Ahold Delhaize

Ahold Delhaize Q2 2019 results

August 7, 2019

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Highlights

Frans Muller

President & CEO

Second quarter results impacted by Stop & Shop strike

- Net sales of €16.3 billion, up 1.5% at constant exchange rates, impacted by the strike
- Net consumer online sales up 29.2% at constant exchange rates
- Underlying operating margin of 3.6%, including strike impact
- U.S. comparable sales growth excl. gasoline +2.3% adjusted for Easter and strike impact
- Net synergies of €512 million achieved from the integration
- Interim dividend of €0.30, based on 40% of first half 2019 underlying income per share*

* From continuing operations

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Financial Results

Jeff Carr

CFO

Group performance

€ in million

	Quarter 2				Half year			
	2019	2018	% Change	% Change constant rates	HY 2019	HY 2018	% Change	% Change constant rates
Net sales	**16,315**	15,531	5.0%	1.5%	**32,193**	30,464	5.7%	1.5%
Underlying EBITDA	**1,267**	1,320	(4.0%)	(7.2%)	**2,623**	2,616	0.3%	(3.8%)
Underlying EBITDA margin	**7.8%**	8.5%			**8.1%**	8.6%		
Underlying operating income	**594**	669	(11.3%)	(14.1%)	**1,288**	1,320	(2.4%)	(6.4%)
Underlying operating margin	**3.6%**	4.3%			**4.0%**	4.3%		
Operating income	**560**	644	(13.1)%	(15.9%)	**1,235**	1,267	(2.5%)	(6.6%)
Income from continuing operations	**334**	408	(18.2%)	(20.8%)	**770**	811	(5.1%)	(9.1%)

Performance by segment

€ in million

Quarter 2

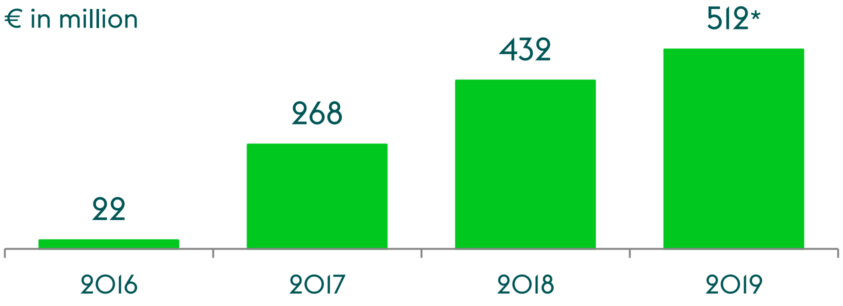
	USA		The Netherlands		Belgium		CSE	
	2019	Change Constant rates	2019	Change	2019	Change	2019	Change Constant rates
Net sales	9,780	0.2%	3,683	4.2%	1,286	(0.1%)	1,567	5.1%
Comparable sales growth excl. gas	0.2%	0.3 pts	3.8%	0.9 pts	(0.2%)	(1.6) pts	3.5%	3 pts
Operating income	329	(19.7%)	190	(2.3%)	31	(13.3%)	62	(2.8%)
Underlying operating income	347	(17.9%)	191	(2.3%)	37	6.4%	62	(1.7%)
Underlying operating margin	3.6%	(0.7) pts	5.2%	(0.3) pts	2.9%	0.2 pts	3.9%	(0.3) pts

Synergy savings

€ in million	Quarter 2		Half year	
	2019	2018	2019	2018
The United States	83	67	164	133
Europe	34	24	64	49
Global Support Office	12	8	23	17
Total	128	99	250	199

Cumulative net synergies

€ in million



*Based on Q2 2019 annual runrate

€ in million	Quarter 2		
	2019	2018	Final costs
Integration costs	14	26	378
U.S. restructuring costs	7	1	64

Free cash flow

€ in million	Quarter 2		Half year	
	2019	2018 restated	2019	2018 restated
Operating cash flow	1,284	1,275	2,619	2,554
Changes in working capital	284	164	(109)	(35)
Income tax paid – net	(92)	(60)	(317)	(94)
Cash from cont. operations	**1,476**	**1,379**	**2,193**	**2,425**
Capital expenditure	(569)	(364)	(1,022)	(667)
Divestments of assets	39	4	49	17
Dividends received	16	16	16	16
Net interest paid	(66)	(59)	(86)	(74)
Lease payments received	23	20	49	40
Repayment lease liabilities	(432)	(348)	(849)	(711)
Free cash flow	**486**	**648**	**351**	**1,046**

Interim dividend

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- Introduction of interim dividend of €0.30, based on 40% of first half 2019 underlying income per share from continuing operations

Timeline:

- August 9: Ex-dividend date
- August 12: Record date
- August 29: Payment date

Outlook

- Underlying operating margin for the group of 2019 to be slightly lower than 2018
- Underlying earnings per share in 2019 growth in the low single digits compared to 2018
- Deliver €540 million in 2019 as part of our €1.8 billion Save for Our Customers program for 2019 – 2021
- Group free cash flow of €1.8 billion (IFRS 16 definition) for the full year 2019
- Capital expenditure of €2.0 billion for 2019

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Highlights

Frans Muller

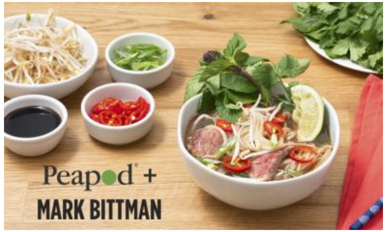
President & CEO

Stop & Shop update

- Direct impact strike: $224 million sales, ~$100 million operating income
- Subsequent recovery: $121 million sales, associated operating loss largely mitigated in Q2
- Sales performance improving, no significant impact from the strike in second half 2019
- Encouraging start Re-imagine program Long Island
- Sales of Hartford stores continued to improve, outperforming comparable Stop & Shop stores

Highlights United States

- Food Lion 27th consecutive quarter positive comparable sales growth, ongoing momentum from Easy, Fresh and Affordable
  - 115 stores to be remodeled in second half 2019
- Fresh Kitchen facility to be opened in Rhode Island to develop distinctive new meal solutions and culinary own brand innovations
  - Initially, the facility will serve Hannaford and Stop & Shop
- Online sales increased by 14.4% at constant exchange rates, on track to achieve +20% growth this year
  - 124 Click & Collect points added this quarter, bringing the total to 483, well on track to 600+ by year end
  - Peapod continues to expand its already large selection of meal kits, simplifying grocery shopping and making cooking more convenient



Highlights Europe

- Albert Heijn converted its 50th store with new fresh and digital concept
  - Roll out on track with 120 completed by year end
- In Belgium, proximity store concepts Proxy and Shop & Go performing well
  - More openings planned for second half 2019
- Bol.com third party sales growing YTD +60%, adding 3.000 new merchants and 1.3 million new products
- Third party sales now ~50% of net consumer sales
- Strong sales growth in CSE driven by 134 new (convenience) stores
  - Successful remodeling and reformatting of Czech stores
  - For the third year in a row, consumers in Serbia have chosen Maxi as their favorite supermarket

Wrap-up

- Second quarter impacted by Stop & Shop strike
- Integration fully completed, net synergies achieved of €512 million
- 2019 outlook reiterated
- Interim dividend of €0.30 announced, payment date August 29

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as (2019) outlook, to be, will, (well) on track, to expand, by year end, planned 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 the 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 the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; natural disasters and geopolitical events; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; the failure or breach of security of IT systems; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; 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.