



Transformation plan Delhaize Belgium

Press Conference

11 June 2014

Agenda press conference



11.00 am : Announcement Denis Knoops – CEO Delhaize Belgium

11.20 am : Q&A

- Denis Knoops – CEO Delhaize Belgium
- Sylvie Van Den Eynde – SVP Human Resources Delhaize Belgium

11.30 am : Availability for interviews

1.00 pm : End

Transformation plan Delhaize Belgium



- 1. Context**
- 2. Strategy Delhaize Belgium**
- 3. Accelerated strategy implementation**
- 4. Proposed transformation plan**

1. Context



The economic crisis has impacted the purchasing behaviour of Belgian consumers.

The Belgian food retail market has recently become one of the most competitive markets in Europe where international operators are able to fully leverage their scale and cost benefits.

Volumes and market share of Delhaize's company operated supermarkets are under severe pressure.

Delhaize Belgium is impacted by a significant and increasing cost handicap in wage and labour conditions.

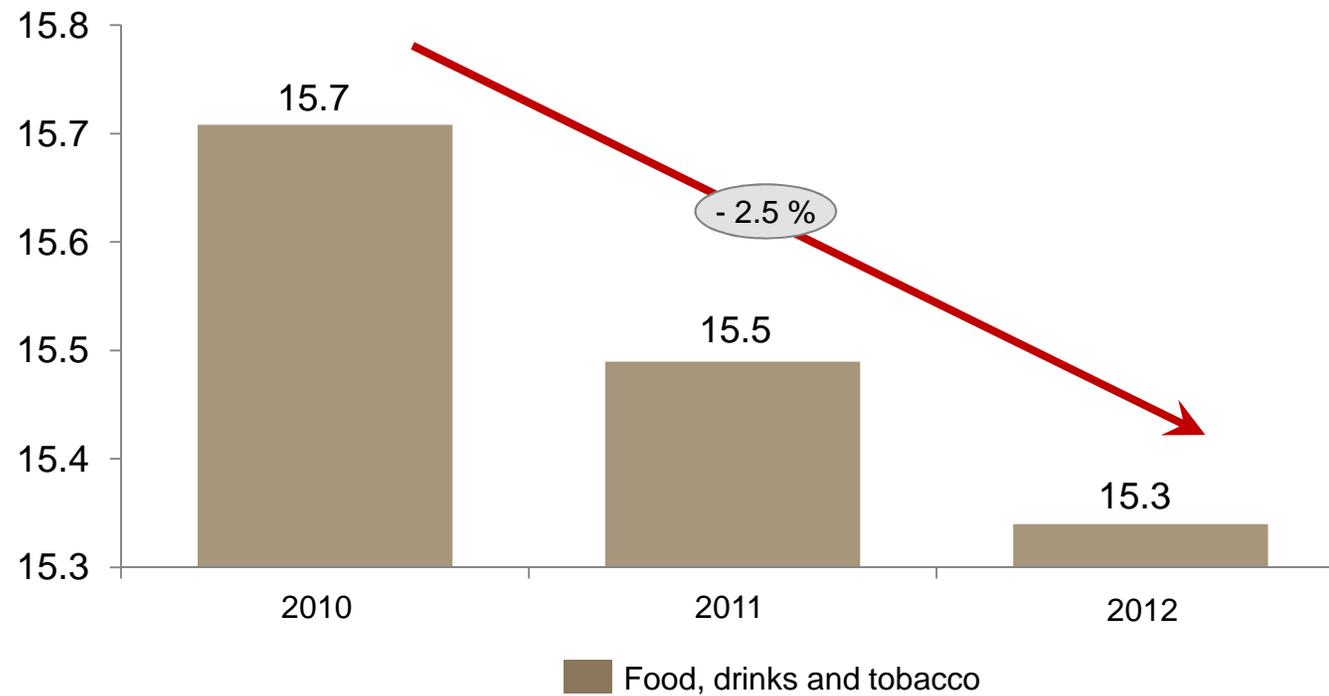
The negative evolution in market share and profitability of the company operated supermarkets is not sustainable.

Decline in food spending driven by economic crisis



Context

Share in household budget (%)



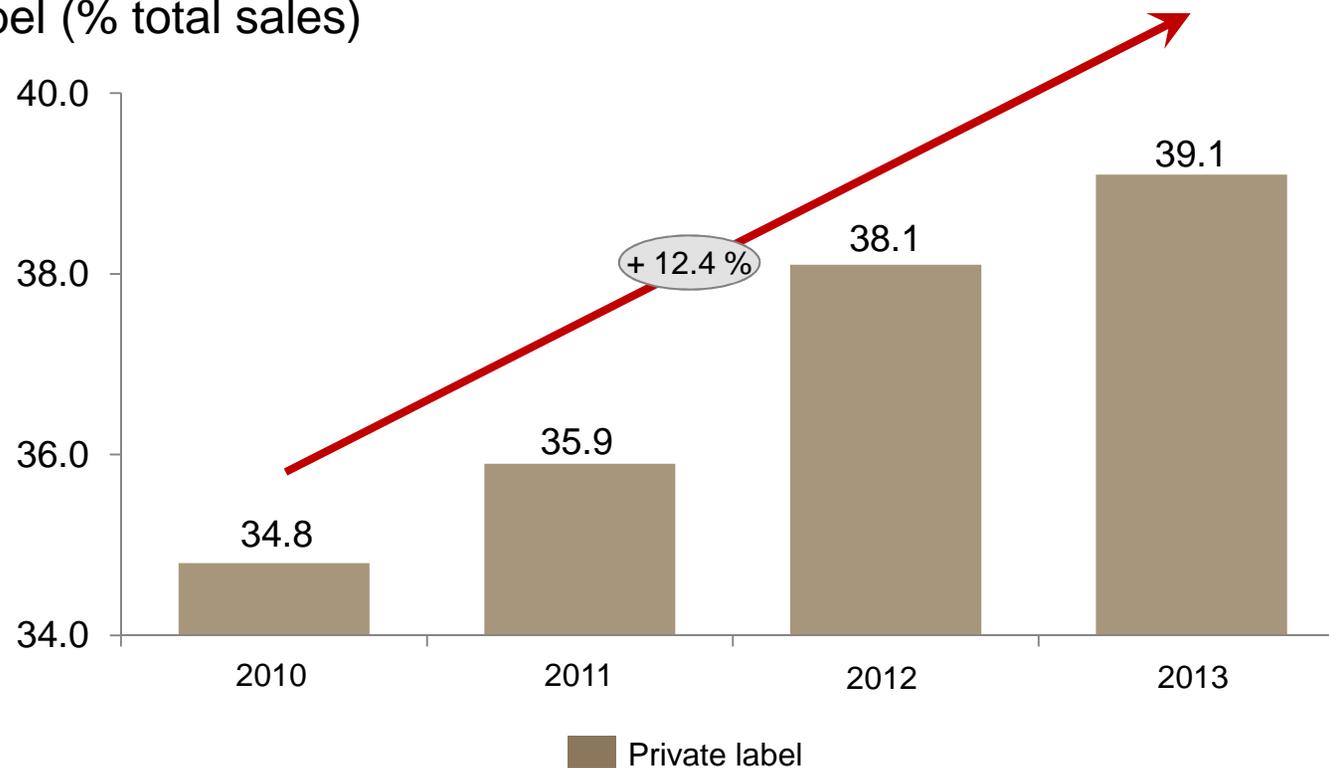
Source: FOD Economie, Research into household budget, October 2013

Price increasingly important: increased penetration of cheaper private label products



Context

Private label (% total sales)

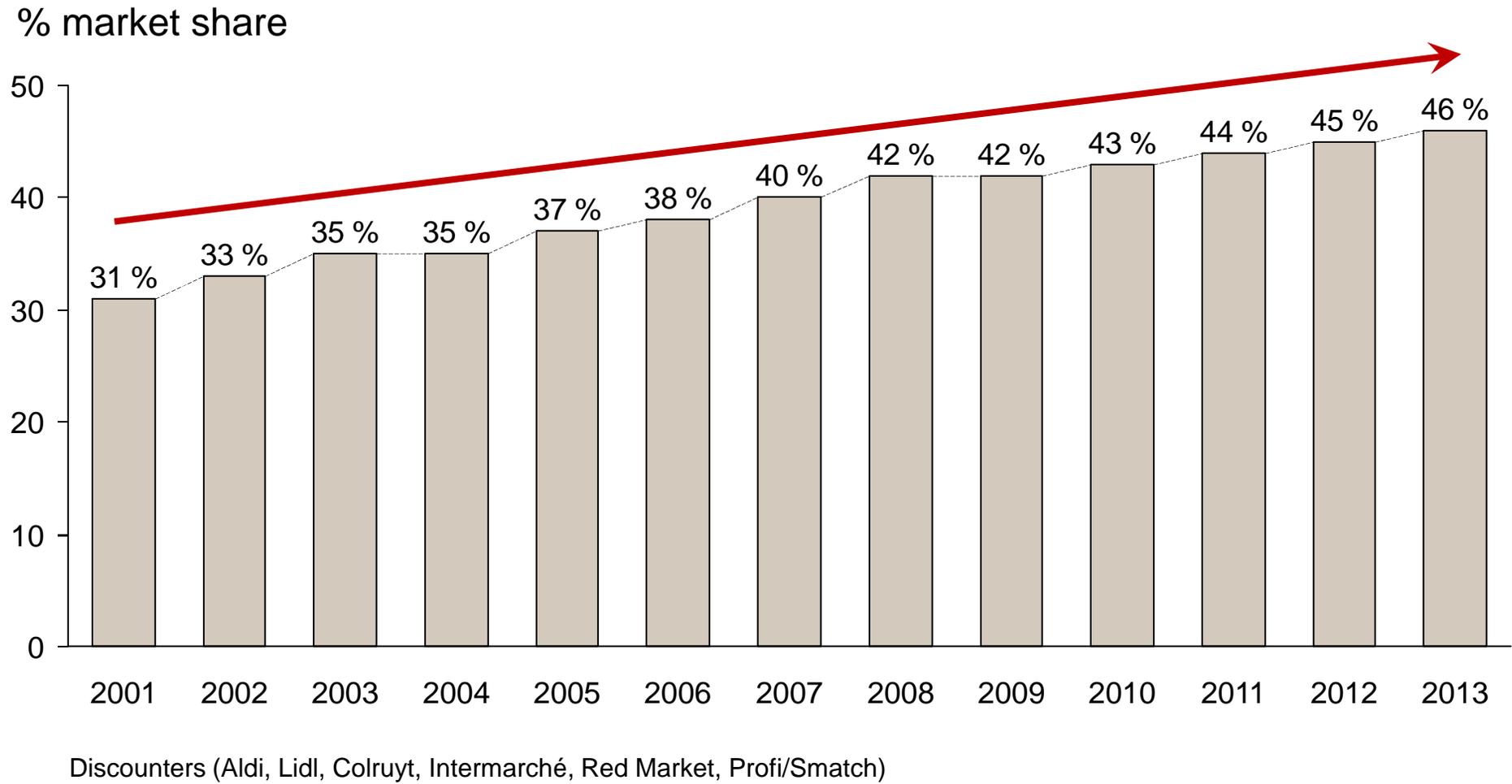


Source: GfK Panel Services 2013, February 2014

Continuing growth of discount formats



Context



Source: Nielsen, Transparency Report

Increased competition on the Belgian food retail market

Context



COUNTRY	Belgium	The Netherlands	Switzerland	Austria
# Large retailers	8	5	4	6
Local vs international operators	2 local 6 international	3 local 2 international	2 local 2 international	2 local 4 international

* Stores at least 500m², at least 10 stores, open for all customers

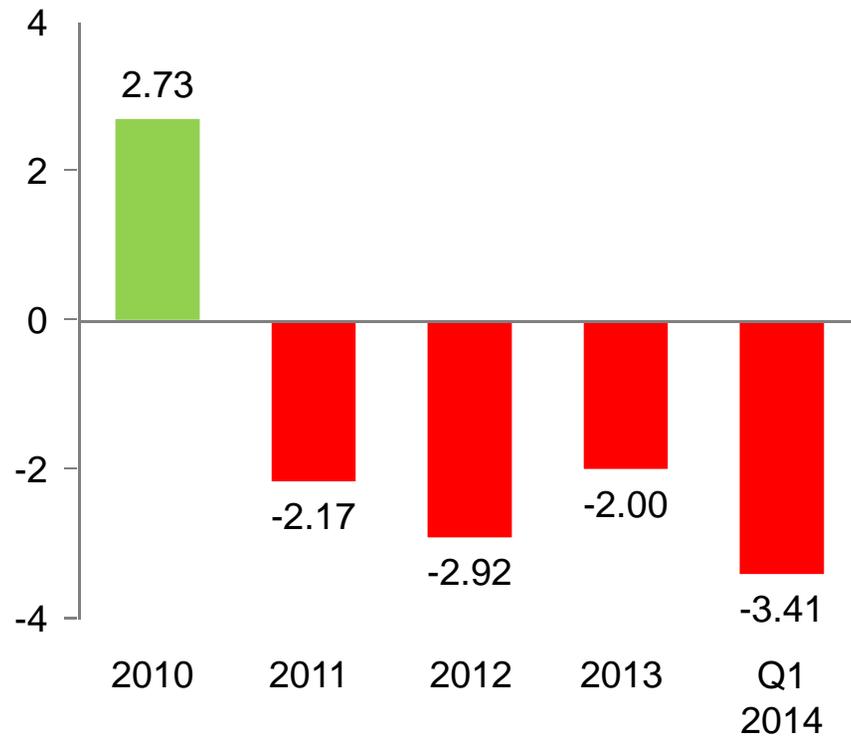
Declining volumes in company operated supermarkets



Context

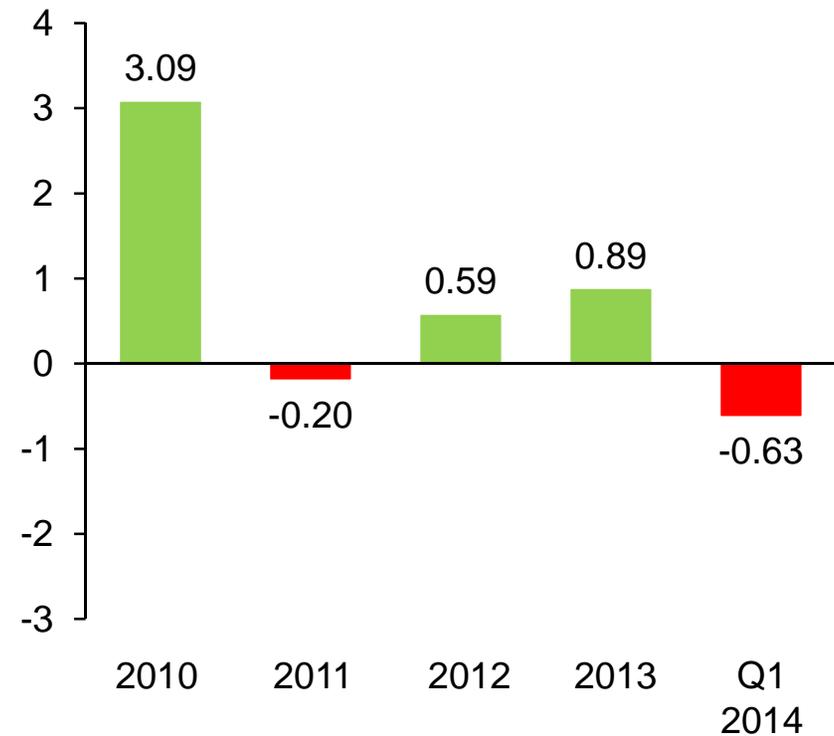
Volume evolution on a comparable basis in company operated stores

Change in %



Volume evolution on a comparable basis in affiliated stores

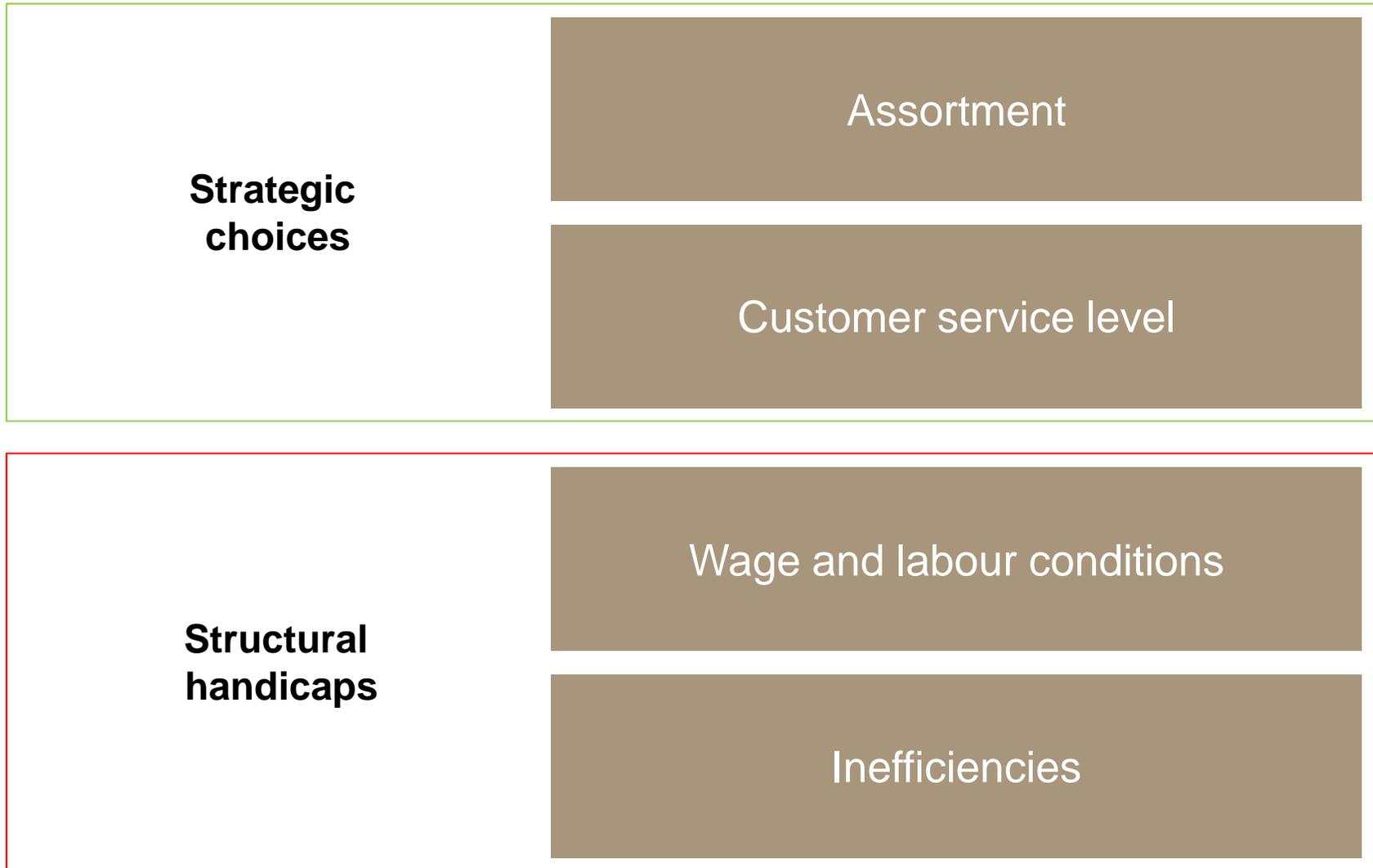
Change in %



Source: Delhaize Analysis

Reasons for difference in labour cost compared to competition

Context



Source: Delhaize analysis

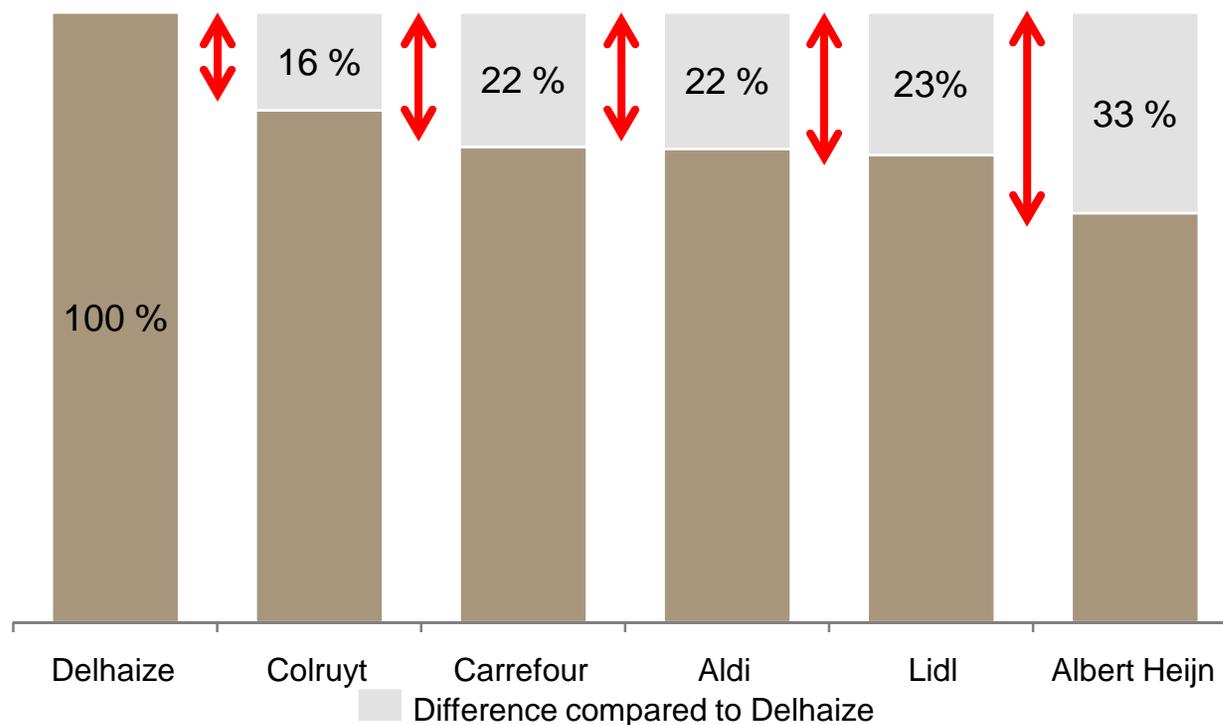
Structural and increasing cost handicap in wage and labour conditions for company operated supermarkets



Context

Cost per productive hour (Delhaize = 100%)

Main reasons



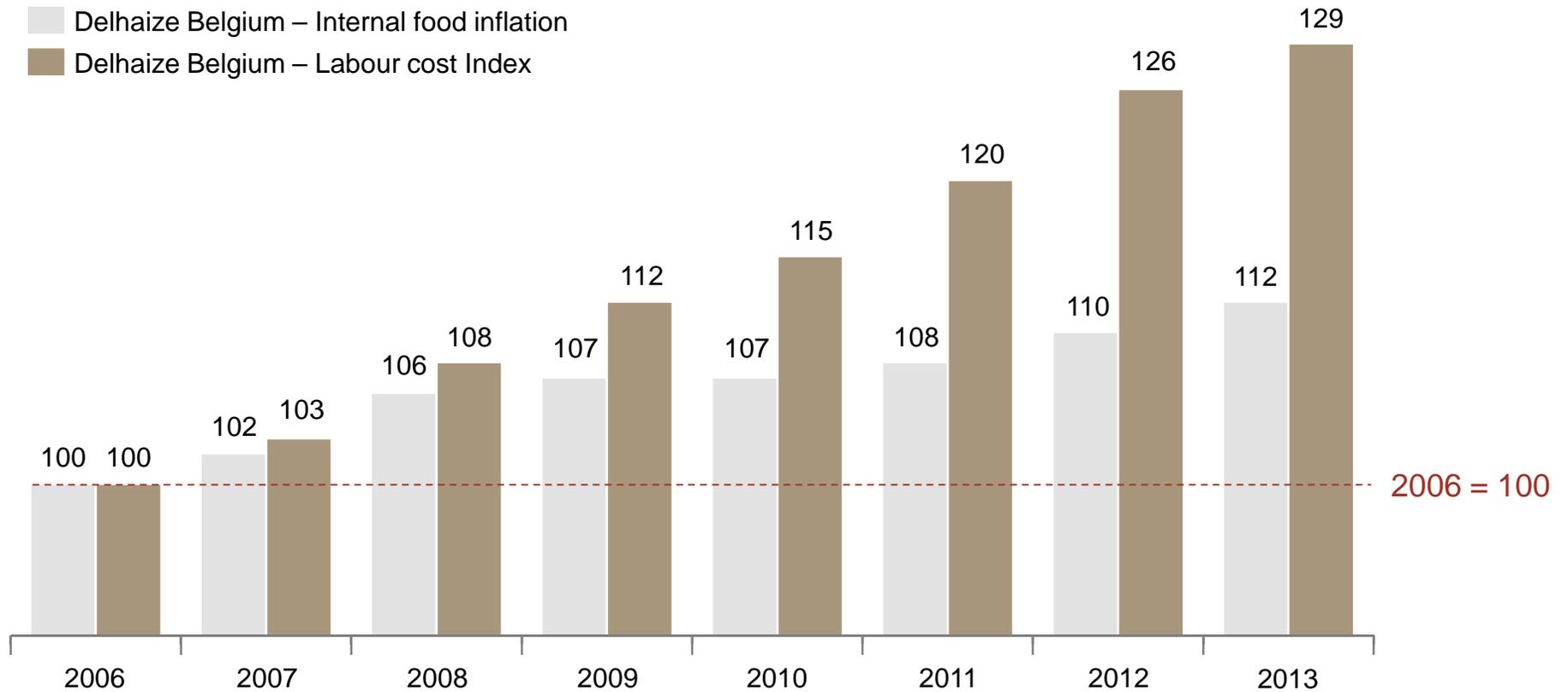
- Higher gross wages and benefits
- Wage increases till end of service
- Paid breaks

The cost handicap in wage and labour conditions per productive hour will continue to increase in the coming years.

Increased wage costs not reflected in price levels



Context



Source: Delhaize Analysis

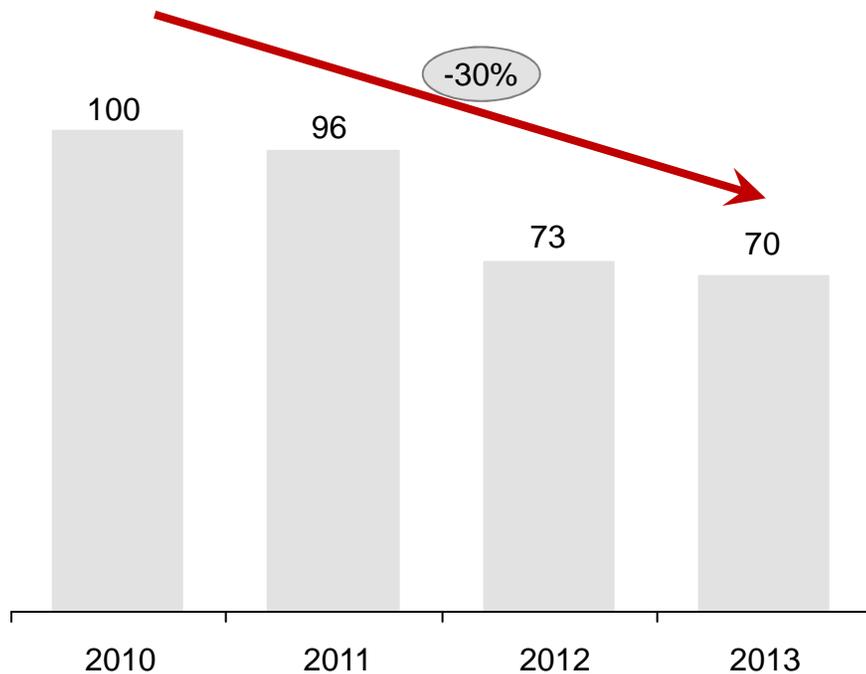
Profitability of company operated supermarkets is under pressure

Context



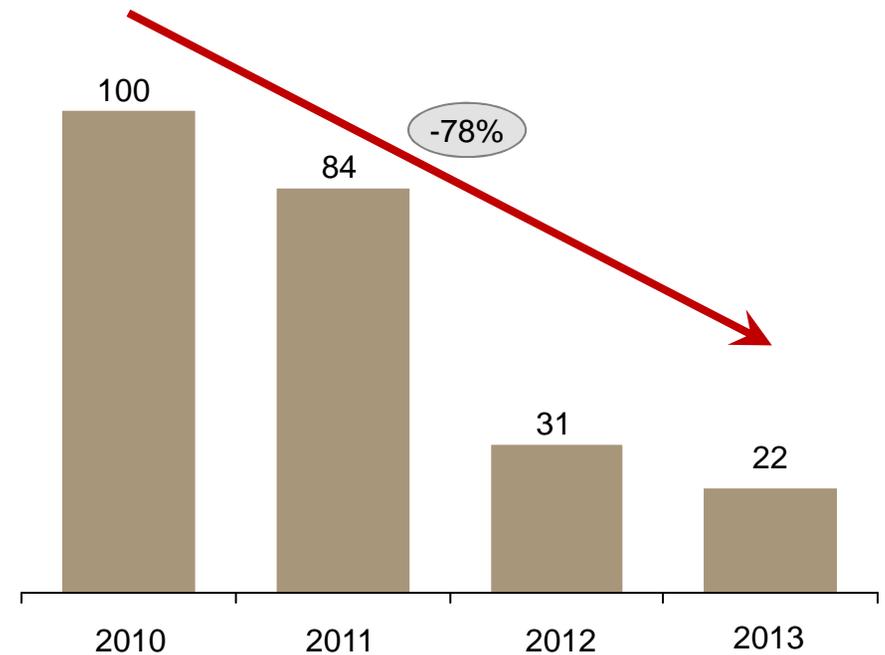
Delhaize Belgium* profitability (% of revenues)

Base 2010 = 100



Delhaize Belgium company operated supermarkets profitability (% of revenues)

Base 2010 = 100



* excluding Tom&Co; Profitability = Underlying Operating Profit
Source: Delhaize Analysis, Profitability per banner

2. Clear long-term strategy aimed at strengthening the Delhaize brand



Delhaize the favourite retailer again!

- 

The best in fresh



An efficient and innovative assortment



We strengthen our identity: quality above all



The best shopping experience



The best everyday value
- We support our Affiliates


- We accelerate our growth



 
- We save to invest


- 

Together, we make the difference for our customers

3. Acceleration of the strategy implementation



We have taken the first steps in the transformation process, but we have to take further steps to ensure a sustainable future for Delhaize Belgium.

We have to make 450 million EUR of additional investments during the period 2015-2017 in our company operated stores, our associates, our distribution centers, our products, our prices & e-commerce.

We will have to adapt our organization and our cost handicap in wages and labour conditions in order to invest in the operations.

Several investments and efficiency projects have already been realized

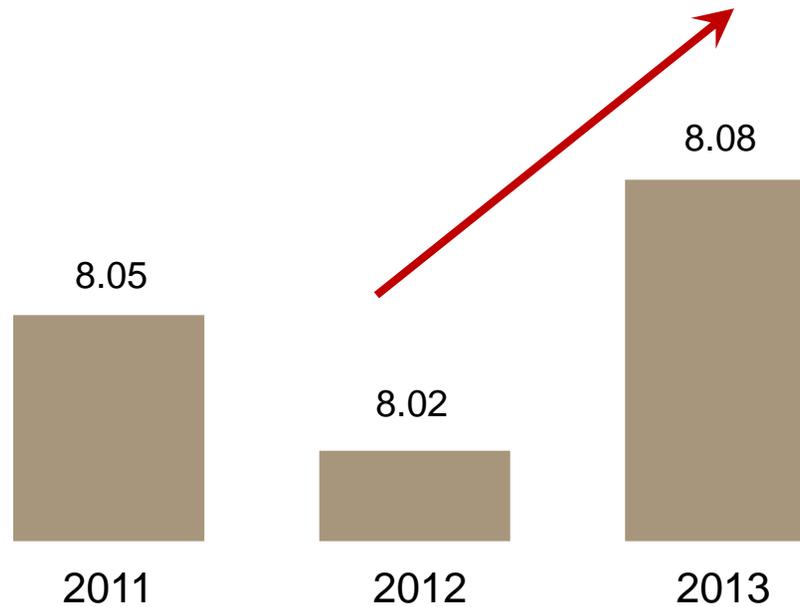
Acceleration of the strategy implementation



- Important and permanent renegotiation of purchasing conditions
- Various efficiency projects
- New commercial strategy
- Budget for store remodels and uplifts increased by nearly 50%
 - Period 2010-2011: € 58 million
 - Period 2012-2013: € 85 million
- Our associates – budget for training nearly doubled
 - Training budget of € 10.6 million in 2009
 - Training budget of € 20.3 million in 2013

Our strategy results in a positive customer satisfaction trend

Acceleration of the strategy implementation



Customer satisfaction significantly higher after remodeling or uplift store

4. Proposed transformation plan



Delhaize Belgium intends to:

- Introduce a lighter and a more efficient model for company operated supermarkets
- Provide more efficient procedures and working methods, and increase focus on new technologies
- Adapt the wage and labour conditions of all associates
- Stop company operated activities in 14 supermarkets that have an unsustainable financial performance: Aarschot, Berlaar, Diest, Dinant, Eupen, Genk (Stadsplein), Herstal, Kortrijk Ring, La Louvière, Lommel, Oude Vest (Dendermonde), Tubize, Turnhout en Verhaeren (Schaarbeek)

The possible impact of efficiency measures on employment of white collars

Proposed transformation plan



**Company
operated
supermarkets**

&

**Support
services**

Intention to collectively dismiss 2,500 white collars (out of 14,878) in the supermarkets and headquarter operations. This equals 2,100 full-time equivalents*.

- Over a three year period if confirmed**
- Investigate all options to avoid forced layoffs**

There is no intention to collectively dismiss blue collars or executives.

Commitment to limit the impact on our associates as much as possible

Proposed transformation plan



We acknowledge the impact of this announcement on our associates and their families and we will therefore :

- Investigate all possible options to reduce forced layoffs as much as possible
- Provide accompanying measures and support
- Search for best solutions for re-employment
- Reduce the period of uncertainty and be as transparent as possible
- Find the best possible solution for each impacted associate, in accordance with legal provisions

Legal Law Renault procedure

Proposed transformation plan



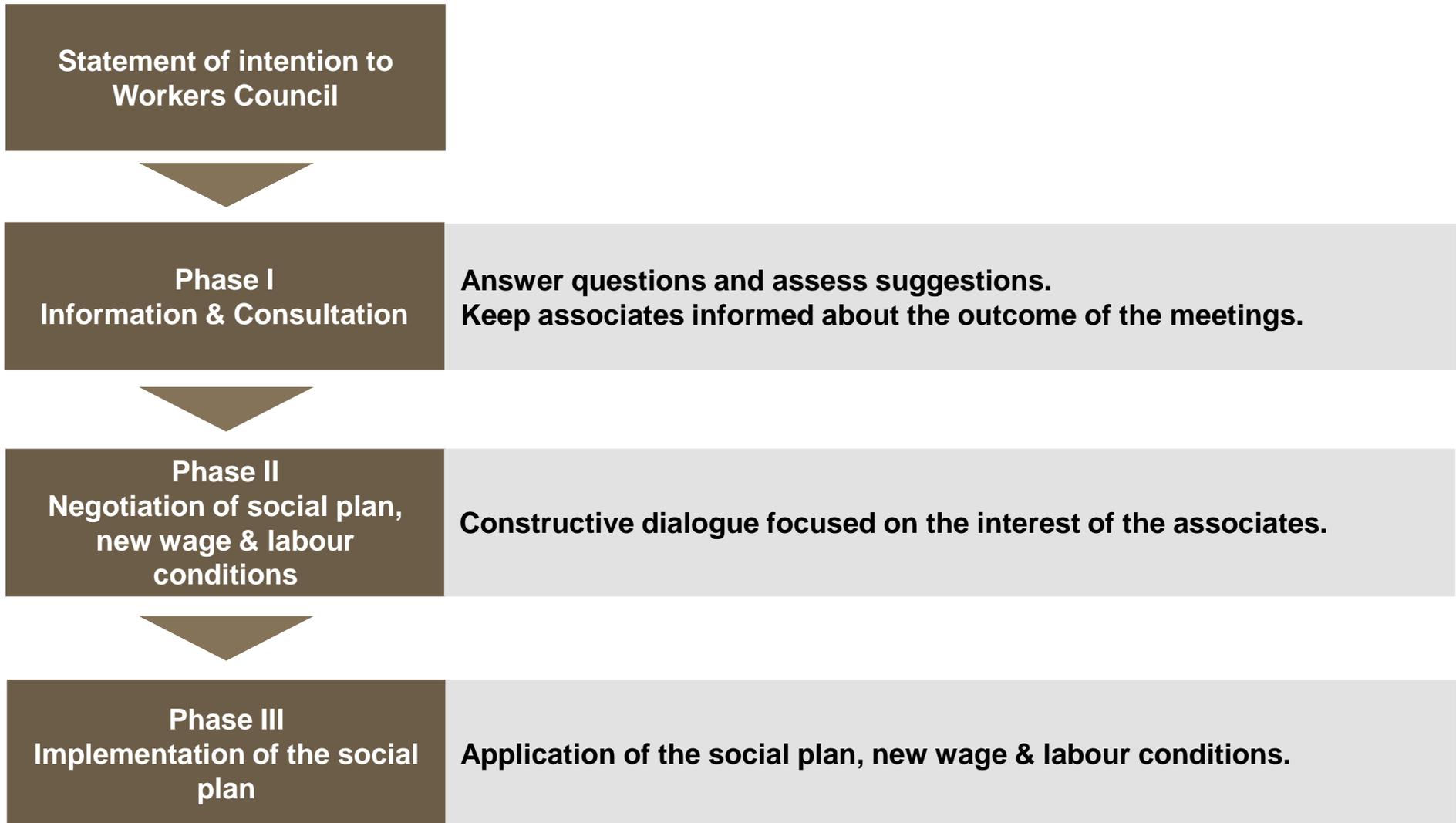
**Information sharing and
consultation process
with social partners**

**If intention is confirmed,
the collective dismissal
could be implemented as
of Q1 2015**

The Law Renault consists of 3 phases



Proposed transformation plan



Ensure the future of our company



- **Build a sustainable business model for our company operated supermarkets**
- **Reinforce revenues, growth, market share and profitability**
- **Become again the favorite supermarket in the Belgian market by focusing on quality, health, assortment, shopping experience and service**

Questions?



Interviews?

