



with Frans Muller
President and CEO

We sat down with our CEO, Frans Muller, to talk about the highlights of the past year and what's most important for driving Ahold Delhaize's success.

Q How would you look back on 2019?

A It was our first full calendar year implementing our Leading Together strategy and our growth drivers. These growth drivers have helped us to further strengthen our leading positions across the company.

Our local brands remained closely knit to their communities, working hand-in-hand with local suppliers and being good employers for our 380 thousand people. This "localness" is something we believe in, that our customers appreciate and that is benefiting our business.

In 2019, we also had our challenges. In October, we experienced a terrible tragedy when a bus accident in Romania took the lives of eight Mega Image associates and injured seven more. It's so important that we come together in times like these, and I was moved by how colleagues across the company showed their sympathy by contributing to a fund in support of the victims and their families.

During the busy Easter period, the strike at Stop & Shop, in New England, had a significant impact on our results. In the end, Stop & Shop was able to reach fair and responsible agreements for local associates, and I am pleased and grateful that customers returned to its stores during the second half of the year.

Q How would you characterize our 2019 financial results?

A Thanks to our omnichannel strategy, we had a strong performance in 2019, both in stores and online. Our net sales were €66.3 billion. We grew net consumer online sales 28.6% at constant exchange rates across the group; we saw it accelerate in the U.S. and continue at a very strong pace in Europe. In addition, we officially closed our merger integration efforts and overdelivered on the synergies we promised.

We exceeded our full-year 2019 guidance outlook for underlying earnings per share with 8.4% growth, and met our free cash flow guidance of €1.8 billion. I was pleased that we also surpassed our guidance for our Save for Our Customers program, generating €709 million in savings compared to our guidance of €600 million. In addition, we have proposed a 2019 dividend increase of 8.6%, which reflects our ambition to sustainably grow the dividend per share.

Since this is the last Annual Report our CFO Jeff Carr will be a part of before he leaves our company, I want to take the opportunity to thank him for all his contributions. He has been a great partner in shaping Ahold Delhaize over the past eight years, helping us drive our Save for Our Customers program and deliver on our commitments.

Q What were the most important achievements the company made on the growth drivers over the year?

A Our growth drivers are the areas that we need to focus on, working together as a company, in the coming years to drive sustainable, profitable growth. We made a lot of progress on these in 2019 – you'll find examples throughout this report, but I'll mention three highlights.

First, omnichannel growth has been an important area of focus. We've expanded our store network with innovative new urban formats – such as Giant Heirloom in the U.S. and Fresh Atelier in Belgium. And we're helping people save time by rolling out frictionless shopping solutions. Our U.S. businesses did a phenomenal job in expanding the number of click-and-collect points, resulting in a total of 692 locations at the end of 2019, boosting our omnichannel growth considerably.

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In both Europe and the U.S., we're linking together with other companies and educational institutes to make sure we have the capabilities and the talent to drive advances in digital and technology.

Second, we continued to reduce CO₂ emissions from our own operations as well as from the production of our own-brand products, investing in more efficient energy, refrigeration and transportation systems. We also made progress on plastic waste reduction; for example, we reduced the number of non-reusable bags used in our businesses by more than 600 million.

Finally, health is another big area of focus. In 2019, many of our brands continued reformulating their own-brand products to make them healthier and expanded their use of nutritional navigation programs such as Guiding Stars and Nutri-Score to help customers make healthier choices as they shop.

Q What does the new purpose mean to you?

A Being in the food business, we are very close to the daily lives of 54 million customers each week, of our associates who work together with us as a team, and of our communities where we want to support health and well-being. To me, our new purpose radiates and reflects the passion we have for food and for our communities.

"Eat well" is about our passion for food, the respect we have for farming communities, our collaboration with the manufacturers of our products – all of which help us provide a wider variety of fresh, healthy food, and innovative new products for our customers to enjoy.

We know that customers' lives are getting busier. We want to help people "save time" so they can dedicate their precious hours to the most important things in their lives. We're doing this by helping them build lists and prepare for the shopping trip, by providing a more efficient shopping experience through a mix of stores, pick-up points and home delivery, and by offering easy recipes and meal solutions that help them get a healthy dinner on the table for their families.

And "live better" has everything to do with how we can contribute as a company to make communities thrive, to improve health – especially for children and young people – and to support the well-being of our associates. People across our company feel a strong responsibility for doing our part to make our communities healthier, happier and more successful.

Q Why is the new healthy and sustainable ambition for 2025 so important?

A Our world today is facing serious challenges – many of which are related to food and the food chain; for example, the rise of lifestyle-related diseases like diabetes, which places stress on global health systems, and climate change, which is putting pressure on global food production. We want to help make a positive change in people's well-being and build the foundation of our business in the long run through our healthy and sustainable growth driver.

We are on track towards most of our 2020 Sustainable Retailing targets – which were quite ambitious when we set them in 2016. I was pleased that we once again ranked among industry leaders in the Dow Jones Sustainability World Index. We've made progress in almost every area we chose to focus on and have developed more professionalism around sustainable retailing within our company.

We're working to get to a more sustainable supply chain, together with our vendors and partners. This means partnering with suppliers to source sustainably-produced critical commodities. It means improving social compliance in high-risk countries. And it means using our influence where we can to ensure good working conditions for the people who make our products.

This is the second year that we've published an annual report combining both our financial and non-financial results. By openly sharing our performance towards our targets and having our numbers assured, we are showing how seriously we take our sustainable retailing agenda. In this year's report, we proudly launch a new set of targets for 2025. They build on the progress we've already made and focus our efforts on the areas where we believe we can create the most value for our stakeholders and our business: helping customers make healthier and more informed choices, increasing product transparency and eliminating waste.

Q What were you most proud of during the year?

A I'm proud of the positive way we stepped up collaboration between teams – how we came together across countries, brands and geographies – to fulfill our purpose, but also contribute more to our communities. We ramped up our digital strategy and organization and became more of an omnichannel company.

Our growth drivers

Omnichannel growth



Technology



Healthy and sustainable



Portfolio and scale efficiencies



Best talent



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Of course, everything we achieved comes down to our people. I'm proud of and grateful to our associates, whose hard work and dedication made it all happen. They are there for our customers and communities in countless ways, every day. One notable example from the year was the Food Lion team, who not only pledged to expand the fight against hunger and donate one billion meals to neighbors in need – a promise they are already well on their way to fulfilling – but also provided tireless support when Hurricane Dorian hit the U.S. East Coast. Local teams worked day in and day out to supply communities with food and other supplies – it showed me the meaningful ways that we can impact people's lives.

And I'm also proud that we improved our associate engagement – which shows that we're creating a culture where people feel included, can relate to our purpose and see growth opportunities. We also improved our performance in diversity and inclusion, an area that is very important to me as we strive towards a workforce that reflects the diversity of the communities we serve. I was especially proud to sign the UN CEO Statement of Support for the Women's Empowerment Principles during the year, as a sign of my own personal commitment to gender equality.

Q What are your expectations for the year ahead?

A I would like us to continue developing our proposition for customers, leveraging the best from all of our brands, especially when it comes to health and nutrition, and the information and ideas we provide to help people make healthier choices. When customers think of fresh, healthy and tasty food for their families, I would like them to think of our brands first.

I would also like to see us make a big leap forward in technology and digital, getting customers more connected to our company but also helping them design their own lives in better, healthier ways. This is why our participation in initiatives like Kickstart AI, to boost the artificial intelligence ecosystem in the Netherlands, will continue to be so important. We want to connect with customers through an ecosystem that is broader than only selling products and involves advising people about food and innovations that can contribute to good health.

And I want us to become a true omnichannel company, not just in terms of our store network, online, and pickup but in providing meal solutions and making fresh foods affordable and accessible so that they can occupy a bigger portion of the plate for the customers and communities we serve.

Q Any final thoughts you would like to share?

A Our great local brands operate 6,967 stores – many of which sit at the center of their communities. In some small towns our brands are the last retailer remaining to supply a good grocery offer and healthy, fresh food.

I'm convinced we have a unique opportunity to set up customers and communities for success by making nutritious and healthy food accessible. We know that good health is very much linked to good food; and health in turn is linked to overall happiness and well-being, and the ability to create a good life.

As a food retailer, we are also able to support economic development in our communities by offering employment to people of different backgrounds, generations and education, including many who face challenges finding employment or might otherwise be left behind.

Contributing to our communities in this way is an important part of our values – and has been for a very long time. Many of our local brands started as family businesses, as far back as 150 years ago. It's in our DNA to want to take care of the people living in our communities and working for our company, to maintain long-standing relationships with vendors, and to contribute wherever we can. As a food retailer, I believe we have a chance to do great things – and that's why I'm happy to be a part of our company and our industry – Leading Together!

2019 Timeline

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| January | April | June | August | September | October | Ahold Delhaize | December | |
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| Giant/Martin's launched "Giant Direct," its new online brand, and opened an eCommerce hub in partnership with Peapod Digital Labs | Stop & Shop's management and local unions agreed on a fair and responsible agreement after 11-day strike | Issued our first sustainability bond | Food Lion pledged to donate one billion meals to fight hunger | Albert Heijn started piloting a fully digital AH to go store | Increased our commitment to slash food waste in half by 2030 | bol.com expanded into French-speaking Belgium and rolled out pick-up points at Delhaize stores in Flanders | Fatal traffic accident occurred at Mega Image in Romania | Announced we will invest \$480 million in our U.S. supply chain to create a fully integrated, self-distribution model |
| | | | | | | Joined Kickstart AI to boost artificial intelligence in the Netherlands | | |
| | | | | | | With 692 click-and-collect points operational in the U.S. by the end of the year, we exceeded our 2019 goal of 600, ahead of schedule | | |