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Ahold  
Delhaize

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# Second Quarter 2016 Results

August 25, 2016

# Today's second quarter results presentation - content

- Introduction – Dick Boer
- Ahold Q2 2016 results – Dick Boer, Jeff Carr
- Delhaize Group Q2 2016 results – Frans Muller
- Ahold Delhaize's integration, outlook and upcoming events – Dick Boer, Frans Muller, Jeff Carr



Ahold  
Delhaize

## Strong Q2 results for both Ahold and Delhaize Group provide good momentum for Ahold Delhaize <sup>3</sup>

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- Ahold Delhaize merger effective on July 24, 2016
- Two separate sets of results as Q2 for both companies ended prior to merger completion
- Ahold underlying operating income of €355 million, up 8.0% at constant exchange rates
- Delhaize Group underlying operating profit of €247 million, up 12.1% at constant exchange rates

# Second quarter 2016 results

Dick Boer, Jeff Carr

# Ahold second quarter 2016 highlights

- 3.0% increase in Q2 Group sales to €9.0 billion (up 4.4% excluding gas at constant exchange rates)
- Improving volume sales trend in the United States
- Continued strong online consumer sales in the Netherlands, up more than 30%
- Strong margins in the Netherlands driven by Simplicity savings
- Underlying operating margin of 4.0% (Q2 2015: 3.8%)
- 7.3% increase in Group underlying operating income (up 8.0% at constant exchange rates)
- Free cash flow of €253 million, half-year 2016 €540 million

# Group performance - Ahold

(€ in Millions)

	Quarter 2			
	2016	2015	Change	Change*
<b>Net sales</b>	8,951	8,688	3.0%	3.6%
<i>Net sales excl gas</i>				4.4%
<b>Underlying operating income</b>	355	331	7.3%	8.0%
<b>Underlying operating margin</b>	4.0%	3.8%		
<b>Operating income</b>	319	301	6.0%	6.6%
<b>Income from continuing operations</b>	208	195	6.7%	7.5%
<b>Net income</b>	209	195	7.2%	7.7%

- Continued good operational and financial performance
- Underlying operating margin improved, primarily resulting from The Netherlands
- One-off charges in operating income largely merger-related

\* At constant exchange rates



# Performance by segment - Ahold

(€ in Millions)

	Quarter 2					
	Ahold USA		The Netherlands		Czech Republic	
	2016	Change*	2016	Change	2016	Change*
<b>Net sales</b>	5,526	3.4%	3,022	4.6%	403	(0.3%)
<i>Net sales excl gas</i>		4.6%		4.6%		0.1%
<b>Underlying operating income</b>	215	2.1%	157	20.8%	7	69.0%
<b>Underlying operating margin</b>	3.9%	0.0	5.2%	0.7	1.7%	0.7
<b>Identical sales growth excl gas</b>	1.2%	(0.4)	3.2%	(0.2)	1.3%	(0.8)

- Strong net sales excluding gas resulting mainly from positive volume development in the U.S. and continued strong online growth in the Netherlands
- Underlying operating margin improved as Q2 Simplicity savings exceeded reinvestments in customer proposition in the Netherlands
- Good identical sales performance, despite deflationary environment in the U.S. Growth 2015 vs. 2014 positively impacted by the timing of Easter

\* At constant exchange rates

# Operating cash flow generation - Ahold

(€ in Millions)

	Quarter 2		
	2016	2015	Change
Operating cash flow*	575	534	41
Change in working capital	41	59	(18)
Income tax paid	(114)	(33)	(81)
Net investment	(180)	(123)	(57)
Interest and dividend joint ventures	(69)	(70)	1
<b>Free cash flow</b>	<b>253</b>	<b>367</b>	<b>(114)</b>

- Strong operating cash flow delivered
- Higher income taxes paid compared to last year which included several one-off tax benefits
- Higher investments in non-current assets following additional logistical investments in the Netherlands as announced previously
- YTD free cash flow of €540 million, down €13 million versus H1 2015

\* From continuing operations before changes in working capital and income tax paid



# Ahold business highlights

## USA

- New Produce department rolled out to 688 stores, new Bakery to 640 stores, showing volume uplift; rollout of both to be completed in Q3
- Price reductions on 1000+ items, additional media campaigns and strong weekly ads drove solid unit growth



- Nature's Promise organic and free-from brand continued to show strong growth, up 18%

## The Netherlands

- Leading in choice and quality: new assortment of over 600 products launched, and quality of over 500 products improved in H1'16



- Successful initiatives on Produce to support a healthier lifestyle
- Introduction of weekly personalized promo offerings
- Successful virtual reality campaign with dinosaurs for kids
- Belgian products offered to celebrate the merger

## bol.com

- Consumer sales in Belgium up 59% and Plaza sales up 83%
- New assortment of premium beauty care brand Rituals launched



## Czech Republic

- Next wave of Favorite initiatives launched
- Loyalty campaign launched with Curver meal boxes
- Nominated finalist in the European Quality Awards

# Second quarter 2016 results

Frans Muller

# Delhaize Group second quarter 2016 highlights

## Group

- Revenues +4.3% at identical exchange rates
- Underlying operating profit +12.1% at identical exchange rates
- Operating free cash flow of €258 million

## U.S.

- Continued solid CSS (2.9%) and real growth (3.9%) at both Food Lion and Hannaford
- Persisting retail deflation
- Resilient underlying operating margin

## Belgium

- Market share continued to recover following the Transformation Plan related disruption
- CSS (2.1%) driven by performance of affiliated stores and inflation
- Company-operated stores lagging expectations
- Underlying operating margin supported by Transformation Plan savings

## SEE

- Continued strong CSS at 8.7%, driven by Romania and Greece
- Market share improvements in all 3 countries
- Underlying operating margin supported by sales leverage in Romania
- Intense promotional environment in Greece

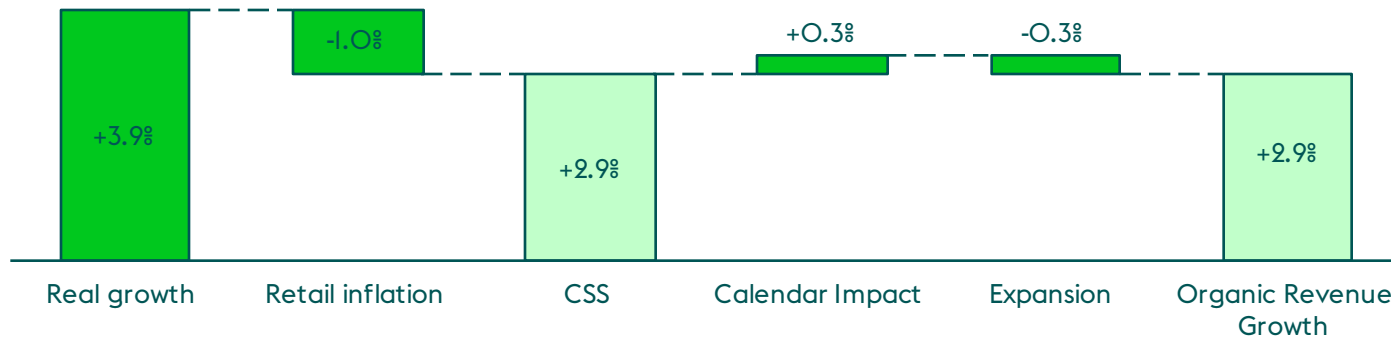
# Financial results Q2 2016 – Delhaize Group

<i>(€ in Millions)</i>	Quarter 2		% Growth	
	2016	2015	Actual rates	Identical rates
Revenues	6,286	6,114	2.8%	4.3%
Gross Margin	24.4%	24.4%	5 bps	7 bps
SG&A as % of revenues	21.0%	21.2%	(16 bps)	(14 bps)
Underlying EBITDA	414	393	5.2%	6.8%
Underlying Operating Profit	247	223	10.4%	12.1%
Underlying Operating Margin	3.9%	3.7%	27 bps	27 bps
Operating Profit	217	187	15.8%	17.8%
Operating Free Cash Flow	258	322	(20.0%)	(19.6%)

# Delhaize America

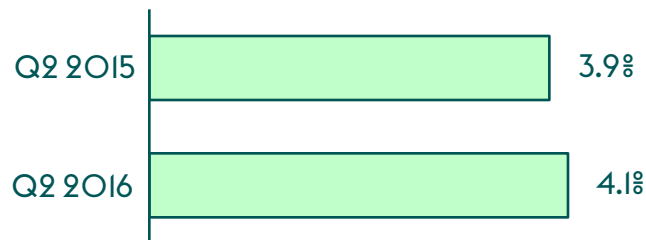
## Organic revenue and CSS

2016 Q2



## Underlying operating margin

Q2



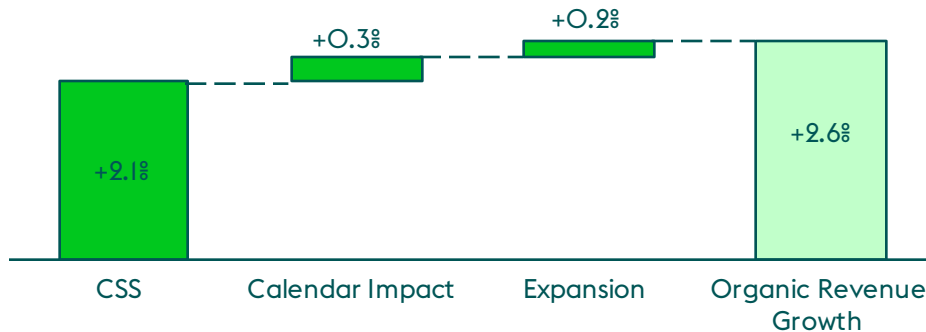
### Q2 margin impacted by:

- (+) Continued sales momentum at both banners
- (+) Lower cost of products in some categories
- (+) Lower shrink at Food Lion
- (-) Increased labor and healthcare expenses
- (-) Hannaford price investments (started in Q4 15)

# Delhaize Belgium

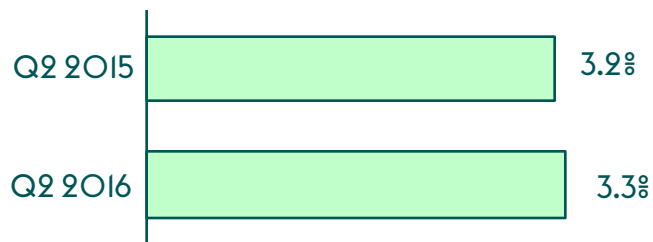
## Organic revenue and CSS

2016 Q2



## Underlying operating margin

Q2



### Q2 margin impacted by:

- (+) Transformation Plan savings
- (-) Higher shrink in supermarkets
- (-) Price investments

# Delhaize Southeastern Europe

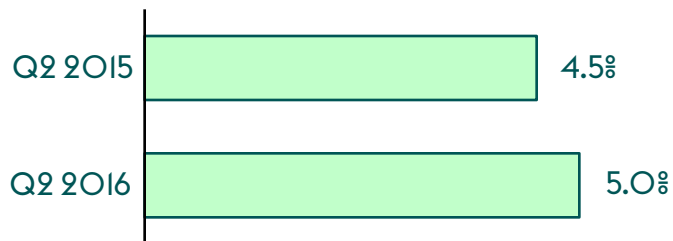
## Organic revenue and CSS

2016 Q2



## Underlying operating margin

Q2



### Q2 margin impacted by:

- (+) Strong revenues in Romania and Greece
- (+) Good cost control
- (-) Intense promotional activity in Greece



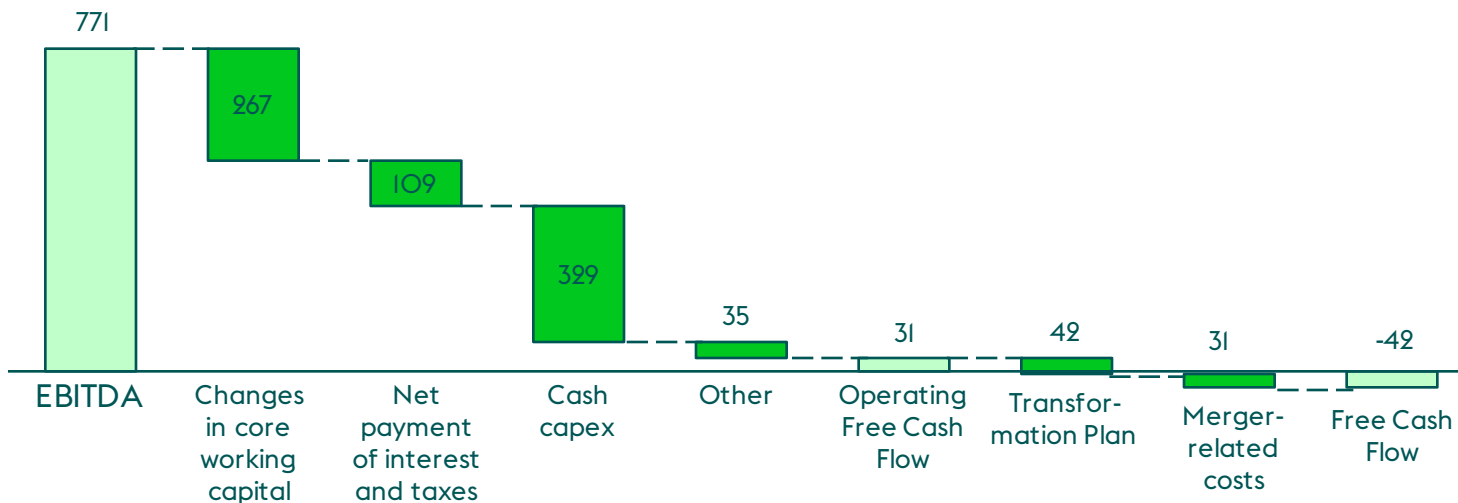
# Free cash flow - Delhaize Group

## Operating Free Cash Flow

**Q2**

*(€ in Millions)*

## Free Cash Flow Generation

**2016 H1**


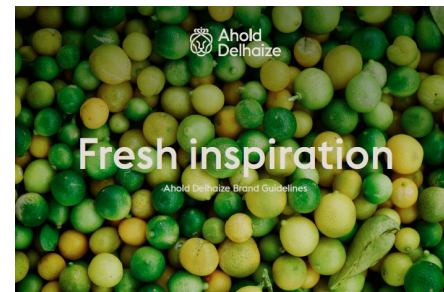
**Integration, outlook**

**& upcoming events**

Dick Boer, Frans Muller, Jeff Carr

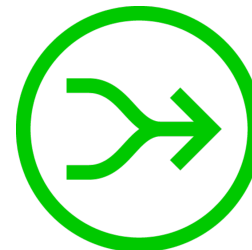
# Integration off to a good start

- Smooth Day I transition, showing the value of solid integration preparation
- Successful integration of two Head Offices into single Zaandam-based HQ
- Kick-off has started of cultural integration agenda
- Global Integration Management Office drives integration process
- New visual identity was introduced and rolled out across all corporate offices



# Capturing our synergies: sourcing

- Post-close analysis of sourcing opportunities confirmed synergy potential
- Vendor meetings started in The Netherlands and Belgium; U.S. meetings start in September
- Ahold Delhaize will be member of Coopernic (National Brands only) and AMS (Private Brands only)



## Pro-forma information

- Pro-forma historical quarterly segment data to be published October 6, 2016
- Five business segments: The Netherlands, Belgium, Central and Southeastern Europe and two reporting entities in the United States
- Quarterly comparable P&L data will be provided going back to Q1 2015
- Excluded in pro forma:
  - Financial impact of divestments
  - Merger transaction costs
- Included in pro forma:
  - Effects of purchase price allocation
  - Effects of the alignment of corporate costs allocation and accounting policies
  - Foreign exchange rate methodology

## Divestments (to be excluded in pro forma)

### U.S.

- 86 stores to be divested in the U.S.; proceeds of \$174 million, no significant impact on earnings
- 2015 results of these 86 stores: net sales of \$1.4 billion, underlying operating income of \$88 million
- Additionally, 10 stores in the Richmond area expected to be divested

### Belgium

- 13 stores to be divested in Belgium
- 2015 results of these 13 stores: net sales of €94 million, underlying operating income of €10 million
- Additionally, sale of Tom&Co chain announced in June 2016

# Outlook Ahold Delhaize

- Expected capital expenditure of €1.8 billion for 2016
- Free cash flow of €1.3 billion for 2016 expected, including €0.2 billion of transaction, integration and Delhaize Belgium's Transformation Plan costs and estimated proceeds from divestments of €0.1 billion
- Confident we will meet synergy target of €500 million, on a run-rate basis by mid-2019
- Synergies expected to positively impact operating income by €30 million in H2 of 2016
- Expected one-off integration and transaction costs in line with prior guidance

	Expected one-off costs					
	2015 FY	H1'16	Expected H2 '16	2016 FY	Balance to go	Total
Integration costs	23	61	80	141	186	350
Transaction costs	62	15	63	78	-	140



# Ahold Delhaize kicks off with good momentum

- Two strong sets of pre-merger results: combining two great companies
- Driving ahead with full energy to deliver to customers and communities, associates and shareholders
- Strong commitment to delivering great food, value, and innovations for our customers
- Confident we will meet synergy target of €500 million, on a run-rate base by mid-2019
- Further update on our Capital Markets Day on December 7, in London:
  - Strategy and business update
  - Integration and synergies
  - Capital structure

## Upcoming events

- Pro-forma historical quarterly segment data October 6, 2016
- Ahold Delhaize Q3 results November 17, 2016
- Capital Markets Day in London December 7, 2016
- Ahold Delhaize Q4/FY trading statement January 17, 2017
- Ahold Delhaize Q4/FY results March 1, 2017
- AGM April 12, 2017



## Cautionary notice

*This communication contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements relate to, amongst others, synergies, one-off costs, transaction fees in connection with the merger between Ahold and Delhaize, capital expenditure, cash flow, publication of Ahold Delhaize pro-forma historical segment data, quarterly comparable data, Q3 results, trading statements and the Capital Markets Day on December 7, 2016.*

*Many of the risks and uncertainties relate to factors that are beyond Ahold Delhaize's control. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the risks that the new businesses will not be integrated successfully or promptly or that the combined company will not realize the expected benefits from the merger, Ahold Delhaize's ability to successfully implement and complete its plans and strategies and to meet its targets, risks related to disruption of management time from ongoing business operations due to the merger, the benefits from Ahold Delhaize's plans and strategies being less than anticipated, the effect of the merger on the ability of Ahold Delhaize to retain customers and retain and hire key personnel, maintain relationships with suppliers, and on its operating results and businesses generally, the effect of general economic or political conditions, business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions, information security, legislative and regulatory environment, litigation risks, product safety, product integrity, pension plan funding, strategic projects, sustainable retailing, insurance and unforeseen tax liabilities.*

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*Outside the Netherlands, Koninklijke Delhaize Ahold N.V., being its registered name, presents itself under the name of "Royal Ahold Delhaize" or simply "Ahold Delhaize."*

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Giant

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bfresh

Albert Heijn



Etos

Gall&Gall

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albert

MAXI

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Βασιλόπουλος  
...και του πουλιού το γάλα!

SENA  
...δίνει το ασφάλισμά σου!



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