



DANONE
ONE PLANET. ONE HEALTH

Q3 2017 SALES

October 17, 2017

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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, net financial debt, ROIC and EBITDA correspond to financial indicators not defined in IFRS used by Danone, which are defined at the end of this presentation and in the page 9-10 of the 2017 interim financial report.
- Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.

DANONE PRIORITIES

EXECUTING ON OUR STRATEGIC PRIORITIES

- 1 Accelerate growth**
 - Execute competitive plans
 - Engage with consumers in new way
 - Accelerate small & local brands
- 2 Maximize efficiencies**
 - Achieve synergies from WhiteWave
 - Deliver 'Protein' €1bn savings
- 3 Allocate capital with discipline**
 - Build agility and resilience
 - Balance short, mid and long term
 - Optimize returns

2020 OBJECTIVES

**SALES
GROWTH¹:**
4% to 5%

MARGIN²:
>16%

ROIC³:
~12%

LEVERAGE⁴:
< 3.0X

(1) Like-for-like sales growth – (2) Recurring operating margin – (3) Return on invested capital – (4) Net debt / EBITDA

Q3 HIGHLIGHTS

SALES GROWTH MOMENTUM; FY GUIDANCE CONFIRMED IN MORE DETAIL

2017 THIRD-QUARTER DELIVERY

1

+4.7%⁽¹⁾ LFL sales growth

- Very strong performance in Specialized Nutrition, exceptional growth in ELN China
- Strong acceleration in Waters, return to growth in China
- Solid execution of activation plans and step-up in innovation

2

Efficiency maximization on track

- WhiteWave synergies realized faster than planned
- 'Protein' program: ready for roll-out

3

Discipline in capital allocation

2017 FULL-YEAR GUIDANCE

**RECURRING EPS GROWTH
AT CONSTANT EXCHANGE RATE
> 12%**

(1) "Like-for-like New Danone" including end of special treatment of over-inflation in Argentina

Q3 HIGHLIGHTS

SUCCESSFUL PRODUCT AND BRAND EXECUTION, NEW INVESTMENT MODELS



宝宝的“小宇宙”



爱他未来 有备而来



宝宝无所畏惧，这种与生俱来的“小宇宙”将通过对世界的不断探索得到释放。
爱他美秉承近四十年对天生营养的不懈研究，倾力研发爱他美白金版，突破性TM APTAOPOTM白金卓萃TM配方，
添加天然来源的乳脂，专利配比的益生元组合TM以及科学含量DHA，帮助满足宝宝天生营养所需。
放手让宝宝探索精彩的世界，我们将和您一起帮助绽放宝宝的“小宇宙”，让其无惧未来挑战。

爱他未来 有备而来

< 返回 关闭 爱他美官方微商城

Aptamil 爱他美

开启乳脂 白金时代
突破性TM白金卓萃TM配方

50% 乳脂

100% 官方正品 原装进口

突破性白金配方TM

秉承40年欧洲科研

Aptamil 爱他美 白金版
添加50%天然来源的乳脂

查看全系列

在线客服

Aptamil 爱他美 经典版
源自天生营养所需

< 返回 关闭 诺优能官方微商城

Nutrilon 诺优能

NUTRILON. FULL OF NATURE'S STRENGTH
满满的 自然力量
100% 瑞士原装进口

秉承自然理念设计产品配方

牧草喂养奶牛 优质新鲜原料^[1]

自然来源 膳食纤维动力

100% 配方^[2]

在线客服

Nutrilon 诺优能
100% 原装进口^[3]

Q3 HIGHLIGHTS

SUCCESSFUL PRODUCT AND BRAND EXECUTION, NEW INVESTMENT MODELS



Q3 HIGHLIGHTS

SUCCESSFUL PRODUCT AND BRAND EXECUTION, NEW INVESTMENT MODELS



MAY CAUSE
MOMFIDENCE



Q3 HIGHLIGHTS

SUCCESSFUL PRODUCT AND BRAND EXECUTION, NEW INVESTMENT MODELS



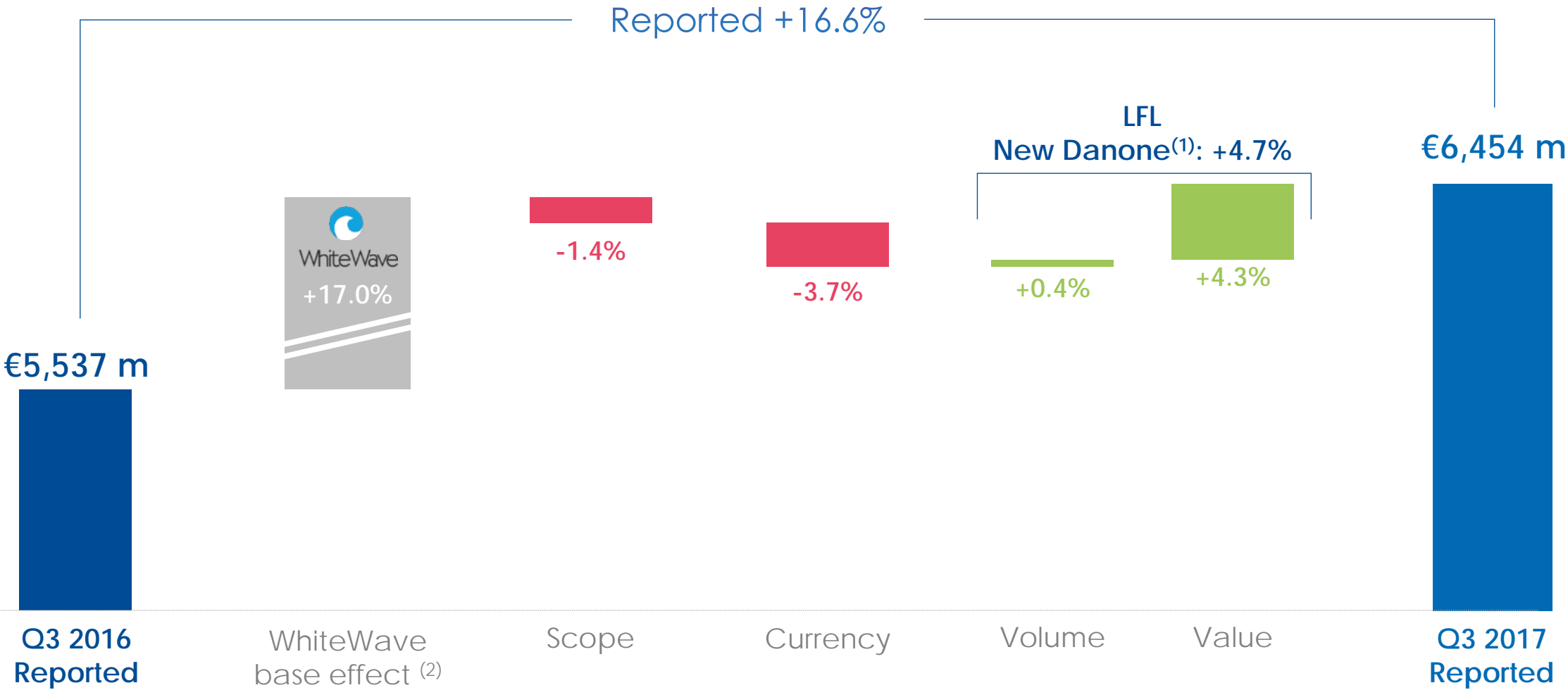
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Apprenez à votre enfant à ne pas grignoter entre les repas. www.mangerbouger.fr

Q3 2017 SALES BRIDGE

LIKE-FOR-LIKE GROWTH DRIVEN BY PRICE/MIX VALUE ENHANCEMENT



(1) "Like-for-like New Danone" including end of special treatment of over-inflation in Argentina. Please refer to financial indicators definition

(2) Corresponds to the contribution of WhiteWave over the period from July 1 to September 30, 2016

Q3 2017 MARKET DYNAMICS

NAVIGATING DIFFERENT REGIONAL TRENDS

EUROPE & NORAM: -0.2% ⁽¹⁾



- Consumer demand still weak
- Challenging retail environment
- Brexit impact

➔ DRIVE COMPETITIVENESS



- Deflationary environment
- Heightened competitive backdrop
- Rise of e-commerce

➔ EXPAND LEADERSHIP

REST OF WORLD: +11.1% ⁽¹⁾



- Persistent macro headwinds
- High unemployment rate
- Strong deterioration of Dairy category

➔ RESTRUCTURE & TURNAROUND DAIRY



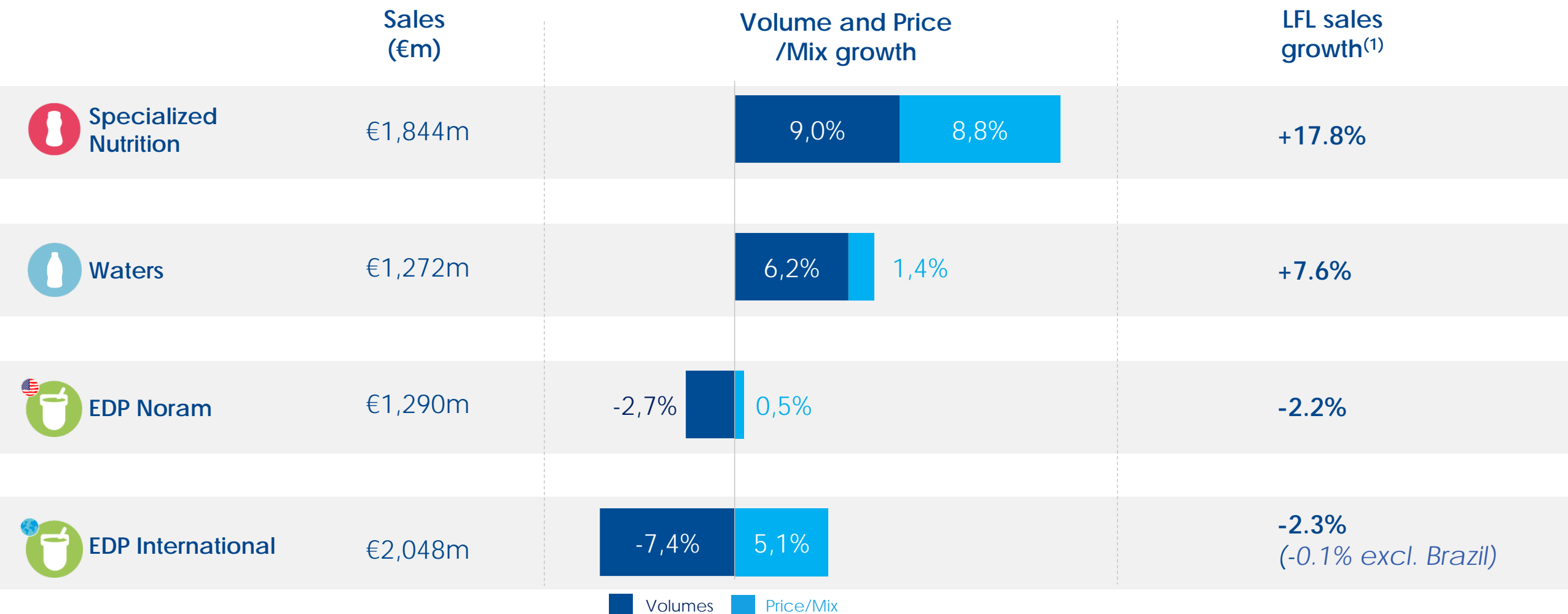
- Higher GDP growth
- Evolving demographics
- Booming e-commerce

➔ BUILD SUSTAINABLE GROWTH MODEL

(1) "Like-for-like New Danone" including end of special treatment of over-inflation in Argentina. Please refer to financial indicators definition

Q3 2017 SALES BY REPORTING LINES

IMPROVED UNDERLYING PERFORMANCE DESPITE HEADWINDS

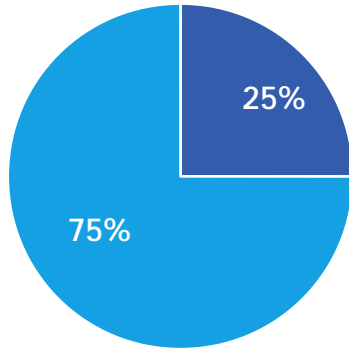


(1) "Like-for-like New Danone" including end of special treatment of over-inflation in Argentina. Please refer to financial indicators definition

SPECIALIZED NUTRITION: +17.8%⁽¹⁾

PROVEN “CONSUMER-DRIVEN SCIENCE-LED” MODEL

- Advanced Medical Nutrition (AMN)
- Early Life Nutrition (ELN)



Early Life Nutrition: > 20% growth

- China recovery as main growth engine (> 50% growth⁽²⁾)
- Solid growth outside China; double-digit growth in North and Latin America
- Tailored Nutrition growing at mid-teen; #1 market player
- Progressing on Organic: *Happy Family* in the US growing at more than 20%

Advanced Medical Nutrition: high single-digit growth

- Continued growth in stronghold markets (Europe)
- Accelerated growth in emerging markets (e.g. China, Brazil, Turkey)
- Successful innovations: *Neocate Syneo* and *Splash range*

Leveraging an integrated portfolio in One-Allergy: > 10% growth



(1) “Like-for-like New Danone” sales growth

(2) LFL growth for sales related to total demand in China



FOCUS ON ELN TOTAL CHINA

BUILDING A LEADER IN THE #1 IMF⁽¹⁾ MARKET



China

- ~ 40% of IMF global market
- ~10% market growth YTD (vs ~1% in 2016)

% of China IMF market



Source: Euromonitor, Danone estimates, YTD Aug-2017
(1) Infant Milk Formula; (2) F&F, Wechat, Overseas websites

Market demand rebound, solid execution of plans

- Increase of resources allocated to serve a growing demand
- Differentiated brand strategy: *Aptamil* and *Nutrilon*
- Successful *Aptamil Platinum* launch
- IMF registration completed for all products sold in China
- Continued rebalancing to sustainable platform

Favorable year-on-year basis of comparison

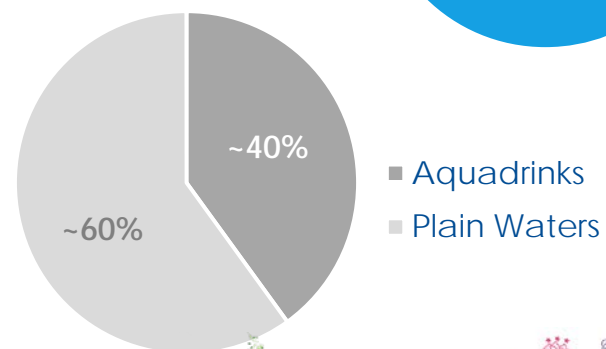
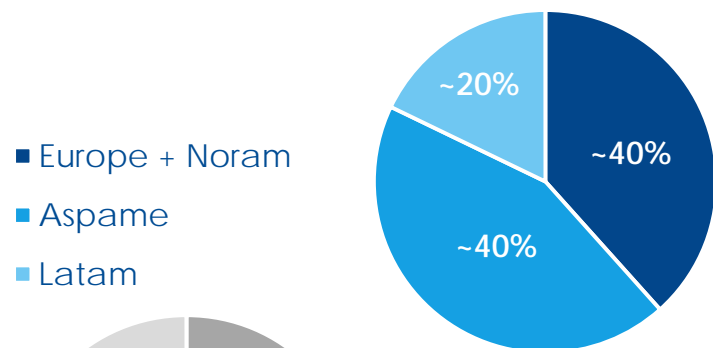
- Significant destocking in Q3 2016
- No change in CBE regulation expected in 2018





WATERS: +7.6%⁽¹⁾

SEQUENTIAL ACCELERATION; DELIVERING AGAINST STRATEGIC PRIORITIES



Plain water segment fortified : mid single-digit growth

- Positive trends across regions
- Inauguration of new Evian Factory

Step-up in Aquadrinks segment : double-digit growth

- Successful innovations: *Naranjadas* for *Villa del Sur Levite* (Argentina), *Sirma* (Turkey)

China: double-digit growth; destocking transition period completed

- Recovering category growth, good high-season vs. 2016
- Favorable year on year comparison
- Successful innovation of *Mizone Pro*

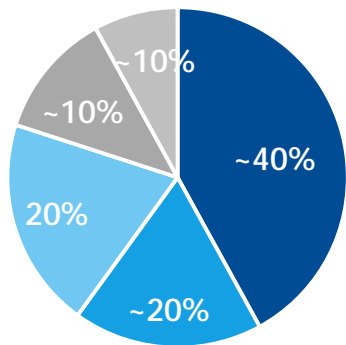
(1) "Like-for-like New Danone" sales growth

Aspame: Asia, Pacific, Africa, Middle-East



INTEGRATION ON TRACK; EARLY SIGNS OF RECOVERY

- Yogurt
- Plant-based
- Coffee creamers
- Premium Dairy
- Fresh Foods



Yogurt: US retail resilient

- Market share gains despite highly competitive category
- Strong growth in plant-based yogurts, Smart calories, Greek, Family nutrition

Coffee creamers: robust sales growth

- Strong market fundamentals

Plant-based (food, beverages & nutrition): positive growth

- Reacceleration of refrigerated beverage category: >3% growth
- Very strong sales growth for Vega & So Delicious frozen desserts

Premium Dairy: continued pressure due to industry oversupply of organic milk

- Seeking opportunities to spur demand
- Proactively reallocating supply into emerging growth areas



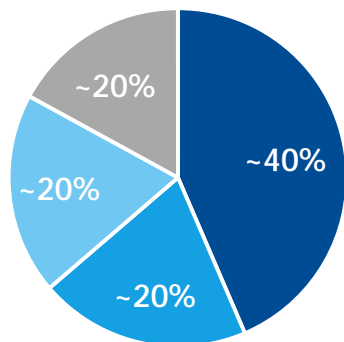
(1) "Like-for-like New Danone" sales growth



EDP INTERNATIONAL: -2.3%⁽¹⁾

BACK TO FUNDAMENTALS; EXPAND YOUNG & LOCAL BRANDS

- Europe
- Latam
- CIS
- Aspame



Expand young and local brands: high single-digit growth

Latam: strong growth outside Brazil

- Good performance in Mexico offset by steep decline in Brazil
- Major transformation program in Brazil to regain momentum in 2018

CIS: solid growth in a tough context

Europe: continued work on turnaround

- Europe excl. Alpro: slight sequential improvement in some countries
- Early positive results on *Activia*'s innovations
- *Danone* brand relaunched (Spain in September; France in October)
- *Alpro*: continued growth momentum at high single-digit growth



(1) "Like-for-like New Danone" sales growth

Aspame: Asia, Pacific, Africa, Middle-East



Q3 HIGHLIGHTS

KEY TAKE-AWAYS

- ✓ Improved performance in the third quarter; increase in like-for-like sales
- ✓ Continued execution against our strategic priorities
 - Accelerating growth
 - Maximizing efficiencies
 - Allocating capital with discipline
- ✓ 2017 guidance reiterated; on track to achieve 2020 objectives

2017 GUIDANCE

**RECURRING EPS GROWTH
AT CONSTANT EXCHANGE RATE
> 12%**

Based on:

- Moderate LFL⁽¹⁾ sales growth
- Sustained recurring operating margin improvement LFL⁽¹⁾

(1) "Like-for-like New Danone" sales growth



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APPENDIX



Q3 IMPACT OF CURRENCIES & SCOPE

Q3 2017	EDP International	EDP Noram	Specialized Nutrition	Waters	Total
Reported sales growth	-0.3%	+105.7%	+13.9%	+2.8%	+16.6%
Currency	-3.2%	-4.6%	-3.3%	-4.4%	-3.7%
WhiteWave base effect	+6.2%	+121.4%	-0.6%	-0.3%	+17.0%
Scope of consolidation	-1.1%	-8.9%	+0.0%	+0.0%	-1.4%
« Like-for-like New Danone » sales growth	-2.3%	-2.2%	+17.8%	+7.6%	+4.7%

CHANGES IN EXCHANGE RATES

	FX Impact on Net Sales Q3	Q3 17 vs Q3 16 (avg)
United States Dollar	-1.0%	-4.9%
Argentine Peso	-0.7%	-17.7%
Turkish Lira	-0.5%	-19.8%
Indonesian Rupiah	-0.4%	-6.4%
Chinese Renminbi	-0.3%	-5.0%
British Pound	-0.2%	-5.4%
Egyptian Pound	-0.2%	-52.5%
Russian Ruble	0.1%	4.1%
Japanese Yen	-0.1%	-12.3%
Hong Kong Dollar	-0.1%	-5.7%
Others	-0.3%	

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 has been applying this methodology, which was applicable only to Argentina, starting from the release of 2014 full-year results. This methodology led 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.

End of the special treatment of over-inflation in Argentina: In light of the normalization of the economic and monetary situation in Argentina observed since the beginning of 2017 and confirmed in Q3 2017, it is no longer justified to limit the inflation of price and to cap recurring operating margin in that country, as described above. As a result, when reporting third-quarter 2017 sales, Danone has ended its special treatment of over-inflation in Argentina with effect from January 1, 2017. As a reminder, this special treatment of over-inflation in Argentina and its suspension have no impact on reported figures.

“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 July 1 to September 30, 2016.

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.