



**DELHAIZE  GROUP**

**Analyst Meeting**  
*March 13, 2014*

# 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

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- **Diagnostic**
- **Strategic priorities**
- **Q4 and FY 2013 results**
- **Operational overview**
  - **Food Lion**
  - **Hannaford**
  - **Delhaize Belgium**
  - **Southeastern Europe**
- **Financial framework**
- **Conclusion**

# CEO diagnostic

## Delhaize has strong foundations...

- Leadership positions in most markets where we operate
- Sense of momentum, notably at Food Lion
- Strong financial profile with a solid BBB- credit rating
- Talented and passionate associates

## ...but we need to address specific issues

- Profitability is under pressure in our key markets
- Complexity
- Need to accelerate omni channel

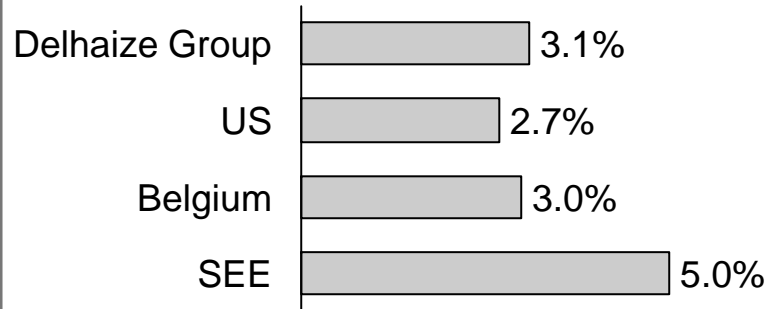
# Leadership positions in the markets where we operate



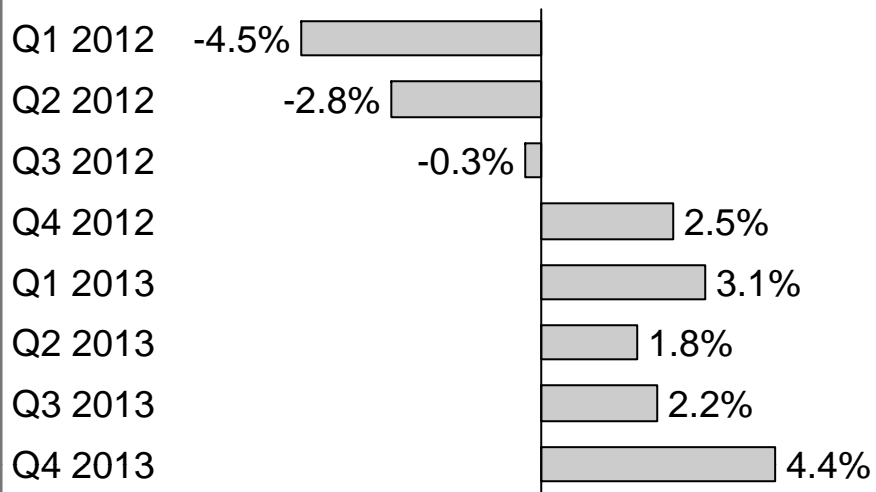
<u>Market</u>	<u>Position<sup>(2)</sup></u>
US <sup>(1)</sup>	1 or 2 in markets accounting for 2/3 of sales
Belgium	2
Greece	1
Serbia	1
Bucharest	1

# There is a sense of momentum in the business, notably at Food Lion

## 2013 Organic revenue growth



## Food Lion real growth

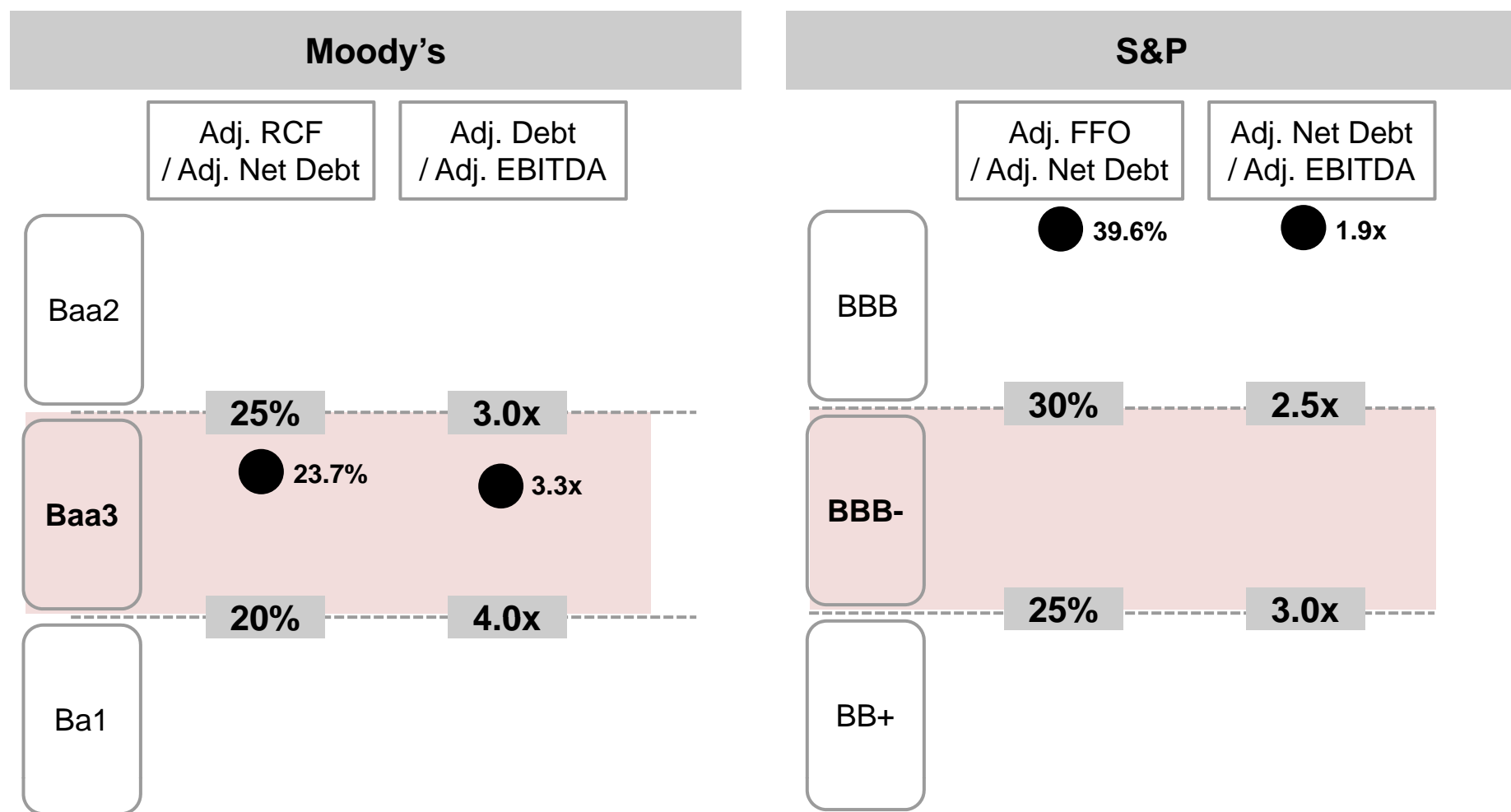


## 2013 Highlights

- Food Lion experienced volume growth for 5 quarters in a row
- Positive volume growth at Hannaford
- Stabilisation of market share at Delhaize Belgium
- Reached #1 position in Greece

# Strong Free Cash Flow generation has reinforced our financial profile

- Delhaize Group is rated Baa3 by Moody's and BBB- by S&P



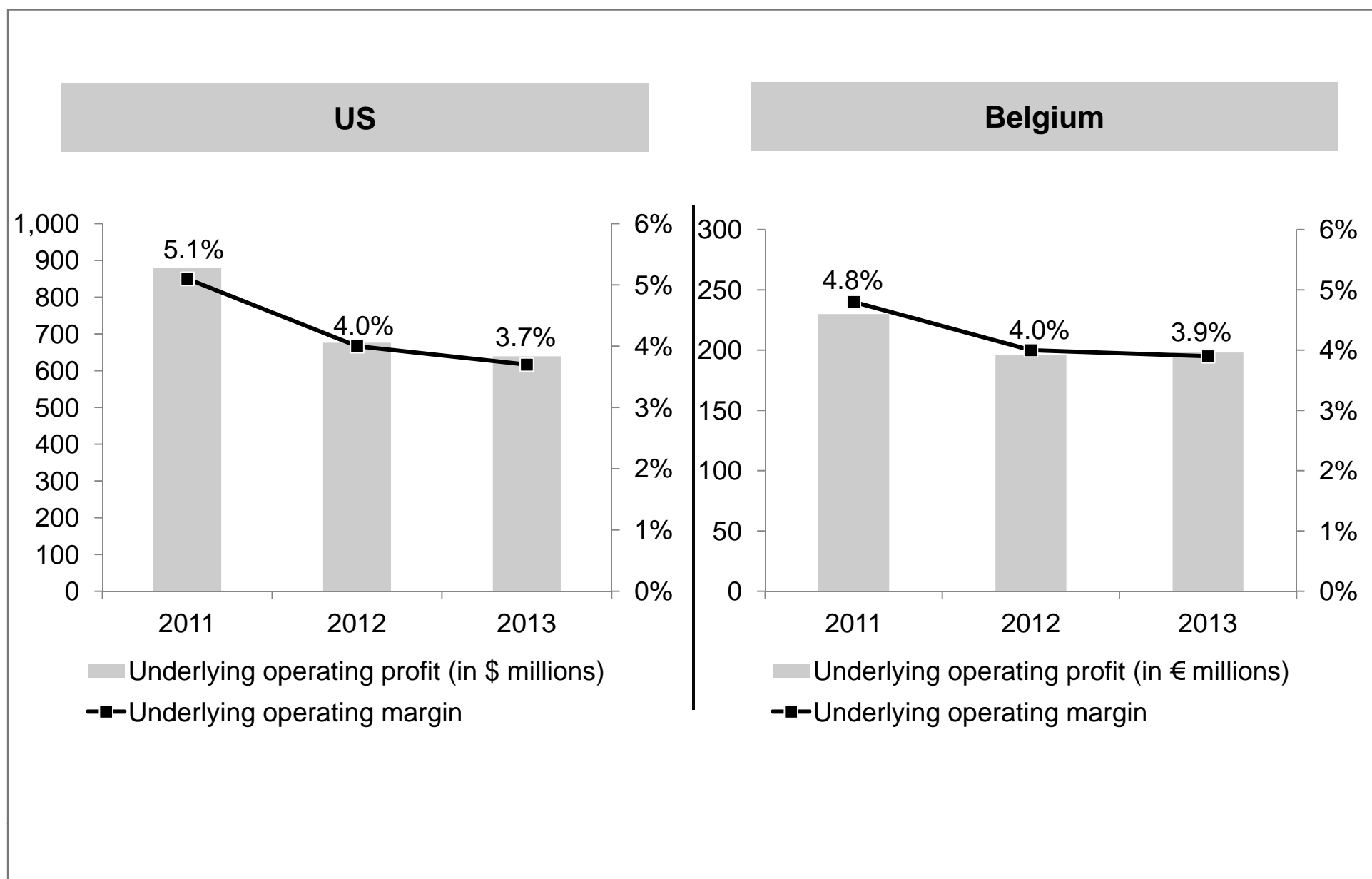


and we possess talented and passionate associates





# However, our profitability is under pressure in our key markets



and we still need to address complexity

### Geographies

- countries
- regions

### Formats

- supermarkets, convenience, online
- other formats

### Organisation

- too many organizational layers
- need for decisiveness and accountability

**Focus to reduce complexity and accelerate performance**

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# Delhaize Group's identity is clear

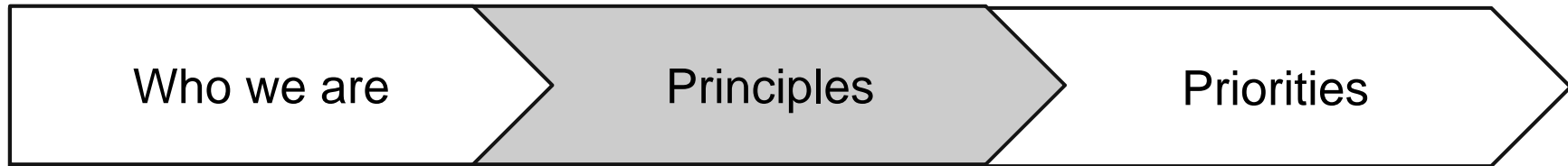
Who we are

Principles

Priorities

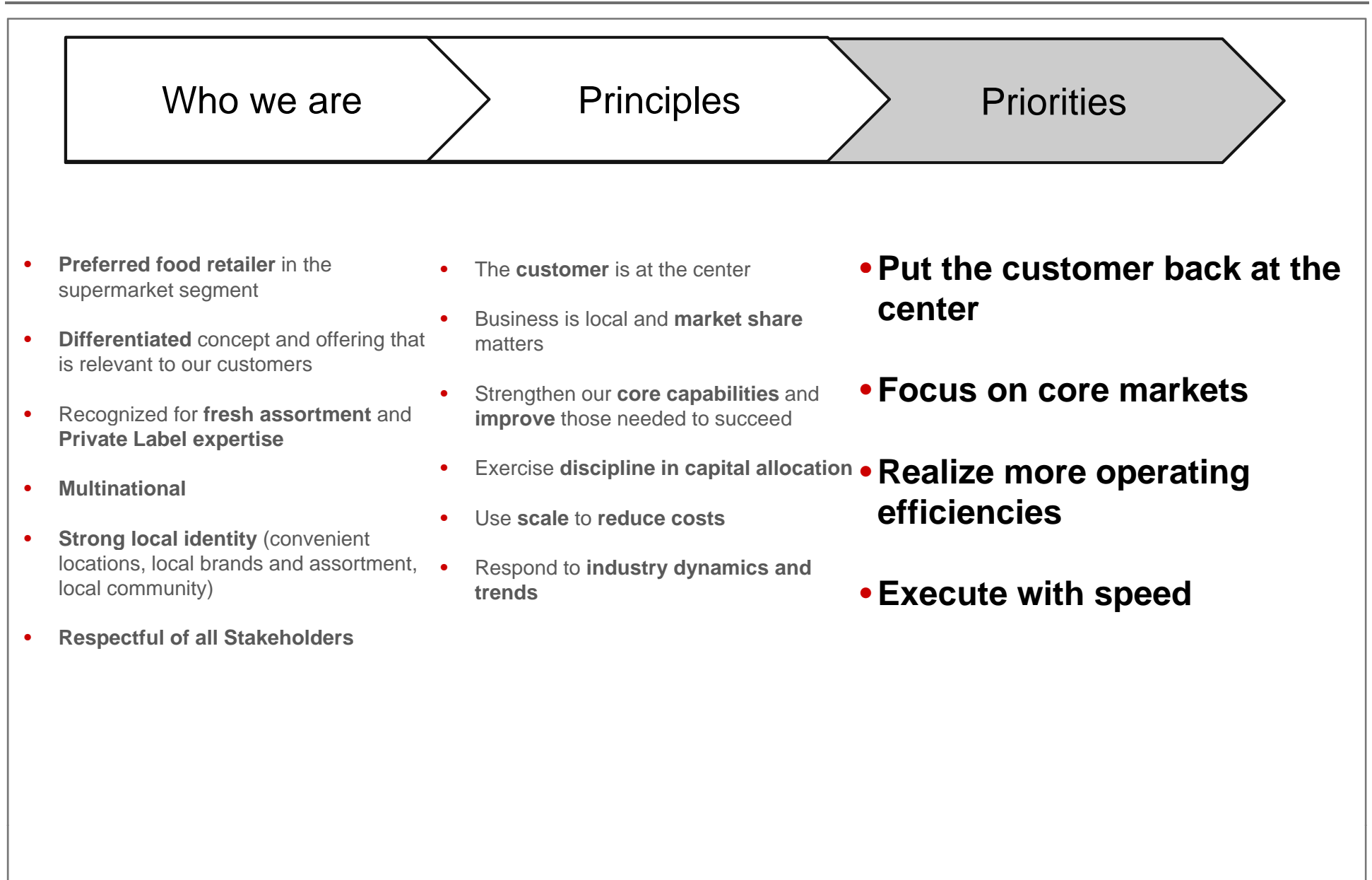
- **Preferred food retailer** in the supermarket segment
- **Differentiated** concept and offering that is relevant to our customers
- Recognized for **fresh assortment** and **Private Label expertise**
- **Multinational**
- **Strong local identity** (convenient locations, local brands and assortment, local community)
- **Respectful of all Stakeholders**

# We have principles to guide us



- Preferred food retailer in the supermarket segment
- Differentiated concept and offering that is relevant to our customers
- Recognized for **fresh assortment** and **Private Label** expertise
- Multinational
- Strong local identity (convenient locations, local brands and assortment, local community)
- Respectful of all Stakeholders
- The **customer** is at the center
- Business is local and **market share** matters
- Strengthen our **core capabilities** and **improve those needed to succeed**
- Exercise **discipline in capital allocation**
- Use **scale** to **reduce costs**
- Respond to **industry dynamics and trends**

... and we have established the following priorities



# Customer-focused initiatives...

## **E-commerce**

*examples: Delhaize Direct;  
Hannaford To Go*

**Better Value** through more sophisticated pricing, promotions and customer offer

*example: new pricing tool in the US; Alfa Beta 75 years; new CRM tool in Greece*

## **Fresh and Organic Products**

*example: Alfa Beta « close to Greek nature » assortment; Delhaize Le Lion Bio brand*



## **Tailor Assortments**

*examples: Food Lion work on assortment; private brand positioning in the US*

## **Easier shopping experience**

*examples: Food Lion check-out systems; Delhaize Le Lion self check-out*

## **Clear commercial positioning per banner**

*example: Delhaize Le Lion : back to our roots*

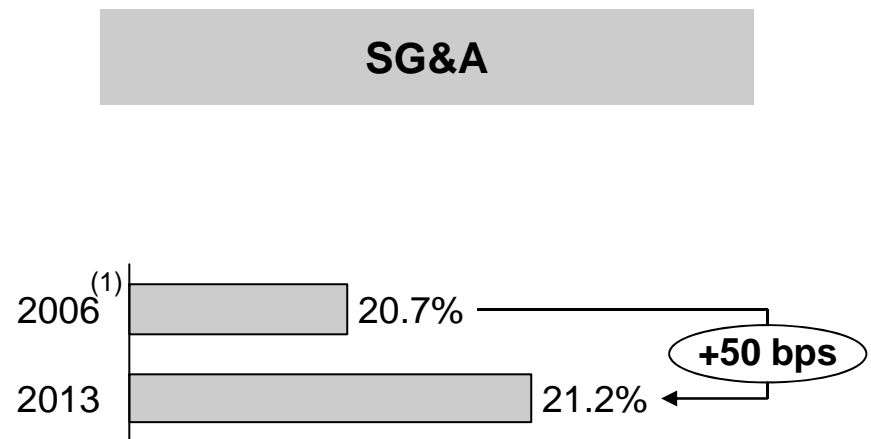
## **Private brands**

*examples: Taste of Inspirations, Delhaize brand, Maxi range extension*



... will be funded by efficiency improvements

- SG&A reduction
- Disciplined capex allocation
- Further working capital improvement



# We will accelerate omni channel

- Digital organisation being built
- Belgium
  - Home delivery operation and 119 PUPs at the store (largely fed by warehouse)
  - Web infrastructure and mobile applications in place
  - 2014: Build Enterprise Data Warehouse, Optimize eCommerce models, accelerate growth
- Hannaford
  - 2 PUPs
  - 2014: Implement Order Management System, build team capability, 10 more PUPs
- Alfa Beta
  - Leverage home delivery
  - 2014: Enterprise Data Warehouse, install web infrastructure



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## Q4 2013 highlights by region

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- **U.S.**
  - Fifth consecutive quarter of positive volume growth
  - Food Lion's momentum supported by completion of Phase repositioning
  - Profit evolution impacted by price investments
- **Belgium**
  - Solid year-end sales
  - Profitability impacted by promotional environment
- **SEE**
  - Alfa Beta and Mega Image continued to perform well
  - Serbia performing below our expectations

# Financial results – Q4 2013

	Q4		% Growth	
	2012	2013	Actual Rates	Identical Rates
<i>(€ in Millions)</i>				
Revenues	5,335	5,338	0.1%	3.0%
Organic revenues	5,324	5,496	N/A	3.2%
Gross Margin	24.1%	23.9%	(26 bps)	(21 bps)
Underlying Operating Profit	196	182	(7.4%)	(4.8%)
Underlying Operating Margin	3.7%	3.4%	(28 bps)	(28 bps)
Group Share in Net Profit (Loss)	(169)	101	N/A	N/A
Free Cash Flow	447	206	(54.0%)	(53.3%)

# Financial results – 2013

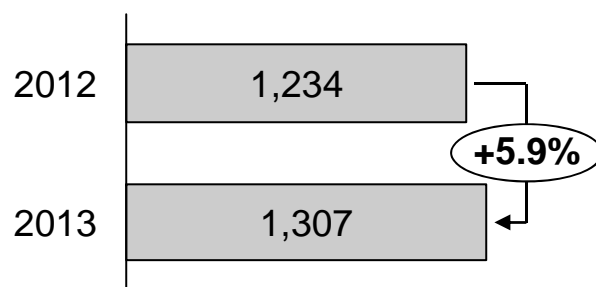
	FY		% Growth	
	2012	2013	Actual Rates	Identical Rates
<i>(€ in Millions)</i>				
<b>Revenues</b>	20,991	21,108	0.6%	2.6%
<b>Organic revenues</b>	20,891	21,533	N/A	3.1%
<b>Gross Margin</b>	24.3%	24.2%	(12 bps)	(8 bps)
<b>Underlying Operating Profit / Margin</b>	785 3.7%	753 3.6%	(4.2%) (18 bps)	(2.1%) (17 bps)
<b>Net finance costs</b>	(230)	(188)	(18.3%)	(16.1%)
<b>Income tax expenses</b>	(29)	(77)	166.2%	171.7%
<b>Discontinued operations</b>	(58)	(43)	25.3%	23.5%
<b>Group share in Net Profit</b>	104	179	71.8%	78.5%
<b>Free Cash Flow</b>	773	669	(13.4%)	(11.3%)

# EBITDA

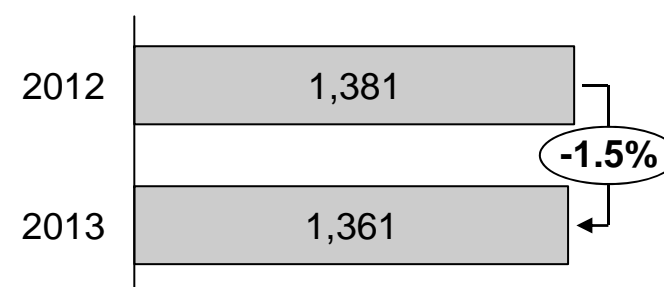
(€ in Millions)

**At Identical Rates**

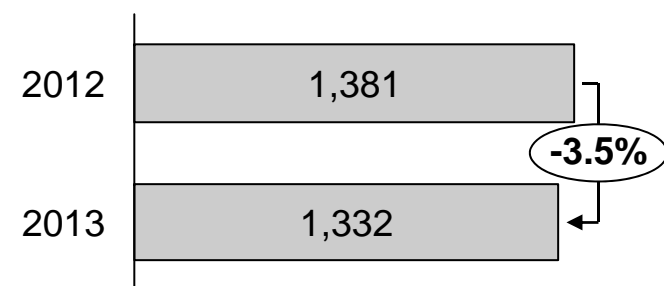
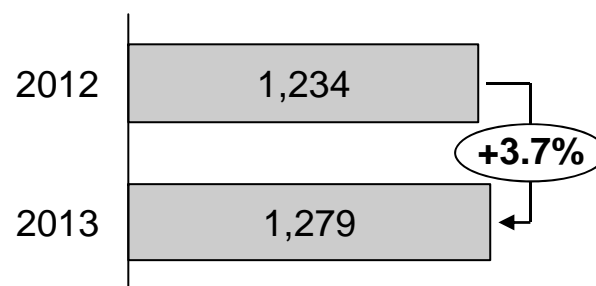
**EBITDA**



**Underlying EBITDA**

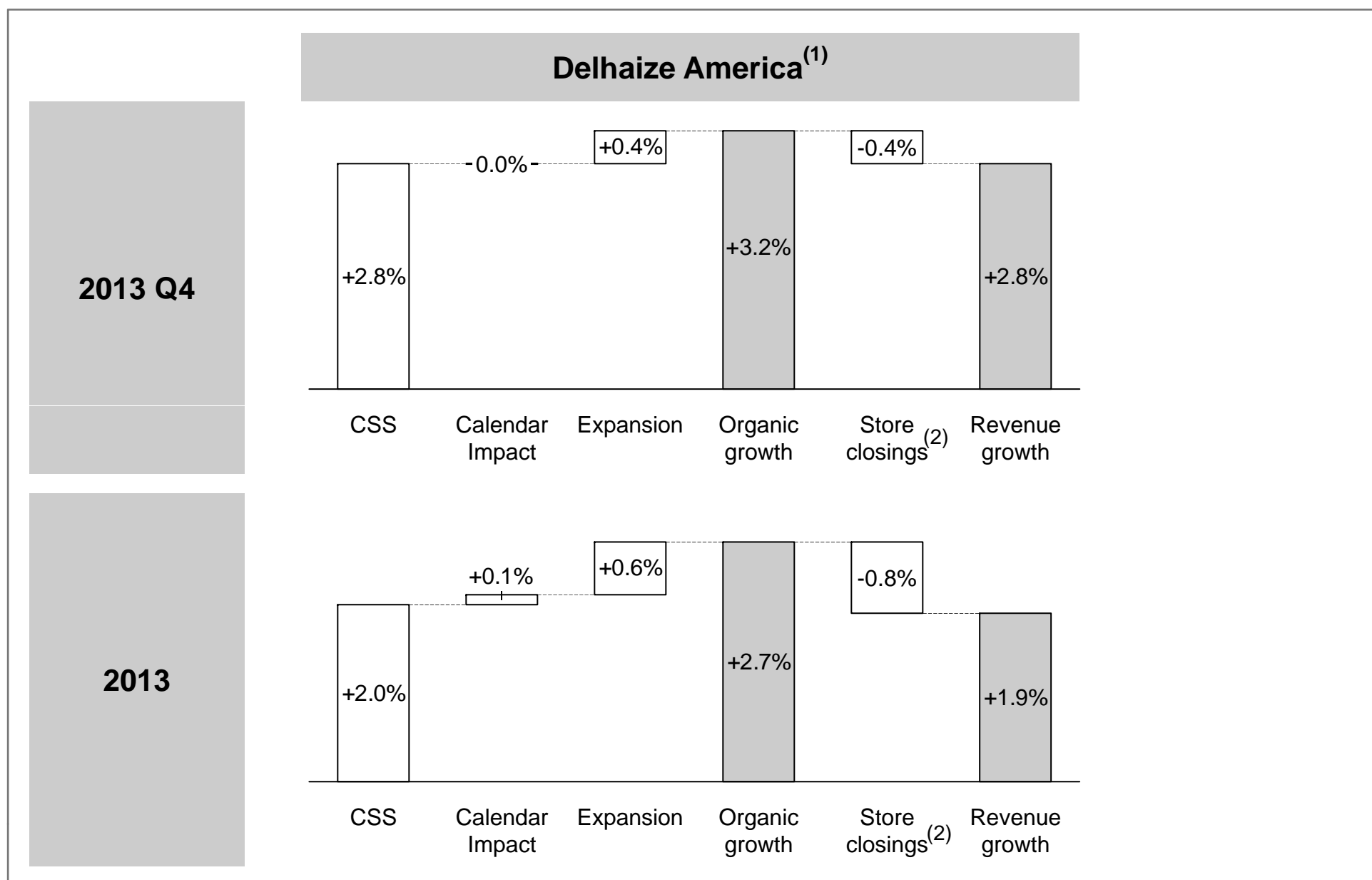


**At Actual Rates**

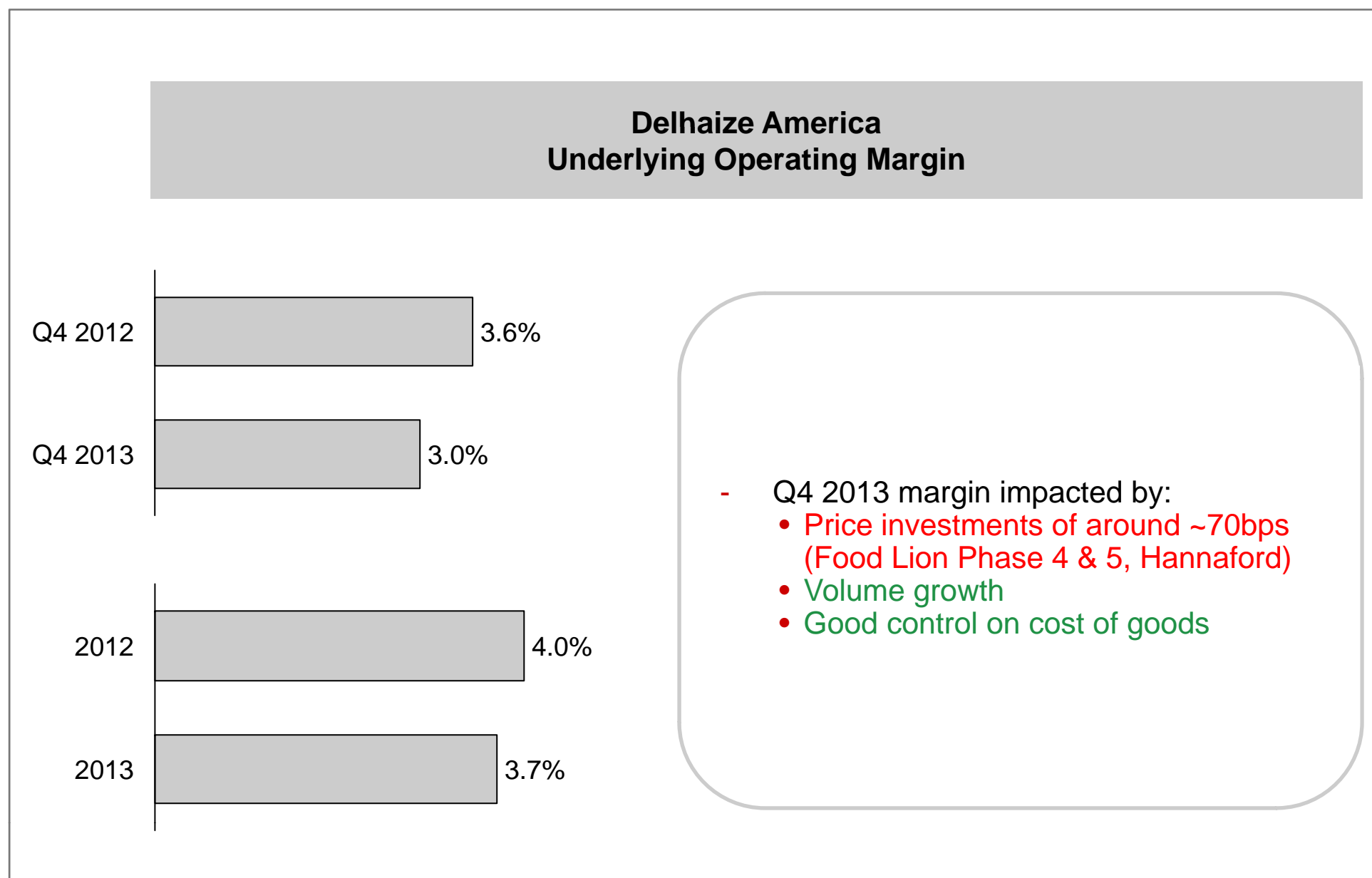




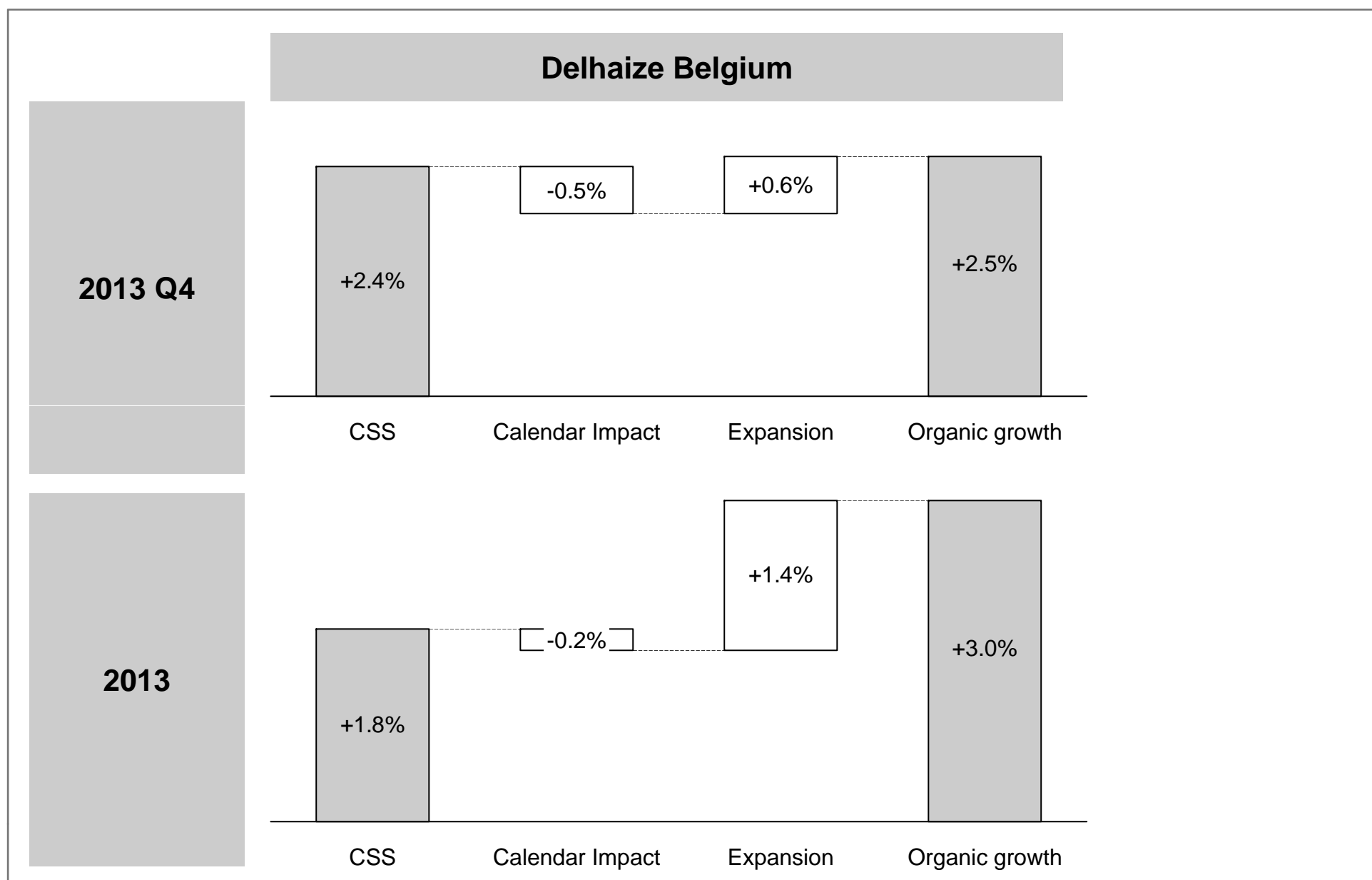
# Delhaize America - organic revenue growth and comparable store sales growth



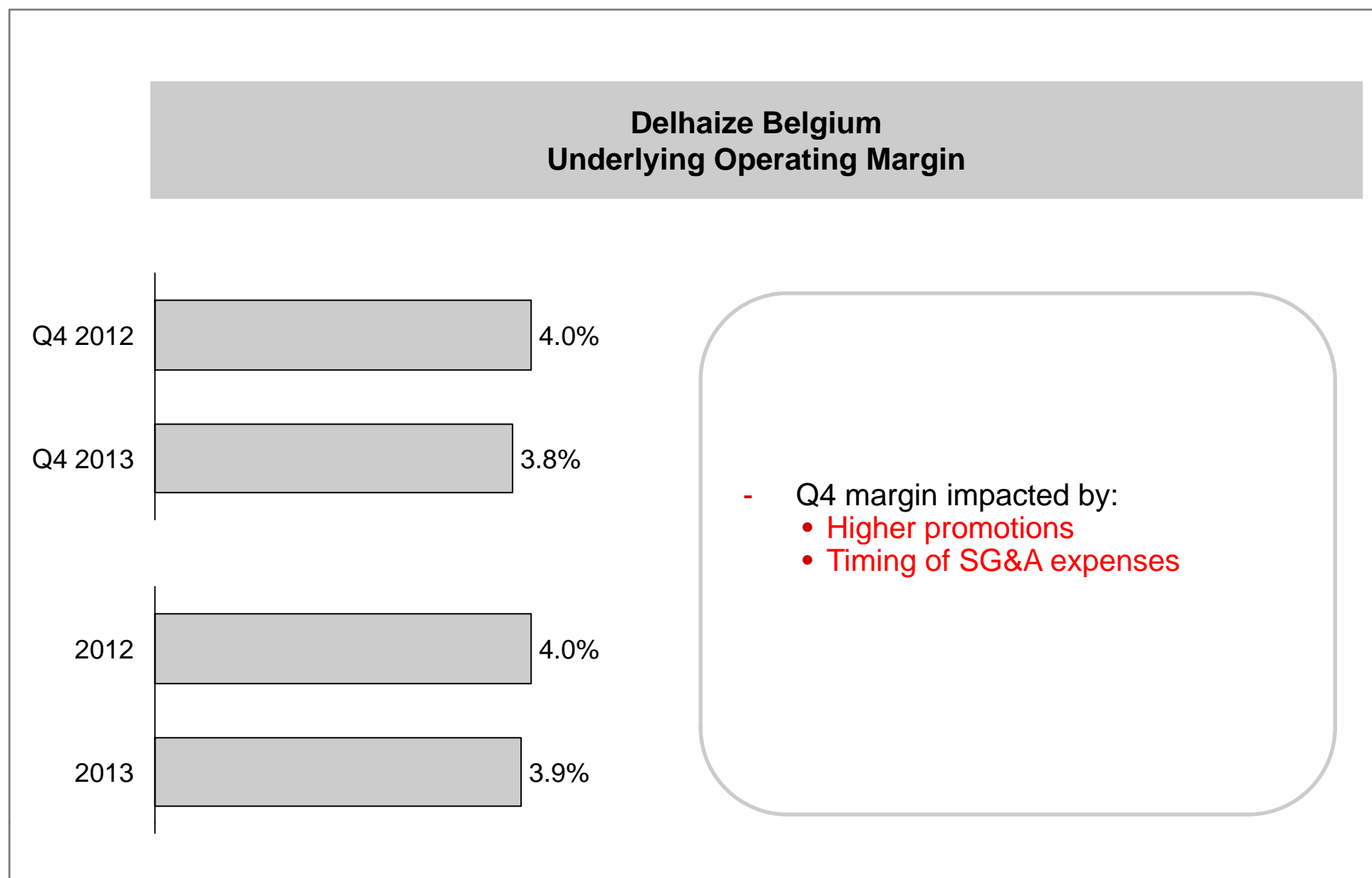
# Delhaize America – underlying operating margin



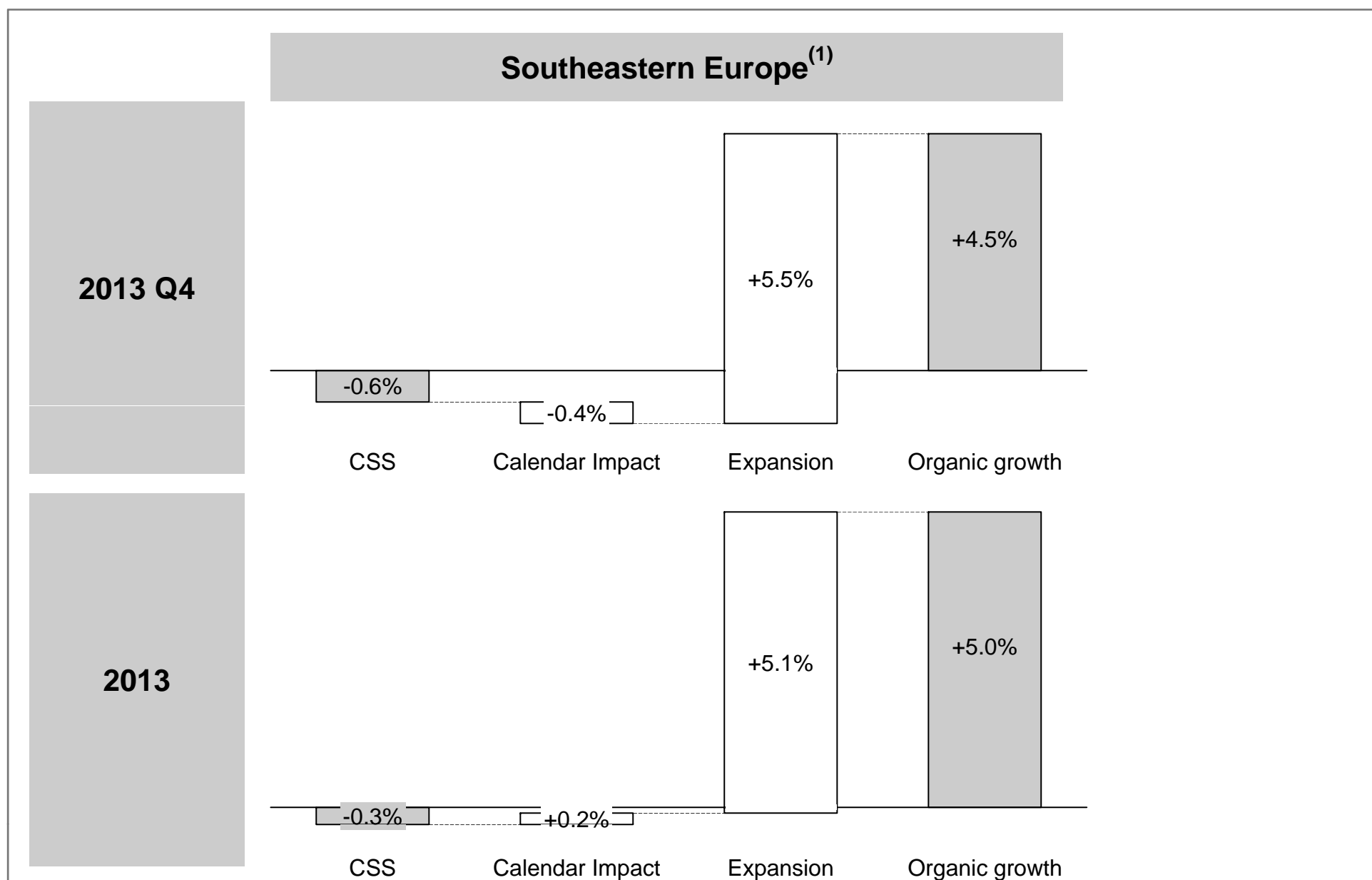
# Delhaize Belgium - organic revenue growth and comparable store sales growth



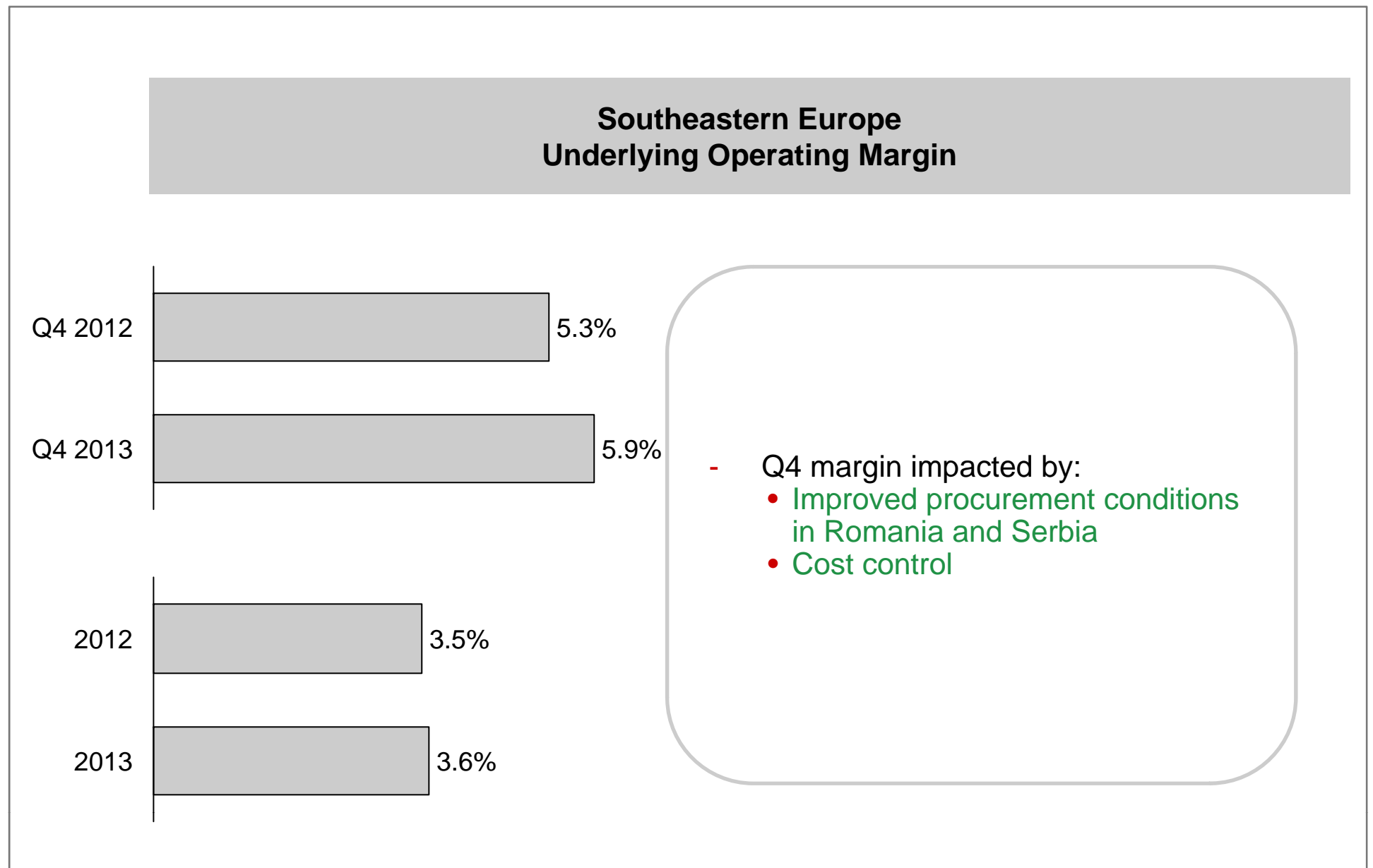
# Delhaize Belgium – underlying operating margin



# SEE - organic revenue growth and comparable store sales growth



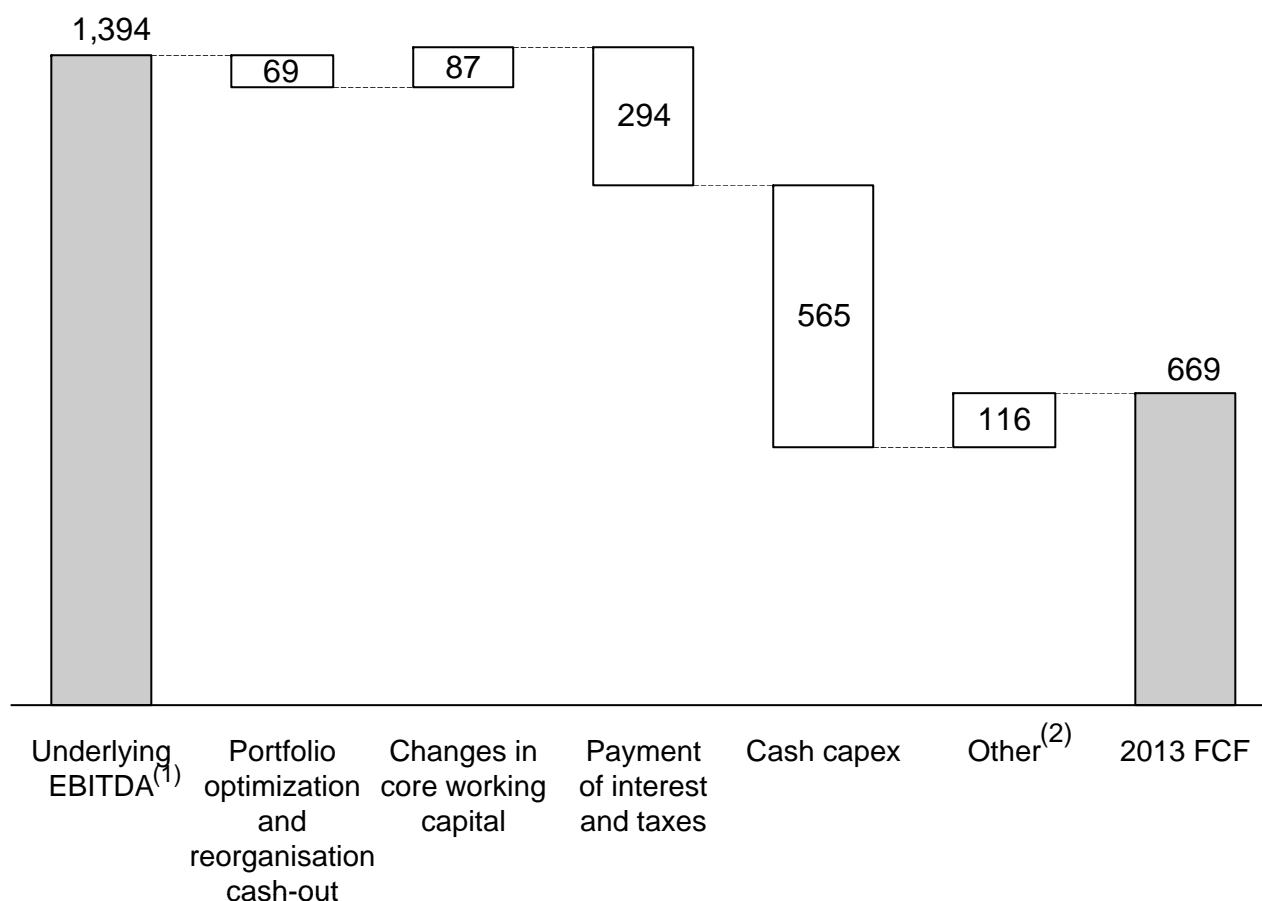
# SEE – underlying operating margin



# Strong Free Cash Flow generation in 2013

(€ in Millions)

## Free Cash Flow evolution

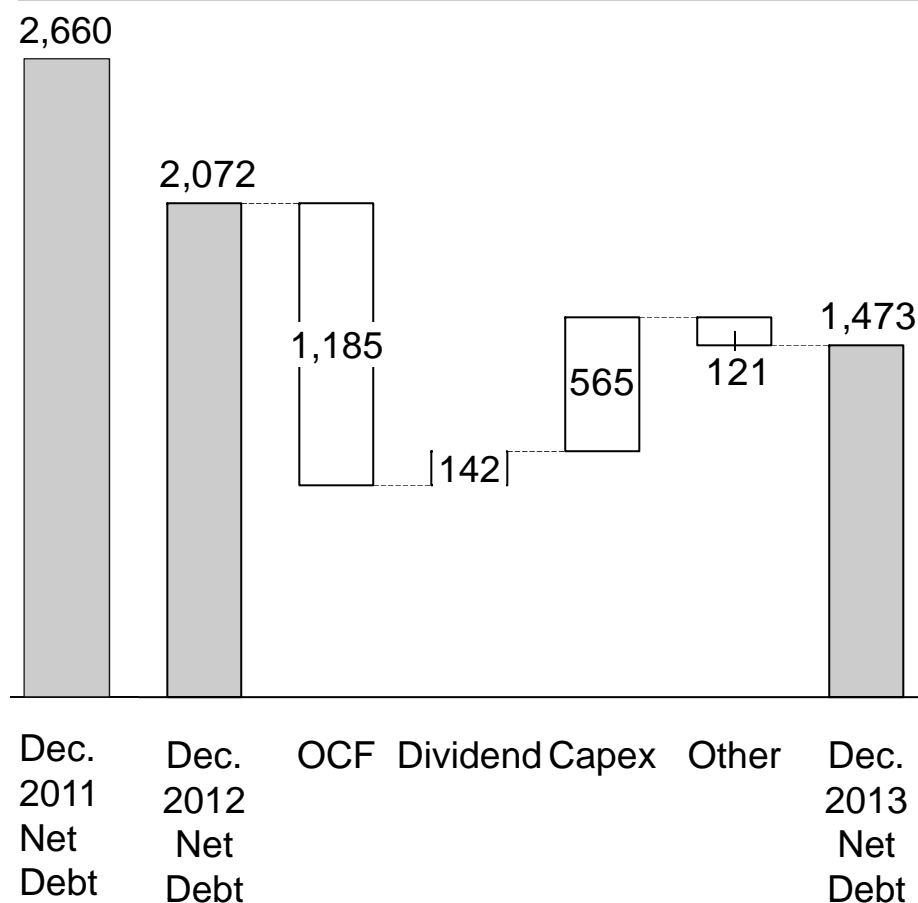




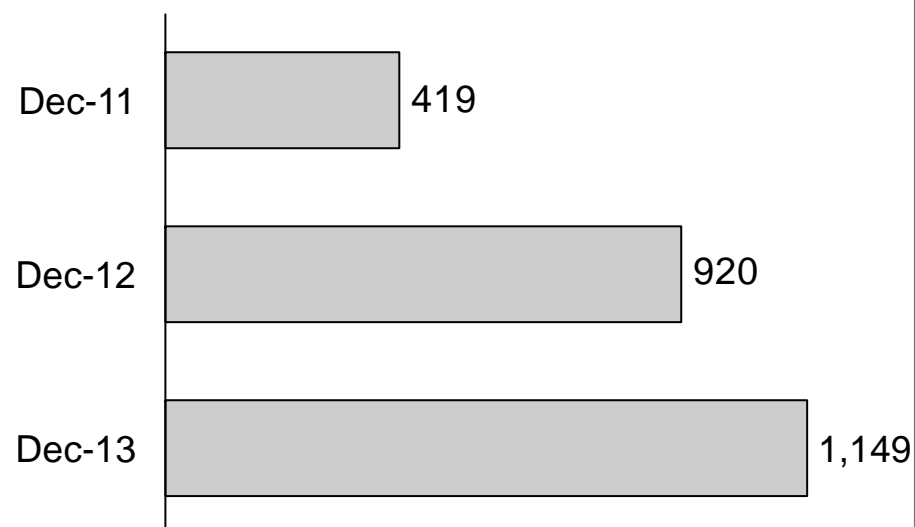
# Net debt decreased by €1.2 billion over the last 2 years

(€ in Millions)

## Sources and uses of funds



## Net cash position



# Current trading update



- Very solid sales trends in the U.S., partly helped by severe winter weather
- Phase repositioning completed in the U.S.
- Consolidation of good momentum in Greece
- Profitable network expansion in Romania



- U.S.: Extra costs due to winter weather, cycling of Easter in Q1 13, cycling of price investments
- Intensification of price competition in Belgium, combined with mounting SG&A pressure
- Persisting adverse trading environment in Serbia

# Agenda

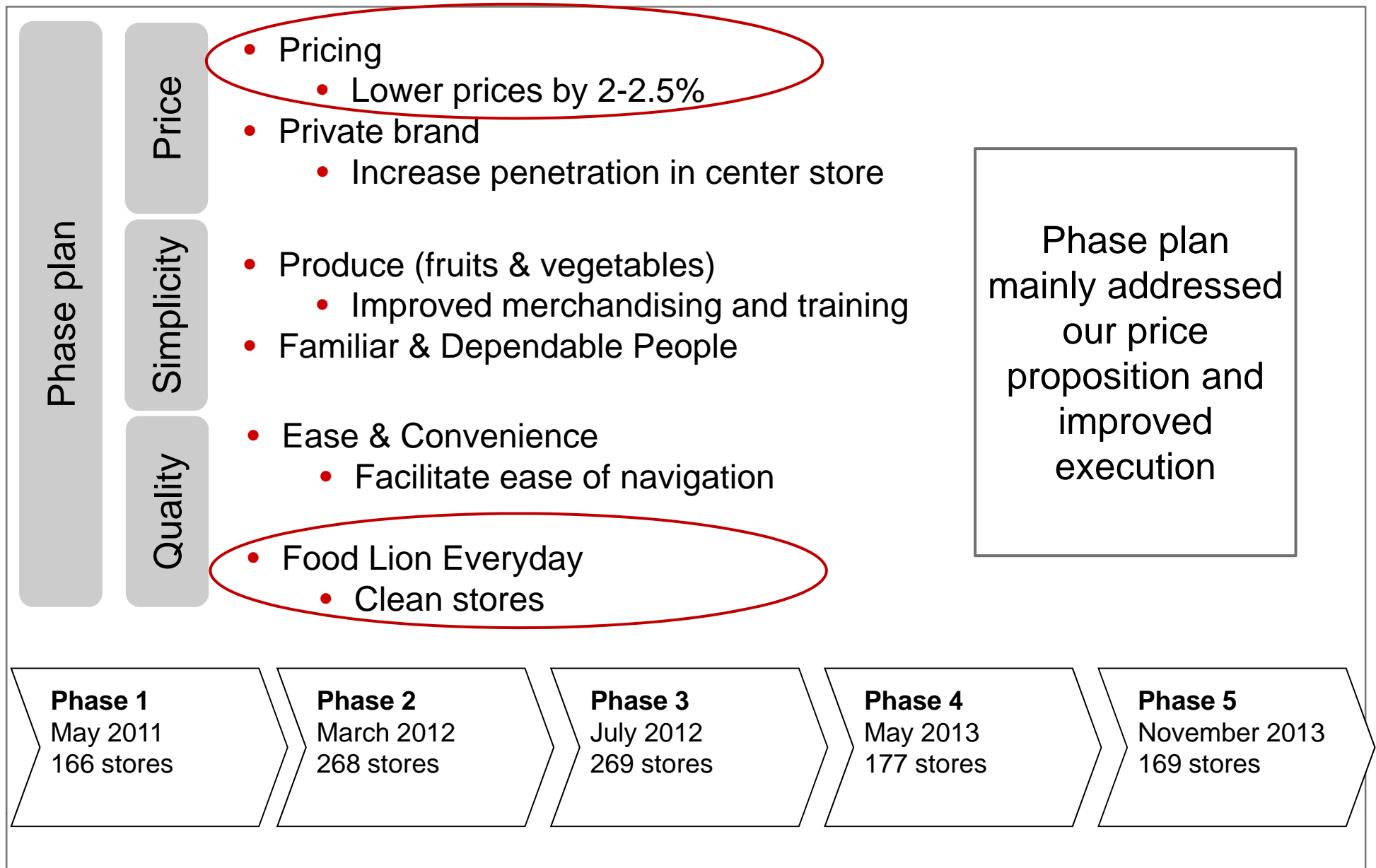
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# Food Lion has maintained strong brand equity despite facing a competitive market

- The US Southeast has been intensely **competitive over the last 20 years**
  - high concentration of scale (top 3 players have ~60% of sales)
  - low cost players (Aldi, Costco, Target, dollar stores)
  - Walmart has high penetration
    - Walmart is #1 in all Southeast states except Florida
- Food Lion has **not been immune**
  - Food Lion's market share has decreased by ~200 bps over 2007-2012<sup>(1)</sup>
  - Food Lion showed negative volume growth over 2009-2012, mainly driven by a decrease in # of items sold per transaction
  - Price positioning has not been consistent over time
- Food Lion still has **solid market positions** in its major markets
  - #1 or 2 in markets accounting for 72% of sales<sup>(1)</sup>
  - In 2013, Food Lion's sales growth outpaced the supermarket average
  - Stores located in **convenient** locations with **smaller format** stores

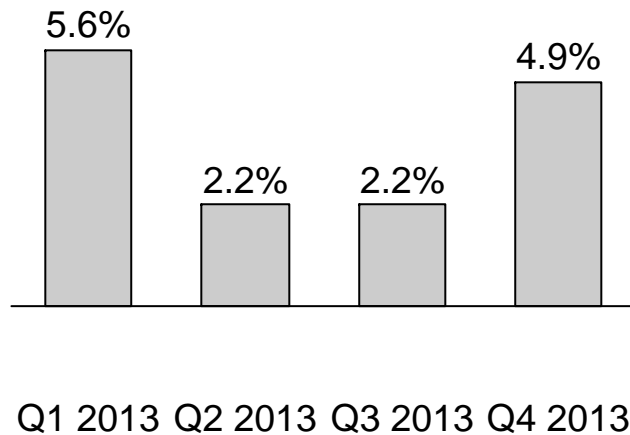
# We developed the Phase plan to reverse the declining financial performance...



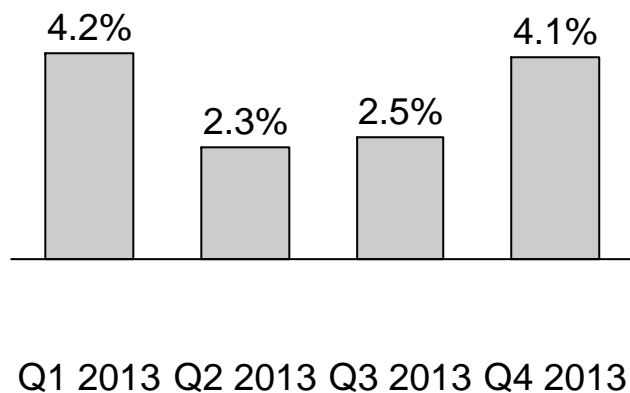
... with success, underlining the value of Food Lion's brand

### Performance in Food Lion Phase stores

# Items  
growth



CSS



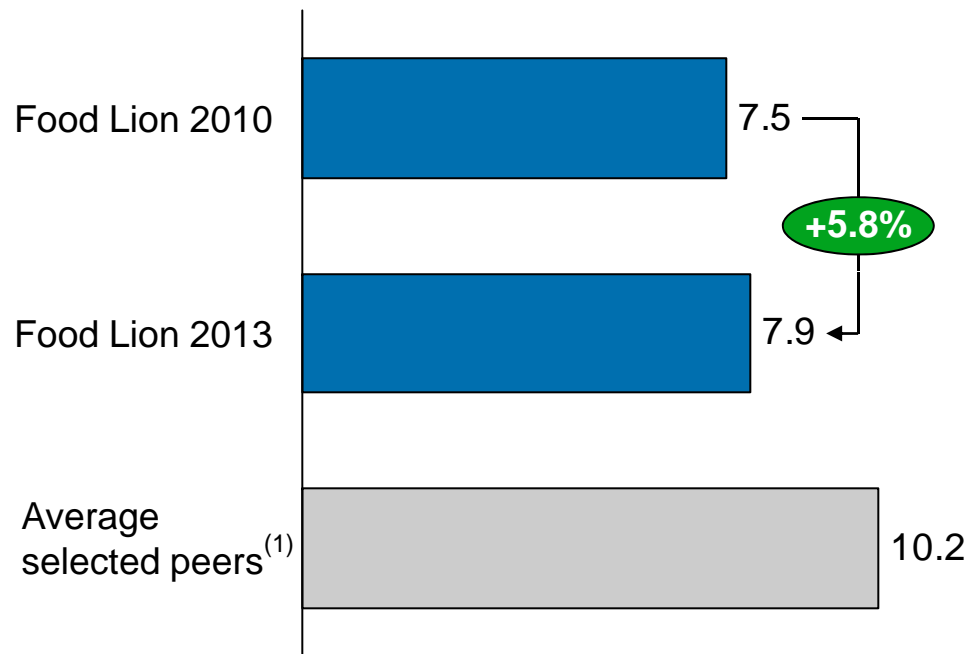
### Food Lion's price equity has been strengthened

Statement	Phase markets March 2013	March 2013 vs July 2011
Offers lowest prices on things you buy the most	33%	+7%
Is good for people on a tight budget	40%	+5%
Has good specials throughout the store	41%	+5%

Source: Food Lion web based customer panel reflects sample of ~4k households

# While Food Lion has increased sales, it continues to lag key competitors on sales per square foot

## Average weekly sales per square foot (\$)

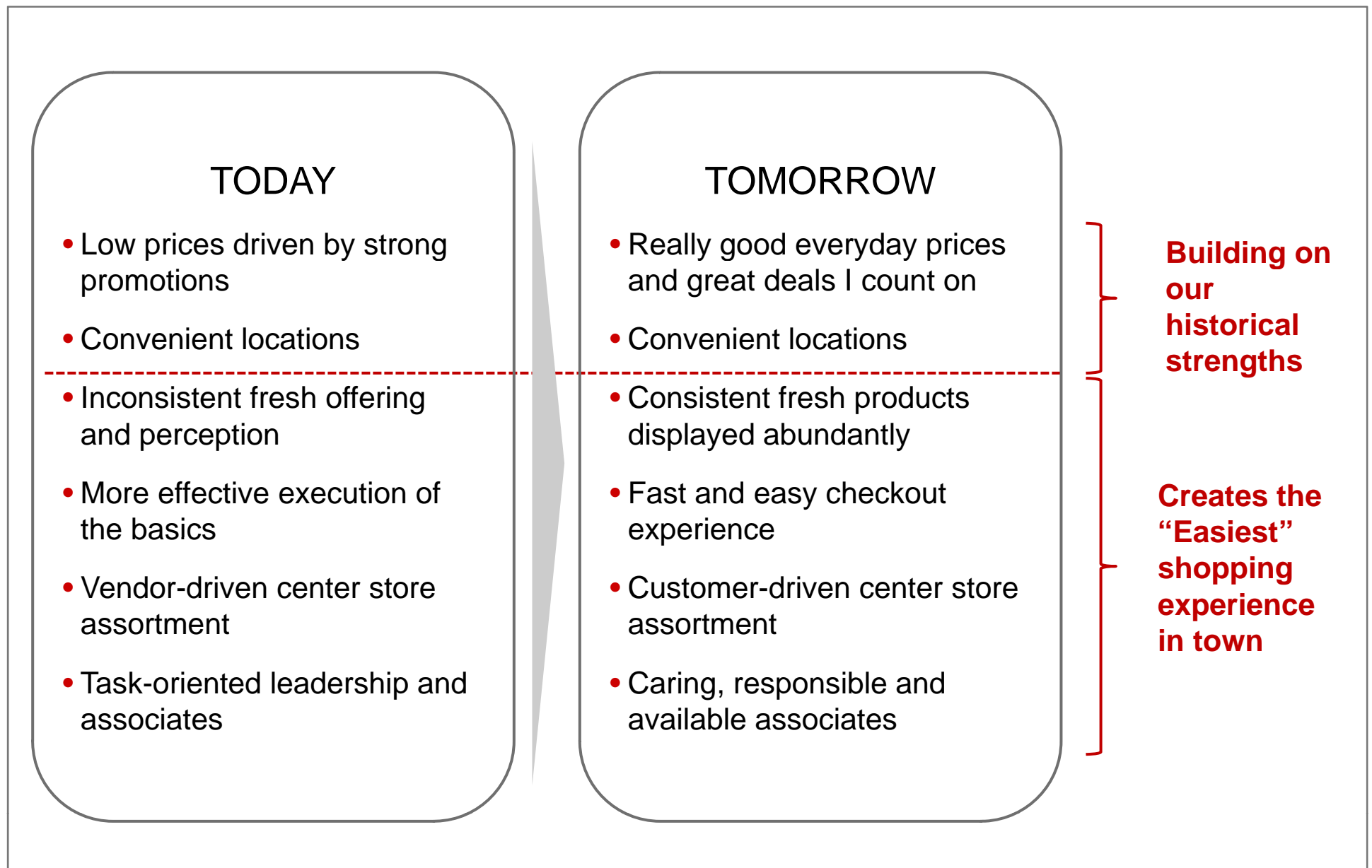


- Sales density has started to increase with the Phase repositioning
- Food Lion sales density is below the sector average

And therefore we have developed  
the next step in our strategy



# Food Lion's new strategy is meant to address customers' needs and to differentiate Food Lion...



...and aims to increase share of wallet by delivering an Easy, Fresh, & Affordable experience

**EASY**  
**fresh &**  
**Affordable**

You can count on FOOD LION... Every day!

# What our strategy will deliver to our customers...

**EASY**

- Easy to shop
- Easy to save
- Easy to get in and out quickly
- Easy to find dinner for tonight

*fresh*

**&**

**Affordable**

# What our strategy will deliver to our customers...

## EASY

- Easy to shop
- Easy to save
- Easy to get in and out quickly
- Easy to find dinner for tonight

## fresh

- Consistent quality
- Fresh in the store and fresh at home
- Appealing ready to eat meals
- Large selection in fresh departments

## &

## Affordable

# What our strategy will deliver to our customers...

## EASY

- Easy to shop
- Easy to save
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- Consistent quality
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## Affordable

- Dependable low prices
- Compelling promotions
- Simplified communication on pricing
- Private brands providing excellent value

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## EASY

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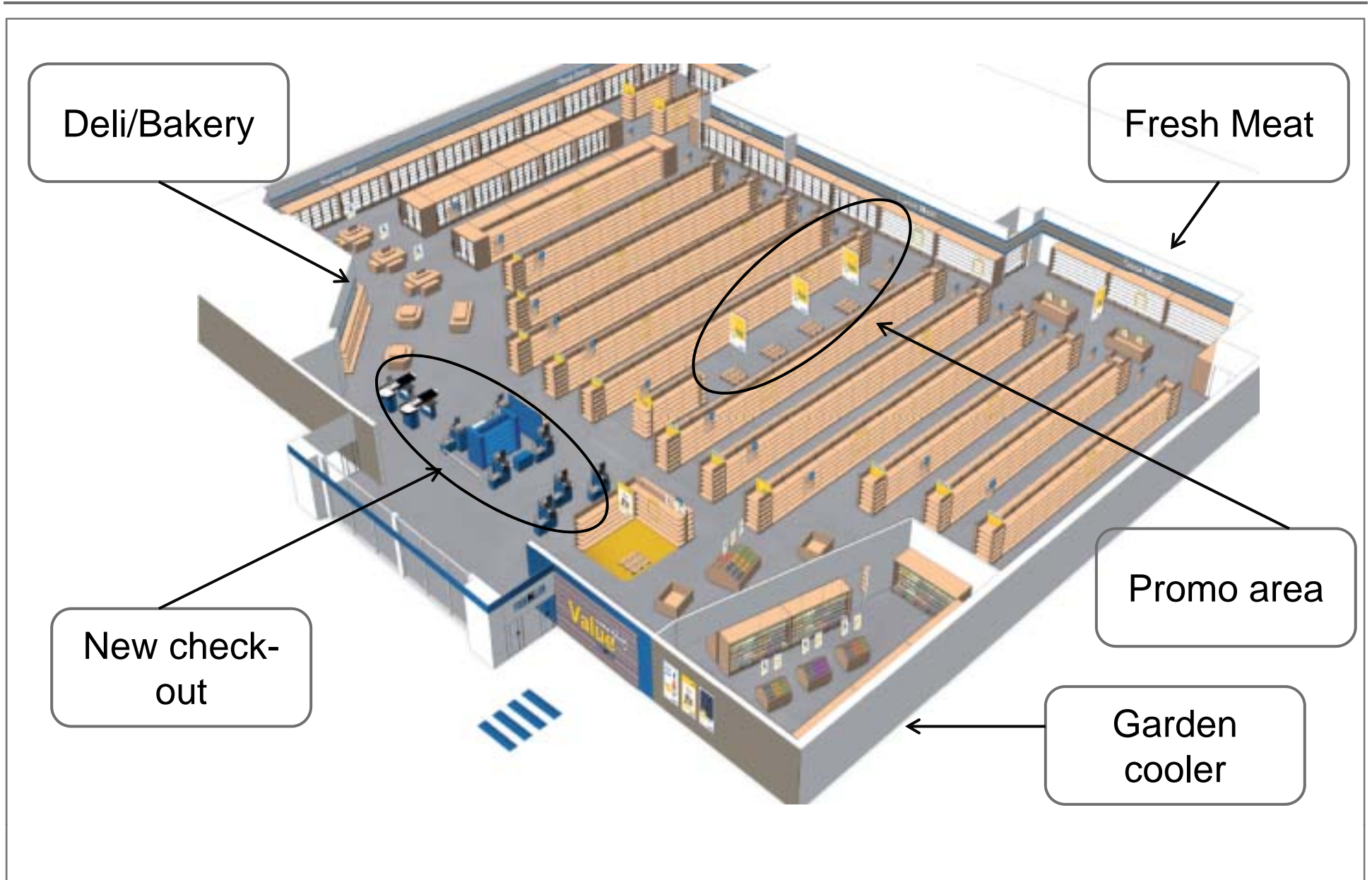
## Affordable

- Dependable low prices
- Compelling promotions
- Simplified communication on pricing
- Private brands providing excellent value

## You can count on **FOOD LION**

- Caring, responsive, and available associates
- Involved in the community, especially when it matters
- Always doing what we say, with customers, associates, vendors, and community

# Concept store

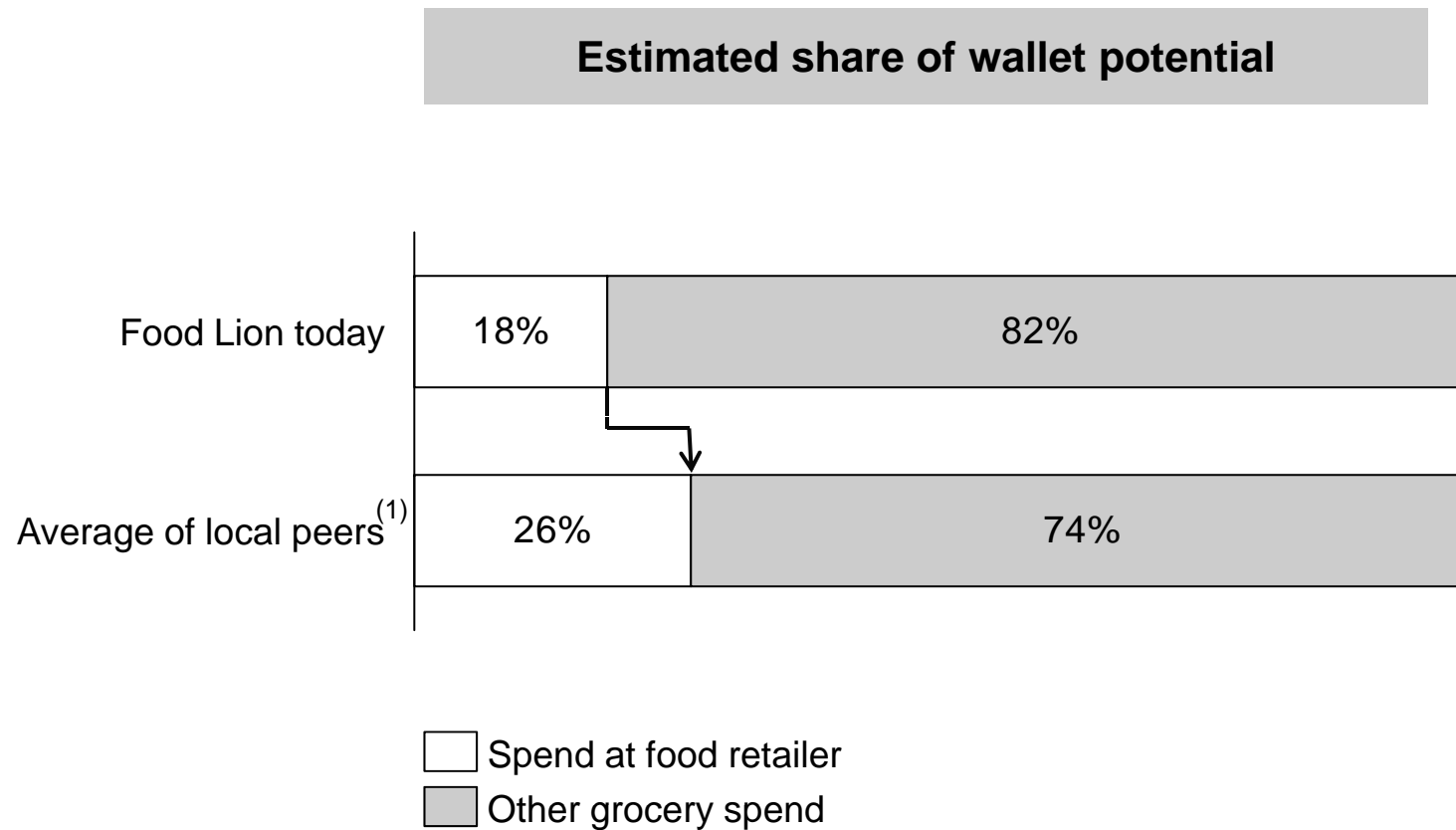


# We have begun the rollout of the next step and have defined milestones

- **Changes throughout the store network**
  - Center store assortment review
    - Updated assortment rollout started in January 2014
      - 50% completed in 2014
      - Restricted to current space allocation
    - Out of the ~19,000 SKUs targeted by the assortment review:
      - ~ 3,300 SKUs added
      - ~ 6,700 SKUs deleted
      - **A reduction of 18% of SKUs with 50% overall change**
  - Check-out hardware & software
    - Rollout updated point-of-sale technology
  - Culture
    - Rollout trainings to evolve leadership behavior
- **Market test (77 stores): testing and fine-tuning Easy, Fresh & Affordable**
  - Capital expenditures in market tests of \$115 million
  - Testing different capital investments and evaluating commercial modules



# There is an opportunity to increase sales with current customers by growing share of wallet



(1) Local peers include Bi-Lo, Harris Teeter, Publix, Giant Carlisle and Martins

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# Hannaford has strong foundations

## TODAY

- #1 or 2 in markets accounting for 60% of sales
- Solid brand equity
- Reliable product quality and variety
- Recognized for great in-store customer experience and high service
- High profitability
- Well-maintained store base
- Proven talent development and management programs
- Local player, close to communities



# However competition is increasing in the Northeast

## TODAY

- #1 or 2 in markets accounting for 60% of sales
- Solid brand equity
- Reliable product quality and variety
- Recognized for great in-store customer experience and high service
- High profitability
- Well-maintained store base
- Proven talent development and management programs
- Local player, close to communities

## CHALLENGES

- Over 2007-2013, Hannaford's revenues increased by 3.0% p.a., of which half is driven by selling area expansion
- Competition has continued to expand whereas market size and growth is limited

# Therefore Hannaford needs to maintain its differentiation and accelerate growth

## TODAY

- #1 or 2 in markets accounting for 60% of sales
- Solid brand equity
- Reliable product quality and variety
- Recognized for great in-store customer experience and high service
- High profitability
- Well-maintained store base
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- Local player, close to communities

## CHALLENGES

- Over 2007-2013, Hannaford's revenues increased by 3.0% p.a., of which half is driven by selling area expansion
- Competition has continued to expand whereas market size and growth is limited

## PRIORITIES

- Continued price investments – improve price perception and positioning
- Work on further differentiation – assortment review (process just started)
- Online – expand click & collect points with Hannaford To Go
- Accelerate growth by new stores and remodelings

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# Delhaize is a well-recognized brand in Belgium...

## TODAY

- #2 position with a 25.5% market share
- Strong brand and excellent locations
- Large fresh offering and broad private label range
- Expansion mainly coming from Affiliated concepts
- Increase in remodeling activity (2009-2010: 16 remodelings on average; 2011-2013: 23 remodelings on average)



...but it has fundamental issues to address

### TODAY

- #2 position with a 25.5% market share
- Strong brand and excellent locations
- Large fresh offering and broad private label range
- Expansion mainly coming from Affiliated concepts
- Increase in remodeling activity (2009-2010: 16 remodelings on average; 2011-2013: 23 remodelings on average)

### CHALLENGES

- Despite expansion, flat market share
- Profitability under pressure
- Complex organisation
- Price perception
- Increased competitive openings
- Price-sensitive consumer given challenging economic background



# Therefore Delhaize needs to re-capture its differentiated position and improve efficiency

## TODAY

- #2 position with a 25.5% market share
- Srtong brand and excellent locations
- Large fresh offering and broad private label range
- Expansion mainly coming from Affiliated concepts
- Increase in remodeling activity (2009-2010: 16 remodelings on average; 2011-2013: 23 remodelings on average)

## CHALLENGES

- Despite expansion, flat market share
- Profitability under pressure
- Complex organisation
- Price perception
- Increased competitive openings
- Price-sensitive consumer given challenging economic background

## PRIORITIES

- Fine-tune our differentiation
  - Best in Fresh
  - Innovative and efficient assortment
  - Best everyday value for all
  - Best shopping experience
- New Generation Store
  - First 2 stores by April
- Strengthening affiliates
- Efficiency improvements
- Online – accelerate growth of Delhaize Direct

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# Alfa Beta has become the market leader in Greece

## TODAY

- Economic situation continues to be difficult but signs of optimism
- Against this backdrop, Alfa Beta has continued to perform well
- Alfa Beta is now the #1 food retailer in Greece, primarily due to
  - Customers appreciation for Alfa Beta's unique combination of quality offering (both in product & service) and competitive pricing
  - Difficulties for some of the competitors



# However it should seek additional opportunities to grow

## TODAY

- Economic situation continues to be difficult but signs of optimism
- Against this backdrop, Alfa Beta has continued to perform well
- Alfa Beta is now the #1 food retailer in Greece, primarily due to
  - Customers appreciation for Alfa Beta's unique combination of quality offering (both in product & service) and competitive pricing
  - Difficulties for some of the competitors

## CHALLENGES

- Ongoing economic situation
- Alfa Beta is not present in some important regions
- Accelerated expansion plans from major competitors

# Therefore Alfa Beta will continue to consolidate its market position

## TODAY

- Economic situation continues to be difficult but signs of optimism
- Against this backdrop, Alfa Beta has continued to perform well
- Alfa Beta is now the #1 food retailer in Greece, primarily due to
  - Customers appreciation for Alfa Beta's unique combination of quality offering (both in product & service) and competitive pricing
  - Difficulties for some of the competitors

## CHALLENGES

- Ongoing economic situation
- Alfa Beta is not present in some important regions
- Accelerated expansion plans from major competitors

## PRIORITIES

- Continue store expansion
- Further differentiation focused on
  - Targeted price investments
  - Assortment improvements
  - Online (develop omni-channel approach)

# Maxi is the market leader in Serbia...

## TODAY

- National market leader with clear top position in Belgrade and a healthy profitability
- Operates 381 stores and has a strong presence in supermarket and convenience stores with good locations
- Modern grocery covers 43% of total market<sup>(1)</sup>



but has not delivered on our expectations

### TODAY

- National market leader with clear top position in Belgrade and a healthy profitability
- Operates 381 stores and has a strong presence in supermarket and convenience stores with good locations
- Modern grocery covers 43% of total market<sup>(1)</sup>

### CHALLENGES

- High unemployment
- Negative GDP growth
- CSS under pressure
- Increased competition

# Therefore it needs to improve its execution

## TODAY

- National market leader with clear top position in Belgrade and a healthy profitability
- Operates 381 stores and has a strong presence in supermarket and convenience stores with good locations
- Modern grocery covers 43% of total market<sup>(1)</sup>

## CHALLENGES

- High unemployment
- Negative GDP growth
- CSS under pressure
- Increased competition

## PRIORITIES

- First priority: improve execution
  - Pricing & promotions
  - IT systems
  - HQ & store processes
  - New DC (Q4 2014) to decrease Direct Store Delivery
  - Assortment structure
- Then...
  - Remodelings
  - New store growth



# Mega Image has become the market leader in Bucharest

## TODAY

- Mega Image has posted high growth (296 stores in 2013 compared to 40 in 2008)
- Operations mainly focused on the capital with ~20% market share
- The economy has been resilient
- Profitability has significantly increased
- 2 store formats – convenience stores, supermarkets



## But competition is also expanding

### TODAY

- Mega Image has posted high growth (296 stores in 2013 compared to 40 in 2008)
- Operations mainly focused on the capital with ~20% market share
- The economy has been resilient
- Profitability has significantly increased
- 2 store formats – convenience stores, supermarkets

### CHALLENGES

- Competition is expanding fast
- Low purchasing power outside of Bucharest
- Further professionalize organization

# Therefore a clear action plan for the years to come is needed

## TODAY

- Mega Image has posted high growth (296 stores in 2013 compared to 40 in 2008)
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## CHALLENGES

- Competition is expanding fast
- Low purchasing power outside of Bucharest
- Further professionalize organization

## PRIORITIES

- Store expansion
- Improve customer proposition
  - Better customer service
  - Grow private labels
  - Improve entry prices
- Build second distribution center to support expansion and reduce cost of goods

# Agenda

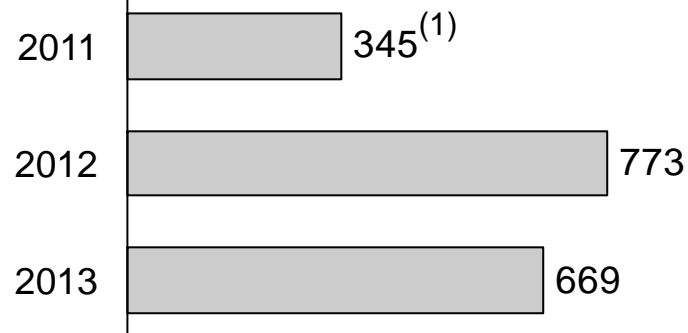
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- **Diagnostic**
- **Strategic priorities**
- **Q4 and FY 2013 results**
- **Operational overview**
  - **Food Lion**
  - **Hannaford**
  - **Delhaize Belgium**
  - **Southeastern Europe**
- **Financial framework**
- **Conclusion**

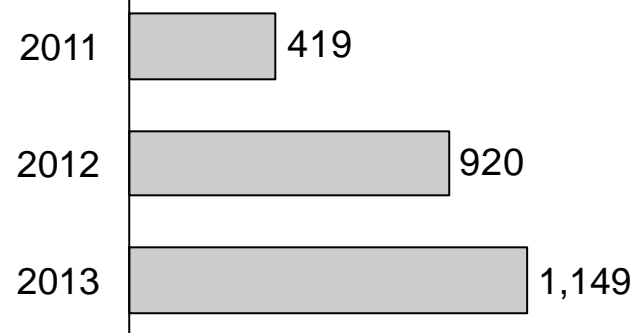
# High free cash flow generation has improved our balance sheet

(€ in Millions)

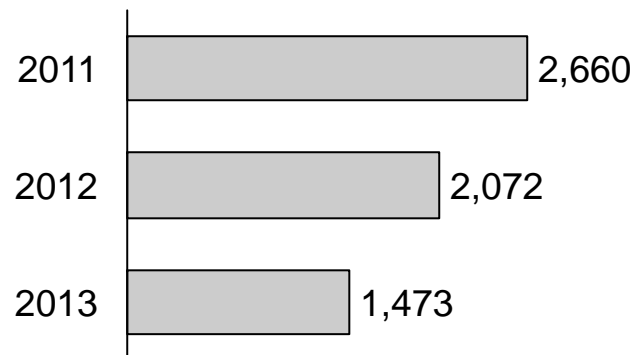
## Free cash flow



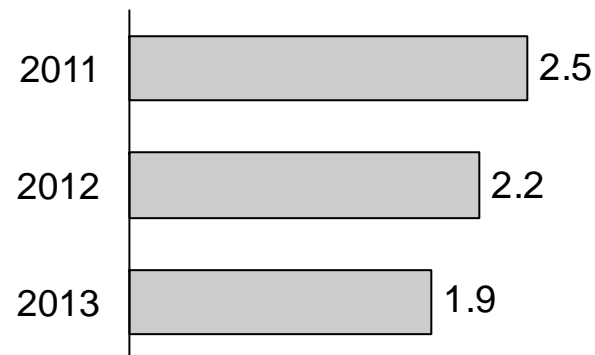
## Net cash position



## Net debt



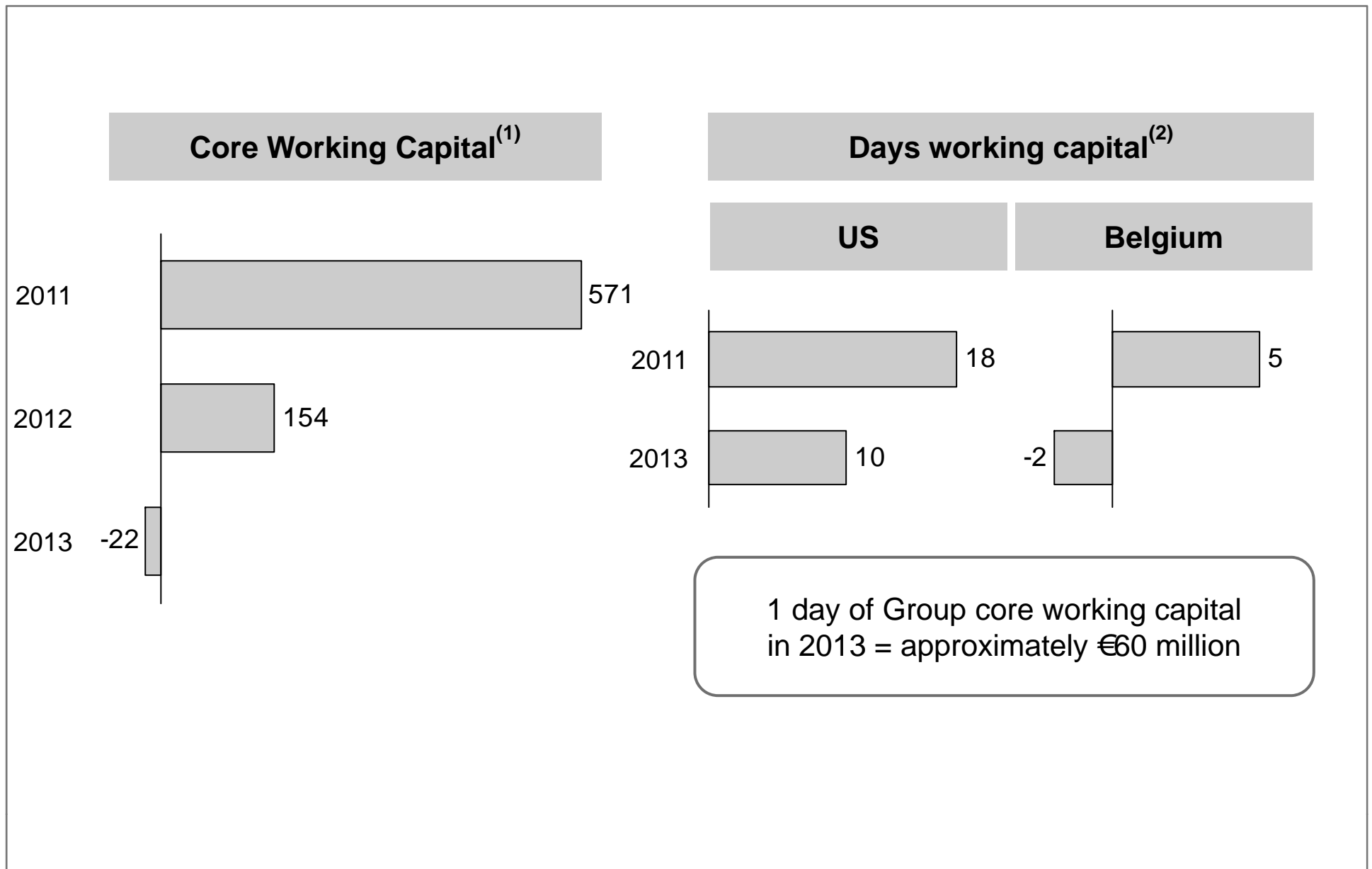
## S&P's adjusted net debt / EBITDA<sup>(2)</sup>



(1) Excluding Maxi acquisition

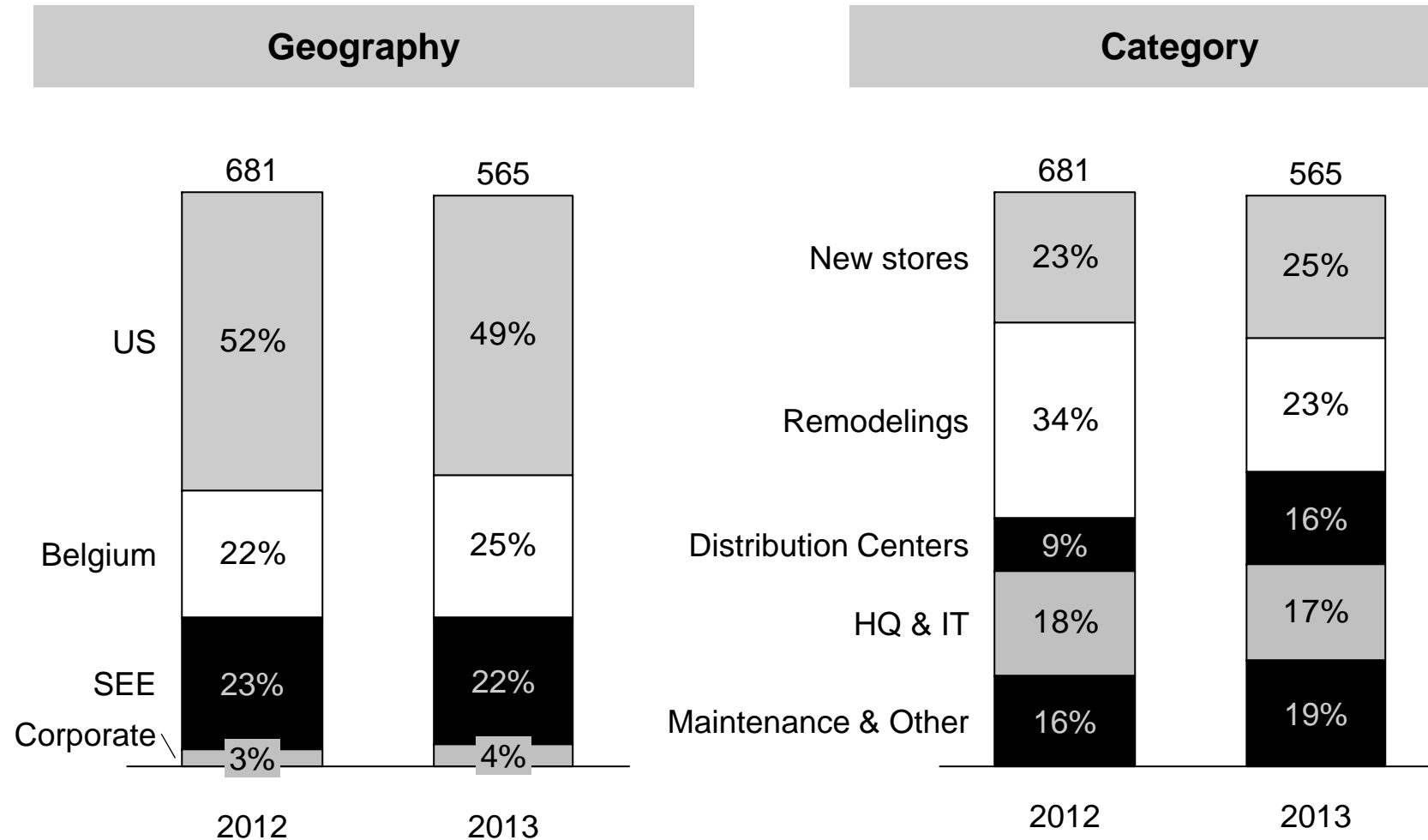
(2) Adjusted for a.o. operating leases and post retirement obligations – as updated by S&P's rating services in light of the new methodology issued in 2013; 2013 data based on Delhaize's own estimates according to S&P's new methodology

# Despite progress made over the last 2 years, we still target further improvements in working capital

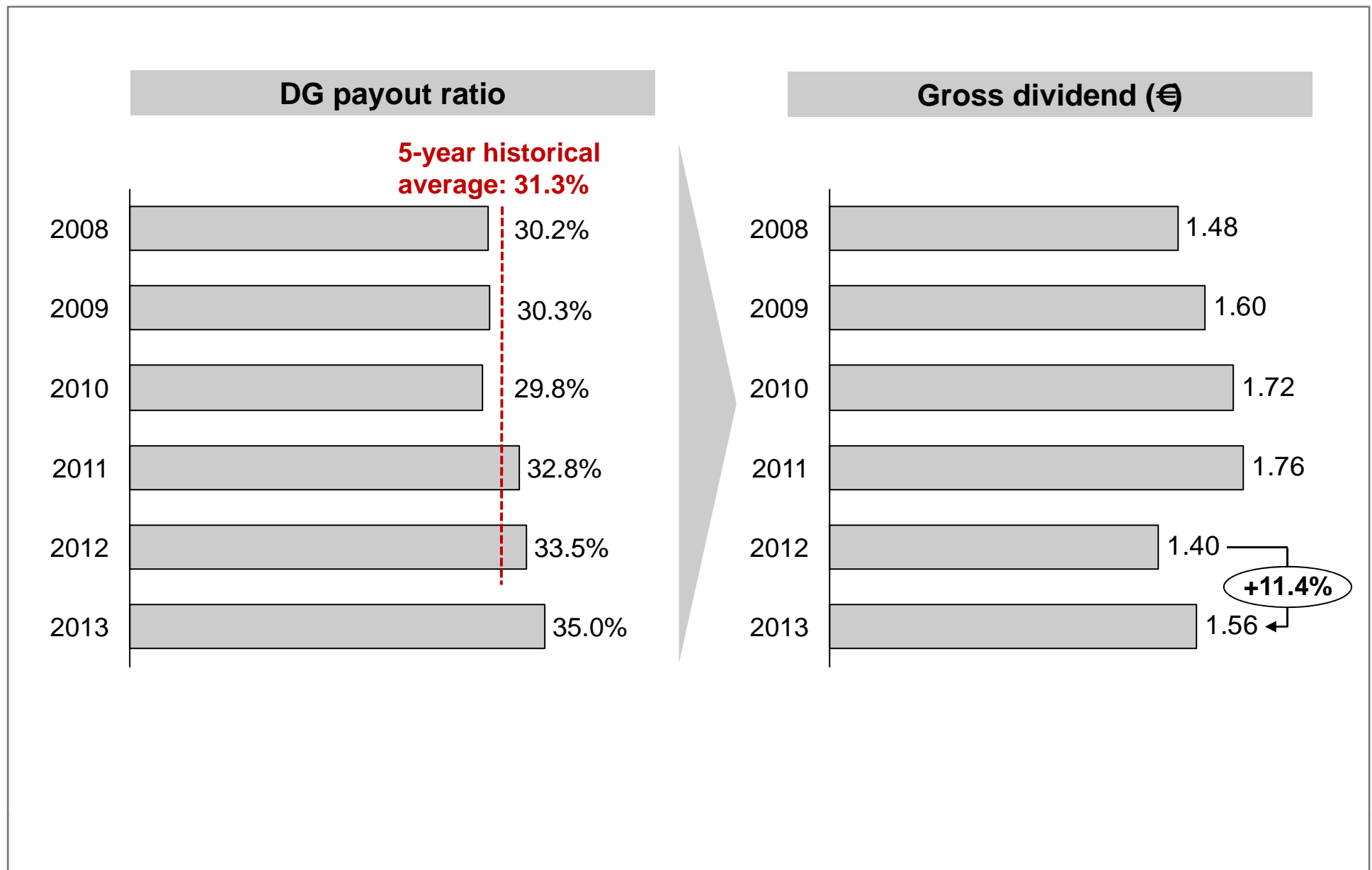


# We will remain disciplined in our capital allocation

(€ in Millions)



We have formalised our dividend policy with a payout<sup>(1)</sup> ratio of approximately 35%





# Agenda

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# Conclusion

- We put the customer at the center
- We have leadership market positions in the majority of our US markets, in Belgium and in Greece
- We will focus on our core markets
- We plan to re-invest improved efficiencies and accelerate growth in our core markets
- We have established clear strategic principles based on diligent analysis
- We will execute with speed
- We will update you along the way
  - Food Lion store visits in the fall 2014
- Elements of 2014 guidance
  - Capex of approximately €625 million<sup>(1)</sup>
  - 180 new stores