Dairy growth agenda

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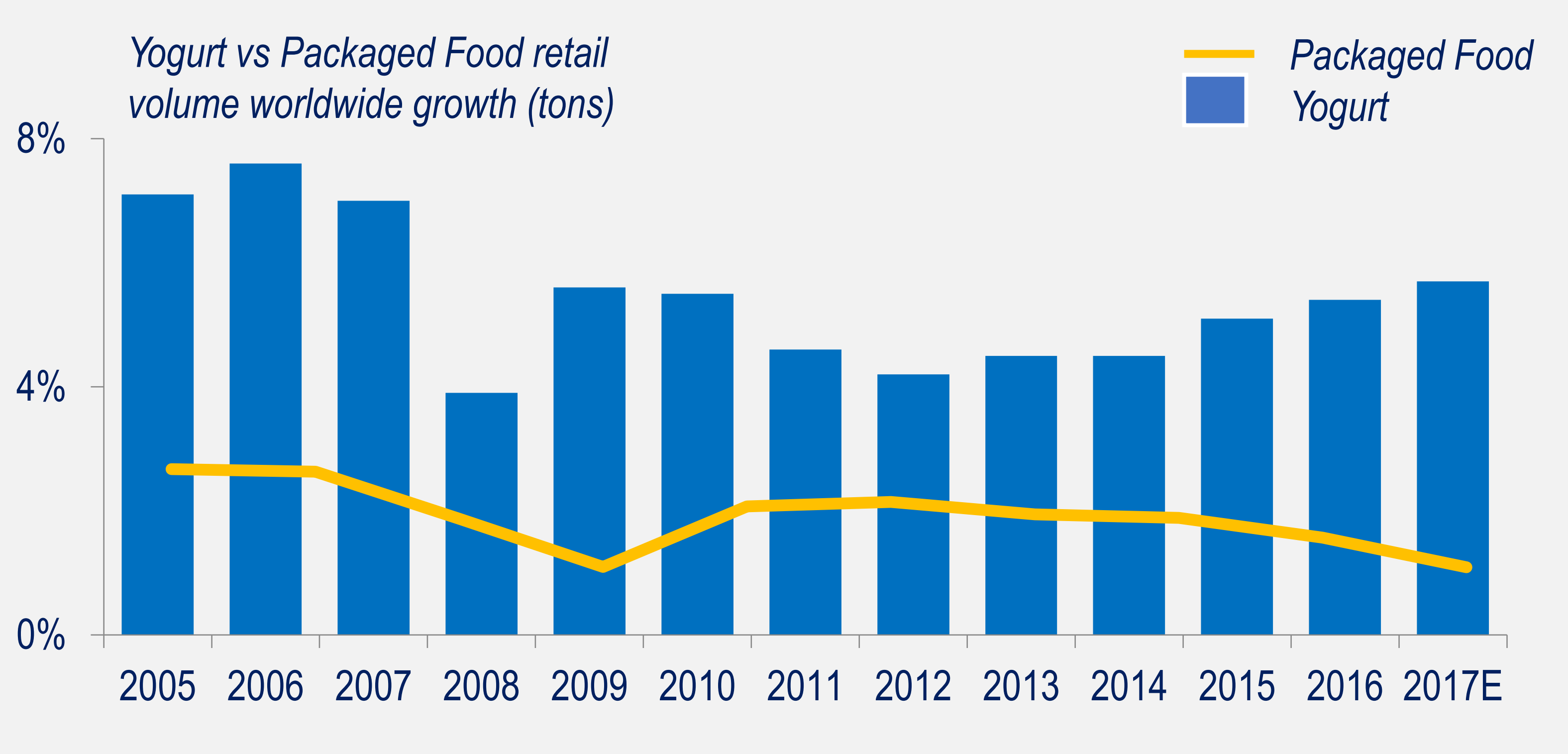
and Resource Efficiency

Evian 2017 - Investor Seminar

Fresh dairy products: potential for future growth

Average growth last 10 years > +5%



Source: Nielsen and Euromonitor, 2016

Yogurt CAGR *(2016 vs 2005)*	+ 5.3 %
Packaged Food CAGR *(2016 vs 2005)*	+ 2.0 %

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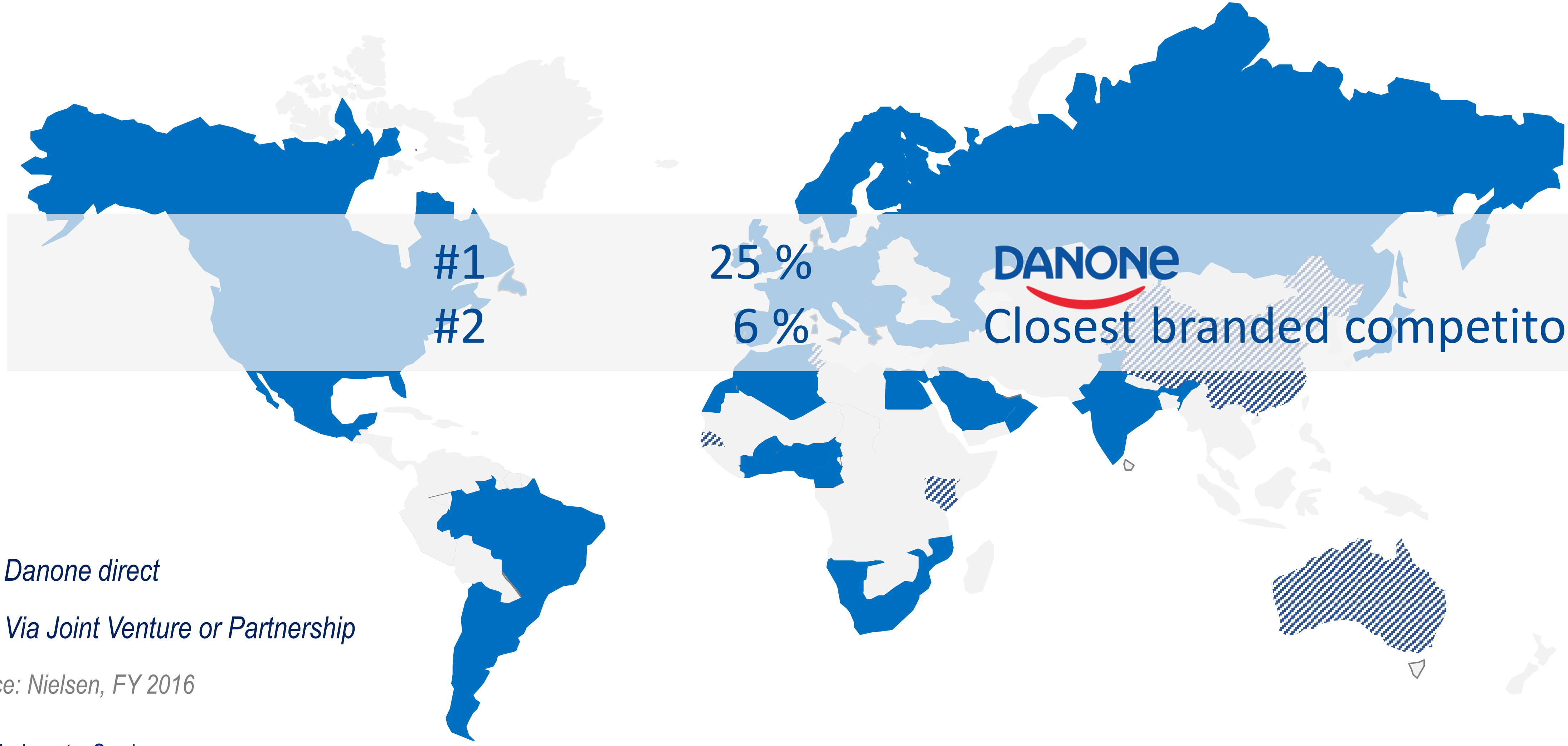
Undisputed market leadership



#1	25 %	DANONE
#2	6 %	Closest branded competitor

Danone direct

Via Joint Venture or Partnership

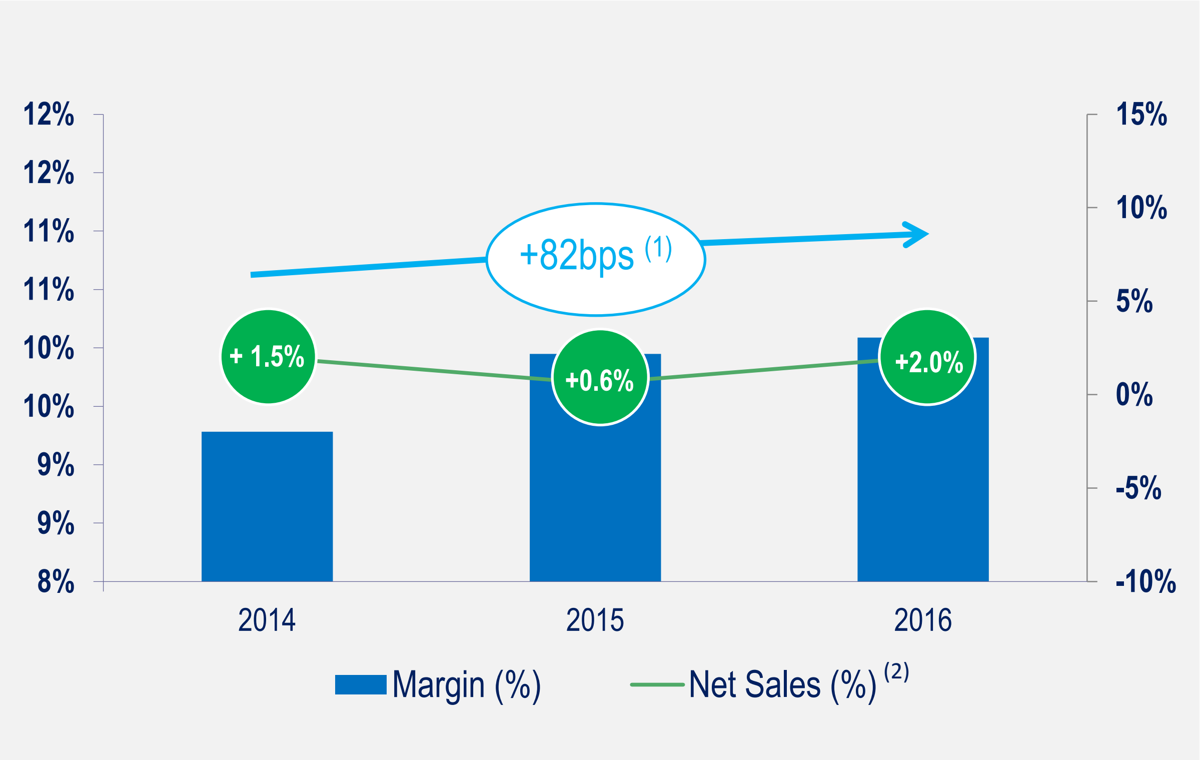
Source: Nielsen, FY 2016

Dairy commitment announced in 2015

2020 Sales Growth(1)	3%-5%
Cumulative Recurring Operating Margin Improvement(2) (2015-2020)	> 200 bps

(1) Like-for-Like
(2) At constant exchange rate

Progressing on our Double agenda: margin and growth



Margin Improvement

+ 82 bps

Since 2014 cumulative improvement at constant exchange rate

Accelerated Sales Growth (2)

+ 2%

(1) Cumulative improvement at constant exchange rate
(2) Like-for-Like

Current successes and challenges

SUCCESSES

MARKET SUCCESSES

- **Europe** : improvement of operational set up
- **CIS:** delivering on objectives of Unimilk acquisition
- **Mexico:** growth and margin improvement despite strong inflation
- **US:** undisputed market leadership

EXECUTION SUCCESSES

- **Actimel** *(excluding Spain)*: stabilised with unique and relevant positioning and innovation
- **Indulgence:** growing with successful innovation
- **Local Brands:** growing with relevant propositions

CHALLENGES

MARKET RELATED CHALLENGES

- **Spain :** decreasing category consumption
- **Brazil :** macroeconomic deterioration in a fragile category context

EXECUTION RELATED CHALLENGES

- **Activia:** ambitious transformation taking time

NEW CHAPTER

ALPRO: integrate business and develop plant-based category

Capturing the potential of the category

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Consumer is changing

DRIVERS of the trend, external change (Macroforces)	*Demographic changes, Health Issues*	*Growing population, big cities (hectic lifestyle)*	*Economic change, Instant access to information*	*Climate change, New Agricultural models*	*Growing population, economical instability (feeling of stress, anxiety-compensation)*
A TREND – new manifestation in behaviour, attitude or expectation	Healthy living	Fluid lifestyle	Savvy consumer	Naturality & transparency	Small treats
IMPACT of the trends created by new consumer expectations	> "Feel good" products/services > **Sugar-free** > **Vegetal / plant-based milk**	*FLUID MEALS:* > Eating on the go > Snacking > **Easy cooking** > Channel: proximity	> Continuously connected > Value vs Price > Growth of discounters > E-commerce	> **Clean label** > **Socially responsible** > **Localisation** > Organic	> Rise of confectionary > **Experiencing eating** > Compensation

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How is it affecting the category

Tailwinds

- Growing population: more volume
- Middle class growth: more value
- Food as active role for good health
- But also rise of small treats consumption to compensate for hectic lifestyles

Headwinds

- Sugar content, clean labelling
- Farming practices
- Plastic recyclability
- Anti-milk

Consumer looking for Essentiality

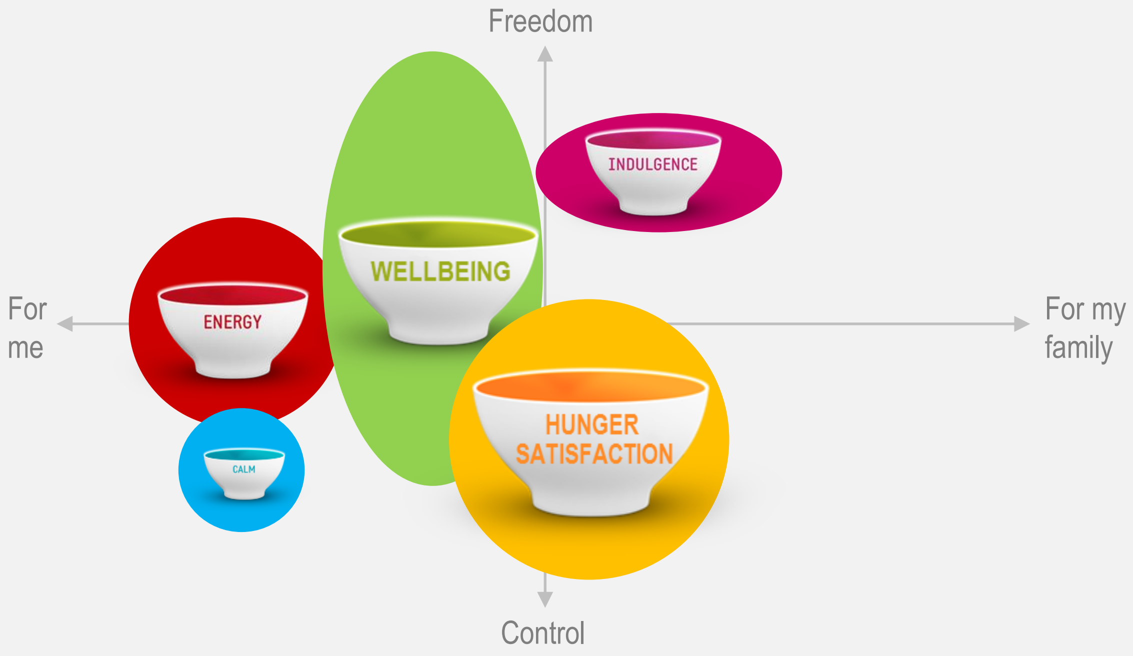
Essentiality

- Nutritional profile
- Well-being
- Daily consumption

Part of your healthier and more sustainable daily eating and drinking practices

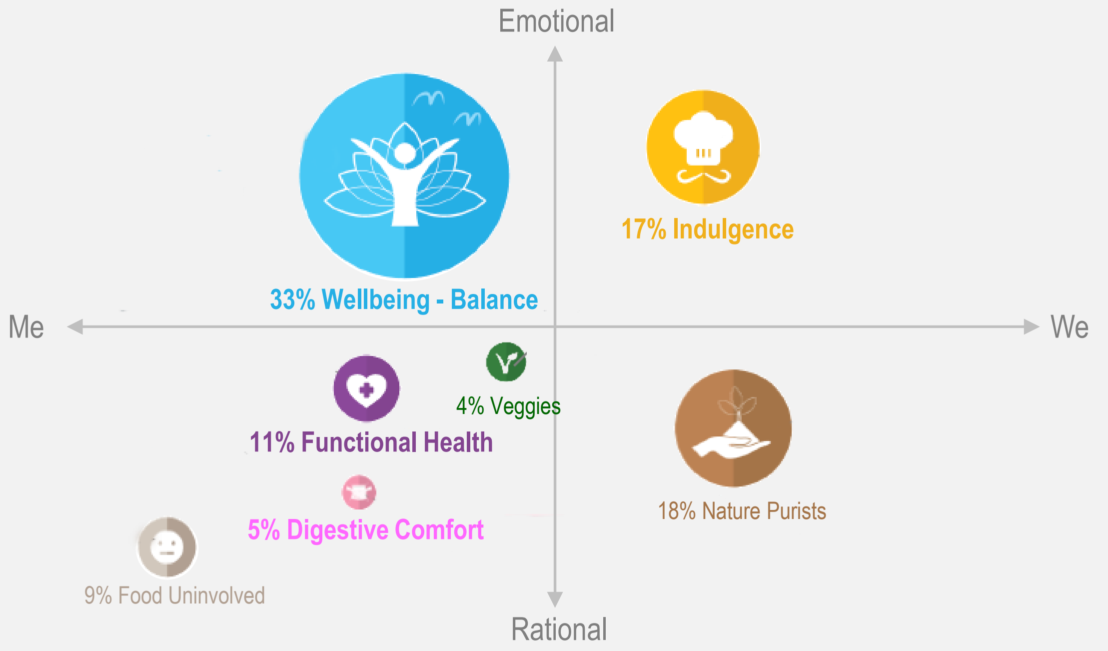
Fresh Dairy and Plant Based needstates

Fresh Dairy needstates



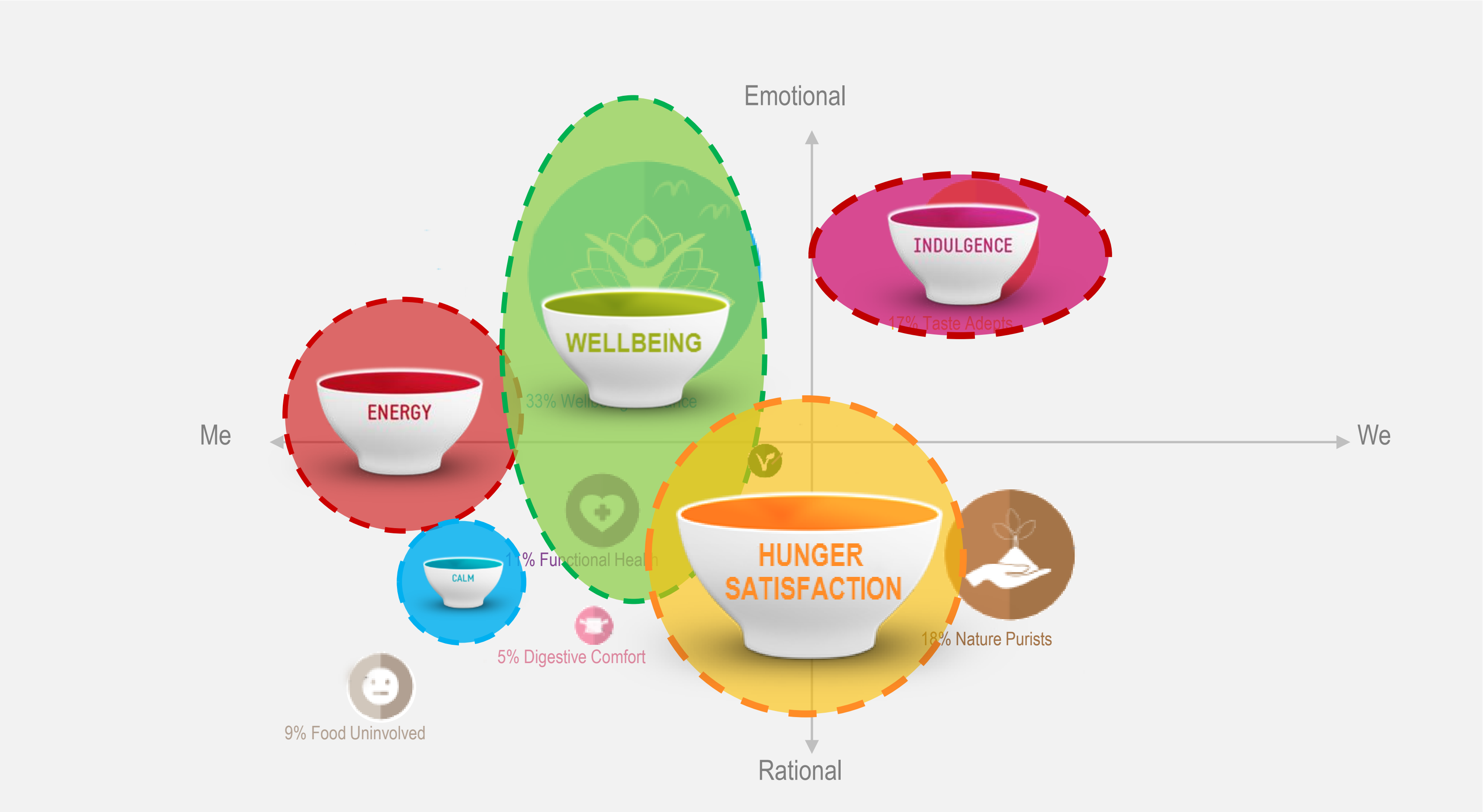
Source : Category U&A in 15 countries. (Adult only). Food and drink universe

Plant-Based needstates



Source : Consumer & Shopper segmentation 2017, 10 Europe countries, Food and drink universe

Capturing complementary needstates



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Danone leading the category with a new vision

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'Essential Dairy and Plant-Based'

Essential Fermented Milks

Fresh & natural "milk-based*" products with live ferments, **enjoyed daily** to promote well being for **everybody.**

** Any animal or plant milk*

Chilled Sweet Pleasures

Sweet chilled products, in ready-to-eat servings and eaten for **pleasure.** They create anticipation, are consumed **occasionally** and result in **emotional satisfaction**

Plant-Based Drinks

Products originating **from plants, naturally lower in fats and sugars.** They are consumed **daily** for their goodness and impact on planet resources.

Growth driver: Essential Fermented Milks

** Milk or plant-based alternative*

The magic of ferments & fermentation

"MAGIC EQUATION" SINCE 1919

NUTRIENTS TO FAVOUR
(PROTEIN, FIBRE, VITAMINS, MINERALS)

\-

NUTRIENTS TO LIMIT
(SUGAR, FAT, SODIUM)

=

NUTRIENT DENSITY

Essential Fermented Milks:
drive per capita growth with our entire brand portfolio

ESSENTIAL FERMENTED MILKS

WHO	**For ME** (Adults)			**For EVERYONE** (Family)			**For KIDS**		
WHY	SPECIFIC CARE	REWARD ME	TIDE ME OVER	START WELL	HOME PREP-ARED	EVERYDAY FAMILY	START WELL	TIDE ME OVER	REWARD ME
WHAT	DANNON Light & Fit			DANONE, alpro GO ON					
	DANONE ACTIVIA	OIKOS	DANNON OIKOS	Actimel				Danonino	

Adapting our portfolio to be 'Nutripride'

Essential Fermented Milks 'Nutripride' commitments

	Dailiness* Standards** ***Criteria per 100g + energy/per serving
Total Sugar	≤11.5g/100g
Added Sugar	≤7.0g / 100g
Calcium	≥120mg / 100g (or > local "source of" svg)
Protein	≥2.2g / 100g (or > min to be dairy product)
Saturated Fat	≤2.5g / 100g
Energy	kCal Per *serving* Adults: ≤200 / 7 – 12yr & Family: ≤170 / 3-6yr: ≤140
score (Rayner)	<4

* DV of energy for adults : 2000kcal / for tweens : 1700kcal / kids : 1400kcal

'Nutripride' in action

Reformulation roadmaps to reach

100% compliance by 2020

Danonino Pouch - Nutripride - compliant

Danone, flagship of Essential Fermented Milks

Essential Fermented Milks FLAGSHIP

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(Re)Claim
the DAILY HEALTH of yoghurt

• Relevance •

Become
the FOOD ICON
of healthy lifestyle

• Equity •

Entire spectrum of ‘Fresh Dairy product’ today

Yogurts

Desserts

Consumers' category perception is blurred

On the shelf, there is confusion

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Differentiated drivers in Fresh Dairy Product

		
Why	HEALTH	PLEASURE
When	**Daily**	**Occasional**
What	**Nutritionally rich** **Natural & Fresh** **Ferments for Health, Taste & Texture**	**Indulgent** **Sweet & Warm** --
Who	For Me, for my Family (as entry point)	Pleasure and Moment (as entry point)

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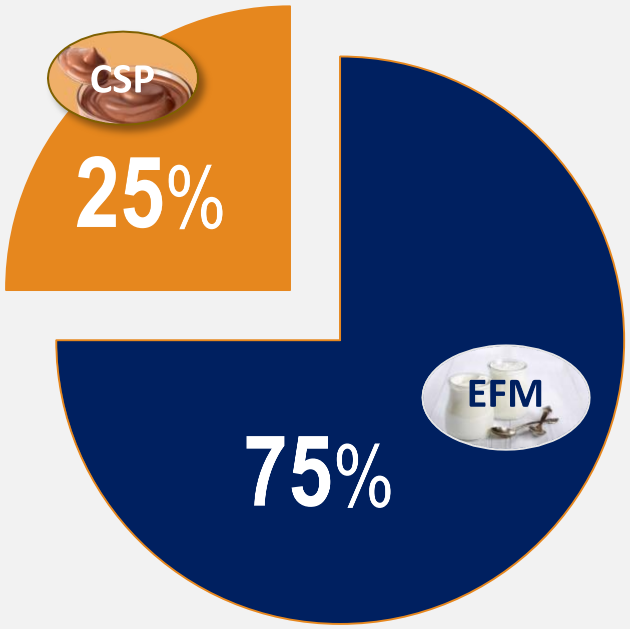
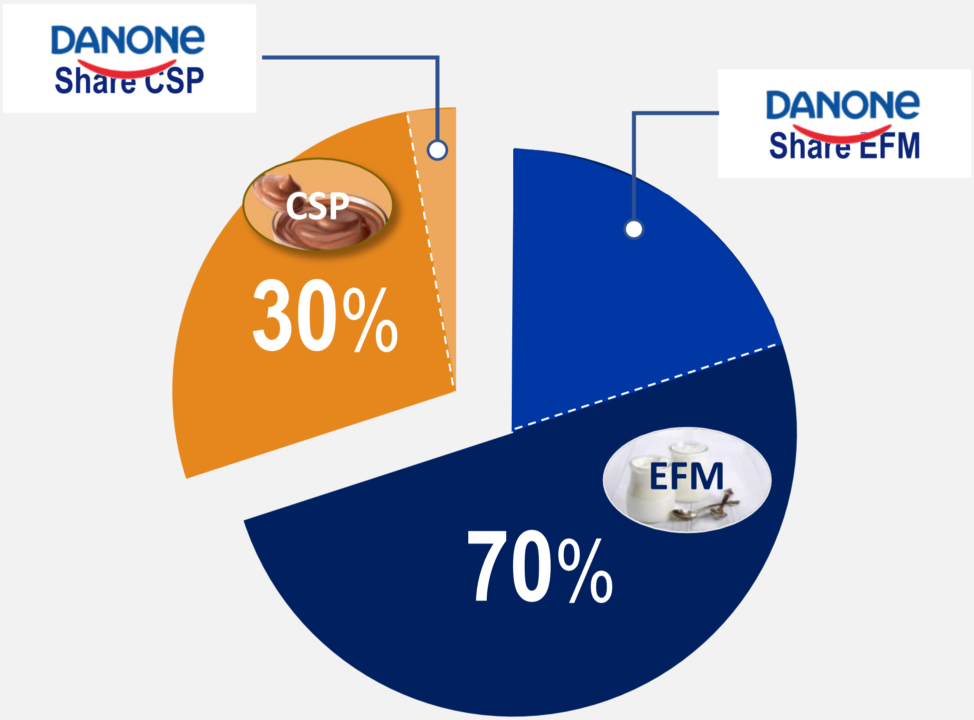
Growth Driver: Chilled Sweet Pleasures

Chilled Sweet Pleasures is big and has a greater value



Volume
Market Share



Value
Market Share

Sources : Nielsen / IRI / Intage, 19 countries, FY 2016, Total coverage available

Chilled Sweet Pleasures has many opportunities ahead

	End of meal	Mid afternoon	Evening
Individual		**TASTY BOOST** When there's a drop of energy and you need a boost of energy and pleasure, right now…	**MY ME TIME** After a long day at work, you deserve to take a break, reward yourself with a sweet moment for you
Collective	**SHARED OCCASION** At lunch or dinner, with family or friends, want to enjoy something sweet and bring some fun and joy to the moment.		

Source: Nielsen/ IRI (MAT 2017)

Chilled Sweet Pleasures : growth opportunities

CHILLED SWEET PLEASURES

WHEN	SIMPLE PLEASURES					SPECIAL TEMPTATIONS
WHY		Shared Occasions	Tasty Boost	My Me Time	Lighter Choice	
WHO	FOR KIDS	FOR FAMILY	FOR ADULTS			FOR ADULTS
	Opportunity		*Opportunity*	OiKOS / ДаниСсимо		

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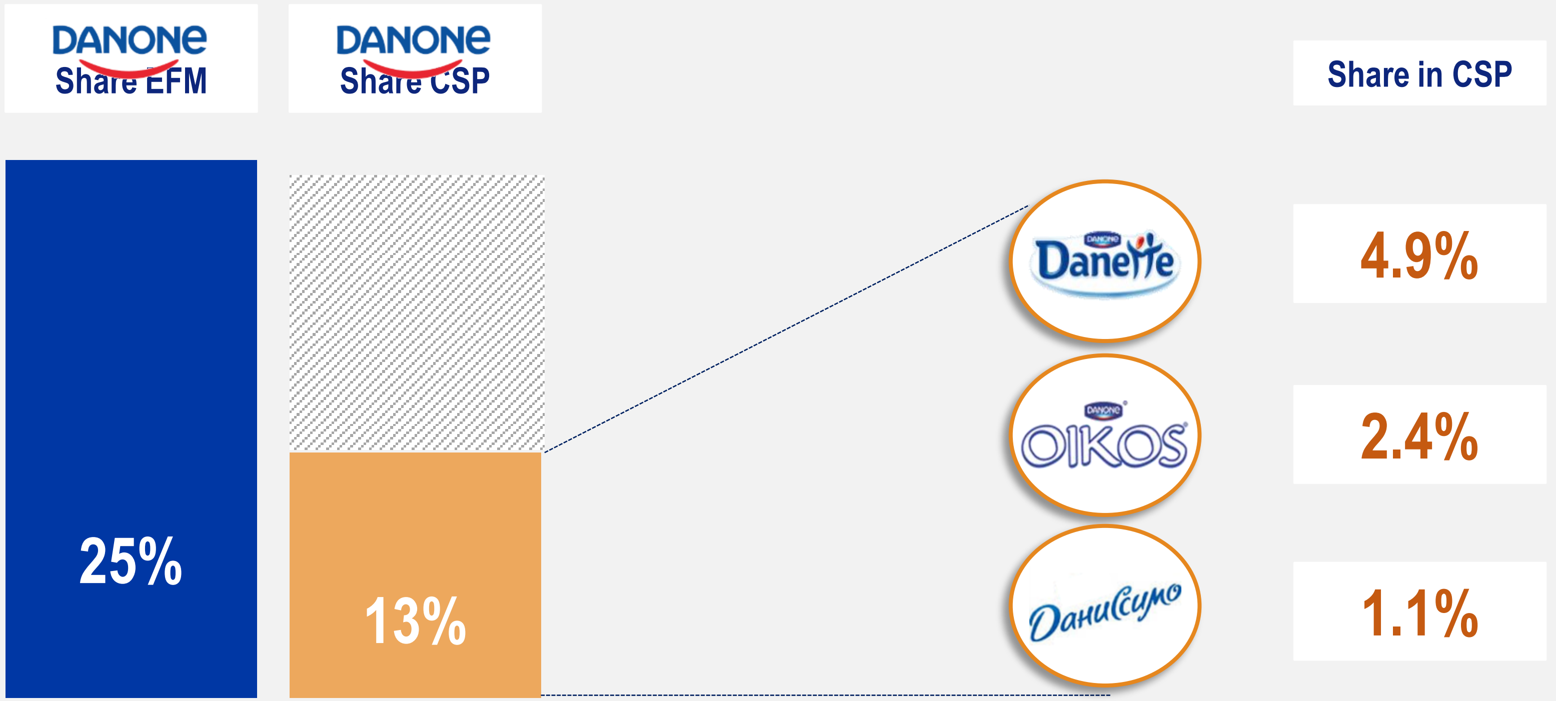
Chilled Sweet Pleasures: grow market share

Category and brand share



Source: Nielsen

Chilled Sweet Pleasures to follow 'Nutripride'

Child Sweet Pleasures 'Nutripride' commitments

***Occasional* Standards**

Criteria per serving

	Family	Adults
Total Sugar	≤20g/svg	≤25g/svg
Added Sugar		
Calcium		
Protein		
Saturated Fat	≤5g/svg	≤7g/svg
Energy (kcal Per serving)	≤170	≤200
Nutrition superiority score (Rayner)	<9	

'Nutripride' in action

Reformulation roadmaps to reach

100% compliance by 2020

Danette chocolate / Oikos white indulgence plain - Nutripride - compliant

We have the right to win in Chilled Sweet Pleasures

Access

> Category management on refrigerated aisle

Product Platforms

> White Indulgence
> Chocolate Indulgence
> Mix of textures and platforms

Impulse Execution

Nutritional Profile

> Nutripride standards

Occasional Standards

Criteria per serving

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Brand Portfolio

Still important to solve

Activia

> Ambitious transformation taking time

Spain

> Decreasing category consumption

Brazil

> Macroeconomic deterioration in a fragile category context

First, adapting our organization: leaner and more agile

New Global Brands organization

- > New organization
- > Smaller Central Teams
- > More regional empowerment

Project of adjusting organization in Europe

From…

9 Country Business Units

↓

To…

5 Country Business Units

Activia, improving elements of the mix

Packaging identification

Improved flavour differentiation

Accelerating Innovations

Answering consumers' trends

Recalibrating the campaign

From...

... To

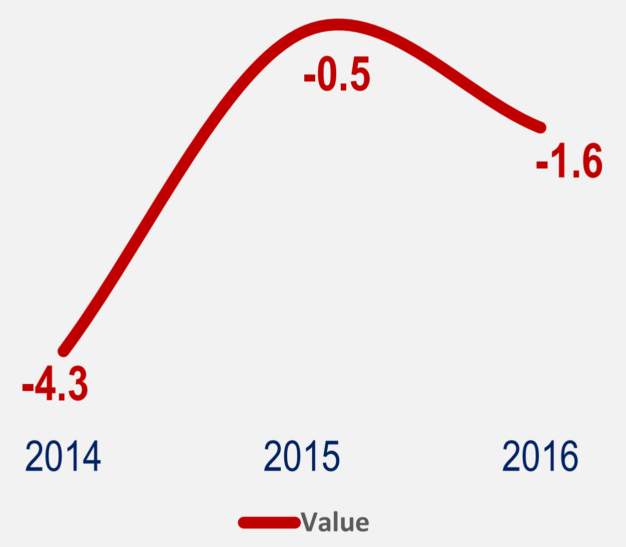
Product back at the center and focusing on wellbeing

Q2 2017 **Q2-Q3 2017** **Q3 2017**

In Spain, facing a decline in the category

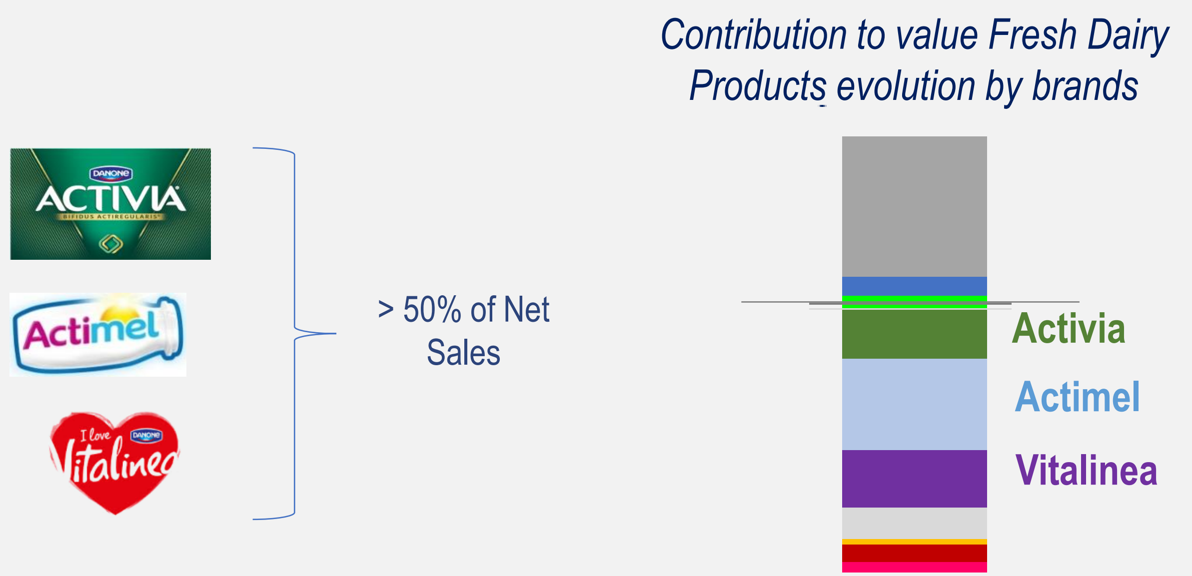
Category decline

Fresh Dairy Product Category evolution (in %)



Source: IRI

Impact on Category



> Activia / Actimel / Vitalinea : > half of category decrease

Source: IRI, Q1 2017 vs Q1 2016

Activate the full portfolio beyond historical engines

Activate the full portfolio

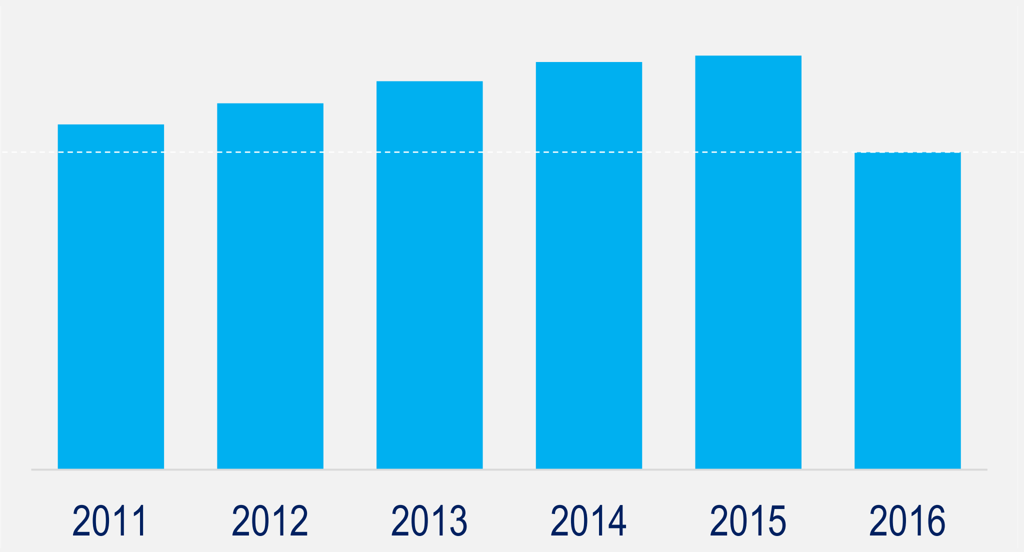
ESSENTIAL FERMENTED MILKS

WHO	For ME (Adults)			For EVERYONE (Family)			For KIDS		
WHY	SPECIFIC CARE	REWARD ME	TIDE ME OVER	START WELL	HOME PREP-ARED	EVERYDAY FAMILY	START WELL	TIDE ME OVER	REWARD ME
WHAT	I love DANONE Vitalinea			DANONE					
	ACTIVIA	OIKOS	OIKOS	Actimel				Danonino	

In Brazil, category is shrinking and consumers are expressing new needs given the macroeconomic context

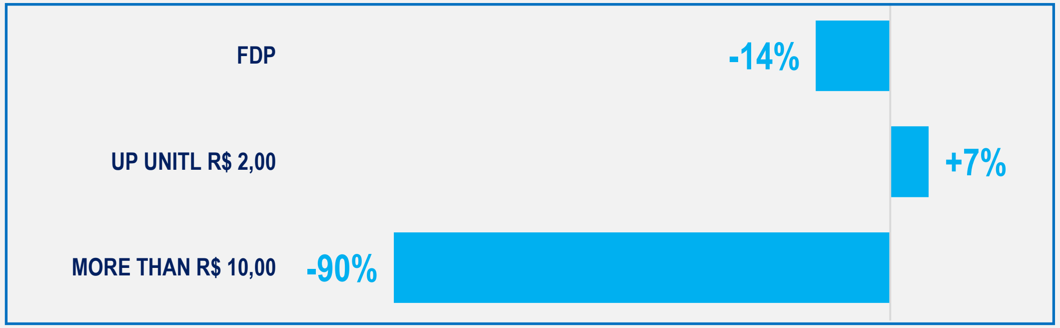
Category shrinking to 2011 levels

Volume (Tons)



Price thresholds impacting our Portfolio

Fresh Dairy Products Variation (%) in Volume by Price



ECONOMIC FORMATS
>r$10
-58% in VOL
2016 VS 2015

Source: Nielsen

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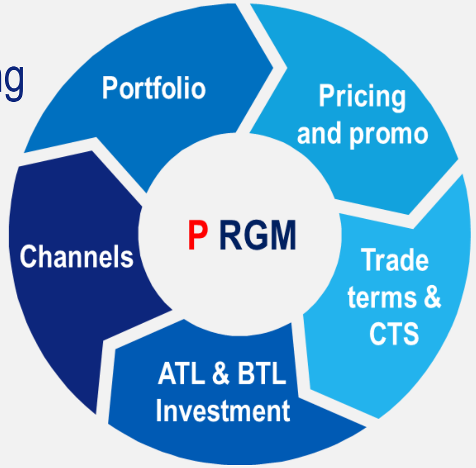
Portfolio reframing strategy to adequate perceived value equation

PRGM

> Push lower out of pocket offering

> Offer economy pack at a competitive out of pocket

> Tailor competitive offering by channel



New Economic Formats to break price thresholds & entry SKUs below R$2

ENTRY SKUS (BELOW R$2) IN SPOONABLE

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Growth driver: Plant-Based Drinks

Alpro Business at a glance

Alpro brand

INSPIRE THE WORLD TO DISCOVER THE GOODNESS AND ENDLESS POSSIBILITIES OF PLANT BASED FOOD

alpro
enjoy plant power

ENJOY PLANT POWER

Pro-active

Holistic positive health

Provamel brand

GIVE EARLY ADOPTERS AN ORGANIC VEGETARIAN BRAND THEY CAN TRUST

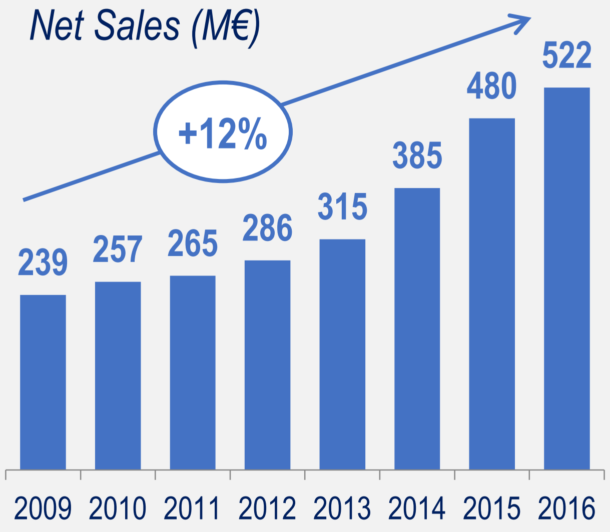
Provamel

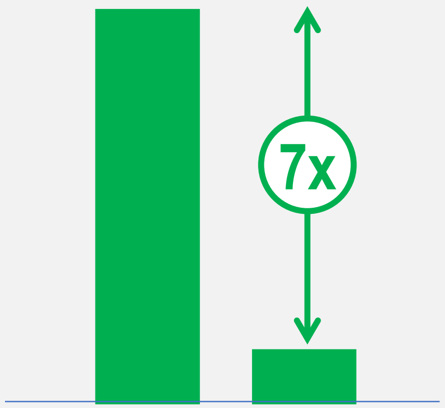
ORGANIC VEGETARIAN

FOOD FOR THOUGHT

Alpro Business at a glance

Alpro performance





- CAGR **12%** 2016 vs 2009
- Alpro market share of 43% is **7x** next closest branded competitor

A successful brand

Penetration

- **40%** in Belgium
- **25%** in UK
- **>15%** in Germany and Netherlands

Love Brand

- **#46** preferred brand in UK and Belgium

Innovation

- Successful product launches
- Latest example: ice-cream in UK - top 10 of Tesco's category launch

Integration of Alpro within Dairy

A centrally-led topline business

> "Alpro to become a centrally-led topline organization/business unit with larger and intensified geographical scope, and locally-driven activation"

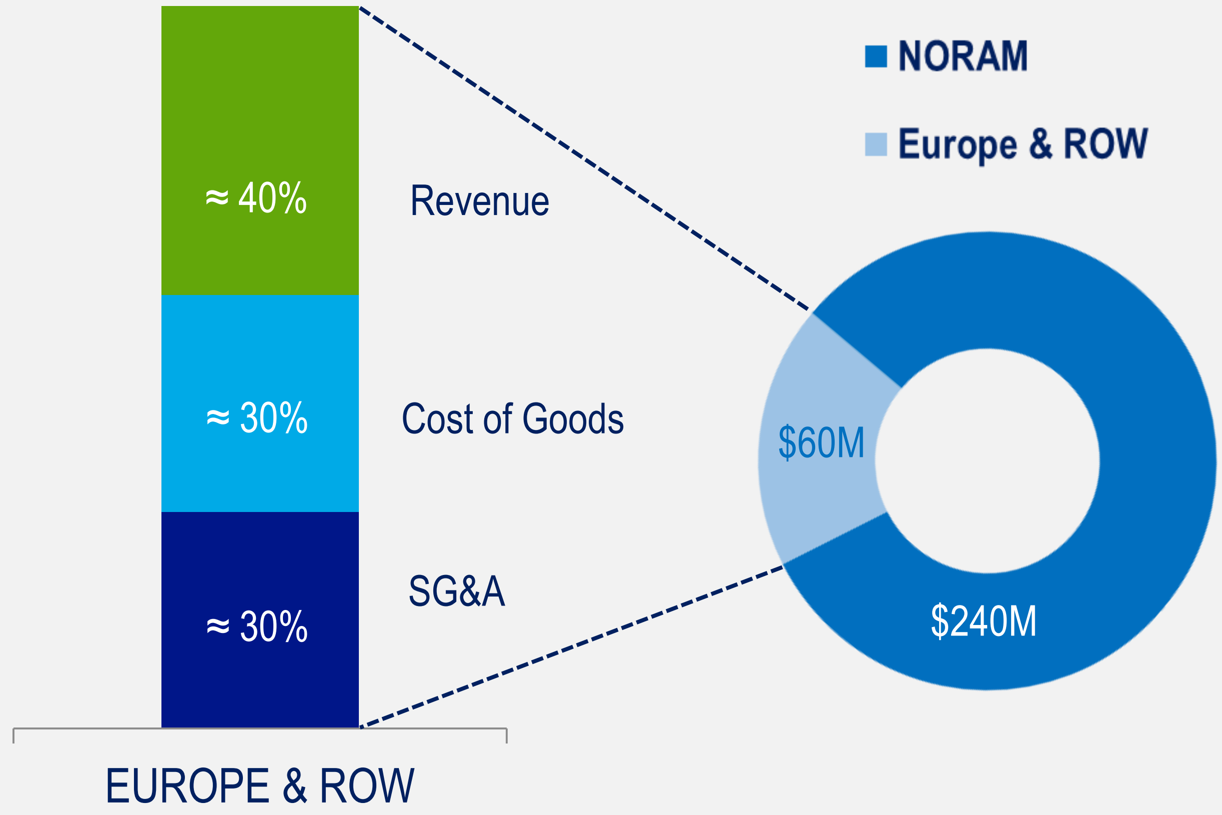
Principles

Topline
- EU 4 remains *(UK, Belgium, Netherlands, DACH)*
- Other geographies: leverage Danone capabilities

Operations
- Deliver value capture

Support Functions
- Connected to One Danone

Detailed synergies



Revenues

- Accelerate Plant-Based Alternatives to Yogurts in Europe
- "Halo" effect on core ambient business

Costs

- Scale in purchasing
- Logistics optimization
- Best practice sharing in media and digital

Exploring additional opportunities

New geographical horizons

> Expansion of JV with Mengniu

> Development of Asian direct business

> Possible expansion in Latam

New occasions

> Go beyond breakfast and end-of-meal: culinary, coffee, indulgence

> Nutrition: test & learn with Vega in UK

Technology cross-fertilization & capacity

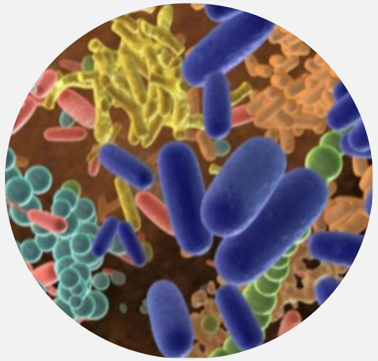
> Potential of Danone proprietary fermentation technology applied to vegetal & hybrid opportunity

> Exploration of new base ingredients

> Manufacturing footprint optimization

Combining goodness from Dairy & Plant-based to open unique opportunities

> World-class Fermentation expertise



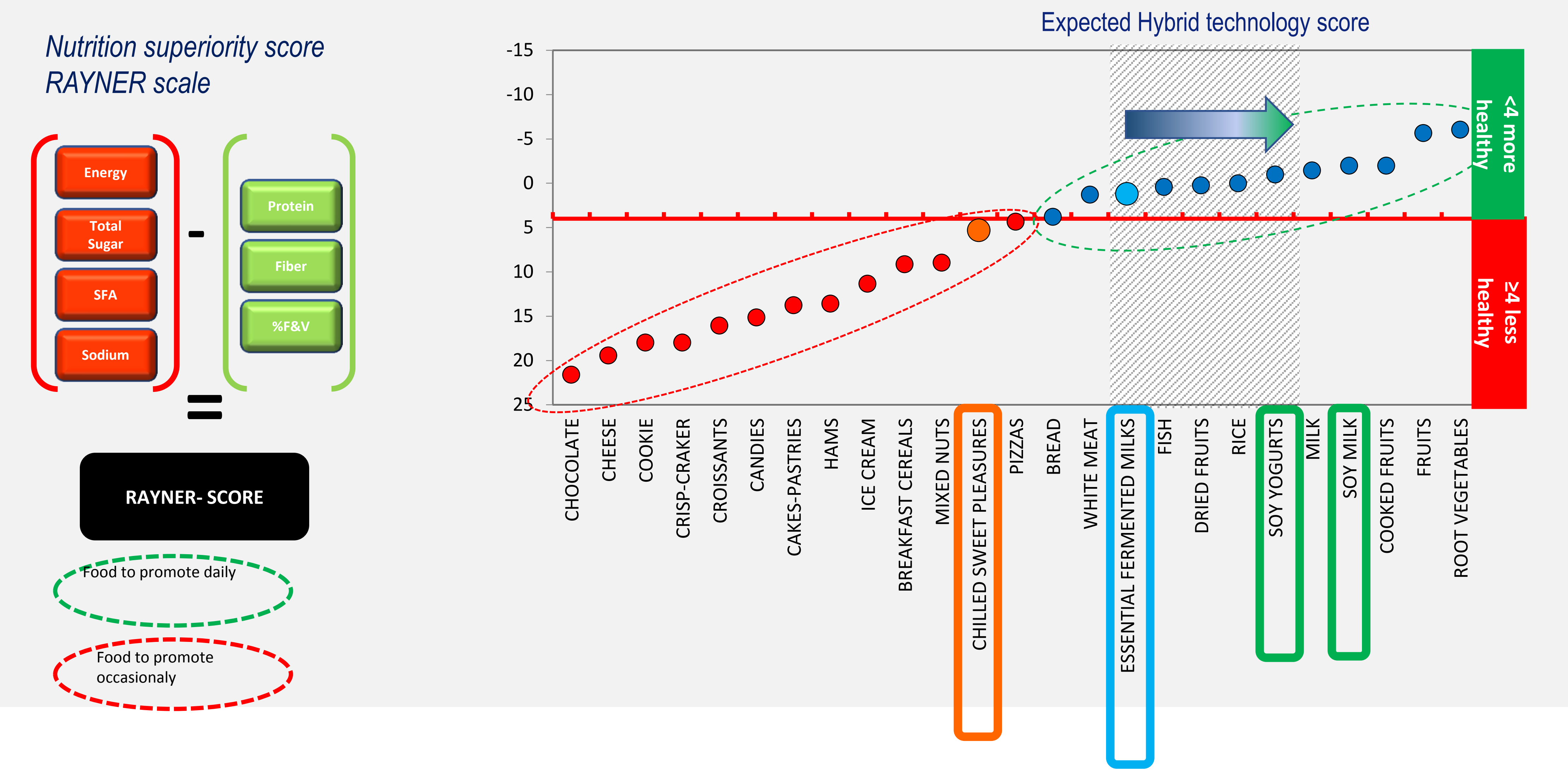
> World-class Plant-Based expertise

> Best nutritional density

> Lower costs

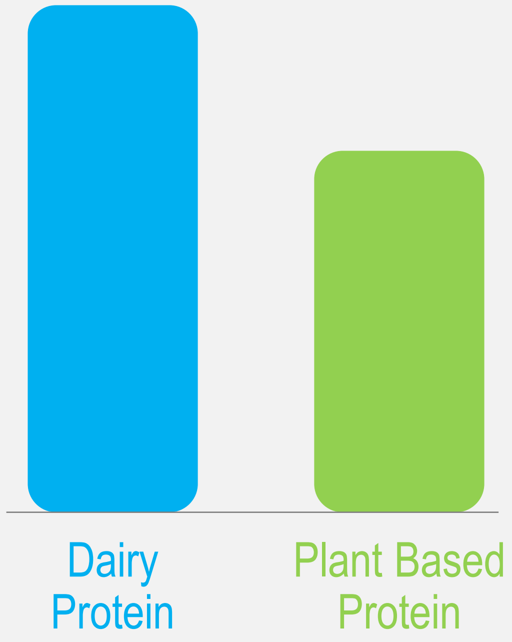
> Accelerate innovations

Based on Rayner scale, Dairy and Plant-Based deliver good nutrition. Hybrid technology to take best of both worlds and limit negatives

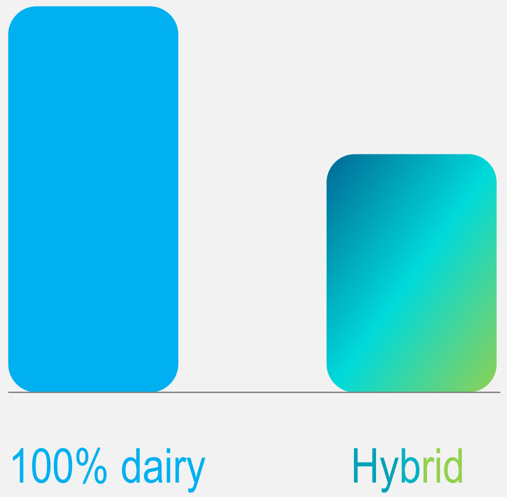


Vegetal and Hybrid technology to deliver at better costs

Dairy vs Plant Based Protein cost



100% dairy vs hybrid formula cost



Cross-fertilisation to accelerate innovation

Taste and Texture

- Fermentation to improve taste & texture
- Crack consumer barriers

Innovation

- Innovation through brands

100% non-dairy milk (oats, quinoa, rice milk)

Chilled Sweet Pleasures coconut-based with crunchy chocolate

Geographies

- Accelerate Africa through hybrid fermented products

Milk and local cereals

To sum up

‘Essential Dairy and Plant-Based’ clear and differentiated growth drivers

‘Essential Dairy and Plant-Based’ sustainable profitable growth

Essential Fermented Milks

Category Relevance
Per Capita Growth

Chilled Sweet Pleasures

Category Deployment
Market Share Growth

Plant-Based Drinks

Category Growth
Geographical Expansion

Disciplined Resource Allocation
Fix Pending Issues

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2017 - 2020

Shaping the growth model

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