

# Second quarter 2014 results



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bol.com

albert

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Stop&Shop

Giant

GIANT

MARTIN'S

Peapod

# Group highlights Q2 2014

## Business and strategic highlights

- Program to improve customer proposition in the U.S. rolled out to a total of 320 stores
- European reorganization implemented, enabling greater commercial focus at Albert Heijn, resulting in a €29 million restructuring charge
- Acquisition of SPAR stores in the Czech Republic completed
- Strong online sales, up 18.6% to €273 million on an identical basis
- Stable market share performance by Albert Heijn: in line with last year
- Successful progression in Belgian expansion: currently 23 stores and double-digit ID sales growth

# Group performance

(in millions of euros)

	Quarter 2			
	2014	2013	Change	Change at constant rates
Sales	7,420	7,738	(4.1)%	(1.1)%
Underlying operating income	288	341	(15.5)%	(12.7)%
Underlying operating margin	3.9%	4.4%		
Operating income	260	330	(21.2)%	(18.8)%
Income from continuing operations	158	204	(22.5)%	(20.2)%
Net income	147	206	(28.6)%	(26.7)%

- Sales\* of €7.4 billion down 1.1%, affected by timing of Easter
- Underlying operating margin reflects pressure on volumes and price investments

\* at constant exchange rates  
Ahold Q2 2014 results

# Performance by segment

(in millions of euros)

	Ahold USA		The Netherlands		Czech Republic	
	Q2 2014	Change*	Q2 2014	Change	Q2 2014	Change*
Sales	4,408	(1.7)%	2,706	0.1 %	306	(3.3)%
Underlying operating income	162	(14.0)%	134	(9.5)%	6	14.5 %
Underlying operating margin	3.7 %	(0.5)	5.0%	(0.5)	2.0%	0.2
Identical sales growth ex gas	(1.8)%		(1.7)%		(2.9)%	

- Margin in the United States impacted by accelerated roll out of the program and commodity price increases
- Dutch margin reflects stable but ongoing inflation of operating costs and lower identical sales
- Margin in the Czech Republic continued to improve, supported by Simplicity-related initiatives

\* at constant exchange rates  
Ahold Q2 2014 results

# Solid operating cash flow generation

(in millions of euros)

	H1		
	2014	2013	Change
Operating cash flow*	1,072	1,124	(52)
Change in working capital	(102)	(70)	(32)
Income tax paid	(216)	(105)	(111)
Net investment	(278)	(381)	103
Interest and dividend joint ventures	(104)	(125)	21
<b>Free cash flow</b>	<b>372</b>	<b>443</b>	<b>(71)</b>

- Solid operating cash flow, slightly below last year's level
- Free cash flow reflects higher taxes paid (primarily related to payments for prior tax years) and lower capex

\* From continuing operations before changes in working capital and income tax paid  
Ahold Q2 2014 results

# Business highlights: Ahold USA

(1/2)

## Program to improve customer proposition rolled out to 320 stores

Improved  
Fresh  
offering



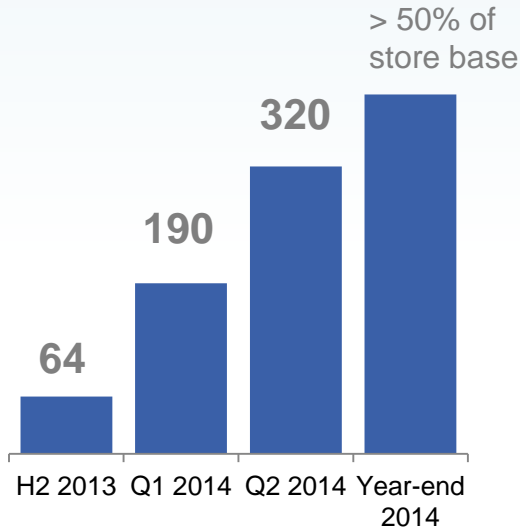
Enhanced  
customer  
experience



Targeted  
price  
reductions



Rollout schedule 2014  
(# of stores)



- Remain encouraged by the results of our program
- Expect our investments will result in improving sales trends
- Investments largely funded by \$250 million Simplicity savings

# Business highlights: Ahold USA

(2/2)

## Making significant improvements in our customer offering

### Improved Fresh offering

- Taking a more tailored approach to address assortment gaps (new items, ethnic, upscale)
- Optimizing assortment ranges through an increased number of entry price points and ensuring the right size / SKU mix



### Enhanced customer experience

- Investing 400 hours per store in customer engagement-focused trainings, helping associates drive the value message
- Investing in the re-merchandising of produce and meat departments and improving in-store communication



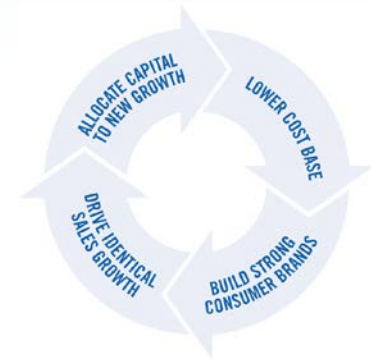
### Targeted price reductions

- Investing in price on > 1,000 SKUs across produce, meat, deli, seafood; focusing on KVIs across Fresh and dry groceries
- Focusing on a more effective leaflet and locally relevant promotional items



## European reorganization implemented

- **As part of Simplicity, a reorganization was implemented to:**
  - Make the head office support roles more efficient
  - Streamline the commercial organization at Albert Heijn to enable a greater focus on improving quality and value for its customers
- **Restructuring charge of €29 million**
  - €11 million at Corporate Center and €18 million in the Netherlands
  - Majority of costs includes severance payments
- **Expected gross savings of €30 million in 2015, to be reinvested in our customer proposition**





# Business highlights: the Netherlands

(2/2)

## Focus on improving our quality and value offering

### Albert Heijn continued to develop 'healthy food' proposition

Introducing new natural and organic products supported by a successful marketing campaign



### Completed Bakery assortment and presentation improvements

Improved trend in performance after addition of new and improved natural products

### Successful redevelopment of Albert Heijn to go format

Showing positive identical sales growth



### Strong progress on expansion into Belgium

Currently 23 stores and double-digit ID sales growth

# Business highlights: Czech Republic

(1/2)

## Continued improvements in customer offering and financial results

### Rollout of improvements to Produce category

Leveraging new supply chain and local growers

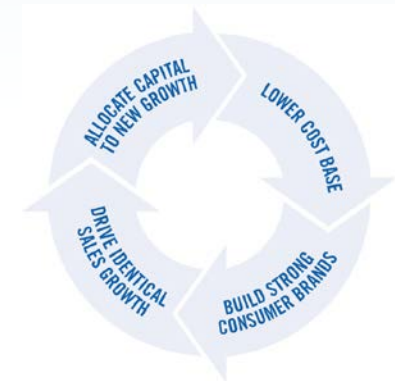


### Compact hyper “One” format continues to outperform portfolio

Format scores encouraging customer perception results

### Continued to improve profitability to 2.0% in Q2 2014

Supported by Simplicity initiatives in cost of goods and operating expenses



## Acquisition of Czech SPAR stores successfully completed



- Will make Albert the leading brand in the Czech food retail market
- Rebranding of stores expected to be finalized within one year
- Turnaround of a loss-making operation into one strong combined business
- Expected financial impact:
  - One-offs: around €10 million is expected in H2 2014, remainder in 2015
  - Net sales: consolidated as of August 1; €483 million in 2013
  - Underlying operating income: -€10 million impact in H2 2014 and slightly margin-dilutive in 2015
  - Margin-enhancing from 2016 onwards

# Continue to strengthen our leading online positions

## Peapod<sup>®</sup>

- Double-digit sales growth
- New semi-automated warehouse in New Jersey opened: will almost double capacity



- Continued strong growth
- Ongoing openings of pick-up points
- Customer awareness of AH's online services increased from 50% (more than one year ago) to 80% currently



## bol.com<sup>go</sup>

- Plaza sales up 121% in Q2 2014, now representing 16% of total consumer sales



- Growth of 110% in Belgium in Q2 2014, making Belgium 13% of net consumer sales
- Received customer awards for Best Web Shop in the Netherlands and Belgium

# Outlook

- We expect that ongoing investments in our customer proposition and further development of our product range across multiple categories will result in improving sales trends.
- For the year we still expect to deliver close to €300 million in cost savings from our Simplicity program, in line with last year, which will be reinvested to improve our competitiveness.
- We remain focused on executing our Reshaping Retail strategy, to take advantage of our strong brands, leading market positions, solid balance sheet, and fast-growing online business.

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