



**Delhaize Group NV/SA**  
**Osseghemstraat 53, 1080 Sint-Jans-Molenbeek (Brussels), Belgium**  
**Register of Legal Entities (Brussels) VAT: BE 0402.206.045**

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**Special report of the Board of Directors of Delhaize Group NV/SA on the cross-border merger between Koninklijke Ahold N.V. and Delhaize Group NV/SA in accordance with Article 772/8 of the Belgian Companies Code**

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Dear Madams,  
Dear Sirs,

We are pleased to submit to you this special report relating to the proposed cross-border merger of Delhaize Group NV/SA ("**Delhaize**") into Koninklijke Ahold N.V. ("**Ahold**") pursuant to Directive 2005/56/EC of the European Parliament and the Council of the European Union of 26 October 2005 on cross-border mergers of limited liability companies (as amended), as implemented in Belgium in Title *Vbis* of Book XI (Articles 772/1 to 772/14) of the BCC (as defined hereinafter) (the "**Merger**"). In the Merger, Delhaize will be the disappearing entity and Ahold will be the surviving entity.

The Board of Directors has approved this report at a duly convened meeting held on 21 January 2016. This report will be signed by all members of the Board of Directors.

Delhaize and Ahold are hereinafter jointly referred to as the "**Merging Companies**" and each of them also as a "**Merging Company**".

This report needs to be read together with the Merger Proposal, which is attached as **Error! Reference source not found.** to this report.

## **1 Definitions**

In this report, the following terms shall have the following meanings, unless the context otherwise requires:

"**Accounting Date**" shall have the meaning ascribed to it in Section 2.3;

"**ADSs**" means American depository shares (as evidenced by American depository receipts);

"**AFM**" means the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*);

"**Ahold ADSs**" means the ADSs of Ahold;

"**Ahold Capital Return**" shall have the meaning ascribed to it in Section 2.6.1;

“**Ahold Foundation**” shall have the meaning ascribed to it in Section 4.3.1;

“**Ahold Foundation Call Option**” shall have the meaning ascribed to it in Section 7.1.1;

“**Ahold Group**” means Ahold and its subsidiaries;

“**Ahold Ordinary Shares**” means ordinary shares of Ahold with a nominal value of EUR 0.01 each;

“**Ahold Required Resolutions**” shall have the meaning ascribed to it in Section 4.1.1;

“**BCC**” means the Belgian Companies Code (*Wetboek van vennootschappen*);

“**Belgian Bonds**” shall have the meaning ascribed to it in Section 10.2.2(i);

“**Board of Directors**” means the board of directors of Delhaize;

“**Boards of the Merging Companies**” means the Board of Directors and the Management Board;

“**BofA Merrill Lynch**” means Merrill Lynch International;

“**Closing**” or “**Closing Date**” means the day on which a Dutch civil law notary executes the Dutch notarial deed of cross-border Merger;

“**Combined Company**” means the entity that will exist after completion of the Merger;

“**Conditions Precedent**” means the conditions precedent set forth in Sections 4.1, 4.2 and 4.3;

“**Conversion**” shall have the meaning ascribed to it in Section 2.2;

“**Converted PSU**” shall have the meaning ascribed to it in subsection **Error! Reference source not found.** of Section **Error! Reference source not found.** of **Error! Reference source not found.**;

“**DCC**” means the Dutch Civil Code (*Burgerlijk Wetboek*);

“**Delhaize ADSs**” means the outstanding ADSs of Delhaize;

“**Delhaize ADS Holders**” means the holders of Delhaize ADSs;

“**Delhaize ADS Ratio**” shall have the meaning ascribed to it in Section 10.1.1(ii)(d);

“**Delhaize ADS Value**” means the last reported sale price of Delhaize ADSs on the NYSE (as reported in The Wall Street Journal or, if not reported therein, in another authoritative source mutually selected by Delhaize and Ahold) on the last complete trading day prior to the date of the Effective Time;

“**Delhaize Equity Awards**” means, collectively, the Delhaize EU Options, the Delhaize EU PSUs, the Delhaize U.S. Options and the Delhaize U.S. RSUs/PSUs;

“**Delhaize EU Incentive Plans**” means the Delhaize Group 2007 Stock Option Plan for Associates of Non-U.S. Companies and the Delhaize Group 2014 European Performance Stock Unit Plan;

“**Delhaize EU Option**” means an option to purchase a Delhaize Ordinary Share, granted pursuant to the Delhaize EU Incentive Plans;

**“Delhaize EU PSU”** means a restricted stock unit award subject to performance conditions with respect to Delhaize Ordinary Shares granted pursuant to the Delhaize EU Incentive Plans;

**“Delhaize EU PSU Amount”** means, with respect to each Delhaize EU PSU, the sum of:

- (i) the product of (A) the number of Delhaize Ordinary Shares subject to the applicable Delhaize EU PSU, based on the actual achievement of applicable performance conditions through the end of the calendar year immediately preceding the year in which the Effective Time occurs (as reasonably determined by the Board of Directors (or, if appropriate, any committee thereof administering the Delhaize Incentive Plans) prior to the Effective Time) multiplied by (B) a fraction, the numerator of which is the number of calendar years in the applicable Delhaize EU PSU performance-based vesting period completed prior to the calendar year in which the Effective Time occurs and the denominator of which is the total number of years in such performance-based vesting period, and
- (ii) the product of (a) the number of Delhaize Ordinary Shares subject to such Delhaize EU PSU, based on target-level achievement of applicable performance conditions multiplied by (b) a fraction, the numerator of which is the number of calendar years in the applicable Delhaize EU PSU performance-based vesting period that have not been completed as of the calendar year in which the Effective Time occurs and the denominator of which is the total number of years in such performance-based vesting period;

**“Delhaize Forecasts”** means certain internal analyses, financial forecasts and other information relating to Delhaize prepared by management of Delhaize for the calendar years 2015 through 2018. The unaudited financial projections for 2015 to 2017 were reasonably prepared in December 2014 on bases reflecting the best available estimates and judgments of the management of Delhaize at that time as to the future financial performance of Delhaize, and were presented to and approved by the Board of Directors on 22 and 23 January 2015 as part of Delhaize’s regular annual budget and forecasting process. These unaudited financial projections were further updated to primarily reflect the latest trading performance and outlook of Delhaize and fluctuations in exchange rates and were extrapolated by Delhaize to 2018<sup>1</sup>.

The following table summarises the selected unaudited financial projections for Delhaize, including revenues, underlying EBITDA, underlying earnings before interest and tax (“**EBIT**”), underlying net income, capital expenditures (“**Capex**”), unlevered free cash flow (“**FCF**”) and related compound annual growth rates (“**CAGR**”), for Delhaize’s entire business.

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<sup>1</sup> At the respective times the Delhaize Forecasts were prepared, Delhaize’s management believed such estimates and judgments were reasonable. In preparing the Delhaize Forecasts, Delhaize made assumptions and estimates as to future events and developments, including, among other things, pricing and volume of products sold, production costs, interest rates, corporate financing activities, including amount and timing of the issuance of debt, the timing and amount of Delhaize ordinary share issuances, the effective tax rate and the amount of general and administrative costs. Moreover, the Delhaize Forecasts were based on estimates and judgments made by management at the respective times of their preparation and speak only as of such times, as applicable. The Board of Directors approved the use of the Delhaize Forecasts for purposes of the deliberations of the Board of Directors and for use by Deutsche Bank and BofA Merrill Lynch in connection with their respective fairness opinions.

**Selected Unaudited Financial Projections for Delhaize**

	2015E	2016E	2017E	2018E	15E – 18E CAGR
	€ million <sup>2</sup>				
<b>Revenues</b>	<b>24,598</b>	<b>25,866</b>	<b>27,048</b>	<b>28,130</b>	<b>4.6%</b>
<i>% growth</i>	15.2%	5.2%	4.6%	4.0%	
<b>Underlying EBITDA<sup>3</sup></b>	<b>1,512</b>	<b>1,657</b>	<b>1,735</b>	<b>1,804</b>	<b>6.1%</b>
<i>% margin<sup>4</sup></i>	6.1%	6.4%	6.4%	6.4%	
<b>Underlying EBIT<sup>5</sup></b>	<b>838</b>	<b>959</b>	<b>1,024</b>	<b>1,065</b>	<b>8.3%</b>
<i>% margin<sup>4</sup></i>	3.4%	3.7%	3.8%	3.8%	
<b>Underlying net income<sup>6</sup></b>	<b>485</b>	<b>587</b>	<b>634</b>	<b>682</b>	<b>12.1%</b>
<b>Capex</b>	<b>(858)</b>	<b>(990)</b>	<b>(893)</b>	<b>(929)</b>	
<i>% of revenues</i>	3.5%	3.8%	3.3%	3.3%	
<b>Unlevered FCF<sup>7</sup></b>	<b>496</b>	<b>395</b>	<b>589</b>	<b>628</b>	

“**Delhaize Group**” means Delhaize and its subsidiaries;

“**Delhaize Incentive Plans**” means the Delhaize EU Incentive Plans together with the Delhaize U.S. Incentive Plans;

“**Delhaize Le Lion / De Leeuw**” shall have the meaning ascribed to it in Section 2.2;

“**Delhaize Ordinary Shares**” means ordinary shares without nominal value of Delhaize;

“**Delhaize Shareholders**” means the holders of Delhaize Ordinary Shares;

“**Delhaize U.S. Incentive Plans**” means the Delhaize America, LLC 2012 Restricted Stock Unit Plan, effective 24 May 2012, and the Delhaize Group 2012 U.S. Stock Incentive Plan, effective 24 May 2012;

“**Delhaize U.S. Option**” means an option, in the form of a warrant, to purchase a Delhaize ADS, granted pursuant to the Delhaize U.S. Incentive Plans;

“**Delhaize U.S. RSU/PSU**” means a restricted stock unit with respect to Delhaize ADSs, whether or not subject to performance vesting conditions, granted pursuant to the Delhaize U.S. Incentive Plans;

“**Demerger**” shall have the meaning ascribed to it in Section 2.2;

“**Demerger Proposal**” shall have the meaning ascribed to it in Section 2.2;

<sup>2</sup> Euro amounts have been calculated using the exchange rate of €1.00 = U.S. dollar 1.10.

<sup>3</sup> Underlying EBITDA represents underlying operating profit adjusted to add depreciation and amortisation less any depreciation or amortisation that has been excluded from underlying operating profit. Underlying operating profit represents operating profit excluding fixed assets impairment charges, reorganisation charges, store closing expenses, gains/losses on disposal of fixed assets and businesses and other items that Delhaize management considers as not being representative of Delhaize’s operating performance of the period.

<sup>4</sup> % margin represents underlying EBITDA or underlying EBIT, as applicable, as a percentage of revenues.

<sup>5</sup> Underlying EBIT represents underlying operating profit.

<sup>6</sup> Underlying net income represents net profit from continuing operations minus non-controlling interests (from continuing operations) and excluding (i) the elements excluded from operating profit to determine underlying operating profit, (ii) material non-recurring finance costs (e.g. debt refinancing costs) and income tax expense (e.g. tax settlements), and (iii) the potential tax effect of all these items on income tax and non-controlling interests.

<sup>7</sup> Unlevered FCF is calculated as underlying EBIT plus depreciation & amortisation and changes in net working capital less tax, other activities (net) and Capex.

“**Deutsche Bank**” means Deutsche Bank AG, London Branch;

“**EBITDA**” shall have the meaning ascribed to it in Section 7.2.1;

“**Effective Time**” shall have the meaning ascribed to it in Section 2.1;

“**EPS**” shall have the meaning ascribed to it in Section 7.2.1;

“**EV**” shall have the meaning ascribed to it in Section 7.2.1;

“**EV/EBITDA Multiples**” shall have the meaning ascribed to it in Section 7.2.1;

“**Exchange Ratio**” shall have the meaning ascribed to it in Section 7.5.1;

“**Financial Projections Regarding Ahold**” means the unaudited financial projections for Ahold for the calendar years 2015 through 2018 set forth below as compiled by Delhaize based on an average of research analyst forecasts for 2015 through 2017 issued between 27 May 2015 and 22 June 2015 and other publicly available information relating to Ahold, and extrapolated by Delhaize for 2018. None of Delhaize, Deutsche Bank and BofA Merrill Lynch was provided with, or had access to, financial forecasts relating to Ahold prepared by the management of Ahold. Ahold confirmed to Delhaize that research analyst forecasts were a reasonable basis upon which to compile and extrapolate the Financial Projections Regarding Ahold. As a result, Delhaize’s management believed that at the time the Financial Projections Regarding Ahold were compiled and extrapolated by Delhaize the Ahold research analyst forecasts were a reasonable basis upon which to evaluate the future financial performance of Ahold. The Board of Directors approved the use of the Financial Projections Regarding Ahold for purposes of the deliberations of the Board of Directors and for use by Deutsche Bank and BofA Merrill Lynch in connection with their respective fairness opinions.

The following table summarises the selected unaudited financial projections for Ahold that Delhaize has informed Ahold were utilised by Delhaize, Deutsche Bank or BofA Merrill Lynch, as applicable, including revenues, EBITDA, earnings before interest and tax (“**EBIT**”), net income and capital expenditures (“**Capex**”), unlevered free cash flow (“**FCF**”) and related compound annual growth rates (“**CAGR**”), for Ahold’s entire business.

	Selected Unaudited Financial Projections for Ahold <sup>8</sup>				15E – 18E
	2015E	2016E	2017E	2018E	CAGR
	€ million				
<b>Revenues</b>	<b>37,488</b>	<b>38,437</b>	<b>39,526</b>	<b>40,514</b>	<b>2.6%</b>
% growth	14.4%	2.5%	2.8%	2.5%	
<b>EBITDA</b>	<b>2,345</b>	<b>2,427</b>	<b>2,492</b>	<b>2,554</b>	<b>2.9%</b>
% margin <sup>9</sup>	6.3%	6.3%	6.3%	6.3%	
<b>EBIT</b>	<b>1,367</b>	<b>1,425</b>	<b>1,454</b>	<b>1,490</b>	<b>2.9%</b>
% margin <sup>8</sup>	3.6%	3.7%	3.7%	3.7%	
<b>Net income</b>	<b>869</b>	<b>933</b>	<b>964</b>	<b>1,023</b>	<b>5.6%</b>
<b>Capex</b>	<b>(886)</b>	<b>(983)</b>	<b>(1,025)</b>	<b>(1,051)</b>	
% of revenues	2.4%	2.6%	2.6%	2.6%	

<sup>8</sup> Compiled by Delhaize based on an average of research analyst forecasts for 2015 through 2017 issued between 27 May 2015 and 22 June 2015 and other publicly available information relating to Ahold and extrapolated to 2018 by Delhaize.

<sup>9</sup> % margin represents EBITDA or EBIT, as applicable, as a percentage of revenues.

Unlevered FCF <sup>10</sup>	1,206	1,135	1,139	1,163
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“**Hive-Down**” shall have the meaning ascribed to it in Section 2.2;

“**Institutional Bonds**” shall have the meaning ascribed to it in Section 10.2.2(i);

“**Management Board**” means the management board of Ahold;

“**Material Adverse Effect**” on Delhaize or Ahold means any change, event or development that, individually or taken together with all such other changes, events or developments, has or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of either the Ahold Group or the Delhaize Group, as applicable, provided that the following shall not be considered in determining whether a Material Adverse Effect has occurred:

- (i) any change, event or development generally affecting the industries in which the Ahold Group or the Delhaize Group, respectively, operate, or any change, event or development in general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions, in each case in the Netherlands, Belgium, Great Britain, Greece, the United States or any other jurisdiction, in each case except to the extent that such change, event or development affects the Ahold Group or the Delhaize Group, respectively, in a materially disproportionate manner relative to other businesses operating in the relevant geographic area and in the industries in which the Ahold Group or the Delhaize Group, respectively, operates;
- (ii) any change, event or development to the extent resulting from the execution and delivery of the Merger Agreement or the public announcement, pendency or consummation of the Merger or any of the other transactions contemplated by the Merger Agreement, including shareholder litigation and the impact of such changes or developments on the relationships, contractual or otherwise, of such party or any of its subsidiaries with employees, labor unions, clients, customers, suppliers or partners;
- (iii) any change, event or development to the extent resulting from any failure of the Ahold Group or the Delhaize Group, respectively, to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts and circumstances giving rise to such failure may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Effect, if such facts and circumstances are not otherwise described in paragraphs (i), (ii) or (v) through paragraph (viii) of this definition);
- (iv) any change, in and of itself, in the market price, credit rating (with respect to Ahold, Delhaize or their respective securities) or trading volume of their respective securities (it being understood that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Effect if such facts and circumstances are not otherwise described in paragraphs (i), (ii) or (v) through paragraph (viii) of this definition);

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<sup>10</sup> Unlevered FCF is calculated as EBIT plus depreciation & amortization and changes in net working capital less tax and Capex.

- (v) any change, or proposed change, after the date of the Merger Agreement, in applicable rules, GAAP or IFRS (or, in each case, authoritative interpretation thereof);
- (vi) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Merger Agreement, except to the extent that such change, event or development affects the Ahold Group or the Delhaize Group, respectively, in a materially disproportionate manner relative to other businesses operating in the relevant geographic area and in the industries in which the Ahold Group or the Delhaize Group, respectively, operates;
- (vii) any hurricane, tornado, flood, earthquake or other natural disaster, except to the extent that such change, event or development affects the Ahold Group or the Delhaize Group, respectively, in a materially disproportionate manner relative to other businesses operating in the relevant geographic area and in the industries in which the Ahold Group or the Delhaize Group, respectively, operates; or
- (viii) any change, event or development to the extent resulting from any action by any member of the Ahold Group or the Delhaize Group, respectively, that is expressly required to be taken by the Merger Agreement;

**“Merger”** shall have the meaning ascribed to it in the first paragraph of this report;

**“Merger Agreement”** means the merger agreement entered into by Delhaize and Ahold on 24 June 2015 in respect of a strategic combination of their businesses;

**“Merger Proposal”** means the common draft terms of cross-border Merger between Delhaize, as disappearing company, and Ahold, as surviving company;

**“Per ADS Merger Consideration”** shall have the meaning ascribed to it in Section 10.1.1(ii)(d);

**“P/E Multiples”** shall have the meaning ascribed to it in Section 7.2.1;

**“Prospectus”** shall have the meaning ascribed to it in Section 5.2.10;

**“Relevant Competition Clearances”** means: (i) the expiration or termination of the applicable waiting period(s) under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any extension thereof, and all applicable rules and regulations thereunder; (ii) a decision under applicable EU antitrust regulations declaring the Merger compatible with the common market or, if such decision has been referred (in whole or in part) to a national antitrust authority of an EU member state, the requisite clearance by such national antitrust authority under its applicable antitrust laws; (iii) a decision under applicable Serbian antitrust laws allowing the Merger and/or declaring that the Merger does not considerably restrict, distort or prevent competition on the market of the Republic of Serbia as a whole or in a relevant part thereof; and (iv) a decision under applicable antitrust laws of the Republic of Montenegro allowing the Merger and/or declaring that the Merger does not considerably restrict, distort or prevent competition on the market of the Republic of Montenegro as a whole or in a relevant part thereof;

**“Retail Bonds”** shall have the meaning ascribed to it in Section 10.2.2(i);

**“Supervisory Board”** means the supervisory board of Ahold;

“**Tax Merger Ruling**” shall have the meaning ascribed to it in Section 4.1.10;

“**Tax Neutral**” means that the Merger shall qualify as a “merger” within the meaning of Article 210, §1, 1° of the Belgian Income Tax Code of 1992 and shall benefit from: (i) the corporate income tax rollover regime provided for by Articles 211 and 229, §4 of the Belgian Income Tax Code; (ii) the transfer tax exemption provided for by Article 117, §1 of the Belgian code on registration duties of 30 November 1939; (iii) the rollover regime provided for by Article 45, §1 of the Belgian Income Tax Code; and (iv) the VAT regime provided for by Articles 11 and 18, §3 of the Belgian VAT Code of 3 July 1969; and

“**U.S. Bonds**” shall have the meaning ascribed to it in Section 10.2.2(ii);

“**U.S. Prospectus**” shall have the meaning ascribed to it in Section 4.1.7.

## **2 Description and legal consequences of the Merger**

### **2.1 Merger**

Subject to the terms and conditions set forth in the Merger Proposal and in this report, the Board of Directors proposes to effectuate the Merger, as a result of which:

- 2.1.1** all the assets and liabilities (*vermogen*) and legal relationships of Delhaize shall be transferred to Ahold under universal succession of title (*overgang onder algemene titel*) such that Ahold will automatically substitute in all the rights and obligations of Delhaize;
- 2.1.2** the Delhaize Shareholders and/or Delhaize ADS Holders shall become shareholders of Ahold and/or holders of Ahold ADSs; and
- 2.1.3** Delhaize shall be dissolved without going into liquidation and shall thus cease to exist.

The Merger will be effective at 00:00 a.m. Central European Time on the first day after the day of the Closing (the “**Effective Time**”). As from the Effective Time, Ahold will establish a branch in Belgium and will allocate to that branch all assets and liabilities and legal relationships held by Delhaize prior to the Effective Time and carry on through that branch the business activities which were conducted by Delhaize prior to the Effective Time.

### **2.2 Post-Merger Hive-Down**

As soon as practically possible after the consummation of the Merger, the Combined Company intends to effect a legal demerger (afsplitsing) (the “**Demerger**”). Ahold will in accordance with Dutch law publish a demerger proposal (*splitsingsvoorstel*) for the purpose of the Demerger (the “**Demerger Proposal**”).

Pursuant to the Demerger, the assets and liabilities of (the former) Delhaize will be transferred to a wholly owned Dutch subsidiary of the Combined Company which will be incorporated at the occasion and by virtue of the Demerger (“**Delhaize Le Lion / De Leeuw**”). The Management Board intends to resolve to effect the Demerger in accordance with Section 2:334ff of the DCC and the Demerger Proposal.

To change the Dutch nationality of Delhaize Le Lion / De Leeuw, the Combined Company intends to, following the Demerger, have Delhaize Le Lion / De Leeuw’s seat transferred (*zetel verplaatsing*) to Belgium through a conversion of Delhaize Le Lion / De Leeuw into a Belgian partnership limited by shares (*commanditaire vennootschap op aandelen/société*



*en commandite par actions*) (the “**Conversion**”). After the Conversion, the operations of (the former) Delhaize will be conducted through Delhaize Le Lion / De Leeuw directly instead of a Belgian branch.

The Combined Company will seek to implement the Conversion as soon as practicable after the Demerger. The Conversion is subject to (i) a corporate approval process at the Combined Company and Delhaize Le Lion / De Leeuw, and (ii) completion of certain procedural aspects under applicable law. As regards (ii), Delhaize Le Lion / De Leeuw will, among other things, prepare and publish a separate conversion proposal (*omzettingsvoorstel*) that will be made available in accordance with applicable law.

The restructuring contemplated by the combination of the Demerger and the Conversion is referred to as the “**Hive-Down**”.

### **2.3** Accounting Date

The financial information pertaining to Delhaize will be incorporated into the annual accounts of Ahold as from the Effective Time, such date being the date as from which, for accounting purposes, all transactions of Delhaize shall be deemed executed on behalf of Ahold and are to be treated as transactions of Ahold. Hence, the Merger will not have any retroactive effect for accounting purposes. Consequently, the last full financial year of Delhaize will end on 31 December 2015, the last financial year will end on the date before the Effective Time (the “**Accounting Date**”) and final accounts as at the Accounting Date will be drawn up.

### **2.4** Capital increase pursuant to the Merger

Pursuant to the Merger, the issued capital of Ahold will increase by an amount equal to (i) the number of issued Delhaize Ordinary Shares minus the number of Delhaize Ordinary Shares held in treasury by Delhaize or held by Ahold, if any, in each case as at the Effective Time, multiplied by (ii) the Exchange Ratio (being 4.75 but with due observance of the fact that the number of Ahold Ordinary Shares to be allotted to the registered shareholders referred to in Section 10.1.1(ii), under (iii) will be rounded down to the nearest full number), multiplied by (iii) the nominal value of one Ahold Ordinary Share (being EUR 0.01).

### **2.5** Consequences of the Merger for the size of the goodwill and the reserves of Ahold

Any goodwill paid in the context of the exchange of shares will be recorded as goodwill in Ahold’s consolidated accounts at the Effective Time. Such goodwill will consist of the difference between the fair value of Delhaize’s individual assets and liabilities as acquired in the Merger and the fair value of the Ahold Ordinary Shares allotted in exchange for the Delhaize Ordinary Shares. The exact amount involved depends, among other factors, on the actual stock market quotations at the Closing Date.

A preliminary estimate of the acquired goodwill to be recognized on the balance sheet of the Combined Company as calculated per stock market quotations of 11 November 2015 amounts to EUR 5,289 million.

As a result of the Merger, the freely distributable reserves of Ahold will increase with the balance of the fair value of the Ahold Ordinary Shares allotted in the Merger and the aggregate nominal value thereof. A preliminary estimate of the fair value of the Ahold Ordinary Shares allotted in the Merger as calculated per stock market quotations of 11 November 2015 amounts to EUR 9,636 million.

## 2.6 Capital decrease in Ahold

Immediately prior to Closing,

- 2.6.1 the nominal value of the Ahold Ordinary Shares will be increased by an amount including an aggregate amount of approximately one billion euro (EUR 1,000,000,000) at the expense of the available (freely distributable) share premium reserves (*algemene agioreserve*) of Ahold by an aggregate amount of approximately one billion euro (EUR 1,000,000,000);
- 2.6.2 following such increase, a reverse stock split will be effected such that the number of Ahold Ordinary Shares will decrease by a number equal to the number of Ahold Ordinary Shares that could have been repurchased with the Ahold Capital Return; and
- 2.6.3 following such reverse stock split, a decrease of the nominal value of the Ahold Ordinary Shares will be effected, and subsequently approximately one billion euro (EUR 1,000,000,000) of such decreased amount will be repaid to the holders of issued and outstanding Ahold Ordinary Shares. The surplus of the decreased amount will be added to Ahold's share premium reserves (the "**Ahold Capital Return**").

## 2.7 Share buyback

If any or all of the holders of the cumulative preferred financing shares of Ahold (see Section 7.1.1) elect to convert such cumulative preferred financing shares into Ahold Ordinary Shares prior to Closing, then Ahold shall undertake to engage in a share buyback prior to Closing to offset the increase in the number of Ahold Ordinary Shares as a result of such conversion.

## 3 Form, legal name, registered office, statutory seat and corporate purpose of Ahold and Delhaize

- 3.1 The form, legal name, registered office, statutory seat and corporate purpose of Ahold are as follows and, except for the legal name, will not be amended in connection with the Merger:
  - 3.1.1 Form: public limited liability company incorporated under the laws of the Netherlands (*naamloze vennootschap*).
  - 3.1.2 Legal name: Koninklijke Ahold N.V. It is proposed that the legal name of Ahold will change into "Koninklijke Ahold Delhaize N.V." at the Effective Time. This legal name is subject to Ahold's request to His Majesty The King of the Netherlands to confirm (*bestendigen*) Ahold's predicate '*Koninklijke*' being honored. In the absence of such confirmation, it is proposed that the legal name of Ahold will change into "Ahold Delhaize N.V." at the Effective Time.
  - 3.1.3 Registered office: Provincialeweg 11, 1506 MA Zaandam (municipality of Zaanstad), the Netherlands.
  - 3.1.4 Statutory seat: Zaandam, the Netherlands.
  - 3.1.5 Corporate purpose: The corporate purpose of Ahold is to promote or join others in promoting companies and enterprises, to participate in companies and enterprises, to finance companies and enterprises, including the giving of guarantees and

acting as surety for the benefit of third parties as security for liabilities of companies and enterprises with which the company is joined in a group or in which the company owns an interest or with which the company collaborates in any other way, to conduct the management of and to operate companies engaged in the wholesale and retail trade in consumer and utility products and companies that produce such products, to operate restaurants and companies engaged in rendering public services, including all acts and things which relate or may be conducive thereto in the broadest sense, as well as to promote, to participate in, to conduct the management of and, as the case may be, to operate businesses of any other kind.

**3.2** The form, legal name, registered office and corporate purpose of Delhaize are as follows:

**3.2.1** Form: public limited liability company incorporated under the laws of Belgium (*naamloze vennootschap/société anonyme*).

**3.2.2** Legal name: “DELHAIZE BROTHERS AND Co. “THE LION” (DELHAIZE GROUP)”, abbreviated “DELHAIZE GROUP”

**3.2.3** Registered office: Osseghemstraat 53, 1080 Sint-Jans-Molenbeek (Brussels), Belgium.

**3.2.4** Corporate purpose: The corporate purpose of Delhaize is the trade of durable or non-durable merchandise and commodities, of wine and spirits, the manufacture and sale of all articles for mass consumption, household articles, and others, as well as all service activities. To this effect, Delhaize may carry out all industrial, commercial, moveable, real estate or financial transactions, in Belgium or abroad which, directly or indirectly, favor or expand its industry and trade. It may also, by any means whatsoever, acquire an interest in all businesses, enterprises or corporations with an identical, similar or related corporate purpose or which favor the development of its enterprise, acquire raw materials for it, or facilitate the distribution of its products.

## **4 Conditions Precedent**

**4.1** The respective obligation of each Merging Company to effect the Merger is subject to the satisfaction or, to the extent permitted by applicable law, written waiver (either in whole or in part, except that any part that is not waived would otherwise be satisfied) by the Merging Companies jointly, at or prior to the Closing Date, of the following conditions:

**4.1.1** the extraordinary general meeting of Ahold shareholders or any subsequent Ahold extraordinary meeting, as the case may be, having adopted the following resolutions (the “**Ahold Required Resolutions**”):

- (i) the approval of this Merger Proposal (i.e. the resolution to merge), effective as of the Effective Time;
- (ii) the appointment of the new members of the Management Board and the Supervisory Board as contemplated by the Merger Agreement, effective as from the Effective Time and conditional upon the Merger having become effective; and
- (iii) an amendment of the Ahold articles of association to implement the governance structure of Ahold set forth in the Merger Agreement, effective

as from the Effective Time and conditional upon the Merger having become effective;

- 4.1.2 the extraordinary meeting of Delhaize Shareholders or any subsequent Delhaize extraordinary meeting, as the case may be, having adopted the following resolutions:
- (i) the approval of the Merger Proposal, effective as from the Effective Time; and
  - (ii) the approval of the cross-border Merger by the acquisition of Delhaize by Ahold in accordance with the terms of the Merger Proposal, effective as from and conditional upon the Effective Time, and hence the dissolution without liquidation of Delhaize;
- 4.1.3 receipt of the Relevant Competition Clearances or, where applicable, the expiration or termination of the applicable waiting periods in lieu of such antitrust clearances;
- 4.1.4 a civil law notary (*notaris*) of Allen & Overy LLP, Amsterdam having obtained the pre-merger certificate issued by a Belgian civil law notary in accordance with applicable Belgian laws;
- 4.1.5 the Ahold Ordinary Shares issuable to the Delhaize Shareholders and Delhaize ADS Holders in the Merger having been approved for admission to listing and trading on the Euronext Amsterdam and Euronext Brussels stock exchanges;
- 4.1.6 the prospectus prepared and filed with the AFM, having been approved by the AFM under Dutch law and having been passported into Belgium, in each case, in accordance with applicable laws;
- 4.1.7 the registration statement on Form F-4 of Ahold, of which the U.S. prospectus forms a part (the “**U.S. Prospectus**”), having been declared effective by the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended, and no stop order suspending the effectiveness of such registration statement being in effect and no proceedings for that purpose being pending;
- 4.1.8 no opposition by an Ahold creditor having been filed or, if filed, such opposition having been withdrawn, resolved or lifted by an enforceable court order by the relevant court of the Netherlands;
- 4.1.9 no governmental entity of competent jurisdiction having enacted, issued, promulgated, enforced or entered any order, injunction, judgment, decree or other action which is in effect and which prohibits or makes illegal the consummation of the Merger in accordance with the terms of the Merger Agreement; and
- 4.1.10 Ahold and Delhaize having obtained a ruling from the Belgian tax authorities confirming that the Merger will be Tax Neutral under Belgian laws, subject to the conditions, if any, provided under applicable laws and applicable ruling practice (the “**Tax Merger Ruling**”). The Tax Merger Ruling was obtained on 13 October 2015.

**4.2** In addition, each of Ahold's and Delhaize's obligation to effect the Merger is also subject to the satisfaction or waiver (either in whole or in part, except that any part that is not waived would otherwise be satisfied) in writing by such Merging Company, at or prior to the Closing Date, of the following conditions:

- 4.2.1** no change, event or development that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect relating to the other Merging Company has occurred since 24 June 2015, i.e. the date of the Merger Agreement, which is continuing on the Closing Date;
- 4.2.2** the warranties of the other Merging Company (other than certain specified warranties relating to such other Merging Company's share capital and the warranties relating to the absence of an event having a Material Adverse Effect on such other Merging Company between, in the case of Ahold, 28 December 2014 and, in the case of Delhaize, 31 December 2014, and 24 June 2015, i.e. the date of the Merger Agreement) are true and accurate as of the Closing Date, as if made at and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such earlier date), except where the failure of such other Merging Company's warranties to be so true and accurate (disregarding any limitation as to "materiality" or "Material Adverse Effect" set forth in such other Merging Company's warranties), individually or in the aggregate, has not had, and would not reasonably be expected to have, a material adverse effect relating to such other Merging Company;
- 4.2.3** certain specified warranties of the other Merging Company relating to such other Merging Company's share capital are true and accurate in all material respects as of the Closing Date, as if made at and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such earlier date);
- 4.2.4** the warranties of the other Merging Company relating to the absence of an event having a Material Adverse Effect on such other Merging Company between, in the case of Ahold, 28 December 2014, and, in the case of Delhaize, 31 December 2014, and the date of the Merger Agreement) are true and accurate as of the date of the Merger Agreement; and
- 4.2.5** the other Merging Company has performed in all material respects all covenants, agreements and obligations required to be performed by it under the Merger Agreement at or prior to the Closing Date;

and such Merging Company has received a certificate signed on behalf of the other Merging Company by an authorized representative of such other Merging Company dated as of the Closing Date, certifying that the conditions described in this Section 4.2 have been satisfied.

**4.3** Delhaize's obligation to effect the Merger is furthermore subject to the satisfaction or waiver (either in whole or in part, except that any part that is not waived would otherwise be satisfied) in writing by Delhaize at or prior to the Closing Date of the following additional condition:

- 4.3.1** the *Stichting Ahold Continuïteit* (the "**Ahold Foundation**") (i) not having exercised (either in whole or in part) the Ahold Foundation Call Option or (ii) if the Ahold Foundation has exercised (either in whole or in part) the Ahold Foundation Call

Option, the Ahold Foundation having voted in favor of the Ahold Required Resolutions.

- 4.4** According to Section 2:318 of the DCC, the Merger must be effectuated within six months after the announcement of the publication of the Merger Proposal in a Dutch nationwide-distributed newspaper. If the six month period lapses without the Merger becoming effective the Merging Companies can opt to publish a new merger proposal in accordance with applicable laws and procedures and without prejudice to Section 4.5 below.
- 4.5** The Merger Agreement may also be terminated by notice in writing given by either of the Merging Companies to the other Merging Company if the Merger shall not have occurred by the 15 month anniversary of the date of the Merger Agreement.
- 4.6** Should the Conditions Precedent be fulfilled and subject to applicable rules, the Merger shall become effective at the Effective Time. The Boards of the Merging Companies shall have all necessary powers to acknowledge the (non-)fulfillment of these Conditions Precedent and to request the Dutch civil law notary to execute the Dutch notarial deed of cross-border Merger to effect the Merger.

## **5 Objective and justification of the Merger**

The Board of Directors carefully evaluated the Merger Agreement and the transactions contemplated thereby. On 23 June 2015, the Board of Directors approved the terms of, and the transactions contemplated by, the Merger Agreement and resolved to unanimously recommend the Merger for approval by the Delhaize Shareholders.

- 5.1** In the course of reaching its decision on 23 June 2015, the Board of Directors consulted with Delhaize's senior management and its financial and legal advisors and considered a variety of substantive factors, both positive and negative, and the potential benefits and detriments of the Merger to Delhaize and Delhaize's stakeholders. The Board of Directors believed that, taken as a whole, the following factors supported its decision to approve the Merger Agreement:

**5.1.1** *Expected benefits of the Merger.* The expectation that the business combination will provide a number of strategic opportunities, including the following:

- (i) strong, trusted local brands in complementary regions that will enable the Combined Company to better compete in its key regions and strengthen its overall market position;
- (ii) the Combined Company's enhanced scale across its key regions, which will allow for more investment in innovation and help meet evolving customer needs;
- (iii) the Combined Company's ability to offer an expanded range of high-quality goods and services at competitive prices to better meet customers' changing needs, including by providing a broader selection of own-brand products and by having a wider range of store formats and online offerings;
- (iv) the Combined Company's expected strong cash flows, which will provide the Combined Company with an enhanced capability to invest in future growth and deliver attractive returns to its shareholders;

- (v) the Combined Company's ability to create stronger workplaces and better opportunities for associates, as well as its capacity to invest more in its communities; and
- (vi) the Combined Company's ability to capitalise on similar values and the heritage of family entrepreneurship, as well as complementary cultures, neighbouring geographies and the impact of combining successful sustainability programs;

**5.1.2** *Accretion and synergies.* The expectation that the Merger will likely be accretive on an earnings per share basis for former Delhaize Shareholders (in respect of the 4.75 Ahold Ordinary Shares to be received for each Delhaize Ordinary Share) for calendar years 2016 to 2018 as compared with ownership of Delhaize Ordinary Shares on a stand-alone basis, assuming a 31 December 2015 Closing Date and taking into account anticipated annual run-rate synergies of EUR 500 million to be fully realised in the third year following completion of the Merger and the EUR 1.0 billion Ahold Capital Return and reverse stock split and before taking into account implementation costs related to the synergies, and the belief that the business combination delivers better value creation over time for Delhaize Shareholders than a stand-alone strategy for Delhaize.

With an assumed Closing Date of 30 June 2016, the Delhaize management expects that the Merger will remain accretive on an earnings per share basis for former Delhaize shareholders (in respect of the 4.75 Ahold Ordinary Shares to be received for each Delhaize Ordinary Share) for calendar years 2016 to 2018 as compared with ownership of Delhaize Ordinary Shares on a stand-alone basis, and taking into account anticipated annual run-rate synergies of EUR 500 million to be fully realised in the third year following completion of the Merger and the EUR 1.0 billion Ahold Capital Return and reverse stock split and before taking into account implementation costs related to the synergies.

Additionally, with an assumed Closing Date of 30 June 2016, the Delhaize management expects that the Merger (taking into account anticipated annual run-rate synergies of EUR 500 million to be fully realised in the third year following completion of the Merger and the EUR 1.0 billion Ahold Capital Return and reverse stock split) will deliver better value creation over time for Delhaize Shareholders than a stand-alone strategy for Delhaize;

**5.1.3** *Ahold's and Delhaize's respective businesses.* Historical information concerning, and the due diligence conducted by Delhaize's management with the assistance of Delhaize's advisors regarding, Ahold's and Delhaize's respective businesses, financial condition, results of operations, earnings, properties, assets, managements and prospects on a stand-alone basis and forecasted combined basis, as well as the current and prospective business environment in which Ahold and Delhaize operate, including international, national and local economic conditions, the competitive and regulatory environment, and the likely effect of these factors on Ahold, Delhaize and the Combined Company;

**5.1.4** *Exchange Ratio.* The fact that the Exchange Ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share is fixed, consistent with the principles underlying the "Merger of equals" structure of the business combination;

- 5.1.5 *Pro forma ownership of the Combined Company.* The fact that, based on the Ahold Ordinary Shares and Delhaize Ordinary Shares outstanding on 24 June 2015 and after giving effect to the Ahold Capital Return and reverse stock split as described in Section 2.6, Delhaize Shareholders would own approximately 39% of the Combined Company's outstanding ordinary shares upon completion of the Merger, and would continue to participate in potential further appreciation of the Combined Company after the Merger;
- 5.1.6 *Opinions of Delhaize's financial advisors.* The financial presentation of Deutsche Bank and BofA Merrill Lynch, and their respective oral opinions rendered to the Board of Directors at its 23 June 2015 meeting, which were subsequently confirmed by delivery of their respective written opinions dated 24 June 2015, to the effect that, as of the date of such opinions, and based upon and subject to the assumptions, limitations, qualifications and conditions described in their respective opinions, the exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share to be received in the Merger by Delhaize Shareholders was fair, from a financial point of view, to Delhaize Shareholders and Delhaize ADS Holders<sup>11</sup>. Copies of such written opinions are attached as **Error! Reference source not found.** and **Error! Reference source not found.**, respectively;
- 5.1.7 *Governance structure of the Combined Company.* The Combined Company's proposed governance and management structure contemplated by the Merger Agreement, which is expected to enable continuity of management and an effective and timely integration of the two companies' operations and reflects the fact that the transaction was structured as a "Merger of equals" rather than an acquisition of Delhaize by Ahold or vice versa:
- (i) the Combined Company will be governed by a two-tier board comprising a supervisory board and a management board, with the day-to-day management being delegated to an executive committee;
  - (ii) the supervisory board will consist of fourteen members, with seven members being designated by each of Ahold and Delhaize;
  - (iii) the chairman of the Board of Directors and the chairman of the Supervisory Board will become the chairman and the vice chairman, respectively, of the Combined Company's supervisory board and will together form the presidium of the supervisory board;
  - (iv) the chief executive officer of Ahold will become the Combined Company's chief executive officer and that the chief executive officer of Delhaize will become the Combined Company's deputy chief executive officer and chief integration officer;
  - (v) the chief financial officer of Ahold and the chief financial officer of Delhaize will become the Combined Company's chief financial officer and chief operating officer for Europe, respectively; and

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<sup>11</sup> Each of such opinions was for the use and benefit of the Board of Directors in connection with its consideration of the Merger. Neither opinion constitutes a recommendation as to how any Delhaize Shareholder or Delhaize ADS Holder should vote with respect to the Merger or any other matter. The foregoing description of such opinions is qualified by reference to the full text of such opinions, which are attached as **Error! Reference source not found.** and **Error! Reference source not found.**



(vi) the Combined Company's management board will consist of the chief executive officer, the deputy chief executive officer, the chief financial officer and the chief operating officers for the U.S. and Europe; it will be equally composed of Ahold and Delhaize officers.

**5.1.8** *Terms of the Merger Agreement.* The terms of the Merger Agreement, including the conditions to the completion of the Merger (one of which requires that Ahold and Delhaize obtain a ruling from the Belgian tax authorities confirming that the Merger will benefit from tax neutrality through application of applicable Belgian laws); the circumstances under which the Merger Agreement could be terminated; the impact of such a termination; the potential payment by Ahold of a termination fee of EUR 150 million under certain circumstances; and the potential reimbursement by Ahold of up to EUR 30 million of the reasonable and documented out-of-pocket fees and expenses incurred by Delhaize in connection with the preparation, negotiation, execution and performance of the Merger Agreement under certain circumstances;

**5.1.9** *Shareholder approval.* Delhaize Shareholders will have the opportunity to vote on the proposed Merger, and that approval of the proposed Merger by Delhaize Shareholders is a condition to Delhaize's obligation to complete the Merger; and

**5.1.10** *Likelihood of completion.* The likelihood that the Merger would be completed, in light of, among other things, the conditions to the Merger, the efforts required to obtain regulatory approvals, and the provisions of the Merger Agreement in the event of various breaches by Ahold.

**5.2** The Board of Directors also considered certain potentially negative factors in its deliberations, including the following:

**5.2.1** *Possible failure to achieve benefits of the Merger.* The risk that the anticipated strategic and other benefits to the Combined Company following completion of the Merger, including the estimated synergies described above, will not be realised or will take longer to realise than expected;

**5.2.2** *Possible challenges relating to business integration.* The potential challenges and difficulties relating to integrating the operations of Ahold and Delhaize, including the cost to achieve the estimated synergies;

**5.2.3** *Fixed Exchange Ratio.* The potential that the fixed Exchange Ratio could result in Delhaize Shareholders receiving lesser value from Ahold than had been anticipated should the value of the Ahold Ordinary Shares decrease from the date of execution of the Merger Agreement;

**5.2.4** *Regulatory risk.* The risk that regulatory, governmental and competition authorities might seek to impose conditions on or otherwise prevent or delay the Merger, or impose restrictions or requirements on the operation of the business of the Combined Company after completion of the Merger;

**5.2.5** *Risk of non-completion.* The possibility that the Merger might not be completed, including as a result of the failure of the Delhaize Shareholders to approve the proposed Merger or the failure of the Ahold shareholders to approve the proposed Merger;

- 5.2.6 *Possible disruption of Delhaize's business.* The possible disruption to Delhaize's business that may result from the Merger, the resulting distraction of the attention of Delhaize's management and potential attrition of Delhaize employees;
- 5.2.7 *Costs and expenses associated with the Merger.* The costs and expenses that Delhaize has incurred and will incur in connection with the proposed Merger, regardless of whether the Merger is completed;
- 5.2.8 *Restrictions on operation of Delhaize's business.* The restrictions on the conduct of Delhaize's business prior to completion of the Merger, which restrictions require Delhaize to conduct its business in the ordinary course and consistent with past practice in all material respects and subject to specific limitations, which may delay or prevent Delhaize from undertaking certain business opportunities that may arise pending completion of the Merger;
- 5.2.9 *Reduced ownership.* The fact that Delhaize Shareholders will own approximately 39% of the Combined Company's outstanding ordinary shares and, as such, will have less influence over the Combined Company than current Delhaize Shareholders have over Delhaize; and
- 5.2.10 *Other Risks.* The risks described under "Risk Factors" of the prospectus relating to the admission to listing and trading of ordinary shares in the capital of Ahold on Euronext Amsterdam and Euronext Brussels in the framework of the Merger (the "**Prospectus**").

The foregoing discussion of the information and factors considered by the Board of Directors is not exhaustive, but the Board of Directors believes it includes the material factors considered by the Board of Directors. In view of the wide variety of factors considered in connection with its evaluation of the Merger and the complexity of these matters, the Board of Directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of these factors. Rather, the Board of Directors viewed its position and recommendation as being based on an overall analysis and on the totality of the information presented to and factors considered by it.

This explanation of the Board of Directors' reasons for the Merger and other information presented in this Section 5 is forward-looking in nature.

## **6 Description of the financial situation of the Merging Companies**

- 6.1 Reference is made to a consolidated balance sheet of Ahold as at 4 October 2015, which is attached as **Error! Reference source not found.** to this report, for a description of the assets and liabilities of Ahold.
- 6.2 Reference is made to a balance sheet of Delhaize as at 30 September 2015, which is attached as **Error! Reference source not found.** to this report, for a description of the assets and liabilities of Delhaize.

## 7 Exchange Ratio

### 7.1 Share Capital of the Merging Companies

#### 7.1.1 Share Capital of Ahold

On 31 December 2015, the issued share capital of Ahold amounted to EUR 11,027,882.37, divided into (i) 834,373,134 Ahold Ordinary Shares with a nominal value of EUR 0.01 each, out of which 15,901,905 Ahold Ordinary Shares were held by Ahold in treasury and (ii) 268,415,103 cumulative preferred financing shares with a nominal value of EUR 0.01 each, all of which were outstanding. On 31 December 2015, 35,506,493 Ahold ADSs were outstanding. Ahold granted the Ahold Foundation a call option to acquire such number of cumulative preferred shares in Ahold's share capital with a nominal value of EUR 500 each, up to a total nominal value that is equal to the nominal value of all Ahold Ordinary Shares and all Ahold cumulative preferred financing shares, in each case issued and outstanding shares at the time of exercising the option minus the total nominal value of any cumulative preferred shares held by the Ahold Foundation at such time (the "**Ahold Foundation Call Option**"). On 31 December 2015, no such cumulative preferred shares were issued. All without prejudice to the reverse stock split described in Section 2.6, that will result in a reduction of the total number of issued Ahold Ordinary Shares immediately prior to Closing.

#### 7.1.2 Share Capital of Delhaize

On 31 December 2015, the issued share capital of Delhaize amounted to EUR 52,002,476, divided into 104,004,952 Delhaize Ordinary Shares with no nominal value, of which 446,082 Delhaize Ordinary Shares were held by Delhaize in treasury. On 31 December 2015, 1,281,207 Delhaize warrants, representing Delhaize U.S. Options, were outstanding, each giving right to one share. On 31 December 2015, 25,087,044 Delhaize ADSs were outstanding.

### 7.2 Methods used for the Valuation of the Merging Companies and the Determination of the Exchange Ratio and Values obtained by each of the valuation methods applied separately

The Board of Directors utilised a variety of generally accepted valuation methods and other generally accepted analyses, including selected public companies analysis (Sections 7.2.1 and 7.2.4), discounted cash flow analysis (Sections 7.2.2 and 7.2.5), relative value analysis (Section 7.2.7), value creation analysis (Section 7.2.8) and relative contribution analysis (Section 7.2.9). Further, the Board of Directors noted certain other information that was not considered part of the financial analyses with respect to its valuation of the Merging Companies and the determination of the Exchange Ratio, but was referenced for informational purposes (Sections 7.2.3 and 7.2.6). Finally, the Board of Directors also reviewed and considered other factors that it considered relevant (Section 7.2.10).

Except as otherwise noted, the following quantitative information and, hence, the Board of Directors' valuation of the Merging Companies and the determination of the Exchange Ratio, to the extent that it is based on financial, economic, monetary and market data and/or conditions, is based on market data and/or conditions as they existed on or before 23 June 2015, which is the day before the date on which the Merger Agreement was entered into between Delhaize and Ahold and in which the Exchange Ratio has been agreed between them. It is not necessarily indicative of current market conditions. The

Board of Directors generally rounded the implied per share values of the Delhaize Ordinary Shares and Ahold Ordinary Shares to the nearest EUR 1.

Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favourable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Delhaize, the Board of Directors does not assume responsibility if future results or actual values are materially different from these forecasts or assumptions.

For purposes of rendering its valuation of the Merging Companies and the determination of the Exchange Ratio, the Board of Directors assumed that, in all respects material to its analysis, the Merger and the Ahold Capital Return and the reverse stock split will be consummated in accordance with the terms of the Merger Agreement, without any waiver, modification or amendment of any term, condition or agreement that would be material to its analysis. The Board of Directors also assumed that all material governmental, regulatory or other approvals and consents, releases and waivers required in connection with the consummation of the Merger would be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, releases and waivers, no delay, limitation, restrictions, terms or conditions, including any divestiture requirements or amendments or modifications, would be imposed that would be material to the Board of Directors' analysis or that would have a Material Adverse Effect on Delhaize, Ahold or the contemplated benefits of the Merger. In addition, the Board of Directors assumed that the holders of the Ahold cumulative preferred financing shares will not elect to convert such shares into Ahold Ordinary Shares in whole or in part prior to the Closing. This assumption is based on Ahold's undertaking to engage in a share buyback prior to Closing, if any or all of the holders of the cumulative preferred financing shares of Ahold elect to convert such cumulative preferred financing shares into Ahold Ordinary Shares prior to Closing, to offset the increase in the number of Ahold Ordinary Shares as a result of such conversion (see Section 2.7). The Board of Directors further assumed that the value of a Delhaize ADS was one-fourth of the value of a Delhaize Ordinary Share and that the value of an Ahold ADS was equivalent to the value of an Ahold Ordinary Share and did not take into account any impact on the value of a Delhaize ADS or Ahold ADS relating to the fact that such securities are traded on different markets, and in different currencies, than the respective underlying ordinary shares.

Any action of the Board of Directors referred to in this Section 7.2 with respect to the valuation of the Merging Companies and of the Exchange Ratio has been carried out with the assistance of the Delhaize management and its financial advisors.

#### 7.2.1 Selected Public Companies Analysis – Delhaize

The Board of Directors reviewed and compared certain financial information and commonly used valuation measurements for Delhaize with corresponding financial information and valuation measurements for Ahold and the following eight publicly-traded companies with operations in the food retail industry:

- Ingles Markets, Incorporated;
- The Kroger Co.;
- Carrefour SA;

- Casino Guichard Perrachon S.A.;
- Etablissements Franz Colruyt N.V.;
- WM Morrison Supermarkets PLC;
- Metro AG; and
- J. Sainsbury plc.

Although none of Ahold or any of the other selected companies is directly comparable to Delhaize, the companies included were chosen because they are publicly traded companies with financial and operating characteristics that, for purposes of analysis, may be considered similar to those of Delhaize. Accordingly, the analysis of publicly traded companies was not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in the valuation of the Merging Companies and the determination of the Exchange Ratio by the Board of Directors, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of such companies.

Based on the closing prices of the Delhaize Ordinary Shares and the Ahold Ordinary Shares on 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction, and 22 June 2015 and the closing prices of the common stock or ordinary shares, as the case may be, of each of the other selected companies on 22 June 2015, information contained in the most recent public disclosures of Delhaize, Ahold and the other selected companies and analyst estimates of earnings before interest, taxes, depreciation and amortization (the “**EBITDA**”) for Delhaize, Ahold and the other selected companies, net income for Delhaize and Ahold, and earnings per share (the “**EPS**”) for the other selected companies, the Board of Directors calculated the following multiples for Delhaize, Ahold and each of the other selected companies:

- price (or, in the case of Delhaize and Ahold, market capitalisation) as a multiple of estimated 2015 EPS (or, in the case of Delhaize and Ahold, estimated 2015 net income) (the “**P/E Multiples**”); and
- enterprise value (the “**EV**”), as a multiple of estimated 2015 EBITDA (the “**EV/EBITDA Multiples**”).

For purposes of this analysis, enterprise value was calculated as total equity value plus net debt and adjusted for local statutory tax rate-adjusted pension deficits, minorities and associates. In addition, enterprise value for Ahold was adjusted for recent share repurchases and for certain other items that were considered to be debt- and cash-like, while enterprise value for Delhaize was adjusted for cash paid or received for settlement of employee equity awards.

The results of this analysis are summarised as follows:

		2015E	
		P/E	EV/EBITDA
<u>Ahold</u>			
	22 June 2015	17.9x	7.3x
	8 May 2015	16.2x	6.8x
<u>Delhaize</u>			
	22 June 2015	17.3x	6.4x
	8 May 2015	15.0x	5.8x
<u>Other Selected Companies</u>			
US	Ingles Markets, Incorporated	16.1x	7.7x
	The Kroger Co.	19.2x	8.9x
European	Carrefour SA	17.7x	6.6x
	Casino Guichard Perrachon S.A.	14.9x	6.4x
	Etablissements Franz Colruyt N.V.	17.5x	8.6x
	WM Morrison Supermarkets PLC	16.0x	7.4x
	Metro AG	17.3x	5.4x
	J. Sainsbury plc	12.5x	5.7x

Based in part upon the P/E and EV/EBITDA Multiples of Ahold and the other selected companies described above and taking into account their professional judgment and experience (including focusing on the unaffected 8 May 2015 trading multiples for Ahold instead of the 22 June 2015 multiples), the Board of Directors calculated ranges of estimated implied value per Delhaize Ordinary Share by applying multiples of market capitalisation to Delhaize management's estimate of 2015 underlying net income of 15.0x to 16.5x and multiples of enterprise value to Delhaize management's estimate of 2015 underlying EBITDA of 5.5x to 6.5x, resulting in ranges of implied value of approximately EUR 70 to EUR 77 and EUR 67 to EUR 82 per Delhaize Ordinary Share, respectively.

The Board of Directors noted that the implied value of the Merger consideration payable in respect of each Delhaize Ordinary Share was approximately EUR 88 based upon the exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share and the EUR 18.62 closing price of the Ahold Ordinary Shares on 22 June 2015.

### 7.2.2 Discounted Cash Flow Analysis – Delhaize

A discounted cash flow analysis aims at determining the enterprise value of a company by discounting the future free cash flows. From the enterprise value, the net financial debt and debt-like items are deducted and cash-like items are added to obtain the equity value. This valuation metric is strongly influenced by (i) the projections with regard to performance of the companies, (ii) the weighted average cost of capital used to discount the future cash flows and terminal values and (iii) the terminal growth rate used to compute the terminal value.

The Board of Directors performed a discounted cash flow analysis of Delhaize using information contained in the Delhaize Forecasts and public filings to calculate ranges of the implied value of Delhaize as of 30 June 2015. In performing the discounted cash flow analysis, the Board of Directors applied a range of discount rates of 7.0% to 8.0% to (i) after-tax unlevered free cash flows expected to be generated by Delhaize during the calendar years 2015 through 2018 and (ii) estimated terminal values using a range of terminal growth rates of 0.75% to 1.25%.

This analysis resulted in a range of implied value of approximately EUR 75 to EUR 95 per Delhaize Ordinary Share.

The Board of Directors noted that the implied value of the Merger consideration payable in respect of each Delhaize Ordinary Share was approximately EUR 88 based upon the exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share and the EUR 18.62 closing price of the Ahold Ordinary Shares on 22 June 2015.

### 7.2.3 Other Information – Delhaize

The Board of Directors noted certain other information that was not considered part of the financial analyses with respect to its valuation of the Merging Companies and the determination of the Exchange Ratio, but was referenced for informational purposes, including, among other things, the following:

- the historical trading prices of the Delhaize Ordinary Shares during the 52-week period ended 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction, which reflected low to high intra-day prices for Delhaize's Ordinary Shares during such period of approximately EUR 48 to EUR 90 per share. The Board of Directors also noted that the average closing price for Delhaize Ordinary Shares during such 52-week period was approximately EUR 62 per share;
- publicly available equity research analysts' share price targets for the Delhaize Ordinary Shares published in the period from 7 January 2015 through 7 May 2015. The Board of Directors noted that the price targets issued by those research analysts with publicly available price targets for both Delhaize and Ahold ranged from approximately EUR 60 to approximately EUR 95 per Delhaize Ordinary Share. The Board of Directors also noted that the median of the price targets issued by those analysts with public price targets for both companies was approximately EUR 77 per Delhaize Ordinary Share;

- the closing price of the Delhaize Ordinary Shares was EUR 72.39 per share on 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction; and
- the closing price of the Delhaize Ordinary Shares was EUR 81.20 per share on 22 June 2015, the last trading day prior to the 23 June 2015 meeting of the Board of Directors.

#### 7.2.4 Selected Public Companies Analysis—Ahold

The Board of Directors reviewed and compared certain financial information and commonly used valuation measurements for Ahold with corresponding financial information and valuation measurements for Delhaize and the other publicly-traded companies with operations in the food retail industry described under Section 7.2.1 above.

Although none of Delhaize or any of the other selected companies is directly comparable to Ahold, the companies included were chosen because they are publicly traded companies with financial and operating characteristics that, for purposes of analysis, may be considered similar to those of Ahold. Accordingly, the analysis of publicly traded companies was not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in the valuation of the Merging Companies and the determination of the Exchange Ratio by the Board of Directors concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of such companies.

Based in part upon the P/E and EV/EBITDA Multiples of Delhaize and the other selected companies described above and taking into account their professional judgment and experience (including focusing on the unaffected 8 May 2015 trading multiples for Delhaize as compared with the 22 June 2015 multiples), the Board of Directors calculated ranges of estimated implied value per Ahold Ordinary Share by applying multiples of market capitalisation to estimated 2015 net income in the Financial Projections Regarding Ahold of 16.0x to 17.5x and multiples of enterprise value to estimated 2015 EBITDA in the Financial Projections Regarding Ahold of 6.5x to 7.5x, resulting in ranges of implied value of approximately EUR 17 to EUR 18 and EUR 16 to EUR 19 per Ahold Ordinary Share, respectively.

#### 7.2.5 Discounted Cash Flow Analysis – Ahold

The Board of Directors performed a discounted cash flow analysis of Ahold using information contained in the Financial Projections Regarding Ahold and public filings to calculate ranges of implied value of Ahold as of 30 June 2015. In performing the discounted cash flow analysis, the Board of Directors applied a range of discount rates of 7.0% to 8.0% to (i) after-tax unlevered free cash flows expected to be generated by Ahold during the calendar years 2015 through 2018 and (ii) estimated terminal values using a range of terminal growth rates of 0.75% to 1.25%.

This analysis resulted in a range of implied value of approximately EUR 17 to EUR 22 per Ahold Ordinary Share.



#### 7.2.6 Other Information – Ahold

The Board of Directors noted certain other information that was not considered part of the financial analyses with respect to the valuation of the Merging Companies and the determination of the Exchange Ratio, but was referenced for informational purposes, including, among other things, the following:

- the historical trading prices of the Ahold Ordinary Shares during the 52-week period ended 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction, which reflected low to high intra-day prices for Ahold's Ordinary Shares during such period of approximately EUR 12 to EUR 20 per share. The Board of Directors also noted that the average closing price for the Ahold Ordinary Shares during such 52-week period was approximately EUR 15 per share;
- publicly available equity research analysts' share price targets for the Ahold Ordinary Shares published in the period from 15 January 2015 through 8 May 2015. The Board of Directors noted that the price targets issued by those research analysts with publicly available price targets for both Delhaize and Ahold ranged from approximately EUR 14 to approximately EUR 22 per Ahold Ordinary Share. The Board of Directors also noted that the median of the price targets issued by those analysts with public price targets for both companies was approximately EUR 18 per Ahold Ordinary Share;
- the closing price of the Ahold Ordinary Shares was EUR 17.24 per share on 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction; and
- the closing price of the Ahold Ordinary Shares was EUR 18.62 per share on 22 June 2015, the last trading day prior to the 23 June 2015 meeting of the Board of Directors.

#### 7.2.7 Relative Value Analysis

Based upon a comparison of the range of implied equity values for each of Delhaize and Ahold calculated pursuant to the selected public companies analysis and discounted cash flow analysis described above, the Board of Directors calculated ranges of implied exchange ratios for the Merger. With respect to any given range of exchange ratios, the higher ratio assumes the highest implied value per Delhaize Ordinary Share divided by the lowest implied value per Ahold Ordinary Share and the lower ratio assumes the lowest implied value per Delhaize Ordinary Share divided by the highest implied value per Ahold Ordinary Share. This analysis indicated the following implied ranges of exchange ratios:

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		<u>Range of Implied Exchange Ratios</u>
<b>Selected Public Companies</b>	<b>P/E 2015E</b>	<b>3.85x-4.62x</b>
	<b>EV/EBITDA 2015E</b>	<b>3.54x-5.04x</b>
<b>Discounted Cash Flow</b>		<b>3.48x-5.52x</b>

The Board of Directors noted that the Exchange Ratio in the Merger is 4.75x.

The Board of Directors noted certain other information that was not considered part of the financial analyses with respect to its valuation of the Merging Companies and the determination of the Exchange Ratio, but was referenced for informational purposes, including, among other things, the following:

- the lowest and highest implied exchange ratio for the 52-week period ended 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction, based upon the relative closing prices for the Delhaize Ordinary Shares and the Ahold Ordinary Shares on each day during such period, which ranged from approximately 3.54x to approximately 4.78x. The Board of Directors also noted that the average implied daily exchange ratio during such 52-week period was approximately 4.16x;
- the implied exchange ratio based on publicly available equity research analysts' share price targets for the Delhaize Ordinary Shares and the Ahold Ordinary Shares published in the periods from 7 January 2015 through 7 May 2015 and from 15 January 2015 through 8 May 2015, respectively, for those equity research analysts that had price targets publicly available for both Delhaize and Ahold, indicated a range of approximately 2.73x – 7.04x. The Board of Directors also noted that based on the median price targets for the Delhaize Ordinary Shares and the Ahold Ordinary Shares issued by those analysts with public price targets for both companies the implied exchange ratio was approximately 4.35x;
- the implied exchange ratio based upon the closing prices of the Delhaize Ordinary Shares and the Ahold Ordinary Shares on 8 May 2015, the last trading day prior to press reports that Ahold and Delhaize were engaged in preliminary discussions regarding a potential business combination transaction, was 4.20x; and
- the implied exchange ratio based upon the closing prices of the Delhaize Ordinary Shares and the Ahold Ordinary Shares on 22 June 2015, the last trading day prior to the 23 June 2015 meeting of the Board of Directors, was 4.36x.

#### **7.2.8 Discounted Cash Flow and Value Creation Analysis – Combined Company**

The Board of Directors performed a discounted cash flow analysis of the Combined Company using the Delhaize Forecasts, the Financial Projections Regarding Ahold and information contained in public filings to calculate ranges of implied value per

Delhaize Ordinary Share as of 30 June 2015, assuming a 31 December 2015 Closing Date, an exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share and taking into account EUR 500 million in annual run-rate synergies projected by the managements of Delhaize and Ahold to be achieved by the third year following the Closing and associated non-recurring pre-tax implementation costs of EUR 350 million, and the EUR 1.0 billion Ahold Capital Return and the reverse stock split. In performing the discounted cash flow analysis, the Board of Directors applied a range of discount rates of 7.0% to 8.0% to (i) after-tax unlevered free cash flows expected to be generated by the Combined Company during the calendar years 2015 through 2018 and (ii) estimated terminal values using a range of terminal growth rates of 0.75% to 1.25%.

This analysis resulted in a range of implied value of the Ahold Ordinary Shares to be received in respect of each Delhaize Ordinary Share of approximately EUR 97 to EUR 123.

Based upon the range of implied value per Delhaize Ordinary Share of approximately EUR 75 to EUR 95 calculated as described under Section 7.2.2 above and the range of implied value of the Ahold Ordinary Shares to be received in respect of each Delhaize Ordinary Share as described above, the Board of Directors noted that the Merger would increase the implied value per Delhaize Ordinary Share by approximately 29% comparing the low end of the stand-alone valuation range to the low end of the Combined Company valuation range and by approximately 30% comparing the high end of the stand-alone valuation range to the high end of the Combined Company valuation range.

#### 7.2.9 Relative Contribution Analysis

The Board of Directors reviewed certain historical and estimated future EBITDA, earnings before interest and taxes (the “**EBIT**”), EBITDA minus capital expenditures, and net income information, as well as information relating to enterprise value, net debt and equity value for each of Delhaize and Ahold based upon publicly available information, the Delhaize Forecasts and the Financial Projections Regarding Ahold in order to analyse and compare the relative implied equity contributions of Delhaize and Ahold to the Combined Company. Based upon such implied contributions, the Board of Directors derived implied exchange ratios and, after giving effect to the EUR 1.0 billion Ahold Capital Return and reverse stock split, implied ownership percentages for the holders of Delhaize equity in the Combined Company. For purposes of this analysis, the implied equity contributions, exchange ratios and relative ownership interests were adjusted for Delhaize’s and Ahold’s respective contribution of net debt, local statutory tax rate-adjusted pension deficits, minorities and associates, as applicable. In addition, the equity contributions for Ahold were also adjusted for recent share repurchases and for certain other items that were considered to be debt- and cash-like, while the equity contributions for Delhaize were also adjusted for cash received for settlement of employee equity awards.

The results of this analysis are summarised as follows:

		Equity Value Contribution		Implied Exchange Ratio	Implied Delhaize Ownership post Ahold Capital Return and reverse stock split
		Ahold	Delhaize		
EBITDA	2014A	62.2%	37.8%	4.89x	39.4%
	2015E	61.3%	38.7%	5.07x	40.3%
	2016E	59.8%	40.2%	5.41x	41.8%
	2017E	59.2%	40.8%	5.54x	42.4%
EBIT	2014A	63.2%	36.8%	4.69 x	38.4%
	2015E	62.7%	37.3%	4.79 x	38.9%
	2016E	60.2%	39.8%	5.33 x	41.4%
	2017E	58.9%	41.1%	5.61 x	42.7%
EBITDA-Capital Expenditures	2014A	66.6%	33.4%	4.04 x	34.9%
	2015E	70.7%	29.3%	3.33 x	30.7%
	2016E	70.0%	30.0%	3.45 x	31.4%
	2017E	64.4%	35.6%	4.44 x	37.1%
Enterprise Value		65.7%	34.3%	4.20 x	35.8%
Net Debt		56.8%	43.2%	n/a	--
Equity Value		65.7%	34.3%	4.20 x	35.8%
Net Income	2014A	62.9%	37.1%	4.74 x	38.6%
	2015E	64.2%	35.8%	4.49 x	37.3%
	2016E	61.4%	38.6%	5.06 x	40.2%
	2017E	60.3%	39.7%	5.29 x	41.3%
Low-High	2014A-2017E			3.33x - 5.61x	30.7% - 42.7%
Merger				4.75	38.7%

The Board of Directors compared such implied exchange ratios and ownership percentages with the Exchange Ratio and resulting ownership of Delhaize Shareholders in the Merger.

#### 7.2.10 Other Factors

In rendering its valuation of the Merging Companies and the determination of the Exchange Ratio described above, the Board of Directors also reviewed and considered the potential pro forma financial effects of the Merger on Ahold's calendar years 2016 through 2018 estimated earnings per share using the Delhaize Forecasts, the Financial Projections Regarding Ahold and information contained in public filings, assuming a 31 December 2015 Closing Date and an exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share and taking into account EUR 500 million in annual run-rate synergies projected by the managements of Delhaize and Ahold to be achieved by the third year following the Closing and the EUR 1.0 billion Ahold Capital Return and reverse stock split,

which indicated that, before taking into account implementation costs related to the synergies, the Merger would likely be accretive on an earnings per share basis for former Delhaize Shareholders (in respect of the 4.75 Ahold Ordinary Shares to be received for each Delhaize Ordinary Share) for calendar years 2016 to 2018 as compared with ownership of Delhaize Ordinary Shares on a stand-alone basis.

The terms of the Merger, including the Exchange Ratio, were determined through arm's-length negotiations between Delhaize and Ahold and were approved by the Board of Directors. In this respect, the valuation methods described in Section 7.2 have all been taken into account, together with the other elements of the transaction, as described in the Merger Proposal and in Section 5 of this report.

### 7.3 Relative weight of each of the valuation methods in the overall determination of the Exchange Ratio

The Board of Directors believes that its analyses must be considered as a whole and that considering any portion of such analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying its valuation of the Merging Companies and the determination of the Exchange Ratio. In arriving at its valuation of the Merging Companies and the determination of the Exchange Ratio, the Board of Directors did not assign specific weights to any particular analyses. The order in which the analyses are described does not represent the relative importance or weight given to the analyses by the Board of Directors.

### 7.4 Difficulties, if any, which arose during the valuation process

There were no particular difficulties encountered in the valuation of the Merging Companies or in determining the Exchange Ratio, other than those which can be considered customary for transactions of this nature and size.

### 7.5 Exchange Ratio

7.5.1 Pursuant to the Merger Agreement, at the Effective Time Ahold shall allot for each issued and outstanding Delhaize Ordinary Share 4.75 Ahold Ordinary Shares (such ratio of Ahold Ordinary Shares to Delhaize Ordinary Shares, the "**Exchange Ratio**").

7.5.2 If the number of Ahold Ordinary Shares, Ahold ADSs, Delhaize Ordinary Shares or Delhaize ADSs (or securities convertible or exchangeable into or exercisable for Ahold Ordinary Shares, Ahold ADSs, Delhaize Ordinary Shares or Delhaize ADSs) issued and outstanding changes before the Effective Time (and as permitted by the covenants with respect to the period between signing of the Merger Agreement and Closing), as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalisation, merger, subdivision, issuer tender or exchange offer, or other similar transaction, in each case other than as a result of a capital decrease taken by Ahold pursuant to and in accordance with Section 2.6 or a share buyback undertaken by Ahold pursuant to Section 2.7, the Exchange Ratio and/or the Per ADS Merger Consideration shall be appropriately adjusted to provide to the Delhaize Shareholders and the shareholders of Ahold the same economic effect as contemplated by the Merger Agreement prior to such action(s).

7.5.3 Without prejudice to Section 10.1.1(ii) *in fine*, no cash payments will be made pursuant to the Exchange Ratio in effecting the Merger.

## 7.6 Fairness opinions

Deutsche Bank and BofA Merrill Lynch, financial advisors to Delhaize, have each delivered a written opinion to the Board of Directors to the effect that, as of the date of such opinions, and based upon and subject to the assumptions, limitations, qualifications and conditions described in their respective opinions, the exchange ratio of 4.75 Ahold Ordinary Shares for each Delhaize Ordinary Share to be received in the Merger by Delhaize Shareholders was fair, from a financial point of view, to Delhaize Shareholders and Delhaize ADS Holders. Copies of such written opinions, both dated 24 June 2015, are attached as **Error! Reference source not found.** and **Error! Reference source not found.**, respectively. Each of such opinions was for the use and benefit of the Board of Directors in connection with its consideration of the Merger. Neither opinion constitutes a recommendation as to how any Delhaize Shareholder or Delhaize ADS Holder should vote with respect to the Merger or any other matter. The foregoing description of such opinions is qualified by reference to the full text of such opinions, attached as **Error! Reference source not found.** and **Error! Reference source not found.**, which the Delhaize Shareholders are encouraged to read.

## 7.7 Changes after the date of the Merger Agreement

The valuation of the Merging Companies and the determination of the Exchange Ratio have necessarily been done as at 23 June 2015, which is the day before the date on which the Merger Agreement was entered into between Delhaize and Ahold and in which the Exchange Ratio has been agreed between them. The Board of Directors confirms that, to its knowledge, no material changes have occurred to the assets and liabilities of the Merging Companies between the date of the Merger Agreement and the date of this report that would no longer justify applying the agreed Exchange Ratio.

# 8 Economic implications and consequences for the activities of the Merger

## 8.1 Economic implications

8.1.1 The merger of Ahold and Delhaize is expected to provide a number of strategic opportunities, including the following:

- (i) strong, trusted local brands in complementary regions that will enable the Combined Company to better compete in its key regions and strengthen its overall market position;
- (ii) enhanced scale across its key regions, which will allow for more investment in innovation and help meet evolving customer needs;
- (iii) ability to offer an expanded range of high-quality goods and services at competitive prices to better meet customers' changing needs, including by providing a broader selection of own-brand products and by having a wider range of store formats and online offerings;
- (iv) ability to create stronger workplaces and better opportunities for associates, as well as its capability to invest more in its communities;
- (v) ability to capitalize on similar values and the heritage of family entrepreneurship, as well as complementary cultures, neighbouring geographies and the impact of combining successful sustainability programs; and

- (vi) e-commerce as a significant top line opportunity increasing the leading e-commerce position in U.S. and Europe e-commerce.

**8.1.2** The Combined Company is furthermore anticipated to:

- (i) become a leading retailer in its U.S. East Coast markets and the number 1 retailer in Benelux;
- (ii) become better equipped to compete with scale players, and able to play a pro-active role in further market consolidation;
- (iii) constitute a perfect geographical fit with geographical adjacency and limited dis-synergies from actual geographical overlap;
- (iv) constitute a superior platform for innovation, investment and growth; and
- (v) constitute a strategic fit, joining forces to operate strong local brands of supermarkets, with exposure to formats of the future in convenience and online, with recognised strength in fresh, own brands and innovation.

**8.1.3** Ahold and Delhaize businesses reported aggregated net sales of EUR 54.1 billion, adjusted EBITDA of EUR 3.5 billion, net income from continued operations of EUR 1.0 billion and free cash flow of EUR 1.8 billion in 2014<sup>12</sup>.

**8.1.4** The Delhaize brand will be the Combined Company's leading brand in Belgium and Luxembourg.

**8.1.5** The Delhaize/Lion stores will continue to be supplied by the current Delhaize distribution centres.

**8.1.6** The Combined Company is anticipated to generate annual run-rate synergies of EUR 500 million, to be fully realised in the third year following completion of the Merger, with EUR 350 million in one-time costs<sup>13</sup> required to achieve such synergies. These are considered realistic and achievable through elimination of duplicate functions, achieving "best-of-both" efficiencies and leverage new scale. These are incremental to any existing cost saving programs and will fully impact the bottom line.

**8.1.7** The transaction is likely to be accretive on an earnings per share basis for former Delhaize Shareholders (in respect of the 4.75 Ahold Ordinary Shares to be received for each Delhaize Ordinary Share) for calendar years 2016 to 2018 as compared with ownership of Delhaize Ordinary Shares on a stand-alone basis, assuming a 31 December 2015 Closing Date and taking into account anticipated run-rate synergies of EUR 500 million to be fully realised in the third year following completion of the Merger and the EUR 1.0 billion Ahold Capital Return and reverse stock split and before taking into account implementation costs related to the synergies.

**8.1.8** Both Merging Companies are highly cash generative<sup>14</sup> with a strong pro forma free cash flow generation (> EUR 1.8 billion) in 2014, a solid balance sheet with pro

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<sup>12</sup> These figures are an aggregation of the reported data of Ahold and Delhaize without any pro forma adjustments. They exclude joint ventures in Portugal and Indonesia.

<sup>13</sup> Excluding the transaction costs/fees.

<sup>14</sup> Based on 2014 annual reports, pre-Merger and before any capital return and implementation of any run-rate synergies.

forma net debt / EBITDA of 0.7x<sup>15</sup> and pro forma lease adjusted net debt / EBITDAR of 1.7x<sup>16</sup>. The Combined Company will take a balanced approach to investing in profitable growth and returning excess liquidity to its shareholders.

**8.1.9** The expected dividend policy of the Combined Company will target a 40-50% pay-out ratio of adjusted net income from continuing operations.

**8.1.10** The Combined Company will be committed to an investment grade credit rating.

## **8.2** Consequences for the activities of the Merging Companies

It is intended that no changes will be made to the activities of Delhaize or Ahold and that their respective activities will be continued by the Combined Company. For avoidance of doubt the foregoing is without prejudice to the Demerger, pursuant to which the activities of the (former) Delhaize will be continued by Delhaize Le Lion / De Leeuw.

## **9** Fiscal consequences

### **9.1** Belgian tax consequences

On 13 October 2015, the Belgian Commission for advance decisions has confirmed the following:

**9.1.1** the Merger will be Tax Neutral and as a consequence, among others, (i) the Belgian corporate and professional individual Delhaize Shareholders will benefit from the roll-over regime provided by Article 190 and Article 45, § 1 of the Belgian Income Tax Code of 1992, (ii) the Belgian private Delhaize Shareholders will be exempted on the capital gains realised on their Delhaize Ordinary Shares, if any;

**9.1.2** the excess dividend received deductions built up in the hands of Delhaize will be transferred fully to the Belgian branch of the Combined Company according to the same rules as provided under Article 240*bis*, § 1, 2° of the Belgian Income Tax Code of 1992 for the transfer of carried forward tax losses; and

**9.1.3** that neither the Hive-Down itself nor the timing thereof will have any negative impact on the positions mentioned under Section 9.1.1 and 9.1.2 above.

### **9.2** Dutch tax consequences

#### **9.2.1** For Ahold

The Merger should not give rise to adverse Dutch tax consequences in the hands of Ahold.

**9.2.2** For holders of Delhaize Ordinary Shares or Delhaize ADSs, as the case may be, that are subject to Dutch corporate income tax or Dutch individual income tax

For Dutch corporate income tax and Dutch individual income tax purposes, the Merger, i.e. the exchange of the Delhaize Ordinary Shares or Delhaize ADSs, as the case may be, for Ahold Ordinary Shares or Ahold ADSs in the Merger is considered as a disposal of the Delhaize Ordinary Shares or Delhaize ADSs, as the case may be, followed by an acquisition of the relevant Ahold Ordinary Shares or Ahold ADSs. To the extent that a Delhaize Shareholder or Delhaize ADS Holder

<sup>15</sup> Based on reported net debt and underlying EBITDA as at end of Q4 2014.

<sup>16</sup> Based on S&P NPV adjustment to debt for operating leases and underlying EBITDAR per 2014 annual accounts.



is subject to Dutch corporate income tax or Dutch individual income tax as a result of a gain realised upon this deemed disposal, such person may elect for non-recognition of that gain for Dutch tax purposes by applying for a roll-over of the tax book value of these Delhaize Ordinary Shares or Delhaize ADSs, as applicable, into the tax book value of the relevant Ahold Ordinary Shares or Ahold ADSs acquired in the Merger if certain conditions are met.

Reference is made to the section entitled “Material Tax Considerations—Material Dutch Tax Considerations—Corporate Income Tax and Individual Income Tax” of the U.S. Prospectus for a more detailed description of the general Dutch corporate income tax and Dutch individual income tax consequences of the Merger.

### 9.2.3 Dutch dividend withholding tax

Ahold is required to withhold 15% Dutch dividend withholding tax in respect of dividends paid on the Ahold Ordinary Shares, including the Ahold Ordinary Shares that will be represented by Ahold ADSs. Generally, the Dutch dividend withholding tax will not be borne by Ahold, but will be withheld from the gross dividends paid on the Ahold Ordinary Shares, including the Ahold Ordinary Shares that will be represented by Ahold ADSs.

Reference is made to the section entitled “Material Tax Considerations—Material Dutch Tax Considerations—Withholding Requirement on Ahold Dividends” of the U.S. Prospectus for a more detailed description of the general Dutch dividend withholding tax consequences relevant for holders of Ahold Ordinary Shares or Ahold ADSs.

## 10 Impact of the Merger for shareholders, creditors and employees

### 10.1 Consequences for the shareholders and holders of other securities

#### 10.1.1 Terms of allotment of Ahold Ordinary Shares and Ahold ADSs

- (i) At the Effective Time, Ahold will allot for each issued and outstanding Delhaize Ordinary Share (other than any Delhaize Ordinary Share held in treasury by Delhaize or held by Ahold, if any) 4.75 Ahold Ordinary Shares.
- (ii) At the Effective Time, all Delhaize Ordinary Shares shall no longer be outstanding, shall automatically be cancelled and shall cease to exist, and:
  - (a) each book-entry position with depository intermediaries participating in the centralized depository and clearing system managed by Euroclear previously representing any such Delhaize Ordinary Shares (other than the Delhaize Ordinary Shares held in treasury by Delhaize and the Delhaize Ordinary Shares held by Ahold, if any) shall thereafter represent Ahold Ordinary Shares allotted for such Delhaize Ordinary Shares in the Merger in accordance with the Exchange Ratio;
  - (b) each Delhaize Ordinary Share held in treasury by Delhaize and each Delhaize Ordinary Share held by Ahold, if any, shall no longer be outstanding and shall be cancelled and shall cease to exist, and no consideration shall be delivered in exchange therefor pursuant to Article 703, § 2, *juncto* Article 772/1 of the BCC;

- (c) Ahold shall register in its shareholders' register the former holder of each registered Delhaize Ordinary Share with such number of Ahold Ordinary Shares as results from the Exchange Ratio, relying on the shareholdership as appears from the share register of Delhaize at Closing, which will be presumed to be accurate, and subsequently close the electronic share register of Delhaize;
- (d) each Delhaize ADS shall no longer be outstanding and shall be cancelled in exchange for the right of the holder of such Delhaize ADS to receive, at its election, (i) a number of Ahold ADSs equal to the product of (a) the number of Delhaize Ordinary Shares represented by one Delhaize ADS (the "**Delhaize ADS Ratio**") multiplied by (b) the Exchange Ratio divided by (c) the number of Ahold Ordinary Shares represented by one Ahold ADS or (ii) a number of Ahold Ordinary Shares equal to the product of (a) the Delhaize ADS Ratio multiplied by (b) the Exchange Ratio (subsections (i) and (ii), the "**Per ADS Merger Consideration**"); and
- (e) each Delhaize Equity Award shall be treated in accordance with **Error! Reference source not found.** which is deemed to constitute an integral part of this report,

except that no fractional Ahold Ordinary Shares or Ahold ADSs shall be allotted, but instead:

- (I) for book-entry positions (under (a) above) the intermediary of the respective shareholder shall aggregate the fractional entitlements into new Ahold Ordinary Shares or Ahold ADSs and sell the corresponding Ahold Ordinary Shares and Ahold ADSs on behalf of the holders who would otherwise have been entitled to receive a fractional Ahold Ordinary Share or Ahold ADS in the market for cash, and subsequently distribute the net cash proceeds to such holders proportionate to each such holder's fractional entitlements; and
- (II) for registered shareholders (under (c) above) the total number of newly allotted shares to each registered holder is rounded down to the nearest full number, and the balance is paid in cash. Such balance shall be calculated based on the stock market quotation of the Ahold Ordinary Shares on Euronext Amsterdam on the Closing Date, or if the Closing Date is not a trading day on Euronext Amsterdam, the last trading day before the Closing Date.

The total amount of cash payments that will be made by Ahold pursuant to this Section 10.1.1(ii), *in fine*, will not exceed 10% of the aggregate nominal value of the Ahold Ordinary Shares that will be allotted pursuant to the Merger.

- (iii) If the number of Ahold Ordinary Shares, Ahold ADSs, Delhaize Ordinary Shares or Delhaize ADSs (or securities convertible or exchangeable into or

exercisable for Ahold Ordinary Shares, Ahold ADSs, Delhaize Ordinary Shares or Delhaize ADSs) issued and outstanding changes before the Effective Time (and as permitted by the covenants with respect to the period between signing of the Merger Agreement and Closing), as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, subdivision, issuer tender or exchange offer, or other similar transaction, in each case other than as a result of a capital decrease taken by Ahold pursuant to and in accordance with Section 2.6 or a share buyback undertaken by Ahold pursuant to Section 2.7, the Exchange Ratio and/or the Per ADS Merger Consideration shall be appropriately adjusted to provide to the Delhaize Shareholders and the shareholders of Ahold the same economic effect as contemplated by the Merger Agreement prior to such action(s).

- (iv) Each of Ahold, Delhaize and each of their respective affiliates or any financial intermediary intervening in the Merger transactions shall be entitled to deduct and withhold from the shares to be allotted or cash to be paid to holders of Delhaize Ordinary Shares, Delhaize ADSs or Delhaize Equity Awards such amounts as it reasonably determines it is required to deduct and withhold with respect thereto under any provisions of applicable tax laws. To the extent that amounts are so withheld and paid over to the appropriate governmental entity by Ahold, Delhaize, any of their respective affiliates or any financial intermediary, as the case may be, such withheld amounts shall be treated as having been paid to the holder of Delhaize Ordinary Shares, Delhaize ADSs or Delhaize Equity Awards in respect of which such deduction and withholding was made by Ahold, Delhaize, such affiliate or such financial intermediary, as the case may be.
- (v) Each of Ahold and Delhaize will enter into appropriate arrangements with the depository of Ahold and the depository of Delhaize to give effect to this Section 10.1.

#### **10.1.2 Participation in profits**

As per the Effective Time, the Ahold Ordinary Shares and Ahold ADSs allotted to Delhaize Shareholders will be of the same nature and have the same rights, preferences and privileges as the existing Ahold Ordinary Shares and Ahold ADSs respectively, including with respect to entitlement to profits. All the aforementioned is without prejudice to the fact that if Closing takes place after the annual general meeting of Ahold shareholders to be held in 2016, any distributions of profits for the financial year 2015 will only accrue to the Ahold Ordinary Shares and Ahold ADSs in existence prior to the Merger. If Closing is expected to take place after the annual general meeting of Ahold shareholders to be held in 2016 and prior to the Delhaize annual general meeting of Delhaize Shareholders to be held in 2016, Delhaize shall be entitled to propose to the Delhaize Shareholders to accelerate the timing of any of its distributions of profits for the financial year 2015.

Other than as set forth in the above paragraph of this Section, there are no special conditions with respect to the participation in the profits of the new shares allotted by Ahold upon completion of the Merger, which would affect such entitlement.

#### 10.1.3 Arrangements for the exercise of the rights of any minority shareholders of the Merging Companies

Neither Dutch nor Belgian law provide for any specific arrangements for the exercise of rights of minority shareholders of the Merging Companies in relation to the Merger.

#### 10.1.4 Ahold's articles of association

Simultaneously with the proposal to effectuate the Merger in accordance with the Merger Proposal, it will be proposed to the extraordinary general meeting of Ahold shareholders to amend the Ahold articles of association in accordance with the text included in **Error! Reference source not found.**, provided, however, that the text as included in **Error! Reference source not found.** also includes the text of the proposals to amend the articles of association referred to in the following two paragraphs. The purpose of the first mentioned amendment is to implement the governance structure set forth in the Merger Agreement, effective as from the Effective Time and conditional upon the Merger having become effective. The amounts included in the authorised capital of Ahold (article 4.1 of **Error! Reference source not found.**) will be determined after the Ahold Capital Return is effected, within the limits of a maximum total authorised capital of EUR 45,000,000.

It will be proposed to the extraordinary general meeting of Ahold shareholders to approve the Ahold Capital Return, consisting of three amendments to the Ahold articles of association. The draft text of this proposal to amend the Ahold articles of association resulting from such three amendments is included in the text of **Error! Reference source not found.**

It will be proposed to the extraordinary general meeting of Ahold shareholders to amend the Ahold articles of association to include an option right for the Ahold Foundation to acquire cumulative preferred shares in the capital of Ahold. The draft text of this proposal to amend the Ahold articles of association is included in the text of **Error! Reference source not found.**

#### 10.1.5 Proposed composition of the supervisory board, the management board and the executive committee of the Combined Company

The list below sets out the individuals who, as of the date of this report, have been designated to become members of the supervisory board of the Combined Company, effective as from the Effective Time:

- (i) Mr. Mats Jansson, the current chairman of the Board of Directors, as chairman;
- (ii) Mr. Jan Hommen, the current chairman of the Supervisory Board, as vice-chairman;
- (iii) Mr. Jacques de Vaucleroy, a current member of the Board of Directors, also as vice-chairman;
- (iv) Mr. Patrick De Maeseneire, a current member of the Board of Directors, as member of the supervisory board;
- (v) Ms. Dominique Leroy, a current member of the Board of Directors, as member of the supervisory board;

- (vi) Mr. Bill McEwan, a current member of the Board of Directors, as member of the supervisory board;
- (vii) Mr. Jack L. Stahl, a current member of the Board of Directors, as member of the supervisory board;
- (viii) Mr. Johnny Thijs, a current member of the Board of Directors, as member of the supervisory board;
- (ix) Mr. Rob van den Bergh, a current member of the Supervisory Board, as member of the supervisory board;
- (x) Ms. Mary Anne Citrino, as member of the supervisory board;
- (xi) Mr. René Hooft Graafland, a current member of the Supervisory Board, as member of the supervisory board;
- (xii) Mr. Mark McGrath, a current member of the Supervisory Board, as member of the supervisory board;
- (xiii) Mr. Ben Noteboom, a current member of the Supervisory Board, as member of the supervisory board; and
- (xiv) Ms. Stephanie Shern, a current member of the Supervisory Board, as member of the supervisory board.

The list below sets out the individuals who, as of the date of this report, have been designated to become members of the management board of the Combined Company, effective as from the Effective Time:

- (i) Mr. Dick Boer, the current Chief Executive Officer of Ahold, as the Chief Executive Officer;
- (ii) Mr. Frans Muller, the current Chief Executive Officer of Delhaize, as the Deputy Chief Executive Officer and Chief Integration Officer;
- (iii) Mr. Jeff Carr, the current Chief Financial Officer of Ahold, as the Chief Financial Officer;
- (iv) Mr. Pierre Bouchut, the current Chief Financial Officer of Delhaize, as the Chief Operating Officer Europe;
- (v) Mr. James McCann, the current Chief Operating Officer USA of Ahold, as the Chief Operating Officer USA; and
- (vi) Mr. Kevin Holt, the current Chief Operating Officer USA of Delhaize, also as the Chief Operating Officer USA.

The list below sets out the individuals who, as of the date of this report, have been designated to become members of the executive committee of the Combined Company, effective as from the Effective Time:

- (i) the members of the management board of the Combined Company;
- (ii) Mr. Marc Croonen, the current Chief Human Resources Officer of Delhaize, as the Chief Sustainability, Transformation & Communications Officer;
- (iii) Ms. Hanneke Faber, the current Chief Commercial Officer of Ahold, as the Chief E-Commerce & Innovation Officer;

- (iv) Mr. Jan Ernst de Groot, the current Chief Legal Officer of Ahold, as the Chief Legal Officer; and
- (v) Ms. Abbe Luersman, the current Chief Human Resources Officer of Ahold, as the Chief Human Resources Officer.

The management board of the Combined Company will be responsible for the overall management and decision-making of the Combined Company and will perform its task in the best interest of the Combined Company and its enterprise. The executive committee of the Combined Company will be charged with the day-to-day management of the Combined Company.

## 10.2 Consequences for the creditors

### 10.2.1 Rights of creditors under Belgian law

Pursuant to Article 684 *juncto* Article 772/1 of the BCC, creditors of Delhaize and creditors of Ahold can request security interests to guarantee their claims that existed prior to publication in the Annex to the Belgian State Gazette (*Bijlage bij het Belgisch Staatsblad/Annexes du Moniteur belge*) of the notarial deeds establishing the consummation of the Merger within two months after such publication. Ahold, to which the claim will have been transferred and, as the case may be, Delhaize, can set aside the request by settling the claim at its fair value after deduction of a discount. In the absence of an agreement or if the creditors remain unpaid, the request is referred to the president of the competent Commercial Court of the judicial district of the debtor's registered office who will determine if a security is to be provided and the time limit within which such security must be set, as the case may be unless he/she decides that no security must be given in view of the guarantees and preferential rights of the creditor or in view of the solvency of Ahold. If the security is not provided within the set timeframe, the claim shall immediately become due and payable.

### 10.2.2 Impact of the Merger on the existing Belgian and U.S. bonds

#### (i) Belgian bonds

The terms and conditions of two series of bonds issued by Delhaize, i.e. the EUR 400,000,000 4.25% retail bonds due 19 October 2018 (the "**Retail Bonds**") and the EUR 400,000,000 3.125% institutional bonds due 27 February 2020 (the "**Institutional Bonds**", and together with the Retail Bonds, the "**Belgian Bonds**") provide that an effective resolution passed for the dissolution of Delhaize constitutes an event of default thereunder. As the Merger will result in the transfer to, and assumption by, Ahold of all rights and liabilities and legal relationships of Delhaize and the subsequent dissolution (without liquidation) of Delhaize at the Effective Time, it could not be excluded that certain holders of Belgian Bonds would take the view that approval by the Delhaize Shareholders to proceed with the Merger would constitute an event of default entitling them to request repayment at par of the Belgian Bonds held by them. Delhaize therefore requested that the holders of the Belgian Bonds (i) waive this potential event of default and, in view of the new structure, (ii) amend the terms and conditions of the Belgian Bonds where necessary through bondholders' meetings. The first bondholders' meetings were scheduled for 11 January 2016 at 11:00

a.m. Central European Time for the Institutional Bonds and at 2:00 p.m. Central European Time for the Retail Bonds, and thus in advance of the extraordinary general meeting of Delhaize Shareholders, so as to ensure that the mere approval by the Delhaize Shareholders ahead of the actual implementation of the Merger would not as such constitute an event of default under the Belgian Bonds. The required quorum was reached at the first meeting for the Institutional Bonds and the bondholders, who were represented during the meeting, approved the resolutions. Consequently, the terms and conditions of the Institutional Bonds will be amended as from the Effective Time and as reflected in the second resolution of the minutes of the institutional bondholders' meeting. However, the required quorum was not reached at the first meeting for the Retail Bonds and the retail bondholders' meeting has been adjourned to 5 February 2016 at 2:00 p.m. Central European Time with the same agenda and proposed resolutions as set out in the convening notice to the first retail bondholders' meeting.

(ii) U.S. bonds

The 6.50% senior notes due 2017, the 5.70% senior notes due 2040 and the 4.125% senior notes due 2019 (each of which is governed by New York law and denominated in USD) (the "**U.S. Bonds**") will, following the Merger, be assumed by Ahold. Such assumption does not require the consent of the holders of the U.S. Bonds.

### 10.3 Consequences for the employees

10.3.1 Ahold and Delhaize do not expect that the Merger will result in significant reductions in the Combined Company's total workforce.

10.3.2 Employees of Delhaize will be subject to a transfer of undertaking as part of the Merger process. Upon the Merger becoming effective, all existing rights and obligations arising from contracts of employment or from employment relationships with Delhaize will automatically be transferred to Ahold pursuant to Article 772/4 of the BCC. As a result:

- (i) all existing rights and obligations arising from contracts of employment or from employment relationships with the employees or the former employees of Delhaize will be transferred, as from the Effective Time, from Delhaize to Ahold, who shall benefit as of that moment from these rights and shall observe and exercise these obligations;
- (ii) as from the Effective Time, Ahold shall bear all costs in relation to employees' salaries and benefits, including vacation pay, thirteenth month, taxes, social security contributions, group insurance contributions or other non-statutory insurances in relation to the employees or the former employees of Delhaize; and
- (iii) as from the Effective Time, Ahold shall be liable for every indemnity due caused by the termination of the employment relationship with the employees or the former employees of Delhaize, including every indemnity of which each amount or award fully or partly depends on the continuous service of the employees or the former employees of Delhaize acquired as from the Effective Time.

**10.3.3** For the sake of completeness, the Merging Companies confirm that the transfer includes the rights and obligations specified as follows:

- (i) reimbursement claim towards the National Employment Office (*Rijksdienst voor Arbeidsvoorziening/Office National de L'Emploi*) of the re-activation allowance paid to the employees dismissed in the framework of the collective dismissal of which the intention was announced on 11 June 2014 in accordance with Article 38 of the Act of 23 December 2005 regarding the generation pact;
- (ii) reimbursement claim towards the National Employment Office (*Rijksdienst voor Arbeidsvoorziening/Office National de L'Emploi*) of the outplacement costs in accordance with Article 15/2 of the Royal Decree of 9 March 2006 concerning the activating policy in the context of restructurings;
- (iii) entitlement to the exemption from the obligation to replace the employees who were dismissed before the Effective Time in the context of the collective dismissal of which the intention was announced by Delhaize on 11 June 2014 and who are or will be entitled to the regime of unemployment with company allowance;
- (iv) reimbursement claim of salaries and social contributions regarding paid training leave as set forth in Article 120 of the Recovery Act concerning social provisions of 22 January 1985;
- (v) entitlement to every general or specific reduction of contributions for social security or taxes; and
- (vi) obligation to pay supplements above the statutory social security benefits awarded to current or former employees of Delhaize, irrespective of the legal source which provides this payment obligation or the name of these supplements (i.e. company allowance in the framework of unemployment with company allowance, allowances on top of unemployment allowances outside the framework of unemployment with company allowance, supplements on top of break allowances in the framework of time credit, etc.), including the social security contributions or other charges due on these supplements.

**10.3.4** Ahold and Delhaize have agreed that Delhaize shall continue the implementation of the reorganization and employment plan in Belgium as referred to in, and in accordance with, the Collective Bargaining Agreements entered into between Delhaize and its employee unions on 19 December 2014, 6 February 2015 and 23 February 2015 (including the further realization of the targets set in the context of this reorganization and employment plan).

## **11 Works council consultation**

The works council of Delhaize has been informed about and consulted with in respect of the Merger. Ahold does not have a works council at the level of Koninklijke Ahold N.V.

If an opinion is received from the organisations representing the employees in the works council in the framework of the information provided by Article 11 of the CBA number 9 of 9 March 1972, such opinion will be annexed to this report in accordance with Article 772/8, §3 of the BCC.



## **12 Corporate approvals**

The Board of Directors has approved this report at a duly convened meeting held on 21 January 2016.

## **13 Right to review this report**

In accordance with Article 772/8, second paragraph of the BCC, this report will be made available to shareholders and representatives of the employees of Delhaize for their review, at least one month before the date of the extraordinary general meetings of the Merging Companies which will be asked to decide on the Merger Proposal, at their respective registered offices.

## **14 Language**

This report has been drawn up in Dutch, French and English. The content of the three language versions is identical, apart from having been prepared in three separate languages. In the case of differences occurring in the text due to the translation, the English version of this report will prevail.

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*signature page follows*

**The board of directors of Delhaize Group NV/SA:**

*/s/ Claire Babrowski*

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Name: Claire Babrowski

*/s/ Shari L. Ballard*

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Name: Shari L. Ballard

*/s/ Jacques de Vaucleroy*

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Name: Jacques de Vaucleroy

*/s/ Patrick De Maeseneire*

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Name: Patrick De Maeseneire

*/s/ Elizabeth Doherty*

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*/s/ Mats Jansson*

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*/s/ Dominique Leroy*

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Name: Dominique Leroy

*/s/ Bill McEwan*

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*/s/ Jack L. Stahl*

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Name: Jack L. Stahl

*/s/ Johnny Thijs*

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Name: Johnny Thijs

*/s/ Baron Vansteenkiste*

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Name: Baron Vansteenkiste

## Schedules