



DANONE
ONE PLANET. ONE HEALTH

Investor Seminar
October 22, 2018

Specialized Nutrition in China: a Strong and Sustainable engine for growth

Bridgette HELLER
EVP, Danone Specialized Nutrition

Bridgette Heller
3 years at Danone



- 2016** ● EVP Specialized Nutrition
- 2010** ● EVP Consumer Care at Merck & Co
- 2005** ● Global President Baby Global Business Unit at Johnson & Johnson
- Prior to 2005** ● Senior positions at Kraft Foods

1

context

China, a key
growth engine

2

short term

Maintaining Leadership
in a shifting landscape

3

mid-long term

Great potential
to capture new
opportunities



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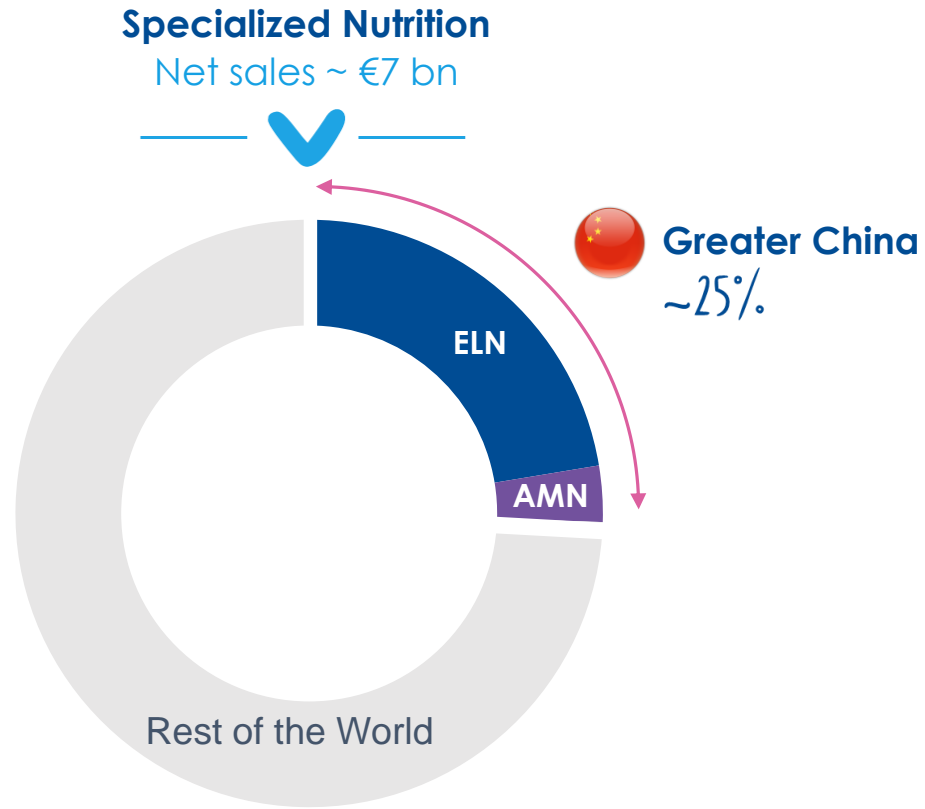
mid-long term

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China is large and growing part of Specialized Nutrition Portfolio

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pediatric nutrition

Infant Milk Formula (IMF)
TOP3 Player
Aptamil #1 Brand

Allergy Management
Neocate
#1 Brand with HCP's

adult nutrition

Enteral Nutrition
Nutricia # 1
Adult Nutrition Brand



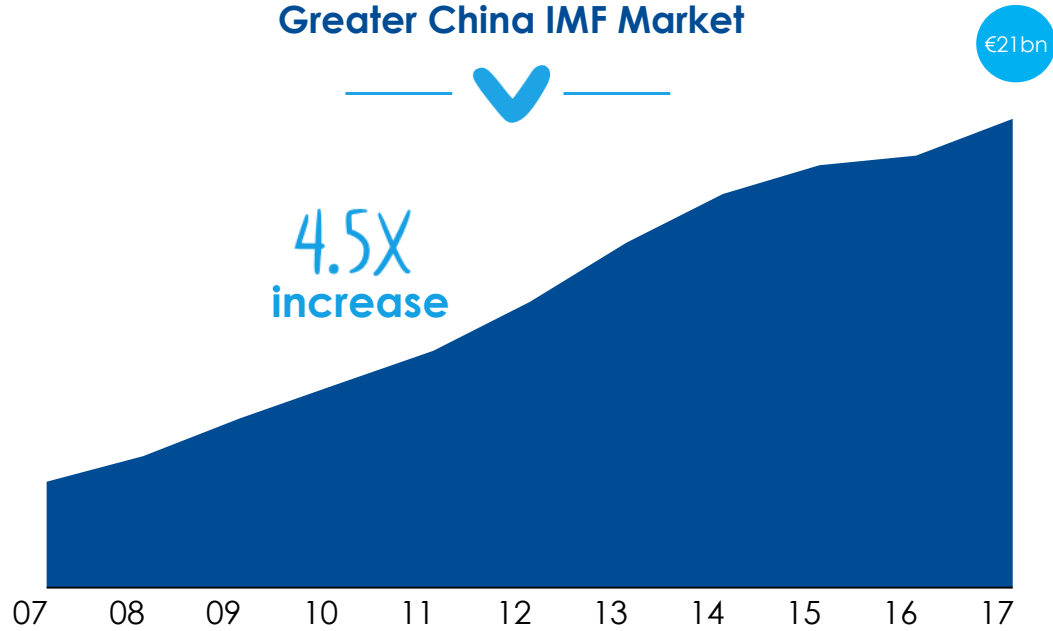
10 years of massive growth of IMF market

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growth engine

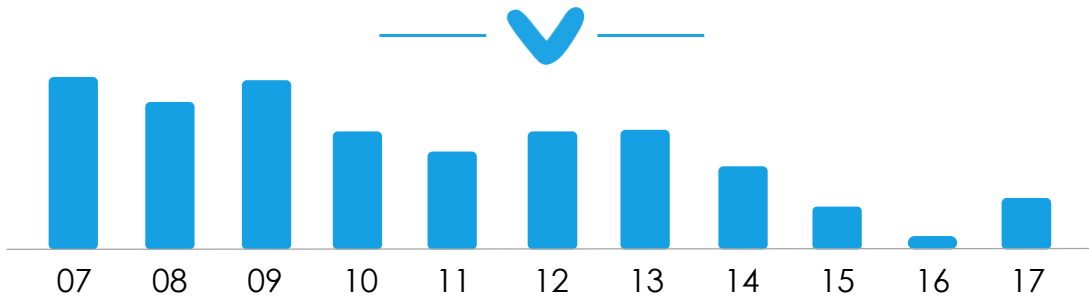
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Greater China IMF Market



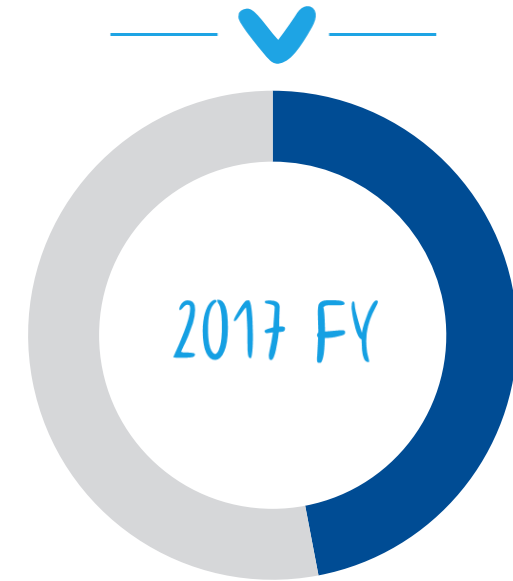
YOY Growth



Source: Euromonitor Packaged foods value

- Baby births
- Urbanization & middle class
- Safety Concerns
- Premi-ization

Infant Milk Formula Global Market



- Greater China
- Rest of the world

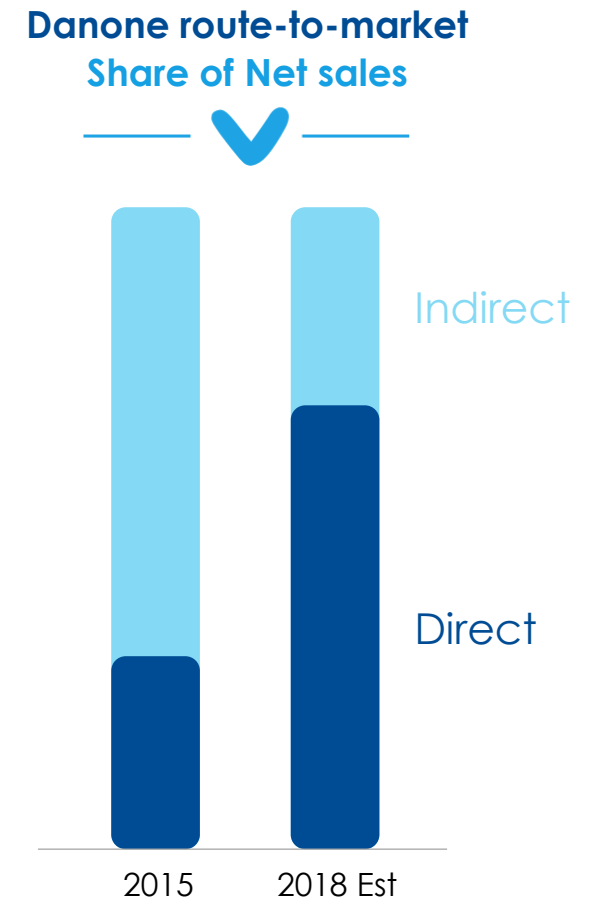
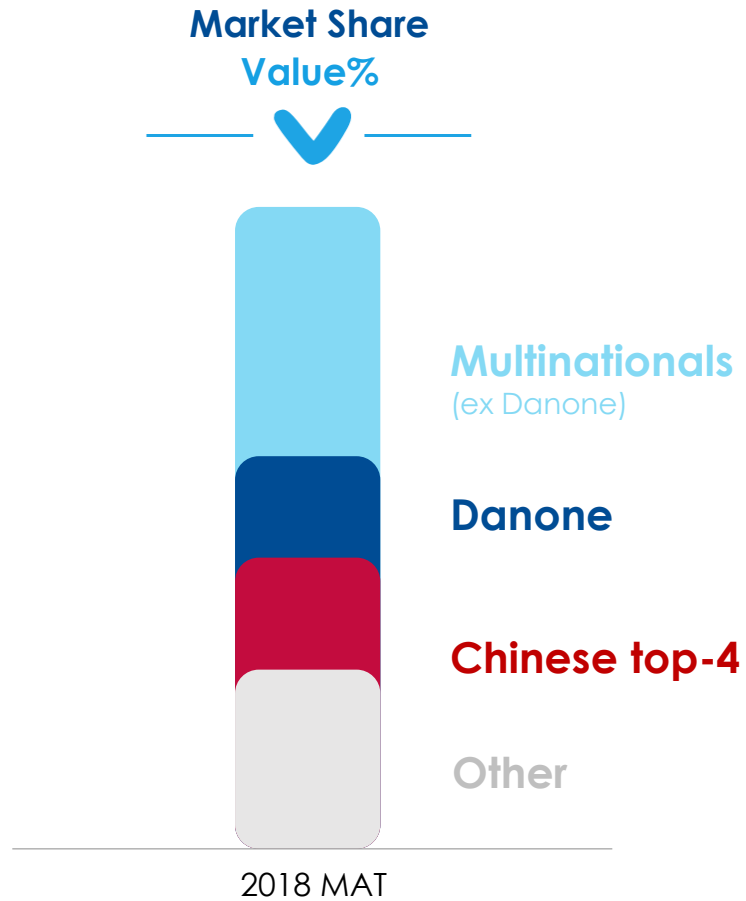
Source: value, Nielsen, Smartpath

We outperformed category while building a more sustainable IMF business model

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Source: Nielsen & smartpath IMF category ; Internal netsales

We are successfully building Direct channels to address sustainability of RTM

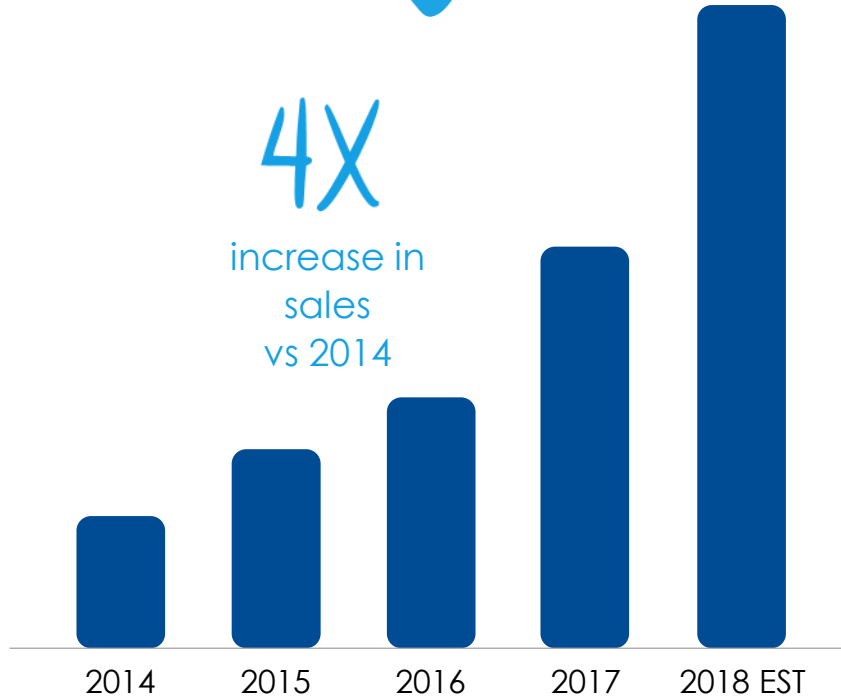
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Direct China
Net sales



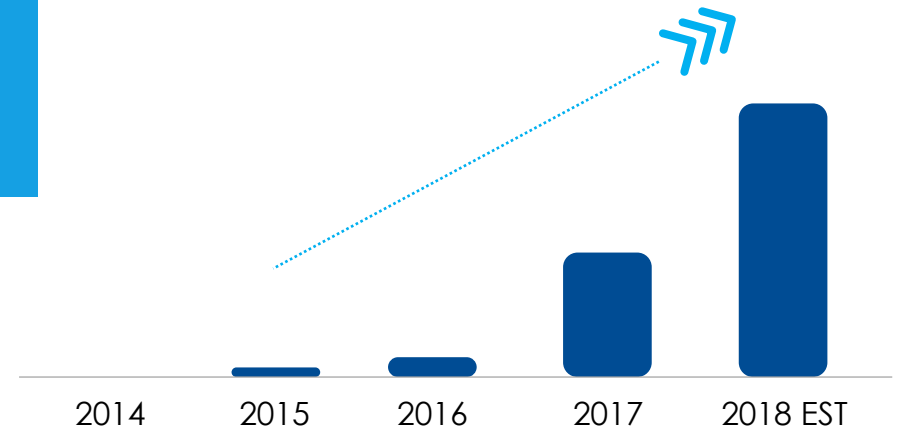
4X

increase in sales vs 2014



~€1BN

Direct International
Net sales

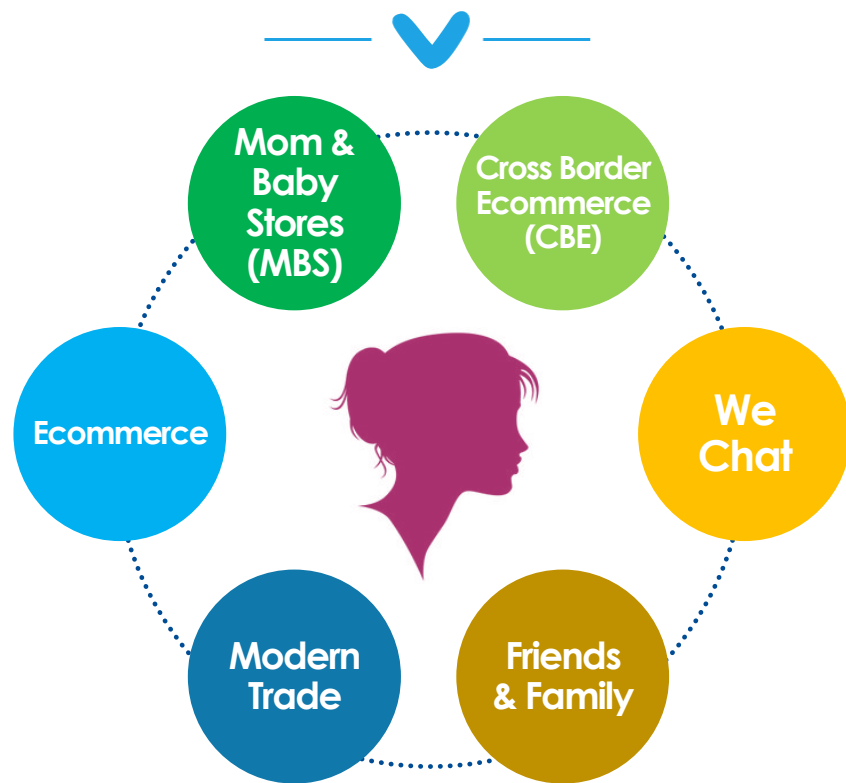


Source: internal

We established IMF leadership leveraging key specific capabilities to win in China

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Omnichannel Reach



Strong Global Brands

Two product images are shown side-by-side. On the left is a can of Aptamil 3 Pro infant formula. On the right is a can of Nutrilon 3 infant formula. Above the Aptamil can is a dark blue banner with white text: "Champion exposure-led parenting to become the No.1 culturally resonant parenting brand". Below the can is a blue circle containing the text "#1 IMF Brand". Above the Nutrilon can is a green banner with white text: "Reconnect Chinese families to nature to become the No.1 socially responsible parenting brand". Below the can is a green circle containing the text "#5 IMF Brand".

We have also built strong leadership both in pediatric allergy and in adult hospital nutrition

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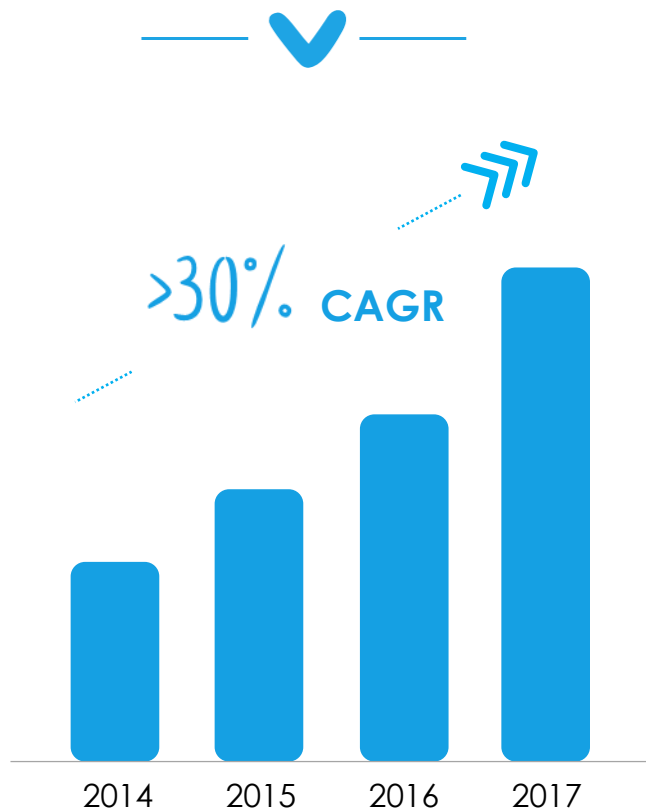
Neocate

#1

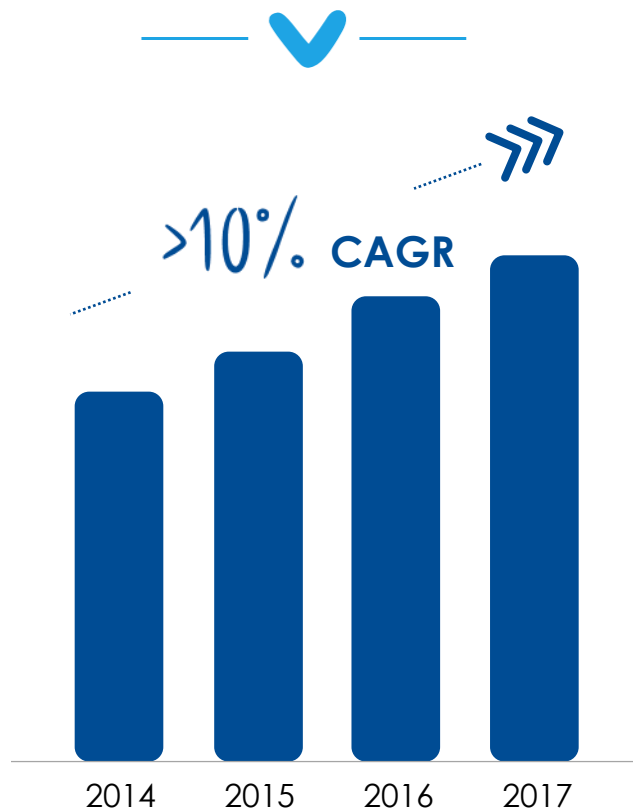
HCP recommended brand



Allergy Management Market



Enteral Nutrition Market



NUTRICIA

#1

Hospital Nutrition brand



Source: internal

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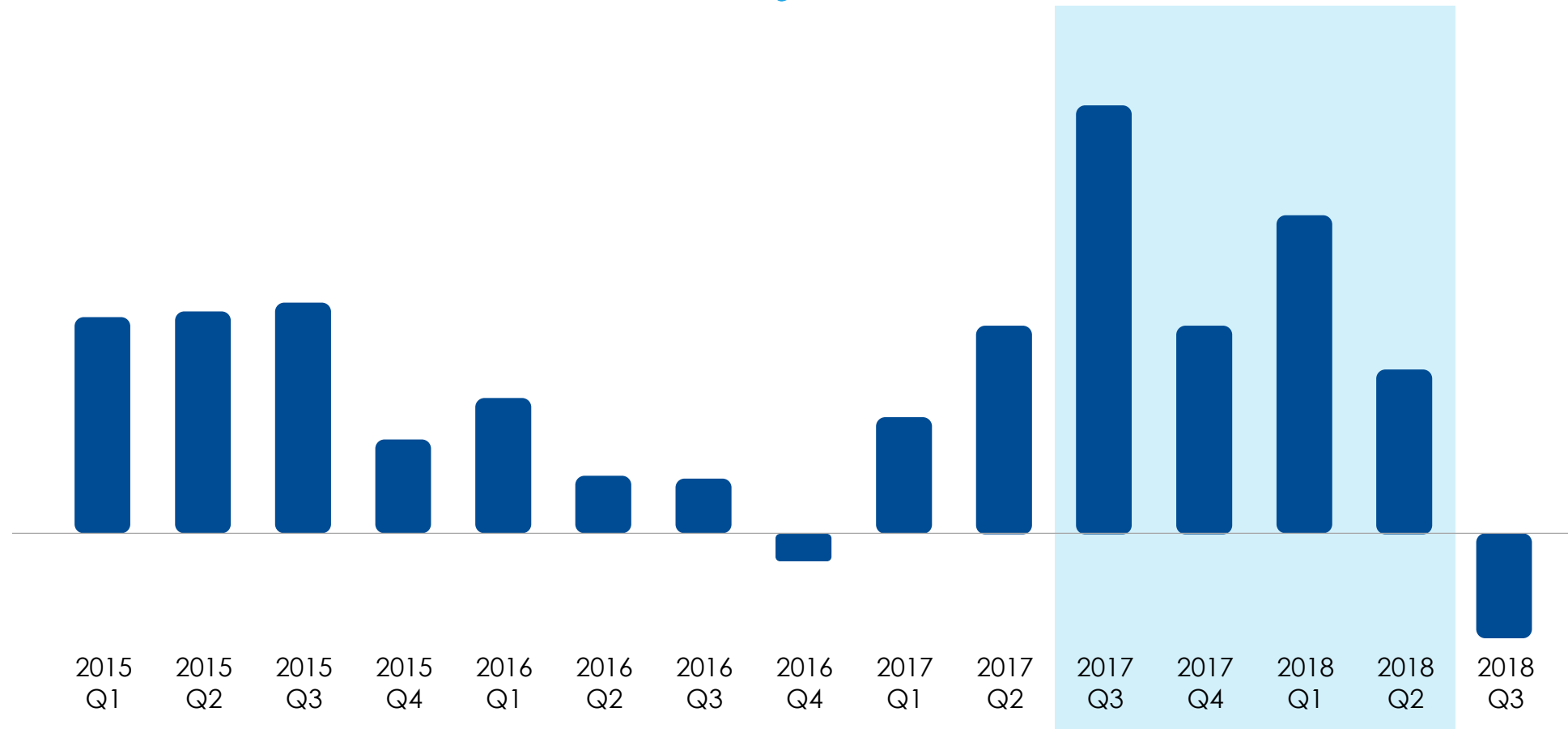
Great potential
to capture new
opportunities



Performance softening after four quarters of exceptional growth

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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China Specialized Nutrition Quarterly growth rate
% YOY change



Source: internal, like-for-like Net Sales year on year evolution

In the short term, a few factors putting pressure Market is expected to continue to grow

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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**shrinking
baby pool**

Impacted by
demographic and
lifestyle trends

**regulatory
changes**

Reinforced regulation
of our categories

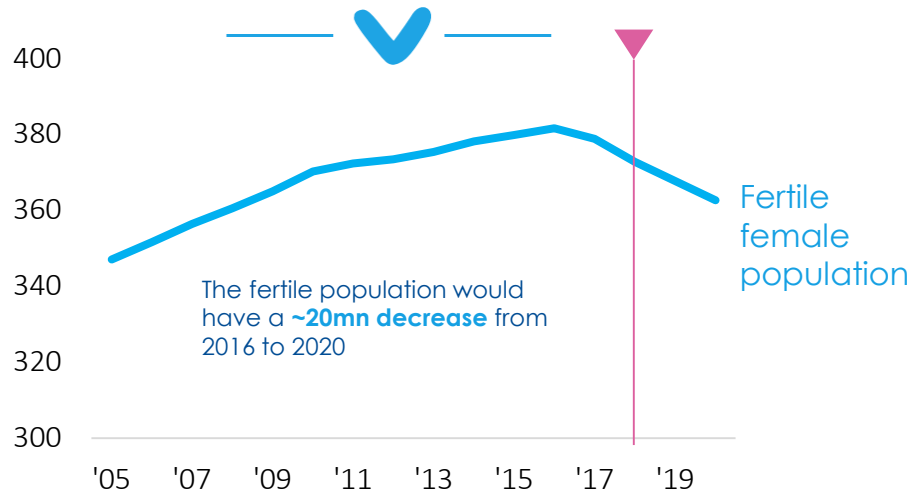
**continued
category
growth**

Demographic and lifestyle trends are impacting growth of IMF category

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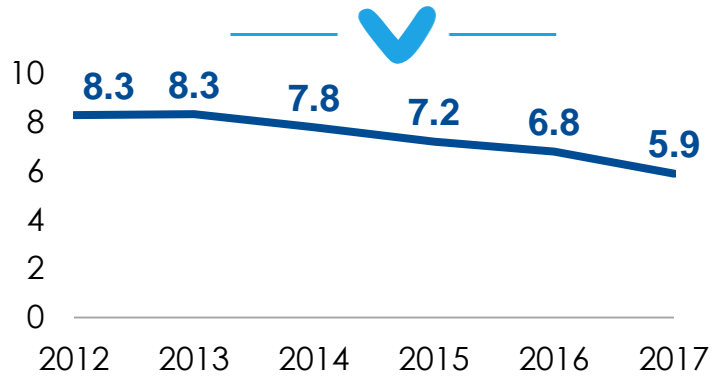
China Fertile Population (15-49yo)

Mn, 2005-2020E

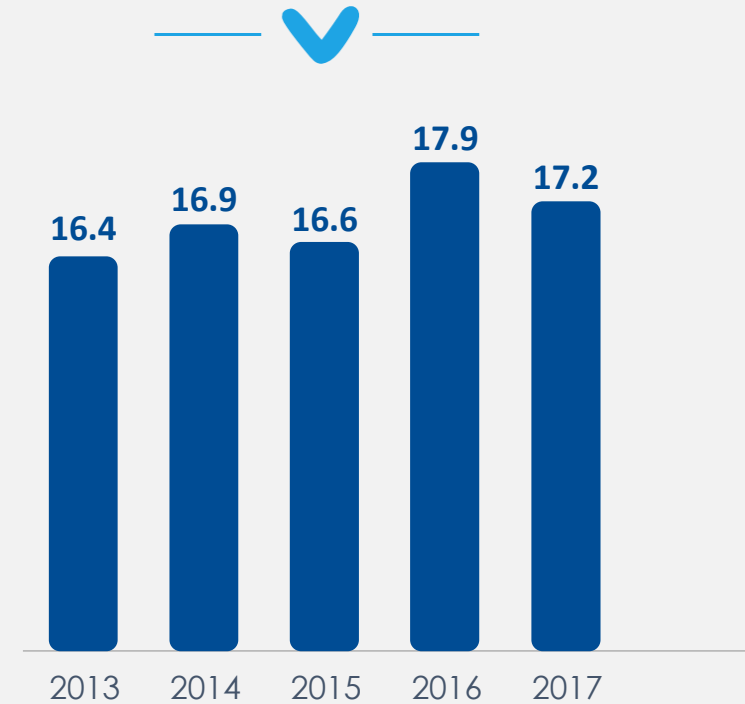


Birth Willingness of 15-49yo Women (currently no child):

%, 2012-2017



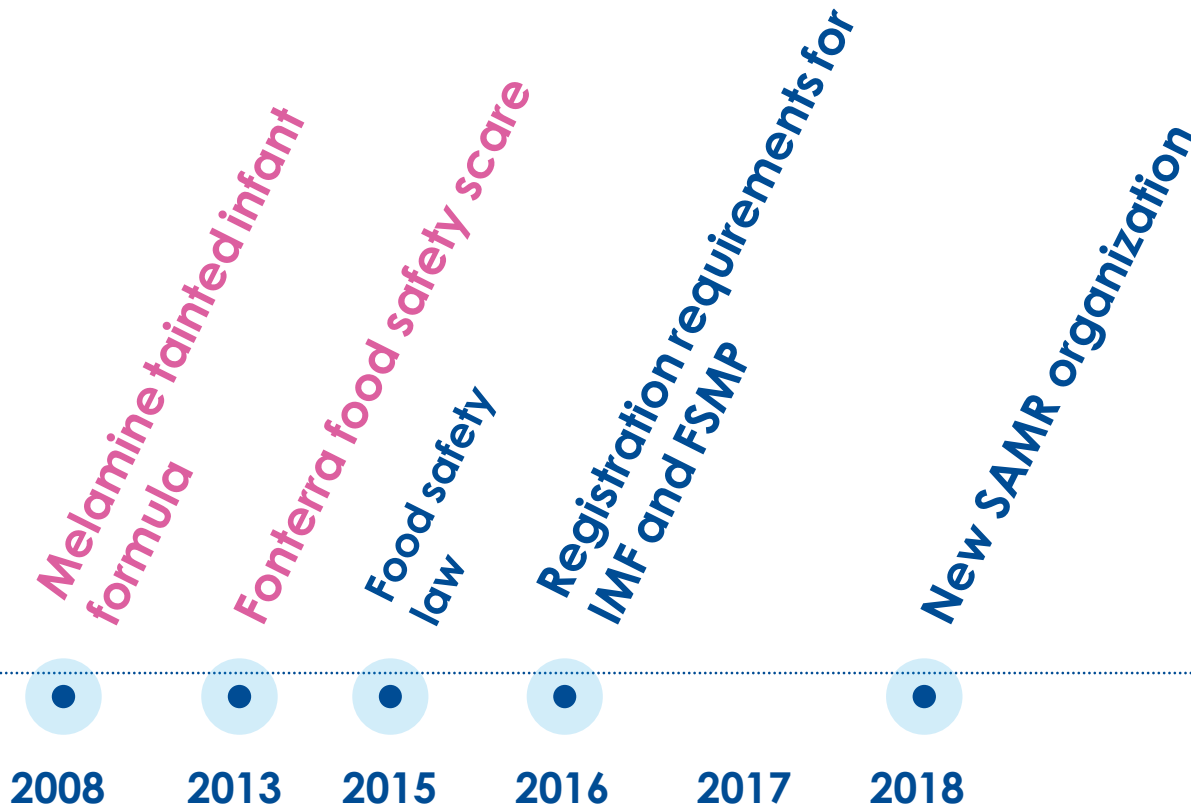
China New-born Baby Population (MN), 2013-2017



Fertile Population - No. of women in reproductive age (15-49 years old)
 Birth willingness - % of fertile age woman who gave 1st child birth at given year
 Source: Government; Internal analysis & research

Accelerated trend of regulation of our categories in China

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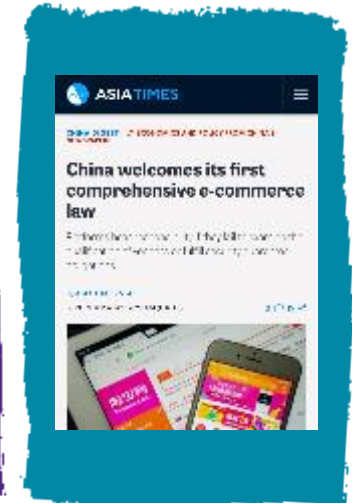
2018 Developments



New IMF national standards in draft



New process for drug license renewal



New E-commerce law promulgated

Note: SAMR – State Authority for Market Regulation; FSMP – Food for Special Medical Purposes

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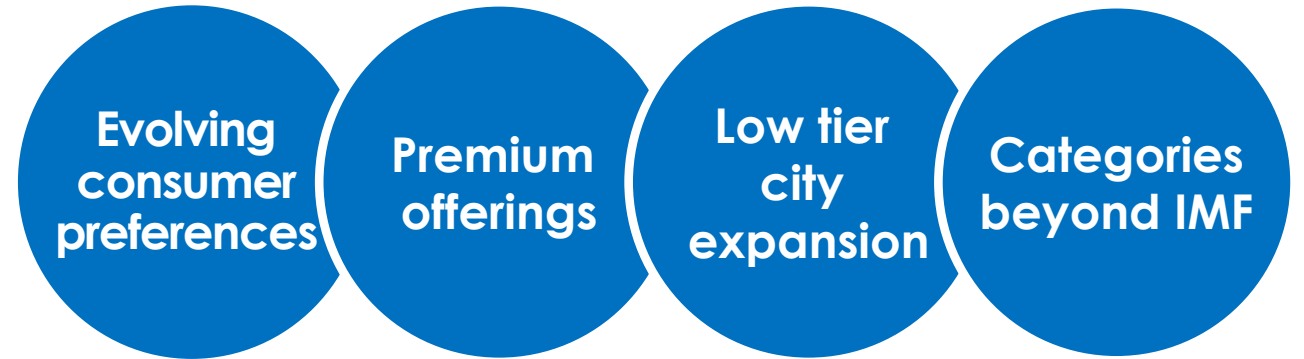
Moving forward, Danone SN well positioned to capitalize on significant opportunities within a changing China market

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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Our pillars



potential growth drivers



We are in the Right Categories with potential for growth

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Right Categories

Key Categories

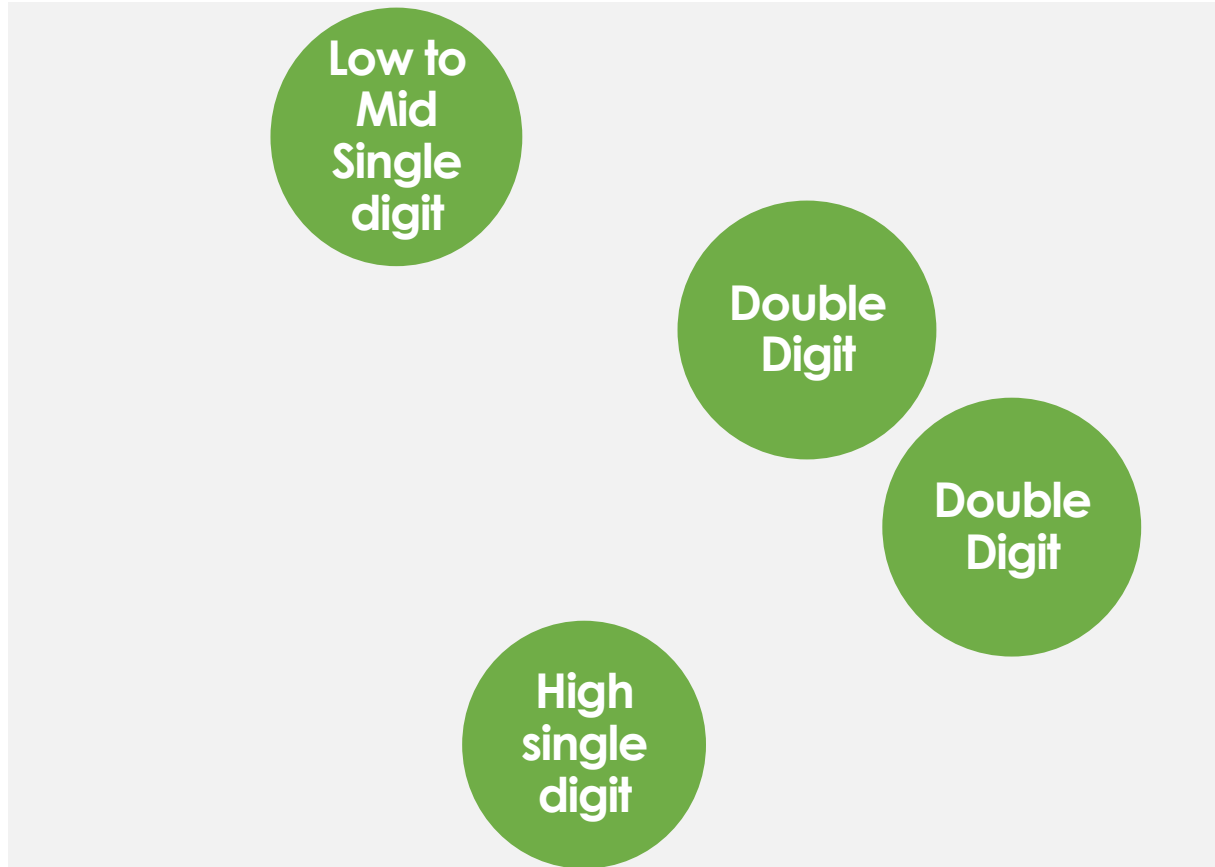
Expected 3Y category growth dynamic

- Infant Milk Formula

- First Diet

- Condition Related Nutrition¹

- Enteral Nutrition



Source: Internal analysis and estimates
 Note: 1. Pediatric areas (Allergy, GI, Growth)

We have the Right Brands to drive consumer preference in all of these growth categories

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Right Brands & Strategies



Scientifically advanced – immune function
→ ready for challenges”
Infant Milk Formula
Condition Related Nutrition



Hong Kong Premiumness,
better absorption
Infant Milk Formula
Baby Food



Dutch Heritage, Rooted in Nature
for strong growth
Infant Milk Formula



Leading edge organic
Baby Food
Infant Milk Formula

Neocate

Condition Related Nutrition
#1 allergy globally

Fortimel

Condition Related Nutrition
Strength, Muscle

Infatrini

Condition Related Nutrition
Faltering growth

Souvenaid

Condition Related Nutrition
Cognition

Fortini

Condition Related Nutrition
Disease related malnutrition

Nutrison

Enteral Feeding

NUTRICIA
Our Medical Masterbrand

We have the Right Strategies to meet the evolving needs and preferences of Millennial Chinese parents





1 context China, a key growth engine

2 short term Maintaining Leadership in a shifting landscape

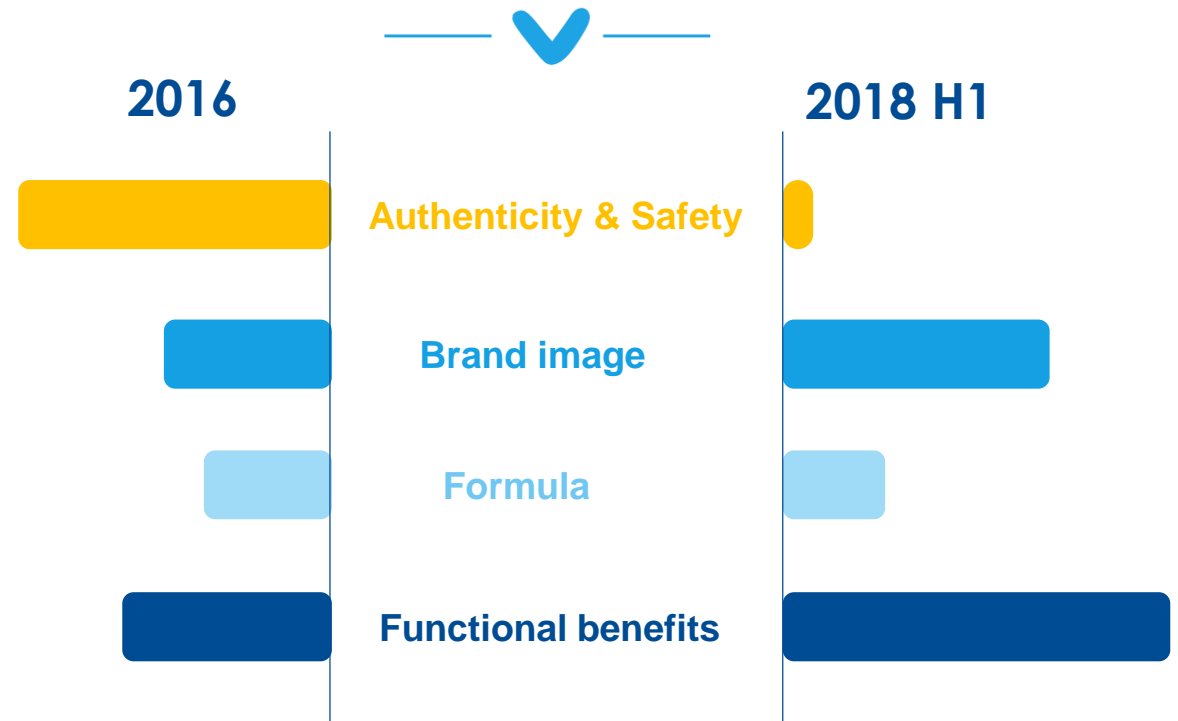
3 mid-long term Great potential to capture new opportunities

Right Brands & Strategies



-  More independent thinker (product truths over brand status)
-  Seek more sources before making decisions
-  No longer trust institution or conventional knowledge easily
-  Define own values and success (do not let society define them)

Shifts in consumer motivations



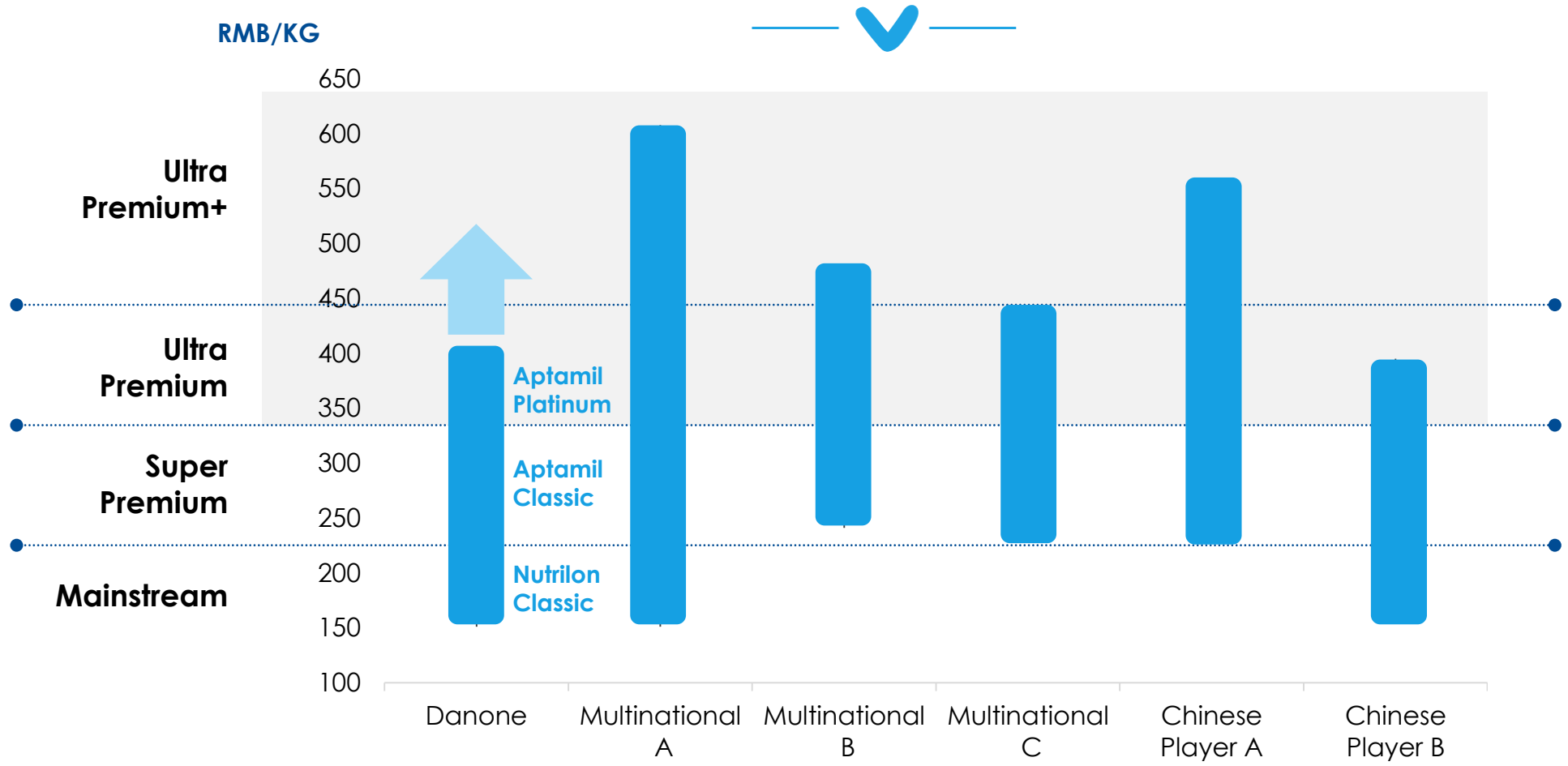
Source: Market research

Our Brands & Strategies are well suited to address untapped opportunity in ultra-premium IMF segments

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**Right
Brands &
Strategies**

Key Player IF Portfolio price ranges
(Combined Channel)



**Net sales
> x2
YTD**

Source: Nielsen; Smartpath IMF category, IF stage

We are prepared to leverage an innovative, benefit-focused, global portfolio to extend our presence in ultra premium.

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Right Brands & Strategies



Science-based Benefits



Ingredient-based Benefits

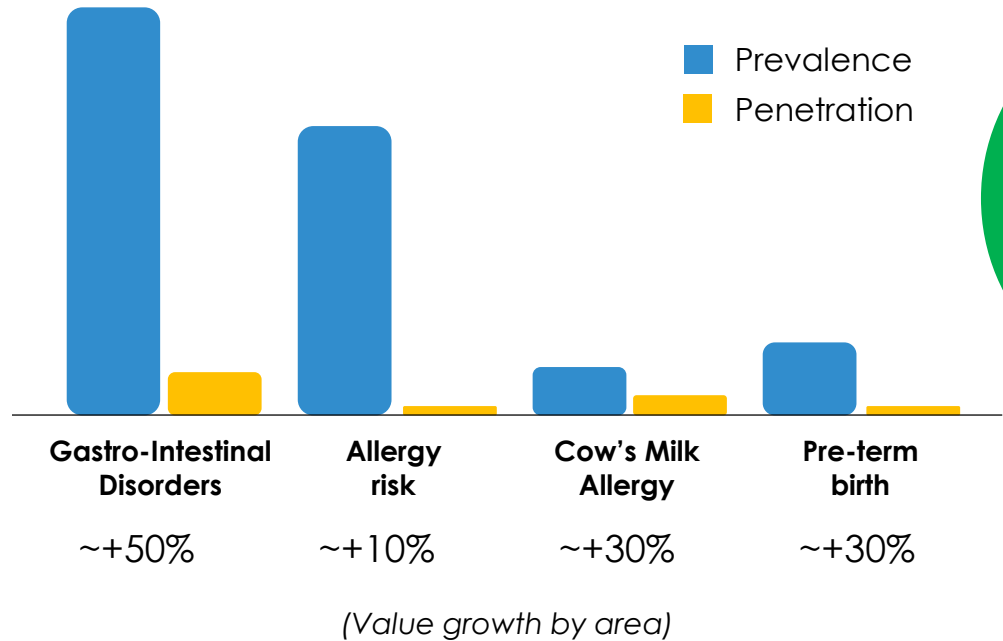


Our Brands & Strategies are well suited to address untapped opportunity in condition related or “tailored nutrition”

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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Right Brands & Strategies

Penetration vs Prevalence



Opportunity to leverage our scientific capabilities

EUR 1.3 billion
Tailored Nutrition
+30% growth

- Leadership in Cow's Milk Allergy management
- Strong HCP & KOL credibility
- Research capabilities to localize science

Source: Internal estimates & research; Nielsen & Smartpath tailored nutrition market MAT2018

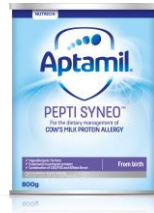
Again, we will adapt and leverage our global portfolio tailored to specific conditions & medical needs

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Right Brands & Strategies



APTAMIL PROSYNEO
Hypo-Allergenic, Partially Hydrolyzed Formula for infants at-risk of cow's milk allergy



APTAMIL PEPTI SYNEO
Whey-based, Extensively Hydrolyzed Formula for infants diagnosed with Cow's Milk Allergy (CMA).



NEOCATE SYNEO
Amino Acid-Based Formula for infants diagnosed with severe Cow's Milk Allergy (CMA) and/or Multiple Food Allergy (MFA).

A complete portfolio in Allergy prevention and management



Gastro-intestinal disorders



Challenged growth due to pre-term birth



Faltering growth due to disease and/or disability

We'll leverage the right brands, strategies and medical expertise to continue capturing potential beyond IMF

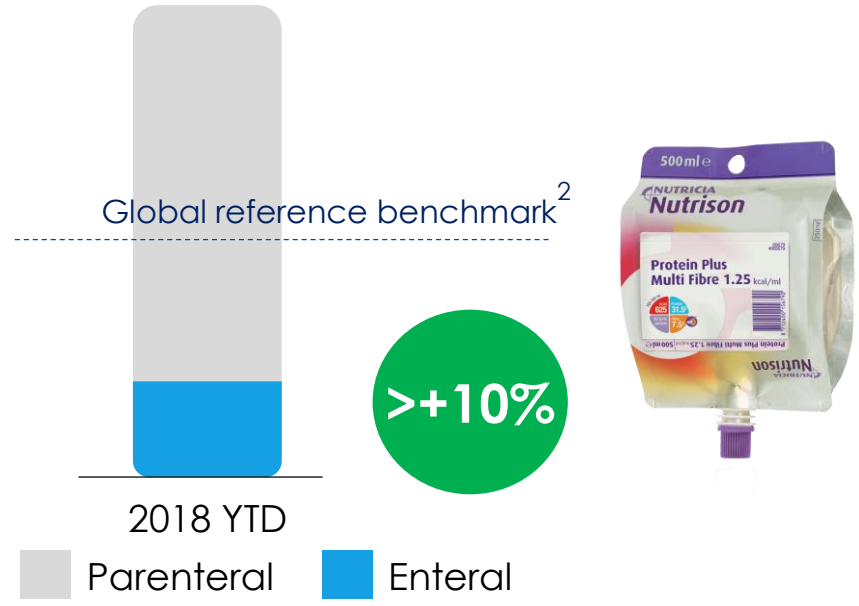
1 context China, a key growth engine

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Right Brands & Strategies

Enteral & Parenteral Nutrition market evolution



Nutrison powder improves Oesophageal cancer patients overall survival rate¹

AFSMP New Regulatory Framework

New regulatory framework, opening a new self-pay Medical Food Category in 2018, linked to a growing elderly population

— Opportunity to make medical nutrition accessible in community

— Supporting chronic disease management eg. cancer care, geriatrics



#1 Hospital Nutrition brand

Source: 1. Research trials; 2. Long term reference based on fully developed markets
Note: FSMP, Food for Special Medical Purposes

We've developed the Right Consumer & Medical Marketing and RTM capabilities to win in China

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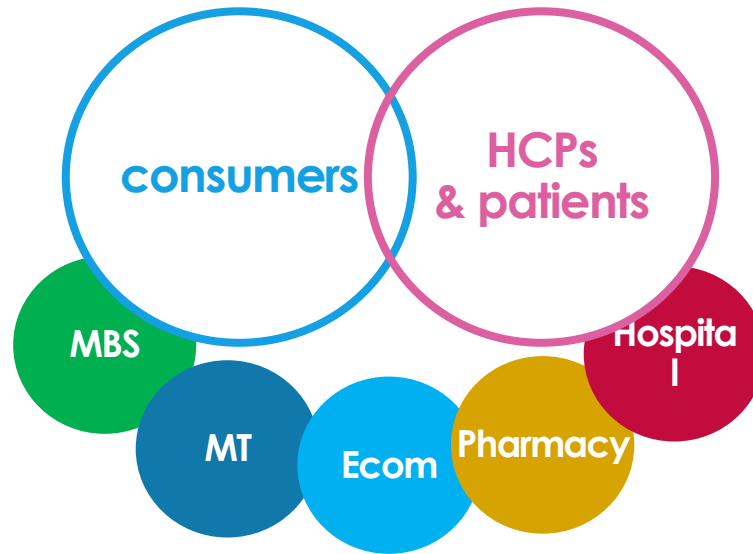
3
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Right
Capabilities

Data driven marketing



Medical & Consumer route to market



Partnerships with leading retail and ecommerce players



Walmart Group
Best Supplier Marketing Partner



Ali Group
Supplier of the Year
—
Golden Award of Data Collab.
—
Best Integrated MKT



JD
The Only GSKA in IMF



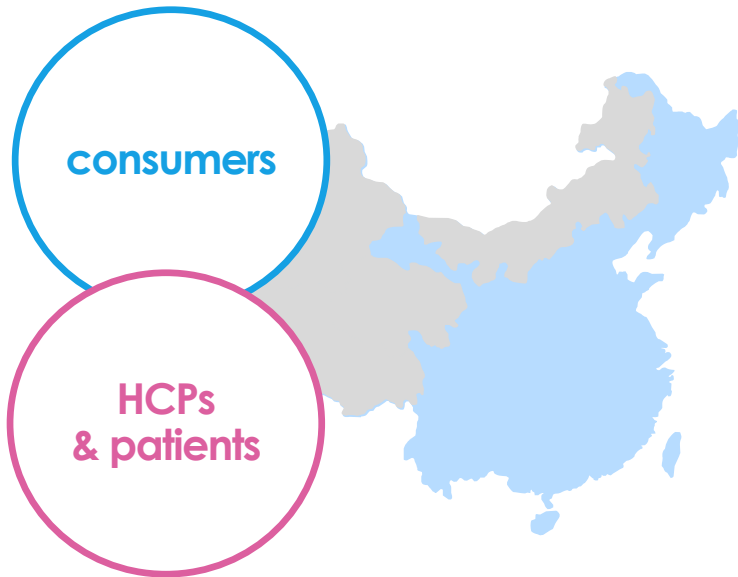
Kidswant
1st Brand of IMF

We're leveraging these skills to capitalize to expand our market reach and capture opportunities in lower tier cities

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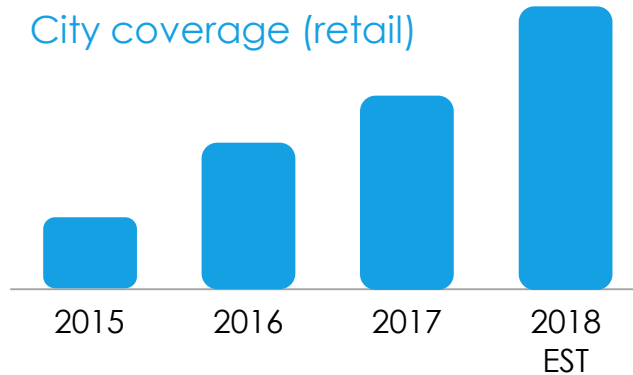
Right
Capabilities

Dual strategy approach

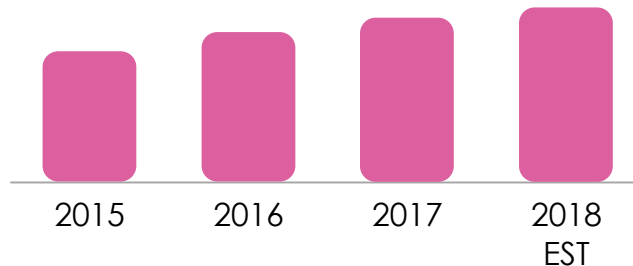


Expanding our market reach

City coverage (retail)



Hospital coverage






Deploying our assets



e-RTM package for Independent Mom & Baby Stores

e-RTM
model

Therapeutic
Area
Strategy

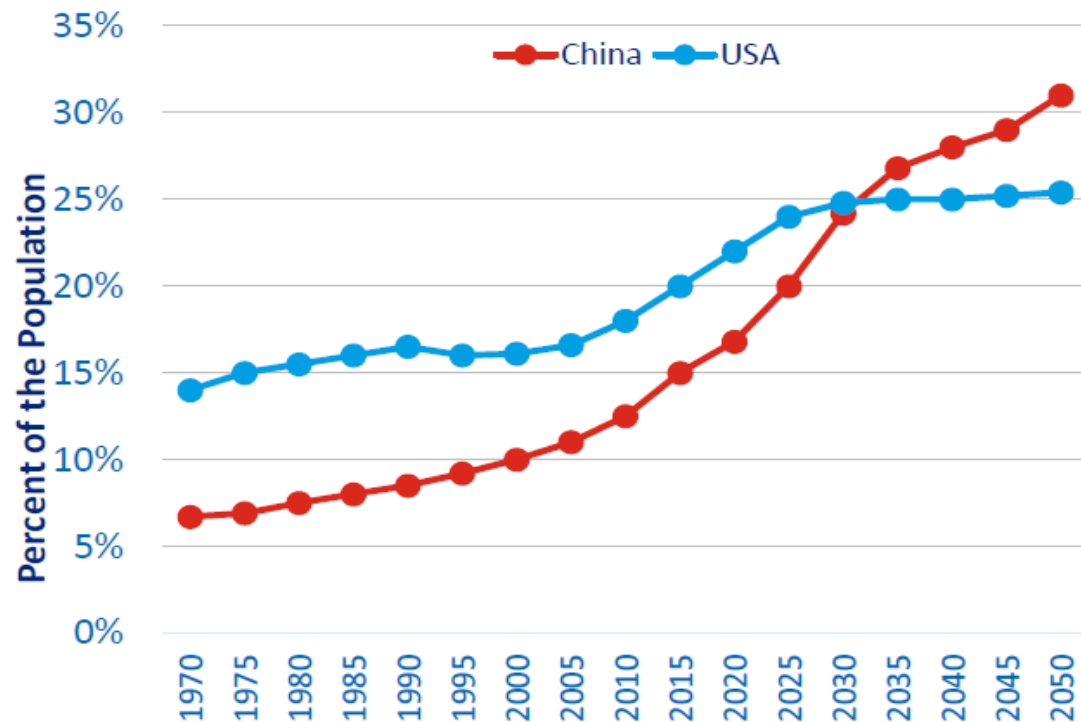
- 
**Patient
journey
management**
- 
**Digital
Education
Platforms**
- 
**Medical qualifications
& pharma background**

Strong clinical evidence and efficacy of medical nutrition treatment

Source: Internal

We've begun to explore opportunities to capitalize on our science and portfolio to support the needs of a large, growing silver demographic

Percent of population in 50+ age range

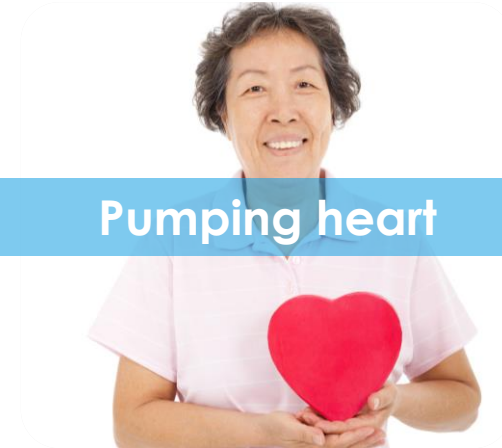


Increasing relevance

The collage features several elements related to health and aging:

- HIGH 50 HEALTH** magazine cover with the tagline "AGE HAS ITS BENEFITS".
- An article titled "TAKING CARE OF YOUR MENTAL HEALTH" with a background image of a person sitting on a balcony overlooking a lake.
- An article titled "GUT HEALTH" with a background image of hands.
- An article titled "HEALTHY START" with a background image of a bowl of fresh vegetables.
- A poster for "The 5th Int'l Healthy and Active Aging Conference" (第五届健康与老龄化国际研讨会) held in Chengdu, China, from June 1-3, 2018.
- A small logo for "althier" with the text "Healthier" next to it.

Allowing us to begin building new platforms to fuel future growth



“Specialized Nutrition, giving people the “extra” support they need at critical moments in every stage of life.”

first 1000 days

childhood

adulthood

aging



Great Confidence for 2020 and Beyond To contribute to Danone's objectives



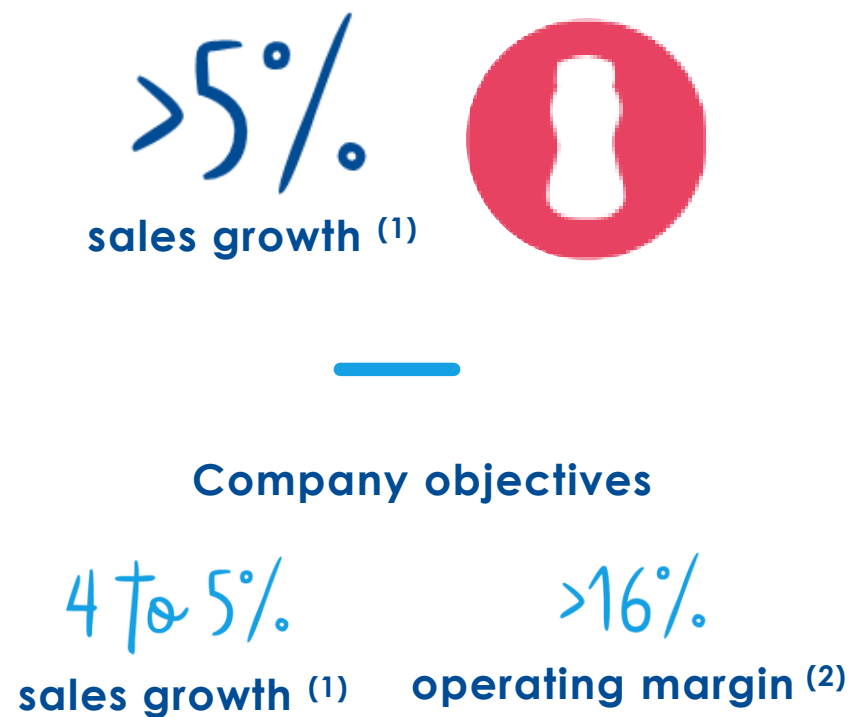
our pillars



our strategic priorities

- 1 accelerate growth
- 2 maximize efficiencies
- 3 allocate capital with discipline

our 2020 objectives



(1) Like-For-Like sales growth
(2) Recurring operating margin

Disclaimer

- *This presentation contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “believe,” “forecast,” “foresee,” “likely,” “may,” “should,” “goal,” “target,” “might,” “will,” “could,” “predict,” “continue,” “convinced,” and “confident,” the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, statements regarding Danone’s operation of its business, the expected benefits of the transaction, and the future operation, direction and success of Danone’s business.*
- *Although Danone believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the “Risk Factor” section of Danone’s Registration Document (the current version of which is available on www.danone.com).*
- *Subject to regulatory requirements, Danone does not undertake to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy Danone securities.*
- *All references in this presentation to “Like-for-like (LFL) New Danone” changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, Recurring EPS, Yakult Transaction Impact, free cash flow and net financial debt correspond to financial indicators not defined in IFRS. Their definitions, their reconciliation with financial statements and IAS29 accounting treatment for Argentina are included in the Q3 sales press release issued on October 17th, 2018. Q1, Q2 and H1 2017 reported figures have been restated for IFRS 15. Indicators ROIC and Net Debt / EBITDA are defined on page 64 of Danone’s 2017 registration document*
- *Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.*