



REINVENTING DANONE

Investor Update

INVESTOR UPDATE EVENT #1

November 23, 2020

Event agenda



Emmanuel FABER,
Chairman & CEO

Reconnecting
with sustainable
shareholder value
creation in a covid world



Véronique PENCHIENATI,
CEO Danone
International

Reshaping
the organization
for the future



Henri BRUXELLES, COO,
End-to-end design
to delivery

Agile supply chain
in covid world



Juergen ESSER,
Chief Financial,
Tech and Data Officer

Financial
perspectives



Conclusion

Question
and answers

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”, “objective”, “believe”, “forecast”, “guidance”, “outlook”, “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, predictions of future activities, operations, direction, performance and results of 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 description of these risks and uncertainties, please refer to the “Risk Factor” section of Danone’s Universal 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) changes, recurring operating income, recurring operating margin and free cash flow (FCF) correspond to financial indicators not defined in IFRS. Please refer to the Q3 2020 sales press release issued on October 19, 2020 for further details on IAS29 (Financial reporting in hyperinflationary economies), the definitions and reconciliation with financial statements of financial indicators not defined in IFRS.*
- *Due to rounding, the sum of values presented in this presentation may differ from totals as reported. Such differences are not material.*

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2014-2019

Strong 5-year strategic and financial track record

Like-for-like
sales growth

+3.1%
average

Step change
in margin

+260bps
15.2%

Record
recurring EPS level

~+50%
in 5 years

Plant-based and
organic

#1
Worldwide

2020 performance impacted by covid

Calling for a bold reinvention of Danone



Out-of-home
closure



Cross-border
limitations



Extra-costs and
inefficiencies



LFL sales
decline

-1.6%
9 months YTD

Margin
headwinds

14.0%
-72bps in H1

Recurring
EPS down

-10%
in H1

A time of change is also a time of opportunity

Local first: a bold reinvention to restore shareholder value creation

Resolutely local and efficient organization



New eating habits
New growth spaces

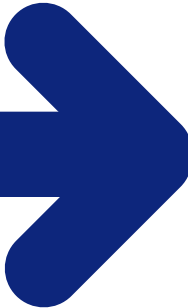


Portfolio refocus



TODAY

H1-21



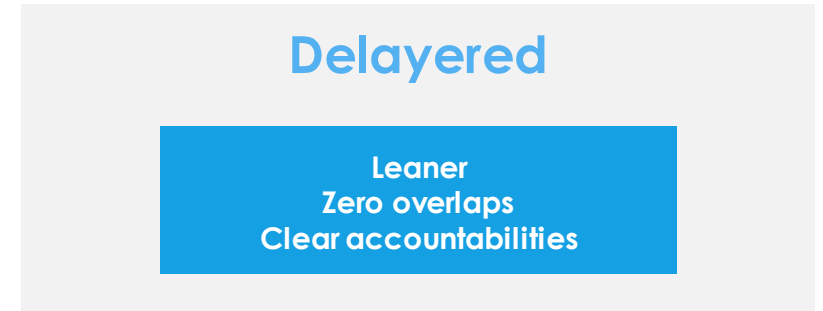
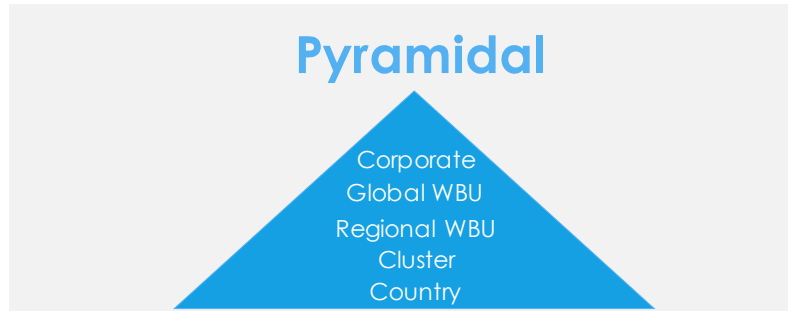
Back to last month announcements

Three big organization shifts announced

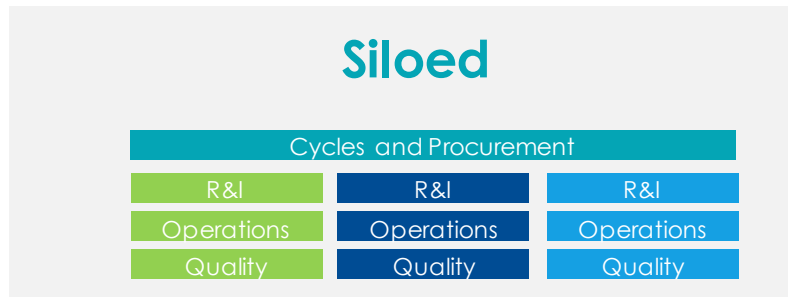
1
BUSINESS LEAD



2
WAYS OF WORKING



3
VALUE CHAIN



Executive Committee team November 2020



Emmanuel FABER
Chairman and CEO

2 macro-regional CEOs

Véronique
PENCHIENATI-
BOSETTA



**CEO
Danone
International**
(~80% of sales)

Shane
GRANT



**CEO
Danone
North America**
(~20% of sales)

2 global functions

Henri
BRUXELLES



**Chief Operating
Officer**
End-to-end
Design to Delivery

Nigyar
MAKHMUDOVA



**Chief Growth
Officer**
Growth Strategy
& Capabilities

Bertrand
AUSTRUY



**Chief Human
Resources Officer**
General
Secretary

Internal CFO replacement

Juergen
ESSER
(as of Feb-21)



**Chief Financial
Officer**
Finance, Tech
and Data

Cécile
CABANIS
(until Feb-21)



**Chief Financial
Officer**
Finance, Tech
and Data

Additions to Executive Committee team

Local teams now part of executive governance

Floris
WESSELING



**President
Europe**

Charlie
CAPPETTI



**President
CIS, Turkey**

Corine
TAP



**President
Asia, Africa and
Middle-East**

Bruno
CHEVOT



**President
Greater China
and Oceania**

Silvia
DAVILA



**President
Latin America**

Jean-Marc
MAGNAUDET



**President
SN Unit**

Note: The functions of Zone Presidents and SN Unit President will be effective at the end of the consultation (mid 2021). In the meantime, they will keep their current functions and will act as Study Leaders

Reshaping the organization

Unlock significant efficiencies to fuel profitable growth

Local



Layered

Leaner
Zero overlaps
Clear accountabilities

Integrated & connected

End to end
design to delivery
function

Significant
efficiencies ahead

€1bn
recurring savings by 2023

Event agenda



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Véronique Penchienati

21 years at Danone



Véronique PENCHIENATI,
CEO Danone
International

Reshaping
the organization
for the future

- 2020** Since Nov. 2020: CEO Danone International
- 2019** EVP Specialized Nutrition
- 2017** EVP Growth & Innovation (Comex since Feb 2018)
- 2014** President Evian Volvic World
- 2009** GM Danone Eaux France
- 2002** VP Marketing Dairy Worldwide Business Unit
- 1999** VP Marketing LU France

The world has changed

5 trends prompted or accelerated by Covid-19



**Local
empowerment and
decision-making**



**Supply chain
competitiveness
and agility**



**Trusted brands
operating at
scale**



**Consumer-
centric growth
opportunities**



**Structural
channel shifts**

We are clear on our strengths And on our areas of improvement

— Strengths

- **Health-focused** portfolio
- **Trusted** brands operating at scale
- **Protein, Plant-based** and **Probiotic** expertise
- **Leadership** positions, everywhere
- **Reach**, in Developed & Emerging markets
- **Sustainability** pioneer with One Planet. One Health

— Areas of improvement

- **Heavy** cost structure above countries
- **Complex** decision-making
- **Siloed** organization by category
- **Limited** synergies at country level
- Portfolio '**blind spots**' beyond our categories

Adapting to reconnect with Danone's profitable growth agenda

Shifting to a local-first, cross-category organization



**BETTER SERVING
CONSUMERS**



**EMPOWERING OUR
COUNTRIES**



**FURTHER ENGAGING
DANONERS**



**IMPROVING
OUR COST
COMPETITIVENESS**

**Objective: reconnect asap with
Danone's 3-5% profitable growth agenda**

A fitter and more agile organization to enable growth and deliver efficiencies

Three key principles

1

Local empowerment

- Combining local businesses under a single local management team
- Simplified and localized decision making for maximum speed and relevance
- Leaner functions serving countries for efficiency and scale

2

Enabling growth within, across and beyond our categories

- Protect and strengthen expertise on current categories
- Cross-category acceleration units: Plant-based, Healthy Ageing and eCommerce

3

More competitive cost structures

- Leaner structures in Headquarters
- Country synergies based on local specificities

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From category-led independent businesses to geography-led units

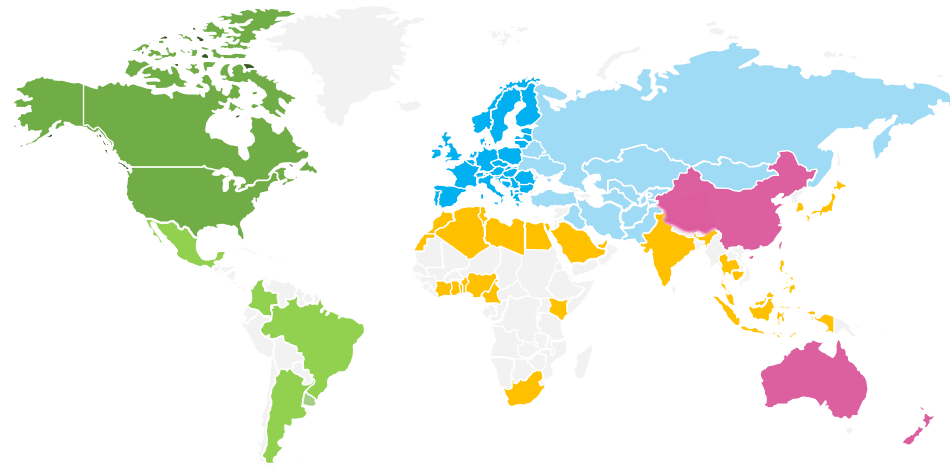
Pushing down decisions to countries that are empowered for speed and relevance

FROM A CATEGORY-LED ORGANIZATION



Three divisions
operating relatively
independently with
limited synergies

TO A GEOGRAPHY-LED ORGANIZATION WITH 6 ZONES OPERATING CROSS-CATEGORY



- North America
- Latin America
- Asia, Africa, Middle East
- Europe
- CIS, Turkey
- Greater China & Oceania

One cross-category
management team
by country

Country business units
accountable for P&L,
reporting to Zone

Resolutely decreasing the number of units and entities To localize cross-category decision-making and delayer structures above countries

FROM

- 3 divisions
- 13 regional teams
- 61 country business units
across 3 divisions
- 45 market business units

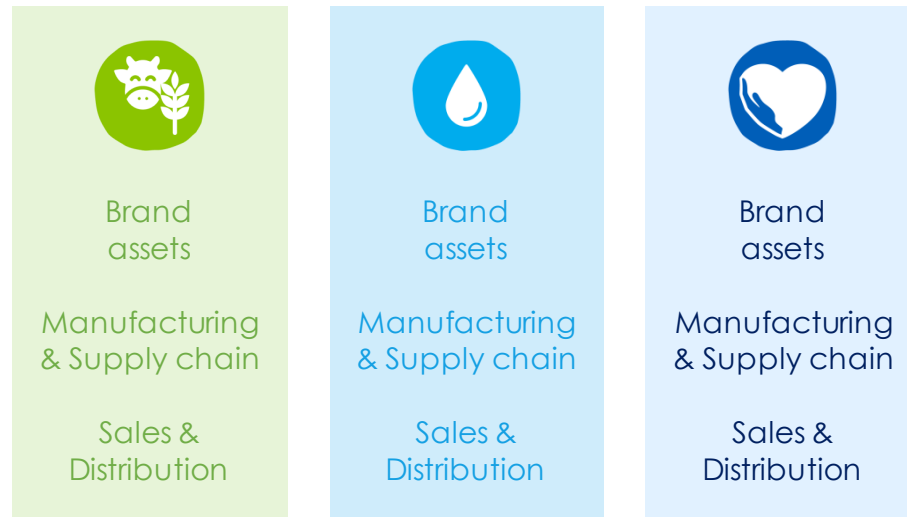


TO

- 6 zone teams
- 22 country business units
One country, one unit, one portfolio
- 35 market business units

At country level, the business divisions will be combined To strengthen their ability to operate efficiently with zero overlap

FROM 3 BUSINESSES OPERATING IN PARALLEL



Difficult resource allocation
Siloed ways of working
Overlaps in overheads structures

TO ONE CROSS-CATEGORY ENTITY OPERATING IN SYNERGY



Strengthened ability to address growth opportunities
Full country and consumer-centricity
More agile and faster resource allocation

Leaner structures above countries to support and simplify decision-making

Multi-local brands illustration

ACTIVIA

FROM 4 TEAMS

Corporate team (brand model)



Global Activia team



Regional team



Country Activia team



TO 2 TEAMS

Multi-local Activia leader



Country Activia team

A fitter and more agile organization to enable growth and deliver efficiencies

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Protecting and strengthening Our expertise and capabilities on current categories



Joining forces to strengthen category expertise

Category-specific expertise
and best practices preserved
centrally and in countries

Synergized and upskilled
Strategy & Insights function
centrally and in countries
across categories



Preserving Specialized Nutrition-specific expertise with a dedicated Unit

Medical affairs and market access,
homecare knowledge, quality standards

Control tower for SN-specific processes and
resource allocation (e.g. clinical studies)

Healthcare professionals
engagement model

Addressing all growth opportunities within, across and beyond categories With three Acceleration Units



PLANT-BASED



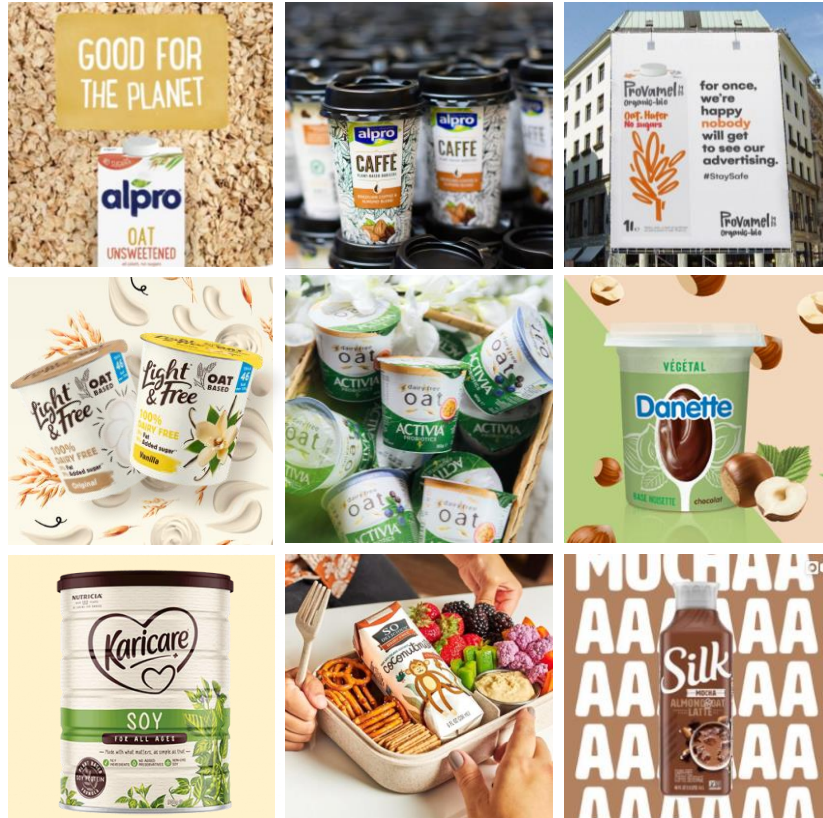
HEALTHY AGEING



E-COMMERCE

The Plant-based acceleration unit supports the €5bn revenues target by 2025

Leveraging a versatile portfolio of ingredients, brands and categories



~ €5bn sales target in 2025

Plant-based Acceleration unit

- Stepped-up scope beyond EDP
- Strengthened and upskilled team
- Dedicated resources operating beyond silos

Expansion across and beyond categories

Expansion in new geographies

Further development of core business

Beyond our existing business

Healthy ageing, the next big opportunity



Immunity



Focus on immuno-nutrients

> +20% YTD



Support to the immune system

> +10% YTD



Mobility



> +40% YTD



Q3 2020

eCommerce acceleration unit

Dedicated teams and strengthened capabilities

AT LOCAL LEVEL

E COMMERCE DEDICATED TEAM REPORTING TO GM

From current e commerce position in the sales organization to a function on its own reporting to GM and gathering multiple capabilities

TO DRIVE AND EXECUTE LOCAL ECOMMERCE STRATEGY

Upskilled teams
Adapted supply chain
Right level of investments



ACCELERATION UNIT E COMMERCE

EQUIP COUNTRIES WITH TOOLBOX

Tools to win the digital shelf
Performance monitoring
D2D capabilities building to win in e com

ANIMATE THE E COMMERCE COMMUNITY OF PRACTICES

Learnings, best ROI activation, new partners

STEER STRATEGIC PARTNERSHIP

Global pure players coordination
New players pilots and scale
Tech partners



A fitter and more agile organization to enable growth and deliver efficiencies

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A leaner and delayered organization with actions taken at all levels of the Company

€700m



~20% SG&A
costs reduction
in 3 years

2023
savings

A fitter and more agile organization to best serve strategy and execution

Conclusion

1

Local empowerment

2

Leaner Commons serving countries

3

More competitive cost structures



Delivering significant savings by 2023 with selective reinvestments in growth

To reconnect asap with Danone's 3-5% profitable growth agenda

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End-to-end design
to delivery

Agile supply chain
in covid world



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Chief Financial,
Tech and Data Officer

Financial
perspectives



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Henri Bruxelles

33 years at Danone

2020

Since Nov. 2020: COO
End-to-end Design to Delivery

2017

EVP Waters & Africa

2015

Regional Vice President Waters
Latam, based in Mexico

2013

GM Danone Argentina

2010

GM Danone Portugal

2008

Chief Marketing Officer Danone

2004

VP Marketing Dairy Worldwide Business Unit

PRIOR TO
2004

Senior positions in Marketing EDP
Germany, France, Spain, Brazil



Henri BRUXELLES, COO,
End-to-end design
to delivery

Agile supply chain
in covid world

Danone's End to End value chain at a glance

Balancing global scale and local proximity



7 R&D centers of excellence

53,000
suppliers

190 factories

400
distribution
centers

1.5 billion
consumers
served each year

400,000
farmers

300 copackers⁽¹⁾

90 million
shipments/year

600 quality
checks before
release

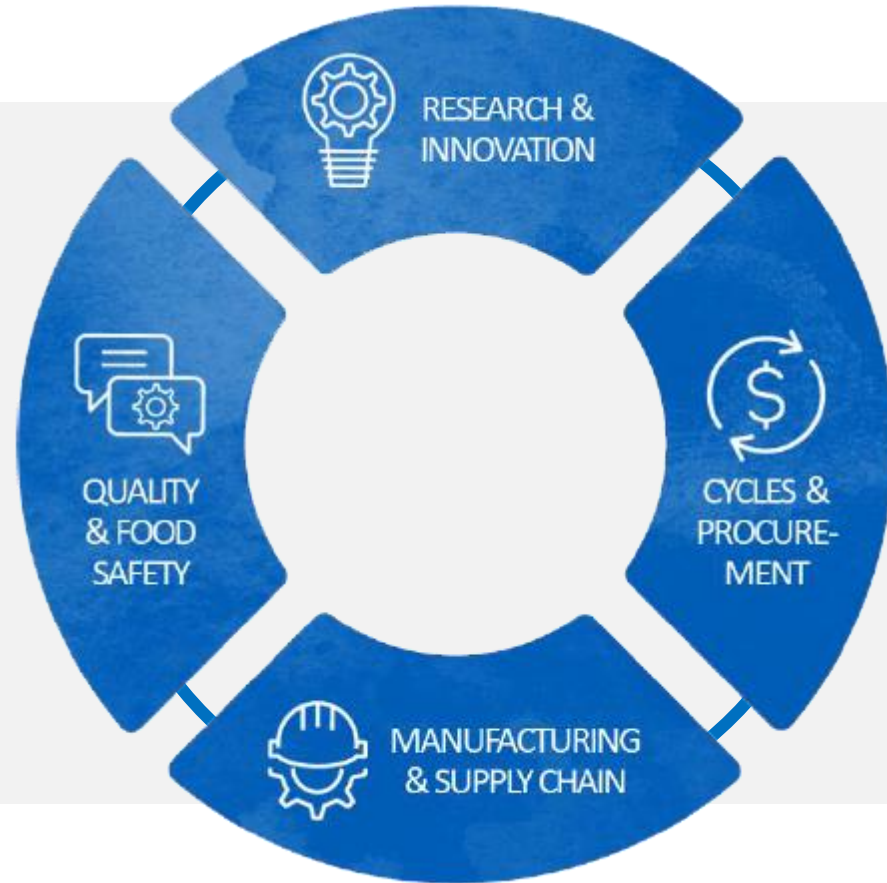
13,000 SKUs



(1) Third-party manufacturers

New design-to-delivery global and local function

Deliver superior consumer value for profitable growth



Topline growth through better, faster innovation and superior experience

High end-to-end efficiency landing in gross margin

People and Planet impact as brand differentiator

Power of one integrated team and its ecosystem

Value creation through Design to Deliver integration already in action

Alpro: a center of excellence supporting plant-based acceleration

- 2 R&I hubs in Louisville and Wevelgem
- 700 'plant-based' native D2D experts
- Integrated development process
- Integrated sourcing incl. organic



Farming ingredients



Processing raw materials



Base products



Recipe formulation



Filling packaging



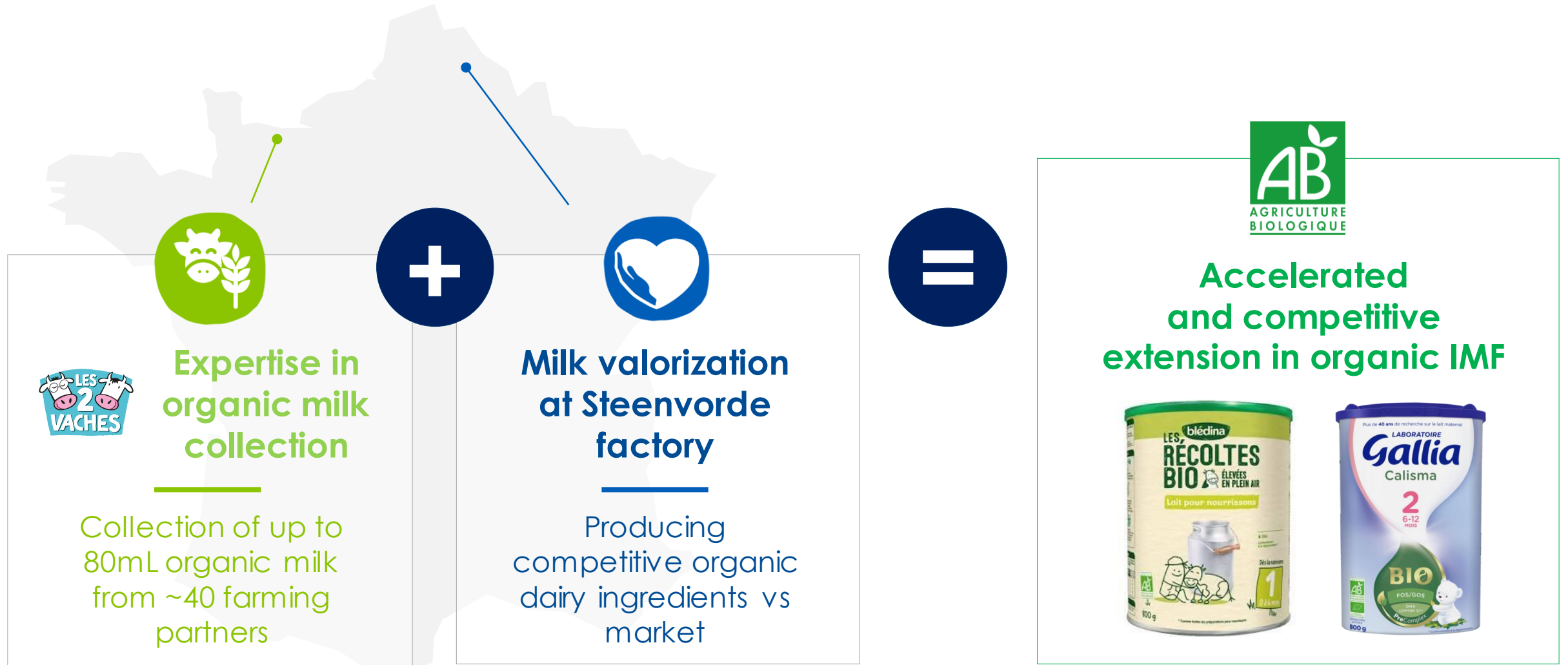
Next generation soy and oat

New source of protein

New product forms

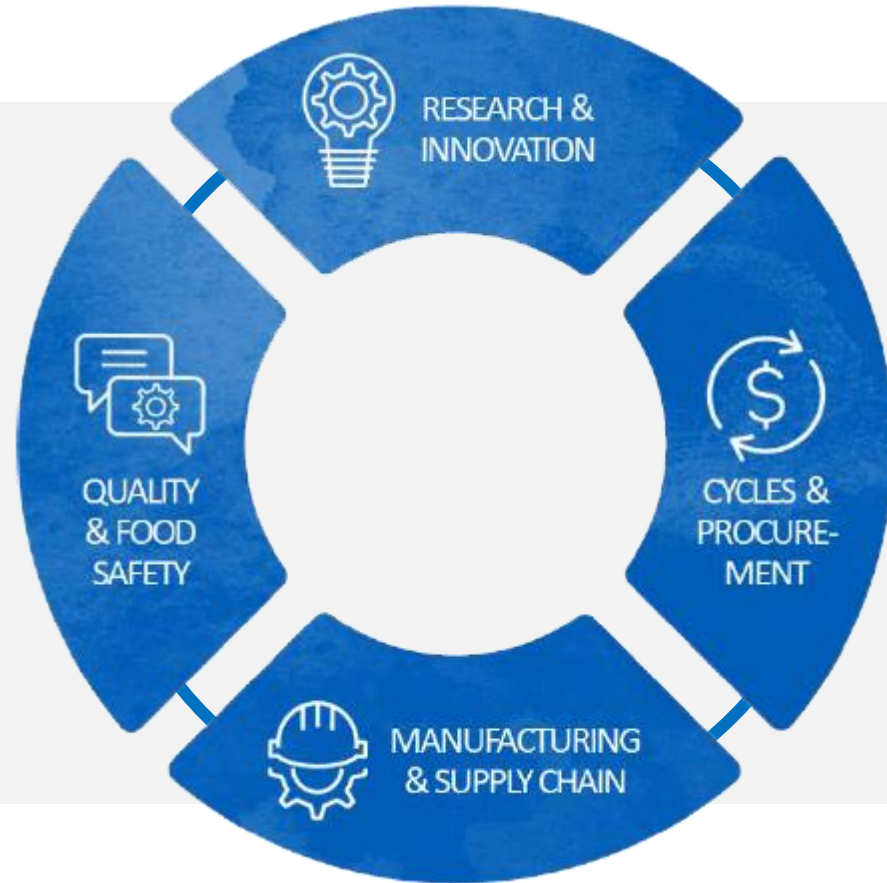
Value creation through Design to Deliver integration already in action

Steenvorde factory: greater valorization of organic milk



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High end-to-end efficiency landing in gross margin

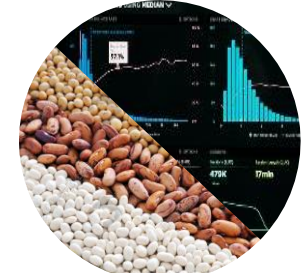
Today's focus

People and Planet impact as brand differentiator

Power of one integrated team and its ecosystem

€300m yearly extra-efficiencies in gross margin by 2023

By working end to end, beyond categories and in a cost competitive way



1 DYNAMIC PORTFOLIO MANAGEMENT

2 DESIGN TO SUPERIOR VALUE

3 CONNECTED OPERATIONS TRANSFORMATION

4 THE FUTURE OF PROCUREMENT

SKU / brand rationalization
for profitable growth

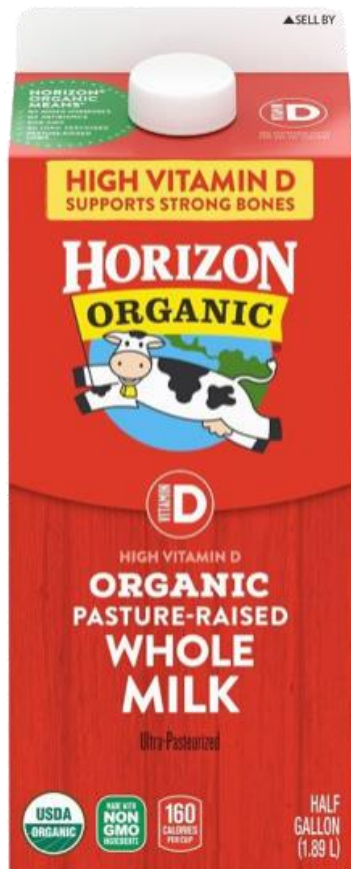
Product re-engineering to drive superiority and differentiation at competitive cost

Sweat the assets
Digital transformation of operation footprint

Design to source
Local sourcing
Data-enabled procurement

Dynamic portfolio management in action

Already tangible results in USA



-30% in # SKU on half-gallon formats

+10% volume output on performing assets

Double-digit LFL sales growth year-to-date

+250bps share gains⁽¹⁾, widening gap with competition

(1) Value share, YTD vs YTD-1

1 Dynamic portfolio management in action

Already tangible results in Waters and Africa



- **30%** gross reduction in SKUs

Reduced complexity, direct plant delivery

+25-30 bps at plant gross margin level



25% net SKU reduction

-35% in losses

Capacities redeployed to high velocity SKUs

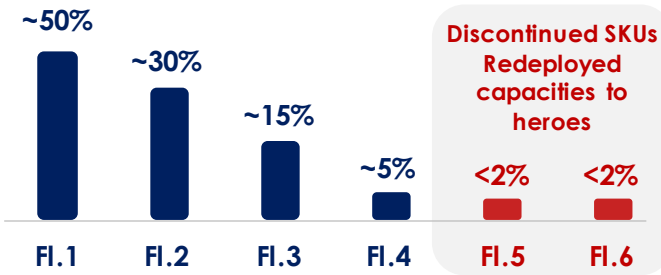
100bps margin optimization

Dynamic portfolio management

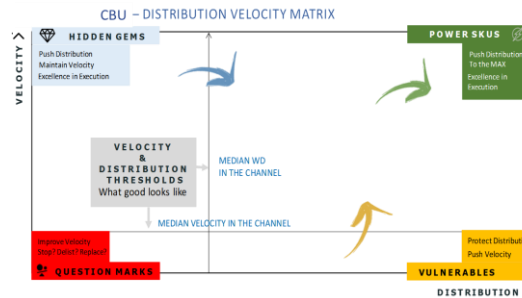
4 levers deployed across the portfolio and geographies

Space for the heroes

Volvic Touch UK – revenues by flavor



Eliminate to innovate



Target 2021:

-20% SKUs

> 2,000 SKUs cut

Unlock capacity at 0 capital

Maximize utilization of production lines

Liberate capacity to bring highly valorized innovation

Track inefficiencies & pain points

Formats rationalization

Secondary packaging harmonization

2 Design to superior value in action

Big impacts visible in Plant-based, Coffee Creamers and Yogurt



Market competitive benchmarking

Flavor harmonization

Graphic technology

Ingredients optimization

Light-weighting

Sleeves and secondary packaging



Plant-based beverages

96oz bottle



Coffee Creamers

32oz bottle



Greek Yogurt

5oz cup

> +50bps gross margin impact

2 Design to superior value

Roll-out approach on top SKUs by country



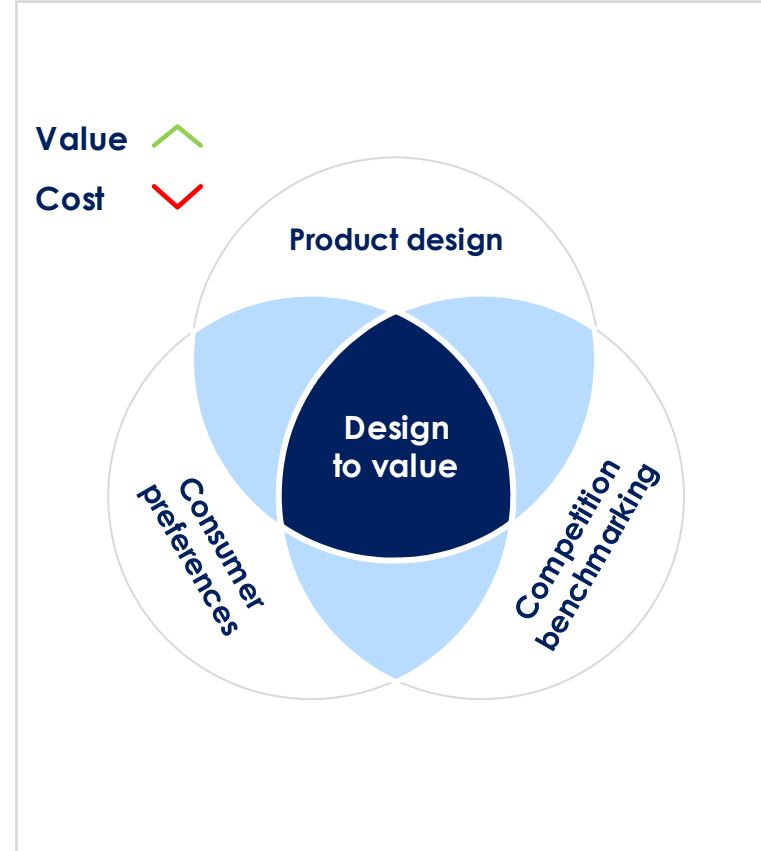
Mapping of consumer sensory, ingredient, packaging and usage performance drivers



Product and packaging tear down



Remove non-differentiating factors
Reinvest in superiority



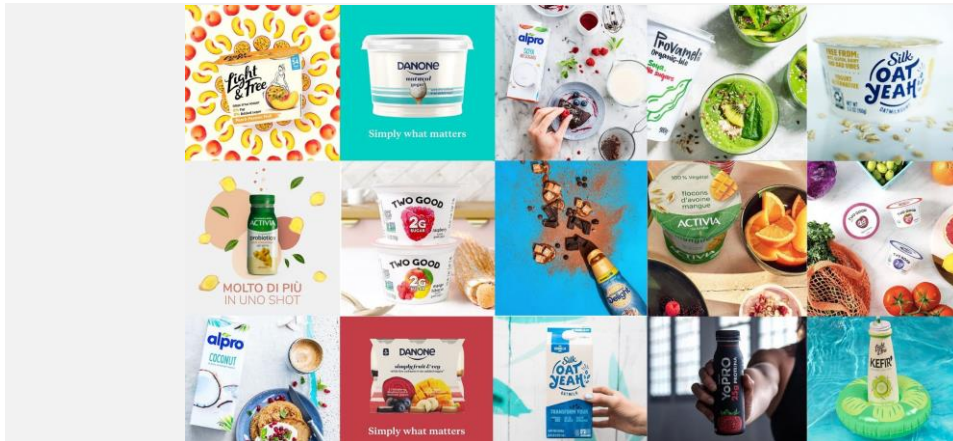
Top 5 SKUs
by country

—
5/10% net
COGS
improvement

3 Connected operations transformation in action

Unlocking growth and efficiency, enabling sustainability: concrete proof points

'Sweat our assets' program: Europe EDP production lines illustration



Bring utilization rates currently below 30% to >60%



Reverse 'line-filling' innovation

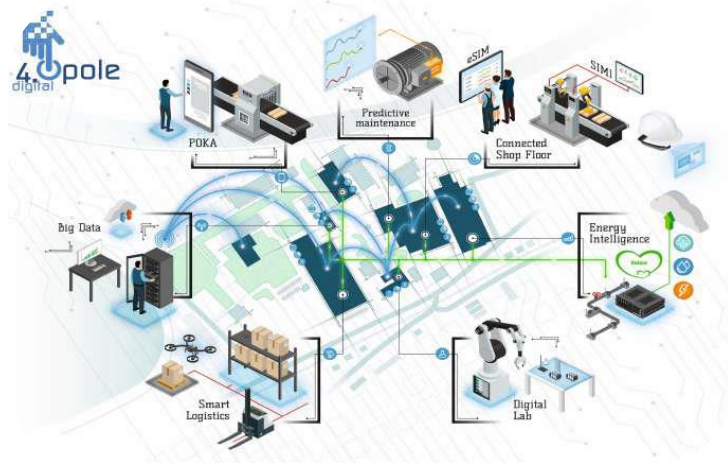
Asset use massification

3 Connected operations transformation in action

Unlocking growth and efficiency, enabling sustainability: concrete proof points



Opole: People powered and data enabled factory



8,000
hours of training

0
paper factory

-12%
CO₂ emissions

+6%
batch size flexibility

+10%
cost efficiency



Data-driven demand planning to step-change factory efficiency

Demand planning
fueled by

66 million datapoints
vs ~800 previously

Forecast accuracy



Net sales



Customer service



Losses



3 Connected operations transformation

Sweat the assets and connected transformation programs

CONNECTED TRANSFORMATION

Sweat the assets



Maximize utilization of our production lines

Digital manufacturing



Connected shop floor, smart automation, data analytics and 3D printing

Demand-driven & data-enabled E2E planning



Demand and supply planning automatization

Logistic control tower (US / Europe)



Constant E2E optimization of primary & secondary logistics ensuring competitive reach

40 sites digitalized by 2023

'Sweat our assets' roll out in key countries

4 The future of procurement

Building data-enabled sourcing capabilities

Inflation mitigation

Predictive analytics for market risk management



Mintec

Local market scouting as a hedge vs FX-induced inflation



Structured supplier collaboration

Digital and advanced analytics enabled procurement

Increased sourcing coverage and efficiency

Data-enabled sourcing



Digital spoc for collaborative innovation with suppliers

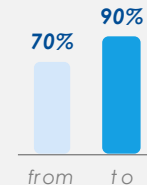


Performance review & contract analytics



Smart spend and category analytics

Indirect spend coverage extension



eTendering: maximum value at the lowest cost

D2D, creating competitive edge and unlocking value in a covid world



**DYNAMIC PORTFOLIO
MANAGEMENT**



**DESIGN TO
SUPERIOR VALUE**



**CONNECTED OPERATIONS
TRANSFORMATION**



**THE FUTURE OF
PROCUREMENT**

From 4.5% to 6% structural productivity

Net end to end COGS management

Equivalent €300m yearly extra-efficiencies in gross margin by 2023

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Juergen ESSER,
Chief Financial,
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Juergen Esser

20 years at Danone

2020

Since Nov. 2020, fully effective as of Feb 2021:
Chief Financial, Technology and Data Officer

2017

SVP Finance Waters & Africa

2015

VP Finance Evian Volvic World

**2015-
2000**

Key positions in Operational Business and
Corporate Finance and Strategy



**Juergen ESSER,
Chief Financial,
Tech and Data Officer**

Financial
perspectives

Reconnect with profitable growth ambition
In my own words

Consistency

Discipline

Execution

Delivering €1bn efficiencies by 2023

Above and below gross margin

Recurring savings by 2023

Cost of goods sold
and logistic costs



€300m

Gross margin

SG&A
Overheads



€700m

~2/3

delivered by
end of 2022

Targeting ~20% overheads reduction in 3 years
Primarily from delayering and local synergies

€700m

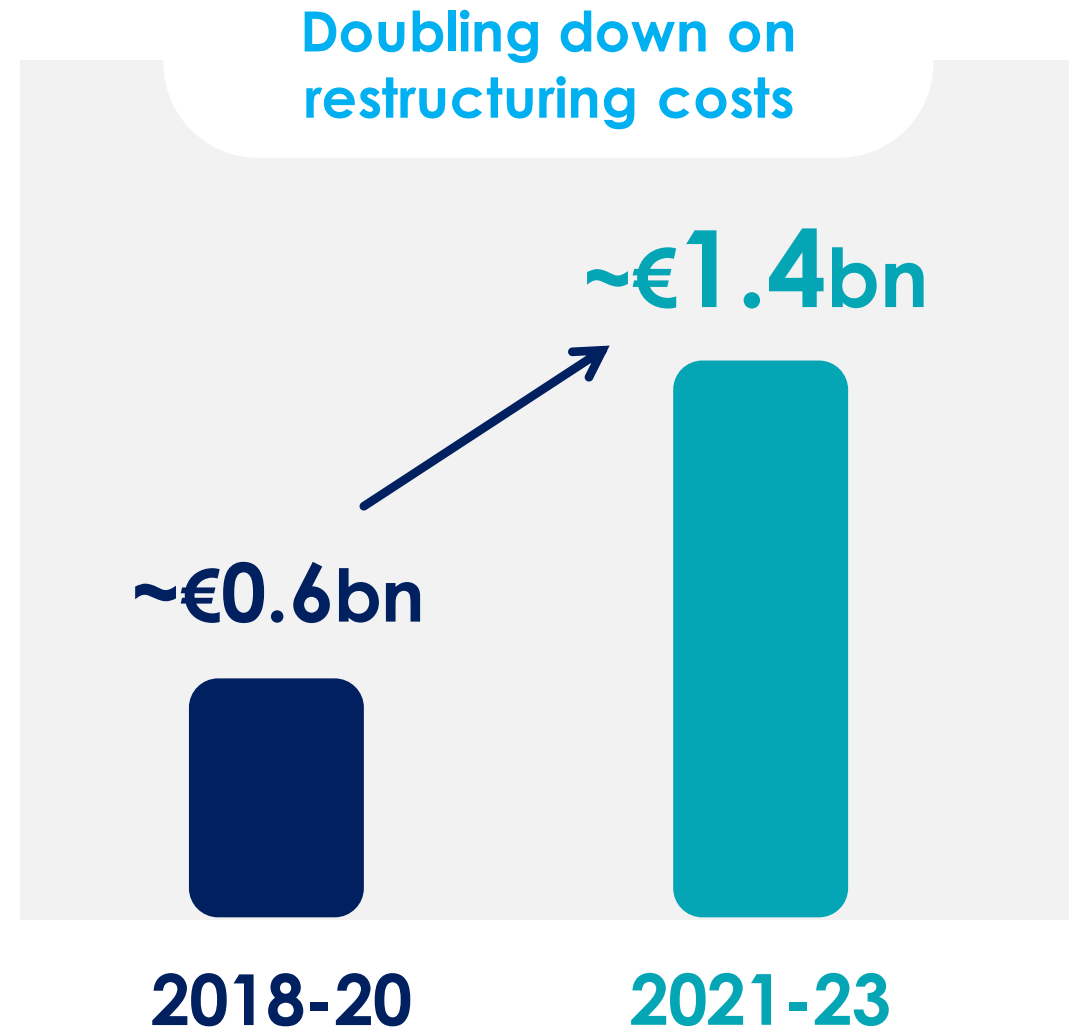


**2023
savings**

**~20% SG&A
costs reduction
in 3 years**

- Global and country headquarters
- Shared services optimization in countries

Accelerating pace of restructuring To support return to profitable growth



Balancing reinvestment and returns

To reconnect to profitable growth

Unlocking significant efficiencies

€1 bn
recurring savings by 2023

Reinvestment in strategic growth opportunities



Plant-based

Healthy Ageing

e-commerce

Flexible allocation depending on market conditions and opportunities

Updated Financial Targets

2022 target

> 15%

operating
margin⁽²⁾

Mid-term ambition

3% to 5%

LFL⁽¹⁾ sales growth

mid to high teens
operating margin⁽²⁾

Long-term goal



(1) Like-for-like

(2) Recurring operating margin

After 12 months of covid disruption (H1 '20 to H1 '21) Reconnecting with profitable growth in H2 2021

2020

Confirming full-year guidance

- 14% recurring operating margin
- €1.8bn free cash flow

2021

A two-phase recovery plan

- **H1:** Lasting consequences of covid, setting up new organization
Margin further impacted by category mix and covid-environment
- **H2: Returning to growth and margin expansion**

2022

New targets

- > 15% recurring operating margin



REINVENTING DANONE

Investor Update

WRAP UP

Updated Financial Targets

2022 target

> 15%

operating
margin⁽²⁾

Mid-term ambition

3% to 5%

LFL⁽¹⁾ sales growth

mid to high teens
operating margin⁽²⁾

Long-term goal



(1) Like-for-like

(2) Recurring operating margin



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Q&A

November 23, 2020



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Investor Update

INVESTOR UPDATE EVENT #1

November 23, 2020