Performance Review

Performance review

Group review

Key financial targets	Target 2020	Results in 2020	Target 2021
Group underlying operating margin	Broadly in line with 2019 (4.2%)	4.8%	≥ 4.0%
Diluted underlying EPS growth[1]	Mid-single-digit % growth	33.3%	Mid-to-high single-digit % vs. 2019
Capital expenditures, net	€2.5 billion	€2.6 billion	~ €2.2 billion
Free cash flow[2]	~€1.5 billion	€2.2 billion	~ €1.6 billion
Dividend payout ratio[3]	40-50%	40%	40-50% and year-over-year increase in dividend per share
Share buyback[3]	€1 billion	€1 billion	€1 billion

1 At current rates.
2 Target excludes M&A; actuals show reported capex.
3 Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macro-economic developments. The program is also subject to changes in corporate activities, such as material M&A activity. The dividend payout ratio for results in 2020 is calculated as a percentage of underlying income from continuing operations on a 52-week basis.

Targets are based on previous year's full year results unless stated otherwise.

Performance review

Group review continued

Drive omnichannel growth	Target 2020	Results in 2020	Target 2021
Net consumer online sales[1]	Progress to achieving €7 billion by 2021	€7.6 billion	≥ 30%
U.S. online sales growth[1]	> 30%	+105%	≥ 60%
Stop & Shop store remodels[2]	48	33	~ 60
Bol.com net consumer online sales	Progress to achieving €3.5 billion by 2021	€4.3 billion	≥ €5 billion
Bol.com EBIT and return on capital (RoC)[3]	–	Positive EBIT and double-digit RoC	Positive EBIT and double-digit RoC

Elevate healthy and sustainable	Target 2020	Results in 2020	Target 2021
Healthy own-brand sales of (%)	50.0%	49.8%	50.5%
Food waste reduction (%)	10%	17%	16%
CO_2 emission reduction (%)[4]	7%	17%	17%

Cultivate best talent	Target 2020	Results in 2020	Target 2021
Associate engagement score (%)[3]	–	81% (2019: 80%)	≥ 81%
Associate development score (%)	73%	73%	≥ 73%
Healthy workplace score (%)	75%	76%	≥ 76%
Inclusive workplace score (%)	79%	79%	≥ 79%

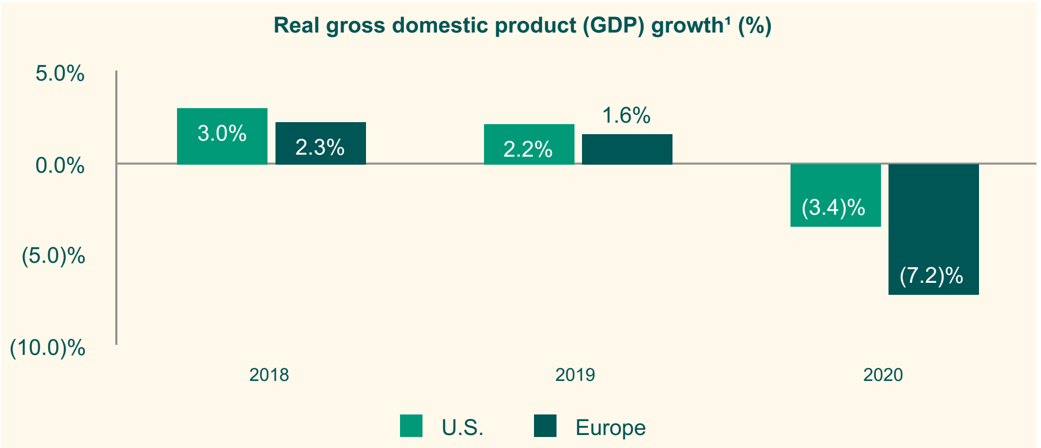
Strengthen operational excellence	Target 2020	Results in 2020	Target 2021
Save for Our Customers savings	€600 million	€844 million	≥ €750 million
Supply chain initiatives[2]	–	Acquisition of facilities from C&S Wholesale Grocers completed	Transition of five facilities into the integrated network
In store initiatives[2]	–	New stock system feature implemented at Albert Heijn, resulting in reduced labor costs	≥ 50% of European grocery stores with electronic shelf labeling
Improving online productivity[2]	–	Multi-brand proprietary e-commerce platform launched in the U.S.	Launching U.S. Autostore/Swisslog micro-fulfillment center and increasing automated capacity at bol.com

1 U.S. online sales include FreshDirect sales starting in 2021.
2 2020 target excludes 17 King Kullen stores, which were not acquired from the communicated target of 65 for 2020. The 33 store remodels reported for 2020 are based on the construction completion end date. 23 stores re-opened in 2020 and 10 in 2021. It excludes 1 relocated store.
3 No target communicated in 2020.
4 Target is based on the cumulative trajectory towards the 50% reduction of absolute CO2-equivalent emissions by 2030 compared to our 2018 baseline. This target was announced in 2019 and replaced our previous 2020 target to reduce carbon equivalent emissions per square meter compared to the 2008 baseline.

Note: Targets are based on previous year's full year results unless stated otherwise. Sales growth is calculated at constant rates. Sales growth targets for 2021 are calculated adjusting 2020 for 52 weeks.

Group review
Macro-economic trends

In 2020, Ahold Delhaize achieved strong operational and financial improvements in a year of unprecedented change. Our business was impacted by a number of specific, localized market trends (see *Evolving market trends*), and also by the following general macro-economic trends:



Source: IMF (various reports in 2020 and 2021)

1 GDP represents the total value at constant prices of final goods and services produced within a country within a specific time period.

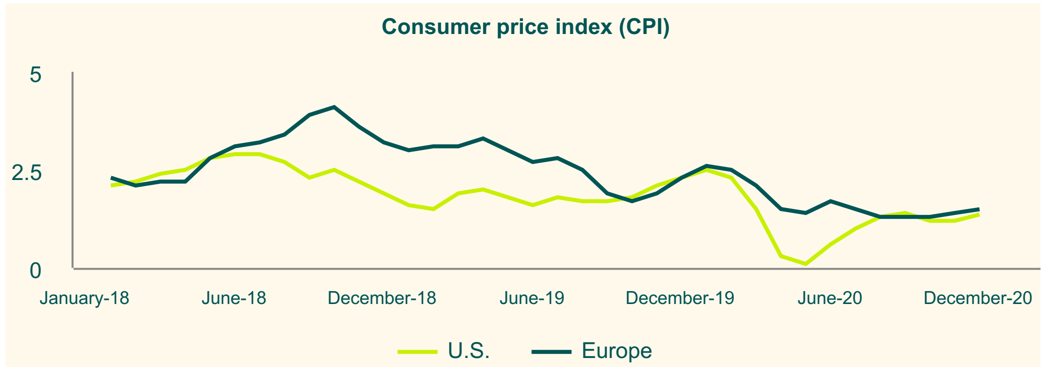
COVID-19 has delivered an enormous global financial shock, leading to economic downturns in many countries. In 2020, we saw a contraction of 3.5% in global real GDP – the deepest decline in decades. U.S. real GDP contracted by 3.4%, contrasted with a growth of 2.2% in 2019. Meanwhile, European real GDP decreased by 7.2%, compared to an increase of 1.6% in 2019.

Foreign exchange rates
Average exchange rates 2019-2020

Currency		2020	2019	Change in the average annual value of the currency
U.S. dollar	USD/EUR	**0.8770**	0.8934	(1.8%)
Czech crown	CZK/EUR	**0.0378**	0.0390	(2.9%)
Romanian leu	RON/EUR	**0.2067**	0.2108	(1.9%)
Serbian dinar	RSD/EUR	**0.0085**	0.0085	0.2%

Source: Bloomberg

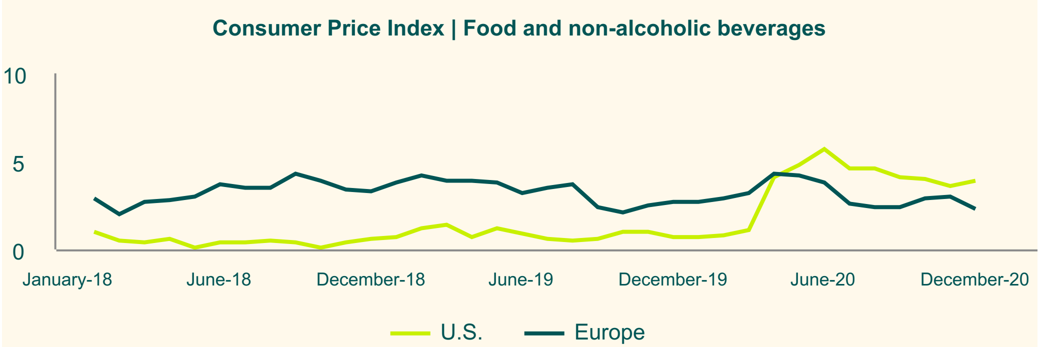
The majority of Ahold Delhaize's operations are located in the United States and, thus, denominated in U.S. dollars. The U.S. dollar developed in an unfavorable direction, devaluing in strength relative to the euro, during the second half of 2020. This resulted in modest full year foreign currency translation headwinds to group sales and earnings in 2020. In 2021, foreign currency translation will present a further headwind to sales and earnings if current spot rates persist. For more information, see *Note 2* to the consolidated financial statements.



Source: IMF (various reports in 2020)

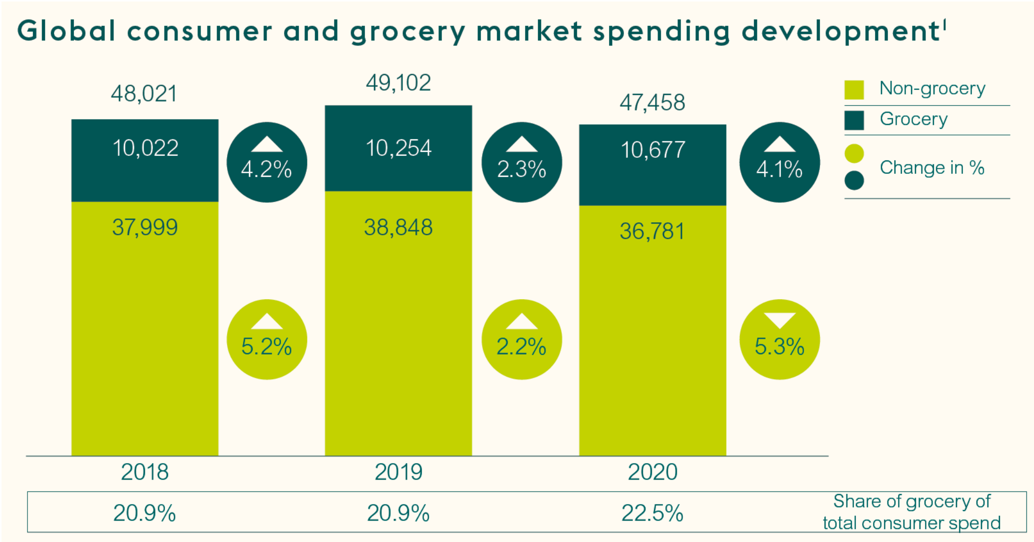
After consistent low-single-digit CPI growth rates over the preceding two years, U.S. CPI growth decelerated at the onset of the COVID-19 pandemic during the spring of 2020; however, it showed signs of recovery over the remainder of the year and ended 2020 with a growth rate of +1.36% in December. Meanwhile, after peaking at more than 4% in late 2018, European CPI has gradually decelerated over the past two years, reaching 1.50% in December of 2020.

Group review
Macro-economic trends continued



Source: IMF (various reports in 2020)

Following a period of relatively low food inflation, food-at-home CPI in our markets saw significant inflation at the beginning of the COVID-19 pandemic, during the spring of 2020. This was influenced by surging consumer demand coupled with mounting pressures on food supply chains. As supply chains began recovering, food-at-home CPI inflation rates in our markets moderated.



Source: Edge Retail Insight by Ascential (various reports in 2020)

1 Grocery sales measures the total consumer spend on edible groceries (food, drink and tobacco), household and petcare and health and beauty. It excludes spending on wholesale and food service.

Consumer spending split 2018-2020

	2020	2019	2018
World			
Growth grocery spending	**4.1%**	2.3%	4.2%
Grocery as % of total consumer spending	**22.5%**	20.9%	20.9%
United States			
Growth grocery spending	**5.6%**	3.3%	4.2%
Grocery as % of total consumer spending	**10.5%**	9.5%	9.6%
Europe			
Growth grocery spending	**5.1%**	(1.6)%	4.7%
Grocery as % of total consumer spending	**19.1%**	17.3%	17.3%

Source: Edge Retail Insight by Ascential (various reports in 2020)

Total worldwide consumer spending showed a decrease from $49.1 trillion in 2019 to $47.5 trillion in 2020. The outbreak of the COVID-19 pandemic led to a drastic shift in consumer spending. Due to local lockdowns and measures taken to contain the virus, unemployment rose and people spent more time at home in 2020. As the pandemic spread, consumer demand shifted from restaurants, food service and other forms of “out-of-home” dining towards food consumed in the home. Restaurant reservations declined sharply in early March and later reached practically zero as strict lockdown measures were enforced, which limited the capacity of restaurants to operate. This, in turn, drove strong retail food sales, as food-at-home consumption gained share versus food away from home.

The adjacent graph shows a steep decline of 5.3% in non-grocery sales during 2020, which contrasts with the 4.1% growth witnessed in grocery sales. As such, grocery’s share of total global consumer spending increased by +160 basis points in 2020 to 22.5%, up from 20.9% in both 2019 and 2018.

Group review

Group performance

Net sales

€74.7bn ↑ 14.2%[1]

12.8% vs. 2019

Comparable sales growth (excluding gasoline sales)

12.5%

Operating income

€2,191m ↓ (16.6)%[1]

(17.7)% vs. 2019

Underlying operating income

€3,594m ↑ 31.2%[1]

29.4% vs. 2019

Underlying operating margin

4.8%

Free cash flow

€2.2bn

1 At constant rates.

€ million	2020	2019	Change	% change
Net sales	**74,736**	66,260	8,476	12.8%
Of which: online sales	**5,547**	3,493	2,054	58.8%
Cost of sales	**(54,053)**	(48,200)	(5,853)	(12.1)%
Gross profit	**20,683**	18,060	2,623	14.5%
Operating expenses	**(18,492)**	(15,397)	(3,094)	(20.1)%
Operating income	**2,191**	2,662	(472)	(17.7)%
Net financial expense	**(485)**	(528)	44	8.2%
Income before income taxes	**1,706**	2,134	(428)	(20.1)%
Income taxes	**(331)**	(417)	87	20.7%
Share in income of joint ventures	**22**	50	(28)	(56.8)%
Income from continuing operations	**1,397**	1,767	(370)	(20.9)%
Income (loss) from discontinued operations	**—**	(1)	1	(114.6)%
Net income	**1,397**	1,766	(369)	(20.9)%

€ million	2020	2019	Change	% change
Operating income	**2,191**	2,662	(472)	(17.7)%
Adjusted for:				
Impairment losses and reversals – net	**48**	89	(42)	
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)	(4)	
Restructuring and related charges and other items	**1,413**	78	1,335	
Underlying operating income	**3,594**	2,777	817	29.4%

€ million	2020	2019	Change	% change
Underlying operating income margin	**4.8%**	4.2%	0.6 pp	
Underlying EBITDA[1]	**6,435**	5,510	925	16.8%
Underlying EBITDA margin[1]	**8.6%**	8.3%	0.3 pp	

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

Group review

Group performance continued

Shareholders

€ unless otherwise indicated	2020	2019	% change
Net income per share attributable to common shareholders (basic)	**1.31**	1.60	(17.9%)
Underlying income per share from continuing operations	**2.28**	1.71	33.4%
Dividend payout ratio	**40%**	44%	(4.0) pp
Dividend per common share	**0.90**	0.76	18.4%

Other information

€ million unless otherwise indicated	2020	2019	Change
Net debt[1]	**11,434**	11,581	(1.3)%
Free cash flow[2]	**2,199**	1,843	19.3%
Capital expenditures included in cash flow statement (excluding acquisitions)	**2,659**	2,218	19.9%
Number of employees (in thousands)	**414**	380	8.9%
Credit rating/outlook Standard & Poor's	**BBB / stable**	BBB / stable	—
Credit rating/outlook Moody's	**Baa1 / stable**	Baa1 / stable	—

Certain key performance indicators contain alternative performance measures. The definitions of these measures are described in the *Definitions: performance measures* section of this Annual Report.

1 For reconciliation of net debt, see *Financial position* in this report.
2 For reconciliation of free cash flow, see *Cash flows* in this report.

Week 53

Our financial year normally consists of 52 weeks and ends on the Sunday nearest to December 31. Every five years, our financial year consists of 53 weeks.

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible. In some of the discussions below, we have included comparisons of the 53 weeks of 2020 with a 53-week period consisting of the 52 weeks of 2019 plus the first week of 2020 (referred to as pro forma 2019).

COVID-19 pandemic

Our 2020 results were unusually strong, due to a shift towards more food-at-home consumption driven by the pandemic. This affected our volumes and led to double-digit comparable sales growth. Net consumer online sales also increased, as more consumers shifted to online shopping during the pandemic. To accommodate higher demand, Ahold Delhaize made investments to increase capacity, for example, opening 424 click-and-collect points in the U.S. and new e-commerce distribution centers in the Netherlands, Greece and Romania.

The operational execution, driven by our teams, positively impacted our group underlying operating margin. This was related to higher operating leverage, due to the higher sales trends related to COVID-19.

These results were offset, in part, by significant costs related to COVID-19. Investments in additional safety measures, enhanced associate pay and benefits and significant charitable donations resulted in approximately €680 million in COVID-19-related costs for the year.

Our Save for Our Customers program benefited by leveraging higher sales to achieve greater efficiencies, resulting in over-achievement of our target of €600 million savings for 2020.

Zoning and permit-related challenges caused by the pandemic have delayed our store development projects, impacting our capital expenditure. Despite these challenges, we spent €2.6 billion of net capital expenditure by promptly responding to the pandemic and prioritizing investments in vertical integration and our omnichannel offer to respond to changing consumer needs.

While there was government assistance available to companies in several countries where our brands operate, we did not apply for any government assistance.

Our higher sales, mainly driven by COVID-19, had a positive effect on our free cash flow, which we partially invested for the benefit of our employees by means of additional pension payments of €609 million.

The COVID-19 pandemic did not trigger any asset impairments.

Group review
Group performance continued

Net sales

Net sales for the financial year ended January 3, 2021, were €74,736 million, an increase of €8,476 million, or 12.8%, compared to net sales of €66,260 million for the financial year ended December 29, 2019. At constant exchange rates, net sales were up by €9,293 million or 14.2%.

€ million	2020	2019	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Net sales	**74,736**	66,260	8,476	12.8%	9,293	14.2%
Of which gasoline sales	**667**	952	(285)	(29.9)%	(267)	(28.6)%
Net sales excluding gasoline	**74,069**	65,308	8,761	13.4%	9,560	14.8%
Of which online sales	**5,547**	3,493	2,054	58.8%	2,076	59.8%
Net consumer online sales	**7,576**	4,547	3,029	66.6%	3,051	67.4%

Gasoline sales decreased by 29.9% in 2020 to €667 million. At constant exchange rates, gasoline sales decreased by 28.6%, driven by the pandemic, resulting in a decrease of both gasoline prices and volumes.

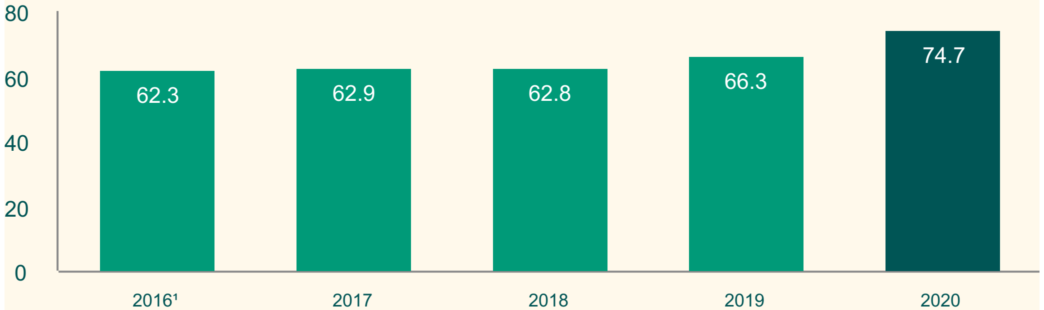
Net sales excluding gasoline increased in 2020 by €8,761 million, or 13.4%, compared to 2019. At constant exchanges rates, net sales excluding gasoline increased in 2020 by €9,560 million, or 14.8%, compared to 2019. Sales growth was mainly driven by demand related to COVID-19, although underlying sales growth (excluding the impact of COVID-19) is still estimated to have been more rapid than in 2019.

Net sales overview on a pro forma basis

€ million	2020 (53 weeks)	2019 (53 weeks)	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Ahold Delhaize	**74,736**	67,410	7,326	10.9%	8,214	12.3%

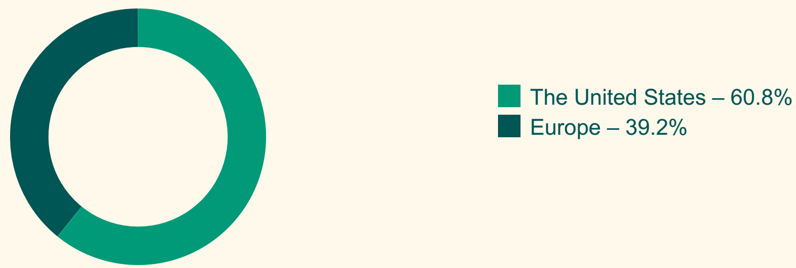
Compared to the pro forma 2019 sales based on 53 weeks and at constant exchange rates, net sales increased in 2020 by €8,214 million, or 12.3% at constant exchange rates.

Net sales (€ billion)



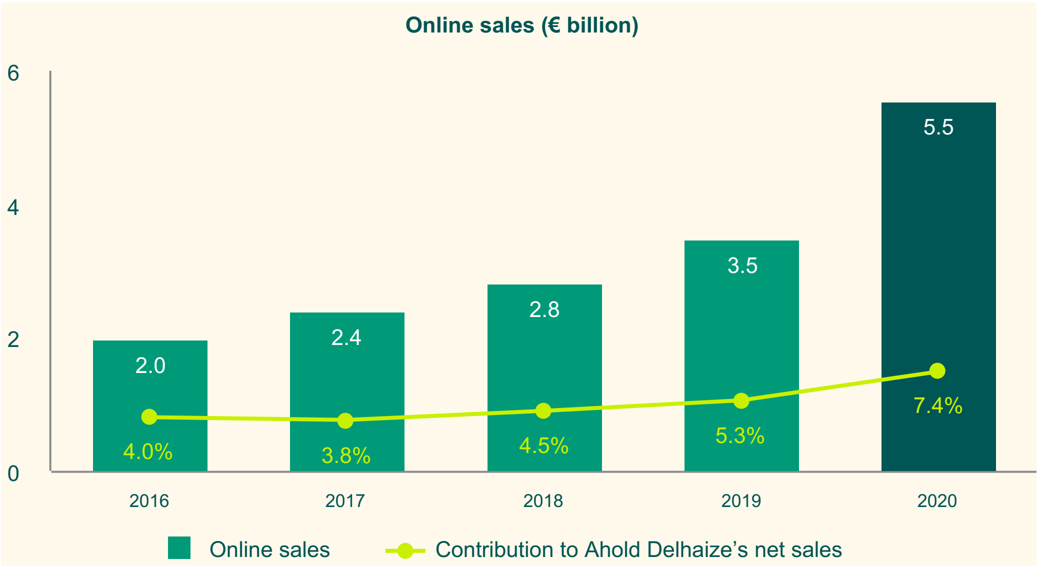
1 The 2016 figures presented in the graphs are pro forma figures. To read more about the 2016 pro forma figures, please refer to our Annual Report 2016.

Net sales contribution by segment



Group review
Group performance continued

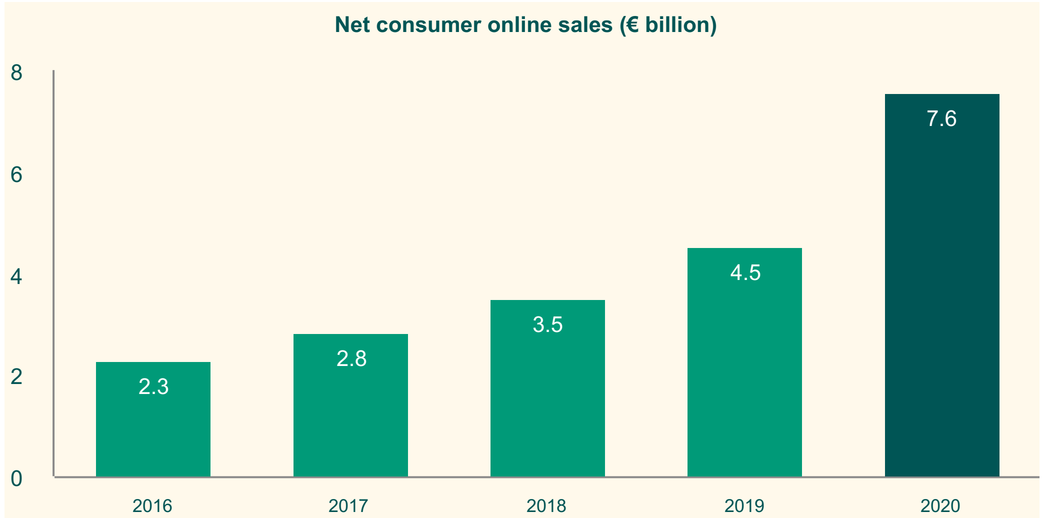
Online sales
We continued to see strong sales growth in our online businesses, which contributed €5,547 million to net sales in 2020 (2019: €3,493 million). Net consumer online sales amounted to €7,576 million and increased in 2020 by 67.4% at constant exchange rates.



The increase in online sales was driven by the impact of COVID-19 and consumers shifting to online shopping. We saw positive trends across all the brands with online acceleration in the United States supported by more click-and-collect points and third-party delivery, and growth in Europe mainly driven by our online brands, bol.com and ah.nl.

	2020	2019	Change vs. previous year
% of online grocery penetration[1]	**4.5%**	2.8%	1.7 pp

1 See the Definitions: performance measures for more information on how this is calculated.



Group review
Group performance continued

Healthy sales

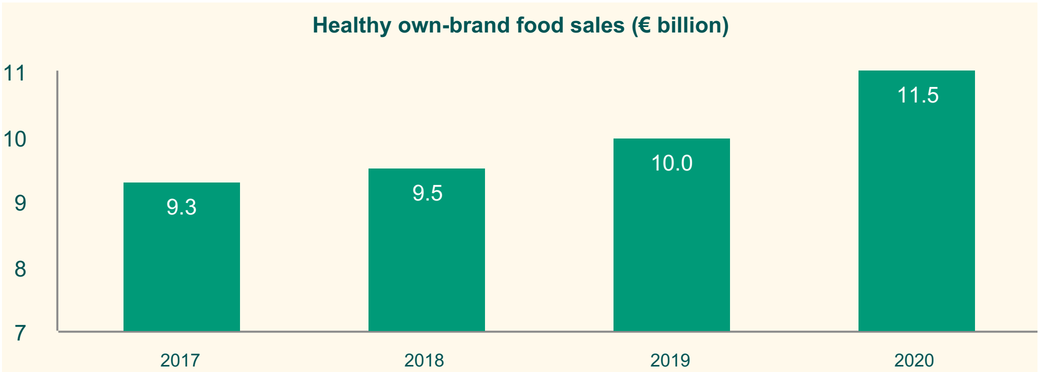
	2020	2019[1]	2022 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**49.8%**	47.9%	51.0%

1 2019 figure includes Peapod.

During 2020, we further increased the sale of healthy own-brand products as a proportion of total own-brand food sales to 49.8%, slightly lower than the 2020 target of 50.0%

This increase in healthy own-brand sales was driven by customers' heightened focus on healthy foods during the COVID-19 pandemic, marketing campaigns, continued product reformulations and increased transparency of healthy products in stores and online through the use of nutritional navigation systems. In the U.S. brands, bottled water, which was previously unrated by Guiding Stars, was included in the nutritional navigation system's ratings in 2020, helping to increase overall healthy sales.

See also *ESG statements* for more information.



Gross profit

Gross profit was up by €2,623 million, or 14.5%, compared to 2019. At constant exchange rates, gross profit increased by €2,855 million, or 16.0%. Gross profit margin (gross profit as a percentage of net sales) for 2020 was 27.7%, an increase of 0.4 percentage points compared to 27.3% in 2019, benefiting largely from favorable sales mix and positively impacting the cost of sales and lower shrink as a percentage of sales. Improvement in gross profit was also driven by an increase in media and data monetization. Solid gross profit results will be sustained by continuous savings efforts and own-brand sales leverage supported by healthy market positions.

Food waste

	2020	2019	2030 target
Tonnes of food waste per food sales (t/€ million)	**4.53**	5.00	2.70
% reduction in food waste per food sales (t/€ million)[1]	**17%**	9%	50%

1 The reduction is measured against the 2016 baseline of 5.48 t/€ million. See *ESG statements* for more information.

Ahold Delhaize brands were able to further reduce tonnes of food waste per million euros of food sales to a total of 4.53 (-17%) in 2020, compared to 2016. This result was mainly driven by an increase in food sales.

Absolute food waste increased by 1.9% compared to 2019. When compared to the 2016 baseline, absolute tonnes of food waste decreased by 3.9%. Due to COVID-19, the brands faced restrictions in the way they could support food banks, which increased absolute food waste and reduced the percentage of unsold food donated to feed people.

In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft and cash shortages. We measure food waste using the Food Loss and Waste Protocol.

See also *ESG statements* for more information.

Group review
Group performance continued

Operating expenses

In 2020, operating expenses increased by €3,094 million, or 20.1%, to €18,492 million, compared to €15,397 million in 2019. At constant exchange rates, operating expenses increased by €3,290 million, or 21.6%. As a percentage of net sales, operating expenses increased by 1.5 percentage points to 24.7%, compared to 23.2% in 2019. Excluding gasoline sales and at constant exchange rates, operating expenses as a percentage of net sales increased by 1.4 percentage points. Operating expenses were influenced by costs related to COVID-19 and U.S. multi-employer plan withdrawal and settlement agreement, which are explained below.

Operating expenses include impairments, gains (losses) on leases and the sale of assets, restructuring and related charges, and other items that management believes can distort an understanding of the trend related to the development of our underlying business. Impairment losses and reversals – net, gains (losses) on leases and the sale of assets – net, and restructuring and related charges are summarized below.

Carbon emissions

	2020	2019	2030 target
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes)	**3,035**	3,593	1,814
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[1]	**17%**	2%	50%

1 Reduction is against 2018 baseline of 3,658 thousand tonnes CO_2-equivalent emissions

CO_2-equivalent emissions are mainly driven by energy consumption, refrigerant leakage and transport.

Our brands continued to install energy-efficiency measures in stores and distribution centers and generate their own energy. During 2020, several brands continued to expand their use of energy from low-carbon-emission sources by procuring it directly from the energy companies supplying energy to their stores and distribution centers.

As part of store remodeling, the brands implement more environmentally friendly refrigeration systems. We decreased the Global Warming Potential (GWP) of the refrigerants used in stores further and the leak rate remained stable. Overall, this had a positive effect on the total carbon-equivalent emissions over 2020.

Fuel consumption increased to 158 million liters (+6%) in 2020; as sales increased compared to 2019, more transport was needed to bring products from distribution centers to stores.

See also *ESG statements* for more information.

Impairment losses and reversals – net

Ahold Delhaize recorded the following impairments and reversals of impairments of assets – net in 2020 and 2019:

€ million	2020	2019
The United States	**(27)**	(67)
Europe	**(21)**	(22)
Total	**(48)**	(89)

Impairment charges in 2020 were €48 million, down by €42 million compared to 2019. The impairments in both years mainly related to underperforming stores and investment property.

Gains (losses) on leases and the sale of assets – net

Ahold Delhaize recorded the following gains (losses) on leases and the sale of assets – net in 2020 and 2019:

€ million	2020	2019
The United States	**20**	39
Europe	**37**	9
Global support office	**—**	4
Total	**57**	53

The gains (losses) in 2020 were €57 million, which was €4 million higher than 2019, due to the €28 million increase in Europe, explained mainly by the sale and partial leaseback transactions in Czech Republic and Belgium, only partially offset by a €20 million decrease in the United States.

Group review

Group performance continued

Restructuring and related charges and other items

Restructuring and related charges and other items in 2020 and 2019 were as follows:

€ million	2020	2019
The United States	**(1,454)**	(16)
Europe	**39**	(52)
Global Support Office	**2**	(10)
Total	**(1,413)**	(78)

Restructuring and related charges and other items in 2020 were €1,413 million, up by €1,335 million compared to 2019. The increase in 2020 is driven by the U.S. and mainly related to €676 million of the settlement agreement for FELRA and MAP at Giant Food, €183 million of Stop & Shop's withdrawals from the 1500 Plan and €559 million of the National Plan. Other main charges included the costs related to the acquisition of FreshDirect and the Peapod closure. In Europe, the income related to the pension plan amendment in the Netherlands has been only partly offset by other costs.

Operating income

Operating income in 2020 went down by €472 million, or (17.7)%, to €2,191 million compared to €2,662 million in 2019. The decrease of €472 million is mainly explained by restructuring and related charges and other items in 2020 and higher operating costs related to COVID-19, partly offset by higher gross margin. At constant rates, operating income was down €435 million, or (16.6)%.

Net financial expenses

Net financial expenses in 2020 decreased by €44 million, or 8.2%, to €485 million compared to €528 million in 2019. The decrease was primarily due to other gains (losses) mainly related to transaction results from the redemption of the cumulative preferred shares in 2019, which resulted in a one-off cost of €22 million. The redemption of the cumulative preferred shares also resulted in an €8 million decrease in net interest expense in 2020. As a result of the U.S. dollar weakening against the euro, the translation of the interest component on leases in the U.S. has led to a €10 million decrease of interest expense.

Income taxes

In 2020, income tax expense was €331 million, down by €87 million compared to €417 million in 2019.

The effective tax rate, calculated as a percentage of income before income tax, was 19.4% in 2020 (2019: 19.6%). In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans, as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax significantly, impacting the effective tax rate. When we exclude these incremental pension liabilities, our reported effective tax rate would increase from 19.4% to 23.0% on a pro forma basis.

Share in income of joint ventures

Ahold Delhaize's share in income of joint ventures was €22 million in 2020, or €28 million lower than last year. This decrease is mainly explained by our 49% shareholding in JMR. Our share of JMR results decreased by €20 million compared to last year, which was negatively impacted by COVID-19-related government restrictions and lack of tourists reducing traffic at smaller, high-frequency stores in Portugal. Our share of individually immaterial joint ventures decreased by €11 million compared to last year. The decrease was partly offset by the impact of the 51% share in Super Indo. Our share of Super Indo's results increased by €3 million compared to last year. For further information about joint ventures, see *Note 15* to the consolidated financial statements.

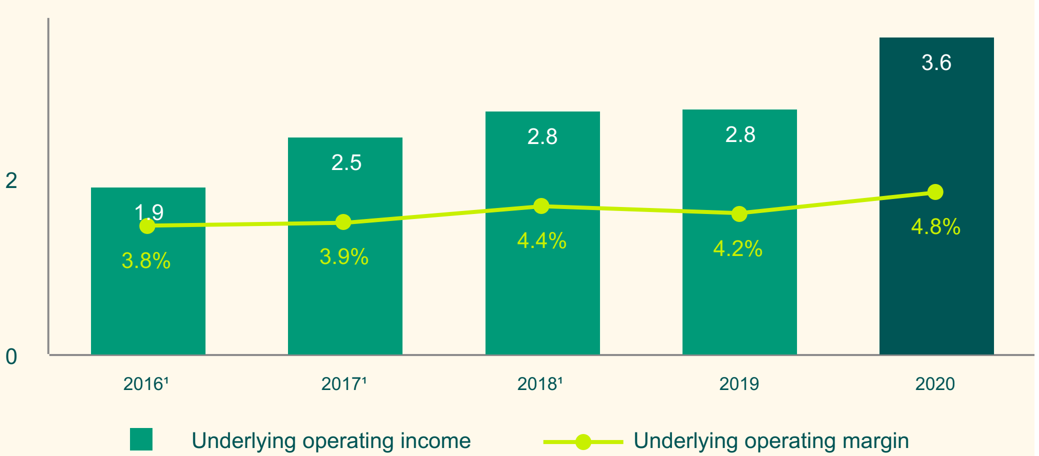
Group review
Group performance continued

Underlying operating income and underlying operating income margin

Underlying operating income was €3,594 million in 2020, up €817 million, or 29.4%, versus €2,777 million in 2019. Underlying operating income margin in 2020 was 4.8%, compared to 4.2% in 2019. At constant exchange rates, underlying operating income was up by €855 million, or 31.2%, compared to 2019. Our 2020 results were impacted by higher operating leverage due to higher sales trends, partly offset by higher operating expenses related to COVID-19.

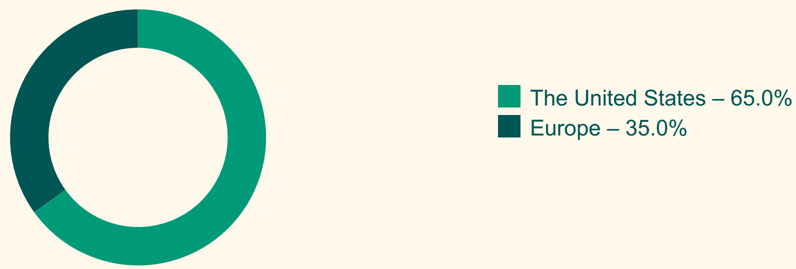
Tight cost management remains a core objective of our business model. Our Save for Our Customers program delivered €844 million this year, positively impacting our gross profit and operating expenses. This program drives our efforts to provide our businesses with optimized store processes and improved sourcing conditions, and enables us to continue to invest in our customer proposition.

Underlying operating income (€ billion)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

Underlying operating income contribution by segment[1]



1 Before Global Support Office costs.

Group review

Financial position

Ahold Delhaize's consolidated balance sheets as of January 3, 2021, and December 29, 2019, are summarized as follows:

€ million	January 3, 2021	% of total	December 29, 2019	% of total
Property, plant and equipment	**10,696**	**26.3%**	10,519	25.4%
Right-of-use asset	**7,455**	**18.3%**	7,308	17.6%
Intangible assets	**11,565**	**28.4%**	12,060	29.1%
Pension assets	**78**	**0.2%**	43	0.1%
Other non-current assets	**1,970**	**4.8%**	1,990	4.8%
Cash, cash equivalents and short-term deposits and similar instruments, and current portion investment in debt instruments[1]	**3,119**	**7.7%**	3,863	9.3%
Inventories	**3,245**	**8.0%**	3,347	8.1%
Other current assets	**2,563**	**6.3%**	2,360	5.6%
Total assets	**40,692**	**100.0%**	41,490	100.0%
Group equity	**12,432**	**30.6%**	14,083	33.9%
Non-current portion of long-term debt	**12,305**	**30.2%**	12,325	29.7%
Pensions and other post-employment benefits	**1,235**	**3.0%**	677	1.6%
Other non-current liabilities	**1,908**	**4.7%**	1,816	4.4%
Short-term borrowings and current portion of long-term debt and lease liabilities[1]	**2,249**	**5.5%**	3,119	7.5%
Payables	**6,795**	**16.7%**	6,311	15.2%
Other current liabilities	**3,768**	**9.3%**	3,159	7.7%
Total equity and liabilities	**40,692**	**100.0%**	41,490	100.0%

1 See footnotes to next table (on the next page) for a reconciliation of amounts to the figures included in the consolidated financial statements.

Total assets decreased by €797 million. Property, plant and equipment increased by €178 million, primarily due to capital expenditure levels, which were higher than depreciation. In addition, the balance was also impacted by the devaluation of the U.S. dollar relative to the euro. For more information, see *Note 11* to the consolidated financial statements.

Right-of-use assets increased by €147 million. Investments and reassessments and modifications to leases were higher than depreciation, and the balance was impacted by the weakening of the U.S. dollar against the euro. For more information, see *Note 12* to the consolidated financial statements.

Intangible assets decreased by €494 million. Investments in intangibles are partly offset by amortization, but the balance is primarily impacted by exchange rate differences of the U.S. dollar against the euro. For more information, see *Note 14* to the consolidated financial statements.

Our total pensions and other post-employment benefits were €1,235 million at year-end 2020, and consisted of defined benefit plans (€763 million) and other long-term pension plan obligations (€472 million). Our defined benefit plans showed a net deficit of €685 million at year-end 2020 compared to a net deficit of €633 million at year-end 2019. This increase was mainly the result of €108 million of actuarial remeasurements, partly offset by higher contributions over annual expenses (€26 million) and foreign exchange gains (€30 million). The other long-term pension plan obligations are related to the FELRA and MAP settlement agreement (see *Note 24*).

A number of union employees in the United States are covered by multi-employer plans. Our U.S. brands Stop & Shop and Giant Food reached agreements to withdraw or settle their participation in four large multi-employer plans during the year. With these agreements, Ahold Delhaize has greatly reduced the Company's financial exposure to the multi-employer pension plans. With the help of external actuaries, we have updated the most recently available information that the remaining U.S. multi-employer plans have provided (generally as of January 1, 2019) for market trends and conditions through the end of 2020. We estimate our proportionate share of the total net deficit to be $79 million (€65 million) at year-end 2020 versus $962 million (€861 million) in 2019. This decrease is the result of the aforementioned agreements at Stop & Shop and Giant Food. These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and a reliable estimate of the amount of the obligation cannot be made. For more information, see *Note 24* to the consolidated financial statements.

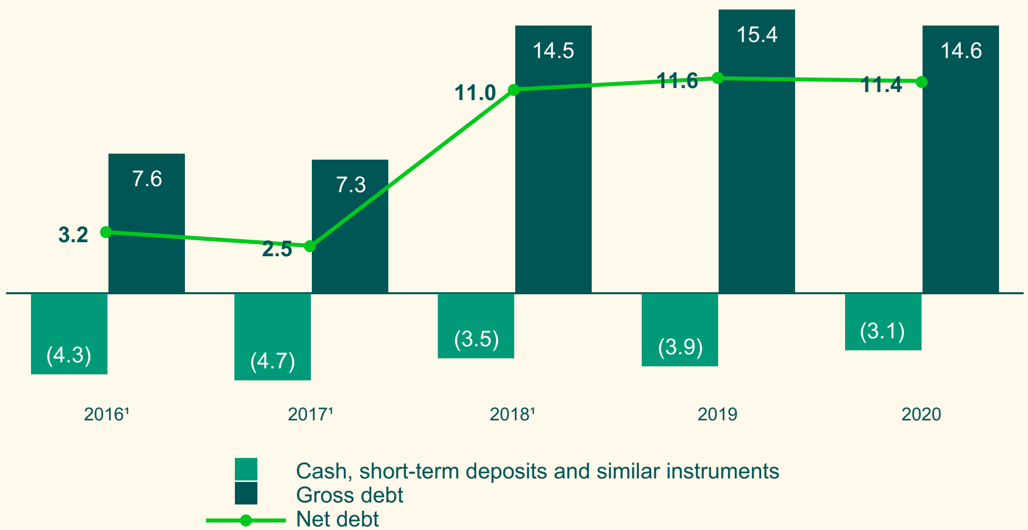
Group review
Financial position continued

Other non-current liabilities increased by €92 million. The increase is mainly driven by the financial liability for the withdrawal from the National Plan and the 1500 Plan (see Note 23), partly offset by a decrease in deferred tax liabilities (see Note 10). Other current liabilities increased by €610 million, mainly due to increased deferred income and increased accrued expenses (see Note 27).

€ million	January 3, 2021	December 29, 2019
Loans	3,863	3,841
Lease liabilities	8,442	8,484
Non-current portion of long-term debt	12,305	12,325
Short-term borrowings and current portion of long-term debt[1]	2,249	3,119
Gross debt	**14,554**	**15,445**
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[2, 3, 4, 5]	3,119	3,863
Net debt	**11,434**	**11,581**

1 Short-term borrowings and current portion of long-term debt comprise €1,143 million lease liabilities, €74 million short-term borrowings, €683 million bank overdrafts and €348 million current portion loans (for more information see Note 26 to the consolidated financial statements).
2 Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at January 3, 2021, was €58 million (December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.
3 Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €129 million (December 29, 2019: €130 million).
4 Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at January 3, 2021, was €441 million (December 29, 2019: €277 million).
5 Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €681 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.

Gross and net debt (€ billion)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

In 2020, gross debt decreased by €891 million to €14,554 million, primarily due to exchange rate movements on the U.S. dollar and a decrease of the overdraft position of the notional cash pooling arrangement. Other gross debt changes included the issuance in April of €500 million fixed rate bonds maturing in 2027, partially offset by the repayment of the €400 million bonds that matured in 2020.

Ahold Delhaize's net debt was €11,434 million as of January 3, 2021 – a decrease of €147 million from December 29, 2019. The decrease in net debt was mainly the result of free cash flow generation (€2,199 million), which was more than offset by the payment of the common stock dividend (€1,026 million) and the completion of the €1 billion share buyback program.

Group review
Liquidity

€ million	January 3, 2021	December 29, 2019
Total cash and cash equivalents (*Note 20*)	**2,933**	3,717
Short-term deposits and similar instruments (*Note 19*)	**58**	15
Investments in debt instruments (FVPL) – current portion (*Note 19*)	**129**	130
Cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments	**3,119**	3,863
Less: Notional cash pooling arrangement (short-term borrowings)	**681**	1,391
Liquidity position	**2,438**	2,472

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented by external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of January 3, 2021, the Company's liquidity position primarily consisted of €2,438 million of cash (including short-term deposits and similar instruments and current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the undrawn portion of the €1 billion revolving credit facility.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities, the available cash balances and the undrawn portion of the revolving credit facility will be sufficient to fund working capital needs, capital expenditures, interest payments, dividends, the announced €1 billion share buyback program, and scheduled debt repayments for the next 12 months. In addition, the Company has access to the debt capital markets based on its current credit ratings.

Group credit facility
Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated revolving credit facility. On December 10, 2020, the Company closed a €1 billion, sustainability-linked revolving credit facility refinancing the 2015-dated €1 billion facility. This new facility reinforces the alignment of the funding strategy and the commitments laid out in the Healthy and Sustainable strategy.

The new credit facility matures in December 2023 and includes two one-year extension options. The credit facility contains customary covenants and a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2 respectively, not to exceed a maximum leverage ratio of 5.5:1. The maximum leverage ratio was unchanged compared to the prior credit facility dated 2015.

During 2020 and 2019, the Company was in compliance with these covenants. However, it was not required to test the financial covenant, due to its credit rating. As of January 3, 2021, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $178 million (€146 million).

Credit ratings
Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's financial strategy because such ratings optimize the cost of funding and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies remained unchanged in 2020:

- Standard & Poor's: corporate credit rating BBB, with a stable outlook since June 2009 (previous rating BBB- assigned in 2007).
- Moody's: issuer credit rating Baa1, with a stable outlook since February 2018 (previous rating Baa2 assigned in August 2015).

Group review
Cash flows

Ahold Delhaize's consolidated cash flows for 2020 and 2019 are as follows:

€ million	2020	2019
Operating cash flows from continuing operations	**6,343**	5,449
Purchase of non-current assets (cash capital expenditure)	**(2,659)**	(2,218)
Divestment of assets/disposal groups held for sale	**108**	144
Dividends received from joint ventures	**16**	36
Interest received	**24**	56
Lease payments received on lease receivables	**99**	94
Interest paid	**(149)**	(189)
Repayments of lease liabilities	**(1,584)**	(1,530)
Free cash flow	**2,199**	1,843
Proceeds from long-term debt	**507**	596
Repayments of loans	**(438)**	(656)
Changes in short-term loans	**(556)**	689
Changes in short-term deposits and similar instruments	**(60)**	253
Dividends paid on common shares	**(1,026)**	(1,114)
Share buyback	**(1,001)**	(1,002)
Acquisition/(divestments) of businesses, net of cash	**(7)**	(54)
Other cash flows from derivatives	**2**	(5)
Other	**(3)**	(15)
Net cash from operating, investing and financing activities	**(383)**	535

Operating cash flows from continuing operations were higher by €893 million. At constant exchange rates, operating cash flows from continuing operations were higher by €975 million, or 18.2%. The purchase of non-current assets was higher by €441 million, or €468 million higher at constant exchange rates.

Free cash flow

Free cash flow, at €2,199 million, increased by €355 million compared to 2019, driven by operating cash flow related to higher profits and better working capital positions following the strong sales results, only partly compensated by pension payments related to the withdrawal agreements of the National Plan and the 1500 Plan, an additional contribution to the Dutch pension plan and higher investments.

In 2020, the main uses of free cash flow included:

- Share buyback program, for a total amount of €1,001 million.
- Common stock final dividend of €0.46 per share for 2019 and common stock interim dividend of €0.50 per share for 2020, resulting in a total cash outflow of €1,026 million.

Group review

Capital investments and property overview

Capital expenditure, including acquisitions and additions to right-of-use assets, amounted to €4,456 million in 2020 and €3,604 million in 2019. Total cash capex for the year amounted to €2,659 million in 2020, an increase of €441 million compared to the previous year.

€ million	2020	2019	Change versus prior year	% of sales
The United States	**2,621**	2,021	600	5.8%
Europe	**1,802**	1,455	347	6.2%
Global Support Office	**25**	36	(11)	
Total regular capital expenditures	**4,448**	3,512	936	6.0%
Acquisition capital expenditures	**8**	92	(84)	—%
Total capital expenditures	**4,456**	3,604	852	6.0%
Total regular capital expenditures	**4,448**	3,512	936	6.0%
Right-of-use assets[1]	**(1,756)**	(1,296)	(460)	(2.3)%
Change in property, plant and equipment payables (and other non-cash adjustments)	**(33)**	1	(34)	—%
Total cash capex (cash capital expenditure)	**2,659**	2,218	441	3.6%
Divestment of assets/disposal groups held for sale	**(108)**	(144)	36	(0.1%)
Net capital expenditure	**2,550**	2,074	476	3.4%

1 Right-of-use assets comprises additions (€630 million), reassessments and modifications to leases (€1,102 million) (for more information see *Note 12* to the consolidated financial statements) as well as additions (€18 million) and reassessments and modifications to leases (€5 million) relating to right-of-use assets included within investment properties (for more information see *Note 13* to the consolidated financial statements).

Capital investments were primarily related to the construction, remodeling and expansion of our stores and supply chain (including online), as well as IT infrastructure improvements. The increase in cash capex, compared to 2019, of €441 million can mainly be explained by approximately $300 million of investments in the U.S. supply chain. To create a fully integrated, self-distribution model, Ahold Delhaize is investing an estimated total of $480 million over a period of three years. The U.S. supply chain will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors and improve product availability. In addition, the Company accelerated its investments in omnichannel to support higher demand driven by COVID-19.

As of January 3, 2021, Ahold Delhaize operated 7,137 stores. The Company's total sales area amounted to 9.5 million square meters in 2020, an increase of 0.7% over the prior year.

The total number of stores (including stores operated by franchisees) is as follows:

	Opening balance	Opened/ acquired	Closed/sold	Closing balance
The United States	1,973	5	(8)	**1,970**
Europe	4,994	223	(50)	**5,167**
Total number of stores	6,967	228	(58)	**7,137**

	2020	2019	Change versus prior year
Number of stores operated by Ahold Delhaize	**5,344**	5,232	**112**
Number of stores operated by franchisees	**1,793**	1,735	**58**
Number of stores operated	**7,137**	6,967	**170**

Franchisees operated 1,793 stores in the Netherlands, Belgium, Luxembourg and Greece.

The total number of pick-up points is as follows:

	2020	2019	Change versus prior year
The United States	**1,121**	770	351
Of which: click-and-collect	**1,116**	692	424
Europe	**298**	217	81
Total	**1,419**	987	432

At the end of 2020, Ahold Delhaize operated 1,419 pick-up points, which was 432 more than in 2019. These are either stand-alone, in-store or office-based, and include 1,116 click-and-collect points in the United States.

Group review
Capital investments and property overview continued

Ahold Delhaize also operated the following other properties as of January 3, 2021:

Warehouse/distribution centers/production facilities/offices	**153**
Properties under construction/development	**101**
Investment properties	**831**
Total	**1,085**

The investment properties consist of buildings and land. The vast majority of these properties were subleased to third parties. Of these, most were shopping centers containing one or more Ahold Delhaize stores and third-party retail units generating rental income.

The total number of retail locations owned or leased by Ahold Delhaize was 5,902 in 2020. This total includes 546 stores sub-leased to franchisees and 12 pick-up points in stand-alone locations. Ahold Delhaize also operates 238 gas stations in the premises of some of the group's stores. The total number of retail locations owned or leased increased by 126 compared to 2019.

The following table breaks down the ownership structure of our 5,902 retail locations (inclusive of stores subleased to franchisees) and 1,085 other properties as of January 3, 2021.

	Retail locations	Other properties
Company owned % of total	22%	51%
Leased % of total	78%	49%

Group review

Earnings and dividend per share

Income from continuing operations per common share (basic) was €1.31, a decrease of €0.29 or 17.9% compared to 2019. The main driver of this decrease was the withdrawal and settlement agreements relating to U.S. multi-employer pension plans. The decrease in the number of outstanding shares as a result of a €1 billion share buyback program carried out in 2020 provided a partial offset (see Note 21 to the consolidated financial statements for more information on the share movements). Underlying income from continuing operations per common share (diluted) was €2.26, an increase of €0.57, or 33.3%, compared to 2019, driven by higher underlying operating profits after tax and the share buyback program.

Ahold Delhaize's policy is to target a dividend payout ratio range of 40-50% of its underlying income from continuing operations. The payout ratio is assessed on a 52-week-year basis to permit a sustainable comparable year-on-year dividend per share growth. Underlying income from continuing operations for 52 weeks amounted to an estimated €2,358 million in 2020 and €1,888 million in 2019. As part of our dividend policy, we adjust income from continuing operations as follows:

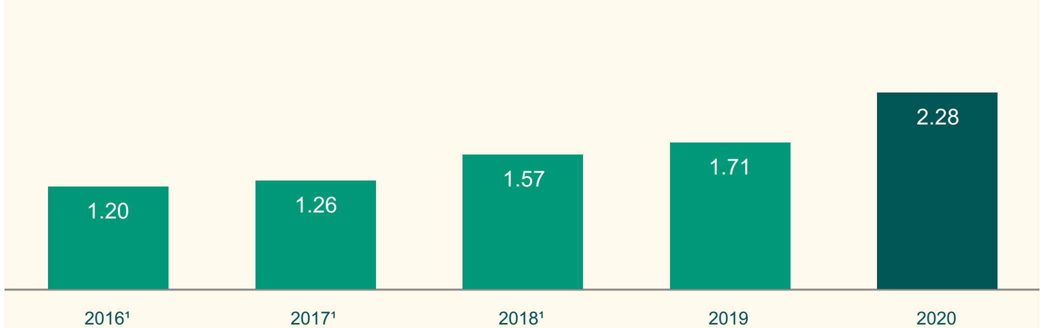
€ million	**2020 (based on 53-weeks)**	2019 (based on 52-weeks)
Income from continuing operations	**1,397**	1,767
Adjusted for:		
Impairment losses and reversals – net	**48**	89
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)
Restructuring and related charges and other items	**1,413**	78
Unusual items in net financial expense	**—**	37
Tax effect on adjusted and unusual items	**(373)**	(30)
Underlying income from continuing operations	**2,427**	1,888
Income from continuing operations per share attributable to common shareholders	**1.31**	1.60
Underlying income from continuing operations per share attributable to common shareholders	**2.28**	1.71
Diluted underlying income per share from continuing operations	**2.26**	1.70

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

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 29, 2019. The estimated total dividend payment for the full year 2020 would therefore total €948 million.

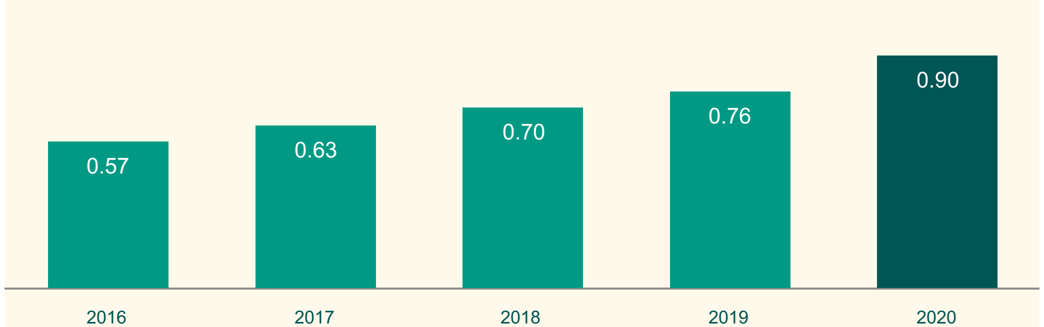
Please refer to *Information about Ahold Delhaize shares* for further details.

Underlying income from continuing operations per common share (basic)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

Dividend per common share



Group review

Tax transparency and responsibility

At Ahold Delhaize, we seek to make a positive impact in the communities where we operate and be a good neighbor. One way we do this is by paying taxes in a way that takes into consideration social and corporate responsibility and the interests of all our stakeholders. Our overall tax approach is in line with Ahold Delhaize's Business Principles, Healthy and Sustainable strategy and Code of Conduct.

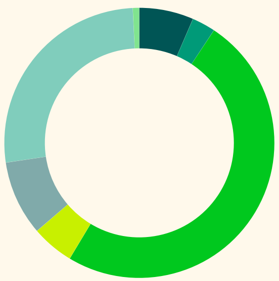
Our tax policy consists of five main tax principles: transparency, accounting and governance, compliance, relationships with authorities and business structure. Our tax principles are aligned with the B Team responsible tax principles.

Transparency

We are proud of the fact that by paying our share of taxes in the countries where we operate, we contribute to economic and social development in these countries. Also, with our total tax contribution, we support the UN Sustainable Development Goals.

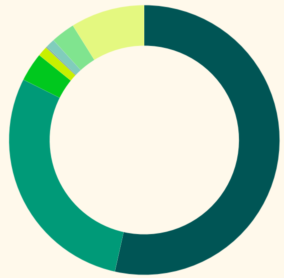
In 2020, Ahold Delhaize collected and paid many types of taxes: payroll tax, corporate income tax, net-value-added tax (VAT), sales and use tax (S&U), property tax and real estate tax, dividend tax, excise and customs duties and others (e.g., packaging tax).

Ahold Delhaize total tax contribution 2020 is €5.4 billion (€ million)



For more details on our corporate income tax financial position see *Note 10* to the consolidated financial statements. The corporate income tax payments reported per country are summarized below.

Ahold Delhaize's 2020 total corporate tax payments is €486 million (€ million)



For Belgium, the income tax paid in 2019 and 2020 was impacted by available operating losses carry forward, which were (partly) offset by taxable income. Other Europe included a tax payment in 2020 of €16 million, related to a tax claim. This claim is being disputed by Ahold Delhaize and we will continue to defend our tax position in this matter.

Our effective income tax rate (ETR) over 2020 was 19.4%. This is our worldwide income tax expense for the financial year 2020 amounting to €331 million, shown as a percentage of the consolidated income before income taxes. In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax, significantly impacting the effective tax rate. When we exclude these incremental pension liabilities, our reported effective tax rate increases from 19.4% to 23.0% on a pro forma basis.

Group review
Tax transparency and responsibility continued

Accounting and governance

Ahold Delhaize has a well-equipped and professional Tax function. This function reports directly to the CFO and has direct access to the Management Board and the Supervisory Board. At least once a year, a tax update is presented to the Audit and Finance Committee of the Supervisory Board. The global tax policy is approved by the Management Board.

Our tax risk appetite is based on Ahold Delhaize's overall compliance-related risk appetite, which is very low. We recognize the risk that non-compliance with applicable tax laws and regulations could result in damage to Ahold Delhaize's reputation or to the relationship with our host countries. For more information, see *How we manage risk.*

To assess and control tax risks, we have a "Tax Control Framework" in place. Tax controls resulting from risk assessment exercises are defined, implemented and tested by various monitoring functions – comprising senior management and the Risk & Controls (second line of defense) and Internal Audit teams – making use of specific Ahold Delhaize tools developed for this purpose. Based on the annual internal audit plan, selected taxes and/or jurisdictions are audited. This results in an audit report rating the design and operating effectiveness of the tax controls.

Each quarter, our brands approve a letter of representation, which includes a confirmation on the accuracy and completeness of our tax position. We have a tax strategy in place that is proactively communicated throughout the company and we organize training for selected brands and jurisdictions, during which the Tax Policy and its main principles are explained in the form of tax risk workshops.

Ahold Delhaize associates have access to a whistle-blower line for reporting any ethical or compliance concerns related to company practices, including tax matters.

We are also actively involved in the field of tax technology and have drafted a global tax technology strategy and roadmap to track and trace improvement projects and monitor future digital tax developments. We currently have various initiatives underway within our direct as well as indirect tax disciplines to optimize and upgrade our tax processes. We closely align with broader finance implementations and the IT function assists us with our tax technology projects. The Ahold Delhaize-wide implementation of a new core finance system will be an important enabler of our tax technology roadmap.

Compliance

Our tax compliance is based on the following examples of good tax practices:

- We aim to file our taxes in full compliance with local laws and regulations.
- We base our tax compliance on a reasonable and responsible interpretation of tax laws.
- We aim to comply with the spirit as well as the letter of the law.
- We attempt to discuss and clarify uncertainties about the tax treatment upfront with the tax authorities.
- We only seek rulings from tax authorities to confirm the applicable treatment of laws and regulations based on full disclosure of the relevant facts.
- We only make use of tax incentives when they are aligned with our business and operational objectives, follow from the tax law and are generally available to all market participants.

Relationships with authorities

Ahold Delhaize engages with tax authorities based on mutual trust, and we seek open and transparent working relationships with them. We provide the tax authorities with any information they require within a reasonable timeframe. This helps both the tax authorities and Ahold Delhaize to foster timely and efficient compliance. In the Netherlands, we concluded a covenant (horizontal monitoring) with the Dutch tax authorities in 2005. In 2021, this will convert into an individual monitoring plan. In Belgium, we are entering a cooperative compliance program with the tax authorities.

As a company close to society, we value constructive dialogue regarding taxes with the governments in the countries where we operate and respond to government consultations on proposed changes to legislation, with the aim to achieve sustainable legislation.

Business structure

We have a physical presence in all jurisdictions and we follow internationally accepted norms and standards (Organisation for Economic Co-operation and Development/Action Plan on Base Erosion and Profit Shifting/European Union). Our tax decision-making process is based on the following examples of good tax practices:

- We do not transfer value created to jurisdictions listed on the EU list of non-cooperative jurisdictions for tax purposes (the EU "blacklist") updated by the Council of the European Union on October 6, 2020, or jurisdictions listed on the Netherlands' blacklist published in the Government Gazette on December 31, 2020 (low-tax jurisdictions).
- We pay tax on profits according to where value is created within the normal course of business.
- We base our transfer pricing policy on the arm's length principle.
- We do not use opaque corporate structures or those situated in low-tax jurisdictions to hide relevant information from the tax authorities.
- We do not have businesses in countries listed in low-tax jurisdictions.
- We are transparent about the entities we own (see *Note 35* to the consolidated financial statements).
- We will not engage in arrangements, with any employee, customer or contractor whose sole purpose is to create a tax benefit in excess of what is reasonably understood to be intended by relevant tax rules.

Performance review

Financial review by segment

Key financial and non-financial information

The key financial and non-financial information per region for 2020, 2019 and 2018 is presented below:

	The United States			Europe		
	2020	2019	2018 restated[2]	**2020**	2019	2018 restated[2]
Net sales (€ millions)	**45,470**	40,066	37,460	**29,266**	26,194	25,331
Net sales ($ millions)	**51,838**	44,841	44,174			
Of which: online sales (€ millions)	**1,968**	985	751	**3,579**	2,508	2,066
Of which: online sales ($ millions)	**2,259**	1,101	886			
Net sales growth in local currency	**15.6%**	1.5%	1.9%	**12.1%**	3.5%	3.4%
Comparable sales growth[1]	**13.3%**	1.1%	2.3%	**9.5%**	2.7%	2.8%
Comparable sales growth (excluding gasoline sales)[1]	**14.4%**	1.4%	2.1%	**9.6%**	2.7%	2.8%
Net consumer online sales (€ millions)	**1,968**	985	751	**5,608**	3,562	2,743
Net consumer online sales ($ millions)	**2,259**	1,101	886			
Operating income (€ millions)	**1,006**	1,668	1,633	**1,380**	1,140	1,123
Operating income ($ millions)	**1,064**	1,867	1,924			
Underlying operating income (€ millions)	**2,466**	1,712	1,699	**1,325**	1,205	1,164
Underlying operating income ($ millions)	**2,789**	1,916	2,002			
Underlying operating margin	**5.4%**	4.3%	4.5%	**4.5%**	4.6%	4.6%
Number of employees/headcount (at year-end in thousands)	**239**	215	207	**175**	165	165
Number of employees/FTEs (at year-end in thousands)[3]	**158**	143	136	**91**	88	88
Contribution to Ahold Delhaize net sales	**60.8%**	60.5%	59.7%	**39.2%**	39.5%	40.3%
Contribution to Ahold Delhaize underlying operating income[4]	**65.0%**	58.7%	59.3%	**35.0%**	41.3%	40.6%

1 Comparable sales growth includes the 53rd week for 2019.
2 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases.
3 Included in the 91 thousand FTEs in Europe (2019: 88 thousand FTEs and 2018: 88 thousand FTEs) are 32 thousand FTEs in the Netherlands (2019: 31 thousand FTEs and 2018: 32 thousand FTEs).
4 Before Global Support Office costs.

Financial review by segment

The United States

Net sales

€45.5bn

15.6%[1]

2019: 40.1bn   13.5% vs. 2019

Comparable sales growth (excluding gasoline sales)

14.4%

Operating income

€1,006m

(43.0)%[1]

2019: 1,668m   (39.7)% vs. 2019

Underlying operating income

€2,466m

45.5%[1]

2019: 1,712m   44.1% vs. 2019

Underlying operating margin

5.4%

Online sales

€1,968m

105.1%[1]

2019: €985m   99.8% vs. 2019

1 At constant rates.

€ million	2020	2019	Change versus prior year	% change	% change at constant rates
Net sales	**45,470**	40,066	**5,404**	13.5%	**15.6%**
Of which online sales	**1,968**	985	**983**	99.8%	**105.1%**
Comparable sales growth	**13.3%**	1.1%			
Comparable sales growth excluding gasoline	**14.4%**	1.4%			
Operating income	**1,006**	1,668	**(662)**	(39.7)%	**(43.0)%**
Adjusted for:					
Impairment losses and reversals – net	**27**	67	**(40)**		
(Gains) losses on leases and the sale of assets – net	**(20)**	(39)	**19**		
Restructuring and related charges and other items	**1,454**	16	**1,438**		
Underlying operating income	**2,466**	1,712	**754**	44.1%	**45.5%**
Underlying operating income margin	**5.4%**	4.3%			

Net sales overview on a pro forma basis	2020	2019	Change versus prior year	% change	% change at constant exchange rates
€ million	**(53 weeks)**	(53 weeks)			
The United States	**45,470**	40,880	4,590	11.2%	13.4%

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible.

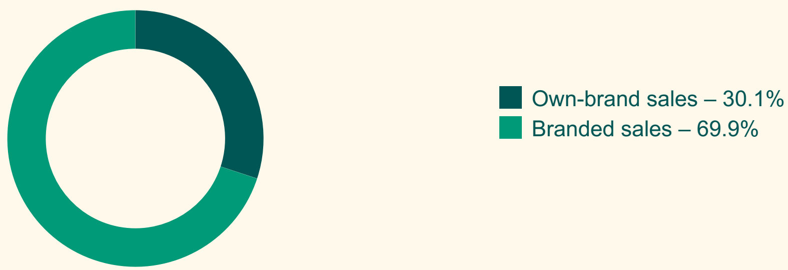
In 2020, net sales were €45,470 million, up by €5,404 million or 13.5% compared to 2019. At constant exchange rates, net sales were up by 15.6%. Sales growth was positively impacted by the pandemic, the additional week of sales and cycling last year's strike at Stop & Shop. The additional week of sales amounted to $967 million and the direct and indirect impact of the strike is estimated at $345 million loss on previous year net sales.

Online sales were €1,968 million, up by 105.1% compared to last year at constant exchange rates. The increase was mainly driven by the pandemic, as customers changed their shopping habits and leaned towards the e-commerce market. We responded to this shift with the launch of over 424 additional click-and-collect points, an extended partnership with a third-party delivery service and an expanded e-commerce offering across all brands.

Financial review by segment
The United States continued

The Ahold Delhaize USA brands are enhancing their strong value propositions by leveraging their leading own-brand offerings. In 2020, own-brand sales as a percentage of total sales was 30.1%.

Own-brand sales



Within the different overall sales categories, the relative share of fresh and non-perishables increased, while the share of non-food, gas and pharmacy in the total sales decreased.

Net sales by category

Comparable sales excluding gasoline for the segment increased by 14.4%, with significant volume growth attributed to COVID-19, which shifted volume from the out-of-home channel to grocery.

Strong positive comparable sales growth across all of the U.S. brands was only partly offset by the closure of Peapod in Q1 2020.

Operating income decreased by €662 million, or (39.7)%, compared to 2019. Underlying operating income was €2,466 million and is adjusted for the following items, which impacted operating income:

- Impairment losses and reversals – net: in 2020, impairment charges amounted to €27 million, versus €67 million in 2019. In 2020, the impairments related primarily to Stop & Shop's underperforming stores and investment locations. The impairments in 2019 related primarily to Stop & Shop's underperforming stores and the exit from Peapod.
- (Gains) losses on leases and the sale of assets – net: in 2020, gains were recorded on sublease activity, the sale of investment properties and miscellaneous equipment and the sale of pharmacy scripts. In 2019, Stop & Shop sold a non-strategic investment property, The GIANT Company sold stores and pharmacy scripts and Giant Food sold two properties.
- Restructuring and related charges and other items: in 2020, we incurred €1,438 million in additional charges compared to 2019. These charges mainly related to Stop & Shop's and Giant Food's withdrawal and settlement agreements from multi-employer plans. Other charges included an early retirement incentive offered to Stop & Shop employees, costs related to the FreshDirect acquisition, costs related to the Peapod closure (severance and onerous contracts) and write-off of costs related to the terminated King Kullen acquisition. In 2019, these charges mainly related to integration costs as a result of the merger, partially offset by insurance reimbursement for Hurricane Florence.

In 2020, underlying operating income was €2,466 million, up by €754 million or 44.1% compared to last year. At constant rates, underlying operating income increased by 45.5%.

The United States' underlying operating income margin in 2020 was 5.4%, up 1.2 percentage points compared to 2019. The 2020 result was positively affected by the pandemic. COVID-19 had a positive effect on sales and shrink, partially offset by higher supply chain costs due to increased volume. Underlying expenses increased compared to last year, mainly driven by added volume, appreciation pay, increased heath care costs, safety supplies (including masks and gloves) and cleaning services; partly offset by our Save for Our Customers program.

Financial review by segment

The United States continued

Growth drivers in action

Drive omnichannel growth

Ahold Delhaize has continued to invest into the U.S. brands to solidify their positions as industry-leading local omnichannel retailers in 2021 and beyond to increase share of the consumer wallet and improve online productivity.

The investments support online capacity, supply chain and technological capabilities that provide a platform for growth and help lower costs. The brands increased online capacity significantly in 2020, and will continue in 2021, expanding from 1,116 click-and-collect points in 2020 to nearly 1,400 points by the end of 2021, and providing more same-day delivery options.

The U.S. brands will further advance omnichannel offerings, such as The GIANT Company Choice Pass, which offers unlimited free grocery delivery and pickup with an annual membership fee of $98.

Store remodels at Stop & Shop and the introduction of more general merchandise, own-brand products and improved meal solutions will create increased wallet share opportunities.

The acquisition of FreshDirect and pending acquisition of 62 stores from Southeastern Grocers will help to further improve the U.S. brands' leading market positions.

Elevate healthy and sustainable

Ahold Delhaize USA and its local brands announced their aim to have 54% of own-brand food sales come from healthy sales and will enhance the information they provide about where products come from by 2025.

The U.S. brands have also committed to reduce food waste by 32% by 2025 and 50% by 2030. In addition, the U.S. businesses have committed to reduce overall use of single-use plastics, including making own-brand product packaging 100% reusable, recyclable or compostable and increasing recycled content by 25% by 2025.

Stop & Shop teamed up with Diver to pilot Fresh Flow sensors that track, in real-time, the journey that fresh products follow from distribution center to store shelf. This will help extend the shelf life of its perishable produce.

The HowGood rating system is in use throughout the full customer omnichannel experience at Giant Food, The GIANT Company and Stop & Shop.

The U.S. businesses made progress against their commitment to eliminate all artificial ingredients from own-brand products by 2025.

Cultivate best talent

The U.S. brands were individually recognized as Best Places to Work for LGBTQ Equality. The brands have received perfect scores on the Human Rights Campaign Foundation's 2021 Corporate Equality Index.

Presidents of the U.S. brands and services companies joined the CEO Action for Diversity & Inclusion program, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.

Additionally, the U.S. brands held series of courageous conversations, leadership discussions and listening sessions as part of social justice efforts to help associates grow and learn from each other.

More than 20 women leaders across Ahold Delhaize USA companies were recognized as Top Women in Grocery by Progressive Grocer and the Network for Executive Women.

The U.S. companies continued partnerships with leading colleges and universities in key areas such as information technology and supply chain to build the pipeline of future talent.

Strengthen operational excellence

Ahold Delhaize USA invested over $300 million in capital spending during 2020 and absorbed over $40 million of transition costs on its P&L to transform and expand its supply chain operations into an integrated, self-distribution model. It 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. The project is on track and will deliver a benefit of over $100 million to the P&L by 2023, as it becomes fully operational.

Peapod Digital Labs built and launched PRISM, a digital e-commerce ecosystem that enables the brands to offer customers a robust omnichannel experience with hyper personalization, alternative payment types, an enhanced B2B offering and a reward program. Stop & Shop, The GIANT Company and Giant Food are already using the platform. According to plan, Food Lion and Hannaford will launch the ecosystem in 2022.

Financial review by segment

Europe

Net sales

€29.3bn ↑ 12.1%[1]

2019: €26.2bn 11.7% vs. 2019

Comparable sales growth (excluding gasoline sales)

9.6%

Operating income

€1,380m ↑ 21.4%[1]

2019: €1,140m 21.1% vs. 2019

Underlying operating income

€1,325m ↑ 10.3%[1]

2019: €1,205m 9.9% vs. 2019

Underlying operating margin

4.5%

Net consumer online sales

€5.6bn ↑ 57.4%[1]

2019: €3.6bn 57.4% vs. 2019

1 At constant rates.

In 2020, we combined the previous reportable segments, The Netherlands, Belgium and Central and Southeastern Europe, into one reportable segment, Europe.

€ million	2020	2019	Change versus prior year	% change	% change at constant rates
Net sales	**29,266**	26,194	3,072	11.7%	12.1%
Of which online sales	**3,579**	2,508	**1,071**	42.7%	**42.7%**
Net consumer online sales	**5,608**	3,562	2,046	57.4%	57.4%
Comparable sales growth	**9.5%**	2.7%			
Comparable sales growth excluding gasoline	**9.6%**	2.7%			
Operating income	**1,380**	1,140	240	21.1%	21.4%
Adjusted for:					
Impairment losses and reversals – net	**21**	22	(1)		
(Gains) losses on leases and the sale of assets – net	**(37)**	(9)	(28)		
Restructuring and related charges and other items	**(39)**	52	(91)		
Underlying operating income	**1,325**	1,205	120	9.9%	10.3%
Underlying operating income margin	**4.5%**	4.6%			

Net sales overview on a pro forma basis	2020	2019	Change versus prior year	% change	% change at constant exchange rates
€ million	**(53 weeks)**	(53 weeks)			
Europe	**29,266**	26,530	2,736	10.3%	10.7%

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible.

Net sales in 2020 were €29,266 million, up by €3,072 million or 11.7% compared to 2019. Sales growth was mainly driven by demand related to COVID-19. In Europe, the effect of COVID-19 has been more balanced, with additional sales matching the related costs. In addition to that, the pandemic has a more mixed impact on the different brands across the European region compared to our brands in The United States.

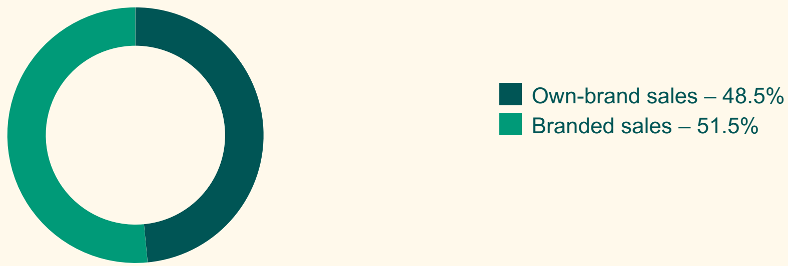
Online sales were €3,579, up by 42.7% compared to last year, mainly driven by the strong performance of our online brands, bol.com and ah.nl. Bol.com continued its strong net consumer online sales growth from 33.2% in 2019 to 56.8% in 2020. The brand's business in Belgium and its third-party platform – which currently offers a marketplace to more than 41,000 merchant partners in the Netherlands and Belgium – remain important growth drivers. Sales from ah.nl increased significantly in 2020, mainly driven by higher demand related to COVID-19. Other brands also saw a surge in online sales, complementing the total online sales growth.

Financial review by segment

Europe continued

We have a relatively high own-brand share across Europe, which, in turn, has served to offer our customers value during the current period of more insecurity with higher unemployment and tightening consumer wallets. In 2020, own-brand sales comprised 48.5% of total sales.

Own-brand sales



Within the different overall sales categories, the relative share of non-perishables and non-food increased, while the share of fresh food and gas decreased as a percentage of total sales.

Comparable sales excluding gasoline increased by 9.6%, mainly driven by higher volumes related to COVID-19 and strong online sales. We saw strong comparable sales growth excluding gasoline across all European brands, with bol.com, Delhaize and Albert Heijn as the largest contributors.

Net sales by category

Operating income increased by €240 million, or 21.1%, to €1,380 million, affected by the following items that Ahold Delhaize adjusts to arrive at underlying operating income:

- Impairment losses and reversals – net: In 2020, impairment charges amounted to €21 million, mainly related to underperforming stores in the Czech Republic, Greece and Romania. In 2019, impairment charges were mainly related to underperforming stores in Greece.
- (Gains) losses on leases and the sale of assets – net: In 2020, this total was €37 million, mainly related to a sale and partial leaseback in Belgium (€18 million) and the Czech Republic (€17 million). In 2019, results were mainly related to a €10 million gain on leases and subleases at Albert Heijn.
- Restructuring and related charges and other items: In 2020, the charges included one-off items at various brands mainly related to restructurings and settlements and were more than offset by a €105 million income related to the pension plan amendment in the Netherlands. In 2019, these related mainly to restructuring programs in the Netherlands and Belgium and an asset write-down in the Czech Republic.

In 2020, underlying operating income in Europe was €1,325 million, up by €120 million, or 9.9%, compared to 2019. Underlying operating margin in Europe was 4.5% in 2020, down 0.1% compared to 2019. In Europe, some of our brands, including those in Greece, Romania, Serbia and our To Go stores, were negatively impacted by COVID-19 to a greater extent, suffering from decreasing traffic, the absence of tourists and the trend of people moving from the city to the countryside during the lockdown periods. Margins were mainly impacted by higher underlying operating expenses, particularly driven by higher labor, operational and administrative expenses related to COVID-19. In addition, margin was negatively impacted by the increased pension costs in the Netherlands. This was partly offset by better gross margins driven by lower shrink, lower cost of product and savings from our Save for Our Customers program.

Our net sales in Europe consist of sales to consumers and to franchise stores. Franchise stores operate under the same format as Ahold Delhaize-operated stores. Franchisees purchase merchandise primarily from Ahold Delhaize, pay a franchise fee and receive support services.

Financial review by segment
Europe continued

Growth drivers in action

Drive omnichannel growth

The European brands continue to expand geographically. For example, bol.com expanded to Wallonia, launching a French-speaking website and app attracting thousands of Belgian merchants. Albert Heijn also strengthened its Belgian footprint, opening more stores and expanding its online offering. Mega Image expanded to new territories in its home market of Romania.

The European brands accelerated the development of new commercial e-commerce propositions. Albert Heijn launched its Compact proposition, specifically targeting single- and two-person households with a lower minimum order amount, smaller range and free delivery. Mega Image launched a 90-minute home delivery offering in Bucharest.

Elevate healthy and sustainable

We promoted healthier eating through the October 2020 launch of the SuperPlus loyalty program in Belgium, which provides rewards and discounts to customers on purchases of healthy and sustainable products, and ended 2020 with 1.35 million members joining the plan.

Our efforts to reduce plastic continue; for example, Alfa Beta switched the packaging of own-brand eggs from plastic to cardboard and Albert introduced new recyclable shopping baskets in all remodeled stores, also supporting plastic reduction.

Cultivate best talent

We put in place COVID-19 governance and collective measures to support associates, suppliers and communities. For instance, Albert Heijn was one of the first supermarket chains in Europe to install plexiglass screens across its store portfolio.

We launched a project to consolidate multiple legacy applications into a unified HR and payroll platform (SAP Success Factors) in the Netherlands and have plans in place to launch it at the other European brands.

Strengthen operational excellence

We plan to double electronic shelf labeling, implementing it in over 50% of European supermarkets by 2021. In 2020, all Albert Heijn and Delhaize company-owned stores already had electronic shelf labeling installed. In the other brands, 80% of stores will have electronic shelf labeling by 2023.

All the European brands exceeded their expected contribution to our Save for Our Customers targets.

Financial review by segment

Performance by segment – Global Support Office

€ million	2020	2019	Change versus prior year	% change
Global Support Office costs	**(195)**	(146)	(50)	(34.1)%
of which restructuring and related charges and other items	**2**	(6)	8	NM
Underlying Global Support Office costs	**(197)**	(140)	(57)	41.0%
of which related to self-insurance activities	**(39)**	4	(43)	NM
Underlying Global Support Office costs excluding self-insurance	**(158)**	(143)	(15)	10.2%

Global Support Office costs in 2020 were €195 million, up €50 million compared to the prior year, driven by higher insurance costs of €39 million and an increase in cost related to variable incentive plans. Compared to 2019, the change in adjustments for restructuring and related charges and other items amounted to €8 million.

Underlying Global Support Office costs were €197 million, €57 million higher than 2019. The €43 million increase in self-insurance activities was the result of a significant decrease in discount rates. Underlying Global Support Office costs excluding self-insurance were €158 million, or €15 million higher than last year.

Growth drivers in action

Drive omnichannel growth

In 2020, our work to develop a global data and analytics strategy was a major step towards our ambition to use data and analytics as a key asset to enable the best omnichannel experience for our customer, driving sustainable business value and competitive advantage for all our brands. We are accelerating strategic initiatives in e-commerce, loyalty and personalization and self-service analytics; this will deliver long-term value by building a scalable, efficient and well-governed foundation for our data while enhancing collaboration across our global company.

Elevate healthy and sustainable

We closed a €1 billion sustainability-linked revolving credit facility in 2020 that refinanced our existing 2015 €1 billion facility, an important tool to help us maintain our financial flexibility. This facility also connects our cost of borrowing and the achievement of our healthy and sustainable ambitions. After having issued the first euro-denominated Sustainability Bond in the retail industry in June 2019, we believe that this facility will deliver a positive outcome for all stakeholders.

Cultivate best talent

Senior leaders were invited to a two-day leadership event during which we held a workshop to share our ambition to become a more diverse and inclusive company (100% inclusive/100% gender balanced/100% reflective of our markets).

Our rollout of a unified HR and payroll platform based on SAP SuccessFactors in the Netherlands has accelerated our associate experience and ensured a secure environment.

Strengthen operational excellence

In 2020, we consolidated all our Microsoft solutions, delivering significant savings and further improving collaboration and standardization.

COVID-19 accelerated our global rollout of MS Teams, to facilitate collaboration. We are taking this to the next step by replacing our old videoconference and meetings facilities with one standardized approach based on the MS Teams environment, to deliver considerable cost savings.

We consolidated a large number of application management services and outsourced them to improve the quality of our support services, and lower our run costs. We further strengthened cyber security by consolidating services and organizing to safely support our digital transformation initiatives.

Performance review
Outlook

Summary
Below is a summary of the full-year outlook for 2021:

Performance measure	Outlook 2021
Underlying operating margin[1]	At least 4%
Diluted underlying EPS growth	Mid-to-high single-digit growth versus 2019
Save for Our Customers	> €750 million
Capital expenditures	~ €2.2 billion
Free cash flow[2]	~ €1.6 billion
Dividend payout ratio[3, 4]	40-50% and year-over-year increase in dividend per share
Share buyback[4]	€1 billion

1 No significant impact to underlying operating margin from returning to a 52-week calendar versus a 53-week calendar in 2020, though the return to a 52-week calendar will negatively impact net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 52-week basis. The margin includes a dilution of $50 million in transition expenses from the U.S. supply chain initiative.
2 Excludes M&A.
3 Calculated as a percentage of underlying income from continuing operations.
4 Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity.

2021 sales to surpass pre-COVID-19 expectations at constant currency
While it will be difficult to overcome abnormally high growth comparisons from 2020, we will continue to drive the successful operational execution of our business model and expect comparable sales to be better on a two-year stacked basis in 2021, compared to the pre-COVID-19 trajectory.

In 2021 sales will face year-over-year headwinds from a 53rd week in 2020, as well as unfavorable foreign currency translation rates. However, 2021 sales will benefit from our acquisition of 62 grocery stores from Southeastern Grocers, our acquisition of FreshDirect, and our announced agreement to acquire 39 stores from DEEN.

Macro-economic indicators forecasted to improve in 2021
On a macro level, the International Monetary Fund (IMF) forecasts a rebound in U.S. and European gross GDP growth in 2021 to 5.1% and 4.2%, respectively. This level of growth should translate into an improved financial backdrop for our consumers, as economic activity picks up and employment metrics improve. Nonetheless, we continue to provide a strong range of offerings for consumers searching for value, given our high own-brand penetration rates in Europe, and our initiative to expand our own-brand portfolio in the U.S. by 1,500-2,000 items in 2021. Meanwhile, after significant food at home CPI inflation in 2020, driven by the impacts of COVID-19, the United States Department of Agriculture is forecasting a more normalized environment, with projected 2021 U.S. food at home CPI inflation of 1.0%-2.0%

This comes within an environment in which grocery increased its share of global consumer spending by +160 bps in 2020 according to Edge Retail Insights. While some of these gains will likely dissipate if COVID-19 vaccination programs are successful, we believe that some of the COVID-19 driven changes in consumer behavior are likely to stick, allowing grocery to maintain a portion of its 2020 share gains over the coming years.

Omnichannel strategy accelerated by COVID-19
Our approach to be a leading local omnichannel food retailer continues to serve us well and was highlighted in 2020, when our broad-based e-commerce solutions enabled us to drive share gains, due in part to changes in the way consumers shop.

We believe a lot of this behavior will persist, and are continuing to make significant investments in our omnichannel proposition, which is reflected in our 2021 outlook.

Specifically, we expect further growth in our e-commerce business during 2021, and are targeting a 30% or greater increase in group net consumer online sales. This includes 60% or greater growth planned for U.S. online sales, aided by the inclusion of sales from our January 2021 FreshDirect acquisition.

In Europe, we will continue to grow our bol.com business, and are targeting a 16% increase in net consumer online sales at bol.com to at least €5 billion in 2021, along with continued positive EBIT and double-digit RoC.

At the same time, we will also continue to reinvest in our brick and mortar store locations, and have plans to reaccelerate our Reimagine Stop & Shop program, with approximately 60 store remodels planned for 2021.

Strengthening operational excellence to drive solid 2021 margins
COVID-19 continues to create significant uncertainty in 2021. In addition, COVID-19, and to a smaller extent, a 53 week calendar, significantly distorted Ahold Delhaize's 2020 financial results. Lapping these effects will impact results for 2021, which returns to a 52-week calendar. In 2021, underlying operating margin is expected to be at least 4%. This outlook reflects a balanced approach with cost savings largely offsetting cost pressures.

After achieving cumulative savings of more than €1.5 billion over the past two years, our Save for Our Customers program is expected to yield €750 million of cost savings in 2021.

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 schedule with our deliverables, which include five facilities that will transition in 2021.

In Europe, we will have electronic shelf labeling at 50% of our brands' supermarkets by the end of 2021, allowing us to gain efficiencies and aid profitability.

These and other factors, such as our focus on improving online productivity, support our margin outlook and help drive our 2021 diluted underlying EPS forecast of mid-to-high-single-digit percentage growth versus 2019.

Performance review

Outlook continued

Strong free cash flow

Our performance outlook for 2021 translates into another round of strong cash flow generation, which is reflected in our free cash flow forecast of approximately €1.6 billion[1]. This comes as our Save for Our Customers program allows us to continuously improve our consumer value proposition and reinvest back into our omnichannel platform, to improve our digital and e-commerce capabilities and optimize our brick-and-mortar store and supply chain network.

1 Free cash flow and capital expenditure guidance expressly excludes M&A activity.

Capital expenditure of approximately €2.2 billion

We anticipate 2021 net capital expenditures of €2.2 billion, down from €2.6 billion in 2020, which included €270 million of transitory expenditures related to the U.S. supply chain transformation.

Returning capital to shareholders

The strong level of free cash flow embedded in our 2021 outlook supports our €1 billion share repurchase authorization announced in November 2020, as well as our dividend policy, which calls for sustainable growth in our annual cash dividend and a 40%-50% payout ratio from underlying net income.

We propose a cash dividend of €0.90 for the financial year 2020, an increase of 18.4% compared to 2019. If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020.

Cultivate best talent targets

Cultivating best talent remains a strategic focus, as we believe the proper development and engagement of associates ultimately drives good returns for the business. In 2021, we target the following metrics: an associate engagement score of 81% or greater; an associate development score of 73% or greater; a healthy workplace score of 76% or greater; and an inclusive workplace score of 79% or greater.

We plan to make continued progress on our ESG initiatives in 2021

In addition to our formal financial outlook, during 2021, we expect to achieve many milestones on our Healthy and Sustainable strategy, which is taking on increasing importance throughout our organization. The COVID-19 pandemic has highlighted the importance of our commitment to enable healthier and more sustainable diets and support our local communities. Customers increasingly demand healthy and sustainable products and services, and prefer to engage with companies that demonstrate strong values. In 2021, we plan to make continued progress on our many initiatives to enable healthier eating, drive down waste, increase transparency around the products we sell and reduce our carbon emissions. We strive towards continued improvements in diversity and inclusion, and doing our part to protect human rights.

We will continue to elevate our healthy and sustainable platform in 2021, and are targeting a 50.5% penetration rate of healthy own brand sales; a 16% reduction in food waste; and a 17% reduction in CO_2 emissions.

In 2021, we will also launch a second-phase TCFD assessment, to further analyze specific brands' impacts on the environment, focusing on transition and physical risks related to climate change. (See *Climate change* for more detail).

Performance review

Information about Ahold Delhaize shares

Shares and listings

Koninklijke Ahold Delhaize N.V. is a public limited liability company registered in the Netherlands with a listing of shares on Euronext's Amsterdam Stock Exchange (AEX) and Euronext Brussels (Ticker: AD, Bloomberg code: AD NA, ISIN code: NL0011794037, CUSIP: N0074E105, Reuters code: AD.AS).

Ahold Delhaize's shares trade in the United States on the over-the-counter (OTC) market (www.otcmarkets.com) in the form of American Depositary Receipts (ADRs) (ticker: ADRNY, Bloomberg code: ADRNY US, ISIN code: US5004675014, CUSIP: 500467501).

The ratio between Ahold Delhaize ADRs and the ordinary Netherlands (euro-denominated) shares is 1:1, i.e., one ADR represents one Ahold Delhaize ordinary share.

Structure: Sponsored Level I ADR

J.P. Morgan (the Depositary) acts as the depositary bank for Ahold Delhaize's ADR program. Please also see *Contact information* for details on how to contact J.P. Morgan regarding the ADR program.

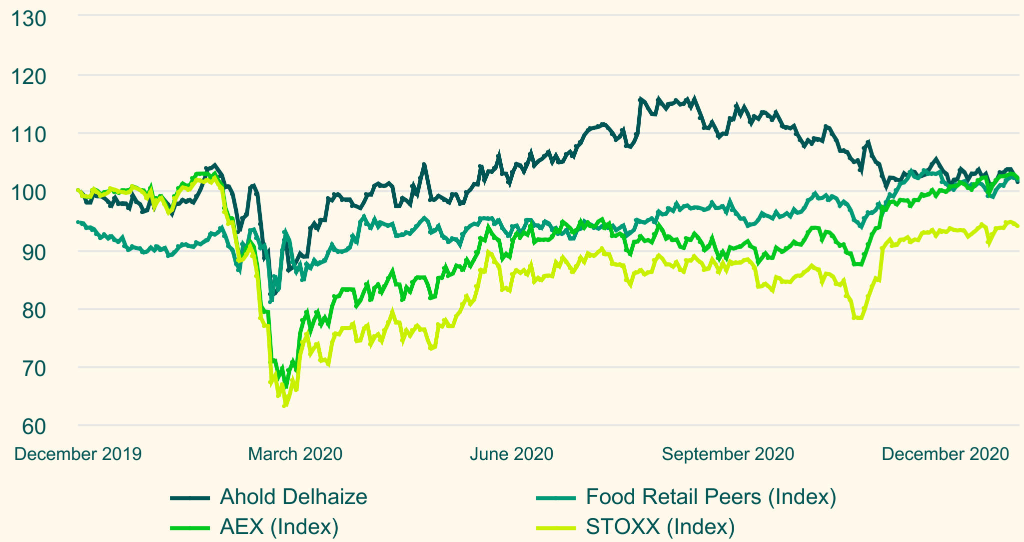
Share performance in 2020

On December 31, 2020, the closing price of an Ahold Delhaize ordinary share on Euronext Amsterdam was €23.11, a 1.6% increase compared to €22.75 on December 27, 2019. During the same period, the Euro STOXX 50 index decreased by 6.1% and the AEX index increased by 2.2%.

During 2020, Ahold Delhaize shares traded on Euronext Amsterdam at an average closing price of €23.52 and an average daily trading volume of 4.0 million shares. Ahold Delhaize's market capitalization was €24.2 billion at year-end 2020. The highest closing price for Ahold Delhaize's shares on Euronext Amsterdam was €26.33 on August, 26, 2020, and the lowest was €18.73 on March 12, 2020.

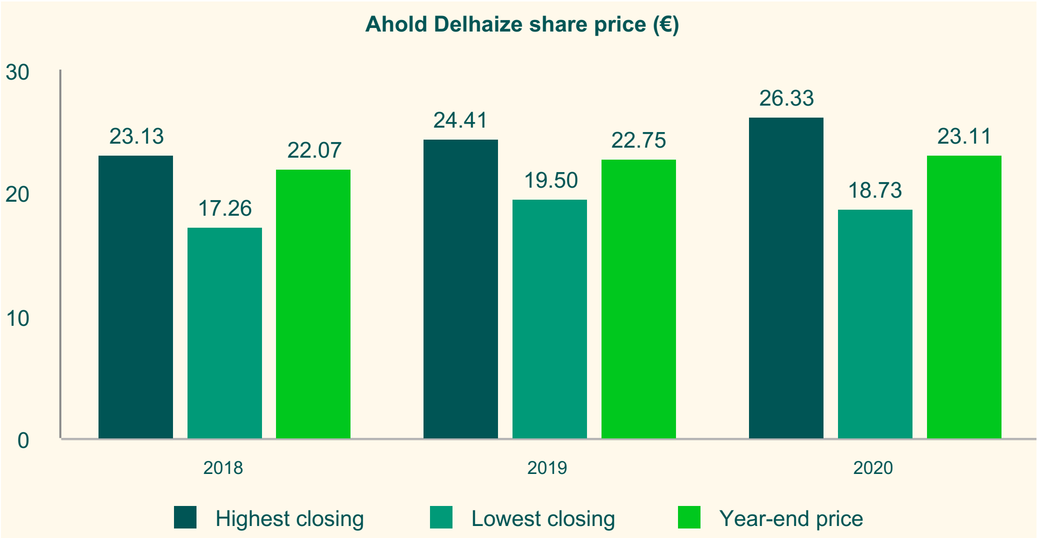
The complete list of the select peer group includes: Walmart Inc., Kroger Co., Tesco Plc., Costco Wholesale Corporation, Carrefour SA, J Sainsbury Plc., Target Corporation, Wm Morrison Supermarkets Plc and Casino SA. The chart represents the performance of Ahold Delhaize shares along with the AEX, Euro Stoxx 50, and our peer group, on an equal weighted basis. The price performance of our shares shown in the graph above is not necessarily indicative of future stock performance.

Ahold Delhaize share price performance



On December 31, 2020, the closing price of Ahold Delhaize's ADR was 11.3% higher than the closing price on December 27, 2019 ($25.40). In the same period, the Dow Jones index increased by 6.8% and the S&P 500 increased by 15.9%. In 2020, the average daily trading volume of Ahold Delhaize American Depositary Receipts (ADRs) was 139,647.

Performance review
Information about Ahold Delhaize shares continued



Performance of Ahold Delhaize's common shares on Euronext Amsterdam

	2020	2019
Closing common share price at calendar year-end (in €)	**23.11**	22.75
Average closing common share price (in €)	**23.52**	22.05
Highest closing common share price (in €)	**26.33**	24.41
Lowest closing common share price (in €)	**18.73**	19.50
Average daily trading volume	**4,003,668**	3,591,720
Market capitalization (€ million)	**24,197**	24,751

Source: FactSet

Earnings per share
During 2020, Ahold Delhaize realized a basic income from continuing operations per share of €1.31 and diluted income from continuing operations per share of €1.30. Basic underlying income from continuing operations was €2.28 per share, and diluted underlying income from continuing operations was €2.26 per share. This difference between our reported and underlying income from continuing operations is related to a net €1,030 million of one-time charges.

Share capital
During 2020, Ahold Delhaize's issued and outstanding share capital decreased by approximately 41 million common shares to 1,047 million common shares. This decrease resulted mainly from the share buyback of €1 billion as announced on December 4, 2019, marginally offset by the issuance of shares for the Company's share-based compensation program.

The common shares issued remained unchanged at 1,101 million at the end of 2020. The difference between the common shares outstanding and common shares issued are the treasury shares.

As of January 3, 2021, there were 53,689 thousand shares held in treasury, the majority held by Ahold Delhaize to cover the equity-based long-term incentive plan.

Ahold Delhaize's authorized share capital as of January 3, 2021, was comprised of the following:

- 1,923,515,827 common shares at €0.01 par value each
- 326,484,173 cumulative preferred financing shares at €0.01 par value each
- 2,250,000,000 cumulative preferred shares at €0.01 par value each

For additional information about Ahold Delhaize's share capital, see *Note 21* to the consolidated financial statements.

Distribution of shares
Shareholders by region[1]:

%	January 2021	February 2020
U.K./Ireland	**12.4**	12.8
North America	**32.0**	29.2
Rest of Europe	**9.5**	9.1
France	**6.6**	8.5
The Netherlands[2]	**5.5**	5.4
Rest of the world	**4.5**	4.9
Germany	**5.3**	3.7
Undisclosed[2]	**24.2**	26.4

1 Source: CMi2i.
2 The Netherlands excludes the percentage of shareholdings of all retail holdings and treasury shares, which are included in Undisclosed.

Performance review

Information about Ahold Delhaize shares continued

Significant ownership of voting shares

According to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Ahold Delhaize's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM) if the acquisition or disposal causes the percentage of outstanding capital interest or voting rights held by that person or legal entity to reach, exceed or fall below any of the following thresholds:

3% 5% 10% 15% 20% 25% 30% 40% 50%

60% 75% 95%

The obligation to notify the AFM also applies when the percentage of capital interest or voting rights referred to above changes as a result of a change in Ahold Delhaize's total outstanding capital or voting rights. In addition, local rules may apply to investors.

The following table lists the shareholders on record in the AFM register on February 23, 2021, that hold an interest of 3% or more in the share capital of the Company[1].

- BlackRock, Inc – 4.99% shareholding (6.09% voting rights) disclosed on November 23, 2020
- State Street Corporation – 3.49% shareholding (2.7% voting rights) disclosed on July 18, 2019

1 In accordance with the filing requirements, the percentages shown include both direct and indirect capital interests and voting rights and both real and potential capital interests and voting rights. Further details can be found at *www.afm.nl*.

For further details on the number of outstanding shares, and the percentages of the issued share capital they represent, see *Note 21* to the consolidated financial statements.

Shareholder returns

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

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

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

Shareholders key performance indicators 2016-2020

	2020	2019	2018	2017	2016
Dividend per common share[1]	**0.90**	0.76	0.70	0.63	0.57
Final dividend	**0.40**	0.46	0.70	0.63	0.57
Interim dividend	**0.50**	0.30	N/A	N/A	N/A
Dividend yield	**3.9%**	3.3%	3.2%	3.4%	2.8%
Payout ratio	**40%**	44%	42%	47%	48%

1 2020 dividend subject to the approval of the annual General Meeting of Shareholders.

Share buyback

On December 4, 2019, Ahold Delhaize announced it will return €1 billion to shareholders by means of a share buyback program, which was completed on December 3, 2020. An additional €1 billion share buyback program was announced on November 4, 2020, which is expected to be completed before the end of 2021. Maintaining a balanced approach between funding growth in key channels and returning excess liquidity to shareholders is part of Ahold Delhaize's financial framework to support our Leading Together strategy. The purpose of the program is to reduce Ahold Delhaize's capital, by cancelling all or part of the common shares acquired through the program.

Performance review

Our great local brands

The United States

The United States is our biggest market and we have a particularly strong presence along the East Coast. Our U.S. brands include some of the country's most established, innovative and best-known supermarkets and online grocers.

Number of stores
1,970 (2019: 1,973)

Number of pick-up points
1,121 (2019: 770)

FOOD LION · STOP&SHOP · The GIANT Company · Hannaford · Giant · Peapod Digital Labs · Retail Business Services, A Company of Ahold Delhaize USA

FOOD LION

By leveraging its longstanding heritage of low prices and convenient locations, Food Lion is working to provide the easiest full shop grocery experience in the Southeast for customers, anchored by a strong commitment to affordability, freshness and the communities it serves.

Market area: Delaware, Georgia, Kentucky, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia

Formats: supermarkets, online shopping

Average sales area per store:
2,349m² (25,282ft²)

Stores
1,029 (0 net new in 2020)

Pick-up points
404 (+196 net new in 2020)

My 2020 highlight

"Food Lion ended 2020 with record-breaking sales and 33 consecutive quarters of comparable store sales growth. We achieved this milestone because of dedicated and caring associates who provided an easy, fresh and affordable shopping experience in the towns and cities across our 10-state operating footprint."

Meg Ham,
President, Food Lion

Performance review
Our great local brands continued

The United States

STOP&SHOP

Stop & Shop is focused on delivering a wide assortment of fresh, healthy options at a great value through strong weekly sales and everyday low prices. Its new GO Rewards loyalty program delivers personalized offers and allows customers to earn points every time they shop, which can be redeemed for gas or groceries – providing an even greater value proposition. Customers can choose however they want to shop – whether in-store or online where Stop & Shop offers both delivery and same-day pickup. The company shows that it is committed to communities by fighting against hunger, supporting the troops and through incredible acts of care.

Market area: Connecticut, Massachusetts, New Jersey, New York and Rhode Island

Formats: supermarkets, online shopping

Average sales area per store:
3,819m² (41,114ft²)

Stores
408 (-5 net new in 2020)

Pick-up points
312 (+75 net new in 2020)

My 2020 highlight

"Medical first responders did incredible work in extremely trying conditions to keep our communities safe. As hospital workers were busy taking care of others, Stop & Shop was proud to take care of them – providing tens of thousands of meals to keep them nourished as they worked around the clock."

Gordon Reid,
President, Stop & Shop

The GIANT Company

The GIANT Company is an omnichannel retailer, serving customers through stores, pharmacies, fuel stations, online pick-up hubs and grocery delivery service in hundreds of zip codes. The brand is changing the customer experience, connecting families and creating healthier communities for a better future. The GIANT Company brands include GIANT, MARTIN'S, GIANT Heirloom Market, GIANT Direct and MARTIN'S Direct.

Market area: Maryland, Pennsylvania, Virginia and West Virginia

Formats: supermarkets, small urban supermarkets, online shopping

Average sales area per store:
3,993m² (42,985ft²)

Stores
186 (0 net new in 2020)

Pick-up points
159 (+24 net new in 2020)

My 2020 highlight

"In 2020, we launched our new purpose, Connecting Families for a Better Future. In a year influenced by the pandemic and social unrest, the actions of our team members reflected this purpose as they engaged the community to lift up our charitable and social justice partners. We also unveiled For Today's Table, our new brand platform that will act as our growth engine into the future."

Nicholas Bertram,
President, The GIANT Company

Performance review

Our great local brands continued

The United States

Hannaford

Today, Hannaford is still connected to its early roots as a local market, working with more than 900 local farms and producers. The brand makes it easy and convenient for customers to shop for great fresh food and to find healthy options, both online and in its stores. Hannaford is in the community and a part of its customers' day, every day.

Market area: Maine, Massachusetts, New Hampshire, New York and Vermont

Formats: supermarkets, online shopping

Average sales area per store:
3,061m² (32,953ft²)

Stores
183 (+1 net new in 2020)

Pick-up points
102 (+24 net new in 2020)

My 2020 highlight

"I was proud of our contributions to meet the needs of our most vulnerable neighbors. With over $4 million in cash contributions, 21 million pounds in donated food and associate involvement in charitable work, we helped fight hunger, shelter the homeless, care for at-risk children, enhance healthcare, further education and support local agriculture."

Mike Vail,
President, Hannaford

Giant

With flexible options and convenient solutions, Giant Food fits all the ways today's busy consumers want to shop – whether in store, via Giant Pickup or through home delivery from Giant Delivers. The brand continues to grow and innovate, with same-day speed available in 100% of its market area. At Giant, local is a commitment, not just a label; each local product represents the cities and communities the brand serves.

Market area: Delaware, District of Columbia, Maryland and Virginia

Formats: supermarkets, online shopping

Average sales area per store:
3,615m² (38,916ft²)

Stores
164 (+1 net new in 2020)

Pick-up points
144 (+33 net new in 2020)

My 2020 highlight

"In a year of social unrest, we courageously moved forward with a community response plan that began with hours of listening sessions across our organization, the development of an associate and CEO pledge to break down barriers, educational resources, leadership workshops and $500,000 of financial support to build bridges to our communities."

Ira Kress,
President, Giant Food

Performance review

Our great local brands continued

Supporting our growth

There are two organizations under Ahold Delhaize USA that provide services to support the growth of our consumer-facing brands.

Peapod DIGITAL LABS

Peapod Digital Labs

Peapod Digital Labs powers growth in digital and e-commerce capabilities for the local brands of Ahold Delhaize USA and serves as the innovation lab for the U.S. businesses to help meet the changing needs of customers.

My 2020 highlight

"The importance of omnichannel sky-rocketed in 2020. We hired more than 150 new associates, helped implement more than 400 click-and-collect locations, invested in a proprietary omnichannel platform, supported the local brands' omnichannel loyalty programs and helped them send over 9.5 billion personalized offers to customers – leading to unprecedented growth."

JJ Fleeman,
President, Peapod Digital Labs

Retail Business Services
A Company of Ahold Delhaize USA

Retail Business Services

Retail Business Services, LLC, is the services company of Ahold Delhaize USA, providing services to the U.S. brands.

Retail Business Services leverages the scale of the local brands to drive synergies and provides industry-leading expertise, insights and analytics to support their strategies.

My 2020 highlight

"Our associates helped drive a broad array of projects and initiatives this year in partnership with the U.S. brands. From supporting the transition to a self-distribution supply chain to advancing omnichannel growth, we had a landmark year. At the same time, we helped the brands put in place COVID-19 safety measures, cared for our associates and donated thousands of community service hours. I'm truly honored to work with this extraordinary team."

Roger Wheeler,
President, Retail Business Services

Performance review
Our great local brands continued

Europe

Our leading local brands across Europe serve customers online and through store formats tailored to their needs. While some of our European brands have been household names for more than a century, they remain innovative and forward-thinking retailers today.

Number of stores
5,167 (2019: 4,994)

Number of pick-up points
298 (2019: 217)

Albert Heijn

Albert Heijn is a part of everyday life for its customers. The brand has grown from a simple grocer to the food tech company it is today. Albert Heijn understands that value for money is more important than ever. The brand makes it easier and more personal to eat good and healthy food and is there for customers always and everywhere – in stores, online and on mobile devices – with value for money, better food and convenience.

Market area: the Netherlands and Belgium

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
1,285m² (13,830ft²)

Stores
1,050 (+21 net new in 2020)

Pick-up points
64 (+14 net new in 2020)

My 2020 highlight

"2020 is a year we will never forget. More than ever, we were aware of the vital role supermarkets play in everyday life. We did everything we could to ensure customers could safely rely on us for their daily groceries and find more choice and convenience when shopping with us."

Marit van Egmond,
President, Albert Heijn

Performance review

Our great local brands continued

Europe

Delhaize's formats – Delhaize, AD Delhaize, Proxy Delhaize and Shop & Go – offer a unique experience and quality service, including online shopping for collection via pick-up points and home delivery. Delhaize offers a wide range with more than eight own-brand ranges and 20,000 high-quality products at competitive prices. Sustainable business is part of daily operations and the brand's commercial mission: the Delhaize team does everything they can to put people and nature first and foremost.

Market area: Belgium and Luxembourg

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
962m² (10,352ft²)

Stores
820 (+24 net new in 2020)

Pick-up points
125 (-2 net new in 2020)

My 2020 highlight

"Our new SuperPlus program is a milestone in the history of Delhaize – and a genuine digital revolution. It is more than just a loyalty card because it combines a higher buying power with an incentive to eat healthier foods."

Xavier Piesvaux,
President, Delhaize

With 33 million items, spread over more than 40 product categories, bol.com customers have the widest range of choices. That's why 12 million Dutch and Belgians shop on its online retail platform. Bol.com also works with more than 41,000 Dutch and Belgian entrepreneurs who sell through its platform.

Market area: the Netherlands and Belgium

Formats: online shopping with a focus on general merchandise

Number of plaza partners:
more than 41,000

My 2020 highlight

"We made an important step towards managing our impact on climate change by achieving a new milestone towards zero grams of CO_2 emissions per package by 2025. All of our buildings – offices, data centers and warehouses – in the Netherlands and Belgium will now run entirely on green electricity."

Huub Vermeulen,
President, bol.com

Performance review
Our great local brands continued

Europe

albert

Albert's motto is "It's worth eating better." The brand offers a great shopping experience in its stores – both urban supermarkets and compact hypers for family shopping. Its great customer offer includes healthy inspiration in own brands and local products. Albert strives to be a responsible retailer in all its markets, supporting a healthy lifestyle for customers and associates and developing local communities.

Market area: Czech Republic

Formats: supermarkets, hypermarkets, convenience stores

Average sales area per store:
1,548m² (16,662ft²)

Stores
328 (+3 net new in 2020)

My 2020 highlight

"For us, it's paramount to provide the best shopping experience full of healthy inspiration and convenience. To do this, our teams worked hard to refurbish 34 stores throughout the year, introducing three in a completely new urban style, and opened three new stores, all of which were well appreciated by customers."

Jesper Lauridsen,
President, Albert

AB Βασιλόπουλος
...και του πουλιού το γάλα!

Alfa Beta Vassilopoulos ("Alfa Beta") is closely connected to customers through its dedication to offer the best and its drive to innovate and make its shopping experience unique – because each customer is unique. The brand is here for customers, associates and communities, offering the finest products and protecting the environment. Alfa Beta serves customers through its Alfa Beta supermarkets and the AB Food Market, AB Shop & Go, AB City and ENA Food Cash & Carry formats.

Market area: Greece

Formats: supermarkets, convenience stores, cash and carry, online shopping

Average sales area per store:
728m² (7,835ft²)

Stores
543 (+33 net new in 2020)

Pick-up points
69 (+69 net new in 2020)

ALLIANCE FOR THE REDUCTION OF FOOD WASTE

My 2020 highlight

"Following our commitment to reduce food waste by 50% by 2025, we created the first 'Alliance for the Reduction of Food Waste' in Greece. Today, it counts over 45 members and is endorsed by the Ministry of the Environment. We hope to inspire others to join and make a difference in people's lives."

Vassilis Stavrou,
President, Alfa Beta

Performance review

Our great local brands continued

Europe

Mega Image is the leading supermarket in Bucharest, serving customers nationwide under the Mega Image, Shop & Go and Gusturi Românești brands. Mega Image offers fresh food, quality, healthy products and advice and a unique assortment of own brands. The team is passionate about a healthy lifestyle, and they engage in social causes that matter for communities, care about people and diversity, and look for solutions to reduce their environmental footprint.

Market area: Romania

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
281m² (3,028ft²)

Stores
854 (+89 net new in 2020)

Pick-up points
36 (-4 net new in 2020)

My 2020 highlight

"During 2020, our 25th anniversary year, our community grew stronger. We went the extra mile for our customers, associates, partners and people in the communities. I feel inspired by and proud of how we overcame all challenges, with adaptability, determination and teamwork, building a caring community."

Mircea Moga,
President, Mega Image

Delhaize Serbia is the largest store chain in the country, operating through four formats. Maxi supermarkets are known for their wide range and high-quality fresh products, great prices and promotions symbolically displayed through the Maxi Bee. Shop & Go locations are modern neighborhood stores tailored both for everyday and on-the-go shopping. Mega Maxi and Tempo hypermarkets are a favorite place for family shopping, with a wide range of products, low prices and excellent promotions.

Market area: Serbia

Formats: supermarkets, convenience stores, hypermarkets, online shopping

Average sales area per store:
464m² (4,992ft²)

Stores
454 (+12 net new in 2020)

Pick-up points
4 (+4 net new in 2020)

My 2020 highlight

"In a tough year where nothing went according to plan, we helped keep Serbian society stable with full shelves and high-quality, healthy products. Our stores were challenged to the max by constant changes in customer behavior, but we managed to open new locations, accelerate our omnichannel leadership and keep associates safe."

Jan-Willem Dockheer,
President, Delhaize Serbia

Performance review

Our great local brands continued

Europe

Etos

Whatever a customer's question is, the Etos team has always been there with answers. Today, Etos is the largest health and wellness platform in the Netherlands. Customers can book consultations directly with medical service providers, receive personalized advice from the Etos staff in the stores – including 2,400 certified druggists – and find products to treat their symptoms.

Market area: the Netherlands

Formats: drugstores, online shopping

Average sales area per store:
207m² (2,228ft²)

Stores
536 (-6 net new in 2020)

My 2020 highlight

"2020 was a very special year, to say the least. But, more than ever, we were able to fulfill our role as the reliable partner for well-being. Through the high commitment and flexibility of our colleagues, partners and suppliers we could contribute to our most important mission: helping customers feel good every day."

Noor de Bruijn,
Commercial Director and
Boudewijn van Nieuwenhuijzen,
Operations Director
On behalf of the Etos Management Team

Gall & Gall

Gall & Gall has been selling liquor since 1884 and is the largest specialist in the Netherlands. Its logo refers to the brand's strong roots. Founder Maria Gall had a motto: "No order too large, no order too small, no order too far." And although times have changed, Gall & Gall's passion to help and inspire customers has remained.

Market area: the Netherlands

Formats: liquor stores, online shopping

Average sales area per store:
76m² (820ft²)

Stores
582 (-3 net new in 2020)

My 2020 highlight

"It has been an exceptional year in which our volumes both in stores and online increased enormously. I am very impressed and proud of all our colleagues' flexibility in overcoming a sudden surge in volume while ensuring the safety of our customers and associates during a global crisis."

Pieter Saman,
President, Gall & Gall

Performance review

Our great local brands continued

Joint ventures

We are represented in Indonesia and Portugal through joint ventures Super Indo and Pingo Doce, respectively. Both are among the leading supermarket brands in their countries.

For more information on our brands, see our website at *www.aholddelhaize.com*.

Market area: Indonesia

Super Indo is Indonesia's largest supermarket chain. It provides a wide range of items to fulfill customers' everyday needs with reliable quality and economical prices in easily accessible stores. Super Indo goes the extra mile to maintain the freshness and quality of its products, making it the right choice for shopping that is always fresher, affordable, and closer.

My 2020 highlight

"Our 2020 theme, 'Dare to connect,' helped us create a safe place to work and shop, while at the same time serving our communities. During this extraordinary year, I was proud of the smooth progress we made on our strategic growth drivers, made possible by steps forward in digitalization and new ways of working."

Johan Boeijenga,
President, Super Indo

Market area: Portugal

Pingo Doce brings quality and innovation, because the best families deserve the best supermarket. The goal is to bring customers a unique shopping experience in the marketplace. Pingo Doce products guarantee excellent value for money, which strengthens the brand's commitment to customers. The brand brings food solutions to customers at very competitive prices for even more savings.

Performance review

Multiple-year overview

The multiple-year overview is provided for ten years; however, the figures prior to 2018 are not comparable because they have not been restated for the impact of IFRS 16. In addition, it should be noted that years prior to 2016 only relate to the former Ahold business. The former Delhaize business is included as of July 24, 2016.

Results, cash flow and other information

€ million, except per share data, exchange rates and percentages	2020	2019	2018 restated[1]	2017[1]	2016[1, 2]	2015[1]	2014[1]	2013[1]	2012[1]	2011[1]
Net sales	**74,736**	66,260	62,791	62,890	49,695	38,203	32,774	32,615	32,682	30,098
Of which online sales	**5,547**	3,493	2,817	2,393	1,991	1,646	1,267	1,086	830	457
Net sales growth at constant exchange rates[3]	**12.3%**	2.3%	2.5%	28.9%	32.3%	2.3%	0.8%	2.0%	3.6%	5.5%
Operating income	**2,191**	2,662	2,623	2,225	1,584	1,318	1,250	1,239	1,336	1,351
Underlying operating income margin	**4.8%**	4.2%	4.4%	3.9%	3.8%	3.8%	3.9%	4.2%	4.3%	4.6%
Net financial expense	**(485)**	(528)	(487)	(297)	(541)	(265)	(235)	(291)	(208)	(316)
Income from continuing operations	**1,397**	1,767	1,797	1,817	830	849	791	805	869	914
Income (loss) from discontinued operations	**—**	(1)	(17)	—	—	2	(197)	1,732	46	103
Net income	**1,397**	1,766	1,780	1,817	830	851	594	2,537	915	1,017
Earnings and dividend per share										
Net income per common share (basic)	**1.31**	1.60	1.51	1.45	0.81	1.04	0.68	2.48	0.88	0.92
Net income per common share (diluted)	**1.30**	1.59	1.49	1.43	0.81	1.02	0.67	2.39	0.85	0.89
Income from continuing operations per common share (basic)	**1.31**	1.60	1.53	1.45	0.81	1.04	0.90	0.79	0.84	0.82
Income from continuing operations per common share (diluted)	**1.30**	1.59	1.51	1.43	0.81	1.02	0.88	0.77	0.81	0.80
Dividend per common share	**0.90**	0.76	0.70	0.63	0.57	0.52	0.48	0.47	0.44	0.40
Cash flows										
Free cash flow	**2,199**	1,843	2,165	1,926	1,441	1,184	1,055	1,109	1,051	845
Net cash from operating, investing and financing activities	**(383)**	535	(1,587)	827	2,114	73	(1,005)	681	(511)	(226)
Capital expenditures (including acquisitions)[4]	**4,456**	3,604	2,838	1,822	16,775	1,172	1,006	843	1,876	880
Capital expenditures as % of net sales	**6.0%**	5.4%	4.5%	2.9%	33.8%	3.1%	3.1%	2.6%	5.7%	2.9%
Regular capital expenditures[5]	**4,448**	3,512	2,772	1,723	1,377	811	740	830	929	807
Regular capital expenditures as % of net sales	**6.0%**	**5.3%**	**4.4%**	**2.7%**	**2.8%**	**2.1%**	**2.3%**	**2.5%**	**2.8%**	**2.7%**
Average exchange rate (€ per $)	**0.8770**	0.8934	0.8476	0.8868	0.9038	0.9001	0.7529	0.7533	0.7782	0.7189

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 Included former Delhaize business as of July 24, 2016.
3 Net sales growth in 2020, 2016 and 2015 is adjusted for the impact of week 53 in 2020 and 2015.
4 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude discontinued operations.
5 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets, excluding the impact from acquisitions. The amounts exclude discontinued operations.

Performance review

Multiple-year overview continued

Balance sheet and other information

€ million, except for number of stores and otherwise indicated	January 3, 2021	December 29, 2019	December 30, 2018, restated[1]	December 31, 2017[1]	January 1, 2017[1]	January 3, 2016[1]	December 28, 2014[1]	December 29, 2013[1]	December 30, 2012	January 1, 2012
Group equity[2]	**12,432**	14,083	14,205	15,170	16,276	5,621	4,844	6,520	5,146	5,810
Gross debt	**14,554**	15,445	14,485	7,250	7,561	3,502	3,197	3,021	3,246	3,680
Cash, cash equivalents, and short-term deposits and similar instruments and investments in debt instruments – current portion	**3,119**	3,863	3,507	4,747	4,317	2,354	1,886	3,963	1,886	2,592
Net debt	**11,434**	11,581	10,978	2,503	3,244	1,148	1,311	(942)	1,360	1,088
Total assets	**40,692**	41,490	39,830	33,871	36,275	15,880	14,138	15,142	14,572	15,228
Number of stores[3]	**7,137**	6,967	6,769	6,637	6,556	3,253	3,206	3,131	3,074	3,008
Number of employees (in thousand FTEs)[3]	**249**	232	225	224	225	129	126	123	125	121
Number of employees (in thousands headcount)[3]	**414**	380	372	369	370	236	227	222	225	218
Common shares outstanding (in millions)[2]	**1,047**	1,088	1,130	1,228	1,272	818	823	982	1,039	1,060
Share price at Euronext (€)	**23.11**	22.75	22.07	18.34	20.03	19.48	14.66	13.22	10.16	10.41
Market capitalization[2]	**24,197**	24,751	24,938	22,508	25,484	15,944	12,059	12,989	10,551	11,033
Year-end exchange rate (€ per $)	**0.8187**	0.8947	0.8738	0.8330	0.9506	0.9208	0.8213	0.7277	0.7566	0.7724

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 In 2020, €1,001 million was returned to shareholders through a share buyback (2019: €1,002 million, 2018: €1,997 million, 2017: €998 million, 2016: nil, 2015: €161 million, 2014: €1,232 million, 2013: €768 million, 2012: €277 million and 2011: €837 million). In 2016 and 2014, €1,001 million and €1,007 million, respectively, were returned to shareholders through a capital repayment.
3 At December 29, 2013, the number of stores and employees include discontinued operations (Slovakia).

Environmental, social and governance information

We provide four years of data, since, in 2016, the merger between Ahold and Delhaize was finalized. During 2016, all KPIs and targets for Ahold and Delhaize were measured according to a different set of definitions and scopes, which made these non-comparable. Starting in 2017, all metrics and definitions were aligned and all brands that are part of Ahold Delhaize reported in the same way.

	2020	2019	2018	2017
Sales of own-brand foods that meet guidelines for good nutritional value (€ million)	**11,516**	9,982	9,533	9,302
% of healthy own-brand food sales of total own-brand food sales[1]	**49.8%**	48%	47%	46%
Tonnes of food waste per food sales (t/MEUR)[2]	**4.5**	5.0	5.2	5.3
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)	**17%**	2%	Baseline	N/A

1 2017 to 2019 figures include Peapod.
2 The reduction is measured against the 2016 baseline of 5.48 t/€ million. See *ESG statements* for more information.

Performance review

Definitions: performance measures

Financial performance measures

The financial information included in this Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as explained in *Note 2* and *Note 3* to the consolidated financial statements as well as in the individual footnotes, unless otherwise indicated.

This Annual Report also includes alternative performance measures (also known as non-GAAP measures). The definitions of these financial and non-financial alternative performance measures can be found below.

Financial alternative performance measures

Management believes that financial alternative performance (non-GAAP) measures allow for a better understanding of Ahold Delhaize's operating and financial performance. These alternative performance measures should be considered in addition to, but not as substitutes for, the most directly comparable IFRS measures.

Comparable sales

Comparable sales are net sales, in local currency, from exactly the same stores – including remodeled stores and stores that are replaced within the same market area – and online sales in existing market areas for the most recent comparable period. Ahold Delhaize measures a store for comparable sales after it is open for a full 56 weeks. Comparable stores are locations that were open for both the full time period being reported on and the full comparable time period in the preceding year. In 2020, comparable sales growth is calculated by adjusting 2019 to a 53-week period.

Comparable sales excludes Value Added Tax (VAT).

For markets that sell gasoline, Ahold Delhaize also calculates the comparable sales excluding gasoline sales, to eliminate gasoline price volatility in the comparison.

Comparable sales and comparable sales excluding gasoline sales are not reflected in Ahold Delhaize's financial statements. However, the Company believes that disclosing comparable sales and comparable sales excluding gasoline sales provides additional useful analytical information to investors regarding the operating performance of Ahold Delhaize as it neutralizes the impact of, for example, newly acquired stores, in the calculation of sales growth.

Earnings before interest, taxes, depreciation and amortization, or EBITDA

Ahold Delhaize defines EBITDA as operating income / (loss) plus depreciation and amortization. EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization).

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."

Food sales

Food sales contains all net sales, excluding the following categories: pet food, flowers and plants, tobacco, and non-food products including health and beauty and cleaning products. Sales taxes and value-added taxes are excluded from food sales reported in the ESG statements.

Free cash flow

Ahold Delhaize defines free cash flow as operating cash flows from continuing operations minus net capital expenditures, net repayment of lease liabilities and receivables (both interest and principal portions) and net interest paid plus dividends received.

Ahold Delhaize has included free cash flow as the Company believes it is a useful measure for investors, because it provides insight into the cash flows available to, among other things, reduce debt and pay dividends. Free cash flow is derived from the financial statements; however, this is not a measure calculated in accordance with IFRS and may not be comparable to similar measures presented by other companies. Accordingly, free cash flow should not be considered as an alternative to operating cash flow.

Global Support Office costs

Global Support Office (GSO) costs relate to the responsibilities of the Global Support Office, including Finance, Strategy, Mergers & Acquisitions, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Tax, Treasury, Communications, Investor Relations, Health and Sustainability and the majority of the Executive Committee. Global Support Office costs also include results from other activities coordinated centrally but not allocated to any subsidiary. Underlying Global Support Office costs exclude impairments of non-current assets, gains (losses) on leases and the sale of assets, and restructuring and related charges and other items, including business acquisition transaction costs.

Net consumer online sales

Net consumer online sales is defined as online sales including sales of third parties via bol.com's Plaza. Net consumer online sales excludes Value Added Tax (VAT). Ahold Delhaize's management believes that this measure provides more insight into the growth of our online businesses.

Net debt

Net debt is the difference between (i) the sum of loans, lease liabilities, cumulative preferred financing shares and short-term debt (i.e., gross debt) and (ii) cash, cash equivalents, current portion of investment in debt instruments, and short-term deposits and similar instruments. In management's view, because cash, cash equivalents, current portion of investments in debt instruments, and short-term deposits and similar instruments can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold Delhaize's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net sales at constant exchange rates

Net sales at constant exchange rates excludes the impact of using different currency exchange rates to translate the financial information of Ahold Delhaize subsidiaries or joint ventures to euros. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries or joint ventures.

Performance review

Definitions: performance measures continued

Net sales by category
Net sales are specified into predefined sales categories: Perishable, Non-perishable, Non-Food, Gasoline and Pharmacy.

Category definitions:

- Perishable include: Produce, Dairy (fresh), Meat, Deli, Bakery, Seafood, and Frozen.
- Non-perishables include: Grocery, Dairy (long-life) and Beer and Wine.
- Non-Food includes: Floral, Pet Food, Health and Beauty Care, Kitchen and Cookware, Gardening Tools, General Merchandise articles, Electronics, Newspapers and Magazines, Tobacco, and so on.
- Gasoline includes: Gasoline sales only.
- Pharmacy includes: Pharmacy sales only.

Net sales in local currency
In certain instances, net sales are presented in local currency. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Online grocery penetration
Online grocery penetration is calculated as online sales as percentage of net sales, excluding bol.com's online sales. Ahold Delhaize's management believes that this measure provides insights on the value of our online grocery business.

Online penetration
Online penetration is calculated as online sales as a percentage of net sales. Ahold Delhaize's management believes that this measure provides insights on the value of our online business, not limited to the online grocery business.

Online sales
Online sales are net sales generated through electronic ordering by the final customer at the fair value of the consideration received or receivable.

Online sales includes both business-to-consumer and business-to-business sales as long as the purchaser is the end user, sales generated through third-party platforms (e.g., Instacart and eMag), delivery fee income, other income derived from online sales generated through third-party platforms (e.g. price markups), fees and commissions when Ahold Delhaize acts as an agent.

Online sales excludes Value Added Tax (VAT).

Operating income in local currency
In certain instances, operating income is presented in local currency. Ahold Delhaize's management believes this measure provides better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Own-brand sales
Net sales of own-brand products where own-brand products include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items relating to the former. In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Regular capex expenditure
The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude discontinued operations.

Return on capital
Return on capital (RoC) is calculated as underlying operating income before depreciation and amortization divided by the annual rolling average of the sum of company-owned property, plant and equipment at purchase price, intangible assets (excluding goodwill) at purchase price, operating working capital components and repayment of lease liabilities, divided by 8%.

Underlying operating income and margin
Underlying operating income is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance.

Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of the Company's operations. Underlying operating income margin is calculated as underlying operating income as a percentage of net sales.

Underlying income from continuing operations
Ahold Delhaize defines underlying income from continuing operations as income from continuing operations adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance, as well as material non-recurring finance costs and income tax expense, and the potential effect of income tax on all these items.

Underlying earnings before interest, taxes, depreciation and amortization, or underlying EBITDA and margin
Ahold Delhaize defines underlying EBITDA as underlying operating income plus depreciation and amortization. Underlying EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization). Underlying EBITDA margin is calculated as underlying EBITDA as a percentage of net sales.

Performance review

Definitions: performance measures continued

Non-financial alternative performance measures

The specific definitions outlined below add context to our non-financial alternative performance measures and other metrics used in this report.

Acceptable standards and certifications for commodities

Ahold Delhaize defines acceptable standards as multi-stakeholder initiatives or standards supported by multiple stakeholders. They include third-party verification and focus on mitigating the main environmental and/or social issues associated with a commodity's production. Acceptable standards are globally consistent and focus on continuously improving production and supply chain practices. Acceptable standards for tea, coffee and cocoa include Rainforest Alliance/ UTZ Fair Trade USA/Fairtrade/FLO-CERT/ Fairtrade Sourcing Program or equivalent standards. Acceptable standards for palm oil include RSPO Principles & Criteria and equivalent standards. Acceptable standards for wood fiber are the Forest Stewardship Council (FSC) Chain of Custody, Program for Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI) or equivalent standards. Acceptable standards for soy are RTRS standard for Responsible Soy Production and ProTerra, or equivalent standards. The majority of credits we purchase are area-based RTRS credits from the Cerrado Region. Acceptable standards for seafood products include certification against a program that is recognized by the Global Sustainable Seafood Initiative (GSSI) and cover all Aquaculture Stewardship Council (ASC) farm standards.

Associates

Associates with a legal contract or active pay status (U.S.-specific) with Ahold Delhaize or its brands. This excludes external associates and contingent workers and includes expats counted in their home country.

Associates include seasonal workers, student workers (including summer season students), part-time and full-time associates, both short-term and long-term contracted associates and associates with an active pay status (U.S.-specific) as well as associates whose contract is currently suspended (e.g., for time credit, long-term illness).

Associates who have an employment contract with independent operators of affiliated or franchised stores, students who are on a non-remunerated internship are excluded from the reported figures in this section.

Associate engagement survey

Associate engagement is measured through an annual survey of all associates employed by Ahold Delhaize and its brands. A number of items in the survey are used to derive and calculate an associate engagement score:

- Healthy workplace: associates are asked about the support they receive to have healthier lives.
- Inclusive workplace: associates are asked about the support they receive to have a more inclusive workplace.
- Associate development: associates are asked about the support they receive to develop their skills and careers with Ahold Delhaize.
- Engagement: associates are asked about how they feel about Ahold Delhaize.

Associate engagement benchmarks

We use two global benchmarks for our associate engagement survey: Global Retail, which comprises companies in the 5300 Retail industry classification benchmark that operate in multiple countries and have both a brick-and-mortar and online presence, and High Performance Norm, which comprises companies in the top quartile (75th percentile) of the Perceptyx Global normative benchmark database.

Cash contributions

The monetary amount paid by a company in support of charitable donations in the form of direct cash donations or grants and payments for materials and services. It includes support of cultural institutions, matched employee giving, employee involvement costs, memberships and subscriptions to community-related organizations and cause-related marketing campaigns.

Charitable donations

Donations of cash, products, services, equipment or other company resources to local, national and international charitable appeals, sponsorships that are not part of a marketing strategy, grants and costs of employee volunteering that fall outside of a core community strategy, company matching of employee donations and the costs of facilitating donations by customers and suppliers.

Community investments

Long-term strategic involvement in, and partnership with, community organizations to address a limited range of social issues chosen by the Company to protect its long-term corporate interests and enhance its reputation. Examples of community investments include: memberships in and subscriptions to charitable organizations, grants and donations, secondments to a partner community organization, supporting in-house training, use of company premises for partner organizations and cost of supporting and promoting employee volunteering programs.

Business-related activities in the community, usually undertaken by commercial departments to directly support the success of the Company, promoting its corporate and brand identities and other policies, in partnership with charities and community-based organizations. Only the contribution to charity or community organizations is considered, not the total cost of the marketing campaign or similar.

Examples of commercial initiatives include: the sponsorship of events, publications and activities that promote corporate brands or corporate identity, cause-related marketing and activities to promote sales, support for universities, and research and other charitable institutions, and exceptional one-off gifts of property and other assets.

CO_2 emissions/CO_2 equivalent (CO_2e)

The CO_2 (carbon dioxide) emissions data we report consists of a calculated CO_2 equivalent: actual CO_2 emitted plus equivalent emissions from other greenhouse gases (such as CH_4, N_2O and F-gases). We report according to the Greenhouse Gas (GHG) Protocol Corporate Standard.

Food waste

As defined by the United Nations Food and Agriculture Organization (FAO), food waste is any removal of food from the food supply chain that is or was at some point fit for human consumption, but has been disposed of, or has spoiled or expired, mainly as a result of economic behavior, poor stock management or neglect. In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft and cash shortages. We measure food waste using the *Food Loss and Waste Protocol.* Food waste includes waste used for animal feed, bio-based materials, anaerobic digestion, composting/aerobic digestion, controlled combustion and landfill.

Performance review
Definitions: performance measures continued

Food Loss and Waste Protocol
A multi-stakeholder effort to develop the global accounting and reporting standard (known as the FLW Standard) for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

Free from products
"Free from" products exclude certain ingredients, such as allergens, synthetic colors or artificial flavors. The excluded ingredients are normally referenced on the packaging or product marketing materials.

Front-of-pack nutritional labeling
Nutritional labeling (showing the amount of certain nutrients) that is on the front of a product package. At a minimum, it comprises the calories per serving.

Full time
Associates who work full time (= one FTE), as measured by contract hours/standard weekly working hours, are considered full time.

Greenhouse gases
Gases such as carbon dioxide or methane that contribute to climate change.

Global Reporting Initiative (GRI)
An independent international not-for-profit organization that developed the GRI Sustainability Reporting Standards and works to support their implementation.

Healthy products
Own-brand healthy food sales include all own-brand products that earn one, two or three Guiding Stars (in the U.S. market) or are identified as healthy products by the Choices criteria (in Europe). Total own-brand food sales include food sales from company-operated stores as well as franchise stores.

More information on Guiding Stars can be found at *www.guidingstars.com*.

More information on Choices can be found at *www.choicesprogramme.org/our-work/nutrition-criteria*.

Last-stage of production (LSOP) unit
The entity that performs the last stage of production or processing in the supply chain where food and non-food safety and/or working conditions are impacted. The LSOP is:

- For food safety: the location where the final consumer product (including packing) is handled.
- For non-food safety: the location where the final consumer product (excluding packing) is assembled.
- For social compliance: the location where labor is involved in producing or processing the final product, excluding (re-)packing in a non-high-risk country.

National brands
Products that are distributed nationally under a brand name owned by the producer or distributor.

Occupational illness frequency rate
Work-related illnesses or diseases occurring in the course or scope of employment. Occupational illnesses or diseases are only measured if a patient requires a medical professional to administer direct care or evaluate the illness or disease. In the U.S., information from our local claims management or insurance providers is used to monitor performance in this area. Since local claims management or insurance providers need to comply with local legislation, the acceptance of illnesses or diseases as work-related can deviate across brands. Occupational illnesses are calculated per one million hours worked.

Organic food products
Food that meets specific, governmental standards relative to the use of synthetic pesticides, fertilizers or any other chemicals and the way natural resources (soil, animals, energy, water) are treated in the production process. An "organic" product is a product that is certified as organic by a Certifying Body recognized by the government.

Own brands
Own-brand products, at Ahold Delhaize company-operated and affiliated stores, include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items related to the non-branded products.

In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Ozone-friendly refrigerant
A refrigerant that has no ozone depletion potential (ODP=0), meaning there is no degradation to the ozone layer. The data are based on the 2015 Report from United Nations Environment Programme (UNEP), "TOC Refrigeration, A/C and Heat Pumps Assessment Report 2015."

Part time
Associates who work less than full time (< one FTE), as measured by contract hours/standard weekly working hours, are considered part time.

Pick-up point and click-and-collect points
A pick-up point (PUP) is a location that serves as a point where customers can pick up groceries they have ordered online. PUPs exclude bol.com, Etos and Gall & Gall locations.

PUPs with pick-from-store (PFS) capability are also referred to as click-and-collect points.

Private label products
Private label products are a sub-set of Ahold Delhaize own brands, consisting of products with a visible proprietary label from an Ahold Delhaize brand.

Plastic packaging
According to ISO 21067, packaging is a product to be used for the containment, protection, handling, delivery, storage, transport and presentation of goods, from raw materials to processed goods, from the producer to the user or consumer, including processor, assembler or other intermediary. Plastic packaging is packaging of which the main structural element is made of plastic.

Performance review

Definitions: performance measures continued

Number of injuries that result in lost days
Number of injuries that result in days lost that are directly related to work-related accidents per 100 full-time equivalents. The number of days lost are days scheduled to be worked according to each associate's schedule. An injury is a non-fatal or fatal injury arising in the course of work.

Sales area
The sum of the store areas (in square meters or square footage) where products are sold and services provided, taken at the end of the year.

Scope 1 (direct GHG emissions)
Emissions from sources that are owned or controlled by Ahold Delhaize. Scope 1 emissions include emissions from refrigerant leakages, owned trucking and on-site fuel usage (natural gas, propane, light fuel).

Scope 2 (indirect GHG emissions)
Emissions from the generation of purchased electricity, heat or steam consumed by the Company. They are not "direct" emissions in that they arise from third-party installations but are attributed to the Company's operations as the end user of the electricity, heat or steam.

Seafood
All fresh, frozen and/or canned products where seafood is the first and/or only ingredient. We have developed a "trident" approach for seafood. To comply with our policy, seafood must either be:

- Certified against a GSSI-recognized standard, including the Marine Stewardship Council (MSC) and ASC, or otherwise credible standards, or
- "In improvement" or "in assessment":
  - "In improvement" and sourced from a credible Fishery in Improvement or Aquaculture in Improvement Project (FIP or AIP), or
  - "In assessment" and sourced from a farm or fishery that is "in assessment" towards certification, or
  - "Assessed" by an expert third party using science-based criteria

Soy
In scope are all high-priority (South American) soy volumes in own-brand products containing soy or animal-based products where soy (Tier 1-3) is used in the supply chain. When we refer to our soy use, we are referring to soy used for the production of Tier 1 (direct soy), Tier 2 (embedded soy in meat and fish) and Tier 3 (embedded soy in basic eggs, dairy products) products only.

High-priority soy is defined as soy that comes from South America, which can potentially lead to deforestation and degradation of valuable ecosystems such as the Amazon and Cerrado (CGF Soy Sourcing Guidelines).

Lower-priority soy is defined as soy that comes from other regions, including the U.S., Canada, Europe, India, and China (CGF Soy Sourcing Guidelines). European produced soy, or Danube soy, is also acceptable as "low priority."

Stock Keeping Unit (SKU)
We include SKUs that were active only for a limited period of time during the reporting period, SKUs that were active at a certain point in time during the reporting period, even though not active anymore at the end of the reporting period or at the time of the data collection, seasonal products, and SKUs that are only sold in our franchise/affiliated stores. Excluded SKUs are SKUs that are sold in company-operated stores selling only wholesale, promotional products and secondary SKUs.

Sustainable Development Goals (SDGs)
The United Nations SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 goals replace the Millennium Development Goals and are set on a 2016-2030 time frame.

Tea, coffee and cocoa
For tea, all own-brand products based on tea (Camellia sinensis), including flavored or scented teas, as well as Rooibos; excluding matcha, iced tea drinks, iced tea mixes and "ready-to-drink" beverages such as Kombucha. Herbal tea, that does not contain camellia sinensis, is out of scope.

For coffee, all own-brand coffee products based on coffee beans (beans, ground coffee, instant coffee and liquid coffee), including cold coffee drinks, excluding coffee flavoring in food products.

Cocoa includes cocoa, cocoa powder, cocoa butter and cocoa liquor. We allow each brand to identify a minimum threshold for in-scope products.

Tonnes of food waste donated:

- Includes only food products to feed people (excludes animal feed)
- Includes food donations to food banks and other food donations to feed people
- Excludes third-party donations (from customers, suppliers and associates)

Waste
"Total waste generated" includes all waste, regardless of the waste management (recycling, incineration or landfill). It is broken down by percentage sent to landfill, recycled and sent to incinerators that produce energy. Waste data covers all types of facilities (stores, distribution centers and offices). Information about all waste disposal methods has been determined through information provided by the waste disposal contractors.

Waste recycling
All methods that do not include sending waste to landfill or incineration. For food waste, this includes four methods: recycling through animal feed, recycling through biogas generation, composting and rendering. For other waste streams, such as cardboard, paper, plastic and other waste, recycling refers to applied methods for each specific waste type.

Limited scope 3 (other indirect emissions): emissions from franchise stores (including estimates) and affiliated stores and trucking emissions from subcontracted trucks that deliver Ahold Delhaize products from operated distribution centers to stores.

Full scope 3 includes the 10 out of 15 scope 3 categories that are relevant to our business. It includes indirect emissions from all the goods and services we purchase, emissions from sold products (from gasoline sales in the U.S.) and several smaller emissions categories that cover all upstream and downstream activities.

Performance review

Definitions: performance measures continued

ESG glossary

In addition to the non-financial alternative performance measures defined above, the following concepts or terminologies are used in our *ESG statements*.

amfori BSCI
amforiBusiness Social Compliance Initiative (BSCI): a non-profit organization that supports more than 1,000 international companies in the process of monitoring and improving working conditions in the global supply chain through its own auditing program. We consider the following standards to be "BSCI Equivalent": BSCI; BRCGS Ethical Trade and Responsible Sourcing Standard – Issue 1; Equitable Food Initiative Social Standards, Guidance, & Interpretations_v2.1 (EFI) including Ethical Charter; Ethical Trading Initiative (ETI)/SMETA; Fair for Life/For Life; Fair Labor Association (FLA)[1]; Fair Trade USA[2]; Fairtrade Hired Labor; Fairtrade Textile; Florverde[2]; Initiative Clause Sociale (ICS); Kenya Flower Council (KFC); MPS – Socially Qualified (SQ); Proterra; Rainforest Alliance (RA)/ Sustainable Agriculture Network (SAN); Sustainable Agriculture in South Africa (SIZA); Sustainably Grown; Social Accountability (SA) 8000; UTZ Certified[2]; Wine and Agricultural Ethical Trade Association (WIETA).

1 Only audit reports conducted by external, independent auditors are considered equivalent.
2 Only applicable if the production unit is a farm.

Biodiversity
The variety of plant and animal species on earth or as measured for a specific ecosystem. According to the Food and Agriculture Organization (FAO), biodiversity for food and agriculture is indispensable to food security and sustainable development. It supplies many vital ecosystem services, such as creating and maintaining healthy soils, pollinating plants, controlling pests and providing a habitat for wildlife, including for fish and other species that are vital to food production and agricultural livelihoods.

Deforestation and land conversion are closely linked to biodiversity.

Deforestation
Deforestation is a loss of natural forest as a result of:

1. Conversion to agriculture or other non-forest land use
2. Conversion to a tree plantation

Land conversion
Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure or function.

1. Deforestation is one form of land conversion (conversion of natural forests).
2. Includes severe degradation from the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure or function.
3. Change to natural ecosystems that meets this definition is considered to be conversion, regardless of whether or not it is legal.

Food Loss and Waste Protocol
A multi-stakeholder effort developed the global accounting and reporting standard (known as the FLW Standard) for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

GFSI
Global Food Safety Initiative: a Consumer Goods Forum Coalition of Action that enables continuous improvement of food safety management across the supply chain, through benchmarking, collaboration and harmonization of food safety certification programs.

Global Sustainable Seafood Initiative (GSSI)
A global platform and partnership of seafood companies, NGOs, experts and governmental and intergovernmental organizations working towards more sustainable seafood. GSSI's Global Benchmark Tool includes GSSI Essential Components that are based on the Code of Conduct for Responsible Fisheries (CCRF) and the FAO Guidelines. Seafood certification schemes must meet these standards to be recognized by GSSI.

Location-based approach
The GHG Protocol scope 2 Guidance defines the location-based approach as "a method that reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)."

Market-based approach
The GHG Protocol scope 2 Guidance defines the market-based approach as "a method that reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. Markets differ as to what contractual instruments are commonly available or used by companies to purchase energy or claim specific attributes about it, but they can include energy attribute certificates (RECs, GOs, etc.), direct contracts (for both low-carbon, renewable, or fossil fuel generation), supplier-specific emission rates and other default emission factors representing the untracked or unclaimed energy and emissions (termed the 'residual mix') if a company does not have other contractual information that meets the Scope 2 Quality Criteria."

Palm oil RSPO-certified
The RSPO initiated a certification program to promote the use of sustainable palm oil, with different supply chain options: RSPO Segregated, RSPO Mass Balance and RSPO Book & Claim. RSPO Segregated certifies that palm oil only comes from RSPO-certified palm plantations. RSPO Mass Balance certifies that palm oil comes from a mix of RSPO-certified and RSPO-uncertified palm plantations. RSPO Book & Claim enables companies to buy credits from RSPO-certified growers, crushers and independent smallholders. To comply with RSPO certification requirements, any supplier that uses palm-based ingredients must be RSPO Chain of Custody-certified, and purchase RSPO-certified (Mass Balance or Segregated) palm oil.

Science Based Targets Initiative (SBTi)
The SBTi is a partnership between CDP, the UNGC, WRI and the World Wide Fund for Nature (WWF). SBTi provides a framework to help specify how much and how quickly organizations need to reduce their greenhouse gas emissions to stay within the 1.5°C maximum rise in global temperature.