



DANONE
ONE PLANET. ONE HEALTH

MORGAN STANLEY
GLOBAL CONSUMER & RETAIL CONFERENCE

November 14, 2017

Cécile Cabanis, CFO



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.*

Danone at a glance

A global leader in health and nutrition

~100

Years in business in 2019

~€ 25bn

2016 Net sales

Incl. 2016 WhiteWave sales

~€ 45bn

Market capitalization

As of November 7th, 2017

~100,000

Employees

As of December 31, 2016; before WW acquisition

100%

Healthy categories

~20

Brands over €500m sales

120

Countries

#1

in most categories



DANONE ONE PLANET. ONE HEALTH

Our mission and ambition

Value creation in a sustainable manner

————— A company that is aligned with consumer values, creates value... —————
...at the core of Danone's growth model

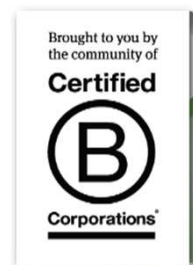


————— Healthier eating and drinking... —————



*Bringing health
through food
to as many people
as possible*

————— ... in a responsible way —————

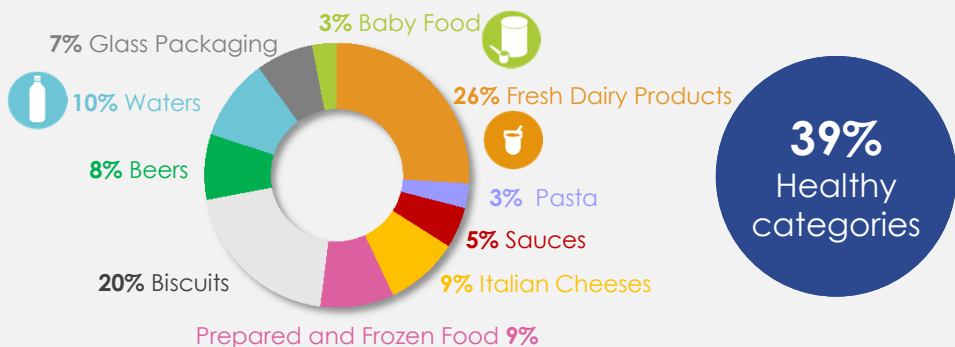


Our transformation journey

A story of constant reinvention

1996

European food conglomerate



2016

Global health-focused portfolio



BSN: GLASS



1960's

FOOD



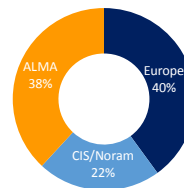
1980's

FOCUS & INTERNATIONALIZATION



1996-2007

ACCELERATED INTERNATIONALIZATION



2008-2014

WHITEWAVE ACQUISITION:
Global leader in organic
And plant-based



2016

Accelerating the transformation in last three years

Step changes to adapt to market and consumer environment

Our environment

MACRO
VOLATILITY

CHANGING
CONSUMER TRENDS

DIGITAL
DISRUPTION

SMALL, LOCAL IS
THE NEW BIG

Our Journey: 2014-2016

New Leadership

- Emmanuel Faber appointed CEO

OPERATIONAL FOCUS: More agility, more resilience

- Mutualization of support functions
- Optimization of capital allocation
- Global procurement for Dairy
- Strategic resources cycles approach
- Danone Manifesto Ventures Incubator

PORTFOLIO FOCUS: WhiteWave acquisition

- Creating a global leader strongly aligned with consumer trends

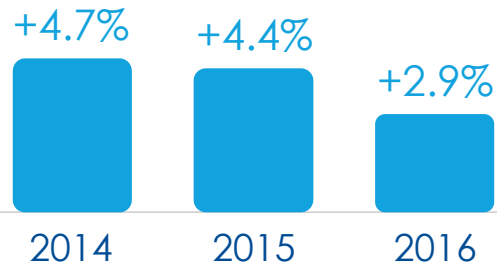


2014-2016: Rebalancing the model of growth

Strong track record

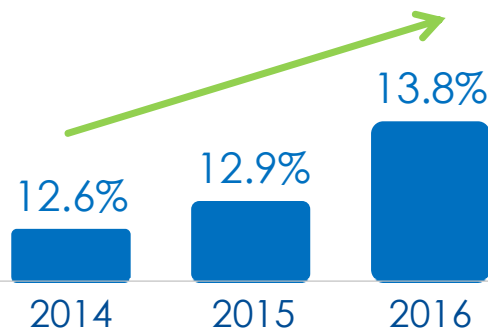
Like-for-like sales growth

2014-16
CAGR
+4.0%



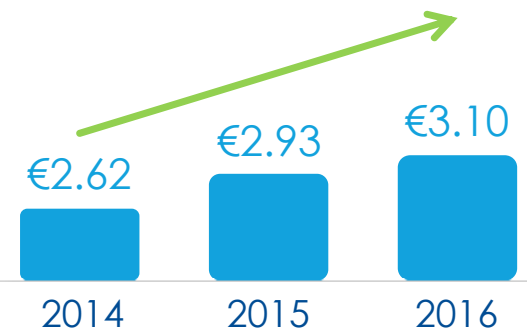
Sustained improvement in recurring operating margin

2014-16
Cumulative
+120bps



Consistent recurring EPS growth

2014-16
CAGR
+8.8%



Commitments and strategic priorities for 2020

Accelerate growth and maximize efficiencies

1 ACCELERATE GROWTH

- Execute competitive plans
- Engage with consumers in new way
- Accelerate small & local brands

2 MAXIMIZE EFFICIENCIES

- Achieve synergies from WhiteWave
- Deliver 'Protein' €1bn savings

3 ALLOCATE CAPITAL WITH DISCIPLINE

- Build agility and resilience
- Balance short, mid and long term
- Optimize returns

2020 OBJECTIVES*

SALES GROWTH:
4% to 5%

MARGIN:
>16%

ROIC:
~12%

LEVERAGE:
< 3.0X

(*) Like-for-like sales growth – Recurring operating margin – Return on invested capital – Net debt / EBITDA

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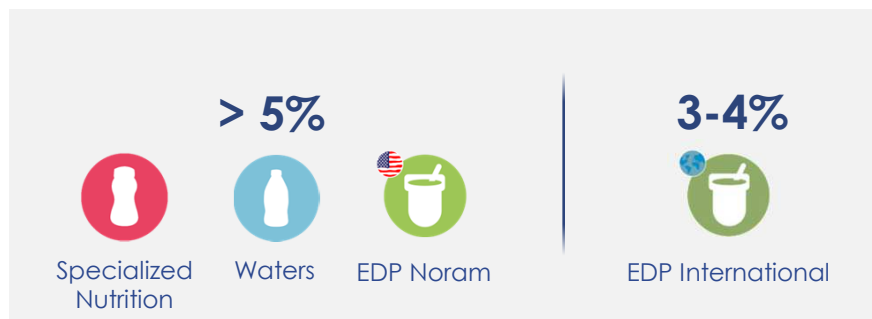
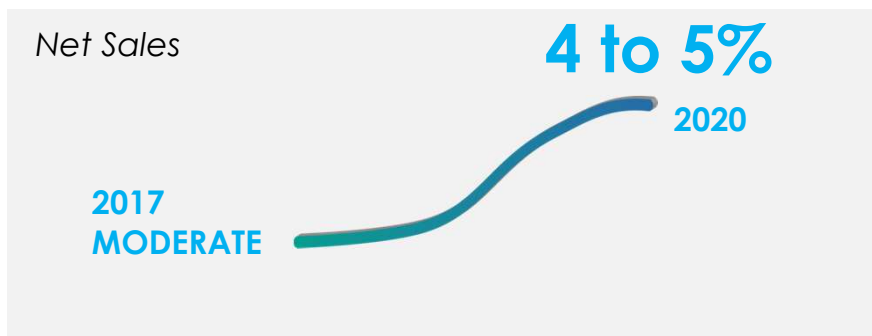
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Accelerate growth

Unique portfolio, solid execution

2020 LFL sales growth objectives



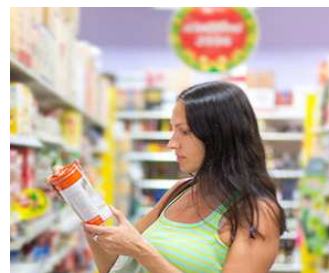
Key drivers

Unique Portfolio

SUPERIOR GROWTH CATEGORIES...



...ALIGNED WITH CONSUMER PREFERENCES



Solid Execution

PRODUCT INNOVATIONS



BRAND ACTIVATION



PORTFOLIO PREMIUMIZATION



CHANNELS



Accelerate growth A unique portfolio...

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



Accelerate growth ...aligned with fast changing consumer trends

Rise in healthy foods and drinks



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

Highest growth is from small and local brands



58% of the FMCG growth is driven by local brands

Evolving consumer buying habits & channels



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



100%
healthy
categories

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



~56%
of Danone's
portfolio are
local brands



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

Accelerate growth Strong innovation pipeline, matching consumer demand

*Innovate in products
to build trust and
transparency*



MAY CAUSE
MOMFIDENCE



Accelerate growth

Strong innovation pipeline, matching consumer demand

Adjacent categories

Snacking and on-the-go

Innovate to be part of consumers' lives at every moments & occasions



Coffee Up: (v.)

To quickly engage the imagination (k-way 10,000) and all five senses by rapidly administering very good, very stimulating coffee.



Accelerate growth

Driving portfolio premiumization towards iconic brands

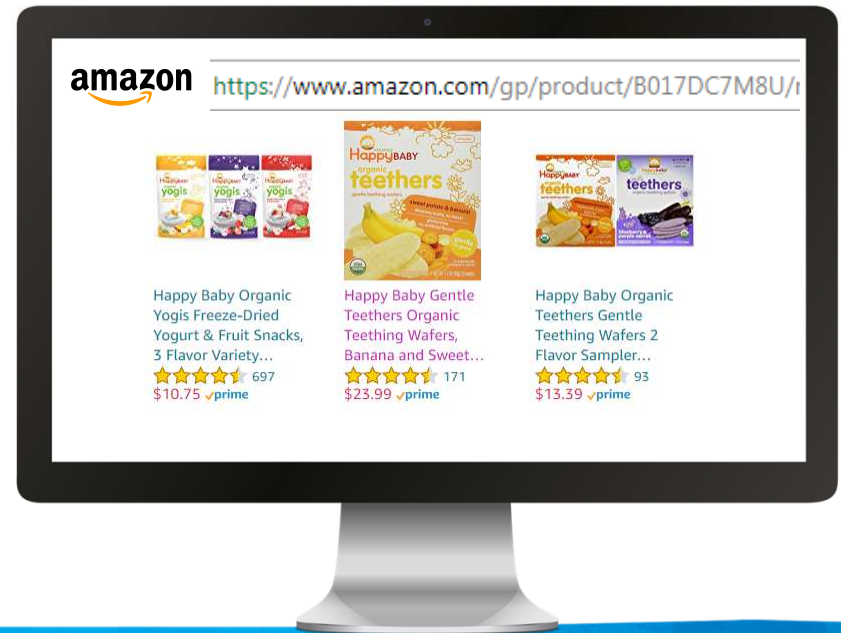


Accelerate growth

Multi-platforms activation to engage with consumer



Accelerate growth Shift towards new channels

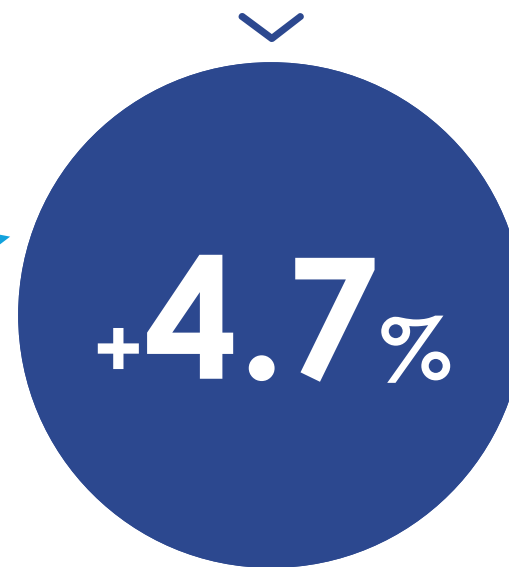


Accelerate growth
Q3: +4.7% LFL sales growth

H1 2017
Sales growth ⁽¹⁾



Q3 2017
Sales growth ⁽¹⁾

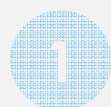


First 9 months 2017: +2.1%

(1) Like-for-like new Danone sales growth

Commitments and strategic priorities for 2020

Accelerate growth and maximize efficiencies



ACCELERATE GROWTH

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MAXIMIZE EFFICIENCIES

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ALLOCATE CAPITAL WITH DISCIPLINE

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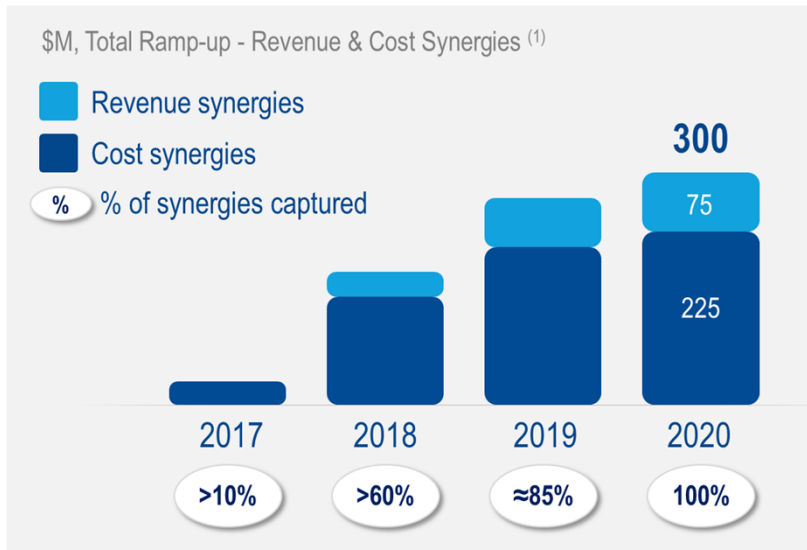
(* Like-for-like sales growth – Recurring operating margin – Return on invested capital – Net debt / EBITDA)

Maximize efficiencies

\$300m WhiteWave synergies: significant & highly executable

Ambition

Accomplishments: on track with value creation



- **WhiteWave integration on track:**

- One national sales team in action
- Closing of WhiteWave's corporate HQ
- First corporate costs elimination

- **Faster than expected synergies delivered** in 2017 with already €10m in H1 17

- **Initial top-line synergies expected in 2018**

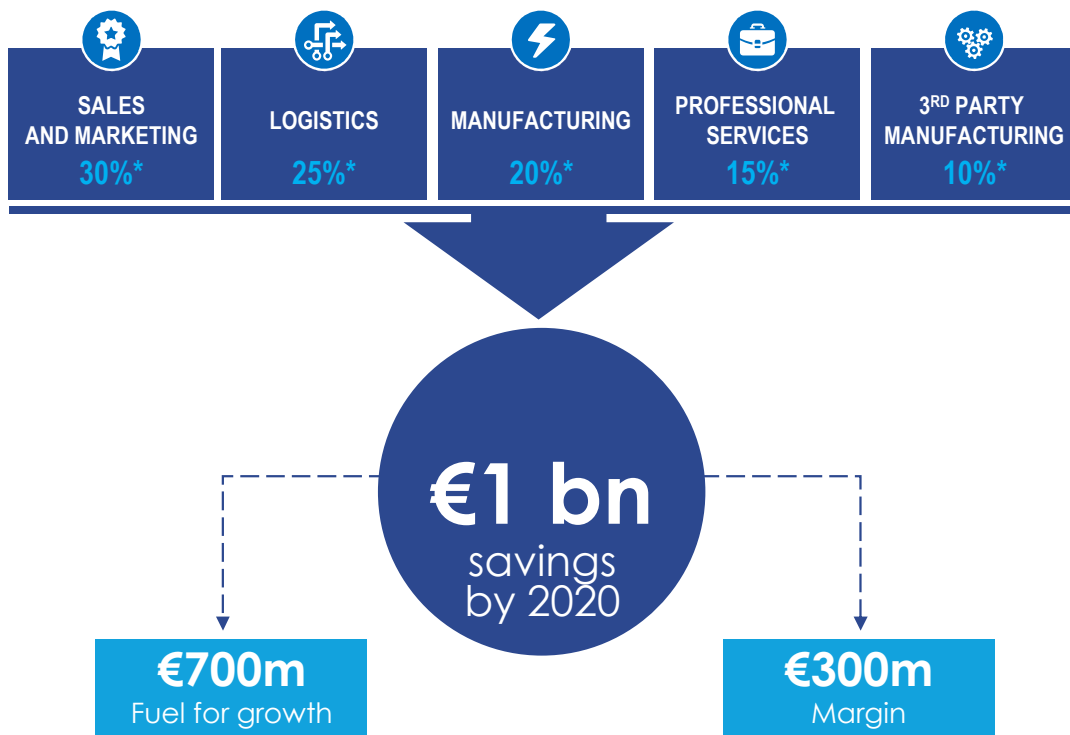
(1) Recurring operating income synergies

Maximize efficiencies

Protein efficiency program : €1bn savings by 2020

Ambition

Indirect cost base: ≈ €7 bn



Accomplishments: roll-out in progress

3 pilot countries completed



15 spend category playbooks ready for activation in 30 clusters

Sept-Oct 2017: Live in 3 clusters



Starting full roll-out: end 2017-18

(*) % of total indirect cost base

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Allocate capital with discipline

Commitment to delivering long-term shareholder value

Deleverage

- FCF improvement
- Portfolio management

Invest for growth & efficiency across time horizons

- Sustained level of capex : around 4-5% of sales

Shareholder returns and dividends

- Sustained dividend policy

Disciplined managerial and financial approach that allows Danone to respond in the short-term and invest for the long-term

New organization to ensure success of delivery and transformation agenda

Increase agility and efficiency

EXCOM

STREAMLINED



Focus

Speed

REGIONAL LEADERSHIP

REINFORCED

15 regional leaders empowered on global decisions



Closer to market

Cross-regional collaboration

30 LOCAL CLUSTERS

ONE DANONE

Securing the short term delivery agenda

Preparing for tomorrow



2014

2016

2017

2020



2017 objectives:

Recurring EPS growth at constant exchange rate **> 12%**

2020 objectives

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

Focus on results, shareholder returns and long-term vision
Confidence in delivering 2017 and 2020 targets

(1) Please refer to financial indicators definition



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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 has been applying this methodology, which was applicable only to Argentina, starting from the release of 2014 full-year results. This methodology led 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.

End of the special treatment of over-inflation in Argentina: In light of the normalization of the economic and monetary situation in Argentina observed since the beginning of 2017 and confirmed in Q3 2017, it is no longer justified to limit the inflation of price and to cap recurring operating margin in that country, as described above. As a result, when reporting third-quarter 2017 sales, Danone has ended its special treatment of over-inflation in Argentina with effect from January 1, 2017. As a reminder, this special treatment of over-inflation in Argentina and its suspension have no impact on reported figures.

“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 July 1 to September 30, 2016.

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.