

# Q3 2016 SALES

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DANONE



# Disclaimer

*This document contains certain forward-looking statements concerning 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 section "Risk Factors" in Danone's Registration Document (the current version of which is available on [www.danone.com](http://www.danone.com)).*

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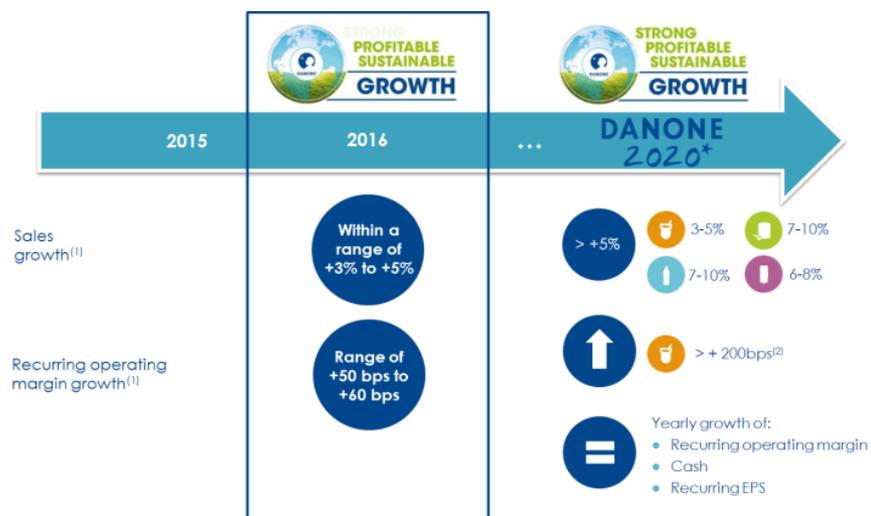
*All references in this presentation to like-for-like changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, recurring EPS, free cash-flow, free cash-flow excluding exceptional items, and net financial debt correspond to financial indicators not defined by IFRS used by Danone, which are defined at the end of this presentation.*

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



# Continued progress on the agenda towards 2020 / Transition in China

## Continue to build a solid and resilient model

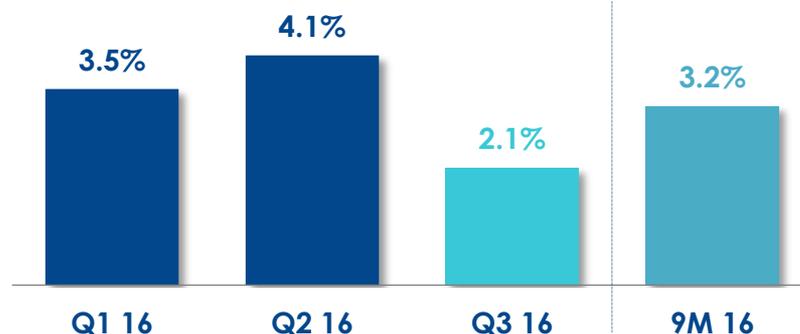


- Strict discipline in resources allocation
- Perfect execution
- More robust fundamentals to support long-term initiatives



## Transition in China

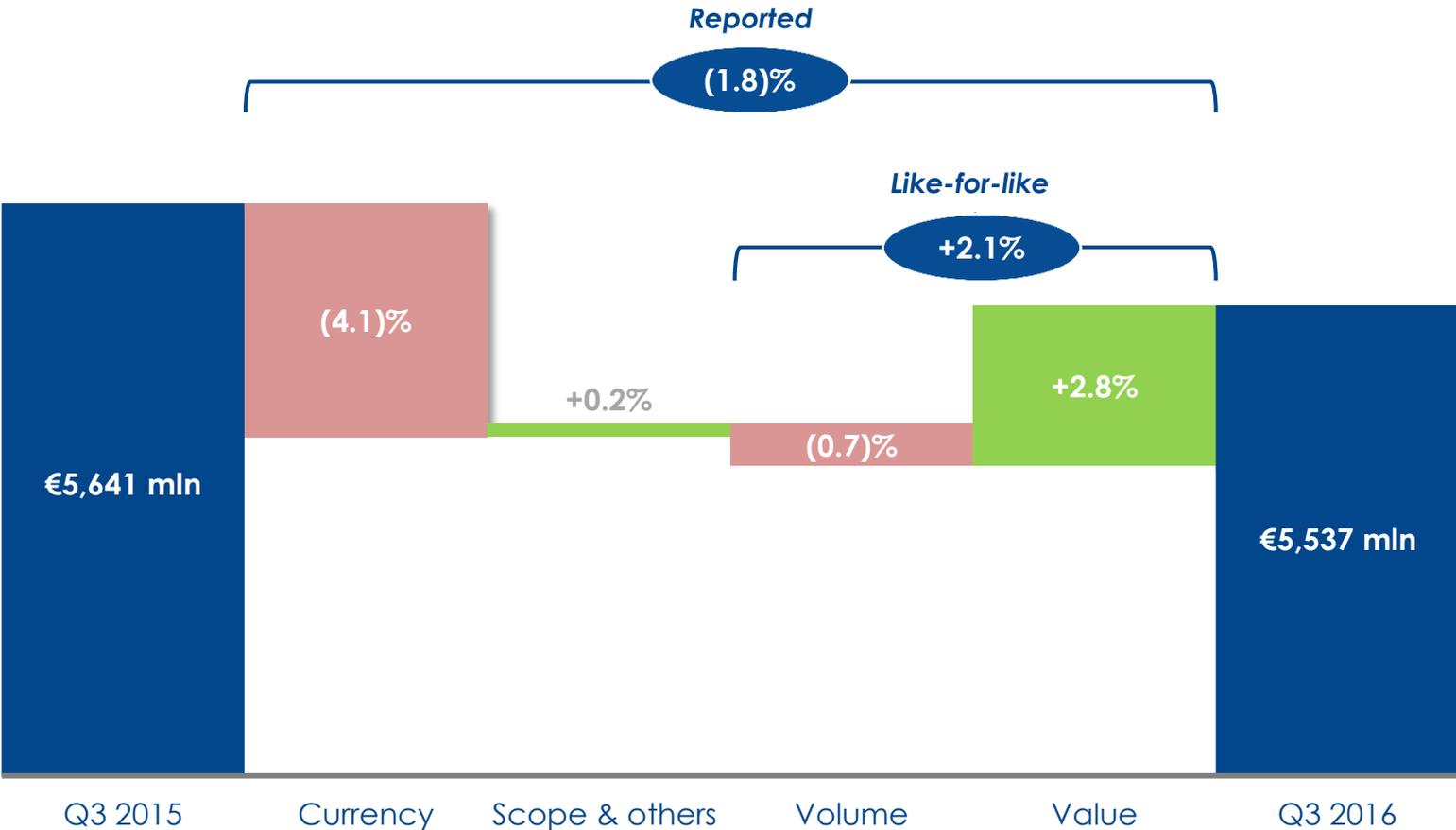
### TOTAL COMPANY SALES GROWTH<sup>(1)</sup> EVOLUTION



- Waters: Slowdown of the overall NABs category
- ELN: Short-term volatility in a fast changing regulatory context



# Q3 2016 like-for-like sales growth at +2.1%

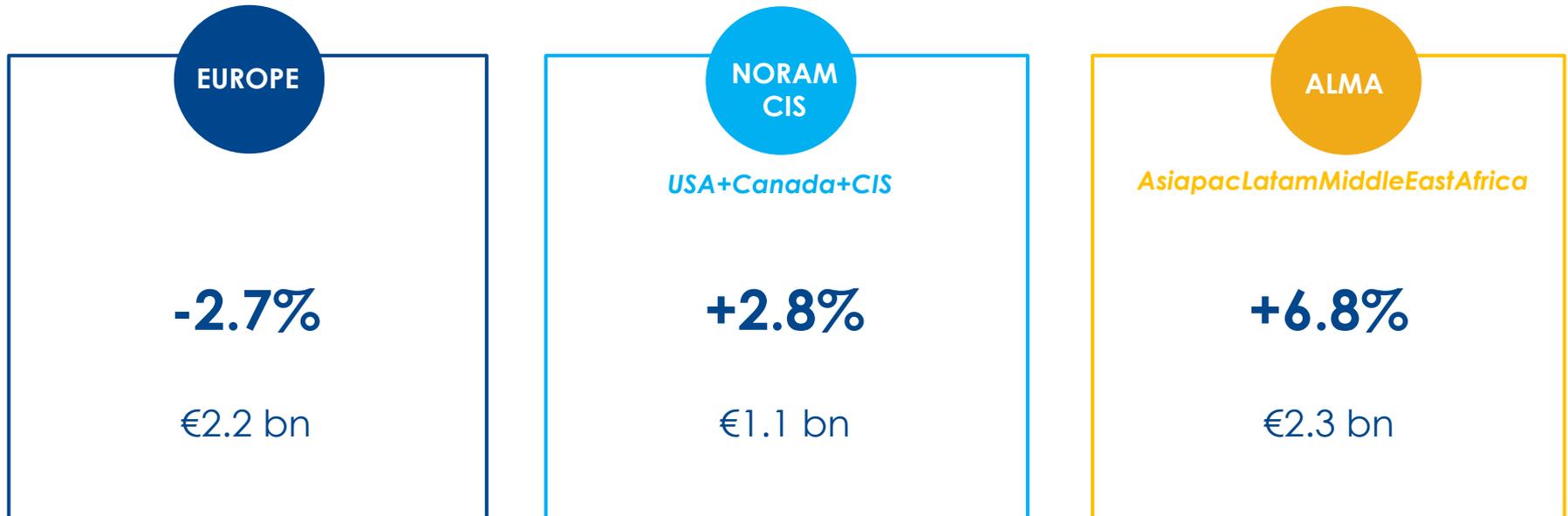


- Reported sales impacted by currencies (Argentine peso, British pound and Mexican peso)

# Q3 2016 regional dynamics



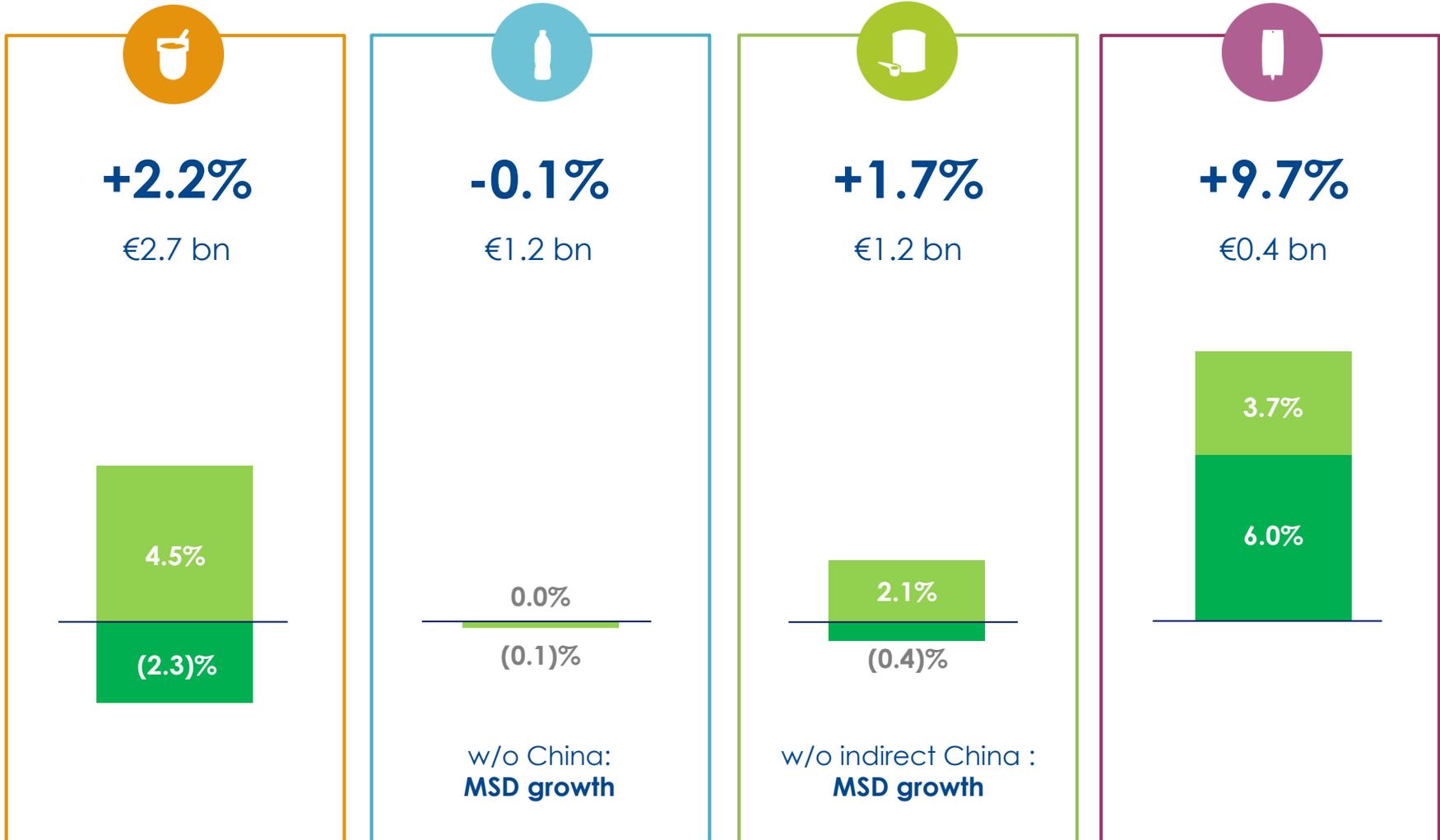
Like-for-like sales growth



- Europe: Performance impacted by transition in the indirect Chinese ELN channel
- NORAM & CIS: Solid momentum in NORAM / Resilient model in CIS
- ALMA: Robust growth pillars with direct China, Mexico and Indonesia

# Q3 2016 category dynamics

Like-for-like sales growth





# Dairy Europe: Progressing in global brands relaunches



2016: a key year for global brand relaunches

Activia relaunch: a key milestone



We call it  
LIVE IN SYNC



activia.com

(1) Q3 like-for-like sales growth



# Dairy US: Sustaining the re-acceleration



## Solid action plans...

- Dynamic drive of innovations



- Strong media support



## ... to reinforce a strong leadership

- Leader of the yogurt category

**#1** with **35.8% MS** <sup>(1)</sup>  
+1.4 pt vs LY

**Best ever**

- Fast-growing brands



≈ +15% <sup>(2)</sup>



≈ +10.0% <sup>(2)</sup>



> +15.0% <sup>(2)</sup>

<sup>(1)</sup> YTD 2016 Total Market Share – IRI Multi Outlet

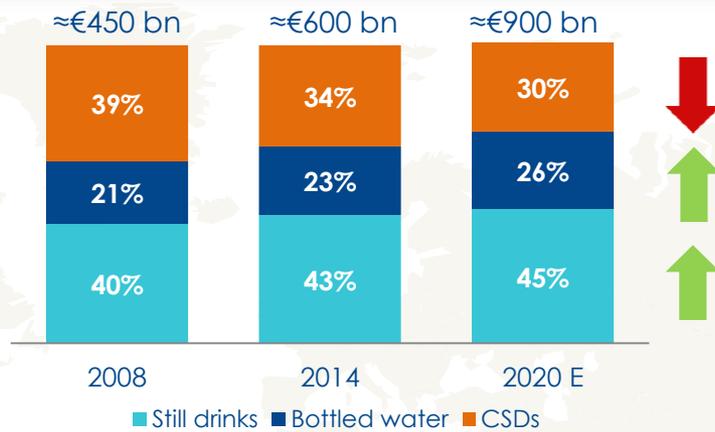
<sup>(2)</sup> Q3 like-for-like sales growth



# Waters: Expanding platforms by leveraging strong category dynamics



## Switching trends: new opportunities for growth



### Strong performance in key markets



> +5% <sup>(1)</sup>



> +10% <sup>(1)</sup>



> +20% <sup>(1)</sup>



### Continued transition

Stable market share  
≈ 5%

Source: Canadean 27 countries

<sup>(1)</sup> Q3 like-for-like sales growth



# ELN: Leveraging strong fundamentals / Transition towards a more sustainable model in China



## Developing a worldwide leading position

- Growing new markets



> +10% <sup>(1)</sup>

- Accelerating Tailored Nutrition

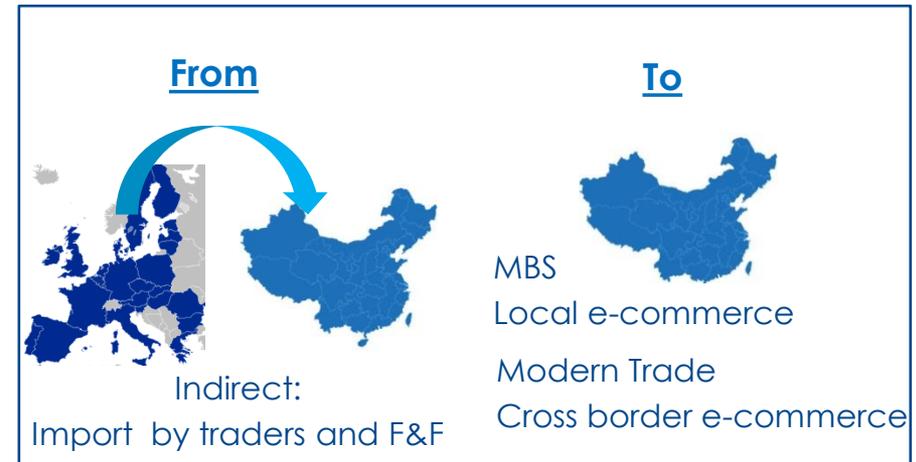


≈ +10% <sup>(1)</sup>



## Converting to direct model

- Transition of indirect: ≈ -25%
- Major progress in developing direct model: already ≈50% of total Chinese sales



(1) Q3 like-for-like sales growth

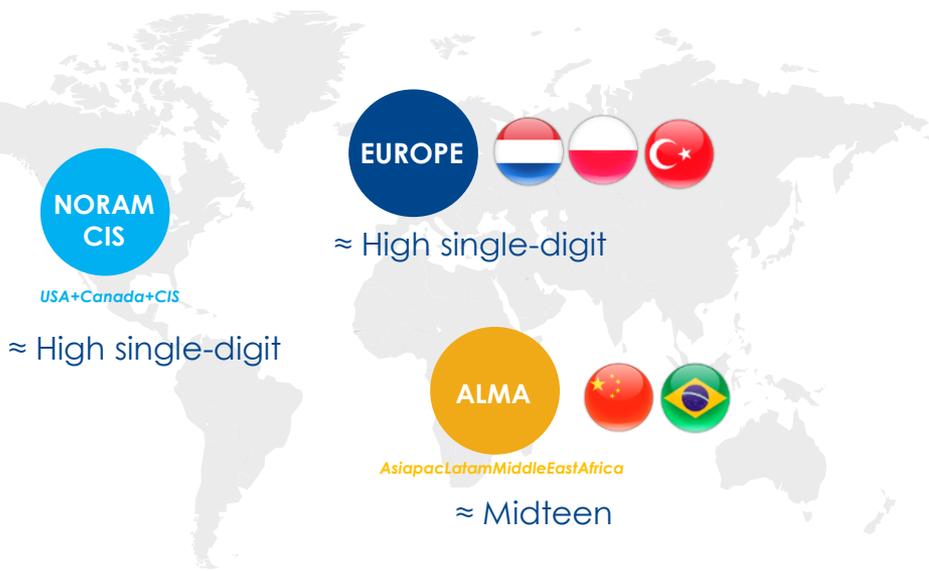


# Medical Nutrition: Delivering a continued strong growth



## Broad-based geographical growth

Q3 sales growth<sup>(1)</sup>



## Strong pillars of growth

- Paediatric care



**Neocate**  
≈ +10% <sup>(1)</sup>

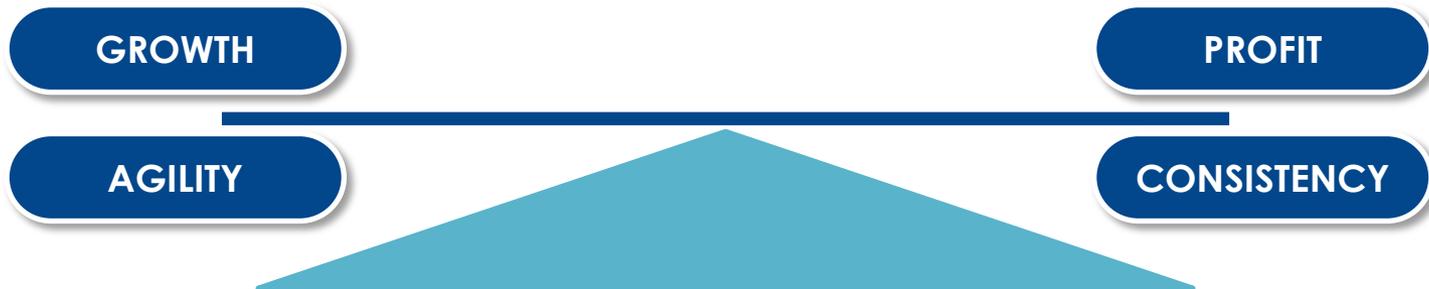
- Adult tube



**Nutrison**  
> +15% <sup>(1)</sup>

<sup>(1)</sup> Q3 like-for-like sales growth

# 2016: Transformation continues towards our 2020 ambition



## 2016 GUIDANCE

**SALES<sup>(1)</sup>**

**Within a range of +3% to +5%**

**RECURRING OPERATING MARGIN<sup>(1)</sup>**

**Range of +50 bps to +60 bps**

# APPENDIX



# Q3 2016 impact of currencies & scope



Q3 2016	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(1.1)%	(5.7)%	(1.1)%	+3.6%	(1.8)%
Currency	(4.4)%	(5.7)%	(1.8)%	(3.8)%	(4.1)%
Scope of consolidation	+1.1%	+0.1%	(1.0)%	(2.3)%	+0.2%
<b>Like-for-like sales growth</b>	<b>+2.2%</b>	<b>(0.1)%</b>	<b>+1.7%</b>	<b>+9.7%</b>	<b>+2.1%</b>

# Changes in exchange rates

## 27.4% of Q3 2016 sales denominated in €

	% total Q3 16 sales	Q3 16 vs Q3 15 (avg)
US dollar	12.3%	(0.4)%
Chinese yuan	6.9%	(5.9)%
Russian ruble	6.5%	(2.5)%
Indonesian rupiah	6.0%	5.0%
British pound	5.2%	(15.6)%
Mexican peso	4.8%	(12.7)%
Brazilian peso	4.3%	8.5%
Argentine peso	4.3%	(38.3)%
Moroccan dirham	2.9%	(0.4)%
Polish zloty	2.5%	(3.5)%



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# Financial indicators not defined in IFRS

**Like-for-like changes** in Sales, recurring operating income, recurring operating margin, Recurring net income and recurring EPS reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates, (i) with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Company for the current year and applied to both previous and current year), and (ii) correcting differences caused by the exceptional volatility of inflation in countries that are structurally subject to hyperinflation, which would otherwise distort any interpretation of Danone's organic performance.

**Recurring operating income** is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French CNC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

**Recurring operating margin** is defined as Recurring operating income over Net sales ratio.

# Financial indicators not defined in IFRS



**Recurring net income** (or Recurring net income – Group Share) corresponds to the Group share in the Total Recurring net income. Total Recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include capital gains and losses on disposals and impairments of Investments in associates and in other non-fully-consolidated entities and tax income and expenses related to non-recurring income and expenses. Such income and expenses excluded from Net income are defined as Total Non-recurring net income and expenses.

**Recurring income tax rate** measures the income tax rate related to Danone's recurring performance and corresponds to Total Recurring net income over tax income and expenses related to non-recurring income and expenses.

**Recurring EPS** (or Recurring net income – Group Share, per share after dilution) is defined as Recurring net income over Diluted number of shares ratio.

**Free cash-flow** represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

**Free cash-flow excluding exceptional items** represents free cash-flow before cash-flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

**Net financial debt** represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets.