
Business
review

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

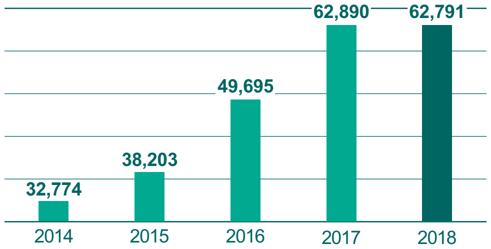
Net sales in the financial year ended December 30, 2018, were €62,791 million, a decrease of €99 million, or 0.2%, compared to net sales of €62,890 million for the financial year ended December 31, 2017. At constant exchange rates, net sales were up by €1,533 million or 2.5%. This would be 2.8% when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

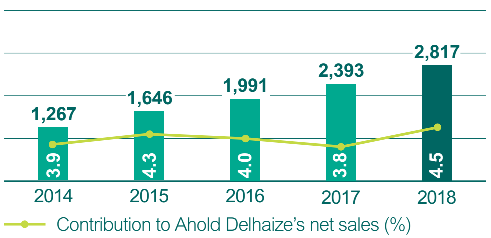


Group financial review

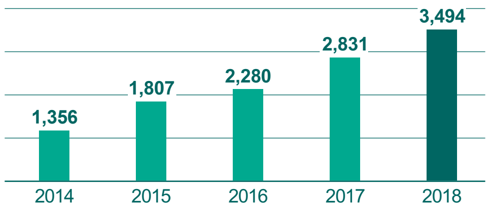
continued

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.

Online sales
€ million



Net consumer online sales
€ million

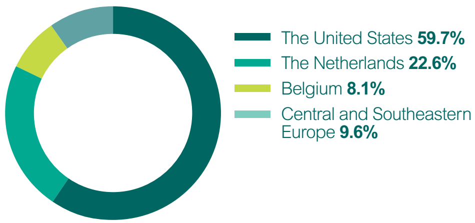


Net sales by segment

$ 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:

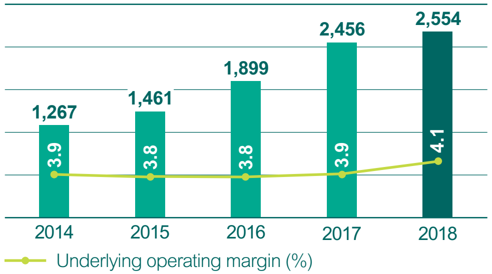
€ million	2018	2017	2016
The United States	**291**	159	8
Europe	**102**	78	7
Global Support Office	**39**	31	7
Total	**432**	268	22

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 Dehaize 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 m²)	**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.

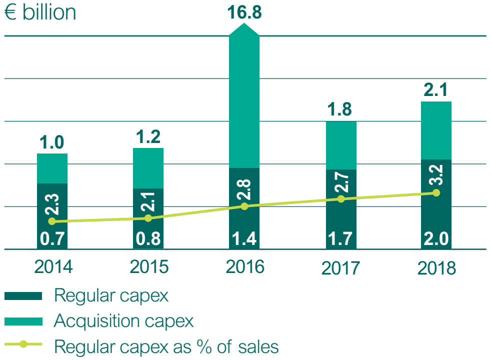
€ million	2018	2017	Change versus prior year	% of sales
The United States	**1,187**	950	237	3.2%
The Netherlands	**380**	363	17	2.7%
Belgium	**148**	192	(44)	2.9%
Central and Southeastern Europe	**261**	182	79	4.3%
Global Support Office	**49**	36	13	–
Total regular capital expenditures[1]	**2,025**	1,723	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

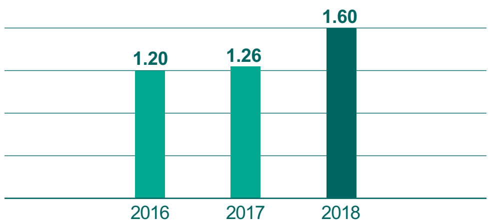
continued

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.

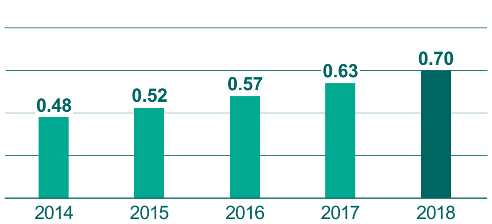
Underlying income from continuing operations per common share (basic)
€



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
€



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.

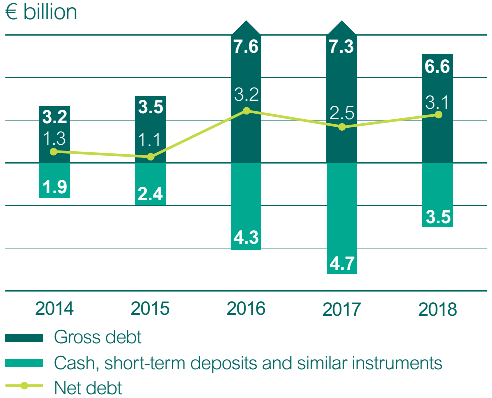
Group equity decreased by €354 million. This decrease was mainly driven by the completion of the €2 billion share buyback and a dividend payment of €757 million in 2018. The current year's net income and a positive currency translation impact of €495 million provided a partial offset.

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."

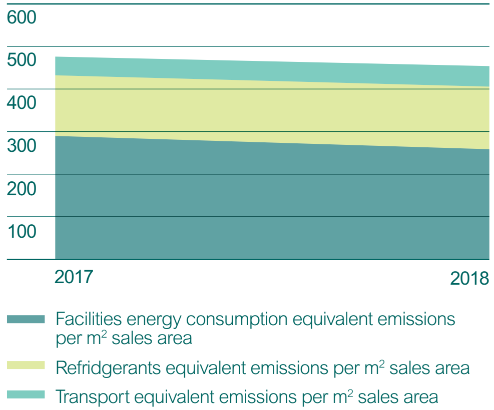
Rate of lost days due to accidents rates fell by 4.0%, of which 1.1% was due to the inclusion of bol.com, Etos, and Gall & Gall in 2018 data. Other key factors that contributed to lowering the rate of lost days due to accidents included the development of action plans for injury and risk reduction by 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%

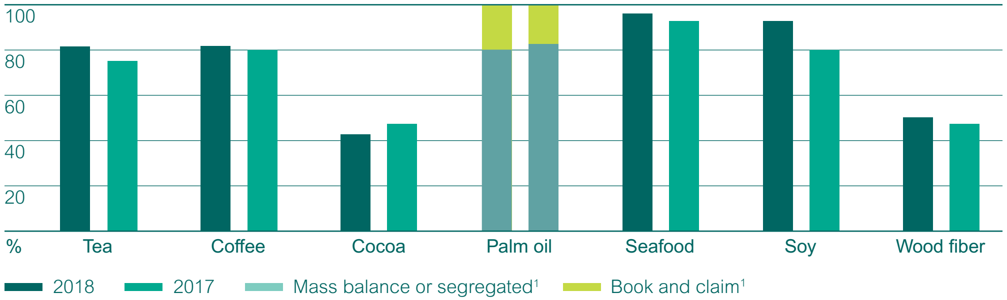
In 2018, our brands increased sales from free-from or organic own-brand lines by 7.1% compared to 2017. By better meeting consumer needs for healthier assortments, our brands increased sales of healthy own-brand food by 1.0% compared to 2017. Two examples of how the brands are helping customers gain 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.