



**DELHAIZE LE LION / DE LEEUW  
SCA/Comm. VA**

**HALF YEAR CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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## HALF YEAR CONDENSED FINANCIAL STATEMENTS ON JUNE 30, 2018 (Unaudited)

### Amounts in EUR

	Financial statement line	30/06/2018	31/12/2017	Evolution	Evolution (%)
<b>ASSETS</b>					
<b>FORMATION EXPENSES</b>					
	20	5.803.039	6.264.666	-461.628	-7%
<b>FIXED ASSETS</b>					
	21/28	3.764.730.496	5.453.794.060	-1.689.063.564	-31%
<b>Intangible fixed assets</b>					
	21	147.841.989	158.077.866	-10.235.877	-6%
<b>Tangible fixed assets</b>					
	22/27	575.649.997	586.891.625	-11.241.627	-2%
Land and buildings	22	248.199.374	256.852.634	-8.653.260	-3%
Plant, machinery and equipment	23	88.679.858	96.586.250	-7.906.391	-8%
Furniture and vehicles	24	34.849.243	40.132.153	-5.282.909	-13%
Leasing and other rights	25	1.211.092	1.282.126	-71.034	-6%
Other tangible fixed assets	26	66.933.888	72.333.107	-5.399.220	-7%
Tangible assets under construction and advance payments made	27	135.776.543	119.705.355	16.071.188	13%
<b>Financial fixed assets</b>					
	28	3.041.238.509	4.708.824.569	-1.667.586.060	-35%
Affiliated enterprises	280/1	3.037.473.835	4.705.060.127	-1.667.586.292	-35%
Other financial assets	284/8	3.764.674	3.764.442	232	0%
Shares	284	102.211	102.211	0	0%
Amounts receivable and cash guarantees	285/8	3.662.463	3.662.231	232	0%
<b>CURRENT ASSETS</b>					
	29/58	5.753.362.464	2.522.549.066	3.230.813.399	128%
<b>Amounts receivable after more than one year</b>					
	29	22.350.947	22.156.035	194.912	1%
Trade debtors	290	1.806.638	1.972.292	-165.654	-8%
Other amounts receivable	291	20.544.309	20.183.743	360.566	2%
<b>Stocks and contracts in progress</b>					
	3	209.846.911	223.146.896	-13.299.985	-6%
Raw materials and consumables	30/31	2.319.291	2.246.773	72.518	3%
Work in progress	32	4.277.129	5.513.266	-1.236.137	-22%
Finished goods	33	174.580	59.840	114.741	192%
Goods purchased for resale	34	185.200.954	196.884.242	-11.683.288	-6%
Advance payments	36	17.874.957	18.442.775	-567.818	-3%
<b>Amounts receivable within one year</b>					
	40/41	4.917.525.626	1.943.658.711	2.973.866.914	153%
Trade debtors	40	544.120.189	475.540.641	68.579.548	14%
Other amounts receivable	41	4.373.405.437	1.468.118.070	2.905.287.367	198%
<b>Current investments</b>					
	50/53	0	0	0	0%
Other investments and deposits	51/53	0	0	0	0%
<b>Cash at bank and in hand</b>					
	54/58	575.005.165	310.944.081	264.061.084	85%
<b>Deferred charges and accrued income</b>					
	490/1	28.633.815	22.643.342	5.990.473	26%
<b>TOTAL ASSETS</b>					
	20/58	9.523.895.999	7.982.607.792	1.541.288.207	19%

**Amounts in EUR**

	<b>Financial statement line</b>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>Evolution</b>	<b>Evolution (%)</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Capital</b>	10/15	<b>6.353.217.115</b>	<b>3.009.686.108</b>	<b>3.343.531.007</b>	<b>111%</b>
	10	<b>1.960.872.855</b>	<b>1.960.872.855</b>	<b>0</b>	<b>0%</b>
Issued capital	100	1.960.872.855	1.960.872.855	0	0%
Uncalled capital	101	0	0	0	0%
<b>Share premium account</b>	11	<b>114.721.404</b>	<b>114.721.404</b>	<b>0</b>	<b>0%</b>
<b>Revaluation surpluses</b>	12	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Reserves</b>	13	<b>46.704.593</b>	<b>46.704.592</b>	<b>0</b>	<b>0%</b>
Legal reserve	130	46.704.593	46.704.592	0	0%
Reserves not available	131	0	0	0	0%
In respect of own shares held	1310	0	0	0	0%
Others	1311	0	0	0	0%
Untaxed reserves	132	0	0	0	0%
Available reserves	133	0	0	0	0%
<b>Accumulated profits (losses) (+)/(-)</b>	14	<b>4.230.918.264</b>	<b>887.397.257</b>	<b>3.343.531.007</b>	<b>377%</b>
<b>Investment grants</b>	15	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Advance to associates on the sharing out of the assets	19	0	0	0	0%
<b>PROVISIONS AND DEFERRED TAXES</b>					
<b>Provisions for liabilities and charges</b>	160/5	<b>38.636.590</b>	<b>43.534.129</b>	<b>-4.897.539</b>	<b>-11%</b>
Pensions and similar obligations	160	3.235.630	4.036.632	-801.003	-20%
Taxation	161	0	0	0	0%
Major repairs and maintenance	162	0	0	0	0%
Environmental liabilities	163	1.338.440	1.357.033	-18.592	-1%
Other risks and costs	164/5	34.062.520	38.140.464	-4.077.944	-11%
<b>AMOUNTS PAYABLE</b>					
<b>Amounts payable after more than one year</b>	17	<b>1.111.502.579</b>	<b>1.200.592.114</b>	<b>-89.089.535</b>	<b>-7%</b>
Financial debts	170/4	1.109.439.755	1.198.641.341	-89.201.586	-7%
Unsubordinated debentures	171	1.107.486.899	1.196.593.199	-89.106.300	-7%
Leasing and other similar obligations	172	1.952.856	2.048.142	-95.286	-5%
Other loans	174	0	0	0	0%
Other amounts payable	178/9	2.062.824	1.950.772	112.051	6%
<b>Amounts payable within one year</b>	42/48	<b>1.989.736.443</b>	<b>3.687.752.313</b>	<b>-1.699.015.869</b>	<b>-46%</b>
Current portion of amounts payable after more than one year falling due within one year	42	513.172.414	401.856.199	111.316.214	28%
Financial debts	43	433.315.683	708.726.066	-274.810.383	-39%
Credit institutions	430/8	466.320	260.664.326	-260.198.006	-100%
Other loans	439	433.449.362	448.061.740	-14.612.378	-3%
Trade debts	44	858.307.392	887.016.619	-28.709.227	-3%
Suppliers	440/4	858.307.392	887.016.619	-28.709.227	-3%
Taxes, remuneration and social security	45	175.529.116	151.050.908	24.478.208	16%
Taxes	450/3	42.351.354	31.023.868	11.327.487	37%
Remuneration and social security	454/9	133.177.762	120.027.040	13.150.722	11%
Other amounts payable	47/48	7.811.839	1.539.102.521	-1.531.290.682	-99%
<b>Accrued charges and deferred income</b>	492/3	<b>31.803.272</b>	<b>41.043.129</b>	<b>-9.239.857</b>	<b>-23%</b>
<b>TOTAL LIABILITIES</b>	10/49	<b>9.523.895.999</b>	<b>7.982.607.792</b>	<b>1.541.288.207</b>	<b>19%</b>

## INCOME STATEMENT

### Amounts in EUR

Financial statement line	30/06/2018	30/06/2017	Evolution	Evolution (%)	
<b>Operating income and charges</b>	<b>70/76A</b>	<b>2.560.341.027</b>	<b>2.508.605.855</b>	<b>51.735.172</b>	<b>2%</b>
Turnover	70	2.488.839.869	2.404.554.963	84.284.906	4%
Increase (decrease) in stocks of finished goods, work and contracts in progress (+)/(-)	71	-1.121.396	-2.003.632	882.236	-44%
Own construction capitalised	72	11.651.650	25.572.838	-13.921.188	-54%
Other operating income	74	56.551.844	74.767.184	-18.215.340	-24%
Non-recurring operating income	76A	4.419.060	5.714.501	-1.295.441	-23%
<b>Operating charges</b>	<b>60/66A</b>	<b>2.504.362.351</b>	<b>2.456.430.361</b>	<b>47.931.990</b>	<b>2%</b>
Raw materials, consumables	60	1.903.339.935	1.852.834.513	50.505.421	3%
Purchases	600/8	1.900.650.876	1.862.565.700	38.085.177	2%
Decrease (increase) in stocks (+)/(-)	609	2.689.058	-9.731.186	12.420.245	-128%
Services and other goods	61	211.745.377	239.750.386	-28.005.009	-12%
Remuneration, social security costs and pensions	62	302.445.139	291.145.192	11.299.946	4%
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	630	66.088.965	62.957.011	3.131.954	5%
Increase, Decrease in amounts written off stocks contracts in progress and trade debtors:	631/4	1.911.517	2.431.197	-519.680	-21%
Appropriations (write-backs) (+)/(-)					
Provisions for risks and charges - Appropriations (uses and write-backs) (+)/(-)	635/8	-729.514	-3.846.309	3.116.794	-81%
Other operating charges	640/8	13.658.386	10.705.867	2.952.519	28%
Non-recurring operating charges	66A	5.902.548	452.503	5.450.045	1204%
<b>Operating profit (loss) (+)/(-)</b>	<b>9901</b>	<b>55.978.675</b>	<b>52.175.494</b>	<b>3.803.182</b>	<b>7%</b>
Net Financial income (+) & expenses (-)	75/76B & 65/66B	3.287.644.715	22.654.200	3.264.990.514	14412%
<b>Profit (loss) for the period before taxes (+)/(-)</b>	<b>9903</b>	<b>3.343.623.390</b>	<b>74.829.694</b>	<b>3.268.793.696</b>	<b>4368%</b>
Income taxes	670/3	92.383	280.073	-187.690	-67%
<b>Profit (loss) for the period (+)/(-)</b>	<b>9904</b>	<b>3.343.531.007</b>	<b>74.549.621</b>	<b>3.268.981.386</b>	<b>4385%</b>
<b>Profit (loss) for the period available for appropriation (+)/(-)</b>	<b>9905</b>	<b>3.343.531.007</b>	<b>74.549.621</b>	<b>3.268.981.386</b>	<b>4385%</b>

## NOTES AND INTERIM REPORT OF THE STATUTORY MANAGER

### PRELIMINARY NOTE

Delhaize Le Lion / De Leeuw (“The Company” or “Delhaize”) is a Limited Stock Partnership company incorporated under the laws of Belgium (*Commanditaire Vennootschap op Aandelen / Société en Commandite par Actions*), having its registered office at Osseghemstraat 53, 1080 Sint-Jans-Molenbeek/Molenbeek-Saint-Jean (Brussels), Belgium and registered with the Crossroads Bank for Enterprises under number 0402.206.045 (“Delhaize Group”).

In accordance with the requirements and recommendations of the Belgian transparency law and of the FSMA, the statutory manager of the Company presents below the report on the activities of Delhaize for the half year period starting January 1, 2018 and ending June 30, 2018.

### A. NOTES AND COMMENTS ON THE HALF YEAR FINANCIAL STATEMENTS

#### A.1. NOTES AND COMMENTS ON THE BALANCE SHEET

##### Formation expenses:

As at June 30, 2018, the formation expenses amount to EUR 5,8 million. They are mainly related to debt issuance costs amortized over the maturity of the loans.

##### Intangible and Tangible Fixed Assets:

Intangible and tangible fixed assets (EUR)	Net Book Value 31/12/2017	Acquisitions	Transfers	Depreciations, impairments & disposals	Net Book Value 30/06/2018	Evolution
Intangible fixed assets	158.077.866	9.919.173	1.513.309	-21.668.359	147.841.989	-10.235.877
Land and buildings	256.852.634	3.958.470	199.604	-12.811.333	248.199.374	-8.653.260
Plant, machinery and equipment	96.586.250	6.902.759	2.040.121	-16.849.271	88.679.858	-7.906.391
Furniture and vehicles	40.132.153	527.463	8.273	-5.818.646	34.849.243	-5.282.909
Leasing and other rights	1.282.126	0	0	-71.034	1.211.092	-71.034
Other tangible fixed assets	72.333.107	3.701.266	1.214.102	-10.314.587	66.933.888	-5.399.220
Tangible assets under construction	119.705.355	21.046.596	-4.975.408	0	135.776.543	16.071.188
<b>Total intangible and tangible fixed assets</b>	<b>744.969.491</b>	<b>46.055.727</b>	<b>0</b>	<b>-67.533.231</b>	<b>723.491.987</b>	<b>-21.477.504</b>

The intangible and tangible fixed assets decreased by EUR 21,5 million during the first semester of 2018. The decrease results from the depreciations (EUR -67,5 million), partly offset by the acquisitions (EUR 46 million) of the period. Acquisitions in intangible and tangible fixed assets mainly include, capital expenditures for building new stores, remodelling existing stores, the continued construction of a new distribution center and investments in the IT-environment.

The intangible fixed assets amount to EUR 147,8 million and mainly consist of software purchased or internally developed. The intangible assets decreased by EUR 10,2 million during the period which is explained by EUR 21,7 million depreciations offset by EUR 11,4 million investments.

Tangible fixed assets amount to EUR 575,7 million which is composed as follows:

- Land and buildings amount to EUR 248,2 million. The decrease by EUR 8,7 million results from depreciations and disposals of the period for EUR 12,8 million, partly offset by acquisitions for EUR 4,2 million;
- Plant, machinery and equipment amount to EUR 88,7 million. The decrease of EUR 7,9 million results from depreciations and disposals of the period for EUR 16,8 million, offset by capital expenditures for EUR 8,9 million;
- Furniture, vehicles and leasing amount to EUR 36,1 million. The decrease of EUR 5,4 million results from EUR 5,9 million depreciations and disposals offset by; acquisitions of the period for EUR 0,5 million;
- Other tangible fixed assets amount to EUR 66,9 million. The decrease of EUR 5,4 million results from EUR 10,3 million depreciations and disposals offset by acquisitions of the period for EUR 4,9 million;
- Assets under construction amount to EUR 135,8 million and contain mainly the capital expenditures made for construction, remodelling or rebuild of stores and distribution centres and investments in upgrading the IT infrastructure which are ongoing at period-end.

#### **Financial fixed assets:**

The investments in subsidiaries amount to EUR 3.041,2 million in 2018. The decrease of EUR 1.667,6 million in 2018 is due to the sale of the shares in Delhaize US Holdings INC to Koninklijke Ahold Delhaize N.V. and the liquidation of Smart Food Shopping SA. The company owns the following participations as at June 30, 2018:

Subsidiary	Shares %
DELHOME SA	80,00%
DELIMMO SA	99,99%
POINTS PLUS PUNTEN SA	99,60%
DELHAIZE LUXEMBOURG S.A.	99,99%
DELHAIZE DISTRIBUTION LUXEMBOURG S.A.	99,90%
DELHAIZE "THE LION" NEDERLAND B.V.	100,00%
LION RETAIL HOLDING S.A.R.L.	100,00%
LION LUX FINANCE S.A.R.L.	100,00%
DIFRACO SA	100,00%
DELHAIZE DIGITAL SERVICES LTD	100,00%
DELHAIZE LOGISTICS SPRL	99,95%
WIDI SPRL	99,99%
DELIFRA SPRL	100,00%
LION US HOLDINGS SARL	100,00%
SOCIÉTÉ COOPÉRATIVE EUROPÉENNE DE RÉFÉRENCIEMENT ET DE NÉGOCE DES INDÉPENDANTS COMMERCANTS CVBA	25,00%



**Inventories:**

Inventories amount to EUR 209,8 million. The inventory value can be split as follows: EUR 191,3 million products and finished goods offset by inventory impairment for EUR 5,9 million; EUR 6,6 million raw and packaging materials and work in progress and EUR 17,9 million advance payments. Inventory levels decreased by EUR -13,3 million mainly as a result of lower stock in our stores and distribution centers (EUR -12,5 million), a decrease in raw & packaging material (EUR -1,2 million) and inventory related advance payments (EUR -0,6 million). This decrease is partly offset by a lower impairment compared to 2017 by EUR 1 million.

**Amounts receivable within one year:**

The amounts receivable within the year amount to EUR 4,9 billion and consist in trade receivables, vendor allowance receivables, invoices to issue and credit notes to receive, other current receivables and current intercompany receivables.

Amounts receivable within the year increased by EUR 3,0 billion. This increase mainly relates to a short-term receivable on Koninklijke Ahold Delhaize N.V. (EUR +4,3 billion) as a result of the sale of the participating interest in Delhaize US Holdings INC.

**Deferred charges and accrued income:**

The deferred charges and accrued income increased by EUR 6,0 million. This increase is mainly due to the fair value adjustments on financial instruments.

**Share capital and reserves:**

The total equity amounts to EUR 6.353,2 million, composed of the issued capital amounting to EUR 1.960,9 million, share premiums (EUR 114,7 million), the legal reserve (EUR 46,7 million) and the profit carried forward (EUR 4.230,9 million, including the first semester of 2018 profit of EUR 3.343,5 million).

**Provisions:**

As at June 30, 2018, the provisions amount to EUR 38,6 million.

In 2014, Delhaize recognized a provision of EUR 137,5 million representing management's best estimate of the expected costs in connection with the agreed upon voluntary early retirement and voluntary departure of approximately 1.800 employees under a transformation plan (the "Transformation Plan"). Up to June 30, 2018, the provision was updated based on the selected plans per individual and based on the payments made during this period. As at June 30, 2018, the outstanding provision for the Transformation Plan amounts to EUR 22,2 million.

Last year in 2017, Delhaize has begun a reform of its distribution chain, including the construction of a new national mechanized distribution center for the delivery of fast moving goods in our Belgian stores. This project is named "ASCO". This rearrangement will have consequences for the organization of our employees (change of workplace, working hours, etc.). In 2017, Delhaize signed a new collective labour agreement in which social support measures are planned. A provision of € 10,0 million has been recognized, which is management's best estimate for the expected costs to cover Delhaize's obligations under this agreement.

The other outstanding provisions are linked to pensions and assimilated obligations (EUR 3,2 million), environmental obligations (EUR 1,3 million) and provisions for social and other miscellaneous litigations (EUR 1,8 million).

### Amounts payable after more than one year:

Delhaize has EUR 1.111,5 million long term payables.

This liability consists of:

- EUR 1.107,5 million of external debt, which can be detailed as follows:

Maturity date	Interest %	Nominal (million)	In EUR (million)
27/02/20	3,13%	€400	€399,7
01/10/40	5,70%	\$827	€707,8
			€1.107,5

- EUR 2,0 million long term finance lease liabilities
- EUR 2,1 million other long term amounts payable

Compared to December 31, 2017 about EUR 89,1 million has been transferred to short term debts.

### Short term financial debts:

The current portion of the long term financial liabilities amounts to EUR 513,2 million and contains two external bonds that mature within one year. The current portion of long term loans have increased by EUR 111,3 million as a result of the reallocation of the loan that comes into maturity in Q2 2019 for EUR 111,0 million.

The short term financial liabilities amount to EUR 433,9 million and mainly relate to short term liabilities towards several group companies that are part of inhouse cash pool activities.

### Trade payables:

In 2018, the trade payables amount to EUR 858,3 million. This balance contains mainly our trade payables with third parties (EUR 543,2 million), trade payables with intercompany entities (EUR 42,4 million) and the invoices to receive and accruals (EUR 272,7 million).

### Tax and payroll related payables:

In 2018, the amounts payable for taxes, remuneration and social security amount to EUR 175,5 million, mainly composed by the value added taxes (EUR 20,3 million), debts related to payroll withholding taxes (EUR 8,3 million), debts related to payroll related expenses and social security (EUR 124,8 million) and accrued taxes for excise duty, eco-tax and property tax (EUR 22,1 million).

The tax and payroll payables increased by EUR 24,5 million, driven by higher tax payables (EUR +11,3 million) and higher payroll related payables (EUR +13,2 million).

### Other short term liabilities:

As at June 30, 2018, the other short term liabilities amount to EUR 7,8 million. The decrease by EUR 1.531,3 million is mainly explained by the settlement in March 2018 of an intercompany loan of EUR 1.530,0 million.

### Accrued charges and deferred income:

The accrued charges amount to EUR 31,8 million. This balance contains mainly accrued interests payable on bonds (EUR 27,0 million), miscellaneous accrued expenses (EUR 3,3 million), deferred income (EUR 1,4 million) and accrued rent (EUR 0,1 million).



The decrease by EUR 9,2 million compared to prior year is mostly resulting from lower interests payable on our debts (EUR -6.7 million, mainly due to timing of interest payments) and other accrued expenses (EUR -2,5 million, mainly explained by less accrued charges for insurances).

## **A.2. NOTES AND COMMENTS ON THE INCOME STATEMENT**

Delhaize generated an operating income of EUR 2.560,3 million between January 1, 2018 and June 30, 2018 which represents an increase by 2,1% compared to 2017. Sales amounted to EUR 2.488,8 million for the period (mainly sales from our integrated stores and sales to our affiliates) whilst the other miscellaneous income contributed for EUR 71,5 million. The miscellaneous income contains a non-recurring operating income of EUR 4,4 million composed by the reversals of the Transformation Plan provision for EUR 4,4 million (reflecting payments already made that are expensed through payroll accounts).

Delhaize had a positive operating profit of EUR 56,0 million as at June 30, 2018, compared to EUR 52,2 million in 2017. To reach this profit, the Company expensed EUR 1.903,3 million in purchase of goods and inventory, EUR 211,7 million in services and other goods, EUR 302,4 million in remuneration and payroll associated costs, EUR 67,3 million in depreciation and other amounts written off, EUR 13,7 million in other miscellaneous expenses and EUR 5,9 million in non-recurring operating charges resulting from losses on disposals of fixed assets.

The financial results increased from a net financial result of EUR 22,7 million in 2017 to a net financial result of EUR 3.287,6 million in 2018. This positive result is mainly explained by:

- Gain on sale of investments of EUR 2.780,7 million, which relates to sale Delhaize US Holdings INC
- Dividend received from subsidiaries of EUR 514,5 million
- Net financial interest expenses on assets and liabilities of EUR -4,5 million
- Realized and unrealized gains on investments and debt instruments of EUR -1,6 million
- Other miscellaneous expenses: EUR -1,5 million

After deduction of the income tax, the profit available for appropriation amounts to EUR 3.343,5 million in 2018 compared to EUR 74,5 million in 2017.

## **B. INFORMATION REGARDING SHARE CAPITAL**

There have been no changes to the share capital of the Company in 2018. On June 30, 2018, Delhaize has 2.700.000.001 ordinary shares issued and fully paid for an amount of EUR 1.960.872.855. The Company does not own any treasury shares.

## **C. SIGNIFICANT SUBSEQUENT EVENTS**

From June 30, 2018 to the signature of this report, no significant events or transactions occurred that could materially affect the true and fair view of the condensed financial statements prepared by the Statutory Manager, except for the distribution of an interim dividend of EUR 4,074,447,733.94 to its shareholders on a *pro rata* basis, which was decided on July 2, 2018. This distribution is linked to the sale of the participation of Delhaize US Holdings Inc to Koninklijke Ahold Delhaize N.V. and was simultaneously settled with the outstanding intercompany receivable of the Company towards Koninklijke Ahold Delhaize NV. The objective of this transaction is to align and simplify the legal structure of the Group Ahold Delhaize in order to work more efficiently in the future.

## **D. INFORMATION ON RESEARCH AND DEVELOPMENT**

In 2018 the research and development activities of Delhaize mainly focused on developing in-house software and on environmental measures relating to the use of energy.

## **E. INFORMATION REGARDING BRANCHES**

The Company does not have any branch offices.

## **F. RISK FACTORS**

Delhaize is subject to strategic, operational, financial, compliance and regulatory risks.

The main risks identified by Delhaize are:

- *Strategic risks*: macro-economic risks; expansion risks; acquisition and integration risk; divestiture risk and risk related to competitive activity;
- *Operational risks*: risk related to events of exceptional nature; risk related to social actions; risk related to information technology systems; risk related to Delhaize affiliated stores; risk related to Delhaize suppliers;
- *Financial risks*: funding and liquidity risk; interest rate risk; currency risk; transaction exposure; credit and counterparty risks; pension plan risk; insurance risk;
- *Compliance and regulatory risks*: litigation risk; regulatory risk; product liability risk; risk of environmental liability; risk related to internal controls; tax audit risk.

The above risks are regularly identified, evaluated and mitigated by Delhaize's management. Any of those risks could however have a material adverse effect on the financial condition, results of operations or liquidity and could lead to impairment losses on goodwill, intangible assets and other assets. There may be additional risks of which Delhaize is unaware. There may also be risks that Delhaize now believes to be immaterial, but which could evolve to have a material adverse effect.

## **G. INTERNAL CONTROLS**

### **Company risk management**

As a subsidiary of Ahold Delhaize, Delhaize is subject to the global enterprise risk management (ERM) program designed to provide executive management with an understanding of the key business risks and associated risk management practices. Within each business, management identifies the principal risks to the achievement of the business objectives and the actions needed to mitigate these risks. Senior executives periodically review these risks and the related mitigation practices.

Executive management is required to review the principal risks and risk management practices with the Executive Committee as a regular part of the business planning and performance cycle. In turn, the Executive Committee provides complementary insights into existing and emerging risks that are subsequently included in the ERM process. Ahold Delhaize's enterprise risk management program influences the formation of controls and procedures, the scope of internal audit activities and the focus of the business planning and performance process. In 2017, Ahold Delhaize fully integrated its risk management program into one coherent approach for all Group entities.

## **Control framework**

The Ahold Delhaize control framework comprises risk assessment, control activities and monitoring of our business practices both at group-level as on all functional levels. A three-line defense model has been adopted to provide reasonable assurance that the risks associated with the achievement of important objectives are identified and limited:

- first line of defense: management of the group and the subsidiary
- second line of defense: risk management, control, compliance and other specialized functions
- third line of defense: internal audit

Ahold Delhaize launched the Code of Ethics in 2017, which applies to all subsidiaries and includes the use of whistleblower lines available to employees at each of our sites. In 2017, there were no justified announcements on significant financial reports, accounting, fraud or ethical violations.

## **Control and insurance**

Ahold Delhaize uses an extensive process of business planning and performance evaluation. This process includes the approval of the strategy, the budget and the reporting of current and expected results. We evaluate the Company's performance based on financial and non-financial objectives.

Ahold Delhaize has a group-wide certification process in place, which requires that the executive management members at each of its reporting entities send letters of representation to the Financial Disclosure Committee on a quarterly basis. These letters confirm whether the reporting entities are in compliance with the Ahold Delhaize's Codes regarding policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements.

On July 31, 2017 Ahold Delhaize filed a certificate with the American Securities and Exchange Commission (SEC) in relation to the deregistration of its common shares, by which the Company's reporting obligations in the United States with the SEC were terminated.

Although the Company is no longer subject to the Sarbanes-Oxley Act, in relation to the control on financial reporting, it has decided to maintain the current internal control environment.

## **Governance, Risk Management and Compliance Committee**

The Global Governance, Risk and Compliance Committee (GRC) is responsible for evaluating corporate governance processes, risk management and corporate compliance processes. In 2018, the global GRC committee met quarterly.

## **Risk management and control systems for financial reporting risks**

The statutory manager is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

No significant incidents, which could substantially impact the business and its results, have occurred during the first semester of 2018. Delhaize's financial reporting systems are adequately designed and were effectively managed in the first semester of 2018 and provide reasonable assurance that the financial statements are free from material misstatement.

## H. CONTINGENCIES

Delhaize is from time to time involved in legal actions in the ordinary course of its business. Delhaize is, as per the date of this report, not aware of any pending or threatened litigation, arbitration or administrative proceedings (individually or in the aggregate) that is likely to have a material adverse effect or would have altered the position taken in the financial statements as at June 30, 2018. Any litigation, however, involves risk and potentially significant litigation costs and therefore Delhaize cannot give any assurance in that respect.

Brussels, 4 September 2018

**Delhaize Management BVBA/SPRL**

**Statutory Manager,**

Represented by its permanent representative *Jeff Carr*



## DECLARATION OF THE STATUTORY MANAGER

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I, the undersigned, Jeff Carr, permanent representative of Delhaize Management, statutory manager of Delhaize Le Lion / De Leeuw (the issuer), declare, in name and on behalf of Delhaize Le Lion / De Leeuw that, to the best of my knowledge:

- the condensed half year financial statements, drawn up in accordance with the applicable accounting standards for annual accounts (Belgian GAAP), are giving a true and fair view of the net assets, the financial condition and the profit & loss of the issuer;
- the interim annual report gives a true and fair overview of the important events that have occurred during the first six months of the financial year and the effect thereof on the condensed financial statements, as well as a description of the most important risks and uncertainties for the remaining months of the financial year.

## **INFORMATION ON THE EXTERNAL AUDIT**

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The Statutory Manager informs the readers that the half year condensed financial statements of Delhaize Le Lion / De Leeuw were not subject to a review or limited review performed by an external auditor. As a consequence, the figures and reports presented here above are unaudited.



This Interim Report includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as will, ongoing, maturing, could, may be, or other similar words or expressions, are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause actual results of Delhaize Le Lion Comm.VA (the "Company") to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to risks and other factors as discussed in Koninklijke Ahold Delhaize N.V.'s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company's management and assumptions based on information currently available to the Company's management. Forward-looking statements speak only as of the date they are made, and neither the Company nor Koninklijke Ahold Delhaize N.V. assume any obligation to update such statements, except as required by law.