



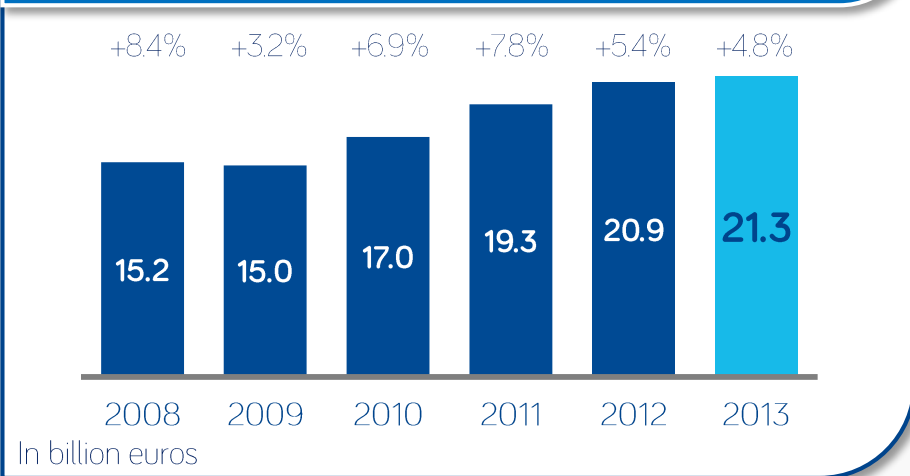
# ON THE ROAD TO STRONG SUSTAINABLE PROFITABLE GROWTH

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Cécile CABANIS

# WHAT WE SAID IN NEW YORK

## DANONE 2008-2013 SALES AND LIKE-FOR-LIKE SALES GROWTH

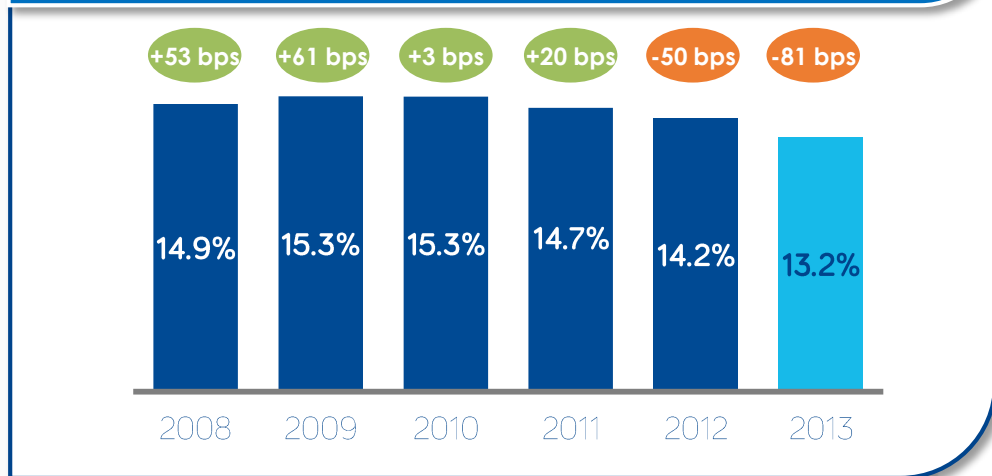


DANONE

CONSISTENT TOPLINE GROWTH

PRESSURE ON MARGINS FROM 2012

## DANONE TRADING OPERATING MARGIN AND TRADING OPERATING MARGIN LIKE-FOR-LIKE



Strong and consistent profitable growth in Early Life Nutrition



Acceleration from 2009 in Waters sales & margin



Dairy margin under pressure from Europe



Slowdown of the Medical Nutrition's growth but resilience of the operating margin model



# WHAT WE COMMITTED TO



**STRONG  
PROFITABLE  
SUSTAINABLE**

---

**GROWTH**

**SUSTAINABLE  
EPS**

**GROWTH**

# WE ARE ON TRACK



# WHAT WE ACHIEVED SINCE NEW YORK



## Turnaround is in progress



Structural gross margin improvement to support value creation



Reignite growth



Build resilience & protect margin



## Continued strong profitable growth



## Building a sustainable model of growth



## Strong profitable growth



# STRUCTURAL GROSS MARGIN IMPROVEMENT TO SUPPORT VALUE CREATION

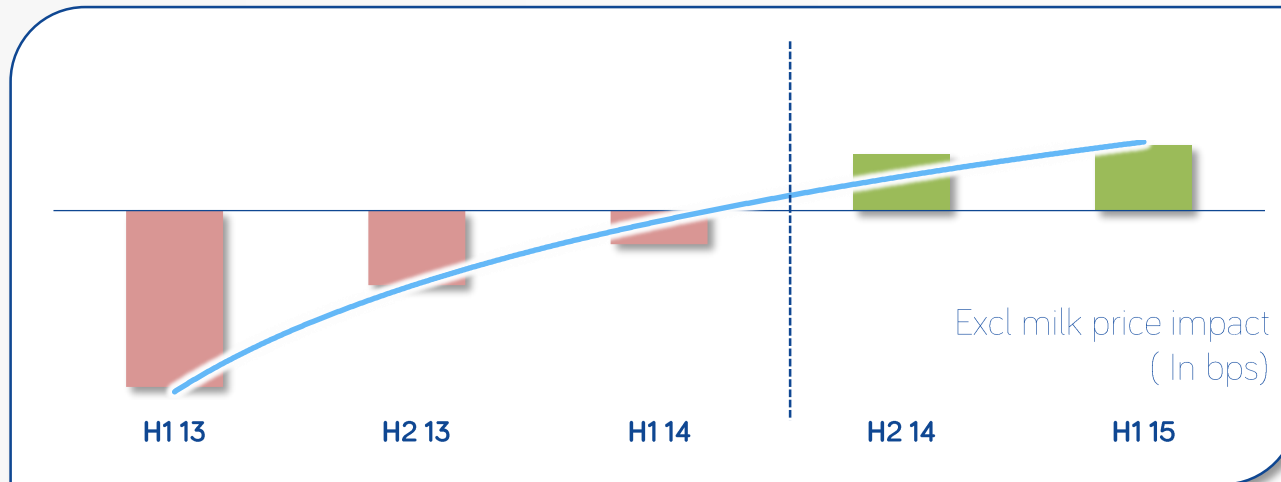


## GROSS MARGIN IMPROVEMENT

H1 2015 > +140 bps

Efficiencies

Mix Portfolio Management



## INVESTMENT (A&P)

H1 2015 > +150 bps



# REIGNITE GROWTH



## 360° Portfolio activation



A&P 2015  
>+50 bps



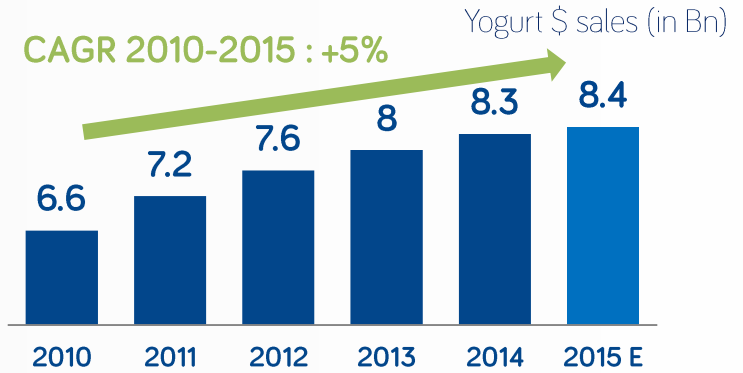
Sales execution



Innovations

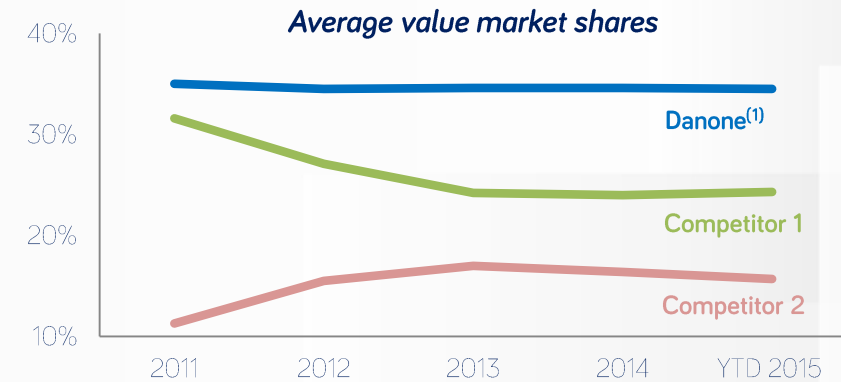


## A continued growing category



Source: Euromonitor

## Consolidated leadership



(1) Danone : including Stonyfield and YoCrunch

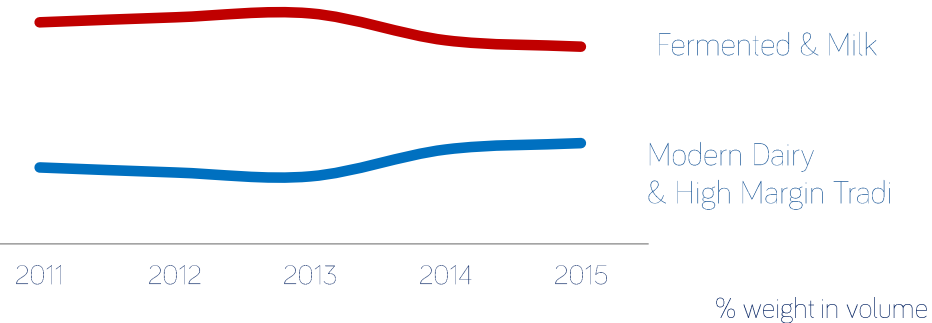
Source: IRI Multi Outlet



# BUILD RESILIENCE AND PROTECT MARGIN



## Portfolio mix improvement



Mix improvement (2012-2015):  
> +150 bps/year

## Enhance structural efficiencies

Adaptation of industrial  
cost structure & logistics



Simplification of sales units  
and centralization of  
supporting functions



Improvement cost operations  
/sales (2012-2015)  
> +250 bps/year

## CIS financial KPIs since integrating Unimilk

**Sales**

Average sales growth  
per year (like-for-like)

≈ +7%

**Margin**

Average margin  
accretion per year

> +60bps

**Op Wk Cap/sales:**

from ≈-5% to ≈-10%

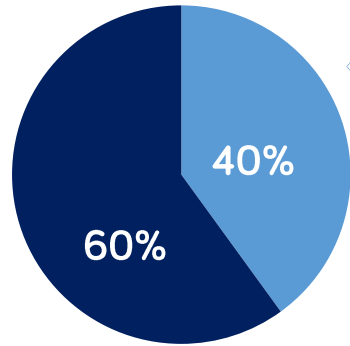




# WATERS: CONTINUED STRONG PROFITABLE GROWTH



## Breakdown by segment



AQUADRINKS  
« double digit »\*

PLAIN WATER

« Mid to high single digit »\*

## Brand activation & Innovations



## Spain turnaround

- Significant cost reduction
  - Targeted reinvestment
- ⇒ Back to profitable growth
- ⇒ MS gains since 2014:



\*9M sales growth

## Overall market share gains since 2014

+1 pt

Danone MS in 11 countries  
Source: Nielsen / IRI Data



# EARLY LIFE NUTRITION: BUILDING A SUSTAINABLE MODEL OF GROWTH



## Strong broad-based dynamics\*

### Within brands



> +30%



> +20%



≈ +10%

### Within regions



> +30%



> +20%

\*9M sales growth

INVESTOR SEMINAR 2015 - EVIAN

## China: build a sustainable model

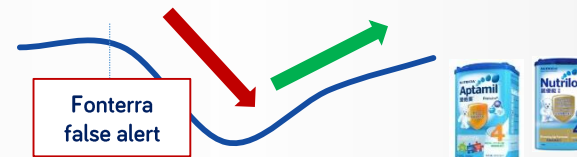
Co-build a stronger local platform with Mengniu&Yashili



Leverage success of international brands & Internet dynamics



Back to ≈15% MS thanks to international brands



Pre-Fonterra

YTD 2015

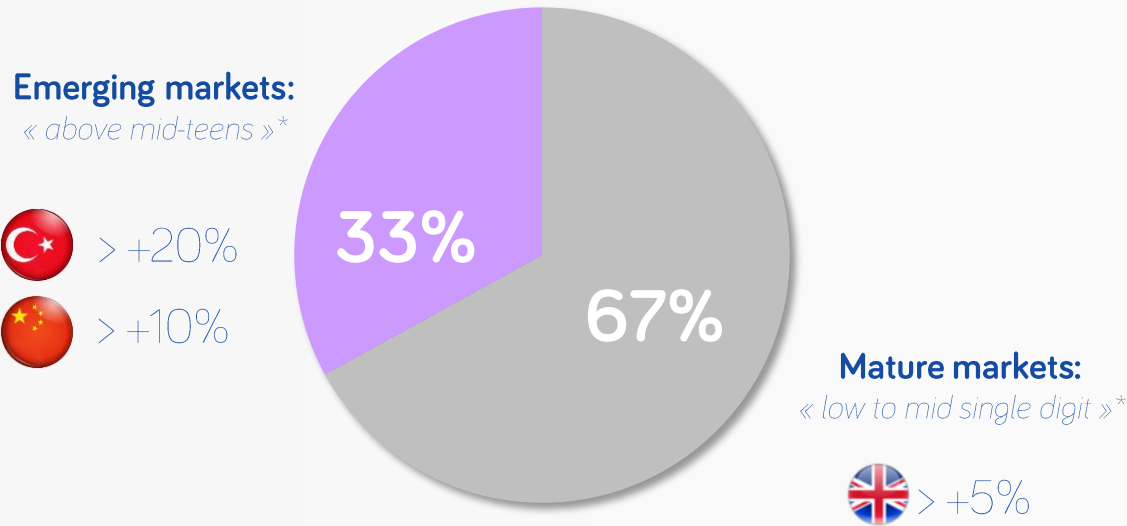


DANONE

# MEDICAL NUTRITION: STRONG PROFITABLE GROWTH



## Weight breakdown by regions



\*9M sales growth

INVESTOR SEMINAR 2015 - EVIAN

## Strong YTD brand performance\*

**NUTRICIA**  
**Neocate** ≈ +15%

**NUTRICIA**  
**Nutrison** ≈ +10%

**Metabolics** > +10%

## Innovations dynamics



**2014 innovations**  
**sales weight**  
**> 30%**  
**of total sales**



\*9M sales growth



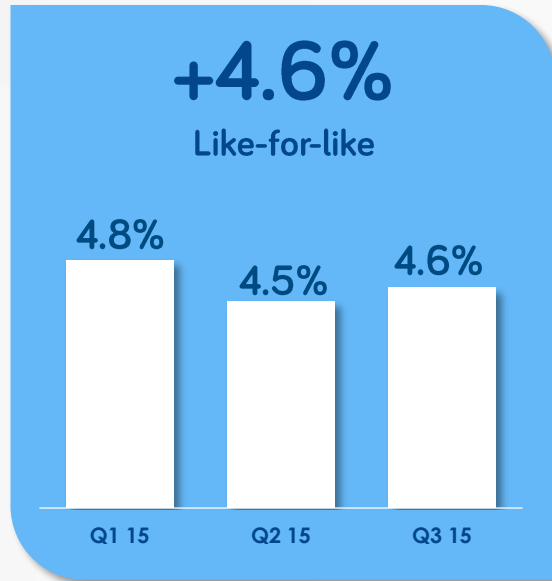
**DANONE**

# WE ARE ON TRACK



# SOLID 9M 2015 – ANNUAL GUIDANCE CONFIRMED

## TOPLINE 9M



## MARGIN H1 <sup>[1]</sup>



## EPS H1 <sup>[2]</sup>



**PROFITABLE  
SUSTAINABLE  
GROWTH**

## 2015 objectives

Sales growth(1)

**4% to 5%**

Trading operating margin(1)

**Slightly up**

[1] Trading operating margin

[2] Underlying fully diluted earning per share



# WE ARE ON THE ROAD TO OUR 2020 AMBITION OF STRONG PROFITABLE SUSTAINABLE GROWTH



**STRONG  
PROFITABLE  
SUSTAINABLE**

---

**GROWTH**



# ENVIRONMENT HAS BEEN AND WILL REMAIN UNSTABLE

2014

2015

Beyond



HEADWINDS WITHIN SOME MARKETS



VERY HIGH MILK INFLATION  
> +10%



MILK DEFLATION  
≈ -3%



MILK INFLATION BACK  
Mid single digit %



UNSTABLE



AMBIGUOUS



# A BALANCED MODEL TO DELIVER OUR 2020 AMBITION OF STRONG PROFITABLE SUSTAINABLE GROWTH





# WE HAVE STRONG LEVERS TO SUPPORT OUR 2020 AMBITION

## UNIQUE BRANDS & CATEGORIES



GROWTH

PROFIT

SUSTAINABILITY

## MORE EFFICIENT OPERATING MODEL



## ALIMENTATION ACTIVATION FOR NEW GROWTH OPPORTUNITIES

**mia**  
MANIFESTO/ACTION  
INCUBATOR



**STRONG  
PROFITABLE  
SUSTAINABLE  
GROWTH**

2020\*

## STRATEGIC RESOURCES CYCLE MANAGEMENT AS A COMPETITIVE ADVANTAGE



MILK



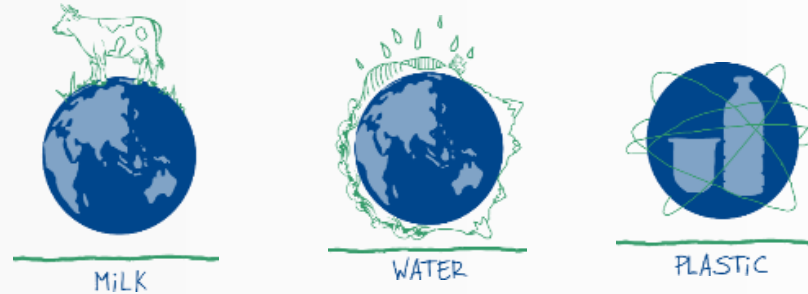
WATER



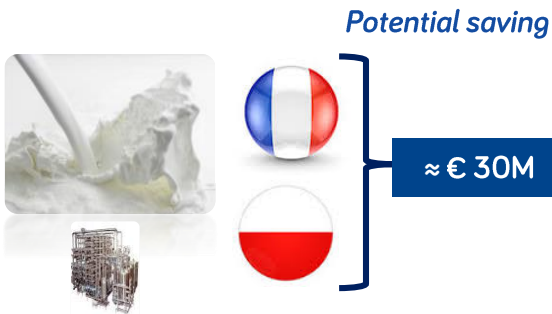
PLASTIC



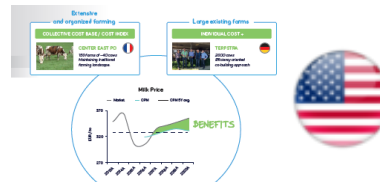
# STRATEGIC RESOURCES AS A COMPETITIVE EFFICIENCY ADVANTAGE



## MILK TECHNOLOGY



## MILK CPM



## ONE SOURCING

Already identified:

Other  
directs:  
€ 100M

Goods &  
Services:  
> € 150M



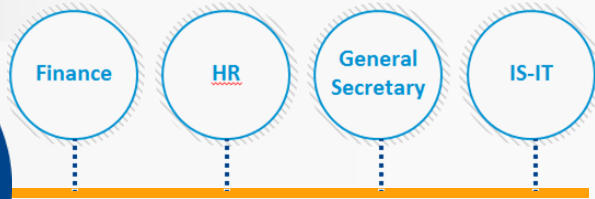
# MORE EFFICIENT OPERATING MODEL TO SUPPORT OUR 2020 AMBITION



BEYOND BUDGET



# MORE EFFICIENT ORGANIZATION



EFFICIENCY

- Leverage scale and efficiency through transversality

INVESTMENT

Ex/ GSecretary



VALUE CREATION

COST AVOIDANCE

- Reinforce expertise & ability to support the business
- Improve Compliance



# STEP CHANGE IN RESOURCE ALLOCATION FOR MORE DISCIPLINE & EFFICIENCY



BEYOND BUDGET

DANONE  
2020\*



Reconciling short term commitment  
and 2020 ambition:  
3 Years CBU strategic mandate  
& structured year end goals



Building visibility:  
4 Quarters rolling forecast



From trapped Resources  
to efficient Resource Allocation  
Quarterly reviews



# 2015: €150 M SEAMLESS RESOURCE ALLOCATION - QUARTERLY BEAUTY CONTEST

- CROSS CATEGORIES
- CAPEX & OPEX
- GROWTH & EFFICIENCY

## Topline acceleration Initiative



## Efficiency and optimization



## Supporting growth capacity



# CAPITAL DISCIPLINE FOR A STRONGER FOCUS ON ROIC

## Investments



**NURTURE FUTURE GROWTH**



## Strategic alliances



**TAKE UP STRATEGIC GROWTH OPPORTUNITIES THROUGH EFFICIENT CAPITAL ALLOCATION**

# CAPEX TO NURTURE PROFITABLE GROWTH

CAPEX

4-5% OF NET SALES

## BUILDING GROWTH

Capacity and Innovation

(% of total capex in 2015E)

≈ 40-50%

## PROTECTING GROWTH:

Enhance food safety standards

(% of total capex in 2015E)

≈ 10-15%

## OPTIMIZING GROWTH:

Productivity

(% of total capex in 2015E)

≈ 10%





# GROWTH BUSINESS MODEL WITH PARTNERS TO OPTIMIZE INVESTMENT



# SOME SOLID RESULTS ON ROIC IMPROVEMENT SHOWING GREATER FOCUS

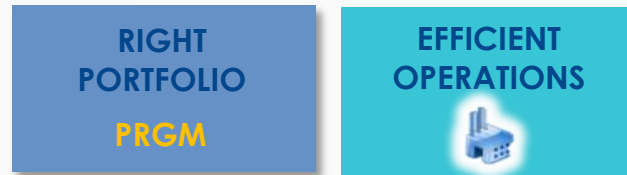
## China



> 15%

2015

## Europe



> + 20 pts

2013 -2015

## CIS



Double digit

> X2 since the acquisition in 2011



# A BALANCED MODEL TO DELIVER OUR 2020 AMBITION OF STRONG PROFITABLE SUSTAINABLE GROWTH



# RHYTHM & BALANCE ARE KEY TO REACH OUR 2020 AMBITION

PROFITABLE  
GROWTH

GROWTH

PROFIT

AGILITY

CONSISTENCY

2015

DANONE  
2020\*

9M  
SALES 4.6%  
H1  
Margin+ 53 bps

FY  
4-5%  
Slightly  
up

DISCIPLINE IN RESOURCE  
ALLOCATION  
PERFECT EXECUTION

STRONG  
PROFITABLE  
SUSTAINABLE  
GROWTH



# OUR 2020 AMBITION



> +5%

↑

=



3-5%



7-10%



7-10%



6-8%



> + 200bps

Cumulative Trading Operating Margin improvement\* (2015 - 2020)

Yearly growth of:

- Trading operating margin
- Cash
- EPS

\*Excluding forex impacts

