Koninklijke Ahold Delhaize N.V.

Q4 2022 Report

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Ahold Delhaize delivers increased cost savings, supporting strong Q4 financial results; 2023 outlook reinforces commitment to Leading Together ambitions

* With double-digit food inflation levels in Q4, our brands intensified efforts to deliver customers great value and access to affordable and healthy food options. A key component of our efforts has been our Save for Our Customers cost savings program, which yielded 15% more savings than originally expected in 2022.
* Group net sales were €23.4 billion, up 8.1% in Q4 and 6.9% in 2022 at constant exchange rates and up 15.9% in Q4 and 15.1% in 2022 at actual exchange rates.
* Q4 comparable sales excluding gas increased by 9.3% in the U.S. and 5.7% in Europe. This sales growth was underpinned by the introduction of more entry-priced products, expanded high-quality own-brand assortments and further rollout of personalized value through our digital omnichannel loyalty programs.
* Net consumer online sales increased by 5.0% in Q4 and 4.9% in 2022 at constant exchange rates. Excluding bol.com, grocery online sales increased 14.4% in Q4 and 11.8% in 2022 at constant rates.
* Q4 underlying operating margin was 4.4%, an increase of 0.2 percentage points at constant and actual exchange rates. Underlying operating margin for 2022 was 4.3%, a decrease of 0.1 percentage points. Positive benefits in our Global Support Office partly offset margin declines in Europe. The latter was mainly due to intense cost inflation, particularly in energy, as well as investments in our European customer value proposition to support customers in the challenging macro environment.
* IFRS-reported operating income was €1,167 million in Q4 and €3,768 million in 2022. IFRS-reported diluted EPS was €0.82 in Q4 and €2.54 in 2022.
* Q4 diluted underlying EPS was €0.72, an increase of 22.6% over the prior year at actual rates. Our 2022 diluted underlying EPS was €2.55, up 16.5% at actual rates compared to the prior year.
* 2022 free cash flow was €2.2 billion compared to the most recent guidance of approximately €2 billion.
* We propose a cash dividend of €1.05 for fiscal year 2022, which is a 10.5% increase compared to 2021.
* Ahold Delhaize introduces “Accelerate” initiative to bolster Save For Our Customer cost savings program and provide additional stimulus to key Leading Together strategic priorities.
* 2023 outlook: underlying operating margin of ≥4.0%; underlying EPS to be around 2022 levels; free cash flow of approximately €2.0 billion; net capital expenditures of approximately €2.5 billion.

Zaandam, the Netherlands, February 15, 2023 – Ahold Delhaize, one of the world’s largest food retail groups and a leader in both supermarkets and e-commerce, reports fourth quarter results today.

Summary of key financial data

	Ahold Delhaize Group			The United States		Europe	
	Q4 2022	% change	% change constant rates	Q4 2022	% change constant rates	Q4 2022	% change constant rates
€ million, except per share data	13 weeks 2022 vs. 13 weeks 2021						
Net sales	23,359	15.9 %	8.1 %	14,782	9.2 %	8,576	6.2 %
Comparable sales growth excluding gasoline	7.9 %			9.3 %		5.7 %	
Online sales	2,446	12.4 %	7.4 %	1,132	17.3 %	1,314	— %
Net consumer online sales	3,237	8.6 %	5.0 %	1,132	17.3 %	2,105	(0.6) %
Operating income	1,167	30.5 %	20.6 %	857	16.0 %	326	29.5 %
Operating margin	5.0 %	0.6 pp	0.5 pp	5.8 %	0.3 pp	3.8 %	0.7 pp
Underlying operating income	1,026	22.4 %	13.8 %	701	18.9 %	340	1.4 %
Underlying operating margin	4.4 %	0.2 pp	0.2 pp	4.7 %	0.4 pp	4.0 %	(0.2)pp
Diluted EPS	0.82	32.4 %	22.5 %				
Diluted underlying EPS	0.72	22.6 %	14.2 %				
Free cash flow	1,481	290.4 %	277.3 %				

€ million, except per share data	Ahold Delhaize Group 2022	% change	% change constant rates	The United States 2022	% change constant rates	Europe 2022	% change constant rates
	52 weeks 2022 vs. 52 weeks 2021						
Net sales	86,984	15.1 %	6.9 %	55,218	7.9 %	31,767	5.0 %
Comparable sales growth excluding gasoline	5.4 %			6.8 %		2.9 %	
Online sales	8,618	11.9 %	6.4 %	4,157	14.5 %	4,461	(0.3) %
Net consumer online sales	11,323	8.9 %	4.9 %	4,157	14.5 %	7,166	(0.1) %
Operating income	3,768	13.5 %	4.9 %	2,605	3.9 %	1,173	(3.3) %
Operating margin	4.3 %	(0.1)pp	(0.1)pp	4.7 %	(0.2)pp	3.7 %	(0.3)pp
Underlying operating income	3,728	11.9 %	3.5 %	2,603	7.2 %	1,131	(13.7) %
Underlying operating margin	4.3 %	(0.1)pp	(0.1)pp	4.7 %	— pp	3.6 %	(0.8)pp
Diluted EPS	2.54	17.2 %	8.4 %				
Diluted underlying EPS	2.55	16.5 %	7.9 %				
Free cash flow	2,188	35.2 %	22.5 %				

Comments from Frans Muller, President and CEO of Ahold Delhaize

"I am pleased to report a solid end to the year for Ahold Delhaize. Our strong international portfolio of local brands has continued to provide distinct competitive and societal advantages, particularly from our scale and solid financial position. In this challenging year, we have seen double-digit inflation levels not witnessed in 40 years, an energy crisis created by war and the ongoing effects of the global pandemic on people's lives. Our role during this time has been clear: keeping shelf prices as low as possible to support our customers and make healthy food options accessible to all.

"During 2022, our family of great local brands also contributed €218 million of charitable cash, products and food donations to local and regional food banks and non-profit organizations. The Food Lion Feeds program achieved an important milestone with its one billionth meal donated, and is well on the way to reaching its goal of 1.5 billion meals donated by 2025. Delhaize Belgium donated emergency generators to the Ukrainian Red Cross, ensuring 95,000 Ukrainians continue to have access to clean water and heating. Hannaford launched its "Eat Well, Be Well – A Path to Better Health" initiative, which will provide $1.5 million in funding to non-profit organizations for hosting programs that increase access to healthy, fresh food tailored to the specific needs of an individual's health conditions, and provide nutrition education.

"In Q4, we again rallied our organization around our core strengths – operational excellence, tight cost control and disciplined capital allocation. This was critical to provide fuel for reinvesting in our customer value proposition to offset the impact of inflation wherever possible. To that end, we significantly exceeded our original Save for Our Customers goals in 2022, generating €979 million in cost savings, which is over €100 million more than we had originally planned. I am proud of our associates across Ahold Delhaize and our local brands who left no stone unturned. As many of the sames challenges persist and may even intensify in 2023, this formula will continue to play an important role as we look for further opportunities to improve our brands' operations.

"As our brands adapted their assortments and omnichannel customer journeys to rising consumer price sensitivity, the positive impact from our focus on providing great value without compromising on quality was clearly reflected in our Q4 sales figures. Comparable store sales ex gas grew 7.9% in Q4. Net consumer online sales increased by 5.0%, and our online grocery sales were up 14.4%. Leveraging these strong sales, we delivered an underlying operating margin of 4.4% and diluted underlying EPS growth of 22.6% in Q4. Our earnings were positively influenced by a strong operating performance in the U.S., as well as foreign exchange and interest rate changes, which offset higher margin pressures in Europe.

"In the U.S., comparable sales accelerated at all the brands versus Q3, resulting in a growth rate of 9.3%.This was driven by strong holiday season activations. For example, the U.S. brands' sales from loyalty programs and online orders reached all-time highs. This has been a trend we have seen building throughout the year, as our consistent investment in growing these capabilities continues to pay off. Our brands' customer relationship management campaigns are a good example, now reaching around 30 million households and delivering over 10 billion personalized offers annually. We are also increasingly encouraged by the progress we see at Stop & Shop, where the brand's remodeled New York City stores are delivering double-digit sales growth and exceeding expectations. We plan to remodel a further eight stores in NYC in Q1 2023, and roll out key learnings to 40 other stores in the fleet throughout the year.

"In Europe, comparable store sales were up 5.7% in Q4. Excluding bol.com, which continued to trade against the backdrop of a challenging e-commerce market in the Benelux, comparable store sales increased 6.9%. In the Central and Southeastern Europe (CSE) region, we have now harmonized over 700 own brand products, and continue to benefit from increased collaboration, harmonization of processes and best-practice sharing. In the Netherlands, Albert Heijn introduced dynamic digital discounting in all its stores, enabling customers to purchase products nearing the end of their shelf life with discounts ranging from 25% to 70%. In addition, Albert Heijn entered into a partnership with Jan Linders Supermarkets, with the vast majority of stores to be converted into Albert Heijn franchisees on receiving the requisite approvals. The agreement allows Albert Heijn to expand its regional coverage in the south of the Netherlands. Underlying operating margins in Europe decreased to 4.0% in Q4, as sharp increases in energy costs, in particular, impacted our profitability by 0.5 percentage points. While I am particularly proud of the mitigating actions and cost savings delivered by the region in Q4 and throughout the year, striking the right balance between savings and investments in 2023 will be even more important.

"At bol.com, for the full year, Gross Merchandise Value (GMV) excluding VAT was €5.5 billion, down 1.9%, against a market which declined around 6%. As you will remember, during the year, we made some significant adjustments to bol.com's medium term plans to adapt to the current environment. As a result, despite higher investments in the business, cost increases and sales deleverage, bol.com remained profitable and delivered €125 million in underlying EBITDA.

"At Ahold Delhaize, we believe that it is important that we continue to make investments in our Healthy and Sustainable strategy. In our own operations, in 2022 we achieved reductions in CO_2 emissions of 32% compared to our 2018 baseline (30% in 2021) and tonnes of food waste per food sales of 33% against our 2016 baseline (20% in 2021). Our brands also continued to increase the percentage of own brand healthy food sales to 54.4% in 2022, up one percentage point compared to 2021. In November, we announced updated interim CO_2 emissions-reduction targets for the entire value chain (scope 3) to at least 37% by 2030.

"We also reconfirmed our commitment to become net zero in our own operations by 2040 and across the entire value chain by 2050. The updated targets were the result of extensive review and are in line with the UN's goal of keeping global warming below 1.5°C. For Ahold Delhaize, the main drivers of emissions reduction in scope 3 fall under three categories: suppliers and farmers; low-carbon products; and customer engagement. Encouraging and supporting our suppliers to set their own emissions-reduction targets in line with the latest scientific evidence, and signing up to the Science Based Targets initiative is a key element of our decarbonization efforts. Ahold Delhaize aims to play a leading role in this. We are proactively engaging with our supplier base and are leveraging our position in the world of food retail to create a positive movement towards the reduction of greenhouse gas emissions.

"Despite increasing macro-economic and geopolitical challenges, we expect to deliver consistent results in 2023, with a strong focus on cash-flow generation. I am particularly excited about our plans around monetization, mechanization and our digital ecosystem, which I am convinced will drive long-term competitive advantage and benefits for our customers. In the short term, with inflation remaining high, we will also continue to lean in and explore new opportunities to lower our costs. To that end, we are introducing a new Group-wide initiative called "Accelerate".

"This initiative builds on our existing Leading Together efforts to create more agile organizations, to capture more scale and empower our people to take action to drive efficiency. In particular, we will continue to evaluate additional savings and efficiency levers to streamline organizational structures and processes, optimize go-to-market propositions, increase joint sourcing and consolidate IT - with a clear priority to unlock resources to accelerate our Save for Our Customers program and focus investments on high return projects. I am confident this proactive approach will make our organization stronger and ensure we can continue to deliver on our track record of driving consistent long-term value creation for all stakeholders.

Q4 Financial highlights

Group highlights

Group net sales were €23.4 billion, an increase of 8.1% at constant exchange rates, and up 15.9% at actual exchange rates. Group net sales were driven by comparable sales growth excluding gasoline of 7.9%, and, to a lesser extent, by foreign currency translation benefits and higher gasoline sales. Q4 Group comparable sales benefited by approximately 0.4 percentage points from the net impact of calendar shifts and weather.

In Q4, Group net consumer online sales increased by 5.0% at constant exchange rates, led by robust performance in the U.S., which increased 17.3% compared to the prior year. Net consumer online sales decreased 0.6% in Europe as the prior year benefited from a COVID-19 lockdown in the Netherlands. Online sales in grocery increased 14.4% at constant exchange rates.

In Q4, Group underlying operating margin was 4.4%, an increase of 0.2 percentage points at constant exchange rates, as strong cost savings were partially offset by higher labor, distribution and energy costs. In Q4, Group IFRS-reported operating income was €1,167 million, representing an IFRS-reported operating margin of 5.0%, mainly impacted by the gains on sale of investment properties in the U.S. in the amount of €158 million.

Underlying income from continuing operations was €707 million, an increase of 18.2% in the quarter at actual rates. Ahold Delhaize's IFRS-reported net income in the quarter was €809 million. Diluted EPS was €0.82 and diluted underlying EPS was €0.72, up 22.6% at actual currency rates compared to last year's results and up 14.2% at constant currency rates. In the quarter, 10.5 million own shares were purchased for €286 million, bringing the total year-to-date amount to €1 billion.

2022 diluted underlying EPS of €2.55 increased 16.5% at actual rates compared to 2021, exceeding the Company's original guidance of low- to mid-single-digit decline versus 2021. The higher-than-expected earnings were driven by strong comparable sales growth excluding gasoline as well as favorable foreign currency and interest rates. This drove strong cash generation with free cash flow of €2,188 million, up €570 million compared to the prior year. The difference is primarily related to decisions in 2021 to pay a $190 million (~€170 million) pension liability in the U.S. following 2020 U.S. MEP withdrawals, ahead of schedule, and fund the Company's decision to pay approximately €380 million related to a disputed tax claim in Belgium.

U.S. highlights

U.S. net sales were €14.8 billion, an increase of 9.2% at constant exchange rates and up 22.2% at actual exchange rates. U.S. comparable sales excluding gasoline increased by 9.3%, benefiting by approximately 0.5 percentage points from the net impact of weather and calendar shifts. Food Lion and Hannaford led brand performance with double-digit comparable sales growth at both brands during the quarter.

In Q4, online sales in the segment were up 17.3% in constant currency. This builds on top of 30.5% constant currency growth in the same quarter last year.

Underlying operating margin in the U.S. was 4.7%, up 0.4 percentage points at constant exchange rates from the prior year period. In Q4, U.S. IFRS-reported operating margin was 5.8%, mainly impacted by the gains on sale of investment properties in the amount of €158 million.

Europe highlights

European net sales were €8.6 billion, an increase of 6.2% at constant exchange rates and 6.6% at actual exchange rates. Europe's comparable sales excluding gasoline increased by 5.7%. Q4 Europe comparable sales were positively impacted by approximately 0.1 percentage points from calendar shifts.

In Q4, net consumer online sales in the segment decreased by 0.6%, following 7.4% growth in the same period last year. Grocery online sales increased by 8.0%. Despite challenging non-food e-commerce market conditions in the Benelux and the cycling of lockdown restrictions, bol.com was able to limit net consumer online sales decline to 2.9% after growing 7.8% in the same quarter last year. Bol.com's net consumer online sales from its more than 51,000 third-party sellers declined 1.6% in Q4 and represented 57% of sales.

Underlying operating margin in Europe was 4.0% in Q4, down 0.2 percentage points from the prior year due to escalating energy and volume deleveraging offset by disciplined cost-management measures. Europe's Q4 IFRS-reported operating margin was 3.8%.

Outlook 2023

The macro environment has become increasingly difficult for consumers, who contended with inflation levels during 2022 not seen in four decades. Inflation levels are expected to remain elevated particularly through the first half of 2023. Our brands are working hard to reduce costs and create additional efficiencies in order to keep prices as low as possible for our customers. In this context, the Company's brands continue to offer consumers a strong shopping proposition and are well-positioned to maintain profitability in the current inflationary environment. Ahold Delhaize's Group underlying operating margin is expected to be ≥4.0%, in line with the Company's historical profile. Margins will be supported by Save for Our Customers programs of ≥€1 billion in savings in 2023. This should help to offset cost pressures related to inflation and supply chain issues, along with the negative impact to margins from increased online sales penetration.

Underlying EPS is expected to be around 2022 levels at current exchange rates. Our earnings guidance implies further growth and a strong underlying operating performance, which will offset the non-recurrence of one-off gains in 2022 related to interest rates.

Free cash flow is expected to be approximately €2.0 billion. Net capital expenditures are expected to total around €2.5 billion, with increased investments in our digital and online capabilities as well as our healthy and sustainable initiatives. In addition, Ahold Delhaize remains committed to its dividend policy and share buyback program in 2023, as previously stated. We are proposing a full-year dividend for 2022 of €1.05 per share, and have previously announced a €1 billion share purchase program for 2023.

A detailed Outlook will be provided in the Annual Report 2022, which will be published on March 1, 2023.

	Full-year outlook	Underlying operating margin	Underlying EPS	Save for Our Customers	Net capital expenditures	Free cash flow[1]	Dividend payout ratio[2,3]	Share buyback[3]
Outlook	**2023**	**≥ 4.0%**	**Around 2022 levels**	**≥ €1 billion**	**~ €2.5 billion**	**~ €2.0 billion**	**40-50% payout; YOY growth in dividend per share**	**€1 billion**

1. *Excludes M&A.*
2. *Calculated as a percentage of underlying income from continuing operations.*
3. *Management remains committed to our share buyback and dividend programs, but, given the uncertainty caused by the wider macro-economic consequences of the war in Ukraine, will continue to monitor macro-economic developments. The program is also subject to changes resulting from corporate activities, such as material M&A activity.*

Group performance

€ million, except per share data	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	% change	% change constant rates	2022 (52 weeks)	2021 (52 weeks)	% change	% change constant rates
Net sales	23,359	20,148	15.9 %	8.1 %	86,984	75,601	15.1 %	6.9 %
Of which: online sales	2,446	2,176	12.4 %	7.4 %	8,618	7,704	11.9 %	6.4 %
Net consumer online sales[1]	3,237	2,981	8.6 %	5.0 %	11,323	10,401	8.9 %	4.9 %
Operating income	1,167	895	30.5 %	20.6 %	3,768	3,320	13.5 %	4.9 %
Income from continuing operations	809	634	27.6 %	18.1 %	2,546	2,246	13.4 %	4.8 %
Net income	809	634	27.6 %	18.1 %	2,546	2,246	13.4 %	4.8 %
Basic income per share from continuing operations (EPS)	0.82	0.62	32.3 %	22.5 %	2.56	2.18	17.2 %	8.4 %
Diluted income per share from continuing operations (diluted EPS)	0.82	0.62	32.4 %	22.5 %	2.54	2.17	17.2 %	8.4 %
Underlying EBITDA[1]	1,911	1,635	16.9 %	8.8 %	7,161	6,335	13.0 %	4.8 %
Underlying EBITDA margin[1]	8.2 %	8.1 %			8.2 %	8.4 %		
Underlying operating income[1]	1,026	838	22.4 %	13.8 %	3,728	3,331	11.9 %	3.5 %
Underlying operating margin[1]	4.4 %	4.2 %			4.3 %	4.4 %		
Underlying income per share from continuing operations – basic (underlying EPS)[1]	0.72	0.59	22.6 %	14.2 %	2.56	2.20	16.5 %	7.9 %
Underlying income per share from continuing operations – diluted (diluted underlying EPS)[1]	0.72	0.59	22.6 %	14.2 %	2.55	2.19	16.5 %	7.9 %
Free cash flow[1]	1,481	379	290.4 %	277.3 %	2,188	1,618	35.2 %	22.5 %

1. *Net consumer online sales, underlying EBITDA, underlying operating income, basic and diluted underlying income per share from continuing operations and free cash flow are alternative performance measures that are used throughout the report. For a description of alternative performance measures, see* Note 3: Alternative performance measures *to the summarized financial statements.*

Performance by segment

The United States

	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	% change	% change constant rates	2022 (52 weeks)	2021 (52 weeks)	% change	% change constant rates
$ million								
Net sales	15,100	13,825	9.2 %		57,959	53,699	7.9 %	
Of which: online sales	1,156	985	17.3 %		4,367	3,814	14.5 %	
€ million								
Net sales	14,782	12,099	22.2 %	9.2 %	55,218	45,455	21.5 %	7.9 %
Of which: online sales	1,132	863	31.2 %	17.3 %	4,157	3,228	28.8 %	14.5 %
Operating income	857	662	29.5 %	16.0 %	2,605	2,231	16.8 %	3.9 %
Underlying operating income	701	528	32.8 %	18.9 %	2,603	2,150	21.1 %	7.2 %
Underlying operating margin	4.7 %	4.4 %			4.7 %	4.7 %		
Comparable sales growth	9.1 %	5.7 %			7.4 %	2.6 %		
Comparable sales growth excluding gasoline	9.3 %	4.8 %			6.8 %	1.9 %		

Europe

€ million	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	% change	% change constant rates	2022 (52 weeks)	2021 (52 weeks)	% change	% change constant rates
Net sales	8,576	8,049	6.6 %	6.2 %	31,767	30,147	5.4 %	5.0 %
Of which: online sales	1,314	1,314	— %	— %	4,461	4,477	(0.3)%	(0.3)%
Net consumer online sales	2,105	2,118	(0.6)%	(0.6)%	7,166	7,173	(0.1)%	(0.1)%
Operating income	326	251	30.1 %	29.5 %	1,173	1,209	(2.9)%	(3.3)%
Underlying operating income	340	334	1.7 %	1.4 %	1,131	1,306	(13.4)%	(13.7)%
Underlying operating margin	4.0 %	4.1 %			3.6 %	4.3 %		
Comparable sales growth	5.7 %	1.0 %			2.9 %	2.8 %		
Comparable sales growth excluding gasoline	5.7 %	1.0 %			2.9 %	2.8 %		

Global Support Office

€ million	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	% change	% change constant rates	2022 (52 weeks)	2021 (52 weeks)	% change	% change constant rates
Underlying operating expense	(15)	(24)	(36.6)%	(31.0)%	(6)	(125)	(95.3)%	(95.3)%
Underlying operating expense excluding insurance results	(47)	(42)	10.0 %	6.3 %	(158)	(160)	(1.1)%	(4.7)%

In Q4, underlying Global Support Office operating expense was €15 million, compared to €24 million in the prior year, mainly due to an increase of €13 million in positive insurance results, which reflects the favorable discounting effect on the Company's insurance provisions driven by the increase in interest rates.

Financial review

Q4 2022 (compared to Q4 2021)

Underlying operating income increased by €188 million to €1,026 million, and was adjusted for the following items, which impacted reported IFRS operating income:

- Impairments of €22 million (Q4 2021: €28 million)
- (Gains) and losses on leases and the sale of assets of €(177) million (Q4 2021: €(37) million)
- Restructuring and related charges and other items of €13 million – expense (Q4 2021: €(47) million – income).

Including these items, IFRS operating income increased by €273 million to €1,167 million.

Income from continuing operations was €809 million, representing an increase of €175 million compared to last year. This is caused by a €273 million increase in operating income and lower net financial expenses of €1 million, partially offset by higher income taxes of €94 million and a lower share in income of joint venture of €5 million.

Free cash flow was €1,481 million, which represents a increase of €1,101 million compared to Q4 2021. This was driven by a higher operating cash flow of €510 million, lower income taxes paid of €551 million, and lower net investments of €147 million, partially offset by an unfavorable development in working capital of €71 million, mainly due to the timing and offset of certain accounts payable and receivable positions, higher net interest paid of €16 million, higher net lease repayments of €11 million, and a decrease in dividends received from joint ventures of €9 million.

Net debt decreased in Q4 2022 by €1,841 million to €14,416 million, compared to Q3 2022. This was mainly attributable to the free cash flow of €1,481 million and a foreign exchange impact on net debt of €649 million, partially offset by the share buyback of €286 million.

Full year 2022 (compared to full year 2021)

Underlying operating income increased by €397 million to €3,728 million, and was adjusted for the following items, which impacted reported IFRS operating income:

- Impairments of €235 million (2021: €61 million)
- (Gains) and losses on leases and the sale of assets of €(198) million (2021: €(76) million)
- Restructuring and related charges and other items of €(78) million – income (2021: €26 million – expense).

Including these items, IFRS operating income increased by €448 million to €3,768 million.

Income from continuing operations was €2,546 million, which was €301 million higher than last year. This mainly reflects the higher operating income of €448 million and the higher income from joint ventures of €11 million, partially offset by higher net financial expenses of €36 million and higher income taxes of €123 million.

Free cash flow was €2,188 million, or €570 million higher than last year. This was driven by a higher operating cash flow of €820 million, lower income taxes paid of €534 million, lower net investments of €87 million, an increase in dividends received from joint ventures of €10 million, and lower net interest paid of €4 million, partially offset by an unfavorable development in working capital of €713 million and higher net lease repayments of €173 million.

Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, January 1, 2023, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2021.

Dividend per share

Ahold Delhaize’s policy is to target a dividend payout ratio range of 40-50% of its underlying income from continuing operations. The payout ratio is assessed on a 52-week-year basis to permit a sustainable comparable year-on-year dividend per share growth. As part of our dividend policy, we adjust income from continuing operations for impairment losses and reversals – net, gains (losses) on leases and the sale of assets – net, restructuring and related charges, and other unusual items. Underlying income from continuing operations for 52 weeks amounted to €2,551 million in 2022 and €2,262 million in 2021, respectively.

We propose a cash dividend of €1.05 per share for the financial year 2022, an increase of 10.5% compared to 2021, reflecting our ambition to sustainably grow the dividend per share. This represents a payout ratio of 40% of underlying income from continuing operations for 52 weeks.

If approved by the General Meeting of Shareholders, a final dividend of €0.59 per share will be paid on April 27, 2023. This is in addition to the interim dividend of €0.46 per share, which was paid on September 1, 2022. The total dividend payment for the full year 2022 would, therefore, total €1.05 per share.

The interim dividend per share for 2023 will be announced on August 9, 2023, the date of the release of the second quarter results, and will be equal to 40% of the year-to-date underlying income per share from continuing operations.

Risks and uncertainties

Ahold Delhaize’s enterprise risk management program provides the Company with a periodic and comprehensive understanding of Ahold Delhaize’s key business risks and the management practices, policies and procedures in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance/regulatory risk categories. Compared to what was disclosed in our Annual Report 2021, there has been a general heightening of the severity of several risks. The impact of physical and transitional climate-related risks on our organization has increased, and "climate-related risks" is now recognized as a new individual principal risk. In addition, following a hardening of the insurance market in certain lines of coverage in terms of increasing premiums and limiting of coverage, a new principal risk was also recognized for insurance. While the Group does not have any operations in Ukraine or Russia and is not directly affected by trading restrictions or sanctions, it is impacted by the wider macro-economic consequences of the war. These consequences include significant energy cost increases, disruption of supply chains, rising labor costs, rising inflation and interest rates, and restrictions on pricing and margins in some of our brands' markets. A sustained continuance of the war could lead to prolonged and significant recessionary pressures which, in turn, could impact the Company’s balance sheet valuations, results and cash flow. We are closely monitoring and assessing any potential impacts of the war in Ukraine on our people or on macro-economic, operational, and supply chain aspects in the markets where the brands operate. We have experienced an overall shortage of available and skilled labor across our brands' markets, in particular within the supply chain and logistics operations. The HR functions within the brands monitor developments and, if needed, additional part-time labor or service providers are contracted to support the business. In addition, the omnichannel shift has resulted in an increase in our cybersecurity risk across the industry. Our global Information Security function recognizes the need to consistently improve, tighten and invest in our cyber-defense capabilities to keep pace with evolving threats. The integrated comprehensive analysis of the principal risks faced by Ahold Delhaize is included in the *Risks and opportunities* section of Ahold Delhaize's Annual Report 2022, which will be published on March 1, 2023.

Auditor's involvement

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

Consolidated income statement

€ million, except per share data	Note	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	2022 (52 weeks)	2021 (52 weeks)
Net sales	5/6	23,359	20,148	86,984	75,601
Cost of sales	7	(17,126)	(14,691)	(63,689)	(54,916)
Gross profit		**6,232**	**5,456**	**23,295**	**20,685**
Other income		175	160	663	531
Selling expenses	7	(4,473)	(3,980)	(16,989)	(14,929)
General and administrative expenses	7	(767)	(742)	(3,201)	(2,967)
Operating income	5	**1,167**	**895**	**3,768**	**3,320**
Interest income		29	8	69	29
Interest expense		(80)	(47)	(248)	(181)
Net interest expense on defined benefit pension plans		(4)	(4)	(17)	(17)
Interest accretion to lease liability		(92)	(85)	(356)	(337)
Other financial income (expense)		20	1	—	(10)
Net financial expenses		(127)	(128)	(552)	(517)
Income before income taxes		**1,040**	**767**	**3,216**	**2,803**
Income taxes	8	(236)	(142)	(714)	(591)
Share in income of joint ventures		4	9	44	33
Income from continuing operations		**809**	**634**	**2,546**	**2,246**
Income (loss) from discontinued operations		—	—	—	—
Net income		**809**	**634**	**2,546**	**2,246**
Attributable to:					
Common shareholders		809	634	2,546	2,246
Non-controlling interests		—	—	—	—
Net income		**809**	**634**	**2,546**	**2,246**
Net income per share attributable to common shareholders:					
Basic		0.82	0.62	2.56	2.18
Diluted		0.82	0.62	2.54	2.17
Income from continuing operations per share attributable to common shareholders:					
Basic		0.82	0.62	2.56	2.18
Diluted		0.82	0.62	2.54	2.17
Weighted average number of common shares outstanding (in millions)					
Basic		981	1,017	995	1,028
Diluted		986	1,023	1,001	1,034
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9795	0.8750	0.9515	0.8461

Consolidated statement of comprehensive income

€ million	Note	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	2022 (52 weeks)	2021 (52 weeks)
Net income		**809**	**634**	**2,546**	**2,246**
Remeasurements of pension plans:					
Remeasurements before taxes – income		41	78	516	103
Income taxes		(15)	(17)	(137)	(24)
Other comprehensive income that will not be reclassified to profit or loss		26	60	378	79
Currency translation differences in foreign interests:					
Continuing operations		(1,141)	226	671	766
Income taxes		(1)	(1)	(1)	(2)
Cash flow hedges:					
Fair value result for the period		—	—	—	—
Transfers to net income		—	—	1	1
Income taxes		—	—	—	—
Non-realized gains (losses) on debt and equity instruments:					
Fair value result for the period		—	—	—	—
Income taxes		—	—	—	—
Other comprehensive income of joint ventures – net of income taxes:					
Share of other comprehensive income from continuing operations		—	—	—	—
Other comprehensive income (loss) reclassifiable to profit or loss		(1,142)	226	670	765
Total other comprehensive income (loss)		**(1,116)**	**286**	**1,049**	**843**
Total comprehensive income		**(307)**	**920**	**3,595**	**3,089**
Attributable to:					
Common shareholders		(307)	920	3,595	3,089
Non-controlling interests		—	—	—	—
Total comprehensive income		**(307)**	**920**	**3,595**	**3,089**
Attributable to:					
Continuing operations		(308)	920	3,595	3,089
Discontinued operations		—	—	—	—
Total comprehensive income		**(307)**	**920**	**3,595**	**3,089**

Consolidated balance sheet

€ million	Note	January 1, 2023	January 2, 2022
Assets			
Property, plant and equipment		12,482	11,838
Right-of-use asset		9,607	9,010
Investment property		661	708
Intangible assets	4	13,174	12,770
Investments in joint ventures and associates		262	244
Other non-current financial assets		1,193	1,193
Deferred tax assets		242	289
Other non-current assets		116	76
Total non-current assets		**37,737**	**36,128**
Assets held for sale		26	18
Inventories		4,611	3,728
Receivables		2,391	2,058
Other current financial assets		373	356
Income taxes receivable		35	45
Prepaid expenses and other current assets		301	387
Cash and cash equivalents	11	3,082	2,993
Total current assets		**10,818**	**9,584**
Total assets		**48,555**	**45,712**
Equity and liabilities			
Equity attributable to common shareholders	9	**15,405**	**13,721**
Loans		4,527	4,678
Other non-current financial liabilities		11,055	10,473
Pensions and other post-employment benefits	10	696	1,107
Deferred tax liabilities		1,005	746
Provisions		742	746
Other non-current liabilities		44	62
Total non-current liabilities		**18,068**	**17,812**
Accounts payable		8,191	7,563
Other current financial liabilities		2,689	2,552
Income taxes payable		230	96
Provisions		377	484
Other current liabilities		3,595	3,483
Total current liabilities		**15,082**	**14,179**
Total equity and liabilities		**48,555**	**45,712**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.9341	0.8795

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of January 3, 2021		**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**
Net income attributable to common shareholders		—	—	—	—	2,246	**2,246**
Other comprehensive income attributable to common shareholders		—	—	764	1	79	**843**
Total comprehensive income attributable to common shareholders		—	—	764	1	2,325	**3,089**
Dividends		—	—	—	—	(856)	**(856)**
Share buyback		—	—	—	—	(995)	**(995)**
Cancellation of treasury shares		(1)	(1,258)	—	—	1,259	**—**
Share-based payments		—	—	—	—	51	**51**
Balance as of January 2, 2022		**10**	**10,988**	**(75)**	**(2)**	**2,799**	**13,721**
Net income attributable to common shareholders		—	—	—	—	2,546	**2,546**
Other comprehensive income attributable to common shareholders		—	—	670	1	378	**1,049**
Total comprehensive income attributable to common shareholders		—	—	670	1	2,925	**3,595**
Dividends	9	—	—	—	—	(979)	**(979)**
Share buyback	9	—	—	—	—	(998)	**(998)**
Cancellation of treasury shares		(1)	(1,385)	—	—	1,386	**—**
Share-based payments		—	—	—	—	66	**66**
Balance as of January 1, 2023		**10**	**9,603**	**595**	**(1)**	**5,198**	**15,405**

1. *Other reserves include, among others, the remeasurements of defined benefit plans.*

Consolidated statement of cash flows

€ million	Note	Q4 2022 (13 weeks)	Q4 2021 (13 weeks)	2022 (52 weeks)	2021 (52 weeks)
Income from continuing operations		**809**	**634**	**2,546**	**2,246**
Adjustments for:					
Net financial expenses		127	128	552	517
Income taxes		236	142	714	591
Share in income of joint ventures		(4)	(9)	(44)	(33)
Depreciation, amortization and impairments	7	907	825	3,668	3,068
(Gains) losses on leases and the sale of assets / disposal groups held for sale		(180)	(37)	(205)	(76)
Share-based compensation expenses		26	17	65	48
Operating cash flows before changes in operating assets and liabilities		1,920	1,699	7,296	6,361
Changes in working capital:					
Changes in inventories		(56)	(14)	(747)	(283)
Changes in receivables and other current assets		7	(258)	(162)	(43)
Changes in payables and other current liabilities		823	1,118	451	580
Changes in other non-current assets, other non-current liabilities and provisions		(49)	(338)	(331)	(216)
Cash generated from operations		2,646	2,207	6,507	6,399
Income taxes paid – net		(80)	(630)	(397)	(931)
Operating cash flows from continuing operations		2,566	1,577	6,110	5,468
Operating cash flows from discontinued operations		—	—	—	—
Net cash from operating activities		**2,566**	**1,577**	**6,110**	**5,468**
Purchase of non-current assets		(859)	(842)	(2,490)	(2,371)
Divestments of assets / disposal groups held for sale		229	64	288	82
Acquisition of businesses, net of cash acquired	4	(2)	(1)	(20)	(529)
Divestment of businesses, net of cash divested		13	(6)	12	(5)
Changes in short-term deposits and similar instruments		—	—	—	44
Dividends received from joint ventures		—	9	38	28
Interest received		28	4	56	16
Lease payments received on lease receivables		29	26	115	103
Other		(15)	(21)	(13)	(2)
Investing cash flows from continuing operations		(578)	(767)	(2,014)	(2,634)
Investing cash flows from discontinued operations		—	—	—	—
Net cash from investing activities		**(578)**	**(767)**	**(2,014)**	**(2,634)**
Proceeds from long-term debt		—	250	—	848
Interest paid		(75)	(35)	(174)	(138)
Repayments of loans		(64)	(10)	(162)	(427)
Changes in short-term loans		(1,677)	(2,609)	(93)	90
Repayment of lease liabilities		(438)	(424)	(1,755)	(1,569)
Dividends paid on common shares	9	—	—	(979)	(856)
Share buyback	9	(286)	(299)	(997)	(994)
Other cash flows from derivatives		—	—	—	—
Other		—	(1)	(28)	(5)
Financing cash flows from continuing operations		(2,540)	(3,129)	(4,188)	(3,052)
Financing cash flows from discontinued operations		—	—	—	—
Net cash from financing activities		**(2,540)**	**(3,129)**	**(4,188)**	**(3,052)**
Net cash from operating, investing and financing activities		**(552)**	**(2,318)**	**(92)**	**(218)**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		3,884	5,185	2,968	2,910
Effect of exchange rates on cash and cash equivalents		(279)	101	178	276
Cash and cash equivalents at the end of the period (excluding restricted cash)	11	**3,054**	**2,968**	**3,054**	**2,968**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9795	0.8750	0.9515	0.8461

Notes to the summarized financial information

1. The Company and its operations

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

This summarized financial information is unaudited.

2. Accounting policies

Basis of preparation

This summarized financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize’s 2021 financial statements, except as otherwise indicated below under "New and revised IFRSs effective in 2022."

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

Ahold Delhaize's financial year consisted of 52 weeks in 2022 and 2021, and is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks.

This summarized financial information does not constitute the full financial statements within the meaning of Part 9 of Book 2 of the Dutch Civil Code. The full-year 2022 numbers included in the summarized financial information in this communication are derived from Ahold Delhaize's 2022 financial statements, to be included in the Annual Report 2022. This Annual Report has not been authorized for issue and the Company has the ability to amend the financial statements up to the moment the financial statements have been adopted by the General Meeting of Shareholders. The Annual Report has not yet been published by law and still has to be adopted by the annual General Meeting of Shareholders on April 12, 2023.

The full Annual Report 2022 will be available for download on the Ahold Delhaize website (www.aholddelhaize.com) as of March 1, 2023.

Segmentation

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

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

Risks and uncertainties

We are closely monitoring and assessing any potential impacts of the war in Ukraine on our people or on macro-economic, operational, and supply chain aspects in the markets where the brands operate. While the Group does not have any operations in Ukraine or Russia and is not directly affected by trading restrictions or sanctions, it is impacted by the wider macro-economic consequences of the war. These consequences include significant energy cost increases, disruption of supply chains, rising labor costs, rising inflation and interest rates, and restrictions on pricing and margins in some of our brands' markets. A sustained continuance of the war could lead to prolonged and significant recessionary pressures which, in turn, could impact the Company's balance sheet valuations, results and cash flow.

We have experienced an overall shortage of available and skilled labor across our brands' markets, in particular within the supply chain and logistics operations. The HR functions within the brands monitor developments and, if needed, additional part-time labor or service providers are contracted to support the business. In addition, the omnichannel shift has resulted in an increase in our cybersecurity risk across the industry. Our global Information Security function recognizes the need to consistently improve, tighten and invest in our cyber-defense capabilities to keep pace with evolving threats.

Ahold Delhaize's enterprise risk management program provides the Company with a periodic and comprehensive understanding of Ahold Delhaize's key business risks and the management practices, policies and procedures in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance/regulatory risk categories. Compared to what was disclosed in our Annual Report 2021, there has been a general heightening of the severity of several risks. The impact of physical and transitional climate-related risks on our organization has increased, and "climate-related risks" is now recognized as a new individual principal risk. In addition, following a hardening of the insurance market in certain lines of coverage in terms of increasing premiums and limiting of coverage, a new principal risk was also recognized for insurance. The integrated comprehensive analysis of the principal risks faced by Ahold Delhaize is included in the *Risks and opportunities section* of Ahold Delhaize's Annual Report 2022, which will be published on March 1, 2023.

New and revised IFRSs effective in 2022

The following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of January 3, 2022:

- Amendments to IAS 16, "*Property, Plant and Equipment: Proceeds before Intended Use*"
- Amendments to IAS 37, "*Onerous Contracts Cost of Fulfilling a Contract*"
- Amendments to IFRS 3, "*Reference to the Conceptual Framework*"
- Annual improvements cycle 2018-2020, which included amendments to IFRS 1, "*First-time Adoption of International Financial Reporting Standards,*" IFRS 9, "*Financial Instruments,*" IFRS 16, "*Leases*" and IAS 41, "*Agriculture*"

These amendments have no impact on the Company's consolidated financial statements.

3. Alternative performance measures

These interim financial statements include alternative performance measures (also known as non-GAAP measures). The descriptions of these alternative performance measures are included in the *Glossary* in Ahold Delhaize's Annual Report 2021.

Free cash flow

€ million	Q4 2022	Q4 2021	2022	2021
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,871	1,361	6,965	6,145
Changes in working capital	774	846	(458)	254
Income taxes paid – net	(80)	(630)	(397)	(931)
Purchase of non-current assets	(859)	(842)	(2,490)	(2,371)
Divestments of assets / disposal groups held for sale	229	64	288	82
Dividends received from joint ventures	—	9	38	28
Interest received	28	4	56	16
Interest paid	(75)	(35)	(174)	(138)
Lease payments received on lease receivables	29	26	115	103
Repayment of lease liabilities	(438)	(424)	(1,755)	(1,569)
Free cash flow	**1,481**	**379**	**2,188**	**1,618**

Net debt

€ million	January 1, 2023	October 2, 2022	January 2, 2022
Loans	4,527	4,692	4,678
Lease liabilities	10,637	11,300	10,061
Non-current portion of long-term debt	15,164	15,993	14,739
Short-term borrowings and current portion of long-term debt	2,476	4,332	2,350
Gross debt	17,640	20,325	17,089
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[1, 2, 3, 4]	3,223	4,067	3,143
Net debt	**14,416**	**16,258**	**13,946**

1. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at January 1, 2023, was €16 million (October 2, 2022: €17 million, January 2, 2022: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.*
2. *Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €125 million (October 2, 2022: €136 million, January 2, 2022: €135 million).*
3. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at January 1, 2023, was €414 million (October 2, 2022: €475 million, January 2, 2022: €397 million).*
4. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €712 million (October 2, 2022: €1,610 million, January 2, 2022: €807 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.*

Underlying EBITDA

€ million	Q4 2022	Q4 2021	2022	2021
Underlying operating income	**1,026**	**838**	**3,728**	**3,331**
Depreciation and amortization[1]	885	797	3,432	3,004
Underlying EBITDA	**1,911**	**1,635**	**7,161**	**6,335**

1. *The difference between the total amount of depreciation and amortization for Q4 YTD 2022 of €3,433 million (Q4 YTD 2021: €3,007 million) and the amounts mentioned here relates to items that were excluded from underlying operating income.*

Underlying income from continuing operations

€ million, except per share data	Q4 2022	Q4 2021	2022	2021
Income from continuing operations	**809**	**634**	**2,546**	**2,246**
Adjustments to operating income	(141)	(56)	(40)	11
Tax effect on adjusted and unusual items	40	21	44	6
Underlying income from continuing operations	**707**	**598**	**2,551**	**2,262**
Underlying income from continuing operations for the purpose of diluted earnings per share	**707**	**598**	**2,551**	**2,262**
Basic income per share from continuing operations[1]	0.82	0.62	2.56	2.18
Diluted income per share from continuing operations[2]	0.82	0.62	2.54	2.17
Underlying income per share from continuing operations – basic[1]	0.72	0.59	2.56	2.20
Underlying income per share from continuing operations – diluted[2]	0.72	0.59	2.55	2.19

1. *Basic and underlying earnings per share from continuing operations are calculated by dividing the (underlying) income from continuing operations attributable to equity holders by the average numbers of shares outstanding. The weighted average number of shares used for calculating the basic and underlying earnings per share for Q4 2022 is 981 million (Q4 2021: 1,017 million).*
2. *The diluted earnings per share from continuing operations and diluted underlying EPS are calculated by dividing the diluted (underlying) income from continuing operations by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares used for calculating the diluted underlying EPS for Q4 2022 is 986 million (Q4 2021: 1,023 million).*

4. Business combinations and intangible assets

During 2022, Ahold Delhaize completed the acquisition of Cycloon for a total purchase consideration of €43 million. The provisional allocation of the fair values of the identifiable assets acquired, liabilities assumed and goodwill arising from acquisitions through Q4 2022 is as follows:

€ million	Cycloon	Other acquisitions[1]	Total acquisitions
Property, plant and equipment	3	—	3
Right-of-use asset	1	(1)	—
Other intangible assets	13	—	13
Other non-current financial assets	—	3	3
Other non-current assets	—	—	—
Assets held for sale	—	1	1
Inventories	—	—	1
Receivables	5	—	5
Prepaid expenses and other current assets	—	—	—
Cash and cash equivalents	—	—	—
Loans	—	—	—
Lease liabilities	(1)	—	(1)
Deferred tax liability	(1)	—	—
Accounts payable	(5)	—	(5)
Other current financial liabilities	—	—	—
Other current liabilities	(7)	(6)	(13)
Net identifiable assets acquired	**9**	**(3)**	**6**
Goodwill	33	5	38
Total purchase consideration	**43**	**2**	**44**
Deferred consideration payable – non-current	(27)	—	(27)
Settlement of deferred consideration payable	—	1	1
Purchase consideration settlement with other parties	—	1	1
Cash acquired (excluding restricted cash)	—	—	—
Acquisition of businesses, net of cash acquired	**15**	**5**	**20**

1. *Includes acquisition of two stores in Europe as well as measurement period adjustments recognized subsequent to the amounts initially recognized and reported for other acquisitions in 2021.*

Cycloon

On December 21, 2021, Ahold Delhaize announced that bol.com entered into a strategic alliance with delivery expert Cycloon. The parties intend to jointly accelerate the growth of Cycloon and bol.com and share the ambition to make delivery more sustainable and socially responsible.

The transaction closed on April 30, 2022. A majority stake (50% plus one share) was acquired by bol.com, with an obligation to buy the remaining shares and become full owner in 2026. Ahold Delhaize paid €15 million in cash and recognized €27 million in non-current deferred consideration payable relating to the obligation to increase its shareholding to 100% in 2026.

The deferred consideration for acquiring the remaining shares is classified as “Other long-term financial liability” and is subsequently measured at amortized cost pursuant to IFRS 9. The goodwill recognized is attributable to the synergies expected from the combination of the operations of bol.com and Cycloon. The goodwill from the acquisition of Cycloon is not deductible for tax purposes.

Since the acquisition, Cycloon has had an insignificant impact on net sales and net income in 2022.

A reconciliation of Ahold Delhaize's intangible asset balance is as follows:

€ million	Goodwill	Other intangible assets	Intangible assets
As of January 2, 2022			
At cost	7,649	7,000	14,649
Accumulated amortization and impairment losses	(8)	(1,871)	(1,879)
Opening carrying amount	**7,641**	**5,129**	**12,770**
Additions	—	535	535
Acquisitions through business combinations	38	13	51
Impairment losses	(66)	(125)	(191)
Amortization	—	(423)	(423)
Other movements	—	(50)	(50)
Exchange rate differences	307	175	482
Closing carrying amount	**7,920**	**5,254**	**13,174**
As of January 1, 2023			
At cost	7,990	7,506	15,495
Accumulated amortization and impairment losses	(69)	(2,252)	(2,321)
Closing carrying amount	**7,920**	**5,254**	**13,174**

An impairment trigger assessment is performed on a quarterly basis to determine whether there is an indication, based on either internal or external sources of information, that an asset or a cash generating unit may be impaired. The Q3 2022 assessment triggered a detailed impairment analysis for FreshDirect, largely related to the broad-based re-rating of sector valuations and reduced scope of that business, which is now focused on the New York Tri-State area. In Q3 2022, impairment losses of €66 million and €122 million were recognized for goodwill and other intangible assets, respectively. The impairment charges reduced the carrying amount of the FreshDirect goodwill and other intangibles to nil.

5. Segment reporting

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

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

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

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

Q4 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	14,782	8,576	—	**23,359**
Of which: online sales	1,132	1,314	—	**2,446**
Operating income (expense)	857	326	(16)	**1,167**
Impairment losses and reversals – net	13	9	—	**22**
(Gains) losses on leases and the sale of assets – net	(163)	(14)	—	**(177)**
Restructuring and related charges and other items	(6)	18	1	**13**
Adjustments to operating income	*(155)*	*13*	*1*	***(141)***
Underlying operating income (expense)	701	340	(15)	**1,026**

Q4 2021

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	12,099	8,049	—	**20,148**
Of which: online sales	863	1,314	—	**2,176**
Operating income (expense)	662	251	(18)	**895**
Impairment losses and reversals – net	23	4	—	**28**
(Gains) losses on leases and the sale of assets – net	(36)	5	(6)	**(37)**
Restructuring and related charges and other items	(121)	74	—	**(47)**
Adjustments to operating income	*(134)*	*83*	*(6)*	***(56)***
Underlying operating income (expense)	528	334	(24)	**838**

Full year 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	55,218	31,767	—	**86,984**
Of which: online sales	4,157	4,461	—	**8,618**
Operating income	2,605	1,173	(10)	**3,768**
Impairment losses and reversals – net	212	24	—	**235**
(Gains) losses on leases and the sale of assets – net	(181)	(17)	—	**(198)**
Restructuring and related charges and other items	(33)	(49)	4	**(78)**
Adjustments to operating income	*(2)*	*(42)*	*4*	***(40)***
Underlying operating income	2,603	1,131	(6)	**3,728**

Full year 2021

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	45,455	30,147	—	**75,601**
Of which: online sales	3,228	4,477	—	**7,704**
Operating income (expense)	2,231	1,209	(119)	**3,320**
Impairment losses and reversals – net	48	13	—	**61**
(Gains) losses on leases and the sale of assets – net	(49)	(21)	(6)	**(76)**
Restructuring and related charges and other items	(80)	106	—	**26**
Adjustments to operating income	*(81)*	*97*	*(6)*	***11***
Underlying operating income (expense)	2,150	1,306	(125)	**3,331**

Additional information

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

$ million	Q4 2022	Q4 2021	2022	2021
Net sales	15,100	13,825	57,959	53,699
Of which: online sales	1,156	985	4,367	3,814
Operating income	874	754	2,733	2,631
Underlying operating income	716	603	2,727	2,543

6. Net sales

€ million	Q4 2022			Q4 2021		
	The United States	Europe	Ahold Delhaize Group	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	13,595	5,409	19,004	11,192	5,023	16,215
Sales to and fees from franchisees and affiliates	—	1,826	1,826	—	1,682	1,682
Online sales	1,132	1,314	2,446	863	1,314	2,176
Wholesale sales	55	27	83	45	30	74
Net sales	**14,782**	**8,576**	**23,359**	**12,099**	**8,049**	**20,148**

€ million	2022			2021		
	The United States	Europe	Ahold Delhaize Group	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	50,846	20,244	71,090	42,053	18,999	61,052
Sales to and fees from franchisees and affiliates	—	6,957	6,957	—	6,570	6,570
Online sales	4,157	4,461	8,618	3,228	4,477	7,704
Wholesale sales	215	104	319	174	100	274
Net sales	**55,218**	**31,767**	**86,984**	**45,455**	**30,147**	**75,601**

7. Expenses by nature

The aggregate of cost of sales, selling expenses and general and administrative expenses is specified by nature as follows:

€ million	Q4 2022	Q4 2021	2022	2021
Cost of product	16,151	13,855	59,965	51,962
Labor costs	3,336	2,922	12,674	11,179
Other operational expenses	2,130	1,835	7,699	6,621
Depreciation and amortization	885	797	3,433	3,007
Rent expenses	19	15	70	58
Impairment losses and reversals – net	22	28	235	61
(Gains) losses on leases and the sale of assets – net	(177)	(37)	(198)	(76)
Total expenses by nature	**22,366**	**19,413**	**83,879**	**72,812**

8. Income taxes

Ahold Delhaize's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.8%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

€ million	2022	Tax rate
Income before income taxes	3,216	
Income tax expense at statutory tax rate	(830)	25.8 %
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	107	(3.3)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	3	(0.1)%
Non-taxable income (expense)	(16)	0.5 %
Other	23	(0.7)%
Total income taxes	**(714)**	**22.2 %**

€ million	2021	Tax rate
Income before income taxes	2,803	
Income tax expense at statutory tax rate	(701)	25.0 %
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	90	(3.2)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	2	(0.1)%
Non-taxable income (expense)	6	(0.2)%
Other	12	(0.4)%
Total income taxes	**(591)**	**21.1 %**

The rate differential indicates the effect of Ahold Delhaize's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands.

Non-taxable income (expense) for 2022 includes a tax expense on non-deductible impairment in the amount of €14 million.

Other includes discrete items, such as one-time transactions, movement in tax uncertain positions and (state) tax rate changes impacting deferred tax in the balance sheet.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework and several countries, including the Netherlands, have announced the intention to bring these into effect in the foreseeable future. While the overarching framework has been published, we are awaiting the legislation and detailed guidance to assess the full implications. We refer to the Tax Transparency section of Ahold Delhaize's Annual Report 2022, which will be published on March 1, 2023.

9. Equity attributable to common shareholders

Dividend on common shares

On April 13, 2022, the General Meeting of Shareholders approved the dividend over 2021 of €0.95 per common share. The interim dividend for 2021 of €0.43 per common share was paid on September 2, 2021. The final dividend of €0.52 per common share was paid on April 28, 2022.

On August 10, 2022, the Company announced the interim dividend for 2022 of €0.46 per common share, which was paid on September 1, 2022.

Share buyback

On January 3, 2022, the Company commenced the €1 billion share buyback program that was announced on November 15, 2021. The program was successfully completed on December 15, 2022.

In total, 36,596,304 of the Company's own shares were repurchased at an average price of €27.33 per share. The share buyback execution resulted in a net transactional discount from the dealers of €3 million.

On January 2, 2023, the Company commenced the €1 billion share buyback program that was announced on November 9, 2022. The program is expected to be completed before the end of 2023.

The number of outstanding common shares as of January 1, 2023, was 977,352,954 (January 2, 2022: 1,011,338,350).

Vesting of shares under the GRO plan

On April 15, 2023, a maximum of 0.4 million performance shares granted in 2020 to current members of the Management Board under the Ahold Delhaize GRO plan are expected to vest. Except to finance taxes and social security charges due on the vesting date, members of the Management Board cannot sell shares for a period of at least five years following the grant date, or until their date of resignation from the Management Board, if this period is shorter. Any sale of shares is subject to insider trading restrictions as applicable from time to time.

On April 15, 2023, a maximum of 2.4 million performance shares granted in 2020 to Ahold Delhaize employees under the Ahold Delhaize GRO plan are expected to vest. As of the vesting date, participants are allowed to sell all or part of the vested shares, subject to insider trading restrictions as applicable from time to time.

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

10. Pensions and other post-employment benefits

€ million	January 1, 2023	January 2, 2022
Defined benefit liabilities	338	613
Other long-term pension plan obligations	358	493
Total pension and other post-employment benefits	**696**	**1,107**

Post-employment benefits are provided through a number of funded and unfunded defined benefit plans and defined contribution plans, the most significant of which are in the United States and the Netherlands. The decrease in the pension and other post-employment benefits is mainly caused by increased discount rates.

American Rescue Plan Act of 2021 (ARPA)

The Pension Benefit Guaranty Corporation (PBGC) announced on April 29, 2022, that it has approved the application submitted to the Special Financial Assistance Program by the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Plan (FELRA Pension Plan). The assistance that the Combined FELRA and Mid-Atlantic UFWC and Participating Employers Pension Fund (MAP) plan will receive is in line with the application submitted to the PBGC on December 30, 2021. For more details see *Note 24* of the Annual Report 2021.

On July 6, 2022, the PBGC issued a final rule implementing changes to the Special Financial Assistance Program. The changes are responsive to public comments received on the PBGC's interim final rule and will better protect the pensions earned by workers and retirees covered by multi-employer plans eligible for assistance. The final rule became effective on August 8, 2022, and it provides an option for filers under the interim rule to supplement the application for special financial assistance.

On August 8, 2022, the Combined FELRA and MAP plan supplemented its application to the PBGC. The amount of the liability for the excess benefits payable under Giant Food's single-employer plan was reassessed as part of the supplemental application process, and the liability was reduced to $6 million during 2022, which represents the best estimate based on information available at the quarter-end and includes judgment to determine the projected insolvency based on an assumed investment return.

11. Cash

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

€ million	January 1, 2023	January 2, 2022
Cash and cash equivalents as presented in the statement of cash flows	3,054	2,968
Restricted cash	28	25
Cash and cash equivalents as presented on the balance sheet	**3,082**	**2,993**

Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €712 million (January 2, 2022: €807 million), which is fully offset by an identical amount included under Other current financial liabilities.

12. Financial instruments

Fair values of financial instruments

The following table presents the fair value of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amount at which these instruments are included on the balance sheet:

€ million	January 1, 2023		January 2, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Loans receivable	36	34	85	85
Trade and other (non-)current receivables	2,429	2,429	2,445	2,445
Lease receivable	518	498	492	516
Cash and cash equivalents	3,082	3,082	2,993	2,993
Short-term deposits and similar investments	16	16	15	15
	6,081	6,060	6,029	6,053
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	283	283	281	281
Investments in debt instruments	136	136	145	145
	418	418	426	426
Derivative financial instruments				
Derivatives	2	2	—	—
Total financial assets	**6,501**	**6,479**	**6,455**	**6,479**

€ million	January 1, 2023		January 2, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	(4,373)	(4,075)	(4,354)	(4,721)
Other loans	(193)	(193)	(274)	(274)
Financing obligations	(194)	(109)	(205)	(149)
Mortgages payable	—	—	(41)	(42)
Accounts payable	(8,191)	(8,191)	(7,563)	(7,563)
Short-term borrowings	(915)	(915)	(952)	(952)
Dividend common stock	—	—	—	—
Interest payable	(37)	(37)	(36)	(36)
Other long-term financial liabilities	(269)	(268)	(276)	(278)
Other	(26)	(26)	(29)	(29)
	(14,198)	(13,814)	(13,731)	(14,044)
Financial liabilities at fair value through profit or loss (FVPL)				
Reinsurance liabilities	(273)	(273)	(272)	(272)
Derivative financial instruments				
Derivatives	(26)	(26)	(2)	(2)
Total financial liabilities excluding lease liabilities	**(14,496)**	**(14,113)**	**(14,004)**	**(14,317)**
Lease liabilities	(11,965)	N/A	(11,262)	N/A
Total financial liabilities	**(26,461)**	**N/A**	**(25,266)**	**N/A**

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

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

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

No CVA/DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. Ahold Delhaize posted deposits as collateral in the net amount of €26 million as of January 1, 2023 (January 2, 2022: nil). The counterparties have an obligation to repay the deposits to Ahold Delhaize upon settlement of the contracts.

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss.

The fair values of quoted borrowings for which an active market exists are based on quoted prices at the end of the reporting period. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market is estimated using discounted cash flow analyses based on prevailing market rates.

13. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of January 2, 2022, is included in *Note 34* of Ahold Delhaize's 2021 financial statements, as included in the Annual Report 2021, published on March 2, 2022.

A comprehensive overview of commitments and contingencies as of January 1, 2023, will be provided in Ahold Delhaize's 2022 Financial Statements, as included in the Annual Report 2022, which will be published on March 1, 2023. There have been no significant updates compared to the commitments and contingencies disclosed in the Annual Report 2021.

14. Store portfolio

Store portfolio (including franchise and affiliate stores):

	End of Q4 2021	Opened / acquired	Closed / sold	End of Q4 2022
The United States	2,048	9	(6)	2,051
Europe[1]	5,404	286	(82)	5,608
Total	**7,452**	**295**	**(88)**	**7,659**

1. The number of stores at the end of Q4 2022 includes 1,125 specialty stores (Etos and Gall & Gall); (end of Q4 2021: 1,136).

15. Subsequent events

On January 10, 2023, Ahold Delhaize announced that Natalie Knight, Chief Financial Officer since 2020, has informed the company that she will pursue another career opportunity in the United States, and will leave Ahold Delhaize. A six-month notice period applies. The search for a successor has started.

Zaandam, the Netherlands, February 14, 2023

Management Board

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

Financial calendar

Ahold Delhaize's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31. Ahold Delhaize's 2022 financial year consisted of 52 weeks and ended on January 1, 2023.

The key publication dates for 2023 are as follows:

March 1	Annual Report 2022	August 9	Results Q2 2023
May 10	Results Q1 2023	November 8	Results Q3 2023

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as outlook, commitment, will, ambitions, expect(ed)/(s)/(ation), constant, further, growth, strategic, proposition, increasing, consider, wherever possible, throughout, liabilities, strategy, plan to, believe, aims, reduction, ensure, well-positioned, guidance, full-year, uncertainties, could or other similar words or expressions are typically used to identify forward-looking statements.

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

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

For more information:

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About Ahold Delhaize

Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great local brands serves 55 million customers each week, both in stores and online, in the United States, Europe and Indonesia. Together, these brands employ more than 413,000 associates in 7,659 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. The company's focus on four growth drivers – drive omnichannel growth, elevate healthy and sustainable, cultivate best talent and strengthen operational excellence – is helping to fulfil its purpose, achieve its vision and prepare its brands and businesses for tomorrow. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit: www.aholddelhaize.com.

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