Ahold Delhaize

Interim Report

Second quarter and Half year 2018

Ahold Delhaize continues to deliver strong earnings and free cash flow growth

- Net sales of €15.5 billion, up 0.9% at constant exchange rates, impacted by the timing of Easter
- Net income up 15.3% to €410 million, up 20.0% at constant exchange rates
- Net consumer online sales up 23.3% at constant exchange rates
- Underlying operating margin up 0.1% point to 4.0%, supported by synergies
- Strong free cash flow of €693 million, up €293 million, mainly due to improved net working capital

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Zaandam, the Netherlands, August 8, 2018 – Ahold Delhaize, one of the world's largest food retail groups and a leader in both supermarkets and e-commerce, reports a solid second quarter with increased sales and margins, unfavorably impacted by the timing of Easter, and delivery of strong earnings and free cash flow growth.

Frans Muller, CEO of Ahold Delhaize, said: "During the second quarter of 2018 our business continued to perform well and we remain on track with the execution of our strategy, building great local brands and strengthening our leading positions in our major markets, both in our stores and online.

"Second quarter sales rose 0.9% at constant exchange rates, and 2.4% adjusted for Easter and remedy stores sold in 2017. Net consumer online sales grew 23% across the group, keeping us on pace to realize nearly €5 billion in online consumer sales by 2020.

"We continue to innovate and improve our offering, focusing on health and convenience. During the quarter, various initiatives were deployed both in the United States and in Europe, offering our customers choices for a more healthy lifestyle. These initiatives included the launch of the My Nutritional Value online tool to help Albert Heijn customers gain more insight into the nutritional value of their groceries. Throughout our network, we continue to make shopping more convenient in our stores, by expanding our range of meal kits and freshly made meals, providing an easy solution for time-constrained customers, and by piloting and rolling out seamless checkout options for customers.

"In the United States, comparable sales growth excluding gasoline was -0.1%, or 1.0% adjusted for the timing of Easter. Volumes at Hannaford and Food Lion remained positive but were challenged at the other US brands. We expect the implementation of our brand-centric organization to result in an improvement in sales trends in the third quarter.

"In the Netherlands, comparable sales growth was 2.9%, or 3.8% adjusted for the timing of Easter, supported by the ongoing strong growth of bol.com and ah.nl. In Belgium, Delhaize comparable sales growth was 1.4%, or 2.3% adjusted for the timing of Easter, as the brand continues to improve its commercial and operational performance. For Central and Southeastern Europe, comparable sales growth was 0.5%, or 1.1% adjusted for the timing of Easter. The strong performance in Romania and the Czech Republic was offset by the impact of ongoing changes in the competitive landscape in Greece.

"Free cash flow was €693 million, confirming our target of about €1.9 billion for 2018. The strong cash-generating capacity of our businesses allows us to keep investing in our store network and in our rapidly growing online businesses. During the quarter, we announced a significant investment at bol.com, more than doubling its warehouse capacity by 2021.

"As part of these investments, we have announced the launch of Peapod Digital Labs, which will drive innovation, expertise and accelerate growth by creating a shared e-commerce infrastructure for all of our brands in the United States. We look forward to provide more detail on this at our Capital Markets Day on November 13 in New England. In addition, we will be sharing our exciting initiatives to update the Stop & Shop brand, our largest business in the United States, with a fresh new format which will be launched later this year."

Group performance

€ million, except per share data	Q2 2018	Q2 2017	% change	% change constant rates	HY 2018	HY 2017	% change	% change constant rates
Net sales	15,531	16,121	(3.7)%	0.9%	30,464	31,991	(4.8)%	1.7%
Of which: online sales	643	556	15.5 %	18.5%	1,274	1,110	14.7 %	19.0%
Net consumer online sales[1]	790	655	20.6 %	23.3%	1,551	1,298	19.5 %	23.2%
Operating income	582	547	6.5 %	11.1%	1,156	1,116	3.6 %	10.8%
Income from continuing operations	410	355	15.3 %	20.0%	817	711	14.8 %	22.7%
Net income	410	355	15.3 %	20.0%	817	711	14.9 %	22.7%
Basic income per share from continuing operations	0.34	0.28	21.4 %	25.9%	0.68	0.56	21.4 %	28.3%
Underlying EBITDA[1]	1,059	1,081	(2.1)%	2.5%	2,096	2,142	(2.2)%	4.7%
Underlying EBITDA margin[1]	6.8%	6.7%			6.9%	6.7%		
Underlying operating income[1]	616	628	(2.0)%	2.3%	1,216	1,234	(1.5)%	5.3%
Underlying operating margin[1]	4.0%	3.9%			4.0%	3.9%		
Underlying income per share from continuing operations[1]	0.37	0.33	12.1 %	15.6%	0.72	0.63	14.3 %	22.0%
Free cash flow[1]	693	400	73.2 %	80.9%	1,134	597	90.0 %	109.1%

1. *Net consumer online sales, Underlying EBITDA, underlying operating income and free cash flow are alternative performance measures that are used throughout the report. For a description of alternative performance measures, refer to section* Use of alternative performance measures *at the end of this report.*

Performance by segment

The United States

	Q2 2018	Q2 2017	% change	% change constant rates	HY 2018	HY 2017	% change	% change constant rates
$ million								
Net sales	10,963	10,996	(0.3)%		21,823	21,637	0.9 %	
Of which: online sales	217	202	7.7 %		439	405	8.5 %	
€ million								
Net sales	9,211	9,986	(7.8)%	(0.3)%	18,050	19,975	(9.6)%	0.9 %
Of which: online sales	182	183	(0.5)%	7.7 %	363	374	(2.9)%	8.5 %
Operating income	350	329	6.4 %	14.3 %	716	703	1.9 %	13.6 %
Underlying operating income	366	393	(6.7)%	0.0 %	744	794	(6.3)%	4.3 %
Underlying operating margin	4.0 %	3.9%			4.1%	4.0 %		
Comparable sales growth	0.3 %	0.7%			1.6%	0.0 %		
Comparable sales growth excluding gasoline	(0.1)%	0.7%			1.3%	(0.2)%		

In the second quarter of 2018, net sales in the United States decreased by 0.3% at constant exchange rates to €9,211 million. Adjusted for the timing of Easter, net sales were up 0.8% and 1.4% including the adjustment for the remedy stores sold over the course of 2017. Comparable sales excluding gas decreased by 0.1% and, adjusted for the timing of Easter, increased by 1.0%. Price inflation in the quarter was 1.6%, reflecting a lower level of promotional activity compared to last year. Online sales in the U.S. increased by 7.7% at constant exchange rates to €182 million, supported in particular by the growth in same-day, third-party delivery and Hannaford To Go.

Ahold Delhaize USA announced the launch of Peapod Digital Labs, which will drive digital and e-commerce innovation, technology and experience to meet the changing needs of customers of its local brands. The new organization will also oversee the Peapod brand, headquartered in Chicago. Ahold Delhaize USA will start to build out Peapod Digital Labs in the coming months and expects it will be operational by the end of the year.

Food Lion reported its 24th consecutive quarter of volume growth. In addition, Food Lion's sales growth benefited from the opening of three former Farm Fresh stores in Virginia and two of the four acquired former Bi-Lo stores in South Carolina.

At Hannaford, nearly one million customers are now enrolled in the My Hannaford rewards program, contributing to positive volume growth this quarter.

Volumes were challenged in our other US brands, particularly at Stop & Shop. With the brand-centric organization now in place, we expect to improve sales trends in the third quarter.

Giant/Martin's announced a new e-commerce facility in Lancaster County, Pennsylvania, that will serve as a grocery delivery center and offer curbside pickup orders. The facility will also feature a walkable pickup point to meet the growing local demand for online grocery.

As part of its efforts to realign its assortment to changing customer preferences, Giant Food successfully relaunched its prepared food category, showing encouraging growth after the launch.

Underlying operating margin in the U.S. was 4.0%, up 0.1% percentage points from the same quarter last year. The margin was higher due to continued synergy savings and our "save for our customers" programs, mainly offset by inflation on wages and transportation costs.

The Netherlands

€ million	Q2 2018	Q2 2017	% change	HY 2018	HY 2017	% change
Net sales	3,536	3,434	3.0%	6,944	6,754	2.8 %
Of which: online sales	445	361	23.2%	879	711	23.5 %
Net consumer online sales	592	459	28.9%	1,156	899	28.6 %
Operating income	183	172	7.0%	345	340	1.7 %
Underlying operating income	187	174	6.8%	353	341	3.4 %
Underlying operating margin	5.3%	5.1%		5.1%	5.1%	
Comparable sales growth	2.9%	4.8%		3.1%	4.1%	

Net sales in the Netherlands of €3,536 million increased by 3.0% compared to the previous year and 3.3% adjusted for remedy stores sold over the course of 2017. Comparable sales grew by 2.9%, or 3.8% adjusted for the timing of Easter.

Albert Heijn launched a unique online tool, My Nutritional Value, via www.ah.nl that provides customers insight into the nutritional value of their groceries. Loyalty card holders can view the amount of sugar, salt, fiber, protein, saturated fat, calories and carbohydrates for each product they purchase. The tool also suggests alternative products based on the nutritional value of their choice. Furthermore Albert Heijn expects to remove 1 billion sugar cubes from its own-brand products by 2020 as part of our strategy to offer customers healthier choices.

Albert Heijn is piloting the delivery of groceries using smart door locks. Using the latest technologies, access to the homes of our customers can be provided by using these smart locks. With the customer’s consent, groceries can even be put in the refrigerator.

Albert Heijn was named the "Most Sustainable Supermarket" at the Dutch Sustainable Brand Awards, in recognition of its efforts in sustainability.

Bol.com and ah.nl continued their strong sales performance. Online sales grew by 23.2% compared to last year, while net consumer online sales increased by 28.9%. Bol.com third-party sales are continuing to support strong growth, with over 40% of sales now made through these partners. Bol.com grew significantly in the pet category with the recent addition of Pets Place, the largest pet retailer of the Netherlands.

Bol.com plans to more than double the capacity of its sustainable fulfillment center to support its strong growth. Construction will start in the first half of 2019, with the facility expected to open in 2021.

The underlying operating margin in the Netherlands was 5.3%, up 0.2 percentage points compared to the same quarter last year, as a result of improved margins at bol.com. The margin excluding bol.com was 5.8%. This was flat versus the same quarter last year as a result of saving programs, including synergy savings, and good cost control, offset mainly by the growth and lower margin of ah.nl.

Belgium

€ million	Q2 2018	Q2 2017	% change	HY 2018	HY 2017	% change
Net sales	1,286	1,262	1.9%	2,531	2,448	3.4 %
Of which: online sales	12	9	28.8%	24	19	27.7 %
Operating income	34	26	32.7%	59	52	12.9 %
Underlying operating income	35	32	6.8%	63	61	2.3 %
Underlying operating margin	2.7%	2.6 %		2.5%	2.5 %	
Comparable sales growth	1.4%	0.0 %		2.7%	(0.3)%	

Net sales in Belgium were €1,286 million, up 1.9% versus the same quarter last year. Comparable sales increased by 1.4%, or 2.3% adjusted for the timing of Easter, reflecting ongoing commercial and operational improvements and resulting in an increase of market share for Delhaize. The online sales growth of delhaize.be for the quarter was 28.8%.

In the quarter, Delhaize launched a creative new marketing campaign, "Magical Vegetables," to encourage young people to eat more vegetables. For the campaign, the names and packaging of various types of vegetables were changed to be more attractive to children.

Underlying operating margin in Belgium was 2.7%, up 0.1 percentage points compared to last year. The improvement was mainly driven by synergies, partially offset by higher labor costs.

Central and Southeastern Europe (CSE)

€ million	Q2 2018	Q2 2017	% change	% change constant rates	HY 2018	HY 2017	% change	% change constant rates
Net sales	1,498	1,439	4.1 %	2.7 %	2,939	2,814	4.4 %	2.7 %
Operating income	53	54	(3.7)%	(4.4)%	96	95	0.1 %	(0.5)%
Underlying operating income	53	55	(2.6)%	(3.3)%	97	96	1.5 %	0.9 %
Underlying operating margin	3.6%	3.8%			3.3%	3.4%		
Comparable sales growth	0.5%	1.5%			0.5%	1.6%		
Comparable sales growth excluding gasoline	0.5%	1.7%			0.6%	1.6%		

Net sales in Central and Southeastern Europe increased by 2.7% at constant exchange rates to €1,498 million. Net sales growth in the second quarter resulted from comparable sales growth of 0.5%, or 1.1% adjusted for the timing of Easter, and the net addition of 120 stores, of which most were convenience stores. Romania again reported a very strong quarter with 11.0% comparable sales growth, despite cycling last year's 11.2% comparable sales growth. The Czech Republic also reported strong growth. In Greece, comparable sales growth remained negative, with sales trends improving toward the end of the quarter, as Alfa Beta began cycling the competitive re-openings.

During the quarter, Mega Image opened 17 new stores. Besides expanding in the Bucharest area, the brand recently entered the Timisoara market in the western part of Romania with four stores. Inside the

Baneasa concept store in Bucharest, a new "meet and eat corner" called Casual Bistro was opened, where customers can enjoy store prepared meals in an unconventional space.

In the Czech Republic, Albert is rolling out a roadshow for associates called "Days of Health" to promote well-being and health. The program includes expert advice on nutrition and a healthy lifestyle, as well as sports activities. Nature's Promise, our natural own-brand product line, received the prestigious Choice of Customers Award.

Delhaize Serbia was recognized for its sustainability initiatives with an award from Serbia's Ministry of Environmental Protection.

CSE's underlying operating margin was 3.6% or down 0.2% versus last year. All countries showed gross margin improvement compared to last year. This was more than offset by higher underlying operating expenses, mainly due to higher labor costs.

Global Support Office

€ million	Q2 2018	Q2 2017	% change	% change constant rates	HY 2018	HY 2017	% change	% change constant rates
Underlying operating loss	(25)	(26)	(5.3)%	(4.2)%	(41)	(58)	(29.5)%	(28.6)%
Underlying operating loss excluding insurance results	(38)	(35)	9.3 %	11.2 %	(70)	(72)	(2.0)%	0.4 %

Underlying Global Support Office costs were €25 million, €1 million lower than the prior year. Excluding insurance results, underlying costs were €38 million compared to €35 million in Q2 2017.

Synergy savings

Ahold Delhaize remains committed to delivering net synergies of €500 million in 2019, resulting from the integration of the two companies. Total identified gross synergies are €750 million, of which more than €250 million will be reinvested in our brands.[1] The expected synergies are to be delivered in addition to the "save for our customers" programs in the brands. In the first half of 2018, net cumulative synergies amounted to €199 million, an increase of €82 million compared to the same period last year. The increase is mainly driven by our buying activities across all parts of the Group.

In the second quarter of 2018, the following net synergy savings have been delivered:

€ million	Q2 2018	Q2 2017	HY 2018	HY 2017
The United States	67	37	133	72
Europe	24	16	49	31
Global Support Office	8	8	17	14
Ahold Delhaize Group	**99**	**61**	**199**	**117**

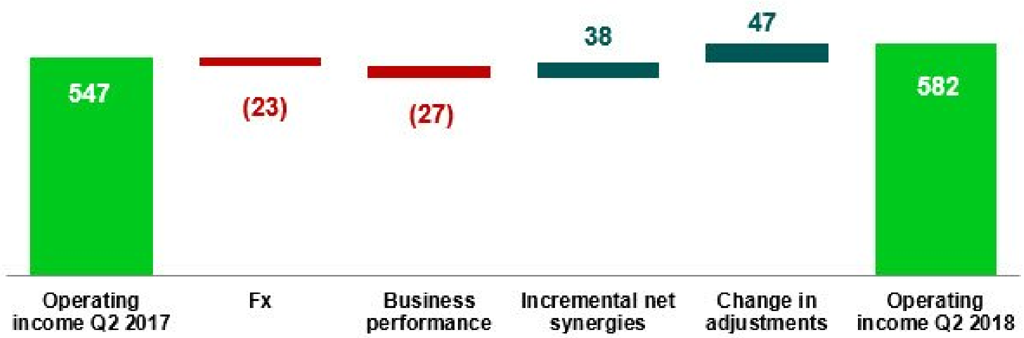
Operating income in the second quarter included €26 million (Q2 2017: €34 million) of integration costs.

1. Amounts are based on HY1 2017 exchange rates.

Financial review

Second quarter 2018 (compared to second quarter 2017)

Operating income increased by €35 million to €582 million, which can be explained by:



The change in adjustments to operating income compared to Q2 2017 includes the decrease in impairments (€9 million) and the decrease in restructuring and related charges (€38 million).

To arrive at underlying operating income of €616 million (down €12 million over Q2 2017), operating income is adjusted for impairments of €7 million and restructuring and related charges of €27 million.

The restructuring and related charges of €27 million mainly included integration costs.

Income from continuing operations was €410 million; €55 million higher than last year. This follows from the increase in operating income of €35 million, lower income taxes of €29 million, higher financial expenses of €5 million and lower income from joint ventures of €4 million.

Free cash flow of €693 million increased by €293 million compared to Q2 2017. This increase is mainly driven by:

- Improvement in working capital of €155 million;
- Lower income taxes paid of €129 million;
- Lower purchases of non-current assets of €21 million.

Net debt increased in Q2 2018 by €666 million to €3,199 million, which is mainly a result of the dividend payment of €757 million, share buyback of €501 million and exchange rate differences, partly offset by our free cash flow of €693 million.

Half year 2018 (compared to half year 2017)

Operating income increased by €40 million to €1,156 million. Recorded in operating income are:

- Restructuring and related charges of €50 million (HY 2017: €113 million);
- Impairments of €11 million (HY 2017: €24 million);
- Gain on the sale of assets €1 million (HY 2017: €19 million).

These total €60 million (HY 2017: €118 million) and are adjusted to arrive at underlying operating income of €1,216 million (HY 2017: €1,234 million).

Income from continuing operations was €817 million; €106 million higher than last year. This reflects the increase in operating income of €40 million, lower income taxes of €52 million and lower net financial expenses of €20 million, partially offset by lower income from joint ventures of €6 million.

Free cash flow was €1,134 million; €537 million higher than last year. The increase is mainly due to the improvement in changes in working capital of €298 million, lower capital expenditures of €149 million, lower income taxes paid of €123 million and lower cash from divestments of €46 million.

Outlook

We confirm our target for 2018 of realizing €420 million net synergies, including €268 million realized in 2017, and we remain confident to reach €750 million of gross synergies for 2019, of which more than €250 million will be reinvested in addition to our "save for our customers" savings.

We expect free cash flow in 2018 to be about €1.9 billion, with our capital expenditure expected to increase to €1.9 billion in 2018, focused on improving our store network, expanding our omni-channel offering and further developing our digital capabilities.

Related party transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Furthermore, Ahold Delhaize considers transactions with key management personnel to be related party transactions. As of the balance sheet date, July 1, 2018, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's 2017 Annual Report.

Risks and uncertainties

Ahold Delhaize’s enterprise risk management program provides executive management with a periodic and holistic understanding of Ahold Delhaize’s key business risks and the management practices in place to mitigate these risks. Ahold Delhaize recognizes strategic, operational, financial and compliance / regulatory risk categories. The principal risks faced by Ahold Delhaize during the first half of the financial year were substantially the same as those disclosed by Ahold Delhaize at year-end 2017. A description of Ahold Delhaize’s risk management practices, principal risks and how they impact the business is provided in Ahold Delhaize’s 2017 Annual Report. The updated integrated comprehensive analysis of the principal risks faced by Ahold Delhaize will be included in the 2018 Annual Report.

Changes to 2018 reporting

As of the first quarter of 2018, the Ahold USA and Delhaize America segments are reported as one reportable segment "The United States" following the restructuring and set up of the U.S. brand-centric organization, with Ahold Delhaize USA as the parent company as of January 1, 2018.

Since online is becoming a more substantial part of our business, we provide more detail on online sales, publishing net consumer online sales and net online sales per reportable segment. The online sales definition has been updated to reflect the sales from all online channels. Refer to Note 5 of the interim financial statements.

As of the first quarter of 2018, Ahold Delhaize no longer publishes pro forma results, as the comparable year 2017 was already a full year as a merged company. Where published pro forma numbers for 2017 differ materially from non-pro forma numbers, this will be explained in the narrative or footnote.

Net sales growth of 0.9% at constant exchange rates for the second quarter of 2018 (HY 2018: 1.7%) would be 1.4% (HY 2018: 2.2%) adjusted for remedy stores sold over the course of 2017. The impact of remedy stores on other performance measures is negligible.

All amounts disclosed are in millions of euros, unless otherwise stated. The % change and margin percentages are calculated based on the amounts in thousands (except per share data).

Independent auditor's involvement

The content of this interim report has not been audited or reviewed by an independent external auditor.

Declarations

The members of Ahold Delhaize's Management Board hereby declare that, to the best of their knowledge, the half-year financial statements included in this interim report, which have been prepared in accordance with IAS 34 "Interim Financial Reporting," give a true and fair view of Ahold Delhaize's assets, liabilities, financial position and profit or loss, and the undertakings included in the consolidation taken as a whole, and the half-year management report included in this interim report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9, of the FMSA.

Zaandam, the Netherlands
August 7, 2018

Management Board
Frans Muller (President and Chief Executive Officer)
Jeff Carr (Chief Financial Officer)
Kevin Holt (Chief Operating Officer Ahold Delhaize USA)
Wouter Kolk (Chief Operating Officer the Netherlands and Belgium)

Consolidated income statement

€ million, except per share data	Note	Q2 2018	Q2 2017	HY 2018	HY 2017
Net sales	4/5	15,531	16,121	30,464	31,991
Cost of sales	6	(11,370)	(11,831)	(22,260)	(23,440)
Gross profit		**4,161**	**4,290**	**8,204**	**8,551**
Selling expenses		(3,013)	(3,123)	(5,945)	(6,251)
General and administrative expenses		(566)	(620)	(1,103)	(1,184)
Total operating expenses	6	(3,579)	(3,743)	(7,048)	(7,435)
Operating income	4	**582**	**547**	**1,156**	**1,116**
Interest income		18	7	31	15
Interest expense		(76)	(75)	(149)	(155)
Net interest expense on defined benefit pension plans		(4)	(5)	(9)	(11)
Other financial expenses		(20)	(4)	(19)	(15)
Net financial expenses		(82)	(77)	(146)	(166)
Income before income taxes		**500**	**470**	**1,010**	**950**
Income taxes	7	(92)	(121)	(199)	(251)
Share in income of joint ventures		2	6	6	12
Income from continuing operations		**410**	**355**	**817**	**711**
Income from discontinued operations		—	—	—	—
Net income attributable to common shareholders		**410**	**355**	**817**	**711**
Net income per share attributable to common shareholders					
Basic		0.34	0.28	0.68	0.56
Diluted		0.34	0.28	0.67	0.55
Income from continuing operations per share attributable to common shareholders					
Basic		0.34	0.28	0.68	0.56
Diluted		0.34	0.28	0.67	0.55
Weighted average number of common shares outstanding (in millions)					
Basic		1,192	1,259	1,203	1,263
Diluted		1,219	1,293	1,230	1,300
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8396	0.9084	0.8267	0.9236

Consolidated statement of comprehensive income

€ million	Note	Q2 2018	Q2 2017	HY 2018	HY 2017
Net income		**410**	**355**	**817**	**711**
Remeasurements of defined benefit pension plans					
Remeasurements before taxes - income		41	7	61	16
Income taxes	7	(11)	1	(17)	(4)
Other comprehensive income that will not be reclassified to profit or loss		30	8	44	12
Currency translation differences in foreign interests:					
Continuing operations		527	(691)	271	(826)
Income taxes		—	(1)	—	(1)
Cash flow hedges:					
Fair value result for the period		—	(3)	1	(3)
Income taxes		—	1	—	1
Non-realized gains (losses) on debt and equity instruments					
Fair value result for the period		—	2	—	3
Other comprehensive income (loss) reclassifiable to profit or loss		527	(692)	272	(826)
Total other comprehensive income (loss)		**557**	**(684)**	**316**	**(814)**
Total comprehensive income attributable to common shareholders		**967**	**(329)**	**1,133**	**(103)**
Attributable to:					
Continuing operations		967	(329)	1,133	(103)
Discontinued operations		—	—	—	—
Total comprehensive income (loss) attributable to common shareholders		**967**	**(329)**	**1,133**	**(103)**

Consolidated balance sheet

€ million	Note	July 1, 2018	December 31, 2017
Assets			
Property, plant and equipment		10,738	10,689
Investment property		659	650
Intangible assets		11,793	11,634
Investments in joint ventures and associates		208	230
Other non-current financial assets		197	192
Deferred tax assets		164	436
Other non-current assets		82	70
Total non-current assets		**23,841**	**23,901**
Assets held for sale		3	14
Inventories		3,165	3,077
Receivables		1,594	1,606
Other current financial assets		595	238
Income taxes receivable		91	154
Prepaid expenses and other current assets		331	300
Cash and cash equivalents	9	4,266	4,581
Total current assets		**10,045**	**9,970**
Total assets		**33,886**	**33,871**
Equity and liabilities			
Equity attributable to common shareholders	8	**14,621**	**15,170**
Loans	10	4,055	3,289
Other non-current financial liabilities		2,076	2,098
Pensions and other post-employment benefits		544	567
Deferred tax liabilities		866	1,105
Provisions		823	808
Other non-current liabilities		545	529
Total non-current liabilities		**8,909**	**8,396**
Accounts payable		5,426	5,277
Other current financial liabilities		2,212	2,210
Income taxes payable		178	136
Provisions		324	355
Other current liabilities		2,216	2,327
Total current liabilities		**10,356**	**10,305**
Total equity and liabilities		**33,886**	**33,871**
Year-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8559	0.8330

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings	Equity attributable to common shareholders
Balance as of January 1, 2017		**13**	**15,802**	**754**	**(2)**	**(291)**	**16,276**
Net income attributable to common shareholders		—	—	—	—	711	**711**
Other comprehensive income (loss)		—	—	(827)	(2)	15	**(814)**
Total comprehensive income (loss) attributable to common shareholders		—	—	(827)	(2)	726	**(103)**
Dividends		—	—	—	—	(720)	**(720)**
Share buyback		—	—	—	—	(527)	**(527)**
Share-based payments		—	—	—	—	45	**45**
Balance as of July 2, 2017		**13**	**15,802**	**(73)**	**(4)**	**(767)**	**14,971**
Balance as of December 31, 2017		**12**	**15,175**	**(555)**	**(4)**	**542**	**15,170**
Opening balance adjustment[1]		—	—	—	—	(1)	(1)
Balance as of January 1, 2018		**12**	**15,175**	**(555)**	**(4)**	**541**	**15,169**
Net income attributable to common shareholders		—	—	—	—	817	**817**
Other comprehensive income		—	—	271	1	44	**316**
Total comprehensive income (loss) attributable to common shareholders		—	—	271	1	861	**1,133**
Dividends	8	—	—	—	—	(757)	**(757)**
Share buyback	8	—	—	—	—	(955)	**(955)**
Share-based payments		—	—	—	—	31	**31**
Balance as of July 1, 2018		**12**	**15,175**	**(284)**	**(3)**	**(279)**	**14,621**

1. *The opening balance adjustment is related to the implementation of IFRS 9. Refer to Accounting policies paragraph for more information.*

Consolidated statement of cash flow

€ million	Note	Q2 2018	Q2 2017	HY 2018	HY 2017
Income from continuing operations		410	355	817	711
Adjustments for:					
Net financial expenses		82	77	146	166
Income taxes		92	121	199	251
Share in income of joint ventures		(2)	(6)	(6)	(12)
Depreciation, amortization and impairments	6	450	469	891	932
Gains on the sale of assets / disposal groups held for sale	6	—	—	(1)	(19)
Share-based compensation expenses		20	21	31	40
Other changes to operating income		(1)	(3)	(2)	(5)
Operating cash flows before changes in operating assets and liabilities		1,051	1,034	2,075	2,064
Changes in working capital:					
Changes in inventories		(89)	3	(37)	5
Changes in receivables and other current assets		(3)	(4)	16	(85)
Changes in payables and other current liabilities		254	8	(20)	(259)
Changes in other non-current assets, other non-current liabilities and provisions		(33)	20	(50)	(9)
Cash generated from operations		1,180	1,061	1,984	1,716
Income taxes paid - net		(60)	(189)	(94)	(217)
Operating cash flows from continuing operations		1,120	872	1,890	1,499
Operating cash flows from discontinued operations		(1)	(1)	(2)	(3)
Net cash from operating activities		**1,119**	**871**	**1,888**	**1,496**
Purchase of non-current assets		(364)	(385)	(667)	(816)
Divestments of assets / disposal groups held for sale		4	13	17	63
Acquisition of businesses, net of cash acquired	3	(10)	(2)	(10)	(6)
Divestment of businesses, net of cash divested		(1)	—	(2)	(1)
Changes in short-term deposits and similar instruments		(322)	—	(346)	100
Dividends received from joint ventures		16	12	16	14
Interest received		21	7	36	16
Other		(5)	(1)	(8)	(1)
Investing cash flows from continuing operations		(661)	(356)	(964)	(631)
Net cash from investing activities		**(661)**	**(356)**	**(964)**	**(631)**
Proceeds from long-term debt	10	—	—	797	—
Interest paid		(104)	(119)	(158)	(179)
Repayments of loans		(5)	(160)	(18)	(461)
Changes in short-term loans		(872)	283	(124)	196
Repayments of finance lease liabilities		(45)	(48)	(88)	(97)
Dividends paid on common shares	8	(757)	(720)	(757)	(720)
Share buyback	8	(501)	(248)	(961)	(527)
Other cash flows from derivatives		(4)	(10)	(4)	264
Other		(2)	(1)	(3)	3
Financing cash flows from continuing operations		(2,290)	(1,023)	(1,316)	(1,521)
Net cash from financing activities		**(2,290)**	**(1,023)**	**(1,316)**	**(1,521)**
Net cash from operating, investing and financing activities		**(1,832)**	**(508)**	**(392)**	**(656)**
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		5,907	3,817	4,542	3,990
Effect of exchange rates on cash and cash equivalents		151	(140)	76	(165)
Cash and cash equivalents at the end of the period (excluding restricted cash)	9	**4,226**	**3,169**	**4,226**	**3,169**
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.8396	0.9084	0.8267	0.9236

Notes to the consolidated summary financial statements

1. The Company and its operations

The principal activity of Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize" or the "Company" or "Group" or "Ahold Delhaize Group"), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores and e-commerce primarily in the United States and Europe.

The information in these condensed consolidated interim financial statements ("financial statements") is unaudited.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting.” The accounting policies applied in these financial statements are consistent with those applied in Ahold Delhaize’s 2017 consolidated financial statements, except as otherwise indicated below.

Taxes on income in the interim periods are accrued for using the tax rate that is expected to be applicable to the total annual profit or loss.

Ahold Delhaize's reporting calendar in 2018 and 2017 is based on a 4/4/5-week calendar, with four equal quarters of 13 weeks, for a total of 52 weeks.

Segmentation

Ahold Delhaize’s operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated. As Ahold Delhaize’s operating segments offer similar products using complementary business models, and there is no discernible difference in customer bases, Ahold Delhaize’s policy on aggregating its operating segments into reportable segments is based on geography, functional currency and management oversight.

As of the first quarter of 2018, the previous Ahold USA and Delhaize America segments are combined into one reporting segment, "The United States."

New and revised IFRSs effective in 2018:

IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of the new standard has the following effects on the financial assets and liabilities on January 1, 2018.

The majority of the Company’s debt instruments that were measured at amortized cost satisfy the conditions to be classified at amortized costs under IFRS 9, so there is no change in how we account for these assets. However, certain investments in U.S. Treasury bond funds that were classified as available-for-sale financial assets do not meet the criteria to be classified as either at fair value through other comprehensive income (FVOCI) or at amortized cost and €157 million has been reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value losses of €3 million were transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018. There were no other changes to the classification and measurement of other financial assets.

There is no effect on the Group’s accounting for financial liabilities. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. For the Group, only derivatives and reinsurance liabilities are designated at fair value through profit or loss and there are no changes in the accounting for these liabilities as a result of IFRS 9. The derecognition rules have not changed from IAS 39, “Financial Instruments: Recognition and Measurement.”

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships could be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets measured at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15, “Revenue from Contracts with Customers,” lease receivables, loan commitments and certain financial guarantee contracts. Due to the change in the impairment model the loss allowance for the financial receivables increased by €1 million at January 1, 2018.

IFRS 9 applies for annual periods beginning on or after January 1, 2018. The Company applies the new rules retrospectively from January 1, 2018, applying the practical expedients permitted under the standard. Comparatives for 2017 have not been restated.

IFRS 15, "Revenue "from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance, including IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and the related interpretations. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The majority of the Company’s revenue is derived from sales of retail products whereby control is transferred to the customer as purchases occur at the register. For goods shipped to customers, control transfers to the customer when the product is delivered and accepted. The Company previously recognized revenue as control passed and the adoption of IFRS 15 has no effect on when revenue is recognized.

The Company’s policy is to allow customers to return product for replacement or refund. Revenue was previously recognized with an allowance for a reasonable estimate of the returns that can be made for a refund and this remained unchanged after adoption of IFRS 15. However, under IFRS 15, the Company is now required to recognize an asset that represents the right to receive returned product. The value of this asset represents the purchase cost of only the goods that will be of value to Ahold Delhaize. A returned product has value to Ahold Delhaize if it can be restocked for future resale or returned to the vendor for a refund. Based on the limited amount of sales that result in refunds to customers, the value of this new asset was €1 million at January 1, 2018.

IFRS 15 applies for annual periods beginning on or after January 1, 2018. The Company applies the new rules retrospectively from January 1, 2018, with the cumulative effect of initially applying the standard recognized as of that date. Comparatives for 2017 have not been restated.

New accounting policies not yet effective for 2018

The IASB issued several standards, or revisions to standards, that are not yet effective for 2018, but will become effective in coming years. For the assessment of the effects of these standards, refer to the description in Ahold Delhaize's Annual Report 2017.

One of these standards is IFRS 16, “Leases”, which is an important upcoming accounting change for the Company. This standard will replace existing lease guidance.

Our work on implementing this new standard for leases is progressing and we continue to consider the implications of the standard on our Group’s consolidated results and financial position. The Company completed the data collection and enrichment process of its lease contracts and is currently implementing a lease accounting tool to determine the impact assessment on a contract by contract basis to prepare for the transition at January 1, 2019.

The Company will adopt IFRS 16 on January 1, 2019. We have not yet calculated the amount of right-of-use assets and lease liabilities that will be recognized on the balance sheet.

3. Business combinations and goodwill

Ahold Delhaize completed various store acquisitions for a total purchase consideration of €10 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed and the goodwill arising from the acquisitions during Q2 2018 are as follows:

€ million	Store acquisitions
Goodwill	5
Other intangibles	1
Property plant and equipment	5
Investment in joint ventures and associates	(2)
Cash and cash equivalents	—
Receivables and other current assets	3
Other non-current liabilities	(1)
Other current liabilities	(1)
Total purchase consideration	**10**
Cash acquired	—
Acquisition of business, net of cash	**10**

A reconciliation of Ahold Delhaize's goodwill balance, which is presented within intangible assets, is as follows:

€ million	Goodwill
As of December 31, 2017	
At cost	6,868
Accumulated impairment losses	(8)
Opening carrying amount	**6,860**
Acquisitions through business combinations	5
Exchange rate differences	117
Closing carrying amount	**6,982**
As of July 1, 2018	
At cost	6,990
Accumulated impairment losses	(8)
Closing carrying amount	**6,982**

4. Segment reporting

Ahold Delhaize's retail operations are presented in four reportable segments. In addition, "Other retail," consisting of Ahold Delhaize's unconsolidated joint ventures JMR - Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, are presented separately. The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements as described in *Note 2*.

All reportable segments sell a wide range of perishable and non-perishable food and non-food consumer products.

Reportable segment	Operating segments included in the Reportable segment
The United States	Stop & Shop, Food Lion, Giant/Martin's, Hannaford, Giant Food and Peapod
The Netherlands	Albert Heijn (including the Netherlands and Belgium), Etos, Gall & Gall and bol.com (including the Netherlands and Belgium)
Belgium	Delhaize (including Belgium and Luxembourg)
Central and Southeastern Europe	Albert (Czech Republic), Alfa Beta (Greece), Mega Image (Romania), Delhaize Serbia (Republic of Serbia)

Other	Included in Other
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)
Global Support Office	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)

Net sales

Net sales per segment are as follows:

	Q2 2018	Q2 2017	HY 2018	HY 2017
$ million				
The United States	10,963	10,996	21,823	21,637
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.8396*	*0.9084*	*0.8267*	*0.9236*
€ million				
The United States	9,211	9,986	18,050	19,975
The Netherlands	3,536	3,434	6,944	6,754
Belgium	1,286	1,262	2,531	2,448
Central and Southeastern Europe	1,498	1,439	2,939	2,814
Ahold Delhaize Group	**15,531**	**16,121**	**30,464**	**31,991**

Operating income

Operating income (loss) per segment is as follows:

	Q2 2018	Q2 2017	HY 2018	HY 2017
$ million				
The United States	415	364	866	762
Average U.S. dollar exchange rate (euro per U.S. dollar)	*0.8396*	*0.9084*	*0.8267*	*0.9236*
€ million				
The United States	350	329	716	703
The Netherlands	183	172	345	340
Belgium	34	26	59	52
Central and Southeastern Europe	53	54	96	95
Global Support Office	(38)	(34)	(60)	(74)
Ahold Delhaize Group	**582**	**547**	**1,156**	**1,116**

5. Net sales

Q2 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores	8,968	2,328	619	1,446	13,361
Sales and fees to franchisees / affiliates	—	755	649	38	1,442
Online sales	182	445	12	4	643
Wholesale sales	34	—	4	9	47
Other sales	27	8	2	1	38
Net sales	**9,211**	**3,536**	**1,286**	**1,498**	**15,531**

Q2 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores[1]	9,737	2,306	625	1,389	14,057
Sales and fees to franchisees / affiliates	—	757	622	37	1,416
Online sales[1]	183	361	9	3	556
Wholesale sales	35	—	4	9	48
Other sales	31	10	2	1	44
Net sales	**9,986**	**3,434**	**1,262**	**1,439**	**16,121**

1. *Comparable numbers have been adjusted to reflect the updated online sales definition.*

Half year 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores	17,571	4,582	1,239	2,846	26,238
Sales and fees to franchisees / affiliates	—	1,467	1,254	67	2,788
Online sales	363	879	24	8	1,274
Wholesale sales	64	—	8	17	89
Other sales	52	16	6	1	75
Net sales	**18,050**	**6,944**	**2,531**	**2,939**	**30,464**

Half year 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Ahold Delhaize Group
Sales from owned stores[1]	19,474	4,569	1,225	2,723	27,991
Sales and fees to franchisees / affiliates	—	1,455	1,192	68	2,715
Online sales[1]	374	711	19	6	1,110
Wholesale sales	67	—	7	16	90
Other sales	60	19	5	1	85
Net sales	**19,975**	**6,754**	**2,448**	**2,814**	**31,991**

1. *Comparable numbers have been adjusted to reflect the updated online sales definition.*

6. Expenses by nature

The aggregate of cost of sales and operating expenses is specified by nature as follows:

€ million	Q2 2018	Q2 2017	HY 2018	HY 2017
Cost of product	10,878	11,351	21,297	22,483
Labor costs	2,245	2,312	4,407	4,624
Other operational expenses	1,148	1,172	2,259	2,342
Depreciation and amortization	443	453	880	908
Rent expenses and income – net	228	270	455	513
Impairment losses and reversals – net	7	16	11	24
(Gains) losses on the sale of assets – net	—	—	(1)	(19)
Total expenses by nature	**14,949**	**15,574**	**29,308**	**30,875**

7. Income taxes

The decrease in income tax expense and the effective tax rate for Q2 2018 is mainly caused by the reduction of the U.S. and Belgian statutory tax rates. Further, the effective tax rate of Q2 2018 is relatively low due to one-time events.

8. Equity attributable to common shareholders

Dividend on common shares

On April 11, 2018, the General Meeting of Shareholders approved the dividend over 2017 of €0.63 per common share. This dividend was paid on April 26, 2018.

Share buyback 2018

On January 2, 2018, the Company commenced the €2 billion share buyback program that was announced on November 8, 2017. During 2018, 50,713,027 of the Company's own shares were repurchased at an average price of €18.84 per share. The program is expected to be completed before the end of 2018.

The number of outstanding common shares as of July 1, 2018, was 1,179,599,184 (December 31, 2017: 1,227,589,734).

9. Cash

The following table presents the reconciliation between the cash and cash equivalents as presented in the statement of cash flows and on the balance sheet:

€ million	July 1, 2018	December 31, 2017
Cash and cash equivalents as presented in the statement of cash flows	4,226	4,542
Restricted cash	40	39
Cash and cash equivalents as presented on the balance sheet[1]	**4,266**	**4,581**

1. *Cash and cash equivalents include an amount held under notional cash pooling arrangement of €1,262 million (December 31, 2017: €1,367 million), which is offset by an identical amount included under Other current financial liabilities.*

10. Financial instruments

Fair values of financial instruments

The following table presents the fair values of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are included on the balance sheet:

€ million	July 1, 2018 Carrying amount	July 1, 2018 Fair value	December 31, 2017 Carrying amount	December 31, 2017 Fair value
Loans receivable	61	65	59	65
Trade and other (non-)current receivables	1,586	1,586	1,605	1,605
Reinsurance assets	208	208	195	195
Total loans and receivables	1,855	1,859	1,859	1,865
Cash and cash equivalents	4,266	4,266	4,581	4,581
Short-term deposits and similar instruments	360	360	9	9
Derivatives	1	1	—	—
Investments in debt instruments	170	170	167	167
Total financial assets	**6,652**	**6,656**	**6,616**	**6,622**

€ million	July 1, 2018 Carrying amount	July 1, 2018 Fair value	December 31, 2017 Carrying amount	December 31, 2017 Fair value
Notes	(4,223)	(4,233)	(3,407)	(3,518)
Other loans	(3)	(3)	(3)	(3)
Financing obligations	(293)	(252)	(325)	(291)
Mortgages payable	(104)	(122)	(22)	(23)
Finance lease liabilities	(1,577)	(1,919)	(1,607)	(1,932)
Cumulative preferred financing shares	(455)	(485)	(455)	(491)
Dividend cumulative preferred financing shares	(8)	(8)	(18)	(18)
Accounts payable	(5,426)	(5,426)	(5,277)	(5,277)
Short-term borrowings	(1,331)	(1,331)	(1,432)	(1,432)
Interest payable	(47)	(47)	(40)	(40)
Reinsurance liabilities	(222)	(222)	(205)	(205)
Other	(75)	(78)	(75)	(81)
Total non-derivative financial liabilities	(13,764)	(14,126)	(12,866)	(13,311)
Derivatives	(17)	(17)	(18)	(18)
Total financial liabilities	**(13,781)**	**(14,143)**	**(12,884)**	**(13,329)**

Issuance of EUR 800 million dual tranche debt offering of fixed rate notes and floating rate notes

On March 19, 2018, Ahold Delhaize issued €500 million fixed rate notes due in 2026 and €300 million floating rate notes due in 2021. The 8-year fixed rate notes bear a coupon of 1.125% per annum and were issued at a price of 99.107% of the nominal value. The 3-year floating rate notes bear a coupon of 18 basis points over 3-month EURIBOR per annum and were issued at a price of 100.449% of the nominal value. The net proceeds from the offering will be used for the refinancing of existing debt and for general corporate purposes.

Financial assets and liabilities measured at fair value on the balance sheet

Of Ahold Delhaize's categories of financial instruments, only derivatives, investments in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The

Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

To the extent that no cash collateral is contractually required, the valuation of Ahold Delhaize's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment (CVA), and adjusted for Ahold Delhaize's own credit risk, called Debit Valuation Adjustment (DVA). The valuation technique for the CVA / DVA calculation is based on relevant observable market inputs.

No CVA / DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized is specified as follows:

€ million	July 1, 2018	December 31, 2017
Cross-currency interest rate swaps	17	18
Total net derivative liabilities subject to collateralization	**17**	**18**
Collateralized amount	—	—

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on quoted prices at the end of the reporting period. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on prevailing market rates.

The fair value of the cumulative preferred financing shares is measured as the present value of expected future cash flows. Such cash flows include the dividend payments and the payments of the nominal value, plus paid-in capital. Expected future cash flows are discounted by using the yield curves derived from quoted interest rates and Credit Default Swap rates that match the maturity of the contracts. The conditions for redemption and conversion of the cumulative preferred financing shares are disclosed in *Note 22* of Ahold Delhaize's Annual Report 2017. The accrued interest is included in other current financial liabilities and not in the carrying amounts of non-derivative financial assets and liabilities.

11. Commitments and contingencies

A comprehensive overview of commitments and contingencies as of December 31, 2017, is included in *Note 34* of Ahold Delhaize's 2017 consolidated financial statements, part of Ahold Delhaize's Annual Report 2017 dated February 27, 2018.

12. Subsequent event

There have been no significant subsequent events.

Other financial and operating information

Free cash flow[1]

€ million	Q2 2018	Q2 2017	HY 2018	HY 2017
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,018	1,054	2,025	2,055
Changes in working capital	162	7	(41)	(339)
Income taxes paid - net	(60)	(189)	(94)	(217)
Purchase of non-current assets	(364)	(385)	(667)	(816)
Divestments of assets / disposal groups held for sale	4	13	17	63
Dividends received from joint ventures	16	12	16	14
Interest received	21	7	36	16
Interest paid	(104)	(119)	(158)	(179)
Free cash flow	**693**	**400**	**1,134**	**597**

1. *Free cash flow is an alternative performance measure. For a description of this alternative performance measure refer to section* Use of alternative performance measures *at the end of this report.*

Net debt[1]

€ million	July 1, 2018	April 1, 2018	December 31, 2017
Loans	4,055	4,068	3,289
Finance lease liabilities	1,399	1,353	1,430
Cumulative preferred financing shares	455	455	455
Non-current portion of long-term debt	5,909	5,876	5,174
Short-term borrowings and current portion of long-term debt	2,076	2,785	2,076
Gross debt	7,985	8,661	7,250
Less: Cash, cash equivalents, short-term deposits and similar instruments and short-term portion of investments in debt instruments[2, 3, 4, 5]	4,786	6,128	4,747
Net debt	**3,199**	**2,533**	**2,503**

1. *Net debt is an alternative performance measure. For a description of this alternative performance measure refer to section Use of alternative performance measures at the end of this report.*
2. *Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at July 1, 2018, was €360 million (April 1, 2018: €32 million, December 31, 2017: €9 million) and is presented within Other current financial assets in the consolidated balance sheet.*
3. *Included in the short-term portion of investments in debt instruments is a US treasury investment fund in the amount of €160 million (April 1, 2018: €152 million, December 31, 2017: €157 million).*
4. *Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at July 1, 2018, was €204 million (April 1, 2018: €120 million, December 31, 2017: €172 million).*
5. *Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,262 million (April 1, 2018: €2,087 million, December 31, 2017: €1,367 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.*

Underlying operating income[1]

Underlying operating income per segment is as follows:

Q2 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**350**	**183**	**34**	**53**	**(38)**	**582**
Impairments	5	2	—	—	—	7
(Gains) losses on the sale of assets	—	—	—	—	—	—
Restructuring and related charges and other	11	2	1	—	13	27
Adjustments to operating income	*16*	*4*	*1*	—	*13*	*34*
Underlying operating income (loss)	**366**	**187**	**35**	**53**	**(25)**	**616**

1. *Underlying operating income is an alternative performance measures. For a description of this alternative performance measures refer to section* Use of alternative performance measures *at the end of this report.*

Underlying operating income in local currency for Q2 2018 was $434 million for The United States.

Q2 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**329**	**172**	**26**	**54**	**(34)**	**547**
Impairments	16	—	—	—	—	16
(Gains) losses on the sale of assets	—	—	—	—	—	—
Restructuring and related charges and other	48	2	6	1	8	65
Adjustments to operating income	*64*	*2*	*6*	*1*	*8*	*81*
Underlying operating income (loss)	**393**	**174**	**32**	**55**	**(26)**	**628**

Underlying operating income in local currency for Q2 2017 was $434 million for The United States.

Half year 2018

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**716**	**345**	**59**	**96**	**(60)**	**1,156**
Impairments	6	4	—	1	—	11
(Gains) losses on the sale of assets	(1)	—	—	—	—	(1)
Restructuring and related charges and other	23	4	4	—	19	50
Adjustments to operating income	*28*	*8*	*4*	*1*	*19*	*60*
Underlying operating income (loss)	**744**	**353**	**63**	**97**	**(41)**	**1,216**

Underlying operating income in local currency for half year 2018 was $898 million for The United States.

Half year 2017

€ million	The United States	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	**703**	**340**	**52**	**95**	**(74)**	**1,116**
Impairments	25	(1)	—	—	—	24
(Gains) losses on the sale of assets	(17)	(3)	1	—	—	(19)
Restructuring and related charges and other	83	5	8	1	16	113
Adjustments to operating income	*91*	*1*	*9*	*1*	*16*	*118*
Underlying operating income (loss)	**794**	**341**	**61**	**96**	**(58)**	**1,234**

Underlying operating income in local currency for half year 2017 was $862 million for The United States.

Underlying EBITDA[1]

€ million	Q2 2018	Q2 2017	HY 2018	HY 2017
Underlying operating income	**616**	**628**	**1,216**	**1,234**
Depreciation and amortization	443	453	880	908
Underlying EBITDA	**1,059**	**1,081**	**2,096**	**2,142**

1. *Underlying EBITDA is an alternative performance measures. For a description of this alternative performance measures refer to section Use of alternative performance measures at the end of this report.*

Underlying income from continuing operations[1]

€ million, except per share data	Q2 2018	Q2 2017	HY 2018	HY 2017
Income from continuing operations	**410**	**355**	**817**	**711**
Adjustments to operating income	34	81	60	118
Unusual items in net financial expenses	22	—	22	—
Tax effect of unusual items and unusual tax items	(23)	(16)	(30)	(28)
Underlying income from continuing operations	**443**	**420**	**869**	**801**
Basic income per share from continuing operations[2]	0.34	0.28	0.68	0.56
Underlying income per share from continuing operations[2]	0.37	0.33	0.72	0.63

1. *Underlying income from continuing operations is an alternative performance measure. For a description of this alternative performance measure refer to section* Use of alternative performance measures *at the end of this report.*
2. *Basic and underlying earnings per share from continuing operations are calculated by dividing the (underlying) income from continuing operations attributable to equity holders by the average numbers of shares outstanding. The weighted average number of shares used for calculating the basic and underlying earnings per share for Q2 2018 is 1,192 million (Q2 2017: 1,259 million).*

Store portfolio (including franchise and affiliate stores)

	End of 2017	Opened / acquired	Closed / sold	End of Q2 2018
The United States	1,960	5	(5)	1,960
The Netherlands[1,2]	2,163	9	(32)	2,140
Belgium	764	15	(10)	769
Central and Southeastern Europe	1,750	52	(6)	1,796
Total	**6,637**	**81**	**(53)**	**6,665**

1. *The number of stores at the end of Q2 2018 includes 1,142 specialty stores (Etos and Gall & Gall) (end of 2017: 1,153).*
2. *The closed/sold number of stores in The Netherlands includes the stores related to our exit of Germany.*

Use of alternative performance measures

This interim report includes alternative performance measures (also known as non-GAAP measures). The descriptions of the alternative performance measures are included on pages 80 and 81 of Ahold Delhaize's Annual Report 2017.

Financial calendar

Ahold Delhaize's financial year consists of 52 or 53 weeks and ends on the Sunday nearest to December 31.

Ahold Delhaize's 2018 financial year consists of 52 weeks and ends on December 30, 2018. The quarters in 2018 are:

First quarter	January 1 through April 1, 2018
Second quarter	April 2 through July 1, 2018
Third quarter	July 2 through September 30, 2018
Fourth quarter	October 1 through December 30, 2018

Cautionary notice

This press release contains information that qualifies as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as ongoing, by 2020, remain, on track, are, to be, target, confident, will, keeping, is, continue, trends, expected, plans/planned, remains, outlook, improving, expanding, developing, forward/look forward, 2018, upcoming, progressing, to, applies, strategy, future, could, estimated, improvement 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 Koninklijke Ahold Delhaize N.V. (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 relating to competition and pressure on profit margins in the food retail industry; the impact of the Company's outstanding financial debt; future changes in accounting standards; the Company's ability to generate positive cash flows; general economic conditions; the Company's international operations; the impact of economic conditions on consumer spending; turbulences in the global credit markets and the economy; the significance of the Company's U.S. operations and the concentration of its U.S. operations on the east coast of the U.S.; increases in interest rates and the impact of downgrades in the Company's credit ratings; competitive labor markets, changes in labor conditions and labor disruptions; environmental liabilities associated with the properties that the Company owns or leases; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; exchange rate fluctuations; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations in the U.S., the Netherlands, Belgium and other countries; product liability claims and adverse publicity; risks related to corporate responsibility and sustainable retailing; the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; its inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; unexpected outcomes with respect to tax audits; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; natural disasters and geopolitical events; inherent limitations in the Company's control systems; the failure or breach of security of IT systems; changes in supplier terms; antitrust and similar legislation; unexpected outcome in the Company's legal proceedings; adverse results arising from the Company's claims against its selfinsurance programs; increase in costs associated with the Company's defined benefit pension plans; and other factors discussed in the Company'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 the Company does not assume any obligation to update such statements, except as required by law.

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Ahold Delhaize is one of the world's largest food retail groups and a leader in both supermarkets and e-commerce. Its family of great, local brands serves more than 50 million customers each week in Europe, the United States, and Indonesia. Together, these brands employ more than 370,000 associates in more than 6,500 grocery and specialty stores and include the top online retailer in the Benelux and the leading online grocers in the Benelux and the United States. Ahold Delhaize brands are at the forefront of sustainable retailing, sourcing responsibly, supporting local communities and helping customers make healthier choices. Headquartered in Zaandam, the Netherlands, Ahold Delhaize is listed on the Euronext Amsterdam and Brussels stock exchanges (ticker: AD) and its American Depositary Receipts are traded on the over-the-counter market in the U.S. and quoted on the OTCQX International marketplace (ticker: ADRNY). For more information, please visit www.aholddelhaize.com.

Proud companies of Ahold Delhaize