



# DELHAIZE GROUP

**2012 Q2 and H1 Results**

August 22, 2012

**Pierre-Olivier Beckers** – *President & Chief Executive Officer*

**Pierre Bouchut** – *EVP & Chief Financial Officer*

# Forward looking statements

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“This presentation includes forward-looking statements within the meaning of the U.S. federal securities laws that are subject to risks and uncertainties. Forward-looking statements describe further expectations, plans, options, results or strategies. Actual outcomes and results may differ materially from those projected depending upon a variety of factors, including but not limited to changes in the general economy or the markets of Delhaize Group, in consumer spending, in inflation or currency exchange rates or in legislation or regulation; competitive factors; adverse determination with respect to claims; inability to timely develop, remodel, integrate or convert stores; and supply or quality control problems with vendors. Additional risks and uncertainties that could cause actual results to differ materially from those stated or implied by such forward-looking statements are described in our most recent annual report or Form 20-F and other filings with the Securities and Exchange Commission. Delhaize Group disclaims any obligation to update or revise the information contained in this presentation.”

# Agenda

- **Introduction** *Pierre-Olivier Beckers*
- **Q2 and H1 2012 Financial results** *Pierre Bouchut*
- **Strategy Update** *Pierre-Olivier Beckers*
- **Q&A**

# We have set clear and actionable priorities consistent with our New Game Plan...

- Increase revenue growth
  - Ongoing Food Lion repositioning
  - Price investments also at Delhaize Belgium and Hannaford
  - Accelerated expansion in selected markets
- Fueled by increased cash flow generation
  - € 500 million free cash flow target for 2012
  - Multi-year efficiency plan to be further detailed in due course



... and have already made significant progress during H1 2012...

2012 Objectives	Comments
• <b>Repositioning of Food Lion</b>	703 stores (62% of the network) repositioned. Phase 4 launched early 2013
• <b>Improve price position</b>	Improvement on real and perceived price difference with market leader
• <b>200 to 230 new stores</b>	More than 50% completed, primarily in growth markets
• <b>€ 500 million gross cost savings</b>	Expect to reach € 550 million; subsequent plan being prepared
• <b>€ 500 million free cash flow</b>	€ 126 million in H1. We expect to generate € 500 million in 2012

... and will remain focused on sustainable revenue growth and value creation

- Revenue growth
  - Drive comparable sales growth
  - Selective store openings
  - Further price investments
- Value creation
  - Ruthless discipline in our capital allocation
    - Prioritize market
    - Be selective on projects and sites
    - Lean capex: do more with less
- Be open to pursue ways to strengthen market positions

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## Financial results - Q2 2012

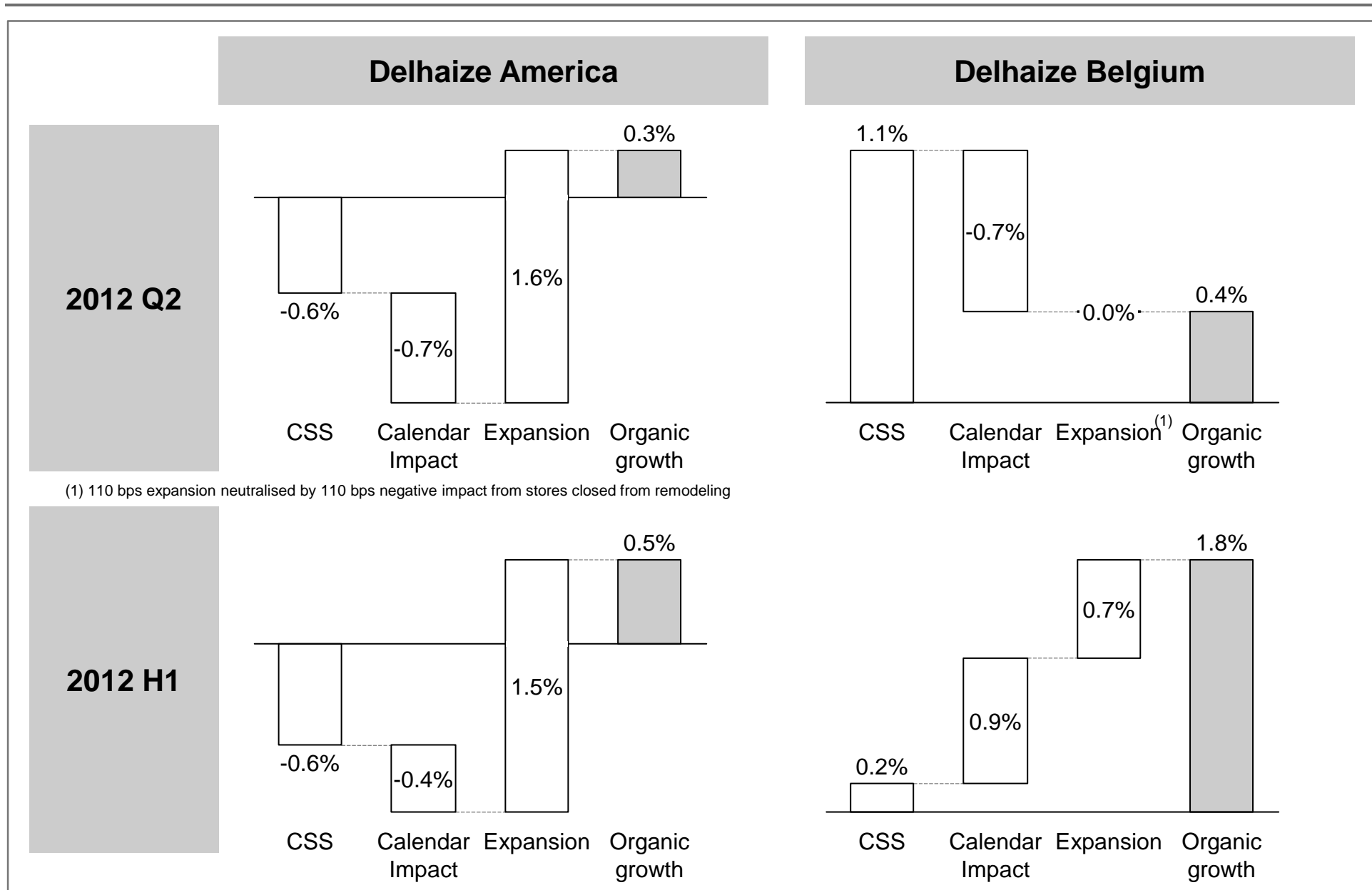
<i>(€ in Millions)</i>	Q2		Actual Rates	Identical Rates
	2011	2012		
<b>Revenues</b>	5,107	5,695	11.5%	4.2%
<b>Gross Margin</b>	25.1%	24.3%	-	-
<b>Underlying Operating Profit</b>	209	184	(12.0%)	(18.1%)
<b>Underlying Operating Margin</b>	4.1%	3.2%	-	-
<b>Group Share in Net Profit</b>	117	87	(26.1%)	(28.8%)



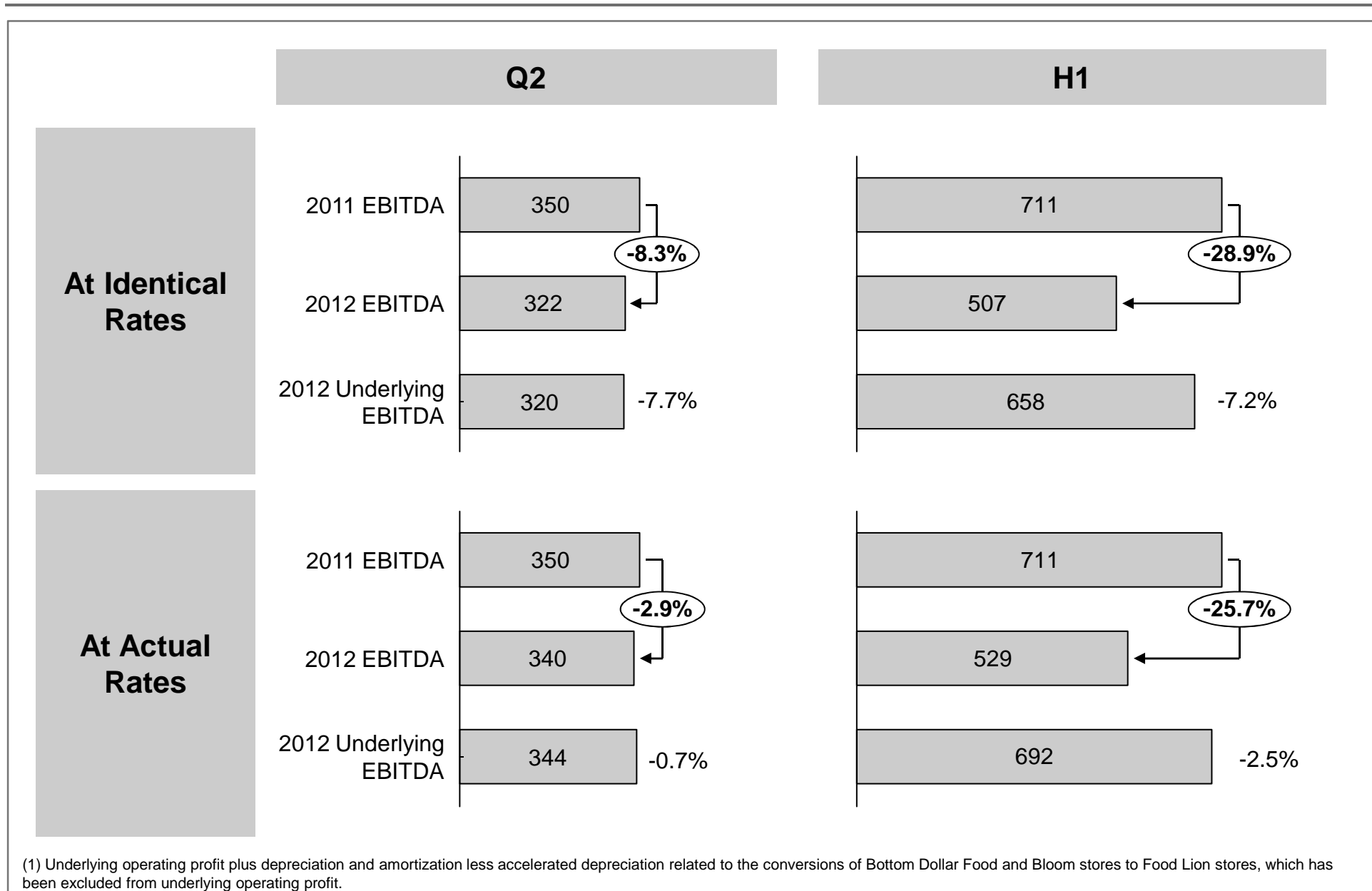
## Financial results – H1 2012

<i>(€ in Millions)</i>	H1		Actual Rates	Identical Rates
	2011	2012		
<b>Revenues</b>	10,151	11,173	10.1%	5.0%
<b>Gross Margin</b>	25.3%	24.5%	-	-
<b>Underlying Operating Profit</b>	431	373	(13.3%)	(17.5%)
<b>Underlying Operating Margin</b>	4.2%	3.3%	-	-
<b>Group Share in Net Profit</b>	243	84	(65.3%)	(66.1%)
<b>Free Cash Flow</b>	312	126	-	-

# Organic revenue growth and comparable store sales growth



# Underlying EBITDA<sup>(1)</sup> proved resilient



Thus far, Food Lion repositioning has delivered encouraging results...

	Phase 1			Phase 2
Comparable stores	Since launch <sup>(1)</sup>	2012 Q1	2012 Q2 <sup>(2)</sup>	2012 Q2 <sup>(2)</sup>
# transactions growth	2.0%	4.0%	2.7%	3.3%
comparable sales growth	2.3%	2.9%	3.2%	3.3%

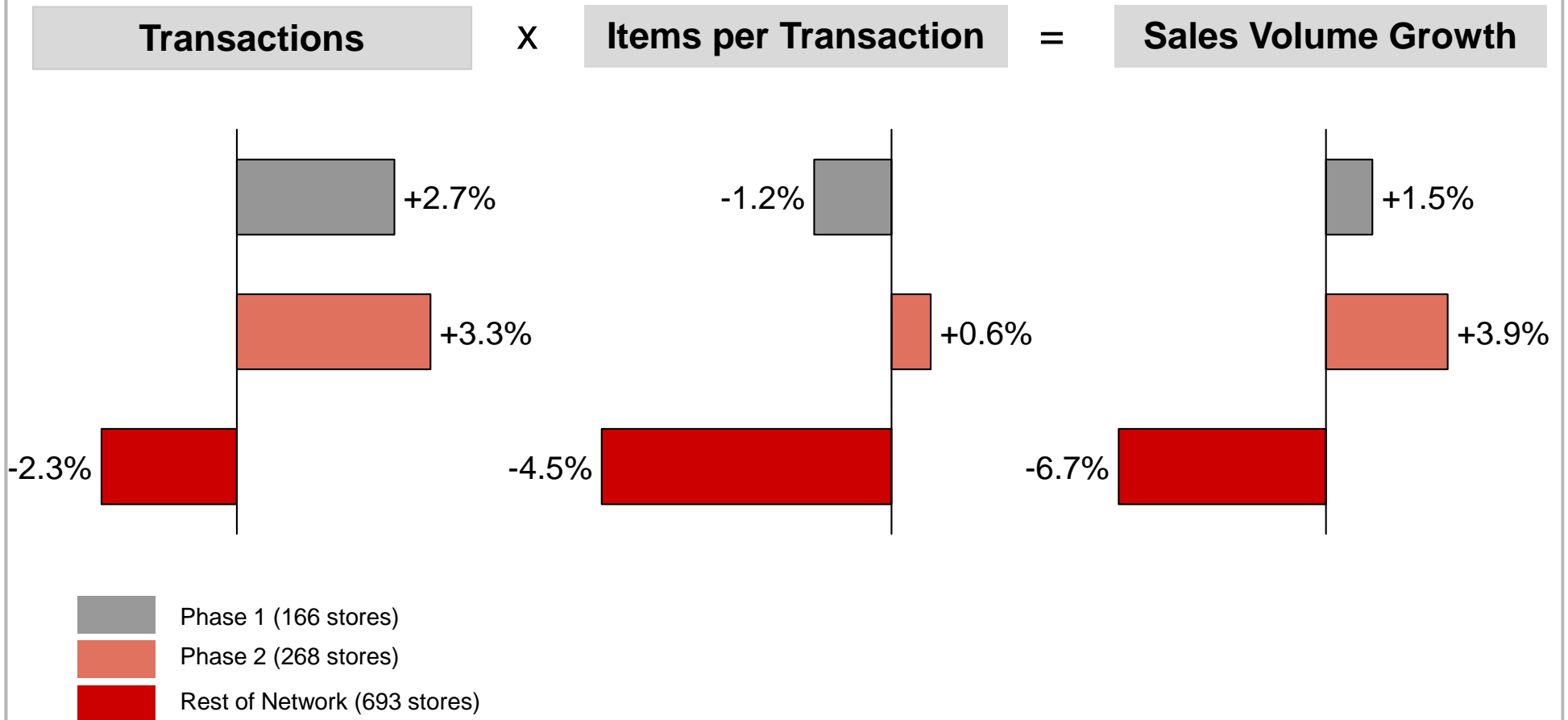
- Phase 1 has cycled May 2011 launch and is continuing to deliver additional year-over-year sales and transaction growth
- Learnings from Phase 1 used in further roll-out
- Phase 2 has started positive
- Phase 3 in Food Lion's home markets was launched on 18 July 2012

(1) Since launch covers the period May 2011 to June 2012

(2) Adjusted for the timing of the 4<sup>th</sup> of July

...and has outperformed the rest of the Food Lion network

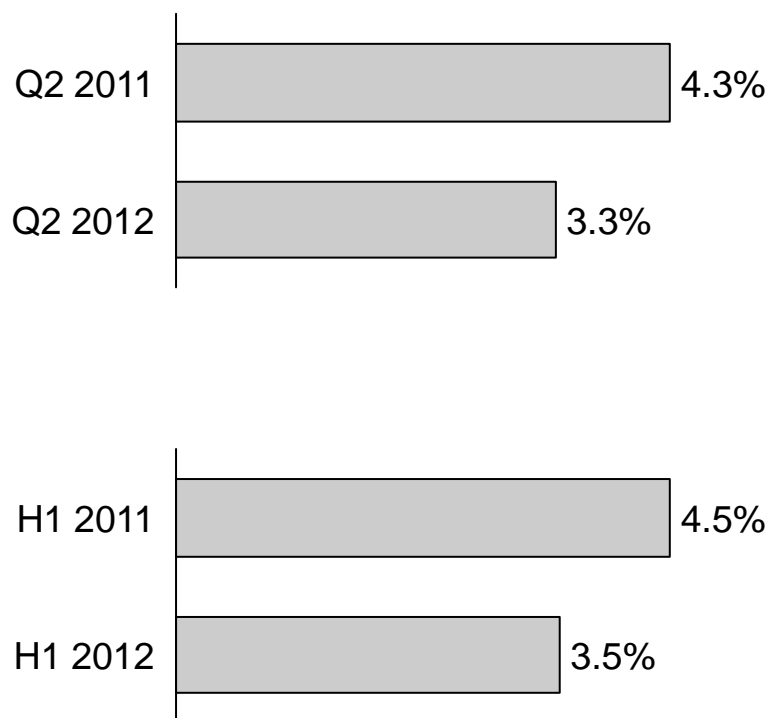
2012 Q2<sup>(1)</sup>



(1) Adjusted for the timing of the 4th of July

# In the U.S., price investments have impacted our profitability

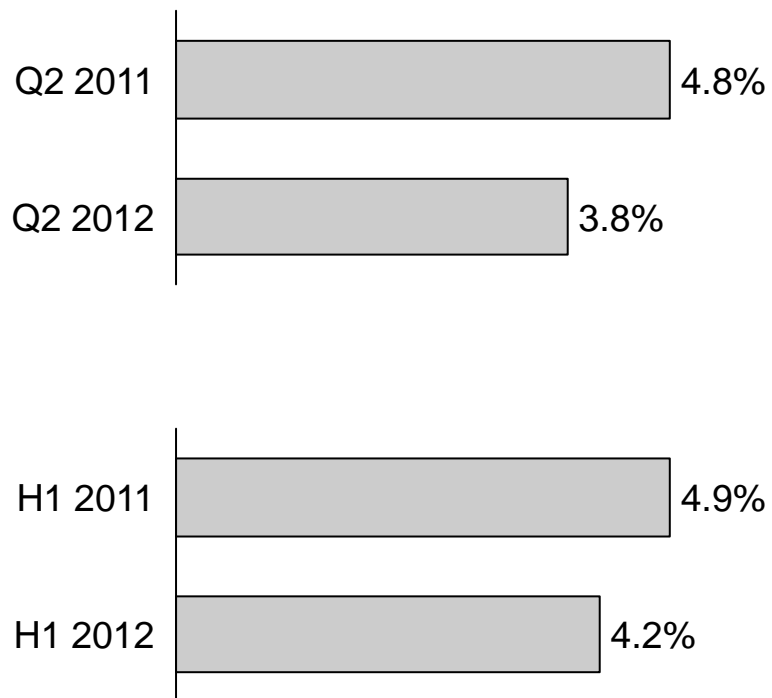
## Underlying Operating Margin



- Significant price investments at both Food Lion and Hannaford (120 bps impact for Delhaize America) in Q2
- SG&A increased as a percentage of revenues due to investments in growth initiatives

## ... and in Belgium

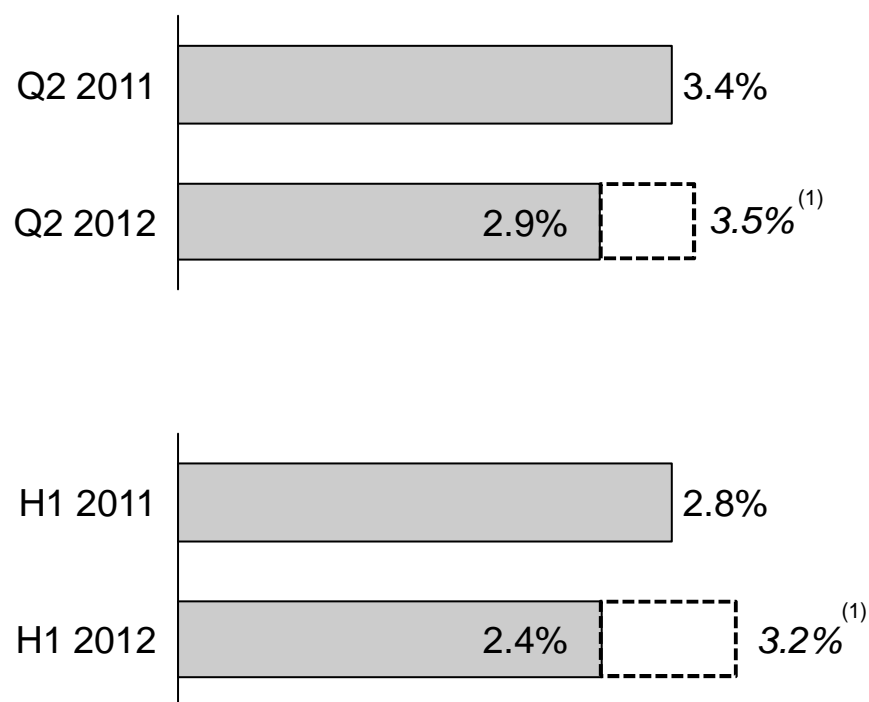
### Underlying Operating Margin



- Gross margin impacted by price investments (140 bps impact)
- The increase in SG&A is due to the automatic indexation of salaries and advertising expenses

# SEE&A: continued strong growth even excluding Maxi

## Underlying Operating Margin

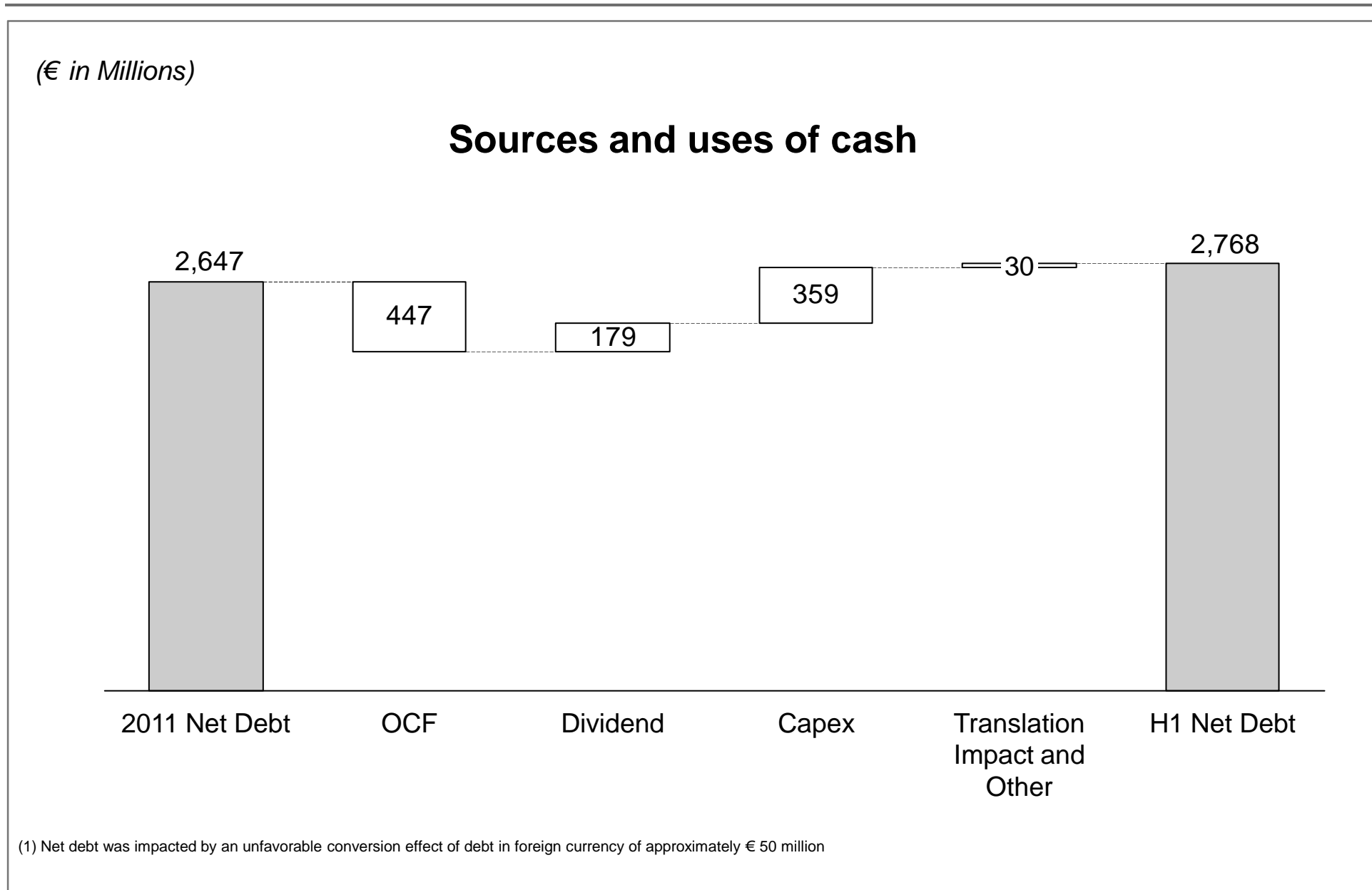


(1) excluding Maxi: 3.5% in Q2 2012 and 3.2% in H1 2012

- Romania, Greece, Serbia and Bulgaria all gained market share
- Despite a difficult environment in Greece, Alfa Beta continues to improve profitability
- Over 200 bps of underlying operating margin improvement at Maxi from Q1 to Q2



# Net debt rose by €121m due to dividend, FX<sup>(1)</sup> and capex



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# Strategy update

## Revenue Growth

- Food Lion repositioning
- Targeted price investments
- Strengthening our brand equity
- Accelerate organic growth in selected markets

## Value Creation

- Ruthless discipline in our capital allocation
- Focus on cash flow generation

## Sharpening our Focus

- On track to generate € 500 million free cash flow
- Working on a new multi-year plan focused on enhancing efficiency
- Be open to pursue ways to strengthen market positions

# Drive sustainable revenue growth...

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# While creating shareholder value

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# Demands that we sharpen our focus

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# Conclusion

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- In 2012, initiatives have produced good results
- Investment at Food Lion paying off
- Growth initiatives will continue to impact underlying operating profit
  - Decline in operating profit coupled with challenging environment calls for redoubling efforts and sharpening focus
- Confirmation we will reach our full year guidance, albeit at bottom end
- We remain committed to improving our customers experience

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