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# Financial Statements

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## Consolidated income statement

€ million, except per share data	Note	2018	2017
Net sales	7	<b>62,791</b>	62,890
Cost of sales	8	<b>(45,839)</b>	(46,121)
<b>Gross profit</b>		<b>16,952</b>	16,769
Selling expenses		<b>(12,236)</b>	(12,245)
General and administrative expenses		<b>(2,321)</b>	(2,299)
Total operating expenses	8	<b>(14,557)</b>	(14,544)
<b>Operating income</b>		<b>2,395</b>	2,225
Interest income		<b>70</b>	32
Interest expense		<b>(310)</b>	(294)
Net interest expense on defined benefit pension plans	23	<b>(19)</b>	(22)
Other financial income (expense)		<b>13</b>	(13)
Net financial expenses	9	<b>(246)</b>	(297)
<b>Income before income taxes</b>		<b>2,149</b>	1,928
Income taxes	10	<b>(372)</b>	(146)
Share in income of joint ventures	14	<b>32</b>	35
<b>Income from continuing operations</b>		<b>1,809</b>	1,817
Income (loss) from discontinued operations	5	<b>(16)</b>	–
<b>Net income attributable to common shareholders</b>		<b>1,793</b>	1,817
<b>Earnings per share</b>	29		
Net income per share attributable to common shareholders			
Basic		<b>1.52</b>	1.45
Diluted		<b>1.50</b>	1.43
Income from continuing operations per share attributable to common shareholders			
Basic		<b>1.54</b>	1.45
Diluted		<b>1.52</b>	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		<b>1,793</b>	1,817
Remeasurements of defined benefit pension plans			
Remeasurements before taxes – income (loss)	23	<b>66</b>	44
Income taxes	10	<b>(18)</b>	(66)
Other comprehensive income (loss) that will not be reclassified to profit or loss		<b>48</b>	(22)
Currency translation differences in foreign interests:			
Continuing operations		<b>495</b>	(1,308)
Income taxes	10	–	(1)
Cash flow hedges:			
Fair value result for the year		<b>1</b>	(3)
Transfers to net income		<b>1</b>	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		<b>497</b>	(1,308)
Total other comprehensive income (loss)		<b>545</b>	(1,330)
<b>Total comprehensive income attributable to common shareholders</b>		<b>2,338</b>	487
Attributable to:			
Continuing operations		<b>2,354</b>	487
Discontinued operations		<b>(16)</b>	–
<b>Total comprehensive income attributable to common shareholders</b>		<b>2,338</b>	487

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



## Consolidated balance sheet

€ million	Note	December 30, 2018	December 31, 2017
<b>Assets</b>			
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
<b>Total non-current assets</b>		<b>24,489</b>	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
<b>Total current assets</b>		<b>8,842</b>	9,970
<b>Total assets</b>		<b>33,331</b>	33,871
<b>Equity and liabilities</b>			
<b>Equity attributable to common shareholders</b>			
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
<b>Total non-current liabilities</b>		<b>8,494</b>	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
<b>Total current liabilities</b>		<b>10,021</b>	10,305
<b>Total equity and liabilities</b>		<b>33,331</b>	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 <sup>1</sup>	Equity attributable to common shareholders
<b>Balance as of January 1, 2017</b>		<b>13</b>	<b>15,802</b>	<b>754</b>	<b>(2)</b>	<b>(291)</b>	<b>16,276</b>
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
<b>Balance as of December 31, 2017</b>	<i>20</i>	<b>12</b>	<b>15,175</b>	<b>(555)</b>	<b>(4)</b>	<b>542</b>	<b>15,170</b>
Opening balance adjustment <sup>2</sup>		–	–	–	–	(1)	(1)
<b>Balance as of January 1, 2018</b>		<b>12</b>	<b>15,175</b>	<b>(555)</b>	<b>(4)</b>	<b>541</b>	<b>15,169</b>
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
<b>Balance as of December 30, 2018</b>	<i>20</i>	<b>12</b>	<b>13,999</b>	<b>(60)</b>	<b>(2)</b>	<b>867</b>	<b>14,816</b>

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		<b>1,809</b>	1,817
Adjustments for:			
Net financial expenses	9	<b>246</b>	297
Income taxes	10	<b>372</b>	146
Share in income of joint ventures	14	<b>(32)</b>	(35)
Depreciation, amortization and impairments	8	<b>1,816</b>	1,857
(Gains) losses on the sale of assets / disposal groups held for sale	8	<b>(7)</b>	(47)
Share-based compensation expenses	32	<b>60</b>	79
Other changes to operating income		<b>(4)</b>	(7)
Operating cash flows before changes in operating assets and liabilities		<b>4,260</b>	4,107
Changes in working capital:			
Changes in inventories		<b>(35)</b>	(44)
Changes in receivables and other current assets		<b>(6)</b>	(97)
Changes in payables and other current liabilities		<b>525</b>	272
Changes in other non-current assets, other non-current liabilities and provisions		<b>(136)</b>	(58)
Cash generated from operations		<b>4,608</b>	4,180
Income taxes paid – net		<b>(280)</b>	(480)
Operating cash flows from continuing operations		<b>4,328</b>	3,700
Operating cash flows from discontinued operations		<b>(5)</b>	(5)
<b>Net cash from operating activities</b>		<b>4,323</b>	3,695
Purchase of non-current assets		<b>(1,780)</b>	(1,698)
Divestments of assets / disposal groups held for sale		<b>27</b>	142
Acquisition of businesses, net of cash acquired	28	<b>(30)</b>	(50)
Divestment of businesses, net of cash divested	28	<b>(3)</b>	(3)
Changes in short-term deposits and similar instruments		<b>(242)</b>	100
Dividends received from joint ventures	14	<b>17</b>	70
Interest received		<b>74</b>	32
Other		<b>38</b>	(3)
Investing cash flows from continuing operations		<b>(1,899)</b>	(1,410)
<b>Net cash from investing activities</b>		<b>(1,899)</b>	(1,410)
Proceeds from long-term debt	28	<b>798</b>	747
Interest paid		<b>(324)</b>	(320)
Repayments of loans	28	<b>(783)</b>	(474)
Changes in short-term loans	28	<b>(733)</b>	212
Repayments of finance lease liabilities	28	<b>(177)</b>	(190)
Dividends paid on common shares	20	<b>(757)</b>	(720)
Share buyback	20	<b>(2,003)</b>	(992)
Other cash flows from derivatives	28	<b>(29)</b>	262
Other		<b>(3)</b>	17
Financing cash flows from continuing operations		<b>(4,011)</b>	(1,458)
<b>Net cash from financing activities</b>		<b>(4,011)</b>	(1,458)
<b>Net cash from operating, investing and financing activities</b>		<b>(1,587)</b>	827
Cash and cash equivalents at the beginning of the year (excluding restricted cash)		<b>4,542</b>	3,990
Effect of exchange rates on cash and cash equivalents		<b>155</b>	(275)
<b>Cash and cash equivalents at the end of the year (excluding restricted cash)</b>	28	<b>3,110</b>	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	<b>0.8476</b>	0.8868
Year-end closing exchange rate	<b>0.8738</b>	0.8330
Czech crown		
Average exchange rate	<b>0.0390</b>	0.0380
Year-end closing exchange rate	<b>0.0388</b>	0.0391
Romanian leu		
Average exchange rate	<b>0.2149</b>	0.2189
Year-end closing exchange rate	<b>0.2146</b>	0.2142
Serbian dinar		
Average exchange rate	<b>0.0085</b>	0.0082
Year-end closing exchange rate	<b>0.0085</b>	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:

	Remaining expected duration of the lease
Lease-related intangibles	
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)
<b>Acquisition of businesses, net of cash</b>	<b>21</b>	<b>6</b>	<b>3</b>	<b>30</b>

# Notes to the consolidated financial statements

continued

## 4 Acquisitions 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
<b>Total assets held for sale</b>	<b>23</b>	<b>14</b>

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 <sup>1</sup>	1	—
<b>Results on divestments</b>	<b>(16)</b>	<b>—</b>
<b>Income (loss) from discontinued operations, net of income taxes</b>	<b>(16)</b>	<b>—</b>

<sup>1</sup> 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	<b>37,460</b>	38,440
The Netherlands	<b>14,218</b>	13,706
Belgium	<b>5,095</b>	4,953
Central and Southeastern Europe	<b>6,018</b>	5,791
<b>Ahold Delhaize Group</b>	<b>62,791</b>	62,890

### Operating income

€ million	2018	2017
The United States	<b>1,482</b>	1,371
The Netherlands	<b>698</b>	669
Belgium	<b>126</b>	86
Central and Southeastern Europe	<b>222</b>	236
Global Support Office	<b>(133)</b>	(137)
<b>Ahold Delhaize Group</b>	<b>2,395</b>	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
<b>Ahold Delhaize Group</b>	<b>1,758</b>	<b>1,793</b>

### 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
<b>Ahold Delhaize Group<sup>1</sup></b>	<b>58</b>	<b>64</b>

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
<b>Ahold Delhaize Group</b>	<b>60</b>	<b>79</b>

### 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
<b>Ahold Delhaize Group</b>	<b>2,060</b>	<b>1,822</b>

# 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
<b>Ahold Delhaize Group</b>	<b>23,789</b>	<b>22,973</b>

### 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 <sup>1</sup>	53,953	54,650
Sales to and fees from franchisees and affiliates	5,675	5,486
Online sales <sup>1</sup>	2,817	2,393
Wholesale sales	185	188
Other sales	161	173
<b>Net sales</b>	<b>62,791</b>	<b>62,890</b>

<sup>1</sup> 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 <sup>1</sup>	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 <sup>1</sup>	751	1,999	51	16	2,817
Wholesale sales	135	–	15	35	185
Other sales	115	32	12	2	161
<b>Net sales</b>	<b>37,460</b>	<b>14,218</b>	<b>5,095</b>	<b>6,018</b>	<b>62,791</b>

<sup>1</sup> 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
<b>Net sales</b>	<b>38,440</b>	<b>13,706</b>	<b>4,953</b>	<b>5,791</b>	<b>62,890</b>

Net sales by product category are as follows:

Percentage of net sales	2018	2017
Food: perishable	<b>45%</b>	46%
Food: non-perishable	<b>38%</b>	37%
Non-food	<b>12%</b>	12%
Pharmacy	<b>3%</b>	3%
Gasoline	<b>2%</b>	2%
<b>Net sales</b>	<b>100%</b>	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	<b>43,846</b>	44,210
Labor costs	<b>9,014</b>	9,014
Other operational expenses	<b>4,798</b>	4,652
Depreciation and amortization	<b>1,758</b>	1,793
Rent expenses and income – net	<b>929</b>	979
Impairment losses and reversals – net	<b>58</b>	64
(Gains) losses on the sale of assets – net	<b>(7)</b>	(47)
<b>Total expenses by nature</b>	<b>60,396</b>	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 <sup>1</sup>	(15)	26
Other gains (losses)	9	(1)
Other financial income (expense)	13	(13)
<b>Net financial expenses</b>	<b>(246)</b>	<b>(297)</b>

<sup>1</sup> 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

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

### 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%
<b>Subtotal income taxes<sup>1</sup></b>	<b>(395)</b>	<b>18.4%</b>	<b>(553)</b>	<b>28.7%</b>
Tax rate changes as a result of local tax reforms	23	(1.1)%	407	(21.1)%
<b>Total income taxes</b>	<b>(372)</b>	<b>17.3%</b>	<b>(146)</b>	<b>7.6%</b>

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

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

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)
<b>Net deferred tax liabilities</b>	<b>(715)</b>	<b>(669)</b>

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	<b>3,210</b>
Operating and capital losses (tax value)	24	10	10	2	7	35	40	20	321	<b>469</b>
Tax credits	4	2	3	2	1	–	1	–	8	<b>21</b>
<b>Tax losses and tax credits</b>	<b>28</b>	<b>12</b>	<b>13</b>	<b>4</b>	<b>8</b>	<b>35</b>	<b>41</b>	<b>20</b>	<b>329</b>	<b>490</b>
Unrecognized tax losses and tax credits	(19)	(2)	(2)	(1)	(1)	(11)	(6)	(6)	(246)	<b>(294)</b>
<b>Total recognized tax losses and tax credits</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>3</b>	<b>7</b>	<b>24</b>	<b>35</b>	<b>14</b>	<b>83</b>	<b>196</b>

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)
<b>Total</b>	<b>(17)</b>	<b>(68)</b>

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

## II Property, plant and equipment

€ million	Buildings and land	Other	Under construction	Total
<b>As of January 1, 2017</b>				
At cost	13,640	7,231	399	21,270
Accumulated depreciation and impairment losses	(5,282)	(4,217)	(1)	(9,500)
<b>Carrying amount</b>	<b>8,358</b>	<b>3,014</b>	<b>398</b>	<b>11,770</b>
<b>Year ended December 31, 2017</b>				
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)
<b>Closing carrying amount</b>	<b>7,576</b>	<b>2,779</b>	<b>334</b>	<b>10,689</b>
<b>As of December 31, 2017</b>				
At cost	12,933	7,099	334	20,366
Accumulated depreciation and impairment losses	(5,357)	(4,320)	–	(9,677)
<b>Carrying amount</b>	<b>7,576</b>	<b>2,779</b>	<b>334</b>	<b>10,689</b>
<b>Year ended December 30, 2018</b>				
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
<b>Closing carrying amount</b>	<b>7,668</b>	<b>2,985</b>	<b>494</b>	<b>11,147</b>
<b>As of December 30, 2018</b>				
At cost	13,890	8,088	494	22,472
Accumulated depreciation and impairment losses	(6,222)	(5,103)	–	(11,325)
<b>Carrying amount</b>	<b>7,668</b>	<b>2,985</b>	<b>494</b>	<b>11,147</b>

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

## II 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 b'fresh locations and a €7 million net impairment for a number of stores in the Richmond area. The impairments related to the b'fresh 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
<b>At the beginning of the year</b>		
At cost	1,025	1,119
Accumulated depreciation and impairment losses	(375)	(392)
<b>Carrying amount</b>	<b>650</b>	<b>727</b>
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)
<b>Closing carrying amount</b>	<b>629</b>	<b>650</b>
<b>At the end of the year</b>		
At cost	1,073	1,025
Accumulated depreciation and impairment losses	(444)	(375)
<b>Carrying amount</b>	<b>629</b>	<b>650</b>

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
<b>As of January 1, 2017</b>								
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)
<b>Carrying amount</b>	<b>7,395</b>	<b>3,378</b>	<b>518</b>	<b>266</b>	<b>141</b>	<b>795</b>	<b>54</b>	<b>12,547</b>
<b>Year ended December 31, 2017</b>								
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)
<b>Closing carrying amount</b>	<b>6,860</b>	<b>3,104</b>	<b>510</b>	<b>210</b>	<b>119</b>	<b>781</b>	<b>50</b>	<b>11,634</b>
<b>As of December 31, 2017</b>								
At cost <sup>1</sup>	6,868	3,108	1,185	400	200	942	50	12,753
Accumulated amortization and impairment losses <sup>1</sup>	(8)	(4)	(675)	(190)	(81)	(161)	–	(1,119)
<b>Carrying amount</b>	<b>6,860</b>	<b>3,104</b>	<b>510</b>	<b>210</b>	<b>119</b>	<b>781</b>	<b>50</b>	<b>11,634</b>
<b>Year ended December 30, 2018</b>								
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
<b>Closing carrying amount</b>	<b>7,094</b>	<b>3,196</b>	<b>548</b>	<b>190</b>	<b>110</b>	<b>764</b>	<b>111</b>	<b>12,013</b>
<b>As of December 30, 2018</b>								
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)
<b>Carrying amount</b>	<b>7,094</b>	<b>3,196</b>	<b>548</b>	<b>190</b>	<b>110</b>	<b>764</b>	<b>111</b>	<b>12,013</b>

<sup>1</sup> 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 <sup>1</sup>	Brand names December 31, 2017 <sup>1</sup>
<b>Reportable segment</b>	<b>Cash-generating unit</b>				
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
<b>Ahold Delhaize Group</b>		<b>7,094</b>	<b>6,860</b>	<b>3,196</b>	<b>3,104</b>

<sup>1</sup> 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)
<b>End of the year</b>	<b>163</b>	<b>45</b>	<b>28</b>	<b>236</b>	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	JMR	Super Indo	Super Indo
	2018	2017	2018	2017
<b>Summarized statement of comprehensive income</b>				
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	JMR	Super Indo	Super Indo
	December 30, 2018	December 31, 2017	December 30, 2018	December 31, 2017
<b>Summarized balance sheet</b>				
<b>Non-current assets</b>	1,180	1,193	59	60
Current assets				
Cash and cash equivalents	40	72	47	37
Other current assets	383	372	47	45
<b>Total current assets</b>	423	444	94	82
Non-current liabilities				
Financial liabilities	50	–	–	–
Other liabilities	37	34	5	5
<b>Total non-current liabilities</b>	87	34	5	5
Current liabilities				
Financial liabilities (excluding trade payables)	88	271	–	–
Other current liabilities	1,095	1,025	78	76
<b>Total current liabilities</b>	1,183	1,296	78	76
<b>Net assets</b>	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	JMR	Super Indo	Super Indo
	2018	2017	2018	2017
Opening net assets	307	368	61	89
Net income	59	51	10	13
Dividend	(33)	(112)	—	(30)
Exchange differences	—	—	(1)	(11)
<b>Closing net assets</b>	<b>333</b>	<b>307</b>	<b>70</b>	<b>61</b>
Interest in joint venture	49%	49%	51%	51%
Closing net assets included in the carrying value	163	150	36	31
Goodwill	—	—	9	10
<b>Carrying value</b>	<b>163</b>	<b>150</b>	<b>45</b>	<b>41</b>

### 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
<b>Total other non-current financial assets</b>	<b>238</b>	<b>192</b>

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
<b>Total inventories</b>	<b>3,196</b>	<b>3,077</b>

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
	<b>1,846</b>	1,686
Provision for impairment	(87)	(80)
<b>Total receivables</b>	<b>1,759</b>	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:

€ million	Total	Not past due	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
	<b>1,846</b>	<b>1,344</b>	<b>340</b>	<b>56</b>	<b>24</b>	<b>82</b>
Provision for impairment	(87)	(11)	(10)	(4)	(14)	(48)
<b>Total receivables</b>	<b>1,759</b>	<b>1,333</b>	<b>330</b>	<b>52</b>	<b>10</b>	<b>34</b>
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)
<b>Total receivables</b>	<b>1,606</b>	<b>1,231</b>	<b>293</b>	<b>44</b>	<b>16</b>	<b>22</b>
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
<b>End of the year</b>	<b>(87)</b>	<b>(80)</b>

### 18 Other current financial assets

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

<sup>1</sup> 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
<b>Total cash and cash equivalents</b>	<b>3,122</b>	<b>4,581</b>

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
<b>Total authorized share capital</b>	<b>42</b>	<b>42</b>

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)
<b>Balance as of January 1, 2017</b>	<b>1,281,293</b>	<b>9,017</b>	<b>1,272,276</b>
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)
<b>Balance as of December 31, 2017</b>	<b>1,246,809</b>	<b>19,219</b>	<b>1,227,590</b>
Share buyback	—	101,053	(101,053)
Cancellation of treasury shares	(63,084)	(63,084)	—
Share-based payments	—	(3,662)	3,662
Other	—	(1)	1
<b>Balance as of December 30, 2018</b>	<b>1,183,725</b>	<b>53,525</b>	<b>1,130,200</b>

### 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	Non-current portion			Total December 30, 2018	Non-current portion			Total December 31, 2017
		Current portion within 1 year	Between 1 and 5 years	After 5 years		Current portion within 1 year	Between 1 and 5 years	After 5 years	
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)
<b>Total notes</b>		<b>141</b>	<b>783</b>	<b>2,552</b>	<b>3,476</b>	445	601	2,361	3,407
Financing obligations <sup>1</sup>			<b>20</b>	<b>84</b>	<b>173</b>	22	122	181	325
Mortgages payable <sup>2</sup>			<b>1</b>	<b>88</b>	<b>—</b>	1	13	8	22
Other loans			—	—	<b>3</b>	—	—	3	3
<b>Total loans</b>			<b>162</b>	<b>955</b>	<b>2,728</b>	468	736	2,553	3,757

<sup>1</sup> The weighted average interest rate for the financing obligations amounted to 7.3% at the end of 2018 (2017: 7.5%).

<sup>2</sup> 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
<b>Total other non-current financial liabilities</b>	<b>2,055</b>	<b>2,098</b>

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			December 31, 2017		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	271	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
<b>Total</b>	<b>2,156</b>	<b>597</b>	<b>1,559</b>	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
<b>Balance as of year-end</b>	<b>455</b>	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 (depository 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 depository 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)	—
<b>Total net defined benefit plan funded status</b>	<b>508</b>	<b>567</b>

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)
<b>Total net defined benefit cost</b>	<b>129</b>	<b>147</b>

## 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:

€ million	The Netherlands		The United States		Rest of world		Total	
	2018	2017	2018	2017	2018	2017		
<b>Defined benefit obligations</b>								
Beginning of the year	<b>4,822</b>	4,636	<b>1,359</b>	1,592	<b>278</b>	269	<b>6,459</b>	6,497
Current service cost	<b>125</b>	130	<b>22</b>	22	<b>15</b>	15	<b>162</b>	167
Past service cost	–	12	–	(25)	–	–	–	(13)
Gain on settlements	–	–	–	(123)	–	–	–	(123)
Interest expense	<b>98</b>	91	<b>51</b>	63	<b>5</b>	5	<b>154</b>	159
Termination benefits	–	–	–	–	<b>2</b>	2	<b>2</b>	2
Contributions by plan participants	<b>21</b>	22	–	–	<b>1</b>	1	<b>22</b>	23
Benefits paid	<b>(90)</b>	(87)	<b>(63)</b>	(76)	<b>(16)</b>	(12)	<b>(169)</b>	(175)
(Gain) loss from changes in demographic assumptions	<b>(73)</b>	4	<b>(5)</b>	9	<b>(1)</b>	–	<b>(79)</b>	13
(Gain) loss from changes in financial assumptions	<b>(80)</b>	34	<b>(104)</b>	96	<b>(6)</b>	(3)	<b>(190)</b>	127
Experience (gains) losses	<b>(46)</b>	(20)	<b>9</b>	(4)	<b>3</b>	1	<b>(34)</b>	(23)
Exchange rate differences	–	–	<b>64</b>	(195)	–	–	<b>64</b>	(195)
<b>End of the year</b>	<b>4,777</b>	4,822	<b>1,333</b>	1,359	<b>281</b>	278	<b>6,391</b>	6,459
<b>Plan assets</b>								
Fair value of assets, beginning of the year	<b>4,619</b>	4,431	<b>1,071</b>	1,208	<b>202</b>	199	<b>5,892</b>	5,838
Acquisitions through business combinations	–	–	–	–	–	(11)	–	(11)
Interest income	<b>92</b>	85	<b>39</b>	48	<b>4</b>	4	<b>135</b>	137
Company contribution	<b>101</b>	137	<b>82</b>	51	<b>18</b>	17	<b>201</b>	205
Contributions by plan participants	<b>21</b>	22	–	–	<b>1</b>	1	<b>22</b>	23
Benefits paid	<b>(90)</b>	(87)	<b>(63)</b>	(76)	<b>(16)</b>	(12)	<b>(169)</b>	(175)
Settlement payments	–	–	–	(124)	–	–	–	(124)
Administrative cost	<b>(9)</b>	(8)	<b>(3)</b>	(4)	–	–	<b>(12)</b>	(12)
Return on plan assets, excluding amounts included in net interest (income) expense	<b>(146)</b>	39	<b>(76)</b>	118	<b>(15)</b>	4	<b>(237)</b>	161
Exchange rate differences	–	–	<b>51</b>	(150)	–	–	<b>51</b>	(150)
<b>Fair value of assets, end of the year</b>	<b>4,588</b>	4,619	<b>1,101</b>	1,071	<b>194</b>	202	<b>5,883</b>	5,892
<b>Funded status</b>	<b>(189)</b>	(203)	<b>(232)</b>	(288)	<b>(87)</b>	(76)	<b>(508)</b>	(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	<b>1.9</b>	2.0	<b>4.5</b>	3.8	<b>1.7</b>	1.7
Future salary increases	<b>3.3</b>	3.5	<b>4.5</b>	4.5	<b>3.2</b>	3.1
Future pension increases	<b>0.7</b>	0.8	<b>0.0</b>	0.0	<b>0.0</b>	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:

Years	The Netherlands		The United States		Rest of world	
	2018	2017	2018	2017	2018	2017
<b>Longevity at age 65 for current pensioners</b>						
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
<b>Longevity at age 65 for current members aged 50</b>						
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
<b>Discount rate</b>				
0.5% increase		(529)	(75)	(624)
0.5% decrease		626	83	731
<b>Future salary increases</b>				
0.5% increase		73	1	84
0.5% decrease		(69)	(1)	(79)
<b>Future pension increases</b>				
0.5% increase		575	N/A	575
0.5% decrease		(496)	N/A	(496)
<b>Life expectancy</b>				
1 year increase at age 65		175	41	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	<b>238</b>	236	<b>15</b>	23	—	—
Financial services	<b>279</b>	262	<b>17</b>	62	—	—
Telecommunications and information	<b>97</b>	110	<b>10</b>	38	—	—
Energy and utilities	<b>90</b>	71	<b>18</b>	32	—	—
Industry	<b>262</b>	127	<b>4</b>	15	—	—
Other	<b>22</b>	6	<b>63</b>	76	—	—
Debt instruments:						
Government	<b>1,108</b>	1,082	<b>75</b>	140	—	—
Corporate bonds (investment grade)	<b>1,297</b>	1,289	<b>564</b>	252	—	—
Corporate bonds (non-investment grade)	<b>8</b>	12	—	34	—	—
Other	—	—	<b>70</b>	61	<b>6</b>	—
Real estate:						
Retail	<b>1</b>	18	—	—	—	—
Offices	<b>6</b>	8	—	—	—	—
Residential	<b>3</b>	7	—	—	—	—
Other	—	—	<b>53</b>	48	—	—
Investment funds	<b>1,032</b>	1,048	<b>135</b>	216	<b>6</b>	—
Insurance contracts	—	1	—	—	<b>182</b>	202
Derivatives:						
Interest rate swaps	<b>(46)</b>	(105)	—	—	—	—
Forward foreign exchange contracts	<b>(24)</b>	26	—	—	—	—
Cash and cash equivalents	<b>223</b>	429	<b>24</b>	18	—	—
Other	<b>(8)</b>	(8)	<b>53</b>	56	—	—
<b>Total</b>	<b>4,588</b>	4,619	<b>1,101</b>	1,071	<b>194</b>	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 Pensions 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](http://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 <sup>1</sup>	Expiration date of collective-bargaining agreement	December 30, 2018			
						Annual contributions	Plan deficit / (surplus) <sup>2</sup>	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus) <sup>3</sup>
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
<b>Total</b>						<b>80</b>	<b>9,969</b>		<b>1,073</b>

€ million, except Ahold Delhaize's participation percentages	EIN / Pension plan number	ERISA zone status	FIP / RP status pending / implemented	Year of Form 5500 <sup>1</sup>	Expiration date of collective-bargaining agreement	December 31, 2017			
						Annual contributions	Plan deficit / (surplus) <sup>2</sup>	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus) <sup>3</sup>
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)
<b>Total</b>						<b>83</b>	<b>6,943</b>		<b>760</b>



# 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
<b>As of December 31, 2017</b>							
Current portion	208	13	16	72	26	20	355
Non-current portion	561	16	63	28	91	49	808
<b>Carrying amount</b>	<b>769</b>	<b>29</b>	<b>79</b>	<b>100</b>	<b>117</b>	<b>69</b>	<b>1,163</b>
<b>Year ended December 30, 2018</b>							
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
<b>Closing carrying amount</b>	<b>810</b>	<b>14</b>	<b>80</b>	<b>54</b>	<b>109</b>	<b>53</b>	<b>1,120</b>
<b>As of December 30, 2018</b>							
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
<b>Total</b>	<b>810</b>	<b>14</b>	<b>80</b>	<b>54</b>	<b>109</b>	<b>53</b>	<b>1,120</b>

# 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
<b>Total other non-current liabilities</b>	<b>566</b>	<b>529</b>

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
<b>Total other current financial liabilities</b>	<b>1,232</b>	<b>2,210</b>

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
<b>Total other current liabilities</b>	<b>2,537</b>	<b>2,327</b>

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	<b>3,110</b>	4,542
Restricted cash	<b>12</b>	39
<b>Cash and cash equivalents as presented on the balance sheet</b>	<b>3,122</b>	4,581

The following tables present additional cash flow information:

€ million	2018	2017
<b>Non-cash investing activities</b>		
Accounts payable at year-end related to purchased non-current assets	<b>309</b>	204
Assets acquired under mortgages payable net of financing obligations terminated	<b>53</b>	–
Assets acquired under finance leases from continuing operations	<b>73</b>	68
<b>Acquisition of businesses (see Note 4)</b>		
Total purchase consideration	<b>(31)</b>	(54)
Cash acquired	<b>1</b>	4
<b>Acquisition of businesses, net of cash acquired</b>	<b>(30)</b>	(50)
<b>Divestments of businesses</b>		
Net cash flows related to BI-LO / Bruno's	<b>(3)</b>	(3)
Divestment of businesses	<b>(3)</b>	(3)
Cash divested	–	–
<b>Divestment of businesses, net of cash divested</b>	<b>(3)</b>	(3)
<b>Reconciliation between results on divestments of discontinued operations and cash (paid) received</b>		
Result on divestments of discontinued operations before income taxes	<b>(23)</b>	–
Changes in provisions and other financial liabilities – net	<b>20</b>	(3)
Divestment of businesses	<b>(3)</b>	(3)
Cash divested	–	–
<b>Divestment of businesses, net of cash divested</b>	<b>(3)</b>	(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	<b>3,757</b>	<b>1,607</b>	<b>455</b>	<b>1,432</b>	—	<b>18</b>	<b>7,269</b>
Proceeds from long-term debt <sup>1</sup>	<b>793</b>	—	—	—	—	—	<b>793</b>
Acquisitions through business combinations	—	<b>3</b>	—	—	—	—	<b>3</b>
Repayments of loans and finance lease liabilities <sup>2</sup>	<b>(749)</b>	<b>(177)</b>	—	—	—	—	<b>(926)</b>
Changes in short-term borrowings and overdrafts	—	—	—	<b>(733)</b>	—	—	<b>(733)</b>
Other cash flows from derivatives	—	—	—	—	—	<b>(29)</b>	<b>(29)</b>
Fair value changes	—	—	—	—	<b>(1)</b>	<b>11</b>	<b>10</b>
Additions to mortgages payable net of financing obligations terminated	<b>53</b>	—	—	—	—	—	<b>53</b>
Additions to finance lease liabilities	—	<b>73</b>	—	—	—	—	<b>73</b>
Termination of finance leases	—	<b>(14)</b>	—	—	—	—	<b>(14)</b>
Other non-cash movements <sup>3</sup>	<b>(115)</b>	<b>4</b>	—	—	—	—	<b>(111)</b>
Exchange rate differences	<b>106</b>	<b>63</b>	—	<b>54</b>	—	—	<b>223</b>
<b>As of December 30, 2018</b>	<b>3,845</b>	<b>1,559</b>	<b>455</b>	<b>753</b>	<b>(1)</b>	—	<b>6,611</b>

<sup>1</sup> 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.

<sup>2</sup> 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*).

<sup>3</sup> 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 <sup>2</sup>	Short-term borrowings and bank overdrafts	Derivative assets <sup>3</sup>	Derivative liabilities	Total
As of January 1, 2017	3,850	1,960	497	1,253	(299)	63	7,324
Proceeds from long-term debt <sup>1</sup>	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 <sup>3</sup>	—	—	—	—	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)
<b>As of December 31, 2017</b>	<b>3,757</b>	<b>1,607</b>	<b>455</b>	<b>1,432</b>	<b>—</b>	<b>18</b>	<b>7,269</b>

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
<b>Earnings (€ million)</b>		
Net income attributable to common shareholders for the purposes of basic earnings per share	<b>1,793</b>	1,817
Effect of dilutive potential common shares – reversal of preferred dividend	<b>17</b>	19
<b>Net income attributable to common shareholders for the purposes of diluted earnings per share</b>	<b>1,810</b>	1,836
<b>Number of shares (in millions)</b>		
Weighted average number of common shares for the purposes of basic earnings per share	<b>1,176</b>	1,251
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	<b>6</b>	5
Cumulative preferred financing shares	<b>21</b>	25
<b>Weighted average number of common shares for the purposes of diluted earnings per share</b>	<b>1,203</b>	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	<b>1,809</b>	1,817
Effect of dilutive potential common shares – reversal of preferred dividend	<b>17</b>	19
<b>Income from continuing operations, attributable to common shareholders for the purposes of diluted earnings per share</b>	<b>1,826</b>	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%).

### Interest 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.

€ million	Gross amounts in the balance sheet	Financial instruments that are offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet but subject to master netting arrangements (or similar)		Net exposure
				Financial assets / liabilities	Cash collateral received / pledged	
<b>Assets</b>						
Derivative financial assets	1	—	1	—	—	1
Cash and cash equivalents	1,081	—	1,081	—	695	386
<b>Total</b>	<b>1,082</b>	<b>—</b>	<b>1,082</b>	<b>—</b>	<b>695</b>	<b>387</b>
<b>Liabilities</b>						
Derivative financial liabilities	—	—	—	—	—	—
Bank overdrafts	695	—	695	—	695	—
<b>Total</b>	<b>695</b>	<b>—</b>	<b>695</b>	<b>—</b>	<b>695</b>	<b>—</b>



# Notes to the consolidated financial statements

continued

## 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

€ million	Net carrying amount	Contractual cash flows				Total
		Within 1 year	Between 1 and 5 years	After 5 years		
<b>Non-derivative financial liabilities</b>						
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 <sup>1</sup>	(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)
<b>Derivative financial liabilities</b>						
Cross-currency swaps and foreign currency derivatives	–	–	–	–		–

<sup>1</sup> 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				Total
		Within 1 year	Between 1 and 5 years	After 5 years		
<b>Non-derivative financial liabilities</b>						
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 <sup>1</sup>	(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)	
<b>Derivative financial liabilities</b>						
Cross-currency swaps and foreign currency derivatives	(18)	(4)	(14)	(29)	(47)	

<sup>1</sup> 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
<b>Financial assets at amortized cost</b>				
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
	<b>5,207</b>	<b>5,210</b>	6,254	6,260
<b>Financial assets at fair value through other comprehensive income (FVOCI)</b>				
Available-for-sale financial assets <sup>1</sup>	–	–	167	167
<b>Financial assets at fair value through profit or loss (FVPL)<sup>1</sup></b>				
Reinsurance assets	218	218	195	195
Investments in debt instruments	128	128	–	–
	<b>346</b>	<b>346</b>	195	195
<b>Derivative financial instruments</b>				
Derivatives	1	1	–	–
<b>Total financial assets</b>	<b>5,554</b>	<b>5,557</b>	6,616	6,622
<b>Financial liabilities at amortized cost</b>				
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)
	<b>(12,576)</b>	<b>(12,881)</b>	(12,661)	(13,106)
<b>Financial liabilities at fair value through profit or loss</b>				
Reinsurance liabilities	(223)	(223)	(205)	(205)
<b>Derivative financial instruments</b>				
Derivatives	–	–	(18)	(18)
<b>Total financial liabilities</b>	<b>(12,799)</b>	<b>(13,104)</b>	(12,884)	(13,329)

<sup>1</sup> 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			December 31, 2017		
		Assets	Fair value Liabilities	Notional amount	Assets	Fair value Liabilities	Notional amount
Forward foreign currency contracts	Within 1 year	–	–	12	–	–	18
<b>Total cash flow hedges</b>		–	–	12	–	–	18
Forward foreign currency contracts	Within 1 year	–	–	4	–	–	–
<b>Total fair value hedges</b>		–	–	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
<b>Total derivatives – no hedge accounting treatment</b>		1	–	166	–	(18)	188
<b>Total derivative financial instruments</b>		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	Direct remuneration			Deferred remuneration			Total remuneration
	Base salary	EIP <sup>1</sup>	Other <sup>2</sup>	Total direct remuneration	Share-based compensation <sup>6</sup>	Pensions <sup>7</sup>	
<b>Frans Muller</b>							
<b>2018</b>	<b>1,040</b>	<b>1,196</b>	<b>220</b>	<b>2,456</b>	<b>2,324</b>	<b>209</b>	<b>4,989</b>
2017	1,027	981	730	2,738	2,326	363	5,427
<b>Jeff Carr</b>							
<b>2018</b>	<b>747</b>	<b>830</b>	<b>268</b>	<b>1,845</b>	<b>976</b>	<b>36</b>	<b>2,857</b>
2017	732	699	305	1,736	1,039	66	2,841
<b>Kevin Holt</b>							
<b>2018</b>	<b>856</b>	<b>972</b>	<b>363</b>	<b>2,191</b>	<b>1,211</b>	<b>196</b>	<b>3,598</b>
2017	858	820	361	2,039	742	213	2,994
<b>Wouter Kolk<sup>8</sup></b>							
<b>2018</b>	<b>457</b>	<b>508</b>	<b>119</b>	<b>1,084</b>	<b>215</b>	<b>24</b>	<b>1,323</b>
2017	–	–	–	–	–	–	–
<b>Total 2018</b>	<b>3,100</b>	<b>3,506</b>	<b>970</b>	<b>7,576</b>	<b>4,726</b>	<b>465</b>	<b>12,767</b>
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	Direct remuneration			Deferred remuneration			Total remuneration
	Base salary	EIP <sup>1</sup>	Other <sup>2</sup>	Total direct remuneration	Share-based compensation <sup>6</sup>	Pensions <sup>7</sup>	
<b>Dick Boer<sup>3</sup></b>							
<b>2018</b>	<b>519</b>	<b>576</b>	<b>2,559</b>	<b>3,654</b>	<b>4,910</b>	<b>13</b>	<b>8,577</b>
2017	1,037	991	329	2,357	2,088	132	4,577
<b>Pierre Bouchut<sup>4</sup></b>							
<b>2018</b>	<b>356</b>	<b>363</b>	<b>698</b>	<b>1,417</b>	<b>1,739</b>	<b>130</b>	<b>3,286</b>
2017	654	608	1,016	2,278	1,548	162	3,988
<b>James McCann<sup>5</sup></b>							
<b>2018</b>	<b>–</b>	<b>–</b>	<b>(287)</b>	<b>(287)</b>	<b>–</b>	<b>–</b>	<b>(287)</b>
2017	–	–	264	264	–	–	264
<b>Total 2018</b>	<b>875</b>	<b>939</b>	<b>2,970</b>	<b>4,784</b>	<b>6,649</b>	<b>143</b>	<b>11,576</b>
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	<b>5,872</b>	6,397
EIP <sup>1</sup>	<b>6,508</b>	6,061
Other <sup>2, 3, 4, 5</sup>	<b>7,181</b>	4,408
Share-based compensation <sup>6</sup>	<b>13,227</b>	9,302
Pensions <sup>7</sup>	<b>856</b>	1,258
<b>Total remuneration<sup>8</sup></b>	<b>33,644</b>	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) <sup>1</sup>	249	223
Jacques de Vaucleroy (appointed in 2016) <sup>2</sup>	144	170
René Hooft Graafland (reappointed in 2018)	145	136
Ben Noteboom (reappointed in 2017)	135	145
Bill McEwan (appointed in 2016) <sup>3</sup>	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
<b>Total<sup>4,5</sup></b>	<b>1,550</b>	<b>2,027</b>

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 <sup>1</sup>	Other common shares	Total common shares
Frans Muller <sup>2</sup>	–	165,359	165,359
Jeff Carr	119,807	21,939	141,746
Kevin Holt	–	–	–
Wouter Kolk	6,015	6,009	12,024
<b>Total</b>	<b>125,822</b>	<b>193,307</b>	<b>319,129</b>

<sup>1</sup> 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.

<sup>2</sup> 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
Stationsdregisterijen	5	–	–	–	–
JMR	2	–	2	–	–
Cathedral Commons	–	1	–	–	21
Other	1	2	4	–	13
<b>Total</b>	<b>8</b>	<b>3</b>	<b>6</b>	<b>–</b>	<b>34</b>

# 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
<b>Total</b>	<b>24</b>	<b>4</b>	<b>11</b>	<b>11</b>	<b>35</b>

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 <sup>1</sup>	Performance adjustment <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Outstanding at the end of 2018	Maximum number of shares <sup>4</sup>	Fair value per share at the grant date (€)	Incremental fair value <sup>5</sup>
<b>Frans Muller</b>									
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	–	–	–	–	<b>30,162</b>	52,783	20.44	0.00
2016 Performance (RoC)	30,162	–	–	–	–	<b>30,162</b>	45,243	20.21	0.00
2016 Performance (Sustainability)	15,082	–	–	–	–	<b>15,082</b>	22,623	20.21	0.00
2016 TSR grant	41,035	–	–	–	–	<b>41,035</b>	71,811	20.46	0.00
2016 RoC grant	41,035	–	–	–	–	<b>41,035</b>	61,552	20.15	0.00
2016 Sustainable Retailing grant	20,518	–	–	–	–	<b>20,518</b>	30,777	20.15	0.00
2017 TSR grant	41,152	–	–	–	–	<b>41,152</b>	72,016	9.57	0.00
2017 RoC grant	41,152	–	–	–	–	<b>41,152</b>	61,728	17.07	0.00
2017 Sustainable Retailing grant	20,576	–	–	–	–	<b>20,576</b>	30,864	17.07	0.00
2018 TSR grant	–	51,408	–	–	–	<b>51,408</b>	89,963	16.58	0.00
2018 RoC grant	–	51,408	–	–	–	<b>51,408</b>	77,112	17.89	0.00
2018 Sustainable Retailing grant	–	25,704	–	–	–	<b>25,704</b>	38,555	17.89	0.00

# Notes to the consolidated financial statements

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## 32 Share-based compensation continued

	Outstanding at the beginning of 2018	Granted <sup>1</sup>	Performance adjustment <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Outstanding at the end of 2018	Maximum number of shares <sup>4</sup>	Fair value per share at the grant date (€)	Incremental fair value <sup>5</sup>
<b>Jeff Carr</b>									
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	—	—	—	—	<b>24,168</b>	42,294	20.46	0.00
2016 RoC grant	24,168	—	—	—	—	<b>24,168</b>	36,252	20.15	0.00
2016 Sustainable Retailing grant	12,084	—	—	—	—	<b>12,084</b>	18,126	20.15	0.00
2017 TSR grant	25,662	—	—	—	—	<b>25,662</b>	44,908	9.57	0.00
2017 RoC grant	25,662	—	—	—	—	<b>25,662</b>	38,493	17.07	0.00
2017 Sustainable Retailing grant	12,831	—	—	—	—	<b>12,831</b>	19,246	17.07	0.00
2018 TSR grant	—	29,644	—	—	—	<b>29,644</b>	51,877	16.58	0.00
2018 RoC grant	—	29,644	—	—	—	<b>29,644</b>	44,466	17.89	0.00
2018 Sustainable Retailing grant	—	14,822	—	—	—	<b>14,822</b>	22,233	17.89	0.00
<b>Kevin Holt</b>									
2016 TSR grant	27,416	—	—	—	—	<b>27,416</b>	47,978	20.46	0.00
2016 RoC grant	27,416	—	—	—	—	<b>27,416</b>	41,124	20.15	0.00
2016 Sustainable Retailing grant	13,708	—	—	—	—	<b>13,708</b>	20,562	20.15	0.00
2017 TSR grant	34,563	—	—	—	—	<b>34,563</b>	60,485	9.57	0.00
2017 RoC grant	34,563	—	—	—	—	<b>34,563</b>	51,844	17.07	0.00
2017 Sustainable Retailing grant	17,282	—	—	—	—	<b>17,282</b>	25,923	17.07	0.00
2018 TSR grant	—	38,066	—	—	—	<b>38,066</b>	66,615	16.58	0.00
2018 RoC grant	—	38,066	—	—	—	<b>38,066</b>	57,099	17.89	0.00
2018 Sustainable Retailing grant	—	19,033	—	—	—	<b>19,033</b>	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 <sup>1</sup>	Performance adjustment <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Outstanding at the end of 2018	Maximum number of shares <sup>4</sup>	Fair value per share at the grant date (€)	Incremental fair value <sup>5</sup>
<b>Wouter Kolk<sup>6</sup></b>									
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	—	—	—	—	<b>17,059</b>	29,853	20.46	0.00
2016 RoC grant	17,059	—	—	—	—	<b>17,059</b>	25,588	20.15	0.00
2016 Sustainable Retailing grant	8,530	—	—	—	—	<b>8,530</b>	12,795	20.15	0.00
2016 Retention award	12,197	—	—	12,197	—	—	—	19.86	0.00
2017 TSR grant	15,020	—	—	—	—	<b>15,020</b>	26,285	9.57	0.00
2017 RoC grant	15,020	—	—	—	—	<b>15,020</b>	22,530	17.07	0.00
2017 Sustainable Retailing grant	7,510	—	—	—	—	<b>7,510</b>	11,265	17.07	0.00
2018 TSR grant	—	21,433	—	—	—	<b>21,433</b>	37,507	16.58	0.00
2018 RoC grant	—	21,433	—	—	—	<b>21,433</b>	32,149	17.89	0.00
2018 Sustainable Retailing grant	—	10,717	—	—	—	<b>10,717</b>	16,075	17.89	0.00
<b>Dick Boer<sup>7</sup></b>									
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	—	—	—	—	<b>48,680</b>	85,190	20.46	0.00
2016 RoC grant	48,680	—	—	—	—	<b>48,680</b>	73,020	20.15	0.00
2016 Sustainable Retailing grant	24,340	—	—	—	—	<b>24,340</b>	36,510	20.15	0.00
2017 TSR grant	48,819	—	—	—	—	<b>48,819</b>	85,433	9.57	0.00
2017 RoC grant	48,819	—	—	—	—	<b>48,819</b>	73,228	17.07	0.00
2017 Sustainable Retailing grant	24,410	—	—	—	—	<b>24,410</b>	36,615	17.07	0.00
2018 TSR grant	—	55,289	—	—	—	<b>55,289</b>	96,755	16.58	0.00
2018 RoC grant	—	55,289	—	—	—	<b>55,289</b>	82,933	17.89	0.00
2018 Sustainable Retailing grant	—	27,645	—	—	—	<b>27,645</b>	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 <sup>1</sup>	Performance adjustment <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Outstanding at the end of 2018	Maximum number of shares <sup>4</sup>	Fair value per share at the grant date (€)	Incremental fair value <sup>5</sup>
<b>Pierre Bouchut<sup>8</sup></b>									
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	—	—	—	—	<b>19,585</b>	34,273	20.46	0.00
2016 RoC grant	19,585	—	—	—	—	<b>19,585</b>	29,377	20.15	0.00
2016 Sustainable Retailing grant	9,793	—	—	—	—	<b>9,793</b>	14,689	20.15	0.00
2017 TSR grant	19,641	—	—	—	—	<b>19,641</b>	34,371	9.57	0.00
2017 RoC grant	19,641	—	—	—	—	<b>19,641</b>	29,461	17.07	0.00
2017 Sustainable Retailing grant	9,821	—	—	—	—	<b>9,821</b>	14,731	17.07	0.00
2018 TSR grant	—	22,244	—	—	—	<b>22,244</b>	38,927	16.58	0.00
2018 RoC grant	—	22,244	—	—	—	<b>22,244</b>	33,366	17.89	0.00
2018 Sustainable Retailing grant	—	11,122	—	—	—	<b>11,122</b>	16,683	17.89	0.00
<b>Subtotal Management Board members</b>									
<b>Board members</b>	1,340,103	545,211	14,129	371,823	—	<b>1,527,620</b>	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 <sup>1</sup>	Performance adjustment <sup>2</sup>	Vested <sup>3</sup>	Forfeited	Outstanding at the end of 2018
<b>Other employees</b>						
2015 grant	2,606,671	—	95,713	2,675,203	27,181	—
2016 grant	4,021,495	—	—	—	309,025	<b>3,712,470</b>
2016 retention award	662,287	—	—	615,316	46,971	—
2017 grant	3,923,971	—	—	—	405,831	<b>3,518,140</b>
2018 grant	—	2,545,633	—	—	211,427	<b>2,334,206</b>
Subtotal Management Board members	1,340,103	545,211	14,129	371,823	—	<b>1,527,620</b>
<b>Total number of shares</b>	12,554,527	3,090,844	109,842	3,662,342	1,000,435	<b>11,092,436</b>

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 <sup>1</sup> (€)	<b>19.72</b>	18.82
Risk-free interest rate	<b>(0.3)%</b>	(0.7)%
Volatility	<b>22.9%</b>	21.3%
Assumed dividend yield	<b>3.3%</b>	3.3%

<sup>1</sup> 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	<b>1,210</b>	1,153
Between one and five years	<b>3,936</b>	3,693
After five years	<b>4,962</b>	4,785
<b>Total</b>	<b>10,108</b>	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	<b>1,185</b>	1,230
Contingent rentals	<b>10</b>	18
Sublease income	<b>(114)</b>	(114)
<b>Total</b>	<b>1,081</b>	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
<b>Total</b>	<b>1,046</b>	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
<b>Total</b>	<b>983</b>	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)
<b>Total operating expenses</b>	2	<b>(77)</b>	<b>(73)</b>
<b>Operating income (loss)</b>		<b>–</b>	<b>23</b>
Interest expense		(34)	(22)
Other financial income (expense)		(24)	(64)
<b>Net financial expenses</b>		<b>(58)</b>	<b>(86)</b>
<b>Loss before income taxes</b>		<b>(58)</b>	<b>(63)</b>
Income taxes	5	44	18
Income from subsidiaries and investments in joint ventures after income taxes	7	1,807	1,862
<b>Net result after tax</b>		<b>1,793</b>	<b>1,817</b>

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
<b>Assets</b>			
Property, plant and equipment		1	1
Intangible assets	6	37	21
Deferred tax assets	5	14	2
Financial assets	7	26,465	21,015
<b>Total non-current assets</b>		<b>26,517</b>	21,039
Receivables	8	57	28
Other current financial assets	9	1	1
Cash and cash equivalents		110	318
<b>Total current assets</b>		<b>168</b>	347
<b>Total assets</b>		<b>26,685</b>	21,386
<b>Liabilities and shareholders' equity</b>			
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
<b>Shareholders' equity</b>	10	<b>14,816</b>	15,170
<b>Provisions</b>			
Loans	11	3	7
Loans	12	3,744	2,188
Cumulative preferred financing shares		455	455
Other non-current liabilities		2	–
<b>Total non-current liabilities</b>		<b>4,201</b>	2,643
<b>Current liabilities</b>	13	<b>7,665</b>	3,566
<b>Total liabilities and shareholders' equity</b>		<b>26,685</b>	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)
<b>Total expenses by nature</b>	<b>(77)</b>	<b>(73)</b>

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
<b>Total</b>	<b>3,153</b>	<b>4,477</b>	<b>7,630</b>	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)
<b>Total income taxes</b>	<b>44</b>	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%
<b>Total income taxes (expense) benefit</b>	<b>44</b>	<b>75.9%</b>	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	–	–	–	–	–	–	–
<b>Total net deferred tax asset position</b>	6	(11)	7	2	12	–	14
<b>Total deferred tax liabilities</b>	–	–	–	–	–	–	–
<b>Net deferred tax assets</b>	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 <sup>1</sup>	–	7
<b>Total</b>	–	7

1 Due to additional cash contribution made to the Dutch pension plan in 2017.

## 6 Intangible assets

€ million	Software
<b>As of December 31, 2017</b>	
At cost	31
Accumulated amortization and impairment losses	(10)
<b>Carrying amount</b>	<b>21</b>
<b>Year ended December 30, 2018</b>	
Additions	19
Amortization	(3)
<b>Closing carrying amount</b>	<b>37</b>
<b>As of December 30, 2018</b>	
At cost	51
Accumulated amortization and impairment losses	(14)
<b>Carrying amount</b>	<b>37</b>

# 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
<b>Total financial assets</b>	<b>26,465</b>	<b>21,015</b>

€ 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)
<b>End of year</b>	<b>25,214</b>	<b>20,653</b>

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
<b>End of year</b>	<b>1,249</b>	<b>360</b>
Current portion	–	–
<b>Non-current portion of loans</b>	<b>1,249</b>	<b>360</b>

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
<b>Total receivables</b>	<b>57</b>	<b>28</b>

## 9 Other current financial assets

€ million	December 30, 2018	December 31, 2017
Other derivatives external	–	1
Other	1	–
<b>Total other current financial assets</b>	<b>1</b>	<b>1</b>

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

## IO Shareholders' equity continued

The movements in equity can be specified as follows:

€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Legal reserves	Other reserves including retained earnings <sup>1</sup>	Equity attributable to common shareholders
					Reserve participations		
<b>Balance as of January 1, 2017</b>	<b>13</b>	<b>15,802</b>	<b>754</b>	<b>(2)</b>	<b>363</b>	<b>(654)</b>	<b>16,276</b>
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	—
<b>Balance as of December 31, 2017</b>	<b>12</b>	<b>15,175</b>	<b>(555)</b>	<b>(4)</b>	<b>334</b>	<b>208</b>	<b>15,170</b>
Opening balance adjustment <sup>2</sup>	—	—	—	—	—	(1)	(1)
<b>Balance as of January 1, 2018</b>	<b>12</b>	<b>15,175</b>	<b>(555)</b>	<b>(4)</b>	<b>334</b>	<b>207</b>	<b>15,169</b>
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)	—
<b>Balance as of December 30, 2018</b>	<b>12</b>	<b>13,999</b>	<b>(60)</b>	<b>(2)</b>	<b>407</b>	<b>460</b>	<b>14,816</b>

<sup>1</sup> Other reserves includes the remeasurements of defined benefit plans.

<sup>2</sup> 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
<b>Total provisions</b>	<b>3</b>	<b>7</b>

As of December 30, 2018, €1.8 million is expected to be utilized within one year (December 31, 2017: €0.3 million).

## 12 Loans

€ million	December 30, 2018		December 31, 2017	
	Non-current portion	Current portion	Non-current portion	Current portion
USD 300 notes 4.125%, due 2019 <sup>1</sup>	–	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 <sup>1</sup>	501	3	–	–
Long-term loans from subsidiaries	1,704	1,641	1,444	1,500
Deferred financing costs	(11)	(2)	(6)	(1)
<b>Total loans</b>	<b>3,744</b>	<b>1,756</b>	<b>2,188</b>	<b>1,499</b>

<sup>1</sup> 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
<b>Total current liabilities</b>	<b>7,665</b>	<b>3,566</b>

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	–
<b>End of year</b>	<b>1</b>	–

### Current derivatives – assets

€ million	2018	2017
Beginning of year	1	299
Unwinding of cross-currency swap	(1)	(287)
Fair value changes	–	(11)
<b>End of year</b>	<b>–</b>	<b>1</b>

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	–
<b>End of year</b>	<b>2</b>	–

# 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)
<b>End of year</b>	<b>–</b>	<b>–</b>

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 United 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

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### Key audit matter

#### Impairment testing of goodwill and brand names

##### Note 13

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.

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.

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.

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### Our audit work and observations

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.

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.

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.

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.

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.

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.

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## Other information

continued

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### Key audit matter

#### Recognition of vendor allowance income

##### Note 2 and 3

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.

The vendor allowance receivable at December 30, 2018, amounts to €503 million (*Note 17*).

The vendor allowance agreements with suppliers contain volume-related allowances, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from those suppliers. The Group recognizes vendor allowances as a reduction in cost of sales when the performance 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.

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 audit work and observations

Our procedures included evaluating the design and testing the operating effectiveness of management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting system.

Furthermore, we challenged management's assumptions used in determining the vendor allowances through discussions with management and performing 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.

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.

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.

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.

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## Other information

continued

### Key audit matter

#### Employee benefit plan measurement and disclosures

##### Note 23

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.

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.

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.

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 audit work and observations

Our procedures included understanding and evaluating the design and testing the operating effectiveness of controls related to key inputs (such as payroll data) and key outputs of the Group's pension process.

We tested the actuarial and demographic assumptions and valuation methodologies used by management to determine the Group's various pension obligations. We evaluated whether the key actuarial assumptions are reasonable (for example by comparing to the published actuarial tables) and consistently applied. We tested payroll data, through a combination of controls testing and test of details, and reconciled the membership census data used in the actuarial models to the payroll data.

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 our own expectations.

Finally, we assessed the adequacy of disclosures related to the employee defined benefit plans.

Our procedures did not identify material exceptions and we considered management's key assumptions to be within a reasonable range of our own expectations.

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

#### Disclosure of the estimated impact of IFRS 16

##### Note 3

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.

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 audit work and observations

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.

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.

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.

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.