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2017 HALF-YEAR RESULTS

July 27, 2017

Emmanuel Faber, CEO
Cécile Cabanis, CFO



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- This document is presented by Danone. It 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,” “believe,” “forecast,” “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.
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- All references in this presentation to like-for-like changes, “like-for-like New Danone” 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 in 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.



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Emmanuel Faber

**H1 2017: pivotal period
in our transformation agenda**

On track to deliver 2017 guidance, consistently with 2020 journey



2014

H1 2017

2020

Efficiency

Growth

2017 guidance

Double-digit recurring EPS growth
(at constant FX)

2020 objectives

LFL sales growth	> 4% to 5%
Recurring operating margin	> 16%
Reduced leverage ratio ⁽¹⁾ to	< 3.0x
ROIC ⁽¹⁾ improved to	~ 12%

(1) Please refer to financial indicators definition

H1 2017: key highlights

+0.4%⁽¹⁾

Net
Sales

+91 bps⁽¹⁾

Recurring Operating
Margin

+11.0%⁽²⁾

Recurring
EPS

+24.4%⁽³⁾

Free Cash
Flow

(1) Like-for-like New Danone – please refer to financial indicators definition

(2) At constant exchange rates

(3) On a reported basis, excluding exceptional items

H1 2017: starting our accelerated efficiency plan

Adaptation of Dairy Europe organization

- From 9 to 5 clusters
- Brand management organization
- R&D, Supply Chain, Quality transversal functions

Start of Protein efficiency program

**PROGRAM
PROTEIN**

**€ 1 BN
SAVINGS (2020)**

3 Pilots launched



Smart
Category
Engines

Start of WhiteWave synergy delivery

- Organization & processes in place
- Employee engagement restored
- One-Sales Team in action
- First corporate costs elimination
- Denver HQ closure in progress

**~€10M EBIT
impact YTD**

(1) Run-rate annual impact on recurring operating profit by 2020

H1 2017: progressing on our key priorities



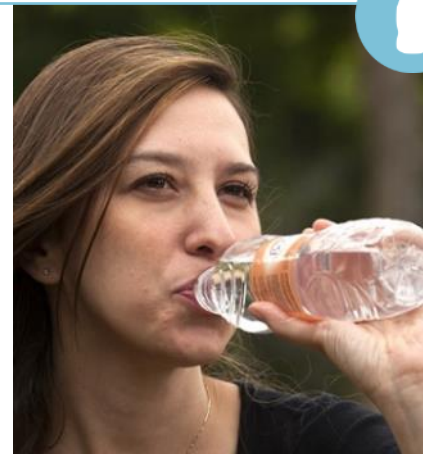
**Pursue Europe
and Brazil turnaround
Sustain Alpro growth
momentum**

**Integrate WhiteWave
Deliver first synergies
in H2**



**Grow direct channel
in China
Address growing
tailored nutrition
needs**

**Continue
to build strong local
growth platforms
Prepare post-transition
in China**



H1 2017: preparing our mid-term growth journey



**New relationship
to food and drinks**

**Small, local
are the new big**



Transparency



People behind the brand



Drive plant-based penetration and expansion to the next level



Accelerated Plant-based & desserts expansion



New line extension



Launching into Almond

More ingredients, more protein, less sugar



Grow adjacent categories



Launches in Q3



Launched in April in UK

Top 10 of Tesco's category launch

Geographic expansion

Launch of Vega in Europe in H1 (🇬🇧)





Accelerate shift towards new channels, impulse, moments of consumption

Accelerated shift towards new channels

Keep expanding a strong direct model in China



evian #1 SKU in Amazon Prime in France



Moments of consumption

On the go

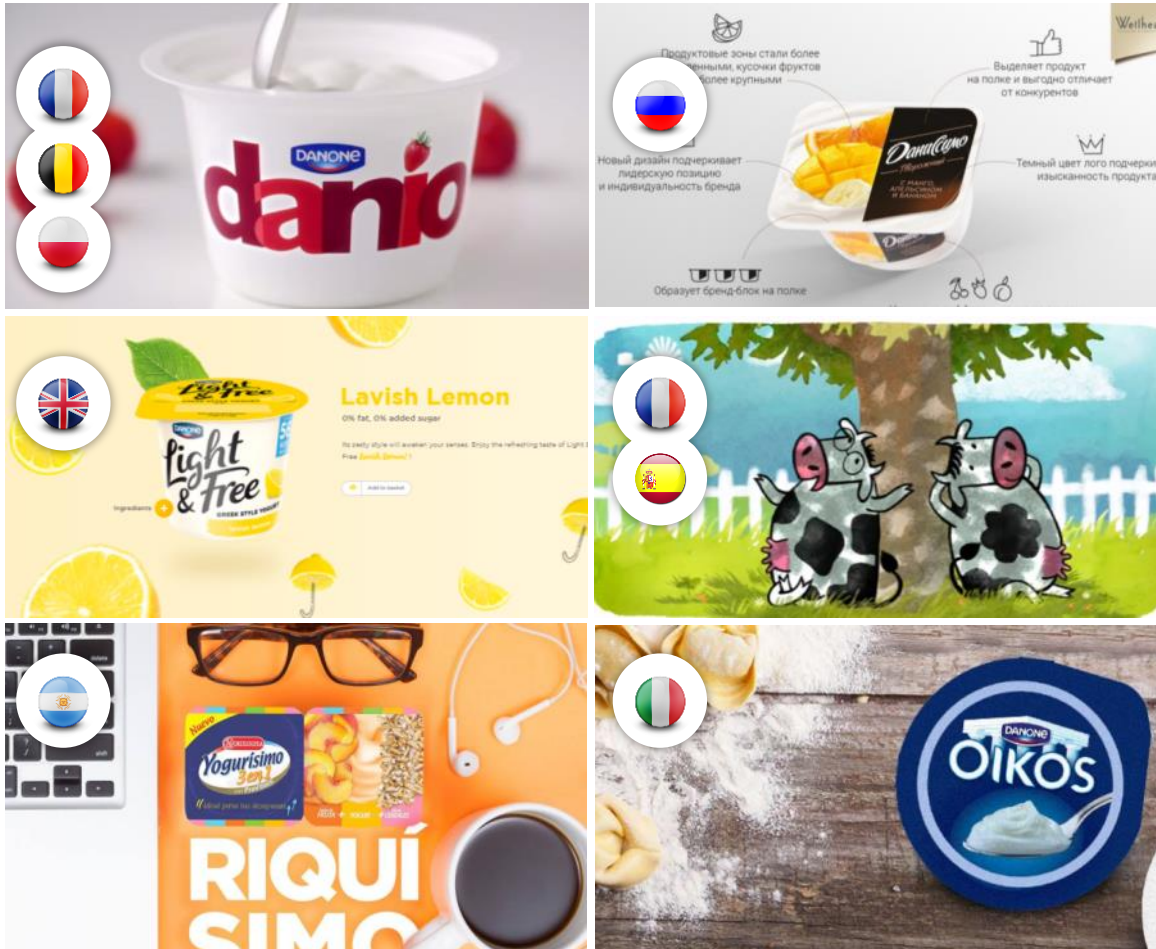


Breakfast



Small, local
are the new big

Accelerate play on young and local brands



Young & Local
heritage brands

> 10%⁽¹⁾

(1) Q2 Net Sales Like-for-like New Danone



Engage with consumers in a new way: launch our first non-GMO brands

Danone 1st large, non-organic yogurt maker to offer a choice of yogurts made with non-GMO ingredients from farm to cup

July 2017

2018



By H1 2019
Brands Will Be



MORE
NATURAL
INGREDIENTS
WITH VITAMIN D



MILK
FROM COWS
CONSUMING
NON-GMO FEED



Disrupt innovation through new models



Invest behind young,
high potential companies



MiA
MANIFESTO INNOVATION
ACCELERATOR

Develop and launch
new business models



People
behind the brand



Fresh, healthy
vending in urban
office locations

accel
foods.



F&B incubator



Pop-up store
experience
in London



Active investment
in VC funds
Access to emerging
consumer trends in China

Fit today and tomorrow



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Cécile Cabanis

**Secure short-term delivery,
prepare and build tomorrow**

H1 2017: First step in our decoupling agenda



Macro and industry backdrop

- China transition, Brazil turmoil
- Softer US F&B industry



Start of Protein efficiency program

Pilots launched



WhiteWave integration

- Q2 quarter of transition
- Sale of Stonyfield (20x EBITDA)
- First synergies ≈ €10m

+0.4%⁽¹⁾

Net Sales

+11.0%⁽²⁾

Recurring EPS

+91 bps⁽¹⁾

Recurring Operating Margin

+24.4%⁽³⁾

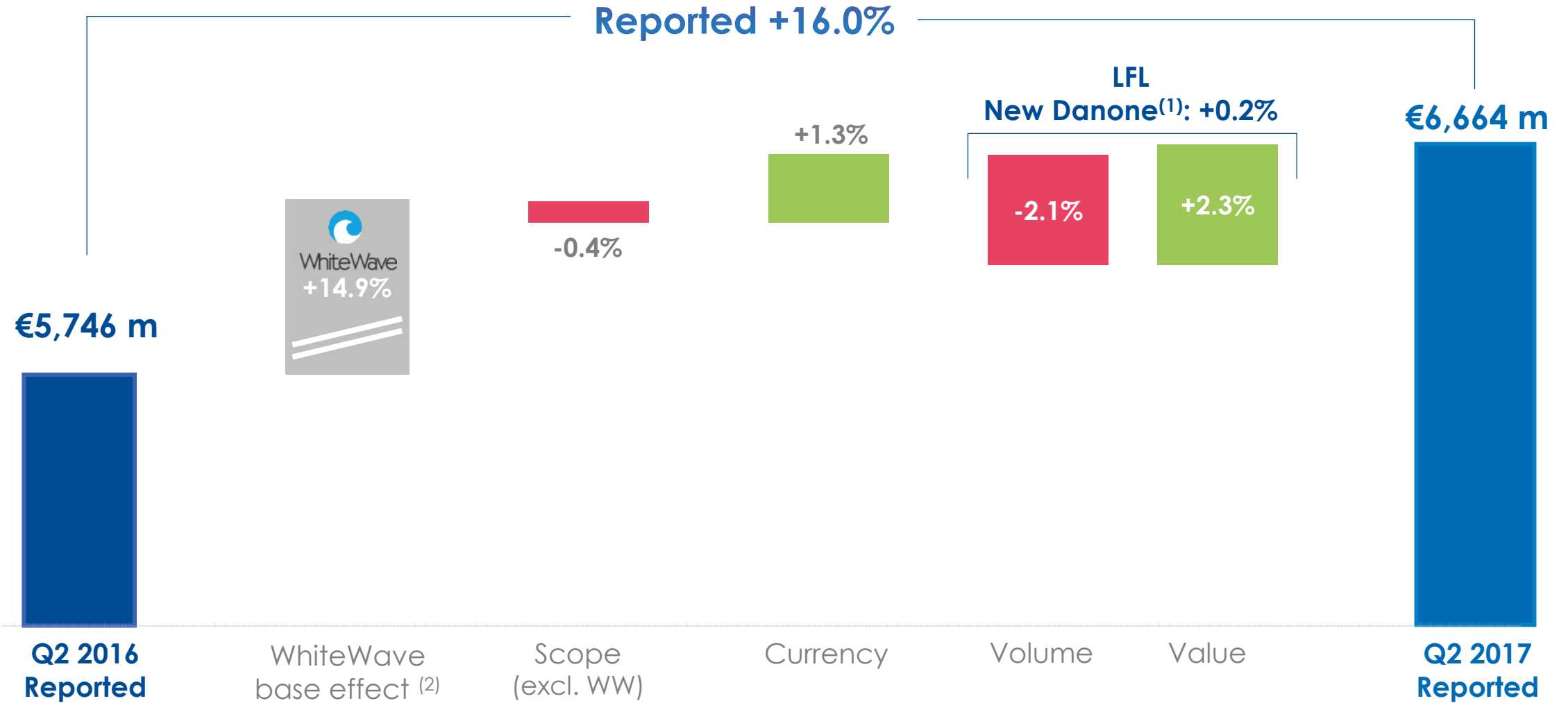
Free Cash Flow

⁽¹⁾ Like-for-like New Danone

⁽²⁾ At constant exchange rates

⁽³⁾ On a reported basis, excluding exceptional items

Q2 2017 reported sales growth of +16.0 %



(1) "Like-for-like New Danone" corresponds to like-for-like growth for Danone and WhiteWave combined, including the contribution of WhiteWave for the periods from April 1-June 30, 2016 and from April 1-June 30, 2017.

(2) Please refer to financial indicators definition

Q2 and H1 2017 by new reporting lines and regions ⁽¹⁾



Essential Dairy and Plant-Based Noram

SALES
Q2 2017
€1.3 bn -2.9%

RECURRING
MARGIN
H1 2017
-67bps



Essential Dairy and Plant-Based International

€2.2 bn -1.8%

-33bps



Specialized Nutrition

€1.8 bn +5.5%

+320bps



Waters

€1.4 bn +0.3%

+37bps

EUROPE & NORAM

SALES
Q2 2017

€3.6 bn -1.5%

RECURRING
MARGIN
H1 2017

+24bps

REST OF THE WORLD

€3.0 bn +2.3%

+175bps

(1) Like-for-Like New Danone





EDP Noram

Quarter of transition
Start of integration

Net Sales
Q2 17

-2.9%⁽¹⁾

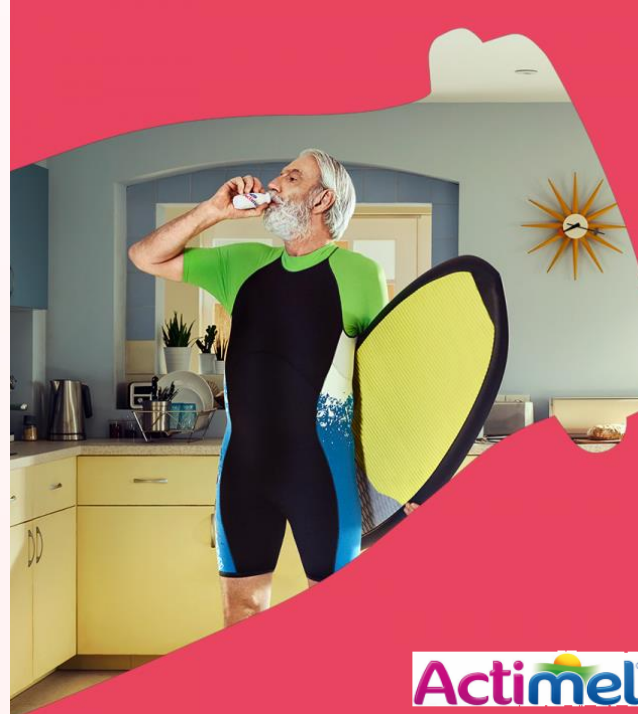
Margin
H1 17

- 67bps
11.66%⁽²⁾

- Soft US Food & Beverage industry
- Fixing short-term execution issues
- Resilient Yogurt in retail US
- Continued strong growth momentum in Creamers
- H1 margin impacted by raw materials costs
- Prepare H2 acceleration
- First cost synergies delivered in Q2



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~Origines~



EDP International

**Fixing short-term challenges
and preparing for sequential
growth acceleration**

Net Sales
Q2 17

-1.8%⁽¹⁾

Margin
H1 17

-33bps
8.36%⁽²⁾

- Adjusting plans in former Dairy Europe
- Managing persistent deteriorating context in Brazil
- Continuing growth momentum in CIS and Mexico
- Accelerating plant-based and young & local brands
- Efficiency gains partially offsetting inflation



Inspired by 40 years
of breastmilk research.



Our most advanced formulation yet.*

Specialized Nutrition

Accelerate growth momentum
Leverage strong fundamentals

Net Sales
Q2 17

+5.5%⁽¹⁾

Margin
H1 17

+320bps
24.23%⁽²⁾



**THE ONLY AAF SUPPORTED BY
AN AGE-ADAPTED RANGE**



- **Early Life Nutrition:** strong performance, resuming China growth
- **Advanced Medical Nutrition:** strong performance relying on solid fundamentals
- **Significant margin improvement** driven by structural and one-off effects



Sustain broad-based growth momentum

Prepare the post transition in China

Net Sales
Q2 17

+0.3%⁽¹⁾

Margin
H1 17

+37bps
+12.17%⁽²⁾



- **China:** high base of comps; prepare the post transition
- **Europe:** solid growth sequential improvement
- **Latin America:** HSD growth with very strong dynamic in Mexico
- **US:** successful expansion of evian
- **Margin:** structural positive mix management effects

H1 2017: Key Highlights

Profitable growth

+0.4%⁽¹⁾

Net
Sales

+91 bps⁽¹⁾

Recurring Operating
Margin

Discipline on financial metrics

+11.0%⁽²⁾

Recurring
EPS

+24.4%⁽³⁾

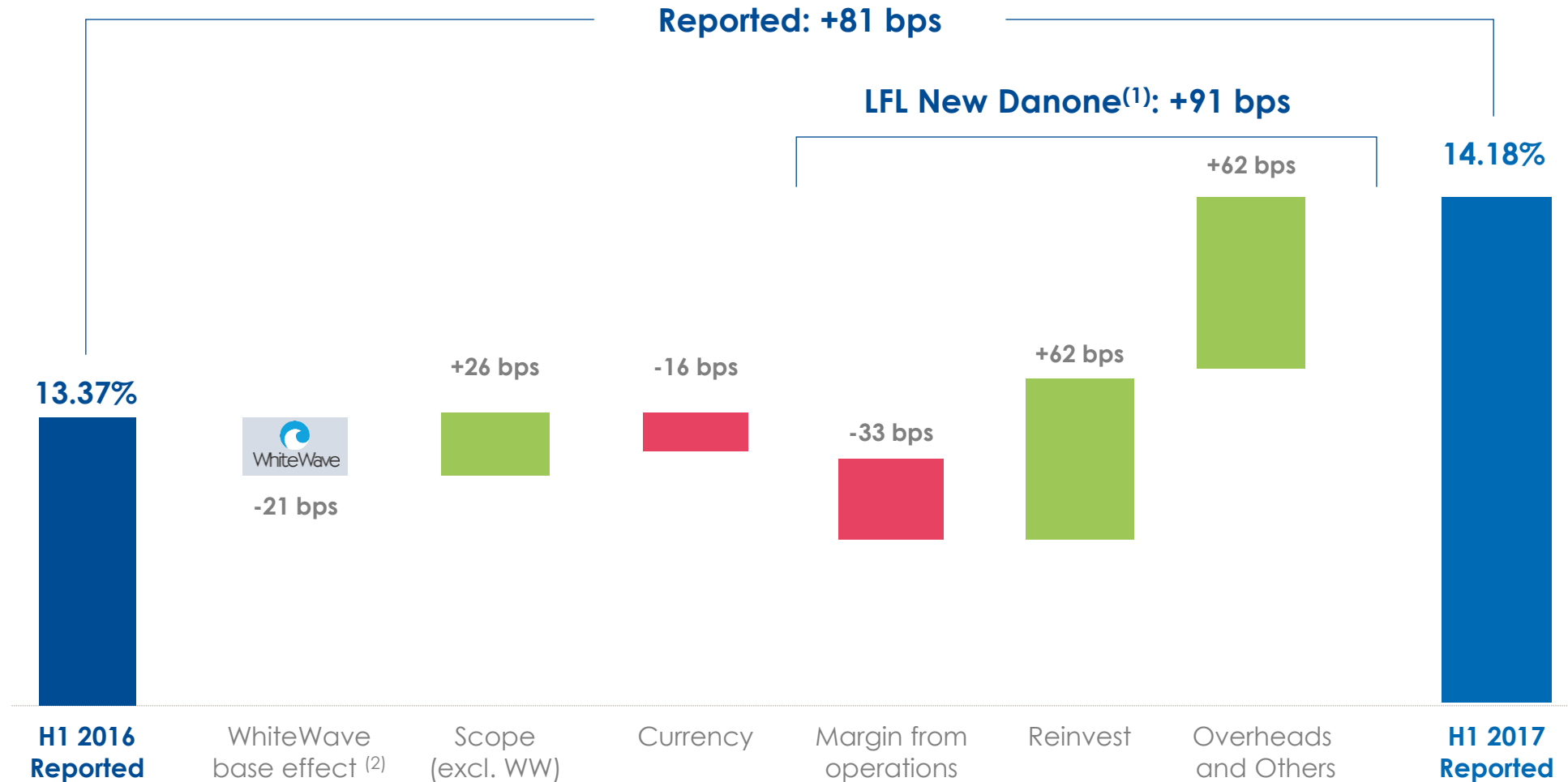
Free Cash
Flow

(1) Like-for-like New Danone

(2) At constant exchange rates

(3) On a reported basis, excluding exceptional items

Very strong improvement in recurring operating margin, Disciplined pace in supporting growth



(1) "Like-for-like New Danone" corresponds to like-for-like growth for Danone and WhiteWave combined, including the contribution of WhiteWave for the periods from April 1-June 30, 2016 and from April 1-June 30, 2017.

(2) Please refer to financial indicators definition

Note: No effect on H1 recurring operating margin from preliminary Purchase Price Allocation of WhiteWave performed for June 30, 2017

H1 2017: Key Highlights

Profitable growth

Discipline on financial metrics

+0.4%⁽¹⁾

Net
Sales

+91 bps⁽¹⁾

Recurring Operating
Margin

+11.0%⁽²⁾

Recurring
EPS

+24.4%⁽³⁾

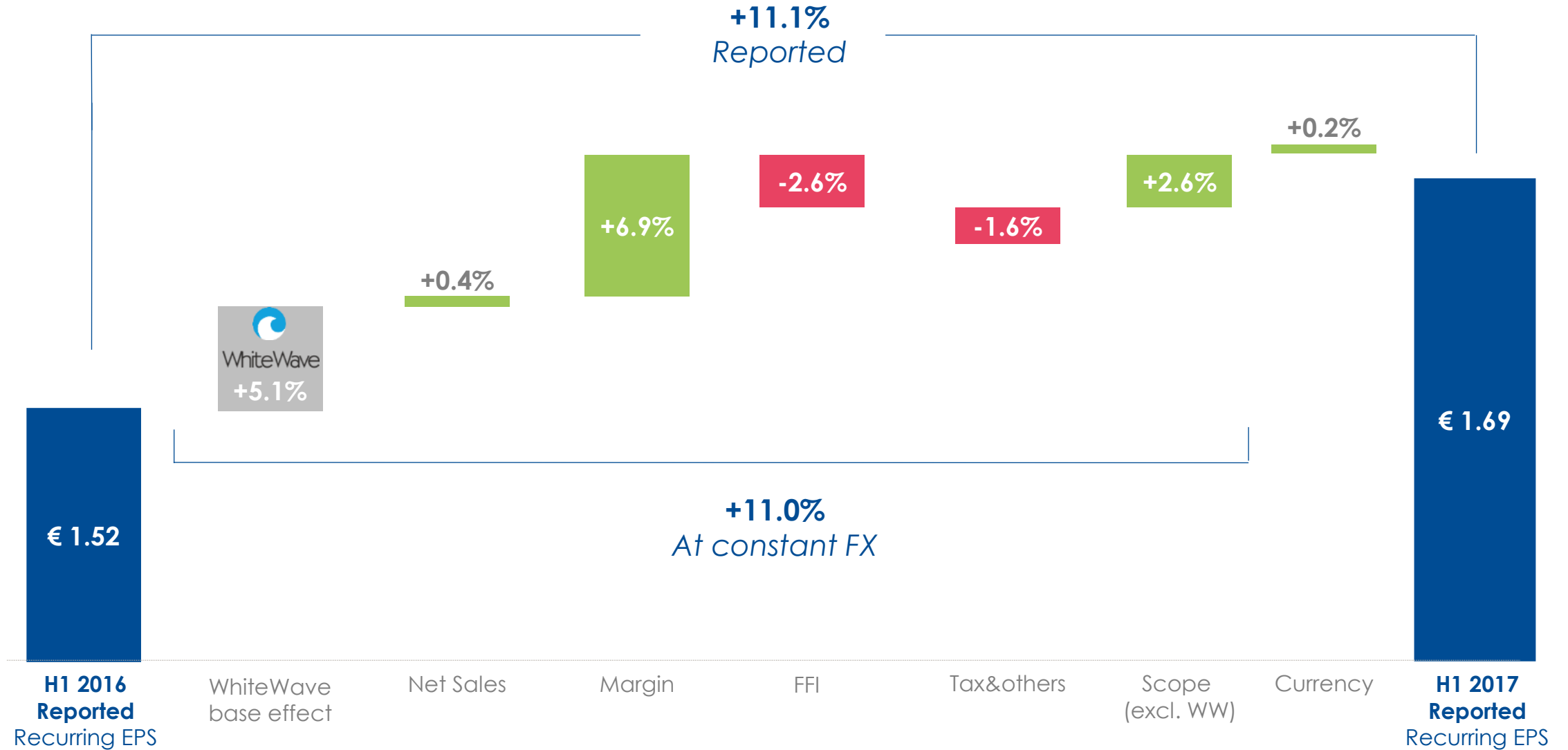
Free Cash
Flow

(1) Like-for-like New Danone

(2) At constant exchange rates

(3) On a reported basis, excluding exceptional items

Strong recurring EPS growth: +11% at constant FX



H1 2017: Key Highlights

Profitable growth

+0.4%⁽¹⁾

Net
Sales

+91 bps⁽¹⁾

Recurring Operating
Margin

+11.0%⁽²⁾

Recurring
EPS

Discipline on financial metrics

+24.4%⁽³⁾

Free Cash
Flow

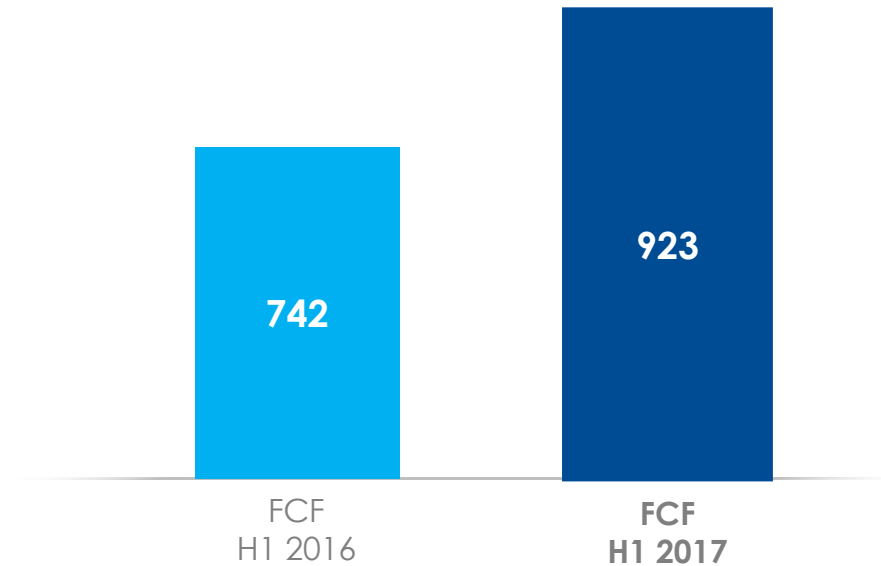
(1) Like-for-like New Danone

(2) At constant exchange rates

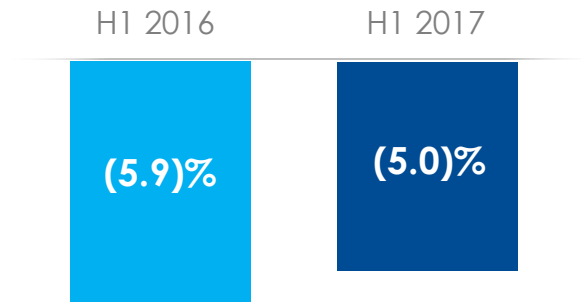
(3) On a reported basis, excluding exceptional items

Very strong cash delivery: +24.4%⁽¹⁾

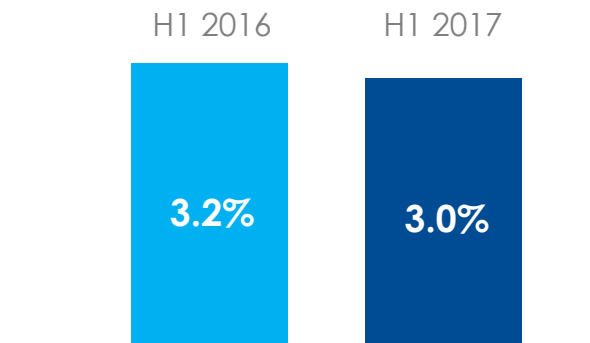
FCF excl. exceptional items (€m)



Working Capital / Net Sales (%)



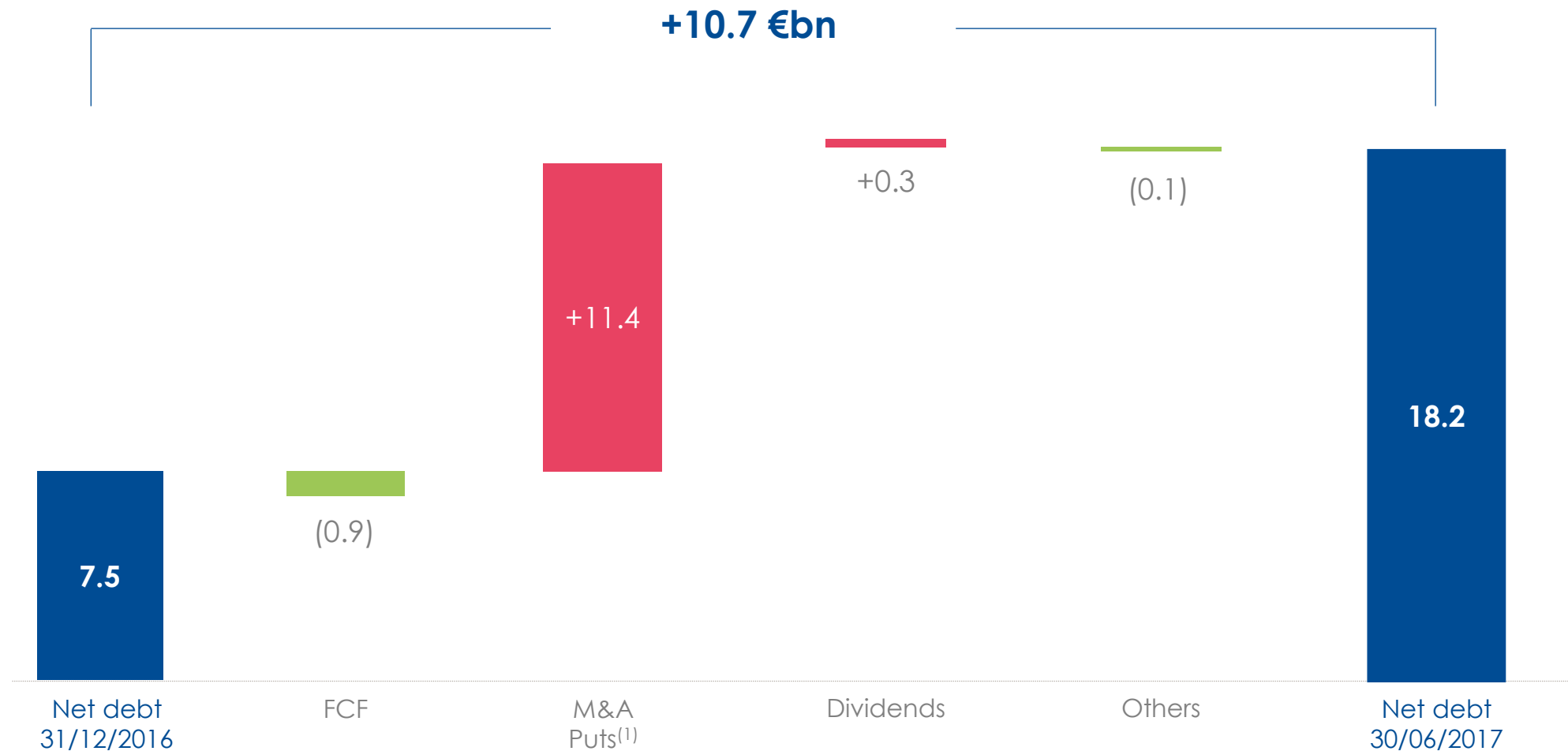
Capex / Net Sales (%)



(1) On a reported basis, excluding exceptional items

Change of Net debt

in € billion



⁽¹⁾ including 10.9bn€ of net cash outflow on WhiteWave purchase and 0.5bn€ of WhiteWave bond

2017 guidance confirmed

Securing the delivery agenda

2015

2016

2017

2020



+



WhiteWave

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Moderate “LfL New Danone ” Sales Growth

Sustained Recurring Operating Margin Improvement (“LfL New Danone” basis)

**Double-digit recurring EPS growth
at constant exchange rate**

GROWTH

AGILITY

PROFIT

CONSISTENCY

Preparing for tomorrow



2014

H1 2017

2020

Efficiency

Growth

2017 guidance

Double-digit recurring EPS growth
(at constant FX)

2020 objectives

LFL sales growth	> 4% to 5%
Recurring operating margin	> 16%
Reduced leverage ratio ⁽¹⁾ to	< 3.0x
ROIC ⁽¹⁾ improved to	~ 12%

(1) Please refer to financial indicators definition



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APPENDIX



Q2 & H1 2017 impact of currencies & scope

Q2 2017	EDP International	EDP Noram	Specialized Nutrition	Waters	Total
Reported sales growth	+6.5%	+112.9%	+5.4%	(0.9)%	+16.0%
Currency	+3.1%	+2.5%	+0.0%	(1.2)%	+1.3%
WhiteWave base effect	+6.2%	+113.3%	+0.1%	+0.0%	+14.9%
Scope of consolidation	(1.0)%	(0.0)%	(0.2)%	+0.0%	(0.4)%
« Like-for-like New Danone » sales growth	(1.8)%	(2.9)%	+5.5%	+0.3%	+0.2%

H1 2017	EDP International	EDP Noram	Specialized Nutrition	Waters	Total
Reported sales growth	+4.7%	+55.9%	+5.5%	(0.4)%	+9.7%
Currency	+4.5%	+3.0%	+0.5%	(1.2)%	+2.0%
WhiteWave base effect	+3.1%	+55.8%	+0.0%	+0.0%	+7.8%
Scope of consolidation	(0.9)%	(0.0)%	(0.4)%	+0.0%	(0.5)%
« Like-for-like New Danone » sales growth	(2.0)%	(2.9)%	+5.4%	+0.8%	+0.4%

Changes in exchange rates

	FX Impact on Net Sales H1	H1 17 vs H1 16 (avg)
Russian Ruble	1.4%	24.6%
Brazilian Real	0.7%	19.9%
British Pound	-0.6%	-9.5%
United States Dollar	0.5%	3.1%
Turkish Lira	-0.4%	-17.2%
Egyptian Pound	-0.2%	-51.1%
Indonesian Rupiah	0.2%	3.9%
Mexican Pesos	-0.2%	-4.1%
Argentine Peso	0.1%	-6.0%
South African Rand	0.1%	20.3%

Recurring operating margin by geographical area

€ min	H1 2016	H1 2017	Like-for-like change ¹
EDP International	8.17%	8.36%	(33) bps
EDP NORAM	14.02%	11.66%	(67) bps
Specialized Nutrition	20.78%	24.23%	+320 bps
Waters	11.79%	12.17%	+37 bps
Europe & NORAM	15.99%	15.40%	+24 bps
Rest of the world	10.73%	12.87%	+175 bps
Total	13.37%	14.18%	+91 bps

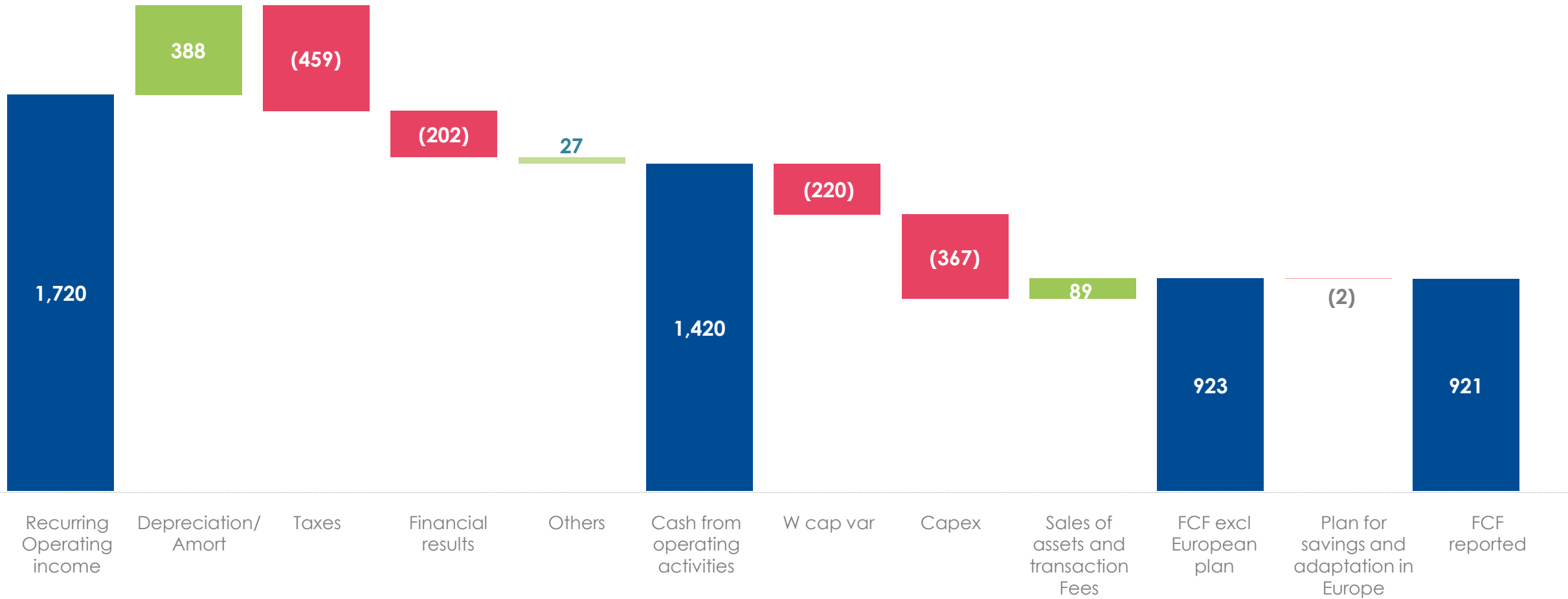
(1) LFL "New Danone"

From operating income to EPS

€ mln	H1 2016 recurring	H1 2017 recurring	Non-recurring	H1 2017
Recurring operating income	1,478	1,720	-	1,720
Other operating items	-	-	(134)	(134)
Operating income	1,478	1,720	(134)	1,586
Total financial expenses	(136)	(202)	35	(166)
Income tax	(431)	(459)	29	(430)
Net income of affiliates	78	47	(2)	45
Net income	990	1,106	(72)	1,034
Non-controlling interests	55	57	(0)	57
Net income - Group share	935	1,049	(72)	977
Fully diluted number of share <i>mln</i>	616	622		
Recurring EPS	€ 1.52	€ 1.69		



Cash bridge



Balance sheet

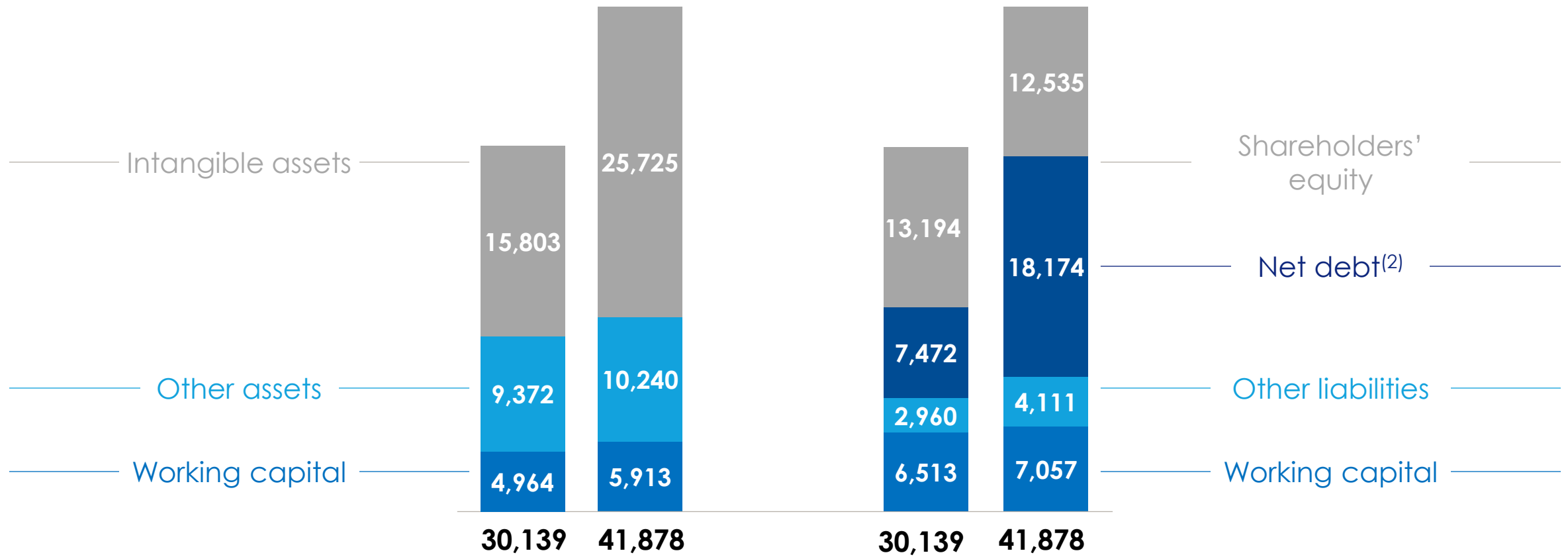
in € billion

Assets⁽¹⁾

Liabilities

Dec. 2016 Jun. 2017

Dec. 2016 Jun. 2017



(1) Excluding assets included in net debt

(2) Net of cash, cash equivalents, marketable securities, other short-term investments and financial instrument assets

Stock price

Danone H1 2017 stock price evolution⁽¹⁾



Danone H1 2017 stock performance⁽¹⁾

December 31, 2016: €60.2
June 30, 2017: €65.81

Absolute **+9.3%**

Relative vs. CAC 40 **+4.0%**

Relative vs. Eurostoxx 50 **+4.7%**

⁽¹⁾ At 30/06/2017

Financial indicators not defined in IFRS

Additional indicator of like-for-like changes: “like-for-like New Danone” changes

Since completion of WhiteWave acquisition, WhiteWave and Danone's activities have been combined and are generating synergies. Separate reporting of WhiteWave and Danone in their pre-acquisition forms thus no longer reflects their real performance. In consequence, Danone has decided to monitor and then report its performance by integrating the contribution of WhiteWave as a whole to its organic growth from the time of the acquisition by using an additional indicator - **“like-for-like New Danone”** changes.

This indicator is a variation on the “like-for-like” changes indicator used by Danone, such variation integrating WhiteWave's performance starting at the date of acquisition:

- for periods in previous years compared, and
- based on WhiteWave reported data after restatement to allow comparison with Danone data.

This indicator is used starting with the second quarter of 2017 and running through the end of 2018.

Danone does not publish like-for-like New Danone changes for prior periods given the way they are computed. Finally, Danone does not monitor internally nor publish like-for-like changes and will not do so until year-end 2018. Like-for-like changes would not reflect accurately the Company's real performance, which is reflected in like-for-like New Danone changes and, by extension, the difference between like-for-like changes and like-for-like New Danone changes would not accurately reflect the contribution of WhiteWave and its companies to the real performance.

These indicators are calculated as follows:

Like-for-like changes in sales and recurring operating margin 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 Danone 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.

Financial indicators not defined in IFRS

Since inflation in Argentina—already structurally high—accelerated further in 2014, in particular following the sharp, steep devaluation of the peso in January, using an identical exchange rate to compare 2014 figures with those for the prior year did not accurately reflect Danone's organic performance in that country.

As a result, the Company fine-tuned the definition of like-for-like changes to include in its exchange-rate impact the differences caused by the exceptional volatility in structurally hyperinflationary countries.

Danone is applying this methodology, which is applicable only to Argentina, starting from the release of 2014 full-year results. Danone is closely following the economic and monetary situation in Argentina and the volatility of the country's inflation.

This methodology leads to (i) limiting the inflation of price and cost of goods sold per kilo to their average level over three years and (ii) capping Recurring operating margin at its prior-year level; this methodology has been applied to each division operating in Argentina. With respect to 2014, adjustment for the full year was recorded in the fourth quarter of 2014.

“Like-for-like New Danone” changes (or “Like-for-like including WhiteWave starting April 2017” changes) in sales and recurring operating margin reflect the organic performance of Danone and WhiteWave combined. This indicator corresponds to like-for-like changes for Danone and WhiteWave combined, considering the activity of WhiteWave as a whole by integrating its companies during the fiscal years prior to and following their acquisition in April 2017:

- from April 1 to December 31 for periods compared until 2017 included;
- from January 1 to December 31 for periods compared in 2018.

WhiteWave Base effect corresponds primarily to the contribution of WhiteWave over the period from April 1 to June 30, 2016 and to adjustments for the impact of using different reference periods for H1 2017 reported and for H1 2017 like-for-like New Danone data. The contribution of WhiteWave and its companies for the period from April 1-12, 2017 must be deducted as it is effectively included in the like-for-like New Danone changes and excluded from reported data.

Financial indicators not defined in IFRS

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 ANC (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, (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Non-recurring results from associates include significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, non-recurring items as defined by Danone included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the consolidated recurring net income. The 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 other income and expenses, non-recurring results from associates, capital gains and losses on disposals and impairments of 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 Non-recurring net income and expenses.

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

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 managing net debt.