Ahold Delhaize Capital Markets Day 2018
Financial Framework

Jeff Carr
Chief Financial Officer
Ahold Delhaize Financial Framework
Proven to deliver consistent and sustainable results

- Strong operational performance
- Disciplined approach to capital investment
- Best in class cash generation
- Balanced capital allocation
Strong operational performance

- Consistent and sustainable results
- Delivering on integration promises
- Saving for our customers is core to our culture

Disciplined approach to capital investment

Best in class cash generation

Balanced capital allocation
Our business model

- Saving for our customers leads to stable margins in 2019
- Investing in our customer proposition supports comparable sales growth
- Capital funding growth in key channels results in market share gains
Delivering consistent and sustainable results

Sales growth*

- **2016**: 2.18%
- **2017**: 1.78%
- **YTD 2018**: 2.38%

Underlying operating margin

- **2016**: 3.78%
- **2017**: 3.98%
- **YTD 2018**: 4.08%

EPS**

- **2016**: 1.17€
- **2017**: 1.26€
- **2018E**: 1.50-1.60€

*2016, 2017 pro forma sales growth
**Guidance for 2018
Delivering on integration promises

### Synergy delivery

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross synergies</th>
<th>Net synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>2017</td>
<td>352</td>
<td>268</td>
</tr>
<tr>
<td>2018</td>
<td>600</td>
<td>420</td>
</tr>
<tr>
<td>2019</td>
<td>750</td>
<td>500</td>
</tr>
</tbody>
</table>

### One time costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend to Date</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>336</td>
<td>380</td>
</tr>
<tr>
<td>US reorg</td>
<td>41</td>
<td>70</td>
</tr>
</tbody>
</table>

Financial Framework

Capital Markets Day 2018
Save for our Customers is in our DNA...
With sufficient areas to still go after

Key areas of focus

- Technology and automation
  - Store
  - Logistics
- Packaging engineering
  - Reduce plastic
  - Overall packaging specs
  - Logistics optimization
- G&A optimization
  - Use of RPA
  - Regional centres of excellence
- Fact based negotiation
  - Best practice roll out Europe
  - Data analytics / supplier support
  - Not for Resale

Delivering on margin commitment while investing in

- eCommerce
- Digital & IT
- Stop & Shop repositioning
- Price / quality investments across all brands
- Store programs / DC expansions / Labor

€1.8 billion Save for Our Customers target for 2019 - 2021
Disciplined approach to capital investment

- Strong operational performance
- Disciplined approach to capital investment
  - Funding growth in key channels
  - Maintaining a high return on capital
- Best in class cash generation
- Balanced capital allocation
Funding growth in key channels

€2.0 billion* Capex spend in 2019 to drive growth

- Incremental capital investment in Stop & Shop of $100-150 million with total program costs of $1.6-2.0 billion
- Incremental capital investment in eCommerce in Europe and the US of €200 million
- Ongoing Capex spend of ~3% of sales

Capex spend

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex Spend (in € billion / as % of sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.5</td>
</tr>
<tr>
<td>2017</td>
<td>1.7</td>
</tr>
<tr>
<td>2018</td>
<td>1.8*</td>
</tr>
<tr>
<td>2019</td>
<td>2.0*</td>
</tr>
</tbody>
</table>

* Guidance

2019 Capex Breakdown

- IT & Tech
- New stores
- Store maintenance & remodels
- L&D and other
Return on capital remains a priority

* ROC defined as: EBITDAR / (PPE at purchase price + intangibles excl goodwill + working capital + capitalized operating leases)

** Peers: Walmart, Kroger, Costco, Carrefour, Tesco, Albertsons

- Clear return criteria for investment decisions
- Return on capital represents 40% of management’s long-term incentive
- Return on capital among top quartile of the industry
Best in class cash generation

- Strong operational performance
- Disciplined approach to capital investment
- Best in class cash generation
  - Overdelivery on working capital targets
  - Continued focus on free cash flow
- Balanced capital allocation
Overdelivery on working capital targets

Further improvements in working capital of €300 million targeted in 2019-2021

- Exceeding initial target of €175 million cumulative 2017 – 2018 with delivery of €400 million* cumulative change in working capital in 2017 – 2018

- Continuous focus on all aspects of working capital improvement:
  - Harmonization of payables
  - Improving receivables collection
  - Optimizing inventories
    - Forecasting and replenishment
    - Data & analytics

* Updated guidance
Continuous focus on free cash flow

Free cash flow 2018 increase to at least €2.0 billion*

- Free cash flow of ~2.0 billion per annum in 2019-2021 while sustaining ongoing spend of 3% of sales in Capex
- Free cash flow supported by operating cash flow and continuing improvements in working capital

* Updated guidance
Balanced capital allocation

- Maintain investment grade credit rating
- Invest in growth
- Returning excess liquidity to our shareholders
Creating value for our shareholders

Funding growth in key channels

Maintaining solid investment grade credit rating

Returning excess cash liquidity to shareholders

Invest in growth: inorganic and organic

Maintain lease adjusted Net Debt/EBITDA of 2.0x

Return excess cash through share buy back program and dividends
Returning excess liquidity to shareholders

Share buyback program of €1.0 billion to commence in January 2019

**Annual dividends***

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.48</td>
</tr>
<tr>
<td>2015</td>
<td>0.52</td>
</tr>
<tr>
<td>2016</td>
<td>0.57</td>
</tr>
<tr>
<td>2017</td>
<td>0.63</td>
</tr>
</tbody>
</table>

*9.5% CAGR

**Cumulative share buybacks, dividends and capital returns**

<table>
<thead>
<tr>
<th>Year</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.8</td>
</tr>
<tr>
<td>2015</td>
<td>2.5</td>
</tr>
<tr>
<td>2016</td>
<td>4.1</td>
</tr>
<tr>
<td>2017</td>
<td>5.9</td>
</tr>
<tr>
<td>2018</td>
<td>8.6</td>
</tr>
</tbody>
</table>

- Dividend payout ratio 40-50% of underlying net income
- Bi-annual dividend to be introduced in 2019
- Sustainable growth of dividend per common share

* Ahold standalone dividends 2014-2016, Ahold Delhaize 2017
** Cumulative as of 2014. Includes Ahold and Delhaize dividends for the years 2014-2016
Strong foundation and confidence in the future

- Strong operational performance
- Disciplined approach to capital investment
- Best in class cash generation
- Balanced capital allocation
Smartly invest to drive growth at stable margins in 2019

Save
- €0.6 billion in annual savings
- €80 million incremental net synergies

Invest
- Significant opex to drive growth
- €2.0 billion in capex
- ~€300 million incremental for S&S, digital and e-Commerce

Drive growth
- Comparable sales growth
- Market share gains
- Stable group margin
- HSD EPS growth

Generate Cash
- ~€2.0 billion in FCF
- €1.0 billion share buyback
Long-term cost savings, investments and FCF growth

- Save for our customers 2019 - 2021
  €1.8 billion

- Capital expenditure
  ~3% of sales

- Free Cash Flow
  ~€2.0 billion per annum 2019 - 2021