



# First quarter 2016 results

June 1, 2016

# Group highlights Q1 2016

- 4.3% increase in Q1 Group sales to €11.8 billion (up 3.5% at constant exchange rates)
- Continued strong online sales growth, net consumer sales up 27.4% at constant exchange rates
- Underlying operating margin of 3.8% (Q1 2015: 3.5%)
- 15.1% increase in Group underlying operating income (up 14.7% at constant exchange rates)
- Strong free cash flow of €287 million (Q1 2015: €186 million)
- Simplicity programs and continued cost control driving improved profitability
- Announced merger with Delhaize on track to close in mid-2016

# Group performance

(in millions of euros)

	Quarter 1			
	2016	2015	Change	Change*
<b>Net sales</b>	11,769	11,289	4.3%	3.5%
<i>Net sales excl gas</i>				4.3%
<b>Underlying operating income</b>	449	390	15.1%	14.7%
<b>Underlying operating margin</b>	3.8%	3.5%		
<b>Operating income</b>	396	346	14.5%	13.6%
<b>Income from continuing operations</b>	241	211	14.2%	13.9%
<b>Net income</b>	241	213	13.1%	13.0%

- Strong start to the year following solid store operations and continued strong growth in online
- Net sales excluding gas at constant exchange rates increased by 4.3%
- Underlying operating margin improved against a lower comparable
- One-off charges in operating income largely merger and restructuring related

\* At constant exchange rates

# Performance by segment

(in millions of euros)

	Quarter 1					
	Ahold USA		The Netherlands		Czech Republic	
	2016	Change*	2016	Change	2016	Change*
<b>Net sales</b>	7,308	3.0%	3,933	4.9%	528	0.4%
<i>Net sales excl gas</i>		4.1%		4.9%		1.1%
<b>Underlying operating income</b>	291	12.2%	189	13.9%	6	nm
<b>Underlying operating margin</b>	4.0%	0.3	4.8%	0.4	1.1%	0.7
<b>Identical sales growth excl gas</b>	0.8%	0.7	2.9%	0.4	0.7%	2.8

- Strong net sales excluding gas as a result of the addition of 25 stores in the NYM market and strong online growth in the Netherlands
- The absence of New Year's week from Q1 2016, due to a 53<sup>rd</sup> week in 2015, had a negative impact on identical sales in all segments
- Underlying operating margins improved vs. a weak comparable, following continued focus on cost control and Simplicity savings

\* At constant exchange rates

# Operating cash flow generation

(in millions of euros)

	Quarter 1		
	2016	2015	Change
Operating cash flow*	740	669	71
Change in working capital	(90)	(216)	126
Income tax paid	(87)	(23)	(64)
Net investment	(234)	(196)	(38)
Interest and dividend joint ventures	(42)	(48)	6
<b>Free cash flow</b>	<b>287</b>	<b>186</b>	<b>101</b>

- Strong free cash flow delivered in the quarter
- Positive change in working capital as last year's change in payables were impacted by the timing of year-end 2014
- Higher income taxes paid compared to last year which included several one-off tax benefits

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

# Business highlights: Ahold USA

## Ongoing journey of investments in quality, service and price

- New produce departments introduced in over 550 stores delivering better results
- New bakery departments rolled out to over 400 stores; implemented in all stores by Q3 2016
- Further price reductions on more than 1,000 products supported by additional media campaigns



## Focus on sustainability

- 100% sustainably sourced fresh seafood available at counters and in all own-brand products



- “Free From” labeling launched on Nature’s Promise own brand products
- Stop & Shop Green Energy Facility opened, turning food waste into electricity to power nearly 40% of the Freetown Distribution Center

## Peapod making progress to deliver good growth

- New Jersey facility operations improving
- NYC sales growth of 26%



- Popular meal kit line expanded to 15 different offerings and into new geographic markets. Delivered over 100,000 meals since introduction

# Business highlights: the Netherlands

## Focus on quality and assortment to meet customer needs

- Quality of >400 own-brand products improved
- New and approved assortment; juices, coffee, tea, meat, wholefoods, pastry, non-food



- Animal welfare improved: new one star "Better Life" chicken and pork meat introduced

## Customer loyalty programs driving increased traffic

- Successful campaigns: cutlery collection campaign and grow-your-own-garden promotion
- New marketing campaign, "Everybody Appie" introduced, telling the Albert Heijn story



- Etos loyalty program and app launched. Members encouraged to be active and healthy, with rewards including gifts and discounts

## Continued strong sales growth over 30% at bol.com and ah.nl

- Kids' apparel and maternity ranges launched at bol.com
- Bol.com awarded "Best Web Store 2016" and "Best Online Department Store 2016" by Dutch Thuiswinkel Awards
- Allerhande mealbox rated best amongst Dutch mealboxes, now also available in stores



# Business highlights: Czech Republic

## Continued focus on being the Best Store in Town

- Supermarkets continued to perform strongly
- Sales recovery at larger former SPAR stores after implementation of Favorite store concept
- “Best in Town” dialogue commenced with all associates to lift engagement scores



## Focus on loyalty

- Positive performance over Easter resulted in continued strong customer perception scores in Q1
- Ran successful loyalty campaigns:
  - Grow-your-own-garden promotion replicated from Albert Heijn
  - Berndes kitchenware collection campaign



# Good progress getting ready for Day 1

## Merger on track

- Nearly 100% shareholder approval at both EGM's
- Belgian competition authority approval received
- US regulatory review underway
- Head office organization ready for Day 1
- Key integration work streams well on track
- Completed first joint meeting of wide group of Ahold and Delhaize leaders
- Good momentum to combine two strong retailers, building on great local brands



# 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 or disclosures may discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to Ahold, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions.

This communication contains Ahold forward-looking statements as to, amongst others, the intended merger between Ahold and Delhaize, "Free From" labeling on Nature's Promise own brand products at Ahold USA, turning food waste into electricity, focus on quality and assortment, customer loyalty programs and "Best in Town" dialogue at Ahold Czech Republic. Many of the risks and uncertainties relate to factors that are beyond Ahold'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 occurrence of any change, event or development that could give rise to the termination of the merger agreement, the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, failure to satisfy other closing conditions with respect to the transaction on the proposed terms and time frame, the possibility that the transaction does not close when expected or at all, 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 transaction, Ahold'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 proposed transaction, the benefits from Ahold's plans and strategies being less than anticipated, the effect of the announcement or completion of the proposed transaction on the ability of Ahold to retain customers and retain and hire key personnel, maintain relationships with suppliers, and on their operating results and businesses generally, litigation relating to the transaction; the effect of general economic or political conditions, Ahold's ability to retain and attract employees who are integral to the success of the business, business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions, information security, legislative and regulatory environment and litigation risks and product safety, pension plan funding, strategic projects, responsible retailing, insurance and unforeseen tax liabilities.

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# Q&A



 **Ahold**

**Thank you**