



DANONE
ONE PLANET. ONE HEALTH

BERNSTEIN
STRATEGIC DECISIONS
CONFERENCE

September 28, 2017

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DISCLAIMER

- *This document 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.*
- *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 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 shares.*
- *All references in this presentation to like-for-like changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, recurring EPS, free cash-flow, free cash-flow excluding exceptional items, and net financial debt correspond to financial indicators not defined by IFRS used by Danone, which are defined at the end of this presentation.*
- *Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.*

2014-2016: Danone's transformation in motion

2014 – 2016 Deliver start of transformation



- New Governance
- New Comex team

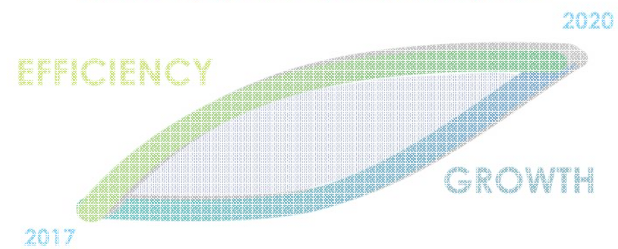


Nutrition, agricultural policy



2017 – 2020 Accelerated transformation agenda

Decoupling growth and efficiency agenda



2015

2016

2017

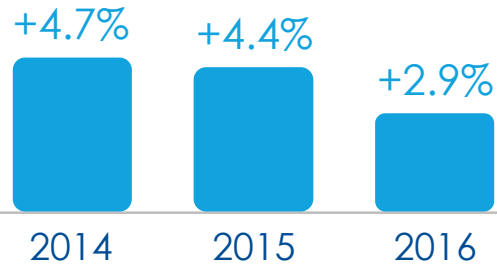
2020...



2014-2016: first step delivered

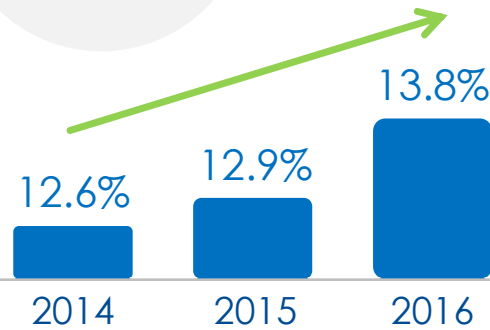
Like-for-like sales growth

2014-16
CAGR
+4.0%



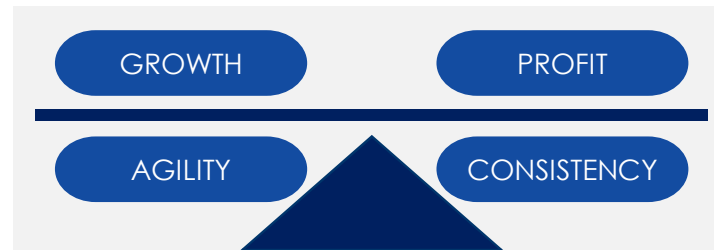
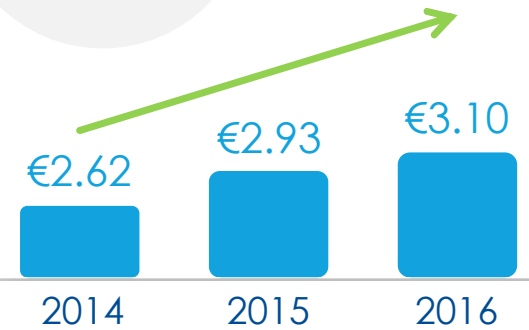
Sustained improvement in recurring operating margin

2014-16
+120bps
cumulative



Consistent recurring EPS growth

2014-16
CAGR
+8.8%



2017-2020: accelerating transformation to deliver today and be fit for tomorrow

2014 – 2016
Deliver start of transformation

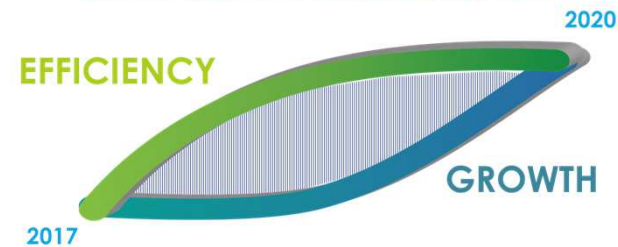


- New Governance
- New Comex team

Nutrition, agricultural policy

2017 – 2020
Accelerated transformation agenda

Decoupling growth and efficiency agenda



Our 2020 commitment



Prepare for strong, profitable, sustainable growth

H1 2017: first step in our decoupling agenda

+0.4%⁽¹⁾

Net
Sales

+91 bps⁽¹⁾

Recurring Operating
Margin

+11.0%⁽²⁾

Recurring
EPS

+24.4%⁽³⁾

Free Cash
Flow

**On track to deliver guidance for
double-digit recurring EPS growth in FY 2017⁽²⁾**

(1) Like-for-like New Danone – please refer to financial indicators definition

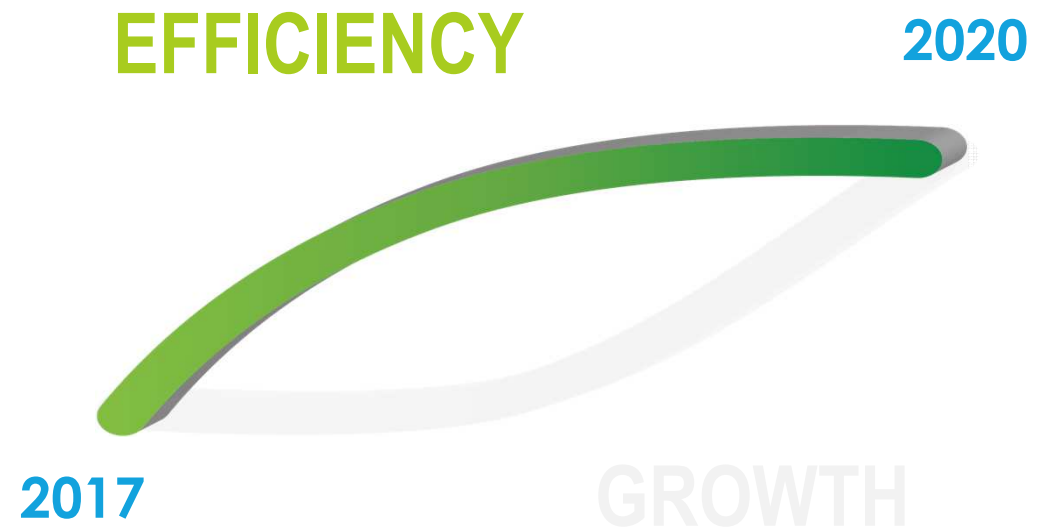
(2) At constant exchange rates

(3) On a reported basis, excluding exceptional items

Clear roadmap to deliver 2020 commitment

1/ Poised to deliver +300 bps margin improvement...

2/ ...and uniquely positioned to sequentially accelerate growth



Strong drivers to deliver +300 bps margin improvement by 2020

Recurring Operating Margin



(1) Cumulative LFL improvement between 2016 and 2020

(2) 2016 Recurring operating margin of combined Danone and WhiteWave on a full year basis

(3) Cumulative recurring operating margin improvement of Dairy as per previous reporting perimeter from 2014 to 2020

Key enablers already in place...



... and H1 2017 is on track

Start of Protein efficiency program

**PROGRAM
PROTEIN**

3 Pilots launched



Launch of WhiteWave synergy agenda

**~€10M EBIT
impact YTD**

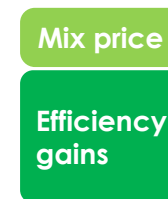
- Organization & processes in place
- One-Sales Team in action
- First corporate costs elimination
- Denver HQ closure in progress

Adaptation of Dairy Europe organization

- From 9 to 5 clusters
- Brand management organization
- R&D, Supply Chain, Quality transversal functions

Ongoing productivity gains to mitigate inflation

~ -400bps



**~90% of inflation
is mitigated**

Clear roadmap to deliver 2020 targets

1/ Poised to deliver +300 bps margin improvement...

2/ ...and uniquely positioned to sequentially accelerate growth



Danone geared for growth acceleration

4 to 5%

2020

2017
MODERATE

- Accelerated industry transformation
- Strengthen our profitable growth
- Right rhythm vs. high speed

- Self-disrupt organization to fit growth opportunity

Small / local
brands

New channels
& moments
of consumption

New ways
of engagement
for brands

- Be ready for emerging countries recovery to new normal

> 5%



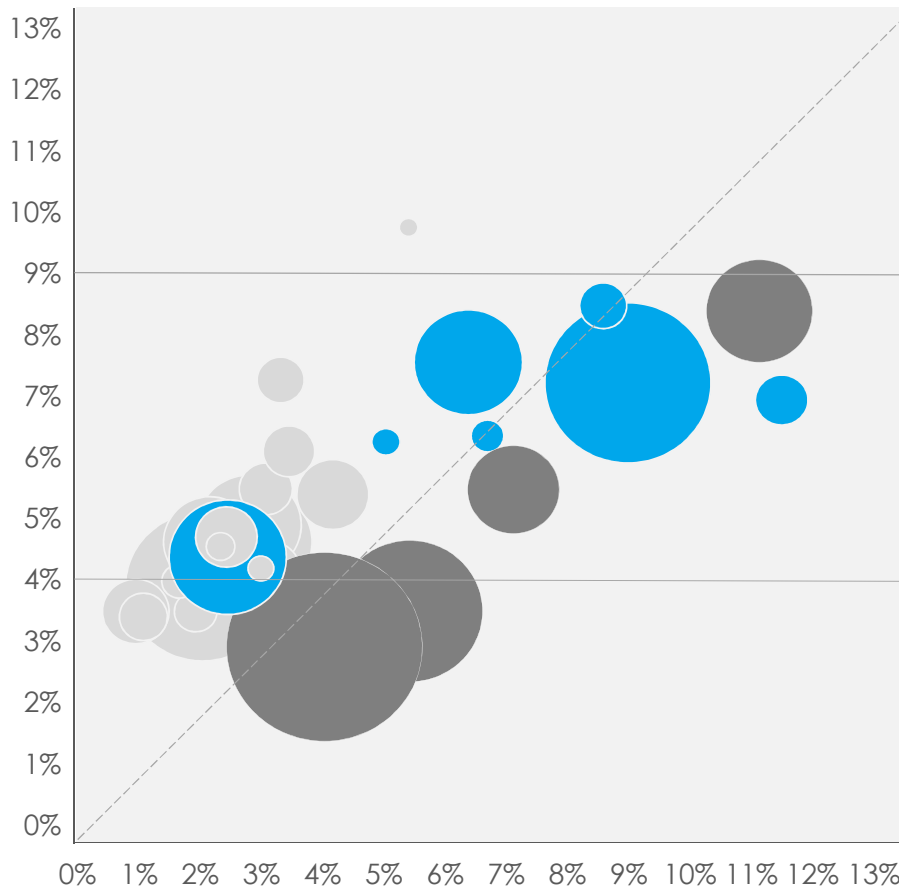
3-4%



- Execute efficiencies to fuel growth

Danone's portfolio uniquely positioned for growth...

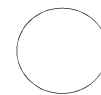
Future growth (CAGR '17-19 in value)



Category size & growth

Value MSP | \$bn | Current Prices | Year-on-Year Exchange Rates

Bubble size = 2016 category size



\$ 25 bn

● Danone categories

● Other NAB categories

● Other packaged food categories

Past growth (CAGR '06-16 in value)**

Source: Euromonitor (packaged food), Canadean (NABs), except for AMN: internal data (AMN category size only in Danone relevant scope). (*) Excl. China; (**) AMN: historical growth CAGR '14-16

... with leading share positions and strong brand equities

Early life nutrition

 #2



Advanced medical nutrition

 #1* *In Europe*



Waters

 #3* *Number 2 in volume*



Fresh dairy products

 #1



Plant-based food & beverages

 #1



Coffee creamers & beverages

 #2



Uniquely fit to address a fast changing consumer landscape

Rise in healthy foods and drinks



89% of prosumers think that "food is as effective as medicine in maintaining overall health"



100%
healthy
categories

Highest growth is from small and local brands



58% of the FMCG growth is driven by local brands

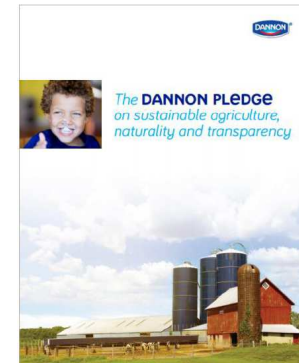


~56%
of Danone's
portfolio are
local brands

Evolving consumer buying habits & channels



62% of consumers think that "it's essential for a company to be completely transparent"



Offering US consumers the choice of non-GMO dairy brands since April 2016

Source: BETC/Havas's Eaters Digest study, "The Future of Food" IRI and Euromonitor

Executing and delivering today, preparing and building for tomorrow



2014

2017

2020

2017 guidance

Double-digit recurring
EPS growth (at constant FX)

2020 objectives

LFL sales growth **4% to 5%**
 Recurring operating margin **> 16%**
 Reduced leverage ratio⁽¹⁾ to **< 3.0x**
 ROIC⁽¹⁾ improved to **~ 12%**



Consistent EPS growth

(1) See definition of these indicators in Half year financial report, pages 9 to 10



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APPENDIX



Financial indicators not defined in IFRS

Additional indicator of like-for-like changes: “like-for-like New Danone” changes

Since completion of WhiteWave acquisition, WhiteWave and Danone's activities have been combined and are generating synergies. Separate reporting of WhiteWave and Danone in their pre-acquisition forms thus no longer reflects their real performance. In consequence, Danone has decided to monitor and then report its performance by integrating the contribution of WhiteWave as a whole to its organic growth from the time of the acquisition by using an additional indicator - **“like-for-like New Danone”** changes.

This indicator is a variation on the “like-for-like” changes indicator used by Danone, such variation integrating WhiteWave's performance starting at the date of acquisition:

- for periods in previous years compared, and
- based on WhiteWave reported data after restatement to allow comparison with Danone data.

This indicator is used starting with the second quarter of 2017 and running through the end of 2018.

Danone does not publish like-for-like New Danone changes for prior periods given the way they are computed. Finally, Danone does not monitor internally nor publish like-for-like changes and will not do so until year-end 2018. Like-for-like changes would not reflect accurately the Company's real performance, which is reflected in like-for-like New Danone changes and, by extension, the difference between like-for-like changes and like-for-like New Danone changes would not accurately reflect the contribution of WhiteWave and its companies to the real performance.

These indicators are calculated as follows:

Like-for-like changes in sales and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates, (i) with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current year), and (ii) correcting differences caused by the exceptional volatility of inflation in countries that are structurally subject to hyperinflation, which would otherwise distort any interpretation of Danone's organic performance.

Financial indicators not defined in IFRS

Since inflation in Argentina—already structurally high—accelerated further in 2014, in particular following the sharp, steep devaluation of the peso in January, using an identical exchange rate to compare 2014 figures with those for the prior year did not accurately reflect Danone's organic performance in that country.

As a result, the Company fine-tuned the definition of like-for-like changes to include in its exchange-rate impact the differences caused by the exceptional volatility in structurally hyperinflationary countries.

Danone is applying this methodology, which is applicable only to Argentina, starting from the release of 2014 full-year results. Danone is closely following the economic and monetary situation in Argentina and the volatility of the country's inflation.

This methodology leads to (i) limiting the inflation of price and cost of goods sold per kilo to their average level over three years and (ii) capping Recurring operating margin at its prior-year level; this methodology has been applied to each division operating in Argentina. With respect to 2014, adjustment for the full year was recorded in the fourth quarter of 2014.

“Like-for-like New Danone” changes (or “Like-for-like including WhiteWave starting April 2017” changes) in sales and recurring operating margin reflect the organic performance of Danone and WhiteWave combined. This indicator corresponds to like-for-like changes for Danone and WhiteWave combined, considering the activity of WhiteWave as a whole by integrating its companies during the fiscal years prior to and following their acquisition in April 2017:

- from April 1 to December 31 for periods compared until 2017 included;
- from January 1 to December 31 for periods compared in 2018.

WhiteWave Base effect corresponds primarily to the contribution of WhiteWave over the period from April 1 to June 30, 2016 and to adjustments for the impact of using different reference periods for H1 2017 reported and for H1 2017 like-for-like New Danone data. The contribution of WhiteWave and its companies for the period from April 1-12, 2017 must be deducted as it is effectively included in the like-for-like New Danone changes and excluded from reported data.

Financial indicators not defined in IFRS

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French ANC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Non-recurring results from associates include significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, non-recurring items as defined by Danone included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the consolidated recurring net income. The recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include other income and expenses, non-recurring results from associates, capital gains and losses on disposals and impairments of Other non-fully-consolidated entities and tax income and expenses related to non-recurring income and expenses. Such income and expenses excluded from Net income are defined as Non-recurring net income and expenses.

Recurring income tax rate measures the income tax rate related to Danone's recurring performance and corresponds to the ratio Tax income and expenses related to recurring income and expenses over Total Recurring net income.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as Recurring net income over Diluted number of shares ratio.

Free cash-flow represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets managing net debt.