



Second Quarter 2017 Results

August 9, 2017

Q2 Highlights

Dick Boer

President and CEO

Highlights – second quarter 2017

- Improved pro forma sales performance, up 3.4% (+1.8% at constant exchange rates) to €16.0 billion, US slightly inflationary in the quarter
- Pro forma underlying operating income increased by €64 million to €626 million, up 10.2% at constant exchange rates
- Net synergies of €61 million in the quarter, €117 million YTD, €220 million expected for 2017
- Pro forma underlying operating margin strong at 3.9%, up 0.3% versus last year due to merger synergies; FY 2017 underlying operating margin expected broadly in line with H1 2017
- Total expected merger synergies increased to €750 million, with €250 million reinvestments in our brands and €500 million to the bottom line
- Integration costs expected at €380 million; additional €70 million one-time charge related to set-up of US brand-centric organization
- Free cash flow of €400 million in the quarter, on track to deliver €1.6 billion for the full year

Financial Results

Jeff Carr

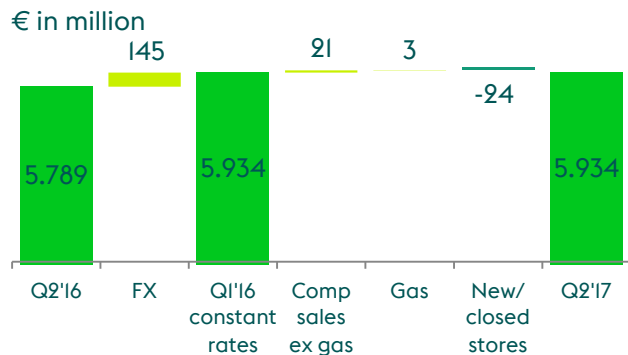
CFO

Group performance - pro forma

€ in million	Quarter 2			
	2017	2016	Change actual rates	Change constant rates
Net sales	16,044	15,509	3.4%	1.8%
Net sales excl gas	15,802	15,273	3.5%	1.9%
Underlying EBITDA	1,079	995	8.4%	7.0%
Underlying EBITDA margin	6.7%	6.4%		
Underlying operating income	626	562	11.4%	10.2%
Underlying operating margin	3.9%	3.6%		
Operating Income	584	503	16.1%	14.8%
Income from continuing operations	378	317	19.2%	17.8%

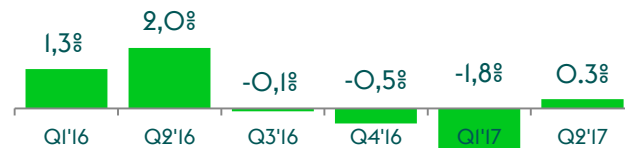
Ahold USA – pro forma results Q2 2017

Net sales



- Net sales flat at constant rates
- Comparable sales ex gas up 0.3%
- Retail inflation of 0.8%
- Calendar impact more than offset by former A&P stores re-openings

Comparable sales growth ¹



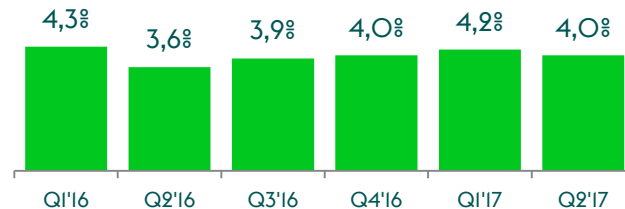
¹ Comparable sales growth excl gas

Underlying EBITDA margin



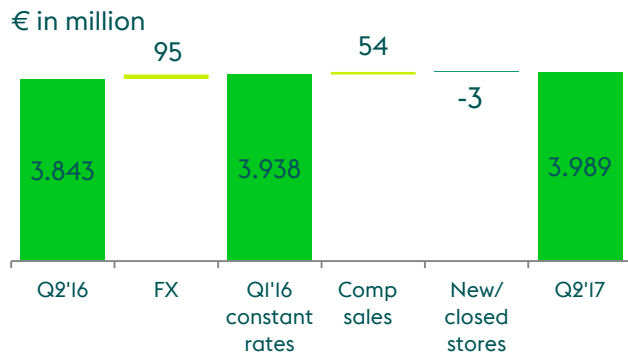
- Underlying operating margin up 0.4 percentage points
- Strong synergy delivery
- Launched price investments in June

Underlying operating margin



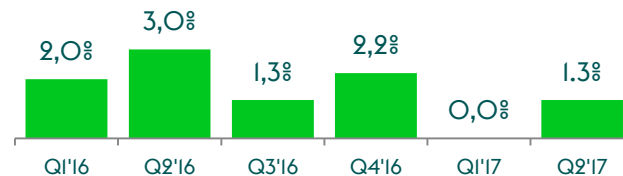
Delhaize America – pro forma results Q2 2017

Net sales



- Net sales +1.2% at constant rates
- Comparable sales up 1.3%
- Retail inflation of 0.1%, Hannaford in line with AUSA, Food Lion slightly deflationary
- Continued volume growth at Food Lion

Comparable sales growth



Underlying EBITDA margin



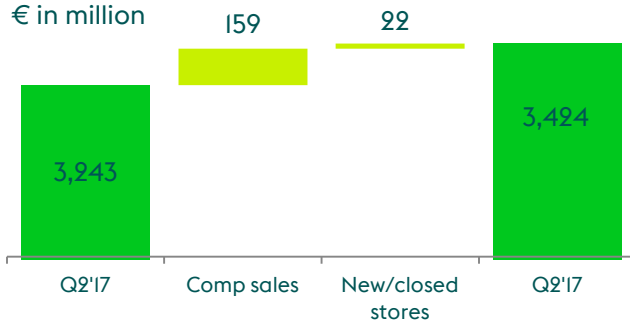
- Underlying operating margin up 0.4 percentage points
- Strong synergy delivery and Save for our Customer programs
- Unrecovered costs related to fire at DC

Underlying operating margin



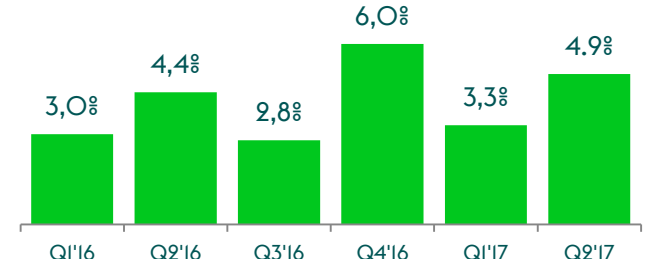
The Netherlands – pro forma results Q2 2017

Net sales

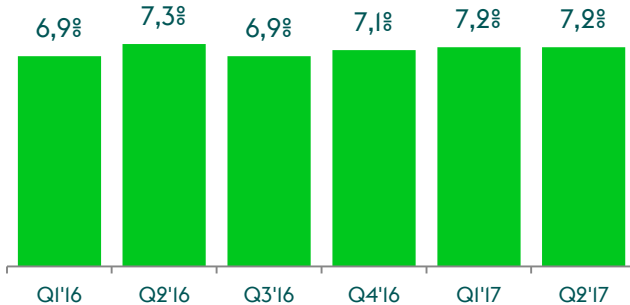


- Net sales +5.6%
- Comparable sales up 4.9% (+3.8% ex bol.com)
- Retail inflation of 1.9%
- Continued strong growth both in online and supermarkets

Comparable sales growth



Underlying EBITDA margin



- Underlying operating margin flat at 5.1% vs strong Q2 16
- Synergies and good cost control offset by higher pension costs
- Margin ex bol.com at 5.8%

Underlying operating margin



Belgium – pro forma results Q2 2017

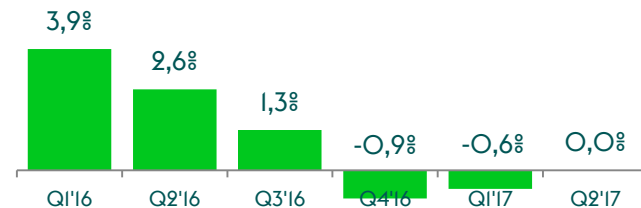
Net sales

€ in million



- Net sales +0.2%
- Comparable sales flat
- Retail inflation of 0.8%
- Strong performance at affiliate stores offset by weaker integrated stores performance

Comparable sales growth

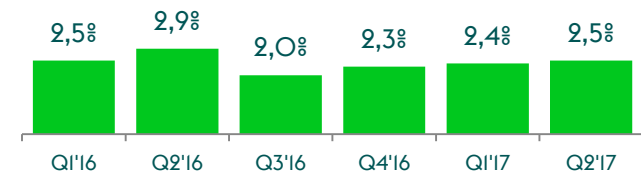


Underlying EBITDA margin



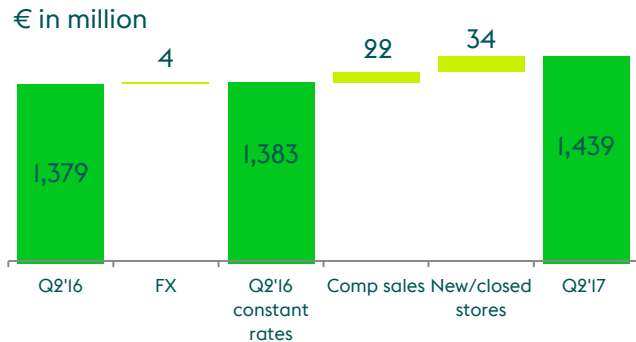
- Underlying operating margin down 0.4 percentage points
- Synergies offset by investments in promotions and higher shrink

Underlying operating margin



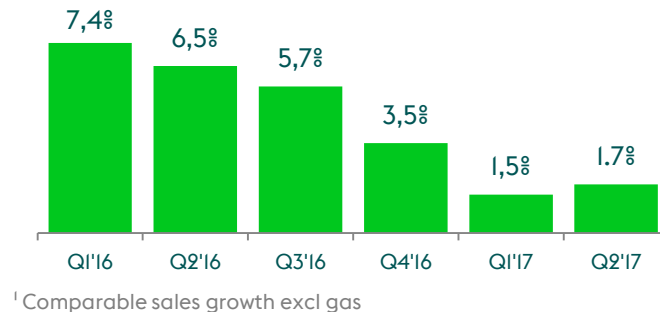
CSE – pro forma results Q2 2017

Net sales



- Net sales +3.9 % at constant rates
- Comparable sales ex gas up 1.7%, driven by Romania, Serbia and Czech Republic
- Sales in Greece impacted by ongoing market contraction and normalizing competitive environment

Comparable sales growth ¹



Underlying EBITDA margin



- Underlying operating margin down 0.5 percentage points
- Margin down in Greece due to strong prior year comparatives

Underlying operating margin



Free cash flow generation *

€ in million	2017		2016	
	Q2	H1	Q2	H1
Operating cash flow	1,054	2,055	977	1,931
Change in working capital	7	(339)	194	(397)
Income tax paid	(189)	(217)	(190)	(224)
Cash from operating activities	872	1,499	972	1,303
Investments	(385)	(816)	(407)	(712)
Divestments	13	63	6	17
Net interest paid	(112)	(163)	(131)	(195)
Dividends from joint ventures	12	14	12	14
Free cash flow (post-tax)	400	597	461	435

* This represents the combined free cash flow of Ahold and Delhaize excluding pro forma adjustments.



Integration Update

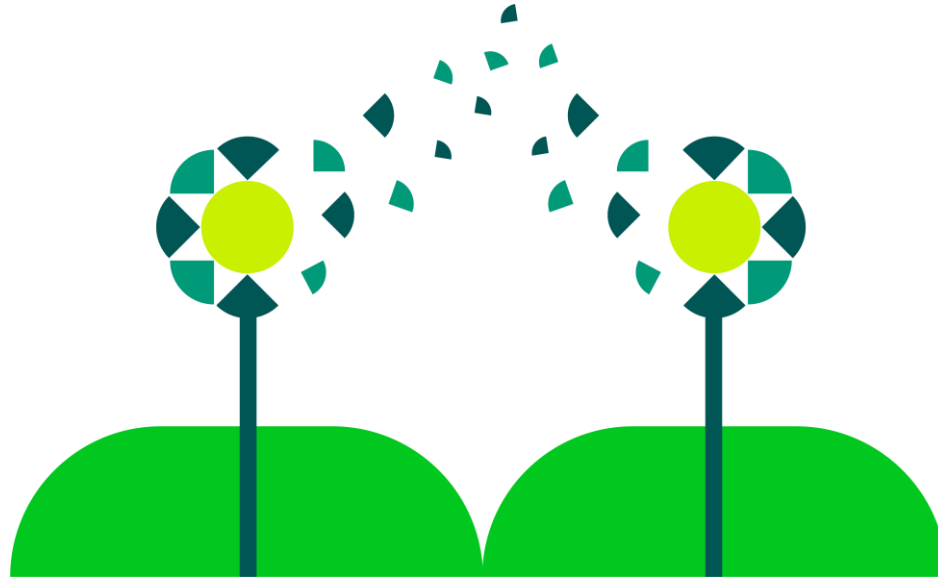
Frans Muller

Deputy CEO

Chief Integration Officer

Outline

1. Organization
2. Synergies and one-time costs
3. Transformation



U.S. operating model: local brands supported by Retail Business Services

LOCAL BRAND STRATEGIES...

Ahold USA



Delhaize America



Great local brands operating with a unique brand strategy differentiated in the marketplace

Local expertise within brands to win in local markets:

- Marketing
- Merchandising / Category
- Pricing
- Operations
- HR

...SUPPORTED BY RETAIL BUSINESS SERVICES (RBS)

Retail Business Services provide innovative solutions by leveraging scale & expertise

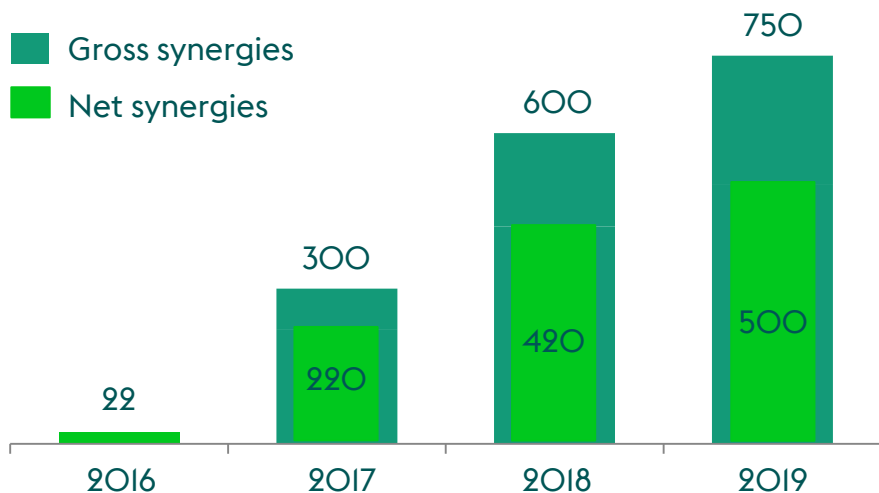
Leverage scale and expertise across portfolio:

- Own brands, Digital, Finance, HR systems and services, Legal, IT and Supply chain
- Retail Business Services to deliver \$120m G&A synergies

Synergies 2016 – 2019

Synergy phasing

€ in million



Net Synergies delivered

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

- Procurement synergies exceeding original plans across all categories and geographies
- Gross synergies identified at €750million, of which €250 million to be reinvested in our brands
- Reinvestments in the customer proposition started in Q2 17

Additional synergies to be reinvested in our local brands

Sources of synergies – examples

A-brands & Fresh

Harmonizing rates both in the US & Benelux, leveraging our US East Coast market positions

Examples: fruit & vegetables, poultry, dairy, cheese and center store



Own brands

Harmonizing and alignment of specifications resulting in stronger brand portfolio; procurement & packaging efficiencies; leveraging partners

Example: Coffee



Not For Resale


Evaluating existing contracts, aligning specifications when possible, and negotiating combined volumes

Examples: print paper & media, facility services (cleaning, waste & energy management), shelf tags, front line bags



Reinvestment in our brands – examples

AUSA brands: continue price investments   

Peapod: increase investments in marketing 

Food Lion: cement competitive price position 

Delhaize Belgium: improve commercial proposition 

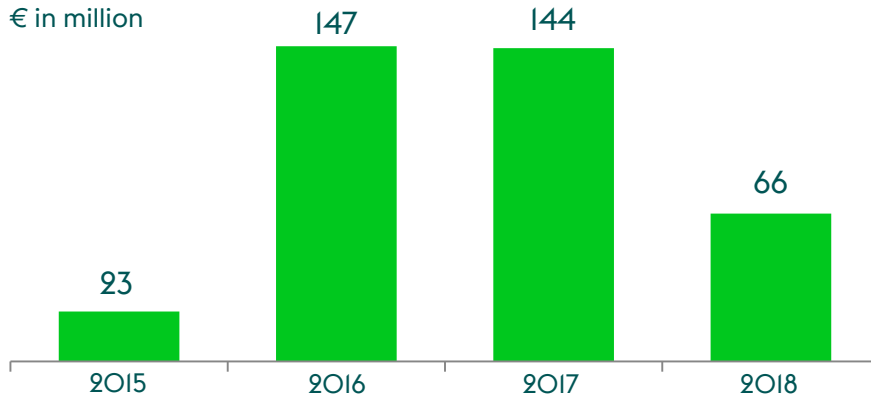
Digital: enhance loyalty programs 

Synergies are incremental to our “Save for our Customer” programs which also fund investments in our brands

One-time costs increased to set up U.S. brand-centric organization

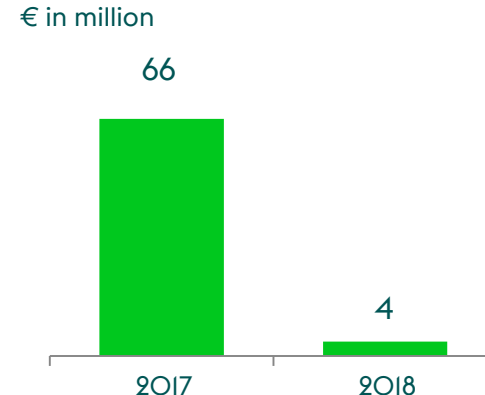
Integration costs 2016 - 2019 of €380 million (previously €350 million)

- Additional integration costs to support the extra sourcing synergies and ensure delivery of €750 million synergies during integration



U.S. Restructuring costs 2017 - 2018 of €70 million for brand-centric model set-up

- Commercial teams set up per brand locally
- Functional processes redesigned
- Own brands in-sourced
- Digital and loyalty programs being accelerated



Transformation



Single “Better Together” **Strategic Framework** adopted across our organization



Leadership teams collaborating inspired by our **common purpose**
“Together, we build Great Local Brands, bringing Fresh Inspiration Every Day”



Pulse surveys keep sensing the mood among our management and show good scores



Best Practice sharing create best-in-class solutions providing clear evidence of
“Better Together”



Business Highlights

Dick Boer

President and CEO

Business highlights - United States

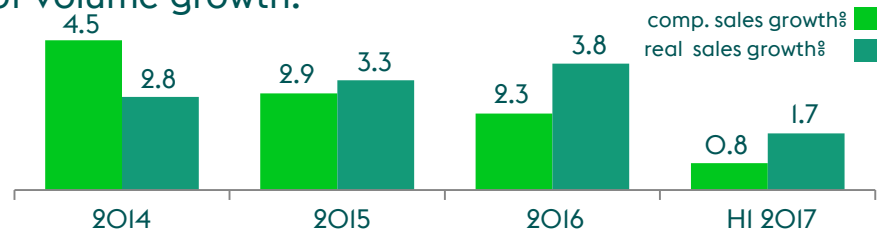
- Strong local brands with leading positions in most of our markets
- Sales performance improved with return of low levels of inflation
- Market shares improved (adjusted for remedy stores)
- Effective commercial strategies to win in local markets

Ahold USA

- Strong performance Stop&Shop New England, holiday sales driving market share gains
- As of Q3, Stop&Shop cycling the impact of competitive disruptions in the NY market
- Price reduction campaign announced in June on own brands, produce, milk and eggs

Delhaize America

- Comparable sales growth at Food Lion consistently outperforming the market, 19 consecutive quarters of volume growth:



- 39 Hannaford To Go pick up points (end Q2 17)

Business highlights – Food Lion update

- Well positioned in current competitive environment
 - Developed effective competitive plans, facing new competition
- Over 400 competitive openings over 2014-2017 in Food Lion’s territory
- Competitively priced at local level versus new entrants in A-brands, own brands and fresh products
- Easy, Fresh & Affordable:
 - 473 stores completed as of August 2017 (5 markets), 544 stores completed by the end of 2017 or 53% of Food Lion network
 - 93 stores in Greensboro market re-launched on August 2
 - 71 stores in Richmond market to be re-launched in Q4
 - \$870 million invested in capex since start of program
 - Significant investments in price (200-250bps investment) since 2013 across entire banner



Business highlights – Europe

The Netherlands

- AH continues to improve and renew assortment:
 - Healthier and fresher assortment
 - Improved quality of almost 500 own brand products
 - 100 young entrepreneurs pitching innovative products for a place on the shelves
- AH offers the customer hyper-convenience:
 - Scan&Go in all stores with self-scan



Belgium

- Affiliate stores continue to perform well
- First steps to improve performance owned stores:
 - More attractive commercial actions
 - Further focus on stores & logistics operations in H2 2017



- Extensive remodeling program for 120 stores in 2017
- 13 new stores opened in H1 2017, 16 planned for H2
- More than 30 Delhaize Shop&Go open 24/7

Business highlights - Central & Southeastern Europe

- **Greece:** Alfa Beta competitive environment normalizing after competitor disruptions last year
- **Czech Republic:** Albert opens third distribution center, supporting growth in supermarkets and remodeled compact hypers
- **Romania:** Mega Image comparable sales growth 11% and continues regional expansion into Transylvania
- **Serbia:** Maxi comparable sales growth 7%, supermarkets driving market share gains



Business highlights - Online

- Q2 net consumer sales up 22%, full year 2017 net consumer sales expected of €2.8 billion and on track to nearly €5 billion net consumer sales by 2020
- Investing €160 million to increase the online warehouse capacity:
 - bol.com new distribution center of 130.000 m² floor space (Waalwijk)
 - ah.nl building two new homeshop centers (Nieuwegein and Eindhoven)
 - Peapod Chicago home shop center to double capacity
- bol.com strongest retail brand in the Netherlands for three years in a row, introducing subscription model with same day free delivery
- ah.nl strong sales growth driven by more customers and increased frequency: now close to a quarter of a million active customers
- Peapod New Jersey capacity up 25% versus last year and accelerating marketing investments, including roll-out Podpass subscription
- delhaize.be: one website for all online activities from one system and warehouse



bol.com 



Peapod [®]

 **DELHAIZE**.be

Wrap up & Outlook 2017

- Q2 2017 was a strong quarter with improved sales growth and margins, driven by synergies
- Integration is well on track
 - Delivering strong results and making good progress building our U.S. brand centric organization
 - Reiterated target of realizing €220 million net synergies in 2017
 - Identified €250 million additional synergies for 2017-2019, which we will reinvest in our brands, in addition to the ‘save for our customer’ savings
- Full Year 2017 guidance*:
 - Online consumer sales of €2.8 billion; well on track to reach nearly €5 billion in 2020
 - Underlying operating margin expected broadly in line with H1 2017
 - Free cash flow of €1.6 billion after €1.8 billion of capital expenditure

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as expected, on track, leveraging, being accelerated, build, strategies, improve, renew, remodeling program, will 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.

Thank you

FOOD LION

Stop&Shop



GIANT

MARTIN'S



Peapod

bfresh



Etos

GalleGall

bol.com

albert

MAXI

Tempo

Βασιλόπουλος
...και του πουλιού το γάλα!

ENA FOOD
CASH & CARRY



pingo doce



Q&A

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