Koninklijke Ahold Delhaize N.V.

Q3 2020 Report

Issued on November 4, 2020

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.

Summary of key financial data

	Ahold Delhaize Group		The United States		Europe		Ahold Delhaize Group		The United States		Europe	
€ million, except per share data	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, see* Note 3 Alternative performance measures *to the interim financial statements.*

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

€ million	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
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

€ million	Q3 2020	Q3 2019	% change	% change constant rates	Q3 YTD 2020	Q3 YTD 2019	% change	% change constant rates
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.

Financial review

Third quarter 2020 (compared to third quarter 2019)

Underlying operating income increased 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.

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

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.

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.

First three quarters 2020 (compared to first three quarters 2019)

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.

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.

Free cash flow 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.

Impact of COVID-19

COVID-19 significantly affected the Company's results in the third 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 trends was in part offset by the significantly higher costs related to COVID-19 in Q3 of approximately €140 million, for approximately €470 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 rent concessions; however it has provided some rent concessions, mainly to tenants in the U.S. market. As a result of the COVID-19 outbreak, which resulted in an increase in online sales demand, the Company accelerated investments in digital and omnichannel capabilities. It also incurred additional costs related to several safety measures implemented throughout its operations to protect associates and customers, enhanced associate pay and benefits, and increased charitable donations to support local communities.

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

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

The Company's liquidity position has been positively impacted as a result of the higher sales 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.

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.

Consolidated income statement

€ million, except per share data	Note	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Net sales	5/6	17,826	16,689	55,136	48,882
Cost of sales	7	(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	7	(4,709)	(3,873)	(13,147)	(11,397)
Operating income	5	**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	8	(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	Note	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	Note	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	11	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	9	**13,282**	**14,083**
Loans		3,948	3,841
Other non-current financial liabilities		8,681	8,716
Pensions and other post-employment benefits	10	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	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		—	—	—	—	1,222	**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	9	—	—	—	—	(1,026)	**(1,026)**
Share buyback	9	—	—	—	—	(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	Note	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	7	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	4	—	(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	9	(533)	(330)	(1,026)	(1,114)
Share buyback	9	(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)	11	**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

Notes to the consolidated interim financial statements

1. The Company and its operations

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

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

2. Accounting policies

Basis of preparation

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

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

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

Segmentation

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

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

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

COVID-19

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

Use of estimates

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

Impairments

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

Pension obligations and Self-insurance program provision

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

Income taxes

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

Impairment testing financial assets

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

Fair value measurements

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

New and revised IFRSs effective in 2020

On May 28, 2020, the International Accounting Standards Board issued an amendment to IFRS 16, “Leases” to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment was effective June 1, 2020, but to ensure the relief was available when 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 interim report includes alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included in *Definitions: Performance measures* in Ahold Delhaize's Annual Report 2019.

As of the first quarter of 2020, both the basic and diluted underlying income per share from continuing operations 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**

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**

1. *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.*
2. *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).*
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 September 27, 2020, was €359 million (June 28, 2020: €316 million, December 29, 2019: €277 million).*
4. *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.*

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**

1. *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 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).*

4. Business combinations and goodwill

During 2020, Ahold Delhaize has completed various store acquisitions for a total purchase consideration of €5 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed and goodwill arising from the acquisitions through Q3 2020 is as follows:

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

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

€ million	Goodwill
As of December 29, 2019	
At cost	7,242
Accumulated impairment losses	(8)
Opening carrying amount	**7,233**
Acquisitions through business combinations	6
Exchange rate differences	(197)
Closing carrying amount	**7,041**
As of September 27, 2020	
At cost	7,049
Accumulated impairment losses	(8)
Closing carrying amount	**7,041**

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, and will be converted to Food Lion stores, as part of the brand's continued expansion in the southeast United States. As part of the transaction, Food Lion expects to hire more than 4,650 associates to serve customers at the 62 acquired stores. This transaction with Southeastern Grocers also includes the acquisition of an additional distribution center in Mauldin, South Carolina. Both acquisitions are currently expected to close in the first half of 2021, subject to customary closing conditions.

5. Segment reporting

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

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

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

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

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

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**
Adjustments to operating income	*583*	*23*	—	***606***
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**
Adjustments to operating income	*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**
Adjustments to operating income	*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**
Adjustments to operating income	*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

6. Net sales

Q3 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	10,299	4,488	14,786
Sales to and fees from franchisees and affiliates	—	1,604	1,604
Online sales	499	834	1,334
Wholesale sales	46	15	61
Other sales	31	10	41
Net sales	**10,875**	**6,951**	**17,826**

Q3 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	9,937	4,329	14,266
Sales to and fees from franchisees and affiliates	—	1,481	1,481
Online sales	244	606	850
Wholesale sales	41	13	54
Other sales	29	10	39
Net sales	**10,252**	**6,438**	**16,689**

First three quarters 2020

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	32,487	13,873	46,360
Sales to and fees from franchisees and affiliates	—	4,810	4,810
Online sales	1,336	2,343	3,679
Wholesale sales	133	39	172
Other sales	89	26	115
Net sales	**34,045**	**21,091**	**55,136**

First three quarters 2019

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	28,811	13,074	41,885
Sales to and fees from franchisees and affiliates	—	4,326	4,326
Online sales	687	1,718	2,405
Wholesale sales	112	35	147
Other sales	89	30	119
Net sales	**29,698**	**19,184**	**48,882**

7. Expenses by nature

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

€ million	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019
Cost of product	12,273	11,590	37,919	33,961
Labor costs	3,204	2,420	8,664	7,152
Other operational expenses	1,455	1,306	4,344	3,867
Depreciation and amortization	701	702	2,126	2,046
Rent expenses	13	18	46	52
Rent income	(35)	(45)	(124)	(139)
Impairment losses and reversals – net	13	29	33	51
(Gains) losses on leases and the sale of assets – net	(6)	(10)	(46)	(21)
Total expenses by nature	**17,619**	**16,010**	**52,962**	**46,969**

8. Income taxes

The decrease in income tax expense and increase in effective tax rate for Q3 2020 is mainly caused by one-time events in Q3 2020.

The increase in income tax expense and effective tax rate for Q3 YTD 2020 is mainly caused by increased income compared to Q3 YTD 2019 and one-time events in Q3 2020.

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 2020

On January 2, 2020, the Company commenced the €1 billion share buyback program that was announced on December 4, 2019. During the first three quarters of 2020, 31,086,050 of the Company's own shares were repurchased at an average price of €22.63 per share. The program is expected to be completed before the end of 2020.

The number of outstanding common shares as of September 27, 2020, was 1,059,362,520 (December 29, 2019: 1,087,955,597).

10. Pensions and other post-employment benefits

Ahold Delhaize announced on July 21, 2020, that its U.S. brand Stop & Shop reached a tentative agreement to terminate its participation in the United Food & Commercial Workers International Union (UFCW) – Industry Pension Fund (the "National Plan"), through a transaction that the National Plan's trustees determined to be in the best interests of the National Plan's participants and beneficiaries. The tentative agreement improves the security of pension benefits for associates as well as reduces financial risk for the company. Stop & Shop expects to pay the National Plan withdrawal liability of $649 million (€567 million), on a pre-tax basis, to fulfill Stop & Shop's obligations for past service for associates and retirees in the National Plan. Stop & Shop will also make an $18 million (€16 million) contribution to a transition reserve for a new variable annuity pension plan. This results in a total payment of $667 million (€583 million). On an after-tax basis, the withdrawal liability and contribution to the transition reserve total approximately $500 million (€437 million). The withdrawal liability will be satisfied by installment payments to the National Plan over the next three years. Ahold Delhaize recognized a provision for the net present value in the amount of $656 million (€577 million) in Q3, as not all Unions have ratified the tentative agreement.

Disclosure on FELRA

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

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

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

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

11. Cash

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

€ million	September 27, 2020	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	6,289	3,701
Restricted cash	20	17
Cash and cash equivalents as presented on the balance sheet	**6,308**	**3,717**

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €3,870 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:

	September 27, 2020		December 29, 2019	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	55	61	59	65
Trade and other (non-)current receivables	1,819	1,819	1,914	1,914
Lease receivable	433	447	444	473
Cash and cash equivalents	6,308	6,308	3,717	3,717
Short-term deposits and similar instruments	264	264	15	15
	8,879	8,899	6,150	6,185
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	265	265	236	236
Investments in debt instruments	146	146	141	141
	410	410	377	377
Derivative financial instruments				
Derivatives	5	5	—	—
Total financial assets	**9,295**	**9,315**	**6,527**	**6,562**

€ million	September 27, 2020 Carrying amount	Fair value	December 29, 2019 Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(3,986)	(4,460)	(3,962)	(4,246)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(249)	(209)	(263)	(216)
Mortgages payable	(58)	(61)	(66)	(65)
Accounts payable	(6,339)	(6,339)	(6,311)	(6,311)
Short-term borrowings	(4,187)	(4,187)	(1,455)	(1,455)
Interest payable	(45)	(45)	(37)	(37)
Other	(90)	(98)	(92)	(97)
	(14,958)	(15,403)	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	(264)	(264)	(238)	(238)
Derivative financial instruments				
Derivatives	(1)	(1)	(1)	(1)
Total financial liabilities excluding lease liabilities	**(15,223)**	**(15,667)**	**(12,429)**	**(12,669)**
Lease liabilities	(9,671)	N/A	(9,696)	N/A
Total financial liabilities	**(24,894)**	**N/A**	**(22,125)**	**N/A**

Issuance of a bond

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

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

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

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

No CVA / DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized as of September 27, 2020, is nil (December 29, 2019: nil).

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

13. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of December 29, 2019, is included in Ahold Delhaize's 2019 Financial Statements, as published in the Company's Annual Report 2019 on February 26, 2020.

U.S. supply chain

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

14. Store portfolio

Store portfolio (including franchise and affiliate stores)

	End of 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).

15. Subsequent events

There have been no significant subsequent events.

Zaandam, the Netherlands, November 3, 2020

Management Board

Frans Muller (President and Chief Executive Officer)
Natalie Knight (Chief Financial Officer)
Kevin Holt (Chief Executive Officer Ahold Delhaize USA)
Wouter Kolk (Chief Executive Officer Ahold Delhaize Europe and Indonesia)

Financial calendar

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

The key publication dates for 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

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 2021 (and beyond), constant, growth, outlook, expect(s), continue(s), to start, sustained, continued, remain(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, should, maintained, continuing operations, ongoing, full year, risk, strategic, continuity, mitigate, impact, strategy, to be, would, expected, 53rd week, 53-week basis, yet, could result, future, long-term, indefinitely, subject to, further, reaching, effect, time to time, due, 2027, commitments and contingencies, investing, improve, subsequent 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:

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YouTube: @AholdDelhaize
LinkedIn: @Ahold-Delhaize

Ahold Delhaize is one of the world’s largest food retail groups and a leader in both supermarkets and 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