Ahold Delhaize

Better Together

Annual Report 2017

We are Ahold Delhaize

Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and e-commerce. Our family of great local brands serves over 50 million customers each week, in Europe, the United States and Indonesia[1].

Our brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices.

1 Joint venture operations.

We are Better Together

The food retail industry is rapidly changing and highly competitive.

Advancing technologies and shifting consumer behaviors are transforming the way people shop – but we are meeting these challenges head-on through our Better Together strategy.

We are Better Together.
And better positioned to meet the challenges of the future.

In this year's report

For more information visit our website at
www.aholddelhaize.com

Message from our CEO

> "Our Better Together strategy continued to help us to drive advances in shopping and delight our customers in today's transforming retail environment."

Key highlights of the year

Pro forma net sales rose

1.7%

at constant rates

In 2017, net consumer online sales were

€2.8bn

On track to deliver close to €5 billion in online sales by 2020

Dear reader,

Our first full year as Ahold Delhaize was one of change, both for our company and our industry. As we further increased focus on our great local brands and substantially completed the integration of our company, our Better Together strategy continued to help us to drive advances in shopping and delight our customers in today's rapidly transforming retail environment.

During the year, we introduced a new brand-centric organizational structure in our U.S. businesses – Stop & Shop, Food Lion, Giant Landover, Hannaford, Giant Carlisle and Peapod – better positioning them to deepen their connection to local communities and put the customer at the center of all they do. On January 1, 2018, we established Ahold Delhaize USA as the parent company for the U.S. local brands as well as Retail Business Services (RBS), the shared services company providing support to these brands. We also finished integrating our group offices while teams in the Netherlands and Belgium made great progress on synergy savings through negotiations with suppliers.

Message from our CEO
continued

Financial performance

In 2017, our great local brands delivered another strong performance, with rising sales and expanding margins driven by synergies. Pro forma net sales rose 1.7% at constant exchange rates to €62.7 billion, primarily driven by The Netherlands, Delhaize America, and Central and Southeastern Europe. Our brands grew market share in most of their markets.

The synergy delivery is ahead of schedule, with €268 million net synergies realized for 2017. I'm pleased to report that thanks to teams across our businesses, we are able to increase the amount of gross synergies we are committing to deliver from €500 million to €750 million by 2019. We will reinvest €250 million in the business.

Our full-year pro forma underlying operating margin was 3.9%, driven by synergies, compared to 3.7% in 2016. We delivered a strong free cash flow of €1.9 billion and we continued to invest in our stores and online channels, while returning excess liquidity to shareholders. We completed a €1 billion share buyback and launched a new €2 billion program for 2018.

With our strong balance sheet, we are pleased to propose a dividend of €0.63 per share, an increase of 10.5% compared to last year's dividend. It represents a payout ratio of 47% of pro forma underlying income from continuing operations, reflecting our ambition to sustainably grow the dividend per share.

> "In 2017, we sent out close to 2.5 billion personalized offers to our customers, making the online and in-store experience more relevant and personal."

Full-year pro forma underlying operating margin

3.9%

with the increase this year driven by synergies that came in ahead of schedule

€62.7bn

Full-year pro forma sales

Driving changes in retail

Today, as in years past, we play a central role in both identifying consumers' needs and helping to shape them. As a family of trusted local retail brands with 150 years serving customers, it's something we're very good at.

Our innovations are making shopping more convenient, for example with a faster checkout experience, and more personal, leveraging digital loyalty programs targeted at individual customer preferences. In 2017, we sent out close to 2.5 billion personalized offers to our customers, making the online and in-store experience more relevant and personal.

Our efforts to expand our online businesses resulted in €2.8 billion in net consumer online sales in 2017, more than €1 billion of which was in food. I'm pleased to report that we're on track to deliver close to €5 billion in online sales by 2020. As part of this drive, we're making significant investments to further support our e-commerce growth and build our online warehouse capacity.

We are also supporting and encouraging the shift to healthier diets, using the power of our own brands to offer new and exciting choices in fresh and provide affordable organic products. And the strength of our combined company is helping us do all of this – and more – even better than before.

And there is more to do. The pace of change in the retail landscape and in customers' shopping habits continues to gain speed, and competition is spreading far beyond the supermarket channel – to discounters, online players and meal-kit providers, to name a few. Technologies like robotics, artificial intelligence and voice ordering are accelerating the changes taking place.

While customers remain focused on value and convenience, they also want a personalized shopping experience tailored to fit their busy lives. Customers expect retailers to anticipate their specific needs and then enable them to shop exactly how they want – which, more than ever, means using their mobile devices. And with the increasing use of technology, retailers are putting a strong focus on cyber-security and protecting customer data.

In this atmosphere of change, there's only one way to thrive – by embracing, and driving, change ourselves.

Message from our CEO
continued

A year of being better together

Since its launch, our Better Together strategy has positioned us to drive the trends in our markets. In 2017, all our brands continued to innovate with the goal of providing a seamless online and in-store experience tailored to customers' needs – to make shopping easier, hassle-free and more personal.

In the Netherlands, *Albert Heijn to go* is launching a checkout-free concept for stores, where customers can tap a card on the shelf label to purchase products without going through a checkout line. We call it "tap to go." Peapod, our online grocer in the U.S., introduced a voice-enabled ordering tool. And Giant is experimenting with robots in its stores.

Across the company, we are developing and further enhancing our digital loyalty programs and ability to provide personalized offers and promotions to customers. For example, Hannaford launched its My Hannaford Rewards loyalty program and Food Lion enriched its loyalty program with a digital Shop & Earn program during the year, both offering rewards and personalized savings to customers. And AB Vassilopoulos in Greece made great improvements in its existing customer loyalty program.

We continued to invest in e-commerce and digital solutions to let customers shop when and how they want, and to drive sales growth. A highlight for me came when bol.com opened a new automated fulfillment center to facilitate growth, expand its assortment and ensure even faster delivery to customers. The brand already offers customers the option to get many popular items on their doorsteps hours after ordering.

In 2017, Albert Heijn took another step forward in satisfying increasingly busy customers when it started to test a new online service called "Rappie," that promises delivery in as little as two hours. Our brands are also delivering more value and convenience to customers through meal kits that contain all of the pre-measured ingredients to cook a nutritious meal. The customer response at Peapod, for example, has been very positive, with meal kits sales up over 60% in the past year and customers giving them an average rating of more than four out of five stars on Peapod's website.

We are investing in unique experiences in our supermarkets – for example at Albert, which completely remodeled its flagship store in Prague with an inspiring new fresh market concept that is achieving double-digit growth. Busy customers also look to our brands' supermarkets to do the cooking for them – Hannaford has been adding Hannaford Kitchen locations that provide freshly made, grab-and-go meal options from stir fry and hand-battered fried chicken to signature sandwiches. They have proved to be popular with customers. In Romania, Mega Image opened its first Mega Apetit convenience store, where customers can buy ready-made meals for immediate consumption.

> **"This year, our Albert Heijn Foundation, which invests in local community initiatives for its fruit, vegetable and flower suppliers in Africa, celebrated its 10th anniversary. In the past decade, over 30,000 children and adults in 10 African countries have benefited from the Foundation's investment in education alone and this year we plan to expand its activities to South America."**

Our own brands are also differentiating our businesses in the minds of today's value-focused customers. We are investing to optimize our own-brand portfolios and leveraging expertise from both sides of the Atlantic to provide healthy and convenient choices for our customers. Albert Heijn improved the quality of hundreds of own-brand products during the year. We introduced our Dutch Etos health and beauty care brand at supermarkets across Europe following a launch in the U.S. in 2016. In the U.S., our "free from" and organic lines are popular with health-focused customers, and in 2017, our U.S. brands exceeded $1 billion in sales from these products. We are now merging the Nature's Promise and Nature's Place lines and expect the combined brand to achieve sales of $1.5 billion by 2020.

To make all of this possible, we continue to look for smarter and better ways of doing things while savings from our "save for our customers" programs are being reinvested in the businesses.

Caring for communities near and far

Sustainable retailing remains very close to our hearts and an integral part of our Better Together strategy. We have committed to reduce food waste in our own operations by 20% between 2016 and 2020, and I'm pleased to report that two of our brands – Albert Heijn and Delhaize Belgium – already recycle 100% of food waste. One way we reduce waste is by donating unsold food to local food banks. Delhaize in Belgium continues to work towards its pledge to redistribute at least half of all unsold food to people in need by 2020 in partnership with about 200 food banks and other charitable associations in its communities.

Message from our CEO
continued

Hannaford and Food Lion continue to support local food bank initiatives and donated 40,735 tonnes of food in 2017. Stop & Shop made a $780,000 donation to 810 public and private schools in Connecticut through its school fundraising program.

Our brands have also launched initiatives outside of their markets. This year, our Albert Heijn Foundation, which invests in local community initiatives for fruit, vegetable and flower suppliers in Africa, celebrated its 10th anniversary. In the past decade, over 30,000 children and adults in 10 African countries have benefited from the Foundation's investment in education alone and this year we plan to expand its activities to South America.

I was proud that, as a result of these and other activities, we ranked again among industry leaders in the Dow Jones Sustainability Index (DJSI) World list with a score of 73 in the Food and Staples Retailing sector – well above the industry average score of 45. You can read more about our sustainable retailing activities in this Annual Report, including our performance on our 2020 targets and how we continue to work in line with the UN Global Compact principles. We also recognize the importance of the UN Sustainable Development Goals (SDGs) and support multiple SDGs through our sustainability efforts as part of our Better Together strategy.

A strong leadership team

Having the right leadership team in place is important for driving our strategy. We've had several leadership changes during the year that I'd like to mention. Wouter Kolk, Brand President of Albert Heijn, has joined our Executive Committee as Chief Operating Officer the Netherlands and Belgium. As of January 1, 2019, he is also proposed to succeed our Chief Operating Officer Europe and Indonesia, Pierre Bouchut, who retired this year and will remain available as an advisor and for specific initiatives until July 1, 2018. I am pleased with Wouter's expanding role and grateful for the important contributions Pierre made throughout the merger.

As part of the creation of Ahold Delhaize USA, we appointed Kevin Holt as Chief Executive Officer Ahold Delhaize USA. In this new role, he remains a member of our Management Board and Executive Committee. I'm confident that Kevin is the right person to guide our U.S. businesses through this time of continuous change and evolving customer expectations.

We have also welcomed another new member to our Executive Committee – our Global Chief Information Officer Ben Wishart – and created a new role, Chief Digital Officer, to be responsible for driving digital transformation and innovation. This new role will replace the role of Chief eCommerce and Innovation Officer, formerly held by Hanneke Faber, who left the company in December. I thank Hanneke for the great contribution she made in defining and carrying out our digital and omni-channel growth strategy.

In April, Stephanie Shern stepped down from our Supervisory Board, and later in the year we announced that Jack Stahl would also step down, due to other business commitments. Board member René Hooft Graafland agreed to take over his duties as Chairman of the Audit, Finance and Risk Committee. We are grateful for their years of service and the contributions they made to the merger process and establishing our new company.

Our associates are key to our success

We rely on hundreds of thousands of dedicated associates to be the human face of our local brands to customers, suppliers and communities every day. This is why our promise to become a better place to work is so fundamental. I'm happy to say that our latest company-wide survey showed a strong participation rate and an overall engagement rate among associates of 78%. In years to come we hope to continue to build on these good results. It is also why we feel it is so important that the diversity of our customer base is reflected in our own businesses. We have many initiatives to support diversity and inclusion; one highlight for me is the progress our Food Lion and Hannaford brands are making, both in learning and development opportunities for associates and in their offerings to diverse customers. Their good work was recognized with several external awards in 2017.

Outlook

Looking ahead to 2018, we confirm our target of realizing €420 million in net synergies. Free cash flow was exceptionally strong in 2017, and we expect it to be at a similar level in 2018 after taking into account a cash benefit of around €200 million resulting from the U.S. tax reforms. Our capital expenditure is expected to increase to €1.9 billion in 2018, focused on improving our store network, expanding our omni-channel offering and further developing our digital capabilities. Following tax reforms in the U.S. and Belgium, we expect the effective tax rate for the company to move to the low 20% range going forward.

In closing

I would like to close by thanking associates for their dedication to local customers across all our brands, and for embracing change and innovation so that we can keep getting better together. I would also like to thank customers for inspiring us every day. And, of course, I want to thank our shareholders for their continued support of our company.

All the best,

Dick Boer
President and CEO

Who we are

More than
50m
customers served every week

For more information on **our value chain, see page 11**

20
great local brands[1] are at the heart of our business

For more information on **our great local brands, see page 13**

6,637
stores serving our local communities in Europe and the United States

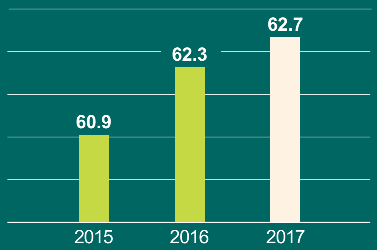
For more information on **where we operate, see page 20**

1 Including the brands of our joint venture partners.

Group highlights

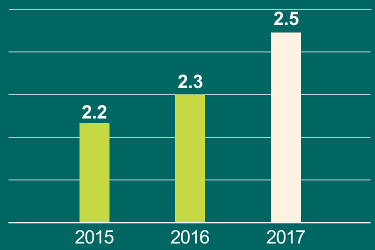
Net sales
€62.9bn
(+26.6%)

Pro forma net sales
€62.7bn
(+0.6%)



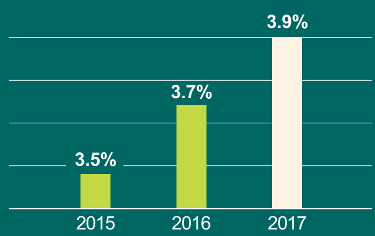
Underlying operating income
€2.5bn
(+29.3%)

Pro forma underlying operating income
€2.5bn
(+6.9%)



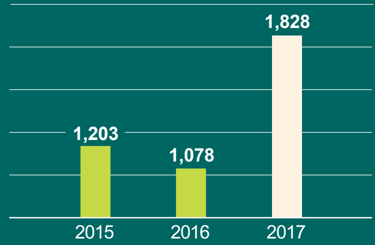
Underlying operating margin
3.9%
(+0.1%)

Pro forma underlying operating margin
3.9%
(+0.2%)



Net income
€1,817m
(+118.9%)

Pro forma net income
€1,828m
(+69.6%)



Pro forma net consumer online sales
€2.8bn
2016: €2.3bn
(+21.1%)

Free cash flow[1]
€1.9bn
2016: €1.4bn
(+33.7%)

Pro forma underlying income per share from continuing operations
€1.27
2016: €1.17
(+8.5%)

Dividend per common share
€0.63
2016: €0.57
(+10.5%)

Own-brand sales from healthy products
46%
2016: 42%
(+9.5%)

Associate engagement score
78%
Industry benchmark: 81%
Retail trade area benchmark: 69%

Dow Jones Sustainability Index
73
Industry average: **45**

Carbon-equivalent emissions per m^2
467kg
2016: 504kg
(-7.3%)

1 In 2017, after €1.7 billion capital expenditure (2016: after €1.7 billion capital expenditure).

For the definition of pro forma and other alternative performance measures, see *Definitions – performance measures* section.

Our value chain

Ahold Delhaize's impact goes beyond what happens in our stores and distribution centers. From farm to fork, we partner with numerous stakeholders to increase value and improve sustainability throughout the full supply chain.

As a food retailer, we can have a significant impact on making the value chain more sustainable. To focus our efforts, we have identified the areas where we can have the most influence. We are committed to partnering with our suppliers and others to make a meaningful contribution in these areas and build on our promises to be a better place to shop, a better place to work, and a better neighbor.

For more information, see Sustainable Retailing data in the Sustainability performance section in this report

Suppliers

82%
Of own-brand coffee is certified against an acceptable standard

59%
Of own-brand production locations in high-risk countries are audited for working conditions

91%
Of own-brand production locations are food safety-certified

Raw materials

We sell products that come from farms and natural resources around the world and in our own communities.

Our strong product safety and sustainability standards help us conserve resources right from the start of our value chain.

Production

Our products are made from raw materials and packaged for sale.

In partnership with suppliers we innovate to drive sustainable production practices, reduce food waste, and push for high safety standards.

Ahold Delhaize

78%
Associate engagement score

27%
CO_2 reduction compared to 2008

Distribution

Products are delivered to our warehouses and prepared for transport to stores or pick-up points.

We reduce our carbon footprint through energy efficient distribution centers and transportation.

369
thousand Associates

505
Pick-up points

Shop now

Open

Retail operations

Online

Retail stores

Customers can shop with us in stores and online.

The diverse teams of associates at our brands are empowered to improve the health and sustainability of our operations, supporting our long-term success.

23.4%
Increase in net consumer online sales

Over
50m
customers in our stores per week

Customers

29m
Loyalty card members

46%
Of own-brand sales are from healthy products

52,731
Tonnes of food donated

Consumption

We do what we can to make sure our products are consumed in ways that benefit our customers and support healthier communities by helping people eat better and reduce food waste.

Communities

We support local communities in all stages of the value chain, from sourcing local products in neighborhoods around our stores to working on projects with suppliers in Africa.

Our value chain
continued

Product sustainability

To drive sustainability throughout the global value chain, Ahold Delhaize has implemented several performance indicators and targets at each of the chain's stages.

For example, we have put in place sustainable sourcing targets for seven critical commodities (coffee, tea, cocoa, seafood, palm oil, soy and wood fiber). To reach these targets, we partner with farmers, suppliers and industry groups to drive more sustainable production.

It requires a continuous effort to map and understand the global food supply chain so we can assess how natural resources are used, for instance, or how good working conditions are monitored and ensured.

Increasing the transparency of environmental and social impacts in our own business and along the value chain helps us evaluate where and how we can improve.

For a company like ours with a global spread of suppliers, production locations and farmers, this is an ongoing challenge – and opportunity.

One challenge we are tackling is to make it easier for our customers to maintain healthy diets and eat fresh foods. However, fresh products have a shorter shelf life and can lead to more waste, both in our own operations and in our customers' homes. We reduce our own waste by preventing it in the first place through inventory management and by sharing best practices to redistribute unsold food and we also provide advice to help customers to prevent food waste at home.

In addition, our online sales are increasing and these bring new environmental and social challenges around sustainable packaging, customer service and more environmentally-friendly transportation. One way we are addressing these challenges is by moving towards cleaner, quieter and more economical (electric) trucks in urban areas.

Sourcing more sustainable coffee

Coffee is one of the seven commodities we recognize as "critical," which means it is an area of focus for us in driving more sustainable production.

Today, 82% of our own-brand coffee is certified, ensuring that the coffee our brands buy is sourced from farmers who receive fair pay under decent labor conditions and is responsibly produced with modest use of fertilizers, pesticides, water and energy.

In addition, we are working on an upcoming project to develop drought-resistant trees in Tanzania and provide local farmers with high-quality seedlings at a lower price. We are also proud to have joined up with the Sustainable Coffee Challenge, which aims to make coffee the first fully sustainable agricultural product.

Telling the story of where food comes from

Maxi in Serbia put local producers in the spotlight through its Small Farmer Project to help build customer trust in its fruit and vegetable assortment.

The campaign focused on authentic stories of local families that produce food for Maxi stores. It was named the most memorable corporate campaign in Serbia and helped increase customer perception of the quality of Maxi's fruits and vegetables.

Our great local brands

Our strong and trusted local brands are leaders in their markets and are at the heart of our businesses. We have been selling great food for 150 years, and today we meet the changing needs of shoppers with our omni-channel offering. Customers can shop whenever and however is most convenient for them through our network of stores and online businesses.

We offer customers a wide range of choices, with great quality and value and an easy and inspiring shopping experience. We make it simpler than ever for them to bring home healthy products to their families. All our local brands are committed to being sustainable retailers and better neighbors by making meaningful contributions in the communities they serve.

For more information about our brands, visit our website at **www.aholddelhaize.com**

109,000
Total associates Ahold USA

95,000
Total associates Delhaize America

102,000
Total associates The Netherlands

14,000
Total associates Belgium

49,000
Total associates Central and Southeastern Europe

369,000
Total associates Ahold Delhaize

Our great local brands
Ahold USA

Stop & Shop

Market area	Connecticut, Massachusetts, New Jersey, New York and Rhode Island
Formats	Supermarkets, superstores, online shopping
Stores	414
Customer proposition	**My Stop & Shop helps me save money, save time and eat well**

GIANT[1] MARTIN'S

Market area	Pennsylvania, Maryland, Virginia and West Virginia
Formats	Supermarkets, superstores, online shopping
Stores	171
Customer proposition	**Dedicated to providing a great shopping experience, from food to fuel to pharmacy, through exceptional quality, value and service**

Giant[2]

Market area	Delaware, District of Columbia, Maryland and Virginia
Formats	Supermarkets, superstores, online shopping
Stores	167
Customer proposition	**My Giant helps me save money, save time and eat well**

Peapod

Market area	12 states across the U.S. East Coast and Midwest plus the District of Columbia
Formats	Online grocery shopping
Stores	Online store
Customer proposition	**We make life easier. We give our customers the time back to do the things they love**

1 Also referred to as Giant Carlisle.
2 Also referred to as Giant Landover.

Our great local brands
Delhaize America

FOOD LION

Market area	Delaware, Georgia, Kentucky, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia
Formats	Supermarkets, online shopping
Stores	1,027
Customer proposition	**Easy, Fresh & Affordable... You Can Count on Food Lion Every Day!**

Hannaford

Market area	Maine, Massachusetts, New Hampshire, New York and Vermont
Formats	Supermarkets, online shopping
Stores	181
Customer proposition	**The full shop... fresh, local, priced right, healthy, great service**

Our great local brands

The Netherlands

Albert Heijn

Market area	The Netherlands, Belgium and Germany
Formats	Supermarkets, convenience stores, online shopping
Stores	1,010
Customer proposition	**Everybody Appie**

Etos

Market area	The Netherlands
Formats	Drugstores, online shopping
Stores	552
Customer proposition	**The best drugstore with the best and affordable solutions for Health, Beauty, Care & Baby**

Gall&Gall

Market area	The Netherlands
Formats	Wine and liquor stores, online shopping
Stores	601
Customer proposition	**Everyone an expert**

bol.com

Market area	The Netherlands, Belgium
Formats	Online shopping for general merchandise
Stores	Online store
Customer proposition	**The store for all of us**

Our great local brands
Belgium

DELHAIZE

Market area	Belgium and Luxembourg
Formats	Supermarkets, convenience stores, online shopping
Stores	764
Customer proposition	**On the side of life**

Our great local brands

Central and Southeastern Europe

albert

Market area	Czech Republic
Formats	Supermarkets, compact hypers
Stores	329
Customer proposition	**It is worth it to eat better**

MAXI

Market area	Serbia
Formats	Supermarkets, convenience stores, online shopping
Stores	394
Customer proposition	**Always fresh, always near, always Maxi**

Tempo

Market area	Serbia
Formats	Hypermarkets
Stores	20
Customer proposition	**Always in action**

AB

Market area	Greece
Formats	Supermarkets, convenience stores, online shopping
Stores	396
Customer proposition	**The joy of offering the best**

ENA FOOD CASH & CARRY

Market area	Greece
Formats	Cash and carry
Stores	16
Customer proposition	**Your partner for competitive grocery**

MEGA IMAGE

Market area	Romania
Formats	Supermarkets, convenience stores, online shopping
Stores	595
Customer proposition	**Enjoy your life**

Our great local brands

Joint ventures

pingo doce

Market area	Portugal
Formats	Supermarkets, convenience stores, online shopping
Stores	422
Customer proposition	**It tastes good to pay so little**

SUPER INDO

Market area	Indonesia
Formats	Compact supermarkets, supermarkets, online shopping
Stores	157
Customer proposition	**Fresher, affordable, closer**

Where we operate

369,000
associates

6,637
stores worldwide

11
countries[1]

United States

61%
net sales

Food Lion
Stop & Shop
Hannaford
Giant / Martin's
Giant
Peapod

For more information on our U.S. brands, see **pages 14 and 15**

Europe

39%
net sales

Albert Heijn
Delhaize
Etos
Gall & Gall
bol.com
Albert
Maxi
Tempo
AB
ENA
Mega Image
Pingo Doce[2]

For more information on our European brands, see **pages 16 to 19**

Asia

Super Indo[2]

1 Including the countries where our joint venture partners operate (i.e., Portugal and Indonesia).
2 Joint venture brands.

The world around us

Customer needs are changing fast, and technology is transforming how people shop.

For more information on **our markets, see page 22**

We identify what's most important to our stakeholders and integrate it into our strategy, to help us run successful, sustainable businesses.

Being a sustainable retailer means engaging with the people our businesses impact.

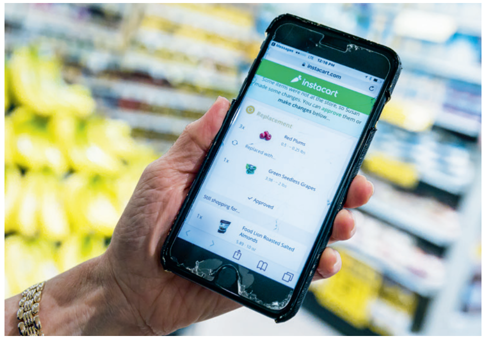
For more information on **our stakeholders, see page 25**

Market overview

The world around us is moving fast and consumer needs keep changing – in response, retailers are transforming the shopping experience with new formats, products and technologies.

We have designed our Better Together strategy to ensure our great local brands stay ahead of these changes, build customer loyalty and attract new shoppers. The trends we focus on fall under three main categories: macro trends, consumer trends and industry trends.

Macro trends



Economics

Everywhere we operate, consumers remain focused on value. In the United States, economic growth is expected to continue at a moderate pace in 2018. While the U.S. unemployment rate continues to decline, consumer confidence levels are above those of the peak in 2007. Europe's forecast remains positive, though growth is expected to slightly decelerate when compared to previous years. In the Netherlands, growth in purchasing power remains relatively low, despite a growing GDP and decreasing unemployment rate. In Belgium, the economy is expected to continue to grow moderately and inflation is expected to normalize from the high levels we saw in 2017. A common theme for the Central and Southeastern Europe region will be the continued upward pressure on wages resulting from low unemployment and / or regulatory measures. More specifically, the Greek market is expected to continue its slow recovery, while Romania's growth might slightly decelerate compared to previous years. The Czech Republic and Serbia are expected to face continued growth and normalizing inflation.

Demographics

Population growth is slowing in all our markets, especially in Europe, and the consumer base is aging. This impacts retailers as older customers show preferences for more luxurious and healthy foods, meal solutions and home delivery and can require more in-store assistance. In addition, our communities are becoming increasingly diverse in terms of ethnicity, household composition, affluence and urban versus suburban, all of which mean that customers are demanding more diverse offerings from retailers.

Resource availability

The changing climate and a growing global demand for food are putting natural resources increasingly under pressure all over the world.

As resources such as water and soil nutrients become scarcer, this will likely continue to affect agriculture and our ability to source certain products in the future. "Commodity crunches" could substantially impact food retailers because many of the products we sell are based on raw materials like corn, wheat and rice.

Technology

The pace of technological change is increasing at an extraordinary rate, and this has direct implications for our industry and the way people shop. More of the objects that people use every day, such as televisions, refrigerators and personal wearables, are getting connected to the Internet, and are tracking and collecting data.

Companies are using this data to develop closer relationships with shoppers by understanding their personal preferences and being able to cater to them – or even predict new ones. This wealth of data supports the development of artificial intelligence and automated devices such as self-driving trucks and warehouse robots. The exponential development of technologies will impact the labor force and companies have already started to think about how to ensure associates have the right skills going forward.

Market overview
continued

Consumer trends

Value

Nearly a decade after the 2008 economic downturn, we are still feeling its effects, as evidenced by a continued focus on value and budget-consciousness and the growth of low-cost players operating stores and online. Consumers are also redefining what value means to them as something much more personal than in the past. They are less loyal to brands and formats, and have the technology to quickly and easily compare offers – so providing great value for money remains a license to operate.

But being affordable increasingly means being able to present customers with the right offers, personalized to their needs, at the right time.

Convenience

Customers have busy lifestyles and are increasingly pressed for time. While they are more conscious of the need to eat healthier, they have less time and ability to cook nutritious food. This is especially true of the Millennial generation.

As a result, fresh ready meal offerings that can be eaten immediately or quickly prepared at home continue to grow in popularity. The need for a fast and easy shopping experience also extends to format choice, with customers looking for smaller stores that are quicker to shop, convenient locations that reduce their travel time and cost, and multiple delivery options for their online orders.

Health and well-being

Consumers are more aware of the relationship between the food they eat and their overall health and well-being; at the same time, diet-related diseases – such as heart disease, diabetes and malnutrition – remain a growing issue worldwide. Customers want more transparency about what is in their food, and want to understand the health effects of, for example, additives like sweeteners and artificial colors, or the use of plastics in packaging and antibiotics to prevent disease in animals. Consumers who are inspired to strive for healthier and cleaner lifestyles are prioritizing fruits, vegetables, nuts and grains or even adopting vegetarian or vegan diets. We are seeing a rapidly emerging trend towards personalized nutrition, where consumers receive individual advice based on elements such as their own DNA, gut bacteria or habits.

Transparency and sustainability

In our markets, we believe food is safer today than ever before. Nevertheless, consumers remain concerned about food safety. They want more information on where their food comes from and how their buying decisions can impact the environment and lives of people all over the world, for example, through climate change or working conditions. They expect retailers to help them make sustainable choices, and to ensure the integrity of the supply chain wherever they can.

New technologies, such as blockchain, are offering retailers and manufacturers opportunities to improve supply chain transparency and traceability.

Connection and communities

People everywhere are searching for a feeling of community and personal connection. They are getting involved in their local neighborhoods, buying more local products and supporting local businesses. In parallel, they connect with others who share their interests and values on social media and in online communities.

Market overview
continued

Industry trends

Consolidation

There is a great deal of consolidation today, in both the retail and consumer packaged goods industries, where companies seek scale advantages in sourcing and other areas. In addition to this, corporations are increasingly cooperating with start-ups for a number of reasons, among others to boost growth and protect themselves from disruption. Through partnerships and mergers and acquisitions activities, companies are able to secure access to new products, services and / or capabilities, while serving both existing and new customers.

Diversification

Channel and format diversification remains prevalent in the retail industry. More and more, customers shop for food at multiple retailers in multiple segments – they want to get their favorite products at the best possible price and in the most efficient way. In the continuing effort to respond to these customer needs, retailers are developing their existing formats and adding new ones, leading to increased competition.

Smaller household sizes and urbanization mean that, in addition to value, customers are showing a preference for stores that are easily accessible. They are moving away from large weekly grocery shopping trips and shopping more often, visiting nearby supermarkets and convenience stores more frequently.

Online and mobile

The total e-commerce market continues to expand. It is expected to grow by 10-15% each year through 2020 – and food e-commerce is expected to grow even faster. With their broad store base, traditional retailers are well-positioned to serve the rising expectations of customers who expect ever greater convenience and faster delivery, including same-day. Stores may become more hybrid by catering to the needs of the traditional shopper while also serving as micro fulfillment centers. In addition to offering their own last-mile services (through stores, pickup points and home delivery), traditional retailers are starting to deepen their relationships with third-party delivery services, especially to fulfill customers' need for immediate gratification.

Pure online companies are looking for physical touchpoints to connect with consumers and enhance the convenience and service they can provide. They are launching often innovative store-based formats that push the boundaries of creating a more frictionless customer experience. New interfaces, such as voice, are increasingly popular, making it important for retailers to have a multi-channel strategy.

Own brands

The importance of own brands continues to grow, driven by factors that include Millennials' pursuit of better value for money. While own brands used to be inferior to national brands in quality and packaging design, they are achieving tremendous improvements in these areas, and at a lower price-point compared to equivalent national brands. This is particularly true in the case of product lines focused on organic or health and well-being.

Own brands continue to offer retailers an opportunity to distinguish their brands from the competition and to build customer loyalty.

Our stakeholders

Our stakeholders help us to get better every day by challenging us, giving us insight into their concerns, offering feedback on how we are doing, and collaborating with us to solve the problems and issues we all face. We engage with them in both formal and informal ways throughout the year.

As an international retailer, our list of stakeholders is extensive. We consider three stakeholder groups – customers, associates and communities – as the ones most critical to serve to ensure we are being the best retailer we can be. These are the stakeholders to whom we link our promises to be a better place to shop, a better place to work, and a better neighbor. In addition, we commit to transparency and high integrity with a broad list of stakeholders that have a strong interest in our company, including shareholders, suppliers (many of whom are part of our local communities), governments and NGOs.

For more information on how we respond to our stakeholders' needs see **page 49**

Celebrating centuries of serving customers

Our oldest brand, Delhaize Belgium, celebrated its 150th anniversary in 2017 with activities including a donation to the Make-A-Wish Foundation for each Delhaize own-brand product sold with the "150-years-Make-A-Wish" symbol.

Delhaize also held a successful wine fair highlighting its 150 years of wine experience.

To mark its 130th anniversary, Albert Heijn organized a special symposium called "All the ingredients for better living. For everyone."

Approximately 200 guests attended, including associates and representatives from business, politics and industry organizations – for roundtable discussions on themes like the future of food; work and shopping; technological developments; and sustainable society. The day led to many valuable ideas and insights that were incorporated into Albert Heijn's strategy and bundled in a commemorative book to keep inspiring for years to come.

During 2017, we invited key internal and external stakeholders to give us their feedback on Ahold Delhaize's most material economic, social and environmental impacts. We have shared the results of this feedback in our updated materiality matrix.

In 2015, United Nations member states around the world adopted a set of goals to end poverty, protect the planet and ensure prosperity for all as part of their sustainable development agenda. For these Sustainable Development Goals (SDGs) to be reached, governments, the private sector and civil society needs to act together. Along with our stakeholders we recognize the importance of this undertaking, and we support multiple SDGs through our sustainability efforts as part of our Better Together strategy. As a food retail company, we have identified the SDGs on which we can have the biggest impact and make a difference for society in the long term.

See Our response to stakeholder needs and Sustainability performance sections (**pages 49** and **250** respectively) for more information on our progress on SDG-related targets

Our stakeholders

continued

Customers

Customers are the lifeblood of our businesses. Our great local brands engage with them every time they visit the stores or shop online.

How we engage with our customers
We stay tuned in to what they want through third-party surveys, consumer studies, focus groups, and through the immediate feedback they provide to our customer service departments, associates, websites and social media.

How we are listening to our customers
Customers tell us they want competitive prices and a great shopping experience. They want healthier eating to be more accessible, more fun and more delicious, and they want high-quality products that are made with respect for people, animals and the planet.

See examples of how we respond to our customers' needs in: Our purpose **page 30**, Our sustainable business model **page 32**, and Our promises **page 38**

Associates

Associates in our local brands bring our strategy to life every day for customers.

How we engage with our associates
They work together in collaborative, team-based settings in local stores, warehouses, and corporate offices. All our brands leverage formal touchpoints to engage associates such as a regular performance review process, recognition and reward programs, and interactive training programs.

In 2017, we conducted an associate engagement survey using a common platform across all of our Ahold Delhaize brands. We had a strong participation rate of 85% and saw an overall engagement rate of 78%. Associates are proud of our businesses and likely to recommend them as good places to work. They enjoy a work environment with a strong sense of purpose and a high level of resources and support, where diversity is valued. Associates would like to see a continued focus on training, development and well-being.

How we are listening to our associates
We aim to run strong businesses that offer stable jobs and great careers and provide working environments where associates are respected and appreciated. Our businesses are committed to the principles of equal employment opportunities, freedom of association, and respecting legal rights to collective bargaining.

See examples of great initiatives for and by associates in: Our promises **page 38**, and Our values **page 46**

Communities

Our brands touch the lives of millions of people every day and are in continuous dialogue with members of the broader communities where they operate.

These communities are made up of many different stakeholders, including governments, civic organizations, schools, research institutes, industry bodies, charitable organizations, franchisees and affiliates, and of course, suppliers.

How we engage with our communities
We engage with communities in person, through partnerships, memberships, sponsorships, and in dialogue with key organizations that overlap with our work as food retailers. With our suppliers, we maintain multiple communication channels, including face-to-face meetings, online communication and supplier events. At a local and global level, we play an active role in industry associations and other bodies.

How we are listening to our communities
Our community stakeholders provide valuable feedback, for example, on how we can be a stronger partner in creating healthier communities. Input from our suppliers, both local and global, helps us to create better products for customers, find new ways to reduce food waste and increase economic, social and environmental value for the communities we source from throughout the supply chain.

See examples of our projects to build better communities in: Our promises **page 38**

Shareholders

We strongly believe that by serving customers, associates and communities well, our businesses will prosper and our shareholders will benefit.

Our shareholders put their trust in us by investing in Ahold Delhaize financially, and we respect their input because it helps us become a better retailer.

How we engage with our shareholders
Shareholders monitor our company closely and support and challenge us on our strategy and how we manage our businesses. We communicate with them through quarterly disclosures and both financial and non-financial performance briefings – such as during our annual General Meeting of Shareholders and capital market days – presentations and exchanges with analysts and investors.

How we are listening to our shareholders
To demonstrate our commitment to long-term success, our disclosures cover our financial performance and our progress on our Better Together strategy, including our targets to build a more sustainable business.

For more information on our financial performance, see **page 58**

Business review

€62.9bn
Net sales

For more information on **our financial performance, see page 58**

78%
Our associate engagement score in 2017

For more information on **our promises, see page 38**

50%
We aim to increase sales of healthy own-brand products to 50% by 2020

For more information on **our material topics, see page 50**

#1
We aim to be the #1 or #2 supermarket brand in every local market

For more information on **our sustainable business model, see page 32**

Our Better Together strategy

Ahold Delhaize’s strategy is empowering our great local brands to offer the best to customers, associates, communities and shareholders.

Our strategy defines the kind of group we want to be, what drives us, and how our brands will win in all our markets. We based our strategy on the most significant issues for our business as well as the needs of our key stakeholders.

Our brands each face different market conditions and customer needs while sharing common challenges and opportunities.

Better Together builds on strengths shared across the group while enabling each brand to apply those strengths according to the specific and unique local needs of its customers. We measure the execution of our strategy using a series of metrics, including financial and non-financial performance metrics.

The following section will take you through all the elements of our strategy.

Our Better Together strategy
continued

Our Better Together strategy guides our decisions and actions in today's fast-changing environment. The different elements of our strategy are closely interconnected and work together to help us offer the best to our key stakeholders.

Our purpose, sustainable business model, promises and values give associates in all our brands a common language for talking about the business and reinforce our shared commitment to sustainability.

Our business model ensures our great local brands have the resources and direction to invest in the right areas to help us grow together, and our group-wide focus on creating value for customers, associates, communities and shareholders will drive our long-term success.

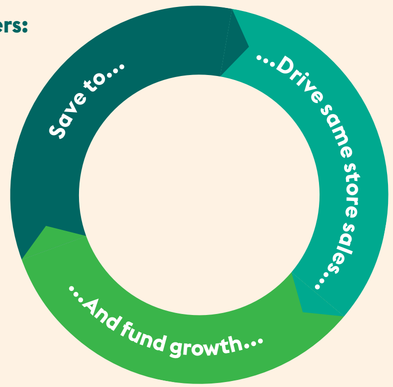
Our purpose

Together, we build **Great Local Brands,** bringing **Fresh Inspiration Every Day**

Our sustainable business model

Save for our customers:
- Buy better
- Operate smarter
- Waste less

Fund growth in key channels:
- Supermarkets
- eCommerce
- Smaller formats



Invest in our customer proposition:
- Affordable for all
- Best own brands
- Fresher & healthier
- Most local & personal service

For more information on how we deliver against our sustainable business model, see **page 32**

Our promises

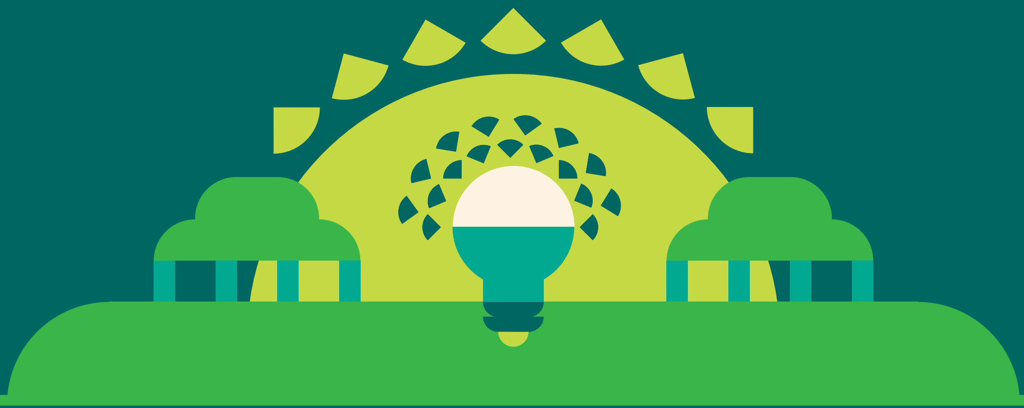
For more information on how we meet our promises, see **page 38**

Our values

Courage **Integrity** **Teamwork** **Care** **Humor**

For more information on our values, see **page 46**

Our purpose



Together, we build Great Local Brands, bringing Fresh Inspiration Every Day.

We strive to live up to our purpose in everything we do.

Together: Across all our brands and functions, we learn from each other, share best practices, and realize the benefits of our scale.

Great Local Brands: We operate local retail businesses, active on three continents, each under its own brand name that is well-known and well-loved by local customers.

Fresh Inspiration: Our brands are known not only for their fresh offerings – from fruits and vegetables to delicious prepared meals – but also for their innovative spirit. They inspire customers with new and exciting products and services to help them solve the everyday challenge of bringing affordable, healthy and tasty meals to the table.

Every Day: Our brands fulfill customers' daily needs and are there for them every single day.

Our purpose
Fresh inspiration

Fresh stores, fresh inspiration

Food Lion is remodeling stores in its markets in the Southeast United States as part of the rollout of its strategy: "Easy, Fresh and Affordable ... You Can Count on Food Lion Every Day."

The remodels enable Food Lion to bring fresh inspiration to their customers and make specific strategy elements come alive in ways that customers can see and experience. In addition to freshening up the look and feel of the stores, the brand is upgrading checkouts to make it faster and easier for customers to get in and out quickly. Coupled with improved customer service through the brand's shift to a "count on me" culture, the changes are yielding impressive results, fueling sales growth at the brand. In 2017, Food Lion remodeled a total of 164 stores.

164

Food Lion stores remodeled in 2017

Appie today

What's on Appie Today?

Albert Heijn launched an interactive online channel with programs made for and by customers and associates in an innovative effort to connect with people and reach out to younger consumers.

Appie Today consists of daily shows, documentaries, and series about life both within and outside the supermarket, on topics including food, trends, current affairs, bloopers, and even love. The channel is part of Albert Heijn's goal to create a social video platform, that will someday be fully autonomous. It makes Albert Heijn one of the first supermarkets in the world to go into online television, claiming a special position in the media landscape.

25million

Number of Appie Today views in 2017

Our sustainable business model

Our sustainable business model is a continuous cycle that describes how we create value for all our stakeholders – including customers, associates, communities and shareholders.

We work to find savings in each area of our businesses and then invest these savings to benefit customers and keep building our omni-channel offering.

Our business model guides brand strategies and priorities, enabling us to move in the same direction as a group while simultaneously meeting local customer needs and market challenges.

Our sustainable business model

continued

Save for our customers

To jump-start this continuous cycle, we always look for ways to save for our customers. We evaluate every area of our businesses to see where we can do things smarter and better to save money, conserve resources and reduce waste.

Buy better

Our brands cultivate long-term partnerships with suppliers, working together to innovate and develop own-brand product ranges. They also achieve savings through buying alliances. In sourcing practices, we aim to always operate in a competitive and fair way.

Operate smarter

Our local businesses are streamlining operations to achieve cost efficiencies.

For more information on how we are operating smarter to streamline shopping, see **page 34**

Waste less

Our brands are reducing shrink through inventory controls, and through resourceful initiatives, such as donating food that would otherwise be wasted, to help people in need.

For more information on our efforts to reduce food waste, see **page 45**

Invest in our customer proposition

Our brands invest the money we save into the local customer proposition to provide a great overall shopping experience that meets customers' changing needs and continues to build loyalty to our brands.

Affordable for all

We want every family in our trading areas to be able to do their weekly shopping with one of our brands, regardless of their budget, so our local businesses continue to make pricing more competitive.

Best own brands

Each of our great local brands focuses on building innovative own-brand product ranges, such as our organic and free from lines, to keep differentiating itself from other retailers and maintain its competitive edge.

For more information on how we are fulfilling customer needs with our own brands as part of our promise to be a better place to shop, see **page 40**

Fresher and healthier

Across Ahold Delhaize we believe our brands have an opportunity and a responsibility to make healthier eating easy, tasty, affordable and rewarding for customers – especially through broad fresh and healthier product assortments.

For more information on how we are providing a fresher and healthier offering as part of our promise to be a better place to shop, see **page 41**

Most local and personal service

Each great local brand works to build stronger relationships with customers – through the service provided by every associate in every store and through best-in-class personalized offerings, enabled by technology. Our brands target their assortments to the needs of people in their neighborhoods and sell a wide range of products from local suppliers. By supporting the causes that local customers and associates care about, each brand deepens its involvement in the local community.

For more information on how we are providing a personalized shopping experience for customers, see **page 35**

Fund growth in key channels

Ahold Delhaize seeks to fund growth in three key channels – supermarkets, e-commerce and smaller formats – so that our brands can be there wherever and however customers shop.

Supermarkets

Supermarkets are the core channel and the main focus of our investments. Our brands work to keep their stores regularly refreshed and remodeled so they remain appealing to customers. Across the group we aim to be the #1 or #2 supermarket brand in every local market where we operate.

For more information on how we are expanding our supermarket business, see **page 36**

E-commerce

Across our brands, we continue to invest in e-commerce, to make shopping more convenient, affordable, personal and inspiring. Our great local brands constantly improve the quality of their service, tailor the assortment to meet or exceed customer expectations, and make online shopping available to more people.

For more information on how we are growing our e-commerce business, see **page 37**

Smaller formats

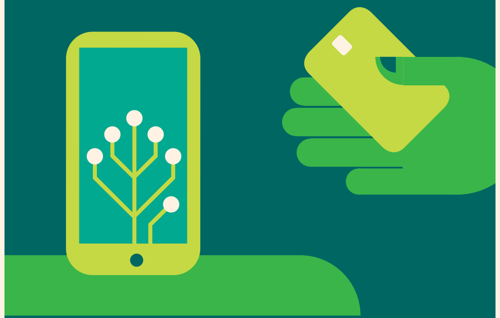
Our brands are continuously developing their small formats and testing new ones, to fulfill customers' growing demand for convenience.

For more information on how we are bringing our business model to life, please visit our website at https://www.aholddelhaize.com/en/strategy/

Our sustainable business model in action

Operate smarter

Save for our customers



The context

Retail has always been a competitive industry, and customer needs and new technologies are driving transformative change today more than ever.

Across channels, retailers are striving to offer better, more innovative products and services at a great value. Consumer expectations are rising too. Shoppers want better quality and more convenience – and all at affordable prices. Retailers have to be smarter than ever in order to give their customers what they want and stay ahead of the competition while operating in a sustainable way.

Our response

We set the wheel of our business model in motion by saving for our customers – and one important way we do this is by operating smarter.

We are always looking for new ways of doing things that streamline our operations and improve our customers' shopping experience. In doing so, we are driven by our objectives to save costs, save time and make life easier for both customers and associates.

How we are delivering on our strategy

Our U.S. brands are testing a unique new store assistant – Marty the robot. With a friendly look and googly eyes, Marty maneuvers around, performing checks that help the store run more smoothly and safely for both customers and associates. The robot can scan the floor for slip or trip hazards and page for clean-up assistance, and eventually will be able to look for errors in shelf pricing and identify out-of-stocks so that associates can replenish the shelves and customers can find what they need. Marty is currently roaming the aisles of four Giant Carlisle stores during a pilot program, and could be rolled out to additional stores across the U.S. brands in 2018.

Our Dutch brand, *Albert Heijn to go*, is launching new technology that streamlines the shopping experience and takes grab-and-go convenience to the next level. Called "tap to go," it allows customers to pay for items in a store without going through a checkout line. Using a card – and in the future a smartphone – customers can select an item, tap an electronic shelf card and go.

Our sustainable business model in action

Most local and personal service

Invest in our customer proposition

The context

In all our markets, people are looking for a sense of connection, with others across the world and within their local communities – even when they shop.

They want to buy products made close to home and that make them feel part of the community. They expect retailers to know them and understand their individual needs.

Our response

Our brands are finding new ways to create an emotional connection with customers, often assisted by technology.

We are building our digital capabilities and expertise and continue to invest to offer customers a personalized experience, both in our stores and online. We rely on the use of data that enables our brands to make it easier for customers to save money, save time and eat healthier.

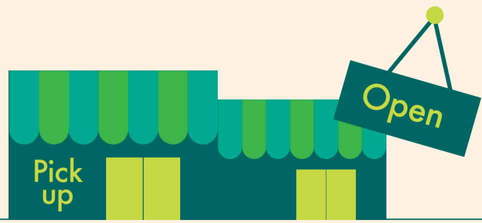
How we are delivering on our strategy

Hannaford launched a new loyalty program and Food Lion enhanced its loyalty program in 2017. With Food Lion's digital Shop & Earn program, customers can save $20 or more each month through personalized offers based on their shopping behavior. Hannaford launched My Hannaford Rewards, unique for a loyalty program because it doesn't rely on two-tiered pricing. All Hannaford customers pay the same when they shop, but customers participating in the all-digital program receive a 2% reward when they purchase own-brand products, plus personalized coupons and special offers on the products they love.

Albert Heijn is rolling out a time-saving smart shopping list online, using knowledge shared by our Peapod brand. Customers can request that the website compile a personal shopping list for them based on their regular purchases – they can simply check the list and add or delete items, then order for pickup or delivery.

29 million

Number of active loyalty cards



Our sustainable business model in action

Supermarkets

Fund growth in key channels

The context

Even with the rapid growth of other shopping channels, including online, supermarkets continue to thrive, functioning as the physical touchpoint where retailers can interact with their customers on a day-to-day basis.

Today's customers go to the supermarket not just to shop but to get information and inspiration on how to eat better and live healthier lives. Evolving from their traditional role, stores are also increasingly serving as hubs that give people in local communities the opportunity to gather and connect.

Our response

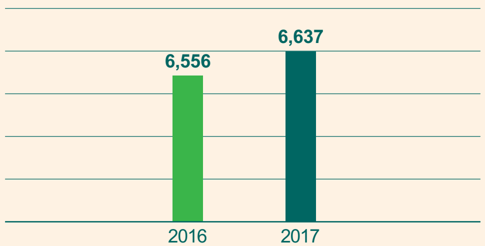
To drive our business model, we fund growth in three channels, but supermarkets have always been our core format.

Our brands have a strong heritage of operating leading supermarkets for 150 years. Supermarkets are still key to our strategy, enabling us to inspire and connect with our customers on a personal level. Our objective is to be a leading supermarket brand in every local market.

How we are delivering on our strategy

Mega Image is one of the leading supermarket chains in Romania with a clear number one position in Bucharest. It continues to expand beyond its core market by consolidating its presence in existing markets and moving into promising new ones – such as Cluj-Napoca in 2017. Mega Image opened 69 new stores this year, including 28 supermarkets outside Bucharest, nine of which were in Cluj-Napoca, bringing more customers a better place to shop. The new stores are colorful and lively, with a wide assortment and a focus on quality fresh, natural and organic items. Dedicated associates facilitate the shopping experience for customers, and an optimized checkout process lets shoppers pay quickly and be on their way. As a result, Mega Image has found that once customers come into their stores, they keep coming back.

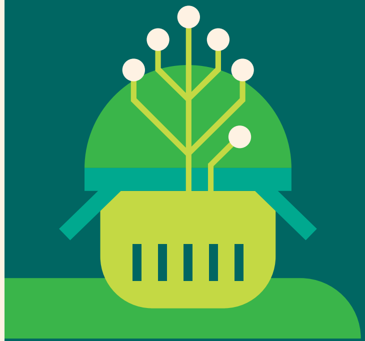
Number of stores



Our sustainable business model in action

E-commerce

Fund growth in key channels



The context

As technological advances race forward and online retail continues to expand, customers are demanding more and more from online shopping.

They expect a broad assortment of products to choose from, an easy shopping experience and ever-faster delivery – sometimes within the same day or even within hours. Retailers are rising to meet these needs with new and innovative devices and services that are revolutionizing shopping.

Our response

We have the ambition to deliver close to €5 billion in online sales by 2020, and are well on track to reach our goal.

Our omni-channel strategy is aimed at helping our brands provide a seamless online and in-store experience and make shopping easier and more entertaining. We continue to accelerate investment in our e-commerce businesses to enable customers to shop when and how they want, and to drive sales growth.

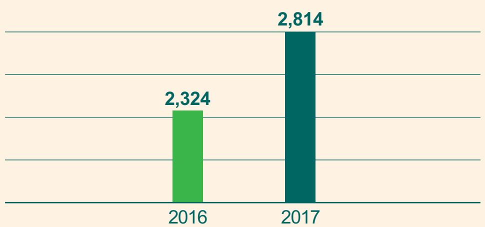
How we are delivering on our strategy

Peapod built a voice ordering capability for a popular home device after discovering that over 50% of the voice-activated devices are kept in peoples' kitchens. To make the experience as easy as possible, they kept the functionality simple. Customers can add items or remove them from their Peapod order, reorder their last purchase, or check on their scheduled delivery time.

As part of their aim to make grocery shopping more convenient and more affordable for customers, our brands are offering delivery subscriptions. By paying a fixed fee, customers can get unlimited free deliveries for a certain period of time. Both Peapod and Albert Heijn offer delivery subscription services – Peapod's "PodPass" and Albert Heijn's "Bezorgbundel." Customer response has been very positive since the launch of these services, and the percentage of customers who are enrolled increases month after month.

Bol.com recently opened a new automated fulfillment center to support its growth. The new center is helping bol.com ensure even faster and more reliable delivery to customers and expand its assortment of in-stock products – to one million items! The facility manages fulfillment with an in-house last-mile parcel sorter, to increase efficiency and reduce carbon emissions. Built with sustainability as a top priority, it has already received an international BREEAM award for its sustainable design and operation.

Pro forma net consumer online sales
€ million



Our promises

We promise customers, associates and communities that we will always work to be a better place to shop, a better place to work, and a better neighbor – every day.

All of our brands share these promises and each fulfills them according to what's best for their local markets.

Our promises
continued

As a group, we started in 2017 to measure the performance on each promise according to the following criteria:

Compensation and awards for associates are tied to and dependent on delivering our strategy and promises in a sustainable way. The performance criteria in our incentive plans for management associates include Performance Indicators related to all three promises.

For more information see the Remuneration section, on **page 101**

A better place to shop

Net promoter score, which gauges customers' willingness to recommend our great local brands to others.

For more information on how we are becoming a better place to shop, see **page 40**

A better place to work

Associate engagement, as measured by an annual survey of all associates company-wide by an external vendor.

For more information on how we are becoming a better place to work, see **page 42**

A better neighbor

Progress against our Sustainable Retailing targets and the assessment of our sustainability performance by the Dow Jones Sustainability Index.

For more information on how we are becoming a better neighbor, see **page 44**

Our promises in action
Best own brands

A better place to shop

The context

Through own brands, retailers are able to develop product lines that fit the needs of customers in their local markets while at the same time providing good value.

These product lines continue to grow in popularity as customers seek to get more for their money – whether more, to them, means quality, taste, health, sustainability, or even benefits to society. Retailers who develop distinctive own brands are able to differentiate themselves and build customer loyalty.

Our response

Our local businesses have made own brands a critical component of their strategies – some of them even achieve more than half of all sales from their own-brand assortments.

These product lines are tailored to local customer preferences, with an increasing focus on being healthier and more sustainable. Now more than ever, we are sharing own brands across our businesses to capitalize on the strength of our brands, and we are using our scale to drive change in the supply chain and provide more sustainable products at lower prices.

To help us source smarter and keep improving our own brands, we are partnering with buying alliance AMS in Europe and have created an own-brands center of excellence to serve all our brands in the U.S.

How we are delivering on our strategy

Our "free from" and organic own-brand lines are highly differentiating and strategically important for the U.S. brands, so they set a goal to reach $1 billion in sales by the end of 2017. At Stop & Shop, Giant Landover and Giant Carlisle, the own-brand teams accelerated product development and innovation on their Nature's Promise brand and expanded the range to include baby, health and beauty care, pet and household. At the same time, they improved the safety and sustainability and began rating own-brand products against the Guiding Stars nutritional criteria. By year-end, the range of Nature's Promise included around 1,450 items and annual sales reached a record high of $727 million. Combined sales of Nature's Promise and the Nature's Place brand at Food Lion and Hannaford reached the billion dollar goal in 2017. During 2018, the two own-brand lines will be combined into one, Nature's Promise, and offered across our U.S. market area.

Our Dutch health and beauty brand Etos has a long history of innovation and helping customers live healthy and happier lives. In recent years, Etos has invested substantially in its own-brand lines. After our U.S. businesses brought Etos products to customers the previous year, they were introduced in our stores in Belgium, Romania, Greece, and Czech Republic in 2017 – a great example of how we're becoming better together.

Our promises in action

Fresher and healthier

A better place to shop

The context

As health conditions such as heart disease and diabetes remain on the rise across the globe, we are becoming more aware of the link between nutrition and overall health.

Eating healthier, fresh food is a growing priority for people in all our markets, but they also demand convenience and great value. Consumers have more choices than ever for how they procure and prepare meals, driven by the growth of options like e-commerce and meal kit delivery. They look for retailers to provide inspiration and help them put delicious and nutritious meals on the table in an easy and affordable way.

Our response

We believe our food retail brands have an opportunity and a responsibility to make healthier eating tasty, affordable and rewarding for customers.

They do this by providing quality fresh assortments – particularly through own brands – transparent nutritional labeling, healthy ideas and recipes, and educational programs.

Due to great progress in 2017, and applying the Guiding Stars and Choices nutritional criteria across more of our brands, we have exceeded our original 2020 target of 45% healthy own-brand food sales and raised our ambition to reach 50% by 2020.

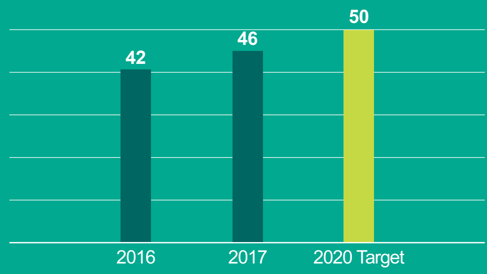
We believe our company is leading among retailers in tracking, reporting and setting targets on healthy product sales. By supporting good health in our communities, we support the long-term health of our business.

How we are delivering on our strategy

Hannaford rewarded customers for buying healthy products by donating more than $400,000 to local food banks during a popular campaign last summer. Whenever customers purchased nutritious products earning at least one Guiding Star from its nutrition navigation program, the brand made a donation to hunger relief.

Prediabetes affects 84 million Americans and can lead to type 2 diabetes. In 2017, Giant Landover launched a Diabetes Prevention Program in eight stores. Taught by the brand's in-store nutritionists, it is a year-long lifestyle change program championed by the Center for Disease Control. Participants learn about healthy eating, label reading, energy balance, physical activity, and stress management.

Healthy own-brand sales
as percentage of total own-brand food sales (%)



Albert Heijn is reformulating own-brand products by reducing sugar, salt and saturated fat. For example, the brand is helping customers cut sugar consumption by reducing the sugar content in all of its fresh fruit drinks by as much as 30% and has expanded its "Friswijzer" sugar navigation system to include child-portioned beverage packs. A color-coded shelf sign shows how much sugar a product contains and what type of sweetener it uses, helping parents manage their families' sugar intake. Our U.S. brands are also reformulating their own-brand products to offer healthier choices to customers. They removed nearly half a million kilograms of sugar from these products last year.

Our promises in action

Associate development

A better place to work

The context

Retail is a people business – having engaged associates who love what they do and are able to build relationships with customers makes it possible for a company to thrive in today's challenging, fast-paced environment.

And employees want more out of a job than just a paycheck – they want to feel like they are growing, learning and making a difference. Companies that give their people the opportunity to grow and develop are likely to be more successful in the long term.

Our response

All of our brands have the goal to put in place a strong learning culture.

The ambition is to help our associates love what they do by making learning a part of everyday work, with inspiring and innovative learning approaches. People are connecting so they can learn from each other and our brands are helping leaders grow and know how to develop their teams. All of our brands are working on new ways to bring a learning culture and strong leadership development opportunities to life.

How we are delivering on our strategy

Delhaize Belgium organizes Top Chef Top Team trainings, where chefs and experts from the stores are able to build an even more solid knowledge base on products in an experiential way through supplier visits, workshops, and tasting events such as a recent seafood trip. They can bring these learnings back to their teams, with the help of training tips and tricks; in this way, associates have the opportunity to develop while at the same time better serving our customers.

Albert Heijn created the Warm Welcome project to ensure the nearly 35,000 new associates joining the company each year quickly feel at home, know what is expected of them and can work within their teams to make a great store for customers. They developed a welcome package to use for onboarding, including a virtual reality welcome movie and app and an intranet page for managers to share best practices. Feedback has been great, with 100% of associates saying they experienced a warm welcome.

Stop & Shop partnered with the Energy Project on a program aimed at optimally managing personal energy – physical, emotional, mental and purpose-driven. Through the program, more than 130 managers were trained, an energy council was created and a follow-up energy audit was conducted. The pilot group demonstrated improved store performance and higher energy levels overall.

Our promises in action
Diversity and inclusion

A better place to work

The context

We are living in an increasingly global world, with populations becoming ever more diverse.

Consequently, we believe it is more important than ever for retailers to be adaptable and innovative. Having a business that embraces diversity and inclusion is not only the right thing to do but also strategically important to retailers.

Our response

We recognize that diversity and inclusion are critical to our company's success – they make us better together and increase associate engagement.

Therefore, we have made them a key priority in our promise to be a better place to work, and have initiatives across our businesses focused on creating an inclusive work environment and promoting diversity.

How we are delivering on our strategy

Food Lion and Hannaford in the U.S. continued to focus on diversity and inclusion, providing expanded learning and development opportunities this year to more than 1,350 associates. Hannaford started a new Business Resource Group (BRG): Veterans & Military, bringing the total number of BRGs for both brands to 13. Working with the BRGs, Food Lion updated the ethnic haircare and Hispanic specialty product assortments to better serve diverse customers – and achieved increased sales. Both Food Lion and Hannaford also participated in events supporting the LGBT community and launched LGBT greeting cards in their stores.

These efforts have led to 87% of associates saying they feel the brands are committed to diversity and inclusion in the workplace. For seven consecutive years, Delhaize America has received a perfect score of 100 on the Human Rights Campaign Corporate Equality Index (CEI) and won a number of awards, such as The 2017 Diversity Best Practices Above & Beyond Award, for Business Impact.

78%

Associate engagement according to 2017 survey

Our promises in action

Supporting communities

A better neighbor

The context

Food retailers often operate at the center of the communities they serve – they provide customers with the staples of daily life and a meeting place to come together and connect.

We believe that the success of a food retailer is closely connected to the success of its community. Customers expect food retailers to act responsibly and support causes that are locally important.

Our response

We partner with stakeholders at the local level to create healthier, more sustainable communities for future generations.

The Ahold Delhaize brands have a strong legacy of investing in the communities we serve by working with local organizations, and donating money, products and even time through associate volunteers. We also work further afield to help our supplier communities in places like Africa.

See the Sustainability performance section for more information on **page 251**

24%

Unsold food donated

How we are delivering on our strategy

As food retailers, we are well-positioned and committed to supporting hunger relief in our communities. In 2017, Food Lion remodeled and stocked the shelves of 60 local food pantries across its 10-state operating area in the Southeast U.S. during its third annual “The Great Pantry Makeover” initiative. The remodeling ranged from installing shelves, painting and cleaning pantries to installing equipment enabling the pantries to expand capacity for fresh fruits, vegetables and other products. During the four-month effort, Food Lion donated more than 2.5 million meals and 2,000 volunteer hours as part of its largest associate volunteer initiative.

Food donations

Tonnes of food donated

During times of acute need – such as extreme weather situations – our local brands do what they can to be there for their communities and support causes that customers care about. Following Hurricane Harvey, Giant Carlisle, Giant Landover and Stop & Shop donated $250,000 (€209,700) in cash, food and supplies to help with relief and recovery efforts and offered stores to serve as collection points for customer food donations. The same brands donated an additional $250,000 to the American Red Cross after Hurricane Irma.

In Greece, Alfa Beta provided support following dangerous flash floods that devastated areas around Athens. AB donated €500,000 to provide food and supplies to more than 2,000 households.

Our promises in action

Reducing food waste

A better neighbor

The context

Globally, food waste is a serious problem – approximately one-third of food is wasted each year.

This has a negative impact on communities that miss out on valuable nutrients, but also on the environment, since food waste is one of the largest sources of greenhouse gases. For this reason, the UN Sustainable Development Goals set a global target to cut food waste in half worldwide by 2030. Positioned between suppliers and customers in the value chain, retailers have the potential to drive new habits that produce less food waste and contribute to this goal.

However, it can be a challenge to balance food waste reduction and other priorities. For example, as retailers work to reduce unnecessary packaging, they need to make sure that food is still safe and protected.

Our response

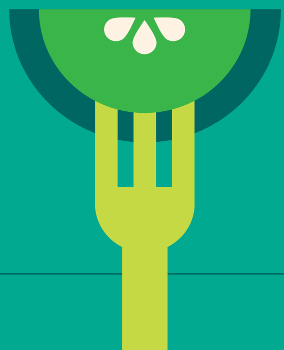
Since 2016, we have been measuring food waste at all our brands, using the industry's Food Loss & Waste Protocol.

This has enabled us to start better managing the issue company-wide, and we have committed to reduce our own food waste by 20% between 2016 and 2020.

We take a three-pronged approach to reducing food waste in our own operations, focusing on prevention, donation and recycling. In addition, we partner with suppliers to reduce food waste and encourage customers to reduce waste after they bring the food home.

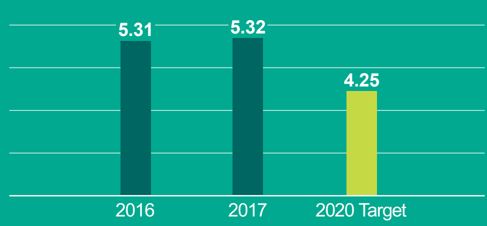
How we are delivering on our strategy

Hannaford's efforts to reduce food waste were highlighted in a major study commissioned by the Rockefeller Foundation and the Initiative for a Competitive Inner City (ICIC). Hannaford exemplifies our three-pronged approach – first preventing food waste in its stores, then donating all safe and unsold food through a partnership with Feeding America, and finally recycling the remaining food waste or turning it into energy. Their efforts enabled them to reduce food waste in their operations by 30%.



Food waste

Tonnes of food waste per food sales (t/MEUR)



*Target is a 20% reduction from 2016

Teams at Delhaize Belgium have excelled at preventing food from becoming waste by optimizing the use of automated warehouses to minimize the time between receipt and delivery of fresh products, adjusting the assortment in the stores and donating unsold food to charities – resulting in the lowest food waste per sales among all our brands.

Two of our brands – Albert Heijn and Delhaize Belgium – recycle 100% of food waste through the various means available in each market.

In 2017, we used the waste reduction model developed by the Environmental Protection Agency to estimate the impact of all of our food waste reduction activities on our greenhouse gas emissions. The model suggests we prevented approximately 224,000 tonnes of equivalent CO_2 emissions, or 5% of our total emissions.

Our values

Our great local brands have a set of values that reflects their strengths, how they want to work and who they want to be in years to come.

Values are important for success – they guide decision-making and drive behavior.

Our values
continued

Courage
We drive change and are open-minded, bold, and innovative.

Integrity
We do the right thing and earn customers' trust.

Teamwork
Together, we take ownership, collaborate, and win.

Care
We care for our customers, our colleagues, and our communities.

Humor
We are humble, down-to-earth, and we don't take ourselves too seriously.

Our values in action

Our values support an ethical culture and are the foundation of our commitment to conduct our business by doing the right thing, every day.

Bringing our values to life

Because we believe it is so essential for associates to understand our values and what they mean to their daily work, in 2017, we rolled out our shared values in ways that fit our different internal audiences.

For example, our global support office hosted a values week to build awareness, and made it engaging, informal and fun, in line with our "humor" value – such as through selfies with values role models and communicating the values through food. We also integrated the values into our formal processes and practices to embed them within the organization.

Living Data

Protecting our information through Living Data

As technology-driven innovation contributes to our company's growth, we are increasingly vigilant against cyber-attacks.

We care about the information people trust us with. An important piece of the puzzle is ensuring that associates know what to do to protect our systems. We launched "Living Data," a company-wide information security awareness program that aims at protecting all our data, especially information our associates and customers share with us. The program includes a campaign on preventing phishing, annual "Living Data Day" events at our corporate locations, a computer-based training for store managers and corporate associates and real-time notifications warning of impending threats. Associates throughout the company have embraced the program.

Anti-corruption and bribery

Being a trustworthy retailer of choice is very important to us. We are committed to conducting business with integrity, in an ethically responsible manner and complying with the law in all countries and jurisdictions in which we operate. Ahold Delhaize prohibits all activity that constitutes bribery or corruption. Our Code of Ethics describes our commitment to integrity and ethical business practices and specifically includes compliance with laws relating to anti-corruption and bribery in the countries in which our businesses operate or which are applicable to their operations.

For more detailed information on the Code of Ethics and Anti-corruption and bribery policy, visit our website

Human rights

We are committed to respecting the human rights of associates, customers, communities and the people who work throughout our supply chains. This commitment is based on our collective belief that all people should be treated with dignity and respect and is derived from international principles, such as the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. Key elements of our Human Rights Position are incorporated into our Code of Ethics. Local "ethics helplines" are free, confidential and secure services that enable our associates and the public to raise concerns about improper behavior or possible violations of law or policy.

For more information visit our website

Our response to stakeholder needs

To ensure that our strategy continues to address the issues that pose significant risks or opportunities to our businesses and our broad group of stakeholders, each year we perform a materiality assessment that evaluates the relevance of economic, social, and environmental topics.

Through it, we confirm and update our list of material topics and identify emerging topics that are important for our company to consider when developing future strategy.

Some of our material topics overlap with the key business risks we identified through our Enterprise Risk Management process; see *How we manage risk* for more information.

Our response to stakeholder needs
continued

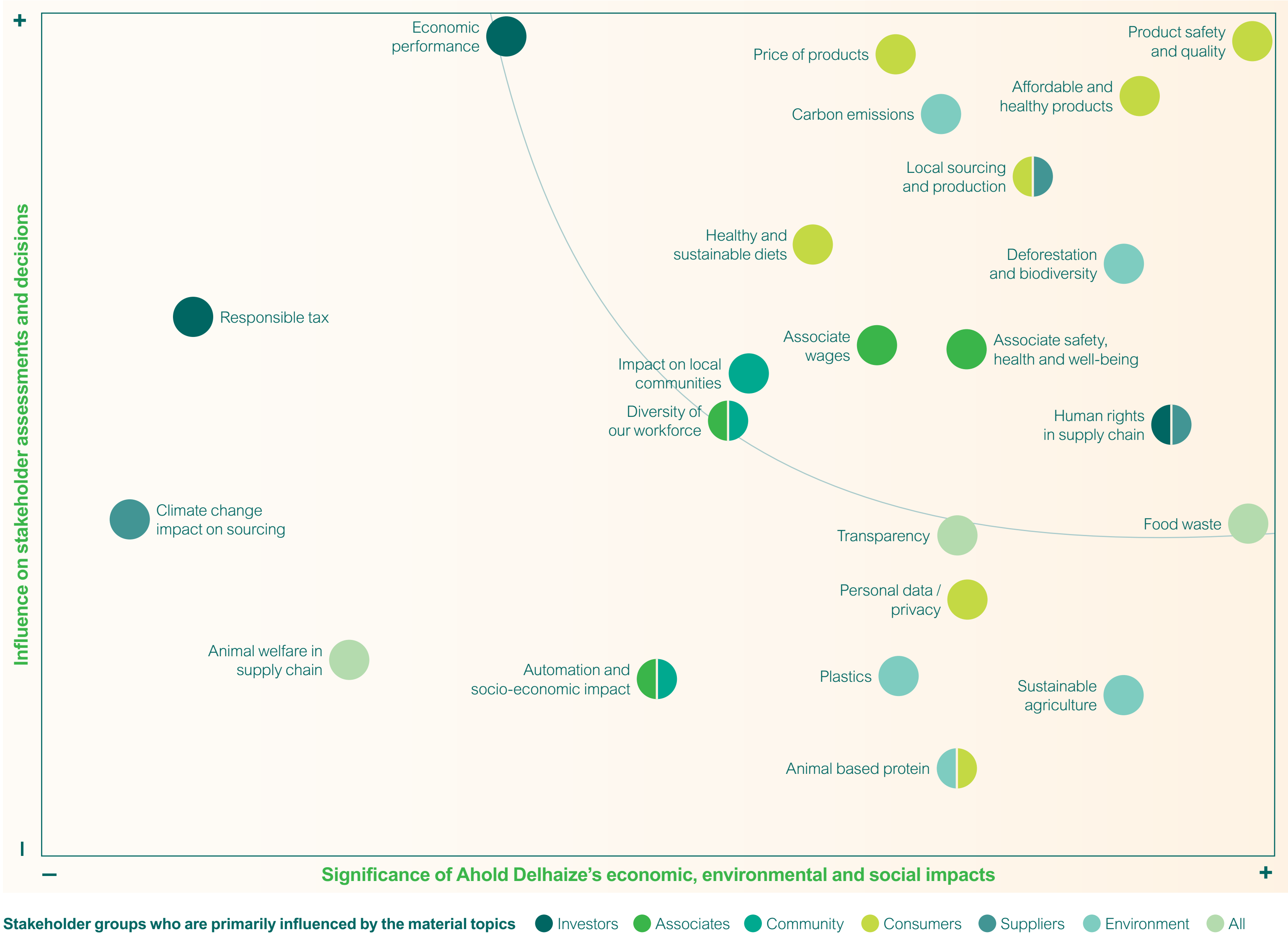
During 2017, we invited internal and external stakeholders to give us their feedback on the issues most important to them, and the areas where they feel Ahold Delhaize has the most significant impact on society.

We used the UN SDGs as input for the list of potential material topics. The outcome of this exercise is presented in our materiality matrix. Following the matrix are the topic descriptions and information on how we are managing them.

The overall outcome of the materiality assessment is that it reconfirmed our focus areas, such as promoting healthier eating and providing safe and high quality products, produced with respect for people and the environment. These topics have been managed as part of our sustainability strategy since the merger and have specific performance indicators and targets that were set in 2016.

The assessment also provided insights into additional topics where our business has a strong societal impact, but that do not yet impact decision-making for a wide segment of our stakeholders. These topics – such as "animal based protein," "plastics" and "sustainable agriculture" – are ones we have identified as needing further strategic review to understand if our current management approach is robust enough.

For more information see also the Sustainability performance section on **page 250** as well as our website



Our response to stakeholder needs
continued

The following table presents a description of our most material topics – those with a high influence on stakeholder decisions and on which Ahold Delhaize has a significant impact – and how we manage them. Also included is a reference to the primary SDGs supported by our efforts.

Our Ahold Delhaize brands report on sustainability performance indicators, achievements, and challenges on a quarterly basis. Local teams monitor progress and discuss it with the Executive Committee, highlighting areas for best practice sharing among our brands. For more information on our performance indicators and progress against 2020 targets, see the *Sustainability performance* section of this report.

Topic	Description	Management approach	SDG ref
Product safety and quality	**The safety and quality of products we sell** (GRI Aspect: 416 Customer Health and Safety)	Selling safe, high-quality products is critical to maintaining customer trust. Our product integrity policies and procedures set high standards for both safety and quality with our own-brand suppliers. Our operations policies ensure strong safety and quality management within our distribution centers and through to our stores, including regular facility audits by third parties to confirm compliance. We require all our suppliers to go beyond what is legally required for food safety practices. Achieving stringent certifications is challenging, particularly for Small and Medium-Sized Enterprises. We work with those suppliers to help them achieve an acceptable level of assurance and to identify areas for improvement. **2020 target:** • 100% of own-brand food production sites certified against GFSI (Global Food Safety Initiative), or in compliance with an acceptable level of assurance standard.	2 ZERO HUNGER; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Affordable and healthy products	**The affordability and accessibility of products we sell that meet the dietary needs and preferences of customers and help them lead active and healthier lives** (GRI Aspect: 416 Customer Health and Safety)	Offering affordable, healthy products is a key component of our Better Together strategy. For tracking purposes, we designate healthy own-brand products as those that meet nutritional criteria (using the Guiding Stars system in the U.S. and the Choices criteria in Europe and Indonesia). We drive our target through product innovation, assortment changes, promotions and pricing. Supporting customers in shifting to a healthier diet is not an easy task. To help them make healthier choices, our brands research customer health needs in their markets and assess the effectiveness of their initiatives to help customers shift to a healthier diet. In response to consumer demand, we are also increasing our organic range and offering more products that do not contain artificial ingredients. **2020 targets:** • 50% of own-brand food sales from healthy products • 100% of own-brand products with front-of-pack nutritional labeling	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
Price of products	**Product pricing compared to the competition and consumer perception on price levels**	Being "Affordable for all" is a key component of our Better Together strategy. Consumer price perception is based on many factors – not only on actual prices – therefore it is important to measure it regularly in all our markets. Local price strategies are influenced by various local market specifics, our competitors and our perceived and desired brand position in these markets. Our brands monitor and analyze pricing to perform competitively in their local markets, drive economic performance and market share, and ensure healthy food remains affordable.	3 GOOD HEALTH AND WELL-BEING

Our response to stakeholder needs
continued

Topic	Description	Management approach	SDG ref
Carbon emissions	**Impact on the climate emissions of our supply chain and own operations (stores, distribution centers and logistics)** (GRI Aspects: 302 Energy, 305 Emissions, 306 Effluents and Waste)	Our brands are actively improving energy-efficiency, reducing refrigerant leakages, increasing the use of natural refrigerants, and improving transport efficiencies. We also recognize food waste and global deforestation as significant contributors to climate emissions, so have set targets to cut food waste and to source sustainably for commodities linked to deforestation (palm oil, soy, and wood fibers). Our brands are also taking steps to reduce supply chain emissions, including through projects with suppliers to develop and transport products to us with fewer emissions. Measuring emissions along our value chain has been a challenge, and one that we are working to solve so that we can further reduce climate impact. **2020 targets:** • 30% reduction in CO_2 equivalent emissions (compared to 2008) from our own operations • 100% certified sustainable sourcing of palm oil, soy, and wood fibers in own-brand products • 20% food waste reduction compared to 2016 (tonnes / € million food sales)	
Local sourcing and production	**Buying products from local suppliers to increase the availability of fresh food and support local economies** (GRI Aspect: 204 Procurement Practices)	Our local brands have a long history of sourcing local products, in response to customer demands for fresh, seasonal food and traditional products from their regions. We manage local sourcing in a variety of ways ranging from operating programs like "Close to Home" at Hannaford that facilitates sourcing from local producers to offering own-brand product lines focused on local items, such as "Close to Greek Nature" at Alfa Beta and "Gusturi Romanesti" at Mega Image. This is not an area that we measure and monitor globally, as it is fully managed by our brands in their local markets.	
Deforestation and biodiversity	**The impact of our products on global deforestation and biodiversity** (GRI Aspect: 304 Biodiversity)	Driving sustainability in the supply chain is a difficult challenge for a single retailer to solve, but we take our responsibility seriously and play an active role in the Consumer Goods Forum together with other partners in the industry. In addition, we take an active role in global roundtables (such as the Roundtable on Sustainable Palm Oil) to help the global market shift more quickly to sustainable practices. We continue our long-standing commitment to source sustainable seafood in order to protect biodiversity in oceans and rivers. Our brands work directly with suppliers, particularly for fruits and vegetables, to encourage the use of practices that protect biodiversity (such as Integrated Pest Management). **2020 targets:** • 100% certified sustainable sourcing of palm oil, soy, wood fibers, tea, coffee and cocoa in own-brand products • 100% of own-brand seafood product sales certified as sustainable	

Our response to stakeholder needs
continued

Topic	Description	Management approach	SDG ref
Healthy and sustainable diets	**The impact of our products, services, and the information that we provide on facilitating healthier and more sustainable diets for our customers and associates** (GRI Aspect: 416 Customer Health and Safety)	Our brands are committed to promoting healthier eating among customers and associates. To meet these commitments, the brands are driving innovation towards healthier products (such as by reducing sugar, salt, and fat in own-brand products), introducing new product lines (such as new vegetarian and vegan offerings), and improving product sustainability (through sustainable sourcing requirements for suppliers). In addition, the brands offer services to help customers shift their diets, such as employing dietitians in the stores to give advice on developing healthier eating habits. The brands also provide information to customers and associates on healthier diets through websites, local magazines, social media, and in-store guidance. Addressing the move to more sustainable diets is newer for our brands. In 2017, Giant Landover successfully rolled out the “How Good” product rating system, which scores products on their sustainability impacts and makes it easy to find more sustainable options. While the products, services, and information aimed at customers also helps inform our associates, we have committed to increasing our focus on supporting associates in moving toward healthier habits, with each brand developing annual plans to improve their work in this area. **2020 targets:** • 50% of own-brand food sales from healthy products • 100% sustainable sourcing for seven commodities in our own-brand products (tea, coffee, cocoa, seafood, palm oil, soy, wood fibers) • 80% of own-brand production units meeting social compliance standards **Additional KPIs:** • Percentage of total food sales from certified-organic products • Sales from free-from or organic own-brand product lines	2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING
Economic performance	**The financial performance of the company and our economic impact on communities** (GRI Aspect: 201 Economic Performance)	The financial performance of the company is essential for operating a sustainable business and is closely managed by executive management at group and brand level. We have a clear financial framework to support our strategy and aim to maintain a high return on capital. Our brands are active supporters of the economies they operate in, through providing jobs, purchasing from local suppliers and supporting valuable community programs. See *Group financial review* for more information and specific financial performance indicators. As part of our promise to be a better neighbor, we seek to make a positive impact in the communities in which our brands operate. One way Ahold Delhaize does this is through the taxes we pay. In this respect we take into consideration social and corporate responsibility and the interest of all our stakeholders. Our overall tax approach is in line with Ahold Delhaize’s overall business principles and code of ethics. Our tax policy is published on our website.	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Our response to stakeholder needs
continued

Topic	Description	Management approach	SDG ref
Associate wages	**The adequacy and equality of wages we pay, and the impact this has on the communities we operate in**	Ahold Delhaize employs 369,000 associates in nine countries. In determining the employment conditions of associates, we set compensation and benefits levels in line with associates' job levels and local market practices. The remuneration practices in each of our local markets are regularly reviewed to take into account the market dynamics and economic conditions. We are committed to the key principle of fair and equitable treatment of all associates as we determine remuneration policies. We believe associates are the core of our business and we assess their well-being and opinions on various topics each year through our associate engagement survey. **KPIs:** • Associate engagement survey score • Percentage of associates who work part-time and full-time	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES
Associate safety, health and well-being	**Safety of our associates at work, and the impact of our actions on associate health and well-being** (GRI Aspect: 403 Occupational Health and Safety)	We measure and monitor accidents, occupational illness and related absenteeism and set annual targets to further increase safety measures for our associates. We integrate safe working conditions into our workplace designs, equipment purchases and operational procedures. We build visibility and awareness with our leaders and associates on the impact of life-altering injuries and fatalities. We support associates' health and well-being through brand-level programs, such as the associate social support program "Alfa Beta Social Services" at our Greek brand and "Healthy Albert Wednesday" through which associates in the Czech Republic are offered fresh fruit and the opportunity to taste healthy own-brand products. An example of a program that embeds safety into work practice is the "Safety Lead Certification" program at Stop & Shop in the U.S. Emerging leaders participate in a multi-faceted program to support their understanding of injury prevention and their role in keeping people safe. **2020 target:** • Score of 75 on index of healthy workplace questions in associate engagement survey **Additional KPIs:** • Rate of lost days due to accidents • Rate of occupational illnesses per million hours worked • Associate engagement survey index on "healthy workplace"	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH

Our response to stakeholder needs

continued

Topic	Description	Management approach	SDG ref
Human rights in the supply chain	**How human rights are respected along our supply chain** (GRI Aspects: 407 Freedom of Association and Collective Bargaining, 408 Child Labor, 409 Forced or Compulsory Labor, 414 Supplier Social Assessment)	We require our suppliers in high-risk countries to be audited against the amfori BSCI Standard to ensure good working conditions within our supply chain. Ahold Delhaize and each of our local brands are committed to maintaining a high standard of business ethics and regard for human rights throughout the supply chain. In 2017, we adopted a position on Human Rights that outlines our commitment to respecting human rights. Supplier requirements are defined in our Standards of Engagement, which are mandatory for all own-brand suppliers. Even with multiple measures and controls in place, we realize that challenges remain for our industry, due to lengthy supply chains that often span the world and are not always fully transparent. For this reason, we joined the work of the Consumer Goods Forum on forced labor as well as the Seafood Task Force on human trafficking and forced labor in off-shore fishing. With respect to wages in our supply chain, we are analyzing, in close collaboration with UTZ, the effects of introducing a living wage for coffee production workers in Kenya. These results will help us realistically and constructively deal with the wage gap in developing countries, which we can then apply to other products and regions. Both our Position on Human Rights and the Standards of Engagement can be found on our website. **2020 target:** • 80% of own-brand production units meeting social compliance standards (ambition of 100% after 2020)	
Impact on local communities	**Impact of our business on the communities where our brands operate** (GRI Aspect: 413 Local Communities)	We promise to be a better neighbor to the communities in which we operate. Our brands deliver on this promise, for example, by creating great places to work, reducing waste, buying from local suppliers, and building green facilities that support more sustainable communities. In our charitable contributions and community investments, we focus on promoting healthier eating, fighting hunger and strengthening communities. Our brands engage with local communities through a diverse set of programs, including partnerships with local food banks, sponsorship of educational programs on healthier eating for children, direct involvement with local charitable organizations and through associate volunteering events. For more information on our Framework for Community Connections and examples of our actions, see our website. **2020 target:** • 20% food waste reduction (tonnes / € million food sales) • 80% total waste recycled **Additional KPIs:** • Cash donations by the company to charities • Cash equivalent donations by the company to charities • Cash and cash equivalent donations by customer to charities, facilitated by Ahold Delhaize brands • Tonnes of food donated	

Our response to stakeholder needs

continued

Topic	Description	Management approach	SDG ref
Diversity of our workforce	**The diversity of our associates (including age, gender, ethnicity and sexual orientation) and how it reflects the diversity of the communities where we operate** (GRI Aspect: 405 Diversity and Equal Opportunity)	We measure associate perception on diversity through an annual associate engagement survey and set annual targets to drive progress. We are committed to creating an inclusive workplace by hiring and retaining a diverse population of associates that reflects the communities that our brands serve every day. We integrate diversity and inclusion into our associates' value proposition through hiring practices and leadership development programs and we regularly provide innovative training to drive a more inclusive workplace culture. In 2017, our U.S. businesses were recognized for their commitment by earning a perfect score on the Human Rights Campaign's Corporate Equality Index – the only retail grocery company to do so. **2020 target:** • Score of 79 on the index of inclusive workplace questions in the associate engagement survey **Additional KPIs:** • Percentage of female and male associates • Percentage of females on the Executive Committee and Supervisory Board • Percentage of associates by generation	5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities
Food waste	**Food that goes to waste (is not eaten by people) along the value chain: in the supply chain, distribution, stores and in customers' homes** (GRI Aspect: 306 Effluents and Waste)	We minimize food waste in our own operations through prevention and re-directing unsold food to feed people (through donations or new business models such as the "InStock" food rescue restaurants in the Netherlands). For the food waste that we cannot eliminate, we continue to expand recycling. To prevent food waste, we focus on optimizing store replenishment and on-shelf management. Our brands identify new ways to partner with food banks in all our markets to redistribute more unsold food to people in need. For example, Delhaize Belgium brought together more than 200 members from their local communities to mark the fifth anniversary of their fresh food donation program, which redistributes unsold fresh food from all of their stores to people in need. **2020 target:** • 20% food waste reduction (tonnes / € million food sales) • 90% food waste recycled **Additional KPIs:** • Tonnes of food waste sent to disposal per food sales • Percentage of unsold food donated to feed people	2 Zero Hunger 12 Responsible Consumption and Production

For more information on specific KPIs related to the material topics see the *Sustainability performance* section. Also, for additional information, see *Our value chain*, *Our stakeholders*, and the case studies included in *Our promises* or visit our website for more information on the UN SDGs.

Our response to stakeholder needs
continued

We closely monitor the following topics identified through the materiality assessment, particularly when they have a high influence on stakeholders' decisions or they are areas on which Ahold Delhaize has a significant impact. In addition, we are evaluating the efficacy of our current management approaches, as some may provide opportunities or threats for our business in the near future.

Topic	Description
Transparency	The degree to which we are transparent to customers about products, their supply chains and their health and sustainability impacts
Sustainable agriculture	Sustainable farming practices that safeguard natural resources (soil, water, ecosystems) and reduce impact on climate change
Personal data / privacy	The protection of personal data from consumers and associates
Plastics	The life-cycle impact of our use of plastics in products and packaging (including shopping bags)
Animal-based protein	The impact on the environment and human health from animal-based protein products
Automation and socio-economic impact	The impact of automation and new technologies on our workforce
Responsible tax	Paying a sufficient, responsible level of tax in proportion to our profit
Animal husbandry	The treatment of animals along our product supply chain
Climate change impacts on sourcing	The changing availability of our products (such as fruits and vegetables, commodity crops) due to climate change

Group key financial indicators

These are the key indicators that help us to monitor our progress towards our goals and measure our financial success. We include them to help give readers a better understanding of our company's overall performance.

IFRS results

	2017 € million	2016 € million	% change
Net sales	**62,890**	49,695	26.6%
Operating income	**2,225**	1,584	40.5%
Underlying EBITDA[1]	**4,249**	3,259	30.4%
Underlying operating income	**2,456**	1,899	29.3%
Underlying operating margin	**3.9%**	3.8%	0.1% pt
Income from continuing operations	**1,817**	830	118.9%
Net income	**1,817**	830	118.9%
Underlying income from continuing operations	**1,582**	1,230	28.6%

Pro forma results

	2017 € million	2016 € million	% change
Net sales	**62,694**	62,331	0.6%
Operating income	**2,236**	1,974	13.3%
Underlying EBITDA[2]	**4,247**	4,063	4.5%
Underlying operating income	**2,456**	2,298	6.9%
Underlying operating margin	**3.9%**	3.7%	0.2% pt
Income from continuing operations	**1,828**	1,078	69.6%
Net income	**1,828**	1,078	69.6%
Underlying income from continuing operations	**1,582**	1,486	6.5%

1 Being underlying operating income adjusted for depreciation and amortization to the amount of €1,793 million (refer to *Note 8*).

2 Being pro forma underlying operation income adjusted for pro forma depreciation and amortization to the amount of €1,791 million .

Shareholders

	2017 €	2016 €	% change
Net income per common share (basic)	**1.45**	0.81	79.0%
Pro forma underlying income from continuing operations per share[3]	**1.27**	1.17	8.5%
Dividend payout ratio[4]	**47%**	48%	(1.0)% pt
Dividend per common share	**0.63**	0.57	10.5%
Total shareholder return	**(5.7)%**	5.5%	(11.2)% pt

Other information

	2017 € million	2016 € million	Change versus prior year
Net debt	**2,503**	3,244	(22.8)%
Free cash flow (combined)[5]	**1,926**	1,377	39.9%
Capital expenditures included in cash flow statement (excluding acquisitions) (combined)[5]	**1,698**	1,694	0.2%
Credit rating / outlook Standard & Poor's	**BBB / stable**	BBB / stable	–
Credit rating / outlook Moody's[6]	**Baa2 / positive**	Baa2 / positive	–

3 For more information on underlying income from continuing operations, see *Group financial review* in this section.

4 The dividend payout ratio for 2017 and 2016 is based on underlying income from continuing operations (on a pro forma basis).

5 Free cash flow and capital expenditure including the Delhaize Group for the full year 2016.

6 As of February 2018, the credit rating assigned by Moody's was upgraded to Baa1, with a stable outlook.

Certain key performance indicators contain alternative performance measures (previously known as non-GAAP measures). The definitions of these measures are described in the *Definitions – performance measures* section of this Annual Report.

Group financial review

On July 24, 2016, the merger between Ahold and Delhaize Group became effective. From a legal standpoint, the merger was implemented by Delhaize Group NV/SA merging into Koninklijke Ahold N.V., with the entity renamed as Koninklijke Ahold Delhaize N.V.

Consequently, Delhaize Group's financial results have been included in our consolidated financial statements since the merger date, affecting comparability of the 2017 financial results to the 2016 results. Due to the significance of Delhaize Group's results to the Company, the Delhaize Group sales and operating expense categories that are included for the full year in 2017 are the main drivers of the changes in results of operations when compared to the 2016 results.

This review also provides numbers and analysis on a pro forma basis. The pro forma data is based on the assumption that the merger became effective on the first day of Ahold's 2015 financial year. This provides a comparative basis, for illustrative purposes, to facilitate assessment of the current performance of the combined Company.

We made the following main adjustments to the combined historical data to arrive at the pro forma information:

- Exclusion of the performance of remedy stores and other divestments
- Exclusion of merger transaction costs
- Inclusion of purchase price allocation effects on Delhaize assets and liabilities, impacting depreciation and amortization, net interest expense and rent
- Alignment of Global Support Office functions and related costs
- Alignment of foreign exchange rates for consolidation of foreign group entities

Group performance on an IFRS basis

€ million	2017	2016	Change versus prior year	% change
Net sales	**62,890**	49,695	13,195	26.6%
Cost of sales	**(46,121)**	(36,317)	(9,804)	(27.0)%
Gross profit	**16,769**	13,378	3,391	25.3%
Operating expenses	**(14,544)**	(11,794)	(2,750)	(23.3)%
Operating income	**2,225**	1,584	641	40.5%
Net financial expense	**(297)**	(541)	244	45.1%
Income before income taxes	**1,928**	1,043	885	84.9%
Income taxes	**(146)**	(247)	101	40.9%
Share in income of joint ventures	**35**	34	1	2.9%
Income from continuing operations	**1,817**	830	987	118.9%
Income (loss) from discontinued operations	**–**	–	–	–
Net income	**1,817**	830	987	118.9%
Operating income	**2,225**	1,584	641	40.5%
Adjusted for:				
Impairments	**64**	104	(40)	
(Gains) losses on the sale of assets	**(47)**	(22)	(25)	
Restructuring and related charges and other items	**214**	233	(19)	
Underlying operating income	**2,456**	1,899	557	29.3%
Underlying operating income margin	**3.9%**	3.8%	0.1% pt	

Group financial review
continued

Net sales

Net sales in the financial year ended December 31, 2017, were €62,890 million, an increase of €13,195 million, or 26.6%, compared to net sales of €49,695 million for the financial year ended January 1, 2017. At constant exchange rates, net sales were up by €14,101 million or 28.9%.

€ million	2017	2016	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Net sales	**62,890**	49,695	**13,195**	**26.6%**	**14,101**	**28.9%**
Of which gasoline sales	**977**	919	**58**	**6.3%**	**74**	**8.2%**
Net sales excluding gasoline	**61,913**	48,776	**13,137**	**26.9%**	**14,027**	**29.3%**

Gasoline sales increased by 6.3% in 2017 to €977 million. At constant exchange rates, sales increased by 8.2%, due to an increase in gasoline prices while volume was slightly down.

Net sales excluding gasoline increased in 2017 by €13,137 million, or 26.9%, compared to 2016. At constant exchanges rates, net sales excluding gasoline increased in 2017 by €14,027 million, or 29.3% compared to 2016. This increase was primarily driven by the merger with the Delhaize Group.

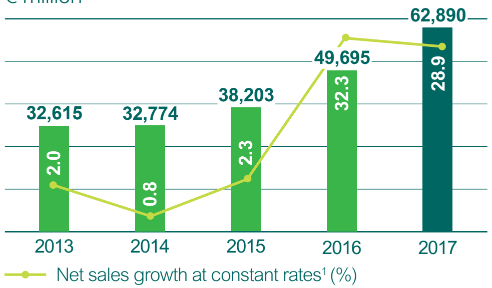
In addition to the merger, sales growth was driven by new store openings and comparable sales growth. Comparable sales growth was driven by sales growth in our e-commerce businesses and Albert Heijn's strong growth during the year, with a higher average purchase amount per visit in the Netherlands. Comparable sales growth at our brands in the United States was adversely impacted by the deflationary environment in the beginning of the year. In Belgium, comparable sales declined as the performance of company-owned stores was only partly offset by the better performance of the affiliated stores and the stores in Luxembourg. In the Central and Southeastern Europe (CSE), the good performance in all four markets was partly offset by Greece, since Greece recorded an exceptionally strong sales performance in 2016 and the fourth quarter of 2015 as result of competitive disruption. The group's sales growth was partly offset by closed stores.

million	2017	2016	Sales growth	Comparable sales growth[1]	Comparable sales growth ex gas[1]
Ahold USA ($)	**25,986**	26,377	**(1.5)%**	**0.3%**	**(0.1)%**
Delhaize America ($)	**17,371**	7,746	**124.3%**	**1.3%**	**1.3%**
€ million					
Ahold USA	**23,045**	23,845	**(3.4)%**	**0.3%**	**(0.1)%**
Delhaize America	**15,395**	7,065	**117.9%**	**1.3%**	**1.3%**
The Netherlands	**13,706**	13,101	**4.6%**	**4.5%**	**4.5%**
Belgium	**4,953**	2,199	**125.2%**	**(0.2)%**	**(0.2)%**
Central and Southeastern Europe	**5,791**	3,485	**66.2%**	**0.9%**	**1.0%**
Total	**62,890**	49,695	**26.6%**	**1.4%**	**1.3%**

1 For the definition of comparable sales (excluding gas) see *Definitions – performance measures* at the end of this section.

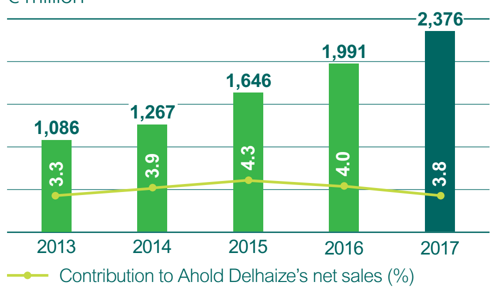
Ahold Delhaize continued to see strong sales growth in its online businesses. The Company's online businesses contributed €2,376 million to Ahold Delhaize's net sales in 2017 (2016: €1,991 million). Ahold Delhaize's net consumer online sales amounted to €2,814 million and increased in 2017 by 24.1% at constant exchange rates.

Net sales
€ million



1 Sales growth in 2016 and 2015 is adjusted for the impact of week 53.

Online sales
€ million



Group financial review
continued

Gross profit
Ahold Delhaize's gross profit increased by €3,391 million, or 25.3%, compared to 2016. At constant exchange rates, gross profit increased by €3,645 million, or 27.8%. This increase was primarily driven by the merger with the Delhaize Group. Gross profit margin (gross profit as a percentage of net sales) for 2017 was 26.7%, a decrease of 0.2 percentage points compared to 26.9% in 2016.

This decrease was primarily driven by the inclusion of the full year results of the former Delhaize Group operations. Delhaize America and Belgium operate with a lower gross margin and with lower operating expenses as a percentage of sales. This was in part offset by higher gross margins as result of synergies.

Operating expenses
In 2017, operating expenses increased by €2,750 million, or 23.3%, to €14,544 million, compared to €11,794 million in 2016. At constant exchange rates, operating expenses increased by €2,972 million, or 25.7%. This increase was primarily driven by the inclusion of the full year results of the former Delhaize Group operations. As a percentage of net sales, operating expenses decreased by 0.6% to 23.1%, compared to 23.7% in 2016. Excluding gasoline sales and at constant exchange rates, operating expenses as a percentage of net sales decreased by 0.6 percentage points.

This decrease of 0.6 percentage points is mainly due to the addition of the former Delhaize Group operations and by lower impairments, higher gains on the sale of assets, lower transaction cost related to the merger and restructuring charges.

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

Impairment of assets
Ahold Delhaize recorded the following impairments and reversals of impairments of assets in 2017 and 2016:

€ million	2017	2016
Ahold USA	**(59)**	(78)
Delhaize America	**(2)**	(2)
The Netherlands	**2**	(21)
Central and Southeastern Europe	**(5)**	(3)
Total	**(64)**	(104)

Impairment charges in 2017 were €64 million, down by €40 million compared to 2016. The impairments in 2017 were primarily related to underperforming stores and the closure of bfresh locations at Ahold USA. In 2016, these primarily related to remedy stores and other divestments at Ahold USA (€46 million) and to other store operations.

Gains and losses on the sale of assets
Ahold Delhaize recorded the following gains (losses) on the sale of non-current assets in 2017 and 2016:

€ million	2017	2016
Ahold USA	**41**	26
Delhaize America	**(2)**	–
The Netherlands	**16**	(2)
Belgium	**(8)**	2
Central and Southeastern Europe	**–**	1
Global Support Office	**–**	(5)
Total	**47**	22

The 2017 net gains and losses in The Netherlands mainly related to the sale of a store portfolio. The 2017 and 2016 gains and losses at Ahold USA were mainly due to the sale of remedy stores.

Group financial review

continued

Restructuring and related charges and other items

Restructuring and related charges and other items in 2017 and 2016 were as follows:

€ million	2017	2016
Ahold USA	**(101)**	(66)
Delhaize America	**(41)**	(32)
The Netherlands	**(25)**	(35)
Belgium	**(17)**	(7)
Central and Southeastern Europe	**(1)**	–
Global Support Office	**(29)**	(93)
Total	**(214)**	(233)

Restructuring and related charges and other items in 2017 were €214 million, down by €19 million compared to 2016.

In 2017, the restructuring and related charges of €214 million included €107 million of integration costs related to the merger between Ahold and Delhaize, €36 million related to the divestment of the remedy stores and other divestments and €40 million related to the set-up of the U.S. brand-centric organization. The 2017 integration cost included a one-time €25 million benefit related to an alignment of pension benefits at our U.S. operations.

In 2016, the restructuring and related charges of €233 million included €38 million of transaction costs and €107 million of integration costs related to the merger between Ahold and Delhaize, as well as €26 million related to the divestment of the remedy stores and other divestments. In 2016, this also included a lump-sum compensation for a reduction in benefits for employees in the Netherlands and at the Global Support Office (€35 million).

Operating income

Operating income in 2017 increased by €641 million, or 40.5%, to €2,225 million compared to €1,584 million in 2016. The increase of €641 million is the difference between the higher gross profit of €3,391 million and higher operating expenses of €2,750 million. The changes in gross profit and operating expenses are explained above.

Net financial expenses

Net financial expenses in 2017 decreased by €244 million, or 45.1%, to €297 million compared to €541 million in 2016. This primarily related to a decrease in Other financial expenses (€252 million) mainly due to the one-off finance cost of €243 million in 2016 relating to the buyback of the JPY 33,000 million notes.

Income taxes

In 2017, income tax expense excluding the impact of tax rate changes due to the U.S. and Belgian tax reforms was €553 million, up by €306 million compared to €247 million in 2016. This increase in income tax expense is mainly the result of increased earnings before tax and one-time items in 2017. The effective tax rate, calculated as a percentage of income before income tax, excluding the impact of tax rate changes due to the U.S. and Belgian tax reforms, was 28.7% in 2017 (2016: 23.7%). The increase in the effective tax rate from 23.7% to 28.7% is mainly the result of a change in the geographical mix of earnings and one-time items in 2017.

The 2017 tax expense, including the one-time impact of tax rate changes due to the U.S. and Belgian tax reforms, was €146 million. The effective tax rate, calculated as a percentage of income before income tax, including the one-time impact of tax rate changes due to the U.S. and Belgian tax reforms, was 7.6% in 2017 (2016: 23.7%).

Group financial review
continued

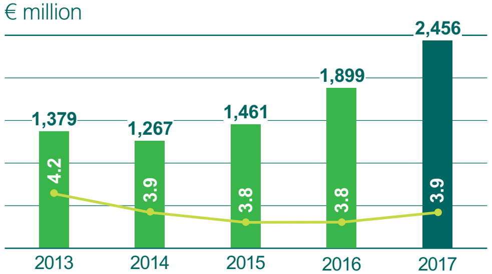
Share in income of joint ventures
Ahold Delhaize's share in income of joint ventures, which relates primarily to our 49% shareholding in JMR and 51% share in Super Indo, was €35 million in 2017, up by €1 million compared to last year. For further information about joint ventures, see *Note 14* to the consolidated financial statements.

Underlying operating income and underlying operating income margin
Underlying operating income was €2,456 million in 2017, up €557 million, or 29.3%, versus €1,899 million in 2016. Underlying operating income margin in 2017 was 3.9%, compared to 3.8% in 2016. At constant exchange rates, underlying operating income was up by €595 million, or 32.0%, compared to 2016, mainly as result of the merger with Delhaize Group and higher profits in The Netherlands.

The changes in underlying operating income, excluding the impact of the merger with Delhaize Group, are mainly a reflection of the realization of synergies resulting from the merger with Delhaize Group.

Tight cost management remains a core objective of our business model. This enables us to continue to invest in our competitive position and, at the same time, provides our businesses benefit with optimized store processes and improved sourcing conditions.

Underlying operating income
€ million



Underlying operating income and underlying operating income margin for 2017 and 2016 were as follows:

	Underlying operating income			Underlying operating margin		
million	**2017**	2016	% change	**2017**	2016	% pt change
Ahold USA ($)	**1,061**	1,034	2.6%	**4.1%**	3.9%	0.2% pt
Delhaize America ($)	**673**	275	144.7%	**3.9%**	3.6%	0.3% pt
€ million						
Ahold USA	**940**	936	0.4%	**4.1%**	3.9%	0.2% pt
Delhaize America	**595**	252	136.1%	**3.9%**	3.6%	0.3% pt
The Netherlands	**676**	636	6.3%	**4.9%**	4.9%	–% pt
Belgium	**111**	56	98.2%	**2.2%**	2.5%	(0.3)% pt
Central and Southeastern Europe	**242**	127	90.6%	**4.2%**	3.6%	0.6% pt
Global Support Office	**(108)**	(108)	–%			
Total	**2,456**	1,899	29.3%	**3.9%**	3.8%	0.1% pt

Group financial review
continued

Group performance on a pro forma basis

The following is a summary of Ahold Delhaize's 2017 and 2016 consolidated income statements on a pro forma basis. The pro forma information in this financial review presents a picture of what the financial results would have been if the merger between Ahold and Delhaize Group had occurred on the first day of Ahold's 2015 financial year, using the fair values established as of the July 23, 2016, merger date as the basis for the purchase price allocation effects and related amortization on the identified fair value changes. The information is not intended to revise past performance, but instead to provide a comparative basis for the assessment of current performance.

€ million, except per share data	Pro forma 2017	Pro forma 2016	% change	% change constant rates
Net sales	**62,694**	62,331	0.6%	1.7%
Operating income	**2,236**	1,974	13.3%	14.9%
Income from continuing operations	**1,828**	1,078	69.6%	72.7%
Basic income from continuing operations per share	**1.46**	0.85	71.8%	75.9%
Underlying EBITDA	**4,247**	4,063	4.5%	5.9%
Underlying EBITDA margin	**6.8%**	6.5%		
Underlying operating income	**2,456**	2,298	6.9%	8.4%
Underlying operating margin	**3.9%**	3.7%		
Underlying income from continuing operations per share	**1.27**	1.17	8.5%	10.4%

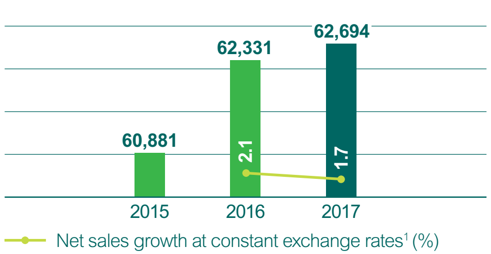
Net sales

On a pro forma basis, net sales increased by 0.6% to €62,694 million, or by 1.7% at constant exchange rates. Sales growth was driven by new store openings and comparable sales growth and in part offset by closed stores. Growth was mainly the result of sales growth at our online businesses, Albert Heijn's strong growth during the year, with a higher average purchase amount per visit in the Netherlands, and sales growth at Central and Southeastern Europe (CSE). Delhaize America grew comparable sales and Ahold USA's comparable sales growth was flat despite the deflationary environment in the United States during the first part of the year. In Belgium, comparable sales were down 0.2%. In CSE, the good performance in all four markets was partly offset by Greece, since Greece recorded an exceptionally strong sales performance in 2016 and the fourth quarter of 2015 as a result of competitive disruption. Total net sales growth was partly offset by closed stores.

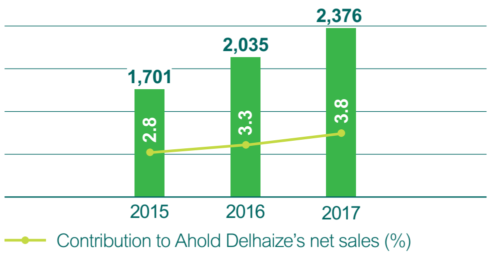
million	2017	2016	% change	% change constant rates	Comparable sales growth[1]	Comparable sales growth ex gas [1]
Ahold USA ($)	**25,823**	25,790	0.1%	0.1%	**0.4%**	**–%**
Delhaize America ($)	**17,371**	17,156	1.3%	1.3%	**1.3%**	**1.3%**
€ million						
Ahold USA	**22,894**	23,316	(1.8)%	0.1%	**0.4%**	**–%**
Delhaize America	**15,395**	15,501	(0.7)%	1.3%	**1.3%**	**1.3%**
The Netherlands	**13,672**	13,015	5.0%	5.0%	**4.5%**	**4.5%**
Belgium	**4,942**	4,942	–%	–%	**(0.2)%**	**(0.2)%**
Central and Southeastern Europe	**5,791**	5,557	4.2%	3.4%	**0.9%**	**1.0%**
Total	**62,694**	62,331	0.6%	1.7%	**1.4%**	**1.3%**

1 For the definition of comparable sales (excluding gas) see *Definitions – performance measures* at the end of this section.

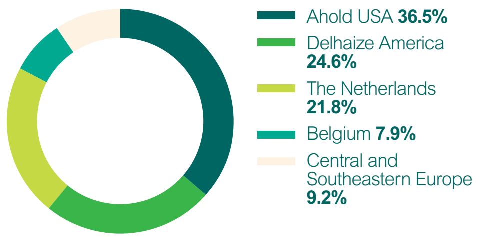
Pro forma net sales
€ million



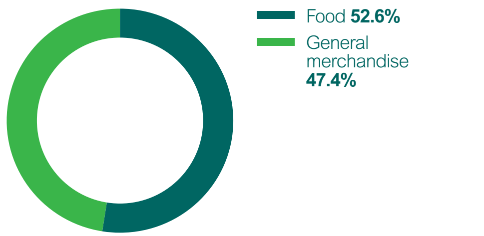
Pro forma online sales
€ million



Pro forma net sales contribution
by segment



Pro forma online net sales contribution
by category



1 Sales growth in 2016 is adjusted for the impact of week 53.

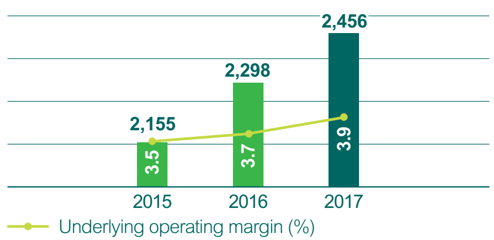
Group financial review
continued

Operating income
On a pro forma basis, operating income in 2017 increased by €262 million, or 13.3%, to €2,236 million, compared to €1,974 million in 2016. At constant exchange rates, income increased by 14.9%. The changes in pro forma profit and expenses are summarized in the segment reviews below.

Underlying operating income and underlying operating income margin
On a pro forma basis, underlying operating income was €2,456 million, up €158 million, or 6.9%. At constant exchange rates, pro forma underlying operating income was up 8.4%. The increase was mainly driven by the realization of synergies as a result of the merger between Ahold and Delhaize Group.

In 2017, net synergies of €268 million were delivered: an additional €246 million of synergies compared to 2016. The integration of the two corporate head offices into one Global Support Office resulted in synergy savings of €31 million during the year. In the United States, the creation of Retail Business Services (RBS) – which enables efficiencies in the back office and support functions and builds retail expertise in own brand, digital and IT – is progressing well. Our brands in the U.S., The Netherlands and Belgium harmonized their terms and conditions of both goods for resale and goods not meant for resale.

Pro forma underlying operating income
€ million



In 2017, the following net synergy savings were delivered:

€ million	2017	2016
United States	**159**	8
Europe	**78**	7
Global Support Office	**31**	7
Total	**268**	22

Underlying operating income excludes impairments, gains (losses) on the sale of assets, restructuring and related charges and other items that management believes can distort an understanding of the trend related to the development of our underlying business. Pro forma impairments, gains (losses) on the sale of assets and restructuring and related charges are summarized in the segment reviews below.

Pro forma underlying operating income contribution by segment[1]

Ahold USA **36.8%**
Delhaize America **23.2%**
The Netherlands **26.3%**
Belgium **4.3%**
Central and Southeastern Europe **9.4%**

1 Before Global Support Office costs.

Group financial review

continued

Ahold USA on a pro forma basis

€ million	2017	2016	Change versus prior year	% change	% change at constant rates
Net sales	**22,894**	23,316	(422)	(1.8)%	0.1%
Comparable sales growth excluding gasoline	**–%**	0.7%			
Operating income	**819**	854	(35)	(4.1)%	(2.1)%
Adjusted for:					
Impairments	**53**	32	21		
(Gains) losses on the sale of assets	**(3)**	(8)	5		
Restructuring and related charges and other items	**74**	43	31		
Underlying operating income	**943**	921	22	2.4%	4.6%
Underlying operating income margin	**4.1%**	4.0%			
Underlying EBITDA margin	**7.0%**	6.8%			

In 2017, pro forma net sales were €22,894 million, down by 1.8% or €422 million compared to 2016. At constant exchange rates, pro forma net sales were up by 0.1%.

Pro forma net sales growth was affected by higher gasoline sales, due to an increase in gasoline prices. Excluding gasoline, pro forma net sales at constant rates were down 0.3% compared to 2016. The decrease was mainly driven by flat comparable sales growth due to price deflation in the first months of 2017 and the New York market cycling competitive closures in the prior year. At the end of the second quarter, Ahold USA also announced new price investments in own-brand products, produce, milk and eggs.

During the year, the Ahold USA brands strengthened their digital capabilities, investing in digital coupons, new websites, mobile app improvements and a new recipe center. Our online business, Peapod, continued to invest in marketing its "Podpass" membership that offers free delivery at a fixed fee, resulting in more members subscribing. Podpass members order more frequently and spend more in total than other customers.

Pro forma operating income decreased by €35 million, or 4.1%, to €819 million compared to 2016. Underlying pro forma operating income rose by €22 million and is adjusted for the following items, which impacted operating income:

- Impairments: In 2017, impairment charges amounted to €53 million, while in 2016 they amounted to 32 million. The impairments in 2017 related primarily to underperforming stores and the closure of bfresh locations. In 2016, they primarily related to underperforming stores and investment properties.
- (Gains) losses on the sale of assets: No individually significant gains or losses were recorded in 2017 or 2016.
- Restructuring and related charges and other items: The 2017 charges increased by €31 million compared to 2016. In 2017, these charges mainly related to integration costs as a result of the merger (€28 million) and the set-up of the U.S. brand-centric organization (€29 million). The 2017 integration costs included a one-time €25 million benefit related to an alignment of pension benefits at our U.S. operations. In 2016, these charges mainly related to integration costs as a result of the merger (€33 million).

In 2017, pro forma underlying operating income was €943 million, up by €22 million or 2.4% compared to last year. At constant rates, pro forma underlying operating income increased by 4.6%.

Ahold USA's pro forma underlying operating income margin in 2017 was 4.1%, up 0.1 percentage points compared to 2016. Strong synergy savings were partly offset by lower sales leverage due to price deflation, price investments, increased promotional spend and lower pharmacy margins.

Group financial review

continued

Delhaize America on a pro forma basis

€ million	2017	2016	Change versus prior year	% change	% change at constant rates
Net sales	**15,395**	15,501	(106)	(0.7)%	1.3%
Comparable sales growth	**1.3%**	2.1%			
Operating income	**550**	459	91	19.8%	22.7%
Adjusted for:					
Impairments	**2**	6	(4)		
(Gains) losses on the sale of assets	**2**	7	(5)		
Restructuring and related charges and other items	**41**	66	(25)		
Underlying operating income	**595**	538	57	10.6%	13.2%
Underlying operating income margin	**3.9%**	3.5%			
Underlying EBITDA margin	**7.2%**	6.6%			

On a pro forma basis, net sales in 2017 were €15,395 million, down by 0.7%, or €106 million, compared to 2016. At constant exchange rates, sales were up by 1.3%. The increase was mainly driven by comparable sales growth of 1.3% and adversely impacted by the deflationary environment in the first months of the year. Sales growth at Food Lion was fueled by the brand's "Easy, Fresh & Affordable" strategy. Food Lion relaunched 93 stores in the Greensboro market area in August and 71 stores in the Richmond market area in October after extensive remodeling during the year. Previously launched "Easy, Fresh & Affordable" stores in the North Carolina markets of Charlotte, Wilmington, Greenville and Raleigh continue to perform according to plan.

During the year, Food Lion launched "Shop & Earn," a digital loyalty program offering customers the opportunity to receive personalized savings on the products and categories they shop the most. The program has been well-received by Food Lion's customers and will be launched in phases, with a full rollout in the first quarter of 2018. In addition, Hannaford introduced a fully digital loyalty program called "My Hannaford Rewards" that offers new and personalized ways for customers to save when they shop. The program will be fully rolled out in January 2018.

Pro forma operating income was €550 million, up 19.8% or €91 million. Underlying operating income is adjusted for the following items, which impacted operating income:

- Impairments: Impairments amounted to €2 million. No individually significant impairments were recorded in 2017 or 2016.
- (Gains) losses on the sale of assets: No individually significant gains or losses were recorded in 2017 or 2016.
- Restructuring and related charges and other items: 2017 charges of €41 million were mainly related to integration costs of €42 million due to the merger, €11 million related to the set-up of the U.S. brand-centric organization and partly offset by income from legal settlements. In 2016, charges were mostly related to integration costs of €37 million due to the merger. The charges also included the settlement of the share-based payment plan prior to the merger (€15 million) and costs due to Hurricane Matthew in Q4 (€11 million).

On a pro forma basis, underlying operating income in 2017 was €595 million, up by €57 million compared to last year. At constant rates, underlying operating income increased by 13.2%. Delhaize America's underlying operating income margin in 2017 was 3.9%, up 0.4 percentage points compared to 2016. The increase reflects strong synergy savings as well as "save for our customers" programs that were partly offset by higher depreciation expenses related to the rollout of "Easy, Fresh & Affordable" investments at Food Lion, the purchase price allocation, price investments and higher labor costs.

Group financial review

continued

The Netherlands on a pro forma basis

€ million	2017	2016	Change versus prior year	% change
Net sales	**13,672**	13,015	657	5.0%
Comparable sales growth	**4.5%**	4.1%		
Operating income	**671**	578	93	16.1%
Adjusted for:				
Impairments	**–**	15	(15)	
(Gains) losses on the sale of assets	**(17)**	2	(19)	
Restructuring and related charges and other items	**20**	34	(14)	
Underlying operating income	**674**	629	45	7.2%
Underlying operating income margin	**4.9%**	4.8%		
Underlying EBITDA margin	**7.1%**	7.0%		

On a pro forma basis, net sales in 2017 were €13,672 million, up by 5.0% or €657 million compared to 2016.

This increase was mainly driven by the 4.5% growth in comparable sales and was fueled by double-digit sales growth at our e-commerce operations. During the year, Albert Heijn continued making quality and assortment improvements to its own-brand product lines. These improvements were recognized externally with several “Best Buy” awards. The brand’s attractive promotions were also recognized externally for providing great value for customers. Albert Heijn Online expanded the availability of its subscription model to additional geographical areas and opened a fourth “Home Shop Center” to support its strong growth.

Albert Heijn also launched Appie Today, the first supermarket online TV channel, during the year. Appie Today is a new and innovative way to connect with customers and colleagues by offering daily shows on food, culture, trends and news.

For the full year, market share at Albert Heijn increased to 35.3% (Source: Nielsen).

Bol.com delivered strong double-digit growth in net consumer online sales of 28.8%. The business in Belgium and the Plaza platform – which offers a marketplace to merchant partners – remain important growth drivers. In addition, customers are shopping more often and for a wider range of products. During the year, bol.com introduced the “Select” subscription service for faster, lower-cost delivery as well as an e-book subscription service. In September, bol.com opened a new fulfillment center, a more than €100 million investment, to increase innovation and growth capacity and ensure even more reliable delivery of e-commerce orders in the Netherlands and Belgium.

Pro forma operating income increased by €93 million, or 16.1%, to €671 million, affected by the following items that Ahold Delhaize adjusts for to arrive at underlying operating income:

- Impairments: The 2016 impairment charges included an impairment charge of €9 million for a write-down of prepaid consideration for stores transferred back to Jumbo (related to the transfer of stores from Jumbo in 2012). The remaining impairment charges in 2016 mainly related to underperforming stores.
- (Gains) losses on the sale of assets: In 2017, The Netherlands sold assets with an aggregate gain of €17 million and in 2016 with an aggregate loss of €2 million.
- Restructuring and related charges and other items: In 2017, The Netherlands recorded €9 million of integration costs and it also included restructuring costs related to the closure of stores in Germany. The charges in 2016 related mainly to costs associated with a lump-sum compensation for a reduction in benefits for employees in the Netherlands (€28 million) and integration costs (€4 million).

In 2017, pro forma underlying operating income in The Netherlands was €674 million, up by €45 million or 7.2% from €629 million in 2016. The underlying operating margin of The Netherlands was 4.9% in 2017, up 0.1 percentage points compared to 2016. Margins mainly improved as a result of synergies realized from the merger with the Delhaize Group and good cost control; these were partly offset by higher pension costs due to lower interest rates, and the higher dilutive impact of our online businesses as a result of their continued strong sales growth. Our online businesses in the Netherlands operate at a lower margin, so their accelerated growth has a dilutive impact on the segment’s overall margin.

Excluding bol.com, the underlying operating income margin was 5.6% in 2017, up by 0.2 percentage points compared to 2016.

Our net sales in The Netherlands consist of sales to consumers and to franchise stores. Franchise stores operate under the same format as Ahold Delhaize-operated stores. Franchisees purchase merchandise primarily from Ahold Delhaize, pay a franchise fee and receive support services, including management training, field support and marketing and administrative assistance.

Group financial review

continued

Belgium on a pro forma basis

€ million	2017	2016	Change versus prior year	% change
Net sales	**4,942**	4,942	–	–%
Comparable sales growth	**(0.2)%**	1.7%		
Operating income	**93**	97	(4)	(4.1)%
Adjusted for:				
Impairments	**–**	14	(14)	
(Gains) losses on the sale of assets	**–**	(4)	4	
Restructuring and related charges and other items	**17**	14	3	
Underlying operating income	**110**	121	(11)	(9.1)%
Underlying operating income margin	**2.2%**	2.4%		
Underlying EBITDA margin	**5.2%**	5.4%		

On a pro forma basis, net sales in 2017 were €4,942 million, flat compared to 2016, and comparable sales declined by 0.2%. While performance in the affiliated network and stores in Luxembourg was solid, comparable sales growth in the company-operated stores was negative, mainly driven by a lower basket size. Delhaize.be, our online business in Belgium, grew home delivery sales by 21%. Customer satisfaction increased as a result of higher product availability and on-time delivery following further improvements in fulfillment and logistics.

Our market share in Belgium for the year declined to 23.8% from 24.1% last year (Source: Nielsen).

Delhaize celebrated its 150th anniversary, highlighting its important Belgian heritage with special promotions and offers. During the year, 92 company-owned and affiliated stores were optimized. This included remodelings, extensions, relocations and uplifts. In addition, the focus for 2017 was on strengthening the commercial plan, increasing the impact of promotional activities and improving the customer experience.

Pro forma operating income decreased by €4 million compared to 2016 to €93 million. Underlying operating income is adjusted for the following items, which impacted operating income:

- Impairments: No individually significant gains or losses were recorded in 2017 or 2016.
- (Gains) losses on the sale of assets: No individually significant gains or losses were recorded in 2017 or 2016.
- Restructuring and related charges and other items: The charges in 2017 mainly related to integration costs of €4 million and restructuring costs of €12 million. In 2016, charges mainly related to integration costs of €7 million and restructuring costs of €7 million.

On a pro forma basis, underlying operating income in 2017 was €110 million, down by 9.1%, or €11 million, compared to last year. Underlying operating income margin in 2017 was 2.2, down 0.2 percentage points compared to 2016. Underlying operating income was lower, mainly because synergy savings were more than offset by an increased level of promotional activities, higher shrinkage in company-owned stores and higher logistic costs.

Our net sales in Belgium consist of sales to consumers and to affiliate stores. Affiliates receive goods at a wholesale price that includes a mark-up on our purchase price.

Group financial review
continued

Central and Southeastern Europe on a pro forma basis

€ million	2017	2016	Change versus prior year	% change	% change at constant rates
Net sales	**5,791**	5,557	234	4.2%	3.4%
Comparable sales growth	**0.9%**	5.5%			
Operating income	**236**	215	21	9.8%	9.3%
Adjusted for:					
Impairments	**5**	7	(2)		
(Gains) losses on the sale of assets	**–**	2	(2)		
Restructuring and related charges and other items	**1**	7	(6)		
Underlying operating income	**242**	231	11	4.8%	4.5%
Underlying operating income margin	**4.2%**	4.2%			
Underlying EBITDA margin	**7.0%**	6.8%			

In 2017, net sales on a pro forma basis in Central and Southeastern Europe (CSE) were €5,791 million, up by 4.2% or €234 million compared to 2016. At constant exchange rates, net sales were up by 3.4%.

Sales growth was driven by comparable sales growth of 0.9% and by the net addition of 112 stores in 2017, which contributed 2.5% to sales growth. Comparable sales growth was driven by our businesses in the Czech Republic, Romania and Serbia, while Greece saw its comparable sales growth decline as a result of the normalization of market circumstances, which had been impacted by competitive disruptions during the last two years. Our Greek brand expanded its store network by 34 stores, operating a total of 412 at the end of the year. Alfa Beta also started piloting digital personalized communication with its AB Plus loyalty scheme.

In the Czech Republic, Albert invested in remodeling and upgrading 70 stores to further optimize its supermarket portfolio. The brand also strengthened its logistics network by opening a third distribution center.

Mega Image, our brand in Romania, expanded to a new geographical area and, at the start of the second quarter, opened its first store in Cluj-Napoca, one of Romania's largest cities, in the heart of Transylvania. Mega Image operated 595 stores at year-end. In November, the brand launched its own online store providing customers in the Bucharest area with home delivery and in-store pickup.

Serbia also expanded its store network by opening 11 new stores, a total of 414 stores at the end of the year. In addition, the brand invested in remodeling and upgrading 35 stores to further strengthen its portfolio.

Pro forma operating income increased by €21 million compared to 2016, to €236 million. Underlying operating income is adjusted for the following items, which impacted operating income:

- Impairments: No individually significant gains or losses were recorded in 2017 or 2016.
- (Gains) losses on the sale of assets: No individually significant gains or losses were recorded in 2017 or 2016.
- Restructuring and related charges and other items: No individually significant charges were recorded in 2017 or 2016.

2017 pro forma underlying operating income in CSE was €242 million, up by €11 million or 4.8% from €231 million in 2016. Pro forma underlying operating income margin was 4.2%, which was flat versus 2016. The Czech Republic, Romania and Serbia reported higher margins, while Greece's margin decreased, due to sales deleverage.

Group financial review

continued

Global Support Office on an IFRS basis

€ million	2017	2016	Change versus prior year	% change
Global Support Office costs	**(137)**	(206)	69	33.5%
of which Unusual items	**(29)**	(98)	69	70.4%
Underlying Global Support Office costs	**(108)**	(108)	–	–
of which related to self-insurance activities	**40**	22	18	81.8%
Underlying Global Support Office costs excluding self-insurance	**(148)**	(130)	(18)	(13.8)%

Global Support Office costs in 2017 were €137 million, down €69 million compared to last year. Global Support Office costs were impacted by unusual items that amounted to €29 million in 2017, or €69 million lower than last year. This decrease was mainly driven by lower integration and transaction costs in 2017 related to the merger with Delhaize.

Underlying Global Support Office costs were €108 million, unchanged versus 2016. Excluding the impact of our self-insurance activities, underlying Global Support Office costs were €148 million, or €18 million higher than last year, driven by the inclusion of the Delhaize Group's Global Support Office functions for the full year.

Global Support Office on a pro forma basis

€ million	Pro forma 2017	2016	Change versus prior year	% change
Global Support Office costs	**(133)**	(229)	96	41.9%
of which Unusual items	**(25)**	(87)	62	71.3%
Underlying Global Support Office costs	**(108)**	(142)	34	23.9%
of which related to self-insurance activities	**40**	23	17	73.9%
Underlying Global Support Office costs excluding self-insurance	**(148)**	(165)	17	10.3%

On a pro forma basis, Global Support Office costs in 2017 were €133 million, down €96 million compared to last year. Global Support Office costs were impacted by unusual items amounting to €25 million in 2017, which was €62 million lower than last year, mainly due to lower integration costs.

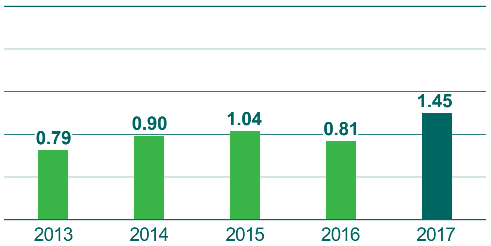
Underlying pro forma Global Support Office costs in 2017 were €108 million, down €34 million. Excluding the impact of our self-insurance activities, underlying Global Support Office costs were €148 million, or €17 million lower than last year, mainly as a result of the realization of synergies related to the merger with Delhaize.

Group financial review
continued

Earnings and dividend per share

Income from continuing operations per common share (basic) was €1.45, an increase of €0.64 or 79.0% compared to 2016. The main drivers of this increase were the higher operating income (€641 million), in part because, as in 2016 only the post–merger income from the former Delhaize operations was taken into account, the tax rate changes due to local tax reforms (€407 million) and the one-off finance cost (€246 million) incurred in 2016. In addition, the weighted average number of common shares increased from 1,022 million in 2016 to 1,251 million in 2017 as a result of shares issued to effect the merger, partially offset by a €1 billion share buyback executed during 2017 (see *Note 20* to the consolidated financial statements for more information on the share movements) and the full-year impact of the €1 billion capital repayment and reverse stock split transaction executed in 2016.

Income from continuing operations per common share (basic)
€



The increase in the weighted average number of common shares was marginally affected by shares that were issued under employee share-based compensation programs.

Pro forma income from continuing operations per common share (basic) was €1.46, an increase of €0.61 or 72% compared to 2016. This increase was driven by higher income from continuing operations of €750 million.

Our dividend policy is to target a payout ratio in the range of 40-50% of underlying income from continuing operations (on a pro forma basis). As part of our dividend policy, we adjust income from continuing operations for impairments of non-current assets, gains and losses on the sale of assets, restructuring and related charges, and other unusual items. Pro forma underlying income from continuing operations amounted to €1,582 million and €1,486 million in 2017 and 2016, respectively, and was determined as follows:

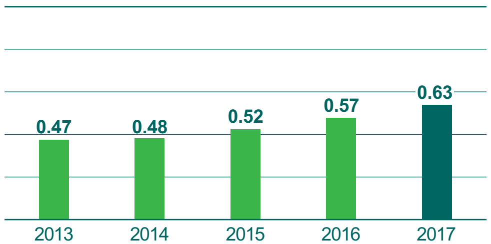
€ million	Pro forma 2017	Pro forma 2016
Income from continuing operations	**1,828**	1,078
Adjusted for:		
Impairments	**60**	74
(Gains) losses on the sale of assets	**(18)**	4
Restructuring and related charges and other items	**178**	246
Unusual items in net financial expense[1]	**–**	246
Tax effect of unusual items	**(59)**	(162)
Tax rate changes due to local tax reforms[2]	**(407)**	–
Underlying income from continuing operations	**1,582**	1,486
Income per share from continuing operations attributable to common shareholders	**1.46**	0.85
Underlying income per share from continuing operations attributable to common shareholders	**1.27**	1.17

1 Unusual items in net financial expense consists mainly of the one-off finance cost of €243 million relating to buying back the JPY 33,000 million notes; see *Note 21* to the consolidated financial statements for more information.

2 The tax rate changes as a result of local tax reforms show the impact of recalculating Ahold USA's, Delhaize America's and Delhaize Belgium's deferred tax positions, applying the reduced U.S. and Belgian corporate income tax rates; see *Note 10* to the consolidated financial statements for more information.

Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a cash dividend of €0.63 per common share for the financial year 2017, up 10.5% from last year. This reflects our ambition to sustainably grow the dividend per share and represents a payout ratio of 47%, based on the expected dividend payment on pro forma underlying income from continuing operations, which is in line with our dividend policy.

Dividend per common share
(2017 includes proposed dividend)
€



Group financial review

continued

Financial position

Ahold Delhaize's consolidated balance sheets as of December 31, 2017, and January 1, 2017, are summarized as follows:

€ million	December 31, 2017	% of total	January 1, 2017	% of total
Property, plant and equipment	**10,689**	**31.6%**	11,770	32.4%
Intangible assets	**11,634**	**34.3%**	12,547	34.6%
Other non-current assets	**1,578**	**4.7%**	1,981	5.5%
Cash, cash equivalents and short-term deposits and similar instruments, and current portion of available-for-sale financial assets	**4,747**	**14.0%**	4,317	11.9%
Inventories	**3,077**	**9.1%**	3,288	9.1%
Other current assets	**2,146**	**6.3%**	2,372	6.5%
Total assets	**33,871**	**100.0%**	36,275	100.0%
Group equity	**15,170**	**44.8%**	16,276	44.9%
Non-current portion of long-term debt	**5,174**	**15.3%**	5,570	15.3%
Pensions and other post-employment benefits	**567**	**1.7%**	659	1.8%
Other non-current liabilities	**2,655**	**7.8%**	3,373	9.3%
Short-term borrowings and current portion of long-term debt	**2,077**	**6.1%**	1,991	5.5%
Payables	**5,277**	**15.6%**	5,389	14.9%
Other current liabilities	**2,951**	**8.7%**	3,017	8.3%
Total equity and liabilities	**33,871**	**100.0%**	36,275	100.0%

Property, plant and equipment decreased by €1,081 million, primarily due to the the weakening of the U.S. dollar against the euro, while capital expenditures were offset by depreciation and impairments. Intangible assets decreased by €913 million, primarily due to the weakening of the U.S. dollar against the euro.

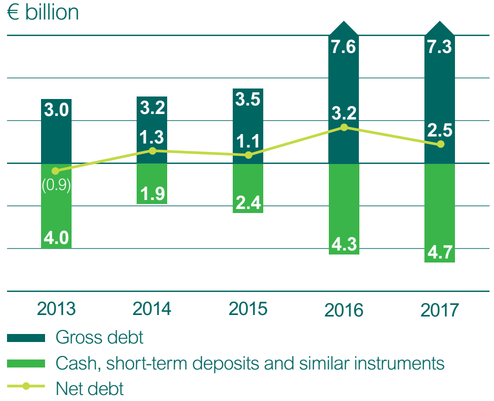
Group equity decreased by €1,106 million. This decrease was mainly driven by the completion of the €1 billion share buyback and the 2017 dividend of €720 million and a negative currency translation impact of €1,309 million. This was partially offset by the current year's net income.

In 2017, gross debt decreased by €311 million to €7,250 million, primarily due to the redemption of £250 million and $172 million notes on maturity, the weakening of the U.S. dollar against the euro, and regular payments on finance lease and financing transaction liabilities. This was partially offset by the issuance of the €750 million bond.

Ahold Delhaize's net debt was €2,503 million as of December 31, 2017 – a decrease of €741 million from January 1, 2017. The decrease in gross debt (€311 million) and our strong free cash flow generation (€1,926 million), were mainly offset by the completion of the €1 billion share buyback and payment of common stock dividend (€720 million).

Net debt does not include our contractual commitments under operating lease contracts, which, on an undiscounted basis, amounted to €7,590 million at year-end 2017 (2016: €8,450 million). The off-balance sheet operating lease commitments impact our capital structure.

Gross and net debt
€ billion



Our defined benefit plans showed a net deficit of €567 million at year-end 2017 compared to a net deficit of €659 million at year-end 2016. This decrease was the result of a weakening of the U.S. dollar (€45 million), €33 million of actuarial remeasurements, and €14 million of excess contributions over annual expenses.

A significant number of union employees in the United States are covered by multi-employer plans. With the help of external actuaries, we have updated the most recent available information that these plans have provided (generally as of January 1, 2016) for market trends and conditions through the end of 2017. We estimate our proportionate share of the total net deficit to be $912 million (€760 million) at year-end 2017 (2016: $910 million or €865 million). These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and not necessarily reliable. For more information see *Note 23* to the consolidated financial statements.

Group financial review
continued

Liquidity and cash flows

Liquidity

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented with access to external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of December 31, 2017, the Company's liquidity position primarily consisted of €3,380 million of cash (including short-term deposits and similar instruments and current portion of assets available for sale, adjusted for cash held under a notional cash pooling arrangement), and the undrawn portion of the €1 billion revolving credit facility.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends, the announced €2 billion share buyback program, and scheduled debt repayments for the next 12 months and the foreseeable future. In addition, the Company has access to the amount available on its revolving credit facility and to the debt capital market on its current credit ratings.

Group credit facility

Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated credit facility that was amended and extended in February 2015, whereby the Company reduced the size of the credit facility from €1.2 billion to €1.0 billion (providing for the issuance of $275 million in letters of credit). At the same time, the facility was extended to 2020 with two potential extensions after 12 and 24 months that would take the facility to 2021 and 2022 respectively. The Company successfully agreed both extensions with the lenders.

The credit facility contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2, respectively, not to exceed a maximum leverage ratio of 4.0:1. During 2016 and 2017, the Company was in compliance with these covenants. As of December 31, 2017, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $156 million (€130 million).

Credit ratings

Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's strategy because such ratings serve to lower the cost of funds and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies are as follows:

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

Group financial review

continued

Cash flows

Ahold Delhaize's consolidated cash flows for 2017 and 2016 are as follows:

€ million	2017	2016
Operating cash flows from continuing operations	**3,700**	2,898
Purchase of non-current assets	**(1,698)**	(1,302)
Divestment of assets / disposal groups held for sale	**142**	104
Dividends from joint ventures	**70**	19
Interest received	**32**	15
Interest paid	**(320)**	(293)
Free cash flow	**1,926**	1,441
Proceeds from long-term debt	**747**	–
Repayments of loans	**(474)**	(347)
Repayments of finance lease liabilities	**(190)**	(141)
Changes in short-term loans	**212**	209
Dividends paid on common shares	**(720)**	(429)
Capital repayment	**–**	(1,001)
Share buyback	**(992)**	–
Acquisition / divestments of businesses, net of cash	**(53)**	2,201
Acquired available for sale financial assets and restricted cash	**–**	202
Other cash flows from derivatives	**262**	(260)
Other	**9**	17
Change in cash, cash equivalents and short-term deposits and similar instruments, and the current portion of available for sale financial assets (before impact of exchange rates)	**727**	1,892
Changes in short-term deposits and similar instruments, the current portion of available for sale financial assets and changes in restricted cash	**100**	222
Net cash from operating, investing and financing activities	**827**	2,114

Free cash flow, at €1,926 million, increased by €485 million compared to 2016. Operating cash flows from continuing operations were higher by €802 million. At constant exchange rates, operating cash flows from continuing operations were higher by €872 million, or 30.8%. The purchase of non-current assets was higher by €396 million, or €424 million higher at constant exchange rates.

Free cash flow

In 2017, the main uses of free cash flow included:

- Completion of the announced €1 billion buyback program, for a total amount of €992 million in the financial year 2017. The trades executed on December 28 and December 29, totaling 328,631 shares of €6 million equivalent, were only contractually settled on January 2 and January 3, 2018 respectively. In total, 55,166,939 common shares were repurchased under this program in 2017.
- Common stock dividend at €0.57 per share resulting in a cash outflow of €720 million.

Group financial review
continued

Capital investments and property overview

Capital expenditure (including acquisitions), which includes new finance leases, amounted to €1,822 million in 2017 and €16,775 million in 2016.

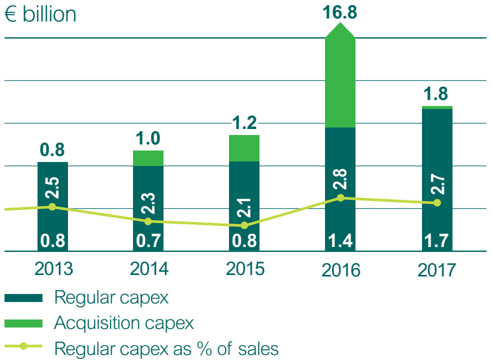
€ million	2017	2016	Change versus prior year	% of sales
Ahold USA	**452**	513	(61)	2.0%
Delhaize America	**498**	229	269	3.2%
The Netherlands	**363**	389	(26)	2.6%
Belgium	**192**	83	109	3.9%
Central and Southeastern Europe	**182**	141	41	3.1%
Global Support Office	**36**	22	14	
Total regular capital expenditures[1]	**1,723**	1,377	346	2.7%
Acquisition capital expenditures[2]	**99**	15,398	(15,299)	
Total Ahold Delhaize	**1,822**	16,775	(14,953)	2.9%

1 Including new finance leases.
2 Including conversion expenditure of acquired stores and acquired finance leases.

Capital investments were primarily related to the construction, remodeling and expansion of our stores and supply chain (including online), as well as IT infrastructure improvements. Under IFRS, the merger with the Delhaize Group is accounted for as a business combination following the acquisition method. In 2016, acquisition capital expenditures included the merger with the Delhaize Group.

Excluding acquisitions, capital expenditures in 2017 were €1.7 billion. The increase, compared to 2016, mainly relates to 2017 being the first full year of operations of the merged Company. Including full year Delhaize Group capital expenditures, total capital expenditures in 2016 amounted to €1.8 billion.

Capital expenditures
€ billion



As of December 31, 2017, Ahold Delhaize operated 6,637 stores. The Company's total sales area amounted to 9.3 million square meters in 2017, a decrease of 0.5% from the prior year. The total number of stores (including stores operated by franchisees) is as follows:

	Opening balance	Opened / acquired	Closed / sold	Closing balance
Ahold USA	**776**	2	(26)	**752**
Delhaize America	**1,214**	2	(8)	**1,208**
The Netherlands[1]	**2,163**	35	(35)	**2,163**
Belgium	**765**	20	(21)	**764**
Central and Southeastern Europe	**1,638**	121	(9)	**1,750**
Total number of stores	**6,556**	180	(99)	**6,637**

1 The number of stores as of December 31, 2017, includes 1,153 specialty stores (Etos and Gall & Gall) (January 1, 2017: 1,152 specialty stores).

The total number of retail locations, including the 5,510 stores owned or leased by Ahold Delhaize and 19 pick-up points in stand-alone locations, was 5,529 in 2017, higher by 49 compared to 2016.

	Ahold Delhaize	Franchisees	Total
Number of stores leased or owned	5,510	1,127	**6,637**
Number of stores subleased to franchisees	(524)	524	**–**
Number of stores operated	4,986	1,651	**6,637**
Number of stand-alone pick-up points	19	–	**19**
Total number of retail locations	5,005	1,651	**6,656**

Group financial review

continued

Franchisees operated 1,651 stores in the Netherlands, Belgium and Luxembourg, 1,127 of which were either owned by the franchisees or leased independently from Ahold Delhaize.

At the end of 2017, Ahold Delhaize operated 505 pick-up points, which was 21 more than in 2016. These were either stand-alone, in-store or office-based.

Ahold Delhaize also operated the following other properties as of December 31, 2017:

Warehouse / distribution centers / production facilities/offices	124
Properties under construction / development	53
Investment properties	942
Total	**1,119**

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

The following table breaks down the ownership structure of our 5,529 retail locations (inclusive of stores subleased to franchisees) and 1,119 other properties as of December 31, 2017:

% of total	Retail locations	Other properties
Company-owned	22%	50%
Leased, of which	78%	50%
Finance leases	12%	8%
Operating leases	66%	42%

Our leased properties have terms of up to 25 years, or in limited instances up to 30 years, with renewal options for additional periods. Store rentals are normally payable on a monthly basis at a stated amount or, in a limited number of cases, at a guaranteed minimum amount plus a percentage of sales over a defined base.

Ahold USA

Number of stores	2017	2016
Stop & Shop New England	**215**	217
Stop & Shop New York Metro	**199**	200
Giant Landover	**167**	168
Giant Carlisle	**171**	191
Total Ahold USA	**752**	776
Sales area of own-operated stores (in thousands of square meters)	**2,890**	2,960

Ahold USA ended the year with 24 fewer stores, net of two openings and 26 closings, of which 17 relate to remedy stores. Peapod closed one pick-up point, bringing the total to 209 in 2017.

In addition to departmental upgrades, the Ahold USA divisions remodeled, expanded, relocated or reconstructed 26 stores in 2017 as part of the continuous focus on keeping stores fresh and up-to-date. Total investments at Ahold USA amounted to around 2.0% of sales and ranged from new stores to investment in IT, distribution centers and minor construction work in the stores.

At the end of 2017, Ahold USA operated 222 fuel stations, which was seven fewer than last year. The majority of these stations are located in the Giant Carlisle and Stop & Shop New England market areas.

Delhaize America

Number of stores	2017	2016
Food Lion	**1,027**	1,033
Hannaford	**181**	181
Total Delhaize America	**1,208**	1,214
Sales area of own-operated stores (in thousands of square meters)	**2,963**	2,980

At the end of 2017, Delhaize America operated six fewer stores than the year before as a result of two openings and eight closings.

A total of 175 stores were remodeled or expanded in 2017 as part of the regular process of maintaining and modernizing the business property portfolio.

Delhaize America operated 41 pick-up points at the end of 2017.

Total investments at Delhaize America, post-merger, amounted to around 3.2% of sales.

Group financial review
continued

The Netherlands

Number of stores	2017	2016
Albert Heijn: the Netherlands	**884**	884
Albert Heijn: Belgium	**37**	42
Albert Heijn to go: the Netherlands	**78**	74
Albert Heijn to go: Germany	**11**	11
Etos	**552**	547
Gall & Gall	**601**	605
Total The Netherlands	**2,163**	2,163
Sales area of own-operated stores (in thousands of square meters)	**996**	998

In 2017, our brands in The Netherlands opened 35 stores and closed another 35, keeping the total unchanged at 2,163.

Albert Heijn Online opened seven pick-up points, bringing the total to 61 at the end of 2017.

A total of 107 stores were remodeled, expanded, relocated or reconstructed in the past year as part of the regular process of maintaining and modernizing the business property portfolio. Total investments in the Netherlands amounted to around 2.6% of sales, allocated to the opening of new stores and investments in IT, distribution centers and minor construction work in the existing stores.

Belgium

Number of stores	2017	2016
Delhaize Belgium	**764**	765
Total Belgium	**764**	765
Sales area of own-operated stores (in thousands of square meters)	**282**	282

In 2017, our brands in Belgium operated 764 stores, one fewer than the year before as a result of 20 openings and 21 closings. During the year, 27 stores were remodeled or expanded. In addition to these remodels, our Belgian brands optimized 65 stores to modernize the customer experience.

Belgium operated 128 pick-up points at the end of 2017, 11 more than the year before.

Total investments in Belgium amounted to around 3.9% of sales.

Central and Southeastern Europe

Number of stores	2017	2016
Czech Republic	**329**	330
Greece	**412**	378
Serbia	**414**	404
Romania	**595**	526
Central and Southeastern Europe	**1,750**	1,638
Sales area of own-operated stores (in thousands of square meters)	**1,231**	1,203

At the end of 2017, our operations in the Czech Republic, Greece, Serbia and Romania held a portfolio of 1,750 stores, including 112 net additions compared to the prior year. During the year, 69 stores were remodeled or expanded as part of the Company's continued process of maintaining and modernizing our store network.

Central and Southeastern Europe operated 66 pick-up points at the end of 2017.

Total investments in Central and Southeastern Europe amounted to around 3.1% of sales.

Group financial review

continued

Key financial and non-financial information

The key financial and non-financial information per segment for 2017 and 2016 is presented below:

	Ahold USA		Delhaize America		The Netherlands		Belgium		Central and Southeastern Europe	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Net sales (€ millions)[1]	**23,045**	23,845	**15,395**	7,065	**13,706**	13,101	**4,953**	2,199	**5,791**	3,485
Net sales ($ millions)[1]	**25,986**	26,377	**17,371**	7,746						
Net sales growth in local currency	**(1.5)%**	0.1%	**124.3%**		**4.6%**	3.2%	**125.2%**		**63.9%**	96.7%
Comparable sales growth	**0.3%**	(0.1)%	**1.3%**	1.5%	**4.5%**	4.1%	**(0.2)%**	0.8%	**0.9%**	3.1%
Comparable sales growth (excluding gasoline sales)	**(0.1)%**	0.6%	**1.3%**	1.5%	**4.5%**	4.1%	**(0.2)%**	0.8%	**1.0%**	3.3%
Operating income (€ millions)	**821**	818	**550**	218	**669**	578	**86**	51	**236**	125
Operating income ($ millions)	**926**	902	**622**	239						
Underlying operating income (€ millions)	**940**	936	**595**	252	**676**	636	**111**	56	**242**	127
Underlying operating income ($ millions)	**1,061**	1,034	**673**	275						
Underlying operating margin	**4.1%**	3.9%	**3.9%**	3.6%	**4.9%**	4.9%	**2.2%**	2.5%	**4.2%**	3.6%
Number of employees / headcount (at year-end in thousands)	**109**	114	**95**	95	**102**	100	**14**	14	**49**	47
Number of employees / FTEs (at year-end in thousands)	**80**	82	**56**	56	**32**	32	**12**	12	**44**	43
Contribution to Ahold Delhaize net sales	**36.6%**	48.0%	**24.5%**	14.2%	**21.8%**	26.4%	**7.9%**	4.4%	**9.2%**	7.0%
Contribution to Ahold Delhaize underlying operating income[2]	**36.7%**	46.6%	**23.2%**	12.6%	**26.4%**	31.7%	**4.3%**	2.8%	**9.4%**	6.3%

1 Net sales from former Delhaize segments are included as of July 24, 2016.

2 Before Group Support Office costs.

Definitions – performance measures

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

The definitions of non-financial performance measures included in the Annual Report can be found in the *Sustainability performance – Definitions* section.

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

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

Comparable sales

Comparable sales are net sales, in local currency, from exactly the same stores and online sales in existing market areas for the most recent comparable period plus net sales from stores that are replaced within the same market area. For markets that sell gasoline, Ahold Delhaize also calculates the comparable sales, excluding gasoline sales, to eliminate gasoline price volatility in the comparison. Ahold Delhaize measures a store for comparable sales after being open for a full 56 weeks.

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

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

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

Free cash flow

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

Global Support Office costs

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

Gross rent

Gross rent comprises all of the rent that Ahold Delhaize is required to pay to third parties and is not corrected for rental income Ahold Delhaize receives from other third parties.

Net consumer online sales

Total online sales to customers, excluding sales taxes and value-added taxes, but including sales of third parties via bol.com's Plaza. Ahold Delhaize's management believes that this measure provides more insight into the growth of our online businesses.

Definitions – performance measures
continued

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

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

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

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

Pro forma
Ahold Delhaize defines the pro forma information as the combined results of Ahold and Delhaize in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). These combined results are adjusted for:

- Exclusion of the performance of remedy stores and other divestments
- Exclusion of merger transaction costs
- Inclusion of Purchase Price Allocation (PPA) effects
- Alignment of Global Support Office functions and related costs
- Alignment of foreign exchange rates used in the translation of foreign group entities

Return on capital
Return on Capital (RoC) is calculated as Underlying Operating Income before Depreciation, Amortization and Rent Expense divided by the annual rolling average of the sum of Property, Plant and Equipment at purchase price, Intangible assets at purchase price, Operating Working Capital components and Rent Expense, divided by 8%.

Total shareholder return
Total shareholder return (TSR) is the sum of the change in share price and dividends paid to show the total return to the shareholder expressed as an annualized percentage.

Underlying operating income and margin
Total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance. Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of Ahold Delhaize's operations. Underlying operation income margin is calculated as underlying operating income as a percentage of net sales.

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

Underlying income per share from continuing operations
Underlying income per share from continuing operations is calculated as underlying income from continuing operations, divided by the weighted average number of shares outstanding.

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

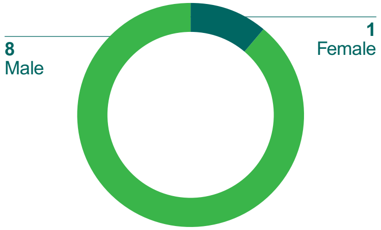
Governance

Our Management Board and Executive Committee

Our Management Board

Executive Committee diversity[2]

Gender



Nationality

2 Including the members of the Management Board.

The duties of the Management Board are described under *Corporate governance* in this Annual Report

Dick Boer

President and Chief Executive Officer

Chairman Management Board and Executive Committee

Dick Boer has served as Chief Executive Officer of Ahold Delhaize since July 24, 2016. Prior to the merger between Ahold and Delhaize, he had served as CEO of Ahold, appointed by the Supervisory Board on September 29, 2010, with an effective date of March 1, 2011. Before that, Dick had served as Chief Operating Officer Ahold Europe since November 6, 2006.

Dick joined Ahold in 1998 as CEO of Ahold Czech Republic and was appointed President and CEO of Albert Heijn in 2000. In 2003, he became President and CEO of Ahold's Dutch businesses and on May 3, 2007, shareholders appointed him to the Management Board.

Prior to joining Ahold, Dick spent more than 17 years in various retail positions for SHV Holdings N.V. in the Netherlands and abroad and for Unigro N.V.

Dick is a board member of the Consumer Goods Forum (CGF) and co-sponsor of the CGF Health and Wellness pillar. He is a member of the advisory board of fashion retailer G-Star RAW. At the World Economic Forum, he is governor of the Consumer Industries Community and steward of the Future of Health and Healthcare System. Furthermore, Dick is a member of the supervisory board of the Royal Concertgebouw in the Netherlands.

Age: 60

Nationality: Dutch

Frans Muller

Deputy Chief Executive Officer and Chief Integration Officer

Member Management Board and Executive Committee

Frans Muller has served as Deputy Chief Executive Officer and Chief Integration Officer of Ahold Delhaize since July 24, 2016. He was responsible for Delhaize America, including Food Lion and Hannaford, on an interim basis from October 2016 until January 2018. Prior to the merger between Ahold and Delhaize, Frans served as President and CEO of Delhaize Group from 2013. Before joining Delhaize Group, Frans had worked for German retailer Metro AG for over 15 years. From 2006 until 2013, he was a member of the Metro AG Management Board, serving as CEO of Metro Cash & Carry from 2008 until 2013.

Earlier, he served in various positions at Metro AG including managing director of Makro, member of the board of Metro Cash & Carry International, regional director for Eastern Europe and Russia, president for Asia Pacific and Russia / Ukraine and CEO of Metro Group Buying. From 1988 to 1997, Frans held various management and executive positions at KLM Cargo in Amsterdam, Frankfurt, Vienna and Singapore.

Frans is president of the European Retail Round Table and serves on the board of directors of the Food Marketing Institute Inc. and Vlerick Business School.

Age: 56

Nationality: Dutch

Jeff Carr

Chief Financial Officer

Member Management Board and Executive Committee

Jeff Carr has served as Chief Financial Officer of Ahold Delhaize since July 24, 2016. Prior to the merger between Ahold and Delhaize, Jeff joined Ahold on November 14, 2011, as acting member of the Management Board and CFO. Ahold's shareholders appointed him to the Management Board on April 17, 2012.

He began his career at Unilever, and held senior roles in finance at Associated British Foods, Reckitt Benckiser and Grand Metropolitan. From 2005 to 2009, he was group finance director and a member of the board at easyJet. Jeff was then appointed to the role of group finance director and a member of the board at FirstGroup, the leading transport operator in the UK and the United States Jeff has lived and worked in Europe and the United States.

Age: 56

Nationality: British

Kevin Holt

Chief Executive Officer Ahold Delhaize USA

Member Management Board and Executive Committee

Effective January 1, 2018, Kevin Holt became Chief Executive Officer Ahold Delhaize USA. Kevin had been Chief Operating Officer Ahold USA since October 2016, after serving as Chief Operating Officer Delhaize America since July 24, 2016. Prior to the merger between Ahold and Delhaize, he was Executive Vice President of Delhaize Group and Chief Executive Officer of Delhaize America, starting in 2014.

Before joining Delhaize Group, Kevin served as president of retail operations for SuperValu. During his tenure there, the company owned the Albertsons, Jewel-Osco and Save-A-Lot chains and was the third largest food retailing company in the United States.

Prior to SuperValu, Kevin worked for three years with Sears Holding Company and 14 years with Meijer, serving in various leadership positions, including executive vice president of retail operations and senior vice president of information technology / services and strategic planning.

Before joining the retail industry, Kevin spent nine years at NCR delivering technology solutions to large and complex organizations.

Age: 59

Nationality: American

Our Management Board and Executive Committee

Our Executive Committee

Wouter Kolk

Chief Operating Officer the Netherlands and Belgium

Member Executive Committee[1]

Wouter Kolk was appointed Chief Operating Officer the Netherlands and Belgium and member of the Executive Committee of Ahold Delhaize on September 8, 2017.

Wouter re-joined Ahold in 2013 as EVP Specialty Stores and New Markets at Albert Heijn following a six-year period as CEO of international retailer WE Fashion. He became Chief Executive Officer Albert Heijn in January 2015 and will continue to lead Albert Heijn. He first started at Ahold in 1991, and over the next 16 years served in several international commercial and general management roles, including Commercial Director Asia-Pacific based in Singapore, Regional Director Albert Heijn, General Manager Gall & Gall and General Manager of Etos. Wouter is a member of the supervisory boards of the Hortus Botanicus Amsterdam and concert hall Paradiso.

Age: 51

Nationality: Dutch

1 Wouter Kolk will be nominated for appointment to the Management Board at the 2018 annual General Meeting of Shareholders.

Abbe Luersman

Chief Human Resources Officer

Member Executive Committee

Abbe Luersman was appointed as Chief Human Resources Officer and member of Ahold Delhaize's Executive Committee, effective July 24, 2016. She is responsible for Global Human Resources, including Talent and Diversity; Leadership and Development; Organizational Effectiveness and Design; and Total Rewards. Prior to the merger between Ahold and Delhaize, Abbe had served as Ahold's Chief Human Resources Officer and member of the Executive Committee from November 1, 2013.

Before that, Abbe worked for Unilever, where she held various HR leadership roles, most recently as head of human resources for Unilever Europe. Prior to Unilever, Abbe worked at Whirlpool Corporation, holding a number of senior roles in human resources, both in the United States and internationally.

Abbe is a member of the Network of Executive Women board of directors, the Catalyst advisory board and the Netherlands American Chamber of Commerce board of directors.

Age: 50

Nationality: American

Jan Ernst de Groot

Chief Legal Officer

Member Executive Committee

Jan Ernst de Groot has served as Chief Legal Officer since July 24, 2016. Prior to the merger of Ahold and Delhaize, he was appointed Chief Legal Officer and member of Ahold's Executive Committee effective February 1, 2015. He is responsible for Ahold Delhaize's legal affairs, governance and compliance functions and product integrity.

Before joining Ahold, Jan Ernst was general counsel and managing director at TNT Express. Prior to that, he worked for KLM Royal Dutch Airlines in a wide range of business and corporate roles, most recently as managing director and a member of the board of management. Jan Ernst started his career at law firm De Brauw Blackstone Westbroek.

Jan Ernst is chairman of the supervisory council of Hivos, a supervisory board member of ADG Dienstengroep and a board member of the Hermitage Museum Amsterdam.

Age: 54

Nationality: Dutch

Marc Croonen

Chief Sustainability, Transformation and Communications Officer

Member Executive Committee

Marc Croonen has been Ahold Delhaize's Chief Sustainability, Transformation and Communications Officer since July 24, 2016. Prior to the merger between Ahold and Delhaize, he was Executive Vice President and Chief Human Resources Officer at Delhaize Group starting in 2014.

Before joining Delhaize Group, Marc was human resources director for Europe, the Middle East and Africa at International Paper from 2012. Between 2010 and 2012, he was chief human resources officer at Dexia.

Marc began his career with the former Artois brewery. After serving as human resources manager there for nine years, he became head of human resources and communication at Volkswagen Belgium in 1995. In 1999, he joined Danone as human resources director for Northern Europe. From 2001 until 2010, Marc was employed by AB Inbev, including as head of human resources for Western Europe from 2005 onwards.

Age: 57

Nationality: Belgian

Ben Wishart

Global Chief Information Officer

Member Executive Committee

Ben Wishart became a member of the Executive Committee, effective January 1, 2018. Ben joined Ahold in 2013 in the role of Global Chief Information Officer and has continued in this role for Ahold Delhaize since the merger in 2016. He previously served as CIO of Morrisons plc and Whitbread plc and held various senior Information Technology roles at Tesco plc.

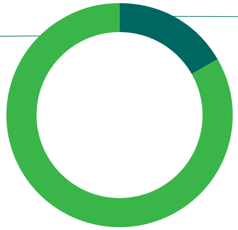
Age: 55

Nationality: British

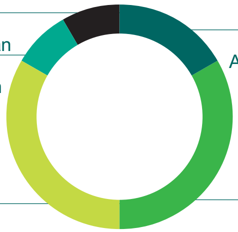
Our Supervisory Board

Supervisory Board diversity

Gender



Nationality



Mats Jansson

Chairman

Mats Jansson has served as Chairman of Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of its Governance and Nomination Committee. Prior to the merger between Ahold and Delhaize, he served as Chairman of Delhaize's Board of Directors starting in 2012.

Mats was CEO of the Scandinavian airline SAS from 2006 to 2010. Prior to that, he served as president and CEO of Axel Johnson AB, CEO of Axfood, CEO of Karl Fazer Oy and CEO of Catena / Bilia. Mats began his career with ICA, holding positions of increasing responsibility over a period of more than 20 years and serving as president of ICA Detaljhandel and deputy CEO and chairman of the group from 1990 to 1994.

Currently Mats is a member of the JPMorgan European Advisory Council, advisor to Prime Public Communications i Sverige AB and advisor to Advent Capital Management LLC.

Age: 66

Nationality: Swedish

Jan Hommen

Vice Chairman

Jan Hommen has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Governance and Nomination Committee and the Audit, Finance and Risk Committee. Prior to the merger between Ahold and Delhaize, he served as Chairman of Ahold's Supervisory Board since 2013.

Jan was previously Vice Chairman of Ahold's Supervisory Board and served as Chairman of the Audit Committee from 2003 to 2007. He is the former CEO of KPMG the Netherlands and was CEO of ING Group N.V., CFO and vice chairman of the board of management of Royal Philips Electronics N.V. and CFO of Aluminum Company of America Inc.

Currently Jan is chairman of the supervisory board of Koninklijke VolkerWessels N.V., chairman of the board of United World College Nederland, and a member of the supervisory board of ProteoNic B.V. He also serves as an advisor to Advent International PLC and BlackRock Netherlands.

Age: 74

Nationality: Dutch

Jacques de Vaucleroy

Vice Chairman

Jacques de Vaucleroy has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Audit, Finance and Risk Committee and the Governance and Nomination Committee. Prior to the merger between Ahold and Delhaize, he served on Delhaize's Board of Directors starting in 2005 and was Chairman of its Governance and Nomination Committee.

Jacques has spent most of his career within the ING group, where he was a member of the executive board and CEO of ING Insurance and Investment Management Europe. Jacques was a member of AXA Group's management committee and CEO of the company's Northern, Central and Eastern Europe business unit from 2010 until 2016. He also assumed global responsibility for the AXA Group's life and savings and health businesses from 2011 until 2016.

Currently Jacques is a member of the board of directors of Swiss Re Ltd, Swiss Re Europe, Fidelity International Ltd and Zabka Polska. He is also a member of the advisory boards of Artexis Easyfairs and CVC Belgium.

Age: 57

Nationality: Belgian

René Hooft Graafland

Chairman of the Audit, Finance and Risk Committee

René Hooft Graafland has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chairman of the Audit, Finance and Risk Committee. Prior to the merger between Ahold and Delhaize, he was appointed to the Ahold Supervisory Board on April 16, 2014, with effect from January 1, 2015.

René previously held the position of CFO and member of the executive board of Heineken N.V. until April 2015. Before being appointed as a member of Heineken's executive board in 2002, he held various international management positions with the company in Europe, Asia and Africa.

René is vice chairman of the supervisory board and chairman of the audit committee of Wolters Kluwer N.V. Furthermore, he is a member of the supervisory board and of the audit committee of Koninklijke FrieslandCampina N.V. He is also chairman of the supervisory board of Royal Theatre Carré and chairman of the board of Stichting African Parks Foundation.

Age: 62

Nationality: Dutch

Our Supervisory Board

continued

Ben Noteboom

Chairman of the Governance and Nomination Committee

Ben Noteboom has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chairman of the Governance and Nomination Committee and a member of the Remuneration Committee. Prior to the merger between Ahold and Delhaize, he was first appointed to the Supervisory Board on April 28, 2009.

Ben is former CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in 2001. He had first joined Randstad in 1993 and held various senior management positions during his time with the company.

Ben is chairman of the supervisory board of Koninklijke Vopak N.V., chairman of its selection and appointment committee and a member of its remuneration committee. He is also a member of the supervisory board of Aegon N.V., chairman of its remuneration committee and a member of its risk committee. In addition, he serves as a member of the supervisory board and audit committee of Wolters Kluwer N.V., and as a member of the boards of the Holland Festival Foundation and the Cancer Center Amsterdam.

Age: 59

Nationality: Dutch

Bill McEwan

Chairman of the Remuneration Committee

Bill McEwan has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chairman of the Remuneration Committee and a member of the Sustainability and Innovation Committee. Prior to the merger between Ahold and Delhaize, he served on Delhaize's Board of Directors as of 2011 and was Chairman of the Remuneration Committee.

Bill is the former president and CEO of Sobeys Inc., and was a member of the board of directors of its parent company, Empire Company Limited.

Between 1989 and 2000, Bill held a variety of progressively senior marketing and merchandising roles with Coca-Cola Limited and Coca-Cola Bottling as well as with The Great Atlantic and Pacific Tea Company (A&P), both in Canada and in the United States. Bill served as president of A&P's Canadian operations before his appointment as president and chief executive officer of the company's U.S. Atlantic Region.

Bill is a member of the board of Agrifoods International Cooperative Ltd and Aimia Inc.

Age: 61

Nationality: Canadian

Rob van den Bergh

Chairman of the Sustainability and Innovation Committee

Rob van den Bergh has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chairman of the Sustainability and Innovation Committee and member of the Remuneration Committee. Prior to the merger between Ahold and Delhaize, he was first appointed to the Ahold Supervisory Board on April 20, 2011.

Rob is former CEO of VNU N.V. Prior to that, he held various other executive positions within VNU; he was a member of the executive board from 1992 and was appointed CEO in 2000.

Rob is a member of the supervisory boards of Pon Holdings B.V., Iddink Groep B.V. and Novamedia. He is also a member of the advisory board of CVC Capital Partners and member of the Netherlands Committee of Human Rights Watch.

Age: 67

Nationality: Dutch

Mark McGrath

Mark McGrath has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Governance and Nomination Committee and the Remuneration Committee.

He was first appointed to the Ahold Supervisory Board on April 23, 2008. Mark is a director emeritus of McKinsey & Company. He led the firm's Americas Consumer Goods Practice from 1998 until 2004, when he retired from the company. Mark is a former director of GATX and Aware Inc.

Mark serves on the advisory council of the University of Chicago's Booth Graduate School of Business. He is a trustee and serves on the executive committee of the Chicago Symphony Orchestra Association.

Age: 71

Nationality: American

Mary Anne Citrino

Mary Anne Citrino has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Audit, Finance and Risk Committee. Prior to the merger between Ahold and Delhaize, she was appointed to the Ahold Supervisory Board on March 14, 2016.

Mary Anne is a senior advisor to Blackstone. She joined the Blackstone Advisory Partners Group as senior managing director in 2004.

Mary Anne was employed at Morgan Stanley for over 20 years, during which she served as the global head of consumer products investment banking, co-head of healthcare services investment banking, and as a mergers and acquisitions analyst.

Currently Mary Anne is a director of Dollar Tree, Inc. and member of its audit committee and nominating and corporate governance committee. She is a director of Alcoa, Inc. and a member of its governance and nominating committee and public issues committee. Mary Anne is also chair of the audit committee and member of the finance, investment and technology committee of Hewlett Packard, Inc.

Age: 58

Nationality: American

Our Supervisory Board
continued

Johnny Thijs

Johnny Thijs has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Remuneration Committee. Prior to the merger between Ahold and Delhaize, he served on Delhaize's Board of Directors starting in 2014. Johnny was the former CEO of Belgian Post from 2002 to 2014 and served as CEO of TerBeke from 2000 to 2002.

Johnny started his career in 1974 at Vanderelst N.V. (Rothmans group) as product and marketing manager for Belgium. In 1981, he was appointed to the role of marketing and sales manager at Masterfoods N.V. (Mars Inc.) for Belgium, the Netherlands, Germany and France. In 1986, Johnny moved to Côte d'Or-Jacobs Suchard. Five years later he joined Interbrew N.V. as executive vice president before becoming CEO for Europe, Asia Pacific and Africa from 1995 to 1999.

Johnny is chairman of the board of directors of Spadel SA, Corialis, HospitalLogistics and Recticel, a member of the board of directors of H. Essers and an advisor to CVC Belgium and Lazard Frères Benelux.

Age: 65

Nationality: Belgian

Patrick De Maeseneire

Patrick De Maeseneire has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Audit, Finance and Risk Committee. Prior to the merger between Ahold and Delhaize, he served on Delhaize's Board of Directors starting in 2015.

Patrick has been the CEO of Jacobs Holding AG, major shareholder of Barry Callebaut AG, since 2015. He is also chairman of the board of directors of Barry Callebaut. Patrick served as CEO of Adecco from 2009 to 2015, and as CEO of Barry Callebaut from 2002 to 2009.

Patrick started his professional career in 1980 as a consultant at Arthur Andersen. Between 1980 and 1997, he held executive positions at Wang, Apple, Sun International and the Belgian TV station VTM.

Age: 60

Nationality: Belgian

Dominique Leroy

Dominique Leroy has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Sustainability and Innovation Committee. Prior to the merger between Ahold and Delhaize, she served on Delhaize's Board of Directors starting in 2015.

Dominique began working at Belgacom SA in 2011 as vice president of sales for the consumer division. In 2012, she held the position of executive vice president of the consumer business unit of Belgacom and was a member of the management committee of Belgacom Group.

Prior to this, Dominique worked for 24 years at Unilever. She was managing director at Unilever (Belgium) and a member of the Unilever Benelux management committee.

Dominique has been the CEO of Proximus (formerly Belgacom) and a member of the board of directors of Proximus since 2014. She also serves as a board member at the Proximus subsidiaries BICS, Be-Mobile and Proximus Art.

In addition, Dominique serves as a board member at Lotus Bakeries and is chair of the international advisory board of the Solvay Brussels School of Economics and Management. She also serves as a member of the supervisory board of Saint Gobain.

Age: 53

Nationality: Belgian

Corporate governance

We have designed our corporate governance structure to best support our business, meet the needs of our stakeholders and comply with laws and regulations.

This section contains an overview of our corporate governance structure and includes information required under the new Dutch Corporate Governance Code, effective January 1, 2017 (Dutch Corporate Governance Code).

Governance structure

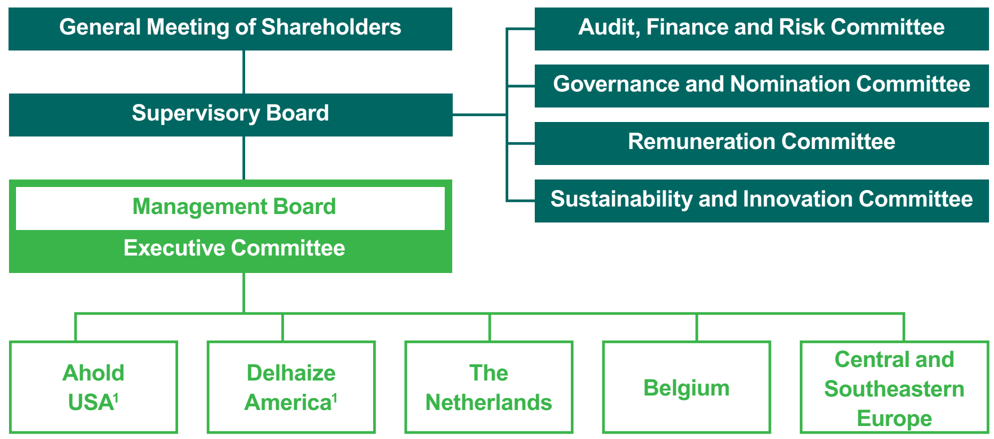
Koninklijke Ahold Delhaize N.V. ("the Company" or "Ahold Delhaize") is a public company under Dutch law, structured to execute our strategy and to balance local, regional and global decision-making.

In 2017, our Company comprised a Global Support Office and five reportable segments: Ahold USA, Delhaize America, The Netherlands, Belgium and Central and Southeastern Europe (CSE) – each of which are made up of a number of local brands. From 2018 onwards, in line with the new management structure effective January 1, 2018, we will combine the Ahold USA and Delhaize America reportable segments into one reportable segment: Ahold Delhaize USA. See also *Note 6* to the consolidated financial statements.

Ahold Delhaize has a two-tier board structure with a Supervisory Board and Management Board that are accountable to our shareholders. Our Management Board has ultimate responsibility for the overall management of Ahold Delhaize. The Supervisory Board supervises and advises the Management Board.

The Executive Committee comprises our Management Board and other key officers of the Company, led by the Chief Executive Officer. The Executive Committee has been established to involve a broader leadership team in the decision-making process in order to optimize strategic alignment and operational execution while having the flexibility to adapt to developments in the business and across the Company and the industry.

Governance structure



1 Ahold USA and Delhaize America reportable segments have been combined into one reportable segment, Ahold Delhaize USA, with effect from January 1, 2018.

The diagram above shows Ahold Delhaize's governance structure. A list of subsidiaries, joint ventures and associates is included in *Note 36* to the consolidated financial statements.

Management Board and Executive Committee

Our Management Board has the responsibility for the overall management of the Company and oversees corporate governance. It is also responsible for the actions and decisions of the Executive Committee, which manages our general affairs and ensures effective implementation of the strategy and achievement of the Company's objectives.

The Management Board and Executive Committee together support our business, meet the needs of our stakeholders and ensure we comply with relevant rules and regulations.

For a more detailed description of the responsibilities of the Management Board and the Executive Committee, see the Rules of Procedure in the Governance section of Ahold Delhaize's public website at **www.aholddelhaize.com.**

Corporate governance
continued

Composition of the Management Board and Executive Committee

According to our Articles of Association, the Management Board must consist of at least three members. The current members are: Dick Boer, President and Chief Executive Officer; Frans Muller, Deputy Chief Executive Officer and Chief Integration Officer; Jeff Carr, Chief Financial Officer; and Kevin Holt, Chief Executive Officer Ahold Delhaize USA[1]. The current members of the Executive Committee are the members of the Management Board along with Wouter Kolk, Chief Operating Officer the Netherlands and Belgium; Abbe Luersman, Chief Human Resources Officer; Jan Ernst de Groot, Chief Legal Officer; Marc Croonen, Chief Sustainability, Transformation and Communications Officer; and Ben Wishart[1], Global Chief Information Officer.

On January 1, 2018, Pierre Bouchut stepped down from the Management Board and Executive Committee. He will remain available as an adviser and for specific initiatives until July 1, 2018. As of January 1, 2018, Ben Wishart became a member of the Executive Committee. On April 11, 2018, at the annual General Meeting of Shareholders, Wouter Kolk will be nominated for appointment to the Management Board.

At Ahold Delhaize, we believe that a diverse and fully representative Management Board and Executive Committee contributes to well-balanced decision-making processes and the optimal functioning of both the Management Board and the Executive Committee. In accordance with provision 2.1.5 of the Dutch Corporate Governance Code, Ahold Delhaize's diversity policy states that the composition of the Executive Committee and the Management Board and the combined experience and expertise of their members should reflect the profile of the Company as it relates to nationality, age, education, gender and professional background. This aim for the best fit, in combination with the availability of qualified candidates, has resulted in Ahold Delhaize, as of February 27, 2018, having a Management Board in which all four members are male and an Executive Committee in which one member is female and eight members are male. We seek to identify potential Board members who would enhance the diversity of the Boards in the above-mentioned areas. In order to meet our diversity ambitions and comply with statutory guidelines for gender diversity in the coming years, we continue to work to ensure we build robust development and succession plans; generate diverse, balanced slates; and take the necessary actions to retain our current diverse talents so we can build our talent pipeline and drive greater diversity at all levels in our organization.

1 Effective January 1, 2018.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend or dismiss a Management Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal.

Management Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Management Board member and Executive Committee member. The other members of the Executive Committee are appointed, suspended and dismissed by the Supervisory Board, at the proposal of the CEO.

Remuneration

On April 19, 2016, Ahold Delhaize's General Meeting of Shareholders adopted our current remuneration policy for Management Board members. On April 12, 2017, Ahold Delhaize's General Meeting of Shareholders adopted an individual exception to this policy. You can find details of this policy in *Remuneration*. For detailed information on the individual remuneration of Management Board members, see *Notes 31* and *32* to the consolidated financial statements.

Possible reappointment schedule Management Board

Name	Date of first appointment	Year of possible reappointment
Dick Boer	May 3, 2007	2019
Jeff Carr	April 17, 2012	2020
Frans Muller	March 14, 2016[2]	2020
Kevin Holt	March 14, 2016[2]	2020

2 Effective July 24, 2016.

Evaluation

The Management Board and the Executive Committee conducted a self-assessment by means of a structured dialogue chaired by the CEO. Items that were assessed and discussed included the composition of the Boards, meeting processes and procedures, discussions and decision-making, and team dynamics.

Supervisory Board

The Supervisory Board is responsible for supervising and advising our Management Board and overseeing the general course of affairs, strategy, operational performance and corporate governance of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders. The Supervisory Board is responsible for monitoring and assessing its own performance.

Ahold Delhaize's Articles of Association require the approval of the Supervisory Board for certain major resolutions proposed to be taken by the Management Board, including:

- Issuance of shares
- Acquisitions, redemptions, repurchases of shares, and any reduction in issued and outstanding capital
- Allocation of duties within the Management Board and the adoption or amendment of the Rules of Procedure of the Management Board and the Executive Committee
- Significant changes in the identity or the nature of the Company or its enterprise

Presidium

Following the merger between Ahold and Delhaize, a Presidium was introduced that meets on a monthly basis with the Chief Executive Officer and the Deputy Chief Executive Officer and Chief Integration Officer. The Presidium is composed of the Chairman and first Vice Chairman of the

Corporate governance
continued

Supervisory Board, Mats Jansson and Jan Hommen. Its main task is to prepare the agenda of Supervisory Board meetings, deal with the content of Supervisory Board meetings and to stay in close contact with the CEO and Deputy CEO.

More detailed information on the Supervisory Board can be found in the *Supervisory Board report*. The Rules of Procedure of the Supervisory Board are available in the *Governance* section of Ahold Delhaize's public website at **www.aholddelhaize.com.**

Appointment
The General Meeting of Shareholders can appoint, suspend or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised, regardless of the number of shares represented at the meeting, is required.

A Supervisory Board member is appointed for a four-year term and may be reappointed for another four-year period. The Supervisory Board member may subsequently be reappointed again for a period of two years, which may be extended by, at most, two years.

Conflict of interest
Each member of the Supervisory Board is required to immediately report any potential conflict of interest to the Chairman of the Supervisory Board and provide all relevant information. In the event of a potential conflict of interest, each member of the Management Board is required to immediately report this to the Chairman of the Supervisory Board and to the other members of the Management Board and provide them with all relevant information.

Should a conflict of interest arise, the Supervisory Board or the relevant Management Board member may not participate in the discussions and decision-making process on subjects or transactions relating to the conflict of interest.

We will record any such transactions in the annual report for the relevant year, with reference to the conflict of interest and a confirmation that we have complied with best practice provisions 2.7.3 and 2.7.4 of the Dutch Corporate Governance Code. During 2017, no member of the Supervisory Board or the Management Board had a conflict of interest that was of material significance to the Company.

In addition, no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2017, corresponding to the best practice provision 2.7.5 of the Code.

Shares and shareholders' rights

General Meeting of Shareholders
Ahold Delhaize's shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. We are required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Management Board, or by one or more shareholders representing at least 10% of the issued share capital.

The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold Delhaize's Articles of Association and under Dutch law, including the adoption of our annual financial statements. The General Meeting of Shareholders is also entitled to vote on important decisions regarding Ahold Delhaize's identity or character, including major acquisitions and divestments.

Shareholders are entitled to propose items for the agenda of the annual General Meeting of Shareholders provided that they hold at least 1% of the issued share capital or the shares that they hold represent a market value of at least €50 million. Proposals for agenda items for the annual General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting.

Adoption of resolutions
Subject to certain exceptions provided by Dutch law or our Articles of Association, resolutions are passed by an absolute majority of votes cast without a requirement for a quorum.

Proposals submitted to the agenda by shareholders require an absolute majority of votes cast at the annual General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or our Articles of Association provide otherwise).

A resolution to amend the Articles of Association that would change the rights vested in the holders of a particular class of shares requires the prior approval of a meeting of that particular class.

A resolution to dissolve the Company may be adopted by the annual General Meeting of Shareholders following a proposal of the Management Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the annual General Meeting of Shareholders at which that proposal is to be considered.

Corporate governance
continued

Voting rights
Each common share entitles its holder to cast one vote. Dutch law prescribes a record date to be set 28 days prior to the date of the annual General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the annual General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the annual General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

We encourage participation in our General Meetings of Shareholders. We use Deutsche Bank Trust Company Americas, the Depositary for the Company's American Depositary Receipt (ADR) facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Neither Ahold Delhaize nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at the General Meeting of Shareholders.

Holders of depositary receipts of cumulative preferred financing shares may attend the General Meeting of Shareholders. The voting rights on the underlying shares may be exercised by the Stichting Administratiekantoor Preferente Financierings Aandelen Ahold (SAPFAA), a foundation organized under the laws of the Netherlands.

Cumulative preferred financing shares
All outstanding cumulative preferred financing shares have been issued to SAPFAA. Holders of depositary receipts can obtain proxies from SAPFAA.

In accordance with its articles, the board of SAPFAA consists of three members: one A member, one B member and one C member. The A member is appointed by the general meeting of depositary receipt holders, the B member is appointed by the Company and the C member is appointed by a joint resolution of the A member and the B member. As of February 27, 2018, the members of the board of SAPFAA are:

Member A:	J.L. van der Giessen
Member B:	C.W. de Monchy
Member C:	R. ter Haar, chairman

Ahold Delhaize pays a mandatory annual dividend on cumulative preferred financing shares, which is calculated in accordance with the provisions of article 39.4 of the Company's Articles of Association. For further details on cumulative preferred financing shares and the related voting rights, see *Note 22* to the consolidated financial statements.

Cumulative preferred shares
As of February 27, 2018, no cumulative preferred shares are outstanding. In March 1989, the Company entered into an agreement with the Dutch foundation Stichting Continuïteit Ahold Delhaize (SCAD, previously named Stichting Ahold Continuïteit), as amended and restated in April 1994, March 1997, December 2001, and December 2003 (the Option Agreement). The Option Agreement was designed to, in accordance with the purpose of SCAD under its articles, potentially exercise influence in the event of a public offer or a potential change of control over the Company, to safeguard the interests of the Company and all stakeholders in the Company and to potentially avert, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity.

Pursuant to the Option Agreement, SCAD has been granted an option for no consideration to acquire cumulative preferred shares from the Company from time to time until December 2018. The Option Agreement provides for the possibility of extension by both parties' consent. At Ahold Delhaize, a decision to extend the Option Agreement is at the discretion of the Management Board, subject to the approval of the Supervisory Board. In December 2017, the Company and SCAD commenced discussions on a possible extension of the Option Agreement, in accordance with its terms which require such discussions to start at least one year prior to the expiration date. No conclusion has been reached at this time.

SCAD and the members of its board are independent from the Company. As of February 27, 2018, the members of the board of SCAD are:

Name	Principal or former occupation
W.G. van Hassel, chairman	Lawyer and former chairman of Dutch Bar Association
G.H.N.L. van Woerkom	Chairman of Detailhandel Nederland
J. van den Belt	Former CFO Océ
B. Vree	Former CEO APM Terminals Europe

For details on Ahold Delhaize's cumulative preferred shares, see *Note 20* to the consolidated financial statements. The related documents are available on our website **www.aholddelhaize.com**.

Issuance of additional shares and preemptive rights
Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Management Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Management Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Management Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. On April 12, 2017, the General Meeting of Shareholders approved a delegation of this authority to the Management Board, relating to the issuance and / or granting of rights to acquire common shares up to a maximum of 10% of the issued common shares through October 12, 2018, and subject to the approval of the Supervisory Board.

Corporate governance
continued

Upon the issuance of new common shares, holders of Ahold Delhaize's common shares have a preemptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold Delhaize's common shares. According to the Company's Articles of Association, this preemptive right does not apply to any issuance of shares to Ahold Delhaize associates. The General Meeting of Shareholders may decide to restrict or exclude preemptive rights. The General Meeting of Shareholders may also resolve to designate the Management Board as the corporate body authorized to restrict or exclude preemptive rights for a period not exceeding five years.

On April 12, 2017, the General Meeting of Shareholders delegated to the Management Board, subject to the approval of the Supervisory Board, the authority to restrict or exclude the preemptive rights of holders of common shares upon the issuance of common shares and / or upon the granting of rights to subscribe for common shares through October 12, 2018.

Repurchase by Ahold Delhaize of its own shares
Ahold Delhaize may only acquire fully paid shares of any class in its capital for a consideration following authorization by the General Meeting of Shareholders and subject to certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold Delhaize's Articles of Association; and
2. Ahold Delhaize and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10% of the issued share capital.

The Management Board has been authorized to acquire a number of common shares in the Company or depositary receipts for shares, as permitted within the limits of the law and the Articles of Association and subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between par value and 110% of the opening price of the shares at Euronext Amsterdam by NYSE Euronext on the date of their acquisition. The authorization takes into account the possibility to cancel the repurchased shares. This authorization is valid through October 19, 2018. Ahold Delhaize may acquire shares in its capital for no consideration or for the purpose of transferring these shares to associates through share plans or option plans, without such authorization. The share buyback program of €1 billion that started on January 9, 2017, was successfully completed on December 29, 2017. In total, 55,166,939 of the Company's own shares were repurchased at an average price of €18.13 per share. On January 2, 2018, the Company commenced the €2 billion share buyback program that was announced on November 8, 2017. The program is expected to be completed before the end of 2018.

Major shareholders
Ahold Delhaize is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under *Cumulative preferred shares*.

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

3%	5%	10%	15%	20%
25%	30%	40%	50%	60%
75%	95%			

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

The following table lists the shareholders on record in the AFM register on February 27, 2018, that hold an interest of 3% or more in the share capital of the Company[1].

- BlackRock, Inc – 4.49% shareholding (6.14% voting rights) disclosed on June 21, 2017
- DeltaFort Beleggingen I B.V. – 10.82% shareholding (3.43% voting rights) disclosed on July 25, 2016[2]
- NN Group N.V. – 4.89% shareholding (2.54% voting rights) disclosed on August 9, 2017[2]
- Stichting Administratiekantoor Preferente Financierings Aandelen Ahold – 14.42% shareholding (5.03% voting rights) disclosed on August 9, 2017[3]

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

2 The interest on record for DeltaFort Beleggingen I B.V. and NN Group N.V. includes the indirect and / or potential interest from depositary receipts, as well as the direct and real interest from common shares.

3 SAPFAA holds all outstanding cumulative preferred financing shares and it issued corresponding depositary receipts to investors that were filed under DeltaFort Beleggingen I B.V. and NN Group N.V. Therefore, in relation to the outstanding cumulative preferred financing shares, disclosures are made by both SAPFAA (for the shares) and by DeltaFort Beleggingen I B.V. and NN Group N.V. (for the corresponding depositary receipts).

For details on the number of outstanding shares, see *Note 20* to the consolidated financial statements. For details on capital structure, listings, share performance and dividend policy in relation to Ahold Delhaize's common shares, see *Investors*.

Corporate governance
continued

Articles of Association
Our Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on our public website at **www.aholddelhaize.com**.

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Management Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital is required. If this qualified majority is not achieved but an absolute majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes, regardless of the number of shares represented at the meeting, is required.

The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Right of inquiry
The thresholds for shareholders to exercise the right of inquiry (het enquêterecht) are based on article 346 sub clause 1 under c of the Dutch Civil Code, regardless of the current nominal share capital of the Company. More information on the nominal value of shares can be found in *Note 20* and *Note 22* to the consolidated financial statements.

External independent auditor
The General Meeting of Shareholders appoints the external independent auditor. The Audit, Finance and Risk Committee recommends to the Supervisory Board the external independent auditor to be proposed for (re)appointment by the General Meeting of Shareholders. In addition, the Audit, Finance and Risk Committee evaluates and, where appropriate, recommends the replacement of the external independent auditor.

On April 12, 2017, the General Meeting of Shareholders appointed PricewaterhouseCoopers Accountants N.V. as external independent auditor for the Company for the financial year 2017.

Decree Article 10 EU Takeover Directive

According to the Decree Article 10 EU Takeover Directive, we have to report on, among other things, our capital structure, restrictions on voting rights and the transfer of securities, significant shareholdings in Ahold Delhaize, the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board and the amendment of the Articles of Association, the powers of the Management Board (in particular the power to issue shares or to repurchase shares), significant agreements to which Ahold Delhaize is a party and which are put into effect, changed or dissolved upon a change of control of Ahold Delhaize following a takeover bid, and any agreements between Ahold Delhaize and the members of the Management Board or associates providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate governance* section, in the *Investors* section, as well as in the notes referred to in these sections or included in the description of any relevant contract.

Compliance with Dutch Corporate Governance Code

Ahold Delhaize complies with the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company, in 2017, as reported in the Governance section. The Dutch Corporate Governance Code can be found at **www.mccg.nl**.

At the Extraordinary General Meeting of Shareholders on March 3, 2004, our shareholders consented to apply the Dutch Corporate Governance Code. Ahold Delhaize continues to seek ways to improve its corporate governance, including by measuring itself against international best practice.

Corporate Governance statement

The Dutch Corporate Governance Code requires companies to publish a statement concerning their approach to corporate governance and compliance with the Code. This is referred to in article 2a of the decree on additional requirements for management reports "Besluit inhoud bestuursverslag" last amended on January 1, 2018 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code, as required by article 3 of the Decree, can be found in the section *Compliance with the Dutch Corporate Governance Code*.
- The information concerning Ahold Delhaize's diversity policy, as required by article 3a sub d of the Decree, can be found in the *Management Board and Executive Committee* and *Supervisory Board* sections of *Corporate governance* as well as in the *Supervisory Board report*.
- The information concerning Ahold Delhaize's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant section under *How we manage risk*.
- The information regarding the functioning of Ahold Delhaize's General Meeting of Shareholders and the authority and rights of our shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders' rights*.
- The information regarding the composition and functioning of Ahold Delhaize's Management Board, Executive Committee and Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant *Management Board and Executive Committee and Supervisory Board* sections included in *Corporate governance* as well as in the *Supervisory Board report*.
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive*.

Supervisory Board report

Mats Jansson

Chairman of the Supervisory Board

Dear shareholder,

I am pleased to present our Supervisory Board report for 2017.

During our first full year as Ahold Delhaize, the Supervisory Board fulfilled its responsibilities to supervise and advise the Management Board and oversee the activities and performance of the Company for the benefit of all our stakeholders.

The Board put particular focus on delivering the synergies we committed to at the time of the merger and overseeing further achievements on the Better Together strategy. During 2017, the Management Board provided us with detailed information on the performance of the business as well as strategic and operational developments. Throughout the year, we thoroughly reviewed, discussed and approved the strategic options presented to us by the Management Board.

We also focused on supporting the Management Board in delivering a solid set of full year results and are pleased to report that Ahold Delhaize is on track with its integration and fulfilling its synergy targets. You can find more details on our 2017 focus areas and meetings in this Supervisory Board report.

On behalf of the Supervisory Board,

Mats Jansson

The Supervisory Board operates independently and is responsible for supervising and advising our Management Board as well as overseeing the general course of affairs, long-term strategy and operational performance of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall good of the enterprise and the relevant interests of all its stakeholders.

Composition of the Supervisory Board

Ahold Delhaize's Supervisory Board determines the number of its members. The Supervisory Board profile is published on Ahold Delhaize's public website at **www.aholddelhaize.com** and is updated regularly.

In accordance with provision 2.1.5 of the Dutch Corporate Governance Code, Ahold Delhaize's diversity policy states that the composition of the Supervisory Board and the combined experience and expertise of its members should reflect the profile of the Company as it relates to nationality, age, education, gender and professional background. In addition, the composition of the Board, including its members' combined experience, expertise and independence should reflect the best fit for Ahold Delhaize's profile and strategy. This aim for the best fit, in combination with the availability of qualified candidates, has resulted in Ahold Delhaize currently having a Supervisory Board in which two members are female and 10 members are male. In order to meet our diversity ambitions and comply with statutory guidelines for gender diversity in the coming years, we pay close attention to gender diversity in selection process for new Supervisory Board members.

Supervisory Board report
continued

Rules of Procedure
The Rules of Procedure of the Supervisory Board state that if a member is concurrently a member of another company's supervisory board, the main duties arising from and / or the number and nature of any other supervisory board memberships must not conflict or interfere with that individual's duties as a member of Ahold Delhaize's Supervisory Board.

Appointment
At the annual General Meeting of Shareholders on April 12, 2017, Jan Hommen was reappointed for his second four-year term and Ben Noteboom was reappointed for his third four-year term. In addition, Stephanie Shern stepped down from the Supervisory Board after the annual General Meeting on April 12, 2017, after having served for 12 years. On August 8, 2017, Jack Stahl resigned from the Supervisory Board after having served one year at Ahold Delhaize and eight years on the Board of Directors of Delhaize.

Ongoing education
New members of our Supervisory Board attend a multiple-day induction program at our businesses in the U.S. and the Netherlands as well as at the Global Support Office in Zaandam. During the onboarding program, new Supervisory Board members are briefed on their responsibilities and informed by senior management on the financial, social, corporate responsibility, human resources, governance, legal and reporting affairs of our Company and its businesses. Throughout the year, all members of our Supervisory Board visit several of our brands, operations and other segments of the Company to gain greater familiarity with senior management and to develop deeper knowledge of local operations, opportunities and challenges of the business. In addition, multiple in-depth workshops are held on various topics to allow the Supervisory Board members to gain greater insight into key priorities of Ahold Delhaize.

Evaluation
The Supervisory Board conducted a self-assessment in early 2018. The Board assessed the performance of its committees and its individual members, as well as the performance of the Management Board and its individual members, during a private meeting. The Supervisory Board was positive, overall, about the performance of its committees, the Management Board and satisfied with the performance of the Supervisory Board. The Board determined that it has made good progress in its continuous development as a team, has a balanced composition that suits the Company in its current stage and works well together in an open atmosphere. As part of the outcome of the assessment, the Supervisory Board will keep a continuous focus on its own size and structure in order to comply with the highest standards of excellence and governance.

Supervisory Board report
continued

Supervisory Board profile

	Experience						Core competencies				
Name	General business management	International	Retail	Consumer goods	Online / digital	Finance	Social/ employment	Sustainability	Disclosure	Marketing	IT
Mats Jansson	*	*	*	*				*			
Jan Hommen	*	*				*	*	*	*		
Jacques de Vaucleroy	*	*				*		*			
René Hooft Graafland	*	*		*		*			*	*	
Ben Noteboom	*	*					*	*	*	*	
Bill McEwan	*	*	*	*				*	*	*	
Rob van den Bergh	*	*			*			*	*		
Mark McGrath			*	*							
Mary Anne Citrino			*	*		*					
Johnny Thijs	*	*		*			*	*		*	
Patrick De Maeseneire	*	*				*	*	*	*	*	
Dominique Leroy	*	*			*			*	*	*	*

Supervisory Board[1] possible reappointment schedule

Name	Date of first appointment	Reappointment for second and third term	End of current appointment
Mats Jansson	March 14, 2016[3]		2020
Jan Hommen	October 1, 2013	2017	2021
Jacques de Vaucleroy	March 14, 2016[3]		2020
René Hooft Graafland	April 16, 2014[2]		2018
Ben Noteboom	April 28, 2009	2013 / 2017	2021
Bill McEwan	March 14, 2016[3]		2020
Rob van den Bergh	April 20, 2011	2015	2019
Mark McGrath	April 23, 2008	2012 / 2016	2020
Mary Anne Citrino	March 14, 2016		2020
Johnny Thijs	March 14, 2016[3]		2020
Patrick De Maeseneire	March 14, 2016[3]		2020
Dominique Leroy	March 14, 2016[3]		2020

1 In its decision to nominate its members for reappointment, the Supervisory Board will take into account their tenure in the Board of Directors of the former Delhaize Group, prior to their appointment to the Supervisory Board.
2 Effective January 1, 2015.
3 Effective July 24, 2016.

Supervisory Board report
continued

Meetings of the Supervisory Board

During 2017, the Supervisory Board met on eight occasions, of which six meetings were held in person and two meetings by means of a conference call. The Management Board attended these meetings and the other members of the Executive Committee, as well as other senior management, were regularly invited to be present. The Supervisory Board also held several private meetings without other attendees to independently review certain issues and to discuss matters related to the functioning of the Management and Supervisory Boards. The external independent auditor attended the meeting of February 28, 2017, at which the 2016 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders.

In addition to the scheduled meetings, the members of the Supervisory Board review specific operations or activities of the Company; in 2017, the Supervisory Board reviewed matters related to all aspects of the activities, results, strategy and management of the Company. During its meetings throughout the year, the Supervisory Board reviewed reports from its various committees and regularly assessed the functioning of the Management Board, the organizational strategy, talent management and succession planning. In addition, the Board members have regular contact with associates in various levels of management. These informal consultations ensure that the Supervisory Board remains well-informed about the Company's day-to-day operations.

- **January 2017:** The Supervisory Board held a conference call to discuss Ahold Delhaize's Q4 / full year 2016 trading statement and receive an integration update following the merger. On the same date, the Board of Directors of Delhaize Group approved the Delhaize Group NV/SA statutory accounts and board report for the period from January 1, 2016, up to and including July 23, 2016.
- **February 2017:** During a two-day meeting, the Supervisory Board met to discuss and approve Ahold Delhaize's Q4 / full year 2016 results, as well as the Annual Report 2016 and the supplementary report for Sustainable Retailing 2016. In addition, the Supervisory Board approved the dividend proposal and the 2020 Sustainable Retailing key targets. During the same meeting, the agenda and explanatory notes were approved for the annual General Meeting of Shareholders to be held in April 2017. The proposal to amend the individual performance ratings for the Executive Committee members was also approved by the Board. On the recommendation of the Remuneration Committee, the Supervisory Board resolved to approve the 2016 Executive Committee Incentive Plan Payout, in addition to the approval of the adjustment of the base salary levels of the Executive Committee members. In addition, the Supervisory Board received an update on the divestments in the United States and Belgium as a result of the anti-trust processes following the merger. In light of the revised Dutch Corporate Governance Code, the Rules of Procedure of the Supervisory Board, Management Board and Executive Committee were updated and approved. The Supervisory Board also discussed next steps for the implementation of the new Dutch Corporate Governance Code. The Board received an update on the overall integration and the performance of Delhaize Belgium, including the brand's progress on its Transformation Plan. Lastly, the Supervisory Board was updated on Ahold Delhaize's enterprise risk management system, IT performance systems and significant legal proceedings with potential impact on the Company.
- **April 2017:** The Supervisory Board discussed the performance of Delhaize Belgium. They also received an update on Ahold Delhaize's U.S. businesses, as well as a separate update on the performance of Peapod, including its strategic roadmap and future business opportunities. Lastly, a financial update was given on the Q1 2017 estimates.
- **May 2017:** During a conference call, the Supervisory Board discussed reports from the external independent auditor and internal auditor as well as the internal control report and the governance, risk and control report. The Board approved the initiation of the SEC deregistration at the end of July 2017. They also discussed and approved the Q1 2017 Interim Report. In addition, the Board was informed that the integration is fully on track, and the Company is delivering its synergies. The Board received an update on divestments in the U.S. and Belgium and was given background on IT service performance, information security and vendor management during Q1 2017. In addition, they received a review on post investments including store expansions, relocations and remodels.
- **June 2017:** During a meeting, the Supervisory Board was updated on developments in the United States and the Company's strategic view and main focus areas. They received a financial update on the previous month and quarterly results to date and an outlook for Q2 2017. The Supervisory Board also discussed the financing strategy of the Company and approved the Euro Commercial Paper program and Ahold Delhaize's first public debt offering to the debt capital markets.
- **June 2017:** During another meeting, the Supervisory Board received an extensive update on the integration efforts and progress. The implementation of the customer savings initiative was presented to the Board and market developments across Ahold Delhaize's businesses were discussed. The Board also addressed strategic initiatives across the brands, as well as the future IT Roadmap to support the strategic framework of each of the brands.
- **August 2017:** The Q2 2017 interim results were presented and subsequently approved by the Supervisory Board. The Board discussed the external and internal audit reports and the overall broadening and strengthening of the control environment. Furthermore, the Board was updated on the U.S. organization, including the establishment of Retail Business Services, which was reportedly on track to be up and running on January 1, 2018. They received an update on the IT Roadmap and priorities regarding information security in relation to data protection; privacy and cyber-defense monitoring were highlighted.

Supervisory Board report

continued

- **September 2017:** The Supervisory Board held a meeting in which they reviewed strategic initiatives and market developments across Ahold Delhaize's brands. They received a financial update and discussed the long-term strategy of the Company.
- **November 2017:** During a two-day meeting, the Supervisory Board approved the Q3 2017 interim results, together with the Company's long-term business and finance plans, and annual budget plan for 2018.
- Throughout the year 2017, the Supervisory Board visited multiple stores and distribution centers.

Attendance

Except for a limited number of occasions, and for valid reasons, all Supervisory Board members attended all Supervisory Board meetings in 2017. In all cases, the Supervisory Board members who were not able to attend made sure they were represented. All Supervisory Board members made adequate time available to give sufficient attention to matters concerning Ahold Delhaize.

Board attendance	Number of meetings held	Number of meetings attended
Mats Jansson	8	6
Jan Hommen	8	8
Jacques de Vaucleroy	8	8
Jack Stahl	6	6
René Hooft Graafland	8	8
Ben Noteboom	8	8
Bill McEwan	8	8
Rob van den Bergh	8	7
Stephanie Shern	3	2
Mark McGrath	8	8
Mary Anne Citrino	8	8
Johnny Thijs	8	8
Patrick De Maeseneire	8	7
Dominique Leroy	8	7

Independence

The Supervisory Board confirms that during 2017 as well as on February 27, 2018, all Supervisory Board members were independent within the meaning of provision 2.1.10 of the Dutch Corporate Governance Code.

Remuneration

The annual remuneration of the members of the Supervisory Board was determined by the annual General Meeting of Shareholders on April 12, 2017. Remuneration is subject to annual review by the Supervisory Board.

Chairman Supervisory Board	€220,000
Vice Chairman (and member of the presidium)	€180,000
Vice Chairman	€125,000
Member Supervisory Board	€90,000
Chairman Audit, Finance and Risk Committee	€30,000
Member Audit, Finance and Risk Committee	€15,000
Chairman Other Committee	€20,000
Member Other Committee	€12,500
Travel compensation intercontinental per round trip	€7,500
Travel compensation continental per round trip	€2,500

Supervisory Board report
continued

Committees of the Supervisory Board

The Supervisory Board has four committees to which certain tasks are assigned. The committees have advisory powers and provide the Supervisory Board with regular updates on their meetings. The composition of each committee is detailed in the following table.

	Audit, Finance and Risk Committee	Governance and Nomination Committee	Remuneration Committee	Sustainability and Innovation Committee
Mats Jansson (Chairman)		Member		
Jan Hommen (Vice Chairman)	Member[6]	Member		
Jacques de Vaucleroy (Vice Chairman)	Member	Member		
René Hooft Graafland	Chairman[6]			
Ben Noteboom		Chairman	Member	
Bill McEwan			Chairman	Member
Rob van den Bergh			Member	Chairman
Mark McGrath		Member		
Mary Anne Citrino	Member			
Johnny Thijs			Member	
Patrick De Maeseneire	Member			
Dominique Leroy				Member

6 René Hooft Graafland was appointed Chairman of the Audit, Finance and Risk Committee after Jack Stahl stepped down from the Supervisory Board on August 8, 2017. Jan Hommen was appointed as a member of the AFRC as per August 8, 2017.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee assists the Supervisory Board in its responsibility to oversee Ahold Delhaize's financing, financial statements, financial reporting process and system of internal business controls and risk management. The Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Senior Vice President Internal Audit, Senior Vice President Accounting, Reporting, Risk & Controls and representatives of the external independent auditor are invited to, and attend, the Audit, Finance and Risk Committee meetings.

The Audit, Finance and Risk Committee determines how the external independent auditor should be involved in the content and publication of financial reports other than the financial statements. The Management Board and the Audit, Finance and Risk Committee report to the Supervisory Board annually on their cooperation with the external independent auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external independent auditor, that is submitted to the General Meeting of Shareholders.

In 2017, the Audit, Finance and Risk Committee held two meetings in person, and three meetings via conference calls. The attendance rate of the members of this Committee was 100%. Throughout the year, the Audit, Finance and Risk Committee closely monitored the financial closing process and reviewed the publication of quarterly results. Updates on internal controls were provided during all Audit, Finance and Risk Committee meetings. The Audit, Finance and Risk Committee was informed regularly on compliance and reviewed and received regular updates on the Company's whistleblower programs.

The Audit, Finance and Risk Committee also discussed items including:

- Quarterly interim reports
- Ahold Delhaize's 2016 Annual Report including the financial statements
- Review and approval of the internal audit plan
- Lease accounting IFRS 16
- The findings in the internal audit letter and the external independent auditor's findings in relation to the internal controls over financial reporting
- The Company's finance structure
- Treasury
- Taxation, including the accounting for tax reforms
- Guarantees
- Self-insurance programs
- Recognition of vendor allowances
- Impairment testing of goodwill
- Employee benefit plan measurement and disclosures
- Appointment of the external independent auditor
- Ahold Delhaize Code of Ethics

The Audit, Finance and Risk Committee and the Chairman of the Audit, Finance and Risk Committee also held private meetings together with the Chief Financial Officer, Senior Vice President Internal Audit and external independent auditor.

Supervisory Board report
continued

With the resignation of Jack Stahl from the Supervisory Board, René Hooft Graafland was assigned Chairman of the Audit, Finance and Risk Committee on August 8, 2017. Jan Hommen was appointed as a member of the Audit, Finance and Risk Committee, effective August 8, 2017.

The Supervisory Board has determined that René Hooft Graafland, Jan Hommen and Patrick de Maeseneire are "Audit Committee Financial Experts" within the meaning of the Dutch Corporate Governance Code, provision 2.1.4.

Governance and Nomination Committee
In 2017, the Governance and Nomination Committee held three meetings in person and one via conference call, all of which the Chief Executive Officer was invited to attend. The attendance rate of the Board members of this Committee was 90%. The Committee's main areas of focus were long-term succession planning for the Supervisory Board and management development.
The Committee was also involved in organizational and management changes and overall succession and management development processes as well as governance matters.

Remuneration Committee
In 2017, the Remuneration Committee held five meetings in person and one via conference call, all of which the Chief Executive Officer was invited to attend. The attendance rate of the Board members of this Committee was 97%. During the meetings, the Committee prepared proposals for the Supervisory Board on an individual exception to the remuneration policy for the Management Board, to be adopted by the General Meeting of Shareholders. In addition, the Remuneration Committee prepared proposals for the individual remuneration of members of the Management Board. Lastly, the Committee gave advice on the level and structure of compensation for senior personnel other than members of the Management Board.

See *Remuneration* for more information on our remuneration policy, which aims to help us attract, motivate and retain the best-qualified workforce, in a cost-effective way.

Sustainability and Innovation Committee
During the course of 2017, the Sustainability and Innovation Committee held three meetings in person, all of which the Deputy Chief Executive Officer was invited to attend. The attendance rate of the Board members of this Committee was 100%. The Committee's main areas of focus were Ahold Delhaize's Sustainable Retailing and e-commerce strategies. In addition, digitalization and personalization data analytics were addressed in the meetings.

Conclusion
The Supervisory Board is of the opinion that during the year 2017, its composition, mix and depth of available expertise; working processes; level and frequency of engagement across all prominent Company activities; and access to all necessary and relevant information and the Company's management and staff were satisfactory and enabled it to carry out its duties towards all the Company's stakeholders.

The Supervisory Board wishes to express its gratitude to Stephanie Shern and Jack Stahl for their efforts and contributions to the Company.

The Supervisory Board would also like to thank Ahold Delhaize's shareholders for their support and trust in the Company and its management. Finally, the Board wishes to express its appreciation for the continued dedication, commitment and excellent work of the Management Board and all of Ahold Delhaize's associates during 2017.

Supervisory Board
Zaandam, the Netherlands
February 27, 2018

Remuneration

Bill McEwan

Chairman of the Remuneration Committee of the Supervisory Board

Dear shareholder,

I am pleased to present our 2017 Remuneration report. As one of the world's leading food retail groups, Ahold Delhaize employs 369,000 associates in nine countries. In determining the employment conditions of our associates, we set compensation and benefits levels in line with associates' job level and local market practices. The remuneration practices in each of our local markets are regularly reviewed to take into account the market dynamics and economic conditions. We are committed to the key principle of fair and equitable treatment of all associates as we determine remuneration policies. We apply the same principles in the determination of the Remuneration Policy for the Management Board.

As outlined in our Remuneration Policy, Management Board remuneration is targeted at or near the median of the labor market peer group, consisting of six AEX, six European, and six U.S. peer companies. During the past year, the Management Board's remuneration was implemented in accordance with our Remuneration Policy. This policy is in compliance with the Dutch Corporate Governance Code and was adopted at the annual General Meeting of Shareholders on April 19, 2016. It became effective on July 24, 2016, the first calendar day after the merger of Ahold and Delhaize was finalized. An individual exception to the remuneration policy for the CEO Ahold Delhaize USA (former Chief Operating Officer Ahold USA) was adopted at the annual General Meeting of Shareholders on April 12, 2017.

For the majority of our associates, remuneration is based on collective bargaining agreements structured primarily as fixed annual salaries or hourly wages. In addition, store managers and general management associates are eligible to receive an annual performance-based bonus. Associates in senior management positions are eligible for performance-based annual bonuses as well as Ahold Delhaize performance share grants that are linked to the long-term goals of the Company.

The Supervisory Board's Remuneration Committee closely monitors developments in the global, regional and local labor markets and takes these developments into account when making recommendations on the Management Board compensation to the Supervisory Board for consideration and approval.

The following table shows the pay ratio of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Executive Officer Ahold Delhaize USA compared to the average remuneration of all Ahold Delhaize associates.

Pay ratio	2017	2016
CEO	**114**	119
Deputy CEO[1]	**135**	–
CFO	**71**	71
CEO Ahold Delhaize USA[1]	**74**	–

1 Since the Deputy CEO and the CEO Ahold Delhaize USA joined the Company on July 24, 2016, full year numbers for 2016 are not available.

We have calculated the pay ratio between the Total Remuneration of the respective Management Board members and the average remuneration of all Ahold Delhaize associates over 2016 and 2017 to convey the year-over-year changes. The average remuneration of all associates in 2016 is calculated on the basis of pro forma (full year 2016) labor costs. The average remuneration of all associates is calculated as the total labor costs (see *Note 8* to the consolidated financial statements) divided by the number of associates on an FTE basis (see *Five-year overview*). The average remuneration of all associates amounted to €39,572 for 2016 and €40,225 for 2017. The total compensation of the CEO, Deputy CEO, CFO and CEO Ahold Delhaize USA can be found in *Note 31* to the consolidated financial statements.

Remuneration
continued

As set forth in the Remuneration Policy, the total compensation of our Management Board members is positioned at the median level of the peer group we've selected for benchmarking (see page 103). The following table illustrates the pay ratio of our CEO compared to the pay ratios of other CEOs in the peer group. It is important to note that pay ratios across industries are impacted by the different mix of functions from one industry to another. Even within the same industry, comparing pay ratios is challenging due to different market conditions (a mix of high- and low-paying countries).

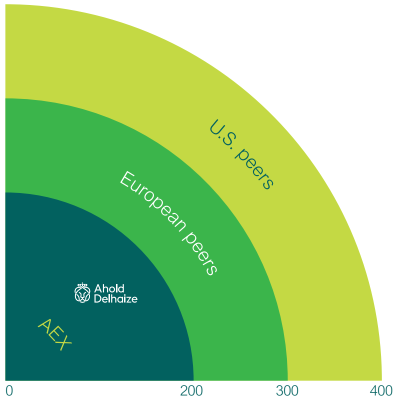
Therefore, to put Ahold Delhaize's pay ratios into perspective, the graph illustrates Ahold Delhaize's position compared to its peers in the European and U.S. markets as well as the AEX companies in the peer group. The ratios mentioned in the table and the graph are derived from the publicly disclosed 2016 annual reports of the respective companies. For comparison purposes the ratios have been calculated using the same methodology as used for Ahold Delhaize's pay ratio.

Pay ratio Ahold Delhaize CEO compared to pay ratios of other CEOs in the peer group (2016 figures)

Ahold Delhaize	Average AEX peers	Average European peers	Average U.S. peers
119	115	179	238
	103.5%	66.5%	50%

The average pay ratio for the CEO position in the full peer group is 188. The graph illustrates Ahold Delhaize's position versus the labor market peer group as defined in the Remuneration Policy.

The Supervisory Board will continue to monitor the development of pay ratios both within the Company and in comparison with the peer group.



Our remuneration policy remains unchanged for 2018. At the Supervisory Board's discretion, effective in 2018, two replacements have been made in the labor market and Total Shareholder Return (TSR) peer groups due to corporate actions at Metro and Staples. Metro demerged into Ceconomy and Metro Cash & Carry. The former Metro has been replaced in each of the two peer groups by Metro Cash & Carry. Staples was delisted as a consequence of its purchase by Sycamore and has been replaced by Lowe's Companies in each of the two peer groups.

In 2017, the Company announced the upcoming retirement of Pierre Bouchut from the Management Board as well as the intended appointment of Wouter Kolk to the Management Board. The latter appointment will be brought forward for shareholder approval at the annual General Meeting of Shareholders on April 11, 2018. The implementation of these Management Board changes will be in accordance with our Remuneration Policy.

The Remuneration Committee also conducted interviews on Management Board remuneration and its link to the Company's overall strategy with each of the members of the Management Board. The Remuneration Committee will continue to monitor and review Ahold Delhaize's Remuneration Policy to ensure that it continues to be aligned to support the strategy and long-term growth of the Company, the needs of all internal and external stakeholders, and our commitment to making a sustainable contribution to society at large. If the Supervisory Board determines that changes to the existing Remuneration Policy are appropriate and required, we will seek shareholder approval at future General Meetings.

I look forward to presenting this Remuneration report for discussion with all our shareholders at our upcoming annual General Meeting of Shareholders on April 11, 2018.

Bill McEwan
Chairman of the Remuneration Committee
of the Supervisory Board

Remuneration
continued

Ahold Delhaize's remuneration policy was prepared in accordance with the Dutch Corporate Governance Code. It was adopted at the General Meeting of Shareholders on April 19, 2016. The remuneration policy became effective on July 24, 2016, the first calendar day after the merger of Ahold and Delhaize was finalized. An individual exception to the remuneration policy was adopted at the General Meeting of Shareholders on April 12, 2017.

Remuneration policy

Remuneration philosophy

Ahold Delhaize's remuneration policy is aligned with the Company's strategy and supports a strong and aligned performance culture. Our remuneration policy aims at attracting, motivating and retaining the best-qualified talent.

Management Board remuneration policy

The Supervisory Board designed the Management Board's remuneration policy to align with the Company's strategy and to support its pay-for-performance culture, while aiming to be effective, transparent and simple. While developing the remuneration policy, we conducted scenario analyses to determine the risks to which variable remuneration may expose the Company.

The basic elements of the Total Direct Compensation provided to Management Board members are (1) a base salary, (2) an annual cash incentive and (3) a long-term equity-based program. In line with our overall remuneration philosophy, the Management Board's Total Direct Compensation is structured and more heavily weighted on variable annual and long-term incentives tied to the realization of financial and societal performance criteria. These performance criteria are a cornerstone of the Company's strategy.

The annual cash incentive is focused on the key financial metrics of a retail organization: sales growth, operating margin and operating cash flow. Our focus and goal is to expand market share, while at the same time grow margins to increase profitability and manage capital spending and expenses prudently to secure strong and sustainable cash flow.

The long-term incentive is measured against (i) our internal measure on Return on Capital (RoC), (ii) our external measure of the Company's share performance relative to that of its peers: Total Shareholder Return (TSR) and (iii) the Company's contribution to society through sustainability objectives. Performance for our long-term incentives is measured over a revolving three-year period.

The structure of our remuneration policy aligns the focus of the Management Board with the interests of the Company's shareholders, our local communities and society at large. Compensation and awards are tied to and dependent on the delivery of our strategy in a responsible and sustainable way.

Market competitive pay

The competitiveness of the Management Board remuneration is benchmarked annually against a labor market peer group that reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. Since Ahold Delhaize is a Dutch-headquartered company, the AEX market practice in the Netherlands is included. The peer group consists of 18 companies, including peer companies in Europe and the United States as well as AEX-listed companies.

European peers	U.S. peers	AEX
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro	Target	Heineken
Casino Guichard Perrachon	Walgreen Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morisson	Staples	Relx

In anticipation of potential changes to the labor market peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board has the discretion to substitute comparable companies. In general, geographical composition leads in the determination of a replacement company: for example, if a U.S.-based company drops out, it is replaced by another U.S.-based company.

The composition (risk profile) of the Total Direct Compensation levels is also taken into account when benchmarking base salary levels. The target Total Direct Compensation level is typically around the median, with base salary levels slightly below the median and long-term incentives at the higher end of the market to support the pay-for-performance culture and long-term focus.

An individual exception to the remuneration policy of the Management Board applies for the CEO Ahold Delhaize USA (Kevin Holt). The Supervisory Board determines the remuneration for the CEO Ahold Delhaize USA on the basis of a local reference market, the U.S. retail labor market reference group comprising 14 companies.

Remuneration
continued

Base salary
The level of the Management Board members' base salary is derived from the benchmarking of Total Direct Compensation. Adjustment of the base salary is at the discretion of the Supervisory Board.

Annual cash incentive plan: Executive Committee Incentive Plan
The Management Board members participate in the Executive Committee Incentive Plan (EIP). The EIP is an annual cash incentive plan that employs three equally weighted financial measures: sales growth (30%), underlying operating margin (30%) and operating cash flow (30%), as well as personal objectives (10%). The at-target payout as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 150% of the base salary in the event of above-target performance.

Long-term equity-based program: Global Reward Opportunity
The Management Board members participate in the Company's long-term incentive program: Global Reward Opportunity (GRO). Under the GRO program, shares are granted through a three-year program. The vesting of these performance shares is subject to performance over a three-year period. The GRO program employs two financial measures: RoC (40%) and TSR (40%). In addition, a non-financial performance measure (20%) related to Sustainable Retailing targets is included.

In line with market practice, the target value of the long-term incentives granted under the program differs by role. For the CEO, the target value is 235% of base salary; for the Deputy CEO and CEO Ahold Delhaize USA, the target value is 200% of base salary; for the CFO, the target value is 175% of base salary; and for the COO Europe the target value is 150% of base salary.

The total GRO award is comprised of three portions of shares, linked to RoC, TSR and sustainability targets, respectively.

Linked to RoC
Of the total GRO award, the first 40% is linked to a three-year RoC target. Dependent on performance, the number of shares that eventually vest may range between zero and a maximum of 150% of the number of shares granted.

Linked to TSR
Another 40% of the total GRO award is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group. The number of shares that vest depends on the Company's relative ranking in the peer group. An independent external adviser determines the ranking based on TSR performance. No shares will vest to Management Board members if the Company ranks below the seventh position in the performance peer group. The table below indicates the percentage of performance shares that vests based on the Company's ranking.

Company ranking	Shares that will vest as % of originally granted amount
Ranking 1	175%
Ranking 2	150%
Ranking 3	125%
Ranking 4	110%
Ranking 5	100%
Ranking 6	80%
Ranking 7	50%
Ranking 8 – 14	0%

TSR performance peer group	
Tesco	Kroger
Carrefour	Costco
Metro	Target
Casino Guichard Perrachon	Walgreen Boots Alliance
J Sainsbury	Best Buy
W M Morisson	Staples
Walmart	

In anticipation of potential changes to the performance peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board has the discretion to include substitute comparable companies.

Linked to Sustainable Retailing
For the remaining 20% of the total GRO award, the performance at vesting is measured against sustainable retailing targets. This measure relates to the Company's Sustainable Retailing strategic ambitions. The targets set under this non-financial performance measure are both qualitative and quantitative. Dependent on performance, the number of shares that may vest may range between zero and a maximum of 150% of the number of shares granted.

Shareholding requirements and ownership guidelines
Management Board members must retain the shares awarded under the GRO program for a period of at least five years from the grant date. The sale of a portion of the shares is permissible to finance taxes due at the date of vesting. All members of the Management Board are required to hold shares in the Company with a value equal to at least 150% of their base salary. The holding may accumulate by retaining all after-tax shares from the GRO program and does not require personal share purchases.

Remuneration
continued

Claw-back
A claw-back provision is applicable to the Management Board members' annual cash incentive plan (EIP) as well as the long-term equity incentive program (GRO).

Pensions and other contract terms
Pension
All existing pension arrangements in the Netherlands have been brought in line with the applicable fiscal pension regulations. The pension plan for Management Board members is calculated similarly to that of all other associates of the Company in the Netherlands and is referred to as a defined benefit plan, based on career average salary. The retirement age (in 2017) is 67. The pensionable salary is capped at around €100,000 (2017: € 98,995). Each Management Board member working on a Dutch contract pays a pension premium contribution identical to that of all other Ahold Delhaize associates in the Netherlands. In addition, Management Board members receive a gross (age-dependent) pension allowance and can choose to participate in a Net Pension Arrangement by investing the net (after tax) amount. The Net Pension Arrangement is identical to that of all other associates of the Company in the Netherlands whose pensionable salary exceeds the cap. Participation in this Net Pension Arrangement is voluntarily.

Members of the Management Board working on a non-Dutch contract are offered pension plans in line with local practices.

Loans
Ahold Delhaize does not provide loans or advances to members of the Management Board. Nor does the Company issue guarantees to the benefit of members of the Management Board.

Additional arrangements
In addition to the remuneration of the Management Board members, a number of additional arrangements apply. These include expense and relocation allowances, medical insurance and accident insurance, use of company cars and, if applicable, expatriate allowances, which apply to other senior associates and are in line with local market practice. In addition, third-party tax services will be provided to ensure compliance with the relevant legislative requirements.

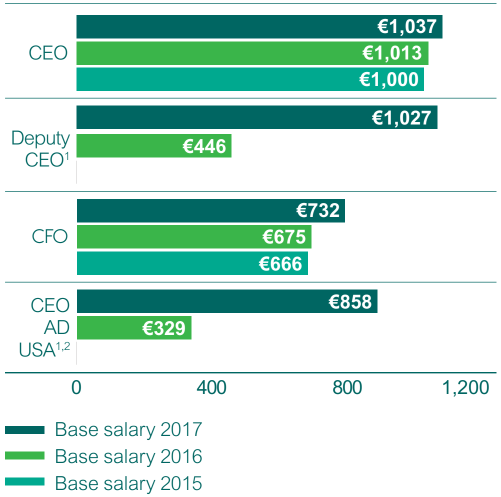
(Service) Agreements
The term of appointment for all Management Board members is four years. If the Company terminates the (service) agreement of any member of the Management Board, the severance payment is limited to one year's base salary. The same applies if an initial (service) agreement for four years is not continued in the event the Management Board member is not reappointed. The agreement may be terminated by the Company with a notice period of 12 months and by the Management Board member with a notice period of six months.

Future outlook
In light of changes to the labor market reference group and TSR peer group due to the demerger of Metro Group and delisting of Staples, the Supervisory Board will include substitute comparable companies. For benchmarking purposes, from 2018 onwards, Metro Cash & Carry will replace Metro Group, and Lowe's Companies will replace Staples in the labor market peer group. For relative TSR measurement, this substitution comes into effect for the 2016 and 2017 GRO awards and to-be-granted GRO share awards.

2017 Management Board Remuneration
The Management Board remuneration for 2017 is in accordance with the Management Board remuneration policy. This policy was adopted at the General Meeting of Shareholders on April 19, 2016, and an individual exception was adopted at the General Meeting of Shareholders on April 12, 2017.

2017 Base salary
The base salaries of members of the Management Board were adjusted effective January 2017, and for the CEO Ahold Delhaize USA effective May 2017 in accordance with the adoption of the individual exception by the General Meeting of Shareholders on April 12, 2017.

Base salary
thousands



1 For the members appointed to the Management Board in 2016, the 2016 base salary reflects a partial year.

2 For 2017, CEO AD USA refers to the COO Ahold USA. The salary of the CEO AD USA has been converted from U.S. dollars into euros using the 2017 year-to-date average $ / € exchange rate of 0.8868.

For 2016, CEO AD USA refers to the COO Delhaize America for the period up to October 1, 2016, and the COO Ahold USA for the period starting October 1, 2016. The salary of the CEO AD USA has been converted from U.S. dollars into euros using the 2016 year-to-date average $ / € exchange rate of 0.912519.

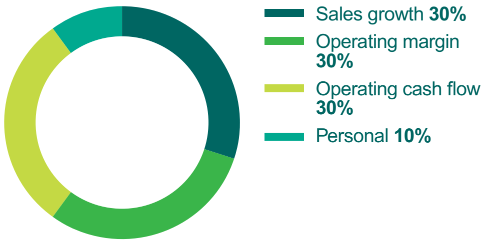
Remuneration
continued

2017 Annual cash incentive plan: EIP

The EIP uses three equally weighted financial measures: sales growth (30%), operating margin (30%) and operating cash flow (30%). In addition, personal objectives (10%) are included.

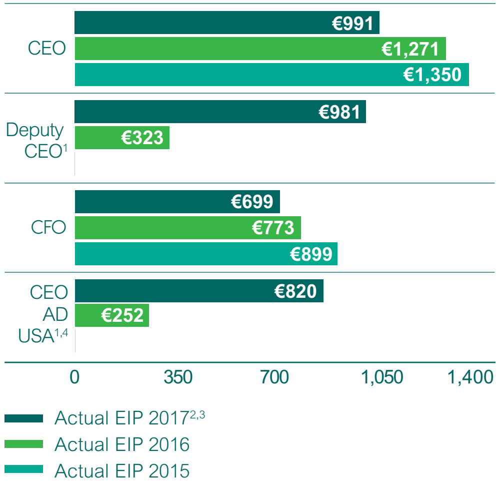
Ahold Delhaize does not disclose the actual targets per performance measure, as this is considered to be commercially sensitive information.

2017 EIP Performance measures



The at-target payout as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 150% of the base salary in the event of above-target performance.

Actual EIP
thousands



1 For the members appointed to the Management Board in 2016, the 2016 EIP reflects a partial year.

2 2017 EIP represents accrued annual cash incentives to be paid in 2018 and subject to shareholder approval of the financial statements.

3 The overall 2017 financial performance multiplier was 93%. This reflects our financial results being modestly below target. The individual EIP amounts also include the component linked to individual performance.

4 For 2017, CEO AD USA refers to the COO Ahold USA. The EIP of the CEO AD USA has been converted from U.S. dollars into euros using the 2017 year-to-date average $ / € exchange rate of 0.8868. For 2016, CEO AD USA refers to the COO Delhaize America for the period up to October 1, 2016, and the COO Ahold USA for the period starting October 1, 2016. The 2016 EIP of the CEO AD USA has been converted from U.S. dollars into euros using the 2016 year-to-date average $ / € exchange rate of 0.912519.

2017 Long-term equity-based program: GRO

The Management Board members participate in Ahold Delhaize's long-term equity-based incentive program, GRO. The 2017 GRO award was made the day after the 2017 annual General Meeting of Shareholders.

The vesting of the GRO performance shares is subject to performance over a period of three years and the GRO program employs two financial measures: Return on Capital (40%) and Total Shareholder Return (40%). In addition, a non-financial performance measure (20%) is included related to Sustainable Retailing targets. For this purpose, performance is measured on the basis of both an external and an internal target. The Dow Jones Sustainability Index (the external target) measures how the Company performs on sustainability against peers in the sector. The percentage of healthy own-brand food sales of total own-brand food sales (the internal target) is the measure we use to drive performance in pursuit of our company objective to facilitate healthier eating.

2017 GRO grant

To calculate the number of shares to be granted, the at-target value of the award is divided by the six-month average share price preceding the annual award date, calculated over the fourth quarter of 2016 and the first quarter of 2017. Scenario analyses are prepared regularly to estimate the possible future payout levels.

At-target grant and maximum vesting performance shares

	Performance shares				
	RoC (40%)	TSR (40%)	Sustainability (20%)	Total at-target grant	Total maximum vesting
CEO	94%	94%	47%	235%	376%
Deputy CEO	80%	80%	40%	200%	320%
CFO	70%	70%	35%	175%	280%
CEO AD USA	80%	80%	40%	200%	320%
COO EU	60%	60%	30%	150%	240%

All percentages constitute a percentage of base salary.

Remuneration
continued

2017 GRO share grant calculation – Example CEO

	At-target share grant (% of base salary)	Award value (base salary[1] at-target grant %)	Number of shares granted (award value divided by six-month average share price)
RoC performance shares	94%	975.118	48,819
TSR performance shares	94%	975,118	48,819
Sustainability performance shares	47%	487,560	24,410
	235%	2.437.796	122.048

1 Table assumes base salary of €1,037,360 and six-month average share price of €19.97.

2017 GRO share grant calculation – Example CFO

	At-target share grant (% of base salary)	Award value (base salary[2] at-target grant %)	Number of shares granted (award value divided by six-month average share price)
RoC performance shares	70%	512,578	25,662
TSR performance shares	70%	512,578	25,662
Sustainability performance shares	35%	256,289	12,831
	175%	1,281,445	64,155

2 Table assumes base salary of €732,254 and six-month average share price of €19.97.

How we manage risk

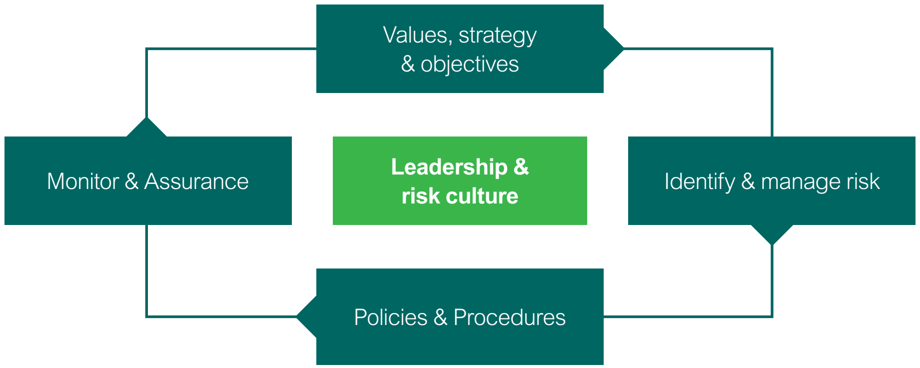
Taking risks in a responsible way is key to being able to fulfill our stakeholders' expectations

In order to meet our Better Together objectives, we must be agile and entrepreneurial so that we can respond quickly and effectively to rapid changes in the retail landscape and take advantage of business opportunities whenever and wherever they exist. Meeting these challenges requires us to take risks in a responsible way. Having a proactive approach to risk management that is embedded in our business processes benefits our decision-making and helps us create and preserve value. Managing risks and unpredictable conditions in a timely way increases the likelihood that we will achieve our business objectives, while ensuring compliance with internal and external requirements.

We strive for a culture of openness and transparency in which risks are identified and addressed proactively. Risk management is an integral part of responsible leadership.

At Ahold Delhaize, we have created a Governance, Risk Management and Compliance (GRC) Framework that allows us to effectively identify, assess and manage our risks. This GRC Framework consists of global policies and controls as well as a GRC committee structure that functions as a platform to address relevant risks across functional areas of our Company. In 2017, we implemented the GRC committee structure at the local brand level and continued to integrate and harmonize our policy and control framework across the Ahold Delhaize businesses. We are constantly reviewing and updating our global policies, procedures and controls to ensure consistency in our overall compliance and to support the successful execution of our strategy.

Governance, Risk Management & Compliance Framework



Risk management and internal control

Enterprise risk management

Ahold Delhaize's enterprise risk management (ERM) program is designed to provide executive management with an understanding of the Company's key business risks and associated risk management practices. Within each business, management identifies the principal risks to the achievement of the business objectives and the actions needed to mitigate these risks. Senior brand and global executives periodically review these risks and the related mitigation practices. The observations are aggregated into an enterprise risk management report that is presented to the Management Board and Supervisory Board, as required by the Dutch Corporate Governance Code. Our local brand management is required to review their principal risks and risk management practices with the Management Board as a regular part of the business planning and performance cycle. Additionally, the Management Board considers the risks impacting the Company from a strategic perspective and provides complementary insights into existing and emerging risks, which are subsequently included in the consolidated ERM process. Ahold Delhaize's enterprise risk management program influences the formation of policies, procedures and controls; the scope of internal audit activities; and the focus of the business planning and performance process. During 2017, we fully integrated our risk management program into one consistent approach for both the former Ahold and former Delhaize group companies.

Risk appetite

Our risk appetite is defined by our Supervisory Board and Management Board and is integrated into the businesses through our strategy, global policies, procedures, controls, and budgets. Our appetite for each risk is determined by considering our business objectives as well as potential threats to achieving those objectives and can be categorized as follows:

Strategic

In pursuing our Better Together strategy, Ahold Delhaize is prepared to take risks in a responsible way that takes our stakeholders' interests into account. Through our annual strategic cycle, we follow a logical and systematic process of analysis, dialogue and planning to optimize our decision-making. We use a fact-based analysis of our different markets and brands to support our strategic decision-making process in a way that considers financial, economic, social and political developments that may impact our ability to achieve our objectives. Generally, the Company's risk appetite is between average and above average.

Operational

Operational risks include unforeseen incidents that could result from failures in internal processes or systems, human error, or adverse external events that could negatively impact the day-to-day operation of our business. Our risk appetite related to the management and execution of our day-to-day business is generally low, as we seek to minimize the downside impact of operational failures.

How we manage risk
continued

Financial
With respect to financial risks, Ahold Delhaize has a prudent financial strategy, the principles of which are governed by the treasury policy. We are committed to maintaining an investment-grade credit rating and are averse to any risks that could jeopardize the integrity of our financial reporting. Our financial risk management, risk appetite and sensitivities are further detailed in *Note 30* of the consolidated financial statements.

Compliance
At Ahold Delhaize, an essential part of our strategic framework is behaving according to our values. One of Ahold Delhaize's values is "Integrity," which means that the Company and all its associates do the right thing to earn customers' trust. We strive for full compliance with laws and regulations and with our policies and procedures everywhere we do business. Consequently, our risk appetite in this area is very low.

Sensitivity analysis
At Ahold Delhaize, we follow closely the impact of different internal and external risk factors on our operations. The purpose of our sensitivity analysis is to assess these risks on the Company's current strategy to determine their impact on our business and the viability of our business model, as well as our ability to meet our financial liabilities and other obligations. Our strategy is based on assumptions relating to: the global economic climate, changes in consumer behaviors, competitor actions, market dynamics and our current and planned structure, among other factors.

Scenario	Associated principal risks	Description
Competitive pressure	• Competitive environment	Failure to design and execute our strategic promises could result in not achieving the anticipated benefits of price repositioning and cost savings programs or other strategic initiatives. Failure over a long period of time to adapt to new market dynamics and consumer behaviors could also lead to loss of market share to new market entrants or new shopping channels. These factors may have a material adverse effect on the Company's financial position, results of operations and liquidity.
Information security, and / or data breach and business disruption	• Business continuity • Information security and privacy • Strategic initiatives	In the event of a successful data breach, the Company could be subject to material monetary penalties, loss of customers and damage to our corporate reputation; it could also lead to potential litigation.

Three lines of defense model

In the table to the left are two extreme scenarios that are considered severe but possible. None of these scenarios individually threaten the viability of the Company, however, the compound impact of these scenarios has been evaluated as the most severe stress scenario.

These scenarios are hypothetical and purposefully severe for the purpose of illustrating outcomes that could have the ability to threaten the viability of the Company. In the case of these scenarios arising, mitigation plans at global and brand level have been defined, and if applicable, various options are available to the Company to maintain liquidity and support ongoing operations. These options include: accessing new external funding early, more radical short-term cost-reduction actions and adjustments to capital allocation.

Control framework
The Ahold Delhaize control framework incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. A three lines of defense model has been adopted to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.

Three lines of defense model
In a time of significant transition and change, Ahold Delhaize has carried forward the unwavering commitment to integrity that was at the core of Ahold and Delhaize Groups prior to the merger.

How we manage risk
continued

In early 2017, we launched the Ahold Delhaize Code of Ethics, which is based on four ethical principles:

- We respect each other
- We follow the law
- We act ethically in all our relationships
- We have the courage to speak up

The Code of Ethics is intended to help each associate understand and follow relevant compliance and ethical principles, and to know when and where to ask for advice or report a compliance or ethics breach, which includes the use of whistleblower lines, available to our associates in each of our locations.

In 2017, our brands' whistleblower lines received 6,817 reports. Approximately 34% of the reports were made anonymously. On average, 94% of the reports were investigated and resolved within the quarter in which they were received. In 2017, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical violations.

The principles in the Code apply to all associates of Ahold Delhaize and its businesses. Associates of certain defined grade levels are trained in compliance with the Code on an annual basis. The full Code is available in the corporate governance section of Ahold Delhaize's public website at **www.aholddelhaize.com**.

Monitoring and assurance
We use a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. We assess business performance according to both financial and non-financial targets. In order to meet business needs and the requirements of the Dutch Corporate Governance Code, we have a Group-wide management certification process in place, which requires that the executive management team members at each of our reporting entities send letters of representation to the Financial Disclosure Committee on a quarterly basis.

These letters confirm whether the reporting entities are in compliance with Ahold Delhaize's Code of Ethics, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements.

On July 31, 2017, Ahold Delhaize filed a certification with the U.S. Securities and Exchange Commission (SEC) in connection with the deregistration of its ordinary shares, which has terminated the Company's U.S. corresponding reporting obligations with the SEC.

While the Company will no longer be subject to the Sarbanes Oxley Act regulations related to control over financial reporting, we are still subject to the Dutch Corporate Governance Code, which is consistent with Sarbanes Oxley in spirit and substance. Consequently, we have decided to keep our current internal control environment in place. All of our businesses are required to continue to maintain a sound internal control environment with robust policies, procedures, controls and a strong financial discipline, and to comply with our current internal controls framework so that we can continue to provide a high level of assurance to our senior leadership, Audit, Finance and Risk Committee, investors and external regulators.

At the direction of the global Governance, Risk & Compliance Committee, the GSO Compliance team along with the GSO Risks and Controls team are finalizing their review of the current global policies, procedures and related internal control framework with the respective operational and executive owners. Their aim is to ensure that the revised global standards address all relevant risks to the Company and that the control objectives are consistent, are applicable to all our business units and provide a robust level of assurance. Both our Risk & Controls and Internal Audit functions help to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control. Internal Audit undertakes regular risk-based, objective and critical audits. These functions also monitor the effectiveness of corrective actions undertaken by management.

Governance, Risk management and Compliance Committee
The global Governance, Risk and Compliance (GRC) Committee is responsible for reviewing the Company's governance, risk management and compliance processes. The GRC Committee is chaired by the Chief Legal Officer and (i) advises the Management Board and Executive Committee on matters concerning the GRC Framework, including an overall GRC vision and strategy, (ii) oversees activities to develop and maintain a fit-for-purpose GRC Framework and (iii) engages with Ahold Delhaize's senior management on important developments in the context of GRC. To support local management and provide visibility regarding local risks to the global GRC Committee, each of our brands has a local GRC committee that operates in parallel to the global GRC committee process.

During 2017, the global GRC Committee met on a quarterly basis. In addition to Ahold Delhaize's Chief Legal Officer (Chairman), the Chief Executive Officer and the Chief Financial Officer sit on the GRC Committee, along with other members of local and global management responsible for our governance, risk management, accounting and reporting, compliance and assurance functions.

How we manage risk
continued

Declaration

Annual declaration on risk management and control systems regarding financial reporting risks
Ahold Delhaize supports the Dutch Corporate Governance Code and makes the following declaration in accordance with provision I.4.3:

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Management is not aware of any critical failings of these systems during 2017.

This report includes those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

With respect to financial reporting based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis and management has assessed whether the risk management and control systems provide reasonable assurance that the 2017 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework 2013 and our internal control framework. It included tests of the design and operating effectiveness of entity-level controls, transactional controls at significant locations, and relevant general computer controls. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, the Management Board determined that the Company's financial reporting systems are adequately designed and operated effectively in 2017 and provide reasonable assurance that the financial statements are free of material misstatement.

Risk factors

The principal risk factors that may impede the achievement of Ahold Delhaize's objectives with respect to strategy, operations, financial and compliance matters are described in the following section. The enterprise risk management system, the governance and control standards incorporated within our GRC Framework, and the monitoring systems described above are the principal means by which we identify and manage these risks. Management is not aware of any critical failings in these systems during 2017.

The following overview of risks relating to Ahold Delhaize should be read carefully when evaluating the Company's business, its prospects and the forward-looking statements contained in this Annual Report. The following risks, which may or may not materialize, could have a material adverse effect on Ahold Delhaize's financial position, results of operations and liquidity or could cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report.

Our principal risks remain substantially unchanged from 2016. The risk related to the Ahold Delhaize merger has been updated to reflect the completion of the merger and current focus on the integration. The aggregation of risks to the Ahold Delhaize enterprise risk management report did not result in new principal risks, although nuances have been identified and processed.

The risks described below are not the only risks the Company faces. There may be additional risks of which we are currently unaware or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on Ahold Delhaize's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report. For additional information regarding forward-looking statements, see the *Cautionary notice*.

How we manage risk
continued

Ahold Delhaize's principal risks and uncertainties[1]

Risk	Strategic area	Key risk drivers	Mitigating actions	Potential consequences
Business continuity (O) Disruption of critical business processes may result in non-availability of products for customers	A better place to shop	• Dependence on IT (legacy) systems • Centralized office and product distribution facilities • Dependence on logistics service providers • Dependence on suppliers of strategic own-brand products and services • Cyber threats • Events of an exceptional nature	• Business continuity governance structure • Business continuity strategic guidelines and tactical policy • Business continuity framework with guidance and procedures • Business continuity and disaster recovery plans • Insurance program • Network protection (firewall, intrusion detection / prevention systems, email filtering) • Cyber-defense monitoring	While Ahold Delhaize continues to maintain and invest in business continuity and disaster recovery plans, business interruptions could have a material adverse effect on the Company's financial position, results of operations, liquidity, customer perception and reputation.
Competitive environment and economic conditions (S) Changes to the competitive landscape and a weak macroeconomic climate without appropriate response could threaten Ahold Delhaize's ability to achieve its strategic objectives	Our sustainable business model	• Consumer value perception (price, assortment, quality) • Changing customer behavior (e.g., online shopping) and competition • Lack of distinctiveness • Consumer purchasing power under pressure • Inflationary forces impacting cost of goods sold • Pressure on margin	• Research and monitoring of consumer behavior • Price benchmarking competition • Analysis of economic developments • Actively monitoring and developing e-commerce business • Approved strategies • Promotional activities • Building more personalized customer relationships • Strengthening own brands to meet changing customer expectations on quality, health, and sustainability	Ahold Delhaize is focused on the execution of its strategic promises. Unforeseen effects could impair the effectiveness of Ahold Delhaize's strategy and reduce the anticipated benefits of its price repositioning and cost savings programs or other strategic initiatives. These factors may have a material adverse effect on the Company's financial position, results of operations and liquidity. For more information see the *Business review* section.

1 Risk objectives: strategic (S), operational (O), financial (F) and compliance (C) risks listed in alphabetical order.

How we manage risk
continued

Risk	Strategic area	Key risk drivers	Mitigating actions	Potential consequences
Information security and privacy (O, C) A lack of security around, or non-compliance with, privacy requirements for customer or associate data might negatively impact strategic initiatives relating to customer loyalty	A better place to shop A better place to work	• Consumer confidence • Sensitivity of data • Changing or conflicting privacy legislation or regulations • Use of third parties to process and store data • Global security threats • Growth of online sales • Lack of awareness of regulations and internal requirements	• Strategic and tactical information security policy and guidelines • Information security and privacy governance • Control standards for information management and security • Security and Privacy by Design • Payment Card Industry (PCI) and privacy compliant control framework • Information security capabilities • Information security and data privacy awareness programs • Cyber insurance coverage	Ahold Delhaize's business operations generate and maintain confidential commercial and personal information concerning customers, associates, suppliers and the Company. Data breaches with disclosure of confidential information to unintended third parties may negatively impact Ahold Delhaize's corporate reputation and competitive position or result in litigation or regulatory action. This could have a material adverse effect on Ahold Delhaize's financial position or reputation.
Labor (O) Ahold Delhaize's brands might not be able to negotiate extensions or replacements on acceptable terms, or face unfavorable expectations or demands from trade unions	A better place to work Our sustainable business model	• People management and associate engagement • Expiring collective bargaining agreements • Relationships with the relevant trade unions	• Associate engagement survey and response • Performance management cycle • Contract negotiation process • Functions that support relationships with trade unions • Contingency plans	A work stoppage or other event due to the failure of one or more of Ahold Delhaize's brands to renegotiate a collective bargaining agreement, or otherwise, could be disruptive to our businesses, lead to adverse publicity and have a material adverse effect on the Company's results of operations and financial position.
Legislative and regulatory environment (C) A changing legislative and regulatory environment might increase the cost of doing business, tax levels and the complexity of our operations	Our sustainable business model	• Increased focus on compliance, and enforcement • Public opinion / pressure • International and national tax developments • Local regulatory changes • Diversity of jurisdictions • Changing political climate • Unfavorable position of retail in the value chain	• Knowledge and awareness of regulations • Monitoring, review and reporting on changes • Operational procedures and guidance • Education of regulators and public policymakers, e.g., through industry associations • Tax policy • Engaging with stakeholders	Ahold Delhaize's activities are subject to various laws and regulations in each local market where it operates. The cost of compliance with any of these laws could impact Ahold Delhaize's operations and reduce its profitability. See further discussion of the consequences of the legislative and regulatory risks below.

How we manage risk
continued

Risk	Strategic area	Key risk drivers	Mitigating actions	Potential consequences
Merger-related changes at Ahold Delhaize in the United States (S) We could be unable to realize the expected benefits of the merger after the integration	Our sustainable business model Our promises	• Integration of the businesses more difficult or time-consuming than expected • Process and structural changes • Key staff leaving the Company	• Governance structure with direct Management Board involvement and Supervisory Board oversight • Integration management office, plans and processes • Monthly integration reviews • Synergy targets • The creation of Ahold Delhaize USA and one Retail Business Services organization to support our brand-centric strategy for the United States	If Ahold Delhaize is unable to realize the organizational and growth opportunities as well as other benefits after implementing the new U.S. structure and organization, this could have a material adverse effect on the Company's reputation or have a material adverse effect on Ahold Delhaize's financial position.
Pension plan funding (F) Ahold Delhaize is exposed to the financial consequences of a number of defined benefit pension plans covering a large number of its associates in the Netherlands and in the United States	Our sustainable business model	• Low interest rates • Stock market performance • Changing pension laws • Longevity • Increasing U.S. healthcare costs	• Governance structure with a Company-wide pension committee responsible for monitoring pension plan funding for Company-sponsored and multi-employer plans	A decrease in equity returns or interest rates may negatively affect the funding ratios of Ahold Delhaize's pension funds, which could lead to higher pension charges and contributions payable. According to Dutch law and / or contractually agreed funding arrangements, Ahold Delhaize may be required to make additional contributions to its pension plans if minimum funding requirements are not met. In addition, a significant number of union associates in the United States are covered by multi-employer plans (MEPs). Significant increases in healthcare and pension funding requirements could have a material adverse effect on the Company's financial position, results of operations and liquidity. See more details on risks related to MEPs in Other risks and uncertainties below and in *Note 23* to the consolidated financial statements.

How we manage risk
continued

Risk	Strategic area	Key risk drivers	Mitigating actions	Potential consequences
Product safety (O, C) The consumption of own-brand products or other food or non-food products could result in our customers' injury, illness or death, due to food fraud in the supply chain or other developments	A better place to shop	• Internationalization of the supply chain • Incidents across the world • Increased number of own-brand products • Transparency and speed of communications (social media)	• Product safety policies • Control standards for food and non-food products • Standard operating procedures • Dedicated product integrity guidance and controls in our brands • Monitoring of performance in the business • Tracing of product origins and conditions of production • Third-party certification • Insurance program • Participation in industry associations • Exploring new technologies (e.g., blockchain)	Though it has mitigating actions in place, Ahold Delhaize may face product safety problems, including disruptions to the supply chain caused by food-borne illnesses and negative consumer reaction to incidents, which may have a material adverse effect on the Company's reputation, results of operations and financial position.
Strategic initiatives (S) Activities are increasingly undertaken in the form of projects. Ahold Delhaize might not be able to deliver on the objectives of its strategic projects	Our sustainable business model Our promises	• Changing retail environment • Dependencies between projects and operational activities • Availability of required capabilities	• Ahold Delhaize's governance structure • Approved strategies • Program and project management • Business review process	Ahold Delhaize is implementing its Better Together strategy. If the Company is not able to deliver on the objectives of its underlying strategic projects, the realization of key elements of its strategy may be at risk. This could have a material adverse effect on Ahold Delhaize's financial position, results of operations and liquidity.

How we manage risk
continued

Other risks and uncertainties

In addition to the principal risks and uncertainties linked to our strategy above, the Company has risks in the following areas:

Sustainable retailing (S, O)
Increased regulatory demands, stakeholder awareness and the growing sentiment that large retailers must address sustainability issues across the entire supply chain mean that Ahold Delhaize's brands and reputation may suffer if it does not adequately address relevant sustainability issues affecting the food retail industry. We have integrated Sustainable Retailing into our Better Together strategy to ensure that it is part of our daily business, and that we continue to improve our performance, with a focus on three strategic areas: promoting healthier eating, reducing food waste and creating healthy and inclusive workplaces. Through the implementation of our strategy, we aim to strengthen the communities where we operate.

In addition to addressing risks to our brand and reputation, our Better Together and Sustainable Retailing strategies will position us well against the following other risks: an inability to meet our customers' changing needs or expectations for healthy and sustainable products; increasing costs due to waste or negative externalities in our supply chain; negative impact to our associate engagement if we do not support associates' changing expectations of employers; lack of suppliers able to meet improved food safety and sustainability standards; and insufficient action to address climate change and its impact.

For more information see *Our Better Together strategy*.

Insurance programs (F)
Ahold Delhaize manages its insurable risks through a combination of self-insurance and commercial insurance coverage. A large part of our operations is self-insured for workers' compensation, general liability, property, vehicle accident and certain healthcare-related claims. Self-insurance liabilities are estimated based on actuarial valuations. While we believe that the actuarial estimates are reasonable, they are subject to changes caused by claim reporting patterns, claim settlement patterns, regulatory economic conditions and adverse litigation results. It is possible that the final resolution of some claims may require us to make significant expenditures in excess of our existing reserves. In addition, third-party insurance companies that provide the fronting insurance that is part of our self-insurance programs require us to provide certain collateral. We take measures to assess and monitor the financial strength and credit-worthiness of the commercial insurers from which we purchase insurance. However, we remain exposed to a degree of counterparty credit risk with respect to such insurers. If conditions of economic distress were to cause the liquidity or solvency of our counterparties to deteriorate, we may not be able to recover collateral funds or be indemnified from the insurer in accordance with the terms and conditions of our policies.

Pension funds and multi-employer plans (F)
A significant number of union employees in the United States are covered by multi-employer plans based on obligations arising from collective bargaining agreements. The risks to the Company involved with participating in MEPs include the following:

- The Company's contributions to a multi-employer plan in which it participates may be used to fund benefits to employees of other participating employers.
- If the Company seeks to withdraw from some of its MEPs, it must obtain the agreement of the applicable unions and, in connection with this, the Company may be required to pay those plans an amount based on its allocable share of the unfunded vested benefits of the plan, referred to as a withdrawal liability.
- If another participating employer stops contributing to an MEP in which the Company participates (e.g., due to bankruptcy), the Company and other remaining participating employers may have to increase their contributions to fund the unfunded obligations of the plan allocable to the withdrawing employer.
- An MEP in which the Company participates may become insolvent and the Company may be required, in certain circumstances, to increase its contributions to fund the payment of benefits by the MEP.

In addition, Ahold Delhaize may be required to pay significantly higher amounts to fund U.S. associate healthcare plans in the future.

For additional information, see *Note 23* to the consolidated financial statements.

Other financial risks (F)
Other financial risks include foreign currency translation risk, credit risk, interest rate risk, liquidity risk and contingent liabilities to third parties relating to lease guarantees.

For information relating to these financial risks, see *Note 30* and *Note 34* to the consolidated financial statements.

Unforeseen tax liabilities (C)
Because Ahold Delhaize operates in a number of countries, its income is subject to taxation in differing jurisdictions and at differing tax rates. Significant judgment is required in determining the consolidated income tax position. We seek to organize our affairs in a sustainable manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold Delhaize's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The authorities in the jurisdictions where Ahold Delhaize operates may review the Company's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of the Company's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate, which could have a material adverse effect on Ahold Delhaize's financial position, results of operations and liquidity. In addition, any review by the authorities could cause Ahold Delhaize to incur significant legal expenses and divert management's attention from the operation of our businesses.

How we manage risk
continued

Risks related to the legislative and regulatory environment and litigation (C)
Ahold Delhaize and its businesses are subject to various federal, regional, state and local laws and regulations in each country in which they operate, relating to, among other areas: zoning; land use; antitrust restrictions; workplace safety; public health including food and non-food safety; environmental protection; alcoholic beverage, tobacco and pharmaceutical sales; and information security. Ahold Delhaize and its businesses are also subject to a variety of laws governing the relationship with associates, including but not limited to minimum wage, overtime, working conditions, healthcare, disabled access and work permit requirements. The cost of compliance, or the failure to comply with, any of these laws could impact the operations and reduce the profitability of Ahold Delhaize or its businesses and thus could affect Ahold Delhaize's financial condition, reputation or results of operations. Ahold Delhaize and its businesses are also subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which they operate, which may impact or limit Ahold Delhaize's ability to realize certain acquisitions, divestments, partnerships or mergers.

From time to time, Ahold Delhaize and its businesses are parties to legal and regulatory proceedings in a number of countries, including the United States, and may be subject to investigations or inquiries, including but not limited to investigations or inquiries by the competition authorities related to alleged violations of competition laws in jurisdictions where they conduct business. Based on the prevailing regulatory environment or economic conditions in the markets in which Ahold Delhaize businesses operate, litigation, investigations or inquiries may increase in frequency and materiality. These legal and regulatory proceedings may include matters involving personnel and employment issues, personal injury, antitrust claims, data privacy and data protection claims, franchise claims and other contract claims and matters, among others. We estimate our exposure to these legal and regulatory proceedings and establish provisions for the estimated liabilities where it is reasonably possible to estimate and where the potential realization of a loss contingency is more likely than not.

The assessment of exposures and ultimate outcomes of legal and regulatory proceedings involves uncertainties. Adverse outcomes of these legal proceedings, or changes in our assessments of proceedings, could potentially result in material adverse effects on our financial results. For further information, see *Note 34* to the consolidated financial statements.

Non-financial information and diversity

The EU Directive on the disclosure of non-financial and diversity-related information was published at the end of 2014. It was transposed into Dutch legislation before the end of 2016, resulting in two separate decrees: Disclosure of non-financial information ("Bekendmaking niet-financiële informatie") and Disclosure of diversity policy ("Bekendmaking diversiteitsbeleid"). These decrees make it mandatory for companies to include non-financial and diversity-related information in their annual reports.

The information required under these decrees is incorporated throughout this report. The table to the right provides an overview of the key topics to be addressed and where they can be found.

Theme		Section	Ahold Delhaize website	Page
Business model	Our Better Together strategy defines the kind of group we want to be, what drives us, and how our brands will win in all our markets.	Our Better Together strategy Our purpose Our sustainable business model Our promises Our values		28-29 30-31 32-37 38-45 46-48
Environmental matters	At Ahold Delhaize, we are reducing our energy intensity and emissions by assessing and reducing the environmental impact of our operations. We have already uncovered plenty of opportunities: from the refrigerators, transport methods and energy we use, to how we dispose of waste.	Our promises Our response to stakeholder needs How we manage risk Sustainability performance	https://www.aholddelhaize.com/en/sustainable-retailing/sustainable-retailing-in-practice/climate-impact/	44-45 49-57 108-117 250
Social and personnel matters	We recognize that diversity and inclusion are critical to our Company's success – they make us better and increase associate engagement.	Our promises Our values Our response to stakeholder needs How we manage risk Sustainability performance	https://www.aholddelhaize.com/en/sustainable-retailing/sustainable-retailing-in-practice/create-an-inclusive-and-healthy-workplace/	42-43 46-48 49-57 108-117 250
Respect for human rights	We are committed to respecting the human rights of our associates, our customers, our communities and the people who work throughout our supply chains.	Our promises Our values Our response to stakeholder needs	https://www.aholddelhaize.com/en/sustainable-retailing/sustainable-retailing-in-practice/create-an-inclusive-and-healthy-workplace/our-position-on-human-rights/ https://www.aholddelhaize.com/en/about-us/code-of-ethics/ https://www.aholddelhaize.com/en/about-us/code-of-ethics/our-standards-of-engagement/	38-45 46-48 49-57

Non-financial information and diversity

continued

The information required under the two decrees is incorporated throughout this report. The table to the right provides an overview of the key topics to be addressed and where they can be found.

Theme		Section	Ahold Delhaize website	Page
Anti-corruption and bribery	Being a trustworthy retailer of choice is very important for us. We are committed to conducting business with integrity, in an ethically responsible manner and in compliance with the law in all countries and jurisdictions in which we operate.	Our values	https://www.aholddelhaize.com/en/about-us/code-of-ethics/	46-48
Diversity	We strive to create a workplace that reflects the diversity of our communities and where each person feels valued and inspired to develop to their full potential. In the composition of our Management and Supervisory Boards, we aim for diversity of nationality, age, education, gender and professional background.	Our promises Our Management Board and Executive Committee Our Supervisory Board Sustainable Retailing data		43 83 85 255

Declarations

Introduction

This 2017 Ahold Delhaize Annual Report dated February 27, 2018, (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht."

For the consolidated and the parent company's 2017 financial statements "jaarrekening" within the meaning of section 2:361 of the Dutch Civil Code, please refer to *Financials*. The members of the Management Board and the Supervisory Board have signed the 2017 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code. The following sections of this Annual Report together form the management report, or the "bestuursverslag" within the meaning of section 2:391 of the Dutch Civil Code: *Message from our CEO, Who we are, The world around us, Business Review, Our Management Board and Executive Committee, Our Supervisory Board, Corporate governance, How we manage risk, Remuneration* and the subsection *Remuneration* included in *the Supervisory Board report*.

For other information, or "overige gegevens" within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection *Other information* under *Financials*, and to the section *Investors*.

Declarations

The members of the Management Board, as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision, confirm that to the best of their knowledge:

- The 2017 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of December 31, 2017, and of the development and performance of the business for the financial year then ended.
- The management report includes a description of the principal risks and uncertainties that the Company faces.

Management Board

Dick Boer
President and Chief Executive Officer

Frans Muller
Deputy Chief Executive Officer
and Chief Integration Officer

Jeff Carr
Chief Financial Officer

Kevin Holt
Chief Executive Officer Ahold Delhaize USA

This Annual Report, including the 2017 financial statements, which are audited by PricewaterhouseCoopers Accountants N.V., has been presented to the Supervisory Board. The 2017 financial statements and the independent auditor's report relating to the audit of the 2017 financial statements were discussed with the Audit, Finance and Risk Committee in the presence of the Management Board and the external independent auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2017 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2017 of €0.63 per common share.

Supervisory Board

Mats Jansson (Chairman)
Jan Hommen (Vice Chairman)
Jacques de Vaucleroy (Vice Chairman)
René Hooft Graafland
Ben Noteboom
Bill McEwan
Rob van den Bergh
Mark McGrath
Mary Anne Citrino
Johnny Thijs
Patrick De Maeseneire
Dominique Leroy

Financials

Financial statements

Consolidated income statement

€ million, except per share data	Note	2017	2016
Net sales	*7*	**62,890**	49,695
Cost of sales	*8*	**(46,121)**	(36,317)
Gross profit		**16,769**	13,378
Selling expenses		**(12,245)**	(9,876)
General and administrative expenses		**(2,299)**	(1,918)
Total operating expenses	*8*	**(14,544)**	(11,794)
Operating income		**2,225**	1,584
Interest income		**32**	15
Interest expense		**(294)**	(273)
Net interest expense on defined benefit pension plans	*23*	**(22)**	(18)
Other financial income (expenses)		**(13)**	(265)
Net financial expenses	*9*	**(297)**	(541)
Income before income taxes		**1,928**	1,043
Income taxes	*10*	**(146)**	(247)
Share in income of joint ventures	*14*	**35**	34
Income from continuing operations		**1,817**	830
Income (loss) from discontinued operations		**–**	–
Net income attributable to common shareholders		**1,817**	830
Earnings per share	*29*		
Net income per share attributable to common shareholders			
Basic		**1.45**	0.81
Diluted		**1.43**	0.81
Income from continuing operations per share attributable to common shareholders			
Basic		**1.45**	0.81
Diluted		**1.43**	0.81

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

€ million	Note	2017	2016
Net income		**1,817**	830
Remeasurements of defined benefit pension plans			
Remeasurements before taxes–income (loss)	*23*	**44**	(146)
Income taxes	*10*	**(66)**	47
Other comprehensive loss that will not be reclassified to profit or loss		**(22)**	(99)
Currency translation differences in foreign interests:			
Continuing operations		**(1,308)**	408
Income taxes	*10*	**(1)**	–
Cash flow hedges:			
Fair value result for the year		**(3)**	(17)
Transfers to net income	*21*	**1**	179
Income taxes	*10*	**–**	(41)
Non-realized gains (losses) on financial investments available for sale			
Fair value result for the period		**4**	(7)
Income taxes	*10*	**(1)**	1
Other comprehensive income of joint ventures–net of income taxes:			
Share of other comprehensive income from continuing operations	*14*	**–**	–
Other comprehensive income (loss) reclassifiable to profit or loss		**(1,308)**	523
Total other comprehensive income (loss)		**(1,330)**	424
Total comprehensive income attributable to common shareholders		**487**	1,254
Attributable to:			
Continuing operations		**487**	1,254
Discontinued operations		**–**	–
Total comprehensive income attributable to common shareholders		**487**	1,254

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

€ million	Note	December 31, 2017	January 1, 2017
Assets			
Property, plant and equipment	*11*	**10,689**	11,770
Investment property	*12*	**650**	727
Intangible assets	*13*	**11,634**	12,547
Investments in joint ventures and associates	*14*	**230**	274
Other non-current financial assets	*15*	**192**	216
Deferred tax assets	*10*	**436**	700
Other non-current assets		**70**	64
Total non-current assets		**23,901**	26,298
Assets held for sale	*5*	**14**	50
Inventories	*16*	**3,077**	3,288
Receivables	*17*	**1,606**	1,588
Other current financial assets	*18*	**238**	677
Income taxes receivable		**154**	36
Prepaid expenses and other current assets		**300**	306
Cash and cash equivalents	*19*	**4,581**	4,032
Total current assets		**9,970**	9,977
Total assets		**33,871**	36,275
Equity and liabilities			
Equity attributable to common shareholders	*20*	**15,170**	16,276
Loans	*21*	**3,289**	3,311
Other non-current financial liabilities	*22*	**2,098**	2,527
Pensions and other post-employment benefits	*23*	**567**	659
Deferred tax liabilities	*10*	**1,105**	1,596
Provisions	*24*	**808**	931
Other non-current liabilities	*25*	**529**	578
Total non-current liabilities		**8,396**	9,602
Liabilities related to assets held for sale	*5*	**–**	9
Accounts payable		**5,277**	5,389
Other current financial liabilities	*26*	**2,210**	2,178
Income taxes payable		**136**	87
Provisions	*24*	**355**	383
Other current liabilities	*27*	**2,327**	2,351
Total current liabilities		**10,305**	10,397
Total equity and liabilities		**33,871**	36,275

The accompanying notes are an integral part of these consolidated financial statements.

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, 2016		**8**	**6,059**	**346**	**(123)**	**(668)**	**5,622**
Net income attributable to common shareholders		–	–	–	–	830	830
Other comprehensive income (loss)		–	–	408	121	(105)	424
Total comprehensive income attributable to common shareholders		–	–	408	121	725	1,254
Dividends		–	–	–	–	(429)	(429)
Issuance of shares		5	10,756	–	–	–	10,761
Capital repayment		–	(1,013)	–	–	12	(1,001)
Share-based payments		–	–	–	–	74	74
Share in joint venture's transactions with non-controlling interests	*14*	–	–	–	–	(5)	(5)
Balance as of January 1, 2017	*20*	**13**	**15,802**	**754**	**(2)**	**(291)**	**16,276**
Net income attributable to common shareholders		–	–	–	–	1,817	1,817
Other comprehensive loss		–	–	(1,309)	(2)	(19)	(1,330)
Total comprehensive income (loss) attributable to common shareholders		–	–	(1,309)	(2)	1,798	487
Dividends		–	–	–	–	(720)	(720)
Issuance of shares		–	42	–	–	–	42
Share buyback		–	–	–	–	(998)	(998)
Cancellation of treasury shares		(1)	(669)	–	–	670	–
Share-based payments		–	–	–	–	83	83
Balance as of December 31, 2017	*20*	**12**	**15,175**	**(555)**	**(4)**	**542**	**15,170**

1 Other reserves include the remeasurements of defined benefit plans.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

€ million	Note	2017	2016
Income from continuing operations		**1,817**	830
Adjustments for:			
Net financial expenses	*9*	**297**	541
Income taxes	*10*	**146**	247
Share in income of joint ventures	*14*	**(35)**	(34)
Depreciation, amortization and impairments	*8*	**1,857**	1,464
Gains on the sale of assets / disposal groups held for sale	*8*	**(47)**	(22)
Share-based compensation expenses	*32*	**79**	61
Other changes to operating income		**(7)**	–
Operating cash flows before changes in operating assets and liabilities		**4,107**	3,087
Changes in working capital:			
Changes in inventories		**(44)**	(29)
Changes in receivables and other current assets		**(97)**	68
Changes in payables and other current liabilities		**272**	171
Changes in other non-current assets, other non-current liabilities and provisions		**(58)**	(125)
Cash generated from operations		**4,180**	3,172
Income taxes paid–net		**(480)**	(274)
Operating cash flows from continuing operations		**3,700**	2,898
Operating cash flows from discontinued operations		**(5)**	(5)
Net cash from operating activities		**3,695**	2,893
Purchase of non-current assets		**(1,698)**	(1,302)
Divestments of assets / disposal groups held for sale		**142**	104
Acquisition of businesses, net of cash acquired	*28*	**(50)**	2,205
Divestment of businesses, net of cash divested	*28*	**(3)**	(4)
Changes in short-term deposits and similar instruments		**100**	432
Dividends received from joint ventures	*14*	**70**	19
Interest received		**32**	15
Other		**(3)**	1
Investing cash flows from continuing operations		**(1,410)**	1,470
Net cash from investing activities		**(1,410)**	1,470
Proceeds from long-term debt	*21*	**747**	–
Interest paid		**(320)**	(293)
Repayments of loans	*21*	**(474)**	(347)
Changes in short-term loans	*28*	**212**	209
Repayments of finance lease liabilities	*28*	**(190)**	(141)
Dividends paid on common shares	*20*	**(720)**	(429)
Share buyback	*20*	**(992)**	–
Capital repayment	*20*	**–**	(1,001)
Other cash flows from derivatives	*21*	**262**	(260)
Other		**17**	13
Financing cash flows from continuing operations		**(1,458)**	(2,249)
Net cash from financing activities		**(1,458)**	(2,249)
Net cash from operating, investing and financing activities		**827**	2,114
Cash and cash equivalents at the beginning of the year (excluding restricted cash)	*28*	**3,990**	1,819
Effect of exchange rates on cash and cash equivalents		**(275)**	57
Cash and cash equivalents at the end of the year (excluding restricted cash)	*28*	**4,542**	3,990

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize" or the "Company" or "Group" or "Ahold Delhaize Group"), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores and e-commerce primarily in the United States and Europe. The Company is registered with the Dutch Trade Register under number 35000363.

As of July 24, 2016, Koninklijke Ahold Delhaize N.V. is the new name of Koninklijke Ahold N.V. following the completion of the merger between Koninklijke Ahold N.V. ("Ahold") and Delhaize Group NV/SA ("Delhaize").

As a result of the legal structure of the merger, Delhaize merged into Ahold. Since Ahold is the surviving entity, the historical IFRS information prior to the merger is that of Ahold.

Ahold Delhaize's significant subsidiaries, joint ventures and associates are listed in *Note 36*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Historical cost is used as the measurement basis unless otherwise indicated.

Ahold Delhaize's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. Financial year 2017 consisted of 52 weeks and ended on December 31, 2017. The comparative financial year 2016 consisted of 52 weeks and ended on January 1, 2017.

These consolidated financial statements are presented in euros (€) and rounded to the nearest million euro. The following exchange rates of the euro against the U.S. dollar ($), the Czech crown (CZK), the Romanian leu (RON), and the Serbian dinar (RSD) have been used in the preparation of these financial statements:

	2017	2016
U.S. dollar		
Average exchange rate	**0.8868**	0.9038
Year-end closing exchange rate	**0.8330**	0.9506
Czech crown		
Average exchange rate	**0.0380**	0.0370
Year-end closing exchange rate	**0.0391**	0.0370
Romanian leu		
Average exchange rate	**0.2189**	0.2226
Year-end closing exchange rate	**0.2142**	0.2204
Serbian dinar		
Average exchange rate	**0.0082**	0.0081
Year-end closing exchange rate	**0.0085**	0.0081

Notes to the consolidated financial statements
continued

2 Basis of preparation continued

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold Delhaize's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted. The estimates, assumptions and judgments that management considers most critical relate to:

Vendor allowances *(Notes 3 and 17)*
The Company must estimate the allowances that are earned based on the fulfillment of its related obligations, many of which require management to estimate the volume of purchases that will be made during a period of time. The Company must also estimate the amount of related product that has been sold and the amount that remains in ending inventories and allocate the allowance to cost of sales or inventories accordingly.

Income taxes (*Notes 3, 10 and 34*)
The ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional tax will be due. Judgment is required in determining whether deferred tax assets are realizable and therefore recognized in the balance sheet.

Intangible assets (*Notes 3, 4 and 13*)
Intangible assets acquired in a business acquisition are stated at fair value, as determined at the date of the acquisition. To determine the fair value at the acquisition date, judgments and estimates are required.

Leases and sale and leaseback transactions (*Notes 3, 22 and 33*)
The classification of leases as finance leases or operating leases requires judgments about the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the asset, whether or not to include renewal options in the lease term and the appropriate discount rate to calculate the present value of the minimum lease payments.

Revenue recognition with respect to sale and leaseback transactions is dependent on management's judgment of whether the Company transfers all risks and rewards to the buyer, does not maintain (or maintains only minor) continuing involvement in the property other than the lease payments and whether the transaction is established at fair value.

Impairments (*Notes 3, 6, 8, 11, 12 and 13*)
Judgments and estimates are required, not only to determine whether there is an indication that an asset may be impaired, but also whether indications exist that impairment losses previously recognized may no longer exist or may have decreased (impairment reversal). After indications of impairment have been identified, judgments and estimates are also involved in the determination of the recoverable amount of a non-current asset. These involve estimates of expected future cash flows (based on future growth rates and remaining useful life) and residual value assumptions, as well as discount rates to calculate the present value of the future cash flows.

Company and multi-employer pension obligations (*Notes 3 and 23*)
The present value of the pension obligations depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions comprise longevity and future salary and pension increases. Additional information is disclosed in *Note 23*.

Notes to the consolidated financial statements
continued

2 Basis of preparation continued

Provisions and contingencies (*Notes 3, 24 and 34*)

The recognition of provisions requires estimates and judgment regarding the timing and the amount of outflow of resources. The main estimates are as follows:

- Self-insurance program: estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation.
- Loyalty programs: estimated cost of benefits to which customers participating in the loyalty program are entitled, which includes assumptions on redemption rates. These estimates and assumptions apply to all loyalty programs, irrespective of whether they are accounted for as sales deferrals or provisions for future payments made at redemption.
- Claims and legal disputes: management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.
- Severance and termination benefits: the provisions relate to separation plans and agreements and use the best estimate based on information available to management of the cash flows that will likely occur. The amounts that are ultimately incurred may change as the plans are executed.
- Onerous contracts: mainly relate to unfavorable lease contracts and include the excess of the unavoidable costs of meeting the contractual obligations over the benefits expected to be received under such contracts.

Fair value measurements

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the consolidated financial statements
continued

3 Significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial figures of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Ahold Delhaize does not have subsidiaries with non-controlling interests that are material to the Group.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred. Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Foreign currency translation

The financial statements of subsidiaries, joint ventures and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement and translation of monetary items are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries are included in other comprehensive income and in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in other comprehensive income and in equity, in the currency translation reserve.

On the disposal of a foreign operation resulting in loss of control, loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Statement of cash flows

The Company has chosen to prepare the statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from continuing operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows in foreign currencies have been translated using weighted average periodic exchange rates. Interest paid on loans is presented as a financing activity, while interest received is presented as an investing activity. Acquisitions and divestments of businesses are presented net of cash and cash equivalents acquired or disposed of, respectively. The Company has chosen to present dividends paid to its shareholders as a financing activity cash flow.

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, functional currency and management oversight.

The segments' performance is evaluated against several measures, of which 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.

Net sales

Ahold Delhaize generates and recognizes net sales to retail customers at the point of sale in its stores and upon delivery of goods through its online channel. The Company also generates revenues from the sale of products to retail franchisees and affiliates that are recognized upon delivery. Ahold Delhaize recognizes fees to franchisees and affiliates as revenue as services are performed or the granted rights are used. Revenue from the sale of gift cards and gift certificates is recognized when the gift card or gift certificate is redeemed by the retail customer. Future discounts earned by customers in connection with bonus or loyalty cards and other Company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased, excluding sales taxes and value-added taxes. However, for certain products or services, such as sales through bol.com's seller platform, the sale of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets, Ahold Delhaize acts as an agent and consequently records the amount of commission income in its net sales. Net sales also reflects the value of products sold to customers for which the Company anticipates returns from customers, when such returns are considered to be material. Currently, customer returns are only considered material with regards to Ahold Delhaize's online general merchandise sales. Past customer return practices provide the basis for determining the anticipated returns that the Company is exposed to at the balance sheet date.

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing; storing; rent; depreciation of property, plant and equipment; salaries; and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Vendor allowances

Ahold Delhaize receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor.

If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract. Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue or a reimbursement of costs. Ahold Delhaize recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

The accounting for vendor allowances requires management to apply judgments and assumptions, mainly surrounding the timing of when performance obligations have been met, the volume of purchases that will be made during a period of time, the product remaining in ending inventory, and the probability that funds can be collected from vendors. Using these judgments and assumptions, management's practice is to allocate earned vendor allowances between cost of sales and inventory based upon the amount of related product that was sold and the amount that remains in ending inventories. This practice is based upon the turnover of the inventories.

Selling expenses

Selling expenses relate to our store and online operations and consist of employees' salaries and wages, store expenses, rent income and rent expense or depreciation related to stores, advertising costs and other selling expenses.

General and administrative expenses

General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses.

Share-based compensation

The grant date fair value of equity-settled share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g., total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g., continued employment) are satisfied.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Income taxes

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax expense is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date and adjustments for current taxes payable (receivable) for prior years. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income. Deferred tax assets and liabilities are generally recognized for all temporary differences. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognized to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. Current income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset and when the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The ultimate tax effects of some transactions can be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional taxes will be due. These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances the liabilities are presented as a reduction to deferred tax assets. Interest accrued on uncertain tax positions is considered to be a financial expense of the Company. Any other adjustments to uncertain tax position liabilities are recognized within income tax expense.

Earnings per share

Basic net income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Basic income from continuing operations per share is calculated by dividing income from continuing operations attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted income per share is calculated by dividing the diluted net income / diluted income from continuing operations attributable to shareholders by the diluted weighted average number of common shares outstanding. To determine the diluted income, net income and income from continuing operations are adjusted by the expense for preferred dividends on the cumulative preferred financing shares. This preferred dividend is reversed when the cumulative preferred financing shares have a dilutive effect on the earnings per share calculation. To determine the diluted weighted average number of common shares outstanding, the weighted average number of shares outstanding is adjusted for (i) the effect of the cumulative preferred financing shares and (ii) the conditional shares from the share-based compensation programs. The effect of the cumulative preferred financing shares is determined by calculating the number of common shares that would be issued upon conversion. However, the effect is only adjusted for if it has a dilutive effect on the income per share. Ahold Delhaize's cumulative preferred financing shares are dilutive whenever their interest per common share obtainable on conversion is lower than basic income per share.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount or the fair value less costs of disposal. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead, dividends received are recognized in the consolidated income statement.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed at each balance sheet date and adjusted if appropriate.

The ranges of estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30-40 years
Certain structural components of buildings	10-20 years
Finish components of buildings	5-10 years
Machinery and equipment	3-15 years
Other	5-10 years

The useful lives, depreciation method and residual value are reviewed at each balance sheet date and adjusted, if appropriate.

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

Investment property

Investment property consists of land and buildings held by Ahold Delhaize to earn rental income or for capital appreciation, or both. These properties are not used by the Company in the ordinary course of business. The Company often owns (or leases under a finance lease) shopping centers containing both an Ahold Delhaize and third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold Delhaize in its retail operations. The Company recognizes the part of an owned (or leased under a finance lease) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold Delhaize's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Leases and sale and leaseback transactions

Leases

Ahold Delhaize is a lessee of land, buildings and equipment under operating and finance lease arrangements. The Company classifies its leases as finance leases when the lease agreement transfers substantially all of the risks and rewards of ownership to Ahold Delhaize. For leases determined to be finance leases, the asset and liability are recognized based on their values at the inception of the lease at an amount equal either to the fair value of the leased asset or the present value of the minimum lease payments during the lease term, whichever is lower. Lease payments are apportioned between interest charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability balance. Contingent rentals are expensed as incurred.

Leases that do not qualify as finance leases are classified as operating leases, and the related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any rent-free period during which Ahold Delhaize has the right to use the asset. Payments made to Ahold Delhaize representing incentives to sign a new lease or representing reimbursements for leasehold improvements are deferred and recognized on a straight-line basis over the term of the lease as reductions to rental expense.

For leases with renewal options where the renewal is reasonably assured, the lease term used to (i) determine the appropriate lease classification, (ii) compute periodic rental expense and (iii) depreciate leasehold improvements (unless their economic lives are shorter) includes the periods of expected renewals.

Determining whether a lease agreement is a finance or an operating lease requires judgment on various aspects. These include the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the leased asset, whether or not to include renewal options in the lease term and the determination of an appropriate discount rate to calculate the present value of the minimum lease payments.

Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the income statement immediately if (i) Ahold Delhaize does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments, and (ii) these transactions occur at fair value. Any gain or loss on sale and finance leaseback transactions is deferred and amortized over the term of the lease. In classifying the leaseback in a sale and leaseback transaction, similar judgments have to be made as described above under *Leases*.

In some sale and leaseback arrangements, Ahold Delhaize sells a property and only leases back a portion of that property. These properties generally involve shopping centers that contain an Ahold Delhaize store as well as other stores leased to third-party retailers. In such situations, the Company recognizes a sale and the resulting profit on the portion of the shopping center that is not leased back to the extent that (i) the property is sold for fair value and (ii) the risks and rewards of owning stores that are not leased back to Ahold Delhaize have been fully transferred to the buyer. The leaseback of the Ahold Delhaize store and any gain on the sale of the Ahold Delhaize store is accounted for under the sale and leaseback criteria described above.

In some sale and leaseback arrangements, Ahold Delhaize subleases the property to third parties (including franchisees) or maintains a form of continuing involvement in the property sold, such as earn-out provisions or obligations or options to repurchase the property. In such situations, the transaction generally does not qualify for sale and leaseback accounting, but rather is accounted for as a financing transaction (financing). The carrying amount of the asset remains on the balance sheet and the sale proceeds are recorded as a financing obligation. The financing obligation is amortized over the lease term. Once Ahold Delhaize's continuing involvement ends, the sale is accounted for under the sale and leaseback criteria described above.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Intangible assets

Goodwill and impairment of goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Separately acquired intangible assets and internally developed software are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition (which is regarded as their cost).

Brand names and customer, franchise, and affiliate relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to the development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and to use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred. Lease-related intangible assets, consisting primarily of favorable operating lease contracts acquired in business acquisitions, are measured at the present value of the amount by which the contract terms are favorable relative to market prices at the date of acquisition.

Amortization is computed using the straight-line method based on estimated useful lives, which are as follows:

Lease-related intangibles	Remaining expected duration of the lease
Software	3-10 years
Customer relationships	7-25 years
Brand names	indefinite
Franchise and affiliate relationships	14-40 years
Other	5-indefinite

The useful lives, amortization method and residual value are reviewed at each balance sheet date and adjusted, if appropriate. Brand names and other intangible assets with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Investments in joint arrangements and associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where Ahold Delhaize has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Company accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where Ahold Delhaize has rights to the net assets of the arrangement and therefore the Company equity accounts for its interest.

Associates are entities over which Ahold Delhaize has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, investments in joint ventures and associates are measured initially at cost and subsequently adjusted for post-acquisition changes in Ahold Delhaize's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial figures of joint ventures and associates to ensure consistency with the accounting policies of the Company.

Unrealized gains on transactions between Ahold Delhaize and its joint ventures and associates are eliminated to the extent of the Company's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Impairment of non-current assets other than goodwill

Ahold Delhaize assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes.

The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold Delhaize assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their location and condition ready for sale, net of vendor allowances attributable to inventories. For certain inventories, cost is approximated using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

At initial recognition, management classifies its financial assets as either (i) at fair value through profit or loss, (ii) loans and receivables, (iii) held to maturity or (iv) available-for-sale, depending on the purpose for which the financial assets were acquired. Financial assets are initially recognized at fair value. For instruments not classified as at fair value through profit or loss, any directly attributable transaction costs are initially recognized as part of the asset value. Directly attributable transaction costs related to financial assets at fair value through profit or loss are expensed when incurred.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active, or if the financial asset represents an unlisted security, the Company establishes fair value using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs. Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are those investments that are either held for trading or designated as such by the Company. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Financial instruments held for trading are measured at fair value and changes therein are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity. They are carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for held to maturity financial assets with maturities greater than 12 months after the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category of financial assets or not classified in any of the other categories. They are measured at fair value based on quoted market prices with changes therein recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to the income statement. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost.

At each balance sheet date, the Company assesses whether there is objective evidence that an investment or a group of investments is impaired.

Available-for-sale financial assets are included in non-current financial assets unless they are expected to be realized or are intended for sale or consumption within 12 months after the balance sheet date.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents include all cash on hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits and similar instruments with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Loans and short-term borrowings

Loans and short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and short-term borrowings are subsequently stated at amortized cost, unless they are designated as fair value hedges. Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

All derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Gains and losses resulting from the fair value remeasurement are recognized in the income statement as fair value gains (losses) on financial instruments, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. In order for a derivative financial instrument to qualify as a hedging instrument for accounting purposes, the Company must document (i) at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions and (ii) its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized initially in the cash flow hedging reserve, a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified into the income statement in the same period in which the related exposure impacts the income statement. When a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately recognized in the income statement.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the remaining period to maturity of the hedged item.

Reinsurance assets and liabilities

Under Ahold Delhaize's self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. In accordance with the pooling arrangement, the Company assumes a share of the reinsurance treaty risks that is measured in relation to the percentage of Ahold Delhaize's participation in the treaty. Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Financial guarantees
Financial guarantees made by Ahold Delhaize to third parties that may require the Company to incur future cash outflows if called upon to satisfy are recognized at inception as liabilities at fair value. Fair value is measured as the premium received, if any, or calculated using a scenario analysis. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation or the amount initially recognized less cumulative amortization corresponding to the expiration or repayment of the underlying amount guaranteed.

Equity
Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity and recognized on a first-in, first-out basis. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Cumulative preferred financing shares
Cumulative preferred financing shares, for which dividend payments are not at the discretion of the Company, are classified as non-current financial liabilities and are stated at amortized cost. The dividends on these cumulative preferred financing shares are recognized as interest expense in the income statement, using the effective interest method. From the date on which Ahold Delhaize receives irrevocable notification from a holder of cumulative preferred financing shares to convert these shares into common shares, the cumulative preferred financing shares are classified as a separate class of equity.

Pension and other post-employment benefits
The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the actual surplus or deficit in Ahold Delhaize's defined benefit plans measured as the present value of the defined benefit obligations less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined benefit obligations are actuarially calculated on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using market yields on high-quality corporate bonds (i.e., bonds rated AA or higher), denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Defined benefit costs are split into three categories:

- Service cost, past service cost, gains and losses on curtailment and settlements
- Net interest expense or income
- Remeasurement

The first category is presented as labor costs within operating earnings. Past-service costs are recognized in the income statement in the period of plan amendment. Results from curtailments or settlements are recognized immediately.

Past service years within the Dutch pension fund are calculated based upon a methodology that uses the maximum past service years based on accrued benefits or a participant's actual date of hire.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is presented within net financial expenses.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the balance sheet with a charge or credit to other comprehensive income in the period in which it occurs. Remeasurements recorded in other comprehensive income are not recycled to the income statement.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognized on the basis of estimates that are consistent with the estimates used for the defined benefit obligations, but discounted using Ahold Delhaize's cost of debt rate. For these, all actuarial gains and losses are recognized in the income statement immediately.

Provisions

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors and actual payroll costs.

Restructuring-related provisions for severance and termination benefits are recognized when the Company has approved a detailed formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

New accounting policies effective for 2017

Amendments to IAS 12, "Income taxes"

The amendments address the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value, as well as how deductible temporary differences should be measured in situations when tax law limits the offsetting of certain types of losses against specific sources of taxable profits. The application of these amendments does not have a significant effect on the results of the consolidated financial statements.

Amendments to IAS 7, "Disclosure Initiative"

The amendments require additional cash flow disclosures surrounding changes in liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes. The application of these amendments does not have a significant effect on the results of the consolidated financial statements, but they have resulted in additional disclosures in *Note 28* on the changes in liabilities arising from financing activities.

Annual improvements to IFRSs 2014-2016

A number of amendments were made to various IFRSs that do not have a significant effect on the consolidated financial statements.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

New accounting policies not yet effective for 2017

The IASB issued several standards, or revisions to standards, that are not yet effective for 2017, but will become effective in coming years.

IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The Company has reviewed its financial assets and liabilities and is expecting the following effects from the adoption of the new standard on January 1, 2018.

The majority of the Company's debt instruments that are currently measured at amortized cost will satisfy the conditions to be classified at amortized costs under IFRS 9, so there will be no change to how we account for these assets. However, certain investments in U.S. Treasury bond funds that are currently classified as available-for-sale financial assets do not meet the criteria to be classified as either at fair value through other comprehensive income (FVOCI) or at amortized cost and €157 million will be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains of €4 million will be transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018. There are no other changes expected to the classification and measurement of other financial assets.

There will be no effect on the Group's accounting for financial liabilities. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. For the Group, only derivatives and reinsurance liabilities are designated at fair value through profit or loss and there are no changes in the accounting for these liabilities as a result of IFRS 9. The derecognition rules have not changed from IAS 39, "Financial Instruments: Recognition and Measurement."

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships could be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets measured at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15, "Revenue from Contracts with Customers," lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company expects an increase of less than €5 million in the loss allowance for its financial receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for annual periods beginning on or after January 1, 2018. The Company will apply the new rules retrospectively from January 1, 2018, applying the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance, including IAS 18, "Revenue," IAS 11, "Construction Contracts," and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2018. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The majority of the Company's revenue is derived from sales of retail products whereby control is transferred to the customer as purchases occur at the register. For goods shipped to customers, control transfers to the customer when the product is delivered and accepted. The Company currently recognizes revenue as control passes and the adoption of IFRS 15 will have no effect on when revenue is recognized.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

The Company's policy is to allow customers to return product for replacement or refund. Revenue is currently recognized with an allowance for a reasonable estimate of the returns that can be made for a refund and this will remain unchanged after adoption of IFRS 15. However, under IFRS 15, the Company will now be required to recognize an asset that represents the right to receive returned product. The value of this asset should represent the purchase cost of only the goods that will be of value to Ahold Delhaize. A returned product will have value to Ahold Delhaize if it can be restocked for future resale or returned to the vendor for a refund. Based on the limited amount of sales that result in refunds to customers, the Company has concluded that the recognition of this new asset will have an effect of less than €5 million on the Group's financial statements.

IFRS 15 will require the Company to add additional disclosures surrounding its contracts with customers, the sources of revenues that it generates, and the judgments that it uses when recognizing revenue.

IFRS 15 must be applied for annual periods beginning on or after January 1, 2018. The Company will apply the new rules retrospectively from January 1, 2018, with the cumulative effect of initially applying the standard recognized as of that date. Comparatives for 2017 will not be restated.

IFRS 16, "Leases"

16 replaces existing lease guidance, including IAS 17, "Leases," IFRIC 4, "Determining whether an Arrangement contains a Lease," SIC-15, "Operating Leases – Incentives," and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease." The standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e., lessors continue to classify leases as finance or operating leases. However, subleases under IFRS 16 are classified with reference to the right-of-use asset, not with reference to the underlying asset, as per IAS 17. As a result, in the future, subleases are more likely to be classified as finance leases. In addition, the nature of expenses related to leases will change as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Company has completed an initial assessment of the potential effect on its consolidated financial statements but has not yet completed its detailed assessment. The data enrichment process is currently in progress and detailed calculations on the full lease portfolio will be performed thereafter. The actual effect of applying IFRS 16 on the financial statements in the period of initial application will depend on the composition of the Company's lease portfolio at the transition date, the Company's latest assessment of whether it will exercise any lease renewal or termination options, and the extent to which the Group chooses to use recognition exemptions.

While no significant effect is expected for the Company's current finance leases, it is expected that more subleases will be classified as finance leases under IFRS 16, resulting in new net investments in leases (lease receivables).

On transition to IFRS 16, the Company must determine whether an arrangement contains a lease. When performing this assessment, the Company can choose whether to apply the IFRS 16 definition of a lease to all its contracts or apply the practical expedient allowed under IFRS 16 and not reassess whether a contract is, or contains, a lease. The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 17 and IFRIC 4.

The transition provisions of IFRS 16 allow the Company to apply the standard using a full retrospective approach or a modified retrospective approach, with optional practical expedients. Whichever approach is chosen, the Company must apply the election consistently to all of its leases. The Company will adopt IFRS 16 on January 1, 2019. The Company has not yet made a final decision on the transition approach, pending the finalization of the data enrichment process. The Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

As of December 31, 2017, the Company's future contractual minimum lease payments under non-cancellable operating leases to third parties amounted to €7,590 million, on an undiscounted basis (see *Note 33*). When including the renewal options that are reasonably certain to be exercised, but not yet committed to, the future minimum lease payments amount to €9,631 million (within one year: €1,153 million, between one and five years: €3,693 million, after five years: €4,785 million), on a undiscounted basis.

Notes to the consolidated financial statements
continued

3 Significant accounting policies continued

IFRS 17, "Insurance Contracts"

IFRS 17 replaces IFRS 4, "Insurance Contracts." It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. The Company has yet to assess the standard's full impact.

Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"

The amendments to IFRS 2 were made to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments to IFRS 2 apply prospectively for annual periods beginning on or after January 1, 2018. The Company does not anticipate that the application of these amendments to IFRS 2 will have a significant effect on the future consolidated financial statements.

Amendments to IFRS 4, "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

The amendments to IFRS 4 were made to give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and to give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The amendments to IFRS 4 apply prospectively for annual periods beginning on or after January 1, 2018. Based on Ahold Delhaize's current business model, the Company does not anticipate that the application of these amendments to IFRS 4 will have a significant effect on the future consolidated financial statements.

Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"

The amendments to IAS 28 were made to clarify that IFRS 9, "Financial Instruments," applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments to IAS 28 apply prospectively for annual periods beginning on or after January 1, 2019. The Company does not anticipate that the application of these amendments to IAS 28 will have a significant effect on the future consolidated financial statements.

Amendments to IAS 40, "Transfers of Investment Property"

The amendments to IAS 40 were made to clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. The amendments to IAS 40 apply prospectively for annual periods beginning on or after January 1, 2018. The Company does not anticipate that the application of these amendments to IAS 40 will have a significant effect on the future consolidated financial statements.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income when an entity pays or receives consideration in advance for foreign currency-denominated contracts. IFRIC 22 applies prospectively for annual periods beginning on or after January 1, 2018. The Company does not anticipate that the application of IFRIC 22 will have a significant effect on the future consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies guidance on considering uncertain tax treatments separately or together, assumptions about examinations by tax authorities, and the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. IFRIC 23 applies prospectively for annual reporting periods beginning on or after January 1, 2019. The Company has not yet performed a detailed assessment of its known uncertain tax positions, but, based upon preliminary assessments of its more significant uncertain positions, the application of IFRIC 23 is not anticipated to have a significant effect on the future consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that have been issued but are not yet effective that are expected to have a material effect on the future consolidated financial statements.

Notes to the consolidated financial statements
continued

4 Acquisitions

Ahold Delhaize merger

On July 23, 2016, Ahold and Delhaize announced the completion of their merger, which became effective on July 24, 2016. The merger has been accounted for as a business combination using the acquisition method of accounting under IFRS 3, with Ahold being identified as acquirer.

The purchase consideration was €10,765 million, consisting of the following:

Purchase consideration	€ million
Ordinary shares issued (i)	10,761
Amount attributable to purchase consideration in respect of replacement awards issued (ii)	4
Total purchase consideration	**10,765**

(i) Under the terms of the merger, Delhaize shareholders were offered 4.75 ordinary shares in the Company for each share held in Delhaize. On completion of the merger, 496,000,577 ordinary shares were issued. The fair value of the shares issued as part of the consideration paid was based on the published share price on July 23, 2016, of €21.695 per share.

(ii) In accordance with the terms of the merger agreement, the Company exchanged certain equity-settled share-based payment awards held by employees of Delhaize (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards).

The total value of the replacement awards is €9 million. The consideration for the business combination includes €4 million transferred to employees of Delhaize when the acquiree's awards were substituted by the replacement awards, which relates to past service. The balance of €5 million will be recognized as post-acquisition compensation cost over the relevant service period.

Since the merger date, Delhaize contributed net sales of €11,001 million and a net income of €239 million (representing the results of the Delhaize operating entities plus any remaining head office and other charges from the Delhaize entities) to the 2016 results.

Assuming that the acquisition occurred on January 4, 2016, management reported on a pro forma basis consolidated net sales of €62,331 million through January 1, 2017, and consolidated pro forma net income of €1,078 million. The pro forma information is based on the historical Ahold and Delhaize quarters. The following main adjustments to the combined historical data were made to arrive at the pro forma information: (i) exclusion of the performance of remedy stores and other divestments; (ii) exclusion of merger transaction costs; (iii) inclusion of purchase price allocation effects; (iv) alignment of Global Support Office functions and related costs; and (v) alignment of foreign exchange rates used in the translation of foreign group entities.

Ahold and Delhaize incurred transaction costs of €135 million for banking fees, legal fees and other professional fees, of which €62 million was booked by Ahold and Delhaize in 2015, €73 million in 2016 and nil in 2017. Transaction costs of €38 million (2016) and of nil (2017) have been included in General and administrative expenses as Restructuring and related charges and other.

In the second half of 2016 and the first half of 2017, there were measurement period adjustments recognized subsequent to the amounts initially recognized and reported in 2016. These measurement period adjustments were made to reflect facts and circumstances that existed as of the 2016 merger date and not as a result of events occurring subsequent to the merger date. As a result of all measurement period adjustments, the amount of goodwill on the merger reported in 2016 has been increased by €36 million to an amount of €5,962 million, with the related adjustments to other assets and liabilities. The goodwill represents expected synergies from the combination of the operations, which at the date of this report is treated as non-deductible for tax purposes.

All known measurement period adjustments have been made and the allocation of the purchase price to the estimated fair values of the identifiable assets acquired and the liabilities assumed was finalized in 2017. The following is a summary of the initially reported and final allocation of the purchase consideration.

Notes to the consolidated financial statements
continued

4 Acquisitions continued

€ million	Delhaize initially reported as of closing date	Measurement period adjustments: Reported in 2016	Measurement period adjustments: Reported in 2017	Delhaize final amounts per closing date
Goodwill	5,926	–	36	5,962
Other intangibles	4,311	–	(1)	4,310
Property, plant and equipment (including investment property)	5,104	(3)	–	5,101
Deferred tax assets	7	(3)	2	6
Other non-current assets	97	1	–	98
Inventories	1,498	–	–	1,498
Assets held for sale	111	–	–	111
Cash and cash equivalent	2,280	–	–	2,280
Receivables & other current assets	1,015	4	4	1,023
Loans	(2,374)	–	–	(2,374)
Finance lease liabilities	(517)	–	–	(517)
Provisions non-current (including pensions)	(476)	6	(16)	(486)
Deferred tax liabilities	(1,427)	38	3	(1,386)
Other non-current liabilities	(236)	–	(7)	(243)
Accounts payable	(2,317)	2	–	(2,315)
Bank overdrafts	(993)	–	–	(993)
Liabilities held for sale	(37)	–	–	(37)
Other current liabilities	(1,207)	(45)	(21)	(1,273)
Total purchase consideration	10,765	–	–	10,765
Ordinary shares issued	(10,761)	–	–	(10,761)
Replacement awards issued	(4)	–	–	(4)
Cash acquired (excluding restricted cash)	(2,251)	–	–	(2,251)
Acquisition of business, net of cash	**(2,251)**	**–**	**–**	**(2,251)**

Other acquisitions

Ahold Delhaize completed various store acquisitions for a total purchase consideration of €54 million. The store acquisitions per segments are as follows:

€ million	2017
Ahold USA	11
Delhaize America	1
The Netherlands	18
Belgium	20
Central and Southeastern Europe	4
Ahold Delhaize Group	**54**

Notes to the consolidated financial statements
continued

4 Acquisitions continued

Net assets acquired

The allocation of the fair value of the net assets acquired, the goodwill arising from the acquisitions during 2017, and measurement period adjustments of previous business combinations is as follows:

€ million	Delhaize (measurement period adjustments)	Other	Total
Goodwill	36	43	**79**
Other intangibles	(1)	3	**2**
Property plant and equipment	–	7	**7**
Deferred tax assets	2	–	**2**
Assets held for sale	–	4	**4**
Cash and cash equivalents	–	4	**4**
Receivables and other current assets	4	3	**7**
Provisions (including pensions)	(16)	–	**(16)**
Deferred tax liabilities	3	(1)	**2**
Other non-current liabilities	(7)	(4)	**(11)**
Other current liabilities	(21)	(5)	**(26)**
Total purchase consideration	–	54	**54**
Cash acquired	–	(4)	**(4)**
Acquisition of business, net of cash	**–**	**50**	**50**

Notes to the consolidated financial statements

continued

5 Assets and liabilities held for sale

Assets and liabilities held for sale

€ million	December 31, 2017	January 1, 2017
Non-current assets and disposal groups held for sale	**14**	50
Total assets held for sale	**14**	50
Liabilities related to assets held for sale	**–**	9

Assets held for sale at December 31, 2017, is comprised primarily of non-current assets of retail locations (The Netherlands: €10 million, Central and Southeastern Europe: €4 million). The balances at January 1, 2017, consisted of non-current assets and associated liabilities of retail locations (Ahold USA: €27 million with associated liabilities of €9 million, The Netherlands: €19 million), including in part the remedy stores. In 2016, as part of the approval of the merger between Ahold and Delhaize Group by the U.S. Federal Trade Commission, Ahold and Delhaize subsidiaries entered into agreements to sell 86 stores in the United States. The approval of the Belgian Competition Authority was conditional upon the divestment of 13 stores and a limited number of projects in Belgium. During 2016, of the 86 stores in the United States, Ahold USA divested eight out of 15 stores and Delhaize America divested all of the 71 stores. In 2016, the divestment of remedy stores resulted in an €18 million gain at Ahold USA. As part of the purchase price allocation, the property, plant and equipment and associated liabilities of Delhaize America's remedy stores were recognized at fair value. Therefore, the divestments resulted in an insignificant loss at Delhaize America. None of the 13 stores in Belgium (eight Albert Heijn stores and five Delhaize franchisee stores) were divested in 2016. During 2017, Ahold Delhaize's U.S. and Belgian subsidiaries completed the divestment process of the remedy stores, realizing a gain of €31 million at Ahold USA, a loss of €8 million in Belgium and an insignificant loss in the Netherlands.

In addition, during 2016 Ahold Delhaize completed the sale of pet specialist shop chain Tom & Co with an insignificant divestment loss.

The remedy stores and Tom & Co do not represent discontinued operations.

Notes to the consolidated financial statements
continued

6 Segment reporting

Reportable segments

Ahold Delhaize's retail operations are presented in five 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"), and Ahold Delhaize's Global Support Office are presented separately. From 2018 onwards, in line with the new management structure effective January 1, 2018, we will combine the Ahold USA and Delhaize America reportable segments into one reportable segment: Ahold Delhaize USA.

The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 3*.

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
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle and Peapod
Delhaize America	Food Lion and Hannaford
The Netherlands	Albert Heijn (including the Netherlands, Belgium and Germany), Etos, Gall & Gall and bol.com (including the Netherlands and Belgium)
Belgium	Delhaize (including Belgium and Luxembourg)
Central and Southeastern Europe	Albert (Czech Republic), Alfa Beta (Greece), Mega Image (Romania) and Delhaize Serbia (Republic of Serbia)

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)

Net sales

€ million	2017	2016
Ahold USA	**23,045**	23,845
Delhaize America	**15,395**	7,065
The Netherlands	**13,706**	13,101
Belgium	**4,953**	2,199
Central and Southeastern Europe	**5,791**	3,485
Ahold Delhaize Group	**62,890**	49,695

Operating income

€ million	2017	2016
Ahold USA	**821**	818
Delhaize America	**550**	218
The Netherlands	**669**	578
Belgium	**86**	51
Central and Southeastern Europe	**236**	125
Global Support Office	**(137)**	(206)
Ahold Delhaize Group	**2,225**	1,584

Notes to the consolidated financial statements
continued

6 Segment reporting continued

Depreciation and amortization of property, plant and equipment, investment property, and intangible assets

€ million	2017	2016
Ahold USA	**659**	679
Delhaize America	**506**	222
The Netherlands	**293**	288
Belgium	**146**	64
Central and Southeastern Europe	**161**	95
Global Support Office	**28**	12
Ahold Delhaize Group	**1,793**	1,360

Net impairments of property, plant and equipment, investment property, and intangible assets

€ million	2017	2016
Ahold USA	**59**	78
Delhaize America	**2**	2
The Netherlands	**(2)**	21
Central and Southeastern Europe	**5**	3
Ahold Delhaize Group[1]	**64**	104

1 The impairment amount for 2017 and 2016 includes €2 million of impairment reversal and €8 million of impairments, respectively, relating to assets held for sale.

Share-based compensation expenses

€ million	2017	2016
Ahold USA	**33**	29
Delhaize America	**13**	4
The Netherlands	**13**	13
Belgium	**3**	1
Central and Southeastern Europe	**2**	1
Global Support Office	**15**	13
Ahold Delhaize Group	**79**	61

Notes to the consolidated financial statements
continued

6 Segment reporting continued

Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)

€ million	2017	2016
Ahold USA	**468**	1,925
Delhaize America	**521**	8,440
The Netherlands	**379**	1,351
Belgium	**224**	3,086
Central and Southeastern Europe	**197**	1,845
Global Support Office	**33**	128
Ahold Delhaize Group	**1,822**	16,775

Non-current assets (property, plant and equipment, investment property, and intangible assets)

€ million	December 31, 2017	January 1, 2017
Ahold USA	**6,309**	7,492
Delhaize America	**7,522**	8,593
The Netherlands	**3,528**	3,476
Belgium	**3,083**	3,021
Central and Southeastern Europe	**2,417**	2,354
Global Support Office	**114**	108
Ahold Delhaize Group	**22,973**	25,044

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, impairment losses and reversals and share-based compensation expenses.

Segment information joint ventures – Other retail (JMR and Super Indo)

The information with respect to JMR and Super Indo is presented in *Note 14*.

Notes to the consolidated financial statements
continued

7 Net sales

€ million	2017	2016
Sales to retail customers	**54,667**	43,545
Sales to and fees from franchisees and affiliates	**5,486**	3,931
Online sales	**2,376**	1,991
Wholesale sales	**188**	91
Other sales	**173**	137
Net sales	**62,890**	49,695

Net sales can be further analyzed as follows:

Percentage of net sales	2017	2016
Food: perishable	**46%**	46%
Food: non-perishable	**37%**	36%
Non-food	**12%**	12%
Pharmacy	**3%**	4%
Gasoline	**2%**	2%
Net sales	**100%**	100%

8 Expenses by nature

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

€ million	2017	2016
Cost of product	**44,210**	34,846
Labor costs	**9,014**	7,196
Other operational expenses	**4,652**	3,852
Depreciation and amortization	**1,793**	1,360
Rent expenses and income – net	**979**	775
Impairment losses and reversals – net	**64**	104
(Gains) losses on the sale of assets – net	**(47)**	(22)
Total expenses by nature	**60,665**	48,111

Notes to the consolidated financial statements
continued

9 Net financial expenses

€ million	2017	2016
Interest income	**32**	15
Interest expense	**(294)**	(273)
Net interest expense on defined benefit pension plans	**(22)**	(18)
Gains (losses) on foreign exchange	**(38)**	67
Fair value gains (losses) on financial instruments	**26**	(86)
Other	**(1)**	(246)
Other financial expenses	**(13)**	(265)
Net financial expenses	**(297)**	(541)

Interest income primarily relates to interest earned on cash and cash equivalents and short-term cash deposits and similar instruments.

Interest expense primarily relates to financial liabilities measured at amortized cost (which include notes, finance lease liabilities, financing obligations and cumulative preferred financing shares), interest accretions to provisions, and amortization of the fair value allocation of the debt brought in through acquisitions (refer to *Note 4*).

Net interest expense on defined benefit pension plans is caused by the Company's pensions plans being in a liability position over 2017 and 2016.

Gains (losses) on foreign exchange on financial assets and liabilities are presented as part of net financial expenses. The losses on foreign exchange in 2017 resulted from the translation of foreign currency denominated loans as a result of the strengthening of the euro versus the U.S. dollar. The losses on foreign exchange are offset by fair value gains on financial instruments from derivatives, which do not qualify for hedge accounting treatment.

Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold Delhaize's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2017, the Company recorded a net exchange gain (including the impact of foreign exchange hedging instruments) of €1 million in operating income (2016: gain of €1 million).

In 2016, the line item Other consists mainly of the one-off finance cost of €243 million relating to the buyback and cancellation of the outstanding principal amount of its JPY33 billion floating rate notes, due May 2031, and the unwinding of the associated yen / euro cross-currency interest rate swap.

Notes to the consolidated financial statements
continued

10 Income taxes

Income taxes on continuing operations

The following table specifies the current and deferred tax components of income taxes on continuing operations in the income statement:

€ million	2017	2016
Current income taxes		
Domestic taxes (the Netherlands)	**(147)**	(45)
Foreign taxes		
United States	**(150)**	(163)
Europe – Other	**(109)**	(35)
Total current tax expense	**(406)**	(243)
Deferred income taxes		
Domestic taxes (the Netherlands)	**13**	17
Foreign taxes		
United States	**131**	(20)
Europe – Other	**116**	(1)
Total deferred tax expense	**260**	(4)
Total income taxes on continuing operations	**(146)**	(247)

Effective income tax rate on continuing operations

Ahold Delhaize's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

	2017		2016	
	€ million	Tax rate	€ million	Tax rate
Income before income taxes	**1,928**		1,043	
Income tax expense at statutory tax rate	**(482)**	**25.0%**	(261)	25.0%
Adjustments to arrive at effective income tax rate:				
Rate differential (local rates versus the statutory rate of the Netherlands)	**(45)**	**2.3%**	(6)	0.6%
Deferred tax income (expense) related to recognition of deferred tax assets – net	**(2)**	**0.1%**	7	(0.7)%
Non-taxable income (expense)	**14**	**(0.7)%**	16	(1.5)%
Other	**(38)**	**2.0%**	(3)	0.3%
Subtotal income taxes[1]	**(553)**	**28.7%**	(247)	23.7%
Tax rate changes as a result of local tax reforms	**407**	**(21.1)%**	–	–%
Total income taxes	**(146)**	**7.6%**	(247)	23.7%

1 Excluding the impact of tax rate changes due to local tax reforms.

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. Other includes discrete items and one-time transactions.

Notes to the consolidated financial statements
continued

10 Income taxes continued

On December 22, 2017, new U.S. tax legislation was enacted. The new law includes the reduction of the statutory federal income tax rate from 35% to 21% effective January 1, 2018, which affected Ahold Delhaize's U.S. deferred tax position at the end of 2017. In addition, on December 25, 2017, new Belgian tax legislation was enacted. The new Belgian tax law includes the reduction of the statutory corporate income tax rate from 33% to 29% in 2018 and to 25% starting in 2020, which affected Ahold Delhaize's Belgian deferred tax position at the end of 2017. The tax rate changes as a result of local tax reforms show the impact of recalculating the deferred tax positions of Ahold USA, Delhaize America and Delhaize Belgium, applying the reduced U.S. and Belgian corporate income tax rates. The effects of tax reforms have been included in the reported tax balances based on the information per reporting date. The Company keeps following any development and further clarifications of changes in tax laws and will make adjustments to the tax balances accordingly.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2017 and in 2016.

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 31, 2017, and January 1, 2017, are as follows:

€ million	January 3, 2016	Recognized in income statement	Acquisitions through business combinations	Other	January 1, 2017	Recognized in income statement	Other	**December 31, 2017**
Leases and financings	287	(13)	148	17	439	(146)	(33)	**260**
Pensions and other (post-)employment benefits	266	3	126	53	448	(81)	(121)	**246**
Provisions	151	(6)	70	4	219	(71)	(24)	**124**
Derivatives	31	10	–	(41)	–	–	3	**3**
Interest	14	(38)	171	7	154	(2)	(74)	**78**
Other	29	(6)	32	(1)	54	(17)	(22)	**15**
Total gross deductible temporary differences	778	(50)	547	39	1,314	(317)	(271)	**726**
Unrecognized deductible temporary differences	(4)	–	(1)	–	(5)	1	3	**(1)**
Total recognized deductible temporary differences	774	(50)	546	39	1,309	(316)	(268)	**725**
Tax losses and tax credits	283	(21)	465	8	735	(108)	(37)	**590**
Unrecognized tax losses and tax credits	(111)	15	(275)	(2)	(373)	(1)	18	**(356)**
Total recognized tax losses and tax credits	172	(6)	190	6	362	(109)	(19)	**234**
Total net deferred tax asset position	946	(56)	736	45	1,671	(425)	(287)	**959**
Property, plant and equipment and intangible assets	(284)	53	(1,960)	(64)	(2,255)	617	166	**(1,472)**
Inventories	(144)	4	(107)	(10)	(257)	78	32	**(147)**
Derivatives	–	–	(40)	1	(39)	(16)	55	**–**
Other	–	(5)	(12)	1	(16)	6	1	**(9)**
Total deferred tax liabilities	(428)	52	(2,119)	(72)	(2,567)	685	254	**(1,628)**
Net deferred tax assets (liabilities)	518	(4)	(1,383)	(27)	(896)	260	(33)	**(669)**

The column "Other" in the table above includes amounts recorded in equity, divestments and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

For 2017, the column "Recognized in income statement" in the table above includes the deferred tax rate changes as a result of the U.S. and Belgian tax reforms in the amount of €407 million and the column "Other" includes the deferred tax expense of €58 million recognized in equity.

Notes to the consolidated financial statements
continued

10 Income taxes continued

Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	December 31, 2017	January 1, 2017
Deferred tax assets	**436**	700
Deferred tax liabilities	**(1,105)**	(1,596)
Net deferred tax assets	**(669)**	(896)

As of December 31, 2017, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €3,657 million, mainly expiring between 2019 and 2034 (January 1, 2017: €4,245 million). The following table specifies the years in which Ahold Delhaize's operating and capital loss carryforwards and tax credits are scheduled to expire:

€ million	2018	2019	2020	2021	2022	2023–2027	2028–2032	After 2032	Does not expire	Total
Operating and capital losses (nominal value)	102	461	57	105	59	584	758	353	1,178	**3,657**
Operating and capital losses (tax value)	8	63	10	12	7	37	42	21	336	**536**
Tax credits	10	9	6	7	6	7	1	–	8	**54**
Tax losses and tax credits	18	72	16	19	13	44	43	21	344	**590**
Unrecognized tax losses and tax credits	(7)	(56)	(2)	(3)	(2)	(12)	(7)	(10)	(257)	**(356)**
Total recognized tax losses and tax credits	11	16	14	16	11	32	36	11	87	**234**

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €2,265 million relates to U.S. state taxes, for which a weighted average tax rate of 7.25% applies.

The majority of the above-mentioned deferred tax assets relate to tax jurisdictions in which Ahold Delhaize has suffered a tax loss in the current or a preceding period. Significant judgment is required in determining whether deferred tax assets are realizable. Ahold Delhaize determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

No deferred income taxes are recognized on undistributed earnings of Ahold Delhaize's subsidiaries and joint ventures, as the undistributed earnings will not be distributed in the foreseeable future. The cumulative amount of undistributed earnings on which the Group has not recognized deferred income taxes was approximately €28 million at December 31, 2017 (January 1, 2017: €4,713 million). The decrease for 2017 is predominantly caused by a change in Belgian tax legislation effective January 1, 2018.

Notes to the consolidated financial statements
continued

10 Income taxes continued

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	2017	2016
Share-based compensation	**–**	7
Cash flow hedges	**–**	(41)
Currency translation differences in foreign interests	**(1)**	–
Non-realized gains (losses) on financial investments available for sale	**(1)**	1
Remeasurement of defined benefit pension plans	**(66)**	47
Total	**(68)**	14

2017 includes an amount of €58 million expense for deferred income tax rate changes recognized in and transferred from equity and comprehensive income as a result of the U.S. and Belgian tax reforms.

Notes to the consolidated financial statements
continued

11 Property, plant and equipment

€ million	Buildings and land	Other	Under construction	Total
As of January 3, 2016				
At cost	9,609	5,368	115	15,092
Accumulated depreciation and impairment losses	(4,611)	(3,804)	–	(8,415)
Carrying amount	**4,998**	**1,564**	**115**	**6,677**
Year ended January 1, 2017				
Additions	183	431	568	1,182
Transfers from under construction	253	218	(471)	–
Acquisitions through business combinations[1]	3,425	1,332	187	4,944
Depreciation	(593)	(564)	–	(1,157)
Impairment losses	(55)	(21)	(1)	(77)
Impairment reversals	5	1	–	6
Assets classified to held for sale or sold	(44)	(26)	(3)	(73)
Other movements	(8)	5	(1)	(4)
Exchange rate differences	194	74	4	272
Closing carrying amount	**8,358**	**3,014**	**398**	**11,770**
As of January 1, 2017				
At cost	13,640	7,231	399	21,270
Accumulated depreciation and impairment losses	(5,282)	(4,217)	(1)	(9,500)
Carrying amount	**8,358**	**3,014**	**398**	**11,770**
Year ended December 31, 2017				
Additions	219	547	689	1,455
Transfers from under construction	475	266	(741)	–
Acquisitions through business combinations	4	1	2	7
Depreciation	(750)	(764)	(1)	(1,515)
Impairment losses	(42)	(22)	–	(64)
Impairment reversals	5	3	–	8
Assets classified to held for sale or sold	(27)	(8)	(1)	(36)
Other movements	(15)	(5)	3	(17)
Exchange rate differences	(651)	(253)	(15)	(919)
Closing carrying amount	**7,576**	**2,779**	**334**	**10,689**
As of December 31, 2017				
At cost	12,933	7,099	334	20,366
Accumulated depreciation and impairment losses	(5,357)	(4,320)	–	(9,677)
Carrying amount	**7,576**	**2,779**	**334**	**10,689**

1 Included €4,930 million for the fair value of the property, plant and equipment recognized in connection with the Ahold and Delhaize merger (see *Note 4*).

Notes to the consolidated financial statements
continued

11 Property, plant and equipment continued

Buildings and land includes stores, distribution centers, warehouses and improvements to these assets. “Other” property, plant and equipment mainly consists of furnishings, machinery and equipment, trucks, trailers and other vehicles. Assets under construction mainly consists of stores.

The higher of the value in use or fair value less cost of disposal represents an asset’s recoverable amount. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 6.0% and 16.9% (2016: 5.8% – 17.3%). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and is generally measured by using an income approach or a market approach. The income approach is generally applied by using discounted cash flow projections based on the assets’ highest and best use from a market participants’ perspective. The market approach requires the comparison of the subject assets to transactions involving comparable assets by using inputs such as bid or ask prices or market multiples.

In 2017, Ahold Delhaize recognized net impairment losses of €56 million for property, plant and equipment (2016: €71 million). These were mainly related to Ahold USA (2017: €50 million, 2016: €60 million) and The Netherlands (2017: €1 million reversal, 2016: €6 million) and were recognized for various operating and closed stores. In 2017, the fair value less cost of disposal was the recoverable amount in the determination of €24 million of the net impairment losses (2016: €40 million). In 2017, this included a €12 million charge related to closure of bfresh locations and a €7 million net impairment for other divestment stores. In 2016, as part of approval of the merger between Ahold and Delhaize Group by the U.S. Federal Trade Commission, Ahold USA entered into agreements to sell 15 stores (“remedy stores,” see *Note 5*). In addition to remedy stores, Ahold USA intended to divest another 10 stores in the Richmond area (“other divestment stores”). In 2016, Ahold USA incurred net impairment charges of €17 million in total for the property, plant and equipment of the remedy stores before they were classified as held for sale and a €3 million impairment for the stores’ associated fixed assets to be abandoned. In 2016, impairments for the property, plant and equipment of the other divestment stores of Ahold USA amounted to €20 million. The impairments related to the bfresh locations, remedy and other divestment stores were mainly based on the bid prices received or exit assumptions other than sale.

The additions to property, plant and equipment include capitalized borrowing costs of €2 million (2016: €1 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 2.0% and 10.3% (2016: 1.8% – 10.6%).

Other movements mainly include transfers between asset classes and transfers to investment property.

The carrying amount of land and buildings includes amounts related to assets held under finance leases and financings of €1,093 million and €177 million, respectively (January 1, 2017: €1,323 million and €210 million). In addition, the carrying amount of other property, plant and equipment includes an amount of €36 million (January 1, 2017: €37 million) relating to assets held under finance leases. Ahold Delhaize does not have legal title to these assets.

Company-owned property, plant and equipment with a carrying amount of €43 million (January 1, 2017: €51 million) has been pledged as security for liabilities, mainly for loans.

Notes to the consolidated financial statements
continued

12 Investment property

€ million	2017	2016
At the beginning of the year		
At cost	**1,119**	934
Accumulated depreciation and impairment losses	**(392)**	(354)
Carrying amount	**727**	580
Additions	**29**	10
Acquisitions through business combinations[1]	**–**	171
Depreciation	**(30)**	(28)
Impairment losses and reversals–net	**(4)**	(10)
Assets classified to held for sale or sold	**(25)**	(15)
Transfers from property, plant and equipment and lease-related intangibles	**17**	1
Exchange rate differences	**(64)**	18
Closing carrying amount	**650**	727
At the end of the year		
At cost	**1,025**	1,119
Accumulated depreciation and impairment losses	**(375)**	(392)
Carrying amount	**650**	727

1 2016 included €171 million for the fair value of the investment property recognized in connection with the merger between Ahold and Delhaize (see *Note 4*).

A significant portion of the Company's investment property comprises shopping centers containing both an Ahold Delhaize store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold Delhaize in its retail operations. Ahold Delhaize recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

In 2017, Ahold Delhaize recognized net impairment losses of €4 million (2016: €10 million). These were mainly related to Ahold USA (2017: €3 million, 2016: €10 million).

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €25 million and €37 million (January 1, 2017: €35 million and €42 million), respectively. Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €80 million (January 1, 2017: €93 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of December 31, 2017, amounted to approximately €808 million (January 1, 2017: €937 million). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and has generally been measured by using an income or market approach. Approximately 70% of Ahold Delhaize's fair value measurements are categorized within Level 2. The most significant inputs into this valuation approach are observable market retail yields and tenant rents to calculate the fair value. The remaining fair value measurements that are categorized within Level 3 primarily include the fair value measurements based on the Company's own valuation methods and the fair value for certain mixed-use properties and properties held for strategic purposes. For certain mixed-use properties and properties held for strategic purposes, Ahold Delhaize cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property included in the income statement in 2017 amounted to €70 million (2016: €76 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2017 amounted to €34 million (2016: €35 million).

Notes to the consolidated financial statements
continued

13 Intangible assets

€ million	Goodwill	Brand names	Software	Lease-related intangibles	Customer relationships	Other	Under development	Total
As of January 3, 2016								
At cost	1,241	86	921	340	141	273	39	3,041
Accumulated amortization and impairment losses	(5)	–	(657)	(216)	(72)	(123)	–	(1,073)
Carrying amount	**1,236**	**86**	**264**	**124**	**69**	**150**	**39**	**1,968**
Year ended January 1, 2017								
Additions	–	–	81	–	1	14	96	192
Transfers from under development	–	–	102	–	–	–	(102)	–
Acquisitions through business combinations	5,957	3,196	208	157	78	658	22	10,276
Amortization	–	(1)	(137)	–	(10)	(24)	(3)	(175)
Release of favorable leases	–	–	–	(21)	–	–	–	(21)
Impairments	(5)	–	(6)	(2)	–	(2)	–	(15)
Assets classified to held for sale or sold	(9)	–	–	(1)	–	–	–	(10)
Other movements	3	–	–	–	–	(3)	–	–
Exchange rate differences	213	97	6	9	3	2	2	332
Closing carrying amount	**7,395**	**3,378**	**518**	**266**	**141**	**795**	**54**	**12,547**
As of January 1, 2017								
At cost	7,405	3,379	1,317	505	223	942	54	13,825
Accumulated amortization and impairment losses	(10)	(1)	(799)	(239)	(82)	(147)	–	(1,278)
Carrying amount	**7,395**	**3,378**	**518**	**266**	**141**	**795**	**54**	**12,547**
Year ended December 31, 2017								
Additions	–	–	76	–	–	31	143	250
Transfers from under development	–	–	141	–	–	3	(144)	–
Acquisitions through business combinations	79	–	–	–	–	2	–	81
Amortization	–	(2)	(196)	–	(13)	(37)	–	(248)
Release of favorable leases	–	–	–	(29)	–	–	–	(29)
Impairments	(1)	–	(3)	–	–	(2)	–	(6)
Assets classified to held for sale or sold	(10)	–	–	–	–	–	–	(10)
Other movements	–	–	(4)	–	–	–	–	(4)
Exchange rate differences	(603)	(272)	(22)	(27)	(9)	(11)	(3)	(947)
Closing carrying amount	**6,860**	**3,104**	**510**	**210**	**119**	**781**	**50**	**11,634**
As of December 31, 2017								
At cost[1]	6,868	3,108	1,185	400	200	942	50	12,753
Accumulated amortization and impairment losses[1]	(8)	(4)	(675)	(190)	(81)	(161)	–	(1,119)
Carrying amount	**6,860**	**3,104**	**510**	**210**	**119**	**781**	**50**	**11,634**

1 Fully amortized software balances of €231 million, which are no longer in use, were derecognized from the cost and accumulated amortization and impairment losses.

Notes to the consolidated financial statements
continued

13 Intangible assets continued

Goodwill recognized on acquisitions in 2017 includes measurement period adjustments of €36 million to the amount recognized in 2016 (€5,926 million) in connection with the merger of Ahold and Delhaize Group (see *Note 4* for more details). Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination.

Brand names include retail brands as well as certain own brands referring to ranges of products. Retail brands are strong and well-established brands of supermarkets, convenience stores and online stores protected by trademarks that are renewable indefinitely in their relevant markets. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives. Ahold Delhaize brands play an important role in the Company's business strategy. Ahold Delhaize believes that there is currently no foreseeable limit to the period over which the retail brands are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

The carrying amounts of goodwill allocated to CGUs within Ahold Delhaize's reportable segments and brands recognized from business acquisitions are as follows:

€ million		Goodwill December 31, 2017	Goodwill January 1, 2017	Brand names December 31, 2017[1]	Brand names January 1, 2017[1]
Reportable segment	**Cash-generating unit**				
Ahold USA	Stop & Shop New England	**418**	478	**–**	–
	Stop & Shop New York Metro	**453**	507	**–**	–
	Giant Carlisle	**499**	569	**–**	–
	Giant Landover	**312**	357	**–**	–
	Peapod	**22**	25	**–**	–
Delhaize America	Food Lion	**956**	1,082	**1,210**	1,382
	Hannaford	**1,683**	1,914	**721**	823
The Netherlands	Albert Heijn (including the Netherlands, Belgium and Germany)	**1,422**	1,409	**–**	–
	bol.com (including the Netherlands and Belgium)	**201**	201	**86**	86
	Etos	**8**	8	**–**	–
	Gall & Gall	**1**	1	**–**	–
Belgium	Delhaize (including Belgium and Luxembourg)	**427**	404	**786**	786
Central and Southeastern Europe	Albert (Czech Republic)	**181**	171	**–**	–
	Alfa Beta (Greece)	**137**	133	**138**	138
	Mega Image (Romania)	**128**	125	**88**	91
	Delhaize Serbia (Republic of Serbia)	**12**	11	**75**	72
Ahold Delhaize Group		**6,860**	7,395	**3,104**	3,378

1 Included own brands at Food Lion (€10 million, January 1, 2017: €12 million), Hannaford (€10 million, January 1, 2017: €12 million), Greece (€4 million, January 1, 2017: €4 million), Romania (€2 million, January 1, 2017: €2 million).

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Except for Delhaize Belgium (including Belgium and Luxembourg), Food Lion and Hannaford, the recoverable amounts for the CGUs have been determined based on value in use.

Notes to the consolidated financial statements
continued

13 Intangible assets continued

Value in use

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Company's management. Due to the expected continuation of high growth in the relevant online retail markets, we project cash flow for bol.com and Peapod over 10-year periods to better reflect the growth expectations in sales, profitability and cash generation as these businesses have not yet reached a steady stage. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (hereafter: discount rate), sales growth and operating margin. The pre-tax discount rates are 10.0% for Ahold USA brands, 8.7% for Peapod, 7.0% for The Netherlands brands, 12.2% for bol.com, 7.4% for the Czech Republic, 17.1% for Greece, 10.3% for Romania and 12.0% for Serbia. The sales growth rates and operating margins used to estimate future performance are based on past performance and our experience of growth rates and operating margins achievable in Ahold Delhaize's main markets. The average annual compound sales growth rates applied in the projected periods ranged between 12.5% and 13.2% for the CGUs of our online business and between 1.4% and 10.8% for the other CGUs. The average operating margins applied in the projected periods ranged between (0.4)% and 2.3% for the CGUs of our online business and between 3.1% and 6.0% for the other CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period included one year of additional growth based on the long-term inflation expectations that ranged between 1.5% and 2.8% for the CGUs, no additional growth was assumed thereafter.

Fair value less costs of disposal

Fair value represents the price that would be received for selling an asset in an orderly transaction between market participants and is generally measured by using an income approach or a market approach. We have used discounted cash flow projections based on the assets' highest and best use from a market participants' perspective; taking financial plans as approved by management as a base (level 3 valuation). The discounted cash flow projections cover a period of five years. Fair value less costs of disposal is based on a post-tax calculation model and included the deferred tax position in the carrying amount and a corresponding tax-related cash flow in the recoverable amount. The key assumptions for the discounted cash flow projections relate to discount rate, sales growth and operating margin. The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 6.0% for Food Lion and Hannaford and 5.5% for Delhaize Belgium. The average annual compound sales growth rates applied in the projected periods ranged between 2.9% and 3.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.7% and 6.4% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period included one year of additional growth based on the long-term inflation expectations that ranged between 1.8% and 2.4% for the CGUs, no additional growth was assumed thereafter.

Key assumptions and sensitivity analyses relating to cash-generating units to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Growth rate (terminal value)	Pre–tax discount rate	Post–tax discount rate
Food Lion[1]	2.4%	n.a	6.0%
Hannaford[1]	2.4%	n.a	6.0%
Albert Heijn[2]	1.5%	7.0%	n.a
Delhaize Belgium[1]	1.8%	n.a	5.5%

1 In 2016, the CGUs Hannaford, Food Lion and Delhaize Belgium were acquired by Ahold Delhaize. During the purchase price allocation, the fair value of these CGUs was determined based on their respective business enterprise values by discounting the projected cash flows of these CGUs. There was no significant change to these projected cash flows after the merger date.

2 During the 2016 goodwill impairment test, a terminal value growth rate of 1.5% and a pre-tax discount rate of 6.8% was applied.

Notes to the consolidated financial statements
continued

13 Intangible assets continued

Due to the recent acquisition in 2016, the headroom for Food Lion, Hannaford and Delhaize Belgium is limited. A sensitivity analysis indicates that the recoverable amount of Food Lion, Hannaford and Delhaize Belgium would be equal to their carrying amount:

- if the operating margins of the CGUs in the projection period were reduced by 0.2%, 1.3% and 0.3%, respectively
- if the WACC rates used to discount cash flow projections of the CGUs were higher by 0.4%, 1.3% and 0.5%, respectively.

The recoverable amount of these CGUs would be sufficiently in excess of the carrying values if the growth rate (terminal value) for them was assumed to be 0%.

Lease-related intangible assets consist primarily of favorable operating lease contracts acquired in business acquisitions. Customer relationships consist primarily of pharmacy scripts and customer lists recognized through the acquisition of bol.com in 2012. "Other" mainly includes intangible assets related to relationships with franchisees and affiliates recognized in connection with the Ahold Delhaize merger, location development rights, deed restrictions and similar assets. Included in "Other" is an intangible asset allocated to Stop & Shop New England with an indefinite useful life and a carrying value of €29 million (2016: €33 million). The useful life of this asset is assessed to be indefinite since it relates to the land portion of an owned location. Intangible assets under development relate mainly to software development.

Notes to the consolidated financial statements
continued

14 Investments in joint ventures and associates

In 1992, Ahold Delhaize partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR"). Ahold Delhaize holds 49% of the shares in JMR and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A. JMR operates food retail stores in Portugal under the brand name Pingo Doce.

Ahold Delhaize holds 51% of the shares in P.T. Lion Super Indo ("Super Indo"). Super Indo operates supermarkets in Indonesia. Although Ahold Delhaize has a 51% investment in Super Indo, the Company cannot exercise its majority voting rights mainly due to (i) a quorum requirement for the Board of Directors to decide on critical operating and financing activities and (ii) a requirement of unanimous affirmative decisions in the Board of Directors, on significant and strategic investing and financing matters, such as budgets and business plans and any resolution on the allocation of profits and distribution of dividends.

Therefore, JMR and Super Indo are joint ventures and are accounted for using the equity method. There are no quoted market prices available.

Ahold Delhaize is also a partner in various smaller joint arrangements and associates that are individually not material to the Group.

Changes in the carrying amount of Ahold Delhaize's interest in joint ventures and associates are as follows:

€ million	JMR 2017	Super Indo 2017	Other 2017	Total 2017	JMR 2016	Super Indo 2016	Other 2016	Total 2016
Beginning of the year	**181**	**56**	**37**	**274**	181	–	31	212
Brought through acquisition	**–**	**–**	**–**	**–**	–	51	–	51
Share in income (loss) of joint ventures	**24**	**7**	**4**	**35**	22	4	8	34
Dividend	**(55)**	**(15)**	**–**	**(70)**	(17)	–	(2)	(19)
Other changes in equity of joint ventures	**–**	**–**	**2**	**2**	(5)	–	–	(5)
Exchange rate differences	**–**	**(7)**	**(4)**	**(11)**	–	1	–	1
End of the year	**150**	**41**	**39**	**230**	181	56	37	274

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was an income of €4 million (2016: €8 million) and nil for individually immaterial associates (2016: nil).

Notes to the consolidated financial statements
continued

14 Investments in joint ventures and associates continued

Set out below is the summarized financial information for JMR and Super Indo (on a 100% basis).

€ million	JMR 2017	JMR 2016	Super Indo 2017	Super Indo 2016
Summarized statement of comprehensive income				
Net sales	**4,045**	3,924	**420**	165
Depreciation and amortization	**(103)**	(98)	**(9)**	(4)
Interest income	**–**	–	**2**	–
Interest expense	**(2)**	(2)	**–**	–
Income tax expense	**(18)**	(21)	**(1)**	(2)
Income from continuing operations	**51**	46	**13**	8
Net income	**51**	46	**13**	8
Net income attributable to the joint venture	**51**	44	**13**	8
Net income (loss) attributable to non-controlling interest	**–**	2	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income attributable to the joint venture	**51**	44	**13**	8

€ million	JMR December 31, 2017	JMR January 1, 2017	Super Indo December 31, 2017	Super Indo January 1, 2017
Summarized balance sheet				
Non-current assets	**1,193**	1,178	**60**	57
Current assets				
Cash and cash equivalents	**72**	56	**37**	59
Other current assets	**372**	360	**45**	45
Total current assets	**444**	416	**82**	104
Non-current liabilities				
Financial liabilities	**–**	–	**–**	–
Other liabilities	**34**	31	**5**	5
Total non-current liabilities	**34**	31	**5**	5
Current liabilities				
Financial liabilities (excluding trade payables)	**271**	210	**–**	–
Other current liabilities	**1,025**	979	**76**	67
Total current liabilities	**1,296**	1,189	**76**	67
Net assets	**307**	374	**61**	89
Net assets attributable to the joint venture	**307**	368	**61**	89
Net assets attributable to non-controlling interest	**–**	6	**–**	–

Notes to the consolidated financial statements
continued

14 Investments in joint ventures and associates continued

The information presented below represents a reconciliation of the summarized financial information presented above to the carrying amount of JMR and Super Indo.

€ million	**JMR 2017**	JMR 2016	**Super Indo 2017**	Super Indo 2016
Opening net assets attributable to the joint venture	**368**	369	**89**	–
Net assets acquired through business combinations	**–**	–	**–**	79
Net income	**51**	44	**13**	8
Dividend	**(112)**	(35)	**(30)**	–
Transactions with non-controlling interest	**–**	(10)	**–**	–
Exchange differences	**–**	–	**(11)**	2
Closing net assets attributable to the joint venture	**307**	368	**61**	89
Interest in joint venture	**49%**	49%	**51%**	51%
Closing net assets included in the carrying value	**150**	181	**31**	45
Goodwill	**–**	–	**10**	11
Carrying value	**150**	181	**41**	56

Transactions with non-controlling interest in 2016 related to JMR's acquisition of certain non-controlling interest in its Madeira retail operations.

Commitments and contingent liabilities in respect of joint ventures and associates
Our JMR joint venture is involved in several tax proceedings initiated by the Portuguese tax authorities. These tax claims are contested by our JMR joint venture. For these tax claims JMR issued several bank guarantees for an total amount of €63 million (Ahold Delhaize's share: €31 million, based on ownership interest). There are no other significant contingent liabilities or restrictions relating to the Company's interest in the joint ventures and associates. The commitments are presented in *Note 34*.

15 Other non-current financial assets

€ million	**December 31, 2017**	January 1, 2017
Reinsurance assets	**124**	145
Loans receivable	**55**	53
Other	**13**	18
Total other non-current financial assets	**192**	216

Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold Delhaize assumes a share of the reinsurance treaty risks that is measured by Ahold Delhaize's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold Delhaize to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Notes 18, 22* and *26*) on its balance sheet. There were no significant gains or losses related to this pooling arrangement during 2017 or 2016.

Of the non-current loans receivable, €32 million matures between one and five years and €23 million after five years (January 1, 2017: €25 million between one and five years and €28 million after five years). The current portion of loans receivable of €3 million is included in Other receivables (January 1, 2017: €12 million) (see *Note 17*).

Notes to the consolidated financial statements
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16 Inventories

€ million	December 31, 2017	January 1, 2017
Finished products and merchandise inventories	**3,023**	3,233
Raw materials, packaging materials, technical supplies and other	**54**	55
Total inventories	**3,077**	3,288

In 2017, €1,352 million has been recognized as a write-off of inventories in the income statement (2016: €1,071 million). A portion of the value of inventories written off is Ahold Delhaize's best estimate based on significant assumptions applied to certain products measured using the retail method.

17 Receivables

€ million	December 31, 2017	January 1, 2017
Trade receivables	**997**	952
Vendor allowance receivables	**454**	442
Other receivables	**235**	270
	1,686	1,664
Provision for impairment	**(80)**	(76)
Total receivables	**1,606**	1,588

The receivable balances are presented net of accounts payable and subject to an enforceable netting arrangement between the Company and the counterparty. The total effect of netting as of December 31, 2017, is €254 million (January 1, 2017: €230 million).

At December 31, 2017, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	997	773	149	16	11	48
Vendor allowance receivables	454	334	101	11	5	3
Other receivables	235	137	56	23	5	14
	1,686	1,244	306	50	21	65
Provision for impairment	(80)	(13)	(13)	(6)	(5)	(43)
Total receivables	**1,606**	**1,231**	**293**	**44**	**16**	**22**

Notes to the consolidated financial statements
continued

17 Receivables continued

At January 1, 2017, the aging analysis of receivables was as follows:

€ million	Total	Not past due	Past due 0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	952	736	121	25	29	41
Vendor allowance receivables	442	321	88	19	12	2
Other receivables	270	174	52	23	7	14
	1,664	1,231	261	67	48	57
Provision for impairment	(76)	(11)	(12)	(5)	(11)	(37)
Total receivables	**1,588**	**1,220**	**249**	**62**	**37**	**20**

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment assessment, based on the aging analysis performed as of December 31, 2017. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	2017	2016
Beginning of the year	**(76)**	(20)
Acquisitions through business combinations	**–**	(53)
Charged to income	**(20)**	(14)
Used	**15**	11
Exchange rate differences	**1**	–
End of the year	**(80)**	(76)

Notes to the consolidated financial statements

continued

18 Other current financial assets

€ million	December 31, 2017	January 1, 2017
Derivative financial instruments – current portion	**–**	299
Available-for-sale financial assets – current portion	**157**	175
Short-term deposits and similar instruments	**9**	110
Reinsurance assets – current portion (see *Note 15*)	**71**	75
Other	**1**	18
Total other current financial assets	**238**	677

In 2016 the derivative financial instruments – current portion includes the interest and the cross-currency swaps related to GBP 250 notes. The remaining notional redemption amount of GBP 250 million was due in March 2017 and the related swaps were settled on the same date (see *Note 21*).

The Available-for-sale financial assets relate primarily to investments in U.S. Treasury bond funds which are held by one of the Company's captive insurance companies (see *Note 24*).

As of December 31, 2017, short-term deposits and similar instruments included short-term investments with a maturity at acquisition of between three and 12 months. Of the short-term deposits and similar instruments as of December 31, 2017, €9 million was restricted (January 1, 2017: €10 million). The restricted investments are held for insurance purposes for U.S. workers' compensation and general liability programs.

In 2016 the line item "Other" includes cash collateral posted on net liability positions of derivative financial instruments.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In both 2017 and 2016, none of the financial assets were either past due or impaired.

19 Cash and cash equivalents

€ million	December 31, 2017	January 1, 2017
Cash in banks and cash equivalents	**4,240**	3,718
Cash on hand	**341**	314
Total cash and cash equivalents	**4,581**	4,032

Of the cash and cash equivalents as of December 31, 2017, €39 million was restricted (January 1, 2017: €42 million) and consisted of collateral in connection with third-party money transfer services provided at our stores of €26 million (January 1, 2017: €29 million) as well as cash held in escrow accounts mainly related to pending litigation, obligations related to business disposals and construction activities.

Cash and cash equivalents include €1,367 million (January 1, 2017: €1,184 million) held under a notional cash pooling arrangement. This cash amount was fully offset by an identical amount included under Other current financial liabilities. From an operational perspective, the balances in the cash pool are netted. However, in accordance with the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see *Notes 26* and *30*).

Ahold Delhaize's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €172 million and €217 million as of December 31, 2017, and January 1, 2017, respectively. No right to offset with other bank balances exists for these book overdraft positions.

Notes to the consolidated financial statements
continued

20 Equity attributable to common shareholders

Shares and share capital

Authorized share capital comprises the following classes of shares:

€ million	December 31, 2017	January 1, 2017
Common shares (2017: 1,923,515,827 of €0.01 par value each, and 2016: 1,921,000,000 of €0.01 par value each)	**19**	19
Cumulative preferred shares (2017: 2,250,000,000 of €0.01 par value each, and 2016: 2,250,000,000 of €0.01 par value each)	**23**	23
Total authorized share capital	**42**	42

In addition, Ahold Delhaize has cumulative preferred financing shares outstanding. These cumulative preferred financing shares are considered debt under IFRS until the date that Ahold Delhaize receives irrevocable notification from a holder of the shares to convert them into common shares. Upon this notification, the cumulative preferred financing shares are classified as a separate class of equity since they no longer meet the definition of a liability. For disclosures regarding Ahold Delhaize's cumulative preferred financing shares, see *Note 22*.

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of January 3, 2016	**834,373**	**15,902**	**818,471**
Reverse stock split	(49,081)	(574)	(48,507)
Issuance of shares	496,001	–	496,001
Share-based payments	–	(6,311)	6,311
Balance as of January 1, 2017	**1,281,293**	**9,017**	**1,272,276**
Share buyback	–	54,838	(54,838)
Cancellation of treasury shares	(37,000)	(37,000)	–
Conversion of cumulative preferred financing shares	2,516	–	2,516
Share-based payments	–	(7,642)	7,642
Other	–	6	(6)
Balance as of December 31, 2017	**1,246,809**	**19,219**	**1,227,590**

Dividends on common shares

On April 12, 2017, the General Meeting of Shareholders approved the dividend over 2016 of €0.57 per common share (€720 million in the aggregate). This dividend was paid on April 26, 2017. The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.63 per common share be paid in 2018 with respect to 2017. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of December 31, 2017. The payment of this dividend will not have income tax consequences for the Company.

Capital repayment and reverse stock split

On March 14, 2016, the merger between Ahold and Delhaize, including a capital repayment and reverse stock split, was approved at an Extraordinary General Meeting of Shareholders. The reverse stock split was recorded on July 18, 2016, by way of a consolidation of 17 issued common shares into 16 common shares, which reduced the total number of common shares outstanding by 48,507,004 shares. The capital repayment of €1.29 per remaining share, €1,001 million in the aggregate (excluding transaction costs), was paid on July 21, 2016.

As consideration, Delhaize shareholders received 4.75 Ahold common shares for each issued and outstanding Delhaize common share, which increased the number of common shares outstanding by 496,000,577 shares.

Notes to the consolidated financial statements
continued

20 Equity attributable to common shareholders continued

Share buyback

The share buyback program of €1 billion that started on January 9, 2017, was successfully completed on December 29, 2017. In total 55,166,939 of the Company's own shares were repurchased at an average price of €18.13 per share. The trades executed on December 28 and December 29, 2017, totaling 328,631 shares, were settled on January 2 and January 3, 2018, respectively. On January 2, 2018, the Company commenced the €2 billion share buyback program that was announced on November 8, 2017. The program is expected to be completed before the end of 2018.

Conversion of cumulative preferred financing shares

On August 9, 2017, Ahold Delhaize converted 45,000,000 cumulative preferred financing shares into 2,515,827 common shares. The 45,000,000 cumulative preferred financing shares had a par value of €42,541,895.

Share-based payments

Share-based payments recognized in equity in the amount of €83 million (2016: €74 million) relate to the 2017 Global Reward Opportunity (GRO) share-based compensation expenses (see *Note 32)* and the associated current and deferred income taxes.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could prevent, or at least delay, an attempt by a potential bidder to make a hostile takeover bid. According to Dutch law, a response device is limited in time and therefore cannot permanently block a take-over of the Company concerned. Instead, it aims to facilitate an orderly process in which the interests of the continuity of the Company, its shareholders and other stakeholders are safeguarded in the best way possible.

Moreover, outside the scope of a public offer, but also under other circumstances, the ability to issue this class of shares may safeguard the interests of the Company and all stakeholders in the Company and resist influences that might conflict with those interests by affecting the Company's continuity, independence or identity. No cumulative preferred shares were outstanding as of December 31, 2017 or during 2017 and 2016.

In March 1989, the Company entered into an agreement with Stichting Continuïteit Ahold Delhaize (SCAD, previously named Stichting Ahold Continuïteit) as amended and restated in April 1994, March 1997, December 2001, and December 2003 (the Option Agreement). Pursuant to the Option Agreement, SCAD has been granted an option for no consideration to acquire cumulative preferred shares from the Company from time to time until December 2018. At Ahold Delhaize, a decision to extend the Option Agreement is at the discretion of the Management Board, subject to the approval of the Supervisory Board. In December 2017, the Company and SCAD commenced discussions on a possible extension of the Option Agreement, in accordance with its terms which require such discussions to start at least one year prior to the expiration date. No conclusion has been reached at this time.

The Option Agreement entitles SCAD, under certain circumstances, to acquire cumulative preferred shares from the Company up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold Delhaize's share capital, excluding cumulative preferred shares, at the time of exercising the option. If the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option. The holders of the cumulative preferred shares are entitled to one vote per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1%, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on the balance sheet total as of the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75%. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Management Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25% of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SCAD would then only be entitled to a market-based interest return on its investment.

Notes to the consolidated financial statements
continued

20 Equity attributable to common shareholders continued

SCAD is a foundation organized under the laws of the Netherlands. Its purpose under its articles is to safeguard the interests of the Company and all stakeholders in the Company and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. SCAD seeks to realize its objectives by acquiring and holding cumulative preferred shares and by exercising the rights attached to these shares, including the voting rights. The SCAD board has four members, who are appointed by the board of SCAD itself.

If the board of SCAD considers acquiring cumulative preferred shares or exercising voting rights on cumulative preferred shares, it will make an independent assessment and, pursuant to Dutch law, it must ensure that its actions are proportional and reasonable. If SCAD acquires cumulative preferred shares, it will only hold them for a limited period of time. These principles are in line with Dutch law, which only allows response measures that are proportionate, reasonable and limited in time. In the case of liquidation, the SCAD board will decide on the use of any remaining residual assets.

Legal reserves
In accordance with the Dutch Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. Of the total equity as per December 31, 2017, of €15,170 million, an amount of €346 million is non-distributable (January 1, 2017: €1,130 million out of total equity of €16,276 million). See *Note 10* to the parent company financial statements for more detail on the legal reserves.

Notes to the consolidated financial statements

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21 Loans and credit facilities

The notes in the table below were issued by Ahold Delhaize or one of its subsidiaries, the latter of which are guaranteed by Ahold Delhaize unless otherwise noted. The amortization of the fair-value allocation to the debt acquired through business combinations is allocated to the respective maturity brackets.

€ million, unless otherwise stated	Outstanding notional redemption amount December 31, 2017		Current portion within 1 year	Non-current portion: Between 1 and 5 years	Non-current portion: After 5 years	Total December 31, 2017	Current portion within 1 year	Non-current portion: Between 1 and 5 years	Non-current portion: After 5 years	Total January 1, 2017
GBP 500 notes 6.50%, due 2017[1]	**GBP**	**–**	**–**	**–**	**–**	**–**	292	–	–	292
USD 450 notes 6.50%, due 2017[2]	**USD**	**–**	**–**	**–**	**–**	**–**	168	–	–	168
EUR 400 notes 4.25%, due 2018[2]	**EUR**	**400**	**413**	**–**	**–**	**413**	16	413	–	429
USD 300 notes 4.125%, due 2019[2]	**USD**	**130**	**3**	**109**	**–**	**112**	3	127	–	130
USD 94 indebtedness 7.82%, due 2020	**USD**	**18**	**8**	**7**	**–**	**15**	10	17	–	27
EUR 400 notes 3.125%, due 2020[2]	**EUR**	**400**	**12**	**414**	**–**	**426**	12	426	–	438
EUR 750 notes 0.875% due 2024	**EUR**	**750**	**–**	**–**	**750**	**750**	–	–	–	–
USD 71 indebtedness 8.62%, due 2025	**USD**	**71**	**–**	**30**	**29**	**59**	–	21	47	68
USD 71 notes 8.05%, due 2027[2]	**USD**	**71**	**2**	**8**	**69**	**79**	2	8	81	91
USD 500 notes 6.875%, due 2029	**USD**	**500**	**–**	**–**	**416**	**416**	–	–	475	475
USD 271 notes 9.00%, due 2031[2]	**USD**	**271**	**5**	**21**	**286**	**312**	5	23	333	361
USD 827 notes 5.70%, due 2040[2]	**USD**	**827**	**4**	**18**	**815**	**837**	4	20	935	959
Deferred financing costs			**(2)**	**(6)**	**(4)**	**(12)**	–	(2)	(2)	(4)
Total notes			**445**	**601**	**2,361**	**3,407**	512	1,053	1,869	3,434
Financing obligations[3]			**22**	**122**	**181**	**325**	23	115	247	385
Mortgages payable[4]			**1**	**13**	**8**	**22**	2	15	9	26
Other loans			**–**	**–**	**3**	**3**	2	–	3	5
Total loans			**468**	**736**	**2,553**	**3,757**	539	1,183	2,128	3,850

1 During 2005, the Company bought back GBP 250 million of the notes. The remaining notional amount of the GBP 250 million was swapped to U.S. dollars (see *Note 30* for additional information), which were due in March 2017.

2 Acquired through business combinations (refer to *Note 4*).

3 The weighted average interest rate for the financing obligations amounted to 7.5% as of the end of 2017 (2016: 7.6%).

4 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 5.6% as of the end of 2017 (2016: 5.4%).

On September 12, 2017, Ahold Delhaize issued a new €750 million seven-year Eurobond. The bonds were sold at an issue price of 99.474% and carry an annual coupon of 0.875%. The senior unsecured bonds will mature on September 19, 2024. The net proceeds of the offering will be used to refinance existing debt and for general corporate purposes. The bonds are listed on Euronext Amsterdam.

Notes to the consolidated financial statements
continued

21 Loans and credit facilities continued

On July 4, 2017, Ahold Delhaize successfully established a multi-currency euro-commercial paper program, in order to diversify its sources of financing. Under this program, Ahold Delhaize may issue, from time to time, euro-commercial paper notes at blended rates. The outstanding principal amount of the notes will not exceed €1 billion (or its equivalent in other currencies) at any time. No borrowings were outstanding as per December 31, 2017.

On March 14, 2017, Ahold Delhaize repaid the remaining notional redemption amount of GBP 250 million relating to the GBP 500 million notes. The related swaps were settled on the same date. Since Ahold Delhaize was required under these swap contracts to redeem the notional amount through semi-annual installments that commenced in September 2004, the net cash impact of the debt repayment and the swap settlement at maturity was limited to only the last semiannual installment amounting to $14 million. With the repayment of its GBP 500 million notes, Ahold Delhaize no longer had any notes outstanding under its Euro Medium Term Note Program and decided not to extend the program. Accordingly, the related Base Prospectus of April 21, 2016, which was valid for a period of 12 months, has not been renewed.

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold Delhaize are disclosed in *Note 30*.

Credit facilities

Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated credit facility that was amended and extended in February 2015, whereby the Company reduced the size of the credit facility from €1.2 billion to €1.0 billion (providing for the issuance of $275 million in letters of credit). At the same time, the facility was extended to 2020 with two potential extensions after 12 and 24 months that would take the facility to 2021 and 2022 respectively. The Company successfully agreed on both extensions with the lenders. The credit facility contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2, respectively, not to exceed a maximum leverage ratio of 4.0:1. During 2017 and 2016, the Company was in compliance with these covenants. As of December 31, 2017, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $156 million (€130 million).

Ahold Delhaize also has access to a total of €395 million in uncommitted credit facilities to cover working capital requirements, issuance of guarantees and letters of credit, of which €67 million was utilized as of December 31, 2017.

Notes to the consolidated financial statements
continued

22 Other non-current financial liabilities

€ million	December 31, 2017	January 1, 2017
Finance lease liabilities	**1,430**	1,761
Cumulative preferred financing shares	**455**	497
Derivative financial instruments	**18**	45
Reinsurance liabilities	**136**	153
Other	**59**	71
Total other non-current financial liabilities	**2,098**	2,527

For more information on derivative financial instruments and fair values see *Note 30.*

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies (see *Note 15*).

Other mainly consists of a pre-tax liability for the discounted amount of the remaining settlement liability of $38 million (€32 million), relating to a 2013 agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund, and financial guarantees relating to stores previously sold to BI-LO and Aldi (see *Note 34*).

Finance lease liabilities
Finance lease liabilities relating to continuing operations are payable as follows:

	December 31, 2017			January 1, 2017		
€ million	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	**271**	**94**	**177**	318	119	199
Between one and five years	**894**	**272**	**622**	1,083	352	731
After five years	**1,067**	**259**	**808**	1,370	340	1,030
Total	**2,232**	**625**	**1,607**	2,771	811	1,960
Current portion finance lease liabilities (see *Note 26*)			**177**			199
Non-current portion finance lease liabilities			**1,430**			1,761

Finance lease liabilities are principally for buildings. Terms range primarily from 10 to 25 years and include renewal options if it is reasonably certain, at the inception of the leases, that they will be exercised. At the time of entering into a finance lease agreement, the commitment is recorded at its present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the local brand-specific interest rate applicable for long-term borrowings is used. As of December 31, 2017, the finance lease liabilities are recorded at their present value at a weighted average interest rate of 6.3% (January 1, 2017: 7.1%).

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold Delhaize's leases impose restrictions on Ahold Delhaize's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

During 2017, interest expense on finance lease liabilities was €111 million (2016: €111 million). Total future minimum sublease income expected to be received under non-cancellable subleases as of December 31, 2017, is €106 million (January 1, 2017: €111 million). The total contingent rent expense recognized during the year on finance leases was €1 million expense (2016: €1 million expense).

Notes to the consolidated financial statements
continued

22 Other non-current financial liabilities continued

Cumulative preferred financing shares

	Number of shares (x 1,000)	€ million
Issued cumulative preferred financing shares (€0.01 par value each)	265,899	3
Authorized cumulative preferred financing shares (€0.01 par value each)	326,484	3

€ million	December 31, 2017	January 1, 2017
Paid-in capital issued cumulative preferred financing shares	**3**	3
Additional paid-in capital cumulative preferred financing shares	**452**	494
Balance as of year-end	**455**	497

The cumulative preferred financing shares were issued in four tranches. Dividends are paid on each preferred financing share at a percentage (financing dividend percentage) that differs per tranche. When a period of 10 years has lapsed after the issue date of a tranche, and every 10 years thereafter (reset date), the financing dividend percentage is reset. The current financing dividend percentage is 1.527% per year for the shares issued in June 1996, 6.08% per year for the shares issued in August 1998, 3.85% per year for the shares issued in October 2000, and 3.35% per year for the shares issued in December 2003.

On August 9, 2017, at the request of the holder of these shares, Ahold Delhaize converted 45,000,000 cumulative preferred financing shares into 2,515,827 common shares. The remaining 42,484,173 cumulative preferred financing shares were delivered to Ahold Delhaize by SAPFAA. The 45,000,000 cumulative preferred financing shares had a par value of €42,541,895. The nominal value plus additional paid-in capital per tranche is €29 million (June 1996 tranche), €46 million (August 1998 tranche), €320 million (October 2000 tranche) and €60 million (December 2003 tranche); in the aggregate €455 million. This amount is presented under "Other non-current financial liabilities" in the consolidated balance sheet as these cumulative preferred financing shares are considered debt under IFRS.

The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 68 million. This represents approximately 5% of the total number of votes that can be cast (this total being calculated as the sum of the outstanding cumulative preferred financing shares and the outstanding common shares).

The cumulative preferred financing shares are convertible into common shares. The conversion conditions have been set so as to avoid any transfer of value from the common shares to the cumulative preferred financing shares. The maximum number of common shares to be received upon conversion of all outstanding cumulative preferred financing shares is approximately 90 million. The conversion features are similar for all tranches. Conversion is allowed for all shares in one tranche held by one investor but not for fractions of tranches held by one investor. Upon conversion, the holders of (depositary receipts of) cumulative preferred financing shares will receive a number of common shares that is calculated by dividing the value of the cumulative preferred financing shares on the day before the conversion date by the average share price of Ahold Delhaize common shares on the five trading days preceding the notification date, on the notification date, and on the four trading days following the notification date. The value of the cumulative preferred financing shares will be considered, for this purpose, to be equal to the lower of the nominal value plus the additional paid-in capital of the cumulative preferred financing shares (par value) or to the present value of the remaining preferred dividends until the first reset date plus the present value of the par value at the first reset date.

Subject to the approval of the General Meeting of Shareholders, the Company can redeem the cumulative preferred financing shares of a certain tranche, but not fractions of a tranche. Redemption of a tranche is subject to the approval of the holders of depositary receipts of that tranche, unless all (remaining) cumulative preferred financing shares are redeemed. Redemption takes place at the higher of the par value or the present value of the remaining preferred dividends plus the present value of the par value at the reset date.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits

Defined benefit plans

Ahold Delhaize has a number of defined benefit pension plans covering a substantial number of employees, former employees and retirees in the Netherlands, the United States, Belgium, Greece and Serbia.

In the Netherlands, the Company has a career average plan covering all employees over the age of 21. The plan provides benefits to participants or beneficiaries upon retirement, death or disability. The assets of the plan, which are made up of contributions from Ahold Delhaize and the employees, are managed by Ahold Pensioenfonds, an independent foundation. The contributions are established in a funding agreement between Ahold Delhaize, employee representatives, and Ahold Pensioenfonds every five years based on the funding levels of the plan. The contributions are determined as a percentage of an employee's pensionable salary.

In the United States, the Company maintains a funded plan covering employees at Ahold USA. This plan is closed to new participants. The plan provides a life annuity benefit based upon final pay to participants or beneficiaries upon retirement, death or disability. The assets of the plan, which are made up of contributions from Ahold Delhaize, are maintained with various trustees. Contributions to the plan are required under the current funding policy if the prior year-end funding ratio falls below 100% as measured using regulatory interest rates without funding relief in order to avoid variable Pension Benefit Guaranty Corporation (PBGC) premiums. In addition, the Company provides additional pension benefits for certain Company executives and life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, all of which the Company funds as claims are incurred.

In Belgium, the Company sponsors plans for substantially all of its employees. The plans are funded by fixed monthly contributions from both the Company and employees. The contributions are adjusted annually according to the Belgian consumer price index; however, certain employees who were employed before 2005 were able to choose not to participate in the employee contribution part of the plan. The plans assure the employees a lump-sum payment at retirement based on the contributions made, and provide employees with death-in-service benefits. Belgian law prescribes a variable minimum guaranteed rate of return with Belgian 10-year government bonds as the underlying benchmark, and a collar of 1.75% and 3.75%. The Company substantially insures these returns with external insurance companies that receive and manage the contributions to the plans. According to the relevant legislation, a short-fall only needs to be compensated by the employer at the point in time when the employee either retires or leaves the Company. As these plans have defined benefit features (when the return provided by the insurance company can be below the legally required minimum return, in which case the employer has to cover the gap with additional contributions), the Company treats these plans as defined benefit plans.

Additionally in Belgium, the Company maintains a plan covering Company executives that provides lump-sum benefits to participants upon death or retirement based on a formula applied to the last annual salary of the participant before his or her retirement or death. The plan is subject to the legal requirement to guarantee a minimum return on the contributions. The assets of the plan, which are made up of the contributions, are managed through a fund that is administered by an independent insurance company, providing a minimum guaranteed return. The plan participant's contributions are defined in the terms of the plan, while the annual contributions to be paid by the Company are determined based on the funding level of the plan and are calculated based on current salaries, taking into account the legal minimum funding requirement, which is based on the vested reserves to which employees are entitled upon retirement or death. The plan mainly invests in debt securities in order to achieve the required minimum return. The Company bears any risk above the minimum guarantee given by the insurance company. There are no asset ceiling restrictions.

In Greece, the Company operates an unfunded defined benefit post-employment plan. This plan relates to retirement benefits prescribed by Greek law, consisting of lump-sum compensation payable in case of normal retirement or termination of employment. The amount of the indemnity is based on an employee's monthly earnings and a multiple depending on the length of service and the status of the employee. There is no legal requirement to fund these plans with contributions or other plan assets. Employees participate in the plan once they have completed a minimum service period, which is generally one year.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

In Serbia, the Company has an unfunded defined benefit plan that provides a lump-sum benefit upon retirement of the employee, as prescribed by Serbian law. The benefit is based on a fixed multiple of the higher of the (i) average gross salary of the employee, (ii) average gross salary in the Company or (iii) average gross salary in the country, each determined at the time the employee retires. There is no legal requirement to fund these plans with contributions or other plan assets.

The pension plans expose the Company to actuarial risks such as: longevity risk, interest rate risk, currency risk, salary risk and investment risk. Longevity risk relates to the mortality assumptions used to value the defined benefit obligation, where an increase in participants' life expectancies will increase a plan's liability. Interest rate risk relates to the discount rate used to value the defined benefit obligation, where a decrease in the discount rate will increase a plan's liability; however this will be partially offset by an increase in the return on a plan's investments in debt instruments. The pension plans may mitigate interest rate risk by entering into interest rate swap contracts. Currency risk relates to the fact that a plan holds investments that may not be denominated in the same currency as the plan's obligations. The pension plans may mitigate currency risk by purchasing forward currency instruments. Salary risk relates to salary increase assumptions used to value the defined benefit obligation, where an increase will result in a higher plan liability. See below for more details on the Company's asset-liability matching strategy employed to manage its investment risk.

Net defined benefit cost is comprised of the following components. The net interest (income) expense is presented within net financial expenses in the income statement and plan remeasurements are presented as other comprehensive income. All other components of net defined benefit cost are presented in the income statement as cost of sales, selling expenses, and general and administrative expenses, depending on the functional areas of the employees earning the benefits.

€ million	2017	2016
Service cost		
Current service cost	**167**	136
Past service cost gain	**(13)**	–
Gain on settlement	**1**	–
Net interest expense	**22**	18
Administrative cost	**12**	10
Termination benefits	**2**	1
Components of defined benefit cost recorded in the income statement	**191**	165
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) / cost	**(161)**	(306)
(Gain) loss from changes in demographic assumptions	**13**	27
(Gain) loss from changes in financial assumptions	**127**	473
Experience (gains) losses	**(23)**	(48)
Components of defined benefit cost recognized in other comprehensive income	**(44)**	146
Total net defined benefit cost	**147**	311

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

The changes in the defined benefit obligations and plan assets in 2017 and 2016 were as follows:

	The Netherlands		United States		Rest of world		Total	
€ million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Defined benefit obligations								
Beginning of the year	**4,636**	4,094	**1,592**	1,375	**269**	–	**6,497**	5,469
Acquisitions through business combinations	**–**	–	**–**	67	**–**	297	**–**	364
Current service cost	**130**	107	**22**	21	**15**	8	**167**	136
Past service cost	**12**	–	**(25)**	–	**–**	–	**(13)**	–
Gain on settlements	**–**	–	**(123)**	–	**–**	–	**(123)**	–
Interest expense	**91**	100	**63**	66	**5**	2	**159**	168
Termination benefits	**–**	–	**–**	–	**2**	1	**2**	1
Contributions by plan participants	**22**	23	**–**	–	**1**	–	**23**	23
Benefits paid	**(87)**	(84)	**(76)**	(77)	**(12)**	(14)	**(175)**	(175)
(Gain) loss from changes in demographic assumptions	**4**	27	**9**	–	**–**	–	**13**	27
(Gain) loss from changes in financial assumptions	**34**	405	**96**	94	**(3)**	(26)	**127**	473
Experience (gains) losses	**(20)**	(36)	**(4)**	(13)	**1**	1	**(23)**	(48)
Exchange rate differences	**–**	–	**(195)**	59	**–**	–	**(195)**	59
End of the year	**4,822**	4,636	**1,359**	1,592	**278**	269	**6,459**	6,497
Plan assets								
Fair value of assets, beginning of the year	**4,431**	3,977	**1,208**	1,103	**199**	–	**5,838**	5,080
Acquisitions through business combinations	**–**	–	**–**	–	**(11)**	214	**(11)**	214
Interest income	**85**	96	**48**	53	**4**	1	**137**	150
Company contribution	**137**	114	**51**	90	**17**	8	**205**	212
Contributions by plan participants	**22**	23	**–**	–	**1**	–	**23**	23
Benefits paid	**(87)**	(84)	**(76)**	(77)	**(12)**	(14)	**(175)**	(175)
Settlement payments	**–**	–	**(124)**	–	**–**	–	**(124)**	–
Administrative cost	**(8)**	(8)	**(4)**	(2)	**–**	–	**(12)**	(10)
Return on plan assets, excluding amounts included in net interest (income) expense	**39**	313	**118**	3	**4**	(10)	**161**	306
Exchange rate differences	**–**	–	**(150)**	38	**–**	–	**(150)**	38
Fair value of assets, end of the year	**4,619**	4,431	**1,071**	1,208	**202**	199	**5,892**	5,838
Funded status	**(203)**	(205)	**(288)**	(384)	**(76)**	(70)	**(567)**	(659)

The total defined benefit obligation of €6,459 million as of December 31, 2017, includes €191 million related to plans that are wholly unfunded. These plans include pension plans in Greece and Serbia and other benefits (such as life insurance and medical care) and supplemental executive retirement plans in the United States.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

During 2017, Ahold Delhaize decided to transition a select population of employees participating in its defined benefit pension plan in the United States to a defined contribution plan, effective January 1, 2020. Accrued benefits under the defined benefit plan for these employees will be frozen as of December 31, 2019. The resulting curtailment gain recognized in 2017 of €28 million has been partially offset by accrued transition contributions of €3 million that the Company will make in 2020 to compensate affected employees for the benefit freeze.

During 2017, Ahold Delhaize purchased annuity contracts to settle benefits in the defined benefit pension plan in the United States for participants that are currently receiving monthly payments of less than $500. This has resulted in a settlement of €123 million of the defined benefit obligation. The settlement of this obligation was funded with €124 million of plan assets and resulted in a €1 million gain on settlement being recognized within pension expense in the income statement.

During 2017, Ahold Delhaize amended its defined benefit plan in the Netherlands. The amendments involved raising the retirement age from 67 to 68, in accordance with Dutch fiscal regulations, and converting the remaining conditional service requirement for early retirement benefits to become unconditional. The effect of these amendments was a net past service cost in the income statement of €12 million.

During 2016, Ahold Delhaize changed its policy of accounting for employee contributions to its defined benefit plan in the Netherlands. Previously, employee contributions were attributed to the periods of future service when measuring the defined benefit obligation; now they are considered to be a reduction of service costs in the period in which the related service is rendered. This change in policy increased the funded status of the plan by €28 million, which has been recognized in Other comprehensive income.

Cash contributions

From 2017 to 2018, Company contributions are expected to decrease from €137 million to €101 million in the Netherlands, decrease from $58 million (€51 million) to $31 million (€26 million) for all defined benefit plans in the United States, and decrease from €17 million to €15 million for all plans in the rest of the world.

As of year-end 2017, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 110%. Under the financing agreement with the Dutch pension fund, contributions are made as a percentage of employees' salaries and shared between Ahold Delhaize and the employees. The agreement also allows for a reduction in premiums if certain funding conditions are met. In addition, Ahold Delhaize can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105%. At year-end 2016, the funding ratio was 104% and the Company and Ahold Pensioenfonds agreed to an additional funding of €28 million under the financing agreement, which has been included in the 2017 cash contributions.

The Ahold USA pension plan's funding ratio at year-end 2017 was 119%, measured using regulatory interest rates allowed by the U.S. government as part of funding relief, which are higher than otherwise would be allowed. Under the current funding policy, an $8 million (€7 million) contribution is expected to be made to the Ahold USA pension plan in 2018.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

Actuarial assumptions

The calculations of the defined benefit obligation and net defined benefit cost are sensitive to the assumptions set out below. These assumptions require a large degree of judgment. Actual experience may differ from the assumptions made. The assumptions required to calculate the actuarial present value of benefit obligations and the net defined benefit costs are determined per plan and are as follows (expressed as weighted averages):

	The Netherlands		United States		Rest of world	
%	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate	**2.0**	1.9	**3.8**	4.3	**1.7**	1.8
Future salary increases	**3.5**	3.5	**4.5**	4.5	**3.1**	2.9
Future pension increases	**0.8**	0.7	**0.0**	0.0	**0.0**	0.0

Assumptions regarding longevity are based on published statistics and mortality tables. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	The Netherlands		United States		Rest of world	
Years	**2017**	2016	**2017**	2016	**2017**	2016
Longevity at age 65 for current pensioners						
Male	**21.3**	21.2	**19.6**	20.2	N/A	N/A
Female	**23.9**	23.8	**22.2**	22.9	N/A	N/A
Longevity at age 65 for current members aged 50						
Male	**23.1**	23.0	**20.8**	21.1	N/A	N/A
Female	**25.7**	25.6	**23.4**	23.7	N/A	N/A

The following table summarizes how the effect on the defined benefit obligations at the end of the reporting period would have increased (decreased) as a result of a 0.5% change in the respective assumptions and a one-year increase in life expectancy.

€ million	The Netherlands	United States	Rest of world	Total
Discount rate				
0.5% increase	(545)	(82)	(20)	(647)
0.5% decrease	646	91	23	760
Future salary increases				
0.5% increase	77	1	10	88
0.5% decrease	(73)	(1)	(9)	(83)
Future pension increases				
0.5% increase	592	N/A	N/A	592
0.5% decrease	(510)	N/A	N/A	(510)
Life expectancy				
1 year increase at age 65	168	45	1	214

The above sensitivity analyses have been based on a change in each respective assumption while holding all other assumptions constant. In reality, one might expect interrelationships between the assumptions, especially between discount rate and future salary increases as both depend to a certain extent on expected inflation rates. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

Plan assets

The pension plan asset allocation differs per plan. The allocation of plan assets was as follows:

	The Netherlands		United States		Rest of world	
€ million	**2017**	2016	**2017**	2016	**2017**	2016
Equity instruments:						
Consumer goods	**236**	196	**23**	32	**–**	–
Financial services	**262**	214	**62**	60	**–**	–
Telecommunications and information	**110**	90	**38**	68	**–**	–
Energy and utilities	**71**	62	**32**	22	**–**	–
Industry	**127**	101	**15**	21	**–**	–
Other	**6**	5	**76**	51	**–**	–
Debt instruments:						
Government	**1,082**	1,177	**140**	152	**–**	–
Corporate bonds (investment grade)	**1,289**	1,238	**252**	344	**–**	–
Corporate bonds (non-investment grade)	**12**	13	**34**	44	**–**	–
Other	**–**	–	**61**	–	**–**	–
Real estate:						
Retail	**18**	20	**–**	–	**–**	–
Offices	**8**	18	**–**	–	**–**	–
Residential	**7**	11	**–**	–	**–**	–
Other	**–**	–	**48**	48	**–**	–
Investment funds	**1,048**	917	**216**	341	**–**	–
Insurance contracts	**1**	–	**–**	–	**202**	199
Derivatives:						
Interest rate swaps	**(105)**	9	**–**	–	**–**	–
Forward foreign exchange contracts	**26**	(37)	**–**	–	**–**	–
Cash and cash equivalents	**429**	403	**18**	25	**–**	–
Other	**(8)**	(6)	**56**	–	**–**	–
Total	**4,619**	4,431	**1,071**	1,208	**202**	199

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as level 2 instruments, and real estate and some investment funds as level 3 instruments based on the definitions in IFRS 13, "Fair Value Measurement." It is the policy of the Dutch pension plan to use interest rate swaps to partially hedge its exposure to interest rate risk on the pension liability. Foreign currency exposures are hedged by the use of forward foreign exchange contracts.

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of asset liability management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. Currently, the strategic targets for asset allocation of the Dutch pension plan are: 40% variable yield and 60% fixed income.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

In the United States, the plan assets are managed by outside investment managers and rebalanced periodically. The committees for the various U.S. plans establish investment policies and strategies and regularly monitor the performance of the assets, including the selection of investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, subject to variation from time to time or as circumstances warrant. Occasionally, the committees may approve allocations above or below a target range. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and applicable fiduciary standards. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio of the plan's assets and liabilities without undue exposure to risk. Currently, the strategic targets are: 35% equity securities, 45% debt securities and 20% other investments.

In 2017, the Dutch plan had €1.3 million of plan assets invested in Ahold Delhaize's financial instruments (2016: €1.2 million). In 2017 or 2016, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2017 was 3.0% for the Dutch plan (2016: 10.7%) and 15.5% for the Ahold USA pension plan (2016: 6.1%).

Benefit maturities

The weighted average duration of the defined benefit obligations of the plans in the Netherlands, U.S., and the rest of world are 25.6, 14.9, and 11.4 years, respectively.

The expected schedule of benefit payments for the plans are as follows.

€ million	The Netherlands	United States	Rest of world	Total
Amount due within one year	86	67	4	157
Amount due between two and five years	344	288	37	669
Amount due between six and ten years	506	396	60	962

Defined contribution plans

The Company operates defined contribution plans in the Netherlands, United States, Belgium, Greece and the Czech Republic. As mentioned above, the defined contribution plans in Belgium are accounted for as defined benefit plans due to the guaranteed return elements of the plans. The largest defined contribution plans exist in the United States, where the Company sponsors profit-sharing retirement plans that include a 401(k) feature that permits participating employees to make elective deferrals of their compensation and requires the Company to make matching contributions.

During 2017 and 2016, the Company contributed €85 million and €63 million, respectively, to its defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2017 and 2016.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

Multi-employer plans

A significant number of union employees in the United States are covered by multi-employer plans based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants generally based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for oversight of the investment of the assets and administration of the plan. Contribution rates and, in some instances, benefit levels are generally determined through the collective bargaining process between the participating employers and unions. None of the Company's collective bargaining agreements require that a minimum funding requirement exists for these plans.

Most of these plans are defined contribution plans. All plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because, among other things, there is insufficient information available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold Delhaize is only one of several employers participating in most of these plans and in the event that Ahold Delhaize withdraws from a plan, its allocable share of the plan's obligations (with certain exceptions) is based upon unfunded vested benefits in the plan at the time of such withdrawal. Ahold Delhaize's obligation to pay for its allocable share of a plan's unfunded vested benefits is called a withdrawal liability. The withdrawal liability payable by Ahold Delhaize at such time as it experiences a withdrawal from a plan, is based upon the applicable statutory formula, plan computation methods and actuarial assumptions, and the amount of the plan's unfunded benefits as of the date of the withdrawal. Ahold Delhaize does not have sufficient information to accurately determine its ratable share of plan obligations and assets following defined benefit accounting principles and the financial statements of the multi-employer plans are drawn up on the basis of other accounting policies than those applied by Ahold Delhaize. Consequently, these multi-employer plans are not included in the Company's balance sheet.

The risks of participating in multi-employer plans are different from the risks of single employer plans. Ahold Delhaize's contributions are pooled with the contributions of other contributing employers, and are therefore used to provide benefits to employees of such other participating employers. If other participating employers cease to participate in the plan without paying their allocable portion of the plan's unfunded obligations, this could result in increases in the amount of the plan's unfunded benefits and, thus, Ahold Delhaize's future contributions. Similarly, if a number of employers cease to have employees participating in the plan, Ahold Delhaize could be responsible for an increased share of the plan's deficit. If Ahold Delhaize seeks to withdraw from a multi-employer plan, it must obtain the agreement of the applicable unions and, in connection therewith, it will likely be required to pay a withdrawal liability. In the event a multi-employer plan in which Ahold Delhaize participates becomes insolvent, Ahold Delhaize may be required to increase its contributions, in certain circumstances, to fund the payment of benefits by such multi-employer plan.

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

Defined benefit plans

Ahold Delhaize participates in 11 multi-employer pension plans that are defined benefit plans on the basis of the terms of the benefits provided. The estimate of the Company's net proportionate share of the plans' deficits is based on the latest available information received from these plans, such as the plans' measurement of plan assets and the use of discount rates between 6.5% and 8.0%. The Company's participation in these multi-employer plans is outlined in the following tables. The EIN / Pension Plan Number column provides the Employer Identification Number (EIN) and the three-digit pension plan number. Multi-employer pension plans, similar to all pension plans, in the U.S. are regulated by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, the Pension Protection Act of 2006 (PPA), and the Multi-employer Pension Reform Act of 2014 (MPRA) among other legislation. Under the PPA, plans are categorized as "endangered" (Yellow Zone), "seriously endangered" (Orange Zone), "critical" (Red Zone), or neither endangered nor critical (Green Zone), primarily based on three measures: the plan's funded percentage, the number of years before the plan is projected to have a minimum funding deficiency under ERISA and the number of years before the plan is projected to become insolvent. A plan is in the "Yellow Zone" if the funded percentage is less than 80% or a minimum funding deficiency is projected within seven years. If both of these triggers are reached, the plan is in the "Orange Zone." Generally, a plan is in the "Red Zone" if a funding deficiency is projected at any time in the next four years (or five years if the funded percentage is less than 65%). Plans with a funding ratio above 80% are designated as being in the "Green Zone." Multi-employer plans in endangered or critical status are required by U.S. law to develop either a funding improvement plan (FIP) or a rehabilitation plan (RP) to enhance funding through reductions in benefits, increases in contributions, or both. The FIP / RP Status Pending / Implemented column in the table below indicates plans for which an FIP or an RP is pending or has been implemented. Additional information regarding the multi-employer plans listed in the following tables can be found on the website of the U.S. Department of Labor (**www.efast.dol.gov**).

€ million, except Ahold Delhaize's participation percentages	EIN / Pension Plan Number	ERISA Zone Status	FIP/RP status pending/ implemented	Year of Form 5500	Expiration Date of Collective-Bargaining Agreement	**December 31, 2017** Annual contributions	Plan deficit / (surplus)	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)
FELRA & UFCW Food Pension Fund	52-6128473/001	Red (Critical and Declining)	Implemented	2016	October 26, 2019	**22**	**1,156**	**55.3%**	**640**
Mid-Atlantic UFCW & Participating Employers Pension Fund	46-1000515/001	Green	No	2016	October 26, 2019	**9**	**(7)**	**60.1%**	**(4)**
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and Declining)	Implemented	2015	March 30, 2019	**6**	**–**	**2.9%**	**–**
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2016	October 23, 2023 – February 10, 2024	**7**	**71**	**26.9%**	**19**
United Food & Commercial Workers International Union – Industry Pension Fund	51-6055922/001	Green	No	2015	February 23, 2019: October 31, 2020	**20**	**(115)**	**20.0%**	**(23)**
UFCW Local 1500 Pension Plan	23-7176372/001	Yellow	Implemented	2016	February 3, 2018	**10**	**140**	**38.9%**	**54**
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and Declining)	Implemented	2016	March 14, 2022	**3**	**96**	**82.9%**	**79**
Other plans						**6**	**5,602**	**0.9%**	**(5)**
Total						**83**	**6,943**		**760**

Notes to the consolidated financial statements
continued

23 Pensions and other post-employment benefits continued

€ million, except Ahold Delhaize's participation percentages	EIN / Pension Plan Number	ERISA Zone Status	FIP/RP status pending/ implemented	Year of Form 5500	Expiration Date of Collective-Bargaining Agreement	January 1, 2017 Annual contributions	Plan deficit / (surplus)	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)
FELRA & UFCW Food Pension Fund	52-6128473/001	Red (Critical and Declining)	Implemented	2015	October 26, 2019	22	1,149	58.3%	669
Mid-Atlantic UFCW & Participating Employers Pension Fund	46-1000515/001	Green	No	2015	October 26, 2019	11	1	61.1%	1
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red	Implemented	2015	March 30, 2019	6	–	2.9%	–
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2015	October 23, 2023 – February 10, 2024	7	140	23.1%	32
United Food & Commercial Workers International Union – Industry Pension Fund	51-6055922/001	Green	No	2014	February 23, 2019: October 31, 2020	19	17	21.7%	4
UFCW Local 1500 Pension Plan	23-7176372/001	Yellow	Implemented	2015	February 3, 2018	10	172	30.5%	52
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and Declining)	Implemented	2015	March 14, 2022	3	113	82.6%	93
Other plans						5	7,321	0.9%	14
Total						83	8,913		865

If the underfunded liabilities of the multi-employer pension plans are not reduced, either by improved market conditions, reduction in benefits, or collective bargaining changes, increased future payments by the Company and the other participating employers may result. However, all future increases will be subject to the collective bargaining process. In 2018, the Company expects its contributions to decrease to €80 million. Ahold Delhaize has a risk of increased contributions and withdrawal liability if any of the participating employers in an underfunded multi-employer plan withdraw from the plan or become insolvent and are no longer able to meet their contribution requirements or if the multi-employer plan itself no longer has sufficient assets available to fund its short-term obligations to the participants in the plan. Any adjustment for a withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reasonably estimated. Except for the UFCW Local #338 withdrawal liability payment mentioned below, no other withdrawal payments were incurred or included in the 2017 and 2016 contributions disclosed above.

During 2015, Stop & Shop reached an agreement with UFCW Local #338 whereby Stop & Shop was allowed to withdraw from the pension plan. The withdrawal occurred in September 2015 and resulted in a $12 million (€11 million) withdrawal liability. The settlement of the liability was made in installments, with $6 million paid at the time of withdrawal and the second and third installments, of $3 million each, paid in May and October of 2016.

Defined contribution plans

Ahold Delhaize also participates in 39 multi-employer plans that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. The Company contributed €264 million and €276 million to multi-employer defined contribution plans during 2017 and 2016, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2017 and 2016. These plans vary significantly in size, with contributions to the three largest plans representing 52% of total contributions.

Notes to the consolidated financial statements
continued

24 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
As of January 1, 2017							
Current portion	261	15	3	51	32	21	383
Non-current portion	624	16	78	34	114	65	931
Carrying amount	**885**	**31**	**81**	**85**	**146**	**86**	**1,314**
Year ended December 31, 2017							
Additions charged to income	301	17	16	83	47	6	470
Acquisitions through business combinations	–	–	4	–	–	–	4
Used during the year	(309)	(19)	(9)	(59)	(66)	(14)	(476)
Released to income	–	–	(12)	(6)	(8)	(4)	(30)
Interest accretion	15	–	1	1	6	–	23
Effect of changes in discount rates	(13)	–	–	–	–	–	(13)
Other movements	–	–	–	–	10	–	10
Exchange rate differences	(110)	–	(2)	(4)	(18)	(5)	(139)
Closing carrying amount	**769**	**29**	**79**	**100**	**117**	**69**	**1,163**
As of December 31, 2017							
Current portion	208	13	16	72	26	20	355
Non-current portion	561	16	63	28	91	49	808

Maturities of total provisions as of December 31, 2017, are as follows:

€ million	Self-insurance program	Loyalty programs	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
Amount due within one year	208	13	16	72	26	20	355
Amount due between one and five years	359	16	36	26	54	13	504
Amount due after five years	202	–	27	2	37	36	304
Total	**769**	**29**	**79**	**100**	**117**	**69**	**1,163**

Self-insurance program

Ahold Delhaize is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation and property losses incurred by its subsidiaries. The maximum self-insurance retention per occurrence, including defense costs, is $2 million (€2 million) for general liability, $5 million (€4 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation, and $10 million (€8 million) and $5 million (€4 million) for property losses in the U.S. and Europe, respectively. Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies; see *Note 15*.

The measurement of the self-insurance provisions involves the following estimates and judgments to be made regarding future claim patterns, which include estimates on the number of future claims, timing and amount of payment of damages, and costs associated with the settlement of future claims.

Notes to the consolidated financial statements
continued

24 Provisions continued

Loyalty programs
This provision relates to a third-party customer loyalty program in the Netherlands and reflects the estimated cost of benefits to which customers participating in the loyalty program are entitled. When measuring the provision for loyalty programs, management estimates the expected timing of the redemptions by customers and the expected breakage (benefits granted but never redeemed).

Claims and legal disputes
The Company is a party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.

Severance and termination benefits
This provision relates to payments to employees whose employment with the Company has ended, either as part of a restructuring or a voluntary separation plan. The measurement of the provision involves estimates and judgments about the population and number of employees that will ultimately be affected by the plans, estimates of salary ranges used to measure future cash flows, and assumptions of periods of service, if relevant. The current year additions to the provision relate mainly to benefits offered to employees affected by the creation of the brand-centric organization and other restructurings in the U.S., as well as a restructuring of the supply chain in Belgium.

Onerous contracts
Onerous contract provisions relate to unfavorable contracts where the unavoidable costs of meeting the obligations under the contracts exceed the benefits expected to be received. The judgments and estimates made in the measurement of onerous contracts relate to future costs anticipated to be incurred and any potential remedies available, for instance renegotiation with landlords, assignment of leases and subleasing possibilities. The current year Other movement amount represents the reclassification of finance lease liability balances with their related onerous contract costs.

Other
Other provisions include long-term incentives, jubilee payments, asset retirement obligations, provisions for environmental risks, and supplemental medical benefits. The judgments and estimates made in the measurement of these provisions relate to the estimated costs to be incurred at an unknown future date.

25 Other non-current liabilities

€ million	December 31, 2017	January 1, 2017
Step rent accruals	**268**	295
Unfavorable lease obligations	**191**	239
Deferred income	**49**	20
Other	**21**	24
Total other non-current liabilities	**529**	578

Step rent accruals relate to the equalization of rent payments from lease contracts with scheduled fixed rent increases throughout the life of the contract.

Unfavorable lease obligations are recognized as part of a business combination and represent the present value of the excess of contracted rent payments over the market rents as measured on the date of the acquisition. The obligation is released to rent expense on a straight-line basis over the remaining term of the lease.

Deferred income predominantly represents the non-current portions of deferred income on vendor allowances and deferred gains on sale and leaseback transactions.

Notes to the consolidated financial statements
continued

26 Other current financial liabilities

€ million	December 31, 2017	January 1, 2017
Finance lease liabilities – current portion (see *Note 22*)	**177**	199
Interest payable	**40**	59
Short-term borrowings	**64**	57
Bank overdrafts	**1,368**	1,196
Dividend cumulative preferred financing shares	**18**	20
Reinsurance liabilities – current portion (see *Note 15*)	**69**	81
Loans – current portion (see *Note 21*)	**468**	539
Derivative financial instruments	**–**	18
Other	**6**	9
Total other current financial liabilities	**2,210**	2,178

Bank overdrafts includes an amount of €1,367 million (January 1, 2017: €1,184 million) which relates to the overdraft position of a notional cash pooling arrangement. This bank overdraft is fully offset by an identical amount included under Cash and cash equivalents (see *Notes 19* and *30*).

27 Other current liabilities

€ million	December 31, 2017	January 1, 2017
Accrued expenses	**1,149**	1,169
Compensated absences	**462**	494
Payroll taxes, social security and VAT	**454**	469
Deferred income	**67**	36
Gift card and deposit liabilities	**147**	136
Other	**48**	47
Total other current liabilities	**2,327**	2,351

Other mainly includes the current portion of unfavorable lease obligations and step rent accruals.

Notes to the consolidated financial statements
continued

28 Cash flow

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

€ million	December 31, 2017	January 1, 2017
Cash and cash equivalents as presented in the statement of cash flows	**4,542**	3,990
Restricted cash	**39**	42
Cash and cash equivalents as presented on the balance sheet	**4,581**	4,032

The following tables present additional cash flow information:

€ million	2017	2016
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**204**	240
Assets acquired under finance leases from continuing operations	**68**	71
Acquisition of businesses (see *Note 4*)		
Total purchase consideration	**(54)**	(10,811)
Ordinary shares issued	**–**	10,761
Replacement awards issued	**–**	4
Cash acquired	**4**	2,251
Acquisition of businesses, net of cash acquired	**(50)**	2,205
Divestments of businesses		
Net cash flows related to BI-LO / Bruno's	**(3)**	(4)
Divestment of businesses	**(3)**	(4)
Cash divested	**–**	–
Divestment of businesses, net of cash divested	**(3)**	(4)
Reconciliation between results on divestments of discontinued operations and cash (paid) received		
Result on divestments of discontinued operations before income taxes	**–**	–
Changes in accounts receivable / payable and provisions – net	**(3)**	(4)
Divestment of businesses	**(3)**	(4)
Cash divested	**–**	–
Divestment of businesses, net of cash divested	**(3)**	(4)

Notes to the consolidated financial statements
continued

28 Cash flow continued

Changes in liabilities arising from financing activities for the years ended December 31, 2017 and January 1, 2017:

€ million	Loans	Finance lease liabilities	Cumulative preferred financing shares[2]	Short term borrowings and bank overdrafts	Derivative assets[3]	Derivative liabilities	Total
As of January 1, 2017	**3,850**	**1,960**	**497**	**1,253**	**(299)**	**63**	**7,324**
Proceeds from long-term debt[1]	**743**	**–**	**–**	**–**	**–**	**–**	**743**
Acquisitions through business combinations	**–**	**3**	**–**	**–**	**–**	**–**	**3**
Repayments of loans and finance lease liabilities	**(474)**	**(190)**	**–**	**–**	**–**	**–**	**(664)**
Changes in short-term borrowings and overdrafts	**–**	**–**	**–**	**212**	**–**	**–**	**212**
Other cash flows from derivatives[3]	**–**	**–**	**–**	**–**	**274**	**(12)**	**262**
Fair value changes	**1**	**–**	**–**	**–**	**25**	**(33)**	**(7)**
Additions to finance lease liabilities	**–**	**68**	**–**	**–**	**–**	**–**	**68**
Termination of finance leases	**–**	**(13)**	**–**	**–**	**–**	**–**	**(13)**
Other non-cash movements	**(42)**	**(18)**	**(42)**	**–**	**–**	**–**	**(102)**
Exchange rate differences	**(321)**	**(203)**	**–**	**(33)**	**–**	**–**	**(557)**
As of December 31, 2017	**3,757**	**1,607**	**455**	**1,432**	**–**	**18**	**7,269**

1 The amount is net of deferred financing costs of €8 million of which €4 million was included in "Other" within financing cash flows from continuing operations in the statement of cash flows.

2 During 2017, at the request of the holder of these shares, Ahold Delhaize converted 45,000,000 cumulative preferred financing shares into 2,515,827 common shares (see *Note 22*).

3 Other cash flows from derivatives of €274 million represents the amount for the settlement of the GBP 250 million cross-currency swap net of the last semiannual installment of $14 million (see *Note 21*).

€ million	Loans	Finance lease liabilities	Cumulative preferred financing shares	Short term borrowings and bank overdrafts	Derivative assets	Derivative liabilities[2]	Total
As of January 3, 2016	1,553	1,400	497	52	(338)	210	3,374
Acquisitions through business combinations	2,538	603	–	993	(10)	60	4,184
Repayments of loans and finance lease liabilities[1]	(323)	(141)	–	–	–	–	(464)
Changes in short-term borrowings and overdrafts	–	–	–	209	–	–	209
Other cash flows from derivatives[2]	–	–	–	–	(31)	(229)	(260)
Fair value changes	5	–	–	–	80	22	107
Additions to finance lease liabilities	–	71	–	–	–	–	71
Termination of finance leases	–	(4)	–	–	–	–	(4)
Other non-cash movements	(20)	(26)	–	–	–	–	(46)
Exchange rate differences	97	57	–	(1)	–	–	153
As of January 1, 2017	3,850	1,960	497	1,253	(299)	63	7,324

1 Repayments of loans as presented in the statement of cash flows included €24 million of premium paid for the settlement of JPY33 billion notes.

2 Other cash flows from derivatives of €229 million represented the amount for the settlement of the cross-currency swap, related to the JPY33 billion notes.

Notes to the consolidated financial statements
continued

29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	2017	2016
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic earnings per share	**1,817**	830
Effect of dilutive potential common shares – reversal of preferred dividend[1]	**19**	–
Net income attributable to common shareholders for the purposes of diluted earnings per share	**1,836**	830
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,251**	1,022
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	**5**	9
Cumulative preferred financing shares[1]	**25**	–
Weighted average number of common shares for the purposes of diluted earnings per share	**1,281**	1,031

1 In 2016, the effect of the preferred financing shares is anti-dilutive. The preferred dividend in 2016 is €21 million and the number of cumulative preferred financing shares outstanding is 25 million.

The calculation of the basic and diluted income from continuing operations per share attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	2017	2016
Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share	**1,817**	830
Effect of dilutive potential common shares – reversal of preferred dividend[1]	**19**	–
Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share	**1,836**	830

1 In 2016, the effect of the preferred financing shares is anti-dilutive. The preferred dividend in 2016 is €21 million and the number of cumulative preferred financing shares outstanding is 25 million.

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to nil for 2017 and 2016. They are based on the income from discontinued operations attributable to common shareholders of nil (2016: income of nil) and the denominators detailed above.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments

Financial risk management

Ahold Delhaize is exposed to a variety of financial risks including currency, interest rate, funding, liquidity, and counterparty risks. The financial risk management is centralized through the Treasury function which operates within a framework of policies and procedures that is reviewed regularly. Ahold Delhaize's Management Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold Delhaize's management reviews material changes to Treasury policies and receives information related to Treasury activities. The Treasury function does not operate as a profit center and manages the financial risks that arise in relation to underlying business needs.

In accordance with its Treasury policies, Ahold Delhaize uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly the result of interest rate and currency risks arising from the Company's operations and its sources of financing. Ahold Delhaize does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold Delhaize's Internal Control department reviews the Treasury internal control environment regularly.

Relationships with credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Currency risk

Ahold Delhaize operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar. Since Ahold Delhaize's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in its commercial operations is naturally limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets and liabilities into euros for inclusion in its consolidated financial statements. Translation risk related to Ahold Delhaize's foreign subsidiaries, joint ventures and associates is not actively hedged; however, the Company aims to minimize this exposure by funding its foreign operations in their functional currency, wherever feasible.

To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold Delhaize seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold Delhaize's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities and firm purchase commitments.

Foreign currency sensitivity analysis

As of December 31, 2017, Ahold Delhaize carried out a sensitivity analysis with regard to changes in foreign exchange rates to revalue all monetary assets and liabilities (including derivative financial instruments) in a currency other than the functional currency of the subsidiary in its balance sheet at year-end. Assuming the euro had strengthened (weakened) by 10% against the U.S. dollar compared to the actual 2017 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been a decrease (increase) of €1 million (2016: nil), as a result of foreign exchange revaluation of U.S. dollar-denominated cash and cash equivalents held by non-U.S. dollar functional currency subsidiaries.

Interest rate risk

Ahold Delhaize's outstanding debt position is exposed to changes in interest rates. To manage interest rate risk, Ahold Delhaize has an interest rate management policy aimed at reducing volatility in its interest expense and maintaining a target percentage of its debt in fixed-rate instruments. As of December 31, 2017, after taking into account the effect of interest rate swaps and cross-currency swaps, the entirety of Ahold Delhaize's long-term debt was at fixed rates of interest (2016: 100%).

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

Interest rate sensitivity analysis

The total interest expense recognized in the 2017 income statement related to the variable rates of long-term debt, net of swaps, amounted to nil (2016: €2 million). An increase (decrease) in market interest rates by 25 basis points, with all other variables (including foreign exchange rates) held constant, would have resulted in a loss (gain) of nil (2016: nil). In addition, a similar increase (decrease) in market interest rates would have resulted in a fair-value gain of €6 million or a loss of €6 million, respectively (2016: a gain of €1 million or a loss of nil, respectively) on derivative hedges that do not qualify for hedge accounting.

The total interest income recognized in the 2017 income statement amounted to €32 million (2016: €15 million), mainly related to variable rate money market fund investments and deposits. The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would have resulted in a gain of €5 million or a loss of €5 million, respectively (2016: gain of €5 million or a loss of €5 million).

The above sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation from other factors that also affect Ahold Delhaize's financial position and results.

Credit risk

Ahold Delhaize has no significant concentrations of credit risk. Sales to retail customers are made in cash, checks and debit cards, or via major credit cards. Sales to franchisees are done on credit. The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment, based on an aging analysis performed as of December 31, 2017. For further discussion on Ahold Delhaize's receivables, see *Notes 15* and *17*.

Financial transactions are predominantly entered into with investment grade financial institutions. The Company requires a minimum short-term rating of A1/P1 and a minimum long-term rating of A3/A- for its deposit and investment products. The Company may deviate from this requirement from time to time for operational reasons. With respect to credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swap and Derivatives Association (ISDA). With certain counterparties, Ahold Delhaize has credit support annexes in place that materially reduce the counterparty risk exposure as a result of contractual exchange of cash collateral. Ahold Delhaize has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and actively monitors these exposures.

Counterparty risk is measured by adding the nominal value of cash, short-term deposits and marketable securities, and the mark-to-market of derivative instruments, netted with the collateral posted, if any. As a result, the highest exposure to a single financial counterparty, excluding AAA-rated money market funds, on December 31, 2017, amounted to €307 million (January 1, 2017: €299 million).

Offsetting of financial instruments

Ahold Delhaize has several financial assets and financial liabilities that are subject to offsetting or enforceable master netting arrangements and similar agreements.

Cash pool

The Company has implemented a cash pool system, allowing a more efficient management of the daily working capital needs of the participating operating entities. The settlement mechanism of the cash pool is provided by an external financial counterparty. The cash pool system provides that the Company is exposed to a single net amount with that financial counterparty rather than the gross amount of several current accounts and bank overdraft balances with multiple financial counterparties. From an operational perspective the balances in the cash pool are netted. However, in accordance with the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see *Notes 19* and *26*).

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

ISDA master agreements for derivatives

The Company has entered into several ISDA master agreements in connection with its derivative transactions. In general, under such agreements the amounts owed by each counterparty to another on the same day in respect of the same transaction payable in the same currency are aggregated into a single net amount that is payable by one party to the other.

Under certain circumstances if all transactions under the ISDA master agreement are terminated, e.g., when a credit event such as payment default occurs, the termination value is assessed and only a single net amount is payable in the settlement of all transactions governed by the ISDA master agreement.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Company does not currently have a legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of a future event such as a default. ISDAs are considered to be master netting arrangements for IFRS 7 disclosure purposes.

The following table shows the maximum exposure of the Company's financial assets and financial liabilities that are subject to offset or enforceable master netting arrangements and similar agreements.

				Amounts not offset in the balance sheet but subject to master netting arrangements (or similar)		
€ million	Gross amounts in the balance sheet	Financial instruments that are offset in the balance sheet	Net amounts presented in the balance sheet	Financial assets/liabilities	Cash collateral received/pledged	Net exposure
Assets						
Derivative financial assets	–	–	–	–	–	–
Cash and cash equivalents	1,444	–	1,444	–	1,367	77
Total	**1,444**	**–**	**1,444**	**–**	**1,367**	**77**
Liabilities						
Derivative financial liabilities	18	–	18	–	–	18
Bank overdrafts	1,367	–	1,367	–	1,367	–
Total	**1,385**	**–**	**1,385**	**–**	**1,367**	**18**

Liquidity risk

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented with access to external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of December 31, 2017, the Company's liquidity position primarily consisted of €3,380 million of cash (including short-term deposits and similar instruments and the current portion of assets available-for-sale, adjusted for cash held under a notional cash pooling arrangement), and the undrawn €1 billion revolving credit facility.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends, the announced €2 billion share buyback program, and scheduled debt repayments for the next 12 months and the foreseeable future. In addition, the Company has access to the amount available on its revolving credit facility and to the debt capital markets based on its current credit ratings.

The following tables summarize the expected maturity profile of the Company's financial liabilities (including derivatives) as of December 31, 2017, and January 1, 2017, respectively, based on contractual undiscounted payments.

All financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of December 31, 2017, and January 1, 2017, respectively. See *Note 34* for the liquidity risk related to guarantees.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

Year ended December 31, 2017

€ million	Net carrying amount	Contractual cash flows: Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	**(3,407)**	**(547)**	**(988)**	**(3,272)**	**(4,807)**
Other loans	**(3)**	**–**	**(1)**	**(2)**	**(3)**
Financing obligations	**(325)**	**(44)**	**(165)**	**(120)**	**(329)**
Mortgages payable	**(22)**	**(2)**	**(15)**	**(10)**	**(27)**
Finance lease liabilities	**(1,607)**	**(271)**	**(894)**	**(1,067)**	**(2,232)**
Cumulative preferred financing shares[1]	**(455)**	**(18)**	**(46)**	**(6)**	**(70)**
Accounts payable	**(5,277)**	**(5,277)**	**–**	**–**	**(5,277)**
Short-term borrowings	**(1,432)**	**(1,432)**	**–**	**–**	**(1,432)**
Reinsurance liabilities	**(205)**	**(72)**	**(120)**	**(22)**	**(214)**
Other	**(75)**	**(13)**	**(6)**	**(39)**	**(58)**
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	**(18)**	**(4)**	**(14)**	**(29)**	**(47)**

1 Cumulative preferred financing shares have no maturity. For the purposes of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2018, 2020, 2023 and 2026). No liability redemption was assumed. Actual cash flows may differ; see *Note 22*.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

Year ended January 1, 2017

€ million	Net carrying amount	Contractual cash flows: Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities					
Notes	(3,434)	(640)	(1,471)	(2,986)	(5,097)
Other loans	(5)	(2)	–	(3)	(5)
Financing obligations	(385)	(51)	(191)	(180)	(422)
Mortgages payable	(26)	(3)	(19)	(12)	(34)
Finance lease liabilities	(1,960)	(318)	(1,083)	(1,370)	(2,771)
Cumulative preferred financing shares[1]	(497)	(19)	(64)	(12)	(95)
Accounts payable	(5,389)	(5,389)	–	–	(5,389)
Short-term borrowings	(1,253)	(1,253)	–	–	(1,253)
Reinsurance liabilities	(234)	(84)	(135)	(23)	(242)
Other	(89)	(14)	(7)	(56)	(77)
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	(63)	(26)	(19)	(62)	(107)

1 Cumulative preferred financing shares have no maturity. For the purposes of the table above, the future dividend cash flows were calculated until the coupon reset date of each of the four share-series (2018, 2020, 2023 and 2026). No liability redemption was assumed.

Credit ratings

Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's strategy because such ratings serve to lower the cost of funds and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies are as follows:

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

Capital risk management

The Company's primary objective in terms of managing capital is the optimization of its debt and equity balances in order to sustain the future development of the business, maintain its investment grade credit rating and maximize shareholder value.

Ahold Delhaize may balance its overall capital structure in a number of ways, including through the payment of dividends, capital repayment, new share issues and share buybacks as well as the issuance of new debt or the redemption of existing debt.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

Financial instruments

Fair values of financial instruments

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

€ million	December 31, 2017 Carrying amount	December 31, 2017 Fair value	January 1, 2017 Carrying amount	January 1, 2017 Fair value
Loans receivable	**59**	**65**	66	75
Trade and other (non-)current receivables	**1,605**	**1,605**	1,600	1,600
Reinsurance assets	**195**	**195**	220	220
Total loans and receivables	**1,859**	**1,865**	1,886	1,895
Cash and cash equivalents	**4,581**	**4,581**	4,032	4,032
Short-term deposits and similar instruments	**9**	**9**	110	110
Derivatives	**–**	**–**	299	299
Available-for-sale	**167**	**167**	186	186
Total financial assets	**6,616**	**6,622**	6,513	6,522
Notes	**(3,407)**	**(3,518)**	(3,434)	(3,442)
Other loans	**(3)**	**(3)**	(5)	(5)
Financing obligations	**(325)**	**(291)**	(385)	(366)
Mortgages payable	**(22)**	**(23)**	(26)	(29)
Finance lease liabilities	**(1,607)**	**(1,932)**	(1,960)	(2,396)
Cumulative preferred financing shares	**(455)**	**(491)**	(497)	(549)
Dividend cumulative preferred financing shares	**(18)**	**(18)**	(20)	(20)
Accounts payable	**(5,277)**	**(5,277)**	(5,389)	(5,389)
Short-term borrowings	**(1,432)**	**(1,432)**	(1,253)	(1,253)
Interest payable	**(40)**	**(40)**	(59)	(59)
Reinsurance liabilities	**(205)**	**(205)**	(234)	(234)
Other	**(75)**	**(81)**	(89)	(97)
Total non-derivative financial liabilities	**(12,866)**	**(13,311)**	(13,351)	(13,839)
Derivatives	**(18)**	**(18)**	(63)	(63)
Total financial liabilities	**(12,884)**	**(13,329)**	(13,414)	(13,902)

Of Ahold Delhaize's categories of financial instruments, only derivatives, assets available-for-sale 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.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

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

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

€ million	December 31, 2017	January 1, 2017
Cross-currency interest rate swaps	**18**	63
Total net derivative liabilities subject to collateralization	**18**	63
Collateralized amount	**–**	17

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 recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on year-end quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on market rates prevailing at year-end. The fair value of the cumulative preferred financing shares is measured as the present value of expected future cash flows. Such cash flows include the dividend payments and the payments of the nominal value, plus paid-in capital. Expected future cash flows are discounted by using the yield curves derived from quoted interest rates and Credit Default Swap rates that match the maturity of the contracts. The conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22*. The accrued interest is included in other current financial liabilities (see *Note 26*) and not in the carrying amounts of non-derivative financial assets and liabilities.

Short-term deposits and similar instruments (€9 million) contain short-term liquid investments that are considered part of Ahold Delhaize's cash management financial assets.

Notes to the consolidated financial statements
continued

30 Financial risk management and financial instruments continued

Derivatives

Fair values, notional amounts, maturities and the qualification of derivative financial instruments for accounting purposes are presented in the table below:

		December 31, 2017			January 1, 2017		
		Fair value		Notional	Fair value		Notional
€ million	Maturity	Assets	Liabilities	amount	Assets	Liabilities	amount
Forward foreign currency contracts[1]	Within 1 year	–	–	**18**	1	–	85
Cross-currency swap	After 5 years	–	–	–	–	–	–
Total cash flow hedges		–	–	**18**	1	–	85
Interest rate swaps[2]	Within 1 year	–	–	–	15	–	293
Cross-currency swaps[2,3]	Within 1 year	–	–	–	283	(18)	557
Cross-currency swaps	After 5 years	–	**(18)**	**188**	–	(45)	216
Total derivatives – no hedge accounting treatment		–	**(18)**	**188**	298	(63)	773
Total derivative financial instruments		–	**(18)**	**206**	299	(63)	858

1 Foreign currency forwards designated as cash flow hedges are used to hedge the future cash flows denominated in foreign currencies.

2 Interest rate swap and cross-currency swap relate to the same notional amount of GBP 250 million.

3 As of January 1, 2017, the valuation of the GBP 250 million cross-currency swap, related to the GBP 250 million notes, included the impact of the mark-to-market valuation of an embedded credit clause in the amount of nil. Ahold Delhaize was required under these swap contracts to redeem the U.S. dollar notional amount through semi-annual installments that commenced in September 2004. The notes were fully repaid on March 14, 2017 (see *Note 21* for additional information).

Notes to the consolidated financial statements
continued

31 Related party transactions

Compensation of key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company considers all members of the Executive Committee (ExCo) and the Supervisory Board to be key management personnel as defined in IAS 24 "Related parties." At the end of 2017, the ExCo consisted of the Management Board and five other members.

The total compensation of key management personnel in 2017 amounts to €31,372 thousand (2016: €24,969 thousand). This includes an estimate of additional wage tax relating to Board members leaving the Company due in accordance with Dutch tax laws in the amount of €1.9 million (2016: €0.1 million).

(Service) Agreements with individual Management Board members

Dick Boer

In 2017, the Company provided Dick Boer with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €1,017 thousand was increased by 2% to €1,037 thousand, effective January 1, 2017. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Unless Dick Boer's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2019. If the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by shareholders, Dick Boer is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Dick Boer with a notice period of six months. Dick Boer participates in the Company's Dutch pension plan.

Frans Muller

In 2017, the Company provided Frans Muller with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €1,007 thousand was increased by 2% to €1,027 thousand, effective January 1, 2017. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Furthermore, Frans Muller receives school fees and a temporary housing allowance. Effective August 1, 2017, the housing allowance of €7,500 net per month was reduced to €3,750. For the period October 5, 2016 until December 31, 2017, Frans Muller has received a temporary expat allowance related to his interim role at Delhaize America. Unless Frans Muller's service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2020. If the Company terminates his service agreement for reasons other than cause or because he is not reappointed by shareholders, Frans Muller is entitled to a severance payment equal to one year's base salary. His service agreement may be terminated by the Company with a notice period of 12 months and by Frans Muller with a notice period of six months. Frans Muller participates in the Company's Belgian pension plan and will transition into the Company's Dutch pension plan.

Jeff Carr

In 2017, the Company provided Jeff Carr with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €678 thousand was increased by 8% to €732 thousand, effective January 1, 2017. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Furthermore, Jeff Carr receives a housing allowance. Effective July 23, 2017, the housing allowance of €7,000 net per month was reduced to €5,250. Unless Jeff Carr's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2020. If the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by shareholders, Jeff Carr is entitled to a severance payment equal to one year's base salary and will receive retirement treatment on his unvested shares in case of termination in 2020 or beyond. His employment agreement may be terminated by the Company with a notice period of 12 months and by Jeff Carr with a notice period of six months. Jeff Carr participates in the Company's Dutch pension plan.

Notes to the consolidated financial statements
continued

31 Related party transactions continued

Kevin Holt

In 2017, the Company provided Kevin Holt with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of $925 thousand was increased by 7% to $990 thousand, effective May 1, 2017. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Furthermore, Kevin Holt is entitled to receive a housing allowance of up to $7,500 net per month. Unless Kevin Holt's employment agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2020. If the Company terminates his employment agreement for reasons other than cause or because he is not reappointed by shareholders, Kevin Holt is entitled to a severance payment equal to one year's base salary. His employment agreement may be terminated by the Company with a notice period of 12 months and by Kevin Holt with a notice period of six months. Kevin Holt participates in the Company's U.S. pension plan.

Pierre Bouchut

In 2017, the Company provided Pierre Bouchut with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €641 thousand was increased by 2% to €654 thousand, effective January 1, 2017. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Pierre Bouchut participates in the Company's Belgian pension plan. On September 8, 2017, it was announced that Pierre Bouchut would retire in 2018. Pierre Bouchut stepped down from the Management Board and Executive Committee as of January 1, 2018, and will remain available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize will terminate as of August 31, 2018, without any severance payment due.

James McCann

In 2017, the Company provided James McCann with an annual base salary of €678 thousand, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of extraordinary performance. Furthermore, James McCann received a housing allowance of $10,000 net per month. James McCann participated in the Company's Dutch pension plan. On October 5, 2016, it was announced that James McCann has resigned as COO of Ahold USA and as a member of Ahold Delhaize's Management Board. His employment relationship with Ahold Delhaize terminated on April 30, 2017, without any severance payment due.

Notes to the consolidated financial statements
continued

31 Related party transactions continued

Remuneration of the Management Board by member

€ thousand	Base salary[1]	EIP[2]	Other[3]	Total direct remuneration	Share-based compensation[6]	Pensions[7]	Total remuneration
	Direct remuneration				Deferred remuneration		
Dick Boer							
2017	**1,037**	**991**	**329**	**2,357**	**2,088**	**132**	**4,577**
2016	1,013	1,271	297	2,581	2,063	70	4,714
Frans Muller							
2017	**1,027**	**981**	**730**	**2,738**	**2,326**	**363**	**5,427**
2016	446	323	192	961	1,168	163	2,292
Jeff Carr							
2017	**732**	**699**	**305**	**1,736**	**1,039**	**66**	**2,841**
2016	675	773	297	1,745	1,026	31	2,802
Kevin Holt							
2017	**858**	**820**	**361**	**2,039**	**742**	**213**	**2,994**
2016	329	252	15	596	221	60	877
Total 2017	**3,654**	**3,491**	**1,725**	**8,870**	**6,195**	**774**	**15,839**
Total 2016	2,463	2,619	801	5,883	4,478	324	10,685

Remuneration of the former members of the Management Board

€ thousand	Base salary[1]	EIP[2]	Other[3]	Total direct remuneration	Share-based compensation[6]	Pensions[7]	Total remuneration
	Direct remuneration				Deferred remuneration		
Pierre Bouchut[4]							
2017	**654**	**608**	**1,016**	**2,278**	**1,548**	**162**	**3,988**
2016	280	184	113	577	684	72	1,333
James McCann[5]							
2017	**–**	**–**	**264**	**264**	**–**	**–**	**264**
2016	514	590	2,501	3,605	421	31	4,057
Total 2017	**654**	**608**	**1,280**	**2,542**	**1,548**	**162**	**4,252**
Total 2016	794	774	2,614	4,182	1,105	103	5,390

Notes to the consolidated financial statements
continued

31 Related party transactions continued

Remuneration of the Executive Committee including Management Board

The table below specifies the remuneration of the ExCo, comprising the Management Board members, the former members of the Management Board as listed above, and the additional ExCo members who were not part of the Management Board.

€ thousand	2017	2016
Base salary[1]	**6,397**	5,121
EIP[2]	**6,061**	5,535
Other[3, 4, 5]	**4,408**	4,436
Share-based compensation[6]	**9,302**	7,544
Pensions[7]	**1,258**	616
Total remuneration	**27,426**	23,252

1 Frans Muller, Pierre Bouchut and Kevin Holt were appointed as Members of the Management Board, effective July 24, 2016. The 2016 base salary for them reflects a partial year. Wouter Kolk was appointed as Member of the Executive Committee, effective September 1, 2017. His 2017 base salary reflects a partial year.

2 The ExCo Incentive Plan (EIP) represents accrued annual cash incentives to be paid in the following year based on an overall weighted EIP. For an explanation of the Company's remuneration policy, see *Remuneration* under the *Governance* section of this report. The overall 2017 financial performance multiplier was 93%. The individual EIP amounts also include the component linked to individual performance.

3 "Other" mainly includes gross allowances for net pension, tax compensation (tax equalization charges for expatriates), allowances for housing expenses for certain individuals, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company car, tax advice, medical expenses, and the associated tax gross up.

4 Pierre Bouchut , Chief Operating Officer Europe and Indonesia and member of the Management Board and Executive Committee, as of January 1, 2018, and will remain available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize will terminate as of August 31, 2018, after which he will retire. Shares awarded under the GRO plan will vest in accordance with the applicable plan rules. An estimate of the remuneration costs relating to the period after July 1, 2018, until August 31, 2018, was recognized in 2017 in "Other" (€285 thousand).

5 James McCann, Chief Operating Officer of Ahold USA and member of the Management Board and Executive Committee, stepped down on October 5, 2016. His employment relationship with Ahold Delhaize terminated as of April 30, 2017, without any severance payment due. Outstanding shares under the GRO plan vested over the term of employment in accordance with the applicable plan rules. Unvested shares outstanding at the termination date were forfeited. An estimate of the remuneration costs relating to the period after October 5, 2016, until April 30, 2017, was recognized in 2016 in "Other" (€1,131 thousand) and in "Share-based compensation" (a net reversal of costs of €119 thousand). Additionally included in "Other" for James McCann in 2016 is tax compensation of €893 thousand). In 2017, adjustments to the estimate of the remuneration costs as a result of the actual payments are included in "Other."

6 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2017 reflects this year's portion of the share grants over the previous five years (plans 2012 to 2017). For more information on the share-based compensation expenses see *Note 32*.

7 Pension costs are the total net periodic pension costs of the applicable pension plans.

Notes to the consolidated financial statements
continued

31 Related party transactions continued

Remuneration of the Supervisory Board members

€ thousand	2017	2016
Mats Jansson (appointed in 2016)	**255**	115
Jan Hommen (reappointed in 2017)	**223**	177
Jacques de Vaucleroy (appointed in 2016)	**170**	80
René Hooft Graafland (appointed in 2014)	**136**	127
Ben Noteboom (reappointed in 2017)	**145**	133
Bill McEwan (appointed in 2016)	**150**	71
Rob van den Bergh (reappointed in 2015)	**148**	132
Mark McGrath (reappointed in 2016)	**143**	160
Mary Anne Citrino (appointed in 2016)	**133**	136
Johnny Thijs (appointed in 2016)	**128**	55
Patrick De Maeseneire (appointed in 2016)	**123**	59
Dominique Leroy (appointed in 2016)	**125**	58
Jack Stahl (resigned in August 2017)	**111**	76
Stephanie Shern (resigned in April 2017)	**37**	140
Derk Doijer (resigned in July 2016)	**–**	56
Total	**2,027**	1,575

The Supervisory Board remuneration for 2017 is in accordance with the Supervisory Board remuneration policy adopted at the General Meeting of Shareholders on April 19, 2016.

For the members who were appointed or resigned in 2016 and for the members who resigned in 2017, the remuneration for the respective year reflects a partial year.

Shares and other interests in Ahold Delhaize

As of December 31, 2017, Management Board members (excluding the former Management Board members) held the following shares and other interests in Ahold Delhaize:

Number of shares	Common shares subject to additional holding requirement[1]	Other common shares	Total common shares
Dick Boer	**193,273**	**264,071**	**457,344**
Frans Muller[2]	**–**	**165,359**	**165,359**
Jeff Carr	**111,690**	**91,886**	**203,576**
Kevin Holt	**–**	**–**	**–**
Total	**304,963**	**521,316**	**826,279**

1 In line with best practice II.2.5 of the Dutch Corporate Governance Code 2008 and the Management Board remuneration policy, shares granted and vested under the GRO program to Management Board members should be retained for a period of at least five years after grant, except to finance tax payable at the vesting date, or at least until the date of resignation from the Management Board, if this period is shorter.

2 Additionally, 9,579 shares are held by Frans Muller in the form of American Depository Receipts.

Notes to the consolidated financial statements
continued

31 Related party transactions continued

As of December 31, 2017, Jacques de Vaucleroy held 829,023 Ahold Delhaize common shares, Ben Noteboom held 15,637 Ahold Delhaize common shares, Bill McEwan held 7,125 Ahold Delhaize American Depository Receipts, Rob van den Bergh held 13,031 Ahold Delhaize common shares, Johnny Thijs held 11,768 Ahold Delhaize common shares and Jan Hommen held 15,000 Ahold Delhaize common shares. None of the other Supervisory Board members held Ahold Delhaize shares.

Ahold Delhaize does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. Ahold Delhaize does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. No such guarantees are outstanding.

Trading 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. Transactions were conducted at market prices. During 2017 and 2016, the Company entered into the following transactions with unconsolidated related parties:

For the year ended December 31, 2017

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
Stationsdrogisterijen	**19**	**–**	**–**	**8**	**–**
JMR	**5**	**–**	**1**	**–**	**–**
Cathedral Commons	**–**	**1**	**–**	**–**	**21**
Other	**–**	**3**	**10**	**3**	**14**
Total	**24**	**4**	**11**	**11**	**35**

For the year ended January 1, 2017

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
Stationsdrogisterijen	17	–	–	7	–
JMR	5	–	1	–	–
Cathedral Commons	–	1	–	–	25
Other	2	4	11	1	14
Total	24	5	12	8	39

Notes to the consolidated financial statements
continued

31 Related party transactions continued

These unconsolidated related parties consist of:

- Stationsdrogisterijen C.V., a joint venture of Ahold Delhaize in the health and beauty care retail business.
- JMR, a joint venture of Ahold Delhaize in the retail business (see *Note 14*).
- Cathedral Commons Partners, LLC, a real estate joint venture of Ahold Delhaize.
- Super Indo, a joint venture of Ahold Delhaize in the retail business (see *Note 14*), included in "Other."
- "Other," which includes mainly real estate joint ventures in which Ahold Delhaize has an interest and holding properties operated by Ahold Delhaize and Loyalty Management Nederland B.V., an associate of Ahold Delhaize that renders services relating to the management of customer loyalty programs to certain Ahold Delhaize subsidiaries in the Netherlands.
- Ahold Delhaize participates in Coopernic and AMS, which are cooperative European purchase alliances towards third-party vendors. Receivable and payable positions occur with these buying alliances. These transactions are considered to reflect the results of the negotiated purchasing terms with the third-party vendors. As such, these transactions are not shown in the table above of related party transactions.

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 23*.

Notes to the consolidated financial statements
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32 Share-based compensation

In 2017, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2017 GRO share-based compensation expenses were €79 million (2016: €61 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the shares granted under the GRO program in 2017 at grant date was €64 million, of which €6 million related to Management Board members. The fair value is expensed over the vesting period of the grants, adjusted for expected annual forfeitures of 5% (2016: 5%) excluding Management Board members. For the share-based compensation expenses allocable to the individual Management Board members, see *Note 31*.

GRO program

Main characteristics

A revised GRO program was introduced in 2016. The performance shares granted under this program vest on the day after the annual General Meeting of Shareholders in the third year after the grant, subject to certain performance conditions. The revised GRO program employs two financial measures: Return on Capital (RoC) and Total Shareholder Return (TSR), as well as non-financial performance measures related to Sustainable Retailing targets. The total GRO award is comprised of three portions of shares. The first 40% is linked to a three-year RoC target. Depending on performance, the number of shares that eventually vest may range between zero and a maximum of 150% of the number of shares granted. Another 40% is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group comprised of 14 companies (refer to the *Remuneration* section for the composition of the peer group). The number of shares that vest depends on the Company's relative ranking in the peer group and may range between zero and a maximum of 175% of the number of shares granted (refer to table below for the vesting percentages based on Ahold Delhaize's ranking within the peer group). For the remaining 20% of the total GRO share award, the performance at vesting is measured using Sustainable Retailing targets. This measure relates to the Company's Sustainable Retailing strategic ambitions. The targets set under this non-financial performance measure are both qualitative and quantitative. Depending on performance, the number of shares that eventually vest can range between zero and a maximum of 150% of the number of shares granted.

The table below indicates the percentage of shares that could vest based on Ahold Delhaize's TSR ranking within the peer group:

2016-2017 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12	13	14
All participants	175%	150%	125%	110%	100%	80%	50%	0%	0%	0%	0%	0%	0%	0%

Treatment of outstanding performance shares

Shares awarded before 2016 under the Ahold GRO program (to former Ahold Management Board members and associates) and the Delhaize European long-term incentive plan (to former Delhaize Management Board members) have been rolled over in the (new) Ahold Delhaize's long-term equity-based program (2016 GRO).

Outstanding (non-vested) performance share awards remaining from the Ahold GRO plan have been split into two parts. One part, which is related to the full performance years prior to the year of the merger (2012, 2014 and 2015, where applicable), has been assessed against the performance of Ahold as a standalone company, on the basis of the existing performance measures. Based on the performance realized in those years, this part of the award has been assessed on the basis of the applicable share programs and converted into restricted Ahold Delhaize shares. These restricted shares are not subject to additional performance criteria, but will be subject to the remaining vesting period and continued employment. The other part, which is related to the performance during the year of the merger (2016) and beyond, will be assessed against the financial measures of Ahold Delhaize's long-term equity-based plan. The outstanding conditional shares will continue to be subject to the remaining vesting period and continued employment.

Outstanding (non-vested) performance shares awarded under the Delhaize European long-term incentive plan have similarly been converted into Ahold Delhaize restricted shares and shares which are subject to meeting the performance measures of the Ahold Delhaize GRO plan.

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

Shares granted in 2014 and 2015 converted in 2016

Under the 2013-2015 GRO program, shares were granted over a three-year period. The program consisted of three components: one with a performance hurdle at grant (conditional share grant) and two components with a performance hurdle at vesting (performance share grants). The size of the conditional share grant was subject to the Executive Incentive Plan Multiplier of the preceding year. Half of the performance share grant was linked to a three-year RoC target. Dependent on RoC performance, the number of shares that eventually vested could range between 0% and a maximum of 150% of the number of shares granted. For the other half of the performance share grant, the performance at vesting was measured using the TSR ranking. The table below indicates the percentage of shares with a TSR performance measure under the 2013-2015 GRO program that could vest based on Ahold's ranking within the peer group:

2013-2015 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12
Vice President and up	175%	150%	125%	100%	75%	50%	0%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2015, for the performance years 2014-2015, Ahold held the third position with respect to the 2014 share grant and the second position with respect to the 2015 share grant. Based on these rankings the TSR performance shares were converted into restricted shares. The 2014 grant used a percentage of 125% for Vice President and up and 120% for other participants, and the 2015 grant used a percentage of 150% for Vice President and up and 135% for other participants. The remaining portion (one year for the 2014 grant and two years for the 2015 grant) has been assessed against the TSR performance of the 2016 GRO plan.

Ahold's RoC performance as of the end of 2015 was 93% of target with respect to the 2014 year share grant and 100% of target with respect to the 2015 share grant. The RoC performance shares were converted into restricted shares using these vesting percentages. The remaining portion (one year for the 2014 grant and two years for the 2015 grant) has been assessed against Ahold Delhaize's RoC performance.

Shares granted in 2012 converted in 2016

Under the 2006-2012 GRO program, Ahold shares were granted through a mid-term (three-year) and a long-term (five-year) program. For participants other than the Management Board members, the mid-term component of the program contained a matching share feature. For every five shares a participant held for an additional two years after the vesting date, the participant receives one additional share.

Under the 2006-2012 GRO program, the shares granted through the long-term component were subject to a performance condition. The number of shares that ultimately vest depends on Ahold's performance compared to other retail companies, measured over a five-year period using TSR. The table below indicates the percentage of shares that could vest based on Ahold's ranking within the peer group:

2006-2012 GRO program rank	1	2	3	4	5	6	7	8	9	10	11	12
Management Board	150%	130%	110%	90%	70%	50%	25%	0%	0%	0%	0%	0%
Other participants	150%	135%	120%	105%	90%	75%	60%	45%	30%	15%	7.5%	0%

As of the end of 2015, Ahold held the second position among the peer group for the performance years 2012-2015. Based on this TSR ranking, the performance shares for the 2012 five-year share grant were converted into restricted shares using the measure of 130% for Management Board members and 135% for other participants. The remaining portion of the 2012 five-year grant, which is related to the Company's performance in 2016, has been assessed against the TSR performance measure of the 2016 GRO plan.

Remaining unvested shares granted under the 2006-2012 and the 2013-2015 GRO program will vest on the day after the publication of Ahold Delhaize's full-year results in the third year (three-year programs) or fifth year (five-year programs) after the grant, subject to performance conditions and provided the participant is still employed by Ahold Delhaize. Remaining unvested shares granted to Management Board members will vest on the day after the annual General Meeting of Shareholders in the third year (mid-term component) or fifth year (long-term component) after the grant, subject to performance conditions and continued employment.

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

Other awards

A limited number of shares were granted to other ExCo members and other employees in 2014 and 2015 under a special purpose plan. This program consists of unconditional and conditional shares. The unconditional shares vest immediately on the award date. The conditional shares vest in two tranches. Half of the conditional shares vest on the day after the publication of Ahold Delhaize's full-year results in the first year and half in the second year after the grant.

Also, a number of shares were granted to a select group of senior management (excluding the Management Board and ExCo members) in 2016 under a one-time retention incentive award. The vesting of these individual share awards is contingent upon the realization of the merger implementation. These performance shares will vest in two installments of 50% each of the granted shares. The first installment vested 12 months after the date of grant, on November 23, 2017. The second installment will vest 24 months after the date of grant. To underline the retention function of this award, an additional holding period of 12 months applies from the date of vesting.

Shares vesting in 2018

In 2018, the 2015 GRO grant will vest. The GRO shares vesting will comprise both conditional shares as well as performance shares based on the Company's TSR and RoC performance. Part of the TSR and RoC performance share grants were already converted into restricted shares in 2016 (see *Shares granted in 2015 converted in 2016* above) and are not subject to additional performance criteria. For the remaining portion of the performance shares, 2017 TSR and RoC performance was assessed. As of the end of 2017, Ahold Delhaize ranked fourth in the TSR peer group with respect to the 2015 grant. Based on these TSR rankings and applying the 2016 GRO vesting table, the vesting percentage for the 2015 grant was 110%.

At the end of each reporting period, Ahold Delhaize revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions (RoC and Sustainable Retailing performance). Ahold Delhaize recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The final vesting percentage for the portion of the 2015 shares dependent on Ahold Delhaize's RoC performance is 105%.

On April 12, 2018, a maximum of 0.2 million shares granted in 2015 to members of the Management Board under the Ahold GRO plan are expected to vest. On May 29, 2018, a maximum of 0.1 million shares granted in 2015 to members of the Management Board under the Delhaize European long-term incentive 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 the date of resignation from the Management Board, if this period is shorter.

On March 1, 2018, a maximum of 2.7 million shares granted in 2015 to Ahold Delhaize associates under the Ahold GRO plan are expected to vest. Vesting is subject to the participant being employed by the Company on the applicable vesting date. As of the vesting date, participants are allowed to sell all or part of the shares vested, subject to insider trading restrictions as applicable from time to time.

In addition, a maximum number of 0.7 million shares granted in 2016 to Ahold Delhaize associates under the one-time retention plan are expected to vest in November 2018, provided the performance conditions are met.

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

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

The following table summarizes the status of the GRO program during 2017 for the individual Management Board members and for all other employees in the aggregate.

	Outstanding at the beginning of 2017	Granted[1]	Performance adjustment[2]	Vested[3]	Forfeited	**Outstanding at the end of 2017**	Minimum number of shares[4]	Maximum number of shares[5]	Fair value per share at the grant date (€)	Incremental fair value[6]
Dick Boer										
Five-year 2012 grant – Restricted	75,947	–	–	75,947	–	**–**	–	–	7.81	0.00
Five-year 2012 grant – Performance	14,605	–	7,302	21,907	–	**–**	–	–	7.81	2.60
2014 Restricted (TSR)	41,537	–	–	41,537	–	**–**	–	–	11.20	0.00
2014 Performance (TSR)	16,615	–	12,461	29,076	–	**–**	–	–	11.20	0.25
2014 Restricted (RoC)	30,903	–	–	30,903	–	**–**	–	–	12.40	0.00
2014 Performance (RoC)	16,615	–	2,824	19,439	–	**–**	–	–	12.40	0.00
2014 Conditional grant	32,860	–	–	32,860	–	**–**	–	–	12.40	0.00
2015 Restricted (TSR)	27,168	–	–	–	–	**27,168**	27,168	27,168	14.66	0.00
2015 Performance (TSR)	36,224	–	–	–	–	**36,224**	–	63,392	14.66	0.00
2015 Restricted (RoC)	18,112	–	–	–	–	**18,112**	18,112	18,112	18.14	0.00
2015 Performance (RoC)	36,224	–	–	–	–	**36,224**	–	54,336	18.14	0.00
2015 Conditional grant	14,383	–	–	–	–	**14,383**	14,383	14,383	18.14	0.00
2016 TSR grant	48,680	–	–	–	–	**48,680**	–	85,190	20.46	0.00
2016 RoC grant	48,680	–	–	–	–	**48,680**	–	73,020	20.15	0.00
2016 Sustainable Retailing grant	24,340	–	–	–	–	**24,340**	–	36,510	20.15	0.00
2017 TSR grant	–	48,819	–	–	–	**48,819**	–	85,433	9.57	0.00
2017 RoC grant	–	48,819	–	–	–	**48,819**	–	73,228	17.07	0.00
2017 Sustainable Retailing grant	–	24,410	–	–	–	**24,410**	–	36,615	17.07	0.00

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

	Outstanding at the beginning of 2017	Granted[1]	Performance adjustment[2]	Vested[3]	Forfeited	**Outstanding at the end of 2017**	Minimum number of shares[4]	Maximum number of shares[5]	Fair value per share at the grant date (€)	Incremental fair value[6]
Frans Muller										
2014 Performance (TSR)	13,197	–	9,897	23,094	–	**–**	–	–	21.23	8.56
2014 Performance (RoC)	13,197	–	2,243	15,440	–	**–**	–	–	21.23	0.00
2014 Restricted	79,183	–	–	79,183	–	**–**	–	–	21.23	0.00
2015 Performance (TSR)	18,026	–	–	–	–	**18,026**	–	31,545	20.67	2.21
2015 Performance (RoC)	18,026	–	–	–	–	**18,026**	–	27,039	20.67	0.00
2015 Restricted	27,040	–	–	–	–	**27,040**	27,040	27,040	20.67	0.00
2016 Performance (TSR)	30,162	–	–	–	–	**30,162**	–	52,783	20.44	0.00
2016 Performance (RoC)	30,162	–	–	–	–	**30,162**	–	45,243	20.21	0.00
2016 Performance (Sustainability)	15,082	–	–	–	–	**15,082**	–	22,623	20.21	0.00
2016 TSR grant	41,035	–	–	–	–	**41,035**	–	71,811	20.46	0.00
2016 RoC grant	41,035	–	–	–	–	**41,035**	–	61,552	20.15	0.00
2016 Sustainable Retailing grant	20,518	–	–	–	–	**20,518**	–	30,777	20.15	0.00
2017 TSR grant	–	41,152	–	–	–	**41,152**	–	72,016	9.57	0.00
2017 RoC grant	–	41,152	–	–	–	**41,152**	–	61,728	17.07	0.00
2017 Sustainable Retailing grant	–	20,576	–	–	–	**20,576**	–	30,864	17.07	0.00

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

	Outstanding at the beginning of 2017	Granted[1]	Performance adjustment[2]	Vested[3]	Forfeited	**Outstanding at the end of 2017**	Minimum number of shares[4]	Maximum number of shares[5]	Fair value per share at the grant date (€)	Incremental fair value[6]
Jeff Carr										
Five-year 2012 grant – Restricted	47,221	–	–	47,221	–	**–**	–	–	7.81	0.00
Five-year 2012 grant – Performance	9,081	–	4,540	13,621	–	**–**	–	–	7.81	2.60
2014 Restricted (TSR)	20,512	–	–	20,512	–	**–**	–	–	11.20	0.00
2014 Performance (TSR)	8,205	–	6,153	14,358	–	**–**	–	–	11.20	0.25
2014 Restricted (RoC)	15,261	–	–	15,261	–	**–**	–	–	12.40	0.00
2014 Performance (RoC)	8,205	–	1,394	9,599	–	**–**	–	–	12.40	0.00
2014 Conditional grant	21,907	–	–	21,907	–	**–**	–	–	12.40	0.00
2015 Restricted (TSR)	10,655	–	–	–	–	**10,655**	10,655	10,655	14.66	0.00
2015 Performance (TSR)	14,206	–	–	–	–	**14,206**	–	24,860	14.66	0.00
2015 Restricted (RoC)	7,103	–	–	–	–	**7,103**	7,103	7,103	18.14	0.00
2015 Performance (RoC)	14,206	–	–	–	–	**14,206**	–	21,309	18.14	0.00
2015 Conditional grant	9,589	–	–	–	–	**9,589**	9,589	9,589	18.14	0.00
2016 TSR grant	24,168	–	–	–	–	**24,168**	–	42,294	20.46	0.00
2016 RoC grant	24,168	–	–	–	–	**24,168**	–	36,252	20.15	0.00
2016 Sustainable Retailing grant	12,084	–	–	–	–	**12,084**	–	18,126	20.15	0.00
2017 TSR grant	–	25,662	–	–	–	**25,662**	–	44,908	9.57	0.00
2017 RoC grant	–	25,662	–	–	–	**25,662**	–	38,493	17.07	0.00
2017 Sustainable Retailing grant	–	12,831	–	–	–	**12,831**	–	19,246	17.07	0.00
Kevin Holt										
2016 TSR grant	27,416	–	–	–	–	**27,416**	–	47,978	20.46	0.00
2016 RoC grant	27,416	–	–	–	–	**27,416**	–	41,124	20.15	0.00
2016 Sustainable Retailing grant	13,708	–	–	–	–	**13,708**	–	20,562	20.15	0.00
2017 TSR grant	–	34,563	–	–	–	**34,563**	–	60,485	9.57	0.00
2017 RoC grant	–	34,563	–	–	–	**34,563**	–	51,844	17.07	0.00
2017 Sustainable Retailing grant	–	17,282	–	–	–	**17,282**	–	25,923	17.07	0.00

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

	Outstanding at the beginning of 2017	Granted[1]	Performance adjustment[2]	Vested[3]	Forfeited	**Outstanding at the end of 2017**	Minimum number of shares[4]	Maximum number of shares[5]	Fair value per share at the grant date (€)	Incremental fair value[6]
Pierre Bouchut[7]										
2014 Performance (TSR)	12,131	–	9,098	21,229	–	**–**	–	–	21.23	8.56
2014 Performance (RoC)	12,131	–	2,062	14,193	–	**–**	–	–	21.23	0.00
2014 Restricted	72,784	–	–	72,784	–	**–**	–	–	21.23	0.00
2015 Performance (TSR)	15,534	–	–	–	–	**15,534**	–	27,184	20.67	2.21
2015 Performance (RoC)	15,534	–	–	–	–	**15,534**	–	23,301	20.67	0.00
2015 Restricted	23,301	–	–	–	–	**23,301**	23,301	23,301	20.67	0.00
2016 TSR grant	19,585	–	–	–	–	**19,585**	–	34,273	20.46	0.00
2016 RoC grant	19,585	–	–	–	–	**19,585**	–	29,377	20.15	0.00
2016 Sustainable Retailing grant	9,793	–	–	–	–	**9,793**	–	14,689	20.15	0.00
2017 TSR grant	–	19,641	–	–	–	**19,641**	–	34,371	9.57	0.00
2017 RoC grant	–	19,641	–	–	–	**19,641**	–	29,461	17.07	0.00
2017 Sustainable Retailing grant	–	9,821	–	–	–	**9,821**	–	14,731	17.07	0.00

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

	Outstanding at the beginning of 2017	Granted[1]	Performance adjustment[2]	Vested[3]	Forfeited	**Outstanding at the end of 2017**	Minimum number of shares[4]	Maximum number of shares[5]	Fair value per share at the grant date (€)	Incremental fair value[6]
James McCann[8]										
Five-year 2012 grant – Restricted	47,221	–	–	47,221	–	**–**	–	–	7.81	0.00
Five-year 2012 grant – Performance	9,081	–	4,540	13,621	–	**–**	–	–	7.81	2.60
2014 Restricted (TSR)	27,691	–	–	27,691	–	**–**	–	–	11.20	0.00
2014 Performance (TSR)	11,076	–	8,307	19,383	–	**–**	–	–	11.20	0.25
2014 Restricted (RoC)	20,602	–	–	20,602	–	**–**	–	–	12.40	0.00
2014 Performance (RoC)	11,076	–	1,882	12,958	–	**–**	–	–	12.40	0.00
2014 Conditional grant	21,907	–	–	21,907	–	**–**	–	–	12.40	0.00
2015 Restricted (TSR)	14,383	–	–	–	14,383	**–**	–	–	14.66	0.00
2015 Performance (TSR)	19,177	–	–	–	19,177	**–**	–	–	14.66	0.00
2015 Restricted (RoC)	9,589	–	–	–	9,589	**–**	–	–	18.14	0.00
2015 Performance (RoC)	19,177	–	–	–	19,177	**–**	–	–	18.14	0.00
2015 Conditional grant	9,589	–	–	–	9,589	**–**	–	–	18.14	0.00
2016 TSR grant	27,620	–	–	–	27,620	**–**	–	–	20.46	0.00
2016 RoC grant	27,620	–	–	–	27,620	**–**	–	–	20.15	0.00
2016 Sustainable Retailing grant	13,810	–	–	–	13,810	**–**	–	–	20.15	0.00
Subtotal Management Board members	1,634,664	424,594	72,703	783,454	140,965	**1,207,542**	137,351	1,853,847		

1 Represents the number of shares originally granted for the 2017 grant.

2 Represents the adjustment to the number of shares granted resulting from the TSR ranking and RoC performance.

3 The vesting date of the five-year 2012 grant and the three-year 2014 grant was April 13, 2017, for the former Ahold board members. The share price was €19.28 on April 13, 2017. The vesting date of the three-year 2014 grant was May 26, 2017, for the former Delhaize board members. The share price was €19.69 on May 26, 2017.

4 For the conditional and restricted shares, the minimum number of shares that could potentially vest equals the number of outstanding shares. For the TSR performance grants, the minimum number of shares that could potentially vest would be nil if Ahold Delhaize's ranking was eight or lower (as explained in the section *Main characteristics* above). For the RoC and sustainability performance grants, the minimum number of shares that could potentially vest equals nil (as explained in the section *Main characteristics* above).

5 For the conditional and restricted shares, the maximum number of shares that could potentially vest equals the number of outstanding shares. For the TSR performance grants, the maximum number of shares that could potentially vest equals 175% of outstanding shares if Ahold Delhaize's ranking is one. For the RoC performance grants and for the Sustainable Retailing performance grants the maximum number of shares that could potentially vest equals 150% of outstanding shares, (as explained in the section *Main characteristics* above).

6 Represents the incremental fair value for the shares converted in 2016.

7 Pierre Bouchut, Chief Operating Officer of Europe and Indonesia and member of the Management Board and Executive Committee, will step down from the Management Board and Executive Committee as of January 1, 2018. His employment relationship with Ahold Delhaize will terminate as of August 31, 2018, after which he will retire. Shares awarded under the GRO plan will vest in accordance with the applicable plan rules.

8 James McCann, Chief Operating Officer of Ahold USA and member of the Management Board and Executive Committee, stepped down on October 5, 2016. His employment relationship with Ahold Delhaize was terminated as of April 30, 2017. Outstanding shares under the GRO plan vested over the term of employment in accordance with the applicable plan rules. Unvested shares outstanding at the termination date were forfeited.

Notes to the consolidated financial statements
continued

32 Share-based compensation continued

	Outstanding at the beginning of 2017	Granted[1,2]	Performance adjustment[3]	Vested[4]	Forfeited	**Outstanding at the end of 2017**
Other employees						
2012 grant	2,523,756	98,978	195,436	2,805,592	12,578	**–**
2014 grant	3,005,279	–	296,235	3,283,569	17,945	**–**
2015 grant[5]	2,902,434	–	12,276	93,111	174,762	**2,646,837**
2016 grant	4,267,972	55,951	–	1,995	257,785	**4,064,143**
2016 retention award	1,442,170	15,804	–	674,591	108,899	**674,484**
2017 grant	–	4,093,738	–	1,553	130,664	**3,961,521**
Subtotal Management Board members	1,634,664	424,594	72,703	783,454	140,965	**1,207,542**
Total number of shares	15,776,275	4,689,065	576,650	7,643,865	843,598	**12,554,527**

1 For the five-year 2012 grant, the number of shares allocated in 2017 represents the actual number of matching shares related to the 2012 grant.

2 The grant date fair value of the matching shares is expensed over the five-year vesting period. This table presents the matching shares as awarded in the year of vesting. No matching shares are outstanding at the end of 2017.

3 Represents the adjustment to the number of shares granted resulting from the TSR ranking and RoC performance.

4 The vesting date of the five-year 2012 grant, the matching shares related to the 2012 grant and the 2014 grant was March 2, 2017. The share price was €20.44 on March 2, 2017. The vesting date of the first installment of the 2016 retention award was November 23, 2017. The share price was €16.99 on November 23, 2017.

5 The 2015 grant includes the special purpose plan as described above. Under this program, 61,200 shares were granted in 2015, of which 20,400 vested in 2015, 24,400 vested in 2016 and 16,400 vested in 2017.

Valuation model and input variables

The weighted average fair value of the shares granted in 2017, for all eligible participants including Management Board members, amounted to €9.55, €17.04 and €17.04 per share for TSR performance shares, RoC performance shares and Sustainable Retailing performance shares, respectively (2016: €20.44, €20.13 and €20.13). The fair values of the RoC and Sustainable Retailing performance shares are based on the Black-Scholes model. The fair values of the TSR performance shares are determined using a Monte Carlo simulation model, which considers the likelihood of Ahold Delhaize's TSR ending at various ranks as well as the expected share price at each rank. The most important assumptions used in the valuations of the fair values were as follows:

	2017	2016[1]
Closing share price at grant date[2]	**18.82**	21.70
Risk-free interest rate	**(0.7)%**	(0.6)%
Volatility	**21.3%**	22.2%
Assumed dividend yield	**3.3%**	2.7%

1 The incremental fair values of the shares converted in 2016 in Ahold Delhaize's long-term equity-based program are based on the same assumptions.

2 Closing share price is adjusted for dividends.

Expected volatility has been determined based on historical volatilities for a period of three years.

Notes to the consolidated financial statements
continued

33 Operating leases

Ahold Delhaize as lessee

Ahold Delhaize leases a significant number of its stores, as well as distribution centers, offices and other assets under operating lease arrangements. The aggregate amounts of Ahold Delhaize's minimum contractual lease commitments payable to third parties under non-cancellable operating lease contracts are as follows:

€ million	December 31, 2017	January 1, 2017[1]
Within one year	**1,141**	1,218
Between one and five years	**3,522**	3,754
After five years	**2,927**	3,478
Total	**7,590**	8,450

1 Restated from last year's disclosure of €7,489 million due to alignment of accounting policies.

The decrease in the lease commitments in 2017 compared to 2016 is mainly due to exchange rate differences.

Certain store leases provide for contingent additional rentals based on a percentage of sales and consumer price indices. Substantially all of the store leases have renewal options for additional terms. None of Ahold Delhaize's leases impose restrictions on Ahold Delhaize's ability to pay dividends, incur additional debt or enter into additional leasing arrangements. The annual costs of Ahold Delhaize's operating leases from continuing operations, net of sublease income, are as follows:

€ million	2017	2016
Minimum rentals	**1,230**	1,004
Contingent rentals	**18**	11
Sublease income	**(114)**	(136)
Total	**1,134**	879

In addition to the operating lease commitments disclosed above, Ahold Delhaize has signed lease agreements for properties under development of which it has not yet taken possession. The total future minimum lease payments for these agreements amount to approximately €129 million (2016: €173 million). These lease contracts are subject to conditions precedent to the rent commencement date.

Ahold Delhaize as lessor

Ahold Delhaize rents out its investment properties (mainly retail units in shopping centers containing an Ahold Delhaize store) and also (partially) subleases various other properties that are leased by Ahold Delhaize under operating leases. The aggregate amounts of the related future minimum lease and sublease payments receivable under non-cancellable lease contracts are as follows:

€ million	December 31, 2017	January 1, 2017
Within one year	**233**	241
Between one and five years	**588**	593
After five years	**256**	296
Total	**1,077**	1,130

The total contingent rental income recognized during the year on all leases where Ahold Delhaize is the lessor was €2 million (2016: €3 million).

Notes to the consolidated financial statements
continued

34 Commitments and contingencies

Capital investment commitments

As of December 31, 2017, Ahold Delhaize had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €214 million and €10 million, respectively (January 1, 2017: €264 million and €30 million, respectively).
Ahold Delhaize's share in the capital investment commitments of its unconsolidated joint ventures JMR and Super Indo amounted to €3 million as of December 31, 2017 (January 1, 2017: €7 million).

Purchase commitments

Ahold Delhaize enters into purchase commitments with vendors in the ordinary course of business. The Company has purchase contracts with some vendors for varying terms that require Ahold Delhaize to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of December 31, 2017, the Company's purchase commitments were approximately €1,086 million (January 1, 2017: €1,086 million). Not included in the purchase commitments are those purchase contracts for which Ahold Delhaize has received advance vendor allowances, such as upfront signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold Delhaize can be summarized as follows:

€ million	December 31, 2017	January 1, 2017
Lease guarantees	**705**	902
Lease guarantees backed by letters of credit	**45**	60
Corporate and buyback guarantees	**33**	34
Total	**783**	996

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $54 million (€45 million) as of December 31, 2017 (2016: $64 million (€60 million)).

Ahold Delhaize is contingently liable for leases that have been assigned and / or transferred to third parties in connection with facility closings and disposals. Ahold Delhaize could be required to assume the financial obligations under these leases, if any of the third parties are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the relevant leases, which extend through 2040. The amounts of the lease guarantees exclude the cost of common area maintenance and real estate taxes; such amounts may vary in time, per region, and per property. Of the €705 million in the undiscounted lease guarantees, €145 million relates to the BI-LO / Bruno's divestment, €156 million to the Sweetbay, Harveys, and Reid's divestment, €113 million to the Bottom Dollar Food divestment and €112 million to the Tops divestment. On a discounted basis, the lease guarantees amount to €617 million and €786 million as of December 31, 2017, and January 1, 2017, respectively.

Notes to the consolidated financial statements
continued

34 Commitments and contingencies continued

BI-LO / Bruno's divestment

In 2005, Ahold Delhaize divested its U.S. retail subsidiaries BI-LO and Bruno's. On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the filings). As a result of the filings, Ahold Delhaize has made an assessment of its potential obligations under the lease guarantees based upon the remaining initial term of each lease, an assessment of the possibility that Ahold Delhaize would have to pay under a guarantee and any potential remedies that Ahold Delhaize may have to limit future lease payments. Consequently, in 2009, Ahold Delhaize recognized provisions of €109 million and related tax benefit offsets of €47 million within results on divestments.

On May 12, 2010, the reorganized BI-LO exited bankruptcy protection and BI-LO assumed 149 operating locations that are guaranteed by Ahold Delhaize. During the BI-LO bankruptcy, BI-LO rejected a total of 16 leases that are guaranteed by Ahold Delhaize and Ahold Delhaize also took assignment of 12 other BI-LO leases with Ahold Delhaize guarantees. Based on the foregoing developments, Ahold Delhaize recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold Delhaize has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that are guaranteed by Ahold Delhaize.

At the end of 2017, the remaining provision relating to BI-LO and Bruno's was €11 million (2016: €15 million) with a related tax benefit offset of €3 million (2016: €6 million). This amount represents Ahold Delhaize's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold Delhaize under the various lease guarantees. Ahold Delhaize continues to monitor any developments and pursue its mitigation efforts with respect to these lease guarantee liabilities.

Sweetbay, Harveys and Reid's and Bottom Dollar Food divestments

As part of Ahold Delhaize's divestment of Sweetbay, Harveys and Reid's in 2014 and Bottom Dollar Food in 2015, Ahold Delhaize had provided guarantees for a number of existing operating and finance lease contracts, which extend through 2037. Ahold Delhaize has made an assessment of its potential obligations under lease guarantees considering the remaining term of each lease, re-let potential of the property if the acquirer were to default on the lease, and the credit position of the counterparty. Ahold Delhaize recognized a liability of €20 million, which represents the estimated fair value of the lease guarantees.

Other

Ahold Delhaize has provided corporate guarantees to certain suppliers of its franchisees or non-consolidated entities. Ahold Delhaize would be required to perform under the guarantee, if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold Delhaize's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2022.

Representations and warranties as part of the divestment of Ahold Delhaize's operations

Ahold Delhaize has provided, in the relevant sales agreements, customary representations and warranties including, but not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, a number of years after the date of the relevant transaction completion date.

The most significant divestments of operations are described below. In addition, specific, limited representations and warranties exist for a number of Ahold Delhaize's smaller divestments. The aggregate impact of claims, if any, under such representations and warranties is not expected to be material.

Disco divestment

As part of the divestment of Disco S.A. (Disco) in 2004, Ahold Delhaize is required to indemnify the buyers of Disco S.A. (Disco) and Disco for certain claims made by alleged creditors of certain Uruguayan and other banks, with a contingent liability cap of €11 million. Ahold Delhaize assesses its likelihood to be liable up to the amount of the contingent liability cap to be remote. The cap does not include Ahold Delhaize's indemnification obligation relating to the Uruguayan litigation described in the *Legal proceedings* section of this Note. Ahold Delhaize's indemnification obligation relating to this litigation is not capped at a certain amount nor restricted to a certain time period.

Notes to the consolidated financial statements
continued

34 Commitments and contingencies continued

Bradlees divestment

In 1992, Stop & Shop spun off Bradlees Stores, Inc. (Bradlees) as a public company (the Bradlees Spin-off). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the Bradlees Bankruptcies), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

BI-LO / Bruno's divestment

In connection with the divestment of BI-LO and Bruno's in 2005, Ahold Delhaize may be contingently liable to landlords under guarantees of some 200 BI-LO or Bruno's operating or finance leases that existed at the time of the divestment, in the event of a future default by the tenant under such leases. As a result of the bankruptcy filings by BI-LO and Bruno's during 2009, a provision was recognized in 2009. BI-LO exited bankruptcy in May 2010 and the Company has re-evaluated its estimate of liability. For more information, refer to the *Guarantees* section of this Note.

Tops Markets, LLC divestment

In connection with the divestment of Tops in 2007, Ahold Delhaize has certain post-closing indemnification obligations under the sale agreement that the Company believes are customary for transactions of this nature. Ahold Delhaize retained liabilities as part of the divestment, including contingent liability for 45 leases that carry Ahold Delhaize guarantees. Additionally, Ahold Delhaize retained liabilities related to stores previously divested, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined under Tops convenience stores.

Tops convenience stores: Wilson Farms and Sugarcreek

Pursuant to applicable law, Tops may be contingently liable to landlords under 186 leases assigned in connection with the divestment of the Tops' Wilson Farms and Sugarcreek convenience stores in 2005, in the event of a future default by the tenant under such leases. Ahold Delhaize may be contingently liable to landlords under the guarantees of 77 of these leases in the same event.

Tops northeast Ohio stores

Tops closed all of its locations in northeast Ohio prior to year-end 2006. As of December 31, 2017, 33 of the total 55 closed locations in northeast Ohio have been divested or are now subleased or partially subleased. An additional 19 leases have been terminated. Three stores continue to be marketed. In connection with the store divestments, Tops and Ahold Delhaize have certain post-closing indemnification obligations under the sale agreements, which Ahold Delhaize believes are customary for transactions of this nature. Pursuant to applicable law, Ahold Delhaize may be contingently liable to landlords under guarantees of 14 of such leases in the event of a future default by the tenant under such leases. If Ahold Delhaize is able to assign the leases for the remaining northeast Ohio stores, then pursuant to applicable law, Ahold Delhaize also may be contingently liable to landlords under guarantees of certain of such remaining leases in the event of a future default by the tenant under such leases.

Sweetbay, Harveys and Reid's and Bottom Dollar Food divestments

As part of Ahold Delhaize's divestment of Sweetbay, Harveys and Reid's in 2014 and Bottom Dollar Food in 2015, Ahold Delhaize has provided guarantees for a number of existing operating and finance lease contracts, which extend through 2037. As of December 31, 2017, Ahold Delhaize may be contingently liable for 98 leases as part of the Sweetbay, Harveys and Reid's divestment and 37 leases as part of the Bottom Dollar Food divestment. In the event of a future default of the buyer, Ahold Delhaize's obligations under the terms of the contracts to the landlords will be triggered. The leases guaranteed are in respect of two specific buyers. The Sweetbay, Harveys and Reid's stores were sold to BI-LO and the Bottom Dollar Food stores were sold to Aldi. For more information, refer to the *Guarantees* section of this Note.

Notes to the consolidated financial statements

continued

34 Commitments and contingencies continued

Tom & Co divestment

In 2016, Ahold Delhaize divested the pet specialist shop chain Tom & Co. As part of the transaction, Ahold Delhaize granted indemnities to the purchaser of all divested stores, which Ahold Delhaize believes are customary for transactions of this nature.

Divestment of remedy stores in Belgium

In March 2016, Ahold Delhaize received approval from the Belgian Competition Authority (BCA) for the merger between Ahold and Delhaize. The approval was conditional upon the divestment of a limited number of stores and projects in Belgium to address competition concerns raised by BCA. In 2017, Ahold Delhaize completed these divestments, which Ahold Delhaize believes took place subject to terms and conditions customary for transactions of this nature.

Divestment of remedy stores in the U.S.

In July 2016, as a condition of receiving regulatory clearance for their merger from the United States Federal Trade Commission (FTC), Ahold and Delhaize entered into a consent agreement ("Consent Agreement") with the FTC that required Ahold and Delhaize to divest stores in seven states in order to prevent the merger from being anti-competitive. In connection with the Consent Agreement, Ahold and Delhaize subsidiaries entered into agreements with seven buyers to sell a total of 86 stores (81 of these stores are required divestitures under the Consent Agreement), including 73 leased stores and 13 owned stores. As of July 19, 2017, Ahold Delhaize had completed all of the required divestitures. With respect to the 73 leased stores, the store sales involved the applicable Ahold Delhaize subsidiary assigning each store lease to the buyer. Pursuant to applicable law, the Ahold Delhaize subsidiary which assigned each of the 73 leases may be contingently liable to the landlord under such lease, in the event of a future default by the tenant under such lease. Any other Ahold Delhaize subsidiary that previously held the tenant's interest in such lease may also be liable in such event. In addition, Ahold Delhaize or Ahold Delhaize subsidiaries also may be contingently liable to landlords under the guarantees of 13 of the 73 leases in the same event. See also *Note 5* to the consolidated financial statements.

Income tax

Because Ahold Delhaize operates in a number of countries, its income is subject to taxation in differing jurisdictions and at differing tax rates. Significant judgment is required in determining the consolidated income tax position. We seek to organize our affairs in a sustainable manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold Delhaize's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The authorities in the jurisdictions where Ahold Delhaize operates may review the Company's tax returns and may disagree with the positions taken in those returns. While the ultimate outcome of such reviews is not certain, Ahold Delhaize has considered the merits of its filing positions in its overall evaluation of potential tax liabilities and believes it has adequate liabilities recorded in its consolidated financial statements for exposures on these matters. Based on its evaluation of the potential tax liabilities and the merits of Ahold Delhaize's filing positions, it is unlikely that potential tax exposures over and above the amounts currently recorded as liabilities in its consolidated financial statements will be material to its financial condition or future results of operations.

Legal proceedings

Ahold Delhaize and certain of its former or current subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax, employment, and other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold Delhaize's financial condition, results of operations or cash flows. Ahold Delhaize may enter into discussions regarding the settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interest of Ahold Delhaize's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold Delhaize has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

Notes to the consolidated financial statements
continued

34 Commitments and contingencies continued

Albert Heijn Franchising

In 2014, the Vereniging Albert Heijn Franchisenemers (an association of Albert Heijn franchisees or VAHFR) has asserted claims against Albert Heijn Franchising BV (an Ahold Delhaize subsidiary or AHF), for the years 2008 through 2012, the alleged value of which exceeds €200 million in aggregate. AHF and the VAHFR have had ongoing discussions for a number of years about the resolution of certain cost items under individual franchise agreements. On December 24, 2014, AHF and other legal entities within the Ahold Delhaize group of companies received a writ in which VAHFR and 242 individual claimants would initiate proceedings as of April 15, 2015, before the District Court of Haarlem with respect to these discussions. On November 16, 2016, the court issued a judgment rejecting all claims of the VAHFR and the claimants. On February 13, 2017, VAHFR and 240 individual claimants filed a formal appeal against the judgment.

In September 2017, the claimants filed their grounds for appeal in which they assert unquantified claims for the years 2008 until 2016. AHF believes that the District Court was correct in rejecting all claims and that the position of the VAHFR and individual claimants as expressed in the appeal is without merit. AHF and its affiliates will vigorously defend their interest in the legal proceedings.

Uruguayan litigation

Ahold Delhaize, together with Disco and Disco Ahold International Holdings N.V. (DAIH), is a party to one lawsuit in Uruguay related to Ahold Delhaize's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The two other related lawsuits were decided in favor of Ahold Delhaize without any further right to appeal of the plaintiffs in 2013. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $62 million (€52 million) plus interest and costs. As part of the divestment of Disco to Cencosud in 2004, Ahold Delhaize indemnified Cencosud and Disco against the outcome of these legal proceedings. The one remaining lawsuit is ongoing. Ahold Delhaize continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

Greek litigation

In a shareholders' matter related to Alfa Beta Vassilopoulos S.A. ("AB"), Ahold Delhaize's wholly-owned subsidiary in Greece, Ahold Delhaize was notified in 2011 that some former shareholders of AB, who together held 7% of AB shares, filed a claim with the Court of First Instance of Athens challenging the price paid by Ahold Delhaize during the squeeze-out process that was approved by the Hellenic Capital Markets Commission. They have also filed a separate claim for compound interest. Ahold Delhaize believes that the squeeze-out transaction has been executed and completed in compliance with all legal and regulatory requirements and against a fair price, and vigorously defends itself against these claims. A decision on the merits of the matter by the Court of First Instance is expected to occur in 2018.

Other legal proceedings

In addition to the legal proceedings described previously in this Note, Ahold Delhaize and its former or current subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold Delhaize believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold Delhaize's financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold Delhaize could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

Notes to the consolidated financial statements
continued

35 Subsequent events

There have been no significant subsequent events.

36 List of subsidiaries, joint ventures and associates

The following are Ahold Delhaize's significant subsidiaries, joint ventures and associates as of December 31, 2017:

Consolidated significant subsidiaries
The following subsidiaries are, directly or indirectly, wholly owned by Ahold Delhaize. Subsidiaries not important to providing an insight into the Ahold Delhaize Group as required under Dutch law are omitted from this list.

Retail trade Europe
Albert Heijn B.V., Zaandam, the Netherlands*

Albert Heijn Franchising B.V., Zaandam, the Netherlands*

Gall & Gall B.V., Zaandam, the Netherlands*

Etos B.V., Zaandam, the Netherlands*

bol.com B.V., Utrecht, the Netherlands*

Alfa Beta Vassilopoulos S.A., Athens, Greece

Delhaize Le Lion / De Leeuw Comm. VA, Brussels, Belgium

Delhaize Serbia d.o.o. Beograd, Belgrade, Serbia

Mega Image S.R.L., Bucharest, Romania

AHOLD Czech Republic a.s., Prague, Czech Republic

Albert Heijn België N.V. / SA, Antwerp, Belgium

Ahold Germany GmbH, Mettmann, Germany

Delhaize Luxembourg S.A., Dudelange, Grand-Duchy of Luxembourg

Notes to the consolidated financial statements
continued

36 List of subsidiaries, joint ventures and associates continued

Retail trade United States

The Stop & Shop Supermarket Company LLC, Quincy, Massachusetts, United States

Food Lion LLC, Salisbury, North Carolina, United States

Giant Food Stores LLC, Carlisle, Pennsylvania, United States

Giant of Maryland LLC, Landover, Maryland, United States

Hannaford Bros. Co., LLC, Scarborough, Maine, United States

Peapod LLC, Skokie, Illinois, United States

Other

Ahold Delhaize Coffee Company B.V., Zaandam, the Netherlands*

Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands*

Ahold Delhaize Finance Company N.V., Zug, Switzerland

Ahold Financial Services LLC, Carlisle, Pennsylvania, United States

Ahold Finance U.S.A., LLC, Zaandam, the Netherlands*

Ahold Insurance N.V., Willemstad, Curaçao

Ahold Delhaize International Sàrl, Zug, Switzerland

Ahold Information Services Inc., Greenville, South Carolina, United States

Ahold Lease U.S.A. Inc., Quincy, Massachusetts, United States

Ahold Delhaize Licensing Sàrl, Geneva, Switzerland

Ahold Nederland B.V., Zaandam, the Netherlands*

Ahold U.S.A. Inc., Quincy, Massachusetts, United States

American Sales Company LLC, Lancaster, New York, United States

CUW B.V., Willemstad, Curaçao

Delhaize America LLC, Salisbury, North Carolina, United States

Delhaize Griffin N.V. / SA, Brussels, Belgium

Delhaize “The Lion” Nederland B.V., Delft, the Netherlands

Notes to the consolidated financial statements
continued

36 List of subsidiaries, joint ventures and associates continued

Delhaize US Holding Inc., Salisbury, North Carolina, United States

DZA Brands LLC, Salisbury, North Carolina, United States

Lion Lux Finance Sàrl, Dudelange, Grand-Duchy of Luxembourg

Lion Retail Holding Sàrl, Dudelange, Grand-Duchy of Luxembourg

MAC Risk Management Inc., Quincy, Massachusetts, United States

The MollyAnna Company, Montpelier, Vermont, United States

With respect to the separate financial statements of the Dutch legal entities included in the consolidation, a number of subsidiaries availed themselves of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to section 403, Ahold Delhaize has assumed joint and several liability for the debts arising out of the legal acts of these subsidiaries. The determination of which Dutch subsidiaries of Ahold Delhaize, whether significant in the context of this Note or not, make use of the 403 exemption follows from the Dutch trade register. Each of these subsidiaries has filed Ahold Delhaize's 403 declaration with the Dutch trade register. The above significant subsidiaries that make use of the 403 exemption are marked by *.

Significant joint ventures and associates (unconsolidated)

JMR – Gestão de Empresas de Retalho, SGPS, S.A., Lisbon, Portugal (49% owned by Ahold Delhaize's subsidiary Ahold Delhaize International Sàrl)

Jerónimo Martins Retail Services S.A., Klosters, Switzerland (49% owned by Ahold Delhaize's subsidiary Ahold Delhaize International Sàrl)

P.T. Lion Super Indo, Jakarta, Indonesia (51% owned by Ahold Delhaize's subsidiary Delhaize "The Lion" Nederland B.V.)

Parent company financial statements
Income statement

€ million	Note	2017	2016
Intercompany head office and other recharges		**96**	88
General and administrative expenses		**(73)**	(124)
Total operating expenses	*2*	**(73)**	(124)
Operating income (loss)		**23**	(36)
Interest expense		**(22)**	(40)
Other financial income (expenses)		**(64)**	(310)
Net financial expenses		**(86)**	(350)
Loss before income taxes		**(63)**	(386)
Income taxes	*5*	**18**	96
Income from subsidiaries and investments in joint ventures after income taxes	*7*	**1,862**	1,120
Net result after tax		**1,817**	830

The accompanying notes are an integral part of these consolidated financial statements.

Parent company financial statements
Balance sheet

Before appropriation of current year result

€ million	Note	December 31, 2017	January 1, 2017
Assets			
Property, plant and equipment		**1**	2
Intangible assets	*6*	**21**	18
Deferred tax assets	*5*	**2**	6
Financial assets	*7*	**21,015**	20,940
Total non-current assets		**21,039**	20,966
Receivables	*8*	**28**	46
Other current financial assets	*9*	**1**	400
Cash and cash equivalents		**318**	201
Total current assets		**347**	647
Total assets		**21,386**	21,613
Liabilities and shareholders' equity			
Issued and paid-in share capital		**12**	13
Additional paid-in capital		**15,175**	15,802
Currency translation reserve		**(555)**	754
Cash flow hedging reserve		**(4)**	(2)
Reserve participations		**334**	363
Accumulated deficit		**(1,609)**	(1,484)
Net income		**1,817**	830
Shareholders' equity	*10*	**15,170**	16,276
Provisions	*11*	**7**	6
Loans	*12*	**2,188**	2,819
Cumulative preferred financing shares		**455**	497
Other non-current liabilities		**–**	1
Total non-current liabilities		**2,643**	3,317
Current liabilities	*13*	**3,566**	2,014
Total liabilities and shareholders' equity		**21,386**	21,613

The accompanying notes are an integral part of these parent company financial statements.

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation
Ahold Delhaize's parent company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures and associates
Investments in subsidiaries, joint ventures and associates are measured at net asset value (equity method of accounting). Net asset value is based on the measurement of assets (including goodwill), provisions and liabilities, and determination of profit as described in *Note 3* to the consolidated financial statements for investments in joint arrangements and associates. Goodwill is subsumed in the carrying amount of the net asset value if an investment in a subsidiary is acquired through the Company's intermediate subsidiary.

2 Expenses by nature

The operating expenses are specified by nature as follows:

€ million	2017	2016
Labor costs	**(25)**	(26)
Other operational expenses	**(44)**	(95)
Depreciation and amortization	**(4)**	(3)
Total expenses by nature	**(73)**	(124)

The labor costs consists of employee expenses of €18 million (2016: €19 million), other related employee costs of €1 million (2016: €1 million) and other contracted personnel expenses of €6 million (2016: €6 million).

The decrease in Other operational expenses is mainly attributable to higher merger-related expenses in 2016.

3 Employees

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2017 was seven (2016: six), of whom none were employed outside the Netherlands. Two management board members serve as board members outside the Netherlands via a service agreement, but are not employed by Koninklijke Ahold Delhaize N.V.

The current number of employees of Koninklijke Ahold Delhaize N.V. consist primarily of members of the Executive Committee, including the Management Board. Salaries, social security charges and pension expenses amounted to €17 million, €0.8 million and €0.3 million, respectively, for 2017 (2016: expenses of €18 million, €0.8 million and €0.1 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Management Board and the Supervisory Board and the parent company's share-based compensation plans, see *Notes 23*, *31* and *32*, respectively, to the consolidated financial statements.

The net pension liability and the net pension expense are calculated on the basis of the parent company's active employees only.

Notes to the parent company financial statements

continued

4 Auditor fees

Expenses for services provided by the parent company's independent auditor, PricewaterhouseCoopers Accountants N.V. (PwC) and its member firms and affiliates to Ahold Delhaize and its subsidiaries in 2017 and in 2016, are specified as follows:

€ thousand	**PwC**	**Member firms / affiliates**	**Total 2017**	PwC	Member firms / affiliates	Total 2016
Audit fees	**2,259**	**4,695**	**6,954**	4,152	5,357	9,509
Audit-related fees	**419**	**119**	**538**	308	86	394
Tax advisory fees	**–**	**87**	**87**	–	83	83
Total	**2,678**	**4,901**	**7,579**	4,460	5,526	9,986

The audit fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Audit fees primarily relate to the audit of the *Financials* as set out in this Annual Report, certain procedures on our quarterly results and services related to the statutory and regulatory filings of our subsidiaries. Other audit-related fees mainly relate to assurance services on non-financial information and procedures performed in relation to our bond offering in 2017 (see *Note 21* to the consolidated financial statements).

5 Income taxes

The following table specifies the current and deferred tax components of income taxes in the income statement:

€ million	**2017**	2016
Current income taxes – The Netherlands	**29**	97
Deferred income taxes – The Netherlands	**(11)**	(1)
Total income taxes	**18**	96

Effective income tax rate

The following table reconciles the statutory income tax rate with the effective income tax rate in the income statement:

	2017		2016	
	€ million	**Tax rate**	€ million	Tax rate
Loss before income taxes	**(63)**		(386)	
Income tax (expense) benefit at statutory tax rate	**16**	**25.0%**	97	25.0%
Adjustments to arrive at effective income tax rate:				
Reserves, (non-)deductibles and discrete items	**2**	**3.6%**	(1)	(0.1)%
Total income taxes (expense) benefit	**18**	**28.6%**	96	24.9%

"Reserves, (non-)deductibles and discrete items" include one-time transactions.

Notes to the parent company financial statements
continued

5 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 31, 2017, and January 1, 2017, are as follows:

€ million	January 3, 2016	Recognized in income statement	Other	January 1, 2017	Recognized in income statement	Other	December 31, 2017
Derivatives and loans	42	–	(41)	1	**–**	**–**	**1**
Blended rate deferred tax fiscal unity	6	(1)	–	5	**(4)**	**–**	**1**
Other	–	–	–	–	**(7)**	**7**	**–**
Total gross deductible temporary differences	48	(1)	(41)	6	**(11)**	**7**	**2**
Tax losses and tax credits	–	–	–	–	**–**	**–**	**–**
Total net deferred tax asset position	48	(1)	(41)	6	**(11)**	**7**	**2**
Total deferred tax liabilities	–	–	–	–	**–**	**–**	**–**
Net deferred tax assets	48	(1)	(41)	6	**(11)**	**7**	**2**

The column "Other" in the table above includes amounts recorded in equity.

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	2017	2016
Cash flow hedges	**–**	(41)
Remeasurement of defined benefit pension plans[1]	**7**	–
Total	**7**	(41)

1 Due to additional cash contribution made to the Dutch Pension Fund.

6 Intangible assets

€ million	Software
As of January 1, 2017	
At cost	25
Accumulated amortization and impairment losses	(7)
Carrying amount	**18**
Year ended December 31, 2017	
Additions	6
Amortization	(3)
Closing carrying amount	**21**
As of December 31, 2017	
At cost	31
Accumulated amortization and impairment losses	(10)
Carrying amount	**21**

Notes to the parent company financial statements
continued

7 Financial assets

€ million	December 31, 2017	January 1, 2017
Investments in subsidiaries	**20,653**	20,728
Loans receivable from subsidiaries	**360**	210
Deferred financing cost	**2**	2
Total financial assets	**21,015**	20,940

€ million	2017	2016
Beginning of year	**20,728**	9,064
Share in income	**1,862**	1,120
Acquisitions	**–**	10,765
Dividends	**(550)**	(436)
Intercompany transfers	**64**	33
Share of other comprehensive income (loss) and other changes in equity	**(62)**	(158)
Transfers (to) / from loans receivable	**(83)**	(54)
Transfers (to) / from provisions	**1**	(15)
Exchange rate differences	**(1,307)**	409
End of year	**20,653**	20,728

Intercompany transfers include capital contributions and capital repayments. For a list of subsidiaries, joint ventures and associates, see *Note 36* to the consolidated financial statements.

Loans receivable

€ million	2017	2016
Beginning of year	**210**	129
Intercompany transfers	**67**	27
Transfers from / (to) investments	**83**	54
End of year	**360**	210
Current portion	**–**	–
Non-current portion of loans	**360**	210

The loans receivable are related to loans with subsidiaries.

Notes to the parent company financial statements
continued

8 Receivables

€ million	December 31, 2017	January 1, 2017
Receivables from subsidiaries	**19**	37
Receivables from joint ventures	**1**	1
Prepaid expenses	**6**	7
Other receivables	**2**	1
Total receivables	**28**	46

9 Other current financial assets

€ million	December 31, 2017	January 1, 2017
Short-term deposits and similar instruments	**–**	100
Other derivatives external	**1**	299
Other	**–**	1
Total other current financial assets	**1**	400

Short-term deposits and similar instruments included short-term investments with a remaining maturity at inception between three and twelve months.

For more information on derivatives, see *Note 14* to these parent company financial statements.

10 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the equity attributable to common shareholders presented in the consolidated financial statements, except that legal reserve participations and accumulated earnings (deficit) are presented separately.

The currency translation reserve, cash flow hedging reserve and reserve participations are legal reserves that are required by Dutch law. The reserve participations include the increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance. Of the total equity as of December 31, 2017, €15,170 million, an amount of €346 million is non-distributable (January 1, 2017: €1,130 million out of total equity of €16,276 million). For more information on the dividends on common shares, see *Note 20* to the consolidated financial statements.

Notes to the parent company financial statements
continued

10 Shareholders' equity continued

The movements in equity can be specified as follows:

€ million	Share capital	Additional paid-in capital	Legal reserves: Currency translation reserve	Legal reserves: Cash flow hedging reserve	Legal reserves: Reserve participations	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of January 3, 2016	**8**	**6,059**	**346**	**(123)**	**225**	**(893)**	**5,622**
Net income attributable to common shareholders	–	–	–	–	–	830	830
Other comprehensive income (loss)	–	–	408	121	–	(105)	424
Total comprehensive income attributable to common shareholders	–	–	408	121	–	725	1,254
Dividends	–	–	–	–	–	(429)	(429)
Issuance of shares	5	10,756	–	–	–	–	10,761
Capital repayment	–	(1,013)	–	–	–	12	(1,001)
Share-based payments	–	–	–	–	–	74	74
Share in joint venture's transactions with non-controlling interests	–	–	–	–	–	(5)	(5)
Other changes in reserves	–	–	–	–	138	(138)	–
Balance as of January 1, 2017	**13**	**15,802**	**754**	**(2)**	**363**	**(654)**	**16,276**
Net income attributable to common shareholders	–	–	–	–	–	1,817	1,817
Other comprehensive loss	–	–	(1,309)	(2)	–	(19)	(1,330)
Total comprehensive income (loss) attributable to common shareholders	–	–	(1,309)	(2)	–	1,798	487
Dividends	–	–	–	–	–	(720)	(720)
Issuance of shares	–	42	–	–	–	–	42
Share buyback	–	–	–	–	–	(998)	(998)
Cancellation of treasury shares	(1)	(669)	–	–	–	670	–
Share-based payments	–	–	–	–	–	83	83
Other changes in reserves	–	–	–	–	(29)	29	–
Balance as of December 31, 2017	**12**	**15,175**	**(555)**	**(4)**	**334**	**208**	**15,170**

1 Other reserves includes the remeasurements of defined benefit plans.

Notes to the parent company financial statements
continued

11 Provisions

€ million	December 31, 2017	January 1, 2017
Provision for negative equity subsidiaries	**5**	4
Other provisions	**2**	2
Total provisions	**7**	6

As of December 31, 2017, €0.3 million is expected to be utilized within one year (January 1, 2017: € nil).

12 Loans

	December 31, 2017		January 1, 2017	
€ million	Non-current portion	Current portion	Non-current portion	Current portion
EUR 750 notes 0.875% due 2024	**750**	**–**	–	–
Long-term loans from subsidiaries	**1,444**	**1,500**	2,819	138
Deferred financing costs	**(6)**	**(1)**	–	–
Total loans	**2,188**	**1,499**	2,819	138

The long-term loans from subsidiaries mature in 2019 (€391 million), 2022 (€596 million) and 2029 (€457 million). For more information on the external loans, see *Note 21* to the consolidated financial statements. For information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements.

13 Current liabilities

€ million	December 31, 2017	January 1, 2017
Short-term borrowings from subsidiaries	**1,972**	1,502
Other derivatives intercompany	**–**	300
Loans – current portion	**1,499**	138
Dividend cumulative preferred financing shares	**18**	20
Income tax payable	**25**	8
Payables to subsidiaries	**16**	14
Payables to joint ventures	**2**	2
Interest payable	**2**	–
Other current liabilities	**32**	30
Total current liabilities	**3,566**	2,014

The current liabilities are liabilities that mature within one year.

For more information on derivatives, see *Note 14* to these parent company financial statements.

Notes to the parent company financial statements
continued

14 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Hedging derivatives external" and "Hedging derivatives intercompany," respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as "Other derivatives external" and "Other derivatives intercompany," respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments and the parent company's risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current derivatives – assets

€ million	2017	2016
Beginning of year	**–**	338
Fair value changes	**–**	(25)
Reclassification of current portion	**–**	(313)
End of year	**–**	–

Current derivatives – assets

€ million	2017	2016
Beginning of year	**299**	–
Reclassification of current portion from non-current	**–**	313
Unwinding of cross-currency swap	**(287)**	–
Fair value changes	**(11)**	(14)
End of year	**1**	299

In 2016, the Derivative financial instruments – current portion includes the interest and the cross-currency swaps related to GBP 250 notes. The remaining notional redemption amount of GBP 250 million was due in March 2017 and the related swaps were settled on the same date.

Non-current derivatives – liabilities

€ million	2017	2016
Beginning of year	**–**	548
Fair value changes	**–**	(6)
Unwinding of cross-currency swap	**–**	(229)
Reclassification of current portion	**–**	(313)
End of year	**–**	–

In 2016, fair value changes include exchange rate differences and installments paid on a cross-currency swap that was entered into on behalf of one of the parent company's subsidiaries. The cross-currency swap, accounted for as a cash flow hedge, was used to hedge currency and cash flow risk on floating debt denominated in foreign currency, related to the JPY 33,000 notes. The yen-euro currency swap was unwound on November 15, 2016.

Notes to the parent company financial statements continued

14 Derivatives continued

Current derivatives – liabilities

€ million	2017	2016
Beginning of year	**300**	–
Reclassification of current portion from non-current	**–**	313
Unwinding of cross-currency swap	**(287)**	–
Fair value changes	**(13)**	(13)
End of year	**–**	300

15 Related party transactions

Koninklijke Ahold Delhaize N.V. 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 and were conducted at market prices.

16 Commitments and contingencies

Koninklijke Ahold Delhaize N.V., as the parent company, is party to a cross-guarantee agreement dated May 21, 2007, as amended from time to time, with Delhaize Le Lion/De Leeuw Comm. VA, Retail Business Services LLC, Delhaize US Holding, Inc. and substantially all the subsidiaries of Delhaize US Holding, Inc., under which each party guarantees fully and unconditionally, jointly and severally, the financial indebtedness of the other parties to the agreement.

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 21* to the consolidated financial statements.

The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities, other than under the cross guarantee mentioned above, amount to €399 million as of December 31, 2017, (January 1, 2017: €513 million).

In addition, the Company has provided a guarantee as of July 30, 2010, for Ahold Finance U.S.A., LLC's outstanding current obligations to third parties.

As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $54 million (€45 million) as of December 31, 2017.

Under customary provisions, the parent company guarantees certain representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. Under its financing agreement with the Dutch pension fund, Koninklijke Ahold Delhaize N.V. is liable for the pension contributions. The parent company forms a fiscal unity with Ahold Delhaize's major Dutch subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Dutch Civil Code are disclosed in *Note 36* to the consolidated financial statements.

17 Distribution of profit

The Management Board, with the approval of the Supervisory Board, proposes that a final dividend of €0.63 per common share be paid in 2018 with respect to 2017 (2016: €0.57).

Notes to the parent company financial statements
continued

18 Subsequent events

For information regarding subsequent events, see *Note 35* to the consolidated financial statements.

Zaandam, the Netherlands

February 27, 2018

Management Board
Dick Boer

Frans Muller

Jeff Carr

Kevin Holt

Supervisory Board
Mats Jansson (Chairman)

Jan Hommen (Vice Chairman)

Jacques de Vaucleroy (Vice Chairman)

René Hooft Graafland

Ben Noteboom

Bill McEwan

Rob van den Bergh

Mark McGrath

Mary Anne Citrino

Johnny Thijs

Patrick De Maeseneire

Dominique Leroy

Other information

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Management Board, will then be available for distribution to the common shareholders subject to approval at the General Meeting of Shareholders. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

Other information
continued

Independent auditor's report

To: the General Meeting and Supervisory Board of Koninklijke Ahold Delhaize N.V.

Report on the financial statements for the year ended December 31, 2017

Our opinion

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Koninklijke Ahold Delhaize N.V. as at December 31, 2017, and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying parent company financial statements give a true and fair view of the financial position of Koninklijke Ahold Delhaize N.V. as at December 31, 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the financial year ended December 31, 2017, of Koninklijke Ahold Delhaize N.V., Zaandam ("the Company"). The financial statements include the consolidated financial statements of Koninklijke Ahold Delhaize N.V. and its subsidiaries (together: "the Group") and the parent company financial statements.

The consolidated financial statements comprise:

- The consolidated balance sheet as at December 31, 2017
- The following statements for the financial year ended December 31, 2017: The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows
- The notes, comprising a summary of significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- The parent company balance sheet as at December 31, 2017
- The parent company income statement for the year then ended
- The notes, comprising a summary of accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the parent company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities for the audit of the financial statements" of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Koninklijke Ahold Delhaize N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO–Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA–Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Other information
continued

Our audit approach

Overview and context

Koninklijke Ahold Delhaize N.V. is an international food retail group operating supermarkets and e-commerce through components active in Belgium, the Czech Republic, Greece, Luxembourg, the Netherlands, Romania, Serbia and the United States and through participating in joint ventures in Indonesia and Portugal. Our group audit scope and approach is set out in "The scope of our group audit" section. We paid specific attention to the areas of focus driven by the operations of the Group as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgments; for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

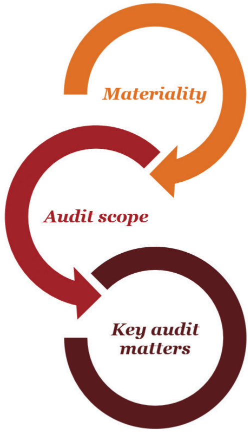
In *Note 2* of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the higher inherent risks of material misstatement in the impairment testing of goodwill and recognition of vendor allowance income, we considered these to be key audit matters as set out in the section "Key audit matters" of this report. Furthermore, we identified the employee benefit plan measurement and disclosures as a key audit matter because of the complexity and judgment required.

Another area of focus, that was not considered to be a key audit matter was the risk fraud in revenue recognition. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competencies which are needed for the audit of a retail company. The Group's operations utilize a range of legacy IT systems. The adequacy and effective operation of controls over these systems is an important element of the integrity of financial reporting within the Group. We utilized IT specialists in our audit to evaluate the adequacy and effective operation of these controls. Furthermore, we included specialists in areas requiring valuation, tax and actuarial (including pension accounting) expertise.

Other information
continued

The outlines of our audit approach were as follows:



Materiality
Overall materiality: €96 million which represents 5% of income before income taxes.

Audit scope
We conducted audit work at 10 components.
Each component is audited by local engagement teams that are based in the U.S., the Netherlands, Belgium, Greece, Switzerland and Curacao.
Site visits were conducted in five countries: U.S., the Netherlands, Belgium, Greece and Switzerland.
Our audit coverage is 88% of consolidated net sales, 88% of total assets and 92% of income before income taxes.

Key audit matters
Impairment testing of goodwill
Recognition of vendor allowances
Employee benefit plan measurement and disclosures

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section "Our responsibilities for the audit of the financial statements".

Based on our professional judgment, we set certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€96 million (2016: €66 million). Our 2017 materiality increased primarily because of the inclusion of the results from the former Delhaize entities for a full year in 2017 as opposed to five months in 2016.
How we determined it	We used our professional judgment to determine the overall materiality. As a basis for our judgment we used 5% of income before income taxes.
Rationale for benchmark applied	We used income before income taxes as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that income before income taxes is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgment, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €7.5 and €85 million.

We also take misstatements and / or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €4.8 million (2016: €3.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other information
continued

The scope of our group audit

Koninklijke Ahold Delhaize N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke Ahold Delhaize N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

Six components were subject to audits of their complete financial information, four of which were individually significant to the Group. These components include the retail operations at Ahold USA, Delhaize America, and the Netherlands as well as the Global Support Office activities in the Netherlands (which includes financing activities in Switzerland). The other two components, the Belgian and Greek retail operations, were selected to achieve appropriate audit coverage over the consolidated financial statements. Additionally, four components were selected for audit procedures to achieve appropriate coverage on specific financial line items in the consolidated financial statements. These components included the Global Support Office activities in the United States and the insurance captives located in the U.S., Ireland and Curacao.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Net sales	88%
Total assets	88%
Income before income taxes	92%

None of the remaining components represented more than 3% of total Group net sales or 3% of total Group assets. For those remaining components we attended internal quarterly closing meetings with local and Group management and performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The Global Support Office activities in the Netherlands, which includes financing activities in Switzerland, Group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team at the Company's head office. This included procedures performed over financial instruments such as loans and derivatives, goodwill impairment testing, Management Board remuneration including share-based payments and compliance of accounting positions taken by the Group in accordance with EU-IFRS. For all other components we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team directed the planning, reviewed the results of the work undertaken by component auditors and assessed and discussed the findings with the component auditors during conference calls and site visits. In the current year, the group engagement team visited local management and the component auditors at the in scope locations in the U.S., the Netherlands, Belgium, Greece and Switzerland.

By performing the procedures above at components, combined with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the consolidated financial statements.

Other information
continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

The context of our audit is set by the Group's 2017 results and operations. As the Delhaize merger took place in 2016, the key audit matter related to the accounting for the merger transaction and alignment of accounting policies has been removed. Instead, the impairment testing of goodwill primarily related to the Delhaize merger has been added as key audit matter. In addition we have removed the key audit matter related to store asset impairment due to absence of significant triggering events in 2017 that would require further impairment analysis at store level compared to 2016. The other key audit matters, recognition of vendor allowances and employee benefit plan measurement and disclosures, are consistent with prior year in view of their magnitude and the significant estimates and assumptions involved.

Key audit matter	How our audit addressed the matter
Impairment testing of goodwill As described in *Note 13* the Group had €6.9 billion of goodwill as at December 31, 2017. The majority of this balance (€6 billion) relates to the former Delhaize business acquired in 2016. This was allocated at acquisition date to individual cash generating units (CGUs). As disclosed in *Note 2* and *Note 3* to the financial statements, the Group tests its CGUs containing goodwill for impairment annually and if there is a triggering event at an earlier or later reporting date. This is done by comparing the recoverable amounts of the individual CGUs, being the higher of value-in-use and fair value less costs of disposal, to the carrying amounts. Our key audit matter focused on the goodwill allocated to Hannaford, Food Lion and Delhaize Belgium CGUs which amount to €3 billion of the total goodwill recognized in the Delhaize acquisition. This was primarily driven by the inherent limited headroom as the purchase price allocation was recently performed combined with certain market developments in the U.S. and Belgium. We also considered this to be a key audit matter due to the magnitude of the goodwill balance in these CGUs and the significant judgment involved in estimating the recoverable amounts. The recoverable amounts of these CGUs was based on fair value less cost of disposal. Such amounts are based on cash flow forecasts that include management's estimate of market participant's views of key value driver inputs and external market conditions such as inflation, volume growth and competition, capital expenditures and discount rates applied.	We evaluated management's process and design effectiveness of controls over the impairment assessment including the appropriateness of management's identification of the Group's CGUs, indicators of impairment, discount rates and forecasts. With the support of our valuation experts we challenged management's assumptions used in determining the future cash flow forecasts for the Hannaford, Food Lion and Delhaize Belgium CGUs. We benchmarked key market related assumptions (as disclosed in *Note 13*) against external data and historical performance and assessed the reasonableness of the assumptions by comparing the sum of the future cash flow forecasts of all CGUs to the market capitalization. We also verified the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing and future capital and operating expenditure to the five year plan. Based on our procedures, we consider management's key assumptions to be within a reasonable range of our own expectations and the related disclosures in *Note 13* to the financial statements to be adequate.

Other information
continued

Key audit matter	How our audit addressed the matter
Recognition of vendor allowances The Group receives various types of vendor allowances from its suppliers, as further disclosed in *Note 2* and *Note 3* to the financial statements. These allowances are a significant component of cost of sales. The vendor allowance receivable at December 31, 2017, amounts to €454 million (*Note 17*). The vendor allowance agreements with suppliers contain volume-related allowances, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from those suppliers. The Group recognizes vendor allowances as a reduction in cost of sales when the performance conditions associated with the allowances have been met, for example when the product has been sold, placed or when the marketing campaign has been held. We considered this to be a key audit matter because of the magnitude of amounts involved and the judgment required from management to determine the nature and level of fulfilment of the Company's obligations under the vendor agreements and to recognize the amounts in the correct period. This requires a detailed understanding of the contractual arrangements in addition to complete and accurate data to estimate purchase and sales volumes and fulfilment of promotional programs.	Our procedures included evaluating the design and testing the operating effectiveness of management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting system. Furthermore we challenged management's assumptions used in determining the vendor allowances through discussions with management and performing the following specific substantive audit procedures. On a sample basis we agreed the recorded amounts to the vendor contracts and/or supporting documentation and confirmed the related positions and terms with the vendors. In addition, to evaluate the reliability of management's estimates, we performed a retrospective review of management judgments by testing subsequent collections on prior period vendor allowance receivables. Finally we tested cut-off through assessing the obligation fulfilment of vendor allowances recorded during a period before and after year-end. Based on our procedures we did not identify material exceptions and we found management's recognition of vendor allowances to be supported by available evidence.

Other information
continued

Key audit matter	How our audit addressed the matter
Employee benefit plan measurement and disclosures The Group has defined benefit plans, primarily in the Netherlands and in and the U.S., giving rise to defined benefit obligations of €4.8 billion and €1.4 billion, respectively (*Note 23*). The Group also has a significant number of union employees in the U.S. whose pension benefits are covered by multi-employer plans (we also refer to the risk factor on pension plan funding on page 114 of the Annual Report). In *Note 23* management has disclosed a calculation, which is based on certain assumptions and leads to an estimate of the Group's possible proportionate share of the total net deficit in these plans. We considered this to be a key audit matter because of the magnitude of the amounts involved, management's significant judgment applied in estimating the actuarial and demographic assumptions (the most relevant being around salary increases, inflation, discount rates and mortality rates) and the technical expertise required to measure the resulting defined benefit pension obligation for the Group and multi-employer plan disclosure.	Our procedures included understanding and evaluating the design and testing the operating effectiveness of controls related to key inputs (such as payroll data) and key outputs of the Group's pension process. We tested the actuarial and demographic assumptions and valuation methodologies used by management to determine the Group's various pension obligations. We evaluated whether the key actuarial assumptions are reasonable (for example by comparing to the published actuarial tables) and consistently applied. We tested payroll data, through a combination of controls and test of details, and reconciled the membership census data used in the actuarial models to the payroll data. In addition, we evaluated the potential exposure under the multi-employer plans in the U.S. as disclosed in *Note 23*. We reconciled the related inputs used by management to determine the Group's possible proportionate share of the total net deficit in these plans to supporting documentation such as the latest available plan information and actuarial calculations. Finally, we assessed the adequacy of disclosures related to the employee benefit plans. Our procedures did not identify material exceptions and we considered management's key assumptions to be within a reasonable range of our own expectations.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- The Management Report as defined on page 120 of the Annual Report
- The other information included in Message from our CEO, Who we are, World around us, Business review, Governance, Sustainability performance and Investor sections and
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the Management Report and the other information in accordance with Part 9 Book 2 of the Dutch Civil Code.

Other information
continued

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Koninklijke Ahold Delhaize N.V. by the Supervisory Board following the passing of a resolution by the shareholders at the Annual Meeting of Shareholders held on April 16, 2013. The appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of five years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The non-audit services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in *Note 4* of the notes to the parent company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:

- The preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code;
- Such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, February 27, 2018
PricewaterhouseCoopers Accountants N.V.
D. van Ameijden RA

Other information
continued

Appendix to our auditor's report on the financial statements for the year ended December 31, 2017 of Koninklijke Ahold Delhaize N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements
We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

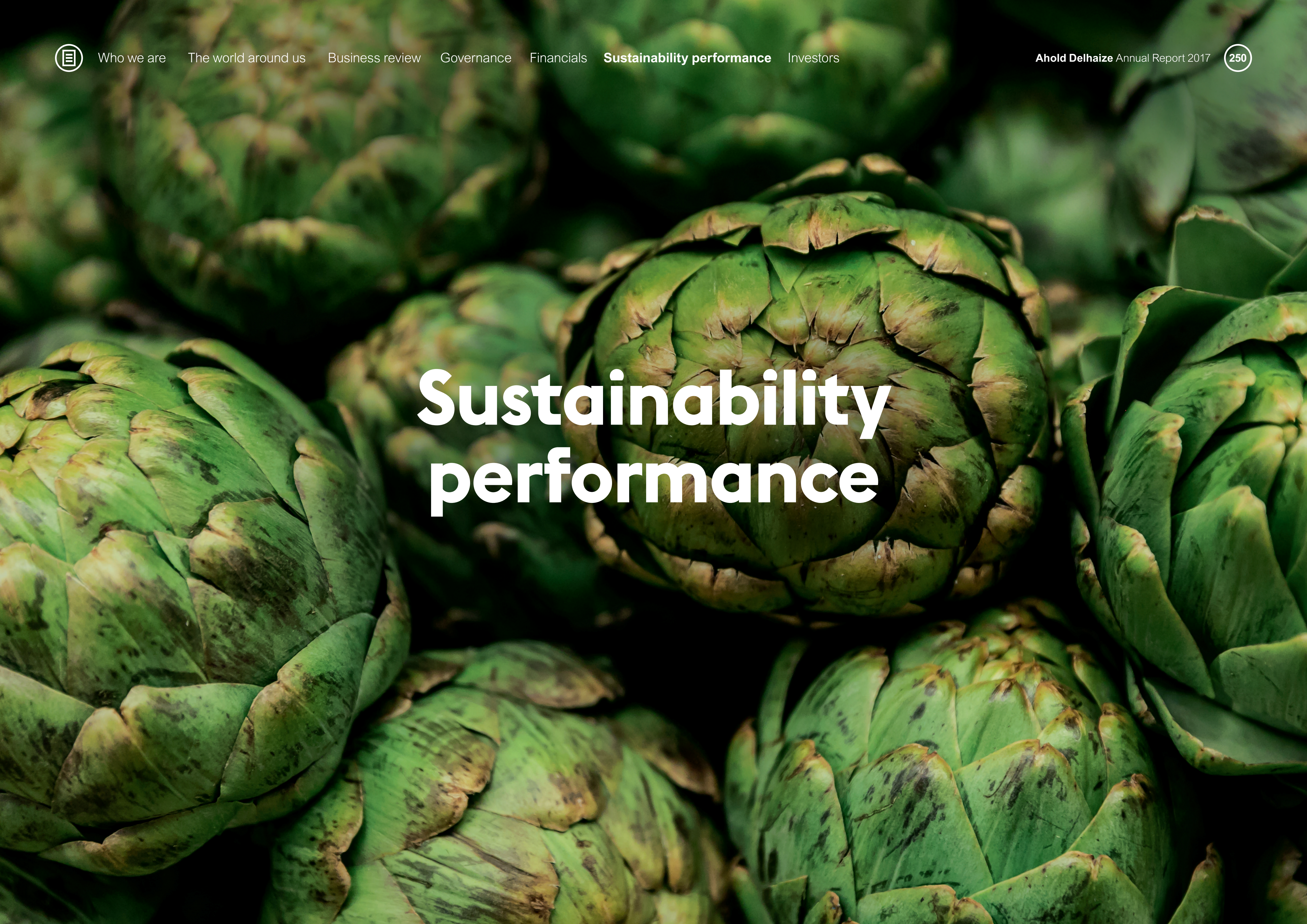
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and / or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also issue an additional report to the Audit, Finance and Risk Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



Sustainability performance

Introduction

Our commitment to sustainable retailing is one of the foundations on which Ahold Delhaize's Better Together strategy is built, and an integral part of how our businesses create value for customers, associates, communities, shareholders and the environment.

Sustainable retailing has always been part of our legacy and how we do business. Our approach to sustainable retailing, which was developed as part of the Better Together strategy, is based on our most material topics and leverages our global reach, market expertise and great local brands.

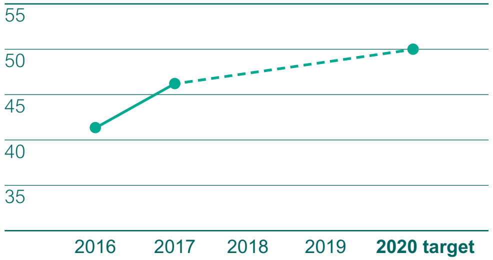
Our objective is to lead our industry in accelerating toward food systems that are healthier for people and the planet.

Progress towards 2020

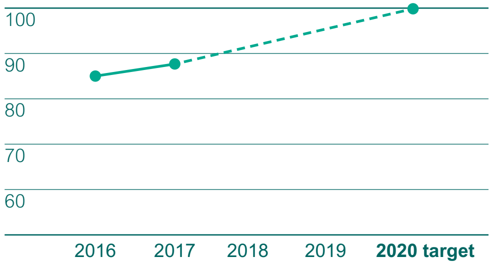
Promote healthier eating

Our brands will enable customers and associates to eat healthier food every day.

Healthy own-brand food sales (%)



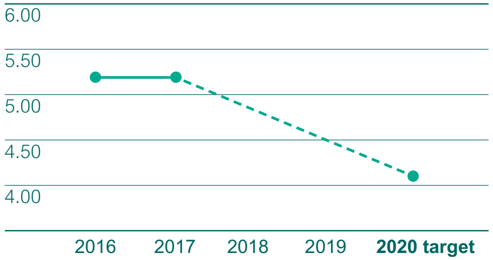
Own-brand products with front-of-pack labeling (%)



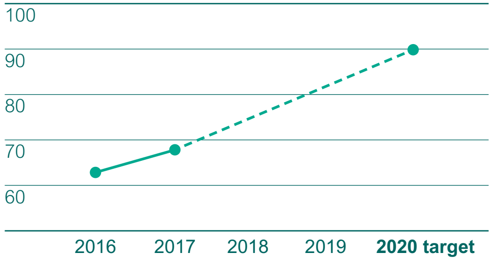
Reduce food waste

We will reduce food waste in our operations and supply chain, and our brands will help customers reduce food waste at home.

Tonnes of food waste per food sales (t/MEUR)



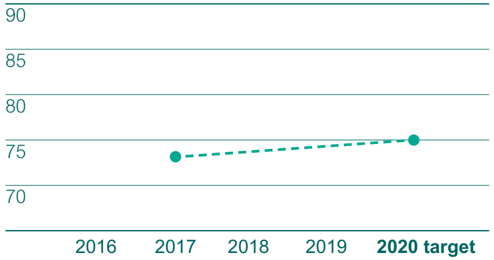
Food waste recycled (%)



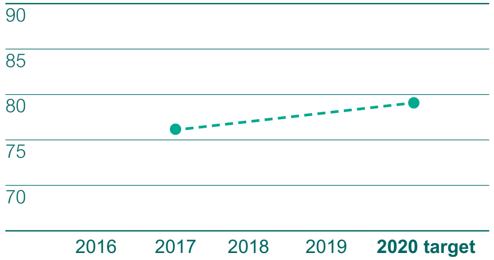
Create healthier and inclusive workplaces

We will provide associates with a healthy and inclusive workplace.

Score on "healthier workplace" through the associate engagement survey (%)



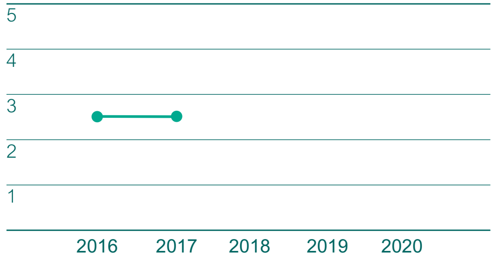
Score on "inclusive workplace" through the associate engagement survey (%)



Safety at work

We will integrate safe working practices for all associates into our workplace designs, equipment purchases and operational procedures.

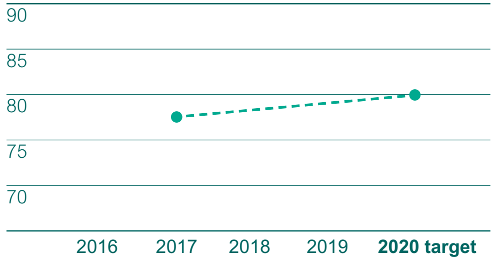
Rate of lost days due to accidents / 200,000 hours worked (days)



Associate development

We take care of people by fostering associate development.

Score on "associate development" through the associate engagement survey (%)



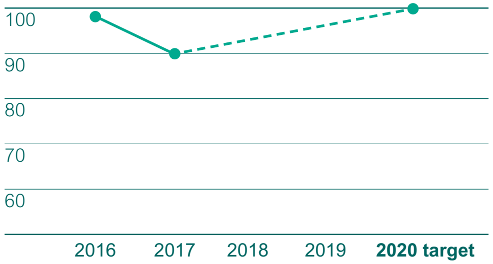
Progress towards 2020

continued

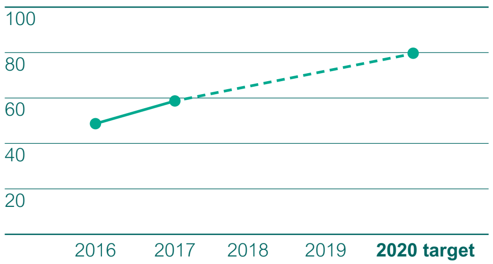
Product safety and sustainability

We will ensure that the products we sell are safe, of high quality, affordable, and meet sustainable sourcing standards.

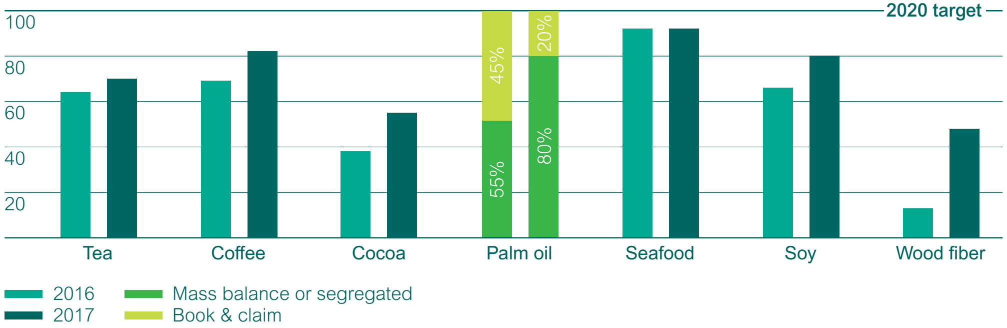
Own-brand food production sites that comply with our food safety standards (%)



Own-brand food production sites that comply with our social compliance standards (%)



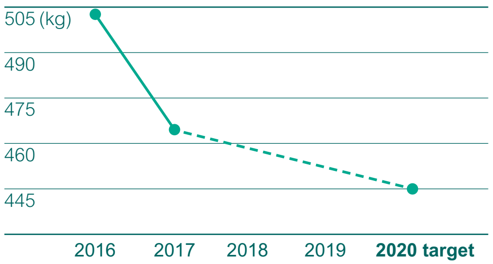
Commodities in our own-brand products that comply with our sourcing standards (%)



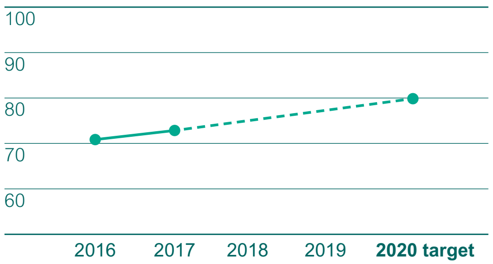
Climate impact

We take our responsibility for using the planet's resources sustainably by reducing carbon emissions and waste.

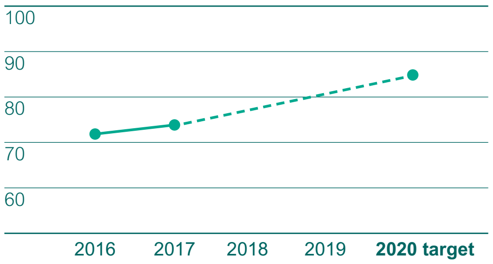
Carbon equivalent emissions (CO_2/m²)



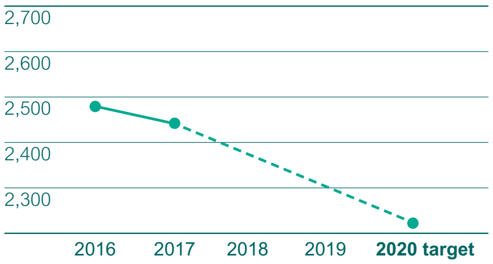
Waste recycled (%)



Ozone-friendly refrigerants (%)



Average GWP of refrigerants



Scope and methodology

This section presents Ahold Delhaize's 2017 performance against its Sustainable Retailing strategy and targets. Like 2016, this year continued to be a time of transition and integration. Our businesses shared expertise and worked closely together to make Ahold Delhaize an even more sustainable company.

During 2017, as we continued to improve our strategic alignment across the company, we built on the strong heritage of sustainable retailing at both Ahold and Delhaize Group. While it is not feasible to combine our pre-merger performance from prior years for Ahold Delhaize's brands, our 2016 baseline helps us to show clear performance trends for the combined company.

Enabling all our brands to report fully on all Sustainable Retailing performance indicators was a high priority for 2017, but we have more work to do in 2018 to reach this goal.

The segments and businesses included in this report's data are all brands except bol.com, Peapod, Etos and Gall & Gall. In 2016, the Sustainable Retailing data included Super Indo, a joint venture. In 2017, our data excludes Super Indo to better align with the scope of our financial reporting.

From an operational scope perspective, the data includes the following parts of the business, unless specifically noted otherwise:

- All stores (company-owned and franchise / affiliated stores, except for waste from stores affiliated with Delhaize Belgium)
- Offices
- Company-owned distribution centers, including all transportation from distribution centers to stores, regardless of whether the transportation companies are owned by Ahold Delhaize

In our 2016 reporting, not all brands were able to report on all indicators, as they were in the process of adjusting their internal measurement systems to Ahold Delhaize definitions or were creating new data collection processes. When full alignment in reporting for an indicator was not achieved for 2016, we have explained it in the footnotes (a 2016 overview of included companies per indicator is also included on our website).

Global Reporting Initiative

Our sustainability reporting has been prepared in accordance with the GRI Standards: Core option. The indicators we have chosen to report on are derived from an analysis of their relevance and materiality to the key impacts of our businesses, and are the ones we believe best measure progress against our strategic focus areas.

This document has been reviewed by the Company's external independent auditor, PricewaterhouseCoopers Accountants N.V. A summary of our application of the GRI Standards is included in *GRI Index*.

UN Global Compact

The United Nations Global Compact is an initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

Ahold Delhaize's own principles align with those of the Global Compact, and we have incorporated them into our strategy. We report on our operations and strategies in relation to these principles. Our Global Compact table can be found on the *Sustainable Retailing* section of Ahold Delhaize's website at **www.aholddelhaize.com**.

Memberships

As a global company, we are members of and collaborate with industry associations and partnerships to further sustainability progress within our industry. Our memberships include the Consumer Goods Forum (CGF), the Food Marketing Institute (FMI), the Dutch Food Retail Association ("Centraal Bureau Levensmiddelenhandel" or CBL), the European Retail Round Table (ERRT), Eurocommerce, and the World Economic Forum (WEF), among others. Through these memberships, we strive to improve global health, sustainability, transparency, compliance monitoring, and the well-being of workers around the world.

Sustainable Retailing data
Our focus areas

Promote healthier eating

Performance indicator description	2017	2016	2020 Target	Commentary
% of healthy own-brand food sales of total own-brand food sales[1]	**46%**	42%	50%	In 2017, the Ahold USA brands completed the analysis of their own-brand products against the Guiding Stars system. Our other brands made strong progress on increasing sales of healthy products. As a result, we have raised our healthy own-brand sales target for 2020 from 45% to 50%.
% of own-brand products with front-of-pack nutritional labeling[2]	**87%**	85%	100%	

1 2016 data excludes Ahold USA.

2 2016 data excludes Albert Heijn and Delhaize Belgium. 2016 Mega Image figures do not include products that are sourced directly from other Ahold Delhaize brands. 2017 data excludes Mega Image and Delhaize Belgium.

Reduce food waste

Performance indicator description	2017	2016	2020 Target	Commentary
Tonnes of food waste per food sales (t/MEUR)[3]	**5.32**	5.31	4.25 (-20%)	We restated our 2016 figures to correct for errors in our previous calculations. Using constant exchange rates, our 2016 figure for tonnes of food waste per food sales is 5.36 t/MEUR, resulting in a 1% decrease. We continue to focus on reducing and recycling food waste. Our large increases in food waste recycled for biogas generation were driven by our Giant Carlisle and Hannaford brands.
Tonnes of food waste sent to disposal per food sales (t/MEUR)[3]	**1.71**	1.95		
% of total food waste recycled	**68%**	63%	90%	
% food waste recycled for animal feed	**17%**	33%		
% food waste recycled for biogas generation	**33%**	17%		
% food waste recycled for compost	**10%**	16%		
% food waste recycled by rendering	**40%**	34%		
% of unsold food donated to feed people[4]	**24%**	18%		As part of our commitment as a member of the Consumer Goods Forum, we aim to reduce food waste sent to disposal by 50% between 2016-2020. In 2017, compared to 2016, every local business increased their percentage of unsold food donated to feed people. Food Lion and Hannaford made the most significant positive impact on these figures.

3 2016 data excludes Super Indo.

4 2016 data excludes Ahold USA and Albert Heijn. 2017 data excludes Ahold USA.

Sustainable Retailing data
Our focus areas
continued

Create healthier and inclusive workplaces

Performance indicator description	2017	2020 Target	Commentary
Healthier workplace			In 2017, for the first time, we conducted an associate engagement survey using a common platform across all of our Ahold Delhaize brands. Through the survey, we ask our associates about the support they receive from Ahold Delhaize brands to have healthier lives and how Ahold Delhaize brands support a more inclusive workplace.
Index of healthy workplace questions[5]	**73%**	75%	
Inclusive workplace			
Index of inclusive workplace questions[5]	**77%**	79%	

5 2017 data includes Peapod, Gall & Gall and Etos.

Performance indicator description	2017	2016	Commentary
Diversity			In 2017, one female Executive Committee member left the company and one female member of the Supervisory Board stepped down.
Number of associates (thousands)[6]	**369**	370	
% of associates who work part-time[6]	**68%**	69%	
% of associates who work full time[6]	**32%**	31%	
% of associates who are female[6]	**53%**	53%	
% of associates who are male[6]	**47%**	47%	
% of females on the Executive Committee	**11%**	22%	
% of females on the Supervisory Board	**17%**	21%	
% Greatest Generation (1900 – 1945)[6]	**1%**	1%	
% Baby Boomers (1946 – 1964)[6]	**17%**	17%	
% Generation X (1965 – 1979)[6]	**22%**	22%	
% Generation Y (1980 – 1995)[6]	**29%**	32%	
% Generation Z (1996 +)[6]	**32%**	28%	

6 2016 data excludes Super Indo and includes Peapod, Gall & Gall, Etos and bol.com. 2017 data includes Peapod, Gall & Gall, Etos and bol.com.

Sustainable Retailing data

Our essentials

Product safety and sustainability

Performance indicator description	2017	2016	2020 Target	Commentary
Product safety				In 2016, we reported on private label products, which are a sub-set of Ahold Delhaize own brands, consisting only of products with a visible proprietary label from an Ahold Delhaize brand. In 2017, all brands reported on the full range of own brands, which accounts for the slight decrease in production units of own-brand products that are GFSI-certified or that comply with an acceptable level of assurance standard.
% of production units of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard[7]	**91.2%**	95.4%	100.0%	
% of production units of own-brand food products that are certified according to a GFSI-recognized standard[7]	**87.6%**	90.7%	93.0%	
% of production units of own-brand food products that comply with an acceptable level of assurance standard (other than GFSI)[7]	**3.6%**	4.7%	7.0%	
% of production units of high-risk non-food own-brand products audited by an independent third-party against acceptable standards for the relevant product category[8]	**53%**			
Social compliance				In 2016, we reported on private label products, which are a sub-set of Ahold Delhaize own brands, consisting only of products with a visible proprietary label from an Ahold Delhaize brand. In 2017, almost all brands reported on own brands. Our brands increased the percentage of production units of own-brand products in high-risk countries that are audited against an acceptable standard.
% of production units of own-brand products in high-risk countries audited against an acceptable standard and having a valid audit report or certificate with no non-compliances on deal-breakers[9]	**59%**	49%	80%	

7 2016 figures for the following brands refer to private label products, which are a sub-set of Ahold Delhaize own brands, consisting of products with a visible proprietary label from an Ahold Delhaize brand: Delhaize America, Mega Image, Delhaize Serbia and Alfa Beta. 2016 figures for Mega Image and Delhaize Serbia do not include products sourced from other Ahold Delhaize brands. The exclusion of Super Indo in 2017 figures results in a 1.6 percentage point increase in percentage of production units for own-brand food products that are certified according to a GFSI recognized standard, and a 1.3 percentage point decrease in percentage of production units for own-brand food products that comply with an acceptable level of assurance standard (other than GFSI).

8 2017 data excludes Albert Heijn, Albert and Delhaize America.

9 2016 figures for all brands refer to private label products. 2017 Delhaize America figures refer to private label products. 2017 data for all other brands refers to own-brand products.

Sustainable Retailing data

Our essentials

continued

Product safety and sustainability continued

Performance indicator description	2017	2016	2020 Target	Commentary
Commodities				We progressed well against our sustainable commodities targets, with the exception of flat figures for sustainably sourced seafood.
% of own-brand products containing tea that are certified against an acceptable standard[10]	**72%**	64%	100%	
% of own-brand coffee products that are certified against an acceptable standard[10]	**82%**	69%	100%	
% of own-brand products containing cocoa that are certified against an acceptable standard[11]	**53%**	38%	100%	
% of palm oil volume in own-brand products certified to an acceptable standard or certified to RSPO Book & Claim[12]	**100%**	100%	100%	
% of palm oil volume in own-brand products certified against an acceptable standard (Mass Balance or Segregated supply chain option)[12]	**80%**	55%	75%	
% of palm oil volume in own-brand products offset by purchase of RSPO Book & Claim[12]	**20%**	45%	25%	
% of own-brand wood fiber products certified sustainable against an acceptable standard, low risk, or recycled[13]	**48%**	13%	100%	
% of high priority (South American) direct and embedded soy volumes in the supply chain of own-brand products certified against an acceptable standard[14]	**80%**	66%	100%	
% of own-brand seafood products sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs/AIPs[15]	**92%**	92%	100%	
% of own-brand seafood product sales with an identified farm/fishery of origin[16]	**99%**	77%	100%	
% total seafood sales from products certified to MSC or ASC[17]	**14%**	12%		
% total seafood sales from products certified to MSC[17]	**9%**			
% total seafood sales from products certified to ASC[17]	**5%**			As part of our strategic commitment to Best Own Brands, we have added tracking for our own-brand lines of free-from and organic products.
Organics				
% total food sales from certified organic products[18]	**4%**	3%		
Total sales from free-from or organic own-brand lines (€ million)	**1,451**			

10 2016 data excludes Mega Image and Super Indo.

11 2016 data excludes Delhaize America, Alfa Beta, Mega Image and Super Indo. In 2020, the target is set at 100% for products containing more than 25% cocoa. For products containing less than 25% cocoa, the target is set at 75%.

12 2016 data is estimated. For 2016 figures, Alfa Beta reported only on private label products. Super Indo has a large impact on our palm oil figures, and the exclusion of Super Indo in 2017's reporting accounts for a 12 percentage point increase in our figures for percentage of palm oil volume certified to RSPO Mass Balance or RSPO Segregated. 100% of Super Indo's palm oil footprint is covered by RSPO Book & Claim.

13 2016 data excludes Albert Heijn, Albert, and Ahold USA. 2016 Mega Image figures do not include products that are sourced directly from other Ahold Delhaize brands.

14 2016 data is estimated and excludes Delhaize America, Ahold USA, Delhaize Serbia, Alfa Beta and Super Indo. 2017 Delhaize Belgium figure are reported as Q4 2016 – Q3 2017. Soy credits are purchased through the Roundtable on Responsible Soy.

15 As a correction to the 2016 report wording, all figures related to seafood are in percentage of sales, not in percentage of products.

16 2016 data excludes Albert Heijn, Albert and Super Indo. As a correction to the 2016 report wording, all figures related to seafood are in percentage of sales, not in percentage of products.

17 2016 data excludes Ahold USA, Albert Heijn and Albert. 2017 data excludes Albert Heijn and Albert.

18 2016 data excludes Ahold USA, Alfa Beta and Super Indo.

Sustainable Retailing data

Our essentials

continued

Climate impact

Performance indicator description	2017	2016	2020 Target	Commentary
% change in CO_2 equivalent emissions per m^2 of sales area (from 2008 baseline)[19]	**(27)%**	(21)%	(30)%	We prioritized reducing emissions from refrigerants in 2017, focusing on leak reductions and increasing the use of natural refrigerants. We now account for emissions from franchise / affiliated stores in Scope 3 reporting. In 2016, we reported Q4 2015 through Q3 2016 data for our CO_2 equivalent emissions data. We revised our 2016 data, and it now follows the calendar year like the rest of our reporting.
Total CO_2 equivalent emissions per m2 sales area – location-based approach (kg CO_2-eq/m2)[19]	**467**	504	445	
Total CO_2 equivalent emissions (thousand tonnes) – location-based approach[19]	**4,278**	4,370		
Total SCOPE 1 CO_2 equivalent emissions (thousand tonnes) – location-based approach[19]	**1,634**	1,804		
Total SCOPE 2 CO_2 equivalent emissions (thousand tonnes) – location-based approach[19]	**2,195**	2,347		
Total SCOPE 3 CO_2 equivalent emissions (thousand tonnes) – location-based approach[19]	**449**	219		
Total CO_2 equivalent emissions per m2 sales area – market-based approach (kg CO_2-eq/m2)	**428**	476		
Total CO_2 equivalent emissions (thousand tonnes) – market-based approach	**3,923**	4,124		
Total SCOPE 1 CO_2 equivalent emissions (thousand tonnes) – market-based approach	**1,634**	1,804		
Total SCOPE 2 CO_2 equivalent emissions (thousand tonnes) – market-based approach	**1,840**	2,101		
Total SCOPE 3 CO_2 equivalent emissions (thousand tonnes) – market-based approach	**449**	219		

19 All 2016 figures have been revised to follow calendar year reporting like the rest of our reporting. Additionally, we restated errors found in our 2016 data. 2016 figures exclude Super Indo.

Sustainable Retailing data

Our essentials

continued

Climate impact continued

Performance indicator description	2017	2016	2020 Target
Energy consumption			
Facilities' energy consumption CO_2 equivalent emissions (Scopes 1 & 2) (thousand tonnes)[20]	**2,668**	2,654	
Facilities' energy consumption CO_2 equivalent emissions per m^2 sales area (kg CO_2-eq/m^2)[20]	**291**	306	
Facilities' energy consumption (million kWh)[20]	**6,667**	7,149	
Facilities' energy consumption per m^2 sales area (kWh/m^2)[20]	**805**	825	
Total renewable electricity produced on site (million kWh)[20]	**20**	21	
% renewable electricity of total electricity consumed[20]	**15%**	11%	
Avoided grid electricity CO_2 emissions (thousand tonnes)[20]	**362**	255	
Transport			
Transport CO_2 equivalent emissions (thousand tonnes)[20]	**386**	389	
Transport CO_2 equivalent emissions per m^2 of sales area (kg CO_2-eq/m^2)[20]	**42**	45	
Fuel consumption by trucks (million liters)[20]	**134**	135	
Refrigerants			
Refrigerants equivalent emissions (thousand tonnes)[20]	**1,224**	1,328	
Refrigerants equivalent emissions per m^2 of sales area (kg CO_2-eq/m^2)[20]	**134**	153	
% ozone-friendly refrigerants[20]	**74%**	72%	85%
Average GWP of total refrigerants[20]	**2,437**	2,480	2,230
Refrigerant leakage rate[20]	**12%**	12%	

Commentary

We prioritized reducing emissions from refrigerants in 2017, focusing on leak reductions and increasing the use of natural refrigerants.

In 2016, we reported Q4 2015 through Q3 2016 data for our CO_2-equivalent emissions data. We revised our 2016 data, and it now follows the calendar year like the rest of our reporting.

20 All 2016 figures have been revised to follow calendar year reporting like the rest of our reporting. Additionally, we restated errors found in our 2016 data. 2016 figures exclude Super Indo.

Sustainable Retailing data

Our essentials

continued

Climate impact continued

Performance indicator description	2017	2016	2020 Target	Commentary
Waste				The increase in carrier bags distributed from 2016 to 2017 is due to all brands being included in reporting for 2017. We restated our 2016 figures to correct for errors in our previous calculations related to the amount of food waste.
Total waste generated (thousand tonnes)	**1,029**	1,066		
% of waste sent to landfill	**18%**	19%		
% of waste incinerated and transformed to energy	**9%**	9%		
% waste recycled	**73%**	71%	80%	
Number of non-reusable carrier bags distributed (in million)[21]	**4,366**	2,626		
Water				Albert Heijn was unable to report in 2017, and the exclusion of their figures has resulted in a higher water consumption per m^2 of sales area.
Total water consumption (thousand m^3)[22]	**7,546**	7,931		
Total water consumption (m^3) per m^2 of sales area[22]	**0.96**	0.88		

21 2016 data excludes Albert Heijn and Ahold USA.

22 2016 data excludes Mega Image and Delhaize Belgium affiliated stores. 2016 data has been restated due to an error. 2017 data excludes Albert Heijn and includes estimates for Delhaize Belgium affiliated stores.

Safety at work

Performance indicator description	2017	2016	Commentary
Rate of lost days due to accidents[23,24]	**2.5**	2.5	By focusing on safety at work, we increased the number of brands reporting in alignment with global definitions.
Rate of occupational illnesses per million hours worked[24]	**25.1**	31.9	

23 2016 data excludes Albert Heijn, Albert, Alfa Beta, Mega Image, Delhaize Serbia and Super Indo. 2017 data for Delhaize Belgium is reported for Q4 2016 through Q3 2017.

24 2017 Albert Heijn data may include an overestimation of the number of incidences, due to reporting limitations.

Associate development

Performance indicator description	2017	2020 Target	Commentary
Index of associate development questions[25]	**71%**	73%	In 2017, for the first time, we conducted an associate engagement survey using a common platform across all of our Ahold Delhaize brands. Through the associate engagement survey, we ask our associates about the support they receive to develop their careers with Ahold Delhaize.

25 Figures include Peapod, Gall & Gall and Etos.

Sustainable Retailing data

Our essentials

continued

Local community connection

Performance indicator description	2017	2016
Cash donations by the company to charities (€ million)	**15.4**	22.6
% of cash donations by the company to charities with which the company has long-term partnerships	**50%**	
% of cash donations by the company to charities through singular donations	**50%**	
Cash equivalent donations by the company to charities (€ million)[26]	**161.5**	123.9
% of cash equivalent donations by the company to charities with which the company has long-term partnerships	**59%**	
% of cash equivalent donations by the company to charities through singular donations	**41%**	
Cash and cash equivalent donations by customers to charities, facilitated by Ahold Delhaize brands (€ million)[27]	**7.0**	3.8
% of cash and cash equivalent donations to charities by the company, on pre-tax profit[28]	**9%**	11%
Total cash and cash equivalent donations by the company and by customers to charities (€ million)[29]	**183.8**	150.3
Tonnes of food donated[30]	**52,731**	50,286

Commentary

We adjusted our indicators for donations in 2017 to show a clearer distinction between donations given through one-time events versus donations through long-term community partnerships and charitable activities linked to core business activities.

We break down donations into three main vehicles: direct cash donations by Ahold Delhaize and our brands, cash equivalent of in-kind donations, and donations by customers facilitated by Ahold Delhaize brands. We prioritize cash equivalent donations, such as in-kind giving of products and associate volunteering. Additionally, in 2016, we included donations through commercial initiatives and these are excluded in 2017.

26 2016 data excludes management overheads and associate volunteering.

27 2016 data excludes Mega Image and partially excludes Alfa Beta. 2016 data has been corrected.

28 2016 data is reported for the first time to demonstrate trends.

29 2016 data has been corrected.

30 2016 data excludes Albert Heijn.

Definitions

The specific definitions outlined below add context to our Annual Report, as well as detail to some of the specific calculations.

Acceptable standards and certifications for commodities

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

Associate engagement survey

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

- **Healthy workplace:** Through the associate engagement survey, we ask our associates about the support they receive to have healthier lives.
- **Inclusive workplace:** Through the associate engagement survey, we ask our associates about the support they receive to have a more inclusive workplace.
- **Associate development:** Through the associate engagement survey, we ask our associates about the support they receive to develop their careers with Ahold Delhaize.

Business Social Compliance Initiative (BSCI)

Business Social Compliance Initiative: a non-profit organization that supports more than 1,000 international companies in the process of monitoring and improving working conditions in the global supply chain through its own auditing program. We consider the following standards to be "BSCI Equivalent":

- Aquaculture Stewardship Council (ASC)††
- Business Social Compliance Initiative (BSCI)
- Ethical Trading Initiative (ETI) / SMETA
- Fair for Life / For Life; Fair Labor Association (FLA)†
- Fairtrade / FLO-CERT
- Fair Trade Sustainability Alliance
- Fair Trade USA††
- Florverde††
- Forest Stewardship Council (FSC)††
- Global Organic Textile Standard (GOTS)
- Initiative Clause Sociale (ICS)
- International Council of Toy Industries (ICTI) CARE
- Intertek Workplace Conditions Assessment (WCA)
- Kenya Flower Council (KFC) certification
- MPS – Socially Qualified (SQ)
- Rainforest Alliance / SAN
- Social Accountability (SA) 8000
- Program for the Endorsement of Forest Certification (PEFC)††
- ProTerra; Roundtable on Sustainable Palm Oil (RSPO)††
- Roundtable on Responsible Soy (RTRS)††
- SGS Social Compliance Factory Assessment
- Sustainable Agriculture in South Africa (SIZA); Utz Certified††
- Wine and Agricultural Ethical Trade Association (WIETA).

† Only audit reports conducted by external, independent auditors are considered equivalent.

†† Only applicable if the production unit is a farm.

Carbon footprint methodology and data scope

The carbon footprint methodology follows the guidelines of the World Business Council for Sustainable Development (WBCSD) / World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol regarding corporate greenhouse gas accounting and reporting. Our Ahold Delhaize carbon footprint reporting takes into account Scope 1, Scope 2 and limited Scope 3 emissions.

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

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

Limited Scope 3 (other indirect emissions): emissions from franchise / affiliated stores; trucking emissions from subcontracted trucks that deliver Ahold Delhaize products from operated distribution centers to stores. and estimated emissions from franchise stores.

Definitions
continued

The Group's total CO_2-equivalent emissions and energy figures include all energy and related emissions data as defined by the scopes above, including data from facilities that closed or opened during 2017.

We use the latest available emission factors in our reporting. We source electricity emission factors from the International Energy Agency (IEA, 2017 edition; 2015 data) for European countries and from GHG Protocol 2014 (based on eGrid 2012 values, issued in May 2015 by the U.S. Environmental Protection Agency – EPA) for the United States. We source fuel emission factors from GHG Protocol 2014 wherever available and otherwise from other appropriate sources. For refrigerant leakages, we apply the Global Warming Potentials (GWP) for refrigerants available from Bitzer International 2014 wherever available and otherwise from other appropriate sources, such as the Intergovernmental Panel for Climate Change (IPCC).

We do not extend our reporting to include all Scope 3 emissions, but we work with our peer companies and suppliers to better understand the climate change impact we have throughout our entire value chain. Scope 3 defined by the GHG Protocol accounts for all the remaining emissions that result from our activities, ranging from products transportation to affiliated stores to emissions from our supply chain, including emissions from growing and packaging the food we sell.

CO_2 emissions / CO_2 equivalent (CO_2e)
The CO_2 (Carbon Dioxide) emissions data we report consists of a calculated CO_2 equivalent: actual CO_2 emitted plus equivalent emissions from other greenhouse gases (such as CH_4, N_2O and F-gases).

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

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

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

Food waste
As defined by the Food and Agriculture Organization of the United Nations (FAO), food waste is any removal of food from the food supply chain which is or was at some point fit for human consumption, but has been disposed of, or has spoiled or expired, mainly as a result of economic behavior, poor stock management or neglect. In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft, and cash shortages.

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

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

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

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

Definitions
continued

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

Global Warming Potential (GWP)
Defined by the GHG Protocol as "a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO_2." By using GWP, GHG emissions can be standardized to a carbon dioxide equivalent (CO_2e) that allows expressing the emissions of different GHGs using carbon dioxide as a reference. For example, for a 100-year time horizon, the impact of one unit of methane is 25 times greater than one unit of CO_2 (according to IPCC's 4th assessment report). Hence, methane's global warming potential (GWP) is 25. Average GWP is the GWP of all refrigerants we use in our systems (including stores and distribution centers) weighted in relation to their total charge.

Average GWP
The GWP of all refrigerants we use in our systems (including stores and distribution centers) weighted in relation to their total charge.

Healthy products
Products that meet nutritional criteria as determined by Guiding Stars (in the U.S.) and Choices nutrition criteria (in Europe). See **guidingstars.com** or **www.choicesprogramme.org**.

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

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

Materiality matrix
In a materiality matrix, social, environmental and economic issues are plotted along two dimensions: their influence on stakeholder assessments and decisions and the significance of Ahold Delhaize's social, environmental and economic impact on these topics.

MSC / ASC certification
MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council) certificates are sustainable seafood programs ensuring seafood sourcing practices that do not endanger the existence of fish species and rewarding responsible aquaculture.

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

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

Definitions
continued

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

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

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

Rate of lost days due to accidents
Number of days lost that are directly related to work-related accidents per 200,000 hours worked. The number of days lost are days scheduled to be worked according to each associate's schedule. An accident is a non-fatal or fatal injury arising in the course of work.

Sales area
Sales area is the sum of the store areas in square meters, taken at the end of the year, where products are sold and services provided.

Sustainable Development Goals (SDGs)
The United Nations SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

United Nations Global Compact
An initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environmental and anti-corruption.

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

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

GRI Index

The index table provides reference between the GRI Standards (Core option) and the corresponding sections in the Annual Report.

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1 We do not currently collect global data completely to report against 102-8. We intend to include the required employee information in the 2018 annual report.

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2 We do not collect this information and are therefore not able to report; we will assess inclusion in the 2018 annual report.

GRI Index
continued

Disclosure number	Disclosure title	Section	Page
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102-49	Changes in reporting	Our response to stakeholder needs / Scope and methodology / Sustainable Retailing data	49-50, 254
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102-51	Date of most recent report	February 28, 2017	
102-52	Reporting cycle	Scope and methodology	254
102-53	Contact point for questions regarding the report	Contact information	284
102-54	Claims of reporting in accordance with the GRI Standards	Scope and methodology	254
102-55	GRI content index	GRI Index	267-270
102-56	External assurance	How we manage risk / Assurance report of the independent auditor	110, 271-275
Management approach			
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	51-57
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	51-57, 255-262
Economic performance			
201-1	Direct economic value generated and distributed	Financial statements / Notes 22 and 23	122-127, 179-188
201-2	Financial implications and other risks and opportunities due to climate change	How we manage risk	108-117
201-3	Defined benefit plan obligations and other retirement plans	Note 23	179-188
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	53
103-3	Evaluation of the management approach	Our response to stakeholder needs / Group financial review	53, 59-79
Procurement practices			
204-1	Proportion of spending on local suppliers	(Footnote 3)	n/a
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	52
103-3	Evaluation of the management approach	(Footnote 3)	n/a

3 We do not collect or report on that at this time. We will assess relevancy for reporting in 2018.

GRI Index
continued

Disclosure number	Disclosure title	Section	Page
Energy			
302-1	Energy consumption within the organization	Sustainable Retailing data / Definitions	260, 263-266
302-4	Reduction of energy consumption	Sustainable Retailing data / Definitions	260, 263-266
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	52
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	52, 260

Disclosure number	Disclosure title	Section	Page
Biodiversity			
304-2	Significant impacts of activities, products, and services	Sustainable Retailing data (Footnote 4)	258
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	52
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	52, 258

4 We partly report on the GRI requirement as our own KPIs on sustainable commodity sourcing are more relevant for us to manage biodiversity impact.

Disclosure number	Disclosure title	Section	Page
Emissions			
305-1	Direct (Scope 1) GHG emissions	Sustainable Retailing data / Definitions	259-260, 263-266
305-2	Energy indirect (Scope 2) GHG emissions	Sustainable Retailing data / Definitions	259-260, 263-266
305-3	Other indirect (Scope 3) GHG emissions	Sustainable Retailing data / Definitions	259-260, 263-266
305-4	GHG emissions intensity	Sustainable Retailing data / Definitions	259-260, 263-266
305-5	Reduction of GHG emissions	Sustainable Retailing data / Definitions	259-260, 263-266
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	52
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	52, 259-260

Disclosure number	Disclosure title	Section	Page
Effluents and waste			
306-2	Waste by type and disposal method	Sustainable Retailing data (Footnote 5)	255, 261
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs / Sustainable Retailing data	56
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	56, 255, 261

5 Ahold Delhaize reports waste streams including all food waste, packaging and other waste, but it does not track hazardous waste separately. We will assess relevancy for reporting in 2018.

GRI Index
continued

Disclosure number	Disclosure title	Section	Page
Occupational health and safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Sustainable Retailing data	261
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our response to stakeholder needs	54
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	54, 261
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Our promises / Our Management Board and Executive Committees / Sustainable Retailing data	43, 83-87, 256
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	43, 49-57
103-2	The management approach and its components	Our response to stakeholder needs	43, 56
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	56, 256
Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Value chain / Sustainable Retailing data	11, 257
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our stakeholders / Our response to stakeholder needs	25-26, 48, 55
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	55, 257
Child labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Value chain / Sustainable Retailing data	11, 257
103-1	Explanation of the material topic and its boundary	Our values / Our response to stakeholder needs	48, 49-57
103-2	The management approach and its components	Our values / Our response to stakeholder needs	48, 55
103-3	Evaluation of the management approach	Our values / Our response to stakeholder needs / Sustainable Retailing data	48, 55, 257
Forced or compulsory labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Value chain / Sustainable Retailing data	11, 257
103-1	Explanation of the material topic and its boundary	Our values / Our response to stakeholder needs	48, 49-57
103-2	The management approach and its components	Our values / Our response to stakeholder needs	48, 55
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	55, 257

GRI Index
continued

Disclosure number	Disclosure title	Section	Page
Local communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Our value chain / Our response to stakeholder needs / Sustainable Retailing data	11, 44, 262
103-1	Explanation of the material topic and its boundary	Our values / Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our promises / Our response to stakeholder needs	44, 55
103-3	Evaluation of the management approach	Our promises / Our response to stakeholder needs / Sustainable Retailing data	44, 55, 262
Supplier social assessment			
414-1	Diversity of governance bodies and employees	Sustainable Retailing data (Footnote 6)	257
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our value chain / Our response to stakeholder needs	11, 55
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	55, 257

6 All new suppliers of own-brand products must agree to the Ahold Delhaize Standards of Engagement and, when producing in high risk countries, must comply to an acceptable social compliance standard.

Disclosure number	Disclosure title	Section	Page
Customer health and safety			
416-1	Assessment of the health and safety impacts of product and service categories	Sustainable Retailing data	255, 257
103-1	Explanation of the material topic and its boundary	Our response to stakeholder needs	49-57
103-2	The management approach and its components	Our promises / Our response to stakeholder needs / Sustainable Retailing data	41, 51, 53
103-3	Evaluation of the management approach	Our response to stakeholder needs / Sustainable Retailing data	51, 53, 255, 257

Assurance report of the independent auditor

To: the Management Board and the Supervisory Board of Koninklijke Ahold Delhaize N.V.

Assurance report on the sustainability information 2017

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the sustainability information included in the Annual Report of Koninklijke Ahold Delhaize N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the events and achievements related thereto for the year ended December 31, 2017;

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria.

What we have reviewed

The sustainability information contains a representation of the policy and business operations of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands (hereafter: "Ahold Delhaize") regarding sustainability and the events and achievements related thereto for 2017.

We have reviewed the sustainability information for the period January 2, 2017 until December 31, 2017, as included in the following sections in the Annual Report of Ahold Delhaize:

- Message from our CEO (page 5 to 8);
- the Who we are section (page 10 to 20);
- the World around us section (page 22 to 26);
- the Business review section (page 28 to 57); and
- the Sustainability performance section (page 251 to 276);

(hereafter together referred to as "the sustainability information").

The links to external sources or websites in the sustainability information are not part of the sustainability information itself reviewed by us. We do not provide assurance over information outside of this Annual Report.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance engagements on corporate social responsibility reports' ('Assurance-opdrachten inzake maatschappelijke verslagen'), which is a specified Dutch standard that is based on the International Standard on Assurance Engagements 3000: 'Assurance Engagements other than Audits or Reviews of Historical Financial Information. This review is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information of this assurance report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Ahold Delhaize in accordance with the "Code of Ethics for Professional Accountants, a regulation with respect to independence" ("Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" – ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the "Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct" ("Verordening gedrags- en beroepsregels accountants" – VGBA).

We apply the "detailed rules for quality systems" ("Nadere voorschriften kwaliteitsystemen") and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Assurance report of the independent auditor

continued

Reporting criteria

Ahold Delhaize developed its reporting criteria on the basis of the Sustainability Reporting Standards of GRI, as disclosed on page 267-271 of the Annual Report. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria as disclosed on page 263-266 of the Annual Report. The Management Board is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Inherent limitations

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments based on assumptions. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Our review approach

Materiality

Based on our professional judgment we determined specific materiality levels for each relevant part of the sustainability information and the sustainability information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative aspects and the relevance of information for both stakeholders and the organization.

Based on professional judgment, we determined materiality levels for specific quantitative information within a bandwidth of 5% to 7.5% for topics where Ahold Delhaize has a high or very significant impact on society and influence on stakeholder decisions according to the in the materiality analysis on page 50 of the Annual Report 2017 and 7.5% to 10% for topics with a moderate to low impact.

Scope of the group review

Ahold Delhaize reports on the sustainability information on a consolidated level. For more details reference is made to page 254 of the Annual Report. Our review focused on the significant components, being Ahold USA, Delhaize America, Albert Heijn and Delhaize Belgium. The majority of review procedures for this assurance engagement were performed by the central sustainability review team. Review procedures for Ahold USA, Delhaize America and Delhaize Belgium were performed by this central team with support from local team members.

Where the work was performed by local team members, we determined the level of involvement we needed to have in their work to be able to conclude whether sufficient appropriate evidence had been obtained as a basis for our conclusion on the consolidated sustainability information. The consolidation is reviewed by the central sustainability review team at the head office in Zaandam, the Netherlands.

Key review matter

Key review matters are those matters that, in our professional judgment, were of most significance in our review of the sustainability information. We have communicated the key review matter to the Management Board and Supervisory Board. The key review matter is not a comprehensive reflection of all matters discussed. We described the key review matter and included a summary of the review procedures we performed on this matter.

This key review matter is addressed in the context of our review of the sustainability information as a whole, and in forming our conclusion thereon. We do not provide a separate conclusion on this matter or on specific elements of the sustainability reporting. Any comments we make on the results of our procedures should be read in this context.

The context of our review is set by the Group's 2017 sustainable retailing performance and operations. As the Delhaize merger was finalized in 2016, the key review matter related to 'the impact of the merger between Koninklijke Ahold N.V. and Delhaize Group NV/SA' has been removed. Instead, the 'consistent application of KPI definitions across the Group and over time' has been added to highlight our focus on the important aspect of strategic alignment across the brands in the first year after the merger.

Assurance report of the independent auditor
continued

Key review matter	How our review addressed the matter
Consistent and correct application of KPI definitions across the Group and over time As further disclosed on page 254 of the Annual Report, in 2017 the company continued to improve their strategic alignment across the brands since the merger in 2016. An important aspect hereof, concerns consistent KPI definitions throughout the group as required by GRI. For example, management has issued additional guidance on definitions set in 2016 to further facilitate the consistent KPI reporting by the brands. For indicators where the Ahold Delhaize definition differed from what was historically reported by the individual brands, they went through a process of adjusting their internal data collection processes or created new processes. At the moment, for some of the indicators, brands use – in part – manual data collection processes to adhere to the reporting requirements of the company. We considered this alignment process a key review matter as the use of consistent definitions (and scoping) is one of the key elements for adequate reporting on sustainability information. In addition, manual data collection processes are inherently more prone to error than automated processes.	In addition to our planned inquiries and analytical procedures, we have performed additional review procedures that focus on assessing the consistent application of definitions, compliance with GRI, reporting criteria per KPI per brand, and the adequacy of the disclosures in the annual report in the event of identified inconsistencies or changes. These review procedures included, amongst others, developing an understanding of management's data reporting process and related internal controls, management inquiries on fluctuations identified and reconciliations to the input data of the reporting system for all indicators. In addition, we have performed additional procedures for KPIs related to material topics such as 'promote healthier eating', 'reduce food waste', 'climate impact', 'safety at work' and 'local community connection' as they (in our risk assessment) were considered to be more susceptible to inconsistency or manual data collection errors.

Assurance report of the independent auditor
continued

Responsibilities for the sustainability information and the assurance-engagement

Responsibilities of the Management Board and the Supervisory Board

The Management Board of Ahold Delhaize is responsible for the preparation of the sustainability information in accordance with the Sustainability Reporting Standards of GRI and the internally applied reporting criteria as disclosed on page 263-271 of the Annual Report, including the identification of stakeholders and the definition of material subjects. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarized in section 'Scope & Methodology' of the sustainability performance section in the Annual Report. The Management Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Management Board is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the company's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at obtaining reasonable assurance.

Misstatements may arise due to irregularities, including fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review and the evaluation of the effect of identified misstatements on our conclusion.

Assurance report of the independent auditor
continued

Procedures performed
We have exercised professional judgment and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures include:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the sustainability information.
- Evaluating the design of the reporting systems and processes related to the sustainability information.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.
- Evaluating whether the sustainability information represents the underlying transactions and events free from material misstatement.
- Interviewing relevant staff at corporate and local level responsible for the sustainability strategy, policy and performance of sustainability operations.
- Interviewing relevant staff at corporate level, responsible for providing the information in the sustainability information, carrying out internal control procedures on the data and consolidating the data in the sustainability information.
- Visits to entities in Belgium and the United States to evaluate the source data and to evaluate the design and implementation of control and validation procedures at local level.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the sustainability information, is substantiated adequately.
- Evaluating the overall presentation, structure and content of the sustainability information.
- Assessing the consistency of the sustainability information and the information in the Annual Report not in scope for this assurance report.
- Assessing whether the sustainability information has been prepared 'in accordance' with GRI.

From the matters communicated with Ahold Delhaize we determine one matter that was of most significance in the review of the sustainability information and is therefore the key review matter. We describe this matter in our assurance report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amsterdam, February 27, 2018
PricewaterhouseCoopers Accountants N.V.
D. van Ameijden RA

Investors

Share performance

The case for investing in Ahold Delhaize

By purchasing Ahold Delhaize shares, investors gain a stake in one of the world's largest retail groups, operating strong local consumer brands in the United States and Europe with:

- Strong free cash flow generation with disciplined capital allocation
- Funding growth in key channels: supermarkets, e-commerce and smaller formats
- Leading market positions in food retail, both in stores and online
- Good track record in cost management, including €500 million of net synergies expected in 2016-2019
- Experienced management with a broad set of skills
- Strong balance sheet with attractive returns to shareholders
- Ambition to sustainably grow our dividend per share
- €2 billion share buyback program for 2018, following completion of the €1 billion program in 2017

Share performance in 2017

On December 29, 2017, the closing price of an Ahold Delhaize ordinary share on Euronext Amsterdam was €18.34, an 8.4% decrease compared to €20.03 on December 30, 2016. During the same period, the Euro STOXX 50 index increased by 6.5% and the AEX index increased by 12.7%.

In 2017, Ahold Delhaize shares traded on Euronext Amsterdam at an average closing price of €18.10 and an average daily trading volume of 5.4 million shares. Ahold Delhaize's market capitalization was €22.5 billion at year-end 2017. During 2017, the highest closing price for Ahold Delhaize's shares on Euronext Amsterdam was €20.76 on March 1, 2017, and the lowest was €14.80 on August 29, 2017.

On December 29, 2017, the closing price of Ahold Delhaize's ADR was $22.01, which was 4.9% higher than the closing price on December 30, 2016 ($20.99). In the same period, the Dow Jones index increased by 25.1%.
In 2017, the average daily trading volume of Ahold Delhaize American Depositary Receipts (ADRs) was 232,483.

Ahold Delhaize share price

2015 numbers refer to Ahold only.

Performance of Ahold Delhaize's common shares on Euronext Amsterdam

	2017	2016
Closing common share price at calendar year-end (in €)	**18.34**	20.03
Average closing common share price (in €)	**18.10**	20.14
Highest closing common share price (in €)	**20.76**	22.09
Lowest closing common share price (in €)	**14.80**	18.11
Average daily trading volume	**5,388,669**	3,889,901
Market capitalization (€ million)	**22,508**	25,484

Source: Bloomberg

Shareholder returns

For the 2016 financial year, a cash dividend of €0.57 per common share was approved by the annual General Meeting of Shareholders on April 12, 2017, and paid on April 26, 2017.

The announced cash dividend of €0.63 per common share for the financial year 2017 is up 10.5% from last year and will be proposed to shareholders at the annual General Meeting of Shareholders, to be held on April 11, 2018. The payout ratio of 47% is within our dividend policy range of 40–50% of pro forma underlying income from continuing operations and the 10.5% increase compared to last year, reflects our ambition to sustainably grow our dividend per share.

Shareholders key performance indicators 2013–2017

	2017	2016	2015	2014	2013
Dividend per common share	**0.63**	0.57	0.52	0.48	0.47
Dividend yield	**3.4%**	2.8%	2.7%	3.3%	3.6%
Payout ratio[1]	**47%**	48%	49%	51%	51%
Total shareholder return	**(5.7)%**	5.5%	41.1%	6.4%	35.8%

2017 dividend subject to the approval of the annual General Meeting of Shareholders.

2013–2015 numbers refer to Ahold only.

1 Dividend payout ratio for 2017 and 2016 is based on underlying income from continuing operations (on a pro forma basis).

Dividends on cumulative preferred financing shares

Ahold Delhaize paid an annual dividend on cumulative preferred financing shares in 2017 and plans to pay dividends on these shares in 2018 as required by the terms of the shares.

Share buyback

On December 7, 2016, Ahold Delhaize announced its decision to return €1 billion to its shareholders by way of a share buyback program during 2017. This share buyback program was completed on December 29, 2017. On November 8, 2017, Ahold Delhaize announced the decision to return an additional €2 billion to shareholders by way of another share buyback program, which is expected to be completed before the end of 2018.

Maintaining a balanced approach between funding growth in key channels and returning excess liquidity to shareholders is part of Ahold Delhaize's financial framework to support our Better Together strategy. The purpose of the program is to reduce Ahold Delhaize's capital, by cancelling all or part of the common shares acquired through the program.

Key dates

Key dates 2018

Annual General Meeting of Shareholders	April 11
Ex-dividend date	April 13
Dividend record date	April 16
Payment date	April 26
Announcement of first quarter 2018 results	May 9
Announcement of half year 2018 results	August 8
Announcement of third quarter 2018 results	November 7

AGM 2018

This year's annual General Meeting of Shareholders will be held at the Muziekgebouw aan 't IJ in Amsterdam, the Netherlands, on April 11, 2018.

The meeting will start at 2.00 pm (CET).

Shareholder structure

Share capital

During 2017, Ahold Delhaize's issued share capital outstanding decreased by approximately 44 million common shares to 1,228 million common shares.

The decrease results mainly from the share buyback of €1 billion as announced in December 2016, partly offset by the issuance of shares for the share-based compensation program and conversion of cumulative preferred financing shares.

The common shares issued decreased by 34 million to 1,247 million at the end of 2017. The difference between the common shares outstanding and common shares issued are the treasury shares.

As of December 31, 2017, there were 19 million shares held in treasury, the majority held by Ahold Delhaize to cover the equity-based long-term incentive plan.

Ahold Delhaize's authorized share capital as of December 31, 2017, was comprised of the following:

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

Shareholders by region[1]:

%	February 2018	February, 2017
U.K. / Ireland	**20.8**	17.7
North America	**19.8**	20.0
Rest of Europe	**12.0**	8.1
France	**9.2**	8.6
The Netherlands[2]	**4.9**	3.8
Rest of the world	**4.3**	4.3
Germany	**3.7**	4.0
Undisclosed[2]	**26.5**	33.5

1 Source: CMi2i.

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

For additional information about Ahold Delhaize's share capital, see *Notes 20* and *22* to the consolidated financial statements. Ahold Delhaize is a public limited liability company registered in the Netherlands with a listing of shares (symbol: AD) on Euronext's Amsterdam Stock Exchange (AEX) and Euronext Brussels.

American Depositary Receipts (ADRs)

Ahold Delhaize's shares trade in the United States on the over-the-counter (OTC) market (**www.otcmarkets.com**) in the form of American Depositary Receipts (ADRs) (ticker: ADRNY). The ratio between Ahold Delhaize ADRs and the ordinary Netherlands (euro denominated) shares is 1:1, i.e., one ADR represents one Ahold Delhaize ordinary share.

Deutsche Bank Trust Company Americas (the Depositary) acts as the depositary bank for Ahold Delhaize's ADR program.

Please also see Contact information for details on how to contact Deutsche Bank regarding the ADR program.

Security codes

Common shares:

Ticker: AD

Bloomberg code: AD NA

ISIN code: NL0011794037

CUSIP: N0074E105

American Depositary Receipts (ADR):

Ticker: ADRNY

Bloomberg code: ADRNY US

ISIN code: US5004675014

CUSIP: 500467501

Structure: Sponsored Level I ADR

Exchange: OTC

Ratio (DR:ORD): 1:1

Other codes:

Reuters code: AD.AS

Five-year overview

Results, cash flow and other information

€ million, except per share data, exchange rates and percentages	2017	2016[1]	2015	2014	2013
Net sales	**62,890**	49,695	38,203	32,774	32,615
Net sales growth at constant exchange rates[2]	**28.9%**	32.3%	2.3%	0.8%	2.0%
Operating income	**2,225**	1,584	1,318	1,250	1,239
Underlying operating margin	**3.9%**	3.8%	3.8%	3.9%	4.2%
Net interest expense	**(284)**	(276)	(244)	(222)	(242)
Income from continuing operations	**1,817**	830	849	791	805
Income (loss) from discontinued operations	**–**	–	2	(197)	1,732
Net income	**1,817**	830	851	594	2,537
Net income per common share (basic)	**1.45**	0.81	1.04	0.68	2.48
Net income per common share (diluted)	**1.43**	0.81	1.02	0.67	2.39
Income from continuing operations per common share (basic)	**1.45**	0.81	1.04	0.90	0.79
Income from continuing operations per common share (diluted)	**1.43**	0.81	1.02	0.88	0.77
Dividend per common share	**0.63**	0.57	0.52	0.48	0.47
Free cash flow	**1,926**	1,441	1,184	1,055	1,109
Net cash from operating, investing and financing activities	**827**	2,114	73	(1,005)	681
Capital expenditures (including acquisitions)[3]	**1,822**	16,775	1,172	1,006	843
Capital expenditures as % of net sales	**2.9%**	33.8%	3.1%	3.1%	2.6%
Regular capital expenditures[4]	**1,723**	1,377	811	740	830
Regular capital expenditures as % of net sales	**2.7%**	2.8%	2.1%	2.3%	2.5%
Average exchange rate (€ per $)	**0.8868**	0.9038	0.9001	0.7529	0.7533

1 Included former Delhaize segments as of July 24, 2016.

2 Net sales growth in 2016 and 2015 is adjusted for the impact of week 53 in 2015.

3 The amounts represent additions to property, plant and equipment, investment property and intangible assets. The amounts include assets acquired through business combinations, new finance leases and exclude discontinued operations.

4 The amounts exclude assets acquired through business combinations and conversion expenditure of acquired stores and acquired finance leases.

Five-year overview
continued

Balance sheet and other information

€ million, except for number of stores and otherwise indicated	**December 31, 2017**	January 1, 2017	January 3, 2015	December 28, 2014	December 29, 2013
Group equity[1]	**15,170**	16,276	5,621	4,844	6,520
Gross debt	**7,250**	7,561	3,502	3,197	3,021
Cash, cash equivalents, and short-term deposits and similar instruments and available-for-sale financial assets – current portion	**4,747**	4,317	2,354	1,886	3,963
Net debt	**2,503**	3,244	1,148	1,311	(942
Total assets	**33,871**	36,275	15,880	14,138	15,142
Number of stores[2]	**6,637**	6,556	3,253	3,206	3,131
Number of employees (in thousand FTEs)[2]	**224**	225	129	126	123
Number of employees (in thousands headcount)[2]	**369**	370	236	227	222
Common shares outstanding (in millions)[1]	**1,228**	1,272	818	823	982
Share price at Euronext (€)	**18.34**	20.03	19.48	14.66	13.22
Market capitalization[1]	**22,508**	25,484	15,944	12,059	12,989
Year-end exchange rate (€ per $)	**0.8330**	0.9506	0.9208	0.8213	0.7277

1 In 2017, €998 million was returned to shareholders through a share buyback (2016: nil, 2015: €161 million, 2014: €1,232 million and 2013: €768 million). In 2016 and 2014, €1,001 million and €1,007 million, respectively, were returned to shareholders through a capital repayment.

2 At December 29, 2013, the number of stores and employees include discontinued operations (Slovakia).

Contact information

Ahold Delhaize proactively maintains an open dialogue with shareholders, providing accurate information in a timely and consistent way. We do this through press releases, the Annual Report, presentations, webcasts, and regular briefings with analysts, fund managers and shareholders.

Ahold Delhaize is covered by approximately 30 analysts who frequently issue reports on the Company.

Corporate website

Whether you want to view the Company's latest press releases or learn more about our great local brands and heritage, our commitment to being a sustainable retailer, or our approach to corporate governance, Ahold Delhaize's corporate website provides a wealth of information for shareholders. If you have a general question about your shareholding, the *"Investors"* section of our corporate website can help, as it contains much of the information that is most frequently requested from our shareholder helpline. Investors are also encouraged to sign up to receive emailed news alerts, which include all financial news releases throughout the year. You can access the corporate website at **www.aholddelhaize.com**.

The Company is responsible for the maintenance and integrity of the financial information on our website. This information has been prepared under the relevant accounting standards and legislation.

Electronic communication

Changes in legislation have removed the requirement for companies to mail large quantities of paper communications to shareholders. Instead, companies are choosing to communicate with their shareholders via the internet, because of its speed and environmental benefits, and to save costs. Ahold Delhaize actively encourages shareholders to sign up to receive electronic communications, as part of our commitment to being a sustainable retailer. For information about how to register to receive electronic communications, please visit the *"Contact us"* section of our corporate website.

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Cautionary notice

This Annual Report includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as strategy, positioned to, future, purpose, sustainable, promises, commitment to, aim, vision, direction, forecasted, assumptions, expectations, estimates, judgments, anticipated, probable, held for sale, will, uncertain, achieve, renewal options, intends, ensure, roadmap, policy, forward, focus, targets, anticipation, potential, program, drive, risks, unpredictable conditions, strive, maintain, support, manage, prospects, forward-looking, be, foreseeable, exposure, depending on, liabilities and contingencies 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 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 competition and pressure on profit margins in the food retail industry; the impact of the Company's outstanding financial debt; future changes in accounting standards; the Company's ability to generate positive cash flows; general economic conditions; the Company's international operations; the impact of economic conditions on consumer spending; turbulence in the global credit markets and the economy; the significance of the Company's U.S. operations and the concentration of its U.S. operations on the East Coast of the U.S.; increases in interest rates and the impact of downgrades in the Company's credit ratings; competitive labor markets, changes in labor conditions and labor disruptions; environmental liabilities associated with the properties that the Company owns or leases; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; exchange rate fluctuations; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations in the U.S., the Netherlands, Belgium and other countries; product liability claims and adverse publicity; risks related to corporate responsibility and sustainable retailing; the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; its inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; unexpected outcomes with respect to tax audits; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; natural disasters and geopolitical events; inherent limitations in the Company's control systems; the failure or breach of security of IT systems; changes in supplier terms; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; adverse results arising from the Company's claims against its self-insurance programs; increases in costs associated with the Company's defined benefit pension plans; 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.

Outside the Netherlands Ahold Delhaize presents itself under the name "Royal Ahold Delhaize" or "Ahold Delhaize". For the reader's convenience, "Ahold Delhaize", the "Company", the "company", "Ahold Delhaize Group", "Ahold Delhaize group", the "Group" or the "group" is also used throughout this Annual Report.

The Company's registered name is "Koninklijke Ahold Delhaize N.V."

Nielsen's information as included in this Annual Report does not constitute a reliable independent basis for investment advice or Nielsen's opinion as to the value of any security or the advisability of investing in, purchasing or selling any security.