INVESTORS' CONFERENCE CALL DELHAIZE GROUP
SECOND QUARTER AND FIRST HALF YEAR 2010 RESULTS

» Introduction (Conference Call Company)

Welcome to Delhaize Group's second quarter and first half year 2010 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 and first half year of 2010.

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 Operations
- Michel Eeckhout, CEO Delhaize Belgium

During this call we will first look back on our performance in the second quarter of 2010, 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.

During our second quarter, our Group has been able to maintain stable revenues at identical exchange rates despite the significant impact of low inflation, caused in part by our own price investments, and the continued difficult economic environment. Our Food Lion operations suffered from the very difficult economic and competitive environment in the Southeast of the U.S. while our Hannaford operations were holding up well against the competition.

Our Belgian operations performed outstandingly with great sales momentum and the highest comparable store sales growth of the last seven years. Delhaize Belgium's market share increase was the highest of all retailers in the country. In Greece, Alfa Beta continues to perform solid revenue growth, mostly driven by real volume growth and again increased market share thereby showing its resilience in an increasingly difficult economic environment.

This being said, we are disappointed with our sales results in the Southeast of the U.S. in the second quarter. Even though we had expected that the second quarter would be the most difficult of the year in terms of comparison, the deflationary effect of our fundamental change in price strategy since the beginning of 2010 was amplified by un-abating pressure on the consumer and the fact that the gradual increases in inflation we expected as from the second quarter did not materialize. In addition, the macroeconomic environment has lead in the Southeast to a continued promotional aggressiveness in the market place.

Aside from this current reality, we are confident that we are moving along well on our path to implement our New Game Plan. Testimony to that is the fact that we are able to raise our gross annual savings target from EUR 300 million to EUR 500 million by the end of 2012 thanks to the identification of EUR 200 million new savings in cost of sales.

I will come back to this later.

As a result of our firm commitment to our new strategy of lower prices, the continued pressure on the U.S. consumer, the aggressive competitive environment and the expectation of significantly lower than expected retail inflation especially in the Southeast of the U.S. for the remainder of the year, we have decided to adjust our full year operating profit growth expectations to -2% to +2% instead of 2% to 5% previously.

Stéfan will now provide you with some additional color on the second quarter results and I will come back later to give you a brief update on some current strategic initiatives. Stéfan …

» Stéfan Descheemaeker

Thank you, Pierre-Olivier. Welcome everyone.

» Second Quarter 2010 Income Statement

As usual, I will review our figures at identical exchange rates unless otherwise stated. In this quarter, the U.S. dollar has strengthened on average by 7.3% against the euro compared to the second quarter of last year.

In this quarter, Delhaize Group kept its **revenues** stable despite the persistence of the challenging economic environment and low retail inflation, sometimes deflation at our operations.

In the U.S., our revenues decreased by 2.8% and our comparable store sales growth was negative 3.6%. Structural price investments made since the beginning of the year at Food Lion and continued low cost inflation have resulted in a retail inflation of zero for the U.S. for this quarter, creating a tougher comparison with last year's inflation of 1.5% in the second quarter.

Even though we expected a tough second quarter, we are disappointed in our actual sales results. As already mentioned, the U.S. economic environment remains very challenging, especially in the Southeast. Consumers continue to be stretched and very prudent in their spending, while competitive activity remains very promotional.

We foresee that the price investments made at Food Lion since the beginning of the year will gain sales traction later this year, although starting from a lower base and later than initially planned. Our new earnings guidance also foresees our continued commitment to price investments at Food Lion .

In Belgium, total revenues strongly increased by 5.8% in the second quarter and our 5.0% comparable stores sales growth was the highest in seven years. Continued price decreases and strong commercial plans resulted in further market share gains.

Revenue growth at Alfa Beta in Greece remained resilient at 5.5%, the result of volume growth due to an increase in the number of transactions. Alfa Beta has further increased its market share in a Greek food retail market under strong pressure.

In our Rest of the World segment, revenues increased by almost 20%, mainly as a result of the expansion of the store network and comparable store sales growth in both countries. In Romania, our price positioning continued to improve and the underlying sales trend is improving for the second quarter in a row.

Gross margin was stable despite the continued structural price investments primarily at Food Lion. Improved buying conditions across most of our operating companies, a more favorable product mix at Hannaford and lower distribution and transportation costs at Delhaize Belgium offset the negative impact of the price investments on gross margin.

Selling, general and administrative expenses increased by 65 basis points as a result of negative sales leverage in the U.S. and higher advertising costs in Belgium. In the U.S., our operating expenses were flat in absolute terms thanks to better store labor scheduling, reductions in other staff costs, the positive effect of the Food Lion store closings at the beginning of this year and the annualized impact of last year's savings achievements. We are on track to reach our Group target of EUR 300 million annual SG&A savings by the end of 2012.

Our **operating margin** decreased to 4.2% of revenues, mostly as a result of negative sales leverage.

» Cash Flow

Looking at our cash flow statement for this quarter, net cash provided by operating activities amounted to EUR 331 million at actual exchange rates, more than double the amount of last year, as a result of better working capital management and lower income taxes paid this year as a result of optimization opportunities in the U.S.

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Delhaize Group generated EUR 182 million in free cash flow at actual exchange rates, a strong increase of EUR 155 million compared to last year mainly as a result of higher cash provided by operating activities. Our net debt to equity ratio continued to improve and now stands at 43%, down 4 percentage points since the end of 2009.

» 2010 Outlook

Our results for the first two quarters and our plans and expectations for the remainder of the year lead us to revise our operating profit growth outlook. In the Southeast of the U.S., lower than initially expected inflation and continued competitive pressure will result in lower than planned sales during the remainder of the year. At the same moment, we are committed to continue our price investments.

We now expect our operating profit growth to be in the range of -2 to +2% instead of the earlier announced 2 to 5% range. Mainly due to delayed timing of real estate development and optimizations we are adjusting our full year outlook for capital expenditures to EUR 700 million and our net store network additions to 82 to 92 stores by the end of the year.

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

Thanks Stéfan,

We are now six months into the execution of our New Game Plan and all our operating companies have made good progress in putting in place the sales building and cost savings initiatives that are part of this Plan. With the exception of the Southeast of the U.S., our other banners have performed well this quarter thanks to these initiatives. Our confidence in the New Game Plan is further reinforced by the identification of an additional EUR 200 million cost savings in the area of cost of sales, raising our initial target for annual gross savings by the end of 2012 to EUR 500 million.

Let me now walk you through some of the initiatives that support our future growth and performance and then I will touch on the challenges we see at Food Lion and how we are addressing them.

Sales – Price/Assortment/Network

Price, now more than ever, matters to our customers and this is why offering competitive prices every day is one of the key elements in our "New Game Plan".

At the beginning of 2010, **Food Lion** lowered thousands of prices resulting in a marked change in price reality and substantial savings for our customers. During this past quarter, Food Lion also launched a series of television ads supporting the new price strategy and referring to Food Lion's low price heritage. In the stores, we started with the installation of "Coupon Kiosks" enabling customers to benefit from tailor-made offers based on past purchases.

In June, **Sweetbay** launched the "Take Back Your List" website that allows customers to compare prices against competitors and to create and print shopping lists. The site is part of Sweetbay's new advertising campaign promoting its every-day-low-price positioning and is based on the weekly price comparison of 30 products done by local media.

This past quarter, **Delhaize Belgium** launched its fifth price investment campaign in a period of only 18 months, lowering prices of more than 1 300 national brand items. These sustainable price reductions are supported by targeted mailings and promotions such as the new summer campaign developed in collaboration with the WWF. The impact it has had so far is just as strong as last year's very successful Disney Pixar action. At the end of July, over 200 million cards had been distributed since the start of the campaign. Overall customer satisfaction scores continue to improve and have reached their highest points since quite some time now. We believe this shows that we are well on our way to solidify our position as value leader in the Belgian market.

As we progressed through the second quarter, the Greek economic environment started to impact consumer behavior. Consumers are now trading down to lower priced items. But Alfa Beta has shown remarkable resilience in this environment evidenced by continued volume growth due to an increasing number of customer visits and sales growth significantly outpacing the market. As a result, Alfa Beta's market share is now more than two full percentage points higher than in the same period last year.

At all our banners **private brands** continue to increase in importance, mainly as a result of continued promotions and assortment innovation. Private brands are a great way to increase customer loyalty, certainly in these difficult times, and at the same time support gross profit. At Alfa Beta for example, private brand sales penetration has increased by over 60 basis points compared to prior year. In the U.S., private brand sales increased by close to 100 basis points on average.

At Delhaize Belgium, the recently introduced private brand baby food range took a great start, further proof of the strength of our brand supported by guaranteed traceability and strict quality controls. To optimize shelf space and assortments and improve the stores' performance, Delhaize Belgium also executed an in-depth value chain analysis for poultry, wine, seafood, fruit and vegetables categories and will equip its entire store network with new store-specific planogram software by 2011.

Our "New Game Plan" includes a considerable acceleration in organic store growth in our **newer markets** and with our **newer formats**, such as Bottom Dollar Food in the U.S. and Red Market in Europe.

A few weeks ago, Bottom Dollar Food, our full-shop discount grocer in the U.S., announced the locations for approximately 20 new stores in the greater Philadelphia market, thus opening a brand new geography for our Group that we think is currently underserved in the soft-discount grocery arena. By the end of the year between 15 and 20 of these stores should have opened. This is an important step up from the existing 28 Bottom Dollar Food stores we operate today.

By the same token we see our European low cost supermarket grow its success and expand its network. By the end of 2010, we plan to have 6 Red Market stores in Belgium, 13 in Romania and 3 in Greece. We are learning fast from our first Red Market stores and ideas first tried there such as the stock up discount, granting lower average prices to customers the more they buy of a given article, have been successfully introduced in our classic Belgian stores to support specific promotions.

In the meantime, we continue our planned **market renewals** in the U.S. Food Lion plans to renew the Richmond market in Virginia with 21 stores and the Greenville market in North Carolina with 10 stores in the next quarter. The Roanoke, Virginia market has been selected for market renewal in the first quarter of 2011.

In the second quarter, Delhaize Group received the approval of the Hellenic Capital Market Commission to **squeeze-out** the minority shares of its Greek subsidiary Alfa Beta. Acquiring 100% of our Greek operations is an important step to achieve a solid platform for further growth in Southeastern Europe.

Cost Management

One of the priorities of the New Game Plan is to fund sales building initiatives and support the Group's profitability through internally generated resources to drive a virtuous growth cycle.

We are well on our way to reach the targeted EUR 300 million in annual gross SG&A savings by the end of 2012, even if for the second quarter these cost reductions are less visible for our U.S. operations than during the first quarter as a result of the negative sales leverage due to Food Lion's weak sales performance.

In the U.S., our operating companies have made great efforts to balance service levels with lower store labor hours resulting from better planning of schedules and reviewing store processes. Examples include outsourcing the production of certain food items, converging back office tasks or reviewing check-out processes to improve store payroll.

In the context of the supply chain master network project, all our U.S. operations will have switched to the same warehouse management systems by the end of 2010, and the synergies and efficiencies of the unified network will start to come in. At Delhaize Belgium, the new automated distribution center for fresh products that opened last September, has reached cruising speed and is well on track to deliver the planned annual EUR 11 million cost savings.

And we continue to go further. After the start of the supply chain master network in 2008 and the shared services organization for the U.S. early 2010, we are today particularly excited for our U.S. operations about the potential offered by the creation of a single procurement organization for Delhaize America that will support all our U.S. banners with assortment and promotions planning and execution, sourcing and procurement, private brand management and pricing expertise.

Further improvements in private brand management, product sourcing, value chain analysis and supply chain optimization will accelerate the significant savings achieved during the last quarters. By the end of 2012, these initiatives across the Group will result in an additional EUR 200 million of gross savings in cost of sales, increasing our targeted annual gross savings to EUR 500 million by the end of 2012.

Corporate Responsibility

Product, people and planet are at the heart of our business and this is where we can make a difference towards a more sustainable way of life.

In the U.S., Food Lion recently received the ninth consecutive energy star for sustained excellence in **energy** management. Delhaize Belgium has reduced the energy consumption in its stores by more than 5% per m^2 compared to last year, well ahead of its target to get to 35% reduction in energy consumption by the end of 2020.

Just recently, all Delhaize America banners adopted a new **sustainable seafood policy** which requires suppliers to guarantee by March 2012 that seafood is coming from sources managed for sustainability and that it encourages local sourcing. This program was developed in partnership with a marine science center ensuring the scientific evaluation of fisheries. We are also making the same commitment for 2012 in Belgium as we want to position ourselves as the leading food retailer in that domain and we will partner for this with WWF.

Food Lion

Let us now take a closer look at what is happening in the Southeast of the U.S. and what we think are some of the elements that have resulted in lower than planned sales at Food Lion and particularly on how we address this.

First of all, there is the continued tough macro-economic environment. Unemployment is high in a large part of Food Lion's market. Approximately 170 counties in Food Lion's trade area have unemployment rates above 12% and this puts additional pressure on consumers. Increasing numbers of customers use coupons, make shopping lists they stick to and always try to buy items that are on sale. The number of people receiving food stamp benefits has increased 21% compared to prior year.

In this difficult economic environment, all our competitors are using aggressive high low promotional tactics to buy traffic and the price leader is also promoting aggressive rollbacks. This puts additional pressure on prices, on top of the structural price reset we started at the beginning of the year at Food Lion. As a consequence, where we expected low levels of inflation resuming during the second quarter, our full year expectations now stand at low deflation which represents approximately a 150 basis points swing compared to plans at the beginning of the year.

In this environment, Food Lion embarked in early 2010 on a fundamental price repositioning to respond to the structurally changing consumer needs and go back to its roots as the well-known low price leader in the Southeast among traditional supermarkets. This year, prices have been lowered on critical items, key value items and nearly all foreground items. Our traditional competitors have not reacted to our price repositioning and continue to use promotions to drive traffic.

At the same time, we have consciously not increased until now our promotional efforts as we have focused our investments on permanent shelf pricing and we realize that this may hurt our sales performance in the short term.

We started however to see very quickly the first positive signs of our price decreases in those categories that were directly impacted by our price repositioning through an increase in real unit sales compared to prior year, but these positive evolutions were still overshadowed by the overall sales trend during the last months.

As said at the start of our price reset, we believe that it will take time to translate the impact of the lower prices in more noticeable sales traction. Our price reset is a structural and ongoing initiative, as we try to strike a balance between sustainable cost savings, price investments and the resulting sales uplifts. However, as we continue to generate cost savings initiatives, we are committed to continued price investments this year.

Aside from price investments, Food Lion is using other tactics as well to drive customer traffic such as the coupon kiosks I referred to a few minutes ago. Using the data from our MVP loyalty card, we are leveraging customer insights to enhance the effectiveness of exit coupon marketing. Targeted programs are developed with some of our vendor partners to drive seasonal sales opportunities such as Back To School or Fall Football season and of course, the holidays.

Finally, we continue to work on structurally improving shopping convenience and to take advantage of the great locations of our 1200 Food Lion stores.

Conclusion

Let me conclude. Even though we are disappointed with our second quarter performance in the Southeast of the U.S., we are confident that we are making the right choices to respond to day-to-day challenges and support long-term accelerated growth across the Group The solid performance of several of our operating companies is a clear proof of the success of our New Game Plan approach. Now is absolutely the time to stay focused on the choices we have made and to accelerate our efforts where needed.

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 results on Wednesday November 10, 2010.

Thank you and have a nice day.