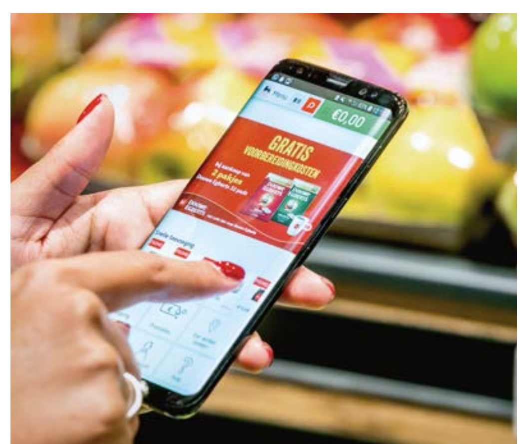


# Leading Together

## Annual Report 2018

# In this year's report

03 Message from our CEO
06 Group highlights


## Who we are


09 Where we operate
10 Market overview
12 Our stakeholders
14 Our role in the value chain
15 Our Leading Together strategy
16 Our business model
17 Our promises
18 Our growth drivers
20 Our response to stakeholder needs


## Business review


31 Group key indicators
32 Group financial review
47 Group sustainability performance review
50 Definitions: Performance measures


## Governance


53 Our Management Board and Executive Committee
55 Our Supervisory Board
57 Corporate governance
63 Supervisory Board report
70 Remuneration
77 How we manage risk
86 Declarations


## Performance

### Financial


89 Consolidated income statement
90 Consolidated statement of comprehensive income
91 Consolidated balance sheet
92 Consolidated statement of changes in equity
93 Consolidated statement of cash flows
94 Notes to the consolidated financial statements
190 Parent company financial statements
192 Notes to the parent company financial statements
202 Other information


### Sustainability


215 Introduction
218 Progress towards 2020
220 Sustainable Retailing data
226 Definitions
230 Assurance report of the independent auditor


## Investors


234 Share performance
235 Shareholder returns
236 Key dates
237 Shareholder structure
238 Five-year overview
240 Contact information
241 Cautionary notice


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

# Message from our CEO

## Frans Muller
**President and CEO**

### Dear reader,

**I'm happy to present our Annual Report for the first time as Chief Executive Officer. In 2018, we essentially finalized our merger and integration and turned our focus to the next, exciting chapter of our company. I'm very proud of the associates across our great local brands who have made our success possible.**

While we completed the merger and delivered the synergies we promised, we have continued our strong business performance in a rapidly changing industry and maintained a robust financial profile. This has enabled us to continue to invest in future growth and return excess liquidity to shareholders.

I am pleased to report that Ahold Delhaize and its great local brands had another strong financial performance in 2018. Net sales rose 2.5% to €62.8 billion at constant exchange rates, with higher sales across all segments and market share gains in most of our markets. Net consumer online sales rose 24.8% to €3.5 billion at constant exchange rates.

Our full-year underlying operating margin was 4.1%, up from 3.9% in 2017, driven by synergies that amounted to €432 million by the end of 2018. Free cash flow was €2.3 billion, enabling us to continue to invest in our stores, digital capabilities and online channels.

We completed a €2 billion share buyback and launched a new €1 billion program for 2019. Our strong financial position enables us to propose a dividend of €0.70 a share, an increase of 11.1% compared to last-year's dividend, representing a payout ratio of 42% of underlying income from continuing operations. As of 2019, we have committed to making semi-annual dividend payments, and we have the ambition to maintain a sustainable growth of our full-year dividend per share.

Our strong results underscore that Ahold Delhaize is well-positioned to succeed. We have top-notch talent across all our brands and at our support offices, along with the specialized experience that comes from being in the food retail business for more than 150 years.

Our new brand-centric organization in the United States, our updated structure in Europe, and our tremendous regional support – bolstered by the establishment of Retail Business Services and Peapod Digital Labs in the U.S. – give us the right structure to set our local brands up for success. In short, we've built a solid platform for growth – both in bricks and mortar and online.

### Launching a new strategy

In 2018, we already took our first steps toward the next phase of our company.

We operate in an industry that is going through a period of significant change, fueled by shifts in consumer behavior, rising competition from online players and advancing technology. These changes are pressuring traditional business models, prompting retailers to rethink their strategies and find new and innovative ways to serve customer needs and operate more efficiently.

**"Our strong results underscore that Ahold Delhaize is well-positioned to succeed."**

Against this backdrop, we performed an in-depth strategic review to fully understand how we are positioned in this very dynamic market and the opportunities and challenges we face. The outcome was an updated strategy we call "Leading Together," which will drive our growth and help us gain market share in a sustainable, omnichannel way.

"Leading" means that we want to be at the forefront of innovation and strengthen our leading positions in our markets – and that we have trusted leaders to take our teams forward. And we will do it "Together," with colleagues across the local brands and in partnership with vendors, communities and the other stakeholders our business touches every day. Especially in the areas of technology and sustainability, the world's challenges today are too big for companies to tackle on their own. We need strong partnerships to further innovate and improve our business, but also to make a difference in addressing challenges such as climate change and plastic waste.

# Message from our CEO

**continued**

## Accelerating our growth

Our updated strategy focuses on five growth drivers that will help us accelerate in the areas we believe will make a difference in the future food retail landscape. The first is growing our omnichannel business, which includes our network of stores in great locations and our online businesses. We want to ensure that customers can shop how, where and when they want, and that we can help them get a healthy and affordable dinner on the table in a fast and easy way.

Secondly, we will invest in technology to further improve our customer proposition and increase efficiency. Our customers are embracing technology – and it is helping us provide them with a more personalized, convenient shopping experience.

We are partnering on technologies that are not only helping us make the customer experience even more personal and relevant but also operate more efficiently and manage labor shortages in our markets. This includes exciting new collaborations in artificial intelligence and robotics.

For years we've had a strong focus on making our offering healthy and sustainable. More and more customers are conscious of the link between food, health and sustainability and want to know where our products come from and how they are produced. Our third growth driver is focused on creating healthier solutions for our customers, which will have an impact on overall disease prevention, while also becoming more sustainable in the way we source, the way we work, the way we deal with our people, and the way we operate as a company.

As a signatory member of the UN Global Compact, we join the other member companies around the world to align our strategies and operations with the Compact's ten universal principles around human rights, labor, environment and anti-corruption. We support multiple UN Sustainable Development Goals through our sustainability efforts.

The fourth driver is portfolio and scale efficiencies. This is about investing in profitable growth – both organically and inorganically – to expand our strong local brands, extend our customer reach and deepen our footprint. At the same time, it's about capturing the benefits of our scale through our Save for our Customers program and by sharing best practices.

Finally, our fifth growth driver recognizes that our people are our greatest assets. We have outstanding store teams that serve customers in our stores and work with our communities, strengthened by colleagues in distribution centers and support offices. We are aware that technological advances are changing the way people work. Every day we are engaged in attracting and retaining the best talent with the specific skills and the right capabilities, both for our current business and to adapt us for and propel us into the future. It is making a difference, and I am pleased to report that our 2018 associate engagement score was 79%, up from 78% in 2017, with higher marks on all dimensions of engagement.

Diversity and inclusion are crucial factors in having the best workforce, both now and in the future. We believe that our people should reflect the diversity in our local communities, as well as bring diverse thinking and experience in our leadership. Companies who do both are more successful. Therefore, we are committed to making further progress in this area, and I recognize that there is room for improvement in our top leadership team.

**"Our updated strategy focuses on five growth drivers that will help us accelerate in the areas we believe will make a difference in the future food retail landscape."**

# Message from our CEO

**continued**

**"Every day we are engaged in attracting and retaining the best talent with the right capabilities, both for our current business and to adapt us for and propel us into the future."**

## Leadership changes

For associates to reach their potential, we need the right leadership in place, so we continue to strengthen our management teams, promoting people from within the company and finding external talent when it helps us gain new capabilities.

We thank Mats Jansson, who retired as Chairman in 2018, for his leadership of our Supervisory Board, especially during the merger period. Jan Hommen has taken on the role of Supervisory Board Chairman once again. During the year, Johnny Thijs and Patrick De Maeseneire stepped down from the Supervisory Board due to other commitments – we are grateful for their valuable contributions while on the Board.

And of course, Dick Boer retired as CEO at the end of June. We are very grateful for his leadership and for helping us shape the company to be what it is today. Marc Croonen, who stepped down from the Executive Committee in November, contributed much to advancing our commitment to sustainability.

In October, Wouter Kolk officially took on the role of CEO Ahold Delhaize Europe and Indonesia. And, in January 2019, we also appointed a new Chief Digital Officer, Farhan Siddiqi, to help us drive digital transformation and innovation across our local brands.

Together with the hundreds of thousands of associates across our businesses, we have a tremendous team to take us into the future.

## Outlook for the future

We confirm our target for 2019 of realizing €750 million gross synergies, resulting in €500 million net synergies from the integration of the two companies. In addition, we expect to save €540 million in 2019 as part of our €1.8 billion Save for Our Customers program for 2019-2021. As previously announced, we expect the full 2019 group margins to be in line with last year.

Underlying income per share from continuing operations is expected to grow by high single digits as a percentage compared to last year. We expect free cash flow in 2019 to be around €2.0 billion, as we are increasing our capital expenditures to €2.0 billion, in particular at Stop & Shop and our eCommerce business, as well as to further strengthen our digital capabilities.

I want to thank everyone who contributed to making 2018 such a great year for Ahold Delhaize: our associates, our vendors and partners in the industry, our communities and our customers – and you, our shareholders.

Best wishes,

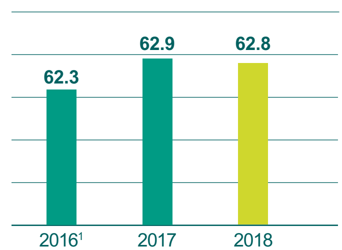
**Frans Muller**
**President and CEO**

# Group highlights

### Net sales

**€62.8bn**

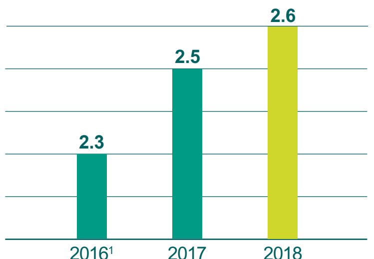
2017: €62.9bn
-0.2% (+2.5% at constant rates)




### Underlying operating income

**€2.6bn**

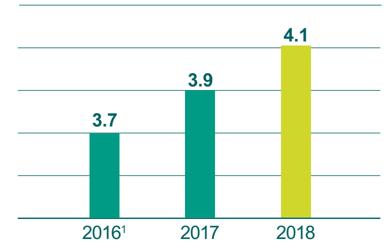
2017: €2.5bn
+4.0% (+6.7% at constant rates)




### Underlying operating margin

**4.1%**

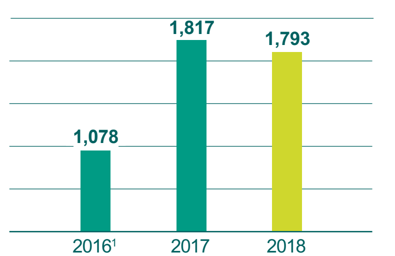
2017: 3.9%
+0.2% pt




### Net income

**€1,793m**

2017: €1,817m
-1.4% (0.0% at constant rates)




### Net consumer online sales

**€3.5bn**

2017: €2.8bn
+23.4%

### Free cash flow[2]

**€2.3bn**

2017: €1.9bn
+21.6%

### Underlying income per share from continuing operations

**€1.60**

2017: €1.26
+26.3%

### Dividend per common share

**€0.70**

2017: €0.63
+11.1%

### Own-brand food sales from healthy products

**47%**

2017: 46%
+1% pt

### Associate engagement score[3]

**79%**

2017: 78%
Industry benchmark: 80%

### Dow Jones Sustainability Index

**72**

2017: 67[4]
+5
Industry average: 35

### Carbon-equivalent emissions per m²

**456kg/m²**

2017[5]: 471kg/m²
-3.2%

1 The 2016 figures presented in the graphs are pro forma figures. To read more about the 2016 pro forma figures, see our Annual Report 2016.
2 In 2018, after €1.8 billion capital expenditure (2017: after €1.7 billion capital expenditure).
3 2018 and 2017 figures include Peapod, Gall & Gall and Etos.
4 DJSI changed its methodology in 2018 and restated the 2017 score from 73 to 67 for comparability to 2018.
5 We have restated our 2017 figures to include more accurate GWP for our refrigerants, sales area and actual fuel usage. The 2017 figure excludes Gall & Gall and Etos.

For the definitions of alternative performance measures, see *Definitions*: *Performance measures*. For definitions of sustainability indicators, see *Definitions* under Performance: *Sustainability*.

09 Where we operate
10 Market overview
12 Our stakeholders
14 Our role in the value chain
15 Our Leading Together strategy
16 Our business model
17 Our promises
18 Our growth drivers
20 Our response to stakeholder needs

# Who we are

## Ahold Delhaize at a glance

**Ahold Delhaize is one of the world's largest food retail groups, a leader in supermarkets and eCommerce, and a company at the forefront of sustainable retailing.**

Our family of great local brands serves over 50 million customers each week, in Europe, the United States and Indonesia[1]. Our Leading Together strategy, launched in November 2018, provides a framework for success, leveraging both our scale and local strength. It guides our decisions and defines shared values and promises, while giving our great local brands the flexibility to best serve their customers, associates and communities.

**372**
thousand associates

**50**
million customers served every week

**19**
great local brands[2]

**6,769**
stores serving our local communities in Europe and the United States

Store formats include: supermarkets, convenience stores, online shopping, compact hypermarkets, hypermarkets, cash and carry, drugstores and wine and liquor stores.

1 Joint venture operations.
2 Including the brands of our joint venture partners.

# Where we operate

## Our great local brands

**We operate across the United States and Europe with a joint venture in Indonesia.**

**Our strong and trusted local brands are leaders in their markets and are at the heart of our businesses. They serve customers through a total of 6,769 stores and 562 grocery pick-up points, broken down by segment in the map. In addition, our bol.com brand operates a network of pick-up points.**

For more information about our brands, see our website at **www.aholddelhaize.com/en/brands/**

### Net sales by region

- The United States (59.7%)
- The Netherlands (22.6%)
- Belgium (8.1%)
- Central and Southeastern Europe (9.6%)

### The United States

**1,961** stores
**333** pick-up points

**59.7%**
Net sales: The United States

### The Netherlands

**2,151** stores
**63** pick-up points

### Belgium

**777** stores
**127** pick-up points

### Central and Southeastern Europe

**1,880** stores
**39** pick-up points

**40.3%**
Net sales: Europe

United States: Hannaford, Peapod, Stop & Shop, Giant/Martin's, Giant, Food Lion

Belgium: Delhaize

The Netherlands: Albert Heijn, bol.com, Etos, Gall & Gall

Czech Republic: albert

Serbia: Maxi, Tempo

Romania: Mega Image

Portugal[1]: Pingo Doce

Greece: Βασιλόπουλος, Ena Food Cash & Carry

Indonesia[1]: Super Indo

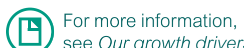
1 Pingo Doce and Super Indo are joint venture brands.

# Market overview

Technology, new business models and empowered consumers are accelerating change in the retail industry. Retailers are transforming in response to these trends.

At Ahold Delhaize[1], we are constantly on the lookout for better ways to anticipate and address the changes impacting the consumer and the retail industry landscapes.

The trends described here are the ones we believe are most relevant to our business, and around which we will accelerate our activities in coming years through our Leading Together strategy.



For more information, see *Our growth drivers*.

1 “Ahold Delhaize” or “the Company” refers to Koninklijke Ahold Delhaize N.V. and /or any of its subsidiaries, if applicable.

## Technology

**The development of technology is moving at an unprecedented rate and has the potential to completely reshape retail.**

Artificial intelligence makes it possible to automate and optimize almost every aspect of the value chain. Over the next decade, voice and natural language processing are expected to become the norm for interaction between humans and machines.

The fifth generation of mobile communications, 5G, is likely to accelerate the adoption of wearable technology that can access cloud capabilities directly rather than relying on mobile phones.

Finally, the data collected from Internet of Things (IoT)-enabled devices will drive opportunities to personalize the customer experience, optimize operations and develop new, previously unimaginable propositions and operating models.

## Online and mobile

**We see eCommerce growing rapidly and swiftly reshuffling the established order of retail.**

This is partly fueled by mobile technology, which is broadening fast access to information and increasing customer expectations around speed, convenience and personalization.

This ongoing shift will disrupt established retail models, forcing both consumer packaged goods companies and retailers to build their digital capabilities. Complexity in logistics and fulfillment are expected to grow, requiring retailers to serve varying customer needs at every point of the day and offer services like same-day and instant delivery.

While traditional grocers are partnering with third-party players to better address these digitally-enabled needs, pure online companies are looking for physical touchpoints to enhance their services to consumers. And they manage to do this by rolling out innovative store formats that range from hyper-convenient checkout-free outlets to full-sized supermarkets that seamlessly integrate offline and online services.

The rise of eCommerce and the increasing use of interfaces such as mobile or voice make it ever more important for retailers to have a multi-channel strategy.

## Convenience

**In general, customers have busy lifestyles and less time and ability to shop for and prepare nutritious food than in the past.**

But at the same time, many people are striving towards healthier diets. Retailers are diversifying their assortments to include healthy and nutritious ready-to-eat or ready-to-heat options to meet these needs.

Consumers also have growing expectations of convenience in the shopping experience. Today, they have the ultimate control over how they browse, shop, and receive products and services, often enabled by technology. Consumers want products to be available when they want them, where they want them and how they want to purchase them – either online or offline – and be readily comparable.

Retailers are responding with data-driven personalization, the rise of (almost) instant delivery and a range of new store formats.

# Market overview

continued

## Health and well-being

**Consumers' perception of what "healthy" means has changed, as people have become more knowledgeable about the relationship between the food they eat and their overall health and well-being.**

Many consumers today are inspired to eat healthier diets. What this means is different for everyone – one customer could see it as prioritizing fruits and vegetables, another as adopting a paleo or vegan diet. A growing number of consumers are seeking products that are made with simple, natural ingredients that they recognize and understand, and this is reflected in growing sales of "cleaner label" foods.

Consumers want advice that fits their specific goals and needs. We are seeing a rapidly emerging trend towards personalized nutrition, where consumers receive individual advice based on their own health data.

Consumers are also moving beyond the idea that health is tied just to physique. Solutions for "being healthy" are no longer limited to diet and exercise. Consumers seek a more well-rounded approach to health and wellness that is both personal and functional, taking into account the physical, mental, financial, social and spiritual aspects of life.

## Resource availability

**Climate change and a growing demand for food could impact our ability to secure basic resources.**

Climate change poses an existential threat, as it risks disrupting the stable temperatures that have allowed human civilization to flourish over thousands of years. Combined with an increasing global demand for food, this is putting natural resources under stress all over the world. The current climate scenario predicts decreased agricultural yields and productivity. This could lead to an inability to source basic products and serve our customers and communities.

In addition, common agriculture practices are leading to soil depletion, which impacts food yields and the quality and nutritional value of produce. Water quality – which affects food safety and quality – and quantity are also at risk in some areas as climate change worsens the availability of freshwater resources and industries compete for these resources.

To address these issues, retailers and suppliers will have to work together and invest in sustainable production practices, while engaging and enabling consumers to shift their consumption behaviors.

## Consolidation

**We expect to see increased future consolidation in grocery retail, especially in markets that are still facing a high degree of fragmentation.**

Across our industry, consolidation is considered a favorable strategy to counter low growth and decreasing margins by creating significant synergy opportunities.

At the same time, vertical integration is also accelerating. Grocers are integrating backwards through businesses like food farms and processing plants to guarantee supply and quality and lower costs.

Consumer packaged goods companies are integrating forward and developing direct-to-consumer sales models enabled by eCommerce. This is helping them build more meaningful relationships with consumers, while at the same time creating a threat to the traditional retail model.

## Operating model and workforce of the future

**Technological innovation and digitalization will permeate every functional area of retail businesses.**

Technology will impact the labor force of the future, and companies are already looking for solutions to ensure employees have the right skills going forward.

Intelligent automation and artificial intelligence will increase efficiency and accuracy, enhancing human abilities and freeing workers to drive market growth and deploy creative strategies. Successful organizations will continuously evaluate the external environment and nimbly adjust to changing conditions, becoming more agile.

Furthermore, an authentic, purpose-driven culture that allows for personalization will be critical to engaging the workforce of the future. Employees will work in networked, highly collaborative teams, while seeking to define their unique contribution in line with the organization's purpose.

In response to the changing market conditions, companies will employ a fluid workforce. They will source and manage talent through employment models that include permanent employees, affiliates, partners, publicly available talent and even customers.

# Our stakeholders

**As a global company, we have a large variety of stakeholders. To customers, associates and communities – the three primary groups that Ahold Delhaize impacts – we promise to be a better place to shop, a better place to work and a better neighbor. We also commit to transparency and high integrity with a broad list of stakeholders who have a strong interest in our company, including shareholders, global and local suppliers, governments and NGOs.**

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

During 2018, we invited key internal and external stakeholders to give us their feedback on Ahold Delhaize's most material economic, social and environmental impacts. Stakeholders were selected to represent a broad range of perspectives, including those that challenge our business choices, while including a strong sample size from associates, customers, NGOs, investors and others. The results are consolidated in our updated materiality matrix; see *Our response to stakeholder needs*.

We collaborate with other retailers and manufacturers, through memberships in industry associations and other partnerships, to improve global health, sustainability, transparency, compliance monitoring and the well-being of workers in our communities and around the world. Ahold Delhaize has a strong collaboration with the Consumer Goods Forum, a platform to work on non-competitive issues such as sustainability and health and wellness. Ahold Delhaize CEO Frans Muller succeeded former CEO Dick Boer as a Forum board member in July 2018.

Other memberships include regional and local industry associations, such as the Food Marketing Institute, the Dutch Food Retail Association ("Centraal Bureau Levensmiddelenhandel"), the European Retail Round Table, and Eurocommerce.

Ahold Delhaize is a signatory of the 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, environment and anti-corruption. These 10 principles are addressed in our policies, practices, and Leading Together strategy.

## Customers

**Our business is built on our relationships with our customers.**

Our great local brands engage with them every time they visit the stores or shop online. 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 and websites and through social media.

Customers in our markets continue to tell us they are looking for value and want an easy shopping experience, supported by technology. They want high-quality products, and are increasingly looking for options that are healthier, while staying accessible and delicious.

Customers also tell us they want to be informed about sustainable production and responsible consumption and they value products that are made with respect for people, animals and the planet. They underline the importance of recycling, sustainable packaging and the joint responsibility to minimize food waste.

# Our stakeholders

**continued**

## Associates

**Associates bring our Leading Together strategy to life every day, working together to serve customers across stores, warehouses and support offices.**

Our brands seek the input of their associates to shape our strategy and leverage ideas to improve. Every associate plays an important role as we build relationships with customers, with our neighbors and with each other. We strive to offer an inclusive place to work, where differences are respected and valued, and where all associates can achieve their full potential.

In 2018, the annual associate engagement survey was conducted across all of our Ahold Delhaize brands. We had a strong participation rate of 83% and saw an overall engagement rate of 79%, a one percentage-point improvement over last year's results.

The survey showed that associates are proud and strong advocates of our brands. They enjoy a work environment where they feel included, respected and well-informed about expectations.

We aim to run strong businesses that offer stable jobs and great career opportunities. Our businesses are committed to the principles of equal employment opportunities, freedom of association and respecting legal rights to collective bargaining.

## Communities

**Our brands are closely connected to their communities, playing a role in the lives of millions of people every day.**

The brands engage with many different entities in their local communities, including food banks, governments, civic organizations, schools, research institutes, industry bodies, charitable organizations, franchisees and affiliates, and suppliers.

Each brand partners locally with community organizations and collaborations to deliver on our strategy and improve outcomes for our stakeholders. For example, they partner with educational organizations to increase healthy eating education for children and with food banks to redistribute unsold food.

With our suppliers, we maintain multiple communication channels, including face-to-face meetings, online communication and supplier events.

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.

## 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 seek and value their input because it helps us become a better retailer.

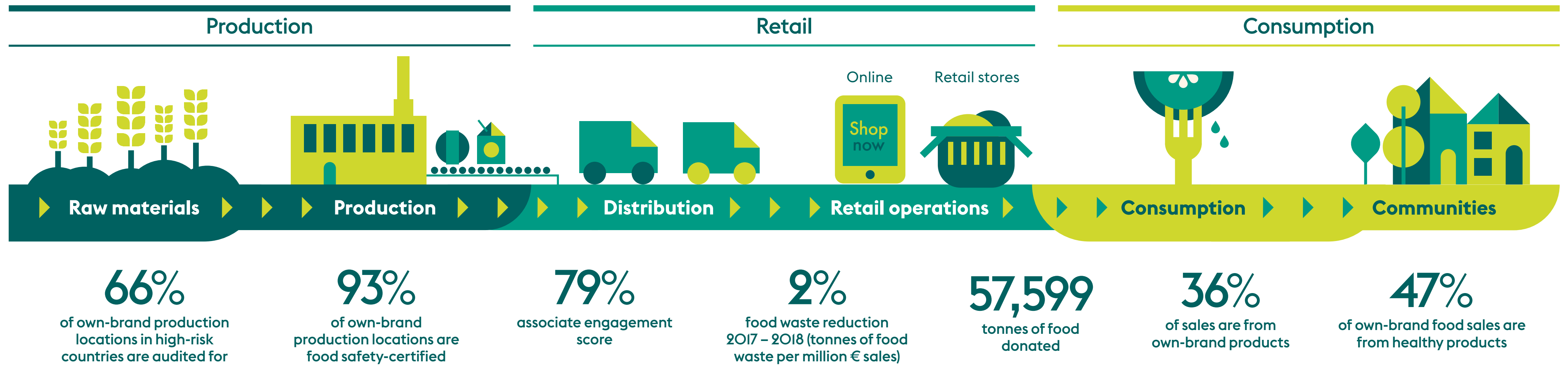
Investors and shareholders monitor our company closely and support and challenge us on our strategy and how we manage our businesses. We communicate with them through quarterly disclosures and both financial and non-financial performance briefings – such as during our annual General Meeting of Shareholders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

To demonstrate our commitment to long-term success, our disclosures cover both our financial as well as Environmental, Social and Governance (ESG)-related performance. We aim to be transparent about our progress on our Leading Together strategy, including performance against our targets to build a more sustainable business.

For more information on our financial performance, see page *Group financial review.*

For more information on our sustainability performance, see page *Group sustainability performance review.*

# Our role in the value chain




**As a food retailer, Ahold Delhaize is positioned in the middle of the value chain, delivering products from farmers and suppliers to consumers through our retail stores and online operations.**

**With our scale and leading position, we can have a significant influence on making each stage of the value chain more sustainable, in partnership with our stakeholders.**

We are committed to increasing our positive impact and driving sustainable practices throughout the global value chain – for the benefit of our customers, associates and communities – and we have implemented performance indicators and targets to help us do this.

We work to conserve resources right from the raw materials stage. We set sustainable sourcing targets for seven critical commodities, and we partner with farmers, suppliers and industry groups to reach them.

Our local brands work to map and understand their supply chains and assess how natural resources are being used, or how good working conditions are monitored and ensured.

We reduce our carbon footprint through energy-efficient stores, offices, distribution centers and transportation.

Ahold Delhaize associates serve millions of customers every day – helping them shift to healthier diets. Through local initiatives, the brands support the neighborhoods around their stores as well as local communities in the supply chain. Increasing the transparency of environmental and social impacts along the value chain is a challenge, but one that we strive towards, as it helps us evaluate where and how we can improve together with our partners.

For more information on material impacts as identified by our stakeholders, see *Our response to stakeholder needs*. For more detailed information on Sustainable Retailing data and definitions see *Performance: Sustainability*.

# Our Leading Together strategy

## Our purpose

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

## Our business model

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

**Offer an omnichannel experience:**
- Supermarkets and smaller stores
- eCommerce
- Meal solutions

Save to... ...Drive same store sales... ...And fund growth...

Great Local Brands

**Invest in our customer proposition:**
- Fresher & healthier
- Best own brands
- Local, personal & convenient
- Dependable value
- Sustainable

See **page 16**

## Our promises

See **page 17**

## Our values

**Courage**
We drive change, 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.

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

## Our growth drivers

Our growth drivers are the areas we will invest in to accelerate profitable growth through our Leading Together strategy.

1. Omnichannel growth
2. Technology
3. Healthy and sustainable
4. Portfolio and scale efficiencies
5. Best talent

See **page 18**

# Our business model

Our business model is a continuous cycle that shows how our great local brands create value for all our stakeholders.

Across Ahold Delhaize, each brand works to save, drive same-store sales and fund growth.

By continuously looking for ways to buy better, operate smarter and waste less, we maintain the ability to invest in our evolving customer proposition and offer an omnichannel shopping experience:

## 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 great local 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 brands are streamlining operations and implementing new technologies and automation to achieve cost efficiencies.

### Waste less

Our local businesses are striving to reduce waste by improving their everyday operations. They do this through initiatives such as next-generation replenishment, re-engineering packaging, reducing plastic waste and driving energy efficiency.

## Invest in our customer proposition

**Our brands invest into the local customer proposition to provide a great shopping experience that meets consumers' changing needs and builds loyalty.**

### Fresher and healthier

With broad fresh and healthier product assortments, our brands are making healthier eating easy, tasty, affordable and rewarding.

### Best own brands

Each brand focuses on building innovative own-brand product ranges to keep differentiating itself and maintain its competitive edge.

### Local, personal and convenient

We strive to build stronger relationships with customers – through the service provided by our associates and through personalized offers and convenience, enabled by technology. Our brands tailor the shopping experience to the needs of people in their neighborhoods and sell a wide range of local products.

### Dependable value

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

### Sustainable

We work to develop more sustainable practices and provide transparency across the value chain.

## Offer an omnichannel experience

**Ahold Delhaize seeks to fund growth in three key channels – supermarkets and smaller stores, eCommerce and meal solutions – so that our brands can be there wherever and however customers shop, providing more of the meals our customers enjoy each day. We are building a portfolio of strong brands that reach #1 or #2 positions in their local markets.**

### Supermarkets and smaller stores

Supermarkets are our core channel and the main focus of our investments. Our brands work to keep the stores regularly refreshed and remodeled so they remain appealing to customers. In addition, some of our brands operate smaller formats and are continuously developing them to fulfill customers' growing demand for convenience.

### eCommerce

Across our brands, we continue to develop eCommerce solutions, to make shopping more convenient, personal and inspiring. Our great local brands constantly aim to improve the quality of their service, tailor the assortment to meet or exceed customer expectations, and make online shopping available to more people.

### Meal solutions

We are continuing our expansion into meal solutions to meet customer demand for easier, fresher and healthier meal options. Our efforts are focused on meal kits, food counters and meals-on-demand.

# Our promises

**We promise customers, associates and communities that our brands will always strive 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 fulfill them according to what's best for their local markets.**

## A better place to shop

**People everywhere are demanding more convenience from the shopping experience.**

They expect to be able to shop whenever and however they want, in large stores with wide assortments, small stores for on-the-go, and online shopping for the ultimate convenience of home delivery or pickup. They want the food they buy to be fresh and healthy and expect retailers to help them make the right choices to meet their needs and those of their loved ones.

We promise that we will always work to deliver our customers a better place to shop. We will make shopping easier, fresher and healthier for customers, every day.

### How we measure success

**Net promoter score**

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

## A better place to work

**As one of the world's largest retailers, people are at the center of everything we do. Today, maybe more than ever, people want to feel engaged in their work and know that it has a purpose.**

We want to foster a healthy and diverse working environment where people can develop both professionally and personally. Our brands are dedicated to being good employers, providing enriching career opportunities and treating associates with appreciation and respect.

Our brands strive to be a better place to work, every day.

### How we measure success

**Overall engagement score**

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

## A better neighbor

**The world around us is changing fast, and as a global retailer, we can have a significant impact on issues important to people in our local communities, such as climate change, health and waste reduction.**

It is important to us to be closely connected to our communities – after all, they are home not only to our customers but also to our colleagues.

In all our local communities, we promise to become a better neighbor, every day.

### How we measure success

**Score on the DJSI**

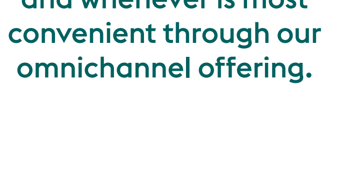
Progress against our Sustainable Retailing targets and the assessment of our sustainability performance by the Dow Jones Sustainability Index.

# Our growth drivers

We have a strong foundation and top-notch talent – and are well-positioned to win. Through our five growth drivers, we will accelerate on what will make a difference in the future food retail landscape.

## 1 Omnichannel growth

Making it possible for our customers to shop however and whenever is most convenient through our omnichannel offering.



## 2 Technology

Partnering to invest in the technology of the future and deploy it across our company today, to improve the customer experience and increase efficiency.

## 3 Healthy and sustainable

Taking the lead in offering our customers healthier and more sustainable options.

## 4 Portfolio and scale efficiencies

Having both the ambition and the opportunity to grow our business in a fragmented retail market, while scaling our efficiencies to partially self-fund our growth.

## 5 Best talent

Staying in the lead by attracting, developing and retaining the best talent, with new capabilities.

# Our growth drivers

continued

## Omnichannel growth

**We will boost our omnichannel growth by investing in our store network and online capabilities – and our scale will help us do this.**

We will continue to reposition our store brands – including our largest brand, Stop & Shop – to be even more customer-centric and locally differentiated.

At the same time, we are investing more in our home delivery capabilities, developing our pick-up points and further leveraging our online brands such as bol.com and Peapod.

People are cooking less and want easier, fresher, healthier meal options. We see a great opportunity to keep expanding into meal solutions, focusing on meal kits, food counters and meals-on-demand.

2

## Technology

**Technology will help us improve our customer offering and increase efficiency.**

We are using technology to make the three billion offers we send out each year more personalized and compelling.

When we adjust our assortment using machine learning, our customers find more of the products they want. By simplifying the checkout process and rolling out technology to help customers navigate stores and build shopping lists, we are making shopping easier.

We are also making fulfillment more efficient by investing in fully mechanized distribution centers, micro-fulfillment and optimized forecasting and replenishment.

3

## Healthy and sustainable

**Customers and communities across all our markets are looking for ways to eat cleaner, smarter and healthier, and are concerned about the impact of their shopping on people and the environment.**

Our vision is to be the leading sustainable retailer in our markets by innovating to improve health, drive sustainable consumption and maximize human potential. To meet the increasing demand for healthier diets, we will continue improving the nutritional value of our products and supporting customers in finding healthier options, while accelerating our focus on affordability and personalization.

We are committed to creating more circular systems for plastic packaging, and are testing blockchain and other methods to improve transparency about our products. In addition, we will build new, ambitious climate targets to accelerate emission reduction from our operations and supply chain.

4

## Portfolio and scale efficiencies

**We have built a solid platform and the right capabilities to enable us to pursue both organic and inorganic growth.**

We will continue to evolve our portfolio: building and strengthening our leading market positions, leveraging our scale and expanding our strong local brands, customer reach and geographical presence. We strive for a #1 or #2 position in each market, and will also grow in attractive existing or adjacent markets.

Our commitment is to partially self-fund our growth investments and acceleration through our Save for Our Customers cost program. Save for Our Customers is in our DNA, and we believe there are many more efficiencies to go after and to scale across our group.

5

## Best talent

**Our leadership team has the strength and experience to drive our strategy and grow our business even further.**

And the larger team of more than 372,000 associates are engaged, experienced and passionate about serving customers and communities across all our brands.

It is essential we offer them the right opportunities because they make everything we do possible. Our brands will continue to improve their working environment with an engaged, inclusive, balanced and healthy workplace for all associates.

# Our response to stakeholder needs

**To drive a sustainable business, we are committed to creating value for our many stakeholders.**

We are making it easier for our customers to eat more nutritious food, which helps to reduce the prevalence of diseases and increase overall vitality. We are reducing food waste, to responsibly manage the earth's resources. Our work with food banks helps feed the undernourished in our communities. And we are committed to celebrating a diverse and inclusive workforce and seeing associates reach their potential and thrive in life and business.

We are continuously driving performance improvements in climate impact, product safety and sustainability, safety at work and local community connection.

For more information on our sustainable retailing vision and strategy, and the way we manage material topics, please visit our website.
**www.aholddelhaize.com/en/sustainable-retailing/**

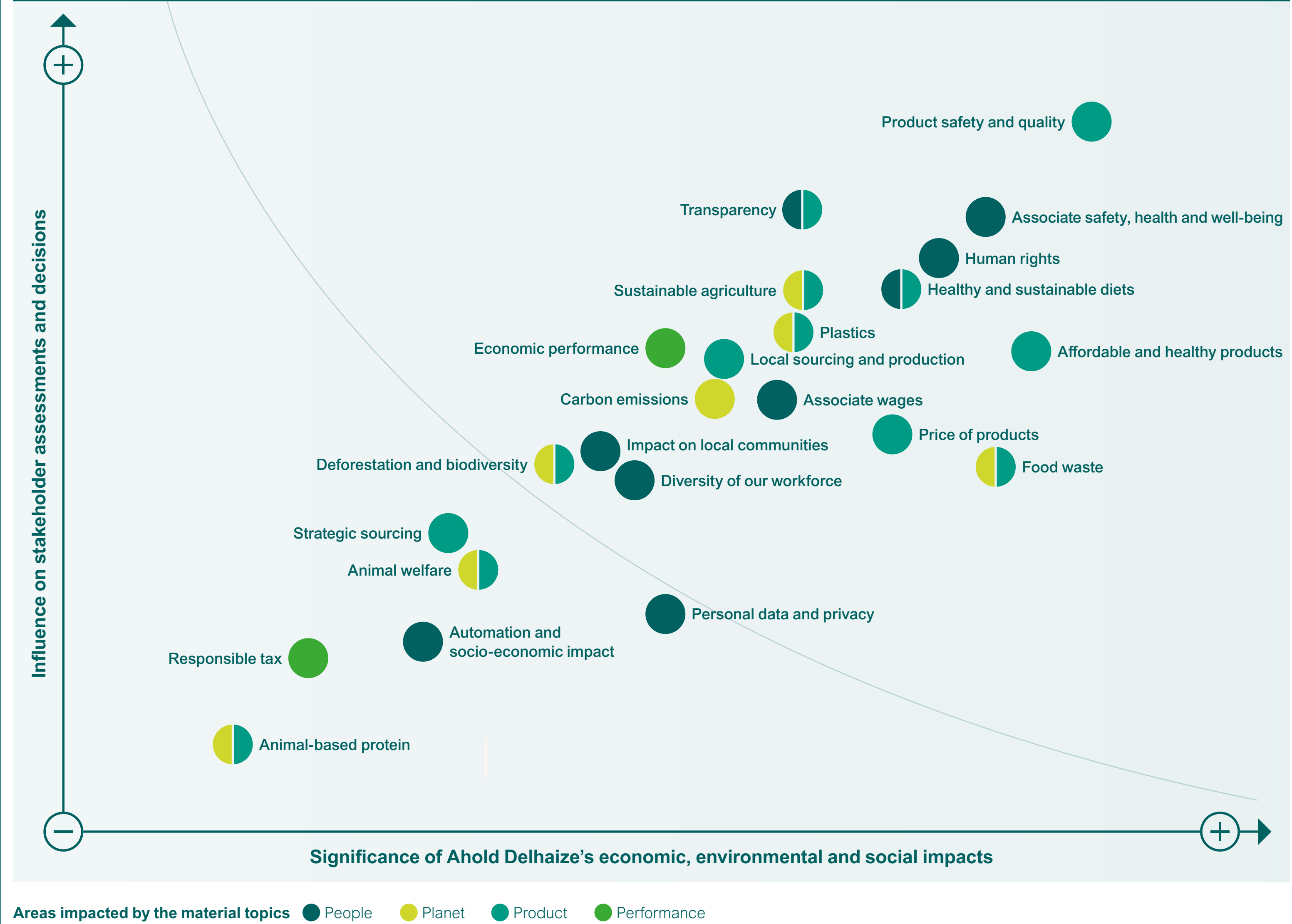
# Our response to stakeholder needs
continued

## Each year, we perform a materiality assessment, gathering input from associates, customers, investors and other external stakeholders to assess our biggest impacts on society.

Our current material topics are plotted on the matrix to the right. The matrix reflects stakeholders' feedback on the scale of Ahold Delhaize's impact and how much the topics influence their decision-making on environmental, social and economic topics. The 2018 material topics have not changed significantly from the 2017 assessment, but four topics have moved up noticeably: human rights, sustainable agriculture, plastics and transparency.

Our materiality assessment helps us to ensure that our strategy and reporting are in line with our most significant impacts and stakeholder expectations. The results of this assessment, which often drive key business risks and opportunities, have been included in our Enterprise Risk Management process; see *How we manage risk* for more information.

The 2018 materiality analysis will be used as an input as we move forward on our Leading Together strategy and set new sustainable retailing goals.



# Our response to stakeholder needs

**continued**

**We use the UN Sustainable Development Goals (SDGs) as a compass for our strategy, and as a reference when completing our annual materiality assessment. The 10 SDGs that we contribute to the most through our global strategy are shown below. In addition, as we work together with many partners in the value chain to drive progress on the SDGs and achieve our sustainability agenda, we see SDG 17 as an enabler for success.**

For more information on our strategy and how we support the SDGs, see *Performance: Sustainability* in this Annual Report and our website **www.aholddelhaize.com**.

## Stakeholder engagement

In 2018, we engaged with stakeholders on various topics including human rights, sustainable agriculture practices, sustainable protein, plastic waste reduction and animal welfare improvements. We are committed to promptly and thoughtfully responding to requests and feedback from stakeholders on these complex issues. As many of these challenges require industry-wide solutions, we often partner with other retailers, manufacturers, and expert organizations to co-create solutions that, for instance, improve human rights protection in complex supply chains, or find the right balance between reducing plastic packaging while ensuring fresh and safe food.

Our dialogue with stakeholders gives us greater visibility into impacts along our value chain, and helps us identify new partnerships and actions. We value the interactions and feedback – which happen directly with our brands or at a regional or global level – as they help us evaluate trade-offs and be strategic about the changes we implement in our business.

We continue to improve how we communicate about the stakeholder feedback we receive and the related positions we take, particularly through our global website. We recognize the increasing importance of transparency to customers and other stakeholders.

## Management approach

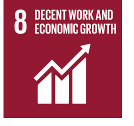
The purpose of our management approach is to enhance positive impacts and avoid, mitigate or remediate negative economic, social and environmental impacts of our businesses on society at large. The material topics can have impacts that are limited to the Ahold Delhaize organization, including its stores, offices, distribution centers and associates, or go beyond to impact society. We manage our material topics at multiple levels in the organization, through our daily business practices within the brands and globally through our Sustainable Retailing strategy (see *Performance: Sustainability* and *Definitions* for more details).

The leaders of our local brands are responsible for developing and implementing local strategies to address relevant material topics, and they set annual targets on all the Ahold Delhaize Sustainable Retailing performance indicators. On a quarterly basis, each brand leader performs an assessment on the brand's year-to-date data and discusses progress and potential data quality improvements with the Ahold Delhaize President and CEO and the VP Sustainable Retailing.

We use global KPIs and targets to drive progress toward our 2020 sustainability agenda. However, because some specific market characteristics require a local approach – for example, on local sourcing or serving local communities – the management approach on material topics is not only driven globally. Material topics addressed in the table below are those with a high influence on stakeholder decisions and on which Ahold Delhaize has a significant impact. We have included references to the SDGs most supported by our efforts.

Please visit our website for a more comprehensive view on how we manage material topics and for a Reference Table linking our activities to the Global Reporting Initiative (GRI) standards.

**The SDGs that we contribute to the most through our global strategy:**



# Our response to stakeholder needs
**continued**

## People

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Associate safety, health and well-being** | We integrate safe working conditions into workplace designs and operational procedures and measure and monitor accidents, occupational illness and related absenteeism. Annual targets are set to further increase safety measures and support associates' health and well-being through brand-level programs. See our website at **www.aholddelhaize.com** for more details and information on our programs.<br>**2020 target**<br>• Score of 75% on index of healthy workplace questions in associate engagement survey<br>**KPIs**<br>• Rate of lost days due to accidents<br>• Rate of occupational illnesses per million hours worked | **3.4** Promote mental health and well-being<br>**8.5** Achieve decent work for all and equal pay for all equal work<br>**8.8** Protect labor rights and promote safe and secure working environments for all workers |
| **Human rights** | We are committed to respecting the human rights of associates, customers, communities and the people who work throughout our supply chains. In 2018, we began a human rights due diligence process based on the UN Guiding Principles on Human Rights.<br>**2020 target**<br>• 80% of own-brand production units meeting social compliance standards | **8.7** Eradicate forced labor<br>**8.8** Protect labor rights and promote safe and secure working environments for all workers |
| **Associate wages** | Our remuneration policy is based on our commitment to the key principle of fair and equitable treatment of associates. Compensation and benefits levels are set by our brands 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 market dynamics and economic conditions.<br>**KPI**<br>• Associate engagement survey score | |

# Our response to stakeholder needs

**continued**

## People (continued)

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Impact on local communities** | Charitable contributions and community investments 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 and sponsorship of educational programs on healthier eating for children. For more information on our Framework for Community Connections and examples of our actions, see our website at **www.aholddelhaize.com**.<br><br>**KPIs**<br>• Cash donations by the company to charities<br>• Cash equivalent donations by the company to charities<br>• Cash and cash equivalent donations by customers to charities, facilitated by Ahold Delhaize brands<br>• Tonnes of food donated | **2.1** Ensure access to nutritious food for all |
| **Diversity of workforce** | Associate perception on diversity is measured through an annual associate engagement survey and annual targets are set to drive progress. Our brands are committed to creating an inclusive workplace, and diversity and inclusion are integrated into associates' value propositions through hiring practices, innovative training and leadership development programs.<br><br>**KPIs**<br>• Index of inclusive workplace questions in the associate engagement survey<br>• Percentage of female and male associates<br>• Percentage of females on the Executive Committee and Supervisory Board<br>• Percentage of associates by generation | **5.5** Achieve equal opportunities<br>**8.5** Achieve decent work for all<br>**10.2** Promote inclusion<br>**10.3** Ensure equal opportunity and reduce inequalities of outcome |

continued

## Planet

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Food waste** | We minimize food waste in own operations by preventing it, through optimized store replenishment and on-shelf management, and by re-directing unsold food to feed people. For the food waste that we cannot eliminate, we continue to expand recycling. Our brands identify new ways to partner with food banks and entrepreneurial businesses to redistribute unsold food to still feed people.<br>**2020 targets**<br>• 20% food waste reduction against 2016 baseline (tonnes / € million food sales)<br>• 90% food waste recycled<br>**KPIs**<br>• Tonnes of food waste sent to disposal per food sales<br>• Percentage of unsold food donated to feed people | **12.3** Halve food waste |
| **Sustainable agriculture** | Through our work on critical commodities we collaborate with partners in the industry to drive sustainable farming practices and protect ecosystems. We also source organic products and many fresh products from suppliers who are improving the sustainability of agriculture, for example through Integrated Pest Management, the reduction of chemical applications and better grazing practices.<br>**2020 targets**<br>• 100% sustainable sourcing for seven commodities in our own-brand products (tea, coffee, cocoa, palm oil, seafood, soy and wood fibers)<br>**KPIs**<br>• Percentage of total food sales from certified-organic products<br>• Sales from "free-from" or organic own-brand product lines | **2.4** Ensure sustainable food production systems<br>**12.2** Achieve efficient use of natural resources |
| **Plastics** | At Ahold Delhaize, we appreciate the benefits that plastic packaging brings to our business, but support the need to move to a more circular system to reduce the negative impacts of mismanaged plastic waste.<br>We set a goal related to plastics at the end of 2018, when we joined nearly 300 organizations worldwide in signing the New Plastics Economy Global Commitment for 2025. Our brands have been working on reducing plastics in our operations and optimizing product packaging for years, and this new commitment will guide our next actions.<br>**2025 target**<br>• 100% of our own-brand plastic packaging is reusable, recyclable or compostable | **12.5** Reduce waste generation<br>**14.1** Prevent and reduce marine pollution |

# Our response to stakeholder needs

**continued**

## Planet (continued)

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Carbon emissions** | Our brands are working to improve energy-efficiency, reduce refrigerant leakage, increase the use of natural refrigerants, and improve transport efficiencies. We have set targets to cut food waste and source sustainable commodities linked to deforestation. Our brands are also taking steps to reduce supply chain emissions and working with suppliers to develop and transport products to us with fewer emissions. We continue to work to solve the challenge of measuring emissions along our value chain so that we can further reduce climate impact.<br>**2020 targets**<br>• 30% reduction in $CO_2$-equivalent emissions (compared to 2008) from our own operations<br>• 100% certified sustainable sourcing of palm oil, soy, and wood fibers in own-brand products<br>• 20% food waste reduction compared to 2016 (tonnes / € million food sales) | **13.2** Integrate climate change measures<br>**7.3** Increase energy efficiency |
| **Deforestation and biodiversity** | Driving sustainability in the supply chain is a difficult challenge for a single retailer to solve. We take our responsibility seriously and play an active role in our industry to help speed the global shift to sustainable practices. We continue our long-standing commitment to source sustainable seafood, protecting 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.<br>**2020 targets**<br>• 100% certified sustainable sourcing of tea, coffee, cocoa, palm oil, soy and wood fibers in own-brand products<br>• 100% of own-brand seafood product sales certified as sustainable | **12.2** Achieve efficient use of natural resources<br>**14.4** End destructive fishing practices<br>**15.1** Ensure sustainable ecosystems<br>**15.2** Halt deforestation |

# Our response to stakeholder needs

**continued**

## Product

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Product safety and quality** | 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 from our distribution centers to our stores, including regular facility audits by third parties to confirm compliance. We require our suppliers to go beyond what is legally required for food safety practices, and work directly with Small and Medium-Sized Enterprises to help them achieve an acceptable level of assurance and identify areas for improvement.<br><br>**2020 target**<br>• 100% of own-brand food production sites certified against GFSI (Global Food Safety Initiative), or in compliance with an acceptable level of assurance standard | **2.4** Ensure sustainable food production systems<br>**12.2** Responsible production & consumption |
| **Affordable and healthy products** | Offering affordable, healthy products is a key component of our Leading Together strategy. We support customers in shifting to a healthier diet through product innovation, assortment changes, promotions and pricing. We leverage our own-brand healthy and organic or free from products to provide affordable choices, and guide customers to healthy options through navigation systems like Guiding Stars in the U.S. and Nutri-Score in Belgium.<br><br>**2020 targets**<br>• 50% of own-brand food sales from healthy products<br>• 100% of own-brand products with front-of-pack nutritional labeling | **2.1** Ensure access to nutritious food for all<br>**3.4** Reduce non-communicable disease |
| **Healthy and sustainable diets** | To meet our commitment to promote healthier eating among customers and associates, the brands are driving innovation towards healthier products, introducing new product lines, improving product sustainability and providing information on healthier diets in the stores and online. In addition, the brands offer services to help customers shift their diets, such as employing dietitians in the stores and guiding customers towards more sustainable products. In response to consumer demand, we are also increasing our organic range and offering more products that do not contain artificial ingredients. We are increasing our focus on supporting associates in moving toward healthier habits, with each brand developing annual plans for improvement.<br><br>**2020 targets**<br>• 50% of own-brand food sales from healthy products<br>• 100% sustainable sourcing for seven commodities in our own-brand products<br>• 80% of own-brand production units meeting social compliance standards<br><br>**KPIs**<br>• Percentage of total food sales from certified-organic products<br>• Sales from “free-from” or organic own-brand product lines | **2.4** Ensure sustainable food production systems<br>**3.4** Reduce non-communicable disease |

# Our response to stakeholder needs
**continued**

## Product (continued)

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **Transparency** | Consumers increasingly want to understand the impact of their choices. For example, they want to understand how what they eat impacts their health and the environment. Ahold Delhaize aims to improve transparency throughout its business operations and its communications with stakeholders. For example, the Ahold Delhaize brands make product information available to consumers, through on-pack, online and digital communications. We aim to provide clear nutritional information, as well as sustainability certifications, supplier information and other relevant communications.<br>**2020 target**<br>• 50% of own-brand food sales from healthy products<br>• 100% of own-brand products with front-of-pack nutritional labeling<br>• 100% sustainable sourcing for seven commodities in our own-brand products | **2.4** Ensure sustainable food systems<br>**12.8** Ensure information & awareness |
| **Local sourcing and production** | Local sourcing and production is important in all our markets. We offer fresh fruit and vegetables in season coming from local producers where possible, and we search out local producers for many types of products to respond to customer demand and support local economies. | **2.4** Ensure sustainable food systems<br>**12.2** Achieve efficient use of natural resources |
| **Price of products** | 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. | |

# Our response to stakeholder needs

**continued**

## Performance

| | Management approach, KPIs and targets | SDG reference |
|---|---|---|
| **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 control framework to support our strategy and aim to maintain a high return on capital.<br><br>Ahold Delhaize'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.<br><br>As part of our promise to be a better neighbor, we seek to make a positive impact on the communities in which our brands operate. One way Ahold Delhaize does this is through the taxes we pay. Our overall tax approach is in line with Ahold Delhaize's business principles and Code of Ethics. Our tax policy is published on our website.<br><br>See *Group financial review* for more information and specific financial performance indicators. | **8.2** Increase economic productivity |

Other topics shown in the materiality matrix but not in the table above are relatively less material but monitored as part of daily business operations – particularly when they have a high influence on stakeholders' decisions or are areas on which Ahold Delhaize has a significant impact. We use the complete results of the materiality analysis each year to evaluate the effectiveness of our management approaches and identify key opportunities or risks for our business.

For more information on the material topics definitions see *Definitions* under *Performance: Sustainability* and for examples of initiatives underway, please visit the *Sustainable retailing in practice* section on our website **www.aholddelhaize.com**

31 Group key indicators
32 Group financial review
47 Group sustainability performance review
50 Definitions: Performance measures

# Group key indicators

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

## Financial performance

| | 2018 € million | 2017 € million | Change | % change constant rate |
|---|---|---|---|---|
| Net sales | **62,791** | 62,890 | (0.2)% | 2.5% |
| Operating income | **2,395** | 2,225 | 7.7% | 10.5% |
| Underlying EBITDA[1] | **4,305** | 4,249 | 1.4% | 4.1% |
| Underlying EBITDA margin | **6.9%** | 6.8% | 0.1% pt | |
| Underlying operating income | **2,554** | 2,456 | 4.0% | 6.7% |
| Underlying operating margin | **4.1%** | 3.9% | 0.2% pt | |
| Income from continuing operations | **1,809** | 1,817 | (0.4)% | 0.9% |
| Net income | **1,793** | 1,817 | (1.4)% | 0.0% |
| Underlying income from continuing operations | **1,880** | 1,582 | 18.8% | 21.9% |

1 Underlying operating income was adjusted for depreciation and amortization in the amount of €1,751 million for 2018 and €1,793 million for 2017. The €7 million difference between the total amount of depreciation and amortization for 2018 of €1,758 million and the €1,751 million mentioned above relates to an item that was excluded from underlying operating income.

## Shareholders

| | 2018 € | 2017 € | Change |
|---|---|---|---|
| Net income per common share (basic) | **1.52** | 1.45 | 4.9% |
| Underlying income per share from continuing operations | **1.60** | 1.26 | 26.3% |
| Dividend payout ratio[1] | **42%** | 47% | (5.0)% pt |
| Dividend per common share | **0.70** | 0.63 | 11.1% |

1 The dividend payout ratio for 2018 is based on underlying income from continuing operations. In 2017 it is based on pro forma underlying net operating income from continuing operations. To read more about the 2017 pro forma figures, see our Annual Report 2017.

## Other information

| | 2018 € million | 2017 € million | Change versus prior year |
|---|---|---|---|
| Net debt | **3,105** | 2,503 | 24.1% |
| Free cash flow | **2,342** | 1,926 | 21.6% |
| Capital expenditures included in cash flow statement (excluding acquisitions) | **1,780** | 1,698 | 4.8% |
| Credit rating / outlook Standard & Poor's | **BBB / stable** | BBB / stable | – |
| Credit rating / outlook Moody's | **Baa1 / stable** | Baa2 / positive | upgrade and change in outlook |

## Sustainability indicators

| | 2018 | 2017 | Change |
|---|---|---|---|
| Associate engagement score (%)[1] | **79%** | 78% | 1% pt |
| Healthy own-brand food sales as a proportion of total own-brand food sales (%) | **47%** | 46% | 1% pt |
| Production units of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard | **93%** | 91% | 2% pt |
| Total $CO_2$-equivalent emissions per $m^2$ sales area (kg $CO_2$-eq/$m^2$)[2] | **456** | 471 | (3.2)% |
| Tonnes of food waste per food sales (t/€ millions) | **5.2** | 5.3 | (1.9)% |
| DJSI score | **72** | 67 | 5 |
| MSCI ESG Rating | **A** | A | |

1 2018 and 2017 figures include Peapod, Gall & Gall and Etos.

2 We have restated our 2017 figures to include more accurate GWP for our refrigerants, sales area and fuel usage. The 2017 figure excludes Gall & Gall and Etos.

Certain key performance indicators contain alternative performance measures. The definitions of these measures are described in *Definitions: Performance measures* section of this Annual Report. Also see *Definitions* under *Performance: Sustainability* for more information.

# Group financial review

## Group performance

| € million | 2018 | 2017 | Change versus prior year | % change |
|---|---|---|---|---|
| Net sales | **62,791** | 62,890 | (99) | (0.2)% |
| Cost of sales | **(45,839)** | (46,121) | 282 | 0.6% |
| Gross profit | **16,952** | 16,769 | 183 | 1.1% |
| Operating expenses | **(14,557)** | (14,544) | (13) | (0.1)% |
| Operating income | **2,395** | 2,225 | 170 | 7.7% |
| Net financial expense | **(246)** | (297) | 51 | 17.2% |
| Income before income taxes | **2,149** | 1,928 | 221 | 11.5% |
| Income taxes | **(372)** | (146) | (226) | (154.8)% |
| Share in income of joint ventures | **32** | 35 | (3) | (8.6)% |
| Income from continuing operations | **1,809** | 1,817 | (8) | (0.4)% |
| Income (loss) from discontinued operations | **(16)** | – | (16) | – |
| Net income | **1,793** | 1,817 | (24) | (1.4)% |
| | | | | |
| Operating income | **2,395** | 2,225 | 170 | 7.7% |
| Adjusted for: | | | | |
| Impairments | **58** | 64 | (6) | |
| (Gains) losses on the sale of assets | **(7)** | (47) | 40 | |
| Restructuring and related charges and other items | **108** | 214 | (106) | |
| Underlying operating income | **2,554** | 2,456 | 98 | 4.0% |
| Underlying operating income margin | **4.1%** | 3.9% | 0.2% pt | |
| Underlying EBITDA margin[1] | **6.9%** | 6.8% | 0.1% pt | |

1 Underlying operating income was adjusted for depreciation and amortization in the amount of €1,751 million for 2018 and €1,793 million for 2017. The €7 million difference between the total amount of depreciation and amortization for 2018 of €1,758 million and the €1,751 million mentioned above relates to an item that was excluded from underlying operating income.

### Net sales

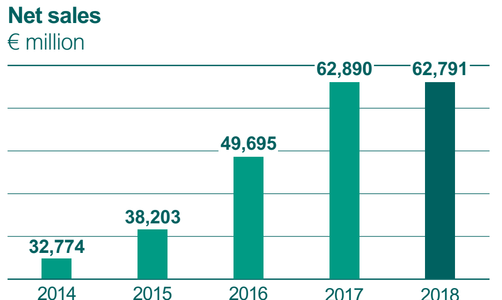
Net sales in the financial year ended December 30, 2018, were €62,791 million, a decrease of €99 million, or 0.2%, compared to net sales of €62,890 million for the financial year ended December 31, 2017. At constant exchange rates, net sales were up by €1,533 million or 2.5%. This would be 2.8% when adjusted for remedy stores sold over the course of 2017.

| € million | 2018 | 2017 | Change versus prior year | % change | Change versus prior year at constant exchange rates | % change at constant exchange rates |
|---|---|---|---|---|---|---|
| Net sales | **62,791** | 62,890 | **(99)** | (0.2)% | 1,533 | **2.5%** |
| Of which gasoline sales | **1,017** | 977 | **40** | 4.2% | 77 | **8.3%** |
| Net sales excluding gasoline | **61,774** | 61,913 | **(139)** | (0.2)% | 1,456 | **2.4%** |
| Of which online sales | **2,817** | 2,393 | **424** | 17.7% | 456 | **19.3%** |
| Net consumer online sales | **3,494** | 2,831 | **663** | 23.4% | 695 | **24.8%** |

Gasoline sales increased by 4.2% in 2018 to €1,017 million. At constant exchange rates, gasoline sales increased by 8.3%, due to an increase in gasoline prices, while volume was slightly down.

Net sales excluding gasoline decreased in 2018 by €139 million, or 0.2%, compared to 2017. At constant exchanges rates, net sales excluding gasoline increased in 2018 by €1,456 million, or 2.4% compared to 2017. Sales growth was driven by the growth of our eCommerce businesses, new store openings, and positive comparable sales growth in all segments.

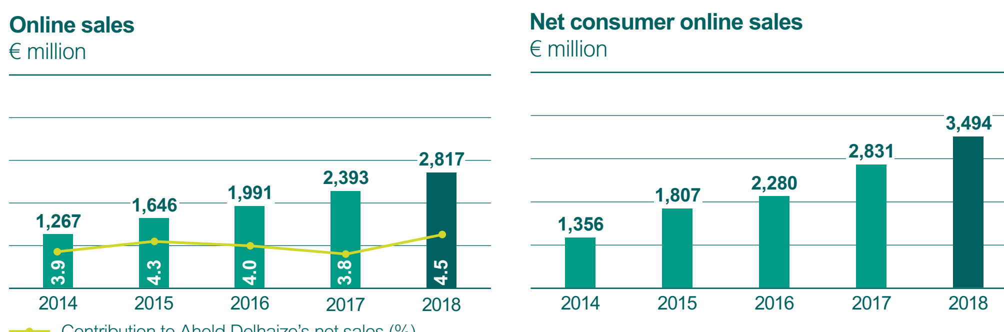
**Net sales**
€ million



# Group financial review

**continued**

Ahold Delhaize continued to see strong sales growth in its online businesses. The Company's online businesses contributed €2,817 million to Ahold Delhaize's net sales in 2018 (2017: €2,393 million). Ahold Delhaize's net consumer online sales amounted to €3,494 million and increased in 2018 by 24.8% at constant exchange rates.

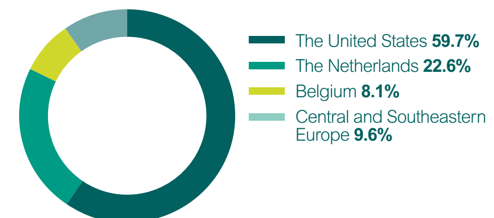



## Net sales by segment

| $ million | 2018 | 2017 | % change | % change constant rates | Comparable sales growth[1] | Comparable sales growth ex gas[1] |
|---|---|---|---|---|---|---|
| The United States | **44,174** | 43,357 | **1.9%** | **1.9%** | **2.3%** | **2.1%** |
| **€ million** | | | | | | |
| The United States | **37,460** | 38,440 | **(2.5)%** | **1.9%** | **2.3%** | **2.1%** |
| The Netherlands | **14,218** | 13,706 | **3.7%** | **3.7%** | **3.8%** | **3.8%** |
| Belgium | **5,095** | 4,953 | **2.9%** | **2.9%** | **2.2%** | **2.2%** |
| Central and Southeastern Europe | **6,018** | 5,791 | **3.9%** | **3.1%** | **0.9%** | **0.9%** |
| **Total** | **62,791** | 62,890 | **(0.2)%** | **2.5%** | **2.5%** | **2.4%** |

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

**Net sales contribution**
by segment




### Gross profit

Ahold Delhaize's gross profit was up by €183 million, or 1.1%, compared to 2017. At constant exchange rates, gross profit increased by €660 million, or 4.1%. Gross profit margin (gross profit as a percentage of net sales) for 2018 was 27.0%, an increase of 0.3 percentage points compared to 26.7% in 2017, mainly driven by synergy savings, partly offset by higher logistics and distribution costs.

### Operating expenses

In 2018, operating expenses increased by €13 million, or 0.1%, to €14,557 million, compared to €14,544 million in 2017. At constant exchange rates, operating expenses increased by €433 million, or 3.1%. As a percentage of net sales, operating expenses increased by 0.1% to 23.2%, compared to 23.1% in 2017. Excluding gasoline sales and at constant exchange rates, operating expenses as a percentage of net sales increased by 0.2 percentage points.

Operating expenses include impairments, gains and 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 and 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 2018 and 2017:

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **(32)** | (61) |
| The Netherlands | **(12)** | 2 |
| Central and Southeastern Europe | **(14)** | (5) |
| **Total** | **(58)** | (64) |

Impairment charges in 2018 were €58 million, down by €6 million compared to 2017. The impairments in 2018 mainly related to underperforming stores and investment property. In 2017, these primarily related to underperforming stores and the closure of bfresh locations in the U.S.

# Group financial review

**continued**

### Gains and losses on the sale of assets

Ahold Delhaize recorded the following gains (losses) on the sale of non-current assets in 2018 and 2017:

| € million | 2018 | 2017 |
|---|---|---|
| The United States | 7 | 39 |
| The Netherlands | – | 16 |
| Belgium | – | (8) |
| **Total** | **7** | 47 |

The gains in 2018 were €7 million, which was €40 million lower than 2017. In 2017, the gains were mainly due to the sale of remedy stores in The United States and the sale of a store portfolio in The Netherlands.

### Restructuring and related charges and other items

Restructuring and related charges and other items in 2018 and 2017 were as follows:

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **(56)** | (142) |
| The Netherlands | **(5)** | (25) |
| Belgium | **(15)** | (17) |
| Central and Southeastern Europe | **(1)** | (1) |
| Global Support Office | **(31)** | (29) |
| **Total** | **(108)** | (214) |

Restructuring and related charges and other items in 2018 were €108 million, down by €106 million compared to 2017.

In 2018, the restructuring and related charges of €108 million included €79 million of integration costs related to the merger between Ahold and Delhaize, €18 million related to other one-time costs, including costs from Hurricane Florence in the U.S. and €11 million related to the set-up of the U.S. brand-centric organization.

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.

### Operating income

Operating income in 2018 up by €170 million, or 7.7%, to €2,395 million compared to €2,225 million in 2017. The increase of €170 million is the difference between the higher gross profit of €183 million and the increase of €13 million in operating expenses. The changes in gross profit and operating expenses are explained above.

### Net financial expenses

Net financial expenses in 2018 decreased by €51 million, or 17.2%, to €246 million compared to €297 million in 2017. The decrease was primarily the result of €38 million higher interest income compared to a year ago.

### Income taxes

In 2018, income tax expense excluding the impact of statutory corporate income tax rate changes due to Dutch and Greek tax reforms was €395 million, down by €158 million compared to €553 million in 2017 (excluding the impact of statutory corporate income tax rate changes due to U.S. and Belgian tax reforms).

The effective tax rate, calculated as a percentage of income before income tax, excluding the impact of statutory corporate income tax rate changes due to Dutch and Greek tax reforms, was 18.4% in 2018 (2017: 28.7%). The decrease in the effective tax rate from 28.7% to 18.4% and the decrease in income tax expense are mainly the result of the lower statutory corporate income tax rates in the U.S. and Belgium and one-time items in 2018.

The 2018 tax expense, including the one-time impact of statutory corporate income tax rate changes due to the Dutch and Greek tax reforms, was €372 million. The effective tax rate, calculated as a percentage of income before income tax, including the one-time impact of statutory corporate income tax rate changes due to the Dutch and Greek tax reforms, was 17.3% in 2018 (2017: 7.6%). The impact of the statutory corporate income tax rate changes was €23 million in 2018 and €407 million in 2017.

### 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 €32 million in 2018, down by €3 million compared to last year. For further information about joint ventures, see *Note 14* to the consolidated financial statements.

# Group financial review

**continued**

### Underlying operating income and underlying operating income margin

Underlying operating income was €2,554 million in 2018, up €98 million, or 4.0%, versus €2,456 million in 2017. Underlying operating income margin in 2018 was 4.1%, compared to 3.9% in 2017. At constant exchange rates, underlying operating income was up by €160 million, or 6.7%, compared to 2017, mainly as result of higher gross profit as a result of synergy savings, partly offset by higher underlying operating expenses.

In 2018, net synergies of €432 million were delivered: an additional €164 million of synergies compared to 2017. Additional synergies have mainly been realized in sourcing initiatives, including not-for-resale.

In 2018, the following net synergies were delivered:

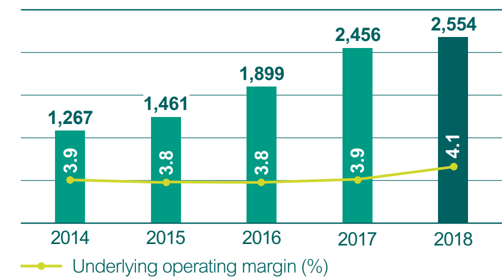
| € million | 2018 | 2017 | 2016 |
|---|---|---|---|
| The United States | **291** | 159 | 8 |
| Europe | **102** | 78 | 7 |
| Global Support Office | **39** | 31 | 7 |
| **Total** | **432** | 268 | 22 |

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

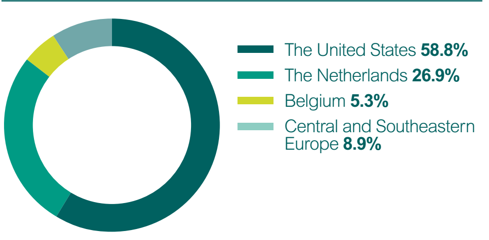
Underlying operating income and underlying operating income margin for 2018 and 2017 were as follows:

| | Underlying operating income | | | Underlying operating margin | | |
|---|---|---|---|---|---|---|
| $ million | 2018 | 2017 | % change | 2018 | 2017 | % pt change |
| The United States | **1,842** | 1,734 | 6.2% | **4.2%** | 4.0% | 0.2% pt |
| € million | | | | | | |
| The United States | **1,563** | 1,535 | 1.9% | **4.2%** | 4.0% | 0.2% pt |
| The Netherlands | **715** | 676 | 5.8% | **5.0%** | 4.9% | 0.1% pt |
| Belgium | **141** | 111 | 26.6% | **2.8%** | 2.2% | 0.6% pt |
| Central and Southeastern Europe | **237** | 242 | (1.8)% | **3.9%** | 4.2% | (0.3)% pt |
| Global Support Office | **(102)** | (108) | (4.8)% | | | |
| **Total** | **2,554** | 2,456 | 4.0% | **4.1%** | 3.9% | 0.2% pt |

**Underlying operating income**
€ million




**Underlying operating income contribution**
by segment[1]




1 Before Global Support Office costs.

# Group financial review

**continued**

## The United States

| € million | 2018 | 2017 | Change versus prior year | % change | % change at constant rates |
|---|---|---|---|---|---|
| Net sales | **37,460** | 38,440 | (980) | (2.5)% | **1.9%** |
| Of which online sales | **751** | 713 | 38 | 5.4% | **10.3%** |
| Comparable sales growth | **2.3%** | 0.7% | | | |
| Comparable sales growth excluding gasoline | **2.1%** | 0.5% | | | |
| Operating income | **1,482** | 1,371 | 111 | 8.2% | **12.9%** |
| Adjusted for: | | | | | |
| Impairments | **32** | 61 | (29) | | |
| (Gains) losses on the sale of assets | **(7)** | (39) | 32 | | |
| Restructuring and related charges and other items | **56** | 142 | (86) | | |
| Underlying operating income | **1,563** | 1,535 | 28 | 1.9% | **6.2%** |
| Underlying operating income margin | **4.2%** | 4.0% | | | |

In 2018, net sales were €37,460 million, down by €980 million or 2.5% compared to 2017. At constant exchange rates, net sales were up by 1.9%, or 2.3% adjusted for remedy stores sold over the course of 2017. Online sales were €751 million, up by 10.3% compared to last year at constant rates, driven by same-day, third-party delivery, Hannaford To Go and Peapod.

Comparable sales excluding gasoline for the segment increased by 2.1%, with positive volumes. All of the U.S. brands had positive comparable sales growth for the year.

Ahold Delhaize USA implemented a brand-centric operating model in which the brands are supported by the shared services entity Retail Business Services (RBS). This enables the Ahold Delhaize USA brands to achieve efficiencies in back office and support functions and leverage RBS' scale to build retail expertise in own brand, digital and IT.

Stop & Shop unveiled a new look and improved in-store experience starting in 21 stores in the Hartford, Connecticut area. The changes included a modernized store format with a focus on delivering more fresh, fast, local and healthy options and a new logo that is a nod to the brand's past and its legacy of leading in convenience.

Food Lion continued to benefit from the rollout of its "Easy, Fresh and Affordable" program, implemented in 70% of its stores by the end of the year. In 2018, the brand purchased three Farm Fresh stores in the greater Norfolk, Virginia, market and acquired four Bi-Lo stores, further strengthening its position in South Carolina.

Hannaford rolled out its digital My Hannaford Rewards program and reached over one million household enrollments.

The launch of Peapod Digital Labs, an entity focused on driving digital and eCommerce innovation, technology and experience is helping the Ahold Delhaize USA brands meet the changing needs of customers.

Operating income of €1,482 million increased by €111 million, or 8.2% compared to 2017. Underlying operating income was €1,563 million and is adjusted for the following items, which impacted operating income:

- Impairments: In 2018, impairment charges amounted to €32 million, while in 2017 they amounted to €61 million. In 2018, the impairments related primarily to underperforming stores and investment property. The impairments in 2017 related primarily to underperforming stores and the closure of bfresh locations.
- Gains and losses on the sale of assets: No individually significant gains or losses were recorded in 2018. In 2017, the majority of the gains related to remedy stores that were divested as part of the merger.
- Restructuring and related charges and other items: The 2018 charges decreased by €86 million compared to 2017. In 2018, these charges mainly related to integration costs as a result of the merger (€37 million), the set-up of the U.S. brand-centric organization (€10 million) and other items (€9 million), including Hurricane Florence. In 2017, these charges mainly related to integration costs and the set-up of the U.S. brand-centric organization.

In 2018, underlying operating income was €1,563 million, up by €28 million or 1.9% compared to last year. At constant rates, underlying operating income increased by 6.2%.

The United States' underlying operating income margin in 2018 was 4.2%, up 0.2 percentage points compared to 2017, mainly driven by higher gross profit as a result of strong synergy savings. Underlying expenses increased slightly compared to last year, mainly driven by cost inflation and non-recurring items, and were partly offset by our Save for Our Customers program.

### Property overview

| Number of stores | 2018 | 2017 |
|---|---|---|
| Stop & Shop | **415** | 414 |
| Food Lion | **1,029** | 1,027 |
| Giant/Martin's | **172** | 171 |
| Hannaford | **181** | 181 |
| Giant Food | **164** | 167 |
| **Total The United States** | **1,961** | 1,960 |
| Sales area of own-operated stores (in thousands of $m^2$) | **5,852** | 5,853 |

The United States ended the year with one more store, net of nine openings and eight closings.

The total number of pick-up points was 333 in 2018, an increase of 83 compared to 2017, mostly due to the launch of Food Lion To Go.

In addition to departmental upgrades, the Ahold Delhaize USA brands remodeled, expanded, relocated or reconstructed 232 stores in 2018 as part of a continuous focus on keeping stores fresh and up-to-date. Total capital investments at Ahold Delhaize USA amounted to 3.2% of sales.

At the end of 2018, Ahold Delhaize USA operated 223 fuel stations, which was one more than last year. The majority of these stations are located in the Giant/Martin's and Stop & Shop market areas.

# Group financial review

**continued**

## The Netherlands

| € million | 2018 | 2017 | Change versus prior year | % change |
|---|---|---|---|---|
| Net sales | **14,218** | 13,706 | 512 | 3.7% |
| Of which online sales | **1,999** | 1,627 | 372 | 22.9% |
| Net consumer online sales | **2,677** | 2,065 | 612 | 29.6% |
| Comparable sales growth | **3.8%** | 4.5% | | |
| Operating income | **698** | 669 | 29 | 4.2% |
| Adjusted for: | | | | |
| Impairments | **12** | (2) | 14 | |
| (Gains) losses on the sale of assets | **–** | (16) | 16 | |
| Restructuring and related charges and other items | **5** | 25 | (20) | |
| Underlying operating income | **715** | 676 | 39 | 5.8% |
| Underlying operating income margin | **5.0%** | 4.9% | | |

Net sales in 2018 were €14,218 million, up by €512 million or 3.7% compared to 2017 and 4.0% adjusted for remedy stores sold over the course of 2017.

This increase was due to a 3.8% growth in comparable sales, driven by strong sales growth at bol.com and ah.nl. Albert Heijn continued its effort to provide customers with healthier food choices in 2018. It further reduced sugar, salt and saturated fat in its own-brand product lines, with the goal of saving one billion sugar cubes by 2020. In addition, Albert Heijn rolled out a unique online tool, "My Nutritional Value," that provides customers with insights into the nutritional value of their groceries.

Albert Heijn to go rolled out its first checkout-free stores, enabling customers to skip waiting in lines by using either their "tap to go" card or an Android app to pay.

For the full year, market share at Albert Heijn decreased from 35.3% in 2017 to 34.7% in 2018 (Source: Nielsen).

Bol.com accelerated its net consumer online sales growth from 28.8% in 2017 to 32.0% in 2018. The business in Belgium and the Plaza platform – which currently offers a marketplace to more than 20,000 merchant partners in the Netherlands and Belgium – remain important growth drivers.

Once more, bol.com has been named "Best Shop in the Netherlands" for its wide range, fast delivery and convenient shopping.

Bol.com is using artificial intelligence (AI) and machine learning in order to improve its relevance and value to customers, in areas that include product search and recommendations, relevant promotions, assortment optimization and digital marketing. AI is also helping the brand achieve operational improvements, for example, in forecasting, replenishment and customer service. Through the AI Lab for Retail (AIRLab), bol.com collaborates on applied AI research with the University of Amsterdam and Albert Heijn.

Operating income increased by €29 million, or 4.2%, to €698 million, affected by the following items that Ahold Delhaize adjusts for to arrive at underlying operating income:

- Impairments: The 2018 impairment charges of €12 million in The Netherlands were mainly related to underperforming stores.
- No individually significant gains or losses were recorded in 2018. In 2017, The Netherlands sold assets with an aggregate gain of €16 million.
- Restructuring and related charges and other items: In 2018, the charges were mainly related to IT integration costs, while in 2017 they related mainly to integration costs and also included restructuring costs related to the closure of stores in Germany.

In 2018, underlying operating income in The Netherlands was €715 million, up by €39 million or 5.8% compared to 2017. The underlying operating margin of The Netherlands was 5.0% in 2018, up 0.1 percentage points compared to 2017. Margins mainly improved as a result of synergies realized from the merger with the Delhaize Group and an improvement in the dilutive impact of our online businesses as a result of their improved performance; these were partly offset by higher logistics costs.

Excluding bol.com, the underlying operating income margin was 5.6% in 2018. This was flat compared to 2017 as a result of saving programs, including synergy savings, and good cost control, offset mainly by the growth of ah.nl.

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.

### Property overview

| Number of stores | 2018 | 2017 |
|---|---|---|
| Albert Heijn: the Netherlands | **887** | 884 |
| Albert Heijn: Belgium | **42** | 37 |
| Albert Heijn to go: the Netherlands | **83** | 78 |
| Albert Heijn to go: Germany | **–** | 11 |
| Etos | **547** | 552 |
| Gall & Gall | **592** | 601 |
| **Total The Netherlands** | **2,151** | 2,163 |
| Sales area of own-operated stores (in thousands of $m^2$) | **1,004** | 996 |

In 2018, our brands in The Netherlands opened 34 stores and closed another 46 reducing the total to 2,151.

Ah.nl operated a total of 63 pick-up points at the end of 2018. In addition, bol.com customers could pick-up their orders at one of 6,260 pick-up points located in the Netherlands and Belgium.

A total of 140 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 capital investments in The Netherlands amounted to 2.7% of sales.

# Group financial review

**continued**

## Belgium

| € million | 2018 | 2017 | Change versus prior year | % change |
|---|---|---|---|---|
| Net sales | **5,095** | 4,953 | 142 | 2.9% |
| Of which online sales | **51** | 40 | 11 | 25.7% |
| Comparable sales growth | **2.2%** | (0.2)% | | |
| Operating income | **126** | 86 | 40 | 46.2% |
| Adjusted for: | | | | |
| Impairments | **–** | – | – | |
| (Gains) losses on the sale of assets | **–** | 8 | (8) | |
| Restructuring and related charges and other items | **15** | 17 | (2) | |
| Underlying operating income | **141** | 111 | 30 | 26.6% |
| Underlying operating income margin | **2.8%** | 2.2% | | |

Net sales in 2018 were €5,095 million, up €142 million or 2.9% compared to 2017, and comparable sales increased by 2.2%. Net sales growth was 3.1% adjusted for remedy stores sold over the course of 2017. Delhaize showed an improved performance across all store formats. The affiliated network and stores in Luxembourg continued to show strong growth, while comparable sales growth in the company-operated stores improved significantly compared to last year, mainly driven by improved operational performance.

Delhaize.be, our online business in Belgium, accelerated growth from 7% in 2017 to 25.7% in 2018, as more customers utilized the convenience of home delivery.

Our market share in Belgium for the year increased to 24.0% from 23.8% last year (Source: Nielsen).

Delhaize further improved the customer experience by implementing new features in the stores and introduced promotional campaigns to continue to offer the best value for customers. The brand launched a new supermarket concept in Nivelles, and plans to integrate it into other store banners as well. In addition, the first stores were opened with Delhaize's newest banner, "Fresh Atelier," that focuses on healthy convenience food while combining the physical with the digital store experience.

Delhaize continued to promote healthy food choices for both children and adults with various new campaigns. The brand also introduced the Nutri-Score food label, that visually summarizes nutritional information, helping customers understand complex nutrient tables more easily to quickly compare products and make balanced food choices.

Operating income increased by €40 million or 46.2% to €126 million. Underlying operating income is adjusted for the following items, which impacted operating income:

- Impairments: No impairments were recorded in 2018 or 2017.
- Gains and losses on the sale of assets: No individually significant gains or losses were recorded in 2017 and 2018.
- Restructuring and related charges and other items: The charges in 2018 mainly related to restructuring costs of €13 million. Integration costs amounted to €2 million. In 2017, Belgium had integration costs of €4 million and restructuring costs of €12 million.

Underlying operating income in 2018 was €141 million, up by €30 million, or 26.6%, compared to last year. Underlying operating income margin in 2018 was 2.8%, up 0.6 percentage points compared to 2017. Underlying operating income benefited from improved gross profit, partly offset by increased logistics costs and higher labor 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.

### Property overview

| Number of stores | 2018 | 2017 |
|---|---|---|
| Delhaize Belgium | **726** | 714 |
| Delhaize Luxembourg | **51** | 50 |
| **Total Belgium** | **777** | 764 |
| Sales area of own-operated stores (in thousands of $m^2$) | **281** | 282 |

In 2018, our brands in Belgium operated 777 stores, or thirteen more than the year before as a result of 28 openings and 15 closings. During the year, Delhaize introduced a new concept store format, which has been – in full or in part – rolled out to 20 stores. In total, 26 stores were remodeled or expanded and an additional 19 stores were optimized to enhance the customer experience.

Belgium operated 127 pick-up points at the end of 2018.

Total capital investments in Belgium amounted to 2.9% of sales.

# Group financial review

**continued**

## Central and Southeastern Europe

| € million | 2018 | 2017 | Change versus prior year | % change | % change at constant rates |
|---|---|---|---|---|---|
| Net sales | **6,018** | 5,791 | 227 | 3.9% | **3.1%** |
| Of which online sales | **16** | 13 | 3 | 24.2% | **24.5%** |
| Comparable sales growth | **0.9%** | 0.9% | | | |
| Comparable sales growth excluding gasoline | **0.9%** | 1.0% | | | |
| Operating income | **222** | 236 | (14) | (5.8)% | **(6.0)%** |
| Adjusted for: | | | | | |
| Impairments | **14** | 5 | 9 | | |
| Restructuring and related charges and other items | **1** | 1 | – | | |
| Underlying operating income | **237** | 242 | (5) | (1.8)% | **(2.0)%** |
| Underlying operating income margin | **3.9%** | 4.2% | | | |

In 2018, net sales in Central and Southeastern Europe (CSE) were €6,018 million, up by €227 million or 3.9% compared to 2017. At constant exchange rates, net sales were up by 3.1%.

Sales growth was driven by comparable sales growth of 0.9% and by the net addition of 130 stores in 2018, which contributed 2.2% to sales growth. Comparable sales growth was driven by our businesses in the Czech Republic, Romania and Serbia, while Greece's comparable sales growth remained negative as a consequence of competitive re-openings.

Mega Image, our brand in Romania, launched a personalized loyalty card called "Connect." This card allows Mega Image to offer personalized discounts to customers. In addition, customers receive an one-time discount of 10% when they register their loyalty cards.

Operating income decreased by €14 million to €222 million, compared to €236 million in 2017. Underlying operating income is adjusted for the following items, which impacted operating income:

- Impairments: The 2018 impairment charges of €14 million in CSE were mostly related to underperforming stores in Greece. In 2017, no individually significant impairments were recorded.
- Gains and losses on the sale of assets: No individually significant gains or losses were recorded in 2018 or 2017.
- Restructuring and related charges and other items: No individually significant charges were recorded in 2018 or 2017.

2018 underlying operating income in CSE was €237 million, down by €5 million or 1.8% from €242 million in 2017. Underlying operating income margin was 3.9%, which was 0.3 percentage points lower than in 2017, mainly driven by an increase in labor costs across the region and lower sales in Greece.

### Property overview

| Number of stores | 2018 | 2017 |
|---|---|---|
| Czech Republic | **326** | 329 |
| Greece | **460** | 412 |
| Serbia | **420** | 414 |
| Romania | **674** | 595 |
| **Total Central and Southeastern Europe** | **1,880** | 1,750 |
| Sales area of own-operated stores (in thousands of $m^2$) | **1,247** | 1,231 |

At the end of 2018, our operations in Greece, the Czech Republic, Serbia and Romania held a portfolio of 1,880 stores, including 130 net additions compared to the prior year. During the year, 57 stores were remodeled, expanded, relocated or reconstructed as part of the Company's continued process of maintaining and modernizing our store network and an additional 46 stores were optimized to enhance the customer experience.

In the Czech Republic, Albert invested in remodeling and upgrading 64 stores to further optimize its supermarket portfolio.

Our Greek brand expanded its store network by 48 stores, operating a total of 460 at the end of the year.

Serbia also expanded its store network by six stores, operating a total of 420 at the end of the year. In addition, the brand invested in remodeling, expanding, relocating or reconstructing 26 stores to further strengthen its portfolio.

Mega Image, our Romanian brand, ended the year with the net addition of 79 stores to its portfolio. Besides expanding in the Bucharest area with 46 stores, the brand successfully entered several new markets including Cluj, Giurgiu and Timisoara. Mega Image operated 674 stores at year-end.

Total capital investments in Central and Southeastern Europe amounted to 4.3% of sales.

# Group financial review

**continued**

## Global Support Office

| € million | 2018 | 2017 | Change versus prior year | % change |
|---|---|---|---|---|
| Global Support Office costs | **(133)** | (137) | 4 | (2.9)% |
| of which restructuring and related charges and other items | **(31)** | (29) | (2) | 6.9% |
| Underlying Global Support Office costs | **(102)** | (108) | 6 | (4.8)% |
| of which related to self-insurance activities | **51** | 40 | 11 | 24.9% |
| Underlying Global Support Office costs excluding self-insurance | **(153)** | (148) | (5) | 3.3% |

Global Support Office costs in 2018 were €133 million, down €4 million compared to last year. Global Support Office costs were adjusted for restructuring and related charges and other items that amounted to €31 million in 2018, or €2 million higher than last year.

Underlying Global Support Office costs were €102 million, €6 million lower versus 2017. Excluding the impact of our self-insurance activities, underlying Global Support Office costs were €153 million, or €5 million higher than last year, mainly driven by non-recurring expenses.

## Capital investments and property overview

Capital expenditure, including acquisitions and additions to finance leases, amounted to €2,060 million in 2018 and €1,822 million in 2017.

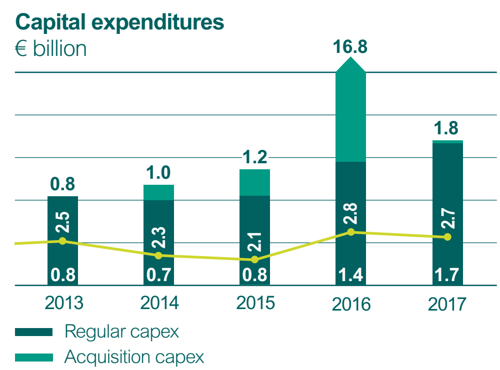
| € million | 2018 | 2017 | Change versus prior year | % of sales |
|---|---|---|---|---|
| The United States | **1,187** | 950 | 237 | 3.2% |
| The Netherlands | **380** | 363 | 17 | 2.7% |
| Belgium | **148** | 192 | (44) | 2.9% |
| Central and Southeastern Europe | **261** | 182 | 79 | 4.3% |
| Global Support Office | **49** | 36 | 13 | – |
| Total regular capital expenditures[1] | **2,025** | 1,723 | 302 | 3.2% |
| Acquisition capital expenditures[2] | **35** | 99 | (64) | – |
| **Total Ahold Delhaize** | **2,060** | 1,822 | 238 | 3.3% |
| Consisting of: | | | | |
| Property plant & equipment | **1,707** | 1,462 | 245 | |
| Investment property | **22** | 29 | (7) | |
| Intangible assets | **331** | 331 | – | |

1 The amounts represent additions to property, plant and equipment; investment property; and intangible assets. The amounts include new finance leases and exclude discontinued operations.

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. Excluding acquisitions, capital expenditures in 2018 totaled €2.0 billion. The increase, compared to 2017, mainly relates to extensive remodeling programs being carried out in the U.S. operations in 2018.

**Capital expenditures**
€ billion



# Group financial review

**continued**

As of December 30, 2018, Ahold Delhaize operated 6,769 stores. The Company's total sales area amounted to 9.4 million square meters in 2018, an increase of 0.6% 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 |
|---|---|---|---|---|
| The United States | **1,960** | 9 | (8) | **1,961** |
| The Netherlands[1] | **2,163** | 34 | (46) | **2,151** |
| Belgium | **764** | 28 | (15) | **777** |
| Central and Southeastern Europe | **1,750** | 151 | (21) | **1,880** |
| **Total number of stores** | **6,637** | 222 | (90) | **6,769** |

1 The number of stores as of December 30, 2018, includes 1,139 specialty stores (Etos and Gall & Gall) (December 31, 2017: 1,153 specialty stores).

The total number of retail locations, including the 5,606 stores owned or leased by Ahold Delhaize and 22 pick-up points in stand-alone locations, was 5,628 in 2018, higher by 96 compared to 2017.

| | Ahold Delhaize | Franchisees | Total |
|---|---|---|---|
| Number of stores leased or owned | 5,606 | 1,163 | **6,769** |
| Number of stores subleased to franchisees | (513) | 513 | **–** |
| **Number of stores operated** | 5,093 | 1,676 | **6,769** |
| Number of stand-alone pick-up points | 22 | – | **22** |
| **Total number of retail locations** | 5,115 | 1,676 | **6,791** |

Franchisees operated 1,676 stores in the Netherlands, Belgium, Luxembourg and Greece, 1,163 of which were either owned by the franchisees or leased independently from Ahold Delhaize.

At the end of 2018, Ahold Delhaize operated 562 pick-up points, which was 57 more than in 2017. These were either stand-alone, in-store or office-based.

Ahold Delhaize also operated the following other properties as of December 30, 2018:

| | |
|---|---|
| Warehouse / distribution centers / production facilities / offices | 121 |
| Properties under construction / development | 67 |
| Investment properties | 890 |
| **Total** | **1,078** |

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 5,628 retail locations (inclusive of stores subleased to franchisees) and 1,078 other properties as of December 30, 2018:

| % of total | Retail locations | Other properties |
|---|---|---|
| Company-owned | 23% | 51% |
| Leased, of which | 77% | 49% |
| Finance leases | 10% | 7% |
| Operating leases | 67% | 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.

# Group financial review

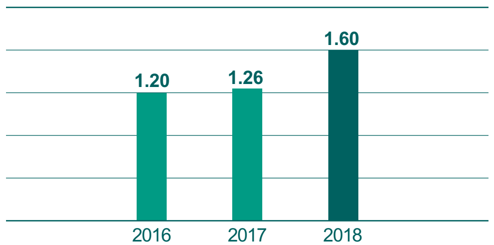
**continued**

## Earnings and dividend per share

Income from continuing operations per common share (basic) was €1.54, an increase of €0.09 or 5.8% compared to 2017. The main drivers of this increase were higher underlying operating profits after tax from continuing operations, which were partially offset by the tax benefits recorded in 2017 due to local tax reforms, and a decrease in the number of outstanding shares as a result of a €2 billion share buyback program carried out in 2018 (see *Note 20* to the consolidated financial statements for more information on the share movements).

Underlying income from continuing operations per common share (basic) was €1.60, an increase of €0.34 or 26.3% compared to 2017, driven by higher underlying operating profits after tax and, to a lesser extent, lower underlying net financial expenses.

**Underlying income from continuing operations per common share (basic)**
€




Ahold Delhaize's policy is to target a dividend payout of 40-50% of its underlying income from continuing operations (in 2017, the policy was to target a dividend payout of 40-50% of pro forma[1] underlying net operating income from continuing operations). 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.

Reflecting the confidence we have in our strategy and our ability to generate cash, we propose a cash dividend of €0.70 per common share for the financial year 2018, up 11.1% from last year. This reflects our ambition to sustainably grow the dividend per share and represents a payout ratio of 42%, based on the expected dividend payment on underlying income from continuing operations, which is in line with our dividend policy.

**Dividend per common share**
€

| 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| 0.48 | 0.52 | 0.57 | 0.63 | 0.70 |

1 To read more about the 2017 pro forma figures, see our Annual Report 2017.

Underlying income from continuing operations amounted to €1,880 million in 2018 and €1,582 million in 2017, respectively, and was determined as follows:

| € million | 2018 | 2017 |
|---|---|---|
| **Income from continuing operations** | **1,809** | 1,817 |
| Adjusted for: | | |
| Impairments | **58** | 64 |
| (Gains) losses on the sale of assets | **(7)** | (47) |
| Restructuring and related charges and other items | **108** | 214 |
| Unusual items in net financial expense | **(7)** | – |
| Tax effect on adjusted and unusual items | **(59)** | (59) |
| Tax rate changes due to local tax reforms[1] | **(22)** | (407) |
| **Underlying income from continuing operations** | **1,880** | 1,582 |

| | | |
|---|---|---|
| **Income from continuing operations per share attributable to common shareholders** | **1.54** | 1.45 |
| **Underlying income from continuing operations per share attributable to common shareholders** | **1.60** | 1.26 |

1 The statutory corporate income tax rate changes as a result of local tax reforms show the impact of recalculating Ahold Delhaize Netherlands' deferred tax positions and applying the reduced statutory Dutch corporate income tax rates. In 2017, this line shows the impact of recalculating Ahold Delhaize USA's and Ahold Delhaize Belgium's deferred tax positions and applying the reduced statutory U.S. and Belgian corporate income tax rates; see *Note 10* to the consolidated financial statements for more information.

As of 2019, Ahold Delhaize commits to semi-annual dividend payments. The interim dividend per share will be announced on the date of the release of the second quarter results and will be equal to 40% of the year-to-date underlying income per share from continuing operations. Ahold Delhaize has the ambition to maintain a sustainable growth of its full year dividend per share.

# Group financial review

**continued**

## Financial position

Ahold Delhaize's consolidated balance sheets as of December 30, 2018, and December 31, 2017, are summarized as follows:

| € million | December 30, 2018 | % of total | December 31, 2017 | % of total |
|---|---|---|---|---|
| Property, plant and equipment | **11,147** | **33.4%** | 10,689 | 31.6% |
| Intangible assets | **12,013** | **36.0%** | 11,634 | 34.3% |
| Pension assets | **24** | **0.1%** | – | – |
| Other non-current assets | **1,305** | **3.9%** | 1,578 | 4.7% |
| Cash, cash equivalents and short-term deposits and similar instruments, and current portion investment in debt instruments | **3,507** | **10.5%** | 4,747 | 14.0% |
| Inventories | **3,196** | **9.6%** | 3,077 | 9.1% |
| Other current assets | **2,139** | **6.5%** | 2,146 | 6.3% |
| **Total assets** | **33,331** | **100.0%** | 33,871 | 100.0% |
| Group equity | **14,816** | **44.5%** | 15,170 | 44.8% |
| Non-current portion of long-term debt | **5,517** | **16.6%** | 5,174 | 15.3% |
| Pensions and other post-employment benefits | **532** | **1.6%** | 567 | 1.7% |
| Other non-current liabilities | **2,445** | **7.3%** | 2,655 | 7.8% |
| Short-term borrowings and current portion of long-term debt | **1,094** | **3.3%** | 2,077 | 6.1% |
| Payables | **5,816** | **17.4%** | 5,277 | 15.6% |
| Other current liabilities | **3,111** | **9.3%** | 2,951 | 8.7% |
| **Total equity and liabilities** | **33,331** | **100.0%** | 33,871 | 100.0% |

Property, plant and equipment increased by €458 million, primarily due to the strengthening of the U.S. dollar against the euro, while capital expenditure was slightly higher than depreciation and impairments. Intangible assets increased by €379 million, also primarily due to the the strengthening of the U.S. dollar against the euro.

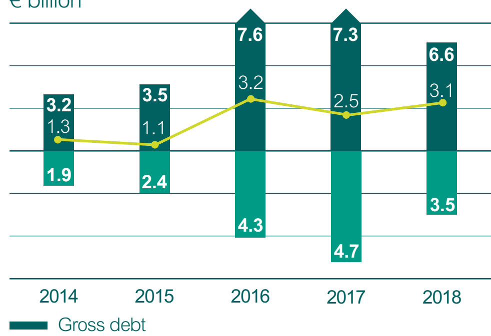
Group equity decreased by €354 million. This decrease was mainly driven by the completion of the €2 billion share buyback and a dividend payment of €757 million in 2018. The current year's net income and a positive currency translation impact of €495 million provided a partial offset.

In 2018, gross debt decreased by €638 million to €6,612 million, primarily due to a decrease of the overdraft position of a notional cash pooling arrangement. Other gross debt changes – while material – broadly offset each other. They included the issuance of €800 million bonds in March (an eight-year €500 million fixed coupon and a three-year €300 million floating coupon), and the strengthening of the U.S. dollar against the euro. These were offset by the redemption of a €400 million bond on maturity in October, the $350 million bond buyback and regular payments of finance lease and financing transaction liabilities.

Ahold Delhaize's net debt was €3,105 million as of December 30, 2018 – an increase of €602 million from December 31, 2017. Cash, cash equivalents, short-term deposits and similar instruments, and current portion of investments in debt instruments were lower by €1,240 million as a completion of the €2 billion share buyback program, payment of common stock dividend (€757 million) and the decrease in gross debt (€638 million) more than offset our strong free cash flow generation (€2,342 million) and the positive impact from the foreign exchange translation.

Net debt does not include our contractual commitments under operating lease contracts, which, on an undiscounted basis, amounted to €10,108 million at year-end 2018 (2017: €9,631 million). The off-balance sheet operating lease commitments impact our capital structure. For more information, see *Note 33* to the consolidated financial statements.

**Gross and net debt**
€ billion



# Group financial review

**continued**

Our defined benefit plans showed a net deficit of €508 million at year-end 2018 compared to a net deficit of €567 million at year-end 2017. This decrease was the result of €66 million of actuarial remeasurements and €6 million of excess contributions over annual expenses, which were partly offset by a strengthening of the U.S. dollar (€13 million).

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, 2017) for market trends and conditions through the end of 2018.

We estimate our proportionate share of the total net deficit to be $1,228 million (€1,073 million) at year-end 2018 (2017: $912 million or €760 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 a reliable estimate of the amount of the obligation cannot be made. For more information see *Note 23* to the consolidated financial statements.

## Liquidity and cash flows

### Liquidity

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented by 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 30, 2018, the Company's liquidity position primarily consisted of €2,812 million of cash (including short-term deposits and similar instruments and current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the undrawn portion of the €1 billion revolving credit facility.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends, the announced €1 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.

### 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 2018 and 2017, the Company was in compliance with these covenants. However, it was not required to test the financial covenant as a result of its credit rating. As of December 30, 2018, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $165 million (€144 million).

Ahold Delhaize has notified the relevant lenders of the change to the manner in which the financial statements are prepared following the implementation of IFRS 16, see also *Note 3* to the consolidated financial statements. The Company does not expect the changes in accounting policy to impact compliance with the general terms and provisions of its loan agreements, but may enter into discussions with its lenders to update those loan agreements to reflect the technical changes arising from the implementation of IFRS 16.

### 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 2018 and 2017 are as follows:

| € million | 2018 | 2017 |
|---|---|---|
| Operating cash flows from continuing operations | **4,328** | 3,700 |
| Purchase of non-current assets (cash capital expenditure) | **(1,780)** | (1,698) |
| Divestment of assets / disposal groups held for sale | **27** | 142 |
| Dividends from joint ventures | **17** | 70 |
| Interest received | **74** | 32 |
| Interest paid | **(324)** | (320) |
| **Free cash flow** | **2,342** | 1,926 |
| Proceeds from long-term debt | **798** | 747 |
| Repayments of loans | **(783)** | (474) |
| Repayments of finance lease liabilities | **(177)** | (190) |
| Changes in short-term loans | **(733)** | 212 |
| Dividends paid on common shares | **(757)** | (720) |
| Share buyback | **(2,003)** | (992) |
| Acquisition / divestments of businesses, net of cash | **(33)** | (53) |
| Other cash flows from derivatives | **(29)** | 262 |
| Other | **30** | 9 |
| **Change in cash, cash equivalents and short-term deposits and similar instruments, and the current portion of investment in debt instruments (before impact of exchange rates)** | **(1,345)** | 727 |
| Changes in short-term deposits and similar instruments, the current portion of investments in debt instruments and changes in restricted cash | **(242)** | 100 |
| **Net cash from operating, investing and financing activities** | **(1,587)** | 827 |

Operating cash flows from continuing operations were higher by €628 million. At constant exchange rates, operating cash flows from continuing operations were higher by €707 million, or 19.5%. The purchase of non-current assets was higher by €82 million, or €119 million higher at constant exchange rates.

### Free cash flow

Free cash flow, at €2,342 million, increased by €416 million compared to 2017. In 2018, the main uses of free cash flow included:

- Share buyback program, for a total amount of €2,003 million.
- Common stock dividend at €0.63 per share resulting in a cash outflow of €757 million.
- Bond repayment of €400 million on maturity and bond buyback of €350 million.

## Outlook

We confirm our target for 2019 of realizing €750 million gross synergies, resulting in €500 million net synergies from the integration of the two companies.

In addition, we expect to save €540 million in 2019 as part of our €1.8 billion Save for Our Customers program for 2019-2021. As previously announced, we expect the full 2019 group margins to be in line with last year.

Underlying income per share from continuing operations is expected to grow by high single digits as a percentage compared to last year.

We expect free cash flow in 2019 to be around €2.0 billion, as we are increasing our capital expenditures to €2.0 billion, in particular at Stop & Shop and our eCommerce business, as well as to further strengthen our digital capabilities.

In 2019, we will implement a new accounting standard, IFRS 16 "Leases." We refer to *Note 3* of the consolidated financial statements for an explanation of the impact of this new accounting standard. On March 25, 2019, we will provide the restated 2018 quarterly financial statements, as well as an update on the impact of IFRS 16 on our guidance for 2019.

# Group financial review

continued

## Key financial and non-financial information

The key financial and non-financial information per segment for 2018 and 2017 is presented below:

| | The United States | | The Netherlands | | Belgium | | Central and Southeastern Europe | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Net sales (€ millions) | **37,460** | 38,440 | **14,218** | 13,706 | **5,095** | 4,953 | **6,018** | 5,791 |
| Net sales ($ millions) | **44,174** | 43,357 | | | | | | |
| Net sales growth in local currency[1] | **1.9%** | 27.1% | **3.7%** | 4.6% | **2.9%** | 125.2% | **3.1%** | 63.9% |
| Comparable sales growth | **2.3%** | 0.7% | **3.8%** | 4.5% | **2.2%** | (0.2)% | **0.9%** | 0.9% |
| Comparable sales growth (excluding gasoline sales) | **2.1%** | 0.5% | **3.8%** | 4.5% | **2.2%** | (0.2)% | **0.9%** | 1.0% |
| | | | | | | | | |
| Operating income (€ millions) | **1,482** | 1,371 | **698** | 669 | **126** | 86 | **222** | 236 |
| Operating income ($ millions) | **1,748** | 1,548 | | | | | | |
| Underlying operating income (€ millions) | **1,563** | 1,535 | **715** | 676 | **141** | 111 | **237** | 242 |
| Underlying operating income ($ millions) | **1,842** | 1,734 | | | | | | |
| Underlying operating margin | **4.2%** | 4.0% | **5.0%** | 4.9% | **2.8%** | 2.2% | **3.9%** | 4.2% |
| | | | | | | | | |
| Number of employees / headcount (at year-end in thousands) | **207** | 204 | **102** | 102 | **13** | 13 | **50** | 49 |
| Number of employees / FTEs (at year-end in thousands) | **136** | 136 | **32** | 32 | **11** | 12 | **45** | 44 |
| | | | | | | | | |
| Contribution to Ahold Delhaize net sales | **59.7%** | 61.1% | **22.6%** | 21.8% | **8.1%** | 7.9% | **9.6%** | 9.2% |
| Contribution to Ahold Delhaize underlying operating income[2] | **58.8%** | 59.9% | **26.9%** | 26.4% | **5.3%** | 4.3% | **8.9%** | 9.4% |

1 Net sales from former Delhaize businesses are included as of July 24, 2016, impacting the growth rate of 2017.

2 Before Global Support Office costs.

# Group sustainability performance review

The following key indicators show group performance against our Sustainable Retailing 2020 strategy. We have grouped these indicators by impact categories: people, planet and product.

## People

| Selected indicators | 2018 | 2017 | change | 2020 targets |
|---|---|---|---|---|
| Associate engagement score (%)[1] | **79%** | 78% | 1% pt | – |
| Healthy workplace score | **74%** | 73% | 1% pt | 75% |
| Inclusive workplace score | **78%** | 77% | 1% pt | 79% |
| Associate development score | **72%** | 71% | 1% pt | 73% |
| Rate of lost days due to accidents[2] | **2.4** | 2.5 | (4.0)% | – |

1 2018 and 2017 figures include Peapod, Gall & Gall and Etos.

2 Safety at work data excludes offices. 2018 data includes bol.com, Etos and Gall & Gall. 2018 data for Delhaize Belgium is reported for Q4 2017-Q3 2018. 2017 data for Delhaize Belgium is reported for Q4 2016-Q3 2017. 2017 Albert Heijn data may include an overestimation of the number of incidences, due to reporting limitations.

Our Ahold Delhaize-wide associate engagement scores increased by one percentage point in 2018, in line with our 2020 targets. The healthy workplace score is driven by associates' perceptions of the statements, "My company makes it easy for me to eat healthy foods" and "My company supports me in living a healthy lifestyle." The inclusive workplace score is driven by associates' perceptions of the statement, "At our company, diversity is valued; and I am encouraged to share my ideas about improving our work environment." The associate development score is driven by associates' perceptions of the statement, "I am given the opportunity to improve my skills at our company."

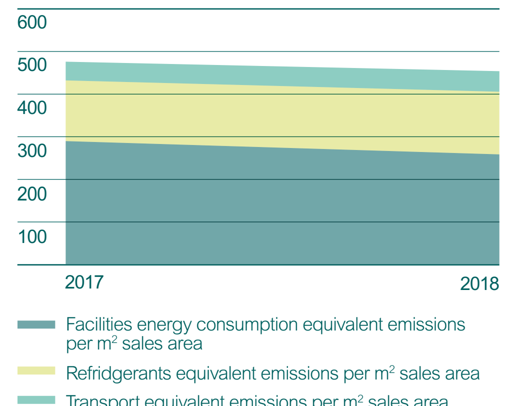
Rate of lost days due to accidents rates fell by 4.0%, of which 1.1% was due to the inclusion of bol.com, Etos, and Gall & Gall in 2018 data. Other key factors that contributed to lowering the rate of lost days due to accidents included the development of action plans for injury and risk reduction by all the brands, fully supported by local leadership. Unfortunately, a fatal accident occurred in one of the brands during 2018, which increased the global focus on reducing risks that lead to serious injuries and fatalities. The brands have been working to increase awareness among associates about the importance of safety, reinforced by World Day for Safety activities.

## Planet

| | 2018 | 2017 | change | 2020 targets |
|---|---|---|---|---|
| Tonnes of food waste per food sales (t/€ millions) | **5.2** | 5.3 | (1.9)% | 4.25 |
| % of total food waste recycled | **77%** | 68% | 9% pt | 90% |
| Waste recycled (%) | **76%** | 73% | 3% pt | 80% |
| Total $CO_2$-equivalent emissions per $m^2$ sales area (kg $CO_2$-eq/$m^2$)[1] | **456** | 471 | (3.2)% | 445 |
| % change in $CO_2$-equivalent emissions per $m^2$ of sales area (from baseline 2008)[1] | **(28)%** | (26)% | 2% pt | (30)% |
| % ozone-friendly refrigerants[1] | **77%** | 74% | 3% pt | 85% |
| Average Refrigerant Global Warming Potential (GWP)[1] | **2,320** | 2,370 | (2.1)% | 2,230 |

1 We have restated our 2017 figures to include more accurate: GWP for our refrigerants, sales area and actual fuel usage. The 2017 figure excludes Gall & Gall and Etos.

### Carbon emissions per $m^2$ of sales area



# Group sustainability performance review

**continued**

## Planet (continued)

Our brands are working to improve operating efficiency, reduce carbon emissions and reduce food waste. In 2018, Ahold Delhaize brands reduced food waste per sales by 1.9%, making progress toward the Sustainable Development Goal (SDG) 12.3 and our 2020 target of 20% reduction. Our brands have reduced their tonnes of food waste since 2016 by improving stock management and increasing the donations of unsold food that would have otherwise been wasted. However, our 2020 target remains ambitious, and may be difficult to reach. As we continue to drive healthier eating, increase our fresh assortment and promote sales of fresh and convenient products, we run the risk of increasing shrink at the same time. It remains important to improve our ability to redistribute unsold food and recycle waste. In 2018, we increased food waste recycling by 9 percentage points and total waste by 3 percentage points.

$CO_2$-equivalent emissions per sales area were 456 kg/$m^2$, a decrease from 2017 and a 28% reduction from Ahold Delhaize's 2008 baseline. Although this was, in part, driven by our progress towards a lowered average refrigerant global warming potential and initiatives to reduce energy consumption, changes to emission factors played a significant role in our achievement of a $CO_2$-equivalent emissions reduction. Our refrigerant leakage increase is primarily due to the impact of high temperatures in Europe over the summer.

In 2018, we completed an initial assessment for setting long-term, science-based climate targets. We will continue this work in 2019 and use the outcomes for setting our future climate strategy.

## Product

| | 2018 | 2017 | change | 2020 targets |
|---|---|---|---|---|
| Total sales from free-from or organic own-brand lines (€ millions) | **1,554** | 1,451 | 7.1% | – |
| Healthy own-brand food sales as a proportion of total own-brand food sales (%) | **47%** | 46% | 1% pt | 50% |
| % of own-brand products with front-of-pack nutritional labeling | **88%** | 87% | 1% pt | 100% |
| % of own-brand production locations certified for food safety standards | **93%** | 91% | 2% pt | 100% |
| % of own-brand production locations in high-risk countries audited for working condition standards | **66%** | 59% | 7% pt | 80% |

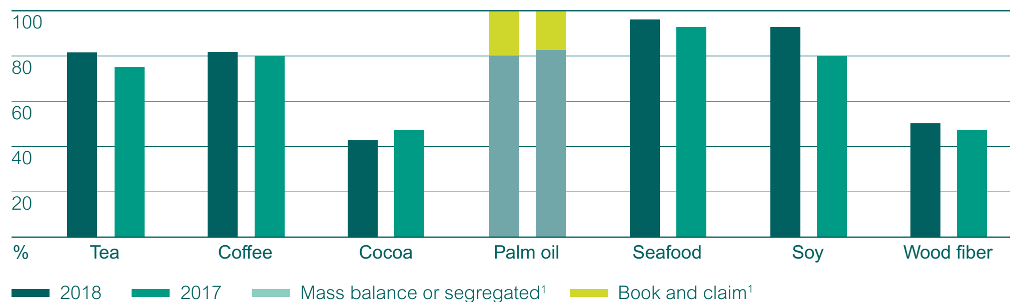
In 2018, our brands increased sales from free-from or organic own-brand lines by 7.1% compared to 2017. By better meeting consumer needs for healthier assortments, our brands increased sales of healthy own-brand food by 1.0% compared to 2017. Two examples of how the brands are helping customers gain insights into the nutritional value of products are Delhaize's introduction of Nutri-Score at-a-glance guidance on the nutritional quality of its own-brand products, and Albert Heijn's launch of the "My Nutritional Value" online tool.

In line with our efforts to continuously ensure that we sell safe food from suppliers that meet our standards related to working conditions, we also focus on increasing the percentage of audits performed at own-brand production units for both food safety and social compliance.

# Group sustainability performance review

**continued**

**Commodities in our own-brand products that comply with our sourcing standards**




1 For more information on "Mass balance or segregated" or "Book and claim", see *Definitions* under *Performance: Sustainability.*

Ahold Delhaize drives sustainable sourcing practices through sourcing targets on seven critical commodities (tea, coffee, cocoa, palm oil, seafood, soy and wood fiber). To reach these targets, we partner with farmers, suppliers and industry groups to achieve more sustainable production. All of our brands made positive progress in this area, with the exception of sourcing sustainable cocoa. The decrease in our cocoa figures is due to changes in the assortment of products containing cocoa at each of our brands. As we have eliminated non-certified products over the course of 2018, the percentage of certified products should go up in 2019.

| ESG Ratings | 2018 | 2017 | change |
|---|---|---|---|
| DJSI score[1] | **72** | 67 | 5 |
| MSCI ESG Rating | **A** | A | |

1 DJSI changed its methodology in 2018 and restated the 2017 score from 73 to 67 for comparability to 2018.

The 2018 Dow Jones Sustainability World Index (DJSI World), a key global sustainability benchmark, ranked Ahold Delhaize among the industry leaders in the Food and Staples Retailing sector for the third consecutive year. Within the industry, Ahold Delhaize was particularly recognized for Health and Nutrition, Operational Eco-Efficiency and Occupational Health and Safety. Ahold Delhaize increased its score by five percentage points and achieved an overall score of 72 out of 100, well above the sector average score of 35.

MSCI ESG Ratings help investors identify environmental, social and governance (ESG) risks and opportunities within their portfolios. MSCI researches and rates companies on a "AAA" to "CCC" scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers. Ahold Delhaize shows a constant solid A performance. With this performance, according to MSCI, we fall into the highest scoring range for all the companies assessed, relative to global peers, indicating that the Company's corporate governance practices are generally well-aligned with shareholder interests.

# 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 *Performance: Sustainability – 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 – including stores that are replaced within the same market area – and online sales in existing market areas for the most recent comparable period. 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 it is 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.

# Definitions: Performance measures

continued

**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**
Net consumer online sales is defined as online sales 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. Online sales is net sales generated through electronic ordering by the final customer at the fair value of the consideration received or receivable.

**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 investment in debt instruments, and short-term deposits and similar instruments. In management's view, because cash, cash equivalents, current portion of investments in debt instruments, and short-term deposits and similar instruments can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold Delhaize's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

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

**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.

**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%.

**Underlying operating income and margin**
Underlying operating income is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, 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 operating income margin is calculated as underlying operating income as a percentage of net sales.

**Underlying income from continuing operations**
Ahold Delhaize defines underlying income from continuing operations as income from continuing operations adjusted for impairments of non-current assets, gains and losses on the sale of assets, 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.

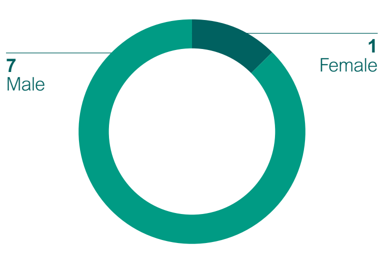
**Underlying earnings before interest, taxes, depreciation and amortization, or underlying EBITDA and margin**
Ahold Delhaize defines underlying EBITDA as underlying operating income plus depreciation and amortization. Underlying EBITDA is considered to be a useful measure for investors to analyze profitability 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.

**53** Our Management Board and Executive Committee
**55** Our Supervisory Board
**57** Corporate governance
**63** Supervisory Board report
**70** Remuneration
**77** How we manage risk
**86** Declarations

# Our Management Board and Executive Committee

## Our Management Board

**Executive Committee diversity**[1]
Gender




1 Including the members of the Management Board.

### Frans Muller

**President and Chief Executive Officer; Chairman and member of Management Board and Executive Committee**

Frans Muller started as President and Chief Executive Officer of Ahold Delhaize on July 1, 2018. Before that, he served as Deputy Chief Executive Officer and Chief Integration Officer since 2016. He was also Acting Chief Operating Officer for Delhaize America from October 2016 until January 2018. Prior to Ahold Delhaize, Frans served for three years as President and CEO of Delhaize Group.

Before joining Delhaize Group, Frans worked for German retailer Metro AG for more than 15 years, serving in various leadership positions at Metro AG, including managing director of Makro, member of the board of Metro Cash & Carry International, president for Asia Pacific and Russia / Ukraine, and CEO of Metro Group Buying. From 2006 until 2013, he was a member of the Metro AG Management Board and served as CEO of Metro Cash & Carry from 2008 until 2013.

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 Vlerick Business School.

**Age:** 57

**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. 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.

Jeff began his career at Unilever, and held senior roles in finance at Grand Metropolitan plc, Reckitt Benckiser and Associated British Foods. From 2005 to 2009, he was group finance director and a member of the board at easyJet plc. Jeff was then appointed to the role of group finance director and a member of the board at FirstGroup plc, a leading transport operator in the UK and the United States. Jeff serves as non-executive director of Kingfisher plc, Europe's leading home improvement retailer.

Jeff has lived and worked in Europe and the United States.

**Age:** 57

**Nationality:** British

### Kevin Holt

**Chief Executive Officer Ahold Delhaize USA; Member Management Board and Executive Committee**

Kevin Holt has served as Chief Executive Officer Ahold Delhaize USA since January 1, 2018. Prior to that, Kevin had been Chief Operating Officer Ahold USA since October 2016, after serving as COO Delhaize America since July 24, 2016. He had earlier served as Executive Vice President of Delhaize Group and CEO of Delhaize America, starting in 2014.

Before joining Delhaize Group, Kevin was 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:** 60

**Nationality:** American

### Wouter Kolk

**Chief Executive Officer Europe and Indonesia; Member Management Board and Executive Committee**

Wouter Kolk started as Chief Executive Officer Europe and Indonesia on October 1, 2018. He had been Chief Operating Officer the Netherlands and Belgium and member of the Executive Committee of Ahold Delhaize since 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. 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.

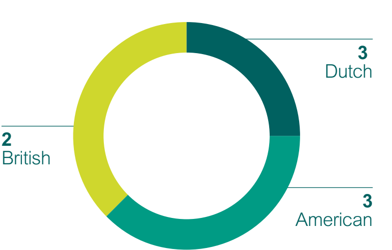
**Age:** 52

**Nationality:** Dutch

# Our Management Board and Executive Committee

## Our Executive Committee

**Executive Committee diversity**[1]
Nationality




1 Including the members of the Management Board.

### Abbe Luersman

**Chief Human Resources Officer; Member Executive Committee**

Abbe Luersman has served as Chief Human Resources Officer and member of Ahold Delhaize's Executive Committee since 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 this, 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 Gartner CHRO Global Leadership board of directors and the Netherlands American Chamber of Commerce board of directors.

**Age:** 51

**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 that, he was Chief Legal Officer and member of Ahold's Executive Committee since February 1, 2015. Jan Ernst is responsible for Ahold Delhaize's legal affairs, governance and compliance functions, safety, public affairs 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:** 55

**Nationality:** Dutch

### Ben Wishart

**Global Chief Information Officer; Member Executive Committee**

Ben Wishart became a member of the Executive Committee on 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. He is responsible for leadership and governance on technology matters globally, including strategy and solution delivery, enabling digital platforms, cyber defense and sourcing.

He previously served as CIO of Morrisons plc and Whitbread plc and held various senior Information Technology roles at Tesco plc. following early career roles in consulting with Cap Gemini and sales and marketing with American Express.

**Age:** 56

**Nationality:** British

### Farhan Siddiqi

**Chief Digital Officer; Member Executive Committee**

On January 28, 2019, Farhan Siddiqi joined Ahold Delhaize as Chief Digital Officer and member of the Executive Committee. He is responsible for driving digital transformation and innovation across Ahold Delhaize's local brands, focusing on loyalty, data analytics and personalization.

Before joining Ahold Delhaize, Farhan served as chief digital officer at McDonald's, and led the restaurant chain's digital transformation, including the launch of mobile commerce in 20,000 restaurants, a new mobile app and the upgrade of self-service ordering kiosks. He was also responsible for data analytics and extending Customer Relationship Management capabilities.

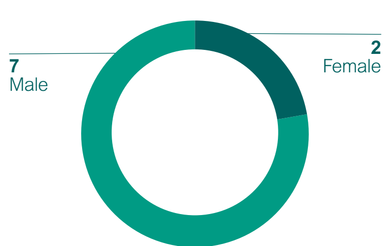
Prior to this, Farhan held various key leadership positions within Bank of America, Target and General Electric, where he focused on implementing successful customer loyalty programs and digital payment solutions and launching strategic partnerships.

**Age:** 50

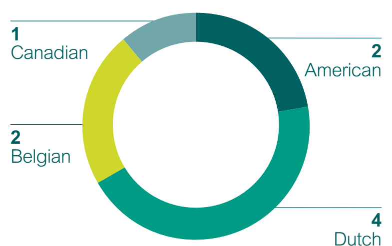
**Nationality:** American

# Our Supervisory Board

**Supervisory Board diversity**
Gender




Nationality



## Jan Hommen

### Chairman and Chairman of the Governance and Nomination Committee

Jan Hommen has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and as its Chairman since April 11, 2018. Jan is also the Chairman of the Governance and Nomination Committee and a member of the Sustainability and Innovation Committee. In addition, he served as Chairman of Ahold's Supervisory Board since 2013. Jan was Vice Chairman of Ahold's Supervisory Board and Chairman of its Audit Committee from 2003 to 2007.

Jan is the former CEO of ING Group N.V., CEO of KPMG the Netherlands, 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 (senior advisor) of BlackRock Netherlands, chairman of the board of trustees of United World College Nederland and a member of the supervisory board of ProteoNic B.V.

**Age:** 75

**Nationality:** Dutch

## Bill McEwan

### Vice Chairman and 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 this, he served on Delhaize's Board of Directors as of 2011 and was Chairman of its 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 Aimia Inc.

**Age:** 62

**Nationality:** Canadian

## Jacques de Vaucleroy

### Vice Chairman

Jacques de Vaucleroy has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is member of the Audit, Finance and Risk Committee and the Sustainability and Innovation Committee. Prior this, 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 boards of directors of Swiss Re Ltd, Swiss Re Europe, Fidelity International Ltd, Zabka Polska and Colt Technology Services Group plc. He is also a member of the advisory boards of Artexis Easyfairs and CVC Belgium.

**Age:** 58

**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 and member of the Sustainability and Innovation Committee. Prior to this, 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. and a member of the supervisory board and audit committee of Koninklijke FrieslandCampina N.V. He is chairman of the boards of the Royal Theatre Carré Fund and the Stichting African Parks Foundation. René is also a member of the Monitoring Commission Corporate Governance Code.

**Age:** 63

**Nationality:** Dutch

# Our Supervisory Board

**continued**

## 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 this, he was first appointed to the Ahold Supervisory Board on April 20, 2011.

Rob is former CEO of VNU N.V. Before that, he held various other executive positions within VNU, 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:** 68

**Nationality:** Dutch

## 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 and the Sustainability and Innovation Committee. Prior to this, 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 Aluminum Company of America Inc. and a member of its governance and nominating committee and public issues committee. Mary Anne is chair of the audit committee and member of the finance, investment and technology committee of Hewlett Packard, Inc. Mary Anne also serves as non-executive director and member of the board risk committee of Barclays plc.

**Age:** 59

**Nationality:** American

## Dominique Leroy

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

Dominique has been the CEO of Proximus (formerly Belgacom) and a member of the board of directors of Proximus since 2014. She began working at Belgacom SA in 2011 as vice president of sales for the consumer division. In 2012, Dominique 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 (BeLux) and member of the Unilever Benelux management committee.

Dominique is also chairwoman of the boards of the Proximus subsidiaries BICS and Be-Mobile and member of the board of Proximus Art. In addition, Dominique is an independent board member for the French construction materials group Saint Gobain and chairwoman of the international advisory board of the Solvay Brussels School of Economics and Management. Dominique was board member of Lotus Bakeries till May 2018.

**Age:** 54

**Nationality:** Belgian

## 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 Sustainability and Innovation 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:** 72

**Nationality:** American

## Ben Noteboom

Ben Noteboom has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Remuneration Committee and the Sustainability and Innovation Committee. Prior to this, he was first appointed to the Ahold 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 board of the Cancer Center Amsterdam.

**Age:** 60

**Nationality:** Dutch

# 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

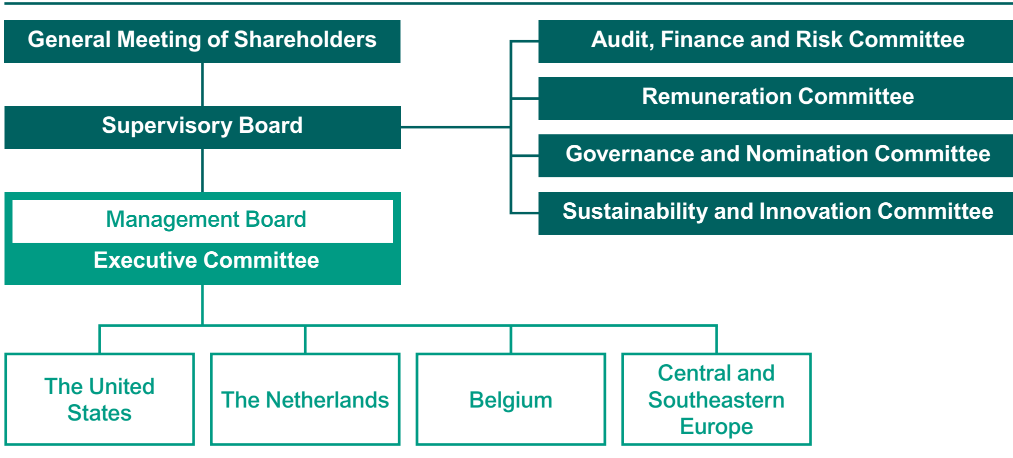
Koninklijke Ahold Delhaize N.V. ("the Company" or "Ahold Delhaize") is a public company under Dutch law, structured to execute our strategy and to balance local, regional and global decision-making.

In 2018, our Company comprised a Global Support Office and four reportable segments: The United States, The Netherlands, Belgium, and Central and Southeastern Europe (CSE) – each of which are made up of a number of local brands. 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 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**




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

### Transition

Following the Company's progress since the merger, 2018 was a year of transition, during which Ahold Delhaize moved into the next phase of its governance. The roles of Deputy CEO and Chief Integration Officer and Chief Sustainability, Transformation and Communications Officer were no longer required. In addition, the number of Supervisory Board members was reduced from 12 to nine and the Presidium was terminated.

## 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. The members of Executive Committee are invited to the meetings of the Supervisory Board by invitation of the Chairman of the Supervisory Board and attend the Supervisory Board committee meetings relevant to their respective functional responsibilities.

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: Frans Muller, President and Chief Executive Officer; Jeff Carr, Chief Financial Officer; Kevin Holt, Chief Executive Officer Ahold Delhaize USA; and Wouter Kolk, Chief Executive Officer Europe and Indonesia. The current members of the Executive Committee are the members of the Management Board along with Abbe Luersman, Chief Human Resources Officer; Jan Ernst de Groot, Chief Legal Officer; Ben Wishart, Global Chief Information Officer; and Farhan Siddiqi, Chief Digital Officer[1].

On July 1, 2018, Dick Boer stepped down as President and Chief Executive Officer and on November 1, 2018, Marc Croonen stepped down from the Executive Committee.

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.

1 As of January 28, 2019.

At the same time we aim for the best fit, in combination with the availability of qualified candidates. At this moment, Ahold Delhaize has a Management Board in which all four members are male and an Executive Committee in which one member is female and seven members are male. We recognize there is room for improvement and we continue to 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.

### 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 the current remuneration policy for Management Board members.

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 |
|---|---|---|
| Frans Muller | March 14, 2016[1] | 2020[2] |
| Jeff Carr | April 17, 2012 | 2020 |
| Kevin Holt | March 14, 2016[1] | 2020 |
| Wouter Kolk | April 11, 2018 | 2022 |

1 Effective July 24, 2016.

2 At the 2018 General Meeting of Shareholders, the Company expressed its intent to propose to shareholders in 2019 the reappointment of Frans Muller for a term of four years, after the 2019 General Meeting of Shareholders.

### Evaluation

In 2019, 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 diversity in relation to the composition of the Management Board and the Executive Committee, 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 well-being 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 by the Management Board, including:

- Issuance of shares
- Acquisitions, 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

# Corporate governance

**continued**

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, is required, regardless of the number of shares represented at the meeting.

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 for a period of two years, which may be extended by, at most, two years.

**Conflict of interest**

A 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, the member of the Management Board concerned 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 2018, 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 2018, 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. The Company is 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. Extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Management Board, or by one or more shareholders (and / or holders of depository receipts) 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 (and / or holders of depository receipts) 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 or depository receipts 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, 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 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. On February 26, 2019, 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, including restrictions on transfer, and the related voting rights, see *Note 22* to the consolidated financial statements.

### Cumulative preferred shares

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. After actively engaging with its shareholders and other stakeholders, the Company agreed with SCAD in May 2018 to extend the Option Agreement for a period of 15 years, effective December 15, 2018. Building on shareholder feedback, the Company has agreed with SCAD on two additional commitments:

- Within six months after the option is exercised, the Company will call a shareholders meeting to discuss the situation with shareholders.
- Within one year after the option is exercised, the Company will call a shareholders meeting to vote on cancellation of the shares issued to SCAD; SCAD will not vote on its shares in relation to that matter.

SCAD and the members of its board are independent from the Company. As of February 26, 2019, 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 | Former Chairman of Detailhandel Nederland |
| J. van den Belt | Former CFO Océ |
| B. Vree | Former CEO APM Terminals Europe |

For further details on Ahold Delhaize's cumulative preferred shares, including restrictions on transfer, see *Note 20* to the consolidated financial statements. The related documents are available on our public website at **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 11, 2018, 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

# Corporate governance
**continued**

common shares up to a maximum of 10% of the issued share capital through October 11, 2019, and subject to the approval of the Supervisory Board.

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 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 11, 2018, 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 11, 2019.

### Repurchase by Ahold Delhaize of its own shares

Ahold Delhaize may only acquire fully paid-up shares of any class in its capital for a consideration following authorization by the General Meeting of Shareholders and subject to the approval of the Supervisory Board and 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.

In line with the above, the Management Board has been authorized by the General Meeting of Shareholders on April 11, 2018, to acquire a number of shares in the Company. Such acquisition of shares, at the stock exchange or otherwise, will, for common shares, 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.

For cumulative preferred financing shares, this will take place at a price between 100% and 110% of the amount paid up (including share premium) on the relevant shares. The authorization takes into account the possibility of cancelling the repurchased shares. This authorization is valid through October 11, 2019. 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 €2 billion that started on January 2, 2018, was successfully completed on December 20, 2018. In total, 100,723,877 of the Company's own shares were repurchased at an average price of €19.86 per share. On January 2, 2019, the Company commenced the €1 billion share buyback program that was announced on November 13, 2018. The program is expected to be completed before the end of 2019.

### 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 26, 2019, that hold an interest of 3% or more in the share capital of the Company[1].

- BlackRock, Inc – 5.01% shareholding (6.97% voting rights) disclosed on February 21, 2019
- 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 – 15.88% shareholding (5.43% voting rights) disclosed on October 2, 2018[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 further details on the number of outstanding shares, and the percentages of the issued share capital they represent, 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 2:346 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 11, 2018, the General Meeting of Shareholders appointed PricewaterhouseCoopers Accountants N.V. as external independent auditor for the Company for the financial year 2018.

## 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 2018, 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 *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

**Jan Hommen**

**Chairman of the Supervisory Board**

**Dear shareholder,**

I am pleased to present our Supervisory Board report for 2018.

During 2018, 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 year 2018 showed that the merger and integration of Ahold and Delhaize had created a solid and efficient platform for growth. At the same time, the Company was able to maintain a strong business performance and build a culture of success, in the midst of a retail market environment that is changing rapidly. Technology, new business models, eCommerce and social demography demand new skills and leadership at all levels of the Company.

This also means we are moving into the next phase of our governance. We reduced the number of members on our Supervisory Board, in line with our ambition as disclosed in 2016. In the next two years, we will need to replace four or five members of the Board due to retirements. For that reason, we are proposing two new members to our Board for approval by shareholders at this year's annual General Meeting. We are looking for new leadership, new energy, new skills and more diversity to support the Company in the future.

In 2018, the Board put particular focus on the leadership change from Dick Boer to Frans Muller with a view to the long-term success of the Company. We are confident that Frans Muller, along with his leadership team, will be able to lead the Company into its next phase. At the same time, we thank Dick Boer for his outstanding leadership and total dedication throughout his 20-year career at Ahold and Ahold Delhaize. Also in 2018, our Chairman, Mats Jansson, retired from the Board. Mats did a great job in bringing Ahold and Delhaize together and he will always be considered a friend to the Company. We also thank Johnnie Thijs and Patrick de Maeseneire, who retired from the Board during the year, for their active contributions to our Company.

Throughout the second half of the year, we thoroughly reviewed, discussed and approved the refresh of Ahold Delhaize's long-term strategy presented to us by the Management Board, resulting in the introduction of the Leading Together strategy.

The Management Board provided us with detailed information on the performance of the business as well as strategic and operational developments, allowing us to focus on supporting the Management Board in delivering a solid set of full year results. We are pleased to report that 2018 was a successful year, which has enabled us to lay down a solid foundation for the years to come. We thank the members of the Management Board and the Executive Committee and all associates across the Company for their commitment and support.

You can find more details on our 2018 focus areas and meetings in this Supervisory Board report.

On behalf of the Supervisory Board,
**Jan Hommen**

## 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.

At this moment, two members of Ahold Delhaize's Supervisory Board are female and seven members are male. We think that the size of our Board is appropriate, but we recognize there is room for improvement in its gender diversity and will continue to pay close attention to this aspect in the 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.

### Appointments and other changes

After the annual General Meeting of Shareholders on April 11, 2018, Mats Jansson stepped down from the Supervisory Board and was succeeded as Chairman of the Board by Jan Hommen.

Bill McEwan succeeded Jan Hommen in his role as Vice Chairman of the Supervisory Board. René Hooft Graafland was reappointed for his second four-year term and Johnny Thijs and Patrick de Maeseneire stepped down from the Supervisory Board.

### Ongoing education

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 and business opportunities and challenges. In addition, multiple in-depth workshops are held on various topics to allow the Supervisory Board members to gain greater insight into Ahold Delhaize's key priorities.

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, sustainability, human resources, governance, legal and reporting affairs of our Company and its businesses.

### Evaluation

The Supervisory Board conducted a self-assessment in early 2019. The Board assessed its own performance as well as the performance of its committees and its individual members. The performance of the Management Board and its individual members was assessed during a private meeting.

Overall, the Supervisory Board was positive about the performance of the Management Board. The Supervisory Board was satisfied with the performance of its committees and its functioning as a board. The Supervisory Board concluded that it functions well as a team, in a constructive and open spirit, and that its reduced size is more suitable for the Company. As part of the outcome of the assessment, the Supervisory Board will keep a focus on its own composition in light of the rapid changes happening in the industry, to continue 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 |
| Jan Hommen | * | * | | | | * | * | * | * | | |
| Bill McEwan | * | * | * | * | | | | * | * | * | |
| Jacques de Vaucleroy | * | * | | | | * | | * | | | |
| René Hooft Graafland | * | * | | * | | * | | | * | * | |
| Rob van den Bergh | * | * | | | * | | | * | * | | |
| Mary Ann Citrino | | | * | * | | * | | | | | |
| Dominique Leroy | * | * | | * | * | | | * | * | * | * |
| Mark McGrath | | | * | * | | | | | | | |
| Ben Noteboom | * | * | | | | | * | * | * | * | |

## Supervisory Board[1] possible reappointment schedule

| Name | Date of first appointment[1] | Reappointment for second and third term | End of current appointment |
|---|---|---|---|
| Jan Hommen | October 1, 2013 | 2017 | 2021 |
| Bill McEwan | March 14, 2016[3] | | 2020 |
| Jacques de Vaucleroy | March 14, 2016[3] | | 2020 |
| René Hooft Graafland | April 16, 2014[2] | 2018 | 2022 |
| Rob van den Bergh | April 20, 2011 | 2015 | 2019 |
| Mary Anne Citrino | March 14, 2016 | | 2020 |
| Dominique Leroy | March 14, 2016[3] | | 2020 |
| Mark McGrath | April 23, 2008 | 2012 / 2016 | 2020 |
| Ben Noteboom | April 28, 2009 | 2013 / 2017 | 2021 |

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 2018, the Supervisory Board met on 10 occasions, of which six meetings were held in person in Europe and the United States and four 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 Board, Executive Committee and Supervisory Board itself. The external independent auditor attended the meeting of February 27, 2018, at which the 2017 Annual Report and financial statements were recommended for adoption by the annual General Meeting of Shareholders. The external independent auditor also attended the quarterly meetings, at which the financial results were discussed.

During its meetings throughout the year, the Supervisory Board reviewed reports from its various committees and regularly assessed the organizational strategy, talent management and succession planning. In addition, the Board members have regular contact with associates in various levels of management and, on two occasions, made informal visits to individual brands. These informal consultations ensure that the Supervisory Board remains well-informed about the Company's day-to-day operations.

- **January 2018:** The Supervisory Board held a conference call to discuss and approve Ahold Delhaize's Q4 / full year 2017 trading statement and the upcoming date of expiration of the option agreement with Stichting Continuïteit Ahold Delhaize.
- **February 2018:** During a two-day meeting, the Supervisory Board discussed and approved Ahold Delhaize's Q4 / full year 2017 results, as well as the Annual Report 2017. In addition, the Supervisory Board approved the dividend proposal. During the same meeting, the agenda and explanatory notes for the April 2018 annual General Meeting of Shareholders were established. On the recommendation of the Remuneration Committee, the Supervisory Board resolved to approve the 2017 Executive Committee Incentive Plan Payout, in addition to the approval of the salary review and salary adjustment of the Executive Committee members. In addition, the Supervisory Board received an update on the following key strategic topics: (i) the repositioning of the Stop & Shop brand, (ii) the Ahold Delhaize USA eCommerce strategy, and (iii) the Delhaize Belgium strategy. Lastly, the Supervisory Board was updated on Ahold Delhaize's enterprise risk management system, IT performance systems, post-investment reviews and significant legal proceedings with potential impact on the Company.
- **April 2018:** As a follow up to earlier deliberations, the Supervisory Board held a conference call to discuss and approve the recommendation of the Governance and Nomination Committee with respect to the appointment of Frans Muller as President and Chief Executive Officer in relation to the retirement of Dick Boer, as well as the changes in the Supervisory Board itself, including the appointment of Jan Hommen as the new Chairman. During another meeting, the Supervisory Board received updates on the strategic plans for Delhaize Belgium, Ahold Delhaize USA eCommerce (including an update on the purpose of Peapod Digital Labs) and Stop & Shop. The Supervisory Board also received an IT update, as well as a separate update on product integrity, and approved the 2018 DJSI targets.
- **May 2018:** During a conference call, the Supervisory Board discussed the extension of the option agreement with Stichting Continuïteit Ahold Delhaize and approved its extension as well as two additional commitments to incorporate feedback from shareholders. In addition, 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, including an update on the GDPR-readiness of the Company. The Board also discussed and approved the Q1 2018 Interim Report. In addition, the Supervisory Board discussed an update on the new IFRS accounting standard for leases and received an update on cyber security.
- **June 2018:** During a meeting, the Supervisory Board received an update on trends in the U.S. retail landscape. The Board also discussed an update on eCommerce in both the U.S. and Europe and approved the investment to expand bol.com's fulfillment center. The Board discussed the latest developments with respect to the Stop & Shop strategy, including the business case for the launch of a new and improved in-store experience in 21 stores in Hartford, Connecticut. The Supervisory Board discussed an update on the process leading to a refresh of the Ahold Delhaize strategy, to be presented in November. Lastly, the Supervisory Board received a review on post investments, including store expansions, relocations and remodels.
- **August 2018:** The Q2 2018 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.
- **September 2018:** The Supervisory Board held a meeting in which the Board reviewed the opportunities for a refresh of the Company's strategy. They participated in a structured dialogue on the key trends recognized in the retail marketplace and which of these trends would provide opportunities for the Company to accelerate growth. The Supervisory Board received an update on the operating model of the Ahold Delhaize USA organization and was informed about plans for the Ahold Delhaize Europe organization.

# Supervisory Board report

**continued**

- **November 2018:** During a two-day meeting, the Supervisory Board approved the Q3 2018 interim results, together with the Company's long-term business and finance plans, and annual budget plan for 2019. In addition, 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. Lastly, the presentations for the upcoming Capital Markets Day event were discussed.
- Throughout the year 2018, the Supervisory Board visited multiple stores in Europe and the United States.

## Attendance

Except for a limited number of occasions, and for valid reasons, all Supervisory Board members attended all Supervisory Board meetings in 2018. 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.

| | Supervisory Board | | Audit, Finance & Risk Committee | | Governance & Nomination Committee | | Remuneration Committee | | Sustainability & Innovation Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Board attendance | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| Jan Hommen | 10 | 10 | 4 | 4[1] | 4 | 4 | | | 2 | 2 |
| Bill McEwan | 10 | 10 | | | | | 5 | 5 | 2 | 2 |
| Jacques de Vaucleroy | 10 | 10 | 4 | 4 | 3 | 3 | | | 1 | 1 |
| René Hooft Graafland | 10 | 10 | 4 | 4 | | | | | 1 | 1 |
| Rob van den Bergh | 10 | 10 | | | | | 5 | 5 | 2 | 2 |
| Mary Anne Citrino | 10 | 7 | 4 | 3 | | | | | 1 | 1 |
| Dominique Leroy | 10 | 8 | | | 1 | 1 | | | 2 | 1 |
| Ben Noteboom | 10 | 10 | | | 3 | 3 | 5 | 5 | 1 | 1 |
| Mark McGrath | 10 | 9 | | | 4 | 4 | 2 | 2 | 1 | 1 |
| Mats Jansson | 4 | 1 | | | 2 | 2 | | | | |
| Johnny Thijs | 4 | 2 | | | | | 2 | 2 | | |
| Patrick de Maeseneire | 4 | 3 | 1 | 0 | | | | | | |

1 Attendance in his capacity as Chairman of the Supervisory Board.

## Independence

The Supervisory Board confirms that during 2018 as well as on February 26, 2019, 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 extraordinary General Meeting of Shareholders on March 14, 2016. 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 |

In the execution of the remuneration of the Supervisory Board members, the Company has given consideration to the changes made in 2018 in the composition and the responsibilities of the Supervisory Board and its related committees.

# 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 the committees has changed over 2018 and is detailed in the following table.

| | Audit, Finance and Risk Committee | Governance and Nomination Committee | Remuneration Committee | Sustainability and Innovation Committee |
|---|---|---|---|---|
| Jan Hommen (Chairman) | | Chairman | | Member |
| Bill McEwan (Vice Chairman) | | | Chairman | Member |
| Jacques de Vaucleroy (Vice Chairman) | Member | | | Member |
| René Hooft Graafland | Chairman | | | Member |
| Rob van den Bergh | | | Member | Chairman |
| Mary Anne Citrino | Member | | | Member |
| Dominique Leroy | | Member | | Member |
| Mark McGrath | | Member | | Member |
| Ben Noteboom | | | Member | Member |

**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 2018, the Audit, Finance and Risk Committee held two meetings in person, and two meetings via conference calls. The attendance rate of the Board members of this Committee was 87%. 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 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 2017 Annual Report including the financial statements
- Review and approval of the internal audit plan
- Lease accounting IFRS 16
- Management report on internal controls over financial reporting
- The findings in the internal audit letters and the external independent auditor's findings in relation to the internal controls over financial reporting
- 2017 audit findings financial statements
- 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 benefits (including pensions and multi-employer pension plans) measurement and disclosure
- Appointment of the external independent auditor
- Ahold Delhaize Code of Ethics
- Compliance, fraud and safety matters
- Global Data Protection Regulation

# Supervisory Board report
**continued**

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.

The Supervisory Board has determined that René Hooft Graafland, Mary Ann Citrino and Jacques de Vaucleroy are "Audit Committee Financial Experts" within the meaning of the Dutch Corporate Governance Code, provision 2.1.4.

### Governance and Nomination Committee

In 2018, 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 100%. The Committee's main area of focus was moving the Company into the next phase of its governance, including the transition in leadership of the Company, the transition of the Chairman's position and the downsizing of the Supervisory Board.

The Committee also discussed the changes in the retail industry and business models requiring new types of leadership and skills in our Boards and management layers. In reviewing the composition of the Supervisory Board, the Committee concluded that additional knowledge of retail, eCommerce and digitalization are welcome. Two new board members with knowledge and experience in these areas are being proposed by the Supervisory Board for approval by shareholders at this year's annual General Meeting.

In addition, the Committee carefully deliberated on the extension of the option agreement with Stichting Continuïteit Ahold Delhaize, taking into account the interest of all stakeholders. The Committee was also involved in key organizational and management changes, as well as other governance matters.

### Remuneration Committee

In 2018, the Remuneration Committee held four 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 100%. During the meetings, the Committee discussed Frans Muller's new compensation package and Dick Boer's retirement package. The Committee prepared a proposal for the Supervisory Board for an adjustment of the remuneration policy for the Management Board, to be adopted by the General Meeting of Shareholders in 2019. In addition, the Remuneration Committee prepared proposals for the individual remuneration of 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 2018, the Sustainability and Innovation Committee held two meetings in person, both of which the Chief Executive Officer was invited to attend. Since June 2018, the Sustainability and Innovation Committee has comprised all members of the Supervisory Board, given the importance of embedding sustainability and technology in all activities of the Company. The attendance rate of the Board members of this Committee was 92%. The Committee's main areas of focus were Ahold Delhaize's Sustainable Retailing and eCommerce strategies. In addition, technology, robotics, digitalization and personalization data analytics were addressed in the meetings.

### Conclusion

The Supervisory Board is of the opinion that during the year 2018, 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 would like to thank Mats Jansson, Johnny Thijs and Patrick de Maeseneire for their many contributions to the Supervisory Board and to the Company.

The Supervisory Board would also like to thank Ahold Delhaize's shareholders for their continued support and trust in the Company and its management team. Finally, the Board would like to express its gratitude for the continued hard work and commitment of the Management Board and all associates during 2018.

**Supervisory Board**
**Zaandam, the Netherlands**
**February 26, 2019**

# Remuneration

**Bill McEwan**
**Chairman of the Remuneration Committee of the Supervisory Board**

**Dear shareholder,**
I am pleased to present our 2018 Remuneration report. As one of the world's leading food retail groups, Ahold Delhaize and its brands employ over 372,000 associates in nine countries. In determining the employment conditions of their associates, our brands set compensation and benefits levels in line with job level and local market practices and regularly review remuneration practices, taking into account market dynamics and economic conditions.

Our remuneration policy was prepared in accordance with the Dutch Corporate Governance Code and adopted by the General Meeting of Shareholders. The remuneration policy is based on our commitment to the key principle of fair and equitable treatment of all associates and aligned to support our strategy and long-term growth. During the past year, the Management Board's remuneration was implemented in accordance with our Remuneration Policy.

As discussed elsewhere in this Annual Report, following the successful finalization of our merger and integration, we took the opportunity to revisit and refresh our strategy. On November 13, 2018, we introduced our Leading Together strategy at an Ahold Delhaize Capital Markets Day.

On the basis of this, the Remuneration Committee reviewed our Remuneration Policy to ensure that it was still 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. The Remuneration Committee also conducted interviews with each of the Management Board members on Management Board remuneration and its link to our strategy.

Following this thorough review, the Supervisory Board proposes that the Company's Remuneration Policy be amended, effective 2019, in connection with the developments in our markets and the introduction of the Leading Together strategy. We believe that the proposed amended Remuneration Policy reflects even stronger alignment with the interests of all our stakeholders.

By introducing key annual strategic imperatives to our short-term incentive plan and an earnings per share growth measure to our long-term incentive plan, our Remuneration Policy will be more closely tied to performance on our new strategy. The Policy will be brought forward for shareholder approval at the annual General Meeting of Shareholders on April 10, 2019, and is outlined in more detail in the shareholder circular.

For the majority of 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 into account when making recommendations on the Management Board compensation to the Supervisory Board for consideration and approval.

# Remuneration

**continued**

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

| Pay ratio | 2018 | 2017 | 2016 |
| --- | --- | --- | --- |
| CEO[1] | **124** | 114 | 119 |
| CFO | **71** | 71 | 71 |
| CEO Ahold Delhaize USA[2] | **90** | 74 | – |
| CEO Ahold Delhaize Europe and Indonesia[3] | **–** | – | – |

1 For 2018, CEO refers to Frans Muller. In order to reflect a full year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO and from July 1, 2018, received in his capacity as CEO. For 2017 and 2016, CEO refers to Dick Boer.

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

3 Since the CEO Ahold Delhaize Europe and Indonesia was appointed on April 11, 2018, full year numbers for 2016, 2017 and 2018 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 associates across the group over 2016, 2017 and 2018 to convey the year-over-year changes. 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 €40,225 for 2017 and €40,074 for 2018. The total compensation of the CEO, CFO, CEO Ahold Delhaize USA and CEO Ahold Delhaize Europe and Indonesia can be found in *Note 31* to the consolidated financial statements.

As set forth in the Remuneration Policy, the total compensation of our Management Board members is positioned around the median level of the peer group we've selected for benchmarking (see page 72). 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 2017 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 (2017 figures)

| Ahold Delhaize | Average AEX peers | Average European peers | Average U.S. peers | Average full peer group |
| --- | --- | --- | --- | --- |
| 114 | 127 | 191 | 295 | 204 |
| | 89.8% | 59.7% | 38.6% | 55.9% |

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.

I look forward to presenting our proposed remuneration policy as well as this Remuneration report for discussion with all our shareholders at our upcoming annual General Meeting of Shareholders on April 10, 2019.

**Bill McEwan**

# 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 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 our 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 addition to the Total Direct Compensation, members of the Management Board are offered pensions and additional arrangements in accordance with local practices.

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 business 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, underlying operating margin and operating cash flow. Our goal is to expand market share, while at the same time focusing on margins to increase profitability and managing 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 Cash & Carry | Target | Heineken |
| Casino Guichard Perrachon | Walgreen Boots Alliance | Randstad |
| J Sainsbury | Best Buy | Akzo Nobel |
| W M Morrison | Lowe's Companies | 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.

# Remuneration
**continued**

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.

### 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 CEO Ahold Delhaize Europe and Indonesia 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 Cash & Carry | Target |
| Casino Guichard Perrachon | Walgreen Boots Alliance |
| J Sainsbury | Best Buy |
| W M Morrison | Lowe's Companies |
| | 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.

# Remuneration

**continued**

### 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 are able to 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.

### 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 2018) is 68. The pensionable salary is capped at around €100,000 (2018: €100,546). Each Management Board member working on a Dutch contract pays a pension premium contribution identical to that of all other Company 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 Management Board members' remuneration, a number of additional arrangements apply. These include expense and relocation allowances, medical 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 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

We will propose to the General Meeting of Shareholders that the Company's remuneration policy be amended in connection with the developments in the market and the introduction of the Leading Together strategy presented at the Company's 2018 Capital Markets day. The proposed remuneration policy is outlined in the shareholder circular.

# Remuneration

**continued**

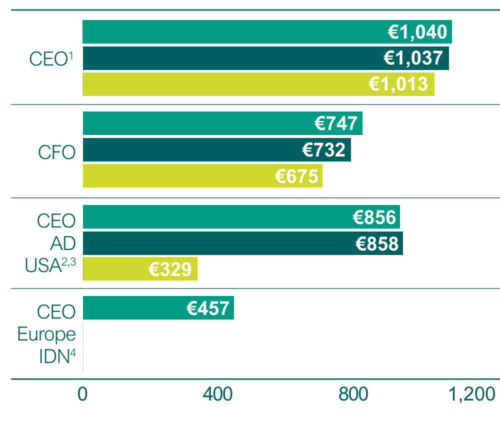
## 2018 Management Board Remuneration

The Management Board remuneration for 2018 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.

### 2018 Base salary

The base salaries of members of the Management Board were adjusted effective January 2018, and for the newly appointed CEO effective July 1, 2018, at the time of his appointment as CEO.

**Base salary**
thousands




1 For 2018, CEO refers to Frans Muller. In order to reflect a full year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO and from July 1, 2018, received in his capacity as CEO. For 2017 and 2016, CEO refers to Dick Boer.

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

3 The CEO Ahold Delhaize USA's salary has been converted from U.S. dollars into euros, for 2018 using the 2018 year-to-date average $ / € exchange rate of 0.8476, for 2017 using the 2017 year-to-date average $ / € exchange rate of 0.8868 and for 2016 using the 2016 year-to-date average $ / € exchange rate of 0.9125.

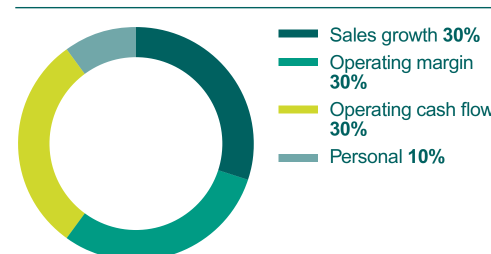
4 For the member appointed to the Management Board in 2018, the 2018 base salary reflects a partial year.

### 2018 Annual cash incentive plan: EIP

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

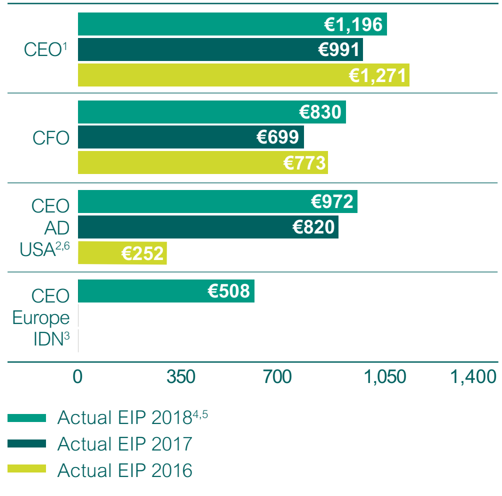
Ahold Delhaize does not disclose the actual targets per performance measure, as this is considered to be commercially sensitive information.

### 2018 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 2018, CEO refers to Frans Muller. In order to reflect a full year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO and from July 1, 2018, received in his capacity as CEO. For 2017 and 2016, CEO refers to Dick Boer.

2 For the member appointed to the Management Board in 2016, the 2016 EIP reflects a partial year.

3 For the member appointed to the Management Board in 2018, the 2018 EIP reflects a partial year.

4 The overall 2018 financial performance multiplier was 111%. The individual EIP amounts also include the component linked to individual performance.

5 2018 EIP represents accrued annual cash incentives to be paid in 2019 and subject to shareholder approval of the financial statements.

6 The EIP of the CEO Ahold Delhaize USA has been converted from U.S. dollars into euros, for 2018 using the 2018 year-to-date average $ / € exchange rate of 0.8476, for 2017 using the 2017 year-to-date average $ / € exchange rate of 0.8868 and for 2016 using the 2016 year-to-date average $ / € exchange rate of 0.9125.

# Remuneration
**continued**

### 2018 Long-term equity-based program: GRO

The Management Board members participate in Ahold Delhaize's long-term equity-based incentive program, GRO. The 2018 GRO award was made the day after the 2018 annual General Meeting of Shareholders.

As mentioned, the vesting of the GRO performance shares is subject to performance over a period of three years and the program employs two financial measures: RoC (40%) and TSR (40%). In addition, a non-financial performance measure (20%) is included that relates to Sustainable Retailing targets.

Sustainable retailing performance is measured for this purpose 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 as a proportion 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.

### 2018 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 2017 and the first quarter of 2018. 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% |
| CFO | 70% | 70% | 35% | 175% | 280% |
| CEO Ahold Delhaize USA | 80% | 80% | 40% | 200% | 320% |
| CEO Ahold Delhaize Europe and Indonesia | 60% | 60% | 30% | 150% | 240% |

All percentages constitute a percentage of base salary.

### 2018 GRO share grant calculation – Example CEO

| | At-target share grant (% of base salary) up to July 1, 2018 | At-target share grant (% of base salary) from July 1, 2018 | Award value (base salary[1] at-target grant %) | Number of shares granted (award value divided by six-month average share price) |
|---|---|---|---|---|
| RoC performance shares | 80% | 94% | 906,664 | 51,408 |
| TSR performance shares | 80% | 94% | 906,664 | 51,408 |
| Sustainability performance shares | 40% | 47% | 453,332 | 25,704 |
| | 200% | 235% | 2,266,660 | 128,520 |

1 For 2018, CEO refers to Frans Muller. In order to reflect the full year grant, the 2018 base salary and GRO at-target grant comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO, and from July 1, 2018, received in his capacity as CEO. Table assumes a base salary of €1,027,472 and an at-target share grant percentage of 200% for the period up to July 1, 2018, and a base salary of €1,053,159 and an at-target share grant percentage of 235% for the period from July 1, 2018. The six-month average share price applied is €17.64.

### 2018 GRO share grant calculation – Example CFO

| | 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 | 70% | 522,829 | 29,644 |
| TSR performance shares | 70% | 522,829 | 29,644 |
| Sustainability performance shares | 35% | 261,415 | 14,822 |
| | 175% | 1,307,073 | 74,110 |

1 Table assumes a base salary of €746,899 and six-month average share price of €17.64.

# How we manage risk

## In order to successfully execute our Leading Together strategy, 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.

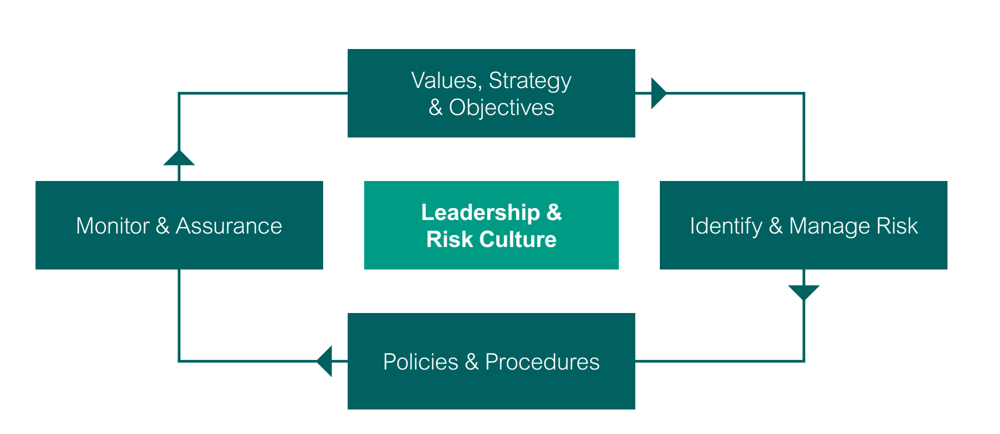
Meeting these challenges requires us to take risks in a responsible way. Having a proactive approach to risk management that is embedded in our business processes benefits our decision-making and helps us create and preserve value.

We strive for a culture of transparency in which risks are identified and addressed proactively. Risk management is an integral part of responsible leadership.

## Governance, Risk Management and Compliance

At Ahold Delhaize, we operate 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 forum for addressing relevant risks across the functional areas of our Company.

**Governance, Risk Management & Compliance Framework**




The global GRC committee is comprised of Ahold Delhaize's Chief Legal Officer (Chairman), the Chief Executive Officer and the Chief Financial Officer, along with other members of local and global management responsible for our governance, risk management, accounting and reporting, compliance and assurance functions. This committee is responsible for the implementation and monitoring of the Company's governance, risk management and compliance processes.

In addition, the GRC committee engages with senior management and advises the Management Board and Executive Committee regarding strategic, operational, financial and compliance related matters. A similar GRC structure and committee exists within each of the brands, which operates in parallel to the global GRC process.

During 2018, the GRC Committee met on a quarterly basis, and completed an update of our global policies. We also implemented an annual review process for all global policies and related controls to ensure that they remain current and are able to effectively mitigate risks, to support meaningful compliance and the successful execution of our strategy.

## 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 strategic and business risks and associated risk management practices. Within each business, management identifies the principal risks to the achievement of business objectives and the actions needed to mitigate these risks. Senior brand and global executives review these risks and the related mitigation practices twice per year, incorporating them into the development of the Company's strategy and the regular Business Planning and Performance process.

Their observations are aggregated into an ERM report that is presented to the Management Board and Supervisory Board, as required by the Dutch Corporate Governance Code. Ahold Delhaize's ERM program drives the formation of policies, procedures and controls, the scope of internal audit activities, and the business planning and performance process.

# How we manage risk
**continued**

### 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 key opportunities and potential threats to achieving our strategic objectives and can be categorized as follows:

#### Strategic
We use fact-based analysis that derives insights from our different markets and brands to support our strategic decision-making process in a way that considers the financial, economic, social and political developments that may impact our ability to achieve our strategic objectives. Generally, the Company's strategic 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 and could negatively impact the day-to-day operation of our business. Our risk appetite related to the disruption of our day-to-day business is generally low, as we seek to minimize the downside impact of operational failures.

#### Financial
Ahold Delhaize has a prudent financial strategy focused on maintaining our solid investment-grade credit rating. We 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 our 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 for non-compliance 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 | A sustained failure to effectively design and execute our strategic promises could lead to an inability to adapt to new market dynamics driven by consumer behaviors and competition, and result in a loss of market share to new market entrants or new shopping channels.<br><br>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<br>• Information security and data privacy | 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.<br><br>A serious breach could also impact the operation of significant business processes and result in non-availability of products for customers and the inability to operate our day-to-day business at the stores, distribution centers and at brand level. |

The two extreme scenarios above 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.

The scenarios above 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.

# How we manage risk

**continued**

### Compliance and ethics

At Ahold Delhaize, our shared values support an ethical culture and are the foundation of our commitment to conduct our business by doing what's right, every day. Our Code of Ethics is based on four ethical principles:

- We respect each other: People are our most valuable assets. We are committed to provide a safe, secure and inclusive environment where all associates and customers are respected and appreciated.
- We follow the law: We comply with applicable laws and regulations everywhere we do business and do not tolerate violations of the law.
- We act ethically in all our relationships and avoid conflicts of interest.
- We have the courage to speak up when misconduct or ethical violations are observed, or when there are questions regarding the interpretation or application of our Code or other external laws and regulations and internal policies and standards.

Applying our values and ethical principles enables associates to make good choices and protect our relationships with our colleagues, our customers, and our communities. 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 associates in each of our locations.

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**.

In addition to our Code of Ethics, we have global policies that address key risks to our business. Some of these policies relate to internal processes such as financial reporting, capital investments, purchasing and tax. Other policies relate to legal and regulatory risks, such as competition and antitrust, data privacy, and corruption and bribery.

In 2018, our brands' whistleblower lines received 7,280 reports. Approximately 40% of the reports were made anonymously. On average, reports were investigated and resolved within 20 days. In 2018, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical violations.

### Corruption and bribery

Ahold Delhaize and its brands are committed to conducting business in an ethically responsible manner and complying with the law in all countries and jurisdictions in which we operate. This commitment specifically includes compliance with laws relating to anti-corruption and bribery. The Ahold Delhaize Code of Ethics and our Global Anti-Corruption and Bribery Policy prohibit any form of corruption or bribery, including facilitation payments.

### Three lines of defense model

### 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 (above) has been adopted to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.

### Monitoring and assurance

A key element of our GRC framework is 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 (including sustainability indicators) 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.

All our businesses are required to maintain a sound internal control environment with robust policies, procedures and 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.

# How we manage risk

**continued**

During 2018, and at the direction of the global GRC Committee, the GSO Ethics and Compliance team and the Group Risk and Controls team completed a review of the key global policies that address the most relevant risks to our business, the related standards and the required control objectives, which are consistent across and applicable to all our brands 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.

## Declaration

**Annual declaration on internal risk management and control systems**

Ahold Delhaize supports the Dutch Corporate Governance Code and makes the following declaration in accordance with provision 1.4.3:

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. This report provides sufficient insights into any significant deficiencies in the effectiveness of the internal risk management and control systems. Management is not aware of any critical failings of these systems during 2018.

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 2018 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, operated effectively in 2018 and provide reasonable assurance that the financial statements are free of material misstatement.

## Principal risks and uncertainties

The principal risks and uncertainties included in the following table represent the most significant risks identified which may impede the achievement of Ahold Delhaize's objectives with respect to strategy, operations, financial and compliance matters. Our principal risks remain substantially unchanged from 2017, although developments within each risk have been identified and incorporated, with some risks being relabeled as compared to the prior year. Management is not aware of any significant materialization of these risks during 2018.

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 are not the only risks that the Company faces, which may or may not materialize and have a material adverse effect on Ahold Delhaize's financial position, results of operations and liquidity or cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report. See the *Cautionary notice* for additional information.

**Additional risks and uncertainties**

In addition to the principal risks identified, the following risks were identified and considered in conjunction with our annual ERM assessment:

### Sustainability risks

We apply the results of our annual sustainability materiality analysis (see *Our response to stakeholder needs*) within our annual ERM process to help us identify and incorporate sustainability risk drivers within our principal risks.

Materialization of these risks could prevent us from meeting our customers' changing needs and expectations for healthy and sustainable products that are sourced with care for people and the environment. The primary risk drivers identified relate to our material environmental, social and governance topics and include, for example, climate change, raw material scarcity and human rights protections in the supply chain. These risk drivers and any relevant mitigating actions have been included (as applicable) within the our principal risks and uncertainties section below.

Insurance risks Ahold Delhaize manages its insurable risks through a combination of self-insurance and commercial insurance coverage for workers' compensation, general liability, property, vehicle accident and certain healthcare-related claims. Our 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. Our process enables us to monitor claim and settlement patterns as well as evaluation of third-party risk.

### Other financial risks

Other financial risks include foreign currency translation risk, credit risk, interest risk, liquidity risk, income tax-related risks, liabilities to third parties relating to lease guarantees, contingent liabilities and risk related to the legislative and regulatory environment, including litigation. For information relating to these financial risks, see *Notes 24, 30* and *34* to the consolidated financial statements.

# How we manage risk

**continued**

## Ahold Delhaize's principal risks and uncertainties[1]

| Risk | Key risk drivers | Mitigation |
| --- | --- | --- |
| **Business continuity (O)**<br>Disruption of critical business processes, due to a long-term or permanent loss of key personnel, facilities, utilities, IT infrastructure or key suppliers, may result in non-availability of products for customers and have a significant adverse impact on commercial operations, revenues, reputation and customer perception. | • Diverse IT landscape with dependence on legacy systems and various third-party service providers<br>• Business and IT systems disruption due to events of an exceptional nature (e.g., cyber attacks, climate change-induced extreme weather events)<br>• Dependence on logistics service providers and suppliers of strategic own-brand products and services | • Global business continuity strategy, governance structure and framework<br>• Insurance program<br>• Regular training (including simulations) provided to senior management on crisis management and response to high-impact events<br>• Network protection (firewall, intrusion, detection and prevention systems, and email filtering)<br>• Cyber-defense monitoring<br>• Monitoring of vendors and third-party service providers |
| **Competitive environment (S)**<br>Changes to the competitive landscape relating to non-traditional competition, rapid expansion of omnichannel product offerings, and innovation in the market without an appropriate and distinctive response by Ahold Delhaize could result in a loss of competitive advantage, decrease of sales, erosion of margins and an inability to deliver on strategic objectives or performance targets. | • Aggressiveness of competing business models and entrance of non-traditional competition leading to drastic price reductions and rapid omnichannel expansion (e.g., discounters and same-day delivery of fresh, healthy products at affordable prices)<br>• Non-traditional acquisitions, partnerships and strategic alliances with eCommerce, data analytics and robotics companies<br>• Changing consumer trends relating to: healthy eating, product labeling and transparency of product origin, more online shopping, and consumption of prepared foods<br>• Consolidation of U.S. pharmacy market | Annual reassessment and implementation our strategy. The Leading Together strategy is based on five growth drivers:<br>• Omnichannel growth<br>• Technology<br>• Healthy and sustainable<br>• Portfolio and scale efficiencies<br>• Best talent<br>For more details on our Leading Together strategy, see *Who we are*. |

1 Risks are listed in alphabetical order and categorized by business objective: strategic (S), operational (O), financial (F) and compliance (C).

# How we manage risk

**continued**

## Ahold Delhaize's principal risks and uncertainties[1] (continued)

| Risk | Key risk drivers | Mitigation |
|---|---|---|
| **Information security and data privacy (O)(C)**<br>A lack of security around, or non-compliance with, privacy requirements relating to the capture, usage, processing and retention of customer and associate data may lead to the exposure, misuse or misappropriation of data which could have a significant legal, financial, or reputational impact. | • Global security threats<br>• Growth of our online sales leading to increased availability of consumer data<br>• Rapidly changing privacy regulations in our different markets<br>• Utilization of third parties to process and store customer and associate data | • Implementation of global Information Security organization, policy and control framework<br>• Performance of "data breach" simulations across the organization (with various levels of management)<br>• Payment Card Industry (PCI) and privacy compliant control framework<br>• Cyber insurance coverage<br>• Training and monitoring established through the General Data Protection Regulation (GDPR) initiative<br>• Rollout of personal data protection policy and awareness program<br>• Establishment of safeguards across data value streams |
| **Labor (O)**<br>Our brands may not be able to negotiate acceptable terms for extensions and replacements of contracts as a result of unfavorable demands and expectations from unions. | • Expiration and re-negotiation of collective bargaining agreements with trade unions<br>• Key business initiatives within the Ahold Delhaize strategy (e.g., efficiency through innovation, robotics and automation)<br>• Regulatory and competitive increases in minimum wage<br>• Labor shortages in distribution center and logistics functions | • Contract negotiation process with labor unions<br>• Human resource function's partnering relationship with unions and associates<br>• Development of resource contingency plans<br>• Monitoring and alignment of market practices |

1 Risks are listed in alphabetical order and categorized by business objective: strategic (S), operational (O), financial (F) and compliance (C).

# How we manage risk

**continued**

## Ahold Delhaize's principal risks and uncertainties[1] (continued)

| Risk | Key risk drivers | Mitigation |
|---|---|---|
| **Legislative environment (C)**<br>Changes in, or failure to comply with, laws and regulations could impact the operations and reduce the profitability of Ahold Delhaize or its businesses and, thus, could affect its financial condition, reputation or results of operations.<br><br>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 the Company's ability to realize certain acquisitions, divestments, partnerships or mergers. | • Increased focus on compliance and enforcement<br>• Changing political climate<br>• Proposed regional and national tax reforms<br>• Lack of clarity on application of new regulations<br>• Implementation of sugar taxes and other trade restrictions<br>• Public opinion and pressure from governments, regulatory entities and NGOs on sustainability actions to promote healthy eating, reduce the use of plastics, and discourage tobacco sales<br>• Based on the prevailing regulatory environment or economic conditions in the markets where we operate, litigations, investigations and inquiries may increase in frequency and materiality | • Real-time knowledge and awareness of regulatory developments attained through our global legal, compliance and tax functions<br>• Implementation of global policies, operational procedures and internal control framework<br>• Risk monitoring and assurance program<br>• Education of regulators and public policymakers, (e.g., through industry associations; participation in lobbying industry bodies)<br>• Transparent communications approach towards tax authorities about our legal structure<br>• Continuing review of options from a tax-planning perspective<br>• Estimation of the exposure to legal and regulatory proceedings and establishment of 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. For further information, see *Note 34* to the consolidated financial statements |
| **People (O) (S)**<br>Brands may not be able to attract, develop and retain top talent in support of current and long-term needs and capabilities. | • Availability of top talent in key locations<br>• Shift in skillset for elements of our evolving business model (data analytics, omnichannel, modernized DCs, robotics, etc.)<br>• Workforce is more mobile and people are more eager to change jobs | • Embedding of employee value propositions within each brand to attract top talent<br>• Identification and building of workforce based on strategic capability plans and needs (e.g., digital, eCommerce)<br>• Associate engagement survey distribution and results, and the execution of action plans<br>• Redefined performance and talent management cycle and development conversations<br>• Further embedding of our leadership journey, shared values, capabilities and behaviors |

1 Risks are listed in alphabetical order and categorized by business objective: strategic (S), operational (O), financial (F) and compliance (C).

# How we manage risk

**continued**

## Ahold Delhaize's principal risks and uncertainties[1] (continued)

| Risk | Key risk drivers | Mitigation |
|---|---|---|
| **Pension and other post-employment benefits (F)**<br>*U.S. and Netherlands pension and healthcare funding*<br>Ahold Delhaize is exposed to the financial consequences of a number of defined benefit pension plans covering a large number of associates in the Netherlands and the United States. | • Pension and healthcare funding is impacted by low interest rates, stock market performance, changing pension laws, longevity of participants and increased costs in specific markets. | • Our governance structure, with a pension committee responsible for monitoring pension plan funding as well as Multi-Employer Plans. |
| *Multi-employer plans*<br>A significant number of union employees in the United States are covered by Multi-Employer Plans (MEPs) based on obligations arising from collective bargaining agreements. Ahold Delhaize's brands participate in 11 MEPs and some of these have a critical (Red Zone) funding deficiency.<br><br>Under normal circumstances, when an MEP reaches insolvency, it must reduce all accrued benefits to the maximum level guaranteed by the United States' Pension Benefit Guaranty Corporation (PBGC). MEPs pay annual insurance premiums to the PBGC for such benefit insurance.<br><br>For more information on the financial risks related to our MEPs see Multi-employer plans in *Note 23* to the consolidated financial statements.<br><br>More details on this risk, its related risk drivers and current mitigating actions can be found in *Note 23* to the financial statements. | • The Company's contributions to an MEP in which it participates may be used to fund benefits of employees of other participating employers.<br>• 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, 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.<br>• 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.<br>• 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.<br>• PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC's 2025 fiscal year. If the PBGC's multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent multi-employer plans, which might impact our future contributions. Various legislative initiatives to assist the PBGC and / or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted. | • Management of each MEP by a board of trustees appointed by the management of the participating employers (plan sponsors) and the participating unions. Ahold Delhaize has been appointed as board of trustee member on several MEP boards and, through these positions, manages and monitors the MEPs' funding.<br>• The MEPs' contribution levels (funding) are set for each participating employer and are based on the benefit level as agreed in the collective bargaining agreement (CBA) and the agreed-upon funding. The rate of pension contributions is one of the terms of the CBA and considered to be a part of the overall agreed-upon benefit package. After the expiration of a CBA, all provisions within it are subject to negotiation and could be changed going forward, including, among others, pension and health care benefit levels and funding for the agreed benefit level. |

1 Risks are listed in alphabetical order and categorized by business objective: strategic (S), operational (O), financial (F) and compliance (C).

# How we manage risk

**continued**

## Ahold Delhaize's principal risks and uncertainties[1] (continued)

| Risk | Key risk drivers | Mitigation |
|---|---|---|
| **Product safety (O)(C)**<br>There is a risk that customers may become injured or ill from the use or consumption of food and non-food products sold by Ahold Delhaize brands, whether they are contaminated or defective, intentionally tampered with, or impacted by food fraud in the supply chain.<br><br>Additionally, negative impacts on human rights or the environment during the production of our products (e.g., human rights violations by suppliers) may negatively impact the reputation or results of Ahold Delhaize and / or its brands. | • Internationalization of the supply chain and poor agricultural practices lead to product integrity and sustainability incidents occurring across the world (e.g., related to foodborne illness and manufacturers' labor conditions)<br>• Increased speed of communications and amplification of incidents via NGOs and social media (e.g., product recalls or human rights in the supply chain)<br>• Retailers being held accountable and scrutinized for incidents occurring at any point in the supply chain<br>• Overall increase in demand by customers for accuracy and transparency in the food supply chain<br>• Increased number of own-brand products being developed, carried and sold by Ahold Delhaize brands | • Product safety policies, control framework and standard operating procedures<br>• Ahold Delhaize's Standards of Engagement for third parties<br>• Monitoring of performance of food safety procedures in the business<br>• Tracing of product origins and conditions of production<br>• Pilot of blockchain technology for tracing products in the supply chain<br>• Insurance program |

1 Risks are listed in alphabetical order and categorized by business objective: strategic (S), operational (O), financial (F) and compliance (C).

# Declarations

## Introduction

This 2018 Ahold Delhaize Annual Report dated February 26, 2019, (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 2018 financial statements “jaarrekening” within the meaning of section 2:361 of the Dutch Civil Code, see *Performance: Financial*. The members of the Management Board and the Supervisory Board have signed the 2018 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, Group Highlights, Who we are, 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, see subsection *Other information* under *Performance: Financial*, and 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 2018 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 30, 2018, 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**

Frans Muller
President and Chief Executive Officer

Jeff Carr
Chief Financial Officer

Kevin Holt
Chief Executive Officer Ahold Delhaize USA

Wouter Kolk
Chief Executive Officer Europe and Indonesia

This Annual Report, including the 2018 financial statements, which are audited by PricewaterhouseCoopers Accountants N.V., has been presented to the Supervisory Board.

The 2018 financial statements and the independent auditor’s report relating to the audit of the 2018 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 2018 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2018 of €0.70 per common share.

**Supervisory Board**

Jan Hommen (Chairman)
Bill McEwan (Vice Chairman)
Jacques de Vaucleroy (Vice Chairman)
René Hooft Graafland
Rob van den Bergh
Mary Anne Citrino
Dominique Leroy
Mark McGrath
Ben Noteboom

# Performance: Financial


**89** Consolidated financial statements

**94** Notes to the consolidated financial statements

**190** Parent company financial statements

**192** Notes to the parent company financial statements

**202** Other information

# Financial Statements


**Consolidated income statement**
**Consolidated statement of comprehensive income**
**Consolidated balance sheet**
**Consolidated statement of changes in equity**
**Consolidated statement of cash flows**
**Notes to the consolidated financial statements**
1 The Company and its operations
2 Basis of preparation
3 Significant accounting policies
4 Acquisitions
5 Assets and liabilities held for sale and discontinued operations
6 Segment reporting
7 Net sales
8 Expenses by nature
9 Net financial expenses
10 Income taxes
11 Property, plant and equipment
12 Investment property
13 Intangible assets
14 Investments in joint ventures and associates
15 Other non-current financial assets
16 Inventories
17 Receivables
18 Other current financial assets
19 Cash and cash equivalents
20 Equity attributable to common shareholders
21 Loans and credit facilities
22 Other non-current financial liabilities
23 Pensions and other post-employment benefits
24 Provisions
25 Other non-current liabilities
26 Other current financial liabilities
27 Other current liabilities
28 Cash flow
29 Earnings per share
30 Financial risk management and financial instruments
31 Related party transactions
32 Share-based compensation
33 Operating leases
34 Commitments and contingencies
35 Subsequent events
36 List of subsidiaries, joint ventures and associates
**Parent company financial statements**
Income statement
Balance sheet
**Notes to the parent company financial statements**
1 Significant accounting policies
2 Expenses by nature
3 Employees
4 Auditor fees
5 Income taxes
6 Intangible assets
7 Financial assets
8 Receivables
9 Other current financial assets
10 Shareholders' equity
11 Provisions
12 Loans
13 Current liabilities
14 Derivatives
15 Related party transactions
16 Commitments and contingencies
17 Distribution of profit
18 Subsequent events
**Other information**
Distribution of profit
Independent auditor's report

# Consolidated income statement

| € million, except per share data | Note | 2018 | 2017 |
|---|---|---|---|
| Net sales | *7* | **62,791** | 62,890 |
| Cost of sales | *8* | **(45,839)** | (46,121) |
| **Gross profit** | | **16,952** | 16,769 |
| Selling expenses | | **(12,236)** | (12,245) |
| General and administrative expenses | | **(2,321)** | (2,299) |
| Total operating expenses | *8* | **(14,557)** | (14,544) |
| | | | |
| **Operating income** | | **2,395** | 2,225 |
| Interest income | | **70** | 32 |
| Interest expense | | **(310)** | (294) |
| Net interest expense on defined benefit pension plans | *23* | **(19)** | (22) |
| Other financial income (expense) | | **13** | (13) |
| Net financial expenses | *9* | **(246)** | (297) |
| | | | |
| **Income before income taxes** | | **2,149** | 1,928 |
| Income taxes | *10* | **(372)** | (146) |
| Share in income of joint ventures | *14* | **32** | 35 |
| **Income from continuing operations** | | **1,809** | 1,817 |
| | | | |
| Income (loss) from discontinued operations | *5* | **(16)** | – |
| **Net income attributable to common shareholders** | | **1,793** | 1,817 |
| | | | |
| **Earnings per share** | *29* | | |
| Net income per share attributable to common shareholders | | | |
| Basic | | **1.52** | 1.45 |
| Diluted | | **1.50** | 1.43 |
| Income from continuing operations per share attributable to common shareholders | | | |
| Basic | | **1.54** | 1.45 |
| Diluted | | **1.52** | 1.43 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| € million | Note | 2018 | 2017 |
|---|---|---|---|
| Net income | | **1,793** | 1,817 |
| | | | |
| Remeasurements of defined benefit pension plans | | | |
| Remeasurements before taxes – income (loss) | *23* | **66** | 44 |
| Income taxes | *10* | **(18)** | (66) |
| Other comprehensive income (loss) that will not be reclassified to profit or loss | | **48** | (22) |
| | | | |
| Currency translation differences in foreign interests: | | | |
| Continuing operations | | **495** | (1,308) |
| Income taxes | *10* | **–** | (1) |
| Cash flow hedges: | | | |
| Fair value result for the year | | **1** | (3) |
| Transfers to net income | | **1** | 1 |
| Income taxes | | **–** | – |
| Non-realized gains (losses) on debt and equity instruments: | | | |
| Fair value result for the period | | **–** | 4 |
| Income taxes | *10* | **–** | (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 | | **497** | (1,308) |
| | | | |
| Total other comprehensive income (loss) | | **545** | (1,330) |
| | | | |
| **Total comprehensive income attributable to common shareholders** | | **2,338** | 487 |
| | | | |
| Attributable to: | | | |
| Continuing operations | | **2,354** | 487 |
| Discontinued operations | | **(16)** | – |
| **Total comprehensive income attributable to common shareholders** | | **2,338** | 487 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated balance sheet

| € million | Note | December 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | *11* | **11,147** | 10,689 |
| Investment property | *12* | **629** | 650 |
| Intangible assets | *13* | **12,013** | 11,634 |
| Investments in joint ventures and associates | *14* | **236** | 230 |
| Other non-current financial assets | *15* | **238** | 192 |
| Deferred tax assets | *10* | **149** | 436 |
| Other non-current assets | | **77** | 70 |
| **Total non-current assets** | | **24,489** | 23,901 |
| Assets held for sale | *5* | **23** | 14 |
| Inventories | *16* | **3,196** | 3,077 |
| Receivables | *17* | **1,759** | 1,606 |
| Other current financial assets | *18* | **461** | 238 |
| Income taxes receivable | | **53** | 154 |
| Prepaid expenses and other current assets | | **228** | 300 |
| Cash and cash equivalents | *19* | **3,122** | 4,581 |
| **Total current assets** | | **8,842** | 9,970 |
| **Total assets** | | **33,331** | 33,871 |
| | | | |
| **Equity and liabilities** | | | |
| **Equity attributable to common shareholders** | *20* | **14,816** | 15,170 |
| Loans | *21* | **3,683** | 3,289 |
| Other non-current financial liabilities | *22* | **2,055** | 2,098 |
| Pensions and other post-employment benefits | *23* | **532** | 567 |
| Deferred tax liabilities | *10* | **864** | 1,105 |
| Provisions | *24* | **794** | 808 |
| Other non-current liabilities | *25* | **566** | 529 |
| **Total non-current liabilities** | | **8,494** | 8,396 |
| Accounts payable | | **5,816** | 5,277 |
| Other current financial liabilities | *26* | **1,232** | 2,210 |
| Income taxes payable | | **110** | 136 |
| Provisions | *24* | **326** | 355 |
| Other current liabilities | *27* | **2,537** | 2,327 |
| **Total current liabilities** | | **10,021** | 10,305 |
| **Total equity and liabilities** | | **33,331** | 33,871 |

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 1, 2017** | | **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** |
| Opening balance adjustment[2] | | – | – | – | – | (1) | (1) |
| **Balance as of January 1, 2018** | | **12** | **15,175** | **(555)** | **(4)** | **541** | **15,169** |
| Net income attributable to common shareholders | | – | – | – | – | 1,793 | 1,793 |
| Other comprehensive income | | – | – | 495 | 2 | 48 | 545 |
| Total comprehensive income attributable to common shareholders | | – | – | 495 | 2 | 1,841 | 2,338 |
| Dividends | | – | – | – | – | (757) | (757) |
| Share buyback | | – | – | – | – | (1,997) | (1,997) |
| Cancellation of treasury shares | | – | (1,176) | – | – | 1,176 | – |
| Share-based payments | | – | – | – | – | 63 | 63 |
| **Balance as of December 30, 2018** | *20* | **12** | **13,999** | **(60)** | **(2)** | **867** | **14,816** |

1 Other reserves include the remeasurements of defined benefit plans.
2 The opening balance adjustment is related to the implementation of IFRS standards effective for 2018 (see *Note 3*).

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

| € million | Note | 2018 | 2017 |
|---|---|---|---|
| Income from continuing operations | | **1,809** | 1,817 |
| Adjustments for: | | | |
| Net financial expenses | *9* | **246** | 297 |
| Income taxes | *10* | **372** | 146 |
| Share in income of joint ventures | *14* | **(32)** | (35) |
| Depreciation, amortization and impairments | *8* | **1,816** | 1,857 |
| (Gains) losses on the sale of assets / disposal groups held for sale | *8* | **(7)** | (47) |
| Share-based compensation expenses | *32* | **60** | 79 |
| Other changes to operating income | | **(4)** | (7) |
| Operating cash flows before changes in operating assets and liabilities | | **4,260** | 4,107 |
| Changes in working capital: | | | |
| Changes in inventories | | **(35)** | (44) |
| Changes in receivables and other current assets | | **(6)** | (97) |
| Changes in payables and other current liabilities | | **525** | 272 |
| Changes in other non-current assets, other non-current liabilities and provisions | | **(136)** | (58) |
| Cash generated from operations | | **4,608** | 4,180 |
| Income taxes paid – net | | **(280)** | (480) |
| Operating cash flows from continuing operations | | **4,328** | 3,700 |
| Operating cash flows from discontinued operations | | **(5)** | (5) |
| **Net cash from operating activities** | | **4,323** | 3,695 |
| Purchase of non-current assets | | **(1,780)** | (1,698) |
| Divestments of assets / disposal groups held for sale | | **27** | 142 |
| Acquisition of businesses, net of cash acquired | *28* | **(30)** | (50) |
| Divestment of businesses, net of cash divested | *28* | **(3)** | (3) |
| Changes in short-term deposits and similar instruments | | **(242)** | 100 |
| Dividends received from joint ventures | *14* | **17** | 70 |
| Interest received | | **74** | 32 |
| Other | | **38** | (3) |
| Investing cash flows from continuing operations | | **(1,899)** | (1,410) |
| **Net cash from investing activities** | | **(1,899)** | (1,410) |
| Proceeds from long-term debt | *28* | **798** | 747 |
| Interest paid | | **(324)** | (320) |
| Repayments of loans | *28* | **(783)** | (474) |
| Changes in short-term loans | *28* | **(733)** | 212 |
| Repayments of finance lease liabilities | *28* | **(177)** | (190) |
| Dividends paid on common shares | *20* | **(757)** | (720) |
| Share buyback | *20* | **(2,003)** | (992) |
| Other cash flows from derivatives | *28* | **(29)** | 262 |
| Other | | **(3)** | 17 |
| Financing cash flows from continuing operations | | **(4,011)** | (1,458) |
| **Net cash from financing activities** | | **(4,011)** | (1,458) |
| **Net cash from operating, investing and financing activities** | | **(1,587)** | 827 |
| Cash and cash equivalents at the beginning of the year (excluding restricted cash) | | **4,542** | 3,990 |
| Effect of exchange rates on cash and cash equivalents | | **155** | (275) |
| **Cash and cash equivalents at the end of the year (excluding restricted cash)** | *28* | **3,110** | 4,542 |

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 eCommerce primarily in the United States and Europe. The Company is registered with the Dutch Trade Register under number 35000363.

On February 26, 2019, the Management Board authorized the financial statements. The financial statements, as presented in this Annual Report, are subject to adoption by the Ahold Delhaize General Meeting of Shareholders.

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 2018 consisted of 52 weeks and ended on December 30, 2018. The comparative financial year 2017 consisted of 52 weeks and ended on December 31, 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:

| | **2018** | 2017 |
|---|---|---|
| U.S. dollar | | |
| Average exchange rate | **0.8476** | 0.8868 |
| Year-end closing exchange rate | **0.8738** | 0.8330 |
| Czech crown | | |
| Average exchange rate | **0.0390** | 0.0380 |
| Year-end closing exchange rate | **0.0388** | 0.0391 |
| Romanian leu | | |
| Average exchange rate | **0.2149** | 0.2189 |
| Year-end closing exchange rate | **0.2146** | 0.2142 |
| Serbian dinar | | |
| Average exchange rate | **0.0085** | 0.0082 |
| Year-end closing exchange rate | **0.0085** | 0.0085 |

# 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*)**

When vendor allowances are not specifically able to be identified in the purchase price of products, the Company must estimate the allowances that are earned based on the fulfillment of its related obligations. This estimate may 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 or termination 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 has satisfied all of its performance obligations and control of the asset is transferred to the buyer.

**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 include 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. It is possible that the final resolution of claims may result in significant expenditures in excess of existing reserves.
- Loyalty programs: estimating the cost of benefits to which customers participating in the loyalty program are entitled 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) for identical assets or liabilities in active markets 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.

## 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.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

### 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.

### 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.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

### Net sales

Ahold Delhaize generates and recognizes net sales to retail customers as it satisfies its performance obligation 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. When the Company expects that gift cards and future discounts under bonus and loyalty programs will not be redeemed, the breakage that is able to be estimated is recognized proportionately as revenue at the time that the Company's performance obligations are satisfied (e.g., as customers redeem their award credits or purchase goods using gift cards or vouchers).

The sales activities of Ahold Delhaize do not result in a material amount of unperformed obligations of the Company and, therefore, no contract assets are recognized separately from receivables. The Company does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Company satisfying its performance obligations. These contract liabilities are presented on the balance sheet and in the notes as deferred income and gift card and deposit liabilities.

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 and 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.

### 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 resulting from the Company providing a distinct good or service to the vendor. 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.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

### 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. Other revenue derived from operational activities that does not qualify as net sales to retail customers is included as an offset to 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. Revenue from contracts that do not qualify as net sales to retail customers from operational activities is included as an offset to 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.

### 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 the 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.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

### 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.

### 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.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

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.

### 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. Renewal options that are reasonably certain to be exercised, but not yet committed to, are disclosed as operating lease commitments.

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.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

### Sale and leaseback

The gain or loss on sale and operating leaseback transactions is recognized in the income statement immediately if the transaction has occurred at fair value. If the sale price is below fair value, any gain or loss will be recognized immediately, unless the loss is compensated for by future lease payments that are below market price, in which case the loss is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is likewise deferred and amortized over the period for which the asset is expected to be used. Any gain on sale and finance leaseback transactions is deferred and amortized over the term of the lease, while losses are recognized immediately. 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) control of the 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 may not have transferred control of the store or location to the buyer or it has an obligation or option 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 or option term. Once Ahold Delhaize's lease or option has expired, any remaining asset or financing obligation balances are accounted for under the sale and leaseback criteria described above.

### 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. It 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. See *Note 13* for explanations of how the Company determines fair value less costs of disposal and 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.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

### 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, intangible assets under development and other intangible assets with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

### 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.

# Notes to the consolidated financial statements
continued

## 3 Significant accounting policies continued

### 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.

Included in the value of inventory is an amount representing the estimated value of inventories that have already been sold that the Company expects to be returned for a refund by customers.

### Financial instruments

#### Financial assets

Financial assets 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. 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, the Company measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, the Company classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income or iii) fair value through profit or loss on the basis of both:

- The Company's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

# Notes to the consolidated financial statements
continued

## 3 Significant accounting policies continued

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 and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables.

### Financial assets at amortized cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

The Company's financial assets measured at amortized cost comprise loans receivable, trade and other (non-)current receivables, cash and cash equivalents, short-term deposits and similar instruments.

### Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at fair value through other comprehensive income if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

The Company's financial assets measured at fair value through other comprehensive income are certain investments in debt instruments.

### Financial assets at fair value through profit or loss (FVPL)

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the consolidated statement of income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company's financial instruments measured at fair value through profit or loss comprise reinsurance assets, derivatives and certain investments in debt instruments.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

### Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

When financial liabilities are initially recognized, they are generally measured at their fair value. An exception to this policy is made for the measurement of financial liabilities "not at fair value through profit and loss," which are measured at their fair value plus direct transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for derivatives and reinsurance liabilities. 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.

Financial liabilities 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 hedged item's remaining period to maturity.

### 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. When reissued or cancelled, shares are removed from the treasury shares 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 plan 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.

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.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

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 2018

#### IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of the new standard had the following effects on the financial assets and liabilities on January 1, 2018.

The majority of the Company's debt instruments that were measured at amortized cost satisfy the conditions to be classified at amortized costs under IFRS 9, so there is no change in how we account for these assets. However, certain investments in U.S. Treasury bond funds that were 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 has been reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value losses of €3 million were transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018. There were no other changes to the classification and measurement of other financial assets.

There is 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 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 continue to qualify as hedges upon the adoption of IFRS 9.

# Notes to the consolidated financial statements

**continued**

## 3 Significant accounting policies continued

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. Due to the change in the impairment model, the loss allowance for the financial receivables increased by €1 million at January 1, 2018.

IFRS 9 applies for annual periods beginning on or after January 1, 2018. The Company has applied the new rules retrospectively from January 1, 2018, applying the practical expedients permitted under the standard. Comparatives for 2017 have not been 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 supersedes the previous revenue recognition guidance, including IAS 18, "Revenue," IAS 11, "Construction Contracts," and the related interpretations. 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 previously recognized revenue as control passed, and therefore the adoption of IFRS 15 has no effect on when revenue is recognized.

The Company's policy is to allow customers to return product for replacement or refund. Revenue was previously recognized with an allowance for a reasonable estimate of the returns that can be made for a refund and this remained unchanged after adoption of IFRS 15. However, under IFRS 15, the Company is now required to recognize an asset that represents the right to receive returned product. The value of this asset represents the purchase cost of only the goods that will be of value to Ahold Delhaize. A returned product has 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 value of this new asset, presented within inventories, was €1 million at January 1, 2018.

IFRS 15 applies for annual periods beginning on or after January 1, 2018. The Company has applied 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 have not been restated.

### 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. These amendments to IFRS 2 do not have a significant effect on the Company's 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. They also 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, these amendments do not have a significant effect on the Company's 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. These amendments do not have a significant effect on the Company's consolidated financial statements.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

### 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. This new interpretation does not have a significant effect on the Company's consolidated financial statements.

### New accounting policies not yet effective for 2018

The IASB issued several standards, or revisions to standards, that are not yet effective for 2018, but will become effective in coming years.

### IFRS 16, "Leases"

IFRS 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.

Our work on implementing this new standard for leases is in its final stage and the initial impact on the Company's consolidated results and financial position is under internal review. The Company completed the data collection and enrichment process of its lease contracts and finalized the implementation of a lease accounting tool to determine the impact assessment on a contract-by-contract basis to prepare for the transition on December 31, 2018 (start of the Company's 2019 financial year).

Ahold Delhaize leases a significant number of its stores, as well as distribution centers, offices and other assets, such as company cars and equipment. IFRS 16 will have material implications for the balance sheet, income statement and certain key performance indicators due to the size of the Company's lease portfolio. If IFRS 16 had been applied to the 2018 financial statements, a right-of-use asset line would have been included on the balance sheet, with a corresponding increase in lease liabilities and opening accumulated deficit.

The estimated impact of IFRS 16 on the opening balance sheet as of January 1, 2018 (the start of the 2018 financial year), would lead in:

- an increase in total assets for an amount of approximately €6.4 billion;
- an increase in total liabilities for an amount of approximately €7 billion;
- with an offsetting decrease of approximately €0.6 billion in equity.

In addition, in the income statement there would have been changes in the items making up operating income and in the total amount of net financial expense. Preliminary estimates indicate that operating income for the 2018 financial year will increase in the range of €210 million to €250 million and net finance expense in the range of €220 million to €260 million. Within operating income, this gives rise to a movement from operating expenses to depreciation; consequently, EBITDA (earnings before interest, tax, depreciation and amortization) will increase. We do not expect that the implementation of IFRS 16 will have a significant impact on our earnings per share.

We will record a deferred tax position only for those jurisdictions for which we expect that the IFRS 16 accounting methodology will not be accepted in the corporate income tax return.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

The Company determines the discount rates that will be used in the calculation of right-of-use assets and lease liabilities per quarter and per operating company. This resulted in different discount rates being calculated for different asset classes and durations of contracts. The Company identified three duration categories (0-8 years lease term, 8-15 years lease term and lease terms longer than 15 years). In addition, separate rates are calculated for real estate and other assets.

The Company will release an IFRS 16 transition booklet on March 25, 2019. This booklet will provide insight into the impact per quarter and per reportable segment.

The Company has notified the relevant lenders of the change to the manner in which the financial statements are prepared following the implementation of IFRS 16. The Company does not expect the changes in accounting policy to impact compliance with the general terms and provisions of its loan agreements, but may enter into discussions with its lenders to update those loan agreements to reflect the technical changes arising from the implementation of IFRS 16.

### New Lease Accounting policies with effect from December 31, 2018

The Company will adopt IFRS 16 on December 31, 2018, and will apply the full retrospective transition approach. The two capitalization exemptions proposed by the standard – lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value (on acquisition) that has been defined by the Company to be below USD 5,000 – will be used. The payments for such leases will be recognized in the income statement on a straight-line basis over the lease term.

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 will 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 December 31, 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Company will recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognized as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate; initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price of a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets will be separately disclosed as a line in the balance sheet, but right-of-use assets classified as investment property will be included in "Investment property", but separately disclosed in the notes. The lease liability will be included in "Other current" and "Non-current financial liabilities."

IFRS 17, "Insurance Contracts"
IFRS 17 replaces IFRS 4, "Insurance Contracts." It requires a current measurement model where estimates are remeasured 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; however the IASB, in November 2018, tentatively decided to defer the effective date to annual periods beginning on or after January 1, 2022. The Company has yet to assess the standard's full impact.

**Annual improvements to IFRS Standards 2015–2017 Cycle**
Improvements to the following Standards were finalized in December 2017:

- IFRS 3: clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11: clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12: clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.
- IAS 23: clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The improvements apply prospectively for annual periods beginning on or after January 1, 2019. The Company does not anticipate that the application of these improvements will have a significant effect on the future consolidated financial statements.

**Amendments to IFRS 3, "Business Combinations"**
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 3 apply prospectively for annual periods beginning on or after January 1, 2019. The Company does not anticipate that the application of these amendments to IFRS 3 will have a significant effect on the future consolidated financial statements.

**Amendments to IAS 1 and IAS 8, "Definition of Material"**
The amendments to IAS 1 and IAS 8 clarify the definition of material and how it should be applied by stating that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to IAS 1 and IAS 8 apply prospectively for annual periods beginning on or after January 1, 2020. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

# Notes to the consolidated financial statements
**continued**

## 3 Significant accounting policies continued

### Amendments to IAS 19, "Plan Amendments, Curtailment or Settlement"
The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must (i) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; (ii) recognize any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement; and (iii) separately recognize any changes in the asset ceiling through other comprehensive income. The amendments to IAS 19 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 19 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.

### 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 performed an assessment of its known uncertain tax positions and 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.

## 4 Acquisitions

Ahold Delhaize completed various store acquisitions for a total purchase consideration of €31 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions during 2018 is as follows:

| € million | The United States | Belgium | Other | Total |
|---|---|---|---|---|
| Goodwill | 16 | 5 | 1 | 22 |
| Other intangible assets | 5 | – | – | 5 |
| Property, plant and equipment | 6 | 1 | 2 | 9 |
| Investment in joint ventures and associates | – | – | (1) | (1) |
| Other non-current assets | 1 | – | – | 1 |
| Cash and cash equivalents | – | – | 1 | 1 |
| Other current assets | 1 | – | 1 | 2 |
| Finance lease liabilities | (3) | – | – | (3) |
| Other non-current liabilities | (1) | – | – | (1) |
| Fair value of assets and liabilities recognized | 25 | 6 | 4 | 35 |
| Gain on bargain purchase (negative goodwill) | (4) | – | – | (4) |
| Total purchase consideration | 21 | 6 | 4 | 31 |
| Cash acquired | – | – | (1) | (1) |
| **Acquisition of businesses, net of cash** | **21** | **6** | **3** | **30** |

# Notes to the consolidated financial statements
**continued**

## 4 Aquisitions continued

Goodwill is attributable to the profitability of the acquired businesses and the synergies that are expected to result. The goodwill resulting from the acquisitions in Belgium is not deductible for tax purposes but the remaining goodwill is tax deductible.

The gain on bargain purchases was the result of favorable purchase terms on stores that competitors were selling at discounts as they exited local markets. The gain has been reported as (gains) losses on the sale of assets within general and administrative expenses.

## 5 Assets and liabilities held for sale and discontinued operations

### Assets and liabilities held for sale

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Non-current assets and disposal groups held for sale | **23** | 14 |
| **Total assets held for sale** | **23** | 14 |

Assets held for sale at December 30, 2018, is comprised primarily of non-current assets of retail locations (The Netherlands: €4 million (December 31, 2017: €10 million), Central and Southeastern Europe: €19 million (December 31, 2017: €4 million)).

### Discontinued operations

| € million | 2018 | 2017 |
|---|---|---|
| Tops Markets | **(17)** | – |
| Other[1] | **1** | – |
| **Results on divestments** | **(16)** | – |
| **Income (loss) from discontinued operations, net of income taxes** | **(16)** | – |

1 Includes adjustments to the results on various other discontinued operations and past divestments.

Income (loss) from discontinued operations in 2018 included a charge of €17 million related to Tops Markets, a former subsidiary of Ahold Delhaize. In 2018, Tops Markets filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As part of the bankruptcy proceedings, Tops Markets has rejected leases for four stores of which the lease is contingently guaranteed by Ahold Delhaize. In addition, the Company has reached an agreement with Tops Markets to take over partial rent payments for nine locations for 72 months. These actions have resulted in Ahold Delhaize recognizing €24 million partly as a financial liability and as an onerous contract provision (see *Note 22* and *Note 24*), which are presented as an after-tax loss from discontinued operations of €17 million. For a description of contingencies related to our issued lease guarantees in connection with the divestment of Tops Markets, see *Note 34*.

# Notes to the consolidated financial statements

**continued**

## 6 Segment reporting

### Reportable segments

Ahold Delhaize's retail operations are presented in four reportable segments. In addition, Other retail, consisting of Ahold Delhaize's unconsolidated joint ventures JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, are presented separately. 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*. In 2018, in line with the new management structure effective January 1, 2018, the previous Ahold USA and Delhaize America segments were combined into one reporting segment, "The United States," and the 2017 comparable figures have been combined accordingly.

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

| Reportable segment | Operating segments included in the Reportable segment |
|---|---|
| The United States | Stop & Shop, Food Lion, Giant/Martin's, Hannaford, Giant Food and Peapod |
| The Netherlands | Albert Heijn (including the Netherlands and Belgium), 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 | 2018 | 2017 |
|---|---|---|
| The United States | **37,460** | 38,440 |
| The Netherlands | **14,218** | 13,706 |
| Belgium | **5,095** | 4,953 |
| Central and Southeastern Europe | **6,018** | 5,791 |
| **Ahold Delhaize Group** | **62,791** | 62,890 |

### Operating income

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **1,482** | 1,371 |
| The Netherlands | **698** | 669 |
| Belgium | **126** | 86 |
| Central and Southeastern Europe | **222** | 236 |
| Global Support Office | **(133)** | (137) |
| **Ahold Delhaize Group** | **2,395** | 2,225 |

# 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 | 2018 | 2017 |
|---|---|---|
| The United States | **1,098** | 1,165 |
| The Netherlands | **310** | 293 |
| Belgium | **150** | 146 |
| Central and Southeastern Europe | **168** | 161 |
| Global Support Office | **32** | 28 |
| **Ahold Delhaize Group** | **1,758** | 1,793 |

### Net impairments of property, plant and equipment, investment property, and intangible assets

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **32** | 61 |
| The Netherlands | **12** | (2) |
| Central and Southeastern Europe | **14** | 5 |
| **Ahold Delhaize Group**[1] | **58** | 64 |

1 The 2018 net impairment amount includes no impairment reversals relating to assets held for sale (2017: €2 million).

### Share-based compensation expenses

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **31** | 46 |
| The Netherlands | **9** | 13 |
| Belgium | **2** | 3 |
| Central and Southeastern Europe | **2** | 2 |
| Global Support Office | **16** | 15 |
| **Ahold Delhaize Group** | **60** | 79 |

### Additions to property, plant and equipment, investment property, and intangible assets (including assets acquired through business combinations)

| € million | 2018 | 2017 |
|---|---|---|
| The United States | **1,216** | 989 |
| The Netherlands | **383** | 379 |
| Belgium | **149** | 224 |
| Central and Southeastern Europe | **262** | 197 |
| Global Support Office | **50** | 33 |
| **Ahold Delhaize Group** | **2,060** | 1,822 |

# Notes to the consolidated financial statements

**continued**

## 6 Segment reporting continued

**Non-current assets (property, plant and equipment, investment property, and intangible assets)**

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| The United States | **14,527** | 13,831 |
| The Netherlands | **3,586** | 3,528 |
| Belgium | **3,078** | 3,083 |
| Central and Southeastern Europe | **2,467** | 2,417 |
| Global Support Office | **131** | 114 |
| **Ahold Delhaize Group** | **23,789** | 22,973 |

**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*.

## 7 Net sales

| € million | 2018 | 2017 |
|---|---|---|
| Sales from owned stores[1] | **53,953** | 54,650 |
| Sales to and fees from franchisees and affiliates | **5,675** | 5,486 |
| Online sales[1] | **2,817** | 2,393 |
| Wholesale sales | **185** | 188 |
| Other sales | **161** | 173 |
| **Net sales** | **62,791** | 62,890 |

1 Comparable numbers have been adjusted to reflect the updated online sales definition, which now consists of the sales from all online channels.

Sales by segment for 2018 are as follows:

| € million | The United States | The Netherlands | Belgium | Central and Southeastern Europe | Ahold Delhaize Group |
|---|---|---|---|---|---|
| Sales from owned stores[1] | **36,459** | **9,204** | **2,478** | **5,812** | **53,953** |
| Sales to and fees from franchisees and affiliates | **–** | **2,983** | **2,539** | **153** | **5,675** |
| Online sales[1] | **751** | **1,999** | **51** | **16** | **2,817** |
| Wholesale sales | **135** | **–** | **15** | **35** | **185** |
| Other sales | **115** | **32** | **12** | **2** | **161** |
| **Net sales** | **37,460** | **14,218** | **5,095** | **6,018** | **62,791** |

1 Comparable numbers have been adjusted to reflect the updated online sales definition, which now consists of the sales from all online channels.

# Notes to the consolidated financial statements
**continued**

## 7 Net sales continued

Sales by segment for 2017 are as follows:

| € million | The United States | The Netherlands | Belgium | Central and Southeastern Europe | Ahold Delhaize Group |
|---|---|---|---|---|---|
| Sales from owned stores | 37,471 | 9,109 | 2,473 | 5,597 | 54,650 |
| Sales to and fees from franchisees and affiliates | – | 2,931 | 2,410 | 145 | 5,486 |
| Online sales | 713 | 1,627 | 40 | 13 | 2,393 |
| Wholesale sales | 134 | – | 19 | 35 | 188 |
| Other sales | 122 | 39 | 11 | 1 | 173 |
| **Net sales** | 38,440 | 13,706 | 4,953 | 5,791 | 62,890 |

Net sales by product category are as follows:

| Percentage of net sales | 2018 | 2017 |
|---|---|---|
| Food: perishable | **45%** | 46% |
| Food: non-perishable | **38%** | 37% |
| Non-food | **12%** | 12% |
| Pharmacy | **3%** | 3% |
| 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 | 2018 | 2017 |
|---|---|---|
| Cost of product | **43,846** | 44,210 |
| Labor costs | **9,014** | 9,014 |
| Other operational expenses | **4,798** | 4,652 |
| Depreciation and amortization | **1,758** | 1,793 |
| Rent expenses and income – net | **929** | 979 |
| Impairment losses and reversals – net | **58** | 64 |
| (Gains) losses on the sale of assets – net | **(7)** | (47) |
| **Total expenses by nature** | **60,396** | 60,665 |

# Notes to the consolidated financial statements
**continued**

## 9 Net financial expenses

| € million | 2018 | 2017 |
|---|---|---|
| Interest income | **70** | 32 |
| Interest expense | **(310)** | (294) |
| Net interest expense on defined benefit pension plans | **(19)** | (22) |
| | | |
| Gains (losses) on foreign exchange | **19** | (38) |
| Fair value gains (losses) on financial instruments[1] | **(15)** | 26 |
| Other gains (losses) | **9** | (1) |
| Other financial income (expense) | **13** | (13) |
| | | |
| **Net financial expenses** | **(246)** | (297) |

1 In 2018, the fair value gains (losses) on financial instruments include fair value changes on certain investments in U.S. Treasury bond funds, which were classified from available-for-sale financial assets to financial assets at fair value through profit or loss (FVPL) in accordance with IFRS 9 (see *Note 3*).

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.

Net interest expense on defined benefit pension plans is caused by the Company's pension plans being in a net liability position over 2018 and 2017.

Gains (losses) on foreign exchange on financial assets and liabilities are presented as part of net financial expenses. The gains on foreign exchange in 2018 primarily resulted from the translation of foreign currency denominated loans as a result of the weakening of the euro versus the U.S. dollar. The gains on foreign exchange are offset by fair value losses on financial instruments from derivatives, which do not qualify for hedge accounting treatment, and by fair value losses on certain investments in U.S. Treasury bond funds.

Other gains (losses) mainly include transaction results from repurchasing and cancelling $350 million of the outstanding $827 million 5.70% senior notes, due 2040, resulting in a one-off cost of $39 million and a non-cash gain of $73 million (see *Note 21*) and the recognition of a financial liability for lease guarantees related to BI-LO II and its parent, Southeastern Grocers, Inc., filing for bankruptcy protection under Chapter 11 (see *Note 34*).

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 2018, the Company recorded a net exchange gain (including the impact of foreign exchange hedging instruments) of €1 million in operating income (2017: gain of €1 million).

# 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 | 2018 | 2017 |
|---|---|---|
| **Current income taxes** | | |
| Domestic taxes (the Netherlands) | **(135)** | (147) |
| Foreign taxes | | |
| United States | **(150)** | (150) |
| Europe – Other | **(75)** | (109) |
| **Total current tax expense** | **(360)** | (406) |
| | | |
| **Deferred income taxes** | | |
| Domestic taxes (the Netherlands) | **52** | 13 |
| Foreign taxes | | |
| United States | **(70)** | 131 |
| Europe – Other | **6** | 116 |
| **Total deferred tax expense** | **(12)** | 260 |
| **Total income taxes on continuing operations** | **(372)** | (146) |

### 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:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **€ million** | **Tax rate** | € million | Tax rate |
| Income before income taxes | **2,149** | | 1,928 | |
| | | | | |
| Income tax expense at statutory tax rate | **(537)** | **25.0%** | (482) | 25.0% |
| Adjustments to arrive at effective income tax rate: | | | | |
| Rate differential (local rates versus the statutory rate of the Netherlands) | **66** | **(3.1)%** | (45) | 2.3% |
| Deferred tax income (expense) related to recognition of deferred tax assets – net | **3** | **(0.1)%** | (2) | 0.1% |
| Non-taxable income (expense) | **16** | **(0.7)%** | 14 | (0.7)% |
| Other | **57** | **(2.7)%** | (38) | 2.0% |
| **Subtotal income taxes[1]** | **(395)** | **18.4%** | (553) | 28.7% |
| Tax rate changes as a result of local tax reforms | **23** | **(1.1)%** | 407 | (21.1)% |
| **Total income taxes** | **(372)** | **17.3%** | (146) | 7.6% |

1 Excluding the impact of tax rate changes due to local tax reforms.

# Notes to the consolidated financial statements

**continued**

## 10 Income taxes continued

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. The difference compared to 2017 mainly relates to the decrease of statutory corporate income tax rates in the U.S. and Belgium as of 2018. Other includes discrete items and one-time transactions (for 2018 it includes €41 million deferred tax income related to restructuring).

On December 18, 2018, new Dutch tax legislation was substantively enacted. The new law includes a reduction of the statutory corporate income tax rate from 25% in 2018 and 2019 to 22.55% in 2020 and 20.5% as of 2021, which affected Ahold Delhaize's Dutch deferred income tax position at the end of 2018. In addition, on December 3, 2018, new Greek tax legislation was enacted. The new Greek tax law includes a reduction of the statutory corporate income tax rate from 29% to 28% in 2019, 27% in 2020, 26% in 2021 and 25% as of 2022, which affected Ahold Delhaize's Greek deferred income tax position at the end of 2018. The tax rate changes show the effect of applying the reduced statutory corporate income tax rates to the calculation of Ahold Delhaize's Dutch and Greek deferred income tax positions, as well as the 2018 effect related to the Belgian statutory corporate income tax rate change of 2017. The total impact for 2018 amounts to €23 million. The effects of tax law changes are included in the reported tax balances based on the information available per reporting date. The Company keeps following any developments and further clarifications of changes in tax laws and will make adjustments to the tax balances accordingly. In 2017, the impact of €407 million was related to the reduction of statutory corporate income tax rates in the U.S. (decrease of statutory corporate income tax rate from 35% in 2017 to 21% as of 2018) and Belgium (decrease of statutory corporate income tax rate from 33% in 2017 to 29% in 2018 and 2019 and 25% as of 2020).

### Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to a €7 million benefit in 2018 (2017: nil).

# Notes to the consolidated financial statements

**continued**

## 10 Income taxes continued

### Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of December 30, 2018, and December 31, 2017, are as follows:

| € million | January 1, 2017 | Recognized in income statement | Other | December 31, 2017 | Recognized in income statement | Other | **December 30, 2018** |
|---|---|---|---|---|---|---|---|
| Leases and financings | 439 | (146) | (33) | 260 | (16) | 17 | **261** |
| Pensions and other (post-)employment benefits | 448 | (81) | (121) | 246 | 1 | (10) | **237** |
| Provisions | 219 | (71) | (24) | 124 | (7) | 11 | **128** |
| Derivatives | – | – | 3 | 3 | (2) | (1) | **–** |
| Interest | 154 | (2) | (74) | 78 | 5 | 5 | **88** |
| Other | 54 | (17) | (22) | 15 | 59 | (3) | **71** |
| Total gross deductible temporary differences | 1,314 | (317) | (271) | 726 | 40 | 19 | **785** |
| Unrecognized deductible temporary differences | (5) | 1 | 3 | (1) | (52) | (1) | **(54)** |
| Total recognized deductible temporary differences | 1,309 | (316) | (268) | 725 | (12) | 18 | **731** |
| Tax losses and tax credits | 735 | (108) | (37) | 590 | (84) | (16) | **490** |
| Unrecognized tax losses and tax credits | (373) | (1) | 18 | (356) | 59 | 3 | **(294)** |
| Total recognized tax losses and tax credits | 362 | (109) | (19) | 234 | (25) | (13) | **196** |
| **Total net deferred tax asset position** | 1,671 | (425) | (287) | 959 | (37) | 5 | **927** |
| Property, plant and equipment and intangible assets | (2,255) | 617 | 166 | (1,472) | 38 | (26) | **(1,460)** |
| Inventories | (257) | 78 | 32 | (147) | (15) | (8) | **(170)** |
| Derivatives | (39) | (16) | 55 | – | – | – | **–** |
| Other | (16) | 6 | 1 | (9) | 2 | (5) | **(12)** |
| **Total deferred tax liabilities** | (2,567) | 685 | 254 | (1,628) | 25 | (39) | **(1,642)** |
| **Net deferred tax assets (liabilities)** | (896) | 260 | (33) | (669) | (12) | (34) | **(715)** |

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 2018, the column "Recognized in income statement" in the table above includes the deferred tax rate changes as a result of the Dutch, Greek and Belgian tax reforms in the amount of €23 million.

# 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 30, 2018 | December 31, 2017 |
|---|---|---|
| Deferred tax assets | **149** | 436 |
| Deferred tax liabilities | **(864)** | (1,105) |
| **Net deferred tax liabilities** | **(715)** | (669) |

As of December 30, 2018, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €3,210 million, mainly expiring between 2019 and 2033 (December 31, 2017: €3,657 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 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024–2028 | 2029–2033 | After 2033 | Does not expire | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating and capital losses (nominal value) | 239 | 57 | 77 | 29 | 123 | 530 | 696 | 329 | 1,130 | **3,210** |
| Operating and capital losses (tax value) | 24 | 10 | 10 | 2 | 7 | 35 | 40 | 20 | 321 | **469** |
| Tax credits | 4 | 2 | 3 | 2 | 1 | – | 1 | – | 8 | **21** |
| **Tax losses and tax credits** | 28 | 12 | 13 | 4 | 8 | 35 | 41 | 20 | 329 | **490** |
| Unrecognized tax losses and tax credits | (19) | (2) | (2) | (1) | (1) | (11) | (6) | (6) | (246) | **(294)** |
| **Total recognized tax losses and tax credits** | 9 | 10 | 11 | 3 | 7 | 24 | 35 | 14 | 83 | **196** |

Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €1,873 million relates to U.S. state taxes, for which a weighted average tax rate of 5.9% 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 €66 million at December 30, 2018 (December 31, 2017: €28 million).

# 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 | 2018 | 2017 |
|---|---|---|
| Share-based compensation | **1** | – |
| Currency translation differences in foreign interests | **–** | (1) |
| Non-realized gains (losses) on debt and equity instruments | **–** | (1) |
| Remeasurement of defined benefit pension plans | **(18)** | (66) |
| **Total** | **(17)** | (68) |

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 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** |
| **Year ended December 30, 2018** | | | | |
| Additions | 264 | 601 | 833 | 1,698 |
| Transfers from under construction | 375 | 302 | (677) | – |
| Acquisitions through business combinations | 6 | 3 | – | 9 |
| Depreciation | (713) | (766) | – | (1,479) |
| Impairment losses | (29) | (15) | – | (44) |
| Impairment reversals | 1 | 2 | – | 3 |
| Assets classified to held for sale or sold | (23) | (6) | (2) | (31) |
| Other movements | (6) | (1) | – | (7) |
| Exchange rate differences | 217 | 86 | 6 | 309 |
| **Closing carrying amount** | **7,668** | **2,985** | **494** | **11,147** |
| **As of December 30, 2018** | | | | |
| At cost | 13,890 | 8,088 | 494 | 22,472 |
| Accumulated depreciation and impairment losses | (6,222) | (5,103) | – | (11,325) |
| **Carrying amount** | **7,668** | **2,985** | **494** | **11,147** |

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.

# Notes to the consolidated financial statements

**continued**

## 11 Property, plant and equipment continued

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 6.1% and 15.7% (2017: 6.0%-16.9%). 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 2018, Ahold Delhaize recognized net impairment losses of €41 million for property, plant and equipment (2017: €56 million). These were mainly related to The United States (2018: €16 million, 2017: €52 million), The Netherlands (2018: €12 million, 2017: €1 million reversal) and Central and Southeastern Europe (2018: €13 million, 2017: €5 million) and were recognized for mainly underperforming and closed stores. In 2018, the fair value less cost of disposal was the recoverable amount in the determination of €7 million of the net impairment losses (2017: €24 million). In 2017, this included a €12 million charge related to closure of bfresh locations and a €7 million net impairment for a number of stores in the Richmond area. The impairments related to the bfresh locations and the divested stores in the Richmond area 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 €1 million (2017: €2 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 2.1% and 9.4% (2017: 2.0%-10.3%).

Other movements mainly includes €6 million (2017: €2 million) of assets derecognized in connection with the termination of the finance leases, 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 €1,070 million and €146 million, respectively (December 31, 2017: €1,093 million and €177 million). In addition, the carrying amount of other property, plant and equipment includes an amount of €24 million (December 31, 2017: €36 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 €127 million (December 31, 2017: €43 million) has been pledged as security for liabilities, mainly for loans.

# Notes to the consolidated financial statements
**continued**

## 12 Investment property

| € million | 2018 | 2017 |
|---|---|---|
| **At the beginning of the year** | | |
| At cost | **1,025** | 1,119 |
| Accumulated depreciation and impairment losses | **(375)** | (392) |
| **Carrying amount** | **650** | 727 |
| | | |
| Additions | **22** | 29 |
| Depreciation | **(31)** | (30) |
| Impairment losses and reversals – net | **(11)** | (4) |
| Assets classified to held for sale or sold | **(23)** | (25) |
| Transfers (to) / from property, plant and equipment and intangible assets | **(1)** | 17 |
| Exchange rate differences | **23** | (64) |
| **Closing carrying amount** | **629** | 650 |
| | | |
| **At the end of the year** | | |
| At cost | **1,073** | 1,025 |
| Accumulated depreciation and impairment losses | **(444)** | (375) |
| **Carrying amount** | **629** | 650 |

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 2018, Ahold Delhaize recognized net impairment losses of €11 million (2017: €4 million). These were mainly related to The United States (2018: €10 million, 2017: €4 million).

The carrying amount of investment property includes an amount related to assets held under finance leases and financings of €24 million and €24 million (December 31, 2017: €25 million and €37 million), respectively. Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €76 million (December 31, 2017: €80 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of December 30, 2018, amounted to approximately €828 million (December 31, 2017: €808 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 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 2018 amounted to €75 million (2017: €70 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2018 amounted to €35 million (2017: €34 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 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** |
| **Year ended December 30, 2018** | | | | | | | | |
| Additions | – | – | 98 | – | – | 14 | 192 | 304 |
| Transfers from under development | – | – | 129 | – | – | 1 | (130) | – |
| Acquisitions through business combinations | 22 | – | – | 4 | 1 | – | – | 27 |
| Amortization | – | (2) | (197) | – | (13) | (36) | – | (248) |
| Release of favorable leases | – | – | – | (28) | – | – | – | (28) |
| Impairments | – | – | (2) | (4) | – | – | – | (6) |
| Other movements | – | – | 2 | – | – | – | (2) | – |
| Exchange rate differences | 212 | 94 | 8 | 8 | 3 | 4 | 1 | 330 |
| **Closing carrying amount** | **7,094** | **3,196** | **548** | **190** | **110** | **764** | **111** | **12,013** |
| **As of December 30, 2018** | | | | | | | | |
| At cost | 7,102 | 3,202 | 1,400 | 417 | 208 | 962 | 111 | 13,402 |
| Accumulated amortization and impairment losses | (8) | (6) | (852) | (227) | (98) | (198) | – | (1,389) |
| **Carrying amount** | **7,094** | **3,196** | **548** | **190** | **110** | **764** | **111** | **12,013** |

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 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. Goodwill recognized on acquisitions in 2017 included measurement period adjustments of €36 million to the amount recognized in 2016 in connection with the merger of Ahold and Delhaize Group.

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 30, 2018** | Goodwill December 31, 2017 | **Brand names December 30, 2018[1]** | Brand names December 31, 2017[1] |
|---|---|---|---|---|---|
| **Reportable segment** | **Cash-generating unit** | | | | |
| The United States | Stop & Shop | **914** | 871 | **–** | – |
| | Food Lion | **1,002** | 956 | **1,268** | 1,210 |
| | Giant/Martin's | **539** | 499 | **–** | – |
| | Hannaford | **1,766** | 1,683 | **756** | 721 |
| | Giant Food | **328** | 312 | **–** | – |
| | Peapod | **23** | 22 | **–** | – |
| The Netherlands | Albert Heijn (including the Netherlands and Belgium) | **1,422** | 1,422 | **–** | – |
| | bol.com (including the Netherlands and Belgium) | **201** | 201 | **86** | 86 |
| | Etos | **8** | 8 | **–** | – |
| | Gall & Gall | **1** | 1 | **–** | – |
| Belgium | Delhaize (including Belgium and Luxembourg) | **432** | 427 | **786** | 786 |
| Central and Southeastern Europe | Albert (Czech Republic) | **180** | 181 | **–** | – |
| | Alfa Beta (Greece) | **137** | 137 | **137** | 138 |
| | Mega Image (Romania) | **129** | 128 | **88** | 88 |
| | Delhaize Serbia (Republic of Serbia) | **12** | 12 | **75** | 75 |
| **Ahold Delhaize Group** | | **7,094** | 6,860 | **3,196** | 3,104 |

1 Included own brands at Food Lion (€9 million, December 31, 2017: €10 million), Hannaford (€9 million, December 31, 2017: €10 million), Greece (€3 million, December 31, 2017: €4 million) and Romania (€2 million, December 31, 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 Food Lion, Hannaford, Delhaize Belgium (including Belgium and Luxembourg) and Peapod, 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 market, we projected cash flow for bol.com over 10-year periods to better reflect the growth expectations in sales, profitability and cash generation as this business has 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, operating margin and growth rate (terminal value). The pre-tax discount rates are 8.5% for the U.S. brands (excluding Food Lion, Hannaford and Peapod), 6.9% for the brands in the Netherlands, 11.9% for bol.com, 7.4% for the Czech Republic, 14.2% for Greece, 11.1% for Romania and 10.7% for the Republic of 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 1.4% and 10.5% for the CGUs excluding bol.com. The average operating margins applied in the projected periods ranged between 3.1% and 6.3% for the CGUs excluding bol.com. For bol.com, the value in use has been estimated based on modest sales growth and modest positive operating margins in the second part of the projection period. 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 2.6% 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 using an income approach or a market approach. For Peapod, we used a business enterprise value sales multiple determined from a set of observable market multiples for comparable businesses. For Food Lion, Hannaford and Delhaize Belgium, we 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, operating margin and growth rate (terminal value). The post-tax rates used to discount the projected cash flows reflect specific risks relating to relevant CGUs and are 6.2% for Food Lion and Hannaford and 5.7% for Delhaize Belgium. The average annual compound sales growth rates applied in the projected periods ranged between 2.2% and 4.3% for the CGUs. The average operating margins applied in the projected periods ranged between 3.4% and 6.8% 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 2.2% 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:

| | Pre-tax discount rate | Post-tax discount rate | Growth rate (terminal value) |
|---|---|---|---|
| Stop & Shop | 8.5% | n.a | 2.2% |
| Food Lion | n.a | 6.2% | 2.2% |
| Hannaford | n.a | 6.2% | 2.2% |
| Albert Heijn | 6.9% | n.a | 1.5% |
| Delhaize Belgium | n.a | 5.7% | 1.8% |

# 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 relatively limited but increased significantly compared to the prior year. 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 1.1%, 2.3% and 1.5%, respectively. The recoverable amount of these CGUs would be in excess of the carrying values:

- If the WACC rates used to discount cash flow projections of these CGUs were higher by 2.0%.
- If the sales growth rates were reduced by 2.0% in the explicit projection period.
- 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 with an indefinite useful life and a carrying value of €30 million (December 31, 2017: €29 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.

## 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 2018 | Super Indo 2018 | Other 2018 | Total 2018 | JMR 2017 | Super Indo 2017 | Other 2017 | Total 2017 |
|---|---|---|---|---|---|---|---|---|
| Beginning of the year | **150** | **41** | **39** | **230** | 181 | 56 | 37 | 274 |
| Share in income (loss) of joint ventures | **29** | **5** | **(2)** | **32** | 24 | 7 | 4 | 35 |
| Dividend | **(16)** | **–** | **(1)** | **(17)** | (55) | (15) | – | (70) |
| Other changes | **–** | **–** | **(9)** | **(9)** | – | – | 2 | 2 |
| Exchange rate differences | **–** | **(1)** | **1** | **–** | – | (7) | (4) | (11) |
| **End of the year** | **163** | **45** | **28** | **236** | 150 | 41 | 39 | 230 |

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was a loss of €2 million (2017: an income of €4 million) and nil for individually immaterial associates (2017: 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 2018 | JMR 2017 | Super Indo 2018 | Super Indo 2017 |
|---|---|---|---|---|
| **Summarized statement of comprehensive income** | | | | |
| Net sales | **4,253** | 4,045 | **410** | 420 |
| Depreciation and amortization | **(101)** | (103) | **(9)** | (9) |
| Interest income | **–** | – | **1** | 2 |
| Interest expense | **(2)** | (2) | **–** | – |
| Income tax expense | **(17)** | (18) | **(1)** | (1) |
| Income from continuing operations | **59** | 51 | **10** | 13 |
| Net income | **59** | 51 | **10** | 13 |
| Other comprehensive income | **–** | – | **–** | – |
| Total comprehensive income | **59** | 51 | **10** | 13 |

| € million | JMR December 30, 2018 | JMR December 31, 2017 | Super Indo December 30, 2018 | Super Indo December 31, 2017 |
|---|---|---|---|---|
| **Summarized balance sheet** | | | | |
| **Non-current assets** | **1,180** | 1,193 | **59** | 60 |
| Current assets | | | | |
| Cash and cash equivalents | **40** | 72 | **47** | 37 |
| Other current assets | **383** | 372 | **47** | 45 |
| **Total current assets** | **423** | 444 | **94** | 82 |
| Non-current liabilities | | | | |
| Financial liabilities | **50** | – | **–** | – |
| Other liabilities | **37** | 34 | **5** | 5 |
| **Total non-current liabilities** | **87** | 34 | **5** | 5 |
| Current liabilities | | | | |
| Financial liabilities (excluding trade payables) | **88** | 271 | **–** | – |
| Other current liabilities | **1,095** | 1,025 | **78** | 76 |
| **Total current liabilities** | **1,183** | 1,296 | **78** | 76 |
| **Net assets** | **333** | 307 | **70** | 61 |

# 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 2018 | JMR 2017 | Super Indo 2018 | Super Indo 2017 |
|---|---|---|---|---|
| Opening net assets | **307** | 368 | **61** | 89 |
| Net income | **59** | 51 | **10** | 13 |
| Dividend | **(33)** | (112) | **–** | (30) |
| Exchange differences | **–** | – | **(1)** | (11) |
| **Closing net assets** | **333** | 307 | **70** | 61 |
| Interest in joint venture | **49%** | 49% | **51%** | 51% |
| Closing net assets included in the carrying value | **163** | 150 | **36** | 31 |
| Goodwill | **–** | – | **9** | 10 |
| **Carrying value** | **163** | 150 | **45** | 41 |

**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 a 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 30, 2018 | December 31, 2017 |
|---|---|---|
| Reinsurance assets | **144** | 124 |
| Loans receivable | **52** | 55 |
| Defined benefit asset | **24** | – |
| Derivative financial instruments | **1** | – |
| Other | **17** | 13 |
| **Total other non-current financial assets** | **238** | 192 |

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 the balance sheet. There were no significant gains or losses related to this pooling arrangement during 2018 or 2017.

Of the non-current loans receivable, €31 million matures between one and five years and €21 million after five years (December 31, 2017: €32 million between one and five years and €23 million after five years). The current portion of loans receivable of €16 million is included in Other receivables (December 31, 2017: €3 million) (see *Note 17*).

The defined benefit asset at December 30, 2018, represents defined benefit pension plans for which the fair value of plan assets exceeds the present value of the defined benefit obligations. For more information on defined benefit plans, see *Note 23*.

For more information on derivative financial instruments and fair values, see *Note 30*.

# Notes to the consolidated financial statements
**continued**

## 16 Inventories

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Finished products and merchandise inventories | **3,139** | 3,023 |
| Raw materials, packaging materials, technical supplies and other | **57** | 54 |
| **Total inventories** | **3,196** | 3,077 |

In 2018, €1,366 million has been recognized as a write-off of inventories in the income statement (2017: €1,352 million). Write-offs include, among others, spoilage, damaged product and product donated to food banks.

## 17 Receivables

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Trade receivables | **1,027** | 997 |
| Vendor allowance receivables | **503** | 454 |
| Other receivables | **316** | 235 |
| | **1,846** | 1,686 |
| Provision for impairment | **(87)** | (80) |
| **Total receivables** | **1,759** | 1,606 |

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 30, 2018, is €231 million (December 31, 2017: €254 million).

At December 30, 2018, 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 | **1,027** | **767** | **186** | **11** | **17** | **46** |
| Vendor allowance receivables | **503** | **391** | **87** | **17** | **1** | **7** |
| Other receivables | **316** | **186** | **67** | **28** | **6** | **29** |
| | **1,846** | **1,344** | **340** | **56** | **24** | **82** |
| Provision for impairment | **(87)** | **(11)** | **(10)** | **(4)** | **(14)** | **(48)** |
| **Total receivables** | **1,759** | **1,333** | **330** | **52** | **10** | **34** |
| Expected credit loss | **4.7%** | **0.8%** | **3.1%** | **6.4%** | **59.6%** | **58.0%** |

# Notes to the consolidated financial statements

**continued**

## 17 Receivables continued

At December 31, 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 | 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** |
| Expected credit loss | 4.8% | 1.0% | 4.2% | 13.0% | 27.6% | 65.7% |

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 30, 2018. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

| € million | **2018** | 2017 |
|---|---|---|
| Beginning of the year | **(80)** | (76) |
| Charged to income | **(29)** | (20) |
| Used | **22** | 15 |
| Exchange rate differences | **–** | 1 |
| **End of the year** | **(87)** | (80) |

## 18 Other current financial assets

| € million | **December 30, 2018** | December 31, 2017 |
|---|---|---|
| Available-for-sale financial assets (FVOCI) – current portion[1] | **–** | 157 |
| Investments in debt instruments (FVPL) – current portion[1] | **119** | – |
| Short-term deposits and similar instruments | **266** | 9 |
| Reinsurance assets – current portion (see *Note 15*) | **74** | 71 |
| Other | **2** | 1 |
| **Total other current financial assets** | **461** | 238 |

1 Following the adoption of IFRS 9, certain investments in U.S. Treasury bond funds that were 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 has been reclassified to financial assets at fair value through profit or loss (FVPL); see *Note 3*.

# Notes to the consolidated financial statements
**continued**

## 18 Other current financial assets continued

The Investments in debt instruments relate primarily to investments in U.S. Treasury bond funds, which are held by one of the Company's captive insurance companies.

As of December 30, 2018, 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 30, 2018, €11 million was restricted (December 31, 2017: €9 million). The restricted investments are held for insurance purposes for U.S. workers' compensation and general liability programs.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. In both 2018 and 2017, none of the financial assets were either past due or impaired.

## 19 Cash and cash equivalents

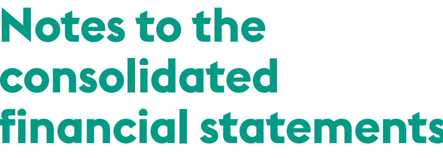
| € million | **December 30, 2018** | December 31, 2017 |
|---|---:|---:|
| Cash in banks and cash equivalents | **2,813** | 4,240 |
| Cash on hand | **309** | 341 |
| **Total cash and cash equivalents** | **3,122** | 4,581 |

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.

Of the cash and cash equivalents as of December 30, 2018, €12 million was restricted (December 31, 2017: €39 million) and consisted of collateral in connection with third-party money transfer services provided at our stores of nil (December 31, 2017: €26 million) as well as cash held in escrow accounts mainly related to pending litigation, obligations related to business disposals and construction activities. The Company's updated arrangement with the third-party money transfer services in 2018 does not require posting of collateral.

Cash and cash equivalents include €695 million (December 31, 2017: €1,367 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 €292 million and €172 million as of December 30, 2018, and December 31, 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 30, 2018 | December 31, 2017 |
|---|---|---|
| Common shares (2018: 1,923,515,827 of €0.01 par value each, and 2017: 1,923,515,827 of €0.01 par value each) | **19** | 19 |
| Cumulative preferred shares (2018: 2,250,000,000 of €0.01 par value each, and 2017: 2,250,000,000 of €0.01 par value each) | **23** | 23 |
| **Total authorized share capital** | **42** | 42 |

The issued common shares comprise 83.5% of the issued share capital. In addition, Ahold Delhaize has cumulative preferred financing shares outstanding, comprising 16.5% of the issued share capital. 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 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** |
| Share buyback | – | 101,053 | (101,053) |
| Cancellation of treasury shares | (63,084) | (63,084) | – |
| Share-based payments | – | (3,662) | 3,662 |
| Other | – | (1) | 1 |
| **Balance as of December 30, 2018** | **1,183,725** | **53,525** | **1,130,200** |

**Dividends on common shares**

On April 11, 2018, the General Meeting of Shareholders approved the dividend over 2017 of €0.63 per common share (€757 million in the aggregate). This dividend was paid on April 26, 2018. The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.70 per common share be paid in 2019 with respect to 2018. 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 30, 2018. The payment of this dividend will not have income tax consequences for the Company.

# Notes to the consolidated financial statements
**continued**

## 20 Equity attributable to common shareholders continued

### Share buyback
The trades executed on December 28 and December 29, 2017, totaling 328,631 shares, related to the share buyback program completed on December 29, 2017, were settled on January 2 and January 3, 2018, respectively. The share buyback program of €2 billion that started on January 2, 2018, was successfully completed on December 20, 2018. In total, 100,723,877 of the Company's own shares were repurchased at an average price of €19.86 per share. On January 2, 2019, the Company commenced the €1 billion share buyback program that was announced on November 13, 2018. The program is expected to be completed before the end of 2019.

### 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 €63 million (2017: €83 million) relate to the 2018 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 30, 2018, or during 2018 and 2017.

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). 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. After actively engaging with its shareholders and other stakeholders, the Company agreed with SCAD in May 2018 to extend the Option Agreement for a period of 15 years, effective December 15, 2018. Building on shareholder feedback, the Company has agreed with SCAD on two additional commitments:

- Within six months after the option is exercised, the Company will call a shareholder meeting to discuss the situation with shareholders.
- Within one year after the option is exercised, the Company will call a shareholder meeting to vote on cancellation of the shares issued to SCAD; SCAD will not vote on its shares in relation to that matter.

# Notes to the consolidated financial statements

**continued**

## 20 Equity attributable to common shareholders continued

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.

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 30, 2018, of €14,816 million, an amount of €419 million is non-distributable (December 31, 2017: €346 million out of total equity of €15,170 million). See *Note 10* to the parent company financial statements for more details on the legal reserves.

# Notes to the consolidated financial statements

**continued**

## 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 30, 2018 | Current portion within 1 year | Non-current portion: Between 1 and 5 years | Non-current portion: After 5 years | Total December 30, 2018 | Current portion within 1 year | Non-current portion: Between 1 and 5 years | Non-current portion: After 5 years | Total December 31, 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR 400 notes 4.25%, due 2018 | EUR | – | – | – | – | – | 413 | – | – | 413 |
| USD 300 notes 4.125%, due 2019 | USD | 130 | 114 | – | – | 114 | 3 | 109 | – | 112 |
| USD 94 indebtedness 7.82%, due 2020 | USD | 8 | 7 | – | – | 7 | 8 | 7 | – | 15 |
| EUR 400 notes 3.125%, due 2020 | EUR | 400 | 12 | 402 | – | 414 | 12 | 414 | – | 426 |
| EUR 300 notes EURIBOR + 18 bps, due 2021 | EUR | 300 | – | 300 | – | 300 | – | – | – | – |
| EUR 750 notes 0.875% due 2024 | EUR | 750 | – | – | 750 | 750 | – | – | 750 | 750 |
| USD 71 indebtedness 8.62%, due 2025 | USD | 71 | – | 46 | 16 | 62 | – | 30 | 29 | 59 |
| EUR 500 notes 1.125%, due 2026 | EUR | 500 | – | – | 500 | 500 | – | – | – | – |
| USD 71 notes 8.05%, due 2027 | USD | 71 | 2 | 9 | 70 | 81 | 2 | 8 | 69 | 79 |
| USD 500 notes 6.875%, due 2029 | USD | 500 | – | – | 437 | 437 | – | – | 416 | 416 |
| USD 271 notes 9.00%, due 2031 | USD | 271 | 5 | 24 | 293 | 322 | 5 | 21 | 286 | 312 |
| USD 827 notes 5.70%, due 2040 | USD | 477 | 3 | 11 | 490 | 504 | 4 | 18 | 815 | 837 |
| Deferred financing costs | | | (2) | (9) | (4) | (15) | (2) | (6) | (4) | (12) |
| **Total notes** | | | 141 | 783 | 2,552 | 3,476 | 445 | 601 | 2,361 | 3,407 |
| Financing obligations[1] | | | 20 | 84 | 173 | 277 | 22 | 122 | 181 | 325 |
| Mortgages payable[2] | | | 1 | 88 | – | 89 | 1 | 13 | 8 | 22 |
| Other loans | | | – | – | 3 | 3 | – | – | 3 | 3 |
| **Total loans** | | | 162 | 955 | 2,728 | 3,845 | 468 | 736 | 2,553 | 3,757 |

1 The weighted average interest rate for the financing obligations amounted to 7.3% at the end of 2018 (2017: 7.5%).
2 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 10.3% at the end of 2018 (2017: 5.6%).

On December 6, 2018, Ahold Delhaize repurchased and cancelled $350 million of its outstanding $827 million 5.70% senior notes, due 2040, for a total consideration of $389 million. This transaction resulted in a one-off cost of $39 million as premium paid and a non-cash gain of $73 million related to the acceleration of the amortization of the fair value adjustment allocated to the USD 827 million notes due 2040. The one-off cost and non-cash gain are included in *Other gains (losses);* see *Note 9*.

On October 19, 2018, Ahold Delhaize repaid its 4.25% EUR 400 million notes on maturity.

On March 19, 2018, Ahold Delhaize issued EUR 500 million fixed rate notes due in 2026 and EUR 300 million floating rate notes due in 2021. The eight-year fixed rate notes bear a coupon of 1.125% per annum and were issued at a price of 99.107% of the nominal value. The three-year floating rate notes bear a coupon of 18 basis points over three-month EURIBOR per annum and were issued at a price of 100.449% of the nominal value. The bonds are listed on Euronext Amsterdam.

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 of December 30, 2018.

# Notes to the consolidated financial statements

**continued**

## 21 Loans and credit facilities continued

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 2018 and 2017, the Company was in compliance with these covenants. However, it was not required to test the financial covenant as a result of its credit rating. As of December 30, 2018, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $165 million (€144 million).

Ahold Delhaize also has access to a total of €340 million in uncommitted credit facilities to cover working capital requirements, issuance of guarantees and letters of credit, of which €68 million was utilized as of December 30, 2018.

## 22 Other non-current financial liabilities

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Finance lease liabilities | **1,379** | 1,430 |
| Cumulative preferred financing shares | **455** | 455 |
| Derivative financial instruments | **–** | 18 |
| Reinsurance liabilities | **149** | 136 |
| Other | **72** | 59 |
| **Total other non-current financial liabilities** | **2,055** | 2,098 |

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 $40 million (€35 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 a $16 million (€14 million) financial liability for rent payments for nine Tops stores that the Company agreed to make for a period of 72 months (see *Note 34*).

# Notes to the consolidated financial statements

**continued**

## 22 Other non-current financial liabilities continued

### Finance lease liabilities

Finance lease liabilities relating to continuing operations are payable as follows:

| € million | December 30, 2018 Future minimum lease payments | December 30, 2018 Interest portion | December 30, 2018 Present value of minimum lease payments | December 31, 2017 Future minimum lease payments | December 31, 2017 Interest portion | December 31, 2017 Present value of minimum lease payments |
|---|---|---|---|---|---|---|
| Within one year | **271** | **91** | **180** | 271 | 94 | 177 |
| Between one and five years | **868** | **247** | **621** | 894 | 272 | 622 |
| After five years | **1,017** | **259** | **758** | 1,067 | 259 | 808 |
| **Total** | **2,156** | **597** | **1,559** | 2,232 | 625 | 1,607 |
| | | | | | | |
| Current portion finance lease liabilities (see *Note 26*) | | | **180** | | | 177 |
| Non-current portion finance lease liabilities | | | **1,379** | | | 1,430 |

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 30, 2018, the finance lease liabilities are recorded at their present value at a weighted average interest rate of 6.2% (December 31, 2017: 6.3%).

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 the Company's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

During 2018, interest expense on finance lease liabilities was €97 million (2017: €111 million). Total future minimum sublease income expected to be received under non-cancellable subleases as of December 30, 2018, is €97 million (December 31, 2017: €106 million). The total contingent rent expense recognized during the year on finance leases was €1 million (2017: €1 million).

### Cumulative preferred financing shares

| | Number of shares (x 1,000) | € million |
|---|---|---|
| Issued cumulative preferred financing shares (€0.01 par value each) | 223,415 | 2 |
| Authorized cumulative preferred financing shares (€0.01 par value each) | 326,484 | 3 |

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Paid-in capital issued cumulative preferred financing shares | **3** | 3 |
| Additional paid-in capital cumulative preferred financing shares | **452** | 452 |
| **Balance as of year-end** | **455** | 455 |

# Notes to the consolidated financial statements

**continued**

## 22 Other non-current financial liabilities continued

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 (each a 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, 1.84% 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.

Subject to certain exceptions, any potential transfer of cumulative preferred financing shares requires the approval of the Management Board. The total number of votes that can be exercised by the cumulative preferred financing shares is approximately 68 million. This represents approximately 6% 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 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 82 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.

## 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.

Net assets relating to one plan are not offset against liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Defined benefit liabilities | **532** | 567 |
| Defined benefit assets | **(24)** | – |
| **Total net defined benefit plan funded status** | **508** | 567 |

The defined benefit assets are part of the other non-current financial assets; for more information, see *Note 15.*

# Notes to the consolidated financial statements

**continued**

## 23 Pensions and other post-employment benefits continued

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 plan's assets, which are made up of contributions from Ahold Delhaize and employees, are managed by Stichting Ahold Delhaize Pensioen ("Ahold Delhaize Pensioen"), an independent foundation. The contributions are established in a funding agreement between Ahold Delhaize, employee representatives and Ahold Delhaize Pensioen every five years based on the funding levels of the plan. The contributions are determined as a percentage of an employee's pension base.

In the United States, the Company maintains a funded plan covering a limited population of employees. 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, which are adjusted annually according to the Belgian consumer price index. Certain employees who were employed before 2005 could choose not to participate in the employee contribution part of the plans. The plans assure employees receive 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. In order to avoid the gap, or reduce it to a minimum, the Company has opened a new cash balance plan, under branch 23 rules in Belgium, as of July 1, 2017. All new employees who begin service after this date will be included in this new plan. The level of contributions remains unchanged, but the new plan is expected to experience higher returns in the long term than those generated under the branch 21 rules followed by the older 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 contributions. The plan's assets, which are made up of 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 order to avoid returns being less than the minimum guaranteed return, or reduce the risk to a minimum, the level of contributions at July 1, 2017, have been capped and applied under the classic branch 21 rules. Any increases in contributions after July 1, 2017, will be managed in accordance with branch 23 rules, which are expected to experience higher returns in the long term.

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 the employee's retirement, 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 several 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 | 2018 | 2017 |
|---|---|---|
| Service cost | | |
| Current service cost | **162** | 167 |
| Past service cost gain | **–** | (13) |
| Gain on settlement | **–** | 1 |
| Net interest expense | **19** | 22 |
| Administrative cost | **12** | 12 |
| Termination benefits | **2** | 2 |
| Components of defined benefit cost recorded in the income statement | **195** | 191 |
| | | |
| Remeasurements recognized: | | |
| Return on plan assets, excluding amounts included in net interest (income) expense | **237** | (161) |
| (Gain) loss from changes in demographic assumptions | **(79)** | 13 |
| (Gain) loss from changes in financial assumptions | **(190)** | 127 |
| Experience (gains) losses | **(34)** | (23) |
| Components of defined benefit cost recognized in other comprehensive income | **(66)** | (44) |
| **Total net defined benefit cost** | **129** | 147 |

# 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 2018 and 2017 were as follows:

| | The Netherlands | | The United States | | Rest of world | | Total | |
|---|---|---|---|---|---|---|---|---|
| € million | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| **Defined benefit obligations** | | | | | | | | |
| Beginning of the year | **4,822** | 4,636 | **1,359** | 1,592 | **278** | 269 | **6,459** | 6,497 |
| Current service cost | **125** | 130 | **22** | 22 | **15** | 15 | **162** | 167 |
| Past service cost | **–** | 12 | **–** | (25) | **–** | – | **–** | (13) |
| Gain on settlements | **–** | – | **–** | (123) | **–** | – | **–** | (123) |
| Interest expense | **98** | 91 | **51** | 63 | **5** | 5 | **154** | 159 |
| Termination benefits | **–** | – | **–** | – | **2** | 2 | **2** | 2 |
| Contributions by plan participants | **21** | 22 | **–** | – | **1** | 1 | **22** | 23 |
| Benefits paid | **(90)** | (87) | **(63)** | (76) | **(16)** | (12) | **(169)** | (175) |
| (Gain) loss from changes in demographic assumptions | **(73)** | 4 | **(5)** | 9 | **(1)** | – | **(79)** | 13 |
| (Gain) loss from changes in financial assumptions | **(80)** | 34 | **(104)** | 96 | **(6)** | (3) | **(190)** | 127 |
| Experience (gains) losses | **(46)** | (20) | **9** | (4) | **3** | 1 | **(34)** | (23) |
| Exchange rate differences | **–** | – | **64** | (195) | **–** | – | **64** | (195) |
| **End of the year** | **4,777** | 4,822 | **1,333** | 1,359 | **281** | 278 | **6,391** | 6,459 |
| **Plan assets** | | | | | | | | |
| Fair value of assets, beginning of the year | **4,619** | 4,431 | **1,071** | 1,208 | **202** | 199 | **5,892** | 5,838 |
| Acquisitions through business combinations | **–** | – | **–** | – | **–** | (11) | **–** | (11) |
| Interest income | **92** | 85 | **39** | 48 | **4** | 4 | **135** | 137 |
| Company contribution | **101** | 137 | **82** | 51 | **18** | 17 | **201** | 205 |
| Contributions by plan participants | **21** | 22 | **–** | – | **1** | 1 | **22** | 23 |
| Benefits paid | **(90)** | (87) | **(63)** | (76) | **(16)** | (12) | **(169)** | (175) |
| Settlement payments | **–** | – | **–** | (124) | **–** | – | **–** | (124) |
| Administrative cost | **(9)** | (8) | **(3)** | (4) | **–** | – | **(12)** | (12) |
| Return on plan assets, excluding amounts included in net interest (income) expense | **(146)** | 39 | **(76)** | 118 | **(15)** | 4 | **(237)** | 161 |
| Exchange rate differences | **–** | – | **51** | (150) | **–** | – | **51** | (150) |
| **Fair value of assets, end of the year** | **4,588** | 4,619 | **1,101** | 1,071 | **194** | 202 | **5,883** | 5,892 |
| **Funded status** | **(189)** | (203) | **(232)** | (288) | **(87)** | (76) | **(508)** | (567) |

The total defined benefit obligation of €6,391 million as of December 30, 2018, includes €187 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 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.

### Cash contributions

From 2018 to 2019, Company contributions are expected to increase from €101 million to €103 million in the Netherlands, decrease from $97 million (€82 million) to $21 million (€18 million) for all defined benefit plans in the United States, and decrease from €18 million to €16 million for all plans in the rest of the world.

As of year-end 2018, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 110%. Under the financing agreement with Ahold Delhaize Pensioen, contributions are made as a percentage of employees' pension bases 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 Delhaize Pensioen agreed to an additional funding of €28 million under the financing agreement, which was included in the 2017 cash contributions.

The Ahold USA pension plan's funding ratio at year-end 2018 was 113%, measured using regulatory interest rates allowed by the U.S. government as part of funding relief, which are higher than otherwise would be allowed. Based upon this funding ratio, under the current funding policy, we do not expect to make a funding contribution to the Ahold USA pension plan in 2019.

### 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 | | The United States | | Rest of world | |
|---|---|---|---|---|---|---|
| % | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Discount rate | **1.9** | 2.0 | **4.5** | 3.8 | **1.7** | 1.7 |
| Future salary increases | **3.3** | 3.5 | **4.5** | 4.5 | **3.2** | 3.1 |
| Future pension increases | **0.7** | 0.8 | **0.0** | 0.0 | **0.0** | 0.0 |

# Notes to the consolidated financial statements
**continued**

## 23 Pensions and other post-employment benefits continued

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 | | The United States | | Rest of world | |
|---|---|---|---|---|---|---|
| Years | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| **Longevity at age 65 for current pensioners** | | | | | | |
| Male | **21.3** | 21.3 | **19.5** | 19.6 | **N/A** | N/A |
| Female | **23.5** | 23.9 | **22.2** | 22.2 | **N/A** | N/A |
| **Longevity at age 65 for current members aged 50** | | | | | | |
| Male | **23.0** | 23.1 | **20.8** | 20.8 | **N/A** | N/A |
| Female | **25.2** | 25.7 | **23.4** | 23.4 | **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 | The United States | Rest of world | Total |
|---|---|---|---|---|
| **Discount rate** | | | | |
| 0.5% increase | (529) | (75) | (20) | (624) |
| 0.5% decrease | 626 | 83 | 22 | 731 |
| **Future salary increases** | | | | |
| 0.5% increase | 73 | 1 | 10 | 84 |
| 0.5% decrease | (69) | (1) | (9) | (79) |
| **Future pension increases** | | | | |
| 0.5% increase | 575 | N/A | N/A | 575 |
| 0.5% decrease | (496) | N/A | N/A | (496) |
| **Life expectancy** | | | | |
| 1 year increase at age 65 | 175 | 41 | N/A | 216 |

The above sensitivity analyses are 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:

| € million | The Netherlands | | The United States | | Rest of world | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Equity instruments: | | | | | | |
| Consumer goods | **238** | 236 | **15** | 23 | **–** | – |
| Financial services | **279** | 262 | **17** | 62 | **–** | – |
| Telecommunications and information | **97** | 110 | **10** | 38 | **–** | – |
| Energy and utilities | **90** | 71 | **18** | 32 | **–** | – |
| Industry | **262** | 127 | **4** | 15 | **–** | – |
| Other | **22** | 6 | **63** | 76 | **–** | – |
| Debt instruments: | | | | | | |
| Government | **1,108** | 1,082 | **75** | 140 | **–** | – |
| Corporate bonds (investment grade) | **1,297** | 1,289 | **564** | 252 | **–** | – |
| Corporate bonds (non-investment grade) | **8** | 12 | **–** | 34 | **–** | – |
| Other | **–** | – | **70** | 61 | **6** | – |
| Real estate: | | | | | | |
| Retail | **1** | 18 | **–** | – | **–** | – |
| Offices | **6** | 8 | **–** | – | **–** | – |
| Residential | **3** | 7 | **–** | – | **–** | – |
| Other | **–** | – | **53** | 48 | **–** | – |
| Investment funds | **1,032** | 1,048 | **135** | 216 | **6** | – |
| Insurance contracts | **–** | 1 | **–** | – | **182** | 202 |
| Derivatives: | | | | | | |
| Interest rate swaps | **(46)** | (105) | **–** | – | **–** | – |
| Forward foreign exchange contracts | **(24)** | 26 | **–** | – | **–** | – |
| Cash and cash equivalents | **223** | 429 | **24** | 18 | **–** | – |
| Other | **(8)** | (8) | **53** | 56 | **–** | – |
| **Total** | **4,588** | 4,619 | **1,101** | 1,071 | **194** | 202 |

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 Ahold Delhaize Pensioen 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. During 2018, the strategic targets for asset allocation of the Dutch pension plan were: 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 committee for the various U.S. plans establishes investment policies and strategies and regularly monitors 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. During 2018, the strategic targets were: 16% equity securities and 84% debt securities.

In 2018, the Dutch plan had €1.8 million of plan assets invested in Ahold Delhaize's financial instruments (2017: €1.3 million). In 2018 or 2017, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2018 was negative 0.8% for the Dutch plan (2017: positive 3.0%) and negative 4.1% for the Ahold USA pension plan (2017: positive 15.5%).

### Benefit maturities

The weighted average duration of the defined benefit obligations of the plans in the Netherlands, the U.S., and the rest of world are 25.0, 13.6, and 14.1 years, respectively.

The expected schedule of benefit payments for the plans are as follows:

| € million | The Netherlands | The United States | Rest of world | Total |
|---|---|---|---|---|
| Amount due within one year | 88 | 71 | 3 | 162 |
| Amount due between two and five years | 356 | 313 | 41 | 710 |
| Amount due between six and ten years | 543 | 421 | 59 | 1,023 |

### Defined contribution plans

The Company operates defined contribution plans in the Netherlands, the 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 2018 and 2017, the Company contributed €100 million and €85 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 2018 and 2017.

### 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. With the exception of the Mid-Atlantic UFCW & Participating employers Pension Fund as explained below, none of the Company's collective bargaining agreements require an increase in the Company's total pension contributions to meet minimum funding requirements.

# Notes to the consolidated financial statements

**continued**

## 23 Pensions and other post-employment benefits continued

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) would be 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 generally must obtain the agreement of the applicable unions and will likely be required to pay a withdrawal liability in connection with this. If 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 the multi-employer plan.

### 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 Company's participation in these multi-employer plans is outlined in the following tables. Ahold Delhaize's participation percentage is an indication based on the relevant amount of its contributions during the year in relation to the total amount of contributions made to the plan. 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 8.5%. The estimate does not represent Ahold Delhaize's direct obligation. While it is our best estimate, based upon information available to us, it is imprecise and a reliable estimate of the amount of the obligation cannot be made. The EIN / Pension Plan Number column provides the Employer Identification Number (EIN) and the three-digit pension plan number. As with all pension plans, multi-employer 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). This categorization is 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." A plan in the "Red Zone" may be further categorized as "critical and declining" if the plan is projected to become insolvent within the current year or within either the next 14 years or the next 19 years, depending on the plan's ratio of inactive participants to active participants and the plan's specific funding percentage. 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).

# 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[1] | Expiration date of collective-bargaining agreement | **December 30, 2018** Annual contributions | Plan deficit / (surplus)[2] | Ahold Delhaize's participation | Ahold Delhaize's proportionate share of deficit (surplus)[3] |
|---|---|---|---|---|---|---|---|---|---|
| FELRA & UFCW Food Pension Fund | 52-6128473/001 | Red (Critical and declining) | Implemented | 2017 | October 26, 2019 | **23** | **1,286** | **55.7%** | **716** |
| Mid-Atlantic UFCW & Participating Employers Pension Fund | 46-1000515/001 | Green | No | 2017 | October 26, 2019 | **9** | **(2)** | **58.8%** | **(1)** |
| New England Teamsters & Trucking Industry Pension | 04-6372430/001 | Red (Critical and declining) | Implemented | 2017 | March 30, 2019 | **5** | **–** | **2.7%** | **–** |
| UFCW Local 1262 & Employers Pension Fund | 22-6074414/001 | Red | Implemented | 2017 | October 23, 2023 – February 10, 2024 | **5** | **180** | **28.9%** | **52** |
| United Food & Commercial Workers International Union – Industry Pension Fund | 51-6055922/001 | Green | No | 2017 | February 23, 2019 – October 31, 2020 | **19** | **466** | **23.5%** | **110** |
| UFCW Local 1500 Pension Plan | 23-7176372/001 | Yellow | Implemented | 2017 | December 26, 2020 | **10** | **208** | **38.4%** | **80** |
| Warehouse Employees' Union Local 730 Pension Trust Fund | 52-6124754/001 | Red (Critical and declining) | Implemented | 2017 | March 14, 2022 | **3** | **119** | **83.1%** | **97** |
| Other plans | | | | | | **6** | **7,712** | **0.9%** | **19** |
| **Total** | | | | | | **80** | **9,969** | | **1,073** |

| € million, except Ahold Delhaize's participation percentages | EIN / Pension plan number | ERISA zone status | FIP / RP status pending / implemented | Year of Form 5500[1] | Expiration date of collective-bargaining agreement | December 31, 2017 Annual contributions | Plan deficit / (surplus)[2] | Ahold Delhaize's participation | Ahold Delhaize's proportionate share of deficit (surplus)[3] |
|---|---|---|---|---|---|---|---|---|---|
| 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

1 Form 5500 is part of ERISA's overall reporting and disclosure framework and includes the Financial Statements of a multi-employer plan.
2 The deficit / (surplus) of the plans is heavily influenced by the discount rate applied by the plans, which ranges between 6.5% and 8.5%. Multi-employer plans discount the liabilities at the plan's expected rate of return on assets. As a plan nearing insolvency reduces liquidity risk and expected volatility, its expected rate of return on assets declines and, as such, the discount rate will decline, resulting in an increase of the deficit within the plan.
3 Ahold Delhaize's proportionate share of deficit (surplus) is calculated by multiplying the deficit / (surplus) of each plan that the Company participates in by Ahold Delhaize's participation percentage in that plan. This proportional share of deficit / (surplus) is an indication of our share of deficit / (surplus) based on the best available information. The deficit is calculated in accordance with the accounting policies and funding assumptions applied by the relevant plan and does not represent any obligation or liability Ahold Delhaize may have in respect of the plan, which would be accounted for and measured in accordance with Ahold Delhaize's accounting policies.

If the underfunded liabilities of the multi-employer pension plans are not reduced, either by improved market conditions, reduction in benefits, and / 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 2019, the Company expects its contributions to increase to €90 million, which includes rehabilitation plan contribution increases when applicable. Ahold Delhaize has a risk of increased contributions and withdrawal liability (upon a withdrawal) 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. If and when a withdrawal liability is assessed, it may be substantially higher than the proportionate share disclosed above. Any adjustment for a withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reliably estimated. Ahold Delhaize does not have a contractual agreement with any multi-employer plan that determines how a deficit will be funded. No withdrawal payments were incurred or included in the 2018 and 2017 contributions disclosed above.

In 2012, a restructuring took place regarding the FELRA & UFCW Food Pension Fund ("FELRA"). Under the restructuring, the Mid-Atlantic UFCW & Participating Employers Pension Fund ("MAP") was created for future service accruals of Giant Foods' (a controlled subsidiary of Ahold Delhaize) employees and one other participating employer. Giant Foods is currently the largest contributing employer in the FELRA plan, followed by one other large contributing employer and a small contributing employer affiliated with the other employer. MAP is funded by Giant Foods and one other large participating employer. The current collective bargaining agreement includes a plan provision ("benefit backstop provision") that will become effective, for all participating employers in MAP, if and when FELRA becomes insolvent and benefits are reduced in accordance with the rules established by the Pension Benefit Guaranty Corporation (PBGC). Under normal circumstances, when a multi-employer plan reaches insolvency it must reduce all accrued benefits to the maximum level guaranteed by the PBGC. The PBGC will continue to fund these minimum guaranteed benefits for the participants. FELRA and all other similar funds paid annual insurance premiums to the PBGC for such benefit insurance. Upon the insolvency of FELRA, the collective bargaining agreements to which Giant Foods is a party may require Giant Foods to pay certain supplemental contributions to FELRA and / or MAP that are attributable to certain of the benefits reduced by FELRA as a result of its insolvency. The specific amount of any such contributions remains subject to a number of variables, including the actions of third parties, and cannot be precisely estimated at this time. In addition, as noted below, this supplemental contribution obligation may be modified through the collective bargaining process.

FELRA reported in its 2017 Form 5500 that it projects it will become insolvent in approximately the fourth quarter of 2020 and reported in its Form 5500 a year-end funding ratio of 26.9%. Its Board of Trustees adopted an ERISA "all reasonable measures" rehabilitation plan to forestall insolvency. Under this specific ERISA plan, all minimum funding standards are being met. The current collective bargaining agreement expires on October 26, 2019, and all pension provisions, including funding and the benefit backstop provision, may be subject to collective bargaining. This bargaining process might resolve or forestall the insolvency predicted for the fourth quarter of 2020. If either the bargaining parties do not reach an agreement on a new collective bargaining agreement at the expiration date or FELRA becomes insolvent, Ahold Delhaize may be required to increase its contributions or, in certain circumstances, to fund the payments of these benefits. A wide variety of potential scenarios could unfold, all of which are conditional and dependent on uncertain future events, and the outcome of which cannot be reasonably predicted but which could have a material impact on Ahold Delhaize's financial position and results.

# Notes to the consolidated financial statements
**continued**

## 23 Pensions and other post-employment benefits continued

### Defined contribution plans

Ahold Delhaize also participates in 40 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 €280 million and €264 million to multi-employer defined contribution plans during 2018 and 2017, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2018 and 2017. These plans vary significantly in size, with contributions to the three largest plans representing 53% of total contributions.

## 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 December 31, 2017** | | | | | | | |
| Current portion | 208 | 13 | 16 | 72 | 26 | 20 | 355 |
| Non-current portion | 561 | 16 | 63 | 28 | 91 | 49 | 808 |
| **Carrying amount** | **769** | **29** | **79** | **100** | **117** | **69** | **1,163** |
| | | | | | | | |
| **Year ended December 30, 2018** | | | | | | | |
| Additions charged to income | 173 | 26 | 16 | 35 | 36 | 3 | 289 |
| Used during the year | (169) | (32) | (13) | (77) | (42) | (16) | (349) |
| Released to income | (15) | (8) | (2) | (3) | (9) | (4) | (41) |
| Interest accretion | 25 | – | (1) | – | 3 | – | 27 |
| Effect of changes in discount rates | (17) | (1) | – | – | (1) | (1) | (20) |
| Other movements | 7 | – | – | (2) | – | – | 5 |
| Exchange rate differences | 37 | – | 1 | 1 | 5 | 2 | 46 |
| **Closing carrying amount** | **810** | **14** | **80** | **54** | **109** | **53** | **1,120** |
| | | | | | | | |
| **As of December 30, 2018** | | | | | | | |
| Current portion | 221 | 7 | 36 | 36 | 21 | 5 | 326 |
| Non-current portion | 589 | 7 | 44 | 18 | 88 | 48 | 794 |

Maturities of total provisions as of December 30, 2018, 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 | 221 | 7 | 36 | 36 | 21 | 5 | 326 |
| Amount due between one and five years | 356 | 7 | 16 | 18 | 51 | 12 | 460 |
| Amount due after five years | 233 | – | 28 | – | 37 | 36 | 334 |
| **Total** | **810** | **14** | **80** | **54** | **109** | **53** | **1,120** |

# Notes to the consolidated financial statements
**continued**

## 24 Provisions continued

### 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, $10 million (€9 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation and $5 million (€4 million) for property losses in Europe. 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 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.

### 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.

### 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 unavoidable future costs anticipated to be incurred and any potential remedies available, for instance, renegotiation with landlords, assignment of leases and subleasing possibilities.

### 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.

# Notes to the consolidated financial statements
**continued**

## 25 Other non-current liabilities

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Step rent accruals | **287** | 268 |
| Unfavorable lease obligations | **171** | 191 |
| Deferred income | **77** | 49 |
| Other | **31** | 21 |
| **Total other non-current liabilities** | **566** | 529 |

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.

## 26 Other current financial liabilities

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Finance lease liabilities – current portion (see *Note 22*) | **180** | 177 |
| Interest payable | **38** | 40 |
| Short-term borrowings | **58** | 64 |
| Bank overdrafts | **695** | 1,368 |
| Dividend cumulative preferred financing shares | **17** | 18 |
| Reinsurance liabilities – current portion (see *Note 15*) | **74** | 69 |
| Loans – current portion (see *Note 21*) | **162** | 468 |
| Other | **8** | 6 |
| **Total other current financial liabilities** | **1,232** | 2,210 |

Bank overdrafts includes an amount of €695 million (December 31, 2017: €1,367 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*).

# Notes to the consolidated financial statements
**continued**

## 27 Other current liabilities

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Accrued expenses | **1,266** | 1,149 |
| Compensated absences | **477** | 462 |
| Payroll taxes, social security and VAT | **508** | 454 |
| Deferred income | **79** | 67 |
| Gift card and deposit liabilities | **158** | 147 |
| Other | **49** | 48 |
| **Total other current liabilities** | **2,537** | 2,327 |

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 on the balance sheet:

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Cash and cash equivalents as presented in the statement of cash flows | **3,110** | 4,542 |
| Restricted cash | **12** | 39 |
| **Cash and cash equivalents as presented on the balance sheet** | **3,122** | 4,581 |

The following tables present additional cash flow information:

| € million | 2018 | 2017 |
|---|---|---|
| **Non-cash investing activities** | | |
| Accounts payable at year-end related to purchased non-current assets | **309** | 204 |
| Assets acquired under mortgages payable net of financing obligations terminated | **53** | – |
| Assets acquired under finance leases from continuing operations | **73** | 68 |
| | | |
| **Acquisition of businesses (see *Note 4*)** | | |
| Total purchase consideration | **(31)** | (54) |
| Cash acquired | **1** | 4 |
| **Acquisition of businesses, net of cash acquired** | **(30)** | (50) |
| | | |
| **Divestments of businesses** | | |
| Net cash flows related to BI-LO / Bruno's | **(3)** | (3) |
| Divestment of businesses | **(3)** | (3) |
| Cash divested | **–** | – |
| **Divestment of businesses, net of cash divested** | **(3)** | (3) |
| | | |
| **Reconciliation between results on divestments of discontinued operations and cash (paid) received** | | |
| Result on divestments of discontinued operations before income taxes | **(23)** | – |
| Changes in provisions and other financial liabilities – net | **20** | (3) |
| Divestment of businesses | **(3)** | (3) |
| Cash divested | **–** | – |
| **Divestment of businesses, net of cash divested** | **(3)** | (3) |

# Notes to the consolidated financial statements

**continued**

## 28 Cash flow continued

Changes in liabilities arising from financing activities for the years ended December 30, 2018, and December 31, 2017:

| € million | Loans | Finance lease liabilities | Cumulative preferred financing shares | Short-term borrowings and bank overdrafts | Derivative assets | Derivative liabilities | Total |
|---|---|---|---|---|---|---|---|
| As of December 31, 2017 | 3,757 | 1,607 | 455 | 1,432 | – | 18 | 7,269 |
| Proceeds from long-term debt[1] | 793 | – | – | – | – | – | 793 |
| Acquisitions through business combinations | – | 3 | – | – | – | – | 3 |
| Repayments of loans and finance lease liabilities[2] | (749) | (177) | – | – | – | – | (926) |
| Changes in short-term borrowings and overdrafts | – | – | – | (733) | – | – | (733) |
| Other cash flows from derivatives | – | – | – | – | – | (29) | (29) |
| Fair value changes | – | – | – | – | (1) | 11 | 10 |
| Additions to mortgages payable net of financing obligations terminated | 53 | – | – | – | – | – | 53 |
| Additions to finance lease liabilities | – | 73 | – | – | – | – | 73 |
| Termination of finance leases | – | (14) | – | – | – | – | (14) |
| Other non-cash movements[3] | (115) | 4 | – | – | – | – | (111) |
| Exchange rate differences | 106 | 63 | – | 54 | – | – | 223 |
| **As of December 30, 2018** | 3,845 | 1,559 | 455 | 753 | (1) | – | 6,611 |

1 The amount is net of deferred financing costs of €7 million, of which €5 million was included in "Other" within financing cash flows from continuing operations in the statement of cash flows.
2 Repayment of loans as presented in the statement of cash flows included a €34 million premium paid for the settlement of a part of the USD 827 million notes (see *Note 21*).
3 The amount related to loans included €64 million accelerated amortization of the fair value adjustment allocated to the USD 827 million notes due to settlement of a part of the notes (see *Note 21*).

# Notes to the consolidated financial statements

**continued**

## 28 Cash flow continued

| € 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 with a par value of €42,541,895 into 2,515,827 common shares.
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.

## 29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

| | 2018 | 2017 |
|---|---|---|
| **Earnings (€ million)** | | |
| Net income attributable to common shareholders for the purposes of basic earnings per share | **1,793** | 1,817 |
| Effect of dilutive potential common shares – reversal of preferred dividend | **17** | 19 |
| **Net income attributable to common shareholders for the purposes of diluted earnings per share** | **1,810** | 1,836 |
| | | |
| **Number of shares (in millions)** | | |
| Weighted average number of common shares for the purposes of basic earnings per share | **1,176** | 1,251 |
| Effect of dilutive potential common shares: | | |
| Conditional shares from share-based compensation programs | **6** | 5 |
| Cumulative preferred financing shares | **21** | 25 |
| **Weighted average number of common shares for the purposes of diluted earnings per share** | **1,203** | 1,281 |

# Notes to the consolidated financial statements

**continued**

## 29 Earnings per share continued

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 | 2018 | 2017 |
|---|---|---|
| Income from continuing operations, attributable to common shareholders for the purposes of basic earnings per share | **1,809** | 1,817 |
| Effect of dilutive potential common shares – reversal of preferred dividend | **17** | 19 |
| **Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share** | **1,826** | 1,836 |

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €(0.02) (2017: nil). They are based on the loss from discontinued operations attributable to common shareholders of €16 million (2017: nil) and the denominators detailed above.

## 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 Company's financial risk management is centralized through its Treasury function, which operates within a regularly reviewed framework of policies and procedures. 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 30, 2018, 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 2018 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been nil (2017: a decrease (increase) of €1 million), as a result of foreign exchange revaluation of U.S. dollar-denominated monetary assets and liabilities held by non-U.S. dollar functional currency subsidiaries.

# Notes to the consolidated financial statements
**continued**

## 30 Financial risk management and financial instruments continued

### 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 30, 2018, after taking into account the effect of interest rate swaps and cross-currency swaps, 95% of Ahold Delhaize's long-term debt was at fixed rates of interest (2017: 100%).

*/nterest rate sensitivity analysis*

The total interest expense recognized in the 2018 income statement related to the variable rates of long-term debt, net of swaps, amounted to nil (2017: nil). 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 (2017: nil). In addition, a similar increase (decrease) in market interest rates would have resulted in a fair value gain (loss) of nil (2017: a gain (or loss) of €6 million, respectively) on derivative hedges that do not qualify for hedge accounting as the cross currency swaps that were outstanding as of December 31, 2017 were unwound during 2018.

The total interest income recognized in the 2018 income statement amounted to €70 million (2017: €32 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 €7 million or a loss of €7 million, respectively (2017: 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. 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 applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate is calculated based on delinquency status and actual historical credit loss experience. 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 30, 2018. In the prior year, the impairment of receivables was assessed based on the incurred loss model. The application of the expected credit loss model in accordance with IFRS 9 resulted in an additional provision upon transition of €1 million. 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 30, 2018, amounted to €418 million (December 31, 2017: €307 million).

# Notes to the consolidated financial statements
**continued**

## 30 Financial risk management and financial instruments continued

### 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*).

#### 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 | 1 | – | 1 | – | – | 1 |
| Cash and cash equivalents | 1,081 | – | 1,081 | – | 695 | 386 |
| **Total** | **1,082** | **–** | **1,082** | **–** | **695** | **387** |
| **Liabilities** | | | | | | |
| Derivative financial liabilities | – | – | – | – | – | – |
| Bank overdrafts | 695 | – | 695 | – | 695 | – |
| **Total** | **695** | **–** | **695** | **–** | **695** | **–** |

## 30 Financial risk management and financial instruments continued

### 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 30, 2018, the Company's liquidity position primarily consisted of €2,812 million of cash (including short-term deposits and similar instruments and the current portion of investments in debt instruments, 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 €1 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 30, 2018, and December 31, 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 30, 2018, and December 31, 2017, respectively. See *Note 34* for the liquidity risk related to guarantees.

**Year ended December 30, 2018**

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| € million | Net carrying amount | Within 1 year | Between 1 and 5 years | After 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Notes | **(3,476)** | **(234)** | **(1,143)** | **(3,189)** | **(4,566)** |
| Other loans | **(3)** | **–** | **–** | **(3)** | **(3)** |
| Financing obligations | **(277)** | **(39)** | **(144)** | **(93)** | **(276)** |
| Mortgages payable | **(89)** | **(11)** | **(114)** | **–** | **(125)** |
| Finance lease liabilities | **(1,559)** | **(271)** | **(868)** | **(1,017)** | **(2,156)** |
| Cumulative preferred financing shares[1] | **(455)** | **(17)** | **(35)** | **(8)** | **(60)** |
| Accounts payable | **(5,816)** | **(5,816)** | **–** | **–** | **(5,816)** |
| Short-term borrowings | **(753)** | **(753)** | **–** | **–** | **(753)** |
| Reinsurance liabilities | **(223)** | **(78)** | **(134)** | **(24)** | **(236)** |
| Other | **(93)** | **(18)** | **(20)** | **(52)** | **(90)** |
| **Derivative financial liabilities** | | | | | |
| Cross-currency swaps and foreign currency derivatives | **–** | **–** | **–** | **–** | **–** |

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 (2020, 2023, 2026 and 2028). 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 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.

### 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.

### Financial instruments

#### Accounting classification and 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:

# Notes to the consolidated financial statements

**continued**

## 30 Financial risk management and financial instruments continued

| € million | December 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| Financial assets at amortized cost | | | | |
| Loans receivable | **69** | **72** | 59 | 65 |
| Trade and other (non-)current receivables | **1,750** | **1,750** | 1,605 | 1,605 |
| Cash and cash equivalents | **3,122** | **3,122** | 4,581 | 4,581 |
| Short-term deposits and similar instruments | **266** | **266** | 9 | 9 |
| | **5,207** | **5,210** | 6,254 | 6,260 |
| Financial assets at fair value through other comprehensive income (FVOCI) | | | | |
| Available-for-sale financial assets[1] | **—** | **—** | 167 | 167 |
| Financial assets at fair value through profit or loss (FVPL)[1] | | | | |
| Reinsurance assets | **218** | **218** | 195 | 195 |
| Investments in debt instruments | **128** | **128** | — | — |
| | **346** | **346** | 195 | 195 |
| Derivative financial instruments | | | | |
| Derivatives | **1** | **1** | — | — |
| **Total financial assets** | **5,554** | **5,557** | 6,616 | 6,622 |
| Financial liabilities at amortized cost | | | | |
| Notes | **(3,476)** | **(3,500)** | (3,407) | (3,518) |
| Other loans | **(3)** | **(3)** | (3) | (3) |
| Financing obligations | **(277)** | **(235)** | (325) | (291) |
| Mortgages payable | **(89)** | **(103)** | (22) | (23) |
| Finance lease liabilities | **(1,559)** | **(1,840)** | (1,607) | (1,932) |
| Cumulative preferred financing shares | **(455)** | **(481)** | (455) | (491) |
| Dividend cumulative preferred financing shares | **(17)** | **(17)** | (18) | (18) |
| Accounts payable | **(5,816)** | **(5,816)** | (5,277) | (5,277) |
| Short-term borrowings | **(753)** | **(753)** | (1,432) | (1,432) |
| Interest payable | **(38)** | **(38)** | (40) | (40) |
| Other | **(93)** | **(95)** | (75) | (81) |
| | **(12,576)** | **(12,881)** | (12,661) | (13,106) |
| Financial liabilities at fair value through profit or loss | | | | |
| Reinsurance liabilities | **(223)** | **(223)** | (205) | (205) |
| Derivative financial instruments | | | | |
| Derivatives | **—** | **—** | (18) | (18) |
| **Total financial liabilities** | **(12,799)** | **(13,104)** | (12,884) | (13,329) |

1 Following the adoption of IFRS 9, certain investments in U.S. Treasury bond funds that were 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 has been reclassified to financial assets at fair value through profit or loss (FVPL); see *Note 3*.

# Notes to the consolidated financial statements
**continued**

## 30 Financial risk management and financial instruments continued

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

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

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

| € million | **December 30, 2018** | December 31, 2017 |
|---|---|---|
| Cross-currency interest rate swaps | **–** | 18 |
| Total net derivative liabilities subject to collateralization | **–** | 18 |
| Collateralized amount | **–** | – |

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on 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 (€266 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:

| € million | Maturity | December 30, 2018 Assets | December 30, 2018 Fair value Liabilities | December 30, 2018 Notional amount | December 31, 2017 Assets | December 31, 2017 Fair value Liabilities | December 31, 2017 Notional amount |
|---|---|---|---|---|---|---|---|
| Forward foreign currency contracts | Within 1 year | – | – | 12 | – | – | 18 |
| **Total cash flow hedges** | | – | – | 12 | – | – | 18 |
| Forward foreign currency contracts | Within 1 year | – | – | 4 | – | – | – |
| **Total fair value hedges** | | – | – | 4 | – | – | – |
| Forward foreign currency contracts | Within 1 year | – | – | 139 | – | – | – |
| Forward foreign currency contracts | Between 1 and 5 years | 1 | – | 27 | – | – | – |
| Cross-currency swaps | After 5 years | – | – | – | – | (18) | 188 |
| **Total derivatives – no hedge accounting treatment** | | 1 | – | 166 | – | (18) | 188 |
| **Total derivative financial instruments** | | 1 | – | 182 | – | (18) | 206 |

## 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 2018, the ExCo consisted of the Management Board and three other members.

The total compensation of key management personnel in 2018 amounted to €35,209 thousand (2017: €31,372 thousand). This includes an estimate of additional wage tax relating to key management personnel leaving the Company due in accordance with Dutch tax laws of nil (2017: €1.9 million).

### (Service) Agreements with individual Management Board members

#### Frans Muller

On April 5, 2018, it was announced that Frans Muller was appointed CEO effective July 1, 2018. In 2018, the Company provided Frans 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 €1,027 thousand was increased to €1,053 thousand, effective July 1, 2018. 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 receives school fees and received a temporary housing allowance of €3,750 net per month until August 1, 2018. The Company intends to reappoint Frans as a member of the Management Board for a term ending on the day of the annual General Meeting of Shareholders to be held in 2023. This reappointment will be brought forward for shareholder approval at the annual General Meeting of Shareholders on April 10, 2019. If the Company terminates his service agreement for reasons other than cause, Frans is entitled to a severance payment equal to one year's base salary or retirement treatment on his unvested shares in case of termination in 2019 through 2023. His service agreement may be terminated by the Company with a notice period of 12 months and by Frans with a notice period of six months. Frans participated in the Company's Belgian pension plan until July 24, 2018, on which day he changed over to the Company's Dutch pension plan.

# Notes to the consolidated financial statements

**continued**

## 31 Related party transactions continued

### Jeff Carr

In 2018, 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 €732 thousand was increased by 2% to €747 thousand, effective January 1, 2018. 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 receives a housing allowance. Effective July 23, 2018, the housing allowance of €5,250 net per month was reduced to €3,500. Unless Jeff'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, Jeff is entitled to a severance payment equal to one year's base salary. Jeff 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 with a notice period of six months. Jeff participates in the Company's Dutch pension plan.

### Kevin Holt

In 2018, 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 $990 thousand was increased by 2% to $1,010 thousand, effective January 1, 2018. 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 receives a housing allowance of up to $7,500 net per month. Unless Kevin'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, Kevin 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 with a notice period of six months. Kevin participates in the Company's U.S. pension plan.

### Wouter Kolk

Wouter Kolk was appointed as member of the Management Board at the annual General Meeting of Shareholders on April 11, 2018. In 2018, the Company provided Wouter with an annual base salary of €630 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. Unless Wouter's service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2022. If the Company terminates his service agreement for reasons other than cause Wouter 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 Wouter with a notice period of six months. Wouter participates in the Company's Dutch pension plan.

### Dick Boer

Dick Boer, CEO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of July 1, 2018, and his employment relationship with Ahold Delhaize will terminate as of July 1, 2019, at which time he will retire. Until mid-2019, he will remain available to provide specific services as an advisor to the Company. In 2018, the Company provided Dick with an annual base salary of €1,037 thousand, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). Dick participates in the Company's Dutch pension plan. His employment relationship with Ahold Delhaize will terminate as of July 1, 2019, without any severance payment due.

### Pierre Bouchut

In 2018, the Company provided Pierre Bouchut with an annual base salary of €654 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. Pierre participates in the Company's Belgian pension plan. On September 8, 2017, it was announced that Pierre would retire in 2018. Pierre stepped down from the Management Board and Executive Committee as of January 1, 2018, and remained available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize terminated as of August 31, 2018, 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 | EIP[1] | Other[2] | Total direct remuneration | Share-based compensation[6] | Pensions[7] | Total remuneration |
|---|---|---|---|---|---|---|---|
| | Direct remuneration | | | | Deferred remuneration | | |
| **Frans Muller** | | | | | | | |
| **2018** | **1,040** | **1,196** | **220** | **2,456** | **2,324** | **209** | **4,989** |
| 2017 | 1,027 | 981 | 730 | 2,738 | 2,326 | 363 | 5,427 |
| **Jeff Carr** | | | | | | | |
| **2018** | **747** | **830** | **268** | **1,845** | **976** | **36** | **2,857** |
| 2017 | 732 | 699 | 305 | 1,736 | 1,039 | 66 | 2,841 |
| **Kevin Holt** | | | | | | | |
| **2018** | **856** | **972** | **363** | **2,191** | **1,211** | **196** | **3,598** |
| 2017 | 858 | 820 | 361 | 2,039 | 742 | 213 | 2,994 |
| **Wouter Kolk[8]** | | | | | | | |
| **2018** | **457** | **508** | **119** | **1,084** | **215** | **24** | **1,323** |
| 2017 | – | – | – | – | – | – | – |
| **Total 2018** | **3,100** | **3,506** | **970** | **7,576** | **4,726** | **465** | **12,767** |
| Total 2017 | 2,617 | 2,500 | 1,396 | 6,513 | 4,107 | 642 | 11,262 |

### Remuneration of the former members of the Management Board

| € thousand | Base salary | EIP[1] | Other[2] | Total direct remuneration | Share-based compensation[6] | Pensions[7] | Total remuneration |
|---|---|---|---|---|---|---|---|
| | Direct remuneration | | | | Deferred remuneration | | |
| **Dick Boer[3]** | | | | | | | |
| **2018** | **519** | **576** | **2,559** | **3,654** | **4,910** | **13** | **8,577** |
| 2017 | 1,037 | 991 | 329 | 2,357 | 2,088 | 132 | 4,577 |
| **Pierre Bouchut[4]** | | | | | | | |
| **2018** | **356** | **363** | **698** | **1,417** | **1,739** | **130** | **3,286** |
| 2017 | 654 | 608 | 1,016 | 2,278 | 1,548 | 162 | 3,988 |
| **James McCann[5]** | | | | | | | |
| **2018** | **–** | **–** | **(287)** | **(287)** | **–** | **–** | **(287)** |
| 2017 | – | – | 264 | 264 | – | – | 264 |
| **Total 2018** | **875** | **939** | **2,970** | **4,784** | **6,649** | **143** | **11,576** |
| Total 2017 | 1,691 | 1,599 | 1,609 | 4,899 | 3,636 | 294 | 8,829 |

# 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 | 2018 | 2017 |
|---|---|---|
| Base salary | **5,872** | 6,397 |
| EIP[1] | **6,508** | 6,061 |
| Other[2, 3, 4, 5] | **7,181** | 4,408 |
| Share-based compensation[6] | **13,227** | 9,302 |
| Pensions[7] | **856** | 1,258 |
| **Total remuneration[8]** | **33,644** | 27,426 |

1 The ExCo Incentive Plan (EIP) represents accrued annual cash incentives to be paid in the following year based on an overall weighted EIP performance. For an explanation of the Company's remuneration policy, see *Remuneration* under the *Governance* section of this report. The overall 2018 financial performance multiplier was 111%. The individual EIP amounts also include the component linked to individual performance.

2 "Other" mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross up.

3 Dick Boer, President and CEO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of July 1, 2018, and will remain available as an advisor to the Company until mid-2019. His employment relationship with Ahold Delhaize will terminate as of July 1, 2019, after which he will retire. Shares awarded under the GRO plan will vest either at the regular vesting dates or will be settled accelerated at his discretion. An estimate of the remuneration costs relating to the period after July 1, 2018, was recognized in 2018 (Other €2,384 thousand and Share-based compensation €3,863 thousand).

4 Pierre Bouchut, Chief Operating Officer Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018, and remained available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize terminated as of August 31, 2018, after which he retired. 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 from July 1, 2018, until August 31, 2018, was recognized in 2017 in "Other" (€285 thousand). In 2018, adjustments to the estimate of the remuneration costs as a result of the actual payments are included in "Other."

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. In 2018, adjustments to the estimate of the remuneration costs as a result of the actual payments and refunds were 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 2018 reflects this year's portion of the share grants over the previous four years (plans 2015 to 2018). 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.

8 Wouter Kolk was appointed as member of the Executive Committee effective September 1, 2017, and as member of the Management Board effective April 11, 2018. His 2018 remuneration reported as member of the Management Board reflects a partial year. The table "Remuneration of the Executive Committee including Management Board" reflects a 2017 partial year and a 2018 full year. Marc Croonen, Chief Sustainability, Transformation and Communications Officer and member of the Executive Committee, stepped down from the Executive Committee as of November 1, 2018, and remains available as an advisor until November 1, 2019. His employment relationship with Ahold Delhaize terminates as of October 31, 2019. 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 from November 1, 2018, until October 31, 2019, is recognized in 2018 in "Other."

# Notes to the consolidated financial statements

**continued**

## 31 Related party transactions continued

### Remuneration of the members of the Supervisory Board

The table below specifies the remuneration of the members of the Supervisory Board. The annual remuneration of the members of the Supervisory Board was determined by the extraordinary General Meeting of Shareholders on March 14, 2016. Remuneration is subject to annual review by the Supervisory Board. In the execution of the remuneration of the Supervisory Board members in 2018, the Company has given consideration to the changes made in 2018 in the composition and the responsibilities of the Supervisory Board and its related committees.

| € thousand | 2018 | 2017 |
|---|---|---|
| Jan Hommen (reappointed in 2017)[1] | **249** | 223 |
| Jacques de Vaucleroy (appointed in 2016)[2] | **144** | 170 |
| René Hooft Graafland (reappointed in 2018) | **145** | 136 |
| Ben Noteboom (reappointed in 2017) | **135** | 145 |
| Bill McEwan (appointed in 2016)[3] | **209** | 150 |
| Rob van den Bergh (reappointed in 2015) | **148** | 148 |
| Mark McGrath (reappointed in 2016) | **136** | 143 |
| Mary Anne Citrino (appointed in 2016) | **130** | 133 |
| Dominique Leroy (appointed in 2016) | **123** | 125 |
| Mats Jansson (retired in 2018) | **68** | 255 |
| Johnny Thijs (resigned in 2018) | **31** | 128 |
| Patrick De Maeseneire (resigned in 2018) | **32** | 123 |
| Jack Stahl (resigned in August 2017) | **–** | 111 |
| Stephanie Shern (resigned in April 2017) | **–** | 37 |
| **Total[4,5]** | **1,550** | 2,027 |

1 Jan Hommen was appointed Chairman of the Supervisory Board effective April 11, 2018. He also became Chairman of the Governance and Nomination Committee as of July 1, 2018 and refrained from any remuneration for this role.
2 As of July 1, 2018, Jacques de Vaucleroy refrained from any additional remuneration for his role as Vice Chairman.
3 Bill McEwan succeeded Jan Hommen as Vice Chairman of the Supervisory Board effective April 11, 2018 and received the Vice Chairman remuneration (formerly referred to as Vice Chairman and member of the presidium) from that date. He refrained from any remuneration for his role as Chairman of the Remuneration Committee as per July 1, 2018.
4 All members of the Supervisory Board are member of the Sustainability and Innovation Committee as of July 1, 2018 and refrained from any remuneration for this membership, except for Rob van den Bergh who is entitled to the compensation for the Chairman position of the Sustainability and Innovation Committee.
5 For the members who resigned in 2017 or 2018, the remuneration for the respective year reflects a partial year.

# Notes to the consolidated financial statements
**continued**

## 31 Related party transactions continued

### Shares and other interests in Ahold Delhaize

As of December 30, 2018, 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 |
|---|---|---|---|
| Frans Muller[2] | – | **165,359** | **165,359** |
| Jeff Carr | **119,807** | **21,939** | **141,746** |
| Kevin Holt | – | – | – |
| Wouter Kolk | **6,015** | **6,009** | **12,024** |
| **Total** | **125,822** | **193,307** | **319,129** |

1 In line with best practice 3.1.2 VI of the Dutch Corporate Governance Code 2016 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. Shares granted to Wouter Kolk under the one-time retention incentive award are subject to an additional holding period of 12 months from the date of vesting.
2 Additionally, 9,579 shares are held by Frans Muller in the form of American Depository Receipts.

As of December 30, 2018, Jacques de Vaucleroy held 429,023 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 2018 and 2017, the Company entered into the following transactions with unconsolidated related parties:

**For the year ended December 30, 2018**

| € million | Sales to related parties | Purchases from related parties | Amounts receivable from related parties | Amounts payable to related parties | Commitments to related parties |
|---|---|---|---|---|---|
| Stationsdrogisterijen | **5** | – | – | – | – |
| JMR | **2** | – | **2** | – | – |
| Cathedral Commons | – | **1** | – | – | **21** |
| Other | **1** | **2** | **4** | – | **13** |
| **Total** | **8** | **3** | **6** | – | **34** |

# Notes to the consolidated financial statements
**continued**

## 31 Related party transactions continued

**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 |

These unconsolidated related parties consist of:

- In 2017, Stationsdrogisterijen C.V. was a joint venture of Ahold Delhaize in the health and beauty care retail business. Stationsdrogisterijen C.V. was dissolved on April 2, 2018.
- 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
**continued**

## 32 Share-based compensation

In 2018, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2018 GRO share-based compensation expenses were €60 million (2017: €79 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the shares granted under the GRO program in 2018 at grant date was €54 million, of which €9.5 million related to current and former Management Board members. The fair value is expensed over the vesting period of the grants, adjusted for expected annual forfeitures of 6% (2017: 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 being met. 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 (see 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 (see 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:

| 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 employees) 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 that 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.

### Other awards

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 was contingent upon the realization of the merger implementation. These performance shares vested 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, and the second installment vested 24 months after the date of grant, on November 23, 2018. To underline the retention function of this award, an additional holding period of 12 months applies from the date of vesting.

### Shares vesting in 2019

In 2019, the GRO shares granted in 2016 will vest. The GRO shares vesting will comprise performance shares based on the Company's TSR, RoC and Sustainable Retailing performance. As of the end of 2018, Ahold Delhaize ranked seventh in the TSR peer group with respect to the 2016 grant. Based on this TSR ranking, the vesting percentage for the portion of the 2016 shares dependent on Ahold Delhaize's TSR performance was 50%.

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 2016 shares dependent on Ahold Delhaize's RoC and Sustainable Retailing performance is 91% and 121% respectively.

On April 11, 2019, a maximum of 0.4 million shares granted in 2016 to current and former members of the Management Board under the (new) Ahold Delhaize GRO plan are expected to vest. On March 15, 2019, a maximum of 0.1 million shares granted in 2016 to a member 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.

# Notes to the consolidated financial statements
**continued**

## 32 Share-based compensation continued

On April 11, 2019, a maximum of 3.0 million shares granted in 2016 to Ahold Delhaize employees under the (new) Ahold Delhaize GRO plan are expected to vest. 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.

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

The following table summarizes the status of the GRO program during 2018 for the individual Management Board members and for all other employees in the aggregate.

| | Outstanding at the beginning of 2018 | Granted[1] | Performance adjustment[2] | Vested[3] | Forfeited | **Outstanding at the end of 2018** | Maximum number of shares[4] | Fair value per share at the grant date (€) | Incremental fair value[5] |
|---|---|---|---|---|---|---|---|---|---|
| **Frans Muller** | | | | | | | | | |
| 2015 Performance (TSR) | 18,026 | – | 1,802 | 19,828 | – | **–** | – | 20.67 | 2.21 |
| 2015 Performance (RoC) | 18,026 | – | 901 | 18,927 | – | **–** | – | 20.67 | 0.00 |
| 2015 Restricted | 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 |
| 2018 TSR grant | – | 51,408 | – | – | – | **51,408** | 89,963 | 16.58 | 0.00 |
| 2018 RoC grant | – | 51,408 | – | – | – | **51,408** | 77,112 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 25,704 | – | – | – | **25,704** | 38,555 | 17.89 | 0.00 |

# Notes to the consolidated financial statements

**continued**

## 32 Share-based compensation continued

| | Outstanding at the beginning of 2018 | Granted[1] | Performance adjustment[2] | Vested[3] | Forfeited | **Outstanding at the end of 2018** | Maximum number of shares[4] | Fair value per share at the grant date (€) | Incremental fair value[5] |
|---|---|---|---|---|---|---|---|---|---|
| **Jeff Carr** | | | | | | | | | |
| 2015 Restricted (TSR) | 10,655 | – | – | 10,655 | – | **–** | – | 14.66 | 0.00 |
| 2015 Performance (TSR) | 14,206 | – | 1,420 | 15,626 | – | **–** | – | 14.66 | 0.00 |
| 2015 Restricted (RoC) | 7,103 | – | – | 7,103 | – | **–** | – | 18.14 | 0.00 |
| 2015 Performance (RoC) | 14,206 | – | 710 | 14,916 | – | **–** | – | 18.14 | 0.00 |
| 2015 Conditional grant | 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 |
| 2018 TSR grant | – | 29,644 | – | – | – | **29,644** | 51,877 | 16.58 | 0.00 |
| 2018 RoC grant | – | 29,644 | – | – | – | **29,644** | 44,466 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 14,822 | – | – | – | **14,822** | 22,233 | 17.89 | 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 |
| 2018 TSR grant | – | 38,066 | – | – | – | **38,066** | 66,615 | 16.58 | 0.00 |
| 2018 RoC grant | – | 38,066 | – | – | – | **38,066** | 57,099 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 19,033 | – | – | – | **19,033** | 28,549 | 17.89 | 0.00 |

# Notes to the consolidated financial statements

**continued**

## 32 Share-based compensation continued

| | Outstanding at the beginning of 2018 | Granted[1] | Performance adjustment[2] | Vested[3] | Forfeited | **Outstanding at the end of 2018** | Maximum number of shares[4] | Fair value per share at the grant date (€) | Incremental fair value[5] |
|---|---|---|---|---|---|---|---|---|---|
| **Wouter Kolk[6]** | | | | | | | | | |
| 2015 Restricted (TSR) | 7,675 | – | – | 7,675 | – | **–** | – | 14.65 | 0.00 |
| 2015 Performance (TSR) | 10,233 | – | 1,023 | 11,256 | – | **–** | – | 14.65 | 0.00 |
| 2015 Restricted (RoC) | 5,117 | – | – | 5,117 | – | **–** | – | 18.21 | 0.00 |
| 2015 Performance (RoC) | 10,233 | – | 511 | 10,744 | – | **–** | – | 18.21 | 0.00 |
| 2015 Conditional grant | 6,908 | – | – | 6,908 | – | **–** | – | 18.21 | 0.00 |
| 2016 TSR grant | 17,059 | – | – | – | – | **17,059** | 29,853 | 20.46 | 0.00 |
| 2016 RoC grant | 17,059 | – | – | – | – | **17,059** | 25,588 | 20.15 | 0.00 |
| 2016 Sustainable Retailing grant | 8,530 | – | – | – | – | **8,530** | 12,795 | 20.15 | 0.00 |
| 2016 Retention award | 12,197 | – | – | 12,197 | – | **–** | – | 19.86 | 0.00 |
| 2017 TSR grant | 15,020 | – | – | – | – | **15,020** | 26,285 | 9.57 | 0.00 |
| 2017 RoC grant | 15,020 | – | – | – | – | **15,020** | 22,530 | 17.07 | 0.00 |
| 2017 Sustainable Retailing grant | 7,510 | – | – | – | – | **7,510** | 11,265 | 17.07 | 0.00 |
| 2018 TSR grant | – | 21,433 | – | – | – | **21,433** | 37,507 | 16.58 | 0.00 |
| 2018 RoC grant | – | 21,433 | – | – | – | **21,433** | 32,149 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 10,717 | – | – | – | **10,717** | 16,075 | 17.89 | 0.00 |
| **Dick Boer[7]** | | | | | | | | | |
| 2015 Restricted (TSR) | 27,168 | – | – | 27,168 | – | **–** | – | 14.66 | 0.00 |
| 2015 Performance (TSR) | 36,224 | – | 3,622 | 39,846 | – | **–** | – | 14.66 | 0.00 |
| 2015 Restricted (RoC) | 18,112 | – | – | 18,112 | – | **–** | – | 18.14 | 0.00 |
| 2015 Performance (RoC) | 36,224 | – | 1,811 | 38,035 | – | **–** | – | 18.14 | 0.00 |
| 2015 Conditional grant | 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 |
| 2018 TSR grant | – | 55,289 | – | – | – | **55,289** | 96,755 | 16.58 | 0.00 |
| 2018 RoC grant | – | 55,289 | – | – | – | **55,289** | 82,933 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 27,645 | – | – | – | **27,645** | 41,467 | 17.89 | 0.00 |

# Notes to the consolidated financial statements

**continued**

## 32 Share-based compensation continued

| | Outstanding at the beginning of 2018 | Granted[1] | Performance adjustment[2] | Vested[3] | Forfeited | **Outstanding at the end of 2018** | Maximum number of shares[4] | Fair value per share at the grant date (€) | Incremental fair value[5] |
|---|---|---|---|---|---|---|---|---|---|
| **Pierre Bouchut[8]** | | | | | | | | | |
| 2015 Performance (TSR) | 15,534 | – | 1,553 | 17,087 | – | **–** | – | 20.67 | 2.21 |
| 2015 Performance (RoC) | 15,534 | – | 776 | 16,310 | – | **–** | – | 20.67 | 0.00 |
| 2015 Restricted | 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 |
| 2018 TSR grant | – | 22,244 | – | – | – | **22,244** | 38,927 | 16.58 | 0.00 |
| 2018 RoC grant | – | 22,244 | – | – | – | **22,244** | 33,366 | 17.89 | 0.00 |
| 2018 Sustainable Retailing grant | – | 11,122 | – | – | – | **11,122** | 16,683 | 17.89 | 0.00 |
| **Subtotal Management Board members** | 1,340,103 | 545,211 | 14,129 | 371,823 | – | **1,527,620** | 2,444,177 | | |

1 Represents the number of shares originally granted for the 2018 grant.
2 Represents the adjustment to the number of shares granted resulting from the TSR and RoC performance.
3 The vesting date of the 2015 grant was April 12, 2018, for the former Ahold board members. The share price was €19.75 on April 12, 2018. The vesting date of the 2015 grant was May 29, 2018, for the former Delhaize board members. The share price was €19.46 on May 29, 2018. The vesting date of the second installment of the 2016 retention incentive award was November 23, 2018. The share price was €22.39 on November 23, 2018.
4 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). The minimum number of shares that could potentially vest would be nil (as explained in the section *Main characteristics* above).
5 Represents the incremental fair value for the shares converted in 2016.
6 Wouter Kolk, Chief Executive Officer Ahold Delhaize Europe and Indonesia has been a member of the Management Board since April 11, 2018.
7 Dick Boer, CEO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of July 1, 2018. His employment relationship with Ahold Delhaize will terminate as of July 1, 2019, after which he will retire. Shares awarded under the GRO plan will vest in accordance with the applicable plan rules.
8 Pierre Bouchut, Chief Operating Officer of Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018. His employment relationship with Ahold Delhaize was terminated as of August 31, 2018, after which he retired. Shares awarded under the GRO plan will vest in accordance with the applicable plan rules.

| | Outstanding at the beginning of 2018 | Granted[1] | Performance adjustment[2] | Vested[3] | Forfeited | **Outstanding at the end of 2018** |
|---|---|---|---|---|---|---|
| **Other employees** | | | | | | |
| 2015 grant | 2,606,671 | – | 95,713 | 2,675,203 | 27,181 | **–** |
| 2016 grant | 4,021,495 | – | – | – | 309,025 | **3,712,470** |
| 2016 retention award | 662,287 | – | – | 615,316 | 46,971 | **–** |
| 2017 grant | 3,923,971 | – | – | – | 405,831 | **3,518,140** |
| 2018 grant | – | 2,545,633 | – | – | 211,427 | **2,334,206** |
| Subtotal Management Board members | 1,340,103 | 545,211 | 14,129 | 371,823 | – | **1,527,620** |
| **Total number of shares** | 12,554,527 | 3,090,844 | 109,842 | 3,662,342 | 1,000,435 | **11,092,436** |

1 Represents the number of shares originally granted for the 2018 grant.
2 Represents the adjustment to the number of shares granted resulting from the TSR and RoC performance.
3 The vesting date of the 2015 grant was March 1, 2018. The share price was €18.41 on March 1, 2018. The vesting date of the second installment of the 2016 retention incentive award was November 23, 2018. The share price was €22.39 on November 23, 2018.

# Notes to the consolidated financial statements
**continued**

## 32 Share-based compensation continued

### Valuation model and input variables

The weighted average fair value of the shares granted in 2018, for all eligible participants including Management Board members, amounted to €16.59, €17.90 and €17.90 per share for TSR performance shares, RoC performance shares and Sustainable Retailing performance shares, respectively (2017: €9.55, €17.04 and €17.04). 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:

| | 2018 | 2017 |
|---|---|---|
| Closing share price at grant date[1] (€) | **19.72** | 18.82 |
| Risk-free interest rate | **(0.3)%** | (0.7)% |
| Volatility | **22.9%** | 21.3% |
| Assumed dividend yield | **3.3%** | 3.3% |

1 Closing share price at grant date in 2017 is adjusted for dividends.

Expected volatility has been determined based on historical volatilities for a period of three years.

## 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 future minimum lease payments under non-cancellable operating lease contracts for which Ahold Delhaize has contracted to lease the asset, together with any further terms for which it has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the Company will exercise the option, are as follows:

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Within one year | **1,210** | 1,153 |
| Between one and five years | **3,936** | 3,693 |
| After five years | **4,962** | 4,785 |
| **Total** | **10,108** | 9,631 |

The comparative figures have been updated to include the renewal options that are reasonably certain to be exercised, but not yet committed to, as previously disclosed in *Note 3* to the 2017 consolidated financial statements.

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 | 2018 | 2017 |
|---|---|---|
| Minimum rentals | **1,185** | 1,230 |
| Contingent rentals | **10** | 18 |
| Sublease income | **(114)** | (114) |
| **Total** | **1,081** | 1,134 |

# Notes to the consolidated financial statements

**continued**

## 33 Operating leases continued

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 €290 million (2017: €129 million). The increase is mainly driven by signed leases related to stores under development and a meat facility in the United States.

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 30, 2018** | December 31, 2017 |
|---|---|---|
| Within one year | **241** | 233 |
| Between one and five years | **578** | 588 |
| After five years | **227** | 256 |
| **Total** | **1,046** | 1,077 |

The total contingent rental income recognized during the year on all leases where Ahold Delhaize is the lessor was €3 million (2017: €2 million).

## 34 Commitments and contingencies

### Capital investment commitments

As of December 30, 2018, Ahold Delhaize had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €447 million and €7 million, respectively (December 31, 2017: €214 million and €10 million, respectively). Ahold Delhaize's share in the capital investment commitments of its unconsolidated joint ventures JMR and Super Indo amounted to €1 million as of December 30, 2018 (December 31, 2017: €3 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 30, 2018, the Company's purchase commitments were approximately €1,000 million (December 31, 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 30, 2018** | December 31, 2017 |
|---|---|---|
| Lease guarantees | **911** | 705 |
| Lease guarantees backed by letters of credit | **40** | 45 |
| Corporate and buyback guarantees | **32** | 33 |
| **Total** | **983** | 783 |

# Notes to the consolidated financial statements

**continued**

## 34 Commitments and contingencies continued

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. For lease guarantees, this is based on the committed lease terms as communicated to Ahold Delhaize. Specifics to the guarantees are discussed below.

### Lease guarantees

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 and are based on the committed lease terms as communicated to Ahold Delhaize. 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. Certain amounts related to these leases are recognized as a provision or a financial liability; for more information see *Note 22* or *Note 24.*

#### Lease guarantees related to divestments

As of December 30, 2018, the €911 million in the undiscounted lease guarantees as presented in the table above completely relates to divestments. Of this amount, €371 million relates to the various Tops divestments, €135 million to the BI-LO / Bruno's divestment, €121 million to the Sweetbay, Harveys, and Reid's divestment, €111 million to the Bottom Dollar Food divestment and €173 million to other, including the divestment of remedy stores in the U.S. and the divestment of Bradlees.

On a discounted basis, these lease guarantees amount to €742 million and €617 million as of December 30, 2018, and December 31, 2017, respectively. If Ahold Delhaize is called upon to satisfy its obligations under the outstanding lease guarantees, it has several options to reduce the Company's gross exposure. Further details on the guarantees related to divestments are discussed below.

#### Lease guarantees related to the Tops Markets divestments

In connection with the divestment of Tops Markets in 2007, Ahold Delhaize retained a 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.

On February 21, 2018, Tops Markets filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As part of the bankruptcy proceedings, Tops Markets informed us that they exercised various options to extend the lease terms of a number of real estate leases for which Ahold Delhaize provided guarantees to the landlords. These extensions increased Ahold Delhaize's gross exposure on issued lease guarantees by €259 million to €371 million. Ahold Delhaize will legally challenge whether its guarantees include these extensions if it is called upon to satisfy its obligations under these outstanding lease guarantees. In addition, Ahold Delhaize has several remediation options, if necessary, to reduce its gross exposure. Tops Markets has furthermore rejected leases for four stores of which the lease is contingently guaranteed by Ahold Delhaize. Finally, Ahold Delhaize has agreed with Tops Markets to subsidize partial rent obligations for nine locations for 72 months. These actions have resulted in Ahold Delhaize recognizing €24 million partly as a financial liability and as an onerous contract provision (see *Note 22* and *Note 24*), which are presented as an after-tax loss from discontinued operations of €17 million.

#### Lease guarantees related to the divestment of Tops convenience stores: Wilson Farms and Sugarcreek

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. In addition, Ahold Delhaize may be contingently liable to landlords under the guarantees of 77 of these leases in the same event.

# Notes to the consolidated financial statements
**continued**

## 34 Commitments and contingencies continued

### Lease guarantees related to the divestment of Tops northeast Ohio stores

Prior to Ahold Delhaize's divestment of Tops in 2007, Tops closed all of its locations in northeast Ohio before year-end 2006. As of December 30, 2018, 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. Ahold Delhaize may be contingently liable to landlords under guarantees of 13 of these leases in the event of a future default by the tenant under the leases. If Ahold Delhaize is able to assign the leases for the remaining northeast Ohio stores, then, pursuant to applicable law, Ahold Delhaize may also be contingently liable to landlords under guarantees of certain of the remaining leases in the event of a future default by the tenant under the leases.

### Lease guarantees related to 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 "2009 BI-LO Bankruptcy Filing"). As a result of the 2009 BI-LO Bankruptcy Filing, Ahold Delhaize made an assessment of its potential obligations under existing lease guarantees. Consequently, in 2009, Ahold Delhaize recognized provisions of €109 million (see *Note 24*) and related tax benefit offsets of €47 million within results on divestments.

During the 2009 BI-LO bankruptcy, BI-LO rejected a total of 16 leases that were guaranteed by Ahold Delhaize and Ahold Delhaize took assignment of 12 other BI-LO leases with Ahold Delhaize guarantees. On May 12, 2010, the then reorganized BI-LO ("BI-LO II") exited bankruptcy protection and BI-LO II assumed 149 operating locations that were guaranteed by Ahold Delhaize. 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 were guaranteed by Ahold Delhaize.

On March 27, 2018, BI-LO II and its parent, Southeastern Grocers, Inc., filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code (the "2018 BI-LO Bankruptcy Filing"). As a result of the 2018 BI-LO Bankruptcy Filing, Ahold Delhaize has reassessed its potential obligations under the lease guarantees based upon: (i) the remaining initial term of each lease, (ii) an assessment of the possibility that Ahold Delhaize would have to pay under a guarantee and (iii) any potential remedies that Ahold Delhaize may have to limit future lease payments.

At the end of 2018, the undiscounted lease guarantees relating to BI-LO and Bruno's were €135 million. As of December 30, 2018, the remaining provision was €8 million (December 31, 2017: €11 million) with a related tax benefit offset of €2 million (2017: €3 million); see *Note 24*. 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 pursues its mitigation efforts with respect to these potential lease guarantee liabilities.

### Lease guarantees related to Sweetbay, Harveys and Reid's and Bottom Dollar Food divestments

Ahold Delhaize divested its U.S. retail subsidiaries Sweetbay, Harveys and Reid's to BI-LO II in 2014 and its U.S. retail subsidiary Bottom Dollar Food to Aldi 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: (i) the remaining term of each lease, (ii) the re-let potential of the property if the acquirer were to default on the lease and (iii) the credit position of the counterparty. At the end of 2018, the undiscounted lease guarantees were €121 million for Sweetbay, Harveys, and Reid's and €111 million for Bottom Dollar Food. As of December 30, 2018, the on-balance sheet financial liability representing the fair value of the lease guarantees was €12 million (2017: €20 million); see *Note 22*.

In connection with the 2018 BI-LO Bankruptcy filing described above, BI-LO II has rejected a number of leases for which Ahold Delhaize recognized a provision for lease guarantees in the amount of €22 million. As of December 30, 2018, the remaining provision for these lease guarantees was €15 million; see *Note 24*.

# Notes to the consolidated financial statements

**continued**

## 34 Commitments and contingencies continued

### Lease guarantees related to the divestment of U.S. remedy stores

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 certain 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 which were required divestitures under the Consent Agreement), including 73 leased stores and 13 owned stores. As of July 19, 2017, Ahold Delhaize 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 that assigned each of the 73 leases may be contingently liable to the landlord under each lease in the event of a future default by the tenant under the 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 may also be contingently liable to landlords under separate guarantees of 13 of the 73 leases in the same event.

### Lease guarantees related to the divestment of Bradlees

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, subject to applicable defenses, 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.

### Lease guarantees backed up by letters of credit

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 $46 million (€40 million) as of December 30, 2018 (2017: $54 million (€45 million)).

### Corporate and buyback guarantees

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.

### Indemnifications as part of divestments of Ahold Delhaize's operations

In the relevant sales agreements, Ahold Delhaize has provided customary indemnifications, including for potential breach of representations and warranties, that often include, but are 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, to the extent not already covered in the guarantee section above, described below. In addition, specific, limited indemnifications exist for a number of Ahold Delhaize's smaller divestments. The aggregate impact of claims, if any, under such indemnification provisions 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 Disco and its buyers for the outcome of 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

### 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.

### 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.

### 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. In April 2019, the Court of Appeal will hear the case on the merits. AHF and its affiliates will continue to vigorously defend their interest in the legal proceedings.

# Notes to the consolidated financial statements
continued

## 34 Commitments and contingencies continued

### 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 in Uruguay 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 (€54 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's 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. Claimants had issued a separate claim for compound interest as well, which they withdrew in 2018. On January 11, 2019, the Court of First Instance delivered a decision on the merits pursuant to which Ahold Delhaize is held to pay an additional consideration of approximately €11.9 million plus interest and costs. A provision has been taken for this matter, although Ahold Delhaize continues to believe that the squeeze-out transaction has been executed and completed in compliance with all legal and regulatory requirements and against a fair price. Ahold Delhaize has the right to appeal the decision.

### 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.

## 35 Subsequent events

### Stop & Shop agreement to acquire King Kullen Grocery Co.

On January 4, 2019, Ahold Delhaize announced that Stop & Shop has agreed to acquire King Kullen Grocery Co., based in Long Island, New York. The agreement includes King Kullen's 32 supermarkets, five Wild by Nature stores and the use of its corporate offices located in Bethpage, New York. The acquisition is currently expected to close during the first half of 2019, subject to customary closing conditions.

# Notes to the consolidated financial statements
**continued**

## 36 List of subsidiaries, joint ventures and associates

The following are Ahold Delhaize's significant subsidiaries, joint ventures and associates as of December 30, 2018:

**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 (as of January 1, 2019, known as Albert Česká republika, s.r.o.)
Albert Heijn België NV / SA, Antwerp, Belgium
Delhaize Luxembourg S.A., Dudelange, Grand-Duchy of Luxembourg

**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 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 "The Lion" Nederland B.V., Zaandam, 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
Retail Business Services LLC, Delaware, 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)
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 | 2018 | 2017 |
|---|---|---|---|
| Intercompany head office and other recharges | | **77** | 96 |
| | | | |
| General and administrative expenses | | **(77)** | (73) |
| **Total operating expenses** | 2 | **(77)** | (73) |
| | | | |
| **Operating income (loss)** | | **–** | 23 |
| | | | |
| Interest expense | | **(34)** | (22) |
| Other financial income (expense) | | **(24)** | (64) |
| **Net financial expenses** | | **(58)** | (86) |
| | | | |
| **Loss before income taxes** | | **(58)** | (63) |
| Income taxes | 5 | **44** | 18 |
| Income from subsidiaries and investments in joint ventures after income taxes | 7 | **1,807** | 1,862 |
| **Net result after tax** | | **1,793** | 1,817 |

The accompanying notes are an integral part of these parent company financial statements.

# Parent company financial statements

## Balance sheet

Before appropriation of current year result.

| € million | Note | December 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **1** | 1 |
| Intangible assets | *6* | **37** | 21 |
| Deferred tax assets | *5* | **14** | 2 |
| Financial assets | *7* | **26,465** | 21,015 |
| **Total non-current assets** | | **26,517** | 21,039 |
| Receivables | *8* | **57** | 28 |
| Other current financial assets | *9* | **1** | 1 |
| Cash and cash equivalents | | **110** | 318 |
| **Total current assets** | | **168** | 347 |
| **Total assets** | | **26,685** | 21,386 |
| **Liabilities and shareholders' equity** | | | |
| Issued and paid-in share capital | | **12** | 12 |
| Additional paid-in capital | | **13,999** | 15,175 |
| Currency translation reserve | | **(60)** | (555) |
| Cash flow hedging reserve | | **(2)** | (4) |
| Reserve participations | | **407** | 334 |
| Accumulated deficit | | **(1,333)** | (1,609) |
| Net income | | **1,793** | 1,817 |
| **Shareholders' equity** | *10* | **14,816** | 15,170 |
| **Provisions** | *11* | **3** | 7 |
| Loans | *12* | **3,744** | 2,188 |
| Cumulative preferred financing shares | | **455** | 455 |
| Other non-current liabilities | | **2** | – |
| **Total non-current liabilities** | | **4,201** | 2,643 |
| **Current liabilities** | *13* | **7,665** | 3,566 |
| **Total liabilities and shareholders' equity** | | **26,685** | 21,386 |

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 | **2018** | 2017 |
|---|---|---|
| Labor costs | **(31)** | (25) |
| Other operational expenses | **(42)** | (44) |
| Depreciation and amortization | **(4)** | (4) |
| **Total expenses by nature** | **(77)** | (73) |

The labor costs consists of employee expenses of €23 million (2017: €18 million), other related employee costs of €1 million (2017: €1 million) and other contracted personnel expenses of €7 million (2017: €6 million).

## 3 Employees

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2018 was seven (2017: seven), of whom none were employed outside of the Netherlands. One management board member serves as board member outside of the Netherlands via an assignment agreement, but is not employed by Koninklijke Ahold Delhaize N.V.

The current number of employees of Koninklijke Ahold Delhaize N.V. consists primarily of members of the Executive Committee, including the Management Board. Salaries, social security charges and pension expenses amounted to €23 million, €0.1 million and €0.4 million, respectively, for 2018 (2017: expenses of €17 million, €0.8 million and €0.3 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 2018 and in 2017, are specified as follows:

| € thousand | PwC | Member firms / affiliates | Total 2018 | PwC | Member firms / affiliates | Total 2017 |
|---|---|---|---|---|---|---|
| Audit fees | **2,722** | **4,310** | **7,032** | 2,259 | 4,695 | 6,954 |
| Audit-related fees | **431** | **167** | **598** | 419 | 119 | 538 |
| Tax advisory fees | **–** | **–** | **–** | – | 87 | 87 |
| **Total** | **3,153** | **4,477** | **7,630** | 2,678 | 4,901 | 7,579 |

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 consolidated financial statements as included in *Performance: Financial* 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 other assurance services.

## 5 Income taxes

The following table specifies the current and deferred tax components of income taxes in the income statement:

| € million | 2018 | 2017 |
|---|---|---|
| Current income taxes – the Netherlands | **32** | 29 |
| Deferred income taxes – the Netherlands | **12** | (11) |
| **Total income taxes** | **44** | 18 |

### Effective income tax rate

The following table reconciles the statutory income tax rate with the effective income tax rate in the income statement:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **€ million** | **Tax rate** | € million | Tax rate |
| Loss before income taxes | **(58)** | | (63) | |
| Income tax (expense) benefit at statutory tax rate | **15** | **25.0%** | 16 | 25.0% |
| Adjustments to arrive at effective income tax rate: | | | | |
| Reserves, (non-)deductibles and discrete items | **29** | **50.9%** | 2 | 3.6% |
| **Total income taxes (expense) benefit** | **44** | **75.9%** | 18 | 28.6% |

The line "Reserves, (non-)deductibles and discrete items" includes one-time deferred tax movements related to the decrease of the Dutch corporate income tax rate and related to restructuring.

# 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 30, 2018, and December 31, 2017, are as follows:

| € million | January 1, 2017 | Recognized in income statement | Other | December 31, 2017 | Recognized in income statement | Other | **December 30, 2018** |
|---|---|---|---|---|---|---|---|
| Derivatives and loans | 1 | – | – | 1 | **11** | **–** | **12** |
| Blended rate deferred tax fiscal unity | 5 | (4) | – | 1 | **1** | **–** | **2** |
| Other | – | (7) | 7 | – | **–** | **–** | **–** |
| Total gross deductible temporary differences | 6 | (11) | 7 | 2 | **12** | **–** | **14** |
| Tax losses and tax credits | – | – | – | – | **–** | **–** | **–** |
| **Total net deferred tax asset position** | 6 | (11) | 7 | 2 | **12** | **–** | **14** |
| | | | | | | | |
| **Total deferred tax liabilities** | – | – | – | – | **–** | **–** | **–** |
| **Net deferred tax assets** | 6 | (11) | 7 | 2 | **12** | **–** | **14** |

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 | **2018** | 2017 |
|---|---|---|
| Remeasurement of defined benefit pension plans[1] | **–** | 7 |
| **Total** | **–** | 7 |

1 Due to additional cash contribution made to the Dutch pension plan in 2017.

## 6 Intangible assets

| € million | **Software** |
|---|---|
| **As of December 31, 2017** | |
| At cost | 31 |
| Accumulated amortization and impairment losses | (10) |
| **Carrying amount** | **21** |
| | |
| **Year ended December 30, 2018** | |
| Additions | 19 |
| Amortization | (3) |
| **Closing carrying amount** | **37** |
| | |
| **As of December 30, 2018** | |
| At cost | 51 |
| Accumulated amortization and impairment losses | (14) |
| **Carrying amount** | **37** |

# Notes to the parent company financial statements

**continued**

## 7 Financial assets

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Investments in subsidiaries | **25,214** | 20,653 |
| Loans receivable from subsidiaries | **1,249** | 360 |
| Other derivatives external | **1** | – |
| Deferred financing cost | **1** | 2 |
| **Total financial assets** | **26,465** | 21,015 |

| € million | 2018 | 2017 |
|---|---|---|
| Beginning of year | **20,653** | 20,728 |
| Share in income | **1,807** | 1,862 |
| Dividends | **(6,525)** | (550) |
| Intercompany transfers | **8,733** | 64 |
| Share of other comprehensive income (loss) and other changes in equity | **80** | (62) |
| Transfers (to) / from loans receivable | **(23)** | (83) |
| Transfers (to) / from provisions | **(5)** | 1 |
| Exchange rate differences | **494** | (1,307) |
| **End of year** | **25,214** | 20,653 |

Intercompany transfers include capital contributions and capital repayments. In 2018, the dividends and intercompany transfers were mainly related to an internal restructuring. For a list of subsidiaries, joint ventures and associates, see *Note 36* to the consolidated financial statements.

### Loans receivable

| € million | 2018 | 2017 |
|---|---|---|
| Beginning of year | **360** | 210 |
| Intercompany transfers | **866** | 67 |
| Transfers from / (to) investments | **23** | 83 |
| **End of year** | **1,249** | 360 |
| Current portion | **–** | – |
| **Non-current portion of loans** | **1,249** | 360 |

The loans receivable are related to loans with subsidiaries.

# Notes to the parent company financial statements

**continued**

## 8 Receivables

| € million | **December 30, 2018** | December 31, 2017 |
|---|---|---|
| Receivables from subsidiaries | **28** | 19 |
| Receivables from joint ventures | **2** | 1 |
| Prepaid expenses | **12** | 6 |
| Income tax receivable | **13** | – |
| Other receivables | **2** | 2 |
| **Total receivables** | **57** | 28 |

## 9 Other current financial assets

| € million | **December 30, 2018** | December 31, 2017 |
|---|---|---|
| Other derivatives external | **–** | 1 |
| Other | **1** | – |
| **Total other current financial assets** | **1** | 1 |

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 30, 2018, €14,816 million, an amount of €419 million is non-distributable (December 31, 2017: €346 million out of total equity of €15,170 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 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** |
| Opening balance adjustment[2] | – | – | – | – | – | (1) | (1) |
| **Balance as of January 1, 2018** | **12** | **15,175** | **(555)** | **(4)** | **334** | **207** | **15,169** |
| Net income attributable to common shareholders | – | – | – | – | – | 1,793 | 1,793 |
| Other comprehensive income | – | – | 495 | 2 | – | 48 | 545 |
| Total comprehensive income attributable to common shareholders | – | – | 495 | 2 | – | 1,841 | 2,338 |
| Dividends | – | – | – | – | – | (757) | (757) |
| Share buyback | – | – | – | – | – | (1,997) | (1,997) |
| Cancellation of treasury shares | – | (1,176) | – | – | – | 1,176 | – |
| Share-based payments | – | – | – | – | – | 63 | 63 |
| Other changes in reserves | – | – | – | – | 73 | (73) | – |
| **Balance as of December 30, 2018** | **12** | **13,999** | **(60)** | **(2)** | **407** | **460** | **14,816** |

1 Other reserves includes the remeasurements of defined benefit plans.
2 The opening balance adjustment is related to the implementation of IFRS standards effective for 2018 (see *Note 3*) to the consolidated financial statements.

# Notes to the parent company financial statements

**continued**

## 11 Provisions

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Provision for negative equity subsidiaries | **–** | 5 |
| Other provisions | **3** | 2 |
| **Total provisions** | **3** | 7 |

As of December 30, 2018, €1.8 million is expected to be utilized within one year (December 31, 2017: €0.3 million).

## 12 Loans

| | December 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| € million | Non-current portion | Current portion | Non-current portion | Current portion |
| USD 300 notes 4.125%, due 2019[1] | **–** | **114** | – | – |
| EUR 300 notes EURIBOR + 18 bps, due 2021 | **300** | **–** | – | – |
| EUR 750 notes 0.875% due 2024 | **750** | **–** | 750 | – |
| EUR 500 notes 1.125%, due 2026 | **500** | **–** | – | – |
| USD 827 notes 5.70%, due 2040[1] | **501** | **3** | – | – |
| Long-term loans from subsidiaries | **1,704** | **1,641** | 1,444 | 1,500 |
| Deferred financing costs | **(11)** | **(2)** | (6) | (1) |
| **Total loans** | **3,744** | **1,756** | 2,188 | 1,499 |

1 In 2018, the USD 827 notes and USD 300 notes were transferred internally to the parent company.

The long-term loans from subsidiaries mature in 2021 (€650 million), 2022 (€596 million) and 2029 (€458 million). For more information on the external loans, see *Note 21* to the consolidated financial statements.

## 13 Current liabilities

| € million | December 30, 2018 | December 31, 2017 |
|---|---|---|
| Short-term borrowings from subsidiaries | **5,431** | 1,972 |
| Loans – current portion | **1,756** | 1,499 |
| Bank debt and lines of credit | **398** | – |
| Dividend cumulative preferred financing shares | **17** | 18 |
| Income tax payable | **–** | 25 |
| Payables to subsidiaries | **10** | 16 |
| Payables to joint ventures | **–** | 2 |
| Interest payable | **14** | 2 |
| Other current liabilities | **39** | 32 |
| **Total current liabilities** | **7,665** | 3,566 |

The current liabilities are liabilities that mature within one year.

For more information on the cumulative preferred financing shares, see *Note 22* to the consolidated financial statements and 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 | 2018 | 2017 |
|---|---|---|
| Beginning of year | **–** | – |
| Fair value changes | **1** | – |
| **End of year** | **1** | – |

### Current derivatives – assets

| € million | 2018 | 2017 |
|---|---|---|
| Beginning of year | **1** | 299 |
| Unwinding of cross-currency swap | **(1)** | (287) |
| Fair value changes | **–** | (11) |
| **End of year** | **–** | 1 |

At the beginning of 2017, the Derivative financial instruments – current portion included 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 | 2018 | 2017 |
|---|---|---|
| Beginning of year | **–** | – |
| Fair value changes | **2** | – |
| **End of year** | **2** | – |

# Notes to the parent company financial statements

**continued**

## 14 Derivatives continued

**Current derivatives – liabilities**

| € million | 2018 | 2017 |
|---|---|---|
| Beginning of year | – | 300 |
| Unwinding of cross-currency swap | – | (287) |
| Fair value changes | – | (13) |
| **End of year** | **–** | – |

At the beginning of 2017, the Current derivatives – liabilities included 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.

## 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 €644 million as of December 30, 2018 (December 31, 2017: €399 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 $46 million (€40 million) as of December 30, 2018 (2017: $54 million (€45 million)).

The parent company has provided customary indemnifications, including for potential breach of 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 Stichting Ahold Delhaize Pensioen, 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 €0.70 per common share be paid in 2019 with respect to 2018 (2017: €0.63).

# 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 26, 2019

**Management Board**

Frans Muller

Jeff Carr

Kevin Holt

Wouter Kolk

**Supervisory Board**

Jan Hommen (Chairman)

Bill McEwan (Vice Chairman)

Jacques de Vaucleroy (Vice Chairman)

René Hooft Graafland

Rob van den Bergh

Mary Anne Citrino

Dominique Leroy

Mark McGrath

Ben Noteboom

# 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 at the disposal of the General Meeting of Shareholders, who may resolve to distribute it among the common 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 period January 1, 2018 to December 30, 2018

**Our opinion**
In our opinion:

- Koninklijke Ahold Delhaize N.V.’s consolidated financial statements give a true and fair view of the financial position of the Group as at December 30, 2018 and of its result and cash flows for the period from January 1, 2018 to December 30, 2018 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;
- Koninklijke Ahold Delhaize N.V.’s parent company financial statements give a true and fair view of the financial position of the Company as at December 30, 2018 and of its result for the period from January 1, 2018 to December 30, 2018 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 period January 1, 2018 to December 30, 2018 of Koninklijke Ahold Delhaize N.V., Zaandam (“the Company”). The financial statements include the consolidated financial statements of Koninklijke Ahold Delhaize N.V. together with its subsidiaries (“the Group”) and the parent company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at December 30, 2018;
- the following statements for the period from January 1, 2018 to December 30, 2018: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- 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 30, 2018;
- the parent company income statement for the period from January 1, 2018 to December 30, 2018;
- the notes, comprising a summary of accounting policies applied and other explanatory information.

The financial reporting framework 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. We have further described our responsibilities under those standards 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.

# Other information

**continued**

### 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).

## Our audit approach

### Overview and context

Koninklijke Ahold Delhaize N.V. is an international food retail group operating supermarkets and e-commerce platforms 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. The group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section "The scope of our group audit".

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.

As in 2017, we considered the impairment testing of goodwill and brand names, and the recognition of vendor allowance income as key audit matters, in view of the significant estimation uncertainty and the related higher inherent risks of material misstatement. Furthermore, we continue to consider the employee benefit plan measurement and disclosures as a key audit matter because of the complexity and judgment required in auditing the defined benefit obligation estimates as well as the extensive disclosures required, specifically in the area of the group's participation in US multi-employer plans. A new key audit matter this year is the company's disclosure of the estimated impact of IFRS 16 Leases at adoption on December 31, 2018. We considered this a key audit matter in view of the magnitude of the amounts involved, the implementation process required to identify and process all relevant data associated with these leases and management's judgment applied in estimating matters such as discount rates and lease terms. Each of these key audit matters have been set out in the section "Key audit matters" of this report.

Another area of focus, that was not considered a key audit matter, was the risk of 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 the Management Board 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 competences which are needed for the audit of a retail company. The Group's operations utilize a wide range of different 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 considered relevant to our audit. Furthermore, we included specialists in areas requiring financial instruments, tax and actuarial (including pension accounting) expertise and experts in the area of valuation.

# Other information

**continued**

The outline of our audit approach was as follows:

| Materiality |
| --- |
| Overall materiality: €107 million |

| Audit scope |
| --- |
| We conducted audit work at 8 components. |
| Site visits were conducted to five components operating in the U.S., the Netherlands, Belgium, Greece. |
| Audit coverage: 87% of consolidated net sales, 87% of total consolidated assets and 93% of consolidated income before income taxes. |

| Key audit matters |
| --- |
| Impairment testing of goodwill and brand names |
| Recognition of vendor allowance income |
| Employee benefit plan measurement and disclosures |
| Disclosure of the estimated impact of IFRS 16 |

## 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 determined 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 | €107 million (2017: €96 million). |
| | We used our professional judgment to determine the overall materiality. As a basis for our judgment, we used 5% of income before income taxes. |
| | 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 €100 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 €5.3 million (2017: €4.8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## 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.

# Other information

**continued**

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.

Following the set-up of the U.S. brand-centric organization, as of the first quarter of 2018, the former Ahold USA segment (which included two components in our audit, the Ahold USA retail operations and the Global Support Office activities in the United States) and Delhaize America segment are combined into one reportable segment "The United States". This did not impact our overall audit scope or coverage but reduced the number of components from 10 to 8 as described below.

Five components were subjected to audits of their complete financial information, of which three were individually financially significant to the group. These components include the retail operations in the Unites States 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, three components were selected for audit procedures to achieve appropriate coverage on specific financial line items in the consolidated financial statements. These components comprised of 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:

| | |
|---|---|
| Revenue | 87% |
| Total assets | 87% |
| Profit before tax | 93% |

None of the remaining components represented more than 3% of total Group net sales or 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 being relevant to the consolidated financial statements.

The group engagement team performed the audit work on the Global Support Office activities in the Netherlands, which includes financing activities in Switzerland, the Group consolidation, the financial statement disclosures and a number of complex items. 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 component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year and upon the conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

In the current year, the group audit team visited the Dutch, Greek, Belgian and the United States component audit teams and local management. For each of these components we reviewed relevant parts of the component auditor's audit files.

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 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 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.

We addressed the key audit matters 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 made on the results of our procedures should be read in this context.

# Other information

**continued**

| Key audit matter | Our audit work and observations |
|---|---|
| **Impairment testing of goodwill and brand names**<br>Note 13<br>As at December 30, 2018, the Group's goodwill and brand names are valued at €10.3 billion. The majority of this balance (€7 billion) relates to the former Delhaize business acquired in 2016.<br><br>As disclosed in *Note 2* and *3* to the consolidated financial statements, the Group tests its CGUs containing goodwill and brand names 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. The Management Board performed its annual goodwill and brand names impairment test in accordance with IAS36 – Impairment of Assets and concluded that no impairment of goodwill or brand names was necessary.<br><br>We considered this to be a key audit matter because the assessment process is complex, involves significant management judgments and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates. | 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.<br><br>We have challenged management, primarily on their assumptions applied to which the outcome of the impairment test is the most sensitive, in particular, the projected revenue growth, operating margin developments, discount rates and (terminal) growth rates.<br><br>We benchmarked key market related assumptions (as disclosed in *Note 13*) against external data and challenged management by comparing the assumptions to historic performance of the company and local economic developments, taking into account the sensitivity test of the goodwill balances for any changes in the respective assumptions.<br><br>We involved our valuation experts to assist us in evaluating the appropriateness of the impairment model, the discount rates applied and to assess the overall reasonableness of the assumptions. We compared the sum of the future cash flow forecasts of all CGUs to the market capitalization.<br><br>We also verified the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing of future capital and operating expenditures to the five-year plan as approved by the Management Board.<br><br>Based on our procedures we did not identify material exceptions and we found management's assumptions supported by available evidence. We further considered the related disclosures in *Note 13* to the financial statements to be adequate. |

# Other information

**continued**

| Key audit matter | Our audit work and observations |
|---|---|
| **Recognition of vendor allowance income**<br>Note 2 and 3<br>The Group receives various types of vendor allowances from its suppliers, as further disclosed in *Note 2* and *3* to the financial statements. These allowances are a significant component of cost of sales.<br><br>The vendor allowance receivable at December 30, 2018, amounts to €503 million (*Note 17*).<br><br>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 obligations associated with the allowances have been met, for example when the product has been sold, placed or when the marketing campaign has been held.<br><br>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.<br><br>Furthermore, we challenged management's assumptions used in determining the vendor allowances through discussions with management and performing specific substantive audit procedures. For example, on a sample basis we agreed the recorded amounts to the vendor contracts and confirmed the related positions and terms with the vendors.<br><br>To determine the quality of the estimates made by management we performed a retrospective review of management judgments by testing subsequent collections on prior period vendor allowance receivables. These procedures showed us that the vendor allowances collected versus management's estimates were reasonable. We also tested material write-offs and evaluated the nature to identify possible management bias.<br><br>Finally we tested whether the allowances were recorded in the correct period through assessing the obligation fulfilment of vendor allowances recorded during a period before and after year-end.<br><br>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 | Our audit work and observations |
|---|---|
| **Employee benefit plan measurement and disclosures**<br>Note 23<br>The Group has defined benefit plans, primarily in the Netherlands and in the U.S., giving rise to defined benefit obligations of €4.8 billion and €1.3 billion, respectively.<br><br>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 84 of the Annual Report). A number of these plans are accounted for as defined contribution plans as there is insufficient information to account for these plans as defined benefit plans. In *Note 23* management has disclosed certain facts and a calculation, which is based on assumptions, and leads to an estimate of the Group's participation in these plans, including, for certain plans, the possible proportionate share of the total net deficit. As disclosed, this estimate does not necessarily reflect the Company's liability in case of withdrawal or insolvency of such plans.<br><br>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.<br><br>In addition, the US multi-employer plan rules are complex and certain plans are in endangered or critical status for which relevant material facts require adequate disclosure in the financial statements. | 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.<br><br>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 testing and test of details, and reconciled the membership census data used in the actuarial models to the payroll data.<br><br>With the support from our valuation experts, we also tested the valuation of the pension assets. Depending on the type of asset, we either reconciled the value to publicly available information or challenged the assumptions used in determining the value by benchmarking assumptions to own expectations.<br><br>Finally, we assessed the adequacy of disclosures related to the employee defined benefit plans.<br><br>Our procedures did not identify material exceptions and we considered management's key assumptions to be within a reasonable range of our own expectations.<br><br>In addition, we evaluated management's disclosures and calculations in relation to the US multi-employer plans. For this purpose we reconciled the disclosed facts and the related inputs used by management for the calculation to supporting documentation such as the latest available plan information and actuarial calculations. We did not identify material exceptions in management's disclosures or accounting conclusions. |

# Other information

**continued**

| Key audit matter | Our audit work and observations |
| --- | --- |
| **Disclosure of the estimated impact of IFRS 16**<br>Note 3<br>IFRS 16, Leases, becomes effective for annual reporting periods beginning on or after January 1, 2019. The application of this new standard as disclosed in *Note 3* is estimated to give rise to an increase in total consolidated assets of approximately €6.4 billion, an increase in total consolidated liabilities of approximately €7 billion and a corresponding offset in total consolidated equity of approximately €0.6 billion.<br>We considered this to be a key audit matter because of the magnitude of the amounts involved and the implementation process required to identify and process all relevant data associated with these leases (including IT software and internal controls over the implementation process). In addition, management's judgment is required in estimating matters such as discount rates and lease terms as well as applying policy elections and the separation of lease and non-lease components. | Our procedures included evaluating the design and testing the operating effectiveness of management's controls around the completeness and accuracy of the contractual lease agreements recognized in the lease accounting system.<br>We have reviewed accounting position papers prepared by the Group to determine whether this has been set up in accordance with the requirements of IFRS 16. We challenged management on their accounting policy choices and judgments and obtained evidence supporting their judgments.<br>We involved our valuation experts to assist us in evaluating the discount rates applied. On a sample basis we have agreed key inputs to supporting documentation such as lease agreements. We have also recalculated the right-of-use asset and lease liability calculated by the system for each material type lease contract.<br>Based on our procedures performed, we consider management's disclosure on the IFRS 16 implementation in *Note 3* to the financial statements, including the estimated impact on the financial statements at implementation date, to be adequate. |

**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 86 of the Annual Report;
- The other information included in Message from our CEO, Group highlights, Who we are, Business review, Governance, Performance: Sustainability and Investors 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 of 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 directors' report and the other information in accordance with Part 9 of 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 General Meeting of Shareholders held on April 16, 2013. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of six 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 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; and for
- 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 the Management Board 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 26, 2019**
**PricewaterhouseCoopers Accountants N.V.**
D. van Ameijden RA

# Other information

**continued**

## Appendix to our auditor's report on the financial statements for the period January 1, 2018 to December 30, 2018 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 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 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.

**215** Introduction
**218** Progress towards 2020
**220** Sustainable Retailing data
**226** Definitions
**230** Assurance report of the independent auditor

# Introduction

**Our businesses flourish when our communities are healthy and resilient. When we reduce food waste, we operate more efficiently and minimize our impact on the planet. When we make it easy and fun for associates and customers to eat healthier, we grow sales, while at the same time potentially helping to bring down disease rates and enable future generations to thrive.**

To drive innovation and changes across our business and increase the value we create for customers, associates, communities, shareholders and the environment, we developed a Sustainable Retailing strategy that supports the achievement of our Leading Together strategy. Our 2020 Sustainable Retailing strategy was developed at the time of our merger in 2016, based on our most material topics and leveraging our global scale, market expertise and great local brands. The following sections show how we are progressing on that strategy, as well as our performance on sustainability in general.

# Introduction

## Our 2020 ambition

**We are committed to making it easier for our customers to eat more nutritious food, which helps to reduce the prevalence of diseases and increase overall vitality.**

**We will reduce food waste, as part of our aim to responsibly manage the earth's resources, and work with food banks to feed the undernourished in our communities.**

**We are committed to celebrating a diverse and inclusive workforce and seeing associates reach their potential so they can thrive in life and business.**

Our Sustainable Retailing 2020 strategy was shaped by our most material topics, the UN Sustainable Development Goals (SDGs) and market knowledge from our great local brands. We also considered trends in our markets and around the world, integrated stakeholder feedback, and referenced other global frameworks (such as the OECD Guidelines for Multinational Enterprises).

**We will enable our brands' customers and associates to eat healthier food every day by:**

- Innovating to make healthier eating more affordable and more fun
- Inspiring customers and associates with programs and services that make healthier eating easy, every day
- Rewarding customers and associates for nutritious choices
- Improving our assortment to increase our sales of nutritious own-brand products to 50% of total own-brand food sales by 2020

**We will contribute to the global goals to reduce food waste by:**

- Decreasing food waste in our own operations by 20% (2016-2020)
- Maximizing the recovery of unsold food to reduce hunger in our communities
- Innovating with our suppliers to reduce food waste
- Helping customers reduce food waste at home

**We will provide a healthy and inclusive workplace for associates by:**

- Enabling associates to become healthy food ambassadors by supporting them in eating nutritious foods
- Creating a work environment in which everyone is valued and can reach their full potential

**In addition, we will continue our journey to improve performance in the following five areas:**

1. **Associate development:** We take care of people by encouraging associate development.
2. **Climate impact:** We take our responsibility for using the planet's resources sustainably by reducing carbon emissions and waste.
3. **Product safety and sustainability:** The products we sell are safe and meet sustainable sourcing standards, while maintaining quality and affordability.
4. **Safety at work:** We integrate safe working practices for all associates into workplace designs, equipment purchases and operational procedures.
5. **Local community connection:** We partner at the local level to create healthier, more sustainable communities for future generations.

We are currently developing a new Sustainable Retailing strategy for 2025 integrated with and supportive of Leading Together. We aim to lead our industry in accelerating toward food systems that are healthier for people and the planet.

# Introduction

## Our 2020 ambition

**continued**

### Global governance

We manage our sustainability strategy at multiple levels in the organization. Ultimately, the Executive Committee, supervised and advised by the Supervisory Board (and its Sustainability and Innovation Committee) has accountability for setting strategy and driving performance.

The Sustainable Retailing function reports directly to the President and CEO at the global level. The Vice President Sustainable Retailing and the Group Support Office Sustainable Retailing team are responsible for advising on Ahold Delhaize's Sustainable Retailing strategy, reporting global performance internally and externally, engaging external stakeholders, supporting the brands in implementation, monitoring trends and tracking related issues and risks.

A global Sustainable Retailing Steering Committee, made up of Executive Sponsors from the local brands and relevant global functional leaders, reviews and recommends the strategic direction and public targets, and tracks overall performance.

The leaders of the local brands are responsible for sustainable retailing within their brands. Each brand sets specific annual targets on all the Ahold Delhaize Sustainable Retailing performance indicators. On a quarterly basis, each brand leader performs an assessment on the brand's year-to-date data and discusses progress and potential data quality improvements with the Ahold Delhaize President and CEO and the VP Sustainable Retailing.

Functional leaders across the brands, in areas such as Merchandising, Human Resources, Facility Management, Retail Operations, Occupational Health and Safety, and Product Integrity, are responsible for integrating sustainable retailing into their work and managing the relevant action plans.

### Local action

While we have identified the areas we want to impact as a company, we empower the brands to create programs that also address these areas in market-specific ways.

We build on the past achievements of all the brands while collaborating and sharing best practices to achieve our Sustainable Retailing goals. Each great local brand has set targets to ensure we grow our businesses and create value consistently. Our local management's remuneration is directly tied to these targets.

# Progress towards 2020

**Following is a summary of the targets we set for 2020, and our progress towards them in 2017 and 2018.**

| SDG | Strategic area | Performance indicator description | 2018 | 2017 | 2020 target |
|---|---|---|---|---|---|
| 2 Zero hunger; 3 Good health and well-being | **Promote healthier eating** | % of healthy own-brand food sales as a proportion of total own-brand food sales | **47%** | 46% | 50% |
| | | % of own-brand products with front-of-pack nutritional labeling[1] | **88%** | 87% | 100% |
| 2 Zero hunger; 12 Responsible consumption and production | **Reduce food waste** | Tonnes of food waste per food sales (t/€ million) | **5.2** | 5.3 | 4.25 (-20%) |
| | | % of total food waste recycled | **77%** | 68% | 90% |
| 3 Good health and well-being; 5 Gender equality | **Create healthy and inclusive workplaces** | Index of healthy workplace questions | **74%** | 73% | 75% |
| | | Index of inclusive workplace questions | **78%** | 77% | 79% |
| 8 Decent work and economic growth | **Associate development** | Index of associate development questions | **72%** | 71% | 73% |
| 7 Affordable and clean energy; 13 Climate action | **Climate impact** | % change in $CO_2$ equivalent emissions per $m^2$ of sales area (from 2008 baseline)[2] | **(28)%** | (26)% | (30)% |
| | | Total $CO_2$ equivalent emissions per $m^2$ sales area – location-based approach (kg $CO_2$-eq/$m^2$)[2] | **456** | 471 | 445 |
| | | % ozone-friendly refrigerants[2] | **77%** | 74% | 85% |
| | | Average GWP of total refrigerants[2] | **2,320** | 2,370 | 2,230 |
| | | % waste recycled | **76%** | 73% | 80% |

1 2017 figure excludes Mega Image and Delhaize Belgium.

2 We have restated 2017 figures to include more accurate: GWP for our refrigerants, sales area and actual fuel usage. The 2017 figure excludes Gall & Gall and Etos.

# Progress towards 2020

**continued**

| SDG | Strategic area | Performance indicator description | 2018 | 2017 | 2020 target |
|---|---|---|---|---|---|
| 2 Zero hunger; 3 Good health and well-being; 8 Decent work and economic growth; 13 Climate action; 14 Life below water; 15 Life on land | **Product safety & sustainability** | % 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 | **93%** | 91% | 100% |
| | | % of production units for own-brand food products that are certified according to a GFSI-recognized standard | **89%** | 88% | 93% |
| | | % of production units for own-brand food products that comply with an acceptable level of assurance standard (other than GFSI) | **4%** | 4% | 7% |
| | | % of production units of own-brand products in high-risk countries audited against an acceptable standard for social compliance, with a valid audit report or certificate and no non-compliances on deal-breakers[1] | **66%** | 59% | 80% |
| | | % of own-brand products containing tea certified against an acceptable standard | **84%** | 72% | 100% |
| | | % of own-brand coffee products certified against an acceptable standard | **87%** | 82% | 100% |
| | | % of own-brand products containing cocoa certified against an acceptable standard | **49%** | 53% | 100% |
| | | % of own-brand products containing over 25% cocoa certified against an acceptable standard | **69%** | | 100% |
| | | % of own-brand products containing under 25% cocoa certified against an acceptable standard | **34%** | | 75% |
| | | % of palm oil volume in own-brand products certified to an acceptable standard or to RSPO Book & Claim | **100%** | 100% | 100% |
| | | % of palm oil volume in own-brand products certified against an acceptable standard (Mass Balance or Segregated supply chain option) | **86%** | 80% | 75% |
| | | % of palm oil volume in own-brand products offset by purchase of RSPO Book & Claim | **14%** | 20% | 25% |
| | | % of own-brand wood fiber products certified sustainable against an acceptable standard, low risk, or recycled | **52%** | 48% | 100% |
| | | % of high priority (South American) direct and embedded soy volumes in the supply chain of own-brand products certified against an acceptable standard[2] | **91%** | 80% | 100% |
| | | % of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs/AIPs | **94%** | 92% | 100% |
| | | % of own-brand seafood product sales with an identified farm/fishery of origin | **100%** | 99% | 100% |

1 2017 Hannaford and Food Lion figures refer to private label products. 2017 data for all other brands refers to own-brand products.

2 2017 Delhaize Belgium figure is reported as Q4 2016 – Q3 2017.

# Sustainable Retailing data

## Scope

**This year's annual report on fiscal year 2018 contains sustainable retailing data from all Ahold Delhaize brands except bol.com, Etos, Gall & Gall and Peapod, unless otherwise noted.**

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)
- 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 this Annual Report, as well as Annual Report 2017, some of the brands were not yet 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 2017, we have explained it in the footnotes.

**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 the GRI Index which can be found at **www.aholddelhaize.com**.

# Sustainable Retailing data

## People

### Associate diversity

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Number of associates (thousands)[2] | **372** | 369 |
| % of female associates[2] | **53%** | 53% |
| % of female Executive Committee members | **14%** | 11% |
| % of female Supervisory Board members | **22%** | 17% |
| % of male associates[2] | **47%** | 47% |
| % of full-time associates[2] | **33%** | 32% |
| % of female, full-time associates[1] | **47%** | |
| % of male, full-time associates[1] | **53%** | |
| % of part-time associates[2] | **67%** | 68% |
| % of female, part-time associates[1] | **56%** | |
| % of male, part-time associates[1] | **44%** | |
| % Greatest Generation (1900-1945)[2] | **1%** | 1% |
| % Baby Boomers (1946-1964)[2] | **16%** | 17% |
| % Generation X (1965-1979)[2] | **22%** | 22% |
| % Generation Y (1980-1995)[2] | **27%** | 29% |
| % Generation Z (1996+)[2] | **34%** | 32% |
| % associates covered by collective bargaining[2] | **56%** | 58% |

1 In 2017, we did not report % of female / male full-time associates, or % of female / male part-time associates.

2 2018 and 2017 data includes Peapod, Gall & Gall, Etos and bol.com

### Associate engagement[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Associate engagement score | **79%** | 78% |
| Healthy workplace score | **74%** | 73% |
| Inclusive workplace score | **78%** | 77% |
| Associate development score | **72%** | 71% |

1 2018 and 2017 figures include Peapod, Gall & Gall and Etos.

### Safety at work

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Rate of lost days due to accidents[1] | **2.4** | 2.5 |
| Occupational illness frequency rate[2] | **0.11** | 0.14 |

1 Safety at work data excludes offices. 2018 data includes bol.com, Etos and Gall & Gall. 2018 and 2017 data for Delhaize Belgium is reported for Q4 2017-Q3 2018. 2017 Albert Heijn data may include an overestimation of the number of incidents, due to reporting limitations.

2 Safety at work data excludes offices. 2018 data excludes Delhaize Belgium, Alfa Beta, Delhaize Serbia, Mega Image, Albert and Peapod. 2018 data includes Etos and Gall & Gall. 2017 data includes Ahold Delhaize USA only.

### Local community connection

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Total monetary value of our company's corporate citizenship / philanthropic contributions (€ millions) | **140.1** | 176.9 |
| Cash contributions (€ millions) | **14.1** | 15.4 |
| In kind and volunteer hours cash-equivalent contributions (€ millions) | **126.0** | 161.5 |
| % total Ahold Delhaize contributions as charitable donations | **88%** | |
| % total Ahold Delhaize contributions as community investments | **3%** | |
| % total Ahold Delhaize contributions as commercial initiatives | **8%** | |
| Total monetary value of donations by customers, suppliers and associates to charities, facilitated by Ahold Delhaize brands (€ millions) | **8** | 7 |
| % of cash and cash-equivalent donations to charities by the company on pre-tax profit | **7%** | 9% |
| Tonnes of food donated | **57,599** | 52,731 |

# Sustainable Retailing data

## Planet

### Food waste

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Tonnes of food waste per food sales (t/€ million) | **5.2** | 5.3 |
| Tonnes of food waste sent to disposal per food sales (t/€ million) | **1.2** | 1.7 |
| % of total food waste recycled | **77%** | 68% |
| % food waste recycled for animal feed[1] | **24%** | 24% |
| % food waste recycled for biogas generation | **33%** | 33% |
| % food waste recycled for compost | **9%** | 10% |
| % food waste recycled by rendering[1] | **34%** | 33% |
| % of unsold food donated to feed people[2] | **19%** | 18% |

1 2017 data is restated to correct recycling classifications at Albert Heijn.

2 2017 data is restated to include the Giant Food, Giant/Martin's, and Stop & Shop brands.

### Waste

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Total waste generated (thousand tonnes) | **1,024** | 1,029 |
| % of waste sent to landfill | **15%** | 18% |
| % of waste incinerated and transformed into energy | **9%** | 9% |
| % of waste recycled | **76%** | 73% |
| Number of non-reusable carrier bags distributed (million bags)[1] | **3,915** | 4,366 |

1 2018 figure includes Peapod.

### Climate impact[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % change in $CO_2$ equivalent emissions per $m^2$ of sales area (from 2008 baseline)[2] | **(28)%** | (26)% |
| Total $CO_2$-equivalent emissions per $m^2$ sales area – location-based approach (kg $CO_2$-eq/$m^2$)[2] | **456** | 471 |
| Total $CO_2$-equivalent emissions (thousand tonnes) – location-based approach[2] | **4,215** | 4,274 |
| Scope 1 (thousand tonnes)[2] | **1,816** | 1,632 |
| Scope 2 (thousand tonnes) | **1,950** | 2,195 |
| Scope 3 (thousand tonnes)[2] | **449** | 447 |
| Total $CO_2$-equivalent emissions per $m^2$ sales area – market-based approach (kg $CO_2$-eq/$m^2$)[2] | **430** | 432 |
| Total $CO_2$-equivalent emissions (thousand tonnes) – market-based approach[2] | **3,973** | 3,920 |
| Scope 2 (thousand tonnes) | **1,707** | 1,840 |

1 2018 figures include Gall & Gall and Etos.

2 We have restated 2017 figures to include more accurate: GWP for our refrigerants, sales area and actual fuel usage.

### Refrigerants[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Refrigerants equivalent emissions (thousand tonnes)[2] | **1,343** | 1,196 |
| Refrigerants equivalent emissions per $m^2$ of sales area (kg $CO_2$-eq/$m^2$)[2] | **145** | 132 |
| % ozone-friendly refrigerants | **77%** | 74% |
| Average refrigerant Global Warming Potential (GWP)[2] | **2,320** | 2,370 |
| Refrigerant leakage rate | **14%** | 12% |

1 2018 figures include Gall & Gall and Etos.

2 We have restated 2017 figures to include more accurate: GWP for our refrigerants and sales area.

# Sustainable Retailing data

## Planet

**continued**

### Energy consumption[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Facilities energy consumption $CO_2$-equivalent emissions (Scopes 1 & 2) (thousand tonnes) | **2,427** | 2,668 |
| Facilities energy consumption equivalent emissions per $m^2$ sales area (kg $CO_2$-eq/$m^2$) | **263** | 294 |
| Facilities energy consumption (million kWh) | **6,833** | 6,667 |
| Facilities energy consumption per $m^2$ sales area (kWh/$m^2$) | **826** | 812 |
| Total renewable electricity produced on site (million kWh) | **20** | 20 |
| % renewable electricity on total electricity consumed | **12.7%** | 15.5% |
| Avoided grid electricity $CO_2$ emissions (thousand tonnes) | **248** | 362 |

1 2018 figures include Gall & Gall and Etos.

### Transport[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Transport equivalent emissions (thousand tonnes)[2] | **445** | 411 |
| Transport equivalent emissions per $m^2$ of sales area (kg $CO_2$-eq/$m^2$)[2] | **48** | 45 |
| Fuel consumption by trucks (million liters)[2] | **155** | 143 |

1 2018 figures include Gall & Gall and Etos.

2 Transport emissions and fuel includes distribution networks owned and operated by Ahold Delhaize, as well as third-party contractors that serve our stores. We have readjusted our 2017 figures to better reflect actual fuel usage. This has a 6% impact on our figures.

### Water[1]

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| Total water consumption (thousand $m^3$) | **8,016** | 7,546 |
| Total water consumption ($m^3$) per $m^2$ of sales area | **1.03** | 0.96 |

1 2018 and 2017 data excludes Albert Heijn. 2017 data includes estimates for Delhaize Belgium affiliated stores.

# Sustainable Retailing data

## Product

### Promote healthier eating

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % of healthy own-brand food sales of total own-brand food sales | **47%** | 46% |
| % of own-brand products with front-of-pack nutritional labeling[1] | **88%** | 87% |

1 2017 data excludes Mega Image and Delhaize Belgium.

### Product safety

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % 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 | **93.2%** | 91.2% |
| % of production units for own-brand food products that are certified according to a GFSI-recognized standard | **88.9%** | 87.6% |
| % of production units for own-brand food products that comply with an acceptable level of assurance standard (other than GFSI) | **4.3%** | 3.6% |
| % 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[1] | **64%** | 53% |

1 2017 data excludes Albert Heijn, Albert, Hannaford and Food Lion.

### Social compliance

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % of production units of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers[1] | **66%** | 59% |

1 2017 Hannaford and Food Lion figures refer to private label products. 2017 data for all other brands refers to own-brand products.

### Commodities

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % of own-brand products containing tea certified against an acceptable standard | **84%** | 72% |
| % of own-brand coffee products certified against an acceptable standard | **87%** | 82% |
| % of own-brand products containing cocoa certified against an acceptable standard | **49%** | 53% |
| % of own-brand products containing over 25% cocoa certified against an acceptable standard | **69%** | |
| % of own-brand products containing under 25% cocoa certified against an acceptable standard | **34%** | |
| % of palm oil volume in own-brand products certified to an acceptable standard or to RSPO Book & Claim | **100%** | 100% |
| % of palm oil volume in own-brand products certified against an acceptable standard (Mass Balance or Segregated supply chain option) | **86%** | 80% |
| % of palm oil volume in own-brand products offset by purchase of RSPO Book & Claim | **14%** | 20% |
| % of own-brand wood fiber products certified sustainable against an acceptable standard, low-risk, or recycled | **52%** | 48% |
| % of own-brand paper and wood packaging (as defined, and per SKU) certified sustainable against an acceptable standard, low risk, or recycled[1] | **37%** | |
| % of high priority (South American) direct and embedded soy volumes in the supply chain of own-brand products certified against an acceptable standard[2] | **91%** | 80% |
| % of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs / AIPs | **94%** | 92% |
| % of own-brand seafood product sales with an identified farm / fishery of origin | **100%** | 99% |
| % total seafood sales from products certified to MSC or ASC[3] | **38%** | 14% |
| % total seafood sales from products certified to MSC | **25%** | 9% |
| % total seafood sales from products certified to ASC | **12%** | 5% |

1 2018 data excludes Albert Heijn.
2 Soy credits are purchased through the Roundtable on Responsible Soy. 2017 Delhaize Belgium figure is reported as Q4 2016-Q3 2017.
3 2018 data excludes Albert Heijn, Albert and Ahold Delhaize USA brands. 2017 data excludes Albert Heijn and Albert.

# Sustainable Retailing data

## Product

**continued**

### Organics

| Performance indicator description | 2018 | 2017 |
|---|---|---|
| % total food sales from certified organic products | **3%** | 4% |
| Total sales from free-from or organic own-brand lines (€ millions) | **1,554** | 1,451 |

# Definitions

## The specific definitions outlined below add context to our Sustainable Retailing data, 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.

#### 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.

### Animal welfare

The treatment of animals along our product supply chain.

### Automation and socio-economic impact

The impact of automation and new technologies on our workforce.

### amfori BSCI

amfori 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":

- Ethical Trading Initiative (ETI) / SMETA
- Fair for Life / For Life
- Fair Labor Association (FLA)†
- Fair Trade USA††
- Fairtrade Hired Labor
- Fairtrade Textile
- Florverde††
- Initiative Clause Sociale (ICS)
- Intertek Workplace Conditions Assessment (WCA)
- Kenya Flower Council (KFC) certification
- MPS – Socially Qualified (SQ)
- Rainforest Alliance (RA) / Sustainable Agriculture Network (SAN)
- Sustainable Agriculture in South Africa (SIZA)
- Sustainably Grown; Social Accountability (SA) 8000
- 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.

### Associate engagement survey

Associate engagement is measured through an annual associate engagement survey of 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, associates are asked about the support they receive to have healthier lives.
- Inclusive workplace: Through the associate engagement survey, associates are asked about the support they receive to have a more inclusive workplace.
- Associate development: Through the associate engagement survey, associates are asked about the support they receive to develop their careers with Ahold Delhaize.

#### Associate engagement benchmarks

**Global retail benchmark:** This is a reflection of companies in the retail sector that have a bricks and mortar and online presence globally. Ahold Delhaize defines this more broadly than just grocery retailers and the countries we have a presence in because we compete for talent with all retailers globally and we want to understand our strengths and opportunities against the global talent competition.

# Definitions

**continued**

**Regional retail benchmark:** This is a combination of direct competitors for business and talent defined by the Ahold Delhaize brands and with locations in the countries and regions where we have a presence. It allows Ahold Delhaize to have a clearer understanding of our strengths and opportunities against our direct competitors for retail and distribution talent in the countries where we have a presence.

### Biodiversity

The variety of species present on earth, or in a specific habitat or ecosystem.

### 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 stores (including estimates) and affiliated stores; trucking emissions from subcontracted trucks that deliver Ahold Delhaize products from operated distribution centers to stores.

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 2018.

We use the latest available emission factors in our reporting. We source electricity emission factors from the International Energy Agency (IEA, 2018 edition; 2016 data) for European countries and from GHG Protocol 2014 (based on eGrid 2016 values, issued in February 2018 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 refrigerant blends used in Ahold Delhaize facilities based on Intergovernmental Panel for Climate Change Assessment Report data IPCC, AR5 (2014).

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."

### Deforestation

The removal of a forest or stand of trees from land which is then converted to a non-forest use. Deforestation can involve conversion of forest land to farms, ranches, or urban use. The most concentrated deforestation occurs in tropical rainforests.

### 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.

# Definitions

**continued**

### Food Loss and Waste Protocol

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

### Free from products

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

### Front-of-pack nutritional labeling

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

### GFSI

Global Food Safety Initiative: a Consumer Goods Forum 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.

### Global Sustainable Seafood Initiative (GSSI)

A global platform and partnership of seafood companies, NGOs, experts and governmental and intergovernmental organizations working towards more sustainable seafood. GSSI's Global Benchmark Tool includes GSSI Essential Components that are based on the Code of Conduct for Responsible Fisheries (CCRF) and the FAO Guidelines 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 ($CO_2$e) that allows expressing the emissions of different greenhouse gases 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

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**.

### Healthy and sustainable diets

Products that meet nutritional criteria and services and the information that we provide on facilitating healthier and more sustainable diets for our customers and associates.

### 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.

### National brands

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

### Occupational illness frequency rate

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

# Definitions
**continued**

### 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.

### 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."

### 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).

### 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.

### Responsible tax
Paying a sufficient, responsible level of tax in proportion to our profit.

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

### Sustainable agriculture
Sustainable farming practices that safeguard natural resources (soil, water, ecosystems) and reduce impact on climate change.

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

### Product transparency
The degree to which we are transparent to customers about products, their supply chains and their health and sustainability impacts.

### 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 biogas generation 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.

# 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 2018

### 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 2018 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 thereto related events and achievements for the year ended December 30, 2018

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section "reporting criteria".

### What we have reviewed

We have reviewed the sustainability information included in the annual report for the year ended December 30, 2018, as included in the following sections in the annual report (hereafter: "the sustainability information"):

- Message from our CEO (page 3 to 5);
- Group highlights (page 6);
- Who we are (page 7 to 29);
- Group sustainability performance review (page 47 to 49);
- Performance: Sustainability, sections Introduction, Progress towards 2020 and Sustainable Retailing data (page 214 to 229).

This review is aimed at obtaining a limited level of assurance.

The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of the annual report.

The sustainability information comprises a representation of the policy and business operations of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands (hereafter: "Ahold Delhaize") with regard to sustainability and the thereto related business operations, events and achievements for the year ended December 30, 2018.

### The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N "Assuranceopdrachten inzake maatschappelijke verslagen" ("Assurance engagements on corporate social responsibility reports"), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". 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 "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement 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").

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS – "Regulations for quality systems") 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

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The Management Board of Ahold Delhaize is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in sections Scope (page 220) and Definitions (page 226 to 229) of the Annual Report. 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.

### Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. 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 the achievability of prospective information in the sustainability information.

## Responsibilities for the sustainability information and the review

### 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 reporting criteria as included in section "reporting criteria", including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarized in sections Scope (page 220) and Definitions (page 226 to 229) of 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 the Management Board 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 in a manner that allows us to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered 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 procedures and the evaluation of the effect of identified misstatements on our conclusion.

# Assurance report of the independent auditor

**continued**

**Procedures performed**

We communicate with the Supervisory Board on our planned scope, procedures performed, timing of the engagement and on the significant findings that result from our procedures.

These procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and / or relevant staff) at corporate and local level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and / or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visits to entities in Belgium and the United States of America are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the financial information as included in the sections we reviewed, with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the Annual Report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information.
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used and has been prepared "in accordance" with the Sustainability Reporting Standards of the Global Reporting Initiative.

We have exercised professional judgment and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

**Amsterdam, February 26, 2019**
**PricewaterhouseCoopers Accountants N.V.**
**Original has been signed by D. van Ameijden RA**

# Investors

**234** Share performance
**235** Shareholder returns
**236** Key dates
**237** Shareholder structure
**238** Five-year overview
**240** Contact information
**241** Cautionary notice

# Share performance

## Share performance in 2018

On December 28, 2018, the closing price of an Ahold Delhaize ordinary share on Euronext Amsterdam was €22.07, a 20.3% increase compared to €18.34 on December 29, 2017. During the same period, the Euro STOXX 50 index decreased by (14.8)% and the AEX index decreased by (11.1)%.

In 2018, Ahold Delhaize shares traded on Euronext Amsterdam at an average closing price of €20.04 and an average daily trading volume of 5.7 million shares. Ahold Delhaize's market capitalization was €24.9 billion at year-end 2018.

**Ahold Delhaize share price**

During 2018, the highest closing price for Ahold Delhaize's shares on Euronext Amsterdam was €23.13 on November 13, 2018, and the lowest was €17.26 on February 6, 2018.

On December 28, 2018, the closing price of Ahold Delhaize's ADR was $25.23, 14.6% higher than the closing price on December 29, 2017 ($22.01). In the same period, the Dow Jones index decreased by 7.10% and the S&P 500 decreased by 7.79%. In 2018, the average daily trading volume of Ahold Delhaize American Depositary Receipts (ADRs) was 146,533.

**Performance of Ahold Delhaize's common shares on Euronext Amsterdam**

| | 2018 | 2017 |
|---|---|---|
| Closing common share price at calendar year-end (in €) | **22.07** | 18.34 |
| Average closing common share price (in €) | **20.04** | 18.10 |
| Highest closing common share price (in €) | **23.13** | 20.76 |
| Lowest closing common share price (in €) | **17.26** | 14.80 |
| Average daily trading volume | **5,663,575** | 5,388,669 |
| Market capitalization (€ million) | **24,938** | 22,508 |

Source: FactSet

# Shareholder returns

For the 2017 financial year, a cash dividend of €0.63 per common share was approved by the annual General Meeting of Shareholders on April 11, 2018 and paid on April 26, 2018.

On November 13, 2018, the Company announced it would introduce semi-annual dividend payments as of 2019. The interim dividend per share will be announced on the date of the release of the second quarter results and will be equal to 40% of the year-to-date underlying income per share from continuing operations. The announced cash dividend of €0.70 per common share for the financial year 2018 is up 11.1% from last year and will be proposed to shareholders at the annual General Meeting of Shareholders, to be held on April 10, 2019. The payout ratio of 42% is within our dividend policy range of 40–50% of underlying income from continuing operations and the 5 percentage points decrease compared to last year.

**Shareholders key performance indicators 2014–2018**

| | **2018** | 2017 | 2016 | 2015[2] | 2014[2] |
|---|---|---|---|---|---|
| Dividend per common share[1] | **0.70** | 0.63 | 0.57 | 0.52 | 0.48 |
| Dividend yield | **3.2%** | 3.4% | 2.8% | 2.7% | 3.3% |
| Payout ratio[3] | **42%** | 47% | 48% | 49% | 51% |

1 2018 dividend subject to the approval of the annual General Meeting of Shareholders.

2 2014 and 2015 numbers refer to Ahold only.

3 Dividend payout ratio for 2014 and 2015 is based on adjusted income from continuing operations. For 2017 and 2016, the payout ratio 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 2018 and, as required by the terms of the shares, plans to pay dividends on these shares in 2019.

## Share buyback

On November 8, 2017, Ahold Delhaize announced it will return €2 billion to shareholders by means of a share buyback program, which was completed on December 20, 2018. An additional €1 billion share buyback program was announced on November 13, 2018, which is expected to be completed before the end of 2019.

Maintaining a balanced approach between funding growth in key channels and returning excess liquidity to shareholders is part of Ahold Delhaize's financial framework to support our Leading Together strategy. The purpose of the program is to reduce Ahold Delhaize's capital, by cancelling all or part of the common shares acquired through the program.

# Key dates

## Key dates 2019

| | |
|---|---|
| Annual General Meeting of Shareholders | April 10 |
| Ex-dividend date | April 12 |
| Dividend record date | April 15 |
| Payment date | April 25 |
| Publication Q1 2019 results | May 8 |
| Publication Q2 2019 results | August 7 |
| Publication Q3 2019 results | November 6 |

## AGM 2019

This year's annual General Meeting of Shareholders will be held at the Muziekgebouw aan 't IJ in Amsterdam, the Netherlands, on April 10, 2019. The meeting will start at 2.00 pm (CET). The agenda and explanatory notes to the agenda can be found on our website at **www.aholddelhaize.com**.

# Shareholder structure

## Share capital

During 2018, Ahold Delhaize's issued and outstanding share capital decreased by approximately 97 million common shares to 1,130 million common shares. This decrease resulted mainly from the share buyback of €2 billion as announced on November 8, 2017, marginally offset by the issuance of shares for the Company's share-based compensation program.

The common shares issued decreased by 63 million to 1,184 million at the end of 2018. The difference between the common shares outstanding and common shares issued are the treasury shares.

As of December 30, 2018, there were 54 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 30, 2018, was comprised of the following:

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

**Shareholders by region[1]:**

| % | February 2019 | February, 2018 |
|---|---|---|
| U.K. / Ireland | **16.1** | 20.8 |
| North America | **26.9** | 19.8 |
| Rest of Europe | **9.2** | 12.0 |
| France | **8.6** | 9.2 |
| The Netherlands[2] | **4.4** | 4.9 |
| Rest of the world | **4.5** | 4.3 |
| Germany | **3.5** | 3.7 |
| Undisclosed[2] | **26.8** | 25.3 |

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 | 2018 | 2017 | 2016[1] | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | **62,791** | 62,890 | 49,695 | 38,203 | 32,774 |
| Net sales growth at constant exchange rates[2] | **2.5%** | 28.9% | 32.3% | 2.3% | 0.8% |
| Operating income | **2,395** | 2,225 | 1,584 | 1,318 | 1,250 |
| Underlying operating margin | **4.1%** | 3.9% | 3.8% | 3.8% | 3.9% |
| Net interest expense | **(259)** | (284) | (276) | (244) | (222) |
| Income from continuing operations | **1,809** | 1,817 | 830 | 849 | 791 |
| Income (loss) from discontinued operations | **(16)** | – | – | 2 | (197) |
| Net income | **1,793** | 1,817 | 830 | 851 | 594 |
| | | | | | |
| Net income per common share (basic) | **1.52** | 1.45 | 0.81 | 1.04 | 0.68 |
| Net income per common share (diluted) | **1.50** | 1.43 | 0.81 | 1.02 | 0.67 |
| Income from continuing operations per common share (basic) | **1.54** | 1.45 | 0.81 | 1.04 | 0.90 |
| Income from continuing operations per common share (diluted) | **1.52** | 1.43 | 0.81 | 1.02 | 0.88 |
| Dividend per common share | **0.70** | 0.63 | 0.57 | 0.52 | 0.48 |
| | | | | | |
| Free cash flow | **2,342** | 1,926 | 1,441 | 1,184 | 1,055 |
| Net cash from operating, investing and financing activities | **(1,587)** | 827 | 2,114 | 73 | (1,005) |
| | | | | | |
| Capital expenditures (including acquisitions)[3] | **2,060** | 1,822 | 16,775 | 1,172 | 1,006 |
| Capital expenditures as % of net sales | **3.3%** | 2.9% | 33.8% | 3.1% | 3.1% |
| | | | | | |
| Regular capital expenditures[4] | **2,025** | 1,723 | 1,377 | 811 | 740 |
| Regular capital expenditures as % of net sales | **3.2%** | 2.7% | 2.8% | 2.1% | 2.3% |
| | | | | | |
| Average exchange rate (€ per $) | **0.8476** | 0.8868 | 0.9038 | 0.9001 | 0.7529 |

1 Included former Delhaize business 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 as well as 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 30, 2018 | December 31, 2017 | January 1, 2017 | January 3, 2016 | December 28, 2014 |
|---|---|---|---|---|---|
| Group equity[1] | **14,816** | 15,170 | 16,276 | 5,621 | 4,844 |
| Gross debt | **6,612** | 7,250 | 7,561 | 3,502 | 3,197 |
| Cash, cash equivalents, and short-term deposits and similar instruments and investments in debt instruments – current portion | **3,507** | 4,747 | 4,317 | 2,354 | 1,886 |
| Net debt | **3,105** | 2,503 | 3,244 | 1,148 | 1,311 |
| Total assets | **33,331** | 33,871 | 36,275 | 15,880 | 14,138 |
| | | | | | |
| Number of stores | **6,769** | 6,637 | 6,556 | 3,253 | 3,206 |
| Number of employees (in thousand FTEs) | **225** | 224 | 225 | 129 | 126 |
| Number of employees (in thousands headcount) | **372** | 369 | 370 | 236 | 227 |
| | | | | | |
| Common shares outstanding (in millions)[1] | **1,130** | 1,228 | 1,272 | 818 | 823 |
| Share price at Euronext (€) | **22.07** | 18.34 | 20.03 | 19.48 | 14.66 |
| Market capitalization[1] | **24,938** | 22,508 | 25,484 | 15,944 | 12,059 |
| | | | | | |
| Year-end exchange rate (€ per $) | **0.8738** | 0.8330 | 0.9506 | 0.9208 | 0.8213 |

1 In 2018, €1,997 million was returned to shareholders through a share buyback (2017: €998 million, 2016: nil, 2015: €161 million and 2014: €1,232 million). In 2016 and 2014, €1,001 million and €1,007 million, respectively, were returned to shareholders through a capital repayment.

# Contact information

## Shareholder engagement

Ahold Delhaize proactively maintains an open, constructive and ongoing dialogue with shareholders. We are committed to keeping shareholders updated by informing them equally, simultaneously, transparently and accurately about Ahold Delhaize's strategy, performance and other Company matters and developments that could be relevant to investors' decisions.

## Analysts' coverage

Ahold Delhaize is covered by approximately 30 analysts who frequently issue reports on the Company. For an up-to-date list, visit our website at: **www.aholddelhaize.com**

## Corporate website

On the Company's website you can find recent and archived press releases, financial reports, annual reports, presentations, the financial calendar and other relevant shareholder information. To receive press releases and other Ahold Delhaize news, please subscribe to our email service through our website at: **www.aholddelhaize.com**

## How to get in touch

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## General information

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## Shareholder information

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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 focus, future, drive, commit, ambition, well-positioned to, strategy, will, believe, can, outlook, (2020) target, expect, to be, trends, potential, likely to, opportunities, could, purpose, plans, promise, strive, aim, sustainable, taking the lead, support, goal, policy, perceive, ensure, objective, may, might, think, estimates, foreseeable, opinion, intend, prospects, forward-looking, forecast, judgments, assume, possible, anticipate, probable, 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 the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; natural disasters and geopolitical events; climate change, raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and inability to pass on costs to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; the failure or breach of security of IT systems; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms and other factors discussed in the Company's public filings and other disclosures.

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

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" 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.