



**DANONE**

**Emmanuel Faber**

Deutsche Bank Consumer Conference

Paris - June 15th, 2011



DANONE

## Disclaimer

*This document contains certain forward-looking statements concerning DANONE. 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 section “Risk Factors” in DANONE’s Annual Report (which is available on [www.danone.com](http://www.danone.com)). DANONE undertakes no obligation 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 shares.*



DANONE

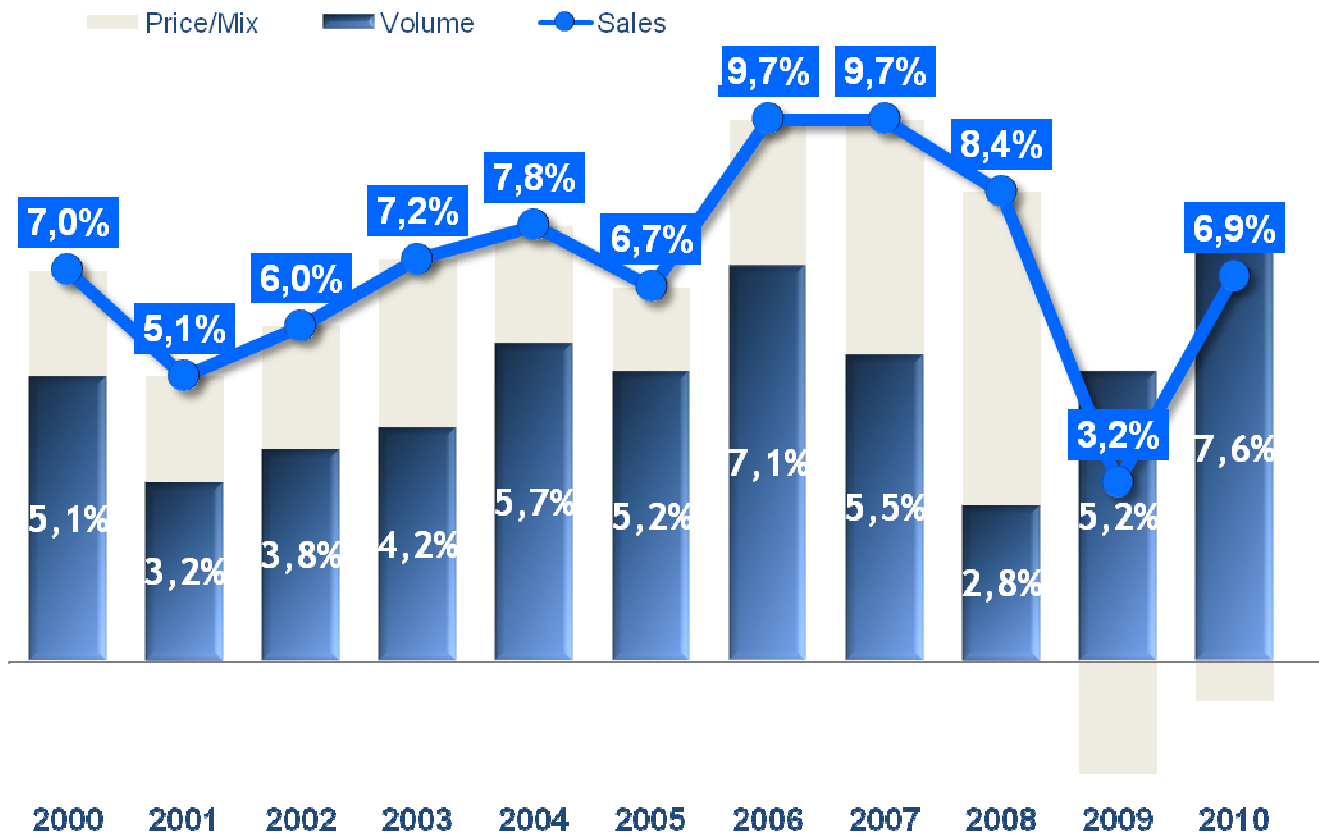
# Danone: a superior growth engine



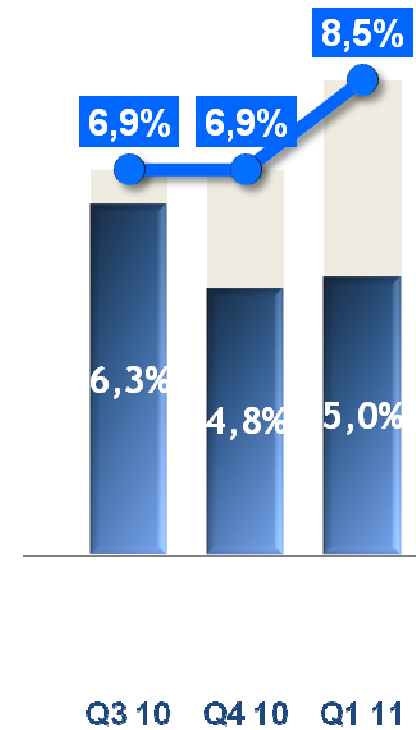
DANONE

# Sustained volume-driven topline growth

*Like-for-like sales growth – Total Group*



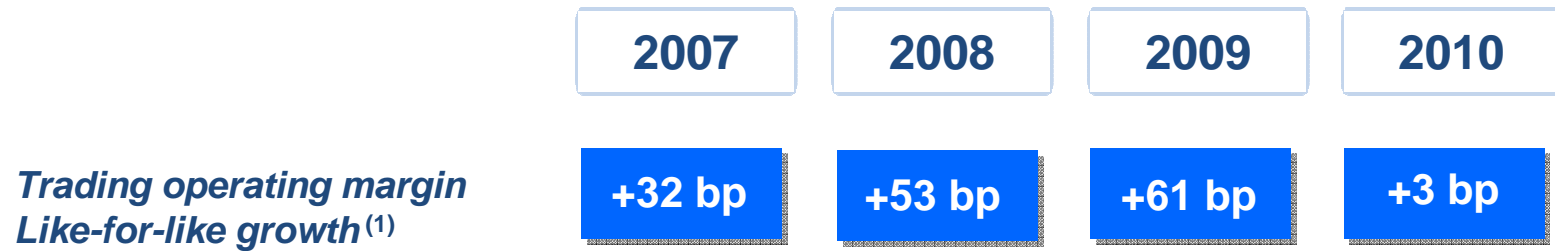
*Short term trend*



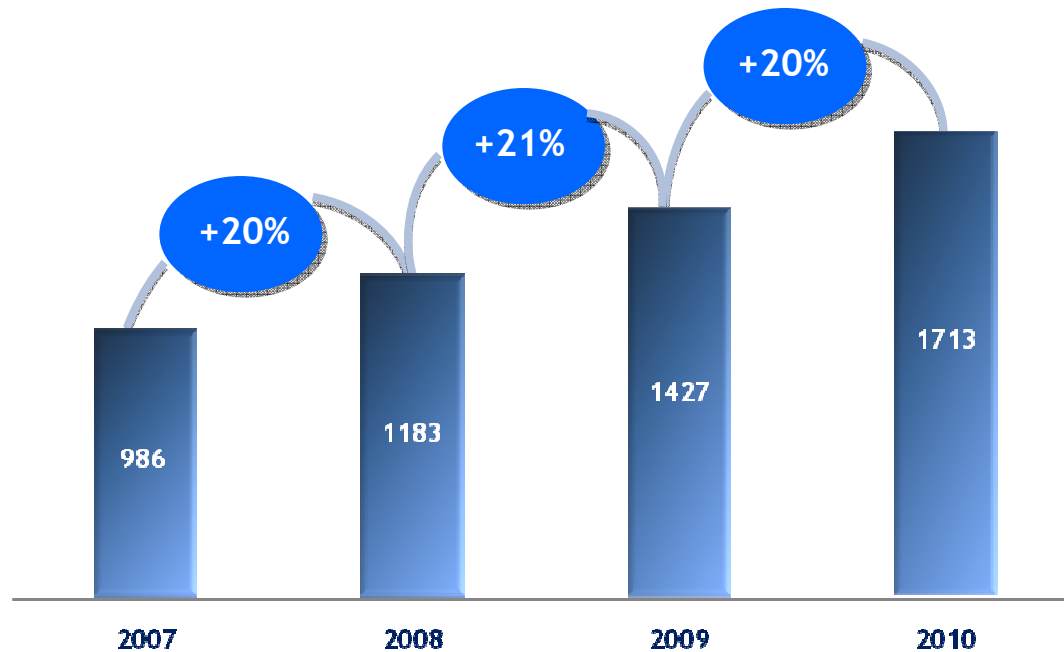


DANONE

# Profitable growth, superior cash generation



**Free cash flow<sup>(2)</sup>**  
(€ mln and % growth)



(1) Based on constant scope of consolidation and constant exchange rates

(2) Free cash flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees



DANONE

# A unique mission, a unique portfolio

## Fresh dairy Products

Developing a well being category worldwide



## Waters

Hydration and elimination



Bring health through food to the largest number of people

## Baby nutrition

Supporting growing children every step of the way



## Medical nutrition

Nutritional support for persons in fragile health

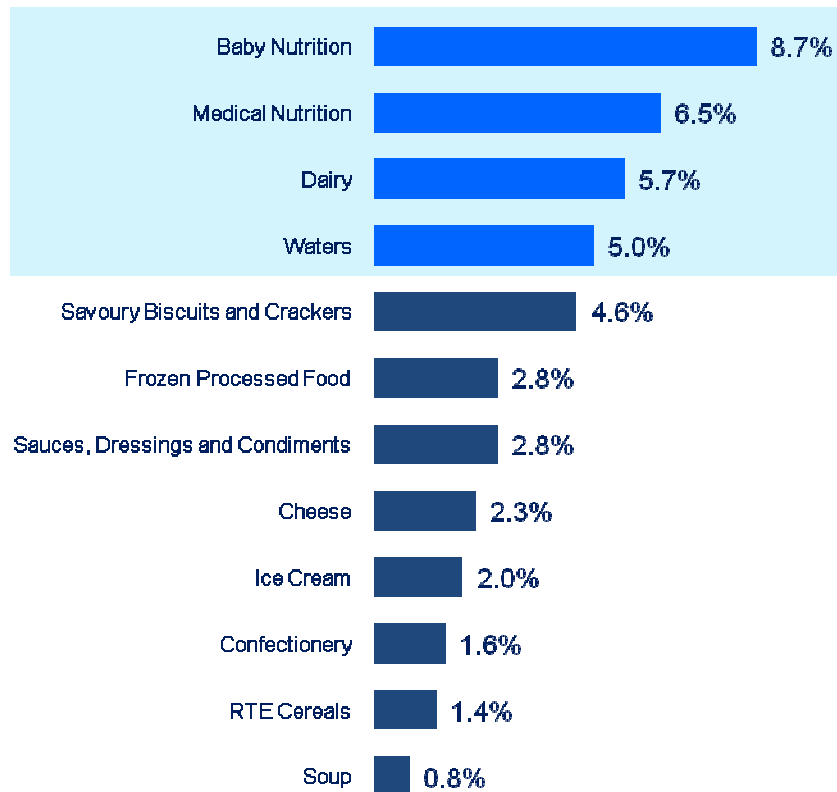




# Best positioned in fastest growing categories & geographies

## Fastest growing categories

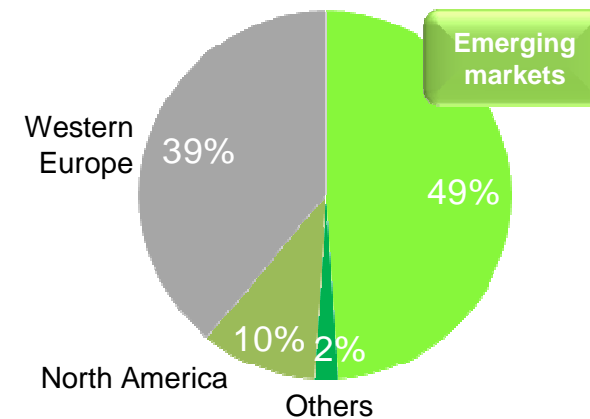
### 2010 volume growth by category



Source : Euromonitor & Internal estimate

## ~50% sales in emerging markets

### 2010 sales (proforma Unimilk)

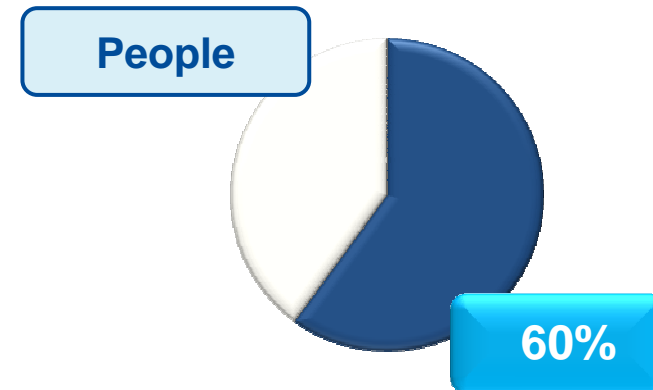
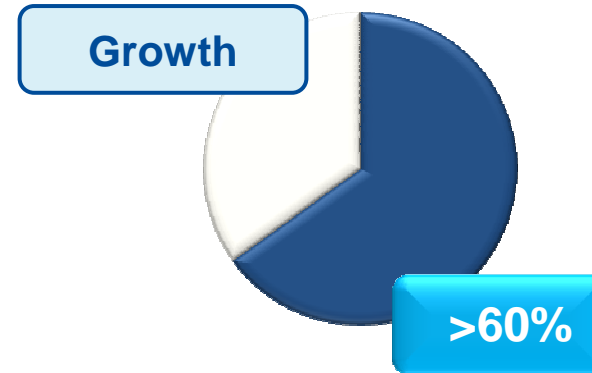




DANONE

# MICRUB: strongholds in emerging markets

Sales	2006	2010 proforma Unimilk	
	% group sales	€mln	% group sales
<b>M</b> EXICO	5%	1.0	<b>5%</b>
<b>I</b> NDONESIA	2%	0.9	<b>5%</b>
<b>C</b> HINA	11%	0.8	<b>4%</b>
<b>R</b> USSIA	3%	2.0	<b>11%</b>
<b>U</b> SA	7%	1.4	<b>8%</b>
<b>B</b> RAZIL	2%	0.7	<b>4%</b>
<b>Total MICRUB</b>	<b>30%</b>		<b>37%</b>





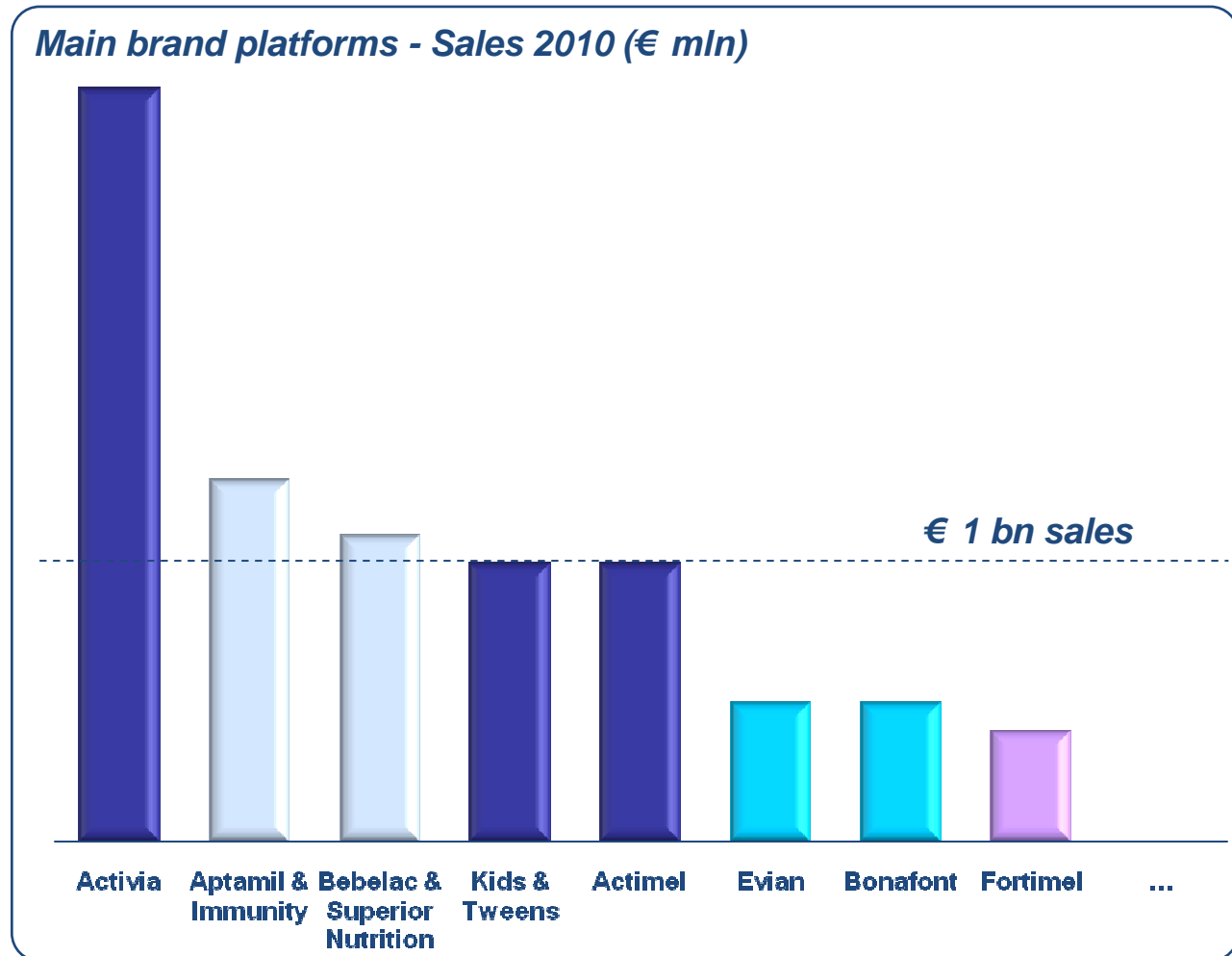


DANONE

# Strong brand platforms



Main brand platforms - Sales 2010 (€ mln)

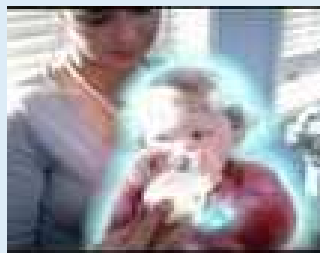




# Strong brand platforms: Example of Aptamil & Immunity

## Aptamil & Immunity platform

- Unique blend of GOS/FOS prebiotic
- Icons (shield, halo, bear)



UK



Netherlands



Indonesia





# Strong brand platforms: Example of Bonafont & Elimination

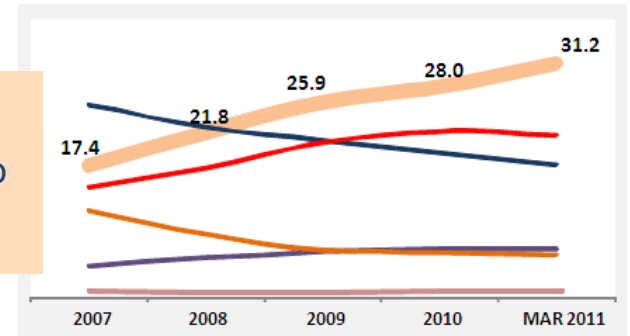
## Bonafont & Elimination platform:

- Clear and unique benefit of Elimination and Lightness
- Harnessing Battle For Water messages
- Salmon + icons
- Bottle + HOD + Aquadrinks



## Mexico

Increased market share from 17% to 31% in 4 years



## Brazil

Launched in 2009  
=> 41% market share in Sao Paulo



## Poland

Launched in 2011





DANONE

# Innovation pipeline : product and beyond

## New segments



## New moments



## New targets



## New channels



## New benefits



## New packaging





## Our equation: Leverage & Invest

**Leverage**

**our existing platforms :**

- brands platforms
- geographies
- operational systems

**Invest**

**in sustainable growth  
& competitiveness**



DANONE

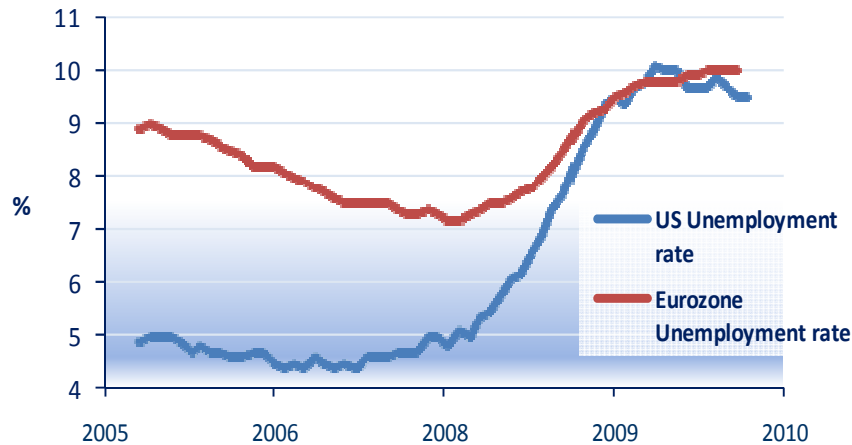
**2010-2011:  
Profitable & sustainable growth  
in a challenging environment**



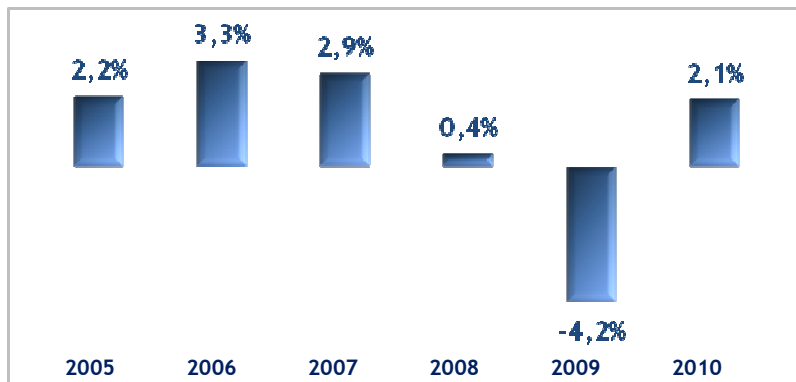
DANONE

# 2011 Environment expected to remain challenging

## Unemployment in Western economies

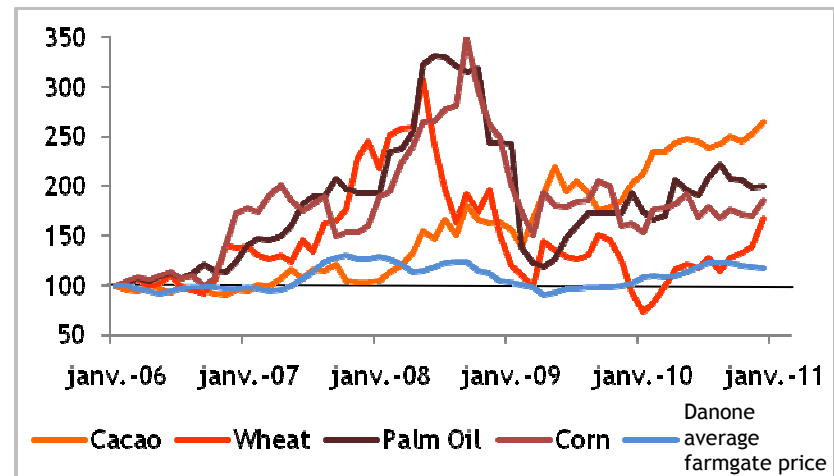
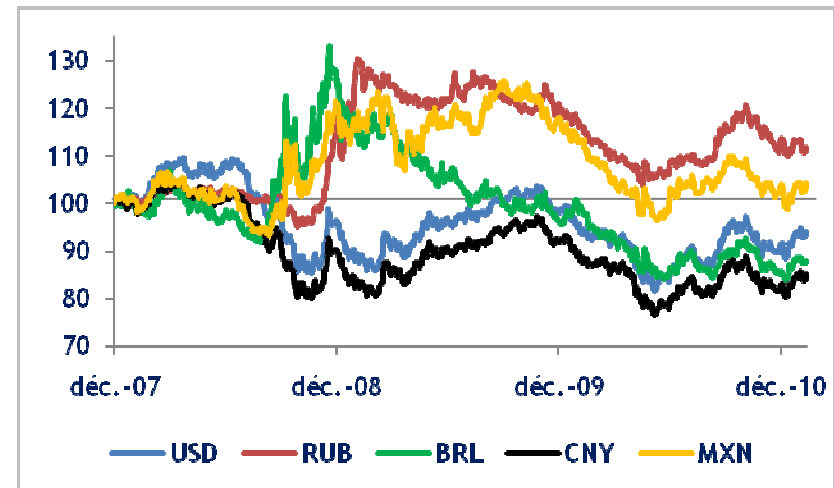


## GDP growth in Western Europe



Source : Euromonitor

## Persistent Volatility of currencies & commodities





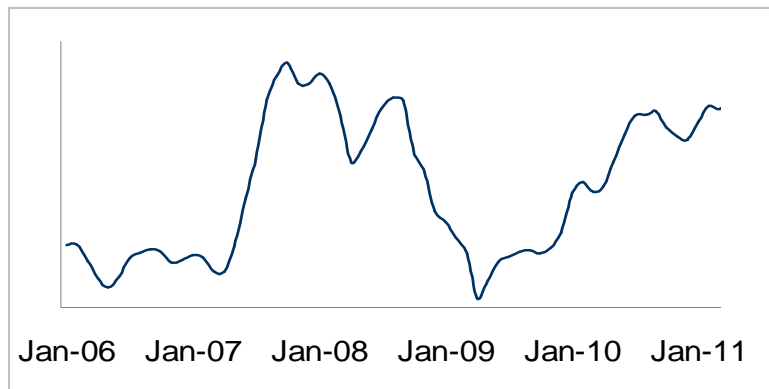
DANONE

# 2010 & 2011 : High inflation & record productivities

	2010	2011 guidance
<b>Input cost inflation</b>	10%	6-9%
<b>Productivities *</b>	€ 516 mln	~ € 500 mln

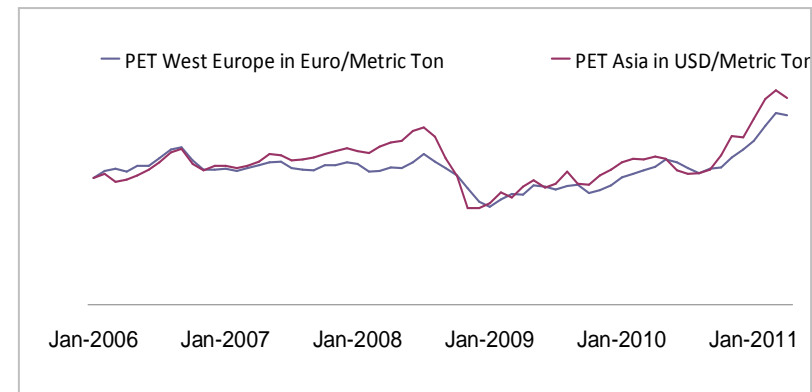
\*Perimeter = COGS including logistic costs

## Liquid milk price evolution



Source : Internal estimate

## PET price evolution



Source : Internal estimate





DANONE

# Productivity : embedded in our model

**Best practices collection  
and roll out**

PURCHASING

INDUSTRIAL

LOGISTICS

RECIPES

PACKAGING

NATURE

COMMERCIAL

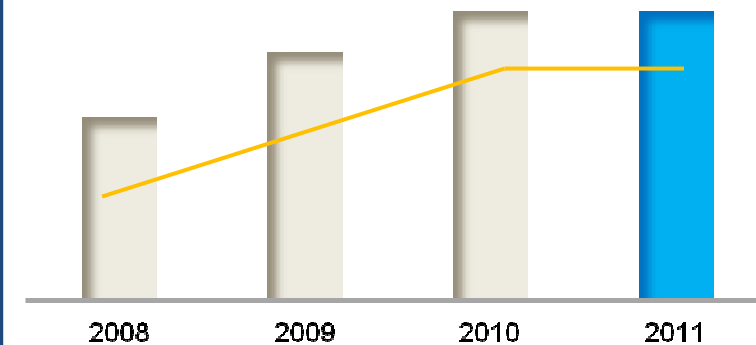
HQ & SERVICES

WWBU

Target setting

**CBUs**

Productivity\* – € mln and % COGS



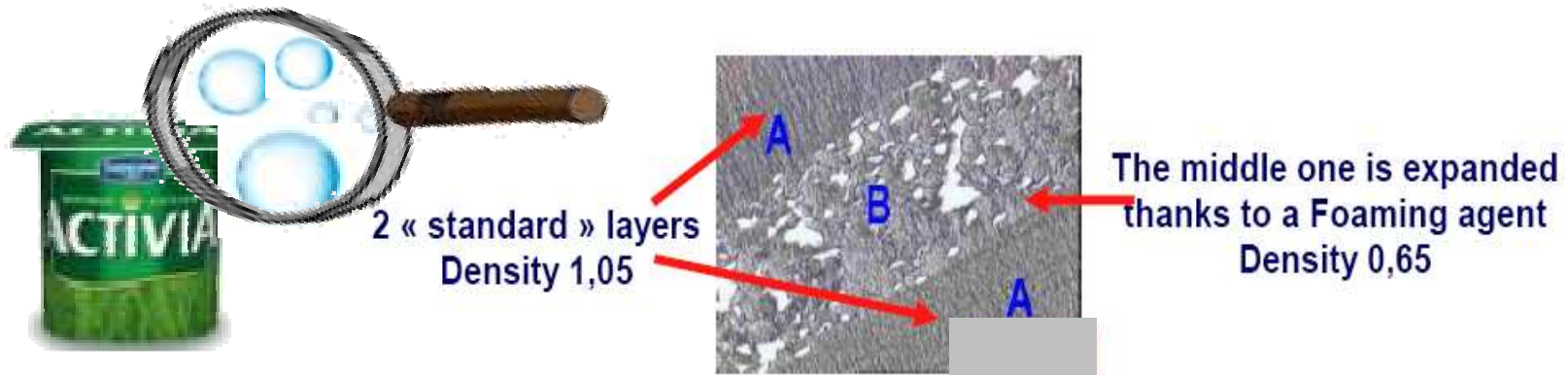
\*Perimeter = COGS including logistic costs



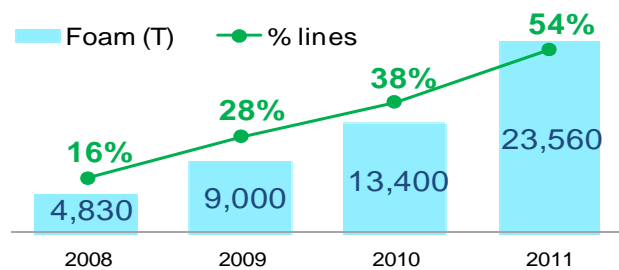
DANONE

# Productivity & sustainability

## Example: « Foam » packaging



### Foam Volumes Evolution Europe



**Less CO2**

*19% less CO2 emission for the Packaging*

**Same consumer preference**

**Cost saving**

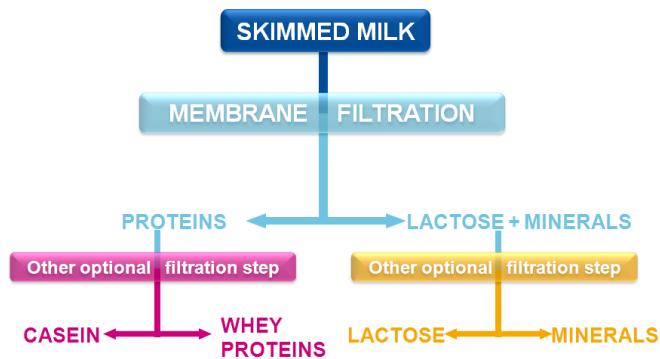


DANONE

# Productivity & innovation

## Example: Danette 360° renovation

*Saudi Arabia*



### Better product

- Product recipe score beat current (9.5) vs. (9.0) in consumer test

### Cheaper recipe

- Business opportunities to fuel brand growth



### Better nutrition

- Meet Nutritional requirements
- Fat and Energy reduction achieved
- No new ingredient excepted milk solids

### Less CO2

- -17% CO<sub>2</sub>
- 56 M litres of milk saved
- 21% water saving



DANONE

# 2011: Ensuring sustained competitiveness

## Reset

- Price index in Fresh Dairy Products from 126 to 120

## 2011 & beyond

- Selected competitive price increases
- Balanced portfolio across the pyramid => more resilient

✓ *Objective = develop the categories*



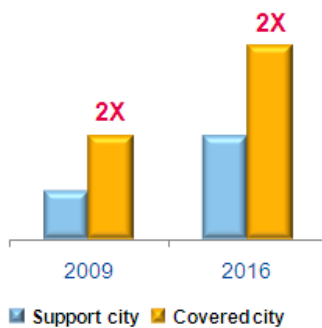
DANONE

# 2011: Another year of investment in growth

## Building categories



## Building distribution



Reach >7 mln babies



## Building new business models



✓ *A&P + sales force + R&D expenses to increase in line with top line guidance*



DANONE

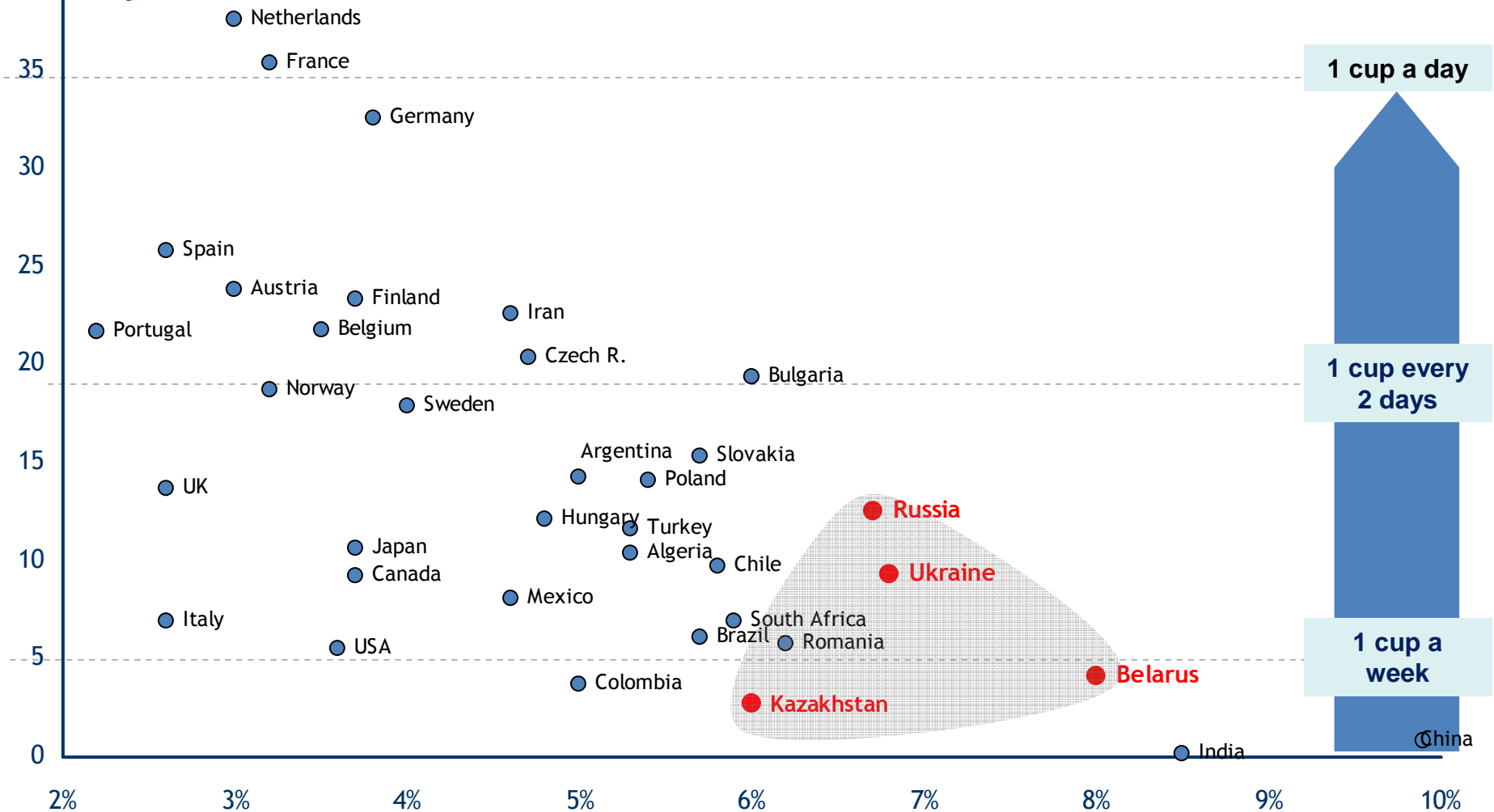
## **Unimilk integration: a clear priority**



DANONE

# CIS remains a major growth area for Danone dairy

## Average consumption of Fresh Dairy Products



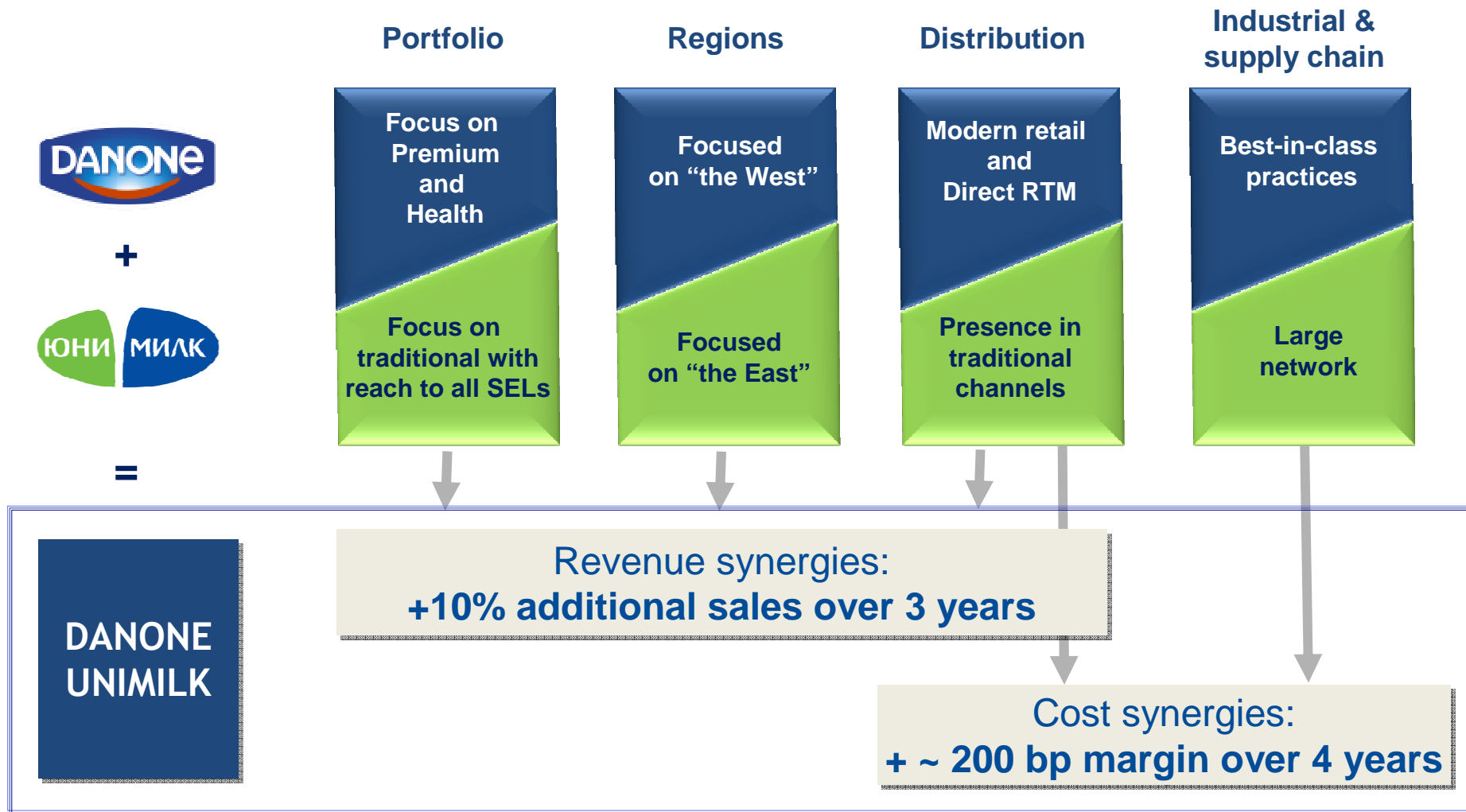
\* GDP growth PPP 2010-2015 (source EIU)

Purchasing Power growth \*



DANONE

# Danone-Unimilk: complimentarity drives synergies







DANONE

# Creating value through the Merger

## Danone enables Unimilk to:

- Accelerate Modern Dairy Category Growth
- Share best practices and experience on profitable growth model

Top Line

Bottom Line

## Unimilk enables Danone to:

- Obtain National Coverage and Industrial Base
- Reach wider consumer base
- Firm as key supplier and customer, leverage size and scale

Top Line

Bottom Line



## 2011 Unimilk integration key priorities : improve the mix, improve profitability

**Clear short term priorities = FOCUS ON THE RIGHT KPIs**

→ **Segmenting the portfolio = PRODUCT MIX**

→ **Drive efficiency to invest behind brands = GROSS MARGIN**

→ **Integration = SYNERGIES**



DANONE

# 2011 OUTLOOK



DANONE

## 2011 targets confirmed

	Objectives 2011
Sales growth <sup>(1)</sup>	6-8%
Free cash flow <sup>(2)</sup>	On track for € 2 bn in 2012
Trading operating margin	around +20 bps <sup>(1)</sup>

(1) Like-for-like : Based on constant scope of consolidation (including 12 months Unimilk) and constant exchange rates

(2) Free cash flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees



DANONE

# Notes



DANONE

# Notes