DELHAIZE GROUP

# IFRS

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# Safe Harbor

"This presentation includes forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statements based on a number of factors. Delhaize Group assumes no obligation to update the information contained in this presentation."

# Summary

- Introduction/key communication
- IFRS policy decisions
- Significant impact on January 1, 2003 equity
- Significant impact on 2004 earnings
- Other topics
- Questions

# Basis of Presentation

This presentation was prepared based on the current IFRS rules which are subject to ongoing review and endorsement by the European Union and possible amendment by interpretative guidance from the IASB and are therefore still subject to change

# Key Financial Communication

- The first  IFRS reporting will be the Q1 2005 results with comparative Q1 2004 figures (May 12, 2005)
- 2005 annual report to include 2004 and 2003 comparable results under IFRS to be published in April 2006 including a reconciliation to U.S. GAAP
- Continued filing of 20F for Delhaize Group with a reconciliation from IFRS to U.S. GAAP for 2005 (at the latest June 2006)
- Continued U.S. GAAP reporting for Delhaize America on a quarterly basis

# Key Policy Decisions

- Align as much as possible with U.S. GAAP where appropriate
- Income statement by function vs nature
- Proportional consolidation of joint ventures vs equity method (applies to Lion Super Indo)
- Recognition of all cumulative actuarial losses on employee benefit plans upon adoption of IFRS while in U.S. and Belgian GAAP only a portion is recognized

# Key Policy Decisions Cont.

- Property, plant and equipment will be recognized at amortized cost less any accumulated impairment consistent with U.S. GAAP versus revalued to fair value

- Expensing of stock based compensation for all unvested options and restricted shares at January 1, 2003 versus January 1, 2005 using the Black-Scholes valuation method

# Sample Income Statement Format

Sales and Other Revenue
Cost of Sales
**Gross Profit**
Other Operating Income
Selling General and Administrative Expenses
Other Operating Expenses
**Profit From Operations**
Finance Costs
Income from Investments
Income From Associates
**Profit Before Tax**
Income Tax Expense
**Net Profit from Continuing Operations**
Discontinued Operations (net of tax)
**Net Profit**

# Basis of Presentation

The next several slides provide a summary of the most significant but not necessarily all of the adjustments to the Delhaize Group financial statements upon adopting IFRS. This information is based on the significant amount of work performed to date but which is still subject to audit by our outside auditors and any change in rules and interpretations

# Significant Impact on January 1, 2003
# Equity

- Timing of the recognition of dividends: no accrual at year end anymore. Dividends are recorded upon formal declaration (+EUR 81 million)

- Reclassification of treasury shares from investments to equity and change in measurement from lower of cost or market to cost (-EUR 6 million)



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# Significant Impact on January 1, 2003
# Equity

- Recognition of all unrecognized actuarial losses on defined benefit plans versus partial recognition (-EUR 42 million)

- Reclassification of deferred loss on interest rate lock associated with the financing of the Hannaford acquisition from assets to equity (-EUR 47 million)

# Significant Impact on January 1, 2003 Equity

- Impairment of goodwill and indefinite lived intangibles - Under IFRS, there is an annual test of impairment of goodwill and indefinite lived intangible assets. Under Belgian GAAP an asset is reviewed for impairment if there is an indication of permanent decline in value. Under IFRS, Delhaize Group will test goodwill for impairment at the individual U.S. banner level versus for Delhaize America as a whole under U.S. GAAP. Under IFRS we will write off the goodwill at Kash and Karry and push back the write off of the Kash and Karry tradename from Q1 2004 under Belgian GAAP to January 1, 2003 (-EUR 107 million). For U.S. GAAP purposes we will continue to test goodwill for impairment at the total Delhaize America level.

# Significant Impact on January 1, 2003 Equity

- Reverse historical or legally required revaluation of fixed assets in Belgium and Greece to amortized cost consistent with U.S. GAAP (-EUR 11 million)
- The change in accounting method for inventory, related to the PRISM implementation at Food Lion and Kash n' Karry, recorded in the 2003 operating statement under Belgian and U.S. GAAP will be recorded as an adjustment to the opening 2003 balance sheet under IFRS (-EUR 52 million)

# Significant Impact on January 1, 2003 Equity

- **Change in accounting method for U.S. GAAP related to vendor allowances in Q1 2003 will be recorded as an adjustment to the opening 2003 balance sheet under IFRS (-EUR 17 million)**

# Significant Impact on January 1, 2003
# Equity

- Consistent with U.S. GAAP, impairment on property, plant and equipment must be evaluated whenever an indication of impairment exists. We are currently reviewing our fixed assets for impairment and expect due to the stricter IFRS versus Belgian GAAP rules that there will be an adjustment to the 2003 opening balance sheet. Going forward we expect any future impairment to be consistent with U.S. GAAP taking into consideration historical differences



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# Significant Impact on January 1, 2003
# Equity

- Differences between Belgian GAAP, U.S. GAAP and IFRS concerning the timing and discounting of certain provisions, particularly closed store reserves, will result in an adjustment to those reserves which we are still evaluating. This will be a positive impact to opening 2003 equity

- Deferred taxes - there is currently a debate within and among the accounting firms on whether deferred taxes should be recognized on capital leases. This issue has been referred to IFRIC (International Financial Reporting Interpretations Committee) for interpretation. There are currently a few other minor differences related to deferred taxes.

# Significant IFRS Impact 2004 Earnings

- No amortization of goodwill and indefinite lived intangible assets (tradenames in the U.S.). Full year 2004 projection (+EUR 100 million)
- No treasury share valuation adjustment under IFRS. Year to date September 2004 (-EUR 3 million)
- Annual stock based compensation - options and restricted stock (-EUR 20 to 25 million)
- Other less significant potential adjustments: impairment, provisions, taxes and pensions
- Regarding presentation - no exceptional items but added line for discontinued operations

# Additional Topics

- **Operating vs capital leases - currently only a very small adjustment is foreseen to opening 2003 equity and earnings to our Belgian GAAP results because we currently already apply the U.S. GAAP rules to our U.S. business that are very comparable with the IFRS rules. Delhaize Group will use the four U.S. GAAP criteria and other U.S. interpretations for classifying leases with consideration for the additional guidance included in IAS 17**

- **Under IFRS, the 2001 share exchange goodwill for Delhaize America has to be recorded in USD vs EUR under Belgian GAAP. Therefore, there will be a significant adjustment to the Cumulative Translation Adjustment (CTA) due to the weakening of the U.S. dollar in 2003 and 2004**

# Additional Topics

- **EUR 300 million Delhaize Group convertible bond - Under IFRS the debt portion of a convertible bond is determined by calculating the present value of the interest and principle payments at a market rate of interest with the difference classified as equity**
  **(EUR 35 million to be classified as equity)**

- **Segment Reporting - U.S., Belgium, Greece and Emerging Markets**

# Question Time



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