



Ahold  
Delhaize

# Pro Forma Information

October 10, 2016

# Introduction

- Merger required to be accounted for in accordance with IFRS 3 using the acquisition method of accounting for Delhaize assets & liabilities at fair value
- Pro forma financial information to provide comparative basis for assessment of current performance, this is by no means a predictor for future performance
- Unaudited pro forma information, as if merger had occurred on the first day of Ahold's 2015 fiscal year
- Quarterly pro forma key historical data for Group and per segment Q1 2015 – Q2 2016 included
- No adjustments made for difference in number of weeks, reporting calendar will be aligned to quarters of 13 weeks in the 2017 calendar

## Main adjustments

- Exclusion of the performance of remedy stores and other divestments
- Exclusion of merger transaction costs
- Inclusion of Purchase Price Allocation ("PPA") effects for assets and liabilities, impacting:
  - Depreciation and amortization
  - Net interest expense
  - Rent
- Alignment of Global Support Office functions and related costs
- Alignment of foreign exchange rates used in the translation of foreign group entities
- Accounting policy differences not material on the pro forma results, no adjustments recorded

# Key financial highlights following pro forma adjustments

		Historical	Pro forma	Difference	Main difference comes from
Underlying EBITDA margin	FY 2015	6.4%	6.3%	(10 bps)	Exclusion of remedy stores and other divestments
	HY 2016	6.5%	6.5%	0 bps	
Underlying operating margin	FY 2015	3.7%	3.5%	(20 bps)	Higher D&A expenses due to PPA adjustments
	HY 2016	3.8%	3.6%	(20 bps)	
Net income	FY 2015	€1,218m	€1,203m	(€15m)	Exclusion of remedy stores and other divestments, PPA adjustments, partly offset by exclusion of merger transaction costs
	HY 2016	€677m	€656m	(€21m)	
Underlying EPS	FY 2015	€1.16	€1.11	(€0.05)	
	HY 2016	€0.61	€0.59	(€0.02)	
Free Cash Flow*	FY 2015	€1,702m	€1,652m	(€50m)	Exclusion of remedy stores and other divestments, partly offset by the exclusion of merger transaction costs
	HY 2016	€498m	€482m	(€16m)	
Net debt*	HY 2016	€2.0bn	€2.7bn	€0.7bn	Fair value adjustments on debt and lease liabilities
	Opening B/S				

\* Historical numbers based on historical Ahold and Delhaize definitions and reported numbers

In € million	Historical information			Pro forma adjustments				Pro forma
	Ahold	Delhaize	Subtotal	Remedy & other divestments	Merger transaction costs	PPA effects	Exchange rate adjustments	Ahold Delhaize
Net Sales	38,203	24,395	62,598	(1,695)	-	-	(22)	60,881
Underlying EBITDA	2,454	1,531	3,985	(128)	-	6	(1)	3,862
Underlying EBITDA margin	6.4%	6.3%	6.4%					6.3%
Underlying operating income	1,461	872	2,333	(94)	-	(84)	-	2,155
Underlying operating margin	3.8%	3.6%	3.7%					3.5%
Operating income	1,318	696	2,014	(92)	62	(84)	(1)	1,899
Income from continuing operations	849	369	1,218	(54)	46	(7)	(1)	1,202
Net income	851	367	1,218	(54)	46	(7)	-	1,203

# Pro forma adjustments



# Remedy stores & other divestments

	Ahold USA	Delhaize America	The Netherlands	Belgium	Total
Remedy stores	(410)	(870)	(75)	(19)	(1,374)
Other divestments	(216)	-	-	(105)	(321)
<b>Net sales</b>	<b>(626)</b>	<b>(870)</b>	<b>(75)</b>	<b>(124)</b>	<b>(1,695)</b>
Remedy stores	(17)	(62)	(8)	(2)	(89)
Other divestments	(2)	-	-	(3)	(5)
<b>Underlying operating income</b>	<b>(19)</b>	<b>(62)</b>	<b>(8)</b>	<b>(5)</b>	<b>(94)</b>

- Remedy stores & other divestments:
  - 86 US stores related to FTC
  - 10 Richmond stores
  - 13 Belgian stores related to BCA
  - 143 Tom&Co stores

## PPA effects on balance sheet

- Following provisional fair value adjustments of the Delhaize balance sheet:
  - Goodwill & non-amortizable intangibles increased by €5.2 billion, which includes €2.4 billion allocated to Ahold banners
  - Other intangible assets increased by €0.9 billion
  - PP&E increased by €0.7 billion
  - Net debt increased by €0.7 billion



# PPA effects on P&L statement

<i>In € million</i>	Pro forma FY2015	FY 2016 <sup>1</sup>	FY 2017 <sup>2</sup>	FY2018 <sup>2</sup>	FY2019 <sup>2</sup>	FY2020 <sup>2</sup>
Rent expenses and income - net	6	5	3	0	(2)	(4)
<b>EBITDA</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>(2)</b>	<b>(4)</b>
Depreciation & amortization	(90)	(86)	(121)	(111)	(58)	(44)
<b>Operating income</b>	<b>(84)</b>	<b>(81)</b>	<b>(118)</b>	<b>(111)</b>	<b>(60)</b>	<b>(48)</b>
Net financial expense	72	69	64	53	39	29
<b>EBT</b>	<b>(12)</b>	<b>(12)</b>	<b>(54)</b>	<b>(58)</b>	<b>(21)</b>	<b>(19)</b>
Income taxes	5	5	19	21	8	7
<b>Net income</b>	<b>(7)</b>	<b>(6)</b>	<b>(35)</b>	<b>(37)</b>	<b>(13)</b>	<b>(12)</b>

<sup>1</sup> Combination of pro forma HY 2016 and expected results based on current asset & liability base

<sup>2</sup> Expected results based on current asset & liability base

# Segment impacts

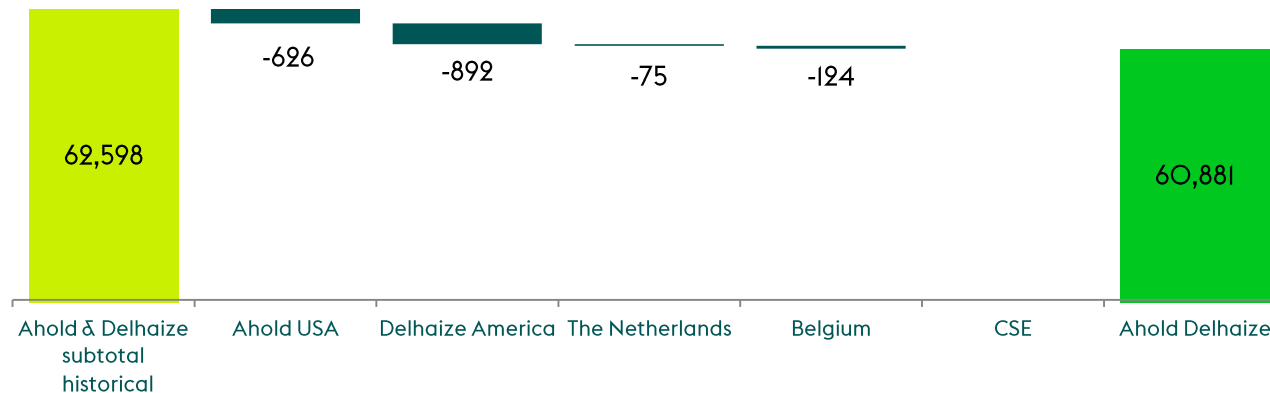
# Reporting segments

Reporting segment	Operating entities included in the reporting segment
Ahold USA	Stop & Shop, Giant Landover, Giant Carlisle and Peapod
Delhaize America	Food Lion and Hannaford
The Netherlands	Albert Heijn (including the Netherlands, Belgium and Germany), Etos, Gall & Gall and bol.com (including the Netherlands and Belgium)
Belgium	Delhaize Belgium and Delhaize Luxembourg
CSE	Albert (Czech Republic), Alfa Beta (Greece), Mega Image (Romania) and Delhaize Serbia (Republic of Serbia )
GSO	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)

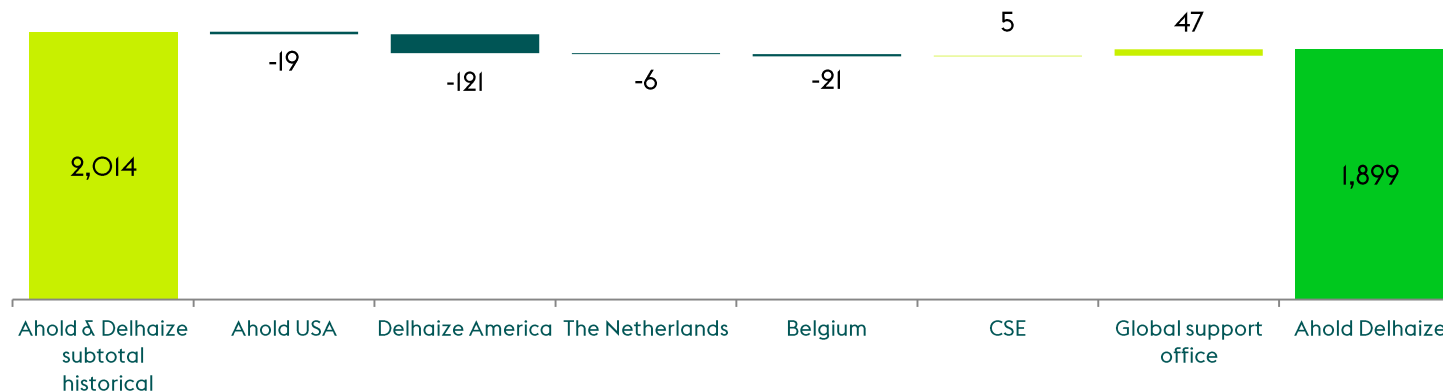
# Sales and operating income effect per segment 2015

In € million

Net Sales 2015



Operating  
income 2015

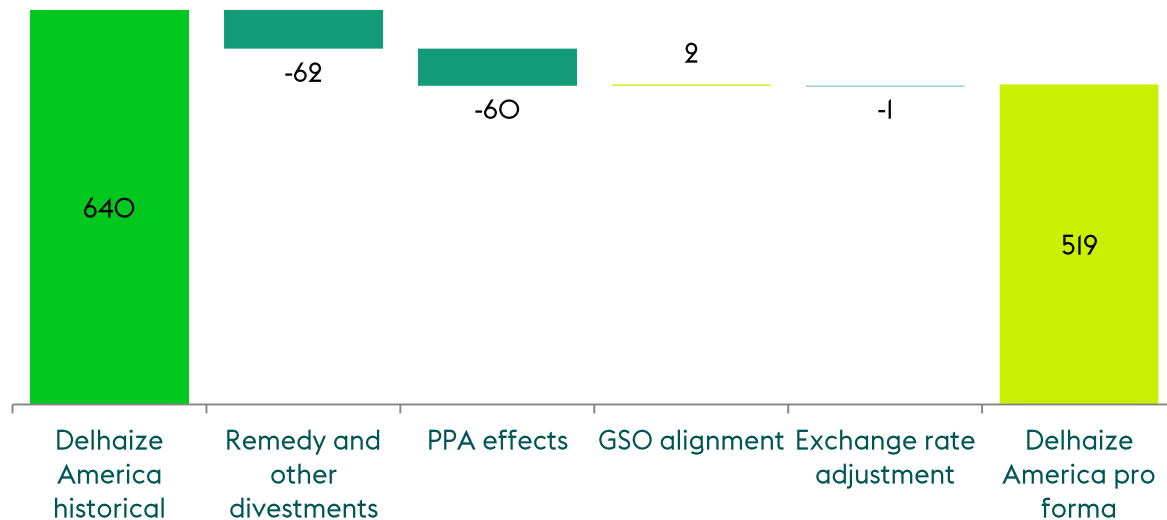


*In € million*



	Historical FY 2015	Pro forma 2015
Underlying EBITDA margin	6.8%	6.8%
Underlying operating margin	4.0%	4.0%

*In € million*



	Historical FY 2015	Pro forma 2015
Underlying EBITDA margin	6.6%	6.6%
Underlying operating margin	4.0%	3.4%

*In € million*

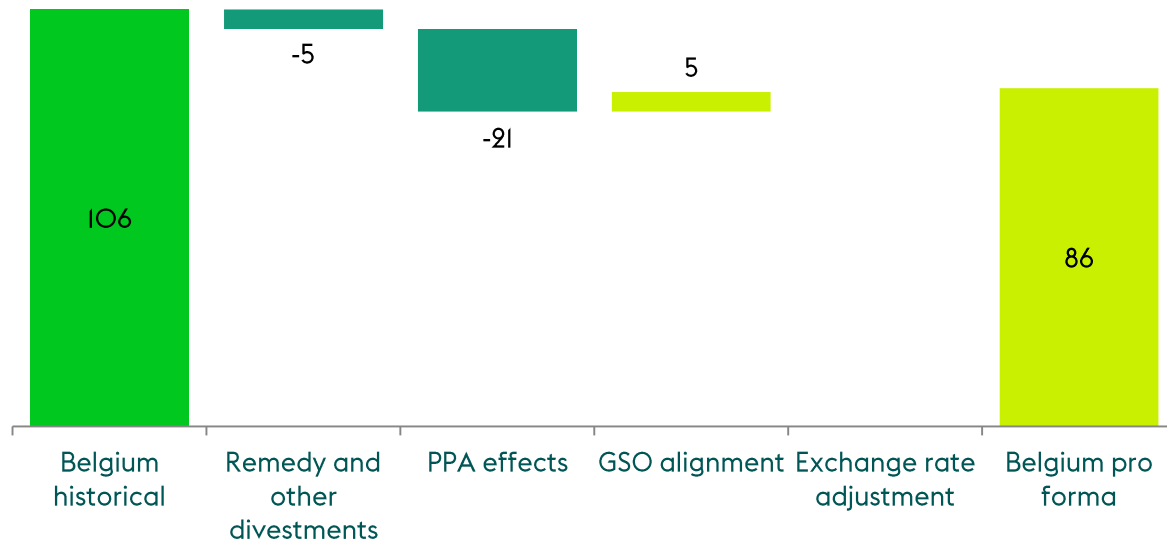


	Historical FY 2015	Pro forma 2015
Underlying EBITDA margin	6.7%	6.7%
Underlying operating margin	4.6%	4.5%



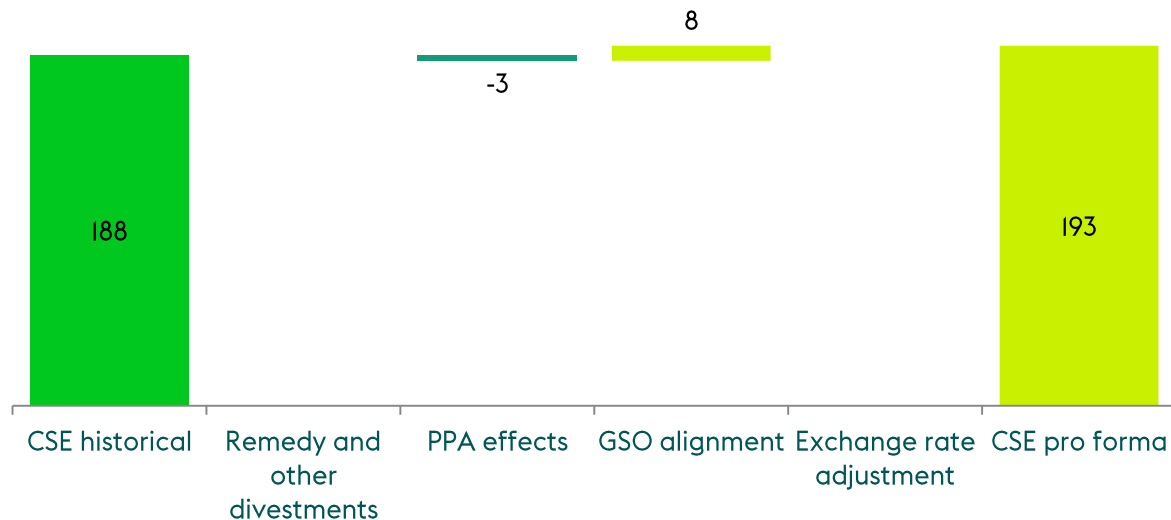
# Belgium – underlying operating income FY 2015 pro forma effects

*In € million*



	Historical FY 2015	Pro forma 2015
Underlying EBITDA margin	4.6%	4.8%
Underlying operating margin	2.1%	1.8%

*In € million*



	Historical FY 2015	Pro forma 2015
Underlying EBITDA margin	6.3%	6.5%
Underlying operating margin	3.7%	3.8%

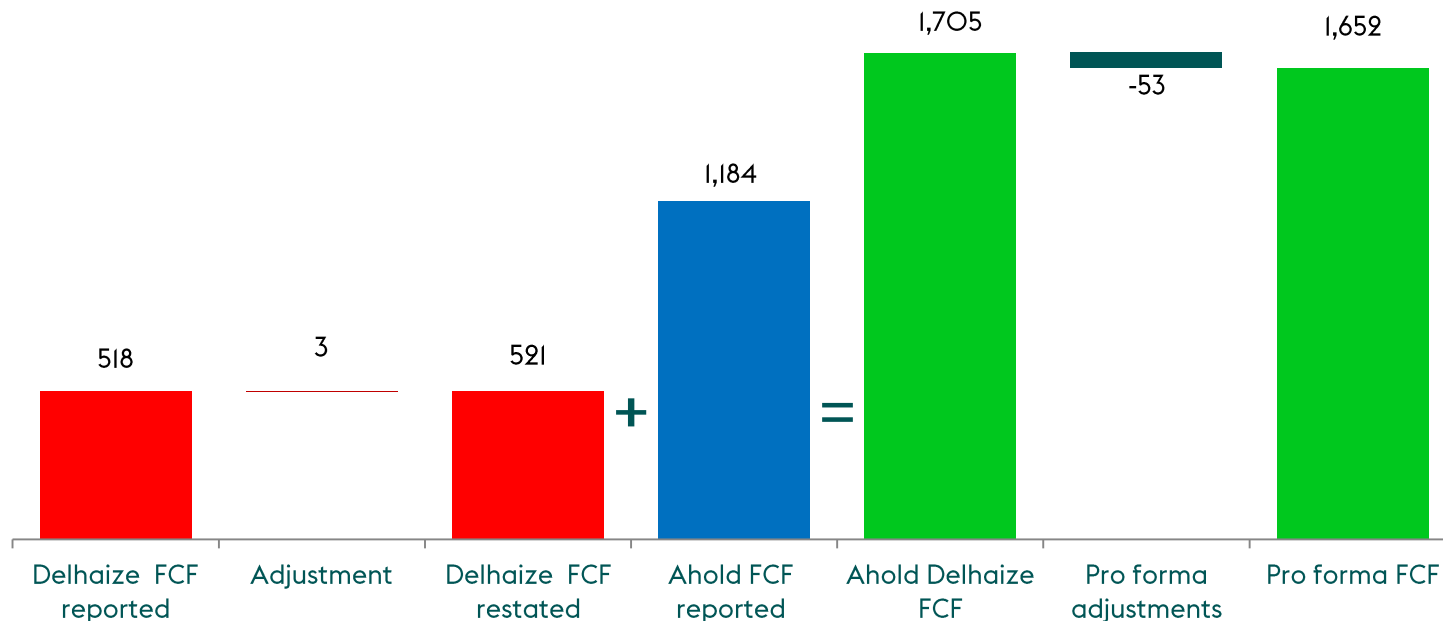
# Pro forma adjustments GSO & insurance effects

<i>In € million</i>	Historical		Pro forma	
	FY 2015	HY 2016	FY 2015	HY 2016
Operating costs	(207)	(132)	(160)	(128)
Underlying operating costs	(119)	(78)	(135)	(89)
Add back - self insurance	(22)	6	(30)	3
Underlying operating costs excluding self insurance	(141)	(72)	(165)	(86)

- Pro forma excluding self insurance, is indicative for run rate GSO costs

# Free cash flow 2015 – pro forma effects

*In € million*



- Pro forma FCF adjustments resulted from remedy & other divestments partly offset by merger transaction costs

# Earnings per share – pro forma effects

In €	EPS		Underlying EPS	
	FY 2015	HY 2016	FY 2015	HY 2016
Ahold EPS	1.04	0.55	1.16	0.62
Ahold EPS - adjusted for pro forma # of shares (A)	0.67	0.35	0.75	0.40
Delhaize EPS	3.59	2.19	5.08	2.58
Adjusted for 4.75 ratio	0.76	0.46	1.07	0.54
Delhaize EPS - adjusted for pro forma # of shares (B)	0.29	0.18	0.41	0.21
Combined EPS (A+B)	0.96	0.53	1.16	0.61
Combined pro forma EPS	0.95	0.52	1.11	0.59
Impact from pro forma adjustments	-0.01	-0.01	-0.05	-0.02

The pro forma information presented in this communication, whether audited or unaudited, is not, and does not form part of, official (interim) accounts or reports and is prepared and published only for illustrative purposes in connection with the recently completed merger and to present the effect of Ahold's merger with Delhaize. The information is not intended to revise past performance, but instead to provide a comparative basis for the assessment of current performance. The pro forma information represents a hypothetical situation and does not purport to represent what Ahold Delhaize's actual result of operations would have been, should the merger with Delhaize actually have occurred at the beginning of Ahold's 2015 financial year, nor are they necessarily indicative of future results of Ahold Delhaize. This communication contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements or disclosures are based on management's current beliefs as well as assumptions made by, and information currently available to, management. This communication contains Ahold Delhaize forward-looking statements as to, among others, adjustment differences due to additions and disposals within divested store populations, the use of non-GAAP financial measures and operating metrics and changes in classifications as adjustments to underlying income in the historical results of Ahold and Delhaize and in the pro forma information and alignment of the reporting calendar to quarters of 13 weeks in the 2017 calendar. Many of the risks and uncertainties relate to factors that are beyond Ahold Delhaize's control. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, (i) the risks that the new businesses will not be integrated successfully or promptly or that Ahold Delhaize will not realize the expected benefits from the transaction; (ii) Ahold Delhaize's ability to successfully implement and complete its plans and strategies and to meet its targets; (iii) risks related to disruption of management time from ongoing business operations due to attention being required in connection with the integration; (iv) the benefits from Ahold Delhaize's plans and strategies being less than anticipated; (v) the effect of the merger on Ahold Delhaize's ability to retain customers, retain and hire key personnel, attract associates who are integral to the success of the business and maintain relationships with suppliers, and on their operating results and businesses generally; (vi) the effect of general economic or political conditions; (vii) Ahold Delhaize's business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions; (viii) information security, legislative and regulatory environment and litigation risks and product safety, pension plan funding, strategic projects and sustainable retailing; (ix) insurance and unforeseen tax liabilities; (x) and other factors as discussed in Ahold Delhaize's public filings and other disclosures. Investors and shareholders are cautioned not to place undue reliance on the forward-looking statements. Forward-looking statements speak only as of the date they are made. Ahold Delhaize does not assume any obligation to update any public information or forward-looking statement in this communication to reflect events or circumstances after the date of this communication, except as may be required by applicable laws. Outside the Netherlands, Koninklijke Ahold Delhaize N.V., being its registered name, presents itself under the name of "Royal Ahold Delhaize" or simply "Ahold Delhaize."

# Thank you

FOOD LION

 Stop&Shop



GIANT

MARTIN'S

 Giant

Peapod

bfresh

 Albert Heijn



Etos

GolfeGolf

bol.com

 albert

 MAXI

 Tempo

 Βασιλόπουλος  
...και του σουβιού το γάλλο!

 SENA  
...για το αμύγδαλό σου!



pingo doce





# Full year 2015 EPS bridge - appendix

In € million	Historical information			Pro forma adjustments				Pro forma
	Ahold	Delhaize	Subtotal	Remedy & other divestments	Merger transaction costs	PPA effects	Exchange rate adjustments	Ahold Delhaize
<b>Income from continuing operations</b>	<b>849</b>	<b>369</b>	<b>1,218</b>	<b>(54)</b>	<b>46</b>	<b>(7)</b>	<b>(1)</b>	<b>1,202</b>
Adjustments to operating income from above	143	176	319	(2)	(62)	-	1	256
Underlying adjustments to financial expenses		43	43	-	-	-	-	43
Underlying adjustments to income taxes	(42)	(66)	(108)	-	16	-	1	(91)
<b>Underlying income from continuing operations</b>	<b>950</b>	<b>522</b>	<b>1,472</b>	<b>(56)</b>	<b>0</b>	<b>(7)</b>	<b>1</b>	<b>1,410</b>

Number of shares used in EPS calculation: 1,272,112,616 shares

	Historical	Pro forma	Impact from pro forma
EPS	= 1,218/1,272 = €0.96	= 1,202/1,272 = €0.95	- €0.01 or -1%
Underlying EPS	= 1,472/1,272 = €1.16	= 1,410/1,272 = €1.11	-€0.05 or -4%