



DELHAIZE GROUP

Q2 2013 results
August 8, 2013

Forward looking statements

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Our priorities are unchanged

Revenue

- Strengthening our brands
- Targeted price investments
- Accelerate organic growth in selected markets

Free Cash Flow

- Disciplined approach to capital allocation
- Target working capital improvements
- Achievement of approximately €500 million FCF

Costs

- Continued focus on enhancing efficiency and reducing complexity

Q2 2013 highlights

- U.S.
 - Third consecutive quarter of positive volume growth
 - With the launch of Phase 4, ~80% of Food Lion stores are repositioned
 - Profitability supported by cost savings
- Belgium
 - Market share gains supported by success of remodelings
 - Inflation driving revenue growth
 - Profitability supported by sales leverage, cost control and timing of expenses
- SEE
 - Resilient performance despite difficult macro economic conditions
- Announced planned divestitures of Sweetbay, Harveys and Reid's as well as operations in Montenegro (July)
- SG&A
 - Flat in Q2; down 31 bps in H1
- FCF
 - H1: €321 million FCF (€131 million in 2012)

Financial results – Q2 2013

(€ in Millions)	Q2		% Growth	
	2012	2013	Actual Rates	Identical Rates
Revenues	5,267	5,298	0.6%	1.7%
Gross Margin	24.1%	24.3%	14 bps	16 bps
Underlying Operating Profit	182	193	5.8%	7.0%
Underlying Operating Margin	3.5%	3.6%	18 bps	18 bps
Group Share in Net Profit	87	104	20.3%	21.2%
Free Cash Flow	44	66	54.0%	61.0%

Financial results – H1 2013

	H1		% Growth	
<i>(€ in Millions)</i>	2012	2013	Actual Rates	Identical Rates
Revenues	10,306	10,451	1.4%	2.3%
Gross Margin	24.3%	24.4%	8 bps	10 bps
Underlying Operating Profit	362	394	8.8%	9.8%
Underlying Operating Margin	3.5%	3.8%	26 bps	26 bps
Group Share in Net Profit	84	165	95.5%	96.8%
Free Cash Flow	131	321	147.2%	149.9%

EBITDA

(€ in Millions)

Underlying EBITDA

EBITDA

At Identical Rates

H1 2012

657

+5.5%

H1 2013

692

H1 2012

492

+31.9%

H1 2013

648

At Actual Rates

H1 2012

657

+4.6%

H1 2013

686

H1 2012

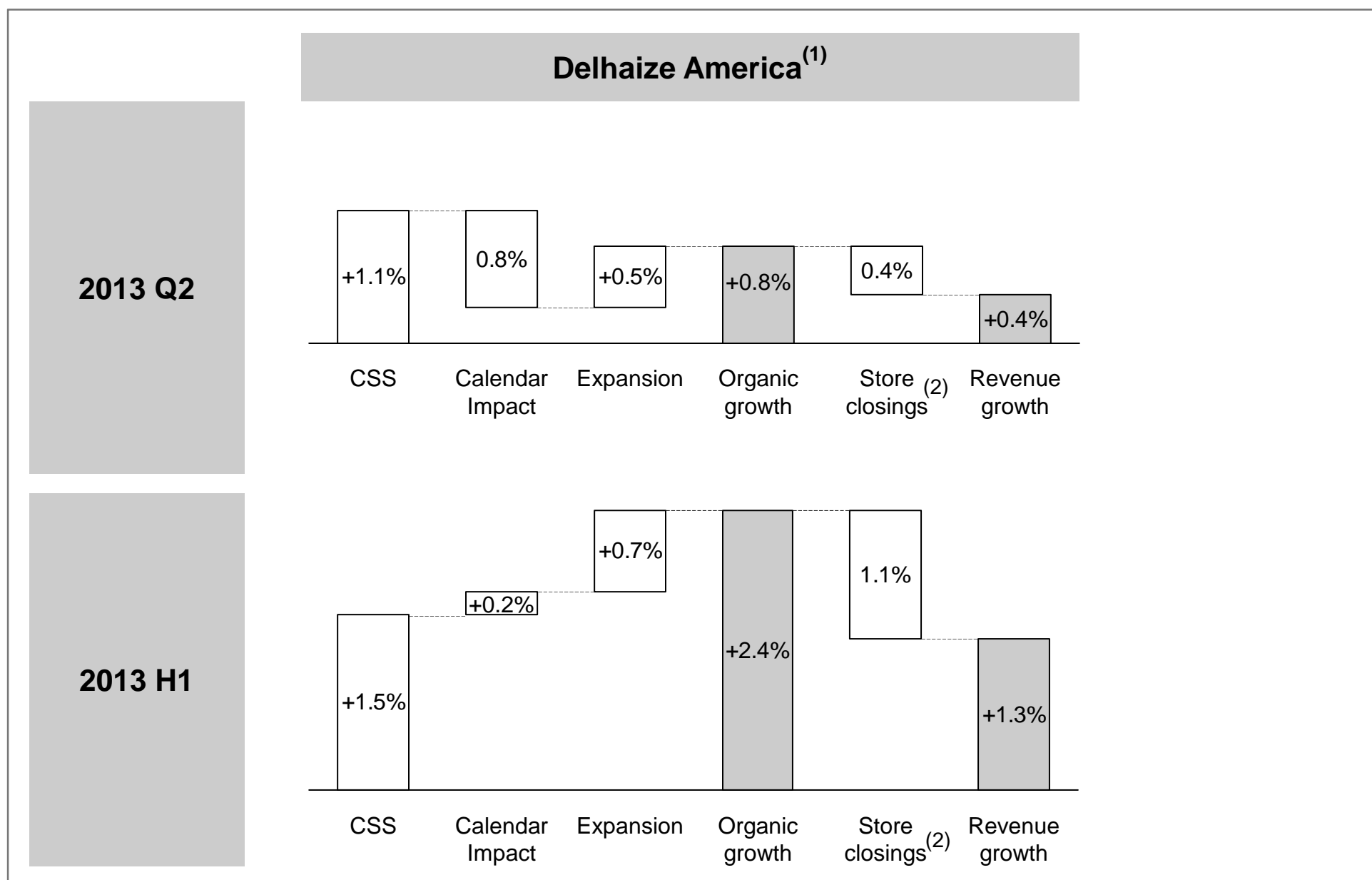
492

+30.8%

H1 2013

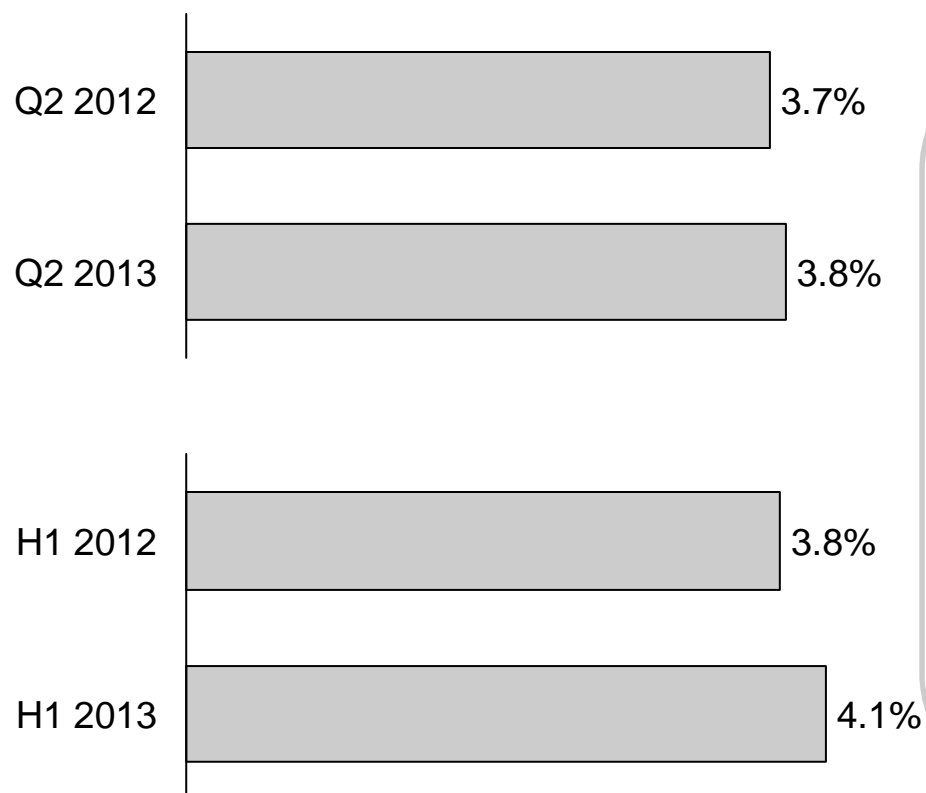
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Delhaize America organic revenue growth and comparable store sales growth



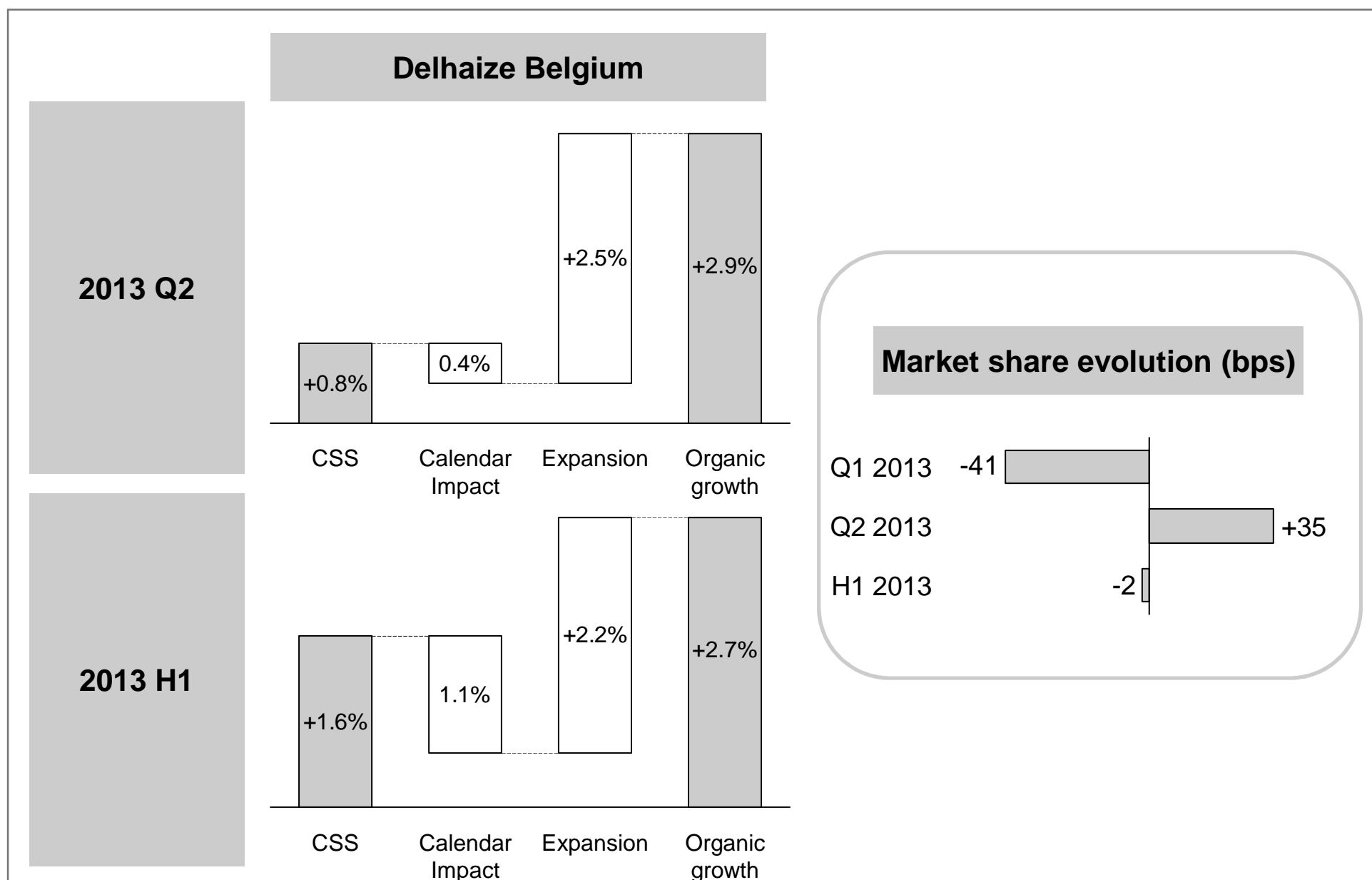
Delhaize America Q2 profitability showed resilience

Delhaize America Underlying Operating Margin



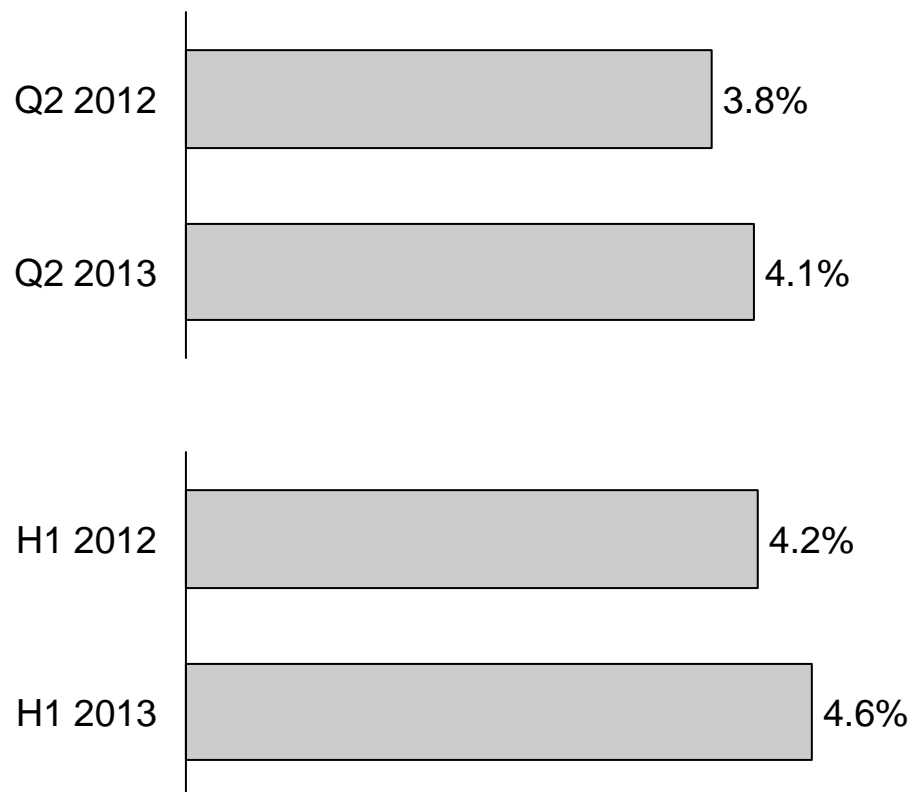
- Q2 margin impacted by:
 - Volume growth
 - Good cost of goods and shrink management
 - Cost savings
 - Price investments of around ~ 70bps
- Remainder of 2013 comparison impacted by:
 - Release of bonus accrual in Q3 2012
 - Food Lion Phase 4 and Phase 5 (to be launched in Q4)
 - Hannaford price investments
 - Bottom Dollar Food store openings

Delhaize Belgium organic revenue growth and comparable store sales growth



Delhaize Belgium profitability

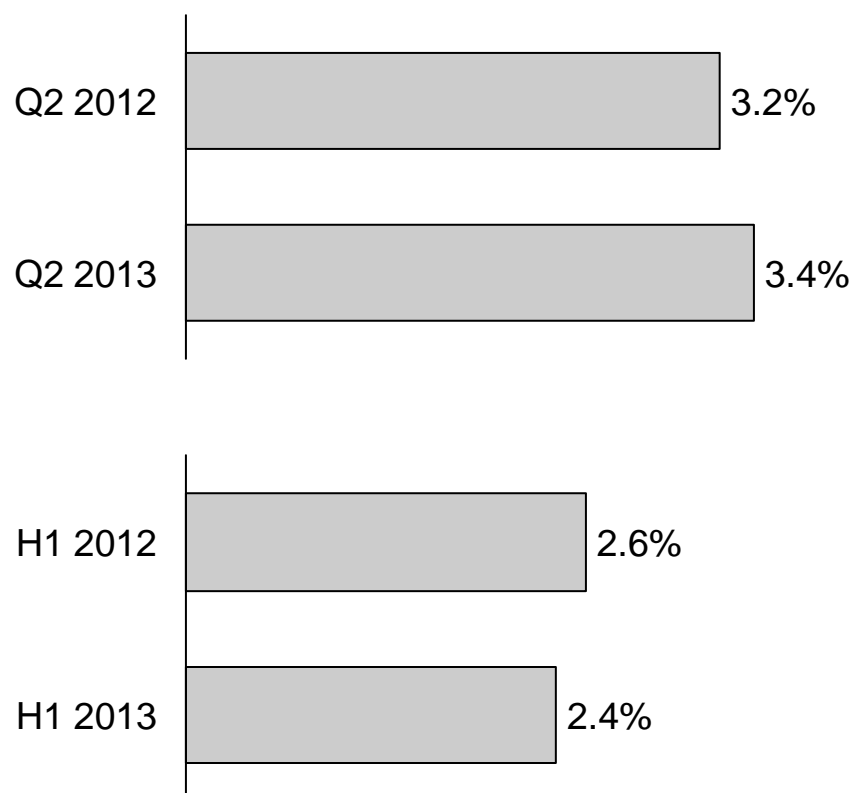
Delhaize Belgium Underlying Operating Margin



- Q2 margin impacted by:
 - Sales leverage
 - Cost control
 - Timing of SG&A expenses
- H2 impacted by higher advertising and overall SG&A expenses

SEE revenues and profitability

Southeastern Europe Underlying Operating Margin



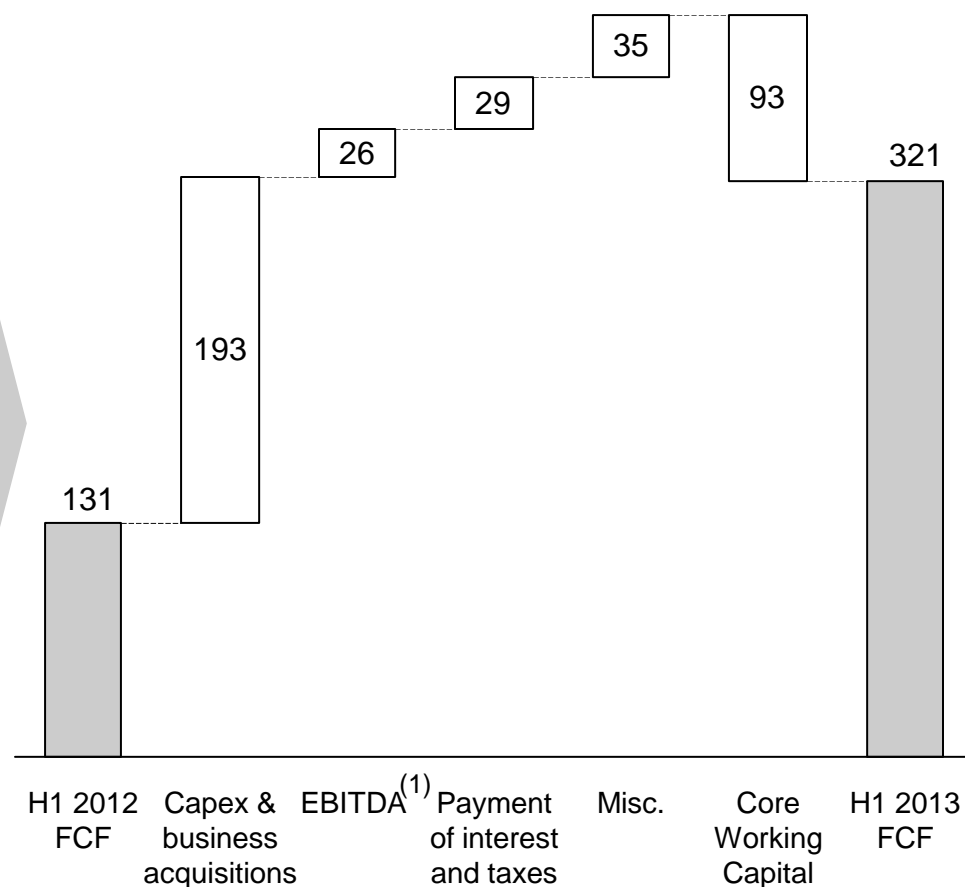
- Revenues
 - Growth of 4.8% at identical rates in Q2
 - Greece – Q2 market share +160 bps
 - Romania – 39 new stores in H1; Q2 revenue growth above 35%
 - Serbia and Bulgaria still under pressure
- Q2 margin impacted by:
 - Higher gross margin and cost control
- H2:
 - Greece – further market share consolidation
 - Romania – store expansion
 - Serbia – improving sales trend and gross margin

Strong Free Cash Flow generation in H1

(€ in Millions)

EBITDA ⁽¹⁾	717
Portfolio optimization and reorganisation cash-out	(45)
Changes in core working capital	(44)
Payment of interest and taxes	(130)
Cash capex	(177)
H1 2013 FCF	321

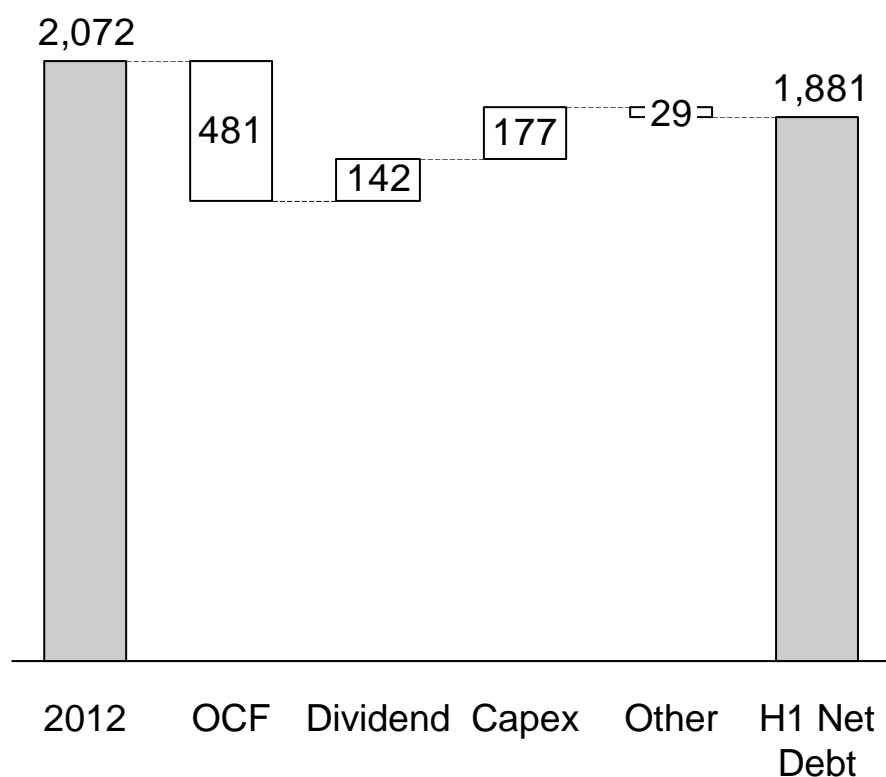
Free Cash Flow evolution



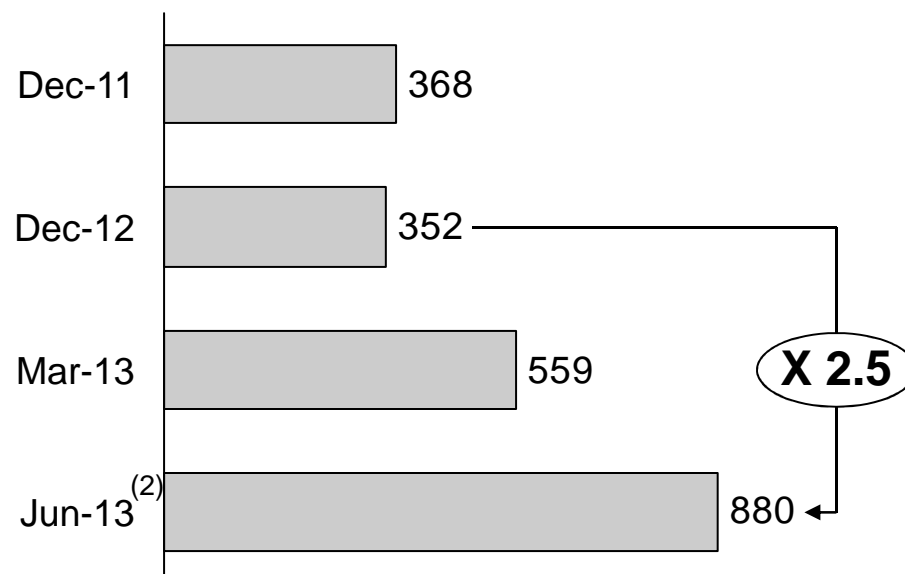
Net debt decreased by €191 million in H1

(€ in Millions)

Sources and uses of cash



Debt capacity⁽¹⁾ (under BBB-/Baa3 constraint)



Priorities per segment specified

U.S.

- Accelerate the transformation of Food Lion: focus on implementation of Phases roll-out
- Strengthen Hannaford: targeted price investments
- Bottom Dollar Food: continue to refine operating model to reach satisfactory ROIC

Belgium

- Reinforce historical strengths (Quality, Health, Assortment)
- Differentiate on store experience
- Growth of Affiliate network

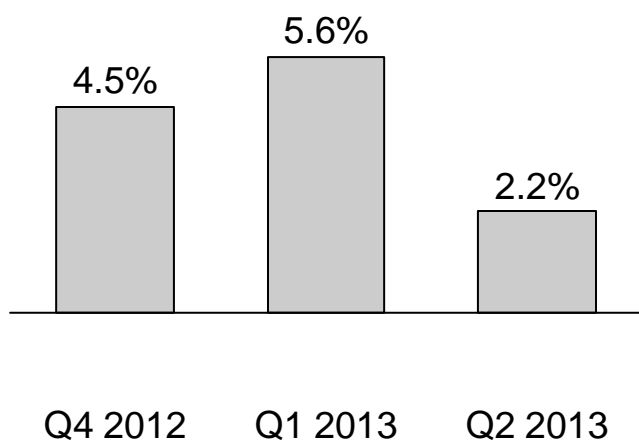
Southeastern Europe

- Maxi: gross margin improvement through better procurement conditions
- Market share gains through target price investments in Greece
- Accelerate growth in Romania and Indonesia

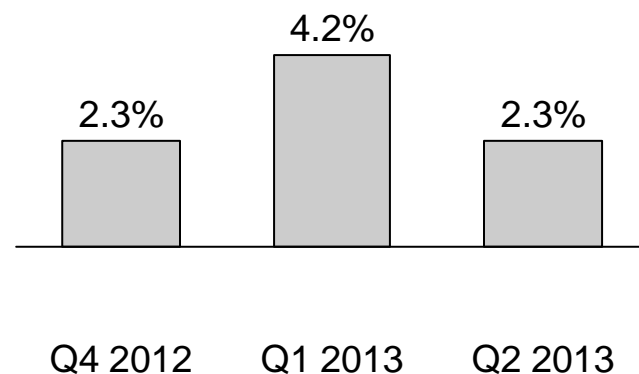
Sustained volume growth at Food Lion repositioned stores

Performance in Phase stores⁽¹⁾

Items growth



CSS



- Good customer response provides us with confidence on the future
- Our team is developing a Unique Selling Proposition shaped around “Easy, Fresh & Affordable”

We do see an opportunity to increase Food Lion comparable store sales through a unique selling proposition

- Approximately 10 items per basket
- 85% of sales done through loyalty card
- 35% of sales done through promotions
- Proportion of fresh products sold below average

Opportunity to increase share of wallet

- by leveraging on
 - customer loyalty
 - proximity
 - small store format
 - tailored promotions
- by improving
 - variety and quality of assortment
 - fresh products offer
 - shopping experience
 - consistent execution

Delhaize Belgium path to further differentiation

KEY CHALLENGES

- Containing SG&A
- Improving performance of integrated stores
- Increasing market share
- Dealing with increased competitive landscape

ACCOMPLISHMENTS

- +35 bps market share in Q2
- 7 store remodelings in H1, 13 additional in H2
- 5 new Affiliate stores in H1

ACTION STEPS

- Increasing differentiation
- Improved price image (price investments, private labels)
- Improved shopping experience (Assortment, Freshness, Store Remodels)
- E-commerce

Southeastern Europe remains a growth engine

KEY CHALLENGES

- Difficult macro economic conditions in SEE
- Increased competition in Romania
- Establish Delhaize Serbia as the undisputable leading Serbian food retailer

ACCOMPLISHMENTS

- Greece – +160 bps market share in Q2 vs last year
- Maxi – divestments of operations in Montenegro and Albania
- Romania – opened 39 stores in H1

ACTION STEPS

- Greece – price investments
- Serbia – gross margin improvements through supplier negotiations, private brands, new DC
- Serbia – management change
- Romania – accelerate growth

We are well on track with our agenda

Revenue

- Strengthening our brands
- Targeted price investments
- Accelerate organic growth in selected markets
- Food Lion repositioning ~80% completed
- Implemented at Hannaford in Q2
- 63 stores opened in SEE in H1; 5 in Indonesia

Free Cash Flow

- Disciplined approach to capital allocation
- Target working capital improvements
- Achievement of approximately €500 million FCF per annum
- €650 million capex guidance for 2013
- Payables in the U.S. and Belgium
- €321 million FCF in H1

Costs

- Continued focus on enhancing efficiency and reducing complexity
- U.S. organizational restructuring
- Divestment of non-core assets
- Group Corporate costs reduction

2013 Guidance⁽¹⁾

- Underlying operating profit of at least €755 million
 - This reflects the fact that Sweetbay, Harveys and Reid's have moved into discontinued operations
 - This translates into guidance of an underlying operating profit of at least €780 million compared to approximately €775 million based on the previous scope
- Flat SG&A as percentage of revenues
- Reduction in net finance costs to approximately €200 million (after planned divestiture of Sweetbay, Harveys and Reid's)
- Target capex of approximately €650 million, including approximately €470 million in H2; 200 store openings
- Expected Free Cash Flow of approximately €500 million in 2013