

Ahold Delhaize reports a strong quarter with sales growth and higher margins driven by synergies

- Net sales increased by 67.3% to €16.1 billion (up 64.6% at constant exchange rates)
- Net income increased by 68.2% to €355 million (up 66.5% at constant exchange rates)
- Pro forma net sales increased by 3.4% to €16.0 billion (up 1.8% at constant exchange rates)
- Pro forma underlying operating income increased by €64 million to €626 million, up 11.4%
- Pro forma underlying operating margin increased to 3.9%, compared to 3.6% in Q2 2016
- Strong free cash flow of €400 million, guidance of €1.6 billion for full year 2017 reiterated
- Integration on track, with net synergies of €117 million delivered in the first half of 2017
- Total expected merger synergies increased to €750 million, reinvesting €250 million in our brands

Zaandam, the Netherlands, August 9, 2017 - Ahold Delhaize, a leader in supermarkets and eCommerce with market-leading local brands in 11 countries, published strong second quarter 2017 results today, driven by an improvement in sales and merger synergies resulting in higher margins.

Dick Boer, CEO of Ahold Delhaize, said: "We are pleased to report a strong set of results. Sales improved across the board and the group underlying operating margin increased by 30 basis points to 3.9% as merger synergy savings continued to track ahead of projections.

"A year after the merger between Ahold and Delhaize, the integration of the two companies is fully on track and delivering results as we continue to focus on strengthening our local brands through our Better Together strategy. We expect to achieve gross synergies of €750 million by 2019, of which €250 million will be reinvested in our brands.

"We look toward the second half of the year with confidence and expect our underlying operating margin for the full year 2017 to be broadly in line with the first half of the year, with €220 million net synergies for 2017.

"We have a successful omni-channel strategy in place that combines a thriving network of brick-and-mortar stores with leading online businesses. We are accelerating investments in our eCommerce operations to further unlock their promising growth potential. We expect close to €3 billion of online consumer sales in 2017, putting us on track to achieve nearly €5 billion by 2020.

"In the United States, our sales performance improved with returning inflation, while margins expanded on the back of strong synergy savings. Our U.S. brands are well-placed in a fast-changing competitive landscape. We continue to improve the price positioning of our Ahold USA brands and have developed effective competitive plans for Food Lion, facing new competition.

"In the United States we are making good progress in setting up Retail Business Services, combining scale and building expertise in own brands, digital and IT. Additionally, we are implementing a brand-centric operating model to strengthen local competitiveness in our markets and we expect a one-off restructuring charge of €70 million related to this, mainly in 2017.

"The Netherlands reported another strong quarter with robust sales growth in both supermarkets and eCommerce. Albert Heijn continues to improve and innovate its assortment, providing a fresh and healthy offering and more convenient solutions for customers. We are proud that bol.com was recognized as the strongest retail brand in the Netherlands, for three years in a row.

"We continue to return excess capital to shareholders through our ongoing share buyback program of €1 billion, which we expect to complete by the end of 2017. Furthermore, we reiterate our guidance of €1.6 billion free cash flow for the year after €1.8 billion in capital expenditure."

Group performance

Group performance on an IFRS basis

€ million, except per share data	Q2 2017	Q2 2016 ¹	% change	% change constant rates	HY 2017	HY 2016 ¹	% change	% change constant rates
Net sales	16,121	9,638	67.3%	64.6%	31,991	19,248	66.2%	63.0%
Operating income	547	324	68.8%	66.1%	1,116	660	69.1%	65.9%
Income from continuing operations	355	210	69.0%	67.0%	711	416	70.9%	67.7%
Net income	355	211	68.2%	66.5%	711	417	70.5%	67.3%
Basic earnings per share from continuing operations	0.28	0.25	12.0%	9.3%	0.56	0.51	9.8%	9.1%
Free cash flow ²	400	225	77.8%	70.9%	597	460	29.8%	27.0%

1. Represents the pre-merger results of Ahold. Results from former Delhaize segments are included as of July 24, 2016.
2. Free cash flow is a non-GAAP measure. For a description of non-GAAP measures, refer to section Use of non-GAAP financial measures at the end of this report.

Group performance on a pro forma basis

€ million, except per share data	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
Net sales	16,044	15,509	3.4 %	1.8 %	31,810	30,833	3.2%	1.2%
Operating income	584	503	16.1 %	14.8 %	1,137	997	14.0%	12.0%
Income from continuing operations	378	317	19.2 %	17.8 %	725	625	16.0%	13.7%
Basic earnings per share from continuing operations ¹	0.30	0.25	20.0 %	20.0 %	0.57	0.49	16.3%	14.0%
Underlying EBITDA	1,079	995	8.4 %	7.0 %	2,137	1,990	7.4%	5.4%
Underlying EBITDA margin	6.7%	6.4%			6.7%	6.5%		
Underlying operating income	626	562	11.4 %	10.2 %	1,230	1,121	9.7%	7.8%
Underlying operating margin	3.9%	3.6%			3.9%	3.6%		
Underlying earnings per share from continuing operations ¹	0.33	0.28	17.9 %	13.8 %	0.63	0.56	12.5%	10.5%

1. For more information on the (underlying) earnings per share from continuing operations, refer to table on page 30.

Basis of preparation - Management report

This report includes information presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and information presented on a pro forma basis ("pro forma information").

In 2017, the reporting calendars of Ahold and Delhaize were aligned and Ahold Delhaize now uses a 4/4/5-week calendar, resulting in four 13-week quarters. The 2016 quarterly information included in this report has been compiled using the new 13-week quarters to align the historical 2016 quarterly results with the 4/4/5-week pattern and to provide a revised comparative basis for assessing the company's performance.

See Note 2 of the interim financial statements for more information on the basis of presentation of the IFRS information. For more information on the basis of presentation of the pro forma information, refer to the pro forma information as published on April 13, 2017 ("[Pro forma booklet](#)").

Pro forma information

The pro forma information in this report is presented to give effect to the merger of Ahold and Delhaize as if it had occurred on the first day of Ahold's 2015 financial year, using the fair values established as of July 23, 2016 (the merger date) as the basis for the purchase price allocation effects. The pro forma information is not intended to revise past performance, but instead to provide a comparative basis for

the assessment of current performance. The pro forma information represents a hypothetical situation and does not purport to represent what Ahold Delhaize's actual result of operations would have been, should the merger with Delhaize actually have occurred at the beginning of Ahold's 2015 financial year, nor are they necessarily indicative of future results of Ahold Delhaize.

The reconciliation of the Q2 2017 IFRS numbers to the Q2 2017 pro forma numbers is included in the section *Pro forma financial information*, commencing on page 30 of this press release. The reconciliation of IFRS numbers to pro forma numbers for Q2 2016 is included in the [Pro forma booklet](#).

Synergy savings

Ahold Delhaize remains committed to delivering net synergies of €500 million in 2019, incremental to underlying operating income, resulting from the integration of the two companies. Total identified gross synergies are €750 million, of which €250 million will be reinvested in our brands. We expect synergies to be delivered in addition to the "save for our customer" programs in the brands.¹

Programs to strengthen our relationships with A-brand suppliers have been completed for 2017. In Europe and the United States, the programs with suppliers of own brand and fresh products are progressing well and Not For Resale savings are in line with our expectations. Overall procurement synergies are exceeding the original plan.

Integration of the two corporate head offices into one Global Support Office resulted in synergy savings of €14 million in the first half of the year. In the United States, the creation of Retail Business Services (RBS) will enable efficiencies in back office and support functions and build retail expertise in own brand, digital and IT, which will be available to all U.S. brands. During the quarter, the RBS senior management team was appointed and is currently finalizing the setup of the new organizational structure.

Integration costs initially estimated at €350 million are expected to increase to €380 million to support the additional sourcing synergies.

The setup of the brand-centric model in the United States that we announced in Q1 2017 should be completed by mid 2018. This setup is expected to result in restructuring costs of €70 million. This model will better position our U.S. brands to be even more closely connected to their local customers and communities.

In 2017, the following net synergy savings have been delivered:

€ million	Q2 2017	HY 2017
United States	37	72
Europe	16	31
Global Support Office	8	14
Ahold Delhaize Group	61	117

Pro forma operating income in the second quarter included €34 million (HY €76 million) of integration costs, and €4 million (HY: €4 million) of brand-centric restructuring costs.

1. Amounts are based on HY 2017 exchange rates.

Performance by segment

Ahold USA

€ million	Q2 2017	Q2 2016	% change	% change constant rates	HY 2017	HY 2016	% change	% change constant rates
Net sales	5,997	5,933	1.1 %	(1.4)%	12,043	11,922	1.0 %	(2.0)%
Operating income	182	203	(10.3)%	(12.7)%	413	437	(5.5)%	(8.4)%

Ahold USA on a pro forma basis

	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
\$ million								
Net sales	6,534	6,535	0.0 %		12,892	12,982	(0.7)%	
€ million								
Net sales	5,934	5,789	2.5 %	0.0 %	11,903	11,626	2.4 %	(0.7)%
Underlying EBITDA	407	374	8.8 %	6.8 %	830	795	4.4 %	1.5 %
Underlying EBITDA margin	6.9%	6.5%			7.0 %	6.8%		
Underlying operating income	239	209	14.4 %	12.9 %	488	462	5.6 %	2.9 %
Underlying operating margin	4.0%	3.6%			4.1 %	4.0%		
Comparable sales growth	0.4%	1.0%			(0.3)%	0.7%		
Comparable sales growth excluding gasoline	0.3%	2.0%			(0.7)%	1.6%		

Pro forma net sales at Ahold USA were unchanged in the second quarter at constant exchange rates. Comparable sales growth excluding gasoline was up by 0.3%. The positive impact of the timing of Easter was more than offset by the timing of the Fourth of July holiday sales and last year's competitive closures in the New York market. Price inflation returned after a deflationary environment that persisted for more than a year and was 0.8% in Q2.

The ongoing investments in our customer proposition resulted in continued year-over-year market share growth in Q2 and increased customer loyalty with improved scores on overall price, produce quality, and meat quality. At the end of the quarter, Ahold USA announced new price investments in own brands, produce, milk and eggs.

Ahold USA's pro forma underlying operating margin was 4.0%, up 0.4 percentage points from the same quarter last year. In the quarter, strong synergy savings were partly offset by price investments and by lower pharmacy margins.

Delhaize America

€ million	Q2 2017	Q2 2016 ¹	% change	% change constant rates	HY 2017	HY 2016 ¹	% change	% change constant rates
Net sales	3,989	—	nm	nm	7,932	—	nm	nm
Operating income	147	—	nm	nm	290	—	nm	nm

1. Results from Delhaize America are included as of July 24, 2016.

Delhaize America on a pro forma basis

	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
\$ million								
Net sales	4,392	4,338	1.2%		8,593	8,536	0.7%	
€ million								
Net sales	3,989	3,843	3.8%	1.2%	7,932	7,644	3.8%	0.7%
Underlying EBITDA	282	251	12.4%	9.7%	563	503	11.9%	8.5%
Underlying EBITDA margin	7.1%	6.5%			7.1%	6.6%		
Underlying operating income	152	132	15.2%	13.0%	305	262	16.4%	13.0%
Underlying operating margin	3.8%	3.4%			3.8%	3.4%		
Comparable sales growth	1.3%	3.0%			0.7%	2.5%		

In the second quarter of 2017, pro forma net sales at Delhaize America increased by 1.2% to €3,989 million at constant exchange rates. Comparable sales grew by 1.3% and included the positive impact of the timing of Easter, which was partly offset by the timing of the Fourth of July holiday sales. Price inflation returned at Hannaford, while the Food Lion market remained slightly deflationary. Overall, inflation for the quarter was 0.1% for Delhaize America.

The rollout of the "Easy, Fresh & Affordable" strategy at Food Lion is progressing well, with all the remodeled markets continuing to record positive real growth. In the second part of 2017, "Easy, Fresh & Affordable" will be rolled out to two new market areas, Greensboro and Richmond, with 164 stores to be remodelled.

Delhaize America's pro forma underlying operating margin was 3.8%, up 0.4 percentage points from the same quarter last year, as a result of strong synergy savings as well as our "save for our customer" programs. These were partly offset by higher depreciation expenses related to "Easy, Fresh & Affordable", increased labor costs and costs related to a fire at a distribution center, that has not been recovered yet.

The Netherlands

€ million	Q2 2017	Q2 2016	% change	HY 2017	HY 2016	% change
Net sales	3,434	3,265	5.2%	6,754	6,461	4.5%
Operating income	172	159	8.2%	340	304	11.8%

The Netherlands on a pro forma basis

€ million	Pro forma Q2 2017	Pro forma Q2 2016	% change	Pro forma HY 2017	Pro forma HY 2016	% change
Net sales	3,424	3,243	5.6%	6,722	6,416	4.8%
Underlying EBITDA	247	237	4.2%	483	456	5.9%
Underlying EBITDA margin	7.2%	7.3%		7.2%	7.1%	
Underlying operating income	174	167	4.2%	339	317	6.9%
Underlying operating margin	5.1%	5.1%		5.0%	4.9%	
Comparable sales growth	4.9%	4.4%		4.1%	3.7%	

Pro forma net sales of €3,424 million increased by 5.6% compared with last year. Comparable sales grew by 4.9%, as a result of both strong online sales growth and growth at our supermarkets. This included the positive impact of the Easter week falling into the second quarter this year. During the quarter, Albert Heijn introduced a new range of local deli specialties provided by local butchers and continued to make progress in offering a healthier and fresher overall assortment by reducing the level of salt, sugar, fat and additives in own-brand products.

During the quarter, bol.com made further improvements in online shopping by introducing the "Select" subscription service for faster, lower-cost delivery. It also introduced a subscription service for e-books.

The pro forma underlying operating margin of the Netherlands was 5.1%, unchanged from a strong second quarter last year. This year's good performance was the result of synergy savings and cost control being offset by increased pension charges. The margin excluding bol.com was 5.8%, unchanged versus last year.

Belgium

€ million	Q2 2017	Q2 2016 ¹	% change	HY 2017	HY 2016 ¹	% change
Net sales	1,262	—	nm	2,448	—	nm
Operating income	26	—	nm	52	—	nm

1. Results from Belgium are included as of July 24, 2016.

Belgium on a pro forma basis

€ million	Pro forma Q2 2017	Pro forma Q2 2016	% change	Pro forma HY 2017	Pro forma HY 2016	% change
Net sales	1,258	1,255	0.2 %	2,439	2,449	(0.4)%
Underlying EBITDA	68	73	(6.8)%	133	139	(4.3)%
Underlying EBITDA margin	5.4 %	5.8%		5.5 %	5.7%	
Underlying operating income	32	37	(13.5)%	60	67	(10.4)%
Underlying operating margin	2.5 %	2.9%		2.5 %	2.7%	
Comparable sales growth	0.0 %	2.6%		(0.3)%	3.2%	

In the second quarter of 2017, pro forma net sales were €1,258 million, up 0.2% versus last year, with comparable sales growth flat versus last year. While the affiliated stores continued to perform well, the average basket size at company-owned stores decreased versus the same quarter last year. The focus is on strengthening the commercial plan, increasing the impact of promotional activities and improving the customer experience.

Pro forma underlying operating margin was 2.5%, down 0.4% percentage points compared to last year. Synergies were more than offset by additional promotional activities and increased shrink in company-owned supermarkets.

Central and Southeastern Europe (CSE)

€ million	Q2 2017	Q2 2016 ¹	% change	% change constant rates	HY 2017	HY 2016 ¹	% change	% change constant rates
Net sales	1,439	440	227.0%	221.0%	2,814	865	225.3%	222.0%
Operating income	54	10	440.0%	441.1%	95	11	763.6%	780.4%

1. Represents the pre-merger results of the Czech Republic. Results from former Delhaize entities in Central and Southeastern Europe (Greece, Romania and Serbia) are included as of July 24, 2016.

Central and Southeastern Europe (CSE) on a pro forma basis

€ million	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
Net sales	1,439	1,379	4.4 %	3.9 %	2,814	2,698	4.3 %	4.2 %
Underlying EBITDA	94	96	(2.1)%	(1.4)%	173	173	0.0 %	0.1 %
Underlying EBITDA margin	6.5%	7.0%			6.1%	6.4%		
Underlying operating income	55	59	(6.8)%	(6.8)%	96	100	(4.0)%	(4.0)%
Underlying operating margin	3.8%	4.3%			3.4%	3.7%		
Comparable sales growth	1.5%	6.2%			1.6%	6.7%		
Comparable sales growth excluding gasoline	1.7%	6.5%			1.6%	6.9%		

Pro forma net sales increased by 3.9% to €1,439 million at constant exchange rates. Net sales growth in the second quarter resulted from comparable sales growth of 1.5% and the net addition of 111 stores compared to a year ago. Comparable sales growth was driven by Romania, Serbia and the Czech Republic. In Greece, sales performance reflected an exceptionally strong quarter last year due to competitive disruptions.

CSE's pro forma underlying operating margin was lower by 0.5 percentage points to 3.8%. Margins increased in Serbia and the Czech Republic, while margins in Greece were lower than the second quarter last year.

Global Support Office

€ million	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
Underlying operating income	(26)	(42)	38.1%	36.3%	(58)	(87)	33.3%	33.2%
Underlying operating income excluding insurance activities	(35)	(44)	20.5%	20.9%	(72)	(84)	14.3%	14.7%

Pro forma underlying Global Support Office costs were €26 million, €16 million lower than the prior year. Excluding insurance activities, underlying costs were €35 million compared with €44 million in Q2 2016. Changes in discount rates were the main driver of improved results on insurance activities.

Financial review IFRS

Second quarter 2017 (compared to second quarter 2016)

Operating income increased by €223 million to €547 million, which is primarily due to the contributions of the former Delhaize operating companies (Delhaize America €147 million, Belgium €26 million and CSE excluding the Czech Republic €43 million). Operating income, after adjusting for impairments of €16 million (Q2 2016: €9 million); restructuring and related charges of €65 million (Q2 2016: €29 million); and the gain on sale of assets of nil (Q2 2016: €2 million), resulted in underlying operating income of €628 million (up €268 million over Q2 2016). Impairments are primarily related to stores at Ahold USA. The restructuring and related charges of €65 million included €34 million of integration costs related to the merger between Ahold and Delhaize, €4 million related to the setup of the U.S. brand-centric organization, and €32 million related to divestments of remedy stores, partly offset by other one-off items.

Income from continuing operations was €355 million; €145 million higher than last year. This follows from the increase in operating income of €223 million and higher income from joint ventures of €2 million, offset by increases in income taxes of €68 million and financial expenses of €12 million. The increase in income taxes is mainly the result of higher taxable income for Q2 2017.

Free cash flow of €400 million increased by €175 million compared to Q2 2016. This increase is mainly driven by higher cash generated from operations of €400 million and higher proceeds from divestments of assets of €10 million, partly offset by higher purchases of non-current assets of €185 million, higher interest paid of €37 million and higher income taxes paid of €19 million. Of the higher purchases of non-current assets, €210 million is due to the inclusion of the former Delhaize operating companies.

Net debt increased in Q2 2017 by €415 million to €3,418 million, which is mainly a result of the dividend payment of €720 million and the share buyback of €248 million, partly offset by our free cash flow of €400 million and exchange rate differences.

Half year 2017 (compared to half year 2016)

Operating income increased by €456 million to €1,116 million. Recorded in operating income are restructuring and related charges of €113 million (HY 2016: €60 million) and impairments of €24 million (HY 2016: €27 million), offset by a gain on the sale of assets €19 million (HY 2016: €3 million), which collectively total €118 million (HY 2016: €84 million) and are adjusted to arrive at underlying operating income of €1,234 million (HY 2016: €744 million).

Income from continuing operations was €711 million; €295 million higher than last year. This reflects the increase in operating income of €456 million and higher income from joint ventures of €2 million, adjusted for higher net financial expenses of €34 million and higher income taxes of €129 million.

Free cash flow was €597 million; €137 million higher than last year. The increase is mainly due to higher cash generated from operations of €586 million and higher proceeds from divestment of assets of €53 million, partly offset by higher capital expenditures of €430 million, higher income taxes paid of €28 million and higher interest paid of €57 million.

Financial review pro forma

Second quarter 2017 (compared to second quarter 2016)

Pro forma underlying operating income was €626 million, €64 million higher than last year. Pro forma underlying operating margin was 3.9%, up 0.3% percentage points from last year.

Pro forma operating income increased by €81 million to €584 million. Recorded in operating income are restructuring and related charges of €33 million and impairments of €9 million, which total €42 million and are adjusted to arrive at the pro forma underlying operating income. Impairments are primarily related to operating and closing stores at Ahold USA and in the Netherlands. The restructuring and related charges of €33 million includes €34 million of integration costs for the merger between Ahold and Delhaize and €4 million related to the setup of the U.S. brand-centric organization, partly offset by some one-off items.

Pro forma income from continuing operations was €378 million, €61 million higher than last year, as a result of the increase in pro forma operating income of €81 million and the decrease in financial expenses of €19 million, partly offset by the increase in income taxes of €41 million. The increase in income taxes is mainly the result of higher taxable income for Q2 2017.

Outlook¹

For the full year, we expect that the underlying operating margin for the Group will be broadly in line with the first half of 2017 and we reiterate our net synergy target of €220 million, including €22 million realized in 2016.

We will invest synergies in excess of the net synergy targets in our brands to further strengthen our brands.

We continue to invest in eCommerce, increasing warehouse capacity, and expect net consumer online sales of €2.8 billion in 2017, well on track to realize net consumer online sales of nearly €5 billion in 2020.

Integration costs are expected at €380 million, and an additional €70 million one time charge is expected related to the setup of our brand-centric organization in the United States.

We expect free cash flow of €1.6 billion for the full year after €1.8 billion of capital expenditure.

1. Full year amounts are based on HY 2017 exchange rates.

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 2, 2017, there have been no significant changes in the related party transactions from those described in Ahold Delhaize's Annual Report 2016.

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. Except as set forth under the Cautionary Notice in this release, 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 2016. A description of Ahold Delhaize's risk management practices, principal risks and how they impact the business is provided in Ahold Delhaize's 2016 Annual Report.

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 9, 2017

Management Board

Dick Boer (President and Chief Executive Officer)
Frans Muller (Deputy Chief Executive Officer and Chief Integration Officer)
Jeff Carr (Chief Financial Officer)
Pierre Bouchut (Chief Operating Officer Europe and Indonesia)
Kevin Holt (Chief Operating Officer Ahold USA)

Consolidated income statement

€ million, except per share data	Note	Q2 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
Net sales	4	16,121	9,638	31,991	19,248
Cost of sales	5	(11,831)	(7,005)	(23,440)	(13,946)
Gross profit		4,290	2,633	8,551	5,302
Selling expenses		(3,123)	(1,958)	(6,251)	(3,933)
General and administrative expenses		(620)	(351)	(1,184)	(709)
Total operating expenses	5	(3,743)	(2,309)	(7,435)	(4,642)
Operating income	4	547	324	1,116	660
Interest income		7	2	15	3
Interest expense		(75)	(57)	(155)	(115)
Net interest expense on defined benefit pension plans		(5)	(4)	(11)	(8)
Other financial expenses		(4)	(6)	(15)	(12)
Net financial expenses		(77)	(65)	(166)	(132)
Income before income taxes		470	259	950	528
Income taxes	6	(121)	(53)	(251)	(122)
Share in income of joint ventures		6	4	12	10
Income from continuing operations		355	210	711	416
Income from discontinued operations		—	1	—	1
Net income attributable to common shareholders		355	211	711	417
Net income per share attributable to common shareholders					
Basic		0.28	0.26	0.56	0.51
Diluted		0.28	0.25	0.55	0.50
Income from continuing operations per share attributable to common shareholders					
Basic		0.28	0.25	0.56	0.51
Diluted		0.28	0.25	0.55	0.50
Weighted average number of common shares outstanding (in millions)					
Basic		1,259	825	1,263	823
Diluted		1,293	857	1,300	857
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9084	0.8859	0.9236	0.8956

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Consolidated statement of comprehensive income

€ million	Note	Q2 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
Net income		355	211	711	417
Remeasurements of defined benefit pension plans					
Remeasurements before taxes - income (loss)		7	22	16	(143)
Income taxes		1	—	(4)	56
Other comprehensive income (loss) that will not be reclassified to profit or loss		8	22	12	(87)
Currency translation differences in foreign interests:					
Continuing operations		(691)	77	(826)	(103)
Income taxes		(1)	—	(1)	—
Cash flow hedges:					
Fair value result for the period		(3)	20	(3)	(1)
Transfers to net income		—	(30)	—	(37)
Income taxes		1	3	1	10
Non-realized gains (losses) on financial investments available for sale					
Fair value result for the period		2	—	3	—
Other comprehensive income (loss) reclassifiable to profit or loss		(692)	70	(826)	(131)
Total other comprehensive income (loss)		(684)	92	(814)	(218)
Total comprehensive income (loss) attributable to common shareholders		(329)	303	(103)	199
Attributable to:					
Continuing operations		(329)	302	(103)	198
Discontinued operations		—	1	—	1
Total comprehensive income (loss) attributable to common shareholders		(329)	303	(103)	199

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Consolidated balance sheet

€ million	Note	July 2, 2017	January 1, 2017
Assets			
Property, plant and equipment		10,993	11,770
Investment property		669	727
Intangible assets		11,947	12,547
Investments in joint ventures and associates		267	274
Other non-current financial assets		201	216
Deferred tax assets		690	700
Other non-current assets		72	64
Total non-current assets		24,839	26,298
Assets held for sale	7	35	50
Inventories		3,119	3,288
Receivables		1,547	1,588
Other current financial assets		260	677
Income taxes receivable		52	36
Prepaid expenses and other current assets		377	306
Cash and cash equivalents	9	3,215	4,032
Total current assets		8,605	9,977
Total assets		33,444	36,275
Equity and liabilities			
Group equity		14,971	16,276
Loans		3,080	3,311
Other non-current financial liabilities		2,260	2,527
Pensions and other post-employment benefits		650	659
Deferred tax liabilities		1,522	1,596
Provisions		869	931
Other non-current liabilities		534	578
Total non-current liabilities		8,915	9,602
Liabilities related to assets held for sale		2	9
Accounts payable		5,000	5,389
Other current financial liabilities		1,829	2,178
Income taxes payable		189	87
Provisions		371	383
Other current liabilities		2,167	2,351
Total current liabilities		9,558	10,397
Total equity and liabilities		33,444	36,275
Period-end U.S. dollar exchange rate (euro per U.S. dollar)		0.8752	0.9506

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including accumulated deficit	Equity attributable to common shareholders
Balance as of January 3, 2016		8	6,059	346	(123)	(668)	5,622
Net income attributable to common shareholders		—	—	—	—	417	417
Other comprehensive loss		—	—	(103)	(28)	(87)	(218)
Total comprehensive income (loss) attributable to common shareholders		—	—	(103)	(28)	330	199
Dividends		—	—	—	—	(429)	(429)
Share-based payments		—	—	—	—	31	31
Balance as of July 3, 2016¹		8	6,059	243	(151)	(736)	5,423
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	8	—	—	—	—	(720)	(720)
Share buyback	8	—	—	—	—	(527)	(527)
Share-based payments		—	—	—	—	45	45
Balance as of July 2, 2017		13	15,802	(73)	(4)	(767)	14,971

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Consolidated statement of cash flow

€ million	Note	Q2 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
Income from continuing operations		355	210	711	416
Adjustments for:					
Net financial expenses		77	65	166	132
Income taxes		121	53	251	122
Share in income of joint ventures		(6)	(4)	(12)	(10)
Depreciation, amortization and impairments	5	469	262	932	535
Gains on the sale of assets / disposal groups held for sale	5	—	(2)	(19)	(3)
Share-based compensation expenses		21	14	40	25
Other changes to operating income		(3)	1	(5)	1
Operating cash flows before changes in operating assets and liabilities		1,034	599	2,064	1,218
Changes in working capital:					
Changes in inventories		3	33	5	5
Changes in receivables and other current assets		(4)	42	(85)	101
Changes in payables and other current liabilities		8	(27)	(259)	(199)
Changes in other non-current assets, other non-current liabilities and provisions		20	14	(9)	5
Cash generated from operations		1,061	661	1,716	1,130
Income taxes paid - net		(189)	(170)	(217)	(189)
Operating cash flows from continuing operations		872	491	1,499	941
Operating cash flows from discontinued operations		(1)	(2)	(3)	(3)
Net cash from operating activities		871	489	1,496	938
Purchase of non-current assets		(385)	(200)	(816)	(386)
Divestments of assets / disposal groups held for sale		13	3	63	10
Acquisition of businesses, net of cash acquired	3	(2)	(2)	(6)	(4)
Divestment of businesses, net of cash divested	7	—	(2)	(1)	(3)
Changes in short-term deposits and similar instruments		—	309	100	383
Dividends received from joint ventures		12	12	14	14
Interest received		7	1	16	3
Other		(1)	(3)	(1)	(3)
Investing cash flows from continuing operations		(356)	118	(631)	14
Net cash from investing activities		(356)	118	(631)	14
Interest paid		(119)	(82)	(179)	(122)
Repayments of loans	10	(160)	(7)	(461)	(21)
Changes in short-term loans		283	2	196	5
Repayments of finance lease liabilities		(48)	(27)	(97)	(53)
Dividends paid on common shares	8	(720)	(429)	(720)	(429)
Share buyback	8	(248)	—	(527)	—
Other cash flows from derivatives	10	(10)	(5)	264	(18)
Other		(1)	—	3	3
Financing cash flows from continuing operations		(1,023)	(548)	(1,521)	(635)
Net cash from financing activities		(1,023)	(548)	(1,521)	(635)
Net cash from operating, investing and financing activities		(508)	59	(656)	317
Cash and cash equivalents at the beginning of the period (excluding restricted cash)		3,817	2,017	3,990	1,819
Effect of exchange rate differences on cash and cash equivalents		(140)	23	(165)	(37)
Cash and cash equivalents at the end of the period (excluding restricted cash)	9	3,169	2,099	3,169	2,099
Average U.S. dollar exchange rate (euro per U.S. dollar)		0.9084	0.8859	0.9236	0.8956

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

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 primarily in the United States and Europe.

As of July 24, 2016, Ahold Delhaize is the new name of Koninklijke Ahold N.V. following the completion of the merger between Koninklijke Ahold N.V. ("Ahold") and Delhaize Group NV/SA ("Delhaize").

As a result of the legal structure of the merger, Delhaize merged into Ahold. Since Ahold is the surviving entity, the historical IFRS information prior to the merger is that of Ahold.

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 2016 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 and Delhaize completed their merger on July 23, 2016. In 2017, the reporting calendars have been aligned and Ahold Delhaize now uses a 4/4/5-week calendar, with four equal quarters of 13 weeks, for a total of 52 weeks. The 2016 comparative numbers in this report have been restated to reflect the effects of this calendar change, with Q2 now consisting of 13 weeks instead of the previously reported 12 weeks and the first half year now consisting of 26 weeks instead of the previously reported 28 weeks.

In the determination of the restated balances, judgment has been applied. Daily transactions have been reallocated based on their transaction dates and the new quarter-end dates. Proportionate allocation has been used for items that are recognized on a periodic basis, such as depreciation, rent and interest. Transactions that occur on a specific date, including sale and acquisition transactions, have been matched to the revised period. Entries that are recorded on a quarterly basis, such as impairments and releases of provision balances, have been recognized in the corresponding converted quarters.

This calendar change only impacts the allocation of results between quarters and does not have an effect on the full 2016 results.

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 Management Board 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 and on the management reporting structure.

Changes in presentation

Presentation of amortization of favorable lease-related intangible assets

As part of the purchase price allocation (PPA) of an acquisition, favorable lease-related intangible assets and unfavorable lease-related liabilities were identified. In the historical results of both Ahold and Delhaize, the unwinding of these liabilities were reported as part of rent expense, while the amortization of the intangible assets was reported as amortization expense. This resulted in a mismatch of the net PPA effect of similar items on the basis that they relate to either an asset or a liability.

Ahold Delhaize's historical information has therefore been restated so that the amortization of the favorable lease-related asset is no longer reported as depreciation and amortization expense but is instead reported as rent expense.

The adjustments to Ahold Delhaize's 2016 comparative amounts for these changes in presentation are as follows:

€ million	Q2 2016 as reported	Calendar change impact	Changes in presentation	Q2 2016 as restated	HY 2016 as reported	Calendar change impact	Changes in presentation	HY 2016 as restated
Consolidated statement of cash flows								
Depreciation, amortization and impairments	245	21	(4)	262	582	(40)	(7)	535
Other changes to operating income ¹	—	(1)	2	1	—	—	1	1
Operating cash flows before changes in operating assets and liabilities	575	26	(2)	599	1,320	(96)	(6)	1,218
Changes in other non-current assets, other non-current liabilities and provisions	—	12	2	14	(5)	4	6	5

1. This line includes release of favorable and unfavorable leases and other changes to operating income.

€ million	Q2 2016 as reported	Calendar change impact	Changes in presentation	Q2 2016 as restated	HY 2016 as reported	Calendar change impact	Changes in presentation	HY 2016 as restated
Note 5. Expenses by nature								
Depreciation and amortization	237	19	(3)	253	556	(41)	(7)	508
Rent expenses and income - net	144	14	3	161	343	(24)	7	326

New and revised IFRSs effective in 2017:

Amendments to IAS 12, "Income taxes"

The amendments address the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value, as well as how deductible temporary differences should be measured in situations when tax law limits the offsetting of certain types of losses against specific sources of taxable profits. The amendments to IAS 12 apply prospectively for annual periods beginning on or after January 1, 2017, however are not yet adopted by the EU. The Company does not anticipate that the application of these amendments will have a significant effect on the results of the consolidated financial statements.

Amendments to IAS 7, "Disclosure Initiative"

Amendments to IAS 7, "Disclosure Initiative," were made to require additional cash flow disclosures surrounding changes in liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes. The amendments to IAS 7 apply prospectively for annual periods beginning on or after January 1, 2017, however are not yet adopted by the EU. The Company does not anticipate that the application of these amendments will have a significant effect on the results of future

consolidated financial statements, but they may alter the manner in which certain financial information is presented.

Annual improvements to IFRSs 2014-2016

Annual improvements to IFRSs 2014-2016 Cycle made a number of amendments to various IFRSs, which do not have a significant effect on the consolidated financial statements.

New accounting policies not yet effective for 2017

The IASB issued several standards, or revisions to standards, that are not yet effective for 2017, but will become effective in coming years. As of July 2, 2017, there are no significant changes in the assessment of the effects of these standards from those described in Ahold Delhaize's Annual Report 2016.

3. Business combinations and goodwill

Merger Ahold Delhaize

On July 23, 2016, Ahold and Delhaize announced the completion of their merger, which became effective on July 24, 2016. The merger has been accounted for as a business combination using the acquisition method of accounting under IFRS 3, with Ahold being identified as acquirer.

As of Q2 2017 there have been measurement period adjustments recognized subsequent to the amounts initially recognized and reported in 2016. These measurement period adjustments have been made to reflect facts and circumstances that existed as of the 2016 merger date and not as a result of events occurring subsequent to the merger date. As a result of all measurement period adjustments, the goodwill on the merger has been increased by €36 million to an amount of €5,962 million, with the related adjustments to other assets and liabilities as disclosed in the table below.

All known measurement period adjustments have been made and the allocation of the purchase price to the estimated fair values of the identifiable assets acquired and the liabilities assumed is now considered to be finalized.

Other acquisitions

Ahold Delhaize completed minor store acquisitions for a total purchase consideration of €7 million, mainly in Belgium.

Net assets acquired

The allocation of the fair value of the net assets acquired, the goodwill arising from the acquisitions during 2017 and measurement period adjustments of previous business combinations is as follows:

€ million	Delhaize	Other	Total
Goodwill	36	7	43
Other intangibles	(1)	—	(1)
Deferred tax assets	2	—	2
Assets held for sale	—	1	1
Cash and cash equivalents	—	1	1
Receivables and other current assets	4	2	6
Provisions (including pensions)	(16)	—	(16)
Deferred tax liabilities	3	—	3
Other non-current liabilities	(7)	—	(7)
Other current liabilities	(21)	(4)	(25)
Total purchase consideration	—	7	7
Cash acquired	—	(1)	(1)
Acquisition of business, net of cash	—	6	6

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

€ million	Goodwill
As of January 1, 2017	
At cost	7,405
Accumulated impairment losses	(10)
Opening carrying amount	7,395
Acquisitions through business combinations	43
Impairment losses and reversals - net	(1)
Transfers to / from assets held for sale	(1)
Exchange rate differences	(385)
Closing carrying amount	7,051
As of July 2, 2017	
At cost	7,062
Accumulated impairment losses	(11)
Closing carrying amount	7,051

4. Segment reporting

Ahold Delhaize's retail operations are presented in five 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, LLC ("Super Indo"), and 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
Ahold USA	Stop & Shop New England, Stop & Shop New York Metro, Giant Landover, Giant Carlisle and Peapod
Delhaize America	Food Lion and Hannaford
The Netherlands	Albert Heijn (including the Netherlands, Belgium and Germany), 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 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
\$ million				
Ahold USA	6,604	6,698	13,044	13,313
Delhaize America	4,392	—	8,593	—
<i>Average U.S. dollar exchange rate (euro per U.S. dollar)</i>	<i>0.9084</i>	<i>0.8859</i>	<i>0.9236</i>	<i>0.8956</i>
€ million				
Ahold USA	5,997	5,933	12,043	11,922
Delhaize America	3,989	—	7,932	—
The Netherlands	3,434	3,265	6,754	6,461
Belgium	1,262	—	2,448	—
Central and Southeastern Europe	1,439	440	2,814	865
Ahold Delhaize Group	16,121	9,638	31,991	19,248

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Operating income

Operating income (loss) per segment is as follows:

	Q2 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
\$ million				
Ahold USA	200	229	446	487
Delhaize America	164	—	316	—
€ million				
Ahold USA	182	203	413	437
Delhaize America	147	—	290	—
The Netherlands	172	159	340	304
Belgium	26	—	52	—
Central and Southeastern Europe	54	10	95	11
Global Support Office	(34)	(48)	(74)	(92)
Ahold Delhaize Group	547	324	1,116	660

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

5. Expenses by nature

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

€ million	Q2 2017	Q2 2016 ¹	HY 2017	HY 2016 ¹
Cost of product	11,351	6,718	22,483	13,372
Labor costs	2,312	1,426	4,624	2,843
Other operational expenses	1,172	749	2,342	1,515
Depreciation and amortization	453	253	908	508
Rent expenses and income - net	270	161	513	326
Impairment losses and reversals - net	16	9	24	27
(Gains) losses on the sale of assets - net	—	(2)	(19)	(3)
Total expenses by nature	15,574	9,314	30,875	18,588

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

6. Income taxes

The increase in income taxes is mainly the result of higher taxable income for Q2 and HY 2017. The increase in the effective tax rate for Q2 and HY 2017 is mainly caused by the change in the geographical mix of earnings and one-time items in 2017 and 2016.

7. Assets and liabilities held for sale

Assets held for sale per segment are as follows:

€ million	July 2, 2017	January 1, 2017
Ahold USA	7	27
Delhaize America	—	2
The Netherlands	26	19
Belgium	—	—
Central and Southeastern Europe	2	2
Ahold Delhaize Group	35	50

Assets held for sale and related liabilities at July 2, 2017, consist primarily of non-current assets and associated liabilities of retail locations, including remedy stores to be divested. As part of the approval of the merger between Ahold and Delhaize Group by the U.S. Federal Trade Commission, Ahold and Delhaize subsidiaries entered into agreements to sell 86 stores in the United States. The approval of the Belgian Competition Authority was conditional upon the divestment of 13 stores (eight Albert Heijn stores and five Delhaize franchisee stores) and a limited number of projects in Belgium.

During 2016, of the 86 stores in the United States, Ahold USA divested eight out of 15 stores and Delhaize America divested all of the 71 stores. In the first quarter of 2017, Ahold USA divested four of the remaining remedy stores and recognized a €17 million gain.

In the first quarter 2017, Ahold Delhaize announced that its Belgian subsidiaries have reached agreements to divest nine stores and two projects in Belgium, with one store divestment being completed in the first quarter. In the second quarter 2017, seven stores and two projects were divested.

The remedy stores do not represent discontinued operations.

8. Equity attributable to common shareholders

Dividend on common shares

On April 12, 2017, the General Meeting of Shareholders approved the dividend over 2016 of €0.57 per common share. This dividend was paid on April 26, 2017.

Share buyback

On January 9, 2017, the Company commenced the €1 billion share buyback program that was announced on December 7, 2016. During the first half of 2017, 26,926,553 of the Company's own shares were repurchased at an average price of €19.58 per share for a total amount of €527 million. The program is expected to be completed before the end of 2017.

The number of outstanding common shares as of July 2, 2017, was 1,252,287,592 (January 1, 2017: 1,272,276,402).

9. Cash

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

€ million	July 2, 2017	January 1, 2017
Cash and cash equivalents as presented in the statement of cash flows	3,169	3,990
Restricted cash	46	42
Cash and cash equivalents as presented on the balance sheet ¹	3,215	4,032

1. Cash and cash equivalents include an amount held under notional cash pooling arrangement of €1,376 million (January 1, 2017: €1,184 million). This cash amount is fully 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 2, 2017		January 1, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	59	67	66	75
Trade and other (non-)current receivables	1,567	1,567	1,600	1,600
Reinsurance assets	196	196	220	220
Total loans and receivables	1,822	1,830	1,886	1,895
Cash and cash equivalents	3,215	3,215	4,032	4,032
Short-term deposits and similar instruments	9	9	110	110
Derivatives	1	1	299	299
Available-for-sale	175	175	186	186
Total financial assets	5,222	5,230	6,513	6,522

€ million	July 2, 2017		January 1, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Notes	(2,777)	(2,884)	(3,434)	(3,442)
Other loans	(3)	(3)	(5)	(5)
Financing obligations	(350)	(324)	(385)	(366)
Mortgages payable	(24)	(26)	(26)	(29)
Finance lease liabilities	(1,719)	(2,089)	(1,960)	(2,396)
Cumulative preferred financing shares	(497)	(540)	(497)	(549)
Dividend cumulative preferred financing shares	(9)	(9)	(20)	(20)
Accounts payable	(5,000)	(5,000)	(5,389)	(5,389)
Short-term borrowings	(1,437)	(1,437)	(1,253)	(1,253)
Interest payable	(42)	(42)	(59)	(59)
Reinsurance liabilities	(206)	(206)	(234)	(234)
Other	(81)	(87)	(89)	(97)
Total non-derivative financial liabilities	(12,145)	(12,647)	(13,351)	(13,839)
Derivatives	(33)	(33)	(63)	(63)
Total financial liabilities	(12,178)	(12,680)	(13,414)	(13,902)

Repayment of GBP 500 notes and settlement of related swaps

During Q1 2017, Ahold Delhaize repaid the remaining notional redemption amount of GBP 250 million relating to the GBP 500 million notes which were due in March 2017. The related swaps were settled on the same date. Since Ahold Delhaize was required under these swap contracts to redeem the notional amount through semi-annual installments that commenced in September 2004, the net cash impact of the debt repayment and the swap settlement at maturity was limited to only the last semi-annual installment amounting to \$14 million.

With the repayment of its GBP 500 million notes, Ahold Delhaize no longer had any notes outstanding under its Euro Medium Term Note Program and decided not to extend the program. Accordingly, the related Base Prospectus of April 21, 2016, which was valid for a period of 12 months, has not been renewed as of April 21, 2017.

Issuance of multi-currency euro-commercial paper program

On July 4, 2017, Ahold Delhaize successfully established a multi-currency euro-commercial paper program in order to diversify its sources of financing. Under this program, Ahold Delhaize may issue, from time to time, euro-commercial paper notes at blended rates. The outstanding principal amount of the notes will not exceed €1 billion (or its equivalent in other currencies) at any time. On July 7, 2017, and on August 2, 2017, Ahold Delhaize issued notes under this program. As of August 9, 2017, €250 million of notes were outstanding, which are due in September 2017.

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

Of Ahold Delhaize's categories of financial instruments, only derivatives, assets available-for-sale 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 2, 2017	January 1, 2017
Cross-currency interest rate swaps	30	63
Total net derivative liabilities subject to collateralization	30	63
Collateralized amount	18	17

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 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 2016. 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 January 1, 2017, is included in *Note 34* of Ahold Delhaize's 2016 consolidated financial statements, which were published as part of Ahold Delhaize's Annual Report 2016 on March 1, 2017. There were no significant changes to this overview through Q2 2017.

12. Subsequent events

Conversion of cumulative preferred financing shares

Ahold Delhaize has received a request from NN Investment Partners, holder of 100,779,021 Ahold Delhaize cumulative preferred financing shares, to convert 45,000,000 of its cumulative preferred financing shares with par value of €42,541,895 and voting rights of 0.94%, into common shares. In accordance with the applicable conversion terms, the number of 45,000,000 cumulative preferred financing shares will be converted into 2,515,827 common shares.

The conversion will take place on August 9, 2017.

Euro-commercial paper program

As further disclosed under *Note 10*, on July 4, 2017, the Company established a multi-currency euro-commercial paper program with a maximum limit of €1 billion.

Other financial and operating information

Free cash flow¹

€ million	Q2 2017	Q2 2016 ²	HY 2017	HY 2016 ²
Operating cash flows from continuing operations before changes in working capital and income taxes paid	1,054	613	2,055	1,223
Changes in working capital	7	48	(339)	(93)
Income taxes paid - net	(189)	(170)	(217)	(189)
Purchase of non-current assets	(385)	(200)	(816)	(386)
Divestments of assets / disposal groups held for sale	13	3	63	10
Dividends received from joint ventures	12	12	14	14
Interest received	7	1	16	3
Interest paid	(119)	(82)	(179)	(122)
Free cash flow	400	225	597	460

1 Free cash flow is a non-GAAP measure. For a description of this non-GAAP measures refer to section Use of non-GAAP financial measures at the end of this report.

2 Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Net debt¹

€ million	July 2, 2017	April 2, 2017	January 1, 2017
Loans	3,080	3,256	3,312
Finance lease liabilities	1,535	1,695	1,761
Cumulative preferred financing shares	497	497	497
Non-current portion of long-term debt	5,112	5,448	5,570
Short-term borrowings and current portion of long-term debt	1,695	1,602	1,991
Gross debt	6,807	7,050	7,561
Less: Cash, cash equivalents, short-term deposits and similar instruments ² and short-term available for sale instruments ^{2, 3, 4, 5}	3,389	4,047	4,317
Net debt	3,418	3,003	3,244

1 Net debt is a non-GAAP measure. For a description of this non-GAAP measures refer to section Use of non-GAAP financial 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 2, 2017, was €9 million (April 2, 2017: €10 million, January 1, 2017: €110 million) and is presented within Other current financial assets in the consolidated balance sheet.

3 Included in available-for-sale instruments is a US treasury investment fund in the amount of €165 million (April 2, 2017: €174 million, January 1, 2017: €175 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 2, 2017 was €162 million (April 2, 2017: €211 million, January 1, 2017: €217 million).

5 Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €1,376 million (April 2, 2017: €1,107 million, January 1, 2017: €1,184 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 and underlying EBITDA¹

Underlying operating income per segment and underlying EBITDA per segment are as follows:

Q2 2017

€ million	IFRS						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	182	147	172	26	54	(34)	547
Impairments	16	—	—	—	—	—	16
(Gains) losses on the sale of assets	(1)	1	—	—	—	—	—
Restructuring and related charges and other	44	4	2	6	1	8	65
<i>Adjustments to operating income</i>	<i>59</i>	<i>5</i>	<i>2</i>	<i>6</i>	<i>1</i>	<i>8</i>	<i>81</i>
Underlying operating income (loss)	241	152	174	32	55	(26)	628
Depreciation and amortization	169	129	73	36	39	7	453
Underlying EBITDA	410	281	247	68	94	(19)	1,081

1. Underlying operating income and underlying EBITDA are non-GAAP measures. For a description of these non-GAAP measures refer to section Use of non-GAAP financial measures at the end of this report.

Underlying operating income in local currency for Q2 2017 was \$265 million for Ahold USA and \$168 million for Delhaize America.

Q2 2016¹

€ million	IFRS						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	203	—	159	—	10	(48)	324
Impairments	5	—	4	—	—	—	9
(Gains) losses on the sale of assets	(2)	—	—	—	—	—	(2)
Restructuring and related charges and other	6	—	5	—	—	18	29
<i>Adjustments to operating income</i>	<i>9</i>	<i>—</i>	<i>9</i>	<i>—</i>	<i>—</i>	<i>18</i>	<i>36</i>
Underlying operating income (loss)	212	—	168	—	10	(30)	360
Depreciation and amortization	169	—	70	—	13	1	253
Underlying EBITDA	381	—	238	—	23	(29)	613

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Underlying operating income in local currency for Q2 2016 was \$238 million for Ahold USA.

Half year 2017

€ million	IFRS						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	413	290	340	52	95	(74)	1,116
Impairments	25	—	(1)	—	—	—	24
(Gains) losses on the sale of assets	(18)	1	(3)	1	—	—	(19)
Restructuring and related charges and other	69	14	5	8	1	16	113
<i>Adjustments to operating income</i>	<i>76</i>	<i>15</i>	<i>1</i>	<i>9</i>	<i>1</i>	<i>16</i>	<i>118</i>
Underlying operating income (loss)	489	305	341	61	96	(58)	1,234
Depreciation and amortization	344	257	144	73	77	13	908
Underlying EBITDA	833	562	485	134	173	(45)	2,142

Underlying operating income in local currency for half year 2017 was \$530 million for Ahold USA and \$331 million for Delhaize America.

Half year 2016¹

€ million	IFRS						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	437	—	304	—	11	(92)	660
Impairments	14	—	11	—	2	—	27
(Gains) losses on the sale of assets	(2)	—	(1)	—	—	—	(3)
Restructuring and related charges and other	21	—	6	—	—	33	60
<i>Adjustments to operating income</i>	<i>33</i>	<i>—</i>	<i>16</i>	<i>—</i>	<i>2</i>	<i>33</i>	<i>84</i>
Underlying operating income (loss)	470	—	320	—	13	(59)	744
Depreciation and amortization	341	—	139	—	26	2	508
Underlying EBITDA	811	—	459	—	39	(57)	1,252

1. Comparative balances have been restated to conform to the current year's presentation. See Note 2.

Underlying operating income in local currency for half year 2016 was \$524 million for Ahold USA.

Store portfolio (including franchise and affiliate stores)

	End of 2016	Opened / acquired	Closed / other sold	End of Q2 2017 ¹
Ahold USA	776	1	(9)	768
Delhaize America	1,214	—	(5)	1,209
The Netherlands	2,163	16	(15)	2,164
Belgium	765	14	(7)	772
Central and Southeastern Europe	1,638	40	(2)	1,676
Total	6,556	71	(38)	6,589

1. The number of stores at the end of Q2 2017 includes 1,156 specialty stores (Etos and Gall & Gall) (end of 2016: 1,152).

Pro forma financial information
Pro forma net sales per channel

€ million	Pro forma Q2 2017	Pro forma Q2 2016	% change	% change constant rates	Pro forma HY 2017	Pro forma HY 2016	% change	% change constant rates
Online sales ¹	553	471	17.4%	16.5%	1,104	936	17.9%	16.8%
Store sales ²	15,491	15,038	3.0%	1.4%	30,706	29,897	2.7%	0.7%
Total net sales	16,044	15,509	3.4%	1.8%	31,810	30,833	3.2%	1.2%

1. Pro forma net consumer online sales increased 22.2% in the second quarter to €652 million, or 21.2% at constant exchange rates. Net consumer online sales is a non-GAAP measure. For a description of this non-GAAP measure refer to section Use of non-GAAP financial measures at the end of this report.

2. Store sales also include sales under franchise agreements and other sales to third parties.

Pro forma underlying operating income and pro forma underlying EBITDA¹

Underlying operating income per segment and underlying EBITDA per segment are as follows:

Q2 2017

€ million	Pro forma						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	218	147	170	29	54	(34)	584
Impairments	7	—	2	—	—	—	9
(Gains) losses on the sale of assets	(1)	1	—	—	—	—	—
Restructuring and related charges and other	15	4	2	3	1	8	33
<i>Adjustments to operating income</i>	<i>21</i>	<i>5</i>	<i>4</i>	<i>3</i>	<i>1</i>	<i>8</i>	<i>42</i>
Underlying operating income (loss)	239	152	174	32	55	(26)	626
Depreciation and amortization	168	130	73	36	39	7	453
Underlying EBITDA	407	282	247	68	94	(19)	1,079

1. Underlying operating income and underlying EBITDA are non-GAAP measures. For a description of these non-GAAP measures refer to section Use of non-GAAP financial measures at the end of this report.

Pro forma underlying operating income in local currency for Q2 2017 was \$265 million for Ahold USA and \$168 million for Delhaize America.

Q2 2016

€ million	Pro forma						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	200	122	158	35	53	(65)	503
Impairments	5	3	2	2	5	—	17
(Gains) losses on the sale of assets	(1)	3	1	(1)	1	—	3
Restructuring and related charges and other	5	4	6	1	—	23	39
<i>Adjustments to operating income</i>	<i>9</i>	<i>10</i>	<i>9</i>	<i>2</i>	<i>6</i>	<i>23</i>	<i>59</i>
Underlying operating income (loss)	209	132	167	37	59	(42)	562
Depreciation and amortization	165	119	70	36	37	6	433
Underlying EBITDA	374	251	237	73	96	(36)	995

Pro forma underlying operating income in local currency for Q2 2016 was \$235 million for Ahold USA and \$149 million for Delhaize America.

Half year 2017

€ million	Pro forma						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	433	290	337	55	95	(73)	1,137
Impairments	16	—	1	—	—	—	17
(Gains) losses on the sale of assets	(1)	1	(3)	—	—	—	(3)
Restructuring and related charges and other	40	14	4	5	1	15	79
<i>Adjustments to operating income</i>	<i>55</i>	<i>15</i>	<i>2</i>	<i>5</i>	<i>1</i>	<i>15</i>	<i>93</i>
Underlying operating income (loss)	488	305	339	60	96	(58)	1,230
Depreciation and amortization	342	258	144	73	77	13	907
Underlying EBITDA	830	563	483	133	173	(45)	2,137

Underlying operating income in local currency for half year 2017 was \$530 million for Ahold USA and \$331 million for Delhaize America.

Half year 2016

€ million	Pro forma						
	Ahold USA	Delhaize America	The Netherlands	Belgium	Central and Southeastern Europe	Global Support Office	Ahold Delhaize Group
Operating income (loss)	429	244	301	52	93	(122)	997
Impairments	14	3	10	14	6	—	47
(Gains) losses on the sale of assets	(2)	6	—	—	1	—	5
Restructuring and related charges and other	21	9	6	1	—	35	72
<i>Adjustments to operating income</i>	<i>33</i>	<i>18</i>	<i>16</i>	<i>15</i>	<i>7</i>	<i>35</i>	<i>124</i>
Underlying operating income (loss)	462	262	317	67	100	(87)	1,121
Depreciation and amortization	333	241	139	72	73	11	869
Underlying EBITDA	795	503	456	139	173	(76)	1,990

Underlying operating income in local currency for half year 2016 was \$515 million for Ahold USA and \$293 million for Delhaize America.

Pro forma underlying income from continuing operations¹

€ million	Pro forma Q2 2017	Pro forma Q2 2016	Pro forma HY 2017	Pro forma HY 2016
Income from continuing operations	378	317	725	625
Adjustments to operating income	42	59	93	124
Underlying adjustments to income taxes	—	(18)	(19)	(40)
Underlying income from continuing operations	420	358	799	709
Basic earnings per share from continuing operations ²	0.30	0.25	0.57	0.49
Underlying earnings per share from continuing operations ²	0.33	0.28	0.63	0.56

- Pro forma underlying income from continuing operations is a non-GAAP measure. For a description of this non-GAAP measure refer to section Use of non-GAAP financial measures at the end of this report.*
- The number of shares outstanding (1,272,112,616 shares) as of the merger effective date of July 24, 2016, is used as the basis for the calculation of the pro forma number of shares outstanding for the periods up to the merger date. After the merger date the actual number of shares outstanding are used in the calculation to determine the weighted average number of shares outstanding for the quarter and year to date. Pro forma basic and underlying earnings per share from continuing operations are calculated by dividing the pro forma (underlying) income from continuing operations attributable to equity holders by these numbers of shares outstanding. The weighted average number of shares used for calculating the pro forma basic and underlying earnings per share for Q2 2017 is 1,259 million (Q2 2016: 1,272 million).*

Pro forma financial information reconciliations
Group pro forma financial information Q2 2017

€ million	Ahold Delhaize IFRS	Remedy stores and other	Ahold Delhaize pro forma
Net sales	16,121	(77)	16,044
Operating income	547	37	584
Impairments	16	(7)	9
Restructuring and related charges and other	65	(32)	33
Underlying operating income	628	(2)	626

Pro forma net sales by segment Q2 2017

€ million	Ahold Delhaize IFRS	Remedy stores and other	Ahold Delhaize pro forma
Ahold USA	5,997	(63)	5,934
Delhaize America	3,989	—	3,989
The Netherlands	3,434	(10)	3,424
Belgium	1,262	(4)	1,258
Central and Southeastern Europe	1,439	—	1,439
Ahold Delhaize Group	16,121	(77)	16,044

Pro forma operating income by segment Q2 2017

€ million	Ahold Delhaize IFRS	Remedy stores and other	Ahold Delhaize pro forma
Ahold USA	182	36	218
Delhaize America	147	—	147
The Netherlands	172	(2)	170
Belgium	26	3	29
Central and Southeastern Europe	54	—	54
Global Support Office	(34)	—	(34)
Ahold Delhaize Group	547	37	584

Pro forma underlying income from continuing operations Q2 2017

€ million	Ahold Delhaize IFRS	Remedy stores and other	Ahold Delhaize pro forma
Income from continuing operations	355	23	378
Adjustments to operating income	81	(39)	42
Underlying adjustments to income taxes	(16)	16	—
Underlying income from continuing operations	420	—	420

Combined free cash flow¹

€ million	Q2 2017	Q2 2016	HY 2017	HY 2016
Free cash flow	400	225	597	460
Delhaize Group 2016 (pre merger)	—	236	—	(25)
Free cash flow Ahold Delhaize combined	400	461	597	435

1. This represents the combined free cash flow of Ahold and Delhaize excluding pro forma adjustments. Delhaize pre-merger free cash flow has been aligned with the free cash flow definition of Ahold Delhaize.

Use of non-GAAP financial measures

This summary report includes non-GAAP financial measures. The descriptions of the non-GAAP financial measures are included on pages 70 and 71 of Ahold Delhaize's Annual Report 2016. The description of non-GAAP measures that are new or changed in 2017 are included below.

Comparable sales and comparable sales excluding gasoline sales

The definition of comparable sales is unchanged from the description included in the Annual Report 2016. However, Ahold Delhaize now considers store sales to be comparable after a store has been open for a full 56 weeks.

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 2017 financial year consists of 52 weeks and ends on December 31, 2017. The quarters in 2017 are:

First quarter	January 2 through April 2, 2017
Second quarter	April 3 through July 2, 2017
Third quarter	July 3 through October 1, 2017
Fourth quarter	October 2 through December 31, 2017

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 on track, expected, continue, to focus, will, look forward, guidance, strategy, promising growth potential, improve, plans, innovate, committed, progressing and to 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 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 self-insurance 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.

For more information:

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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 21 strong, local brands serves more than 50 million customers each week in 11 countries. Together, these brands employ more than 370,000 associates in 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.

