



DANONE
ONE PLANET. ONE HEALTH

CAGNY 2019

February 21, 2019



Emmanuel Faber
Chairman and CEO



YOGHOURT DANONE



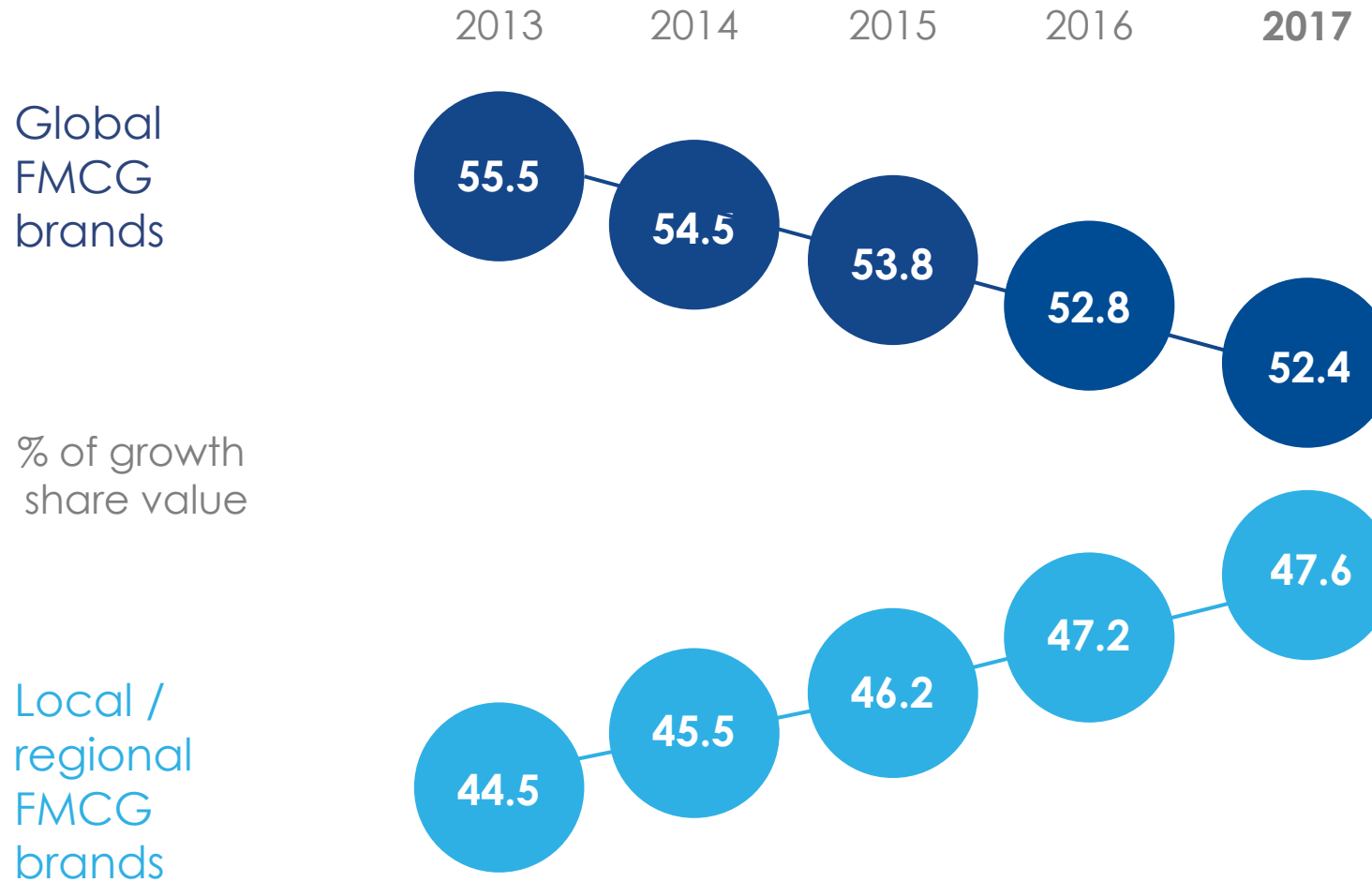
1919...



... 2019
celebrating a centenary

Changing brand models in the Food Revolution

Small and local is the new big



Source: Kantar Worldpanel - Packaged food & drinks evolution 2013-2017 in MS Value (without private labels).

New generation of consumers driving the Food Revolution

Trend setters with new set of values

Eating healthier



47%

of young generation eating healthier⁽¹⁾

30%

willing to pay a premium for healthier food⁽¹⁾

Seeking immediacy



Convenience



Discounters



E-commerce

growing 3x faster
than supermarkets⁽²⁾

Trend setters



77%

of Food family spending influenced by Generation Z⁽³⁾

(1) Source : Nielsen Global health and wellness survey 2015 and Nielsen's online pool 30,000 in 60 countries

(2) Source: Data relates to retailers within the planet retail 2016 database only: e – estimate / f – forecast. Small stores includes: Neighborhoods stores, Drugstores & Pharmacies, Convenience stores

(3) IBM Institute for business value (January 2017)

Agenda

1



DANONE

ONE PLANET. ONE HEALTH

**Superior positioning
aligned with
consumer
preferences**

2



**Self-disrupting to lead
the Food Revolution**

3



**Accelerating our
transformation
towards 2030**

Changing brand models in the Food Revolution

Small and local is the new big

~56%

of Danone sales from
local brands



Disrupting
the big



Growing
the small
and local

A unique 100% health-focused on-trend portfolio

Almost 90% of volume sold recommended for daily consumption⁽¹⁾

Specialized Nutrition



Essential Dairy and Plant-based



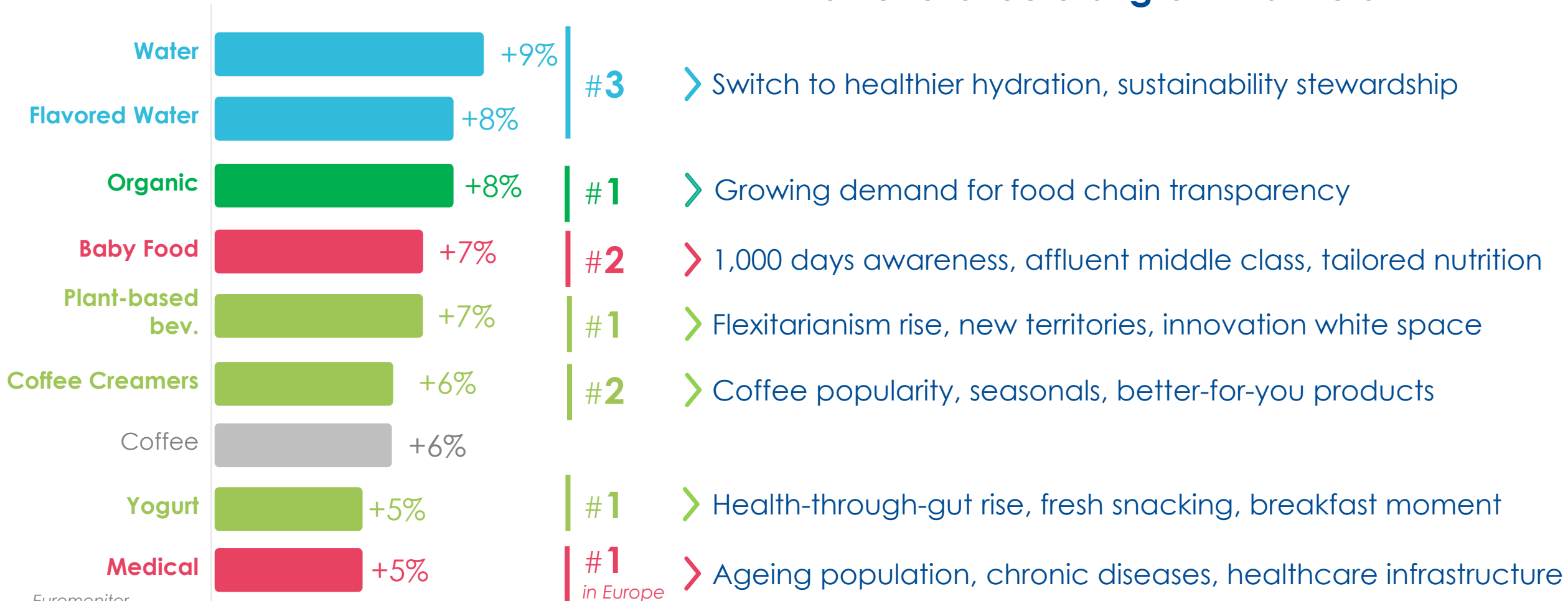
Waters



% of sales 2018. (1) 89% in 2018. Refers to water, yogurt and other daily dairy products, baby milks & foods, milks and milk powders, beverages with 0% sugar and medical nutrition. Based on official public health recommendation, these categories are generally suitable for daily consumption.

Leading share positions and superior growth profile... Consumers continue shifting towards healthier food and nutrition

Growth profile by category
10-year forecast to 2022



Euromonitor

Growing healthier consumer preferences in food industry

Creating new category fundamentals

Plant-based

Plant-based beverages and yogurts growing

> 8%



Probiotics

Probiotic beverages and yogurts growing

> 6%



Proteins

High protein yogurt growing

> 10%



Source: Euromonitor value CAGR 2015-2017 total world. Plant-based excluding China

Agenda

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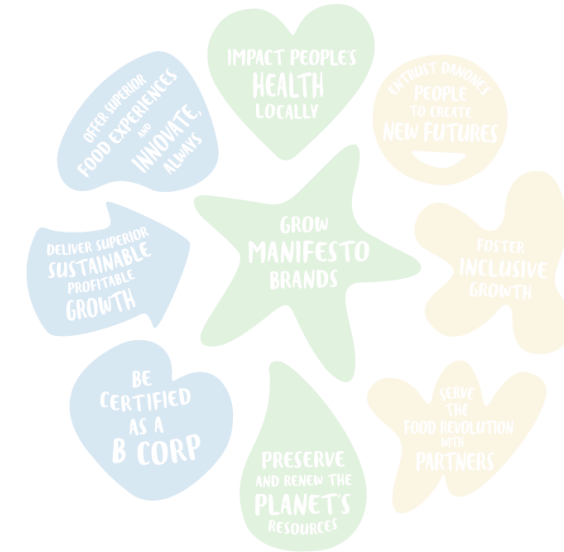
Superior positioning
aligned with
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preferences

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Self-disrupting to lead
the Food Revolution

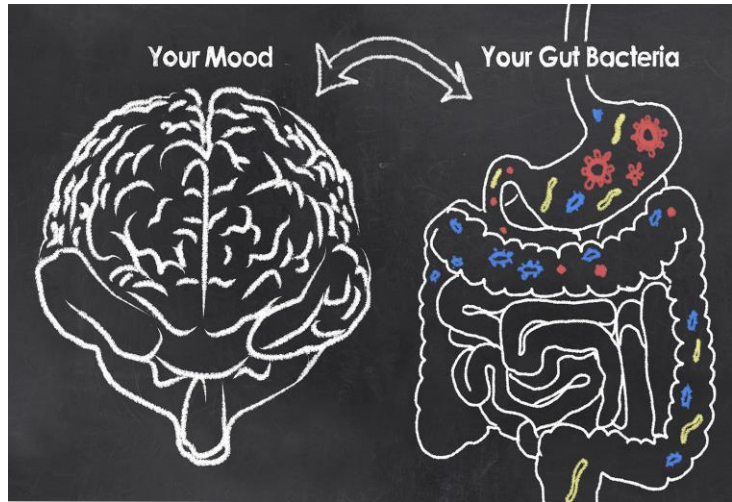
3



Accelerating our
transformation
towards 2030

From looking after your gut to your gut looking after you

Growing consumer belief in relationship between healthy gut and well-being



GUT HEALTH & GOOD VIBES

7 FOODS FOR
A HEALTHY GUT

50 WAYS TO
HEAL YOUR GUT
& BE A

*Gut Healing
Goddess*



+ **100%**
vs last year

Google search trend
"is probiotics
good for you?"⁽¹⁾

Gut-healthy foods

#2

Whole Foods' 2019
top food trends⁽²⁾

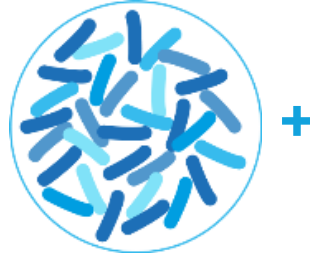
+ **10%**
worldwide

Growth of probiotics
supplement⁽³⁾

Source: (1) source: Google Search Trends 2018 (2) Whole Foods Market's top 10 food trend predictions for 2019 (Nov-2018) (3) CAGR by 2020 – source: Euromonitor 2018

The renaissance of fermented foods

A natural process...



Ferment

+



Nutrient



Lactic
fermentation



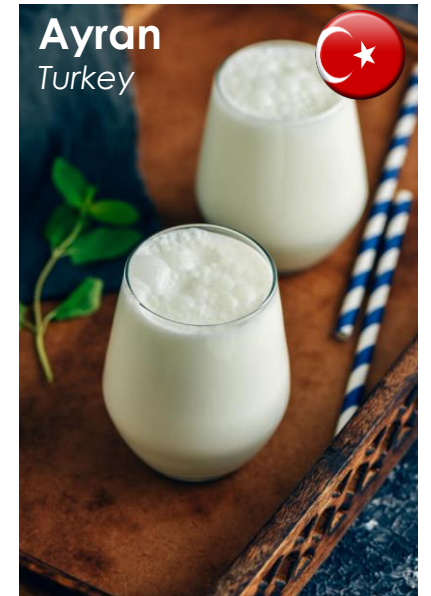
Alcoholic
fermentation



Acetic
fermentation



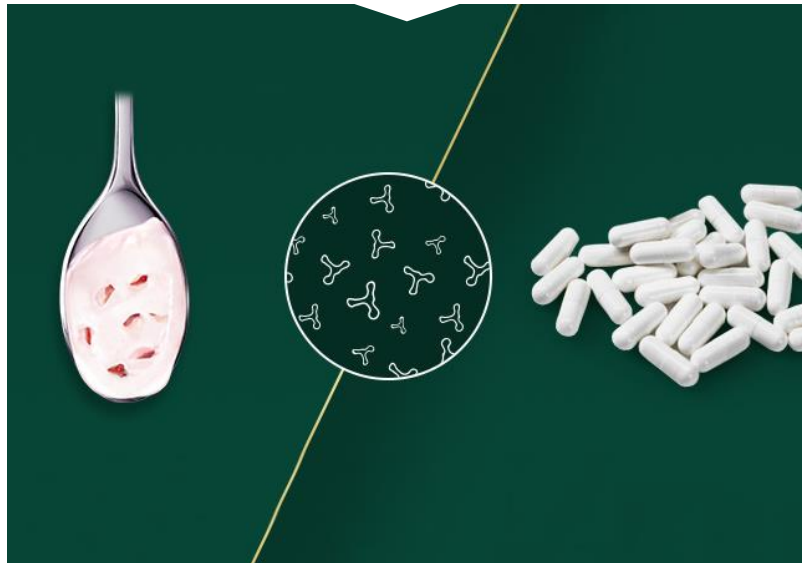
The renaissance of fermented foods ... with strong local heritage around the world...



The renaissance of fermented foods ... resonating with younger generations' aspirations for fresh, local, and natural

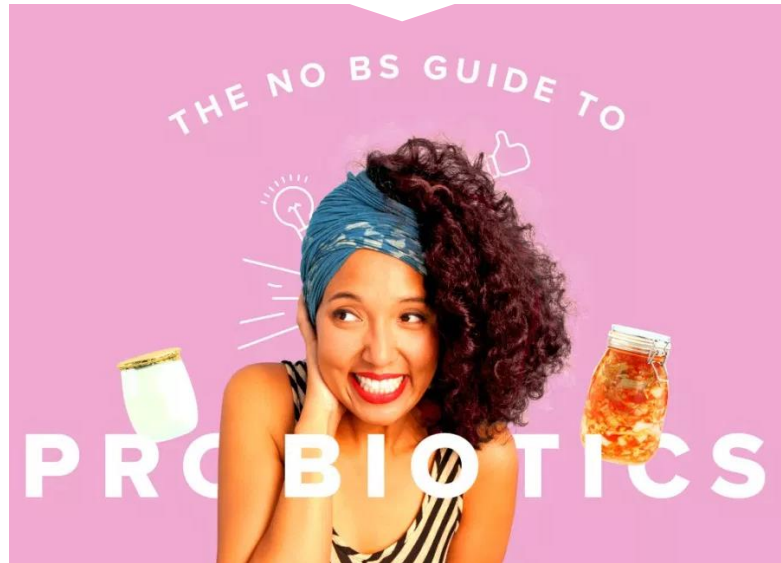
Preference over supplements

Higher nutritional value
Convenience



70% of European consumers
want to have in their food⁽¹⁾

Probiotics



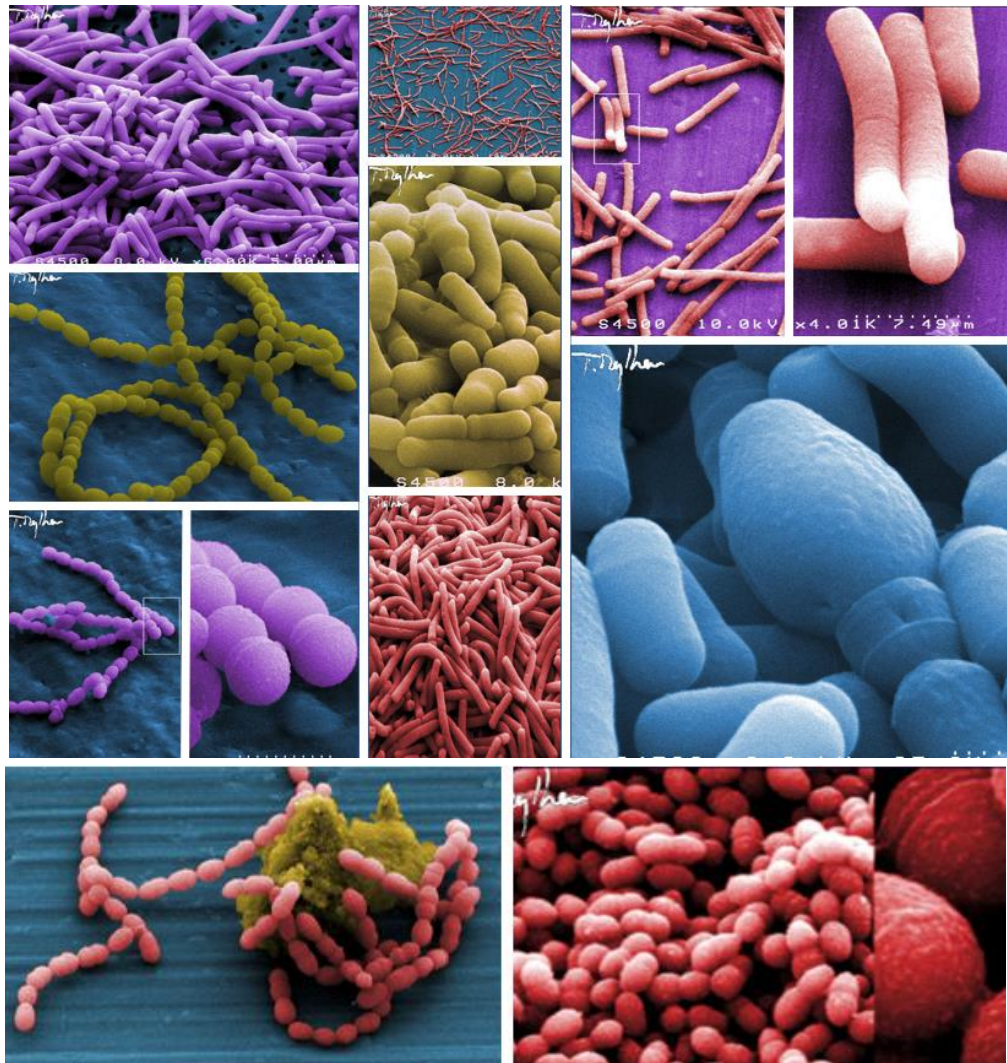
More than 50%
of US millennials drink⁽²⁾

Kombucha



Source: (1) source: Kantar WorldPanel 2018 (2) 2016 Foodservice trends and carbonated soft drinks US report

A unique expertise Undisputed asset of a unique strain collection



4,000 bacteria

45% exclusive property

80 species of bacteria

80% of dairy volumes
with strains

The exciting future of probiotics

Big opportunity ahead

Sugar reduction switch

Performant strains reducing gap
sweetness vs. sugar content



More flavors and texture

New signatures
from strains combination



Flexitarianism rise

Ferments are
neither animal nor vegetal based



Activia 2016 relaunch Lessons learnt

2014



Fall 2016



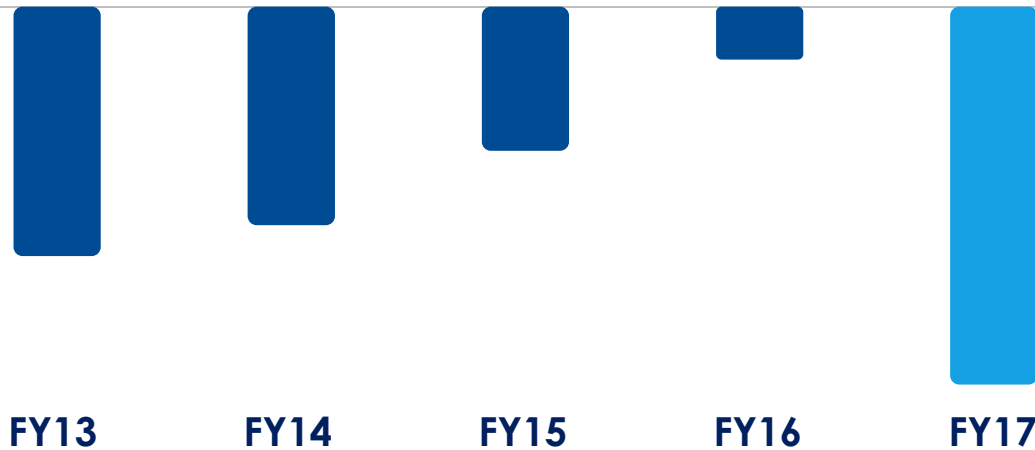
- No visible probiotic claim
- Premium and hieratic
- Green studio wall
- Global brand management
- Lack of taste appeal and innovation
- Range and flavor navigation

Activia 2016 relaunch

Deteriorating like-for-like sales growth

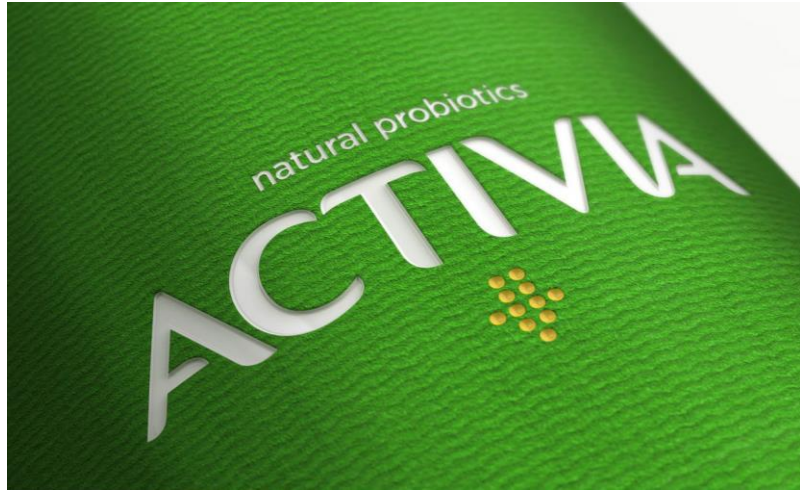


Activia net sales
Like-for-like growth



Activia 2018 renaissance: rejuvenated brand for a new world

Reconnected to live and active probiotics



Activia 2018 renaissance: rejuvenated brand for a new world

Naturality and simplicity messaging



Just 3 ingredients
100% naturally-
sourced



our 5 unique
natural
probiotics



our unique 8h
slow fermentation
process

Activia 2018 renaissance: rejuvenated brand for a new world

Reconnected to product naturalness

Clean. Pure. Fresh. Naturally beautiful



Activia 2018 renaissance: rejuvenated brand for a new world

Leveraging new ingredient-based benefits



Activia 2018 renaissance: rejuvenated brand for a new world

Brand image: the green-wall is over

Iconic simplicity, crafted authenticity



Activia 2018 renaissance: rejuvenated brand for a new world

Before / After – United Kingdom



Activia 2018 renaissance: rejuvenated brand for a new world

Before / After – Japan



Activia 2018 renaissance: rejuvenated brand for a new world Innovating to capture the potential of probiotics beyond dairy



ACTIVIA®

"Siéntete bien cada día"

Activia 2018 renaissance: rejuvenated brand for a new world

Strong acceleration in 2018 of value-enhancing innovation

Focus on modern convenience formats and local relevance



Trendy cereals



Dailies



Touch of



Mix&Go



Organic



Shots

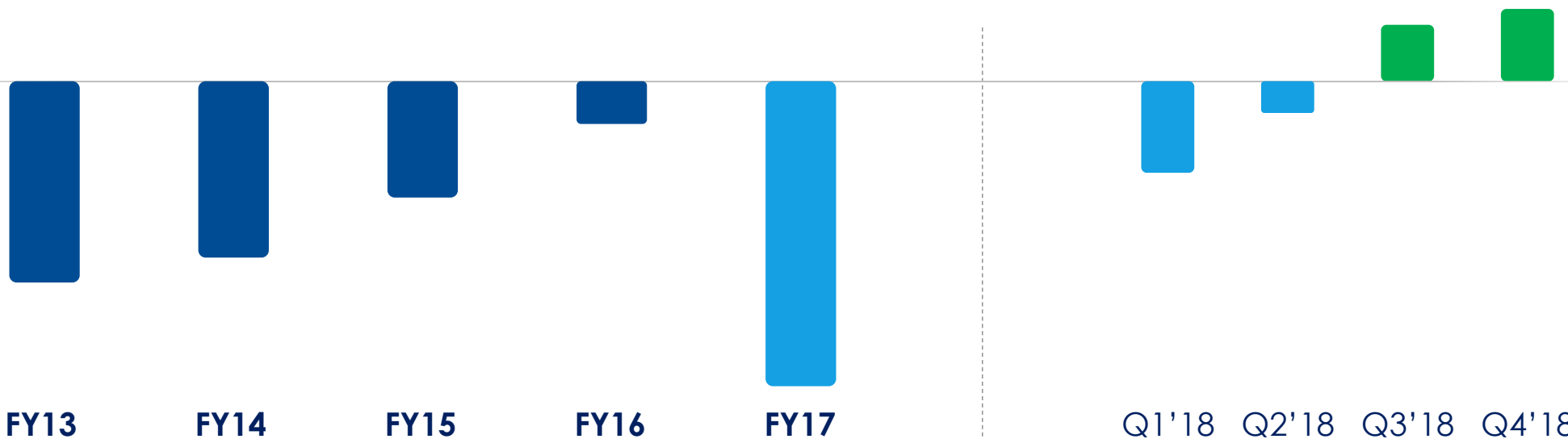


Brands can self-disrupt and win

~€2bn sales brand now poised for growth



Activia net sales
Like-for-like growth



Contributing to strategic transformation of EDP Europe Stabilized and poised for growth in 2019



SUCCESSFUL INNOVATIONS



LOCAL RELEVANCY IMPROVING EXECUTION



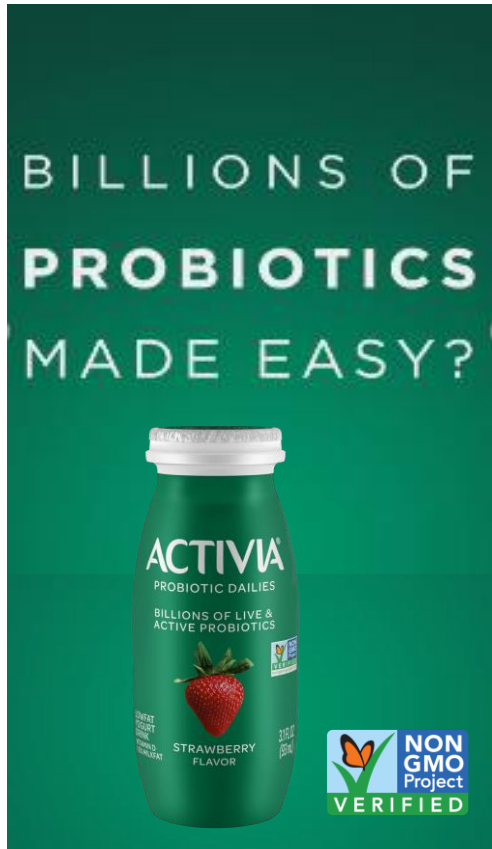
NET SALES GROWTH

FY 17 H1 18 Q3 18 Q4 18



Activia probiotics non-GMO dailies shots

Strongly contributing to Activia top-line renaissance in the US...



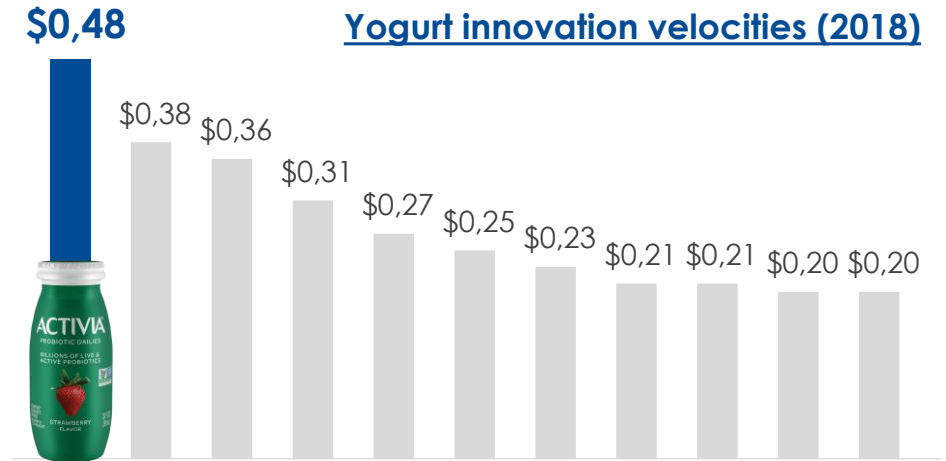
Launched Sep-17
New identity Nov-18

Best yogurt innovation

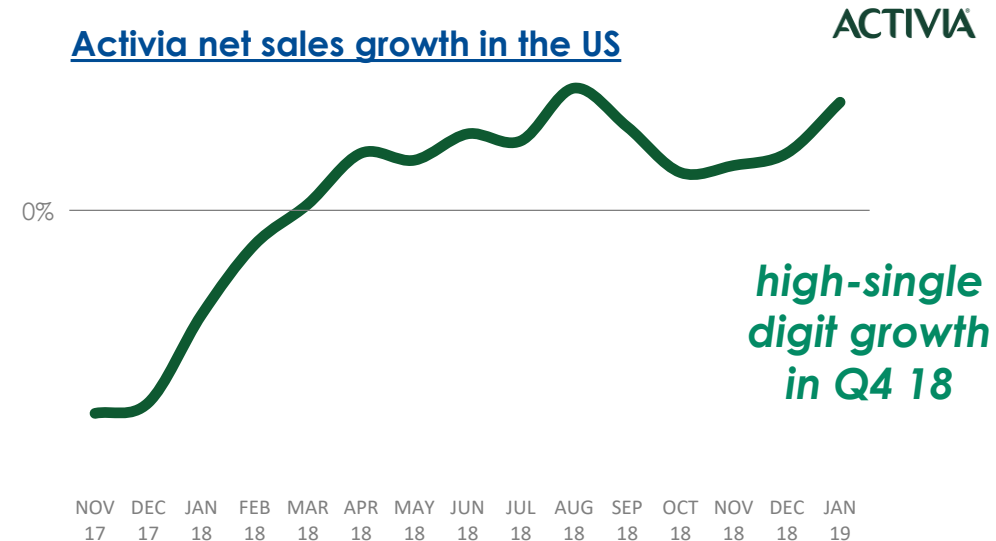
- #1 innovation velocity
- #1 innovation repeat rate > 40%

Driving strong profitable growth

- 55% of growth incremental to category
- 100% of growth incremental to Activia
- Margin-enhancing innovation



Source: IRI Mulo L52 ending 10.28.18.



Activia probiotics dailies shots

... By recruiting a new, younger consumer base



58% of consumers
55+ age



44% of consumers
18-44 age



IRI Database Week Ending 01-06-19
Source: IRI Panel Latest 52 weeks w/e 03-25-2018,
Oracle Dailies shopper 360 3.17.18

- Over-indexing 25-44year consumer by 40%
- High cross-purchase with on-trend beverages

Offering a Plant-based alternative for Activia over the next 12 months



world-class
fermentation
expertise

world-class
plant-based
expertise

Significant probiotics opportunity beyond Activia

New products and brands for younger consumers



Plant-based probiotic yogurts



Q4-2018



Plant-based probiotic beverages



Q4'2018



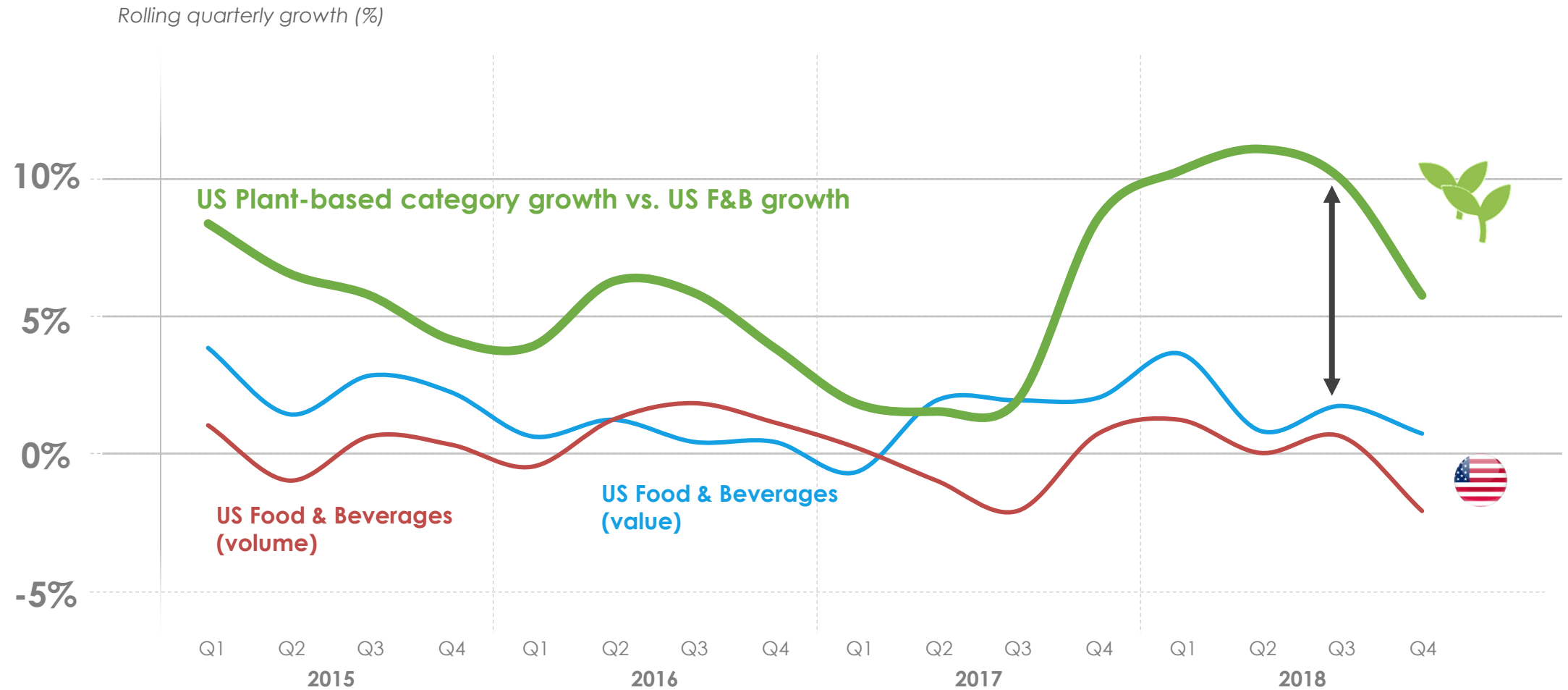
Probiotic drinks, bars, snacks



Q4'2018

... Enhanced by the acquisition of WhiteWave

Plant-based category growth outperforming US Food&Beverage industry



Source: IRI MULO (W/E 30/12/2018) – Includes Grocery, Mass, Drug, Dollar, Club (ex Costco), Military for F&B categories including Alcohol; Note: Sales are Retail Sales, Units are Non-EQ Units.

Taking plant-based to the max

Accelerating the core, maximizing potential of broad range of new ingredients



Cashew

Oats

Rice & Coconut

Blends

new ingredient based launches in 2018

+ 22%

Taking plant-based to the max

Capturing new growth opportunities, expanding into adjacencies

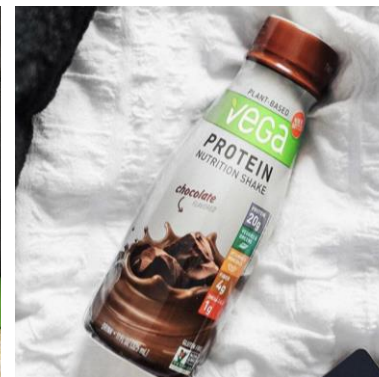
78%
of the
Plant-based
business today



beverages

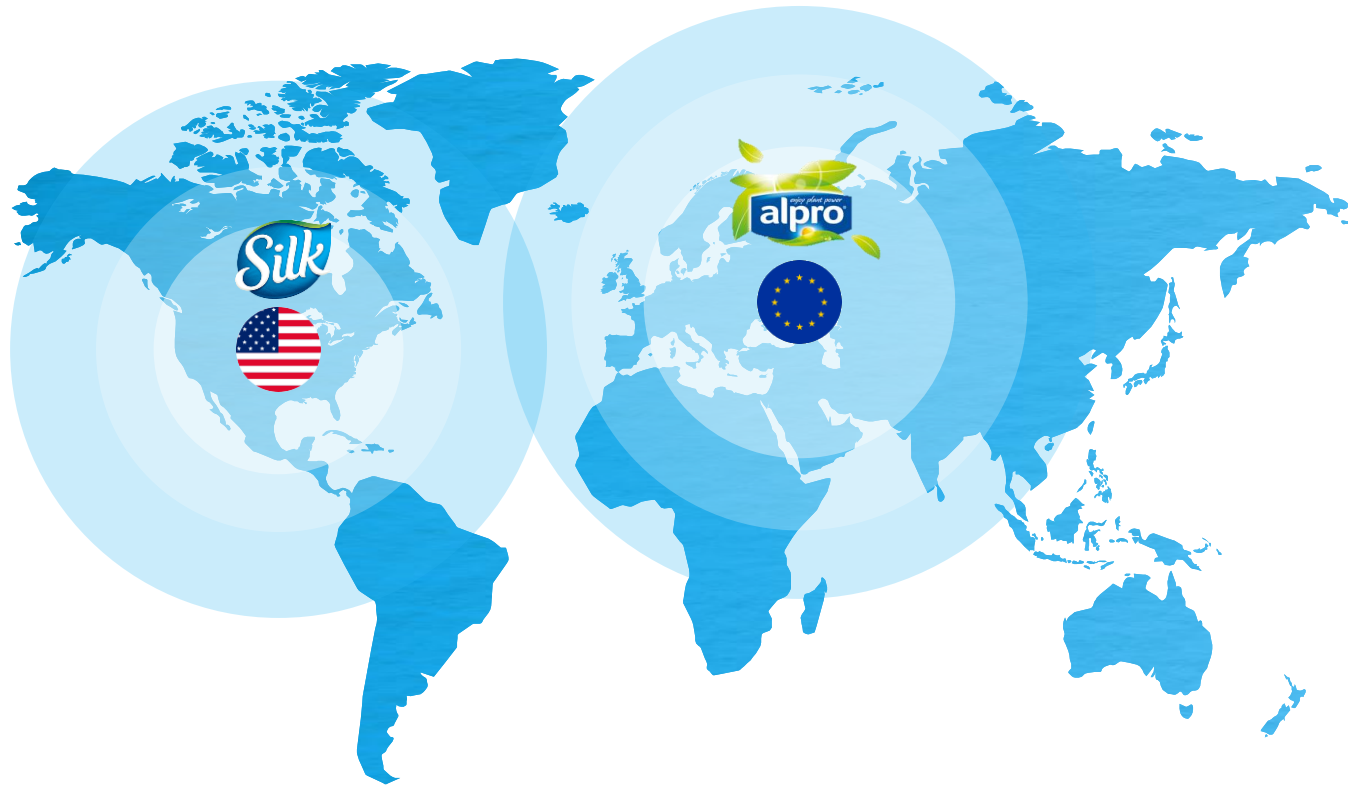


yogurt



Taking plant-based to the max

Exploit Danone's strengths, customized approach to geographical expansion



1- Accelerate through Danone route-to-market started



‘18

2- Create the category



‘19

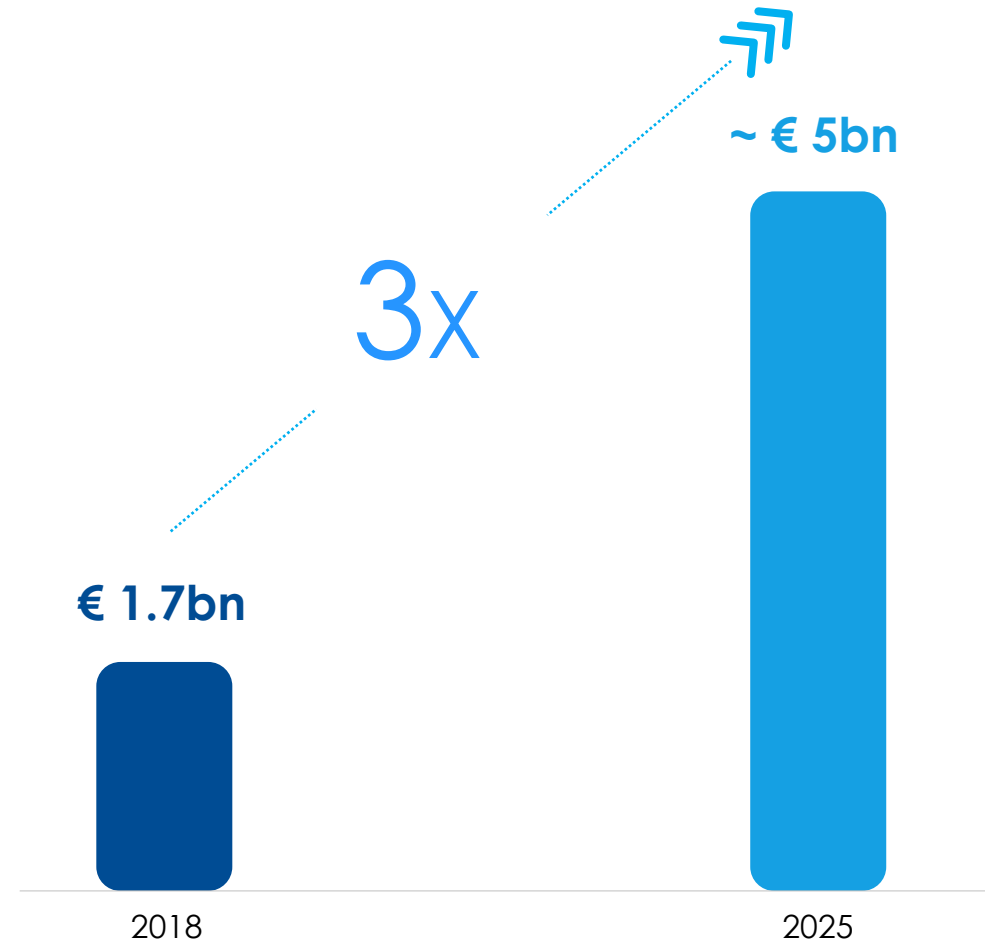
3- Modernize a commoditized category



‘19

Taking plant-based to the max

Objective to triple the plant-based business by 2025



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Superior positioning
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Self-disrupting to lead
the Food Revolution

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Accelerating our
transformation
towards 2030

A solid performance in 2018

Another year of strengthening our operating model

RECURRING EPS

+12.8%⁽³⁾
€ 3.56

NET SALES

+2.9%⁽¹⁾
€ 24.7 bn

RECURRING
OPERATING MARGIN

+51 bps⁽¹⁾
14.45%

FREE CASH FLOW

+7.1%⁽²⁾
€ 2.2 bn

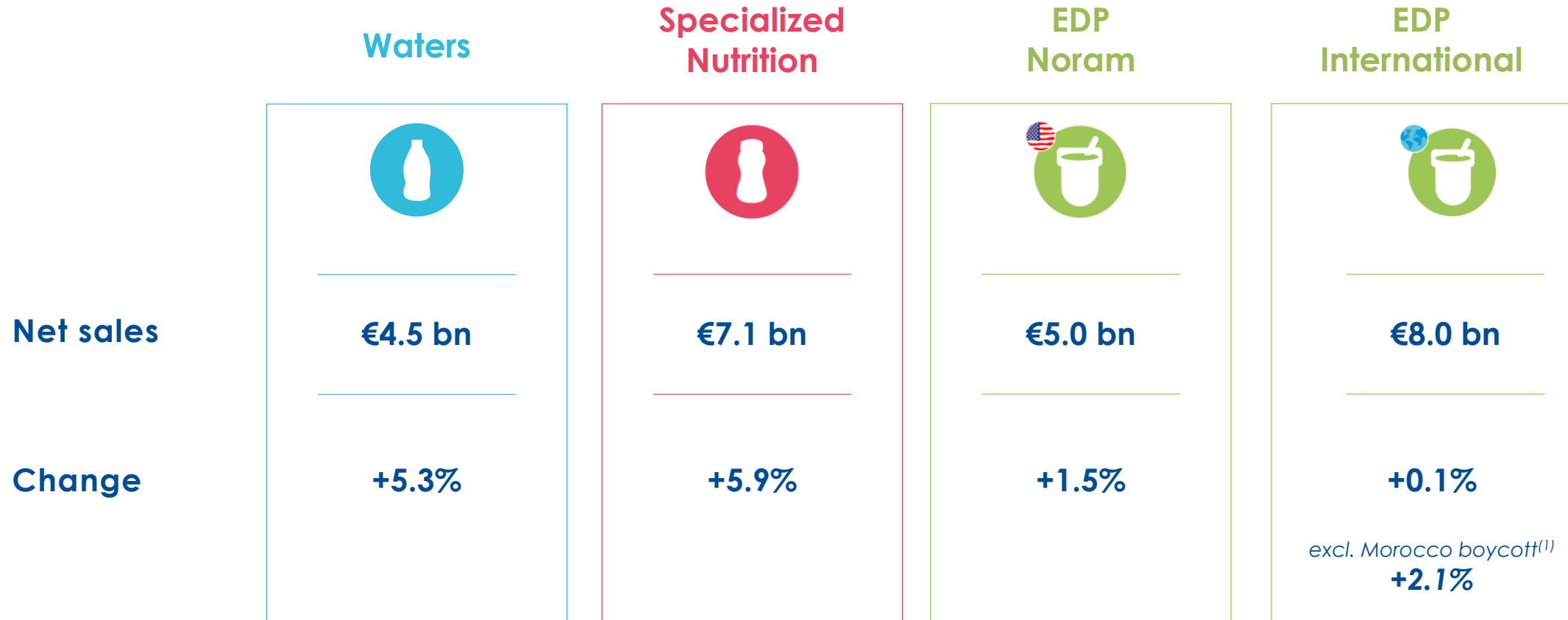
2018 guidance
delivered



(1) Like-for-like New Danone (2) On a reported basis (3) at constant exchange rate, excluding impact of Yakult Transaction and IAS29

+2.9% like-for-like sales growth in 2018

All reporting lines contributing to broad-based growth



All growth data in like-for-like New Danone

(1) Excluding impact of consumer boycott in Morocco that started in April 2018.

Balanced value creation model

Solid progress on growth and efficiency



(1) Like-for-like New Danone

(2) Excluding impact of consumer boycott in Morocco that started in April 2018.

Another year of delivery, strong financial track record since 2014

Consistent EPS growth over the cycle

Reported sales

+4%

2014-18 CAGR

€21.1bn



2014

€24.7bn



2018

Recurring operating margin

+190 bps

2014-18

12.6%



2014

14.5%



2018

Free cash flow

+15%

2014-18 CAGR

€2.2 bn

€1.3 bn



2014



2018

Recurring EPS

+8% (+11% at constant FX)

2014-18 CAGR

€2.62



2014

€3.56



2018

Dividend

+7%

2014-18 CAGR

€1.50



2014

€1.94



2018

... Enhanced by the acquisition of WhiteWave Incremental growth and profit drivers

**ACCRETIVE
SALES GROWTH**

75% of former
WhiteWave
> +5% growth

**SYNERGIES
TO DATE**

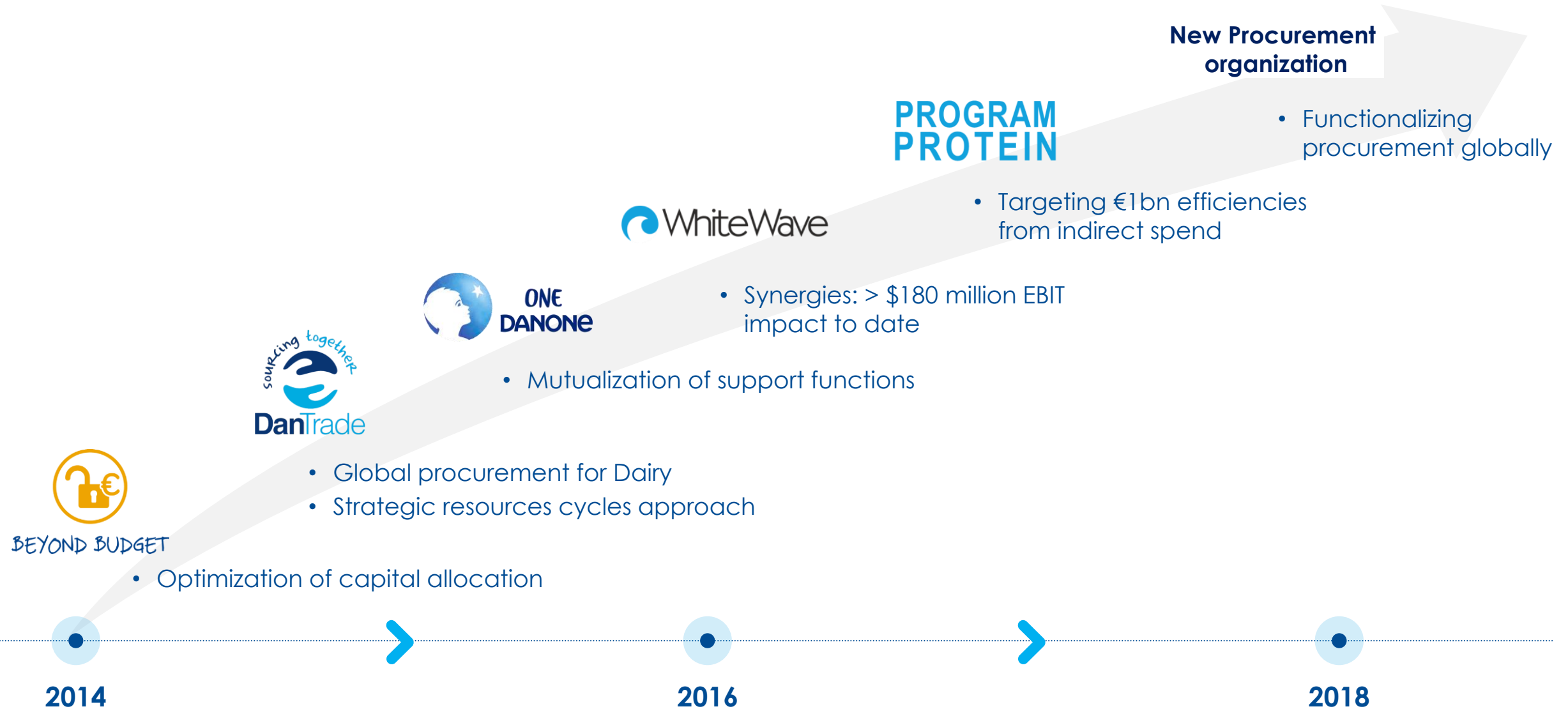
Cumulative
> \$180m⁽¹⁾



(1) Impact at recurring operating profit level since closing

Operational efficiency and financial discipline as key performance drivers

Step changes since 2014 to enhance value creation in a sustainable manner



Successful first year of Protein program 2018 efficiencies ahead of plan

PROGRAM
PROTEIN

2018

1st year of delivery

~€300m delivered

- Cross-category **logistic** network
- Integrated **facility** management
- Digital remote **energy** management
- Faster deployment in **emerging markets**⁽¹⁾

2020

Full delivery

€1 bn objective

- Operations ~50%
- Professional services ~25%
- Sales & Marketing ~25%

(1) China, Latam, Africa overdelivering

Continuing to adapt and transform the organization

Enhancing Danone's agility and resilience

Operating model:
From 4 to 3 businesses



SYNERGIES

further integrate AMN and ELN into
one single
Specialized Nutrition business

One common
Regional footprint:
13 regions



AGILITY

more **locally-grounded**
and **business proximity**

Business services:
Next generation



EFFICIENCY

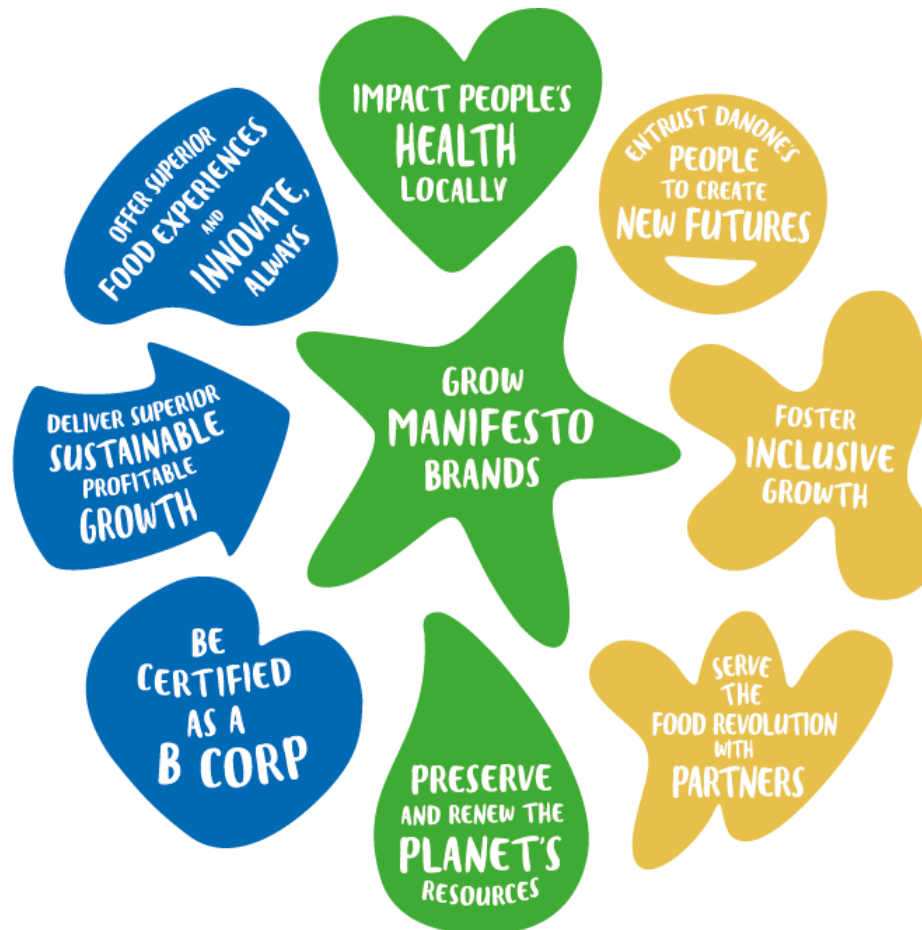
Strengthen **business services**
Enhance **efficiencies**
Leverage **data management**

Accelerating our transformation To lead the way to create and share sustainable value



OUR BRAND MODEL

OUR
BUSINESS
MODEL



OUR
TRUST
MODEL

2018 performance aligned to business, brand and trust model

Targeting superior sustainable profitable growth as a B Corp

OUR BUSINESS MODEL

Earnings delivery

+12.8%

recurring EPS growth
at constant FX⁽¹⁾

Becoming a B Corp

~30%

of net sales

OUR BRAND MODEL

Brand transformation

20%

of net sales in 2018
from Manifesto brands

Best-in-class in carbon
reduction

A

ranking for CDP Climate

OUR TRUST MODEL

Promoting diversity

50%

women in
management roles⁽²⁾

Unlocking
people power

>75%

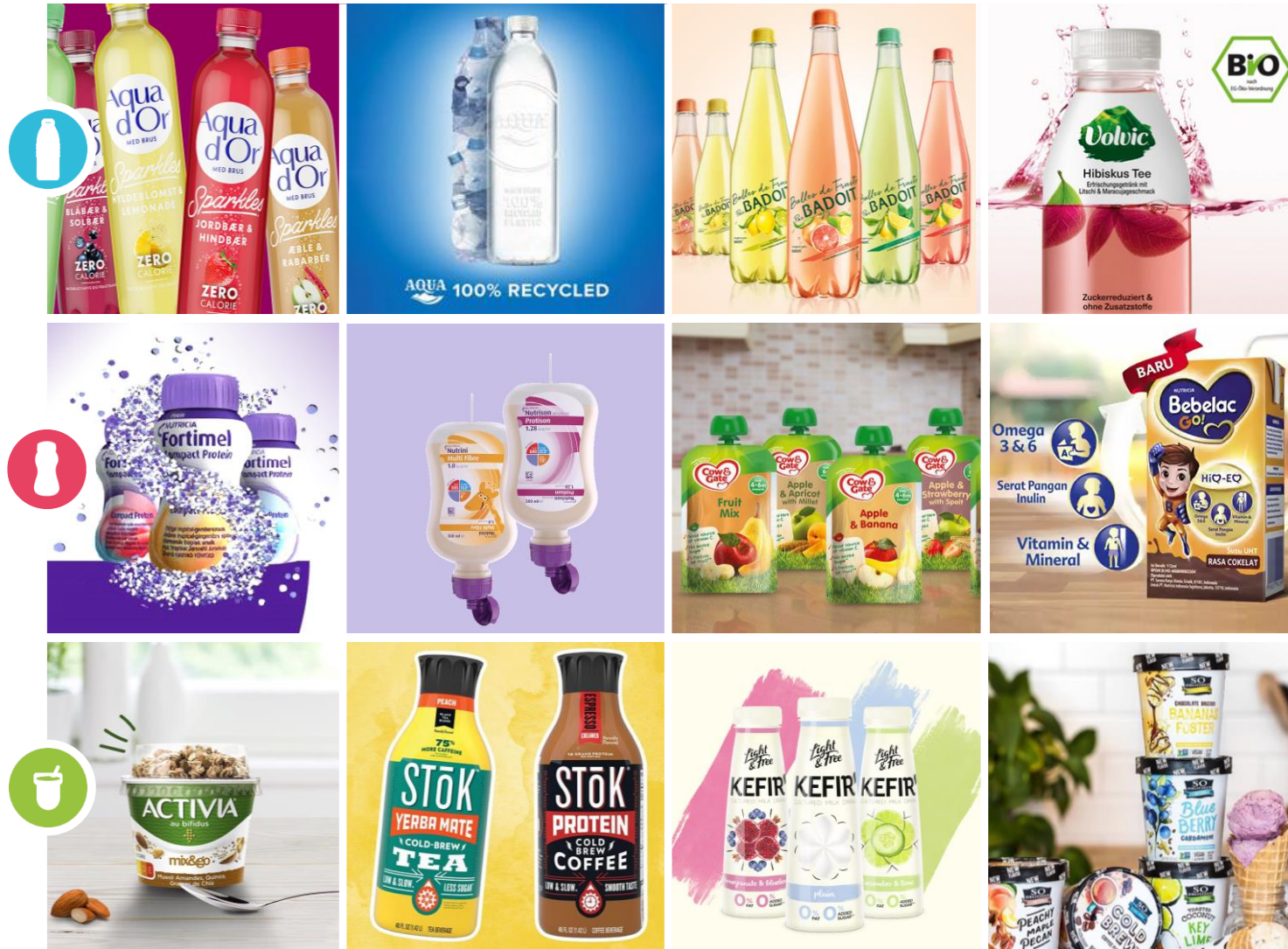
of Danoners contributing
to 2030 goals consultation

(1) Excluding Yakult Transaction Impact and IAS 29

(2) Proportion of Danone female managers, directors and executives

Step-up in innovation capabilities

Innovating at speed and scale to enhance value



MORE INNOVATIONS

~1/4 of net sales in 2018⁽¹⁾

+25% vs 2017

FASTER TIME TO MARKET

40% faster on recent innovations

DRIVING VALUE

+ 50% higher net sales/liter in Waters⁽²⁾

+ 25% higher net sales/kg in EDP ⁽²⁾

(1) Innovations over the last 24 months; (2) compared to core ran

Innovating for the next frontiers

Exploring future opportunities that span different categories



Fermented plant proteins Vegan baby formula



Microbiome derived, next gen probiotics



Next generation of packaging



Design of sweeteners Sugar reduction by fermentation



Investing in future growth businesses

Expanding our start-up portfolio in 2018



MANIFESTO
VENTURES



Invest

in innovative companies

Support

them to their next stage of development

Cross-fertilize

Danone with an entrepreneurial mindset

AGRICOOOL
Urban farming



mitte

Purified & Personalized mineral content home water



YUMBLE

Direct-to-consumer kids meal kits



Innovative oat offering for plant-based foods



epigamia

Creating a modern Greek Yogurt in India



2018



2019...

Driving returns from highest-growth channels

Objective to double e-commerce size to €2bn sales by 2020

E-commerce



Impulse channels⁽¹⁾



€1 bn sales in 2018
+ 40% vs 2017

~2/3 of EDP growth
in 2018

(1) Defined as Small stores, on-the-go and on-premise

Building purpose-led lifestyle brands with strong consumer connections

Meeting consumer demand for more authentic and activist brands and products

gender equality

circular economy

transparency

support to farmers

nourishing happiness

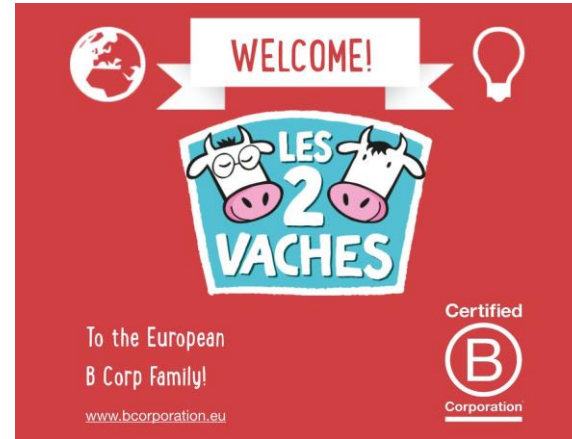


Purpose-led Manifesto brands

growing **3** times more
than the average

Paving the way to societal accountability

Ambition to become a global B Corp certified corporation



~30% of sales B Corp™ certified to date

Pioneer social bond in 2018

€2bn syndicated credit loan

with interest payment lowering as a function of Danone sales B Corp certified

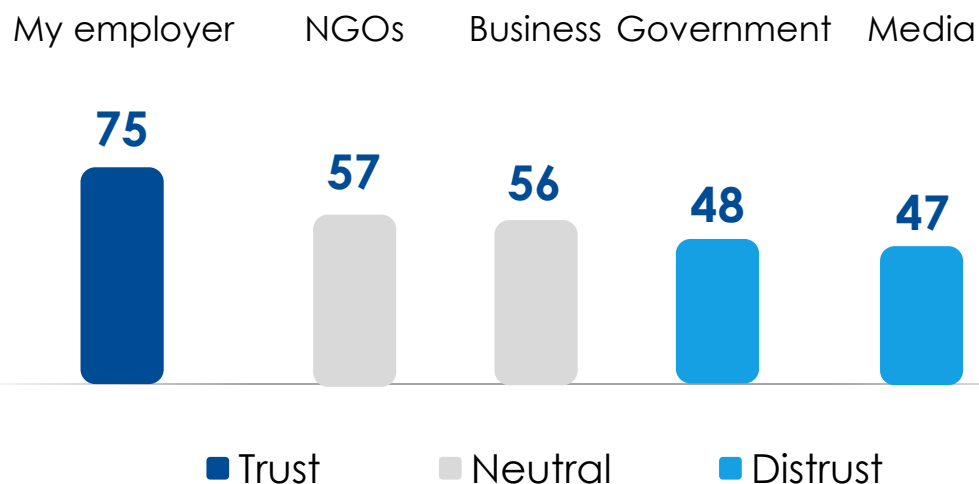
The power of purpose to boost performance

Growing employee expectations for driving societal change

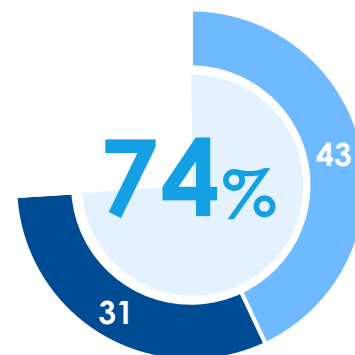
2019 EDELMAN - TRUST BAROMETER

Global Report

Employees' most-trusted relationships



% of employees who expect from a prospective employer



Strong expectation

You would have to **pay me a lot more** to work for an organization that does not offer this

Deal breaker

I would **never** work for an organization that does not offer this

PERSONAL EMPOWERMENT

"I know what is going on.

I am part of the planning process, I have a voice in key decisions; the culture is values-driven and inclusive"

Entrust Danone's people to create new futures
One Person. One Voice. One Share.

ONE
PERSON

ONE
VOICE

ONE
SHARE

Let's shape Danone TOGETHER

FROM SEPTEMBER 25TH TO OCTOBER 7TH
CONSULTATION



2



Oct-2018:
digital consultation
Sharing voices to
shape the future

> **75,000** participants
35,000 volunteers
360,000 verbatim

MAKE YOUR VOICE COUNT
PARTICIPATE IN THE SURVEY

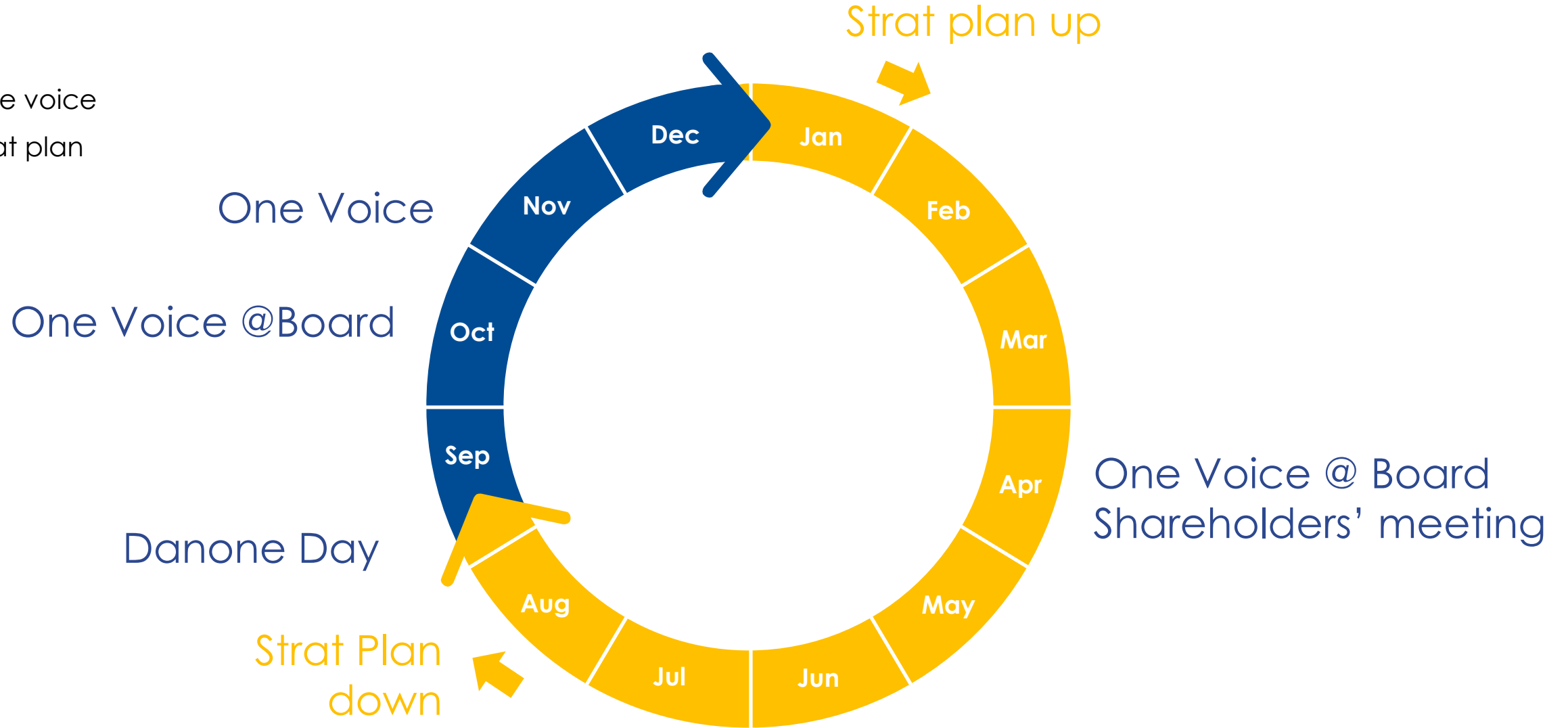


Apr-2019:
shareholders' meeting
**Fostering an
ownership mindset**

One share
granted to every Danoner
—
Employee
share purchase plan

Entering a new routine with One Person. One Voice. One Share

- One voice
- Strat plan

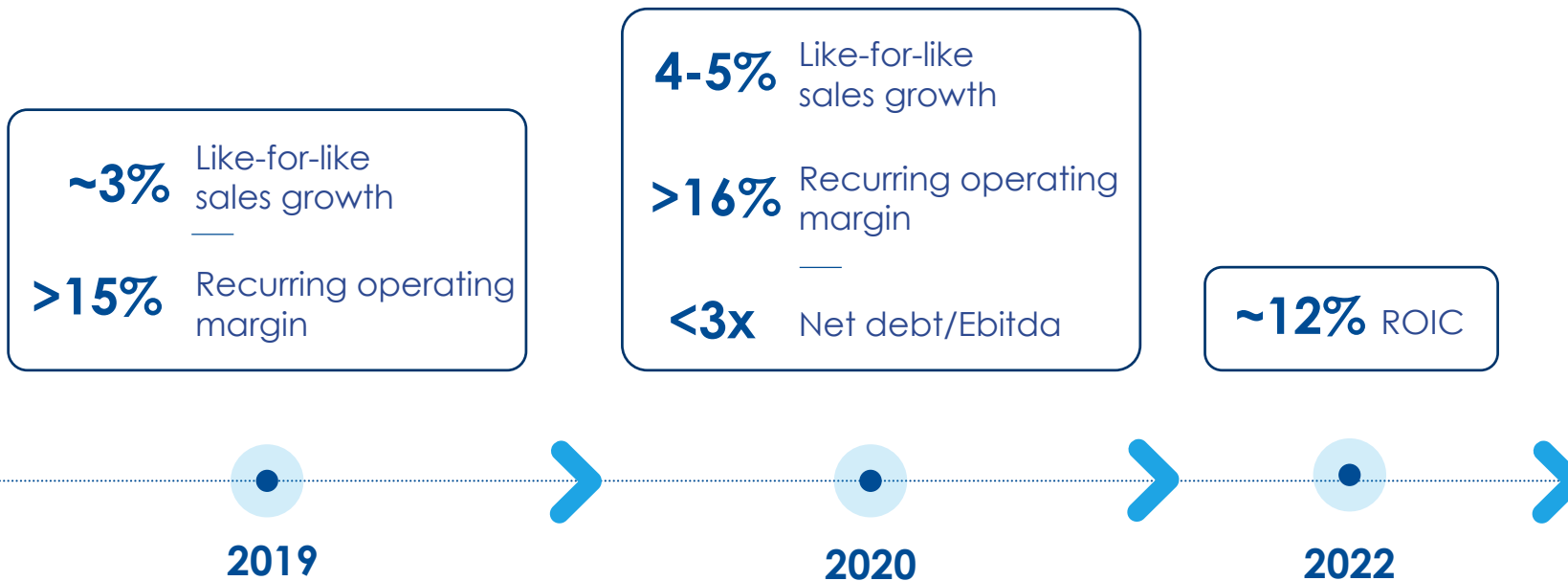


Transformation and delivery towards 2030

On track towards 2020 objectives

2030 GOALS

SUPERIOR SUSTAINABLE PROFITABLE GROWTH



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”, “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 detailed description of these risks and uncertainties, please refer to the “Risk Factor” section of 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 securities.
- 2017 reported figures have been restated for IFRS 15 (Revenues from contracts with customers). Q3, Q4 and FY 2018 reported figures take into account application of IAS29 (Financial reporting in hyperinflationary economies) to Argentina from July 1, 2018, with effect on January 1, 2018. All references in this presentation to “Like-for-like (LFL) New Danone” changes, “like-for-like” changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, Recurring EPS, Yakult Transaction Impact, free cash flow and net financial debt correspond to financial indicators not defined in IFRS. Please refer to the FY 2018 results press release issued on February 19, 2019 for further details on IFRS 15, IAS29, the definitions and reconciliation with financial statements of financial indicators not defined in IFRS. The FY 2018 also details the impact of the consumer boycott that started in Morocco in April 2018. Finally, the calculation of ROIC and Net Debt/Ebitda is detailed in the half-year interim financial report and annual registration document.
- 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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