



DANONE
ONE PLANET. ONE HEALTH

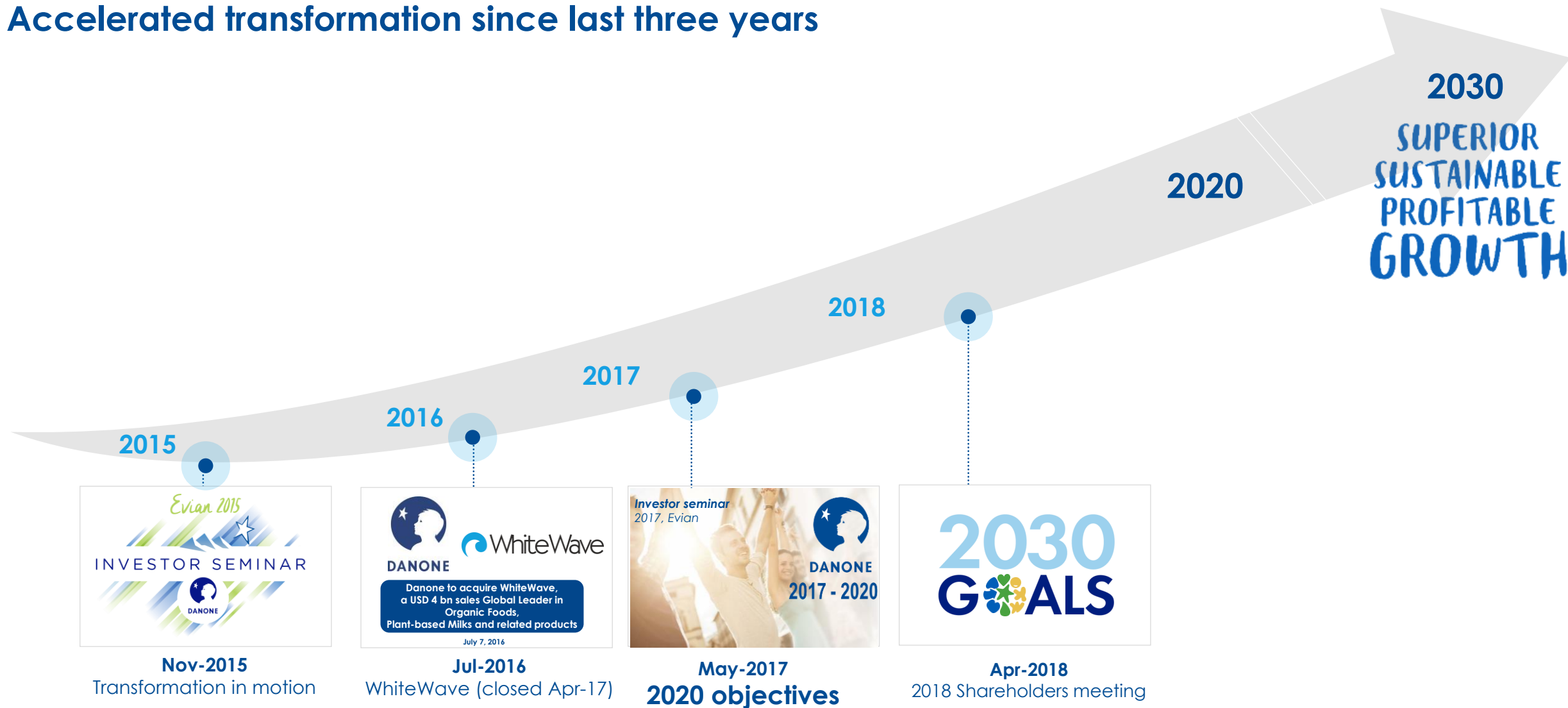
Investor Seminar
October 22, 2018

Delivering Superior Sustainable Profitable Growth

Cécile CABANIS
CFO

Our journey towards long-term sustainable value creation

Accelerated transformation since last three years



Strong track record in delivery and transformation

Rebalancing the growth model

Sales



€ **24.7** bn

FY2017

+3.7%

2014-3Q18 CAGR⁽¹⁾

Recurring operating margin



14.4%

FY2017

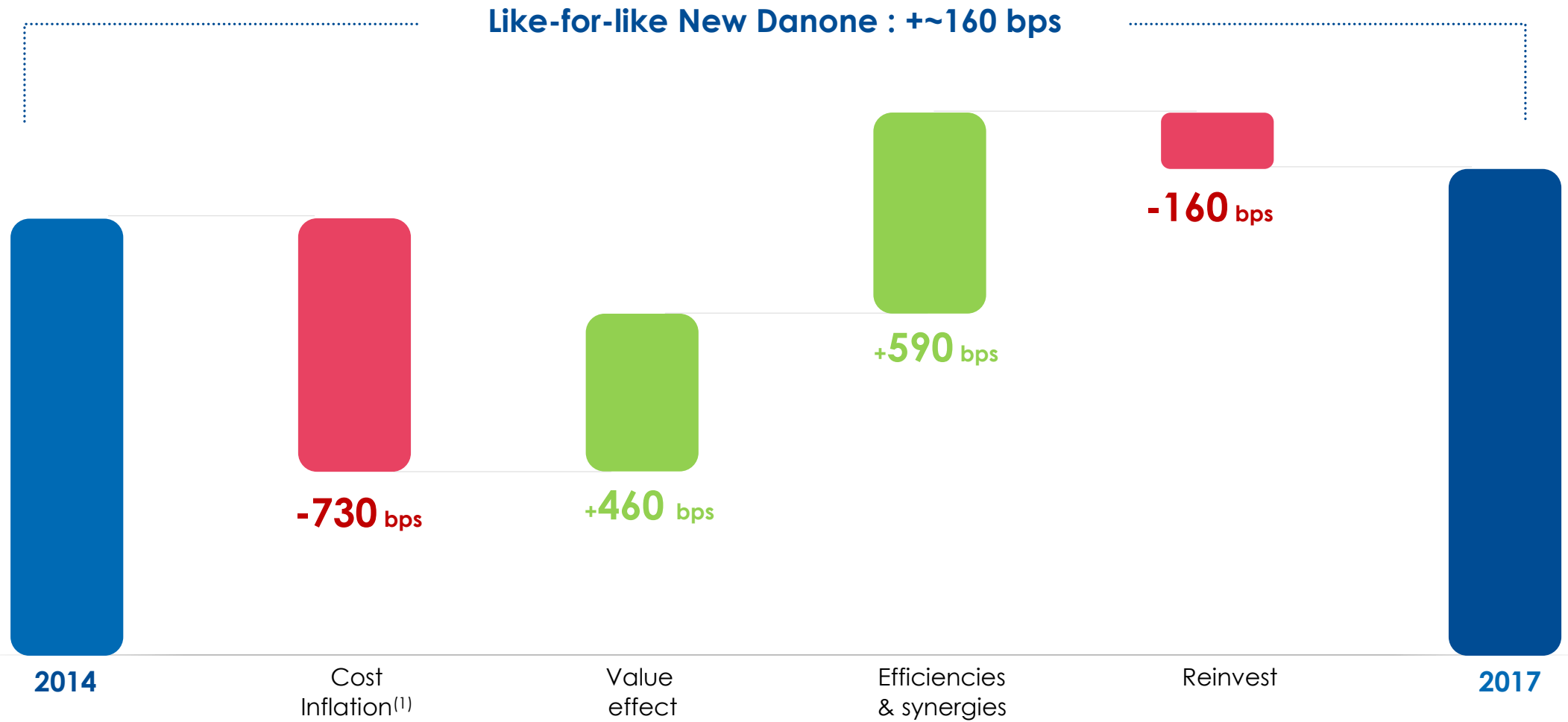
+180 bps

since 2014

⁽¹⁾ Like-for-like New Danone

Strong track record in delivery and transformation

Enhancing like-for-like recurring operating margin



(1) Material, industrial and logistics costs

Strong track record in delivery and transformation

Key transformations since 2014

Organization

One Danone organization
business services

Streamlined
executive committee

Growth & Innovation
organization

Efficiencies & productivity

 PROGRAM
PROTEIN

1bn€

Growth engines

 WhiteWave

 **MANIFESTO VENTURES**

Innovation
process

Discipline in resource allocation



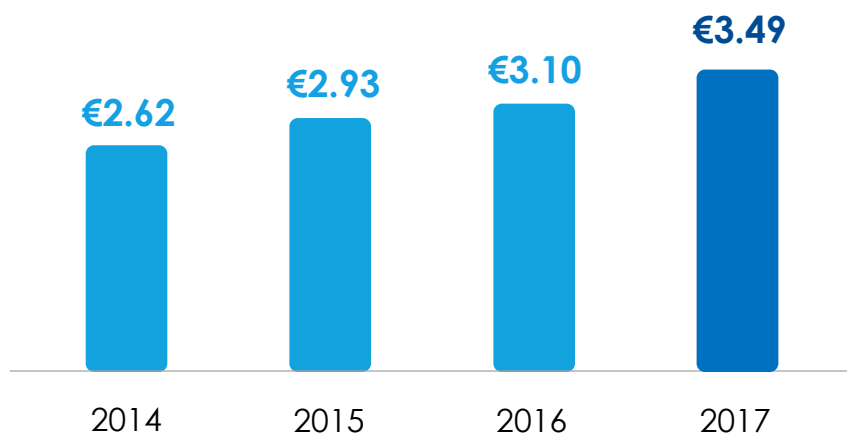
BEYOND BUDGET

Strong track record in delivery and transformation

Double-digit growth in recurring EPS and free cash flow

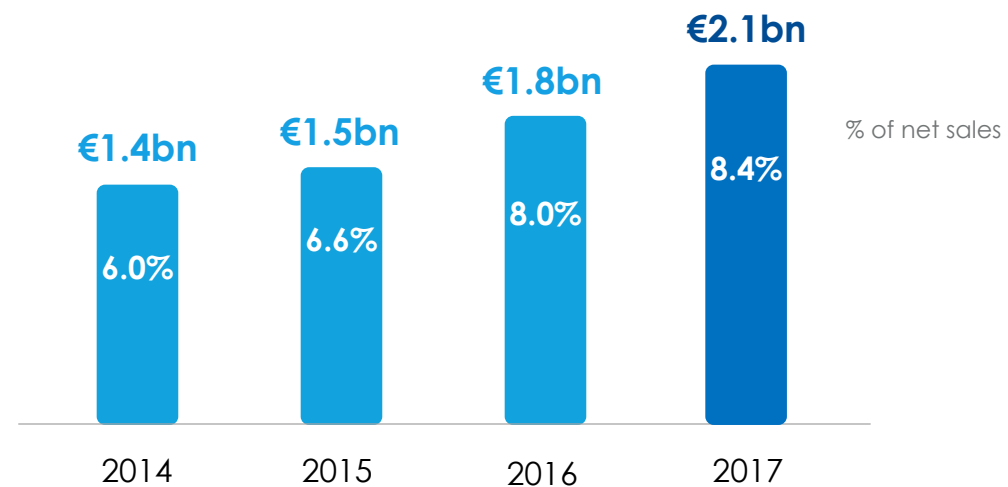
Recurring EPS

— ∨ —
+10%
 2014-17 CAGR



Free cash flow⁽¹⁾

— ∨ —
+14%
 2014-17 CAGR



+20% in H1 2018

(1) Excluding exceptional items

Strong track record in delivery and transformation Maximizing proceeds from portfolio management



Aug-2017



Selling price

\$875m



Mar-2018



€1.3bn

Valuation multiple

20x EBITDA ⁽¹⁾

39x net income

Capital gain

\$630m

€700m

Cash-on-cash

> 4 x

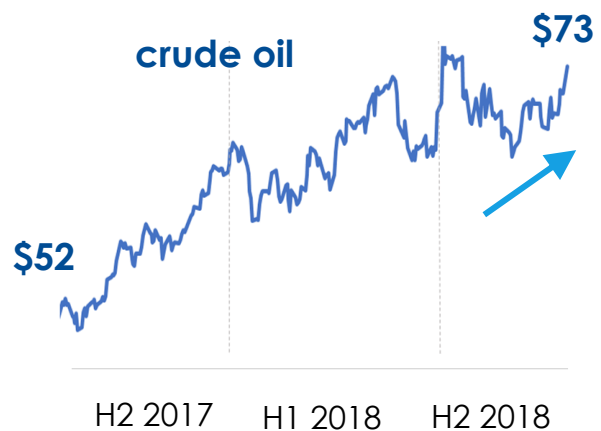
> 4 x

(1) 2016 EBITDA
(2) 2017 net income

Strong track record in delivery and transformation

With increasing headwinds

Input cost increase



Source: US Energy Information Administration

Currencies



1-year evolution vs EUR



Source: Banque de France, as of 09/28/2018

Boycott in Morocco



Reminder of 2020 objectives Sustainable Profitable Growth

Net debt / EBITDA

< 3.0x

ROIC

~ 12%

**Consistent
EPS
Growth**

LFL sales growth

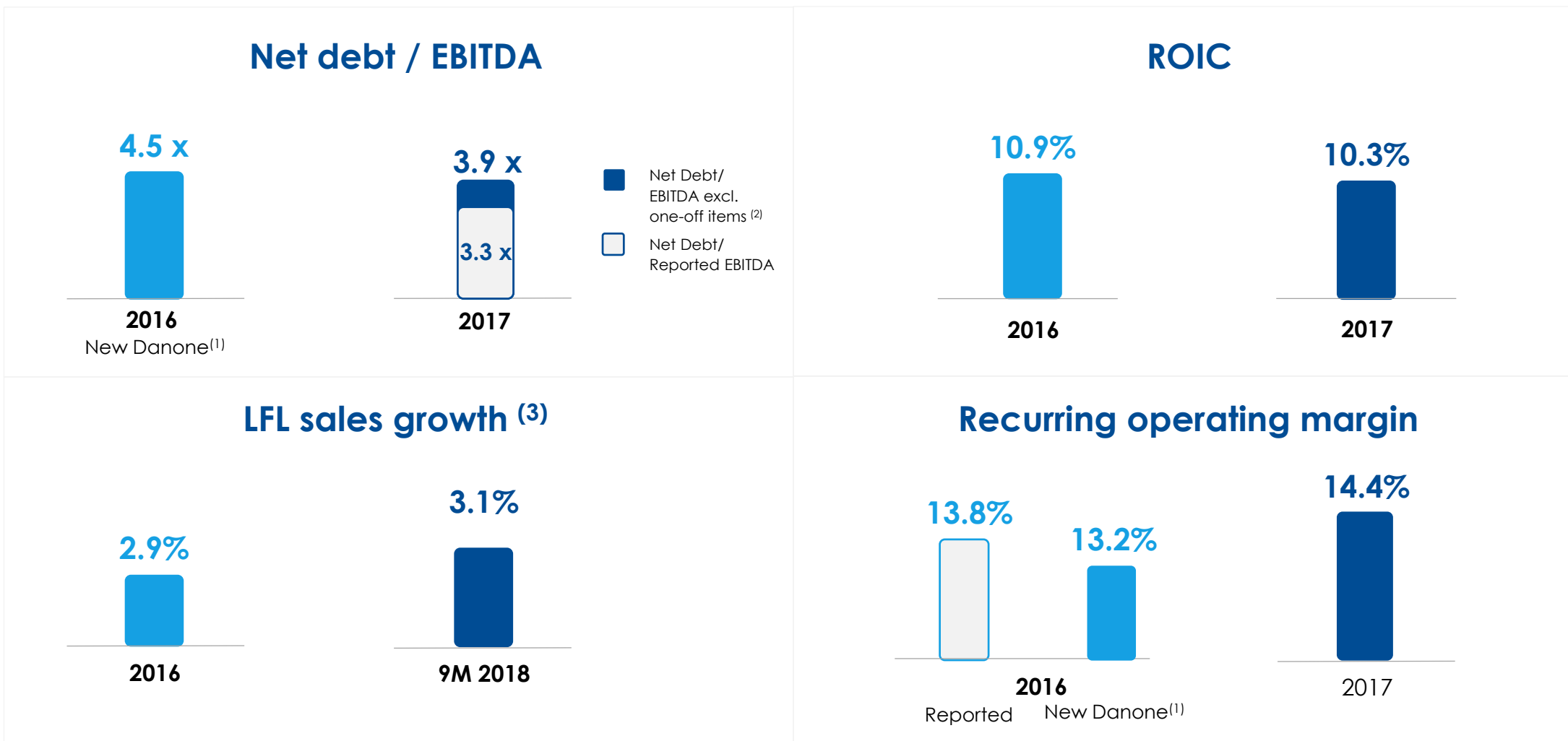
4 to 5%

Recurring operating margin

> 16%

2020 objectives

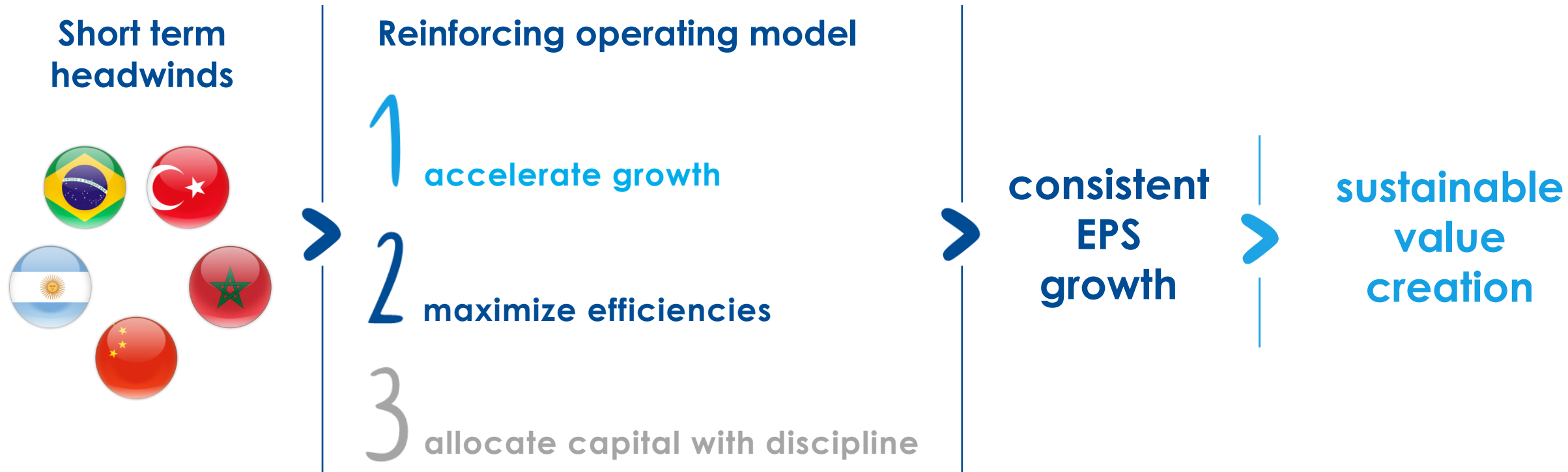
Progressing well against our roadmap



(1) Combined Danone and WhiteWave as of 31 December 2016
 (2) Capital gain from Stonyfield sale and Fonterra reimbursement
 (3) Like-for-like New Danone

Danone model driving value creation

Focus on sustainable shareholder value



Net debt / EBITDA
< 3.0X

ROIC
~12%

Consistent
EPS
Growth

LFL sales growth
4 to 5%

Recurring
operating margin
> 16%

Net debt / EBITDA
< 3.0X

ROIC
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**Consistent
EPS
Growth**

LFL sales growth
4 to 5%

Recurring
operating margin
> 16%

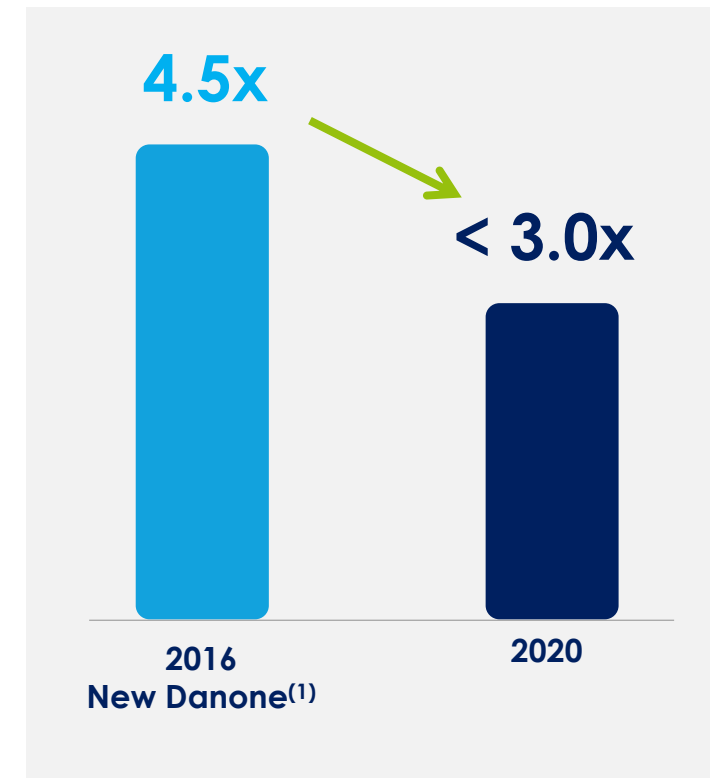
Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Consistent EPS Growth
	Recurring operating margin > 16%

2017-2020: Deleveraging balance sheet



Leverage ratio (Net debt / EBITDA)

Our objective

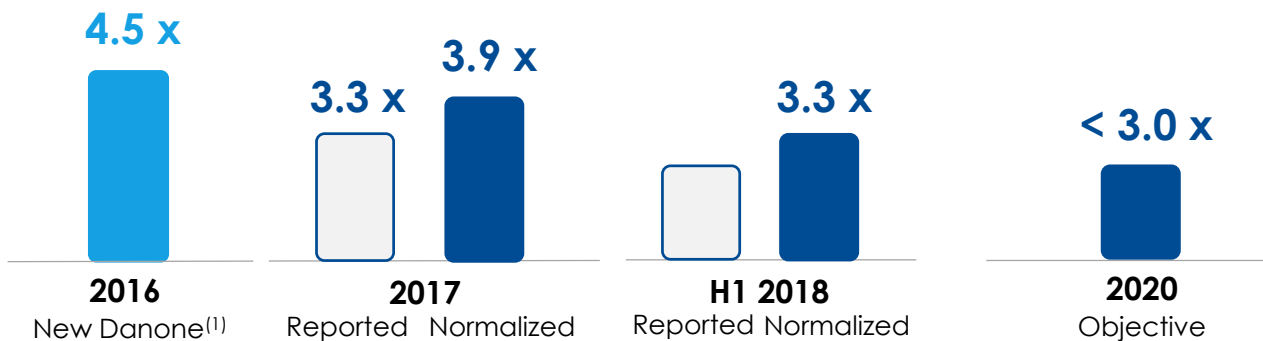


(1) Leverage ratio of combined Danone and WhiteWave as of 31 December 2016, pro forma for WhiteWave acquisition debt

Continuing to deleverage the balance sheet Fully on track with pace of deleverage



Net debt / EBITDA



■ EBITDA excluding one-off items ⁽²⁾
□ Reported EBITDA

Balance sheet deleverage well on track, from maximized Free Cash Flow delivery

- NOPAT expansion
- Working capital tight management
- Discipline in resource allocation

Committed to strong investment grade

(1) Leverage ratio of combined Danone and WhiteWave as of 31 December 2016, pro forma for WhiteWave acquisition debt

(2) Capital gain from Stonyfield sale and Fonterra reimbursement

Priorities in use of cash

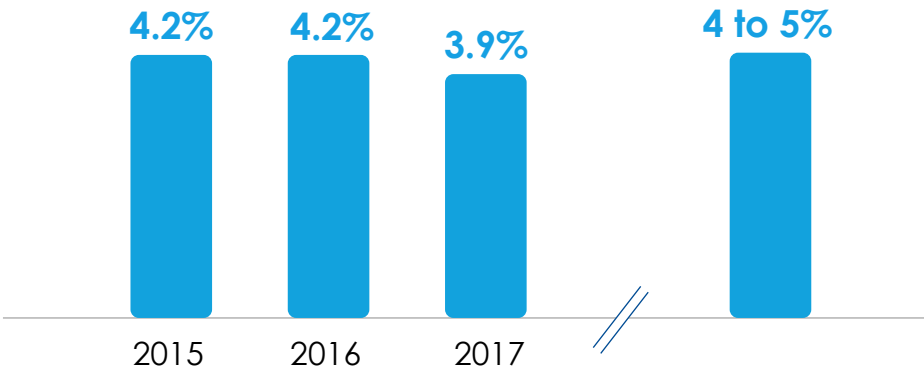
Investing for growth and efficiencies, increasing dividends

Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Consistent EPS Growth
	Returning operating margin > 16%

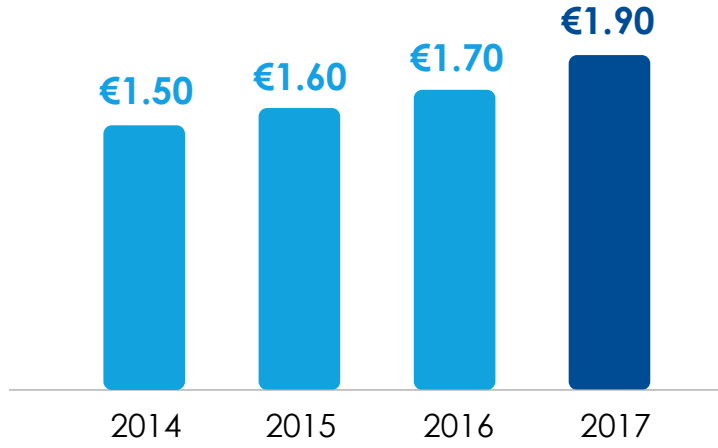
Invest for growth & efficiency

Shareholder returns and dividends

Accelerated level of capex, in the range of 4-5%



Increasing dividends



Net debt / EBITDA < 3.0x	ROIC -12%
Consistent EPS Growth	Recurring operating margin > 16%
LFL sales growth 4 to 5%	

Confirming our objective

2017 - 2020
deleveraging balance sheet

<3x

**Net debt / EBITDA
By 2020**



Net debt / EBITDA
< 3.0X

ROIC
~12%

**Consistent
EPS
Growth**

LFL sales growth
4 to 5%

Recurring
operating margin
> 16%

Net debt / EBITDA < 3.0x	Consistent EPS Growth	ROIC ~12%
LFL sales growth 4 to 5%		Recycling operating margin > 16%

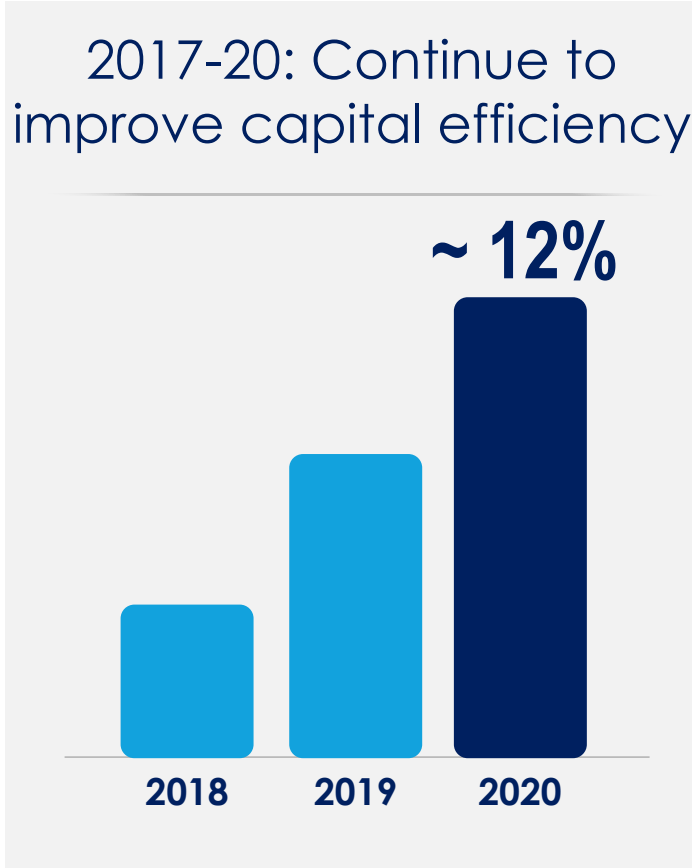
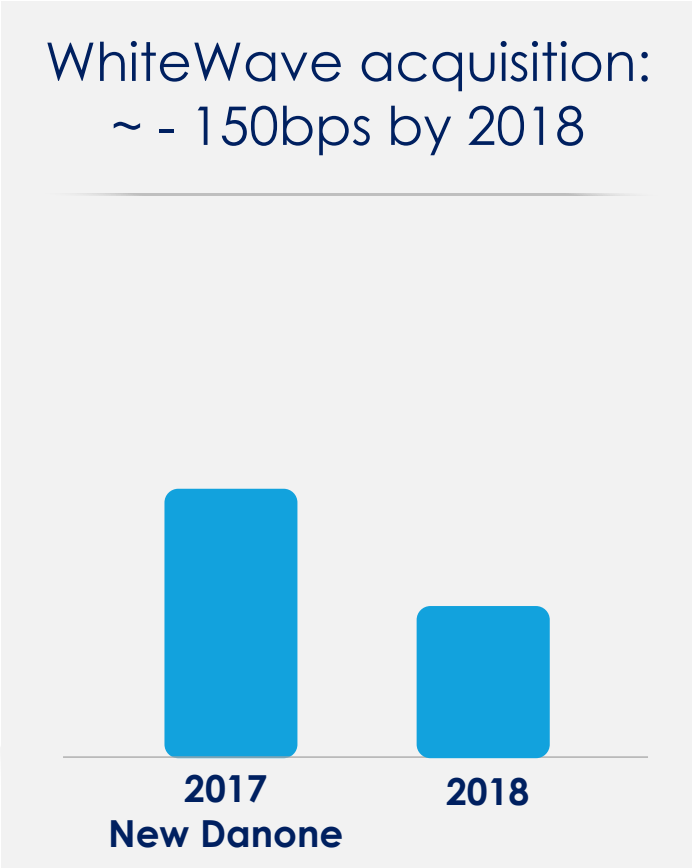
2017-2020: Continuing to improve ROIC

Return on Invested Capital

Our objective

WhiteWave acquisition:
~ - 150bps by 2018

2017-20: Continue to
improve capital efficiency



Sustainable value creation

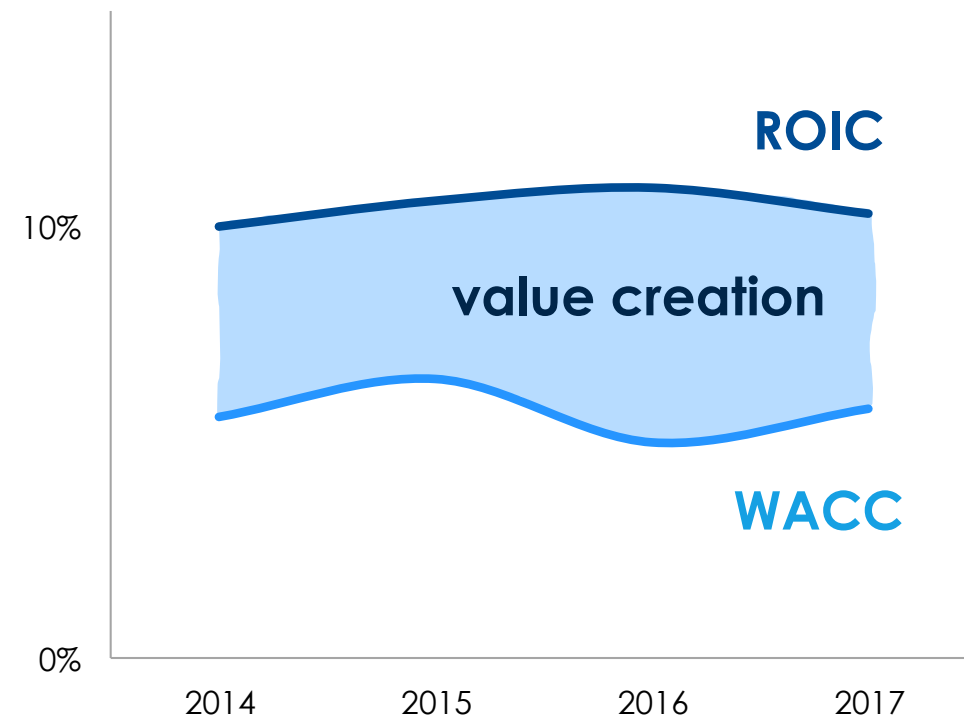
ROIC >> WACC



ROIC – rounded figures



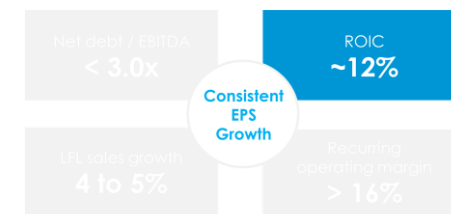
	2008	2013	2017
Waters	22	25	23
AMN	4	4	7
ELN	4	7	12
China	-	> 15	> 20
Dairy CIS	-	9	> 25
<i>Unimilk acquisition in 2011</i>			
EDP	65	30	30 → 12



Source : Danone, Bloomberg

Sustainable value creation

Changes in some assumptions impacting ROIC



Currencies devaluation against euro

IFRS 16: capitalization of operating leases from 1st Jan 2019

Slower on-boarding of Whitewave



Overall impact on ROIC of -1 to -1.5%

Net debt / EBITDA < 3.0x	Consistent EPS Growth	ROIC ~12%
LFL sales growth 4 to 5%		Recycling operating margin > 16%

Confirming objective Adjusting timing

Continuing to improve ROIC

~12%

ROIC
by 2022

with year-on-year improvement



Net debt / EBITDA
< 3.0X

ROIC
~12%

**Consistent
EPS
Growth**

LFL sales growth
4 to 5%

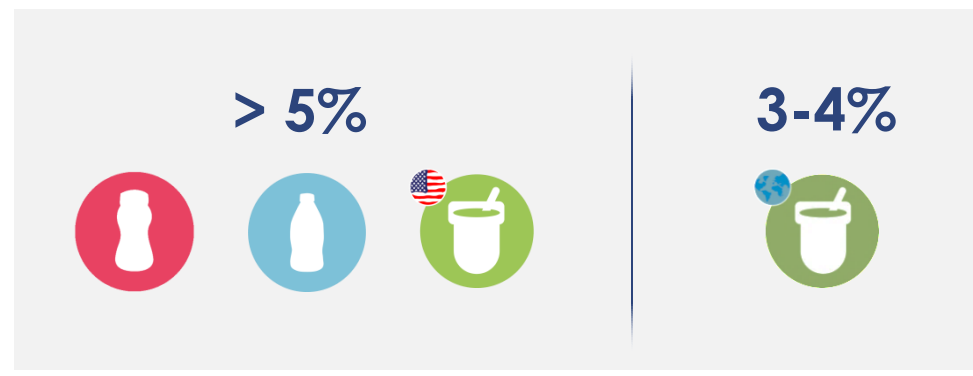
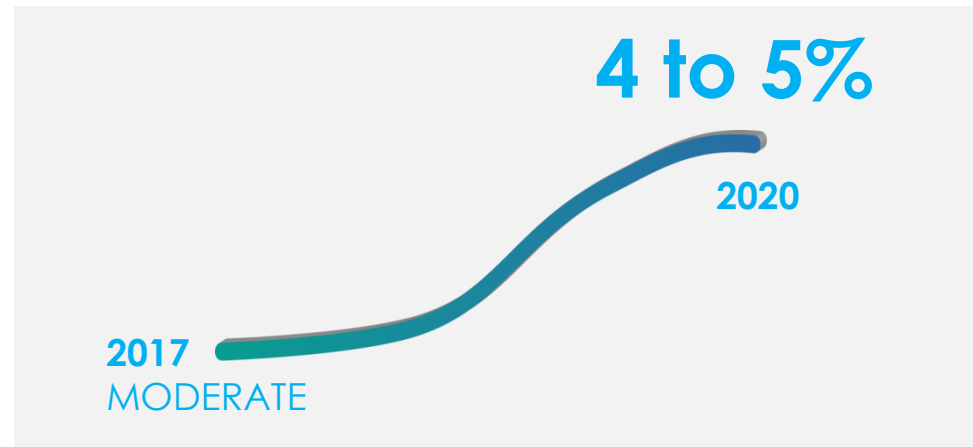
Recurring
operating margin
> 16%

Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Consistent EPS Growth
	Recurring operating margin > 16%

2017-2020: Accelerating growth LFL sales growth



Our objective

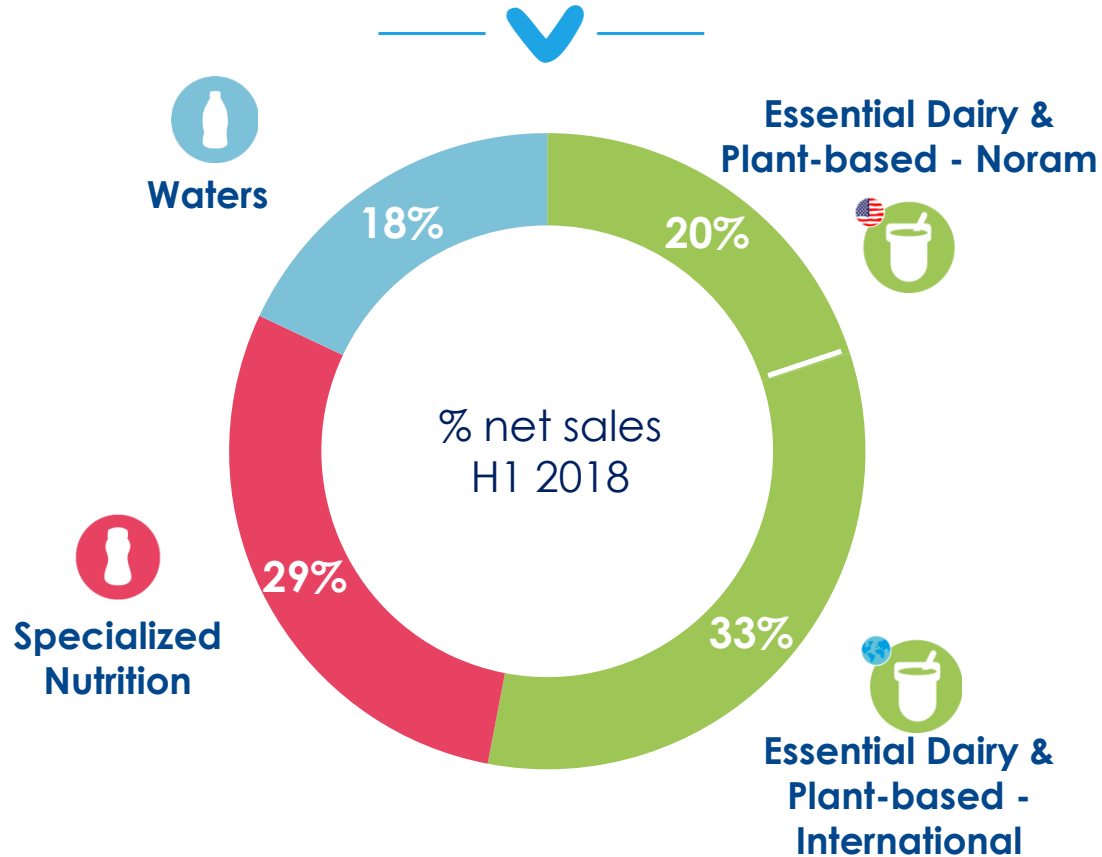


Portfolio uniquely positioned on healthy categories Geared to capture superior growth opportunities

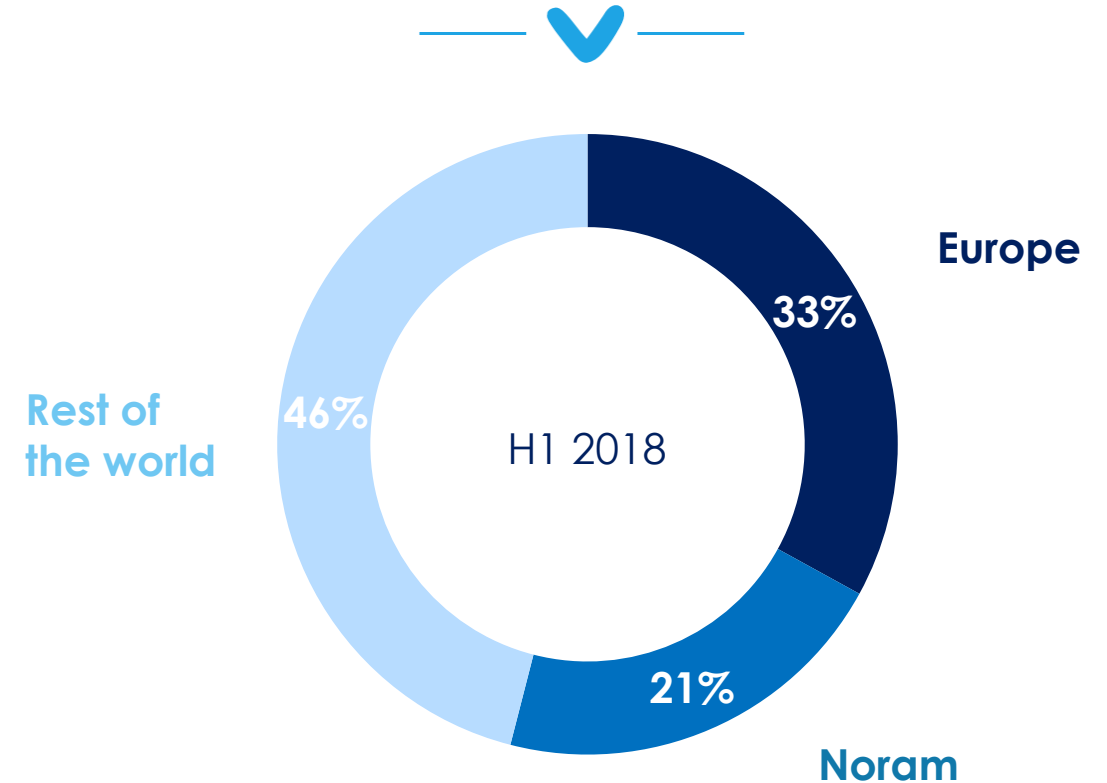
Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Recurring operating margin > 16%

Consistent EPS Growth

> 88% of volume sold recommended for daily consumption⁽¹⁾



Well balanced geographic exposure



(1) 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.

Accelerating Growth

Activating powerful levers

Net debt / EBITDA < 3.0x	ROIC -12%
Consistent EPS Growth	
LFL sales growth 4 to 5%	Recurring operating margin > 16%

Strong portfolio



Plant-based
to the max

from €1.7 bn sales in 2018 to **€5 bn by 2025**

Value innovations



Water innovations unit price **+50%** vs average

Manifesto brands



10 Manifesto brands growing
3 times faster than average

E- business acceleration



from **€1bn** of sales, to **€2bn** in 2020





Aligning EDP reporting lines with management organization

Confirming 2020 objectives






From 4 reporting units...

... to 3 reporting units from 1st January 2019

-  Waters
-  Specialized Nutrition
-  Essential Dairy & Plant-based Noram
-  Essential Dairy & Plant-based Int'l



-  Waters
-  Specialized Nutrition
-  Essential Dairy & Plant-based

2020 LFL sales growth

>5%

>5%

4 to 5%

Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Recurring operating margin > 16%

Consistent
EPS
Growth

Confirming our objective

2017 - 2020
Accelerating Growth

4 to 5%

Like-For-Like

Sales Growth by 2020



Net debt / EBITDA
< 3.0X

ROIC
~12%

**Consistent
EPS
Growth**

LFL sales growth
4 to 5%

Recurring
operating margin
> 16%

Accelerating operating margin improvement

Value growth through pricing, mix and innovation



Innovations & renovations

Innovations & renovations > 20% in 2018

Manifesto Brands

Catalyst for consumer engagement
—
100% brands embarked by 2020

Trade terms & promotions

Monitor promotion return on investment
—
Optimizing trade terms

Pricing

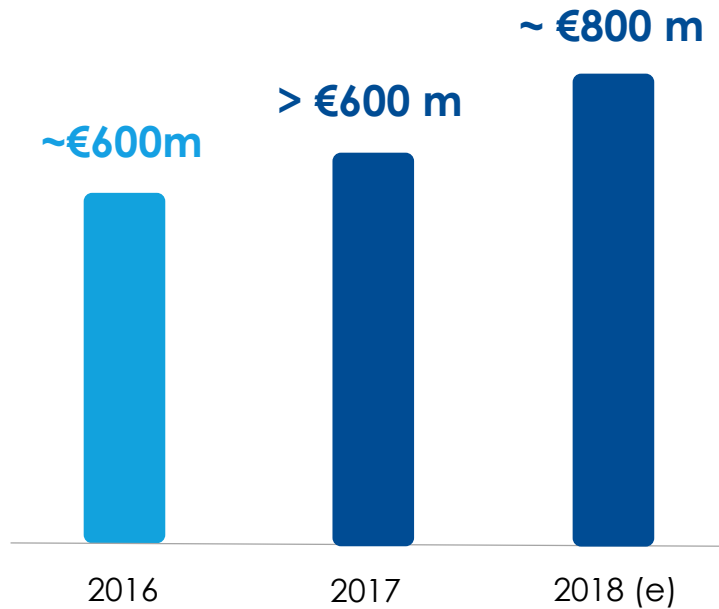
Targeted price increase

Maximizing efficiencies

Accelerating efficiencies through delivery of Protein savings

Net debt / EBITDA < 3.0x	ROIC -12%
LFL sales growth 4 to 5%	Consistent EPS Growth
	Recurring operating margin > 16%

Overall productivity gains...



... of which Protein gross savings



€200m for the full-year 2018

€1bn by 2020



enhancing
margin



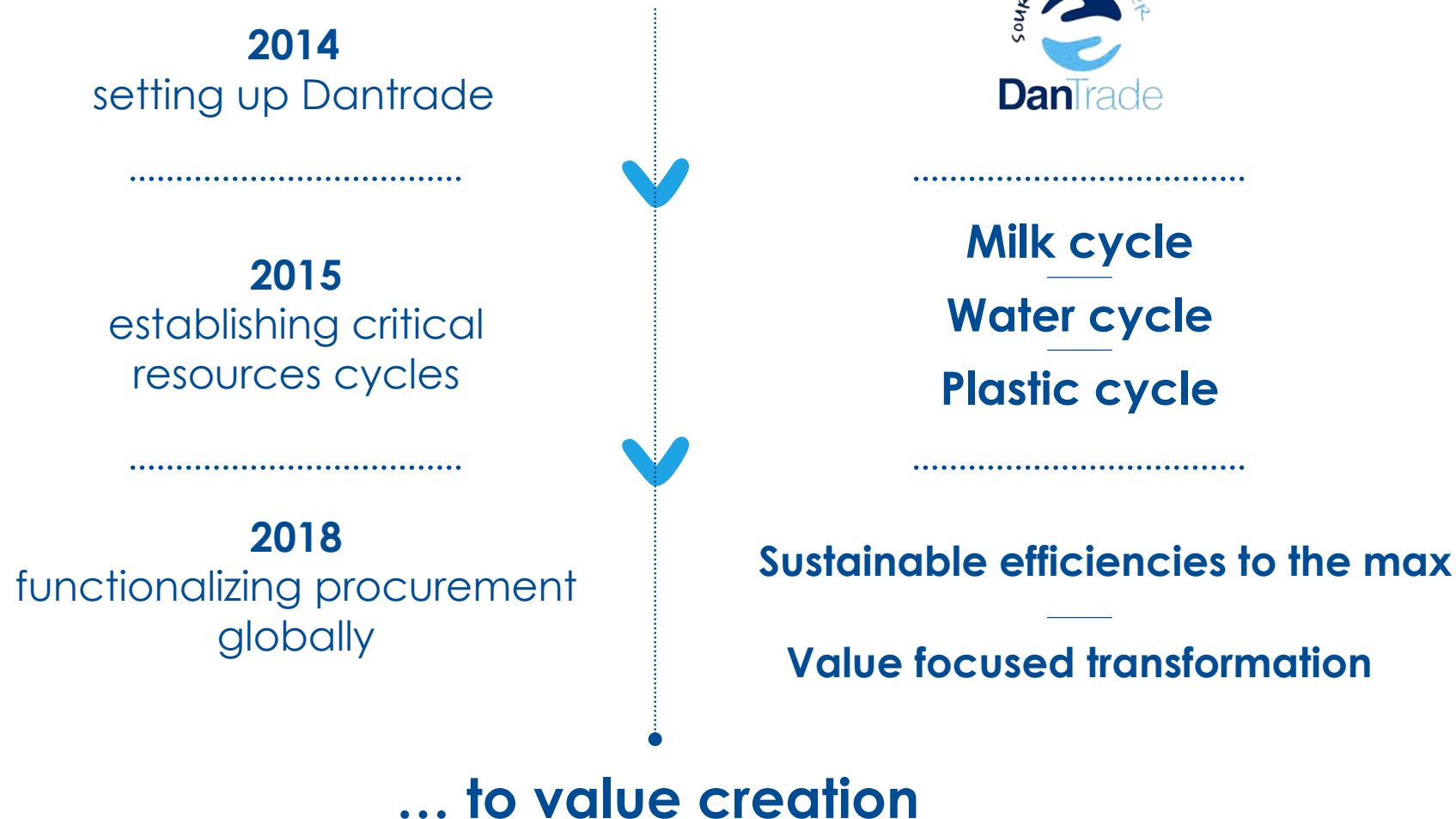
reinvesting
for growth

New cycle and procurement organization

Enhance value creation in a sustainable manner



From efficiencies ...



WhiteWave synergies

On track to deliver according to plan



2017
Onboarding phase

2018
Second wave

2020
Synergies confirmed

2017 delivery

2018 objective

 **delivery on track**

2020 objective

>\$50m
above objective

>\$180m

Major part in cost synergies
Procurement
Sales Force consolidation
G&A / shared back office

\$300m

HQ consolidation
sales force merge
G&A / shared back-office
procurement

Topline synergies
Distribution expansion
Commercial scale effect

Dynamic portfolio management driving additional value creation

Constantly upgrading the portfolio



Main asset disposals examples 2014-2018



Dynamic portfolio management
as part of yearly strategic planning process

+ ~40 basis points of margin improvement
in 2014-2018

-   Dairy **Chile** 2017
-   Dairy **Columbia** 2016
-   Dumex **China** 2016
-   Dairy **Indonesia** 2014
-   Dairy **China** 2014

Net debt / EBITDA < 3.0x	Consistent EPS Growth	ROIC -12%
LFL sales growth 4 to 5%		Recurring operating margin > 16%

Confirming our objective

2017 - 2020
Accelerating recurring
operating margin improvement

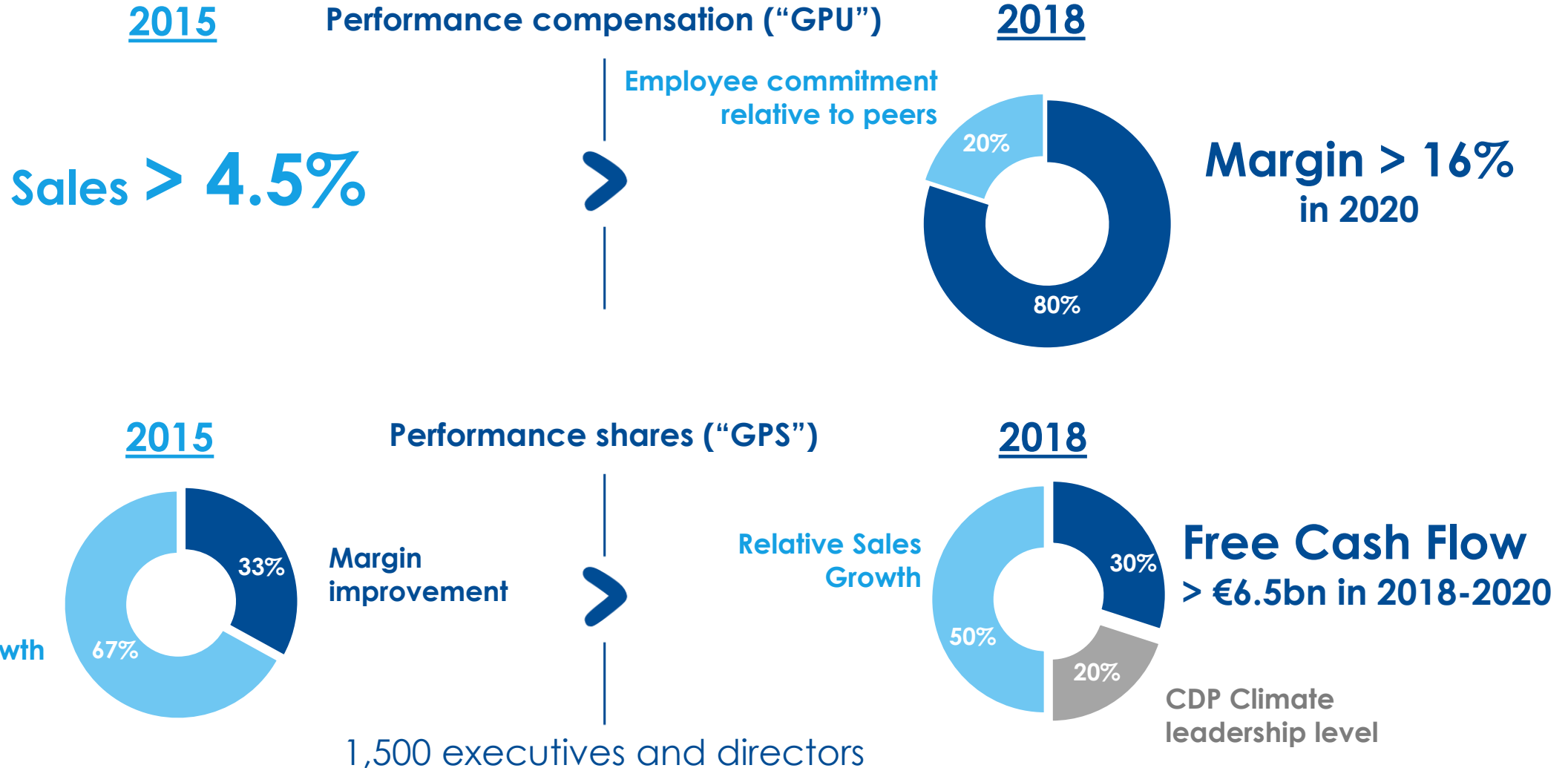
>16%

Recurring
Operating Margin
by 2020



Management long term incentives aligned with strategic objectives

Shifting from growth to margin and cash



Transformation and delivery towards 2030

Sustainable value creation despite increasing volatility



⁽¹⁾ Excluding IAS 29 accounting treatment

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- *Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.*