



Speaker 1: Emmanuel Faber – Danone SA, CEO

Speaker 2: James Amoroso – CAGE President

Speaker 3: Alain Oberhuber – Mainfirst

James Amoroso – CAGE President

It's great to welcome back Danone. Danone, you may know, if you've been here for a few years, is one of our founder members and they've been to CAGE every year since the beginning. For Emmanuel, it's his sixth appearance, for Cecile, it's number two and Régis, I can't quite remember, I think it's maybe number three, yeah. So, I'm a bit thrown by the news. I'll tell you what, a good thing is if I just stop talking and just let Emmanuel and Cecile make the presentation. Thank you.

Emmanuel Faber – Danone SA, CEO

Thank you, James. It's always a pleasure to be with you all. Thank you for coming this morning. *Selamat pagi*, as they say in Indonesia, where I was yesterday, unfortunately I left the sun over there. So, I'll try to enlighten your day with half an hour about Danone and what we are trying to build with your support. I think the numbers for 2015 speak for the alignment that we have created for the delivery of an equation of strong, profitable, sustainable growth by 2020 and going gradually into this agenda. We have been discussing, after the full year, about our 2016 guidance and you know that we have now in place a process that allows us to constantly reallocate resources on different time horizons, the very short term, the medium term and the longer term. And so you can be assured that this process will be fully at work while we are walking into this 2016 agenda and, therefore, be reassured about our confidence about the focus that we are having this year on going from slightly to a solid margin improvement in 2016, despite everything that's happening around us.

What I would like to do in the next sort of 25 minutes is use your time to take you forward in the future history of Danone, just looking at these great categories that we have, why it makes absolute sense for us to continue to focus on these categories and why despite all the merits of this great team, that we have assembled for you, to drive Danone, there are actually tailwinds strongly in these categories that



we've chosen, which are underlying the growth of Danone and its growth potential and I would like to come and review a few of them with you in the next 20 minutes.

Everything starts beyond this very continuous allocation process with the fact that we stick to a long term vision. If we hadn't, we wouldn't know where to go and this vision, you know it now for ten years, how our mission is defined. Bring health through food to as many people as possible. This mission is even strengthened today by the demographics and some very important health trends, which on the one side are mounting shifts in the social economics overall trends, a growing population, middle class emergence that continues and, as you heard me say already, that continues even in China. The affluent middle class will continue to grow significantly in the new normal of China, driving the choice of consumers for superior products. Growing the urbanisation, that is also an important tailwind behind our categories, and then aging population, which of course is a very important pattern in particular in Europe and drives our medical nutrition business for a significant part of its constituencies. On the other side, there are also mounting concerning nutritional topics of both undernutrition and overnutrition and in some case malnutrition. The question of the balanced diets, which this industry really has to address one way or the other and in this country obviously but not only, but also growing health issues for babies and the higher incidents in many ways on the total cost for public spending and, therefore, ultimately civil society and consumers of chronic diseases.

We have built with our four categories global positions that put us in the unique position now to take advantage of the underlying fundamental trends that are behind each of these categories and I would like to review them one by one with you, starting with the flagship business of Danone, our dairy business, global number one position where the health of yoghurt is more trendy than ever and has been and will be there to stay. There is a very impressive number of epidemiology studies that show the benefits and that evidence the benefits of the consumption of fermented proteins and in particular of yoghurt. I assume that a number of you have heard of this great book that's spreading all over the world about guts and that speaks for itself about the importance of guts being the place where about 40% of human metabolisms is actually taking place and participating. So, the way guts are functioning and the way the microbiota is influenced by the nature of the bacteria that populate it is a fundamental long term approach to fight some of the most epidemic chronic diseases that we see again with sugar diabetes and other topics. There is a clear now academic evidence that people that consume regularly yoghurts benefit from the four items that you see here, all of them being an essential part of what



ultimately we save costs for society on spending on way of life, diseases, non-communicable diseases as we see these days. That is not new or rather, I should say, for more than ten years, this category has actually been growing about 5% on average, as you can see here, for the last ten years. This is the volume growth of the yoghurt category on ten year globally. So, if you have seen Danone's yoghurt business problems about growth over the last few years, this is a self-inflicted injury. This is nothing to do with this category. This category has been growing over the last 20 years significantly. Here you have the last ten years. All the projects since are about the same for the next five to ten years. So, it's now our ability to go back in our leadership role of the category, back to growth, as you know we have a number of plans to do that. The potential is also highlighted by the fact that there is a wide discrepancy of per capita consumptions of yoghurt by country with some countries on the left consuming a lot, some others much less, including some big markets like the USA, Egypt, Brazil, Mexico, South Africa, the UK, where the category is still growing significantly on the basis of an increase of per capita consumption. So, not only they are low but they are growing and this, of course, driving the volume growth that I have just shown on a decade basis. This is meeting significant health topics and we increasingly are working with governments who see the benefits of yoghurt as a category and fermented dairy as a category. I just took the example of the USA. You know our partnership for healthier America, we are partner to this. Just to give you a perspective, 75% now of all our products are either low or no fat in the US. So, you take the 2.5 billion euros of sales that we have, 75% of them, and this will be more than 80% in three or four months time through reformation, will be recognised as either zero or low fat. On sugar, we have a pledge of reducing a total of 23 grams per 6 ounce serving on the three year basis. We will be there too, and 100% of the target is already achieved when it comes to kids and so we are really driving the strategy of ensuring that this category is even healthier than it is in partnership with authorities in the US. And we are also benefiting contrary to some competitors who only have a few positionings in the categories of a wide yet quite focused portfolio of brands that go from very indulgent on the right positioning to quite active health positioning on the left, and from a very broad family social circumstances moments of consumption, to inside that are very specific for individual needs including high protein, for instance, or light, which could be another example. And we are the only company in the global landscape of dairy that can really play on these four important segments through our brands of portfolio. Highlighting also new moments of consumption with a few examples that we have already been discussing with you. This is our responsibility as a category leader to do this.



Second, very important engine for us, water, number two position worldwide. The fastest growing water business of all the large water companies. Our mission is to inspire people towards healthier hydration. Here is how the category landscape is. 30% in Europe of the people drink less than 1.2 litres a day, which is well below official recommendations. So, official recommendations are right behind me here, two litres a day for you guys, and 1.6 for you ladies. This is what EU health authorities are recommending. This is for a very important reason. 60% of your body weight is water. This water needs constant replenishment and you only get 25% of this replenishment through food. So, 75% in any regular diet you have of your water intake, every day, comes from what you drink. If you don't drink you're missing massively the intake that you need for water. And water just regulates a number of extremely important parameters circulating the micronutrients, the salt and the sodium content. It regulates, of course, your blood pressure. It regulates the functioning of your cleansing and so, overall, water is a very important part of the human body and it's functioning over the long term. And this is why health authorities, whether at Europe or at the WHO level are insisting on so much on water consumption. Do you know of any other category for you guys who follow our industry regularly that benefits from such a call to say everyone should actually drink 50% more than what they drink today? I don't. So, this is really a category where the tailwind is really something that's driving the growth. It's a tailwind that is here for a long time and, of course, that we are leveraging in the development of our portfolio.

Here is a very interesting chart that also shows that within the drinks, of course, the sugar topic is a very important topic and you can see that in 15 years, from 2005 to 2020, carbonated soft drink, part of the overall beverage market, is going to be reduced by half and you can see bottled water growing steadily and, even more, the still drinks, in particular, the aqua drinks, growing fast as they are a nice combination of a pleasurable drinking experience, healthier than CSD and yet bringing the ability to drink the amount of water that you actually need without the boring side of the last glass of water when you need to reach your two litres a day every day for you gentlemen.

And so, this change has reached a point where you can see very strange paradigms. Who would have imagined, certainly not me at least, that when we all started to look at this seriously in the early 90s, that the nation water market in the US would one day cross the size of a ten times bigger CSD market in the US and that day has come. This is the first time in 2015 that in volumes packaged water in the US for consumption has been higher than CSD consumption and you can be assured that this is not going to stay at that level. This is forever now and this is not a surprise that premium water is growing 17% in the



US right now as we shared with you a couple of quarters ago. And, of course, CSD volumes are being challenged for all important reasons related to what I said earlier about the big trends.

We are driving the future and are leveraging against this tailwind, in particular in two ways. One is that we're trying to educate and push children to drink more water. The way to do this is a lot of education. We are partnering with schools, with universities, with health authorities, but we are also using the basics of what makes kids like products and you have them on the left here, licensing with great events and stories, Star Wars in one case, Mizone today in Indonesia, I was there yesterday, has a great Batman programme going on. And so, that way is making the product appeal to kids and there is evidence that the sooner you drink water in your life, the easier or the less you will be influenced by more sugary drinks in the longer term and so, of course, we are recruiting consumers for the next 10/15 years by making sure that children drink what is, one, good for them in their diet right now and, second, will be good for them for the balance and the rest of their life. And this goes on the right with establishing healthy hydration education campaigns and that goal in many countries, this is the case of Indonesia here with aqua on the right we have already discussed with you programmes that we have in Poland for instance that have been working extremely well in conjunction with health authorities in Poland a programme called Mum and Papa Prefer Water, which has driven a 20% increase in kids water consumption in a matter of one year only. So, extremely effective with attractive products that are driving the growth of this category.

And the next part of the strategy using that tailwind of the long term trends that I was showing for better for you beverage, is to leverage the equity of our great older brands to proposed flavoured water to our consumers and you have the example of Volvic Juicy here that you have in this great country, Bonafont Levité which we have a number of Latin American countries, the mix and the more recently or actually very recent launch of evian Fruits and Plants.

It's the first attempt in the evian brand to cross the line, going from this absolutely wonderful product here. Don't be jealous, you don't have the same on your table, this one is for sale at the end of my presentation if you want. That's an absolutely wonderful product and, of course, we wanted to protect the equity of this brand, being very cautious about the way we would leverage it beyond what it is because this iconic brand could actually be on a number of other categories given the positioning and the purity of the brand. And so, for the first time, we are offering to our consumers, in a slow burner



manner, we want that to go viral and gradual. It's not a big splash launch. evian Fruits and Plants, where we have crossed pretty rare essential plants, herbs and fruits to create a small range of three drops of great, pleasurable experiences, based on the mineral water of evian. So, innovating in aqua drinks is really what also, as you know, drives our growth superior to the category and this is eating into the share of CSD for all the reasons that I mentioned before.

Let me turn to the third pillar of growth: Stand by mums to nurture new lives. This is Nutricia Aptamil positioning and mission where we have a number two position worldwide. The baby food market is driven by the growth of population, of course, but on top of this, by the growth of middle class, as I mentioned, and you can see that between 2010 and 2020, the absolute number of middle class people in the world is actually going to grow significantly faster than in the previous ten years and we are right in the middle of that and, of course, China is part of that acceleration.

As I said, earlier, despite the new normal of China, and the aging, gradually aging population in China, there are still very significant demographic tailwind in China, including the fact that in terms of socioeconomics, as I said, affluent middle class, which is the single biggest factor of expansion of the baby food market, is growing and is growing very fast. A number of households of affluent middle class will actually double from 2010 to 2020. So, very significant growth prospect there.

Important pattern, more and more we are going for specific needs of babies as opposed to a general use of breast milk substitute. We are targeting specific needs that go for pre-terms, digestive comfort or sometime even serious issues in digestion and, of course, allergies. As you can see on this chart, all of them are growing between the prevalence of today and the prevalence at 2020, you can see the growth of allergies, of digestive topics of pre-terms for many reasons that I could describe if you're interesting during the Q&A, the environmental topics are there, the fact that a growing number of mums, in particular in Asia, go for C-section is creating topics for allergies because the baby does not get the microbiota and the immune system, defence system of the mother when the baby is born through a natural way. And so, you have a baby where you need to nurture the immune system because there is a miss from the mother's standpoint through this process. So, all this, science knows how to correct. But the result is that there is clearly and there will be an acceleration of the need for tailored nutrition for babies. We're actually here crossing a business and a health agenda, on one side educating is more and more part of both our licence to operate but I think also tomorrow our business model, providing



information for a full, fair choice by mums about the way they want to nourish their baby. This is a very important choice. There are very important guidelines and that's part of our responsibility and our business posture to make sure that mums are able to make that choice.

And second, there is still today, in particular in emerging countries, the fact that a number of babies below the age of six months where clearly WHO recommends that mums should in priority seek to breastfeed and, if not, go for a breast milk substitute like our brands, for instance. A number of babies do not access specific food and they are fed with generic food and it can be rice water or it can be cow's milk. But in no way this can be fit for babies' long term growth and the metabolic imprinting, if you don't nourish a baby appropriately during the 1,000 days, are critical for the very long term, and this is a programme run by the WHO. So, this is something to be taken very seriously and, of course, it means that driving on the right part of this chart the conversion from generic food to specific baby food, breastfeeding or breast milk substitute, is a big agenda for everyone who's concerned with the health of these babies. So, we are now developing a full range of activities, services and products that go from pregnancy, lactation time and then the gradual weening complimentary food time, that can go up to the age of three, where gradually baby and toddlers are getting into the traditional family food and alimentation.

The last is our medical nutrition business, pioneering nutritional discovery that help people live longer, healthier lives. Our position in Europe is well established number one position and, as you know, we are driving some very interesting emerging countries like China, Turkey, Brazil and others that nourish the growth of that business. It's a business that, of course, on one side is about allergy and paediatrics. So, very close to the issues that I already discussed and topics and opportunities that I discussed about baby food. But, also, on the other side of the life cycle, about aging and I won't be long on this but you know how fast we're aging as nations in Europe, in Japan, in China tomorrow, and of course, this is creating serious overall health and budget topics, which our products are addressing and this is why they are reimbursed because they are helping budget cuts and maintaining a balance in the way society works. So, we are leveraging our full business scope here to serve the need, the specific need of therapeutic areas, which is summarised on this chart with the motto of our division, which is best care.

We are not only talking again about products, but it's really about creating an ecosystem, which is represented on the left part of this chart, of relationship between the patients, the carers, the healthcare



practitioners, the chemists and pharmacists and distributors, the digital communities, the patients themselves and, of course, ourselves. And this is this complex and very rich ecosystem that allows us to address in a successful manner some extremely rare therapeutic areas where no one else has the solution and where frankly we could ship a product in 24 hours by plane from one side of the planet to the other just because this is a lifesaver.

And, on the right side of this chart, you see a couple of our recent innovations. I'd just like to make a very quick comment on Souvenaid. You've heard about Souvenaid for a long time. This is an Alzheimer related nutritional product. There was, and not even a month ago, a release by an EU consortium of research institutes, that went for two years programme of research, clinical research on Souvenaid, which demonstrates that there is evidence that Souvenaid helps mild and early Alzheimer patients in maintaining their short term memory and their day to day capabilities, which has been evaluated by this consortium of EU institutes and funded by the EU actually as being a breakthrough, because this is the first time that there is evidence that a nutritional product can do that whereas, at that stage of the disease, there is no pharmacological solution or options for these patients or for these people. So, they don't have the choice of having a medicine that can help them do that. And so, we are right now working, as we have had for many years on Souvenaid, of how that means that we can actually go for the accreditation of Souvenaid as a food for medical special purposes in some countries in Europe. Again, that will be a slow-burner. It's been a slow-burner but it's a huge issue at some point in time and we are very proud to have this result.

A last word about the potential of Danone and our tailwinds, this is without numbers, I'm sorry for that, but the GDP growth of Africa, basically, looking at 2010 to 2020, this is about a 5% to 6% GDP growth. It has been and it will be, even in 2016, most of south Sub-Saharan countries will grow about 5% to 6% GDP this year. This is the reason why we have created a specific African division as part of the executive committee team, which is working on the fundamentals of Danone in the region and gradually building up our partnerships and our acquisitions to make sure that we take advantage and we apply our mission in this fantastic continent of the future.

Nearly my last chart to say that this is an image that those of you who attended our investor seminar in Evian in November discovered, this is what within Danone we call the alimentation tree. You will have it in the presentation. I won't read it here. I just want to share that this tree is the image that the Danone



people have found to describe the way we want to do our business. It's about a representation of alimentation, drinking and eating, which is lively. It's not a system, it's not a process. It's mimicking the reality of life. It's nurturing the biodiversity and the natural diversity of what nature gives us and what our science, our knowledge about the culture of food and habits around the world is enabling us to transform into great products in the future.

And I want to conclude in saying that these tailwinds and these categories that I've described, the way we approach them without mission, with this vision alimentation, makes me very confident about the ambition that you already know by 2020, which will be a solid sales growth, actually a strong sales growth, beyond 5%. You see here that dairy is expected to go back to 3% to 5% and the rest of our categories should maintain their current growth rate, which last year was about 7% for all of them or more. This should continue to do that given everything that I've just said. Specifically for dairy, we have committed, and I recommit here, that we will improve the margin by at least 200 bases points by that point in time, and we will consistently grow, trading operating margin, cash and EPS along that way. 2015 was, as I said to start with, a good important starting point for us, which makes us very comfortable again about the guidance that I described earlier and I won't comment further. Take your questions. Thank you very much.

James Amoroso

Thank you, Emmanuel. So, let's move to questions. We'll do that in two ways. You can raise your hand and get a microphone and straight down there. The other way you can ask a question is by emailing that specific address on the screen and I will get it here and read it out and somebody has already provided me a question.

Member of the audience

Hi. Thanks so much for the presentation. I've two questions. A, could you talk a little bit about whether the more discretionary spend on dairy beverages in China is being affected by job losses and/or entrenchment in spending habits and reverse urbanisation? And, B, is the deflationary dairy environment hurting your dairy business and how are you seeing promotions and discounts in your Chinese business impacting margins? Thank you.



Emmanuel Faber – Danone SA, CEO

Thank you. If I keep it short. I think job losses count for nothing in the current trends of our Chinese business. In ELN, as you know, the business has continued to grow significantly, it is growing significantly. It's poised for growth. We see the market growing at least 7% year-on-year for the next five years. Some other projections go to 9%/10%, and this is driven by the fact that there are more and more richer Chinese, even if at that same time, indeed, there is some form of backward trend at the bottom of the Chinese pyramid. The government has taken the view that they should and actually decided that they would lift out of poverty the 50 million people that they say are living today below the threshold of poverty in China. By other standards, there are probably more people than this.

The reverse urbanisation that you're talking about is true but, again, it's about the migrants and the migrants are not, unfortunately, able to buy the products that we supply in China, which are all value added and highly valued products. And so, if you come to ELN again, I don't think there is a topic there. There has been a shift from local domestic brands to international brands over the last 18 months. I think international brands are there to stay long time. I think what we're building with Yashili and Dumex is an important platform to create one of the three/four big champions domestically in China and the transformation is happening right now and will be happening at Yashili Dumex for the next probably 18 months/two years. And, yes, there is severe competition between Chinese brands and there has been some deflation here just using the fact that the price of milk in China has been dropping very fast and so the smaller competitors, I'm talking about 2,000 brands really, where probably in China there shouldn't be more than 50, have been competing on price just as a matter of survival and, you know, give it another try for another year.

In Water, it's really the transition of Mizone. I was in China the day before yesterday and I was struck by the fact that you actually see much more innovation on the high end of the market than on the low end of the market. Mizone used to be a quite premium product and it's now, you know, a mainstream plus premium product. The innovation that appear, our innovation that are valorised, some of them are sticking, many others are just going. But, you don't see any particular growth or deflation in the prices that we've seen in beverages.



Our fresh dairy business under the Mengniu joint venture that we have is growing extremely fast. I would expect it to, you know, be one of the two, it's already the leader in China with more than a billion euro of sales. It's profitable and I would expect that to continue going forward. And we have a leading position in medical nutrition too, which is not affected by the topics you just mentioned.

I don't know if your deflationary question is on China or globally but what I can say is that we don't see much deflation other than in a country that I'm very close to in Europe where deflation is what drives distribution basically and the retail. But, other than this, prices have stuck in Europe in dairy, there is no commoditisation. Again, the innovation that work in dairy in Europe are valorised innovation, smaller brands but always valorised. Private label are not growing and so, no, I don't think that there is today, at least, any significant deflation in our categories.

James Amoroso

If you can get the microphone to the next person, I'll read a question here: Given the new emphasis on Africa, are you able to say how large Africa is currently within the group, either sales or profit or both? And whether shelf stable dairy is something that you would look to push in Africa?

Emmanuel Faber – Danone SA, CEO

Yes. I mean, to the first question. I think we shared we have a bit more than a billion, I think 1.3 billion euro of sales consolidated in Africa plus partners, important partners in which we have minority stakes. This is poised to grow over the long term and probably faster than GDP, if I look at the five year period, and we will look at further acquisition and partnership opportunities to continue to strengthen our positions in our categories. Yes, also, long shelf life is part of the game in Africa and I actually count and many of you have heard me say already in the past that Africa will be a great lab for us about long shelf life products, like Bangladesh, like India have been so far and they will be working together. The same in the direction of vegetal, proteins and cereals. There are local cereals that we know how to ferment in Africa and I think in the context with the objective of rooting our alimentation stories and recipes and brands into the very rich agricultural and cultural background of Africa, it's very important that we know how to transform local raw materials as opposed to using milk powder, which would be imported from here or there, and this is therefore a strategic topic for us and this will be connected also to a long shelf



life. So, expect in the next three/five years more innovation in long shelf life and in hybrid milk and cereal products emerging from our African businesses.

Alain Oberhuber

Thank you very much. Good morning. Alain Oberhuber from Mainfirst. I have two questions. First is regarding US. I mean, you showed us the chart about the potential growth in Waters is there potentially change of your strategy in Waters in US given that it's still a small part of your business. And, secondly, could you talk a little about the fresh dairy situation in the US market where you see you versus the competitors?

Emmanuel Faber – Danone SA, CEO

Thank you. On the first part of the question, the answer is there will not be a change in the strategy. We don't see a way to make a reasonable return nor actually to drive what we mean by water, by competing with the processed water of the large CSD players. They are not building the category, they are tactical about it even though, of course, they need to get their trucks full as the bottles find them emptying because of the CSD volume drops. But this is tactics. They don't build the equity of the brands. We are about mineral water and we are about spring water, natural spring water. And you heard me say long time ago about the difference and I won't go back into this right now but... so, we won't be in that model. So, no change in strategy but, yes, the fact that the premium market is actually growing faster than the mainstream market in water, will drive us to bring more resources to evian in the US. I think we probably did not, rightly so, at that time, prioritise evian, in the US, as part of our pillars of growth and there is no doubt that there is a great potential for the evian brand that used to be one or the actually pioneer of the mineral water market in the US and should be able to do much more than what we do. So, from a low base, you will see more investment in the evian brand in the US.

On dairy, we promised that we would be growing back after the Greek plateau of last year and I think the numbers for the fourth quarter are clearly showing this with more than 5% growth in our dairy US platform. The Greek segment is growing again now that the shelf has been cleaned. There were too many and you heard us say that the velocity of the Greek products on the shelf had gone down. This is gradually going up again. The club stores are very interested in Greek again. Walmart the same. So, we are growing Greek and I would say we're also growing, outside of Greek, which is very promising for the



future, with the light and fit drinkable version of super protein light and fit that I just show, for instance, but also with Danimals freezable pouch that has been working very well on the fourth quarter. So, we are in the situation in the US where growth is there. The shelf itself is growing again, which is a very important point in the US because it's too small, and continues to grow. And we are the only player that has both a co-leading position in Greek, where we co-lead the segment now, and strong leadership in the traditional non-Greek segment. And so, our market share has not ever been as high as what it is and this leads gradually to the fact that we are taking category advisory or category captainship, depending the way you call it, in a growing number of retailers, which allows us to apply all our best practices of another, you know, 50 different markets to the US market and therefore grow the category. So, this is a very important turning point where we are in the US and we are actually I'm very proud of what our team has done to capture the Greek opportunity and transform it into a very clear strategic advantage for us.

James Amoroso

Okay. If you can get the microphone to the next person, I'll read a question from here. It's an interesting one. You're targeting dairy growth of 3% to 5% by 2020. At the same time you said that you expect 5% category growth. So, are your objectives too soft or are you targeting market share loss, is the question?

Emmanuel Faber

Yeah. Well, I don't think we are over-precautious. I'll put it this way. First of all, we are over-exposed to the European market versus the global volumes of dairy. These global volumes that you've seen, they used to have, 20 years ago, a growth of 4%/5% in Europe. We don't expect Europe to grow 5% in the next five years and I'm not even talking Danone, I'm talking the category here. India will grow but we are small in India. We're growing but we're small and everyone is small basically in India in the yoghurt market, which is really, you know, a homemade market overall. We are not where we should be in Africa, for instance, which is also a fast growing emerging country. And there are other examples. So, first of all, we have a country mix that we need to manage.

Second, turning Activia and Actimel is, of course, an absolute necessity. We are working hard on this, you know that. We expect that Actimel and Activia will be exiting 2016 positive in sales for the first time for



the probably last four/five years. We expect actually Europe, as you know, to turn positive at exit rate in 2016 but, from there, I will be happy with any kind of growth we get from Europe because, again, the underlying message behind the chart that I shared about our 2020 ambition is to say that we don't need dairy to grow 7% as we had, if you remember, you know, 10/15 years ago, when dairy was growing 7%, on the back of the big growth of Activia and Actimel in Europe, we don't need that to grow our total business at 5% because of the other categories that we have now and we didn't ten years ago. So, we just need dairy to deliver the sort of 3% equation that I described to be comfortable in the way we achieve the overall number of at least 5% growth by 2020. Can dairy do better than this? Probably. Am I going to commit on that with the team here? No. So, I think that's the difference here.

James Amoroso

Okay. Who has the microphone? Nobody has the microphone so I'll read a question from here. Apparently, according to recent Nielsen data, there's been a sharp drop off in milk formula sales and the question is whether this is somehow related to China demand and exports from Europe?

Emmanuel Faber

We are not having the same reading from our own sales than Nielsen actually in a number of cases but in this particular case because they don't capture e-commerce in a way that we do. Second, in Europe, you heard us say that the traders' activity that ship our product that we sell here at Tesco or Sainsbury to China, are creating issues in our supply chain. They are draining the supply chain and basically creating out of stock situations for what are the bestselling brands and the preferred brands of UK mums, of Dutch mums, of German mums, with Cow & Gate, Aptimel, Nutrilon. And therefore, depending on the stocking strategy or the buying strategy of these traders that could be because there is, I don't know, a Chinese New Year or there is a 11/11 in China or any kind of event or whatever, we basically see our customer service level being affected and, you know, this is a problem, this is even a profitability problem and therefore we are affected by that. And second, the other factor that you should know and remember is that we had a fire nine months ago in a factory that's dedicated to tailored nutrition. So, allergies, pre-terms. We are still out of stock and demand for these categories, which are important



ones. Gradually capacity is coming back but one plus the other is making sometimes, you know, pluses and minuses but, frankly, there is no change to the pace at which we developing our brands in Europe.

James Amoroso

Okay. A question here on executive incentives, whether you could provide some more details on the one objective plan at the executive committee level and whether you have or plan to have TSR or return on invested capital metrics included in that?

Emmanuel Faber

Well, I think the key changes that we have made recently to the incentive executive, package for executive, is we brought more of the profitability as part of the equation. So, slightly refocusing what was priorly sales growth to being a balanced sales and margin expansion and I think this is the single most important change that we did. There is no other change from the previous equation. Having said that, I would like, and I know this is beyond the question of incentive, a number of you who have been with us for a long time have said that even when Danone was growing like 7%/8% per annum and, you know, with very solid margin expansions at that time, we didn't deliver so much at the EPS level because of so many partnerships that we had in particular and other reasons. I can tell you we are committed to make sure that whatever margin expansion there is this will dribble down to the EPS and so even though there is no specific change in the way we build the incentive, I can tell you we are very committed to EPS growth and this is absolutely part of the model that we want to build and it's actually on the chart that talks about consistent delivery on those as we walk to 2020.

James Amoroso

We're going to close it there. We've run little longer deliberately. We won't be doing a breakout. And so, thank you very much, Emmanuel, for your insights into Danone.

Emmanuel Faber

Thank you, James. Thank you, everyone.