



## Pierre-André T erisse Chief Financial Officer

Barclays Back-to-School Consumer Conference  
Boston - September 3, 2014



**DANONE**

*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 Registration Document (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.*

*Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material.*

The image is a collage. The top half shows a street scene with several Brazilian flags flying from buildings. The bottom half shows a street scene with children playing soccer. One child in the foreground is wearing a yellow jersey with the number 10 on the back. Another child in a yellow jersey is kicking a ball near a large black metal gate. A third child in a white shirt and cap is walking nearby. The background features old, weathered buildings with arched doorways and windows.

# H1 2014 Highlights

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# H1 2014 KEY ACHIEVEMENTS



## OVERCOME MILK INFLATION



Q1 margin under pressure as a result of record milk prices

Pricing, mix & cost management  
→Q2 bounce back

Milk prices now stabilized / down

## INNOVATION & MIX IN KEY MARKETS



EUROPE: Danio, evian La Goutte and Looney Drinks

NORAM/CIS: Tëma Biolact, Creamery & Oikos Frozen

ALMA: Nutrilon & Dumex International, VIT Levité

## STRENGTHEN OUR STRATEGIC PLATFORMS

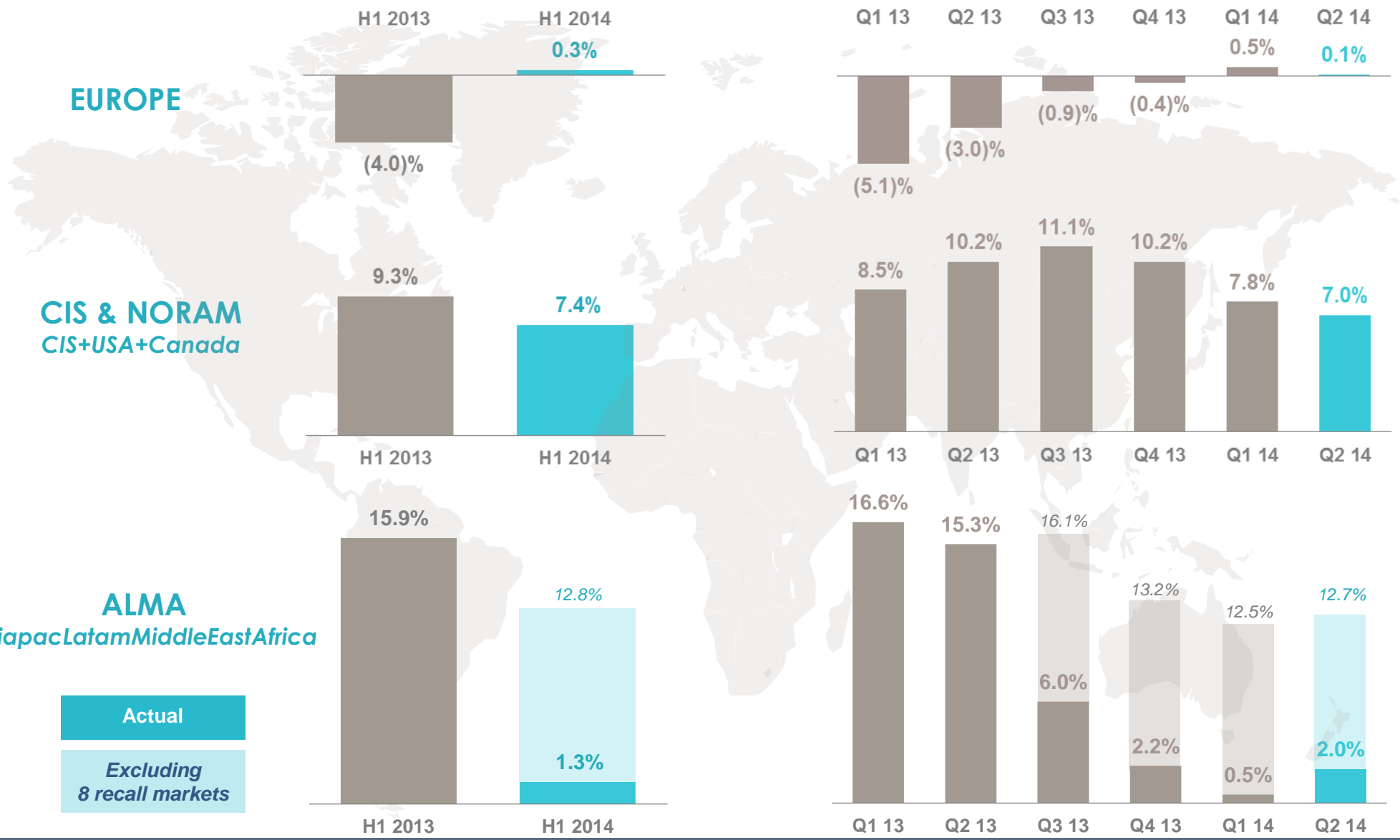


Closing of COFCO Mengniu partnership:  
Increased stake & Fresh Dairy JV

Strengthening Africa:  
40% stake in Brookside (East Africa)



# GEOGRAPHICAL DYNAMICS



**Actual**

**Excluding 8 recall markets**

## 2014 objectives

Sales growth <sup>(1)</sup>	+4.5% to +5.5%
Trading operating margin <sup>(1)</sup>	Stable ± 20 bps
Free cash-flow excluding exceptional items <sup>(2)</sup>	around €1.5 bn

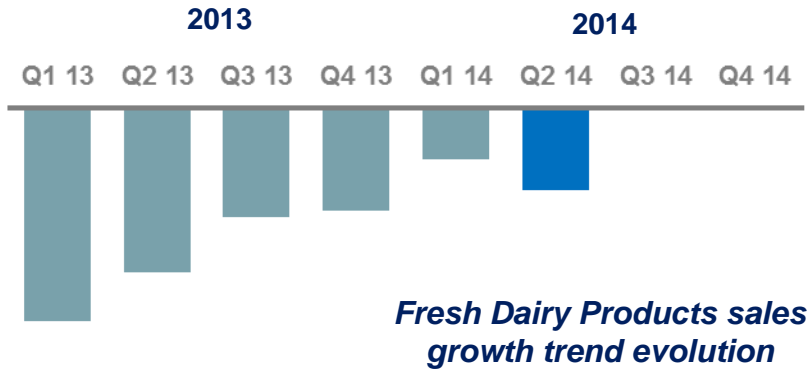
*(1) Like-for-like : Based on constant scope of consolidation, constant exchange rates and accounting principles*

*(2) Free cash-flow excluding exceptional items : cash-flows provided or used by operating activities less capital expenditure net of disposals, excluding acquisition costs related to business combinations and earn-outs related to business combinations and paid subsequently to acquisition date and before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe*

# H2 2014 AGENDA - DELIVER ON 2014 KEY PRIORITIES



## TURNING AROUND EUROPE



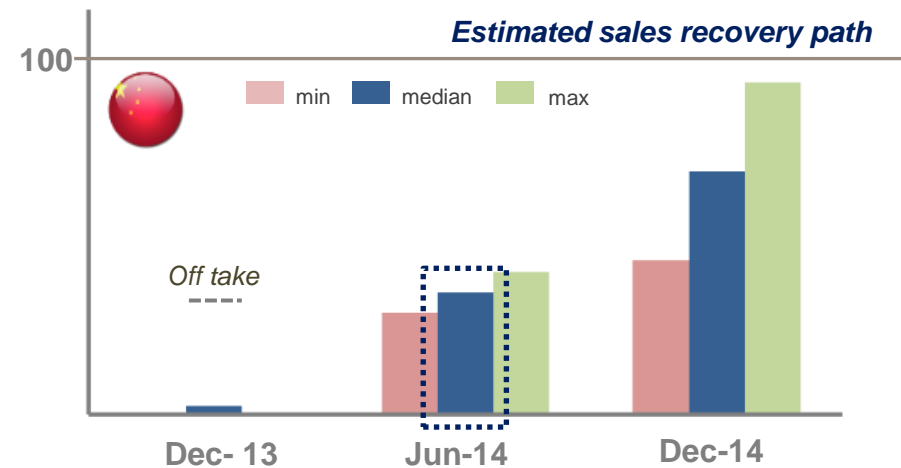
## GROW AND NAVIGATE IN ALMA



## KEEP WINNING CIS & NORAM



## TURN ELN ENGINE BACK TO FULL SPEED





The image is a collage. The top half shows a street scene with several Brazilian flags flying from buildings. The bottom half shows children playing soccer in a street. One child in the foreground is wearing a yellow jersey with the number 10. Another child in the background is wearing a white jersey and a white cap. There are white starburst graphics near the child in the white jersey. A white text box is overlaid on the top half of the image.

# Working on our 4 priorities

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# DAIRY EUROPE: REINVENTING THE MODEL



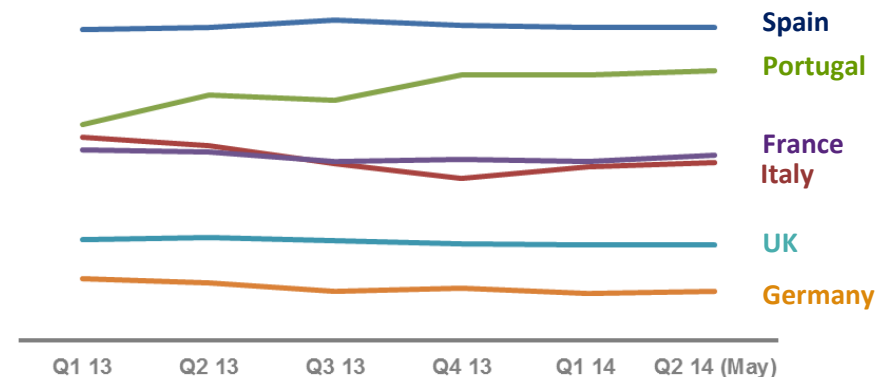
## COST REDUCTION INITIATIVES

- + Dec 2012** Danone unveils plan for €200mln savings adaptation of the organizations
- + Feb. 2013** Sevilla plant closure
- + Q3 2013** Downsizing of the Rotselaar plant  
Sales of 4 plants in Czech Republic, Bulgaria, Spain and Portugal
- + Jun. 2014** Plan to close plants in Italy, Germany and Hungary

## INNOVATIONS



## VALUE MARKET SHARE EVOLUTION

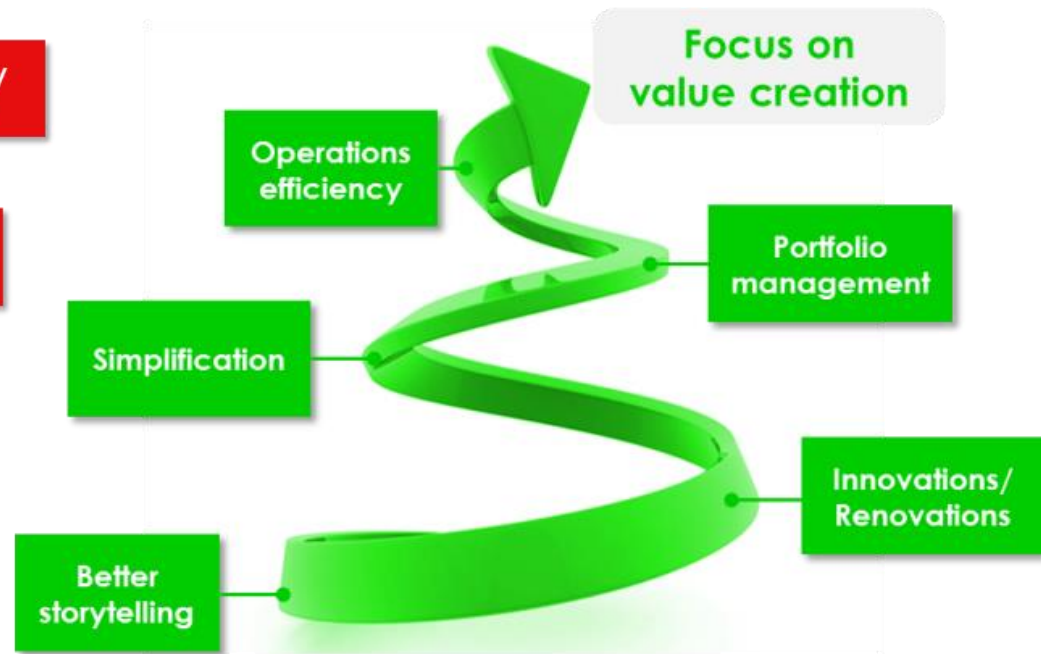
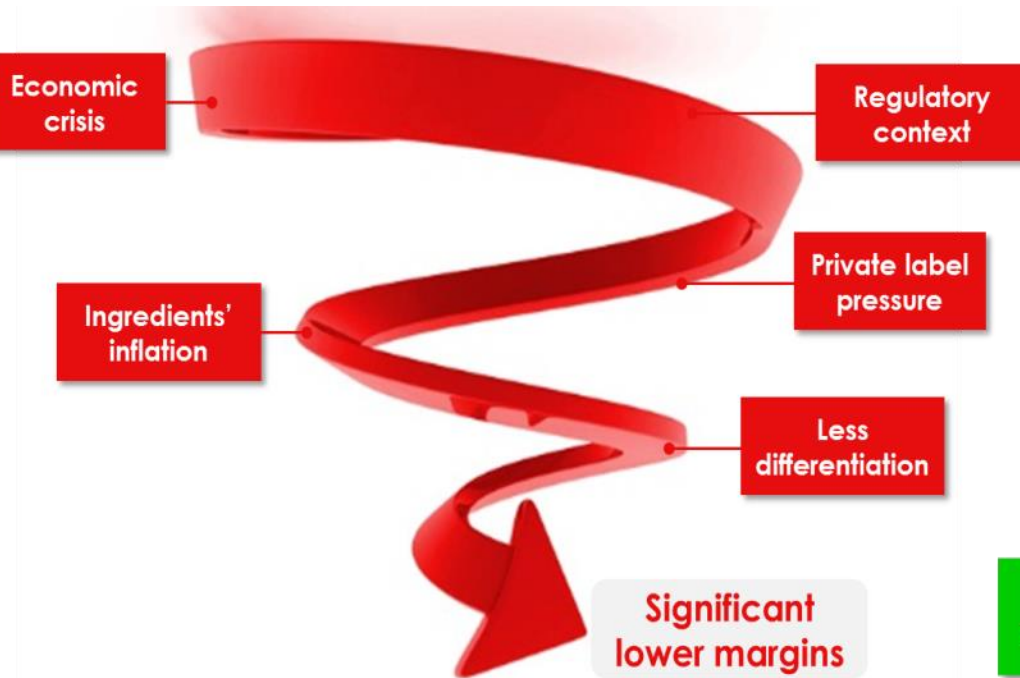


# DAIRY EUROPE: REINVENTING THE MODEL



**FROM :**

**TO:**

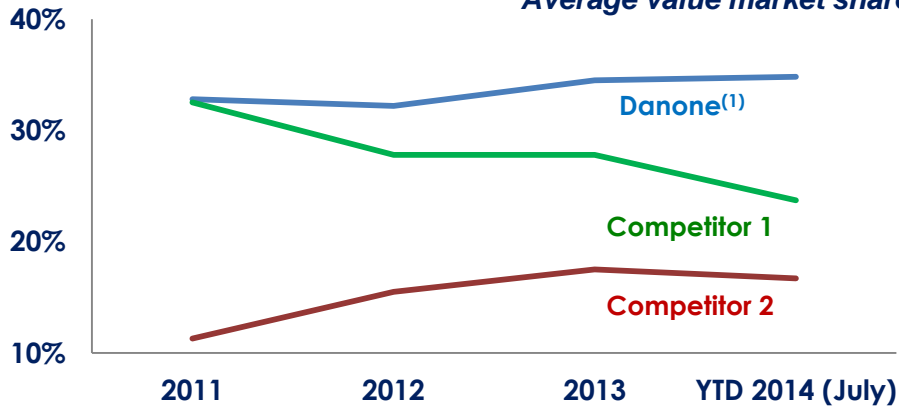


# USA: LEADING THE CATEGORY THROUGH GREEK AND INNOVATIONS



## LEADING THE YOGURT CATEGORY

Average value market shares



<sup>(1)</sup> Danone : including Stonyfield and YoCrunch

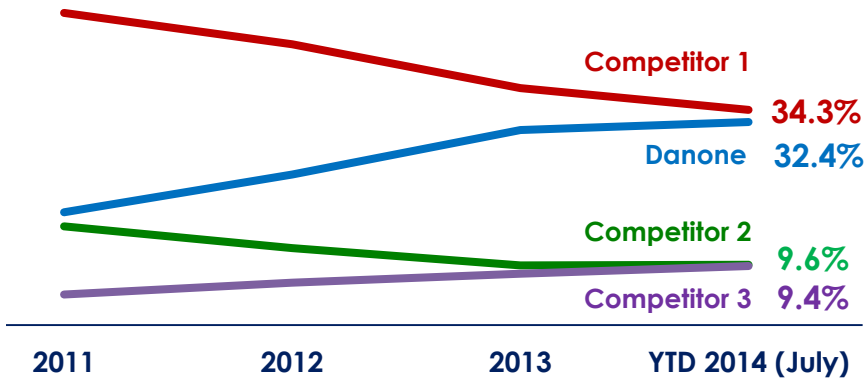
Source: IRI Multi Outlet

## PUSH INNOVATIONS AGENDA



## CO-LEADING THE GREEK YOGURT SEGMENT

Average value market shares



Source: IRI Multi Outlet

# USA: PILLARS FOR DANNON'S FUTURE GROWTH



## Innovations



## Consumer Engagement



## Category Advocacy



## Working with retailers



## Engaging with our partners





# RUSSIA: A STRONG BUSINESS WITH LOCAL ROOTS



Local brands volume >80% of total portfolio

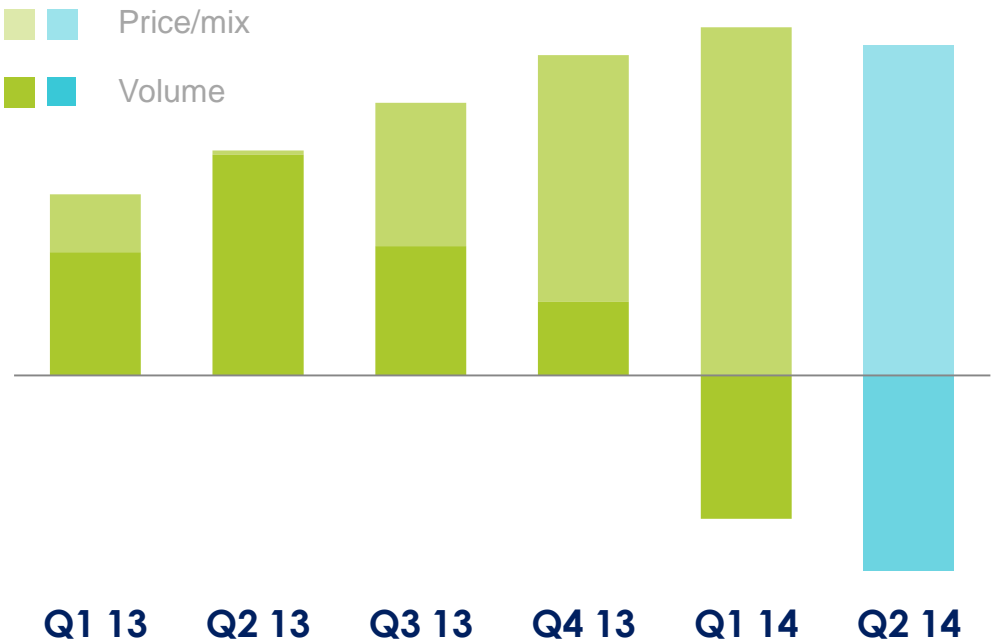
100% local milk sourcing

100% local production

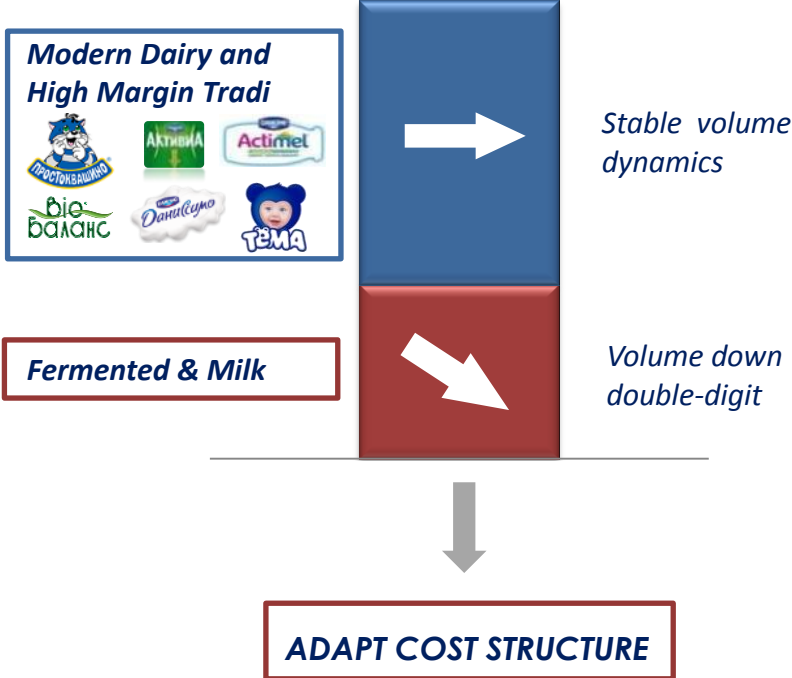
# CIS: KEEP STRENGTHENING THE PORTFOLIO



## CIS PERFORMANCE



## RUSSIAN SALES BREAKDOWN



# EARLY LIFE NUTRITION: GOING FULL SPEED ON NEW FRONTS...



Developing market from a challenger position



Leading most of its African markets with major brands Bledina and Milupa



Investing in the fast growing premium Organic Baby food



Adapting our products to baby specific and special needs



# ... AND KEEP TURNING ELN CHINA ENGINE BACK TO FULL SPEED

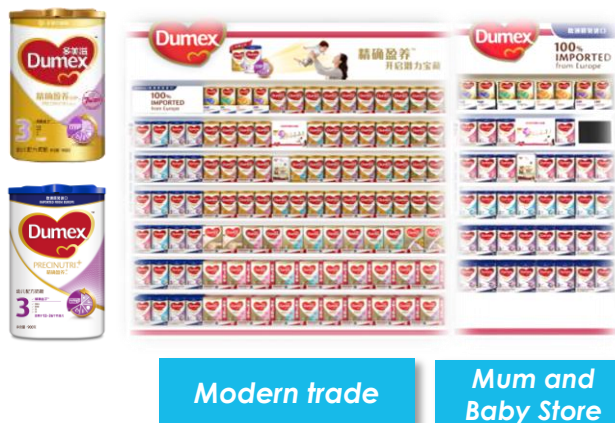


## STRONG ACTIVATION CAMPAIGNS

Blue house exclusive launch at Walmart



Merchandising of Dumex Precinutri International

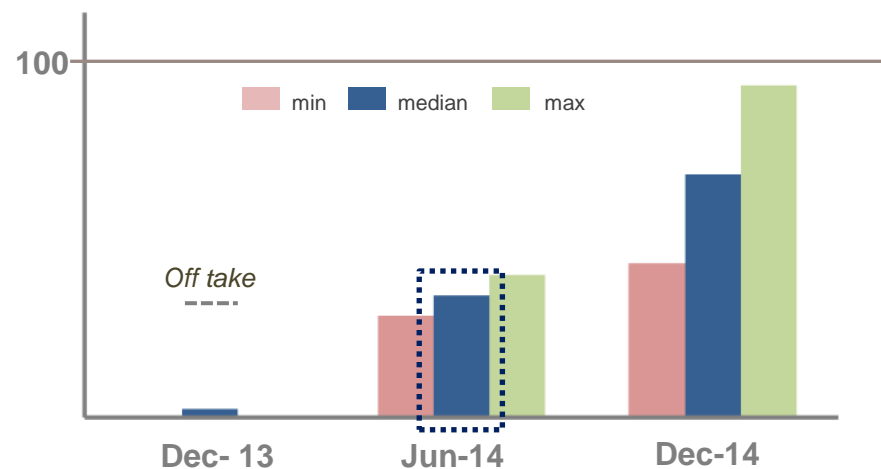


Modern trade      Mum and Baby Store

## SUSTAINABILITY ENABLERS

- Build category recognition
- Master geographies and channels
- Be the closest to mums
- Efficient investment model to secure profitability
- Secure global supply chain

## ESTIMATED SALES RECOVERY PATH

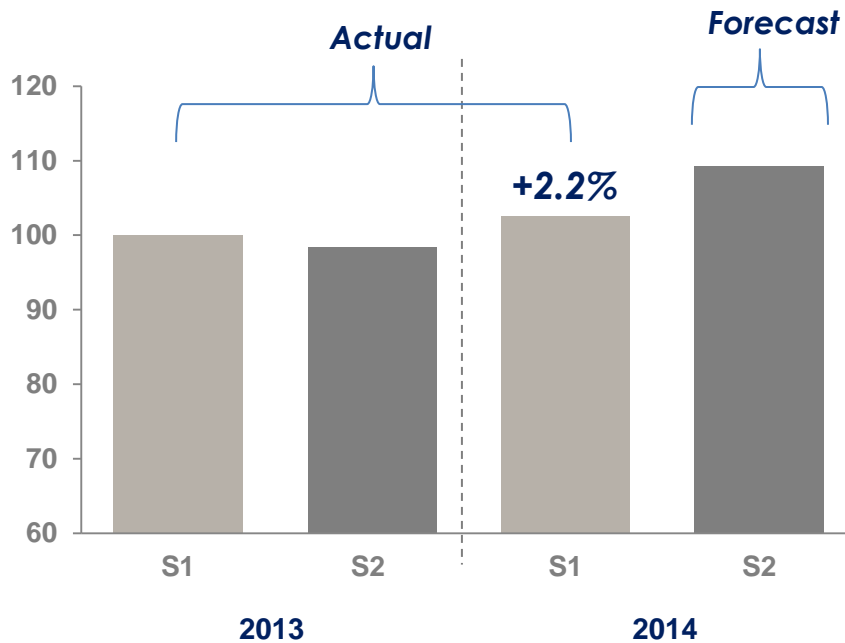




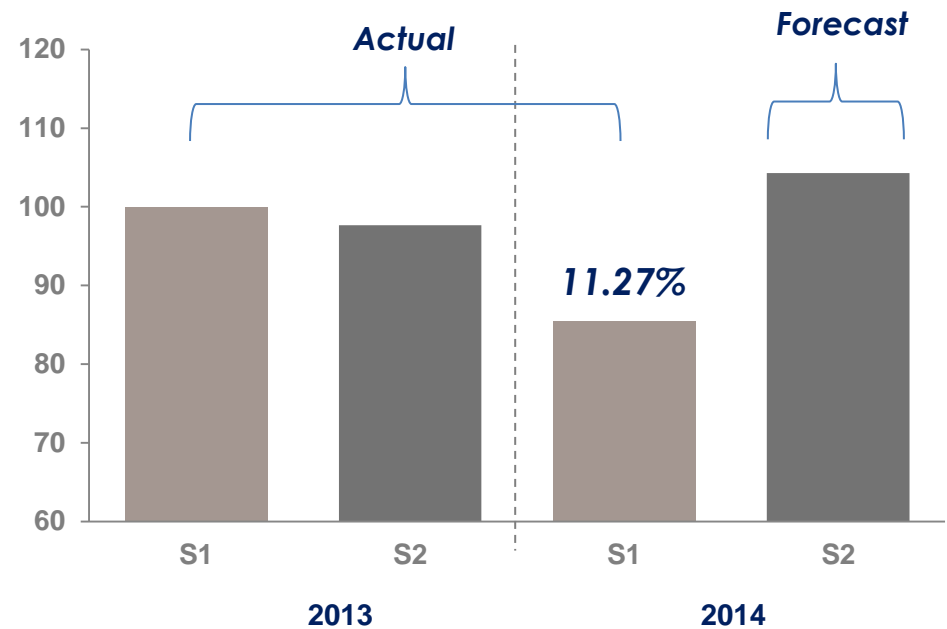
# 2014: AN UNBALANCED YEAR



## TOPLINE



## MARGIN



- \* Negative effect of the 2013 comparison base and carryover of the Fonterra crisis
- \* Strong rebound expected in H2 2014

BRING DANONE BACK TO THE AGENDA OF A...



DANONE



**STRONG  
PROFITABLE  
SUSTAINABLE**

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**GROWTH**

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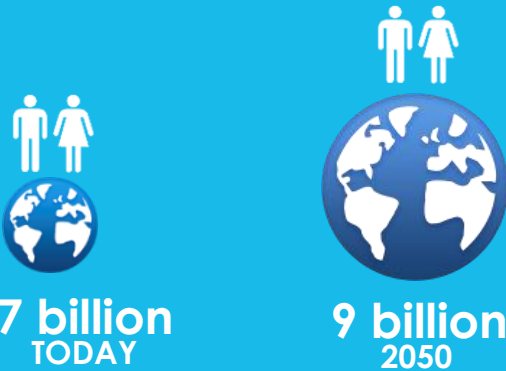
# Danone towards 2020

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# A CRITICAL MISSION IN A CHANGING WORLD



## GROWING POPULATION



## RESOURCES SCARCITY AND VOLATILITY



## BALANCING DIETS: A KEY CHALLENGE OF THE WORLD

- 1/4 undernourished
- 1/3 overweight adult
- 1/10 obese adult



## INCREASING FOOD SAFETY & QUALITY STANDARDS





# CONTINUE THE JOURNEY: TOWARDS 2020



**ALIMENTATION BY DANONE**

**FOOD & WATER CYCLE  
MANAGEMENT**

**UNIQUE MANAGEMENT  
MODEL**

# WE CONTINUE TO BUILD A UNIQUE AND RELEVANT APPROACH TO FOOD



Food, Nutrition & Health Charter

NutriWays approach to enhance nutrition superiority

First Foodstyle study

Danone policy for marketing of food for infant and young children



First Nutriplanet study



Grameen Danone Foods



Nutritional information scheme charter



Danone #1

Health and Nutrition scorecard :

**66%** of sales from products that are part of recommendations for a daily balanced diet



# WE CONTINUE TO BUILD A UNIQUE AND RELEVANT APPROACH TO FOOD



## Becoming partners in Dairy in China



Our ambition :

Become the indisputable leader of Fresh Dairy in China by offering safe, qualitative and superior products through a more diversified portfolio

Top 3 brands: >50 % portfolio



## Bringing Greek as part of consumers' diet



## Strengthening Aquadrink platforms

Growing Mizone



Expanding Levité



## Developing Dairy in Africa



# MASTER FOOD & WATER CYCLES TO CREATE VALUE: OUR 3 ESSENTIALS



## MILK

Milk & milk ingredients represent c.**40%** of Danone input costs

> **130,000** farmers, with an average size of ~56 cows per farm

## WATER

Danone bottles **21 bnL** of water, consumes **36 bnL** of process water across its divisions, and uses approximately **180 bnL** for upstream agriculture water

## PLASTICS

Plastics represent c.**20%** of Danone input costs

Danone represents ~0.4% of rPET market worldwide, but 20% of “Danone Food Grade” available rPET





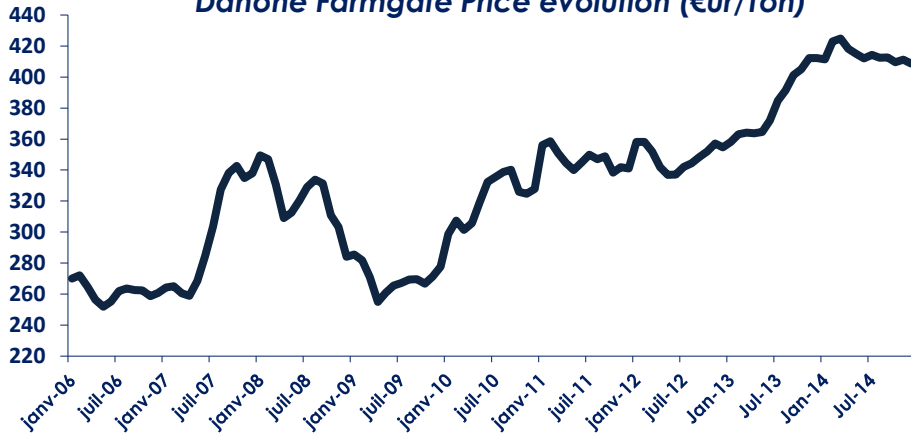
# MASTER FOOD & WATER CYCLES TO CREATE VALUE



## MILK

### Manage milk price inflation

Danone Farmgate Price evolution (€ur/Ton)



Secure access, reduce volatility and ensure cost competitiveness



## WATER

### Resource efficiency

Intensity of water consumption related to production processes (in m<sup>3</sup>/ton of product)



### Waste reduction

-46%

Reduction of water consumption since 2000

### Expertise to create value for consumers

#### « SPRING »

Management standard for each source of spring water bottled by Danone



# ONE DANONE TO REINFORCE COMPLIANCE AND ENSURE SUSTAINABILITY OF THE MODEL



## NO COMPROMISE

Never compromise on food safety  
100% compliance to all regulatory requirements

## QUALITY OF DESIGN

Consumer preference  
+  
Outstanding product experience

## A DEDICATED ORGANIZATION

Product compliance board & audit support

## ZERO DEFAULT ATTITUDE

Everyday excellence  
Target zero waste

## QUALITY OF EXECUTION

Consumer confidence in every product, every day

## ONE DANONE



# ONE DANONE: A UNIQUE MODEL



**UNIQUE CULTURE & VALUES**

**DUAL ECONOMIC  
& SOCIAL PROJECT**



**EMPOWERING  
LEADERSHIP**

ONE BOARD

14 Board members  
71% independent

ONE CHAIRMAN



ONE CEO



ONE COMEX



**Simplified governance - Strengthened execution**



