

REPORT OF THE BOARD OF DIRECTORS OF DELHAIZE BROTHERS AND Co. "THE LION" (DELHAIZE GROUP) ON FISCAL YEAR 2005

Following the Belgian Company Code and the Company's Articles of Association, please find below the report on the activities of Delhaize Brothers and Co "The Lion" (Delhaize Group) SA (hereinafter referred to as the "Company", "Delhaize Group", "the Group", or "Delhaize Group SA") for the year ended December 31, 2005. The annual accounts are added in appendix to this report.

A. COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

A.1. COMMENTS ON THE BALANCE SHEET

Establishment costs:

Establishment costs have decreased by EUR 1.1 million due to the amortization of expenses related to the placement during the fiscal year 2004 of convertible bonds.

Intangible and tangible fixed assets:

The increase in intangible fixed assets is mainly due to investments in software and the acquisition of the business of Distra NV and Warenhuizen Troukens-Peeters NV.

The increase in tangible fixed assets is mainly due to investments in store remodelings during the fiscal year as well as the construction of a new distribution center for fresh products in Zellik, partly compensated by depreciation charges.

Financial fixed assets:

The increase in financial fixed assets is mainly due to the combination of:

- an increase due to the acquisition of the shares of Distri-Group 21 NV and its Belgian supermarket chain Cash Fresh for a total amount of EUR 58.9 million; and
- a decrease due to the dissolution and subsequent liquidation of its subsidiary Distra NV.

During the year, the Company also recorded write-downs on its financial investment in Warenhuizen Troukens-Peeters NV. To align the carrying value of the investment to its net equity value, the Company has recorded an exceptional charge amounting to EUR 0.9 million.

Inventories:

There were no significant changes in inventories compared to the previous fiscal year.

Short-term receivables:

The increase in trade receivables is primarily due to the reinforcement of the Company's wholesale activities, amounts to be recovered from suppliers and a decrease of write-downs on receivables compared to the previous year.

The increase in other receivables is mainly due to a credit position on the Company's account with Delhaize The Lion Coordination Center SA, which presented a debit position at the end of the previous fiscal year.

Short-term investments:

During the fiscal year, the Company acquired treasury shares for a total amount of EUR 7.6 million.

Capital and reserves:

The increase in share capital and share premium is the result of the exercises in 2005 of warrants granted to the management of the Group and its subsidiaries.

Financial liabilities:

The increase in financial liabilities is mainly due to the issuance of treasury notes during the fiscal year, to financing drawn from Delhaize The Lion Coordination Center SA related to the acquisition of the shares of Distri-Group 21 NV, and to the increased financing of the Company's capital expenditures by Delhaize The Lion Coordination Center SA.

Trade creditors:

The increase in trade creditors is related to the increase of the Company's retail and wholesale activities.

A.2. COMMENTS ON THE INCOME STATEMENT

Total sales decreased by 1.4%, from EUR 3,857.6 million in 2004 to EUR 3,802.0 million in 2005, mainly due to a slight market share decrease in 2005, combined with a limited decrease of the Company's affiliated network. The transfer in 2005 of the franchise business Tom&Co to Aniserco SA has also a direct impact on sales. This decrease was partly offset by an extension of the sales network with five company-operated stores (one supermarkets, three City stores and one Di store), bringing the total number of company-operated stores to 229 at the end of 2005.

Operating profit decreased from EUR 146.8 million to EUR 117.4 million due to the sales decrease and higher costs for miscellaneous goods and services (+EUR 35.2 million) and a 4.0% increase in labor cost mainly as a result of statutory labor rate increases. The increase in miscellaneous goods and services is mainly due to higher costs for marketing, transport, rent and other overhead costs.

The net financial result improved mainly due to the fact that Delhaize America declared a significantly higher dividend than the previous year. Contrary to the previous year, Delhaize The Lion Coordination Center did not declare a dividend. Interest charges did not change significantly.

Net earnings amounted to EUR 80.8 million, compared to EUR 91.5 million in 2004. The exceptional charges were mainly due to the dissolution of certain subsidiaries and the related liquidation procedures.

A.3. APPROPRIATION OF PROFIT FOR FISCAL YEAR 2005

The following breakdown of the available profit of EUR 80.8 million of the Company will be proposed to the Ordinary Shareholders' Meeting:

1. EUR 15.9 million to be carried forward;
2. EUR 0.05 million to be transferred to the legal reserve;
3. At the Ordinary General Meeting to be held on May 24, 2006, the Board of Directors will propose the payment of a gross dividend of EUR 1.20 per share. The aggregate amount of the gross dividend related to all the shares outstanding at the date of the adoption of the annual accounts by the Board of Directors, i.e. March 14, 2006, will therefore amount to EUR 113.9 million. As a result of the exercise of warrants issued under the *Delhaize Group 2002 Stock Incentive Plan*, the Company might have to issue new shares, coupon no. 44 attached, between the date of adoption of the annual accounts by the Board of Directors, i.e. March 14, 2006, and the date of their approval by the Ordinary General Meeting of May 24, 2006. The Board of directors will communicate at the Ordinary General Meeting of May 24, 2006, the aggregate number of shares entitled to the 2005 dividend and will submit to this meeting the aggregate final amount of the dividend for approval. The annual accounts of 2005 will be adapted accordingly.

B. INFORMATION REGARDING THE STATUTORY AUDITOR

At the Ordinary General Meeting of May 26, 2005, the mandate of Deloitte Reviseurs d'Entreprises (formerly known as "Deloitte & Touche"), as Statutory Auditor was renewed for a term of three years, until the Ordinary General Meeting that will be requested to approve the annual accounts relating to the fiscal year 2007. In order to comply with applicable rules on the rotation of the lead partners, the

General Meeting of May 26, 2005 replaced the lead partner representing the Statutory Auditor, Mr. James Fulton, by Mr. Philip Maeyaert.

The chart below sets forth the fees of Deloitte Reviseurs d'Entreprises and affiliated companies for services to Delhaize Group SA related to fiscal year 2005.

(in EUR)	2005
a. Statutory audit Delhaize Group SA ¹	426,650
b. Legal audit of the consolidated financial statements ¹	207,800
Subtotal a,b (fees approved by the shareholders at the Ordinary General Meeting of May 26, 2005)	634,450
c. Reconciliation to US GAAP	80,000
d. Other legally required services	13,285
Subtotal c,d	93,285
e. Consultation and other non-routine audit services	255,111
f. Tax services	10,000
Subtotal e,f	265,111
TOTAL	992,846

(1) Includes fees for limited audit reviews of quarterly and half-yearly financial information

In 2005, the fees of the Statutory Auditor have been influenced significantly by two legally required projects. First, in compliance with European Union legislation, Delhaize Group is required to report its financial results under International Financial Reporting Standards (IFRS) from 2005 on. Secondly, as a foreign company filing in the U.S., Delhaize Group will be required to meet the certification requirements on the quality and effectiveness of its internal controls for its 2006 year-end report, as set out in Section 404 of the Sarbanes-Oxley Act. Both projects count for a large part of the Statutory Auditor's fees for the "Statutory Audit of Delhaize Group SA", the "Legal audit of the consolidated financial statements" and "Accounting consultation and other non-routine audit services" in 2005.

The Audit Committee has monitored the independence of the Statutory Auditor under the Company's pre-approval policy, setting forth strict procedures for the approval of non-audit services performed by the Statutory Auditor.

C. INFORMATION REGARDING MOVEMENTS IN SHARE CAPITAL

C.1. CAPITAL

As of December 31, 2005, the Company's share capital amounted to EUR 47,352,531.00, represented by 94,705,062 ordinary shares with no nominal value. At the end of 2004, share capital amounted to EUR 46.834.280,50, represented by 93.668.561 ordinary shares.

As of December 31, 2005, the number of outstanding Delhaize Group ordinary shares, including treasury shares, was 94,705,062. The weighted average number of Delhaize Group shares outstanding, excluding treasury shares, was 93,933,653 in 2005.

Recent Capital Increases (In EUR, except number of shares)	Capital	Share Premium Account(**)	Number of Shares
Capital on December 31, 2002	46,196,352.00	2,264,224,571.50	92,392,704
Increase in capital on October 3, 2003 (*)	24,224.00	1,325,209.06	48,448
Increase in capital on November 20, 2003 (*)	91,702.50	7,617,941.78	183,405
Capital on December 31, 2003	46,312,278.50	2,273,167,722.34	92,624,557
Increase in capital on February 17, 2004 (*)	56,515.00	4,702,206.82	113,030
Increase in capital on May 19, 2004 (*)	53,965.00	4,566,100.46	107,930
Increase in capital on August 4, 2004 (*)	72,140.00	5,576,963.58	144,280
Increase in capital on September 14, 2004 (*)	85,903.00	7,429,811.56	171,806
Increase in capital on October 8, 2004 (*)	91,777.50	8,680,843.80	183,555
Increase in capital on November 16, 2004 (*)	81,581.00	8,152,862.61	163,162
Increase in capital on November 26, 2004 (*)	80,120.50	8,650,106.33	160,241
Capital on December 31, 2004	46,834,280.50	2,320,926,617.50	93,668,561
Increase in capital on January 17, 2005 (*)	94,370.00	10,796,236.16	188,740
Increase in capital on February 22, 2005 (*)	75,161.00	8,427,419.61	150,322
Increase in capital on May 9, 2005 (*)	77,388.00	8,456,385.46	154,776
Increase in capital on June 10, 2005 (*)	99,802.00	9,584,806.81	199,604
Increase in capital on July 1, 2005 (*)	83,965.50	8,048,685.89	167,931
Increase in capital on August 23, 2005 (*)	87,564.00	8,679,853.42	175,128
Capital on December 31, 2005	47,352,531.00	2,374,920,004.85	94,705,062

(*) Increase in capital as a consequence of the exercise of warrants under the 2002 Stock Incentive Plan.

(**) Share premium as recorded in the non-consolidated accounts of Delhaize Group SA, prepared under Belgian GAAP.

C.2. INCENTIVE PLANS ADOPTED BY THE COMPANY BASED ON DELHAIZE GROUP EQUITY

Delhaize Group offers stock-based incentive plans to certain members of management. For associates of its non-U.S. operating companies, Delhaize Group offers stock option and warrant plans. For associates of its U.S. based companies, the Group offers options, warrants and restricted stock.

Under the warrant plans, the exercise by the associate of a warrant results in the creation of a new share. The stock option plans and the restricted stock plans are based on existing shares. For more information on the Company's remuneration policy, see Exhibit E of the Company's Corporate Governance Charter.

Delhaize Group stock options and warrants granted to associates of non-U.S. operating companies are as follows:

Plan	Effective Date of Grants	Number of Shares Underlying Award Issued	Number of Shares Underlying Awards Outstanding at December 31, 2005	Exercise Price	Number of Beneficiaries (at the moment of issuance)	Exercise Period
2005 Stock option plan	June 2005	181,226	181,226	EUR 48.11	568	Jan. 1, 2009 - June 14, 2012
2004 Stock option plan	June 2004	237,906	237,305	EUR 38.74	561	Jan. 1, 2008 - June 20, 2011
2003 Stock option plan	June 2003	378,700	375,700	EUR 25.81	514	Jan. 1, 2007 - June 24, 2010
2002 Stock option plan	June 2002	158,300	154,300	EUR 54.30	425	Jan. 1, 2006 - June 5, 2012 ⁽¹⁾
2001 Stock option plan	June 2001	134,900	126,900	EUR 64.16	491	Jan. 1, 2005 - June 4, 2011 ⁽¹⁾
2000 Warrant plan	May 2000	115,000	106,600	EUR 63.10	461	June 2004 - Dec. 2009 ⁽¹⁾

(1) In accordance with Belgian law, most of the beneficiaries of the stock option and/or warrant plans agreed to extend the exercise period of their stock options and/or warrants for a term of three years. The very few of the beneficiaries who did not agree to extend the exercise period of their stock options and/or warrants are still bound by the initial expiry dates of the exercise periods of the plans, i.e. June 5, 2009 (under the 2002 stock option plan), June 4, 2008 (under the 2001 stock option plan) and December 2006 (under the 2000 Warrant Plan) respectively.

Options and warrants granted to associates of U.S. operating companies under the Delhaize Group 2002 Stock Incentive Plan and the Delhaize America 2000 Stock Incentive Plan are as follows:

Plan	Effective Date of Grants	Number of Shares Underlying Award Issued	Number of Shares Underlying Awards Outstanding at December 31, 2005	Exercise Price	Number of Beneficiaries (at the moment of issuance)	Exercise Period
Delhaize Group 2002 Stock Incentive plan - warrants	May 2005	1,096,385	1,041,227	USD 60.76	2,862	Exercisable until 2015
	May 2004	1,517,988	1,184,389	USD 46.40	5,449	Exercisable until 2014
	May 2003	2,132,043	1,163,069	USD 28.91	5,301	Exercisable until 2013
	May 2002	3,853,578	1,491,424	USD 13.4 - USD 76.87*	5,328	Exercisable until 2012
Delhaize America 2000 Stock Incentive plan - options	Various	700,311	158,752	USD 13.4 - USD 93.04**	4,497	Various

* Weighted average exercise price of USD 46.86 at December 31, 2005.

** Weighted average exercise price of USD 47.02 at December 31, 2005.

Restricted shares granted to associates of U.S. operating companies under the restricted stock plans is as follows:

Plan	Effective Date of Grants	Number of Shares Underlying Award Issued	Number of Shares Underlying Awards Outstanding at December 31, 2005	Number of Beneficiaries (at the moment of issuance)	Exercise Period
Delhaize America 2002 Restricted Stock Unit Plan	May 2005	145,868	138,511	204	25% of the grant will become unrestricted each year starting on the second anniversary following the date of the grant
	May 2004	179,567	157,639	193	
	May 2003	249,247	155,455	185	
	May 2002	120,906	37,348	140	
Delhaize America 2000 Stock Incentive Plan-restricted ADRs	Various	342,771	6,939	128	

C.3. AUTHORIZED CAPITAL

As authorized by the extraordinary General Meeting held on May 23, 2002, the Board of Directors of Delhaize Group may, for a period of five years expiring in June 2007, within certain legal limits, increase the capital of Delhaize Group or issue convertible bonds or subscription rights which might result in a further increase of capital by a maximum of EUR 46.2 million corresponding to approximately 92.4 million shares. The authorized increase in capital may be achieved by contributions in cash or, to the extent permitted by law, by contributions in-kind or by incorporation of available or unavailable reserves or of the issuance premium account. The Board of Directors of Delhaize Group may, for this increase in capital, limit or remove the preferential subscription rights of Delhaize Group's shareholders, within certain legal limits.

In 2005, Delhaize Group issued 1,036,501 shares of common stock for an amount of EUR 31.4 million, net of issue costs of EUR 0.2 million after tax. At the end of 2005, the Board of Directors had, after several applications of the authorization granted in 2002, a remaining authorization to increase the capital by a maximum of approximately EUR 39.3 million corresponding to approximately 78.5 million shares.

To the extent permitted by law, the Board of Directors is authorized to increase the share capital after it has received notice of a public takeover bid related to the Company. In such a case, the Board of Directors is especially authorized to limit or suppress the preferential right of the shareholders, even in favor of specific persons. Such authorization is granted to the Board of Directors for a period of three years from the date of the Extraordinary General Meeting of May 26, 2005. It may be renewed under the terms and conditions provided by law.

Authorized Capital - Status (In EUR, except number of shares)	Maximum Number of Shares	Maximum Amount (excl. Share Premium)
Authorized capital as approved at the May 23, 2002 General Meeting	92,392,704	46,196,352.00
May 22, 2002 - Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan	(3,853,578)	(1,926,789.00)
May 22, 2003 - Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan	(2,132,043)	(1,066,021.50)
April 7, 2004 - Issuance of convertible bonds	(5,263,158)	(2,631,579.00)
May 27, 2004 - Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan	(1,517,988)	(758,994.00)
May 26, 2005 - Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan	(1,100,639)	(550,319.50)
Balance of remaining authorized capital as of December 31, 2005	78,525,298	39,262,649.00

C.4. ACQUISITION AND TRANSFER OF OWN SHARES

As authorized by the Extraordinary General Meeting held on May 26, 2005, the Board of Directors of Delhaize Group is authorized to purchase Delhaize Group's ordinary shares, for a period of three years expiring in June 2008, where such a purchase is necessary in order to avoid serious and imminent damage to Delhaize Group.

In addition, on May 26, 2005, at an Extraordinary General Meeting, the Company's shareholders authorized the Board of Directors, in the absence of any threat or serious and imminent damage, to acquire up to 10% of the outstanding shares of the Company at a minimum share price of EUR 1.00 and a maximum share price not higher than 20% above the highest closing price of the Delhaize Group share on Euronext Brussels during the 20 trading days preceding the acquisition. This authorization, which has been granted for 18 months, replaces the one granted in May 2004. Such authorization also relates to the acquisition of shares of the Company by one or several direct subsidiaries of the Company, as defined by legal provisions on acquisition of shares of the Company by subsidiaries.

In May 2004, the Board of Directors approved the repurchase of up to EUR 200 million of the Company's shares or ADRs from time to time in the open market, in compliance with applicable law and subject to and within the limits of an outstanding authorization granted to the Board by the shareholders, to satisfy exercises under the stock option plans that Delhaize Group offers to its associates. No time limit has been set for these repurchases.

Delhaize Group SA acquired 155,000 Delhaize Group shares (having a par value of EUR 0.50) in 2005 for an aggregate amount of EUR 7.6 million, representing approximately 0.16% of Delhaize Group share capital. As a consequence, at the end of 2005, the management of Delhaize Group SA had a remaining authorization for the purchase of its own shares or ADRs for an amount up to EUR 190,198,867 subject to and within the limits of an outstanding authorization granted to the Board by the shareholders.

Additionally, in 2005 Delhaize America repurchased 303,458 Delhaize Group ADRs for an aggregate amount of USD 18.7 million, representing approximately 0.32% of the Delhaize Group share capital as at December 31, 2005 and transferred 157,607 ADRs to satisfy the exercise of stock options granted to

U.S. management associates pursuant to the Delhaize America 2000 Stock Incentive Plan and the Delhaize America 2002 Restricted Stock Unit Plan.

At the end of 2005, Delhaize Group SA owned 595,586 treasury shares (incl. ADRs), of which 294,735 acquired prior to 2005, representing approximately 0.63% of the Delhaize Group share capital.

D. INDEMNIFICATION OF DIRECTORS - DISCLOSURE IN CONFORMANCE WITH ARTICLE 523 OF THE BELGIAN COMPANY CODE

In accordance with article 523 of the Belgian Company Code, an extract of the minutes of the Board of Directors of May 3, 2005 is attached as appendix to this management report.

E. SIGNIFICANT SUBSEQUENT EVENTS

No material events have occurred between December 31, 2005 and the approval of this report on March 14, 2006.

F. INFORMATION ON RESEARCH AND DEVELOPMENT

The Company does not engage in these activities.

G. INFORMATION REGARDING BRANCHES

At the end of 2005, the Company operated 229 own stores, compared to 224 at the end of 2004.

H. DERIVATIVE FINANCIAL INSTRUMENTS

In April 2004, Delhaize Group SA issued convertible bonds having an aggregate principal amount of EUR 300 million for net proceeds of EUR 295.2 million (the "Convertible bonds"). The Convertible bonds mature in 2009 and bear interest at 2.75%, payable in arrears on April 30 of each year. The Convertible bonds are convertible by holders into ordinary shares of the Company at any time on or after June 10, 2004 and up to and including the date falling seven business days prior to April 30, 2009, unless previously redeemed, converted or purchased and cancelled. The conversion price is initially EUR 57.00 per share subject to adjustment on the occurrence of certain events as set out in the Trust Deed. Conversion in full of the aggregate principal amount of the Convertible bonds at the initial conversion price would result in the issuance of 5,263,158 ordinary shares. The net proceeds from the issue of the convertible bond were split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group. The interest charged for the year is calculated by applying an effective interest rate of 5.4% to the liability component. The convertible bonds are to be considered as derivative instruments because of their possible conversion into ordinary shares of Delhaize Group SA.

I. RISK FACTORS

The risk factors as mentioned below are those applicable for Delhaize Group SA and its subsidiaries. The impact of these risk factors on the financial condition, results of operations or liquidity can be different for the statutory reporting of Delhaize Group SA than for reporting on consolidated financial statements. Certain risks can potentially have an impact on the investments made in the subsidiaries, such as write-off of the investment, or on the recoverability of receivables on the subsidiaries, write-off of the receivables, for statutory reporting only. Risks at the level of the subsidiaries have a direct impact on the consolidated financial statements.

The risks described below are not the only ones that Delhaize Group faces. There may be additional risks of which the Group is unaware. There may also be risks Delhaize Group now believes to be immaterial, but which turn out to have a material adverse effect.

Currency Risk

Delhaize Group's operations are conducted primarily in the U.S. and Belgium and to a lesser extent in other parts of Europe and in Southeast Asia. The results of operations and the financial position of each of Delhaize Group's entities outside the euro zone are accounted for in the relevant local currency and then translated into euro at the applicable foreign currency exchange rate for inclusion in the Group's consolidated financial statements. Exchange rate fluctuations between these foreign currencies and the euro may have a material adverse effect on the Group's consolidated financial statements as reported in euro.

Because a substantial portion of its assets, liabilities and operating results are denominated in U.S. dollars, Delhaize Group is particularly exposed to fluctuations in the value of the U.S. dollar against the euro. The Group does not hedge this U.S. dollar translation exposure. In 2005, a variation of one U.S. cent in the exchange rate of the euro would have caused net sales and other revenues of Delhaize Group to vary by 0.9% or EUR 165.6 million, operating profit by 1.0% or EUR 9.0 million and net profit by 0.9% or EUR 3.4 million.

Transactions that could result in currency exchange rate risks for Delhaize Group are dividends paid by the U.S. operating companies to the Belgian parent company. When appropriate, the Group enters into agreements to hedge against the variation in the U.S. dollar in relation to these dividend payments between the declaration and payment dates. Long-term movements in the exchange rate of the U.S. dollar to the euro can have an adverse effect on the Group's payment of its euro denominated dividend.

Additional currency exchange rate exposure arises when the parent company or Delhaize Group's financing companies fund the Group's subsidiaries in their local currency. Any sizeable intra-Group cross-currency lending is generally fully hedged through the use of foreign exchange forward contracts or currency swaps (more information in Note 20 to the Consolidated Financial Statements, "Derivative Instruments", p. 61 of Delhaize Group's 2005 Annual Report). However, in most cases the Group's subsidiaries borrow directly in local currencies.

Interest Rate Risk

Delhaize Group's interest rate risk management objective is to achieve an optimal balance between borrowing cost and management of the effect of interest rate changes on earnings and cash flows. The Group manages its debt and overall financing strategies using a combination of short, medium and long-term debt. As a part of its interest rate risk management efforts, from time to time Delhaize Group enters into interest rate swap agreements (see Note 20 to the Consolidated Financial Statements, "Derivative Instruments", p. 61 of Delhaize Group's 2005 Annual Report).

Daily working capital requirements are typically financed with operational cash flow and through the use of various committed and uncommitted lines of credit and commercial paper programs. The interest rate on these short and medium-term borrowing arrangements is generally determined either as the inter-bank offering rate at the borrowing date plus a pre-set margin or based on market quotes from banks.

The mix of fixed-rate debt and variable-rate debt is managed within policy guidelines. At the end of 2005, 87.5% of the financial debt of the Group was fixed-rate debt and 12.5% was variable-rate debt. The large proportion of fixed-rate debt could put Delhaize Group in a disadvantageous competitive position if market interest rates are lower than our average borrowing costs for an extended period of time.

Liquidity Risk

In order to maintain funding availability through the economic and business cycles, Delhaize Group closely monitors the amount of short-term funding and the mix of short-term funding to total debt, the composition of total debt and the availability of committed credit facilities in relation to the level of outstanding short-term debt. The Group's policy is to finance its operating subsidiaries through a mix of retained earnings, third-party borrowings and capital contributions and loans from the parent and Group financing companies.

At the end of 2005, short-term borrowings of Delhaize Group were EUR 0.1 million, while cash and cash equivalents amounted to EUR 804.9 million in preparation of major debt repayments in 2006.

In April 2005, Delhaize America entered into a new USD 500 million five-year unsecured revolving credit facility, replacing a USD 350 million secured facility that would have matured in July 2005. Delhaize America had no outstanding borrowings under this credit facility as of December 31, 2005. However, approximately USD 57 million of the committed amount was used to fund letters of credit at the end of 2005. At the end of 2005, Delhaize Group SA, the parent company, had a EUR 500 million treasury notes program, under which it had EUR 62.4 million outstanding at the end of 2005. In addition, Delhaize Group had, through its different companies, approximately EUR 175.0 million committed bilateral credit facilities in Europe and Asia. Under these committed bilateral credit facilities, the Group had, at the end of 2005, EUR 0.1 million borrowings outstanding.

Delhaize Group has no credit rating published by a rating agency. Its largest subsidiary, Delhaize America, has a credit rating with Moody's Investors Services and Standard & Poor's Ratings Services. In September 2005, Moody's Investors Services, which has a Ba1 credit rating for Delhaize America, changed its outlook from positive to stable. Since December 2002, Standard & Poor's Ratings Services' credit rating of Delhaize America has been BB+ with a stable outlook. The Company believes that a downward revision of the credit rating of Delhaize America would have a limited impact on the cost of its existing financing because of the large proportion of its fixed-rate debt. However, a downgrade could make future financing more difficult and/or expensive to obtain.

None of the loan agreements of Delhaize Group include any rating triggers, but Delhaize Group is subject to certain covenants related to its debt instruments. Non-compliance with one or more of these covenants could result in events of default against the debt instruments and lack of access to funds under credit agreements. The Company also has some property pledged as collateral on certain long-term borrowings for real estate. More information can be found in Note 17 to the Consolidated Financial Statements, "Long-term Debt", p. 57 of Delhaize Group's 2005 Annual Report.

Risk Related to Investment in Securities

Delhaize Group has a price and credit risk on its financial investments. At the end of 2005, the Group's financial investments amounted to EUR 154.1 million. Delhaize Group requires a minimum quality of its financial investments and it does not utilize derivatives for speculative purposes. The Company's short-term investments have a rating of at least A1 (S&P) / P1 (Moody's). Delhaize Group's long-term investment policy requires a minimum rating of A-/A3 for its financial investments. More information can be found in Note 11 to the Consolidated Financial Statements, "Investment in Securities", p. 54 of Delhaize Group's 2005 Annual Report.

Pension Plan Risk

Most operating companies of Delhaize Group have pension plans, the structures and benefits of which vary with conditions and practices in the countries concerned. Pension benefits may be provided through defined contribution plans or defined benefit plans.

In defined contribution plans, retirement benefits are determined by the value of funds provided by contributions paid by the associates and/or the Company and the subsequent performance of investments made with these funds. For defined benefit plans, retirement benefits are based on the associates' pensionable salary and length of service or on guaranteed returns on contributions made.

Delhaize Group has defined benefit plans at Delhaize Belgium and Hannaford and a post-employment benefit at Alfa-Beta. At its other subsidiaries, including its largest operating company, Food Lion, Delhaize Group has no broad-based defined benefit plans.

When the expected return on the assets of a defined benefit plan falls short of the obligations, the Company bears an underfunding risk. At the end of 2005, the underfunding of Delhaize Group's defined benefit plans amounted to EUR 82.6 million.

More details on pension plans at Delhaize Group and its subsidiaries can be found in Note 24 to the Consolidated Financial Statements, "Benefit Plans", p. 63 of Delhaize Group's 2005 Annual Report.

Macroeconomic Risk

Major macroeconomic risks of Delhaize Group are consumer spending and cost inflation. Weaker consumer spending can impact profitability negatively due to pressure on sales and margins. If labor and cost of merchandise sold, the Group's primary operating costs, increase above retail inflation rates, this could have an adverse effect on its profitability. In addition, rising fuel and energy prices can increase the Company's cost for heating, lighting, cooling and transport. Where possible, cost increases are recovered through retail price adjustments and increased operating efficiencies.

Delhaize Group is particularly susceptible to macroeconomic risks in the U.S. In 2005, 71.5% of the Group's sales were generated in the U.S., where all its stores are located on the east coast. Consequently, Delhaize Group's operations depend significantly upon the conditions in this area.

Risk Related to Competitive Activity

The food retail industry is competitive and characterized by narrow profit margins. Delhaize Group faces heavy competition from many store chains. The Group's profitability could be impacted by the pricing, purchasing, financing, advertising or promotional decisions made by these competitors. To the extent Delhaize Group reduces prices or increases expenses to support sales in the face of competition, net income and cash generated from operations could be affected.

Risk Related to Social Actions

At the end of 2005, Delhaize Group had union representation in its operations in Belgium, the Grand-Duchy of Luxembourg, Greece and the Czech Republic. In its U.S. operations, the Group has union representation in one of Hannaford's three distribution centers. Hannaford has a collective bargaining agreement with the union at that location which will remain in effect until February 2009.

Delhaize Group's operations and results could be negatively affected by social actions initiated by trade unions or parts of its workforce, in the event of which the Group cannot assure that it would be able to adequately meet the needs of its customers.

Expansion Risk

Delhaize Group's ability to open new stores is dependent on purchasing or entering into leases on commercially reasonable terms for properties that are suitable for its needs. If the Group fails to secure property on a timely basis, its growth may be impaired. Similarly, its business may be harmed if it is unable to renew the leases on its existing stores on commercially acceptable terms.

Acquisition Risk

As part of its long-term strategy, Delhaize Group continues to reinforce its operations by pursuing acquisition opportunities in the retail grocery store industry. Delhaize Group looks for the acquisition of businesses operating the same or similar store formats in geographical areas where it currently operates or in adjacent areas. By acquiring other businesses, the Group faces risks of successful integration commonly encountered with growth through acquisition.

Risk Related to Events of Exceptional Nature

Delhaize Group's operations, assets and staff can be exposed to risks related to events of an exceptional nature such as, but not limited to: severe weather, natural disasters, terrorist attacks, hostage taking, political unrest, fire, power outages, information technology failures, food poisoning, health epidemics and accidents. Such events could have a significant effect on the Group's relationships with its customers and on its financial condition, results of operations and cash flows. The Company is continuously evaluating and addressing possible threats linked to external events and has business continuity plans and crisis procedures in place. The effectiveness of these plans in limiting financial loss will vary according to the nature and severity of any exceptional event.

Litigation Risk

Delhaize Group is from time to time involved in legal actions in the ordinary course of its business. The Group has estimated its exposure to the claims and litigation arising in the normal course of operations and believes it has made adequate provisions for such exposure. Any litigation, however, involves risk and unexpected outcomes in these matters could result in an adverse effect on our financial statements. More information on pending litigation can be found in Note 42 to the Consolidated Financial Statements, "Contingencies", p. 75 of Delhaize Group's 2005 Annual Report.

Regulatory Risk

Delhaize Group is subject to federal, regional, state and local laws and regulations in each country in which it operates relating to, among others, zoning, land use, antitrust, work place safety, public health, environmental protection, community right-to-know, alcoholic beverage sales and pharmaceutical sales. A number of jurisdictions regulate the licensing of supermarkets, including retail alcoholic beverage license grants. Under certain regulations, Delhaize Group is prohibited from selling alcoholic beverages in certain of its stores. Employers are also subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions, disabled access and work permit requirements. Compliance with, or changes in, these laws could reduce the revenues and profitability of the Group's stores and could substantially affect its business, financial condition or results of operations.

Delhaize Group actively strives to ensure compliance with all laws and regulations to which it is subject. A Code of Business Conduct and Ethics has been developed and implemented, anti-fraud and other appropriate training has been implemented within the Group and the internal audit function has been reinforced during the recent years.

Risk Related to Internal Control Weaknesses

Undetected control weaknesses or controls that function ineffectively represent a risk of loss and/or financial misstatement. Delhaize Group routinely assesses the quality and effectiveness of its internal controls. As a foreign company filing under U.S. law, Delhaize Group will be required to meet the certification requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which, beginning with

Delhaize Group's annual report for the year ending December 31, 2006, requires management and the statutory auditors to evaluate and assess the effectiveness of the Company's internal controls.

Risk Related to Stock Market Listing

Being listed on Euronext Brussels and the New York Stock Exchange, Delhaize Group is subject to Belgian and U.S. legislation and regulation regarding, among others, financial, governance and other disclosure, internal controls and insider trading. As a result, it will continue to invest necessary resources to comply with evolving laws, regulations and standards, and this investment may continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities.

As of January 1, 2005, Delhaize Group reports its consolidated financial results under International Financial Reporting Standards (IFRS). This change in accounting standards could increase the risk for accounting or interpretation errors in this transition period. The Company has taken significant measures for a smooth transition of its reporting systems and procedures from Belgian GAAP to IFRS, including, but not limited to, investments in IT systems, internal and external training of financial and accounting staff, and consultation with external experts.

Tax Audit Risk

Delhaize Group is regularly audited in the various jurisdictions in which it does business, which it considers to be part of its ongoing business activity. While the ultimate outcome of these audits is not certain, Delhaize Group has considered the merits of its filing positions in its overall evaluation of potential tax liabilities, and believes it has adequate liabilities recorded in its consolidated financial statements for potential exposures. Unexpected outcomes as a result of these audits could adversely affect Delhaize Group's financial statements.

Product Liability Risk

The packaging, marketing, distribution and sale of food products entail an inherent risk of product liability, product recall and resultant adverse publicity. Such products may contain contaminants that may be inadvertently redistributed by Delhaize Group. These contaminants may, in certain cases, result in illness, injury or death.

As a consequence, Delhaize Group has an exposure to product liability claims. If a product liability claim is successful, the Group's insurance may not be adequate to cover all liabilities it may incur, and it may not be able to continue to maintain such insurance or obtain comparable insurance at a reasonable cost, if at all.

In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any assertion that the Group's products caused illness or injury could affect the Group's reputation and its business and financial condition and results of operations.

Delhaize Group takes an active stance towards food safety in order to offer customers safe food products. The Group has worldwide food safety guidelines in place, and their application is vigorously followed.

Risk of Environmental Liability

Delhaize Group is subject to laws and regulations that govern activities that may have adverse environmental effects. Delhaize Group may be responsible for the remediation of such environmental conditions and may be subject to associated liabilities relating to its stores and the land on which its stores, warehouses and offices are situated, regardless of whether the Group leases, subleases or owns

the stores, warehouses or land in question and regardless of whether such environmental conditions were created by the Group or by a prior owner or tenant.

Self-Insurance Risk

The Group actively manages its insurable risk through a combination of external insurance coverage and self-insurance. In deciding whether to purchase external insurance or manage risk through self-insurance, the Company considers its success in managing risk through safety and other internal programs and the cost of external insurance coverage.

External insurance is used when available at a reasonable cost. The associated insurance levels are set using exposure data gained through risk assessment, by comparison with standard industry practice and by assessment of the available financing capacity in the global insurance market.

The main risks covered by our insurance policies are the following:

- Property damage and business interruption caused by fire, explosion, natural events or other perils.
- Liability incurred because of damage caused to others by our operations, products and services.

In addition to Group policies, Delhaize Group purchases, in the various countries where it is present, policies of insurance of a mandatory nature or designed to cover specific risks such as vehicle or worker's compensation or employer's liability.

The U.S. operations of Delhaize Group are self-insured for workers' compensation, general liability, vehicle accident and druggist claims. The self-insured reserves related to workers' compensation, general liability and vehicle coverage are reinsured by The Pride Reinsurance Company, an Irish reinsurance captive wholly-owned by Delhaize Group. The purpose for implementing the captive reinsurance program was to provide Delhaize Group's U.S. operations with continuing flexibility in their risk program, while providing certain excess loss protection through anticipated reinsurance contracts with Pride.

Self-insurance liabilities are estimated based on actuarial valuations of claims filed and an estimate of claims incurred but not yet reported. Delhaize Group believes that the actuarial estimates are reasonable; however, these estimates are subject to changes in claim reporting patterns, claim settlement patterns and legislative and economic conditions, making it possible that the final resolution of some of these claims may require Delhaize Group to make significant expenditures in excess of its existing reserves.

Self insurance reserves of EUR 131.0 million are included as liabilities on the balance sheet. More information on self-insurance can be found in Note 23 to the Consolidated Financial Statements, "Self Insurance Provision" (p. 63 of Delhaize Group's 2005 Annual Report).