

Ahold Delhaize reports strong Q3 results; announces initiatives to solidify position as industry-leading local omnichannel retailer in 2021 and beyond

- * Net sales were €17.8 billion, up 6.8%, or 10.1% at constant exchange rates
- * In the U.S. and Europe, comp sales growth excluding gas was up 12.4% and 7.5%, respectively
- * Net consumer online sales grew 62.6% at constant exchange rates; including 114.7% growth in the U.S.
- * COVID-19-related costs were approximately €470 million year to date, and approximately €140 million in Q3, including safety measures and enhanced associate pay
- * Underlying operating margin was 4.6%, up 0.2% points from the prior year at constant exchange rates
- * IFRS reported operating income was €207 million, impacted by the previously announced €577 million provision for a U.S. pension plan withdrawal
- * Diluted underlying EPS was €0.50, increasing 12.3%; diluted EPS was €0.06, unfavorably impacted by the provision for a U.S. pension plan withdrawal
- * 2020 underlying EPS outlook raised to growth in the high-20% range; continue to expect free cash flow to be at least €1.7 billion, net of Q4 payment for a U.S. pension plan withdrawal, and capital expenditures of around €2.5 billion
- * Announcing a new €1 billion share buyback program to start at the beginning of 2021

Zaandam, the Netherlands, November 4, 2020 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports third quarter results today.

The interim report for the third quarter can be viewed and downloaded at www.aholddelhaize.com.

Summary of key financial data

€ million, except per share data	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
	Q3 2020	% change constant rates	Q3 2020	% change constant rates	Q3 2020	% change constant rates	Q3 YTD 2020	% change constant rates	Q3 YTD 2020	% change constant rates	Q3 YTD 2020	% change constant rates
Net sales	17,826	10.1 %	10,875	11.3 %	6,951	8.3 %	55,136	12.9 %	34,045	14.5 %	21,091	10.3 %
Comparable sales growth excl. gas	10.5 %		12.4 %		7.5 %		13.1 %		15.5 %		9.2 %	
Online sales	1,334	59.1 %	499	114.7 %	834	37.8 %	3,679	53.0 %	1,336	95.0 %	2,343	36.3 %
Net consumer online sales	1,780	62.6 %	499	114.7 %	1,281	48.6 %	4,971	59.8 %	1,336	95.0 %	3,636	49.9 %
Operating income (loss)	207	(68.5) %	(36)	NM	277	(0.6) %	2,174	13.8 %	1,422	14.6 %	900	11.2 %
Operating margin	1.2 %	(2.9)pts	(0.3)%	NM	4.0 %	(0.4)pts	3.9 %	— pts	4.2 %	0.1 pts	4.3 %	— pts
Underlying operating income	813	15.9 %	547	27.7 %	300	(3.2) %	2,783	38.6 %	2,024	58.4 %	907	6.9 %
Underlying operating margin	4.6 %	0.2 pts	5.0 %	0.6 pts	4.3 %	(0.5)pts	5.0 %	0.9 pts	5.9 %	1.6 pts	4.3 %	(0.1)pts
Diluted EPS	0.06	(83.9) %					1.31	19.6 %				
Diluted underlying EPS	0.50	15.9 %					1.73	46.9 %				
Free cash flow	176	(62.7) %					1,937	134.7 %				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"As COVID-19 continues to impact our communities, I am increasingly proud of our teams' performance. Their intense focus on the safety of our stores and distribution centers and their persistent efforts to provide outstanding service to our local communities are commendable. In Q3, we sustained important investments in additional safety measures, enhanced associate pay and benefits, and significant charitable donations, which resulted in approximately €140 million in COVID-19-related costs in the quarter, and €470 million year to date.

"The operational execution by our teams remains outstanding and has continued to drive strong Q3 performance in both the U.S. and Europe. Our results reflected our ability to leverage our leading local digital and omnichannel platform, which generated nearly 115% net consumer online sales growth in the U.S. and nearly 50% growth in Europe in the quarter, at constant exchanges rates. While there remains a high level of uncertainty in the market, our strong year-to-date performance allows us to raise our 2020 underlying EPS outlook once again.

"We continue to adapt to changes we are seeing in consumer shopping patterns and behavior. Over the coming years, we will invest in our business to solidify our position as an industry-leading local omnichannel retailer and increase our share of the consumer wallet. We will find ways to improve our online productivity and are on track to achieve the €1.9 billion cumulative cost savings target by 2021. To benefit all of 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 remain committed to our policy for a 40-50% dividend payout ratio and are today announcing a new €1 billion share repurchase authorization for 2021, which is a testament to the strength we continue to see in our business model."

Solidifying 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 the following three areas:

Significantly step-up online capacity, supply chain, and technological capabilities

- * *Today, our U.S. businesses reach approximately 90% of households in our markets with home delivery and Click & Collect, and around 70% with same-day options.*
- * *In 2020 and 2021 cumulatively, we will increase our online capacity by nearly 100% in the U.S. and nearly 50% in Europe. This will be inclusive of an over 50% increase in capacity at bol.com in 2020 and 2021, and an expansion to nearly 1,400 Click & Collect locations in the U.S. by 2021, doubling the locations since the beginning of 2020.*
- * *To better serve customers, we are improving our U.S. supply chain capabilities by moving to a fully integrated, self-distribution model beginning in 2023; we are progressing on our deliverables ahead of schedule and the first integrated distribution center of the transformation initiative will go live in 2021.*
- * *Our European businesses will increase electronic shelf labeling options to improve convenience and productivity; this technology will be implemented at more than 50% of our European grocery stores in 2021, doubling the number from 2020; Nearly all Albert Heijn- and Delhaize-owned stores will have electronic shelf labeling by year-end 2020.*

Advance omnichannel offerings to consumers

- * The U.S. businesses are focused on enhancing subscription offerings. The GIANT Company will test a new subscription offer in Q1 2021, with an annual membership fee under \$100, improved value proposition and preferential delivery time slots, driving increased loyalty and engagement.*
- * The U.S. businesses will offer an "endless aisle" solution with an additional 80,000-100,000 general merchandise and food items in the first half of 2021, utilizing the Mirakl platform.*
- * The U.S. businesses will continue to enhance the value proposition to customers, including launching 1,500-2,000 more own-brand items in 2021, growing from the existing base of 15,000 items.*
- * The Stop & Shop remodeling program in the U.S. will be accelerated, with approximately 60 additional stores in 2021 vs. 31 in 2020. The remodeled stores are performing well, with sales lifts in line with our expectations.*
- * In July, Albert Heijn launched a home delivery service in the Antwerp region of Belgium, which is off to a promising start.*
- * In August, bol.com expanded to French-speaking Belgium in Brussels and Wallonia; beyond improving access for French-speaking Belgians, the brand has already managed to attract thousands of Belgian third-party sellers.*
- * In September, Albert Heijn announced the launch of a no-fee home delivery service in its first market in the Netherlands, targeting smaller households; will expand to additional markets in 2021.*
- * Mega Image in Romania launched a 90-minute home delivery offering in Bucharest in September.*
- * Albert Heijn has remodeled over 200 stores to its new fresh and technology-focused format and plans to remodel 170 more in 2020 and 2021. The stores are performing well and providing an uplift in sales and customers relative to the control group.*

Address the call to action in ESG

- * *Our brands are enhancing their strong value proposition through our leading own-brand offerings; the goal is to have 51% of these sales be from healthy products by 2022.*
- * *Our brands are focusing on increasing discounts and rewards on healthier products, using nutritional guidance systems like Nutriscore and Guiding Stars, and will implement easy-to-use nutritional labeling across our portfolio by the end of 2025.*
- * *In October, the U.S. announced its target for at least 54% of own-brand food sales to be from products that achieve one, two or three stars through the Guiding Stars nutrition guidance program by 2025; starting in 2020, they will also disclose annually the percentage of food sales generated from all products that achieve one, two, or three stars.*
- * *As a member of the 10x20x30 initiative, our brands are partnering with suppliers toward halving food waste by 2030.*
- * *We are focused on working toward zero plastic waste from own-brand packaging by 2025, including aiming for 25% of own-brand plastic packaging made from recycled materials.*
- * *We are committed to science-based targets for 2030 to halve carbon emissions from our operations and reduce value chain emissions by 15%.*
- * *We embrace clear standards on human rights, such as non-discrimination and the prevention of forced and child labor. Following the publication of our inaugural Human Rights Report in June 2020, we are now strengthening governance and working with the our brands to develop local roadmaps that take into consideration the six salient issues and gaps identified in the report.*
- * *Our brands aim to provide competitive associate pay based on industry practices and local market conditions. Several brands implemented temporary pay enhancements due to special challenges related to the COVID-19 pandemic.*
- * *We strive for 100% gender balanced candidate and succession slates for all leadership positions. Further, we aspire for 100% of associates to rate the company as inclusive.*

Q3 Financial highlights

Group net sales were €17.8 billion, up 6.8%, or 10.1% at constant exchange rates, driven largely by 10.5% comparable sales growth excluding gasoline. Group comparable sales were mainly driven by demand related to COVID-19. Group net consumer online sales grew 62.6% in Q3 at constant exchange rates. Group underlying operating margin in Q3 was 4.6%, up 0.2 percentage points from the prior year at constant exchange rates, benefiting largely from higher operating leverage due to higher sales trends related to COVID-19. This was offset in part by significant costs related to COVID-19, which amounted to approximately €140 million in Q3.

U.S. comparable store sales excluding gasoline grew 12.4%, due largely to the COVID-19 outbreak. Brand performance was strong across the board, led by growth at Food Lion and Giant Food. Online sales in the segment were up 114.7% in constant currency. U.S. underlying operating margin was 5.0%, up 0.6 percentage points from the prior year at constant exchange rates, driven largely by operating leverage from higher sales growth due to COVID-19, offset in part by significant costs related to COVID-19.

Europe's comparable sales excluding gasoline grew 7.5%, due largely to demand related to COVID-19. Net consumer online sales in the segment were up 48.6%. Underlying operating margin in Europe was 4.3%, down 0.5 percentage points from the prior year at constant exchange rates. Operating leverage from higher sales growth was largely offset by higher costs related to COVID-19 as well as €11 million of pension expense in the Netherlands during the quarter and the lapping of one-time items that benefited margins in the Netherlands in the prior year's quarter. Excluding these impacts, underlying operating margin in Europe would have been unchanged versus the prior year.

At bol.com, the online retail platform in the Benelux included within the Europe segment's results, net consumer sales grew by 45.6%. Bol.com's sales from third-party sellers grew 73% in the quarter, with nearly 37,000 merchant partners on the platform.

Ahold Delhaize's net income was €68 million, down 84.9% in the quarter due primarily to a previously announced €577 million provision for a U.S. pension plan withdrawal. Underlying income from continuing operations was €530 million, up 8.6% in the quarter. Diluted EPS was €0.06, down 84.4%, and diluted underlying EPS was €0.50, up 12.3%. Nearly 7.5 million shares were purchased in the quarter for €186 million, bringing the total amount to €705 million in the first three quarters of the year.

Outlook

COVID-19 continues to create significant uncertainty for the remainder of 2020, though, due to the Company's strong performance so far this year, guidance for underlying EPS is being raised to the high-20% range from low-to-mid-20% growth previously. The group will reach its €7 billion net consumer online sales goal in 2020, one year ahead of plan.

Underlying operating margin in 2020 is still expected to be higher than 2019.

The 2020 free cash flow outlook of at least €1.7 billion is reiterated and includes the effect of paying the majority of the previously announced €577 million pre-tax obligation to withdraw from the UFCW International Union – Industry Pension Fund in Q4. The capital expenditure guidance of around €2.5 billion is maintained and reflects the Company's accelerated investments in digital and omnichannel capabilities. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2020, as previously stated. A new €1 billion share buyback program has been authorized, to start at the beginning of 2021.

	Full-year outlook	Underlying operating margin ¹	Underlying EPS	Save for Our Customers	Capital expenditures	Free cash flow ²	Dividend payout ratio ³	Share buyback ⁴
Updated Outlook	2020	Higher than 2019	High-20% growth	€600 million	~ €2.5 billion	> €1.7 billion	40-50%	€1 billion
Previous Outlook	2020	Higher than 2019	Low-to-mid-20% growth	€600 million	~ €2.5 billion	> €1.7 billion	40-50%	€1 billion

1. No significant impact to underlying operating margin from the 53rd week, though the 53rd week should benefit net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 53-week basis. As previously communicated, the margin includes a dilution of €45 million in transition expenses from the U.S. supply chain initiative, and an increased non-cash service charge of €45 million for the Netherlands employee pension plan, resulting from lower discount rates in the Netherlands.
2. Excludes M&A
3. Calculated as a percentage of underlying income from continuing operations
4. Management remains committed to the share buyback program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity.

Group performance

€ million, except per share data	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
Net sales	17,826	16,689	6.8 %	10.1 %	55,136	48,882	12.8 %	12.9 %
Of which: online sales	1,334	850	56.9 %	59.1 %	3,679	2,405	53.0 %	53.0 %
Net consumer online sales ¹	1,780	1,106	60.9 %	62.6 %	4,971	3,112	59.8 %	59.8 %
Operating income	207	679	(69.5)%	(68.5)%	2,174	1,913	13.6 %	13.8 %
Income from continuing operations	68	453	(84.9)%	(84.5)%	1,406	1,223	15.0 %	15.2 %
Net income	68	453	(84.9)%	(84.4)%	1,406	1,222	15.1 %	15.4 %
Basic income per share from continuing operations (EPS)	0.06	0.41	(84.4)%	(83.9)%	1.31	1.10	19.3 %	19.6 %
Diluted income per share from continuing operations (diluted EPS)	0.06	0.41	(84.4)%	(83.9)%	1.31	1.10	19.3 %	19.6 %
Underlying EBITDA ¹	1,514	1,410	7.4 %	10.7 %	4,906	4,034	21.6 %	21.8 %
Underlying EBITDA margin ¹	8.5 %	8.5 %			8.9 %	8.3 %		
Underlying operating income ¹	813	724	12.4 %	15.9 %	2,783	2,012	38.3 %	38.6 %
Underlying operating margin ¹	4.6 %	4.3 %			5.0 %	4.1 %		
Underlying income per share from continuing operations – basic (underlying EPS) ¹	0.50	0.44	12.3 %	15.9 %	1.74	1.19	46.5 %	46.9 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS) ¹	0.50	0.44	12.3 %	15.9 %	1.73	1.18	46.5 %	46.9 %
Free cash flow ¹	176	484	(63.7)%	(62.7)%	1,937	835	132.0 %	134.7 %

1. Net consumer online sales, underlying EBITDA, underlying operating income, basic and diluted underlying income per share from continuing operations and free cash flow are alternative performance measures that are used throughout the report. For a description of alternative performance measures, refer to section [Alternative performance measures](#) in this press release.

Performance by segment

The United States

	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
\$ million								
Net sales	12,688	11,401	11.3 %		38,215	33,368	14.5 %	
Of which: online sales	583	272	114.7 %		1,504	771	95.0 %	
€ million								
Net sales	10,875	10,252	6.1 %	11.3 %	34,045	29,698	14.6 %	14.5 %
Of which: online sales	499	244	104.5 %	114.7 %	1,336	687	94.5 %	95.0 %
Operating income (loss)	(36)	435	NM	NM	1,422	1,225	16.1 %	14.6 %
Underlying operating income	547	448	22.1 %	27.7 %	2,024	1,270	59.3 %	58.4 %
Underlying operating margin	5.0 %	4.4 %			5.9 %	4.3 %		
Comparable sales growth	11.4 %	1.5 %			14.5 %	0.7 %		
Comparable sales growth excluding gasoline	12.4 %	1.8 %			15.5 %	1.1 %		

Europe

	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
€ million								
Net sales	6,951	6,438	8.0 %	8.3 %	21,091	19,184	9.9 %	10.3 %
Of which: online sales	834	606	37.8 %	37.8 %	2,343	1,718	36.3 %	36.3 %
Net consumer online sales	1,281	862	48.6 %	48.6 %	3,636	2,425	49.9 %	49.9 %
Operating income	277	279	(0.9)%	(0.6)%	900	811	11.0 %	11.2 %
Underlying operating income	300	311	(3.5)%	(3.2)%	907	851	6.6 %	6.9 %
Underlying operating margin	4.3 %	4.8 %			4.3 %	4.4 %		
Comparable sales growth	7.5 %	3.1 %			9.1 %	2.4 %		
Comparable sales growth excluding gasoline	7.5 %	3.1 %			9.2 %	2.5 %		

Global Support Office

	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
€ million								
Underlying operating loss	(34)	(35)	(4.0)%	(1.9)%	(148)	(109)	35.4 %	35.7 %
Underlying operating loss excluding insurance results	(34)	(34)	0.7 %	2.1 %	(105)	(98)	6.2 %	6.2 %

In the quarter, underlying Global Support Office costs were €34 million, which was €1 million lower than the prior year. Underlying costs excluding insurance results were €34 million, in line with Q3 2019.

Consolidated income statement

€ million, except per share data	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Net sales	17,826	16,689	55,136	48,882
Cost of sales	(12,909)	(12,138)	(39,815)	(35,571)
Gross profit	4,917	4,551	15,321	13,311
Selling expenses	(3,462)	(3,282)	(10,569)	(9,613)
General and administrative expenses	(1,248)	(591)	(2,577)	(1,785)
Total operating expenses	(4,709)	(3,873)	(13,147)	(11,397)
Operating income	207	679	2,174	1,913
Interest income	8	13	29	52
Interest expense	(33)	(41)	(101)	(138)
Net interest expense on defined benefit pension plans	(4)	(4)	(12)	(13)
Interest accretion to lease liability	(89)	(92)	(270)	(273)
Other financial expenses	(6)	(1)	(19)	(24)
Net financial expenses	(124)	(126)	(374)	(396)
Income before income taxes	83	553	1,800	1,517
Income taxes	(27)	(113)	(411)	(322)
Share in income of joint ventures	12	14	17	28
Income from continuing operations	68	453	1,406	1,223
Income (loss) from discontinued operations	—	—	—	(1)
Net income attributable to common shareholders	68	453	1,406	1,222
Net income per share attributable to common shareholders				
Basic	0.06	0.41	1.31	1.10
Diluted	0.06	0.41	1.31	1.09
Income from continuing operations per share attributable to common shareholders				
Basic	0.06	0.41	1.31	1.10
Diluted	0.06	0.41	1.31	1.10
Weighted average number of common shares outstanding (in millions)				
Basic	1,064	1,100	1,072	1,112
Diluted	1,068	1,104	1,076	1,117
Average U.S. dollar exchange rate (euro per U.S. dollar)	0.8568	0.8993	0.8907	0.8900

Consolidated statement of comprehensive income

€ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Net income	68	453	1,406	1,222
Remeasurements of defined benefit pension plans				
Remeasurements before taxes – income (loss)	31	(56)	(33)	(143)
Income taxes	(8)	12	8	31
Other comprehensive income (loss) that will not be reclassified to profit or loss	23	(44)	(25)	(111)
Currency translation differences in foreign interests:				
Continuing operations	(407)	392	(497)	462
Income taxes	1	1	3	(1)
Cash flow hedges:				
Fair value result for the period	—	—	—	(5)
Transfers to net income	1	—	1	2
Non-realized gains (losses) on debt and equity instruments:				
Fair value result for the period	(1)	—	(1)	—
Other comprehensive income (loss) reclassifiable to profit or loss	(406)	393	(495)	458
Total other comprehensive income (loss)	(383)	349	(520)	347
Total comprehensive income (loss) attributable to common shareholders	(315)	802	886	1,569
Attributable to:				
Continuing operations	(315)	802	886	1,570
Discontinued operations	—	—	—	(1)
Total comprehensive income (loss) attributable to common shareholders	(315)	802	886	1,569

Consolidated balance sheet

€ million	September 27, 2020	December 29, 2019
Assets		
Property, plant and equipment	10,612	10,519
Right-of-use asset	7,437	7,308
Investment property	774	883
Intangible assets	11,816	12,060
Investments in joint ventures and associates	224	229
Other non-current financial assets	664	661
Deferred tax assets	264	213
Other non-current assets	53	49
Total non-current assets	31,843	31,920
Assets held for sale	24	67
Inventories	3,394	3,347
Receivables	1,810	1,905
Other current financial assets	584	317
Income taxes receivable	23	39
Prepaid expenses	274	178
Cash and cash equivalents	6,308	3,717
Total current assets	12,418	9,570
Total assets	44,261	41,490
Equity and liabilities		
Equity attributable to common shareholders	13,282	14,083
Loans	3,948	3,841
Other non-current financial liabilities	8,681	8,716
Pensions and other post-employment benefits	741	677
Deferred tax liabilities	671	786
Provisions	914	724
Other non-current liabilities	58	74
Total non-current liabilities	15,013	14,818
Accounts payable	6,339	6,311
Other current financial liabilities	5,925	3,257
Income taxes payable	224	82
Provisions	744	349
Other current liabilities	2,734	2,591
Total current liabilities	15,966	12,590
Total equity and liabilities	44,261	41,490
Year-end U.S. dollar exchange rate (euro per U.S. dollar)	0.8598	0.8947

Consolidated statement of changes in equity

€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings	Equity attributable to common shareholders
Balance as of December 30, 2018	12	13,999	(80)	(2)	276	14,205
Net income attributable to common shareholders	—	—	—	—	1,222	1,222
Other comprehensive income (loss)	—	—	461	(2)	(111)	347
Total comprehensive income (loss) attributable to common shareholders	—	—	461	(2)	1,111	1,569
Dividends	—	—	—	—	(1,114)	(1,114)
Share buyback	—	—	—	—	(773)	(773)
Share-based payments	—	—	—	—	44	44
Balance as of September 29, 2019	12	13,999	380	(4)	(457)	13,930
Balance as of December 29, 2019	11	12,246	159	(3)	1,670	14,083
Net income attributable to common shareholders	—	—	—	—	1,406	1,406
Other comprehensive income (loss)	—	—	(494)	1	(26)	(520)
Total comprehensive income (loss) attributable to common shareholders	—	—	(494)	1	1,380	886
Dividends	—	—	—	—	(1,026)	(1,026)
Share buyback	—	—	—	—	(704)	(704)
Share-based payments	—	—	—	—	45	45
Other items	—	—	—	—	(1)	(1)
Balance as of September 27, 2020	11	12,246	(336)	(3)	1,363	13,282

Consolidated statement of cash flow

€ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Income from continuing operations	68	453	1,406	1,223
Adjustments for:				
Net financial expenses	124	126	374	396
Income taxes	27	113	411	322
Share in income of joint ventures	(12)	(14)	(17)	(28)
Depreciation, amortization and impairments	714	731	2,159	2,097
(Gains) losses on leases and the sale of assets / disposal groups held for sale	(8)	(13)	(54)	(23)
Share-based compensation expenses	14	14	42	47
Operating cash flows before changes in operating assets and liabilities	927	1,411	4,322	4,035
Changes in working capital:				
Changes in inventories	(109)	(11)	(138)	(90)
Changes in receivables and other current assets	14	50	(37)	84
Changes in payables and other current liabilities	(137)	(138)	404	(201)
Changes in other non-current assets, other non-current liabilities and provisions	603	6	660	2
Cash generated from operations	1,297	1,318	5,211	3,829
Income taxes paid – net	(161)	(16)	(393)	(334)
Operating cash flows from continuing operations	1,136	1,302	4,818	3,495
Net cash from operating activities	1,136	1,302	4,818	3,495
Purchase of non-current assets	(611)	(540)	(1,825)	(1,561)
Divestments of assets / disposal groups held for sale	10	18	92	67
Acquisition of businesses, net of cash acquired	—	(5)	(4)	(23)
Divestment of businesses, net of cash divested	(1)	(1)	(2)	(10)
Changes in short-term deposits and similar instruments	(120)	—	(257)	165
Dividends received from joint ventures	—	—	16	17
Interest received	4	10	20	46
Lease payments received on lease receivables	25	21	75	69
Other	(9)	3	(3)	1
Investing cash flows from continuing operations	(701)	(494)	(1,889)	(1,230)
Net cash from investing activities	(701)	(494)	(1,889)	(1,230)
Proceeds from long-term debt	—	—	497	596
Interest paid	(17)	(17)	(99)	(139)
Repayments of loans	(6)	(6)	(433)	(615)
Changes in short-term loans	1,916	256	2,794	1,210
Repayment of lease liabilities	(373)	(309)	(1,160)	(1,159)
Dividends paid on common shares	(533)	(330)	(1,026)	(1,114)
Share buyback	(186)	(142)	(705)	(774)
Other cash flows from derivatives	—	—	2	(5)
Other	(2)	(13)	(7)	(17)
Financing cash flows from continuing operations	800	(561)	(136)	(2,016)
Net cash from financing activities	800	(561)	(136)	(2,016)
Net cash from operating, investing and financing activities	1,235	247	2,793	249
Cash and cash equivalents at the beginning of the period (excluding restricted cash)	5,204	3,143	3,701	3,110
Effect of exchange rates on cash and cash equivalents	(150)	63	(206)	94
Cash and cash equivalents at the end of the period (excluding restricted cash)	6,289	3,453	6,289	3,453
Average U.S. dollar exchange rate (euro per U.S. dollar)	0.8568	0.8993	0.8907	0.8900

Alternative performance measures

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

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

Basic and diluted underlying income per share from continuing operations

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

Free cash flow

€ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,530	1,417	4,982	4,037
Changes in working capital	(233)	(99)	229	(207)
Income taxes paid – net	(161)	(16)	(393)	(334)
Purchase of non-current assets	(611)	(540)	(1,825)	(1,561)
Divestments of assets / disposal groups held for sale	10	18	92	67
Dividends received from joint ventures	—	—	16	17
Interest received	4	10	20	46
Interest paid	(17)	(17)	(99)	(139)
Lease payments received on lease receivables	25	21	75	69
Repayment of lease liabilities	(373)	(309)	(1,160)	(1,159)
Free cash flow	176	484	1,937	835

In Q3 2020, free cash flow was €176 million, which represents a decrease of €309 million compared to Q3 2019, mainly driven by higher income taxes paid of €145 million, higher net investments of €78 million and higher net lease repayments of €59 million. The better operating cash flow of €113 million was offset by lower changes in working capital of €134 million. The higher income taxes were mainly driven by higher sales in the U.S. and timing of payments.

Free cash flow for the first three quarters of 2020 was €1,937 million, or €1,102 million higher than last year. This increase is mainly the result of higher operating cash flow of €946 million and improvement in working capital of €437 million, partly offset by higher net investments of €238 million.

Net debt

€ million	September 27, 2020	June 28, 2020	December 29, 2019
Loans	3,948	4,014	3,841
Lease liabilities	8,435	8,676	8,484
Non-current portion of long-term debt	12,383	12,689	12,325
Short-term borrowings and current portion of long-term debt	5,772	3,898	3,119
Gross debt	18,154	16,588	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}	6,709	5,509	3,863
Net debt	11,445	11,079	11,581

- Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at September 27, 2020, was €264 million (June 28, 2020: €149 million, December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.
- Included in the short-term portion of investments in debt instruments is a U.S. Treasury investment fund in the amount of €137 million (June 28, 2020: €141 million, December 29, 2019: €130 million).
- Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at September 27, 2020, was €359 million (June 28, 2020: €316 million, December 29, 2019: €277 million).
- Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €3,870 million (June 28, 2020: €1,955 million, December 29, 2019: €1,391 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.

Net debt increased in Q3 2020 by €366 million to €11,445 million, mainly as a result of the dividend payment of €533 million and the share buyback of €186 million, which were partially offset by the free cash flow of €176 million and the foreign exchange impact on net debt of €178 million.

Underlying EBITDA

€ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Underlying operating income	813	724	2,783	2,012
Depreciation and amortization ¹	701	686	2,122	2,021
Underlying EBITDA	1,514	1,410	4,906	4,034

- The difference between the total amount of depreciation and amortization for Q3 YTD 2020 of €2,126 million (Q3 YTD 2019: €2,046 million) and the €2,122 million (Q3 YTD 2019: €2,021 million) mentioned here relates to items that were excluded from underlying operating income.

Underlying operating income increased in Q3 2020 by €89 million to €813 million, and was adjusted for the following items, which impacted operating income: impairments of €13 million (Q3 2019: €29 million); (gains) and losses on leases and the sale of assets of €(6) million (Q3 2019: €(10) million); and restructuring and related charges and other items of €599 million (Q3 2019: €25 million). The last item includes a €577 million provision related to the tentative withdrawal agreement reached between Stop & Shop and local unions on the United Food & Commercial Workers International Union (UFCW) – Industry Pension Fund. Including these items, operating income decreased by €472 million to €207 million.

For the first three quarters of the year, underlying operating income of €2,783 million (Q3 YTD 2019: €2,012 million) was adjusted for the below items, in the amount of €609 million (Q3 YTD 2019: €99 million), which impacted operating income:

- Impairments of €33 million (Q3 YTD 2019: €51 million)
- (Gains) and losses on leases and the sale of assets of €(46) million (Q3 YTD 2019: €(21) million)
- Restructuring and related charges and other items of €622 million (Q3 YTD 2019: €68 million)

Including these items, operating income increased by €261 million to €2,174 million.

Underlying income from continuing operations

€ million, except per share data	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Income from continuing operations	68	453	1,406	1,223
Adjustments to operating income	606	45	609	99
Unusual items in net financial expenses	—	—	—	24
Tax effect on adjusted and unusual items	(145)	(11)	(149)	(24)
Underlying income from continuing operations	530	488	1,866	1,322
Underlying income from continuing operations for the purpose of diluted earnings per share	530	488	1,866	1,322
Basic income per share from continuing operations ¹	0.06	0.41	1.31	1.10
Diluted income per share from continuing operations ²	0.06	0.41	1.31	1.10
Underlying income per share from continuing operations – basic ¹	0.50	0.44	1.74	1.19
Underlying income per share from continuing operations – diluted ²	0.50	0.44	1.73	1.18

1. Basic and underlying earnings per share from continuing operations are calculated by dividing the (underlying) income from continuing operations attributable to equity holders by the average numbers of shares outstanding. The weighted average number of shares used for calculating the basic and underlying earnings per share for Q3 2020 is 1,064 million (Q3 2019: 1,100 million).
2. The diluted income per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income from continuing operations by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares used for calculating the diluted underlying EPS for Q3 2020 is 1,068 million (Q3 2019: 1,104 million).

Income from continuing operations was €68 million in Q3 2020, which was €385 million lower than last year. This follows mainly from the decrease in operating income of €472 million, as detailed above, partly offset by lower income taxes of €87 million.

For the first three quarters of 2020, income from continuing operations was €1,406 million, which was €183 million higher than last year. This mainly reflects the increase in operating income of €261 million, which was partially offset by higher income taxes of €90 million.

Segment reporting
Q3 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	10,875	6,951	—	17,826
Of which: online sales	499	834	—	1,334
Operating income (loss)	(36)	277	(34)	207
Impairment losses and reversals – net	9	4	—	13
(Gains) losses on leases and the sale of assets – net	(3)	(3)	—	(6)
Restructuring and related charges and other items	577	22	—	599
<i>Adjustments to operating income</i>	<i>583</i>	<i>23</i>	<i>—</i>	<i>606</i>
Underlying operating income (loss)	547	300	(34)	813

Q3 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	10,252	6,438	—	16,689
Of which: online sales	244	606	—	850
Operating income (loss)	435	279	(36)	679
Impairment losses and reversals – net	16	13	—	29
(Gains) losses on leases and the sale of assets – net	(4)	(6)	—	(10)
Restructuring and related charges and other items	—	24	1	25
<i>Adjustments to operating income</i>	13	31	1	45
Underlying operating income (loss)	448	311	(35)	724

First three quarters 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	34,045	21,091	—	55,136
Of which: online sales	1,336	2,343	—	3,679
Operating income (loss)	1,422	900	(148)	2,174
Impairment losses and reversals – net	19	14	—	33
(Gains) losses on leases and the sale of assets – net	(9)	(37)	—	(46)
Restructuring and related charges and other items	592	30	—	622
<i>Adjustments to operating income</i>	602	7	—	609
Underlying operating income (loss)	2,024	907	(148)	2,783

First three quarters 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	29,698	19,184	—	48,882
Of which: online sales	687	1,718	—	2,405
Operating income (loss)	1,225	811	(122)	1,913
Impairment losses and reversals – net	35	16	—	51
(Gains) losses on leases and the sale of assets – net	(13)	(7)	—	(21)
Restructuring and related charges and other items	24	31	14	68
<i>Adjustments to operating income</i>	45	40	13	99
Underlying operating income (loss)	1,270	851	(109)	2,012

Additional information

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

\$ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Net sales	12,688	11,401	38,215	33,368
Of which: online sales	583	272	1,504	771
Operating income (loss)	(27)	484	1,578	1,377
Underlying operating income	636	498	2,262	1,428

Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of Q3 2019	Opened / acquired	Closed / sold	End of Q3 2020
The United States	1,971	11	(12)	1,970
Europe ¹	4,907	235	(44)	5,098
Total	6,878	246	(56)	7,068

1. The number of stores at the end of Q3 2020 includes 1,117 specialty stores (Etos and Gall & Gall); (end of Q3 2019: 1,129).

	End of Q4 2019	Opened / acquired	Closed / sold	End of Q3 2020
The United States	1,973	3	(6)	1,970
Europe ¹	4,994	141	(37)	5,098
Total	6,967	144	(43)	7,068

1. The number of stores at the end of Q3 2020 includes 1,117 specialty stores (Etos and Gall & Gall); (end of Q4 2019: 1,127).

Financial calendar

Ahold Delhaize's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31. Ahold Delhaize's 2020 financial year consists of 53 weeks and ends on January 3, 2021.

The key publication dates for 2021 are as follows:

February 17	Results Q4/FY 2020
March 3	Annual Report 2020
May 12	Results Q1 2021
August 11	Results Q2 2021
November 10	Results Q3 2021

Risks and uncertainties

Ahold Delhaize's enterprise risk management program provides the Company with a periodic and comprehensive understanding of Ahold Delhaize's key business risks and the management practices, policies and procedures in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance / regulatory risk categories. While our principal risks have not changed significantly compared to those disclosed within the Annual Report 2019, the COVID-19 outbreak has directly impacted our business operations and increased our overall risk profile. In particular, the principal risks relating to business continuity and the competitive environment are heightened, due to supply chain disruption and the rapid channel shift to online, respectively. Our material topic and risk relating to the health and safety of our consumers and associates also increased due to the COVID-19 outbreak. The Company has initiated several actions to mitigate the impact of the COVID-19 outbreak on our business, with a focus on protecting our associates and customers, ensuring the continuity of our operations, as well as reviewing our strategy to expedite additional planned investments in our digital and omnichannel capabilities. The impact of this risk is being monitored and any required actions will be reassessed as necessary.

Cautionary notice

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

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as 2021 (and beyond), constant, growth, outlook, expect(s), continue(s), to start, sustained, continue(d), remains(s), changes, will, on track, by, aim, committed, 2023, year-end 2020, progressing, focused on, aiming for, improving, test, offer, launching, expectations, beyond, focus, now strengthening, promising start, plan(s) (to), goal, 2022,

focusing on, 2025, 2030, now strengthening, strive for, aspire, maintained, 53rd week, 53-week basis, should, or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company’s defined benefit pension plans; the failure or breach of security of IT systems; the Company’s inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company’s legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company’s outstanding financial debt; the Company’s ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company’s credit ratings and the associated increase in the Company’s cost of borrowing; exchange rate fluctuations; inherent limitations in the Company’s control systems; changes in accounting standards; adverse results arising from the Company’s claims against its self-insurance program; the Company’s inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company’s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company’s management and assumptions based on information currently available to the Company’s management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

For more information:

Press office: +31 88 659 5134 Investor Relations: +31 88 659 5213 Social media: Twitter: @AholdDelhaize
 YouTube: @AholdDelhaize
 LinkedIn: @Ahold-Delhaize

Ahold Delhaize is one of the world’s largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great, local brands serves 54 million customers each week 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.

