



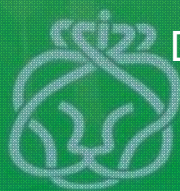
Ahold  
Delhaize

# Capital Markets Day Integration and Synergies

**Frans Muller**

Deputy CEO and Chief Integration Officer

December 7, 2016



Ahold  
Delhaize





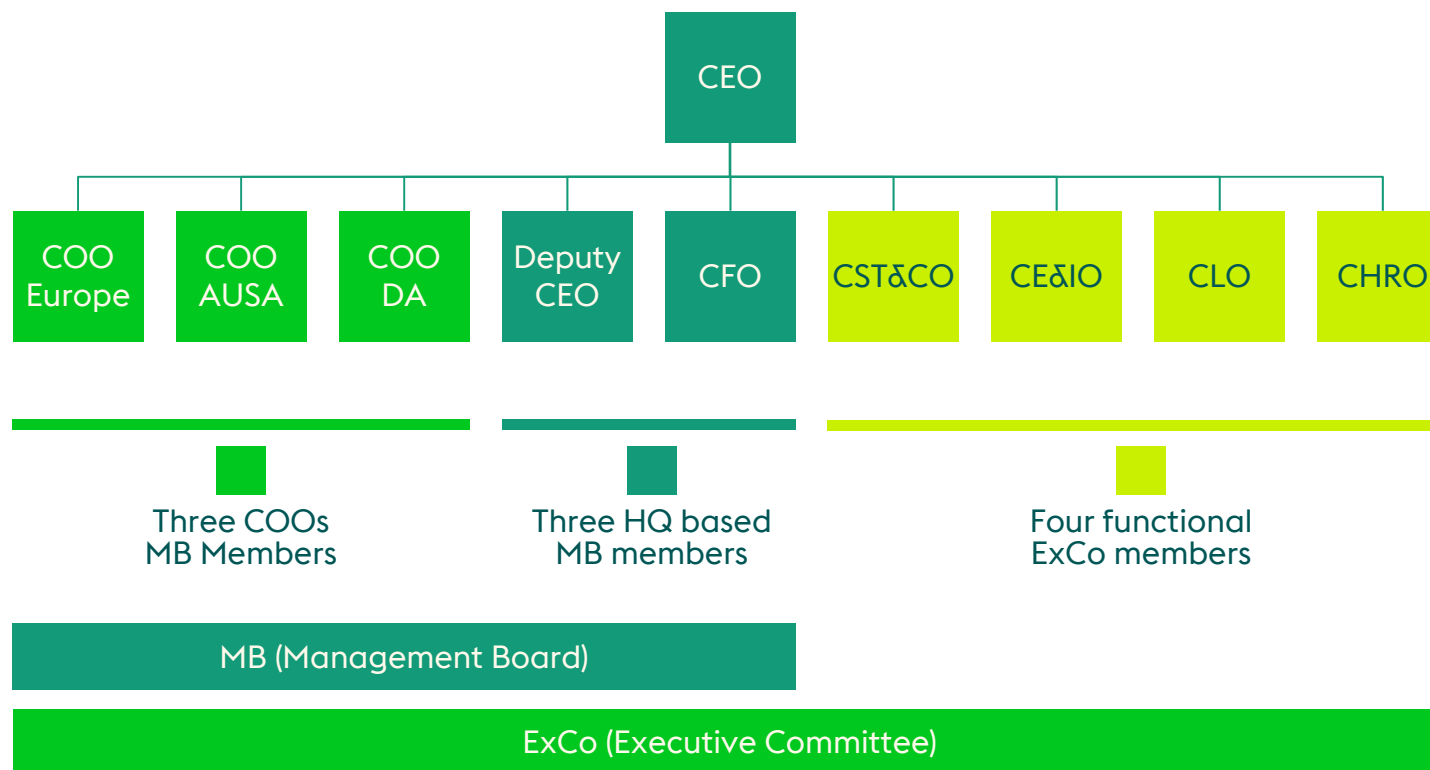
1. Achievements since Day 1

2. Synergies 2016 - 2019

3. Integration costs 2015 - 2019

## New corporate governance in place from Day 1

3





Achievements  
since Day 1

## Swift and smooth integration of Corporate HQs

4





Achievements  
since Day 1

## Strong collaboration across entire organization

5

- Good mix of former Ahold / Delhaize associates
- Compatible cultures facilitating collaboration
- Committed to changing legacy ways of working
- Dedicated teams focusing on synergy capture
- Implementing “the best of both worlds” solutions
- Leveraging our larger scale for new opportunities
- Integration Management Office driving Integration



Achievements  
since Day 1

## Fully operational EU Support Office

6

Managing business portfolio

Leveraging scale

Capturing synergies

Sharing best practices

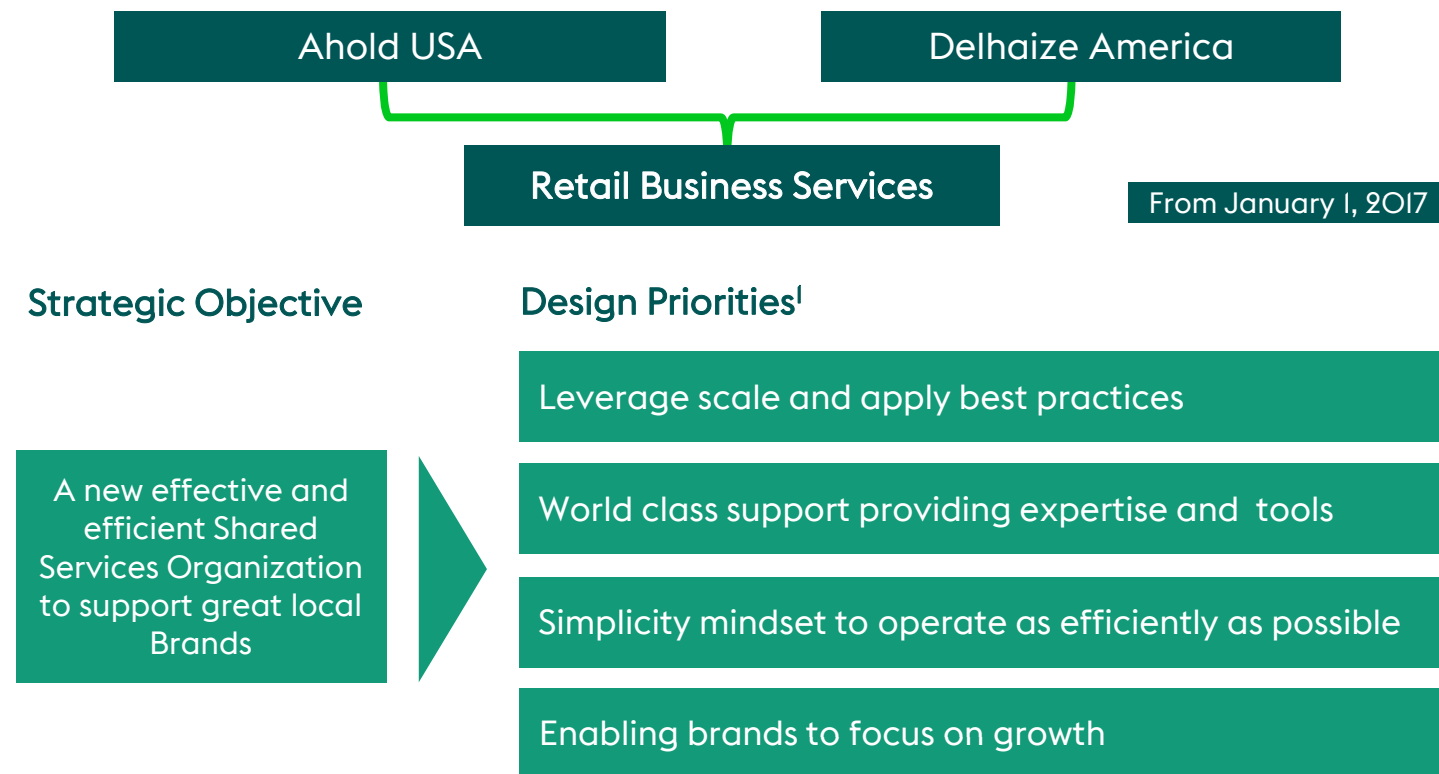
Driving new growth





Achievements  
since Day 1

## Set-up of new U.S. business services organization <sup>7</sup>



<sup>1</sup> Brands option to retain services offered



Achievements  
since Day 1

Retail Business Services offering first class services to U.S. brands<sup>8</sup>

### Activities in scope

- Finance, HR, Legal & IT Services
- Supply Chain
- Own Brands
- Certain core functions in Finance and HR
- Legal
- IT
- Supply Chain
- Own Brands

### Service Level Framework

1. Charter

2. Scope of service

3. Service level metrics

4. Chargeback methodology

5. Headcount mapping

6. Intercompany agreements



## Leveraging opportunities for transactional processes

9



### Sourcing

Leveraging existing know-how and outsourcing models



### Technology

Leveraging existing ERP and IT solutions for Finance and HR



### Operating Model

Determining service delivery models



### Optimization

Realizing identified improvement projects and sharing best practices



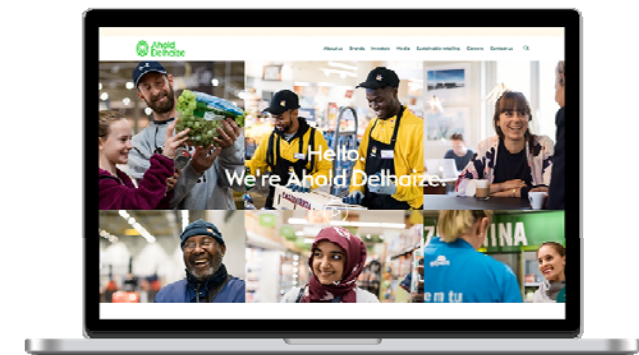
Achievements  
since Day 1

## IT enabling the business

10

### Readiness for Day 1-30-90:

- Defined the purpose of IT in the new company
- Design of new organization structure
- Setting the new cultural tone
- New external corporate website
- Systems changes for financial & operating structures
- Enabling compliance & resilient operations





Achievements  
since Day 1

## IT enabling the business

11

### Looking further ahead - 90 days to 2020

- Business & IT operating models – focus U.S.
- Strategic framework for IT
- Keep legacy systems in place
- High quality local execution for local trading performance
- Enable the new ways of working
- Negotiation of vendor contracts for synergies & savings
- Defining the IT capability development needs
- Winning the war for talent
- Quick wins





Achievements  
since Day 1

## Cultural transformation

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Ahold  
Delhaize





Achievements  
since Day 1

## Similar values and shared focus on the customer

13

- Strategic Framework and values drafted based on the two companies' historic strengths
- The top 80 leaders came together to discuss, give feedback and fine-tune (May 2016)
- Deployment started with 350 leaders in Washington (Oct 2016)
- Brands work towards defining their local deployment plans to enable full roll-out by end 2017



GET TO KNOW THE BRANDS  
AND OUR COLLEAGUES

DISCUSS THE STRATEGIC  
FRAMEWORK

UNDERSTAND THE JOURNEY  
AND MY ROLE AS LEADER



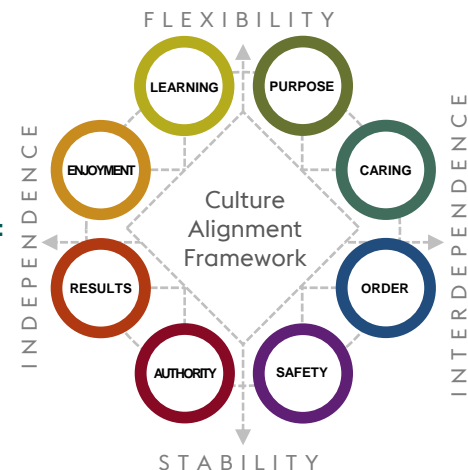


## Achievements since Day 1

Complementary capabilities result in best practice exchange<sup>14</sup>

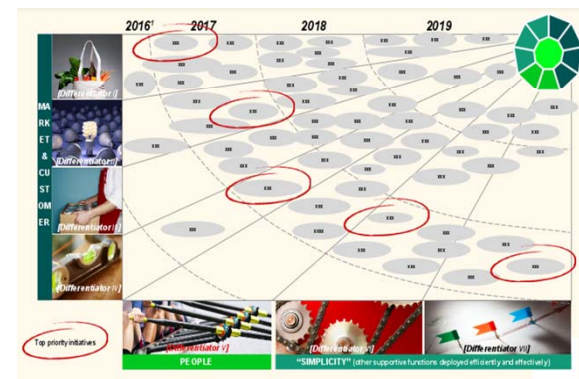
### Culture diagnostic shows similar strengths

- Result driven
- Caring Leaders, Associates, & Environment
- Strong retail operations with a strong sense of order



### And complementary capabilities

- Strategy
- eCommerce & digital loyalty
- Sourcing capabilities and tools
- Own brands
- Retail operations
- Talent mobility





1. Achievements since Day 1

2. Synergies 2016 - 2019

3. Integration costs 2015 - 2019

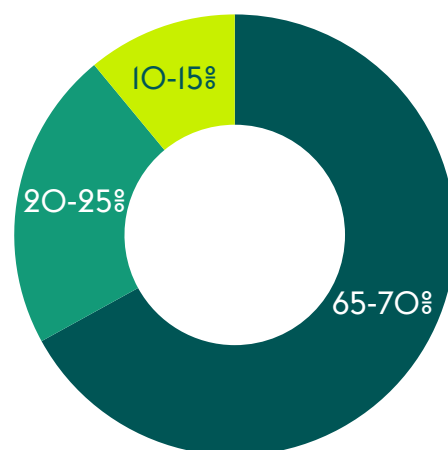


Synergies  
2016 - 2019

## Commitment to deliver €500 million net synergies<sup>16</sup>

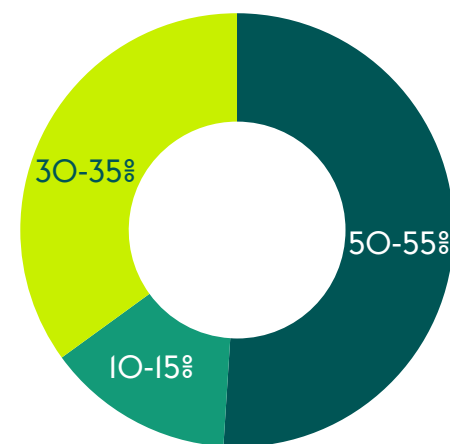
Synergies in excess of € 500 million will be reinvested in the business

Split per geography



■ US ■ EU ■ GSO

Split per category



■ Sourcing ■ Indirect Sourcing ■ G&A/Other

Quarterly synergy reporting and annual outlook



## On-target progress harmonizing buying prices of A-brands

17

90% deals closed  
On target  
Completion Dec 2016



35% deals closed  
On target  
Completion Q1 2017



For illustration purposes only



## Key US Sourcing negotiations on-target

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### Description

A

A-Brands  
(n=240)

- National branded goods primarily sold in center store
- Negotiations will take place over 6-8 months in three key phases, prioritizing food in waves 1 and 2 and other products in wave 3

B

Fresh  
(n=30)

- Produce and other perishable products (e.g., meat, deli, bakery)
- Negotiations across 26 priority categories with the majority within 7 months and some extending longer due to seasonality

C

Our Brands  
(n=135)

- Private label brands specific to DA and AUSA
- Negotiations will take place over 7-8 months in 100+ categories

## Expanded partnership with Coopernic

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### Coopernic for International Brands:

Key facts	<ul style="list-style-type: none"> <li>• Combined sales of €133 billion</li> <li>• 22,000 stores across 22 countries</li> <li>• On top rebates</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Ahold Delhaize</li> <li>• Leclerc</li> <li>• Rewe</li> <li>• Coop Italy</li> </ul>
Current status	<ul style="list-style-type: none"> <li>• At target; most vendor negotiations completed</li> </ul>

**COOPERNIC**★



## Expanded partnership with AMS

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### AMS for Own Brands:

<b>Key facts</b>	<ul style="list-style-type: none"> <li>• Combined sales of €113 billion</li> <li>• 15,000 stores across 22 countries</li> <li>• Dry groceries only</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>• Ahold Delhaize</li> <li>• Danske Supermarket</li> <li>• ICA</li> <li>• Jeronimo Martins</li> <li>• Kesko</li> <li>• Migros</li> <li>• Morrisons</li> </ul>
<b>Current status</b>	<ul style="list-style-type: none"> <li>• Scale allowing for quality improvement and efficient buying</li> </ul>

**ams**  
creating synergy





## Significantly reducing Not For Resale expenditure <sup>21</sup>

- Annual spend on NFR goods and services €6.4 billion (Opex & Capex)
- Opportunities for synergies through:
  - Rate harmonization
  - Alignment of demand and specifications
  - Operating model (In-house or Outsource)
- Office (incl. IT, Banking and Insurance contracts)
- Stores (incl. PP&E, Maintenance, Cleaning and Waste)



Besides synergy capture, focus also on best practice sharing <sup>22</sup>



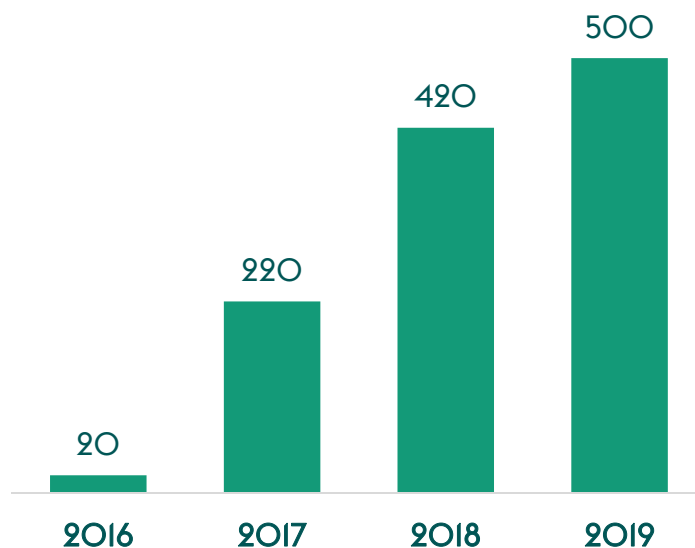


## Synergies 2016 - 2019

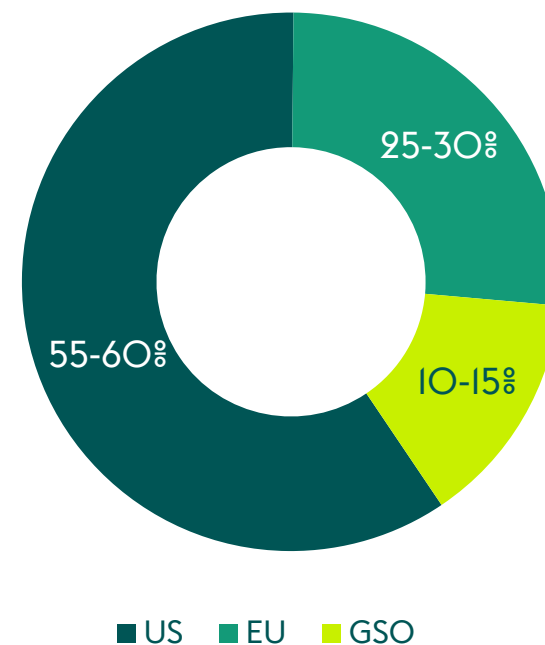
P&L impact net synergies 2016-2019; confident in 2017 delivery<sup>23</sup>

### Timeline 2016 – 2019

*In € million*



### Split per geography 2017





1. Achievements since Day 1

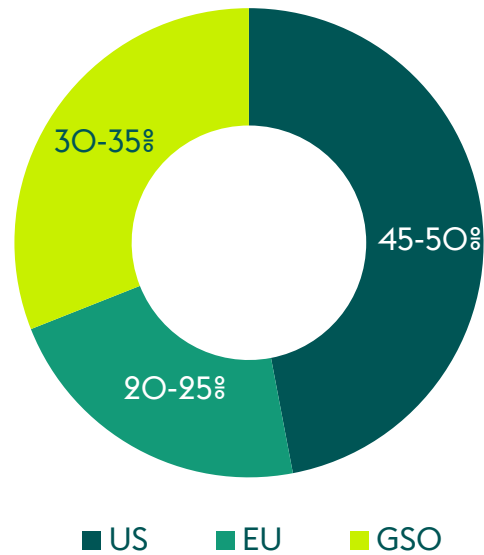
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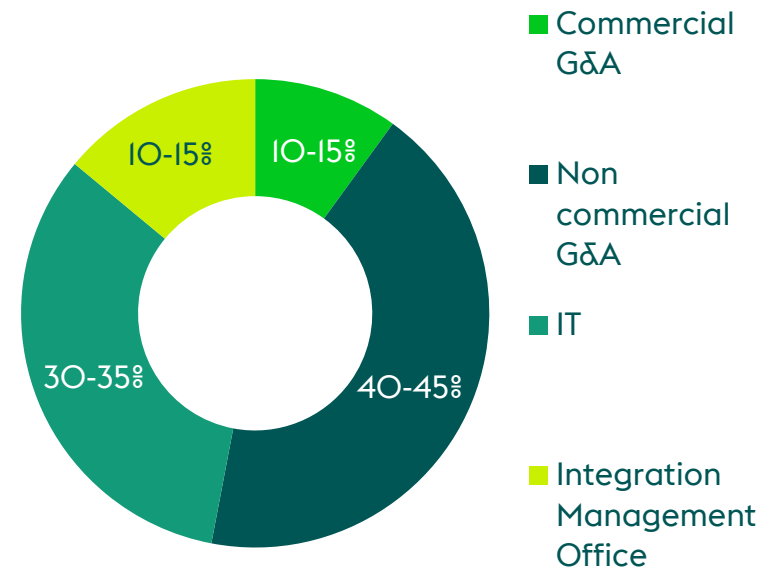


## Integration costs expected within €350 million estimate<sup>25</sup>

Split per geography



Split per category

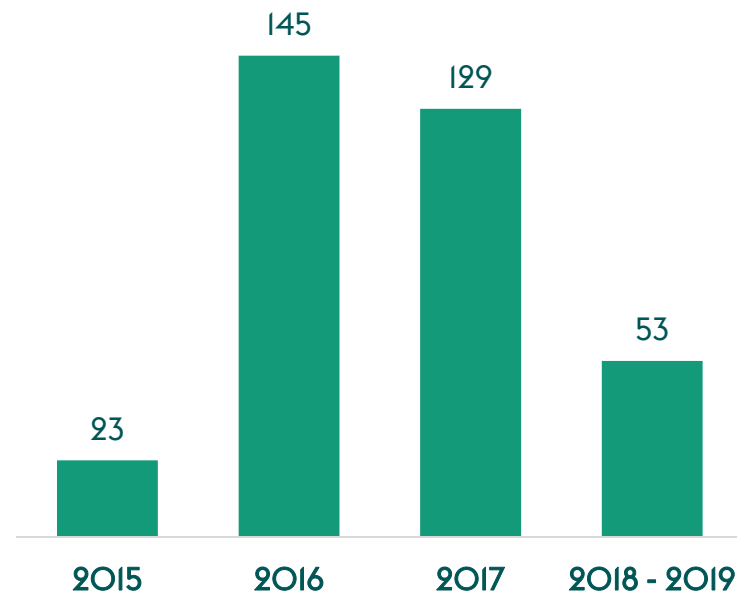


## Integration Costs 2015-2019

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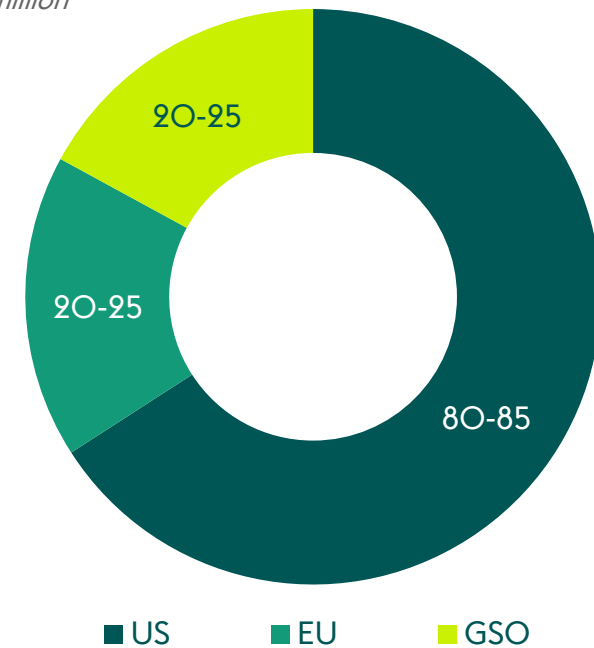
### Timeline 2015 - 2019

*In € million*



### Split per geography 2017

*In € million*





Top structure in place; transition to single HQ completed

Compatible cultures drive strong collaboration across organization

Comprehensive synergy program in place;  
confident in €500 million delivery

Early results lead to full confidence in 2017 synergy target

US shared services organization announced

Committed leadership, ready to deliver!



*This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as strategic, sustainable, buy better, operate smarter, waste less, growth, invest, customer proposition, promises, follow-up, accelerating, opportunities, continuous learning, increasingly, incremental, future, road map, ambition, growth, going forward, model, innovation, leverage, proposition, leading to and well positioned 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 risks relating to competition and pressure on profit margins in the food retail industry; the impact of the Company's outstanding financial debt; future changes in accounting standards; the Company's ability to generate positive cash flows; general economic conditions; the Company's international operations; the impact of economic conditions on consumer spending; turbulences in the global credit markets and the economy; the significance of the Company's U.S. operations and the concentration of its U.S. operations on the east coast of the U.S.; increases in interest rates and the impact of downgrades in the Company's credit ratings; competitive labor markets, changes in labor conditions and labor disruptions; environmental liabilities associated with the properties that the Company owns or leases; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; exchange rate fluctuations; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations in the U.S., the Netherlands, Belgium and other countries; product liability claims and adverse publicity; risks related to corporate responsibility and responsible retailing; the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; its inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; unexpected outcomes with respect to tax audits; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; natural disasters and geopolitical events; inherent limitations in the Company's control systems; the failure or breach of security of IT systems; changes in supplier terms; antitrust and similar legislation; unexpected outcome in the Company's legal proceedings; adverse results arising from the Company's claims against its self-insurance programs; increase in costs associated with the Company's defined benefit pension plans; 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.*

**Together, we build Great Local Brands,  
bringing Fresh Inspiration Every Day**