

**INVESTORS' CONFERENCE CALL DELHAIZE GROUP  
SECOND QUARTER 2011 RESULTS**

» **Introduction (Conference Call Company)**

Welcome to Delhaize Group's second quarter 2011 earnings conference call. I now hand over the conference call to Geert Verellen, Vice President of Investor Relations and External Communications of Delhaize Group.

» **Geert Verellen**

Thank you operator. Good afternoon everyone in Europe, good morning in the U.S. Welcome to the conference call concerning Delhaize Group's results for the second quarter of 2011.

This presentation contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statements. Factors that could cause results to differ materially from those in the forward-looking statements are detailed from time to time in reports filed by the Company with the SEC. These forward-looking statements are made as of the date of this presentation. Delhaize Group assumes no obligation to update the information contained in this presentation.

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Today, we have the following people with us:

- Pierre-Olivier Beckers, CEO Delhaize Group
- Stéfan Descheemaeker, CFO Delhaize Group
- Ron Hodge, CEO Delhaize America
- Michel Eeckhout, CEO Delhaize Belgium

During this call we will first look back on our performance in the second quarter of 2011, followed by comments on operations and strategy. Afterwards, we will take questions. For those unable to stay on the call, or who wish to listen to it again, a replay will be available on the Company's website. I now turn to Pierre-Olivier Beckers for an introduction of our second quarter results.

» **Pierre-Olivier Beckers**

Thank you, Geert. Hello everyone and thank you for joining our conference call.

We are very encouraged by the fact that this second quarter, we were able to **accelerate revenues** at identical exchange rates in all our operating segments. We also accelerated revenue growth in all our segments compared to the first quarter of this year. We firmly believe we are harvesting the benefits of the steadfast execution of our New Game Plan strategy in an environment that continues to be impacted by high unemployment rates and lackluster consumer confidence. In the U.S., we are particularly pleased with the solid **volume trend improvements** that we are seeing in the Southeast. We are especially happy to see that the work we have done in the two Food Lion markets of Raleigh and Chattanooga, is paying off with strong transaction and basket growth as well as good customer feedback. Delhaize Belgium grew revenues again even though it was up against the challenge to cycle the 5% comparable store sales growth of the second quarter of 2010. And also in **Greece**, where

people sometimes think that life has come to a halt, our operations continue to increase market share and revenues in a challenging environment.

An important ambition of the New Game Plan strategy is to create a platform for growth. Last week we announced the completion of the acquisition of **Delta Maxi**. Now that we are officially "at the wheel" if you will, we can effectively start the integration process and align Delta Maxi's operations with the choices made in the New Game Plan. The acquisition of Delta Maxi, allowing us to accelerate revenue contribution in Southeastern Europe, is a significant step in re-balancing our Group's portfolio towards higher growth markets.

Funding for our organic and external growth continues to come from the **structural changes** to the way we operate. At the end of the second quarter, halfway through our three year journey, we have generated already 60% of our ambitious **cost savings** target. And even though the time lag between cost savings and the benefits of our investments has an impact on our operating margin, we are convinced that in the **long term, our profitability will not be materially impacted**. I will come back to this later after Stéfan provides you with some additional comments on our financial performance in the second quarter. Stéfan...

» **Stéfan Descheemaeker**

Thank you, Pierre-Olivier. Welcome everyone.

» **Second Quarter 2011 Income Statement**

I will review our figures based on identical exchange rate evolutions unless otherwise stated. In this quarter, the U.S. dollar has weakened on average by 11.7% against the euro compared to the second quarter of last year.

**Revenues** increased by 3.9%, supported by revenue growth at all operating segments. In the U.S., revenues grew in local currency with 4.3%. Comparable store sales growth adjusted for the positive calendar effect of Easter stood at 1.6% and turned positive for the first time since the second quarter of 2009. This is the fourth consecutive quarter of comparable store sales improvements. While higher retail inflation partially contributed to this positive trend, it remains below our cost inflation, due to our consistent application of the pricing strategy of the New Game Plan. More importantly for us, volume trends in the Southeast saw a significant improvement from previous quarters, while our Hannaford operations continued to perform well. Competitive activity continued to be aggressive but remained relatively stable compared to the previous quarter.

In Belgium, revenues grew by 1.7% compared to the second quarter of 2010, improving upon a very strong comparable base last year. Comparable store sales were flat due to weak consumer spending and a very strong second quarter last year with comparables of 5% being almost entirely volume driven. The end of the quarter was also affected by bad weather resulting in lower sales in typical summer categories.

Revenues in Southeastern Europe and Asia increased by a solid 7.8%. In an overall declining Greek market, Alfa Beta continues to grow revenues, increase customer count and gain market share. Revenue growth in Romania and Indonesia was driven by net store additions and strong comparable store sales in Romania.

**Gross margin** decreased by 24 basis points to 25.1% mainly as a result of price investments throughout the Group, that were not entirely offset due to delays that we experienced in

realizing savings from the category management and supply chain initiatives in the U.S. The gross margin decrease was partially offset by better supplier conditions in Belgium and Southeastern Europe and Asia and by a VAT refund in Belgium.

**Selling, general and administrative expenses** decreased by 8 basis points to 21.3%, generally as a result of continued cost reduction efforts across all banners towards our EUR 500 million target. This evolution is also the result of positive sales leverage in the U.S. and Southeastern Europe & Asia, despite salary indexation at Delhaize Belgium and increased advertising and other expenses in the U.S.

For the quarter, **operating profit** increased by 0.5% to EUR 209 million. Underlying operating margin stood at 4.1%, a decrease compared to 4.4% last year.

Group share in **net profit** for the quarter increased by 10.1% at identical exchange rates thanks to lower finance costs and a lower effective tax.

#### » Cash Flow

Looking at our cash flow statement for the quarter, **net cash provided by operating activities** amounted to EUR 211 million at actual exchange rates, a decrease from EUR 331 million last year, as a result of a higher use of cash in operating assets and liabilities and lower operating profit generation. This is partly offset by lower interest amounts paid due to the timing of bond coupon payments and lower income taxes paid.

We generated **free cash flow** of EUR 60 million at actual exchange rates, a decrease of EUR 126 million compared to last year. This is mainly the result of higher cash used in operating assets and liabilities and lower operating profit generation, partly offset by lower interests and taxes paid. Our net debt to equity ratio continued to improve and now stands at 32%, down from 35% at the end of 2010.

#### » 2011 Outlook

We updated our capex guidance for the full year 2011 and now expect capital expenditures to range between EUR 820 and EUR 840 million excluding leases and Delta Maxi compared to EUR 900 million as previously announced. This is mainly due to delays in the construction of new stores later on in the year. We maintain our gross store openings target range of 135 to 145, which will translate in a net addition of 115 to 125 stores for the full year by the end of 2011.

I would like now to turn back to Pierre-Olivier to give you an update on our strategy and our operational initiatives.

#### » Pierre-Olivier Beckers

Thank you Stéfan. Let me now give you an update on where we stand with our New Game Plan. As usual, let's review the progress we have made in the areas of growth, efficiency and sustainability.

#### Growth

In May of this year, we announced the launch of the **brand reinforcement work** in 200 Food Lion stores in Raleigh, North Carolina and Chattanooga, Tennessee. We have commented on this extensively in our first quarter earnings call. The challenge we took on was to make sure that the

brand attributes of Food Lion, including low prices, a quality assortment as well as an easy and convenient shopping experience are delivered to our customers every day. To put it differently, we can summarize this strategy in three words: Simple-Quality-Price. As mentioned then, we would focus as much on financial KPIs as on the qualitative feedback collected from our customers directly. Today, we can say that, even though we are only 3 months into the re-launch, our dashboard of qualitative and quantitative KPI's looks predominantly green.

Customer feedback tells us that Food Lion is on the right track and the changes we have made are being noticed and appreciated. Looking at the metrics, comparable store sales growth of the 200 stores outperforms the rest of the network through significant increases in transaction count and basket size and despite the additional price investments. So clearly we are pulling the right levers and going in the right direction. While indeed it is early days, we believe we will be in a good position by the end of the year to decide what to replicate in the rest of the network.

Still in the U.S., we continue to explore new opportunities for **Bottom Dollar Food**. Our 19 Philadelphia market stores opened since the fourth quarter of 2010 are definitely performing according to plan. Transactions continue to increase as we drive trial in this new market. Also basket size and number of items are performing well. Going forward, we now need to increase the store density to fully realize the potential of the brand while at the same time we continue to fine-tune the concept. We strongly believe in its potential and therefore, two weeks ago, announced our planned entry in another new market, the greater Pittsburgh, Pennsylvania area. In early 2012, we plan to open 14 new Bottom Dollar Food stores there. Just like we did in Philadelphia, we enter in Pittsburgh a market underserved by discount grocers, where we can fill a gap in the marketplace by providing a straightforward one-stop shopping experience.

Just last week, we completed the acquisition of **Delta Maxi**. This event is without any doubt one of the most important steps for our Group in the last decade and fully in line with our New Game Plan's objective to accelerate profitable growth. With this acquisition, we have become one of the leading food retailers in Southeastern Europe with solid prospects for further expansion. Now comes the task of integrating Delta Maxi into Delhaize Group and for this we did not waste any time since March to develop our plans. We want to preserve as much as possible the local strengths of this business while fully aligning its strategy with the choices set forth in the New Game Plan. To that end, we have strengthened local management with people bringing different areas of Delhaize expertise. We are fully convinced that together, they will be the close knit team that will drive our Group's profitable growth in the region.

Over the next several quarters, we will focus on setting up strategies for pricing, branding, assortment and format management in order to fully capture the identified synergies. From the end of 2013, we expect to generate more than EUR 20 million in EBITDA synergies primarily from improved procurement, better inventory management and optimized finance, IT and supply chain systems and processes. As from August 1st, Delta Maxi will be included in our Southeastern Europe and Asia segment. We will update you on our plans for Delta Maxi later on this year.

Our Southeastern Europe & Asia segment has posted another strong quarter, especially in Greece. The news flow coming from this country has been mostly negative. While there is no doubt that the country is in a deep crisis, and customers are under severe pressure, we discovered that a crisis can also be an opportunity. Our business is doing well thanks to the right strategic choices made in the last couple of years. Today, we are able to offer the right assortment including a broad 3-tier private brand assortment at very competitive prices just at the time consumers are trading down and looking for alternatives. The best proof that we are doing the right things is that we continue to build market share fast in a market that is continuing

to decrease. Of course we need to be vigilant and we are committed to do what it takes to further strengthen our position.

### **Efficiency**

Let's talk about the second pillar of the New Game Plan, efficiency. All of these sales building initiatives need to be funded. And that's why we are structurally changing the way we operate. We have talked to you about this numerous times. At the start of 2010, when we introduced the New Game Plan strategy, we set ourselves an ambitious target to achieve EUR 500 million in gross annual cost savings by the end of 2012.

Today at the end of the second quarter, we are exactly midway in terms of timing and 60% or EUR 300 million of these targeted savings has been realized. These are almost equally split between SG&A and cost of goods sold improvements. The savings include increased labor efficiency, better supplier terms and savings in supply chain, repairs and maintenance, energy reduction initiatives and efficiency improvements in our stores. In accordance with the New Game Plan, most of these savings have been applied to fund price investments on the one hand and offset rising costs on the other. Indeed, we had to cover for the increased expenses resulting from network growth, salary increases, inflation in rent and utilities and miscellaneous other costs. Even though in the second quarter we were faced with some delays in the generation of the savings from the category management and supply chain initiatives in the U.S., these savings will accelerate in the second half of the year.

### **Sustainability**

This past quarter, we launched our fourth Corporate Responsibility Report. And fully in line with the spirit of sustainability it is, from this year on, only available in a digital edition on the website and no longer in a hard copy format. Let me use this occasion to invite you all to visit our website and read the report. As a food retailer, we care a lot about the sustainability of the products we sell, the health and wellness of our associates, our customers and the communities we serve, and the environment in which we operate. We strongly believe that by acting good for society, we are also acting to the financial benefit and the profit growth of our Company.

### **Conclusion**

Now let me conclude. As in the past quarters, we are fully committed to continue executing our New Game Plan. As time goes by, the results we are generating are proof that we are pulling the right levers. We are on the right track to strengthen our highly profitable Food Lion brand, we are expanding our Bottom Dollar Food network in yet another market and we are becoming one of the leading food retailers in the Southeastern part of Europe. And we are funding all this through structural changes in the way we do business, thus supporting our long term profit growth. As a result, we are confident that the second half of the year will show an acceleration of our revenue and profit momentum.

This concludes our prepared remarks. We are now available to take questions. At this time, I will turn the program over to our conference call operator, who will give you instructions for asking questions.

### **» Q&A**

Led by Pierre-Olivier Beckers.

» Closing - Geert Verellen

Thank you for participating in today's conference call. A replay is available on the Company's website. There you can also find the text with our prepared remarks. If you have additional questions, do not hesitate to contact our Investor Relations Department. Delhaize Group will announce its third quarter earnings on Thursday November 10, 2011. I also want to use this opportunity to announce that we are organizing an analyst and investor field trip to our U.S. markets on December 1 and 2. More information will be available shortly. We look forward to meet you at that occasion.

Thank you and have a nice day.