BARCLAYS CONFERENCE

Capturing the plant based opportunity

September 4, 2019

Emmanuel Faber
Chairman and CEO
In the age of flexitarianism and the rise of plant based food
A unique vision

ONE PLANET. ONE HEALTH
In the age of flexitarianism and the rise of plant based food
A unique business

Health-focused portfolio

- 89%\(^{(1)}\) of volumes sold recommended for daily consumption

Flexitarian diets promotion

- #1 in fresh dairy and plant-based

Sustainable farming practices

- Leader in organic

Collective approach

- Partnership networks for speed, impact and scale

Source: Euromonitor, internal estimates. \(1\) 89% in 2018. 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.
A unique, integrated model

OUR BRAND MODEL

OUR BUSINESS MODEL

OUR TRUST MODEL
The opportunity: the age of flexitarianism

Danone uniquely positioned for the plant-based momentum
The urgency for sustainable food systems and diets
Food at the heart of many of today’s world challenges

$1 spent on food today = $1 hidden cost incurred for society

50% consumption
- Production-related ill health: 13%
- Diet-related disease: 37%

50% production
- Natural capital degradation: 26%
- Biodiversity loss: 11%
- Imported food: 8%
- Farm support and regulation: 5%

Source: Sustainable Food Trust, «The Hidden Cost of UK Food», November 2017
A shift in eating habits and production practices is needed
Growing science evidence
Towards protein-autonomous Europe
One Planet. One Health at work at the macro level

Source: Adapted from IDRRI, "An agroecological Europe in 2050: multifunctional agriculture for healthy eating," Sept-2018
Consumers rethinking protein diet
One Planet. One Health at work in my plate

Source: Lightspeed/Mintel.
Limiting/avoiding red meat: Internet users ages 16+ 1,000 per country.
Meat-free days: Internet users aged 16+ who have bought meat, seafood, poultry and meat alternatives in the last 3 months – France (959), Germany (915), Italy (973), Poland (963), Spain (973)
Consumers rethinking protein diet
The role of food in climate change

Proportion of total greenhouse gas emissions from food

A quarter of global emissions come from food

More than half of food emissions come from animal products

Half of all farmed animal emissions come from beef and lamb

Food: 
- 26% of total

Other greenhouse gas emissions: 
- 74% of total

Animal products: 
- 58% of total

Other food: 
- 42% of total

Beef & lamb: 
- 50% of total

Other animal product: 
- 50% of total

Source: Poore & Nemecek (2018), Science
Consumers rethinking protein diet
The highest-impact plant-based protein emits less than the lowest-impact animal protein

Kilograms of greenhouse gas emissions per serving

Source: BBC adapted from Poore & Nemecek (2018), Science
Dairy is critical for planetary diets
Dairy protein: environmental impact 5x lower than beef meat

Carbon footprint per 100g protein (kg CO2eq)

<table>
<thead>
<tr>
<th></th>
<th>Soy drink</th>
<th>Milk</th>
<th>Beef (beef herd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>10</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

Land use per 100g protein (m²/year)

<table>
<thead>
<tr>
<th></th>
<th>Soy drink</th>
<th>Milk</th>
<th>Beef (beef herd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>27</td>
<td>164</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Poore & Nemecek (2018), Science
Dairy is critical for planetary diets
Critical role in flexitarian diet and soil health as meat consumption reduces

**ONE PLANET**

- **Value-added dairy diet** fundamental to balance meat reduction in future agricultural models
- Grazing essential to **soil health and biodiversity**


**ONE HEALTH**

- **High quality, highly digestible proteins**
- **Dairy, especially yoghurt, considered as protective food**

**Benefit**
- Fruits, Nuts, Fish
- Vegetables, Vegetable Oils
- Whole Grains, Beans, Yogurt

**Harm**
- Cheese
- Eggs, Poultry, Milk
- Butter
- Unprocessed Red Meats
- Refined Grains, Starches, Sugars
- Processed Meats, High Sodium Foods
- Industrial Trans Fat

- **Fermented dairy** recommended in planetary diets

Source: Mozaffarian, Circulation 2016
Consumer rethinking protein diet
Shift to flexitarian diets across generations

One in five UK adults say they are following flexitarian diets

Source: Waitrose food and drink report 2018-19
Consumers rethinking protein diet
Science foundations for plant-based as a healthy diet option

- Low in saturated fat
- High in unsaturated fat
- High in fibre
- Rich in vitamins and minerals
- Nutrient density

Effect in Type-2 Diabetes prevalence

Source: Adventist Healthy Study-2
Soy protein
Among the highest nutritional values

Protein scores (PDCAAS)

- Scores better than any other proteins of plant origin
- Source of high quality protein
- Low in saturated fat
- Low in sugars

Source: J Agric Food Chem 59:12707-12, 2011
Soy protein
Recognized health benefits

- **Cholesterol**-lowering potential
- Beneficial for **cardiovascular** health
- Lower risk of breast and prostate **cancer**
- Anti-inflammatory **muscle** impact

Flexitarian diets becoming a prominent feature of mainstream food culture
Large growth opportunities ahead

<table>
<thead>
<tr>
<th>Product</th>
<th>Market Size (€bn)</th>
<th>CAGR 2018-2023 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total plant-based</td>
<td>€0bn - €25bn</td>
<td>+9%</td>
</tr>
<tr>
<td>Plant-based milk</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>alternative</td>
<td></td>
<td>+20%</td>
</tr>
<tr>
<td>Plant-based yogurt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>alternative</td>
<td></td>
<td>+17%</td>
</tr>
<tr>
<td>Plant-based ice cream</td>
<td></td>
<td></td>
</tr>
<tr>
<td>alternative</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Euromonitor, World excl. China; Total plant-based defined as of Free from Dairy, Ice Cream, Milk, Yogurt and Meat
Complementary plant-based and dairy proteins categories
Bringing incremental value for dairy category and retailers

Source: Shopper Basket analysis in EU

<table>
<thead>
<tr>
<th></th>
<th>Shopper NOT BUYING plant based</th>
<th>Shopper BUYING plant based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy category (UK)</td>
<td>£2.28 per trip</td>
<td>£3.11 per trip</td>
</tr>
<tr>
<td>Dairy category (Netherlands)</td>
<td>31.2€ per trip</td>
<td>39.4€ per trip</td>
</tr>
</tbody>
</table>

Increase the average spending per basket in Dairy & Plant category

VALUE OF DAIRY BASKET
+36%

VALUE OF DAIRY SPENT
+26%
Complementary plant-based and dairy proteins categories
Bringing incremental value for dairy category and retailers

Source: Shopper Basket analysis in EU
High retailers acceptance and healthy shelf space growth drives plant-based growth. Alpro contributes to half of category growth in France.

Increasing offer as retailers bet on the category

<table>
<thead>
<tr>
<th>Year</th>
<th>Average # of Plant-Based SKU/ PoS</th>
<th>CAGR 2016-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>33</td>
<td>+14%</td>
</tr>
<tr>
<td>2019</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 2016-19: +14%

Shelf space booming driving consumer awareness

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Plant-Based shelf space (m) / PoS</th>
<th>CAGR 2016-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>28</td>
<td>+28%</td>
</tr>
<tr>
<td>2019</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 2017-19: +28%

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR 2016-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.1</td>
</tr>
<tr>
<td>2015</td>
<td>2.2</td>
</tr>
<tr>
<td>2016</td>
<td>2.6</td>
</tr>
<tr>
<td>2017</td>
<td>2.9</td>
</tr>
<tr>
<td>2018</td>
<td>4.1</td>
</tr>
<tr>
<td>2019</td>
<td>4.9</td>
</tr>
</tbody>
</table>

CAGR 2017-19: +30%

Source: IRI France, 08-2019, Hyper and Supermarkets
The opportunity: 
the age 
of flexitarianism

Danone uniquely positioned for the plant-based momentum
Driving plant-based growth
Objective: triple sales by 2025

~ € 5bn

3x

€ 1.7bn

2018

2025
A pioneer and leader in plant-based
Following Whitewave acquisition in 2016

Source: Euromonitor, internal estimates
Unparalleled scale, footprint and relative exposure
2018 estimated revenues

**Pure plant-based players**
(€m plant-based sales)

- Blue Diamond
- Hain Celestial
- Beyond Meat

**€1.7bn**

**FMCG companies**
(% of sales from plant-based)

- Kellogg
- Coca-Cola
- Nestle

**7%**

Source: Based on internal estimates and Euromonitor, retail value for FY2018, plant-based defined as of Free from Dairy, Ice Cream, Milk, Yogurt and Meat
A pioneer and leader in plant-based
Leadership positions across categories and segments

<table>
<thead>
<tr>
<th>Country</th>
<th>PB Milk Alternatives</th>
<th>PB Yogurt Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Soy</td>
<td>Almond</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Soy</td>
<td>Almond</td>
</tr>
<tr>
<td>Italy</td>
<td>Soy</td>
<td>Almond</td>
</tr>
<tr>
<td>Spain</td>
<td>Soy</td>
<td>Almond</td>
</tr>
<tr>
<td>Portugal</td>
<td>Soy</td>
<td>Almond</td>
</tr>
<tr>
<td>Sweden</td>
<td>Soy</td>
<td>Almond</td>
</tr>
</tbody>
</table>

Market share:
- >60%
- 40%-60%
- 20%-40%
- 0%-20%

Source: Nielsen, MAT TY to Q1 2019, internal estimates
Superior offer, expertise and heritage
Driving product distinctiveness through technical superiority

Organoleptic liking score

Alpro 7.4
Competitor 1 5.9

Silk 7.0
Competitor 1 4.7

Source: Internal consumer blind test – Alpro EU 4 (Haystack), Silk US 2018
Superior offer, expertise and heritage
End-to-end process

Return on investment across the value chain

Farming raw material ingredients
Processing raw materials
Base products
Recipe formulation
Filling & packaging
Superior offer, expertise and heritage
A unique expertise: greatest research across spectrum of sources of protein

Mixing right blends for best products

Highest nutritional quality
—
Best degree of functionality
—
Best tasting
—
Lowest cost
—
Varieties and origins
Superior offer, expertise and heritage
Mastering a multi-ingredient playground

<table>
<thead>
<tr>
<th>Mature</th>
<th>Growing</th>
<th>Booming</th>
<th>Emerging</th>
<th>Early stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOY</td>
<td>ALMOND</td>
<td>OAT</td>
<td>CASHEW</td>
<td>CHICKPEAS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PEA</td>
<td>CHIA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>SESAME</td>
<td>HEMP</td>
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</tr>
</tbody>
</table>

Alpro products featuring various ingredients.
New category fundamentals
Creating new opportunities

- **Probiotics**
  - Probiotic beverages and yogurts growing
  - > 6%

- **Proteins**
  - High protein yogurt growing
  - > 10%

- **Plant-based**
  - Plant-based beverages and yogurts growing
  - > 8%

Source: Euromonitor value CAGR 2015-2017 total world. Plant-based excluding China
Investing for the next plant-based frontiers
Through partnerships and start-up portfolio

**DAIRY-FREE YOGURT**
CULTURED COCONUT DRINK
PROBIOTIC

**R&I partnerships**

**Fermented plant proteins**

**Chickpea protein ingredient start-up**

**MycoTechnology**
Simply Better Taste

Creating complete food protein from new fermentation technology inspired by Yellowstone ecosystem
Native plant-based brand equity
Entitled to travel and expand into adjacent categories

Core business

Beverages
Yogurt

Adjacent categories

Ice-Cream
Coffee inspired

Culinary
Plant-based nutrition

Recruitment levers
Target new categories
Seizing plant-based coffee-inspired opportunity

Sizeable ready-to-drink coffee category
~€20bn worldwide

Rolling out ready-to-drink coffee in 2019

Capturing growth in coffee shops
Alpro out of home plant-based barista +40% CAGR in 2016-18

Source: Euromonitor, internal estimates
Fostering out-of-home coffee mega opportunity
Drive in-store conversion with consumer proximity
Pivoting acquired brands positioning
New brand visual
Pivoting acquired brands positioning
New brand visual
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New brand visual
Pivoting acquired brands positioning
Moving brands into the One Planet. One Health frame of vision

- Sustainable Coconut Center
- Industry pioneer USA Segregated Palm Oil by 2020
- Pollinator Conservation Program
Pivoting brands into plant-based
Leveraging health heritage

Coffee
- STōK

Indulgence
- OIKOS

Kids
- Danoninho

Probiotics
- ACTIVIA
Growing food allergy prevalence
Opening growth avenue for plant-based baby food

Food allergy as a global epidemic
Milk ranking among top 3 allergens

Food allergy prevalence rates

Self-reported Symptomatic

Ranking of products associated to allergy avoidance in China
Plant-based as the first choice

Danone is #1 in soy-based IMF

Source: Tang & Mullins, 2017
Source: Toluna quick survey
Source: Nielsen excluding US
Unique market reach
Tailored geographical expansion

**Main-stream**
- Plant-based
- Becoming main-stream
- Maintain leadership and market share

**Fast-growing**
- Plant-based
- Catching up
- Capture market share and leadership position

**Emerging**
- Push plant-based
- Category development
- Reestablish plant-based and grow market share

**Transforming**
- Category rapidly evolving
- Establish brand as market innovator
Our route to €5bn plant-based revenue by 2025
A key component of Danone’s 2030 goals

- Core business
- Adjacent categories and new geographies

(1) Core segments (plant-based beverages and plant-based yogurts) in core geographies (North America and EU4)

- New geographies: LATAM, CIS and ASPAME expansion
- New categories, in particular coffee
- Core business continue to grow HSD in line with the market

2018

2025

€1.7bn

~€5bn

x3

1/3

2/3
Danone best placed to capture the plant-based opportunity
4 key competitive advantages

1. X-times brand leadership in core segments, science and technology
2. Chilled retail shelf synergies and away-from-home potential (e.g. coffee)
3. Danone One Planet. One Health assets support plant-based execution
4. Protein, probiotics, plant-based triangle ~ 75% of Danone sales
In the age of flexitarianism and the rise on plant based food
Danone best positioned to turn opportunity into value
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