2021.

For more information on these acquisitions, see *Note 15*.

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 this summarized financial information 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 ("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.*

Q4 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	11,425	8,175	—	**19,600**
Of which: online sales	632	1,236	—	**1,869**
Operating income (loss)	(417)	481	(48)	**16**
Impairment losses and reversals – net	8	7	—	**15**
(Gains) losses on leases and the sale of assets – net	(10)	(1)	—	**(11)**
Restructuring and related charges and other items	862	(69)	(2)	**791**
Adjustments to operating income	*859*	*(63)*	*(2)*	***794***
Underlying operating income (loss)	442	418	(49)	**811**

Q4 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	10,368	7,010	—	**17,378**
Of which: online sales	299	790	—	**1,088**
Operating income (loss)	443	329	(23)	**749**
Impairment losses and reversals – net	32	6	—	**38**
(Gains) losses on leases and the sale of assets – net	(26)	(2)	(4)	**(32)**
Restructuring and related charges and other items	(7)	21	(4)	**10**
Adjustments to operating income	*(1)*	*25*	*(7)*	***16***
Underlying operating income (loss)	442	354	(31)	**765**

Full year 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	45,470	29,266	—	**74,736**
Of which: online sales	1,968	3,579	—	**5,547**
Operating income (loss)	1,006	1,380	(195)	**2,191**
Impairment losses and reversals – net	27	21	—	**48**
(Gains) losses on leases and the sale of assets – net	(20)	(37)	—	**(57)**
Restructuring and related charges and other items	1,454	(39)	(2)	**1,413**
Adjustments to operating income	*1,461*	*(56)*	*(2)*	***1,404***
Underlying operating income (loss)	2,466	1,325	(197)	**3,594**

Full year 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	40,066	26,194	—	**66,260**
Of which: online sales	985	2,508	—	**3,493**
Operating income (loss)	1,668	1,140	(146)	**2,662**
Impairment losses and reversals – net	67	22	—	**89**
(Gains) losses on leases and the sale of assets – net	(39)	(9)	(4)	**(53)**
Restructuring and related charges and other items	16	52	10	**78**
Adjustments to operating income	*44*	*65*	*6*	***115***
Underlying operating income (loss)	1,712	1,205	(140)	**2,777**

Additional information

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

$ million	Q4 2020	Q4 2019	2020	2019
Net sales	13,623	11,473	51,838	44,841
Of which: online sales	755	330	2,259	1,101
Operating income (loss)	(514)	490	1,064	1,867
Underlying operating income	527	489	2,789	1,916

6. Net sales

Q4 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	10,747	5,170	15,917
Sales to and fees from franchisees and affiliates	—	1,756	1,756
Online sales	632	1,236	1,869
Wholesale sales	45	12	58
Net sales	**11,425**	**8,175**	**19,600**

Q4 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores[1]	10,032	4,697	14,729
Sales to and fees from franchisees and affiliates	—	1,511	1,511
Online sales	299	790	1,088
Wholesale sales	38	13	51
Net sales	**10,368**	**7,010**	**17,378**

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.*

Full year 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	43,324	19,069	62,392
Sales to and fees from franchisees and affiliates	—	6,566	6,566
Online sales	1,968	3,579	5,547
Wholesale sales	179	52	230
Net sales	**45,470**	**29,266**	**74,736**

Full year 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores[1]	38,931	17,801	56,733
Sales to and fees from franchisees and affiliates	—	5,837	5,837
Online sales	985	2,508	3,493
Wholesale sales	149	48	197
Net sales	**40,066**	**26,194**	**66,260**

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 and operating expenses is specified by nature as follows:

€ million	Q4 2020	Q4 2019	2020	2019
Cost of product	13,534	12,052	51,453	46,014
Labor costs	3,677	2,514	12,341	9,665
Other operational expenses	1,675	1,377	6,019	5,244
Depreciation and amortization	718	713	2,844	2,758
Rent expenses	14	14	59	66
Rent income	(38)	(47)	(162)	(187)
Impairment losses and reversals – net	15	38	48	89
(Gains) losses on leases and the sale of assets – net	(11)	(32)	(57)	(53)
Total expenses by nature	**19,583**	**16,629**	**72,545**	**63,598**

8. Income taxes

Ahold Delhaize's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

€ million	2020	Tax rate
Income before income taxes	1,706	
Income tax expense at statutory tax rate	(427)	25.0 %
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	55	(3.2)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	42	(2.5)%
Non-taxable income (expense)	15	(0.9)%
Other	(16)	0.9 %
Total income taxes	**(331)**	**19.4 %**

€ million	2019	Tax rate
Income before income taxes	2,134	
Income tax expense at statutory tax rate	(534)	25.0 %
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	63	(3.0)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	15	(0.7)%
Non-taxable income (expense)	(6)	0.3 %
Other	50	(2.3)%
Subtotal income taxes[1]	(412)	19.3 %
Tax rate changes as a result of local tax reforms	(5)	0.2 %
Total income taxes	**(417)**	**19.6 %**

1 Excluding the impact of tax rate changes due to local tax reforms.

The rate differential indicates the effect of Ahold Delhaize's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans. These incremental pension liabilities reduced our U.S. earnings before tax significantly, impacting the rate differential. If we were to exclude these incremental pension liabilities, our reported effective tax rate would increase from 19.4% to 23% on a pro forma basis.

Other includes discrete items and one-time transactions. For 2020, it includes a net tax expense of €34 million related to the movement of uncertain tax positions in several jurisdictions. For 2019, it includes €26 million tax income related to releases of uncertain tax positions in several jurisdictions for which tax audits were finalized or the statute of limitations expired.

9. Equity attributable to common shareholders

Dividend on common shares

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

On August 5, 2020, the Company announced the interim dividend for 2020 of €0.50 per common share, which was paid on August 27, 2020.

Share buyback

The share buyback program of €1 billion that started on January 2, 2020, was successfully completed on December 3, 2020. In total, 43,416,759 of the Company's own shares were repurchased at an average price of €23.03 per share. The related transaction costs amounted to €1 million.

On January 4, 2021, the Company commenced the €1 billion share buyback program that was announced on November 4, 2020. The program is expected to be completed before the end of 2021.

The number of outstanding common shares as of January 3, 2021, was 1,047,035,604 (December 29, 2019: 1,087,955,597).

10. Pensions and other post-employment benefits

The below detailed withdrawals and settlement agreement related to the National Plan, 1500 Plan and FELRA/MAP improve the security of pension benefits for associates and have greatly reduced Ahold Delhaize's financial exposure to the multi-employer pension plans of its U.S. brands, Giant Food and Stop & Shop, resulting in a reduction in the Ahold Delhaize multi-employer plan off-balance sheet liabilities.

National Plan

Ahold Delhaize announced on November 30, 2020, that the UFCW Locals of its U.S. brand Stop & Shop had ratified the agreement to terminate participation in the United Food & Commercial Workers International Union – Industry Pension Fund (the "National Plan"). The Company announced on July 21, 2020, that it reached a tentative agreement to terminate its participation in the National Plan. The agreement improves the security of pension benefits for associates and reduces financial risk for the Company. Stop & Shop will pay the National Plan withdrawal liability of $649 million (€567 million), on a pre-tax basis, to fulfill Stop & Shop's obligations for past service for associates and retirees in the National Plan. Stop & Shop also made an $18 million (€16 million) contribution to a transition reserve for a new variable annuity pension plan. This results in a total payment of $667 million (€583 million). The withdrawal liability will be satisfied by installment payments to the National Plan over the next three years. Ahold Delhaize recognized a liability for the net present value in the amount of $634 million (€559 million), marginally updated from the reported number in Q3 2020. On an after-tax basis, the withdrawal liability and contribution to the transition reserve total approximately $480 million (€423 million). In 2020, $477 million (€394 million) was paid.

1500 Plan

Ahold Delhaize announced on December 18, 2020, that its U.S. brand Stop & Shop had reached an agreement to terminate its participation in the United Food & Commercial Workers (UFCW) – Local 1500 Pension Fund (the "1500 Plan"). The agreement improves the security of pension benefits for associates and reduces financial risk for the Company. Stop & Shop will pay the 1500 Plan withdrawal liability of $225 million (~€184 million), on a pre-tax basis, to fulfill Stop & Shop's obligations for past service for associates and retirees in the 1500 Plan. In addition, Stop & Shop will pay $4.1 million (~€3.4 million) to the defined contribution plan to provide transition benefits to certain plan participants who are near retirement.

The withdrawal liability will be satisfied by installment payments to the 1500 Plan over the next three years. Ahold Delhaize therefore recognized a liability for the net present value in the amount of $222 million (€183 million). On an after-tax basis, the withdrawal liability and contribution to the transition reserve total approximately $168 million (€139 million). In 2020, $112.5 million (€93 million) was paid.

FELRA / MAP

Ahold Delhaize announced on January 1, 2021, the conclusion of negotiations by its U.S. subsidiary, Giant Food, regarding certain of its multi-employer pension plans. Giant Food, UFCW Locals 27 and 400 (collectively the "Union Locals") and the Pension Benefit Guaranty Corporation ("PBGC") reached an agreement on Giant Food's funding obligations with respect to two multi-employer pension plans: 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"). As a result of this agreement, the PBGC has approved the combining of MAP into FELRA (the "Combined Plan") and has agreed to provide financial assistance to the Combined Plan following its insolvency, which is currently projected to occur in 2022. The agreement is intended to resolve all of Giant Food's existing liabilities with respect to the FELRA and MAP Plans and improves the security of pension benefits for associates and reduces financial risk for Giant Food.

The agreement consists of the following components:

- Following the combination of FELRA and MAP, the PBGC will provide financial assistance to the Combined Plan to fund benefit payments up to the level guaranteed by the PBGC. Giant Food will pay the withdrawal liability to the Combined Plan in monthly installments, commencing in February 2021 for the next 25 years.
- Giant Food will create a new single-employer plan to cover benefits accrued by Giant Food associates under the Combined Plan that exceed the PBGC's guarantee level following the Combined Plan's insolvency ("excess benefits").
- Giant Food will create a new multi-employer plan with another employer to provide excess benefits for certain other participants in the Combined Plan for whom Giant Food previously assumed responsibility. Giant Food intends to exercise its option to withdraw from this plan, which is currently estimated to be approximately $10 million (€8 million) in total, at some point during the next few years.

As part of establishing these plans, Giant Food recorded a pension-related liability for the net present value in the amount of $609 million (€502 million) and a $211 million (€174 million) defined benefit obligation. This pension-related liability and defined benefit obligation were recorded as a non-cash, pre-tax charge to pension expense. On an after-tax basis, the charge amounts to approximately $567 million (€468 million).

The PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC's 2026 fiscal year. If the PBGC's multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent multi-employer plans. Various legislative initiatives to assist the PBGC and/or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted. The settlement agreement to which Giant Food is a party requires the

Company to fund benefit payments up to the level guaranteed by the PBGC when the PBGC Insolvency Benefits would become effective. The PBGC Insolvency Benefits are the pension benefits that are guaranteed by the PBGC. If the PBGC goes without funding, the PBGC-guaranteed pension benefits will move to the new single-employer plan.

Dutch pension plan

As of year-end 2020, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 101.5%. Under the financing agreement with Ahold Delhaize Pensioen, contributions are made as a percentage of employees' pension bases and shared between Ahold Delhaize and the employees. The agreement also allows for a reduction in premiums if certain funding conditions are met. In addition, Ahold Delhaize can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105%. At year-end 2016, the funding ratio was 104% and the Company and Ahold Delhaize Pensioen agreed to an additional funding of €28 million under the financing agreement, which was included in the 2017 cash contributions. In 2020, the Company and Ahold Delhaize Pensioen agreed to the remaining additional funding of €122 million, which was paid in 2020 and is included in the 2020 cash contributions.

During 2020, Ahold Delhaize amended its defined benefit pension plan in the Netherlands. The plan amendments include an increase of the maximum pensionable salary limit, a decrease in accrual rate from 2.0% to 1.75%, and an increase in the level of employer and employee contributions. The effect of all amendments was a net past service cost gain in the income statement of €107 million. This gain was adjusted from operating income to come to underlying operating income.

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	January 3, 2021	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	2,910	3,701
Restricted cash	23	17
Cash and cash equivalents as presented on the balance sheet	**2,933**	**3,717**

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €681 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	January 3, 2021		December 29, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	47	52	59	65
Trade and other (non-)current receivables	1,982	1,982	1,914	1,914
Lease receivable	442	468	444	473
Cash and cash equivalents	2,933	2,933	3,717	3,717
Short-term deposits and similar instruments	58	58	15	15
	5,461	5,493	6,150	6,185
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	254	254	236	236
Investments in debt instruments	138	138	141	141
	391	391	377	377
Derivative financial instruments				
Derivatives	—	—	—	—
Total financial assets	**5,853**	**5,884**	**6,527**	**6,562**

€ million	January 3, 2021		December 29, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(3,920)	(4,422)	(3,962)	(4,246)
Other loans	(2)	(2)	(3)	(3)
Financing obligations	(214)	(176)	(263)	(216)
Mortgages payable	(74)	(80)	(66)	(65)
Accounts payable	(6,795)	(6,795)	(6,311)	(6,311)
Short-term borrowings	(757)	(757)	(1,455)	(1,455)
Interest payable	(33)	(33)	(37)	(37)
Other	(319)	(337)	(92)	(97)
	(12,115)	(12,603)	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(248)	(248)	(238)	(238)
Derivative financial instruments				
Derivatives	—	—	(1)	(1)
Total financial liabilities excluding lease liabilities	**(12,363)**	**(12,851)**	**(12,429)**	**(12,669)**
Lease liabilities	(9,586)	N/A	(9,696)	N/A
Total financial liabilities	**(21,949)**	**N/A**	**(22,125)**	**N/A**

Issuance of a bond

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

Credit facility

Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated credit facility. In December 2020, the facility was amended and extended to 2023, with two one-year extension options. The credit facility has a mechanism to adjust the margin based on the Company's performance on predefined sustainability targets. It contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2, respectively, not to exceed a maximum leverage ratio of 5.5:1.

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 January 3, 2021, 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 *Note 35* of Ahold Delhaize's 2019 Financial Statements, as included in the Annual Report 2019, published on February 26, 2020.

A comprehensive overview of commitments and contingencies as of January 3, 2021, will be provided in Ahold Delhaize's 2020 Financial Statements, as included in the Annual Report 2020, which will be published on March 3, 2021. The most significant updates are presented below.

U.S. supply chain

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

Contingent liabilities

In December 2020, Ahold Delhaize subsidiary Delhaize Le Lion/De Leeuw SCA ("DLL") received an adjustment notice from the Belgian tax authorities relating to its filed tax return for 2018. In 2018, DLL executed a common control transaction and transferred the former Delhaize USA business from DLL to Koninklijke Ahold Delhaize N.V. with the purpose of combining the former Delhaize USA business with the former Ahold USA business in order to simplify the legal structure and to elect to file one consolidated federal tax return within the United States. This transaction is tax exempt in Belgium for DLL and falls under the participation exemption in the Netherlands for the receiving entity Koninklijke Ahold Delhaize N.V. The valuation to support the at arm's length principles of the transfer of the underlying Delhaize USA business is supported by an external valuation report. Within the adjustment notice, the Belgian tax authorities informed the Company that, in their opinion, the valuation of the underlying business does not reflect its true market value and they rejected the external valuation report as, in their view, the valuation report is not based on at arm's length principles. Although the entire transaction was tax exempt in Belgium, a correction on the transaction value would be a taxable event under the Belgian tax code. The maximum exposure relating to this adjustment notice amounts to €380 million. Ahold Delhaize disagrees with this position and, in our opinion, the adjustment notice is without any merit and we will vigorously oppose and defend ourselves against it. We filed an objection letter to the adjustment notice. The Belgian tax authorities could decide to issue an additional assessment to our 2018 filed tax return when they disagree with the arguments in our objection letter. Ahold Delhaize has several legal and remediation options, if necessary, to defend our position.

Commitments related to business acquisitions

As of January 3, 2021, the Company has outstanding commitments to acquire an 80% stake in FreshDirect, as well as 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The total purchase consideration is estimated to be €392 million ($477 million). For more information, see Note 15.

Commitments and contingent liabilities in respect of joint ventures and associates

Our 49%-owned joint venture JMR is involved in investigations by the competition authority in Portugal into alleged violations of the respective antitrust laws for some products sold by its 100%-owned subsidiary, Pingo Doce in Portugal. Following search-and-seizure actions carried out in late 2016 and early 2017 in several companies operating in the food distribution sector, the Portuguese Competition Authority (AdC) decided to open several inquiries. Within the scope of these inquiries, it issued, since then, statements of objections for alleged anti-competitive practices against various suppliers and retailers, including Pingo Doce. Pingo Doce received eight statements of objections for alleged anti-competitive practices, consisting of price alignment for certain products. Throughout the course of these investigations, Pingo Doce has fully cooperated with the authorities.

At the end of 2020, Pingo Doce was notified of decisions issued by AdC regarding two of the above-mentioned proceedings, imposing fines on six retailers, including Pingo Doce, and two of their suppliers. In the case of Pingo Doce, these decisions implied a single fine in the amount of €91 million.

Pingo Doce disagrees with these decisions, which it considers to be completely ungrounded. As such, Pingo Doce will file the respective appeals before the Portuguese Competition, Regulation and Supervision Court (“Tribunal da Concorrência, Regulação e Supervisão”). Under the terms of the applicable law, Pingo Doce also will request suspension of the fine pending the appeal against a guarantee, to prevent the immediate payment of the fine. Based on the opinion of its legal counsels and economic advisors, Pingo Doce is fully convinced of the strength and merits of its position. Therefore, no provision was recognized for this imposed fine in the JMR accounts.

As to the remaining six proceedings, Pingo Doce has already filed four statements of defense, and in due course, will submit its response to the remaining two, as it considers all statements of objections to be ungrounded – and will wait for the respective decisions from AdC.

14. Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q4 2019	Opened / acquired	Closed / sold	End of Q4 2020
The United States	1,973	5	(8)	1,970
Europe[1]	4,994	223	(50)	5,167
Total	**6,967**	**228**	**(58)**	**7,137**

1. The number of stores at the end of Q4 2020 includes 1,118 specialty stores (Etos and Gall & Gall); (end of Q4 2019: 1,127).

15. Subsequent events

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. Ahold Delhaize will acquire the majority share, funded by cash on hand, and Centerbridge Partners will be a minority equity investor with a 20% stake. Ahold Delhaize's share of the purchase consideration is approximately €269 million ($327 million). The transaction was closed on January 5, 2021.

On a provisional basis, the allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisition of FreshDirect is as follows:

€ million	2020
Property, plant and equipment	329
Right-of-use asset	210
Other intangible assets	94
Loans	(118)
Lease liabilities	(205)
Deferred tax liability	(59)
Other assets and liabilities – net	(1)
Net identifiable assets acquired	250
Non-controlling interest	(67)
Goodwill	86
Total purchase consideration	**269**

Transaction with Southeastern Grocers

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. This transaction with Southeastern Grocers also includes the acquisition of an additional distribution center in Mauldin, South Carolina. The closing date will be no later than four weeks following the last store closing or May 1, 2021. The purchase consideration is estimated to be approximately €123 million ($150 million).

Up until February 12, 2021, in total, 24 stores closed for an allocated purchase consideration of $54 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the transaction will be provided after the acquisition is completely finalized, which is expected to occur in the second quarter of 2021.

Albert Heijn reaches agreement to acquire 39 DEEN supermarkets

On February 16, 2021, Ahold Delhaize announced that Albert Heijn has agreed to acquire 39 DEEN supermarkets. The agreement includes the intended sale of 80 DEEN supermarkets to three parties, Albert Heijn, Vomar and Detailresult Group. Out of the 80 stores, Albert Heijn will acquire 39 stores, Vomar will acquire 22 stores and Detailresult Group (Dekamarkt) will acquire 19 stores. The acquisition is currently expected to close in the second half of 2021, subject to customary closing conditions as well as alignment with the trade unions and the advice of the work councils involved.

Zaandam, the Netherlands, February 16, 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)

Vesting of shares under the GRO plan

On April 15, 2021, a maximum of 0.5 million performance shares granted in 2018 to current and former members of the Management Board under the Ahold Delhaize GRO plan are expected to vest. Except to finance taxes and social security charges due on the vesting date, members of the Management Board cannot sell shares for a period of at least five years following the grant date, or until their date of resignation from the Management Board, if this period is shorter.

On April 15, 2021, a maximum of 2.5 million performance shares granted in 2018 to Ahold Delhaize employees under the Ahold Delhaize GRO plan are expected to vest. As of the vesting date, participants are allowed to sell all or part of the vested shares, subject to insider trading restrictions as applicable from time to time.

The Company will use treasury shares for the delivery of the vested shares.

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 consisted of 53 weeks and ended on January 3, 2021.

The key publication dates for 2021 are as follows:

March 3	Annual Report 2020
May 12	Results Q1 2021
August 11	Results Q2 2021
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 strengthens, 2021 and beyond, committed, improve, maintain(ing), constant, guidance, target, accelerate, remain(s), focus(ed), continued, further, future, to date, exceeding, increasingly, confident, prospects, ambitious, now, expect(ed), through, end of, 2022, should, enable, aim, propose, will, second half of 2021, plans, 2030, by, to bring, uncertain(ty), believes, provides, strategy, be, being monitored, if, we were to, would, next 25 years, at some point, during the next few years, expanding, prevent, decision, no later than, intended, subject to 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, 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.

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 in Europe, the United States and Indonesia. Together, these brands employ 380,000 associates in 6,967 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit www.aholddelhaize.com.

Proud companies of Ahold Delhaize