

REPORT OF THE BOARD OF DIRECTORS OF DELHAIZE BROTHERS AND Co. "THE LION" (DELHAIZE GROUP) ON FISCAL YEAR 2003

Following the Belgian Company Code and the Company's Articles of Association, please find below the report on the activities of Delhaize Group SA (the "Company") for the year ended December 31, 2003. The financial statements are added in appendix to this report.

A. COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

A.1. COMMENTS ON THE BALANCE SHEET

Intangible and tangible fixed assets:

The increase in intangible fixed assets is mainly due to the goodwill paid in connection with the acquisition of two supermarkets during the year (asset deals).

The decrease in tangible fixed assets is due to the depreciation charge recorded during the year partly offset by investments made.

Financial fixed assets:

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

- The increase of the investment in DELHAIZE AMERICA and DELHAIZE THE LION AMERICA following the contribution in kind of the dividends declared by both companies for the year 2002;
- The increase of the investment in DELHAIZE THE LION COORDINATION CENTER following a capital increase by the coordination center;
- The acquisition or incorporation of several smaller companies.

During the year, the Company has also recorded write-downs on several of its financial investments. Based on a review of these investments' expected returns, the Company has recorded an exceptional charge amounting to EUR 6.8 million.

Inventories:

The inventories increased slightly, both on store level (due to new store openings) and in the distribution centers.

Short-term receivables:

Trade receivables

The increase in trade receivables is primarily due to the reinforcement of the Company's wholesale activities and higher supplier discounts than in the previous year.

Other receivables:

The decrease in other receivables is mainly due to the fact that, unlike in previous years, the DELHAIZE AMERICA or DELHAIZE THE LION AMERICA did not declare a dividend for the accounting year 2003.

Capital and reserves:

The small increase in share capital is the result of the exercises in 2003 of stock options granted to the Group's management.

Financial liabilities:

The increase in financial liabilities is due to additional loans granted by DELHAIZE THE LION COORDINATION CENTER SA.

However, the increase in long-term financial liabilities is offset by a decrease in financial liabilities due within one year with credit institutions.

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 increased by 7.4%, from EUR 3,409.4 million in 2002 to EUR 3,661.6 million in 2003, due to the net sales network extension with four stores (two supermarkets and six City stores were added, while four company-operated Di-stores were franchised) to a total of 219 stores at the end of 2003, the successful sales initiatives and the continued focus on store concept renewal.

The small increase in operating expenses is partly offset by a decrease in depreciation charges due to the change in depreciation policy from full-year depreciation to depreciation pro rata temporis as required by changes in tax law.

The operating margin increased to 3.9% in 2003 (2.8% in 2002) due to the sales increase, a better sales mix and strict cost discipline, and this in spite of the investments in lower prices during the year. Operating profit grew by 50.3% to EUR 142.4 million compared to EUR 94.7 million the previous year due to sales and operating margin growth.

Financial expenses decreased significantly due to the reversal of write-downs previously recorded on treasury shares as the Company's share price rose again during 2003 and to the lower interest rates in 2003.

Net earnings amounted to EUR 81.6 million in 2003, compared to EUR 147.6 million in 2002. The decrease is mainly due to the significant decline in income from financial fixed assets by EUR 116,2 million. This is the result of the fact that, contrary to last year, DELHAIZE

AMERICA nor DELHAIZE THE LION AMERICA have paid a cash dividend (see previous paragraph).

A.3. APPROPRIATION OF AVAILABLE PROFIT FOR FISCAL YEAR 2003

The following breakdown of the available profit of EUR 156.7 million of the Company will be proposed to the Ordinary Shareholders' Meeting:

1. EUR 63.2 million to be carried forward;
2. EUR 0.012 million to be transferred to the legal reserve;
3. At the Ordinary General Meeting to be held on May 27, 2004, the Board of Directors will propose the payment of a gross dividend of EUR 1.00 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 10, 2004, will therefor amount to EUR 92,7 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. 42 attached, between the date of adoption of the annual accounts by the Board of Directors, i.e. March 10, 2004, and the date of their approval by the Ordinary General Meeting of May 27, 2004.

The Board of directors will communicate at the Ordinary General Meeting of May 27, 2004, the aggregate number of shares entitled to the 2003 dividend and will submit to this meeting the aggregate final amount of the dividend for approval. The annual accounts of 2003 will be adapted accordingly.

4. EUR 690,192.00 to be paid to the directors' share of profit.

B. INFORMATION REGARDING THE STATUTORY AUDITOR

The external audit of the Company is conducted by Deloitte & Touche, Registered Auditors, represented by James Fulton, until the Ordinary General Meeting in 2005.

On the basis of the audit conducted by the Statutory Auditor in accordance with the standards of the Belgian Institut des Reviseurs d'Entreprises (Institute of Registered Auditors), the Statutory Auditor is required to certify whether the financial statements of the Company give a true and fair view of its assets, financial situation and results of operations. The Audit Committee examines and discusses the Statutory Auditor's findings on both the consolidated accounts and the accounts of the Company with the Statutory Auditor.

In addition, the Audit Committee meets with the external auditor at least quarterly to discuss the results of the external auditor's review of the quarterly information and other matters.

The chart below sets forth the fees (in EUR) charged by Deloitte & Touche to the Company in 2003.

<i>(in EUR)</i>	
a. Statutory audit Delhaize Group SA	233,760
b. Limited audit reviews of quarterly and half-yearly financial information	25,000
Subtotal a,b	258,760
c. Other legally required services	7,925
Subtotal c	7,925
d. Accounting consultation and other non-routine audit services	53,990
e. Tax consulting	268,163
Subtotal d,e	322,153
TOTAL	588,838

C. INFORMATION REGARDING MOVEMENTS IN SHARE CAPITAL

C.1. CAPITAL

As of December 31, 2003, the Company's share capital amounted to EUR 46,312,278.50, represented by 92,624,557 ordinary shares with no nominal value. At the end of 2002, share capital amounted to EUR 46,196,352, represented by 92,392,704 ordinary shares.

As of December 31, 2003, the number of outstanding Delhaize Group ordinary shares, including the treasury shares, was 92,624,557. The weighted average number of Delhaize Group ordinary shares outstanding, excluding the treasury shares, was 92,096,669 in 2003.

Recent Capital Increases

	Capital	Share Premium Account
Capital on December 31, 2000	26,015,862.50	26,232,228.26
Increase in capital on April 25, 2001	20,089,572.50	2,229,955,551.09
Increase in capital on April 25, 2001	2,200.00	194,131.67
Increase in capital on May 29, 2001	1,192.00	119,308.41
Increase in capital on June 25, 2001	87,525.00	7,723,352.07
Capital on December 31, 2001	46,196,352.00	2,264,224,571.50
Capital on December 31, 2002	46,196,352.00	2,264,224,571.50
Increase in capital on October 3, 2003	24,224.00	1,325,209.06
Increase in capital on November 20, 2003	91,702.50	7,617,941.78
Capital on December 31, 2003	46,312,278.50	2,273,167,722.34

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

Plan	Effective Date of Grants	Type of Award	Number of Shares Underlying Awards Issued	Number of Shares Underlying Awards Outstanding Dec. 31, 2003	Exercise Price	Number of Beneficiaries (at the Moment of Issuance)	Exercise Period (as Applicable)**
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<i>Plans for Management Associates of non-U.S. Operating Companies</i>							
2003 Stock Option Plan	June 2003	Stock Options	379,200	379,200	EUR 25.81	514	Jan. 1, 2007 – June 24, 2010
2002 Stock Option Plan	June 2002	Stock Options	158,300	158,100	EUR 54.30	425	Jan. 1, 2006 - June 5, 2012*
2001 Stock Option Plan	June 2001	Stock Options	134,900	133,900	EUR 64.16	491	Jan. 1, 2005 - June 4, 2011*
2000 Warrant Plan	May 2000	Warrants	115,000	114,200	EUR 63.10	461	Different exercise periods between June 2004 and Dec. 2009*
* 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 options and/or warrants are still bound by the initial expiration of the exercise periods of the plans, i.e. June 5, 2009 (under the 2002 SOP), June 4, 2008 (under the 2001 SOP) and December 2006 (under the 2000 Warrant Plan) respectively.							
<i>Plans Mainly for Management Associates of Delhaize America and U.S. Subsidiaries</i>							
2002 Restricted Stock Unit Plan	May 2003	Restricted ADRs	249,247	243,762	Not applicable	185	25% of the grant will become unrestricted each year starting on the second anniversary following the date of the grant
	May 2002	Restricted ADRs	120,906	91,685	Not applicable	140	25% of the grant will become unrestricted each year starting on the second anniversary following the date of the grant
2002 Incentive Plan	May 2003	Warrants	2,132,043	2,024,450	USD 28.91	5,301	Exercisable until 2013
	May 2002	Warrants	3,853,578*	3,051,094	USD 44.86	5,328	Exercisable until 2012
2000 Stock Incentive Plan	Various	Stock options	700,311	536,435	USD 10.85- USD 63.28	4,497	Various
	Various	Restricted ADRs	342,771	52,772	Not applicable	128	25% of the grant will become unrestricted each year starting on the second anniversary following the date of the grant
*: Out of the 3,853,578 warrants issued, 1,793,825 are newly issued warrants. The other 2,059,753 represent outstanding stock options previously issued under Delhaize America's 2000 Stock Incentive Plan and transferred to the Delhaize Group 2002 Stock Incentive Plan (the "2002 Incentive Plan") in connection with the share exchange with Delhaize Group.							
**: Vesting period for restricted ADRs under the 2002 Restricted Stock Unit Plan and the 2002 Incentive Plan							

Prior to the adoption of the 2002 Incentive Plan, Delhaize America sponsored a stock incentive plan. As of December 31, 2003, there were options outstanding to acquire 536,435 ADRs under

the Delhaize America 2000 Stock Incentive Plan, which had not been transferred to the 2002 Incentive Plan.

Prior to the adoption of the 2002 Incentive Plan, Delhaize America's stock incentive plan also provided for restricted stock grants, primarily for officers and employees. The grants of restricted stock generally were made to executive officers and normally 25% of the grant would become unrestricted each year starting on the second anniversary following the date of the grant. As of December 31, 2003, there were grants for 52,772 restricted ADRs outstanding under this plan, which had not been transferred to the 2002 Incentive Plan.

C.3. AUTHORIZED CAPITAL

As authorized by the Extraordinary General Meeting held on May 23, 2002, the Board of Directors may, for a period of five years expiring in June 2007, within certain legal limits, increase the capital of Delhaize Group SA or issue convertible bonds or subscription rights which might result in a further increase of capital by a maximum of approximately EUR 46.2 million corresponding to approximately 92.4 million shares. At the end of 2003, the Board of Directors had an authorization to increase the capital by a maximum of approximately EUR 43.2 million corresponding to approximately 86.4 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 SA may, for this increase in capital, limit or remove the preferential subscription rights of Delhaize Group's shareholders, within certain legal limits.

<u>Authorized Capital - Status</u>		
	<u>Maximum Number of Shares</u>	<u>Maximum Amount (excl. Share Premium) in EUR</u>
Authorized Capital as approved at the May 23, 2002 General Meeting	92,392,704.00	46,196,352.00
May 22, 2002 – Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan – maximum shares/capital to be issued upon exercise	-3,853,578.00	-1,926,789.00
May 22, 2003 – Issuance of warrants under the Delhaize Group 2002 Stock Incentive Plan – maximum shares/capital to be issued upon exercise	-2,132,043.00	-1,066,021.50
Balance of remaining authorized capital as of December 31, 2003	86,407,083.00	43,203,541.50

To the extent permitted by law, the Board of Directors is also authorized to increase the share capital after it has received notice of a public take-over bid related to the company. In such a case, the Board of Directors is especially authorized to limit or revoke the preferential right of the shareholders 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 23, 2002. It may be renewed under the terms and conditions provided for by law.

C.4. ACQUISITION AND TRANSFER OF OWN SHARES

The Extraordinary General Meeting held on May 23, 2002, authorized the Board of Directors to purchase shares of the Company, for a period of three years expiring in June 2005, when such a purchase is necessary in order to avoid serious and imminent damage to the Company. In the absence of any threat of serious and imminent damage, the Board of Directors was also authorized on May 22, 2003 for a period of 18 months expiring in November 2004 to purchase a maximum of 10% of the outstanding shares of the Company at a price between EUR 1 and EUR 150.

In 2003, the Company repurchased 5,000 of its own shares (including ADRs). At the end of 2003, the Company owned 232,200 treasury shares.

D. SIGNIFICANT SUBSEQUENT EVENTS

An overview of significant subsequent events can be found in the Financial Review section of the Company's Consolidated Annual Report.

E. INFORMATION ON RESEARCH AND DEVELOPMENT

The Company does not engage in these activities.

F. INFORMATION REGARDING BRANCH OFFICES

At the end of 2003, the Company operated 219 own stores, compared to 215 at the end of 2002.