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ΕΟΡΤΟΛΟΓΙΟ ΣΗΜΕΡΑ
Αναστάσιος, Ζουμπουλής, Υάκινθος

κουπόνια

παιχνίδια

καριέρα

IFRS 16 Analyst Briefing

London, March 25 2019





Ahold
Delhaize

Jeff Carr
CFO



Agenda

- Highlights
- Key principles and approach
- Impact on financial statements 2018
- Wrap-up and Outlook 2019-2021
- Q&A

Highlights

- No economic impact on the business and how we manage it
- No impact on net cash flow
- Significant impact on balance sheet, income statement and classification of cash flow
- No material impact on underlying earnings per share 2018
- No impact on capital allocation policy
- Outlook 2019-2021 free cash flow adjusted by definition change



Ahold
Delhaize

Wouter Nijmeijer

SVP Accounting & Reporting, Risk & Controls

Key principles and approach

- Ahold Delhaize adopted IFRS 16 as of December 31, 2018 with full retrospective approach
- Fully restated financial statements for Q1, Q2, Q3 and Q4 2018 based on IFRS 16
- All leases longer than 12 months and acquisition value greater than \$5,000 recorded on balance
- Additional finance subleases recognized on balance
- Operating lease expense replaced by depreciation charge and interest expense
- Discount rate determined at commencement date of lease, by lease term duration, currency and country

Group performance 2018

€ in million	2018 as reported	Effect of IFRS 16 adoption	2018 restated
Net sales	62,791	-	62,791
Cost of sales	(45,839)	1	(45,838)
Gross profit	16,952	1	16,953
Operating expenses	(14,557)	227	(14,330)
Operating income	2,395	228	2,623
Net financial expense	(246)	(241)	(487)
Income before taxes	2,149	(13)	2,136
Income taxes	(372)	(1)	(373)
Share in income of joint ventures	32	2	34
Income from continuing operations	1,809	(12)	1,797
Income (loss) from discontinued operations	(16)	(1)	(17)
Net income	1,793	(13)	1,780
Underlying operating income	2,554	207	2,761
Underlying income from continuing operations	1,880	(28)	1,852

- Operating expenses decrease of €227 million, net financial expense increase of €241 million
- Underlying income from continuing operations excludes gains on leases and subleases
- Underlying earnings per share decrease of €0.03 to €1.57

Operating expenses 2018

€ in million	2018 as reported	Effect of IFRS 16 adoption	2018 restated
Net rent expense	929	(1,054)	(125)
Depreciation and amortization	1,758	849	2,607
Other operating expenses	11,870	(22)	11,848
Total operating expenses	14,557	(227)	14,330

- Operating sublease income continues to be accounted for as rent income, finance sublease as interest income
- Other operating expenses decreases due to gains on leases and subleases and impairment reversals

Underlying operating income

€ in million	Underlying operating income		Underlying operating margin		
	2018 as reported	2018 restated*	2018 as reported	2018 restated*	% change
The United States	1,563	1,699	4.2%	4.5%	0.3% pt
The Netherlands	715	748	5.0%	5.3%	0.3% pt
Belgium	141	142	2.8%	2.8%	-
CSE	237	274	3.9%	4.6%	0.7% pt
GSO	(102)	(102)	-	-	-
Ahold Delhaize Group	2,554	2,761	4.1%	4.4%	0.3% pt

- Impact depending on lease portfolio and average discount rate
- IAS 17 operational lease expense re-allocated to depreciation and interest expense
- Interest expense not included in underlying operating income
- Former Delhaize brands start date of lease is date of merger July 24, 2016

Our store portfolio in 2018

	The United States	The Netherlands	Belgium	CSE	Total
Number of lease contracts (stores*)	2,019	1,456	269	1,445	5,189
Average lease term (years)**	14	10	11	11	12
Average remaining lease term (years)**	8	5	9	8	7
Weighted average discount rate	4.4%	1.6%	1.4%	5.7%	4.0%

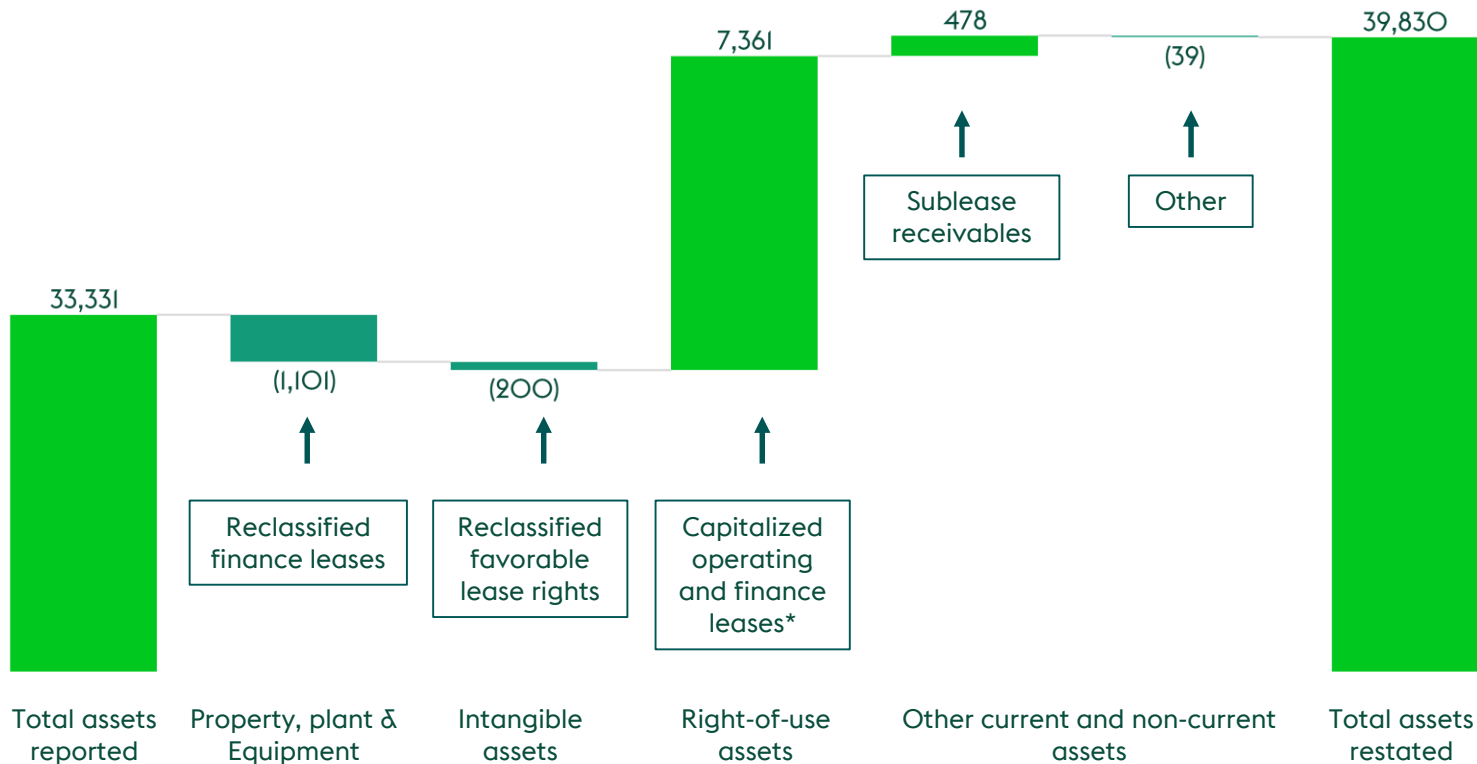
*excluding investment properties, distribution centres and other real estate

**indicative

- Average lease term impacted by country specific circumstances such as minimum required contractual term, land leases and lease portfolio
- Discount rate set at inception of lease contract and based on macro economic environment as well as lease term duration and credit rating

Balance sheet per end 2018 under IFRS 16 (1/2)

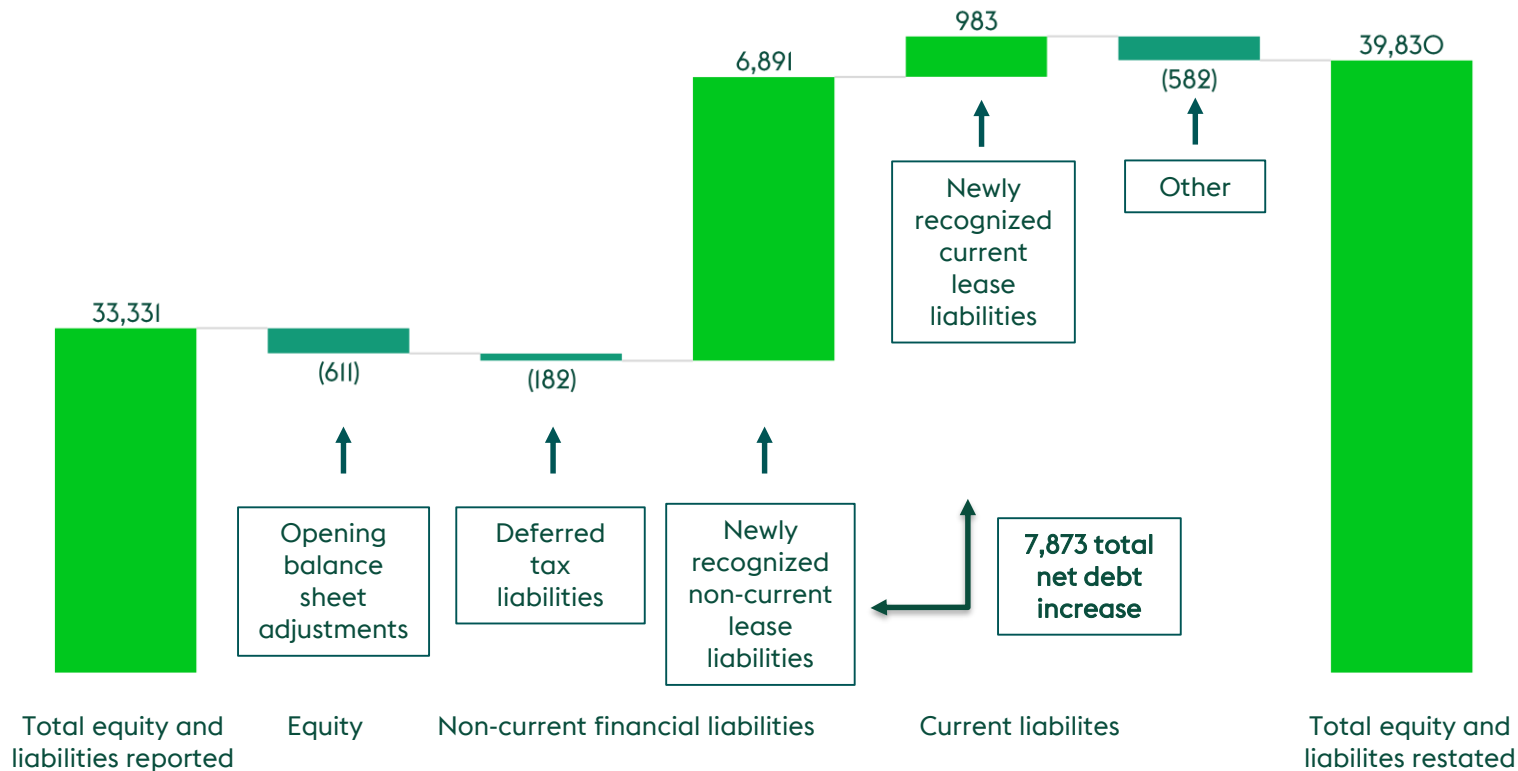
€ in million



*This includes the reclassified finance leases and (un)favourable lease rights

Balance sheet per end 2018 under IFRS 16 (2/2)

€ in million





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Free cash flow

€ in million	2018 as reported	Effect of IFRS 16 adoption	2018 restated
Free cash flow – Old definition	2,342	1,129	3,471
Repayment of lease receivables	-	86	86
Repayment of lease liabilities	(177)	(1,215)	(1,392)
Free cash flow – New definition	2,165	-	2,165
Net cash from operating, investing and financing activities	(1,587)	-	(1,587)
Cash and cash equivalents at the end of the period	3,110	-	3,110

- New definition free cash flow includes €177 million Repayment of IAS 17 finance lease liabilities not previously included in definition
- No impact on net cash flow; cash and cash equivalent balances unchanged

€ in million	2018 as reported	Effect of IFRS 16 adoption	2018 restated
Loans	3,683	-	3,683
Lease liabilities	1,379	6,891	8,270
Cumulative preferred financing shares	455	-	455
Short-term borrowings and current portion long-term debt	1,095	982	2,077
Gross debt	6,612	7,873	14,485
Cash, cash equivalents and short term deposits	3,507	-	3,507
Net debt	3,105	7,873	10,978

- €7.9 billion lease liabilities added to gross and net debt
- No impact on ending cash and cash equivalent balances
- Lease adjusted net debt/EBITDA 2.6x; no impact on capital allocation policy

Wrap up and Outlook under IFRS 16

- No economic impact, no cash impact or change in how we run our business
- Underlying operating margin 2018 increases by 0.3% point to 4.4%
- Underlying EPS 2018 decreases by €0.03 to €1.57
- New definition Free cash flow includes €177 million Repayment of IAS 17 finance lease liabilities not previously included in definition
- Net debt end of 2018 increases by €7.9 billion lease liabilities
 - No impact expected on our funding structure and credit rating
- Outlook unchanged:
 - No impact on synergies and Save for Our Customers targets 2019-2021
 - Full year 2019 group margin in line with restated 2018 margins
 - Underlying EPS to grow in 2019 by high-single digit percentage
 - Free cash flow 2019-2021 under the new definition around €1.8 billion per year; total cash generation unchanged

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as outlook, to be, expect, targets 2019-2021 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 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, the risk factors set forth 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.