



DANONE
ONE PLANET. ONE HEALTH

Investor Seminar
October 22, 2018

Specialized Nutrition in China: a Strong and Sustainable engine for growth

Bridgette HELLER
EVP, Danone Specialized Nutrition

Bridgette Heller

3 years at Danone



- 2016** • EVP Specialized Nutrition
- 2010** • EVP Consumer Care at Merck & Co
- 2005** • Global President Baby Global Business Unit at Johnson & Johnson
- Prior to 2005** • Senior positions at Kraft Foods

1

context

China, a key
growth engine

2

short term

Maintaining Leadership
in a shifting landscape

3

mid-long term

Great potential
to capture new
opportunities



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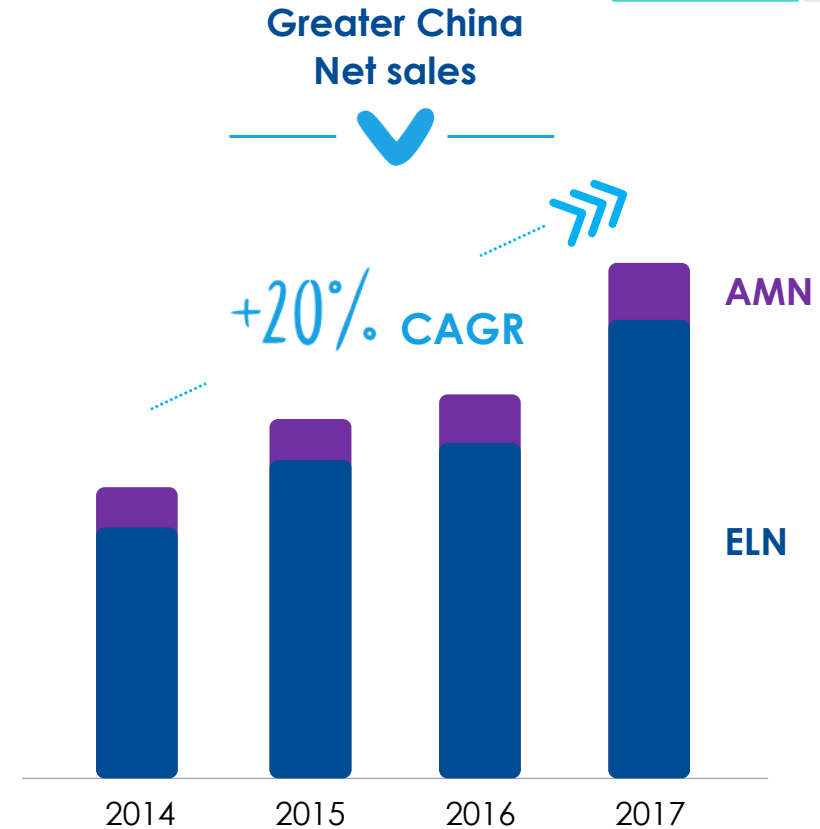
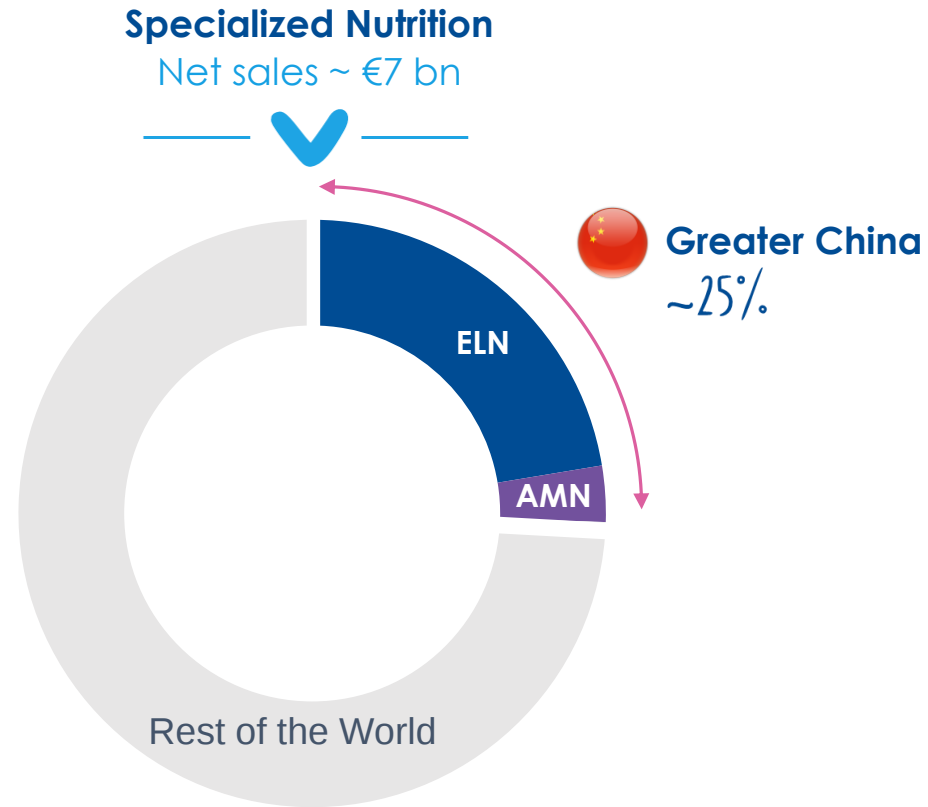


China is large and growing part of Specialized Nutrition Portfolio

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pediatric nutrition

Infant Milk Formula (IMF)

TOP3 Player
Aptamil #1 Brand

Allergy Management

Neocate
#1 Brand with HCP's

adult nutrition

Enteral Nutrition

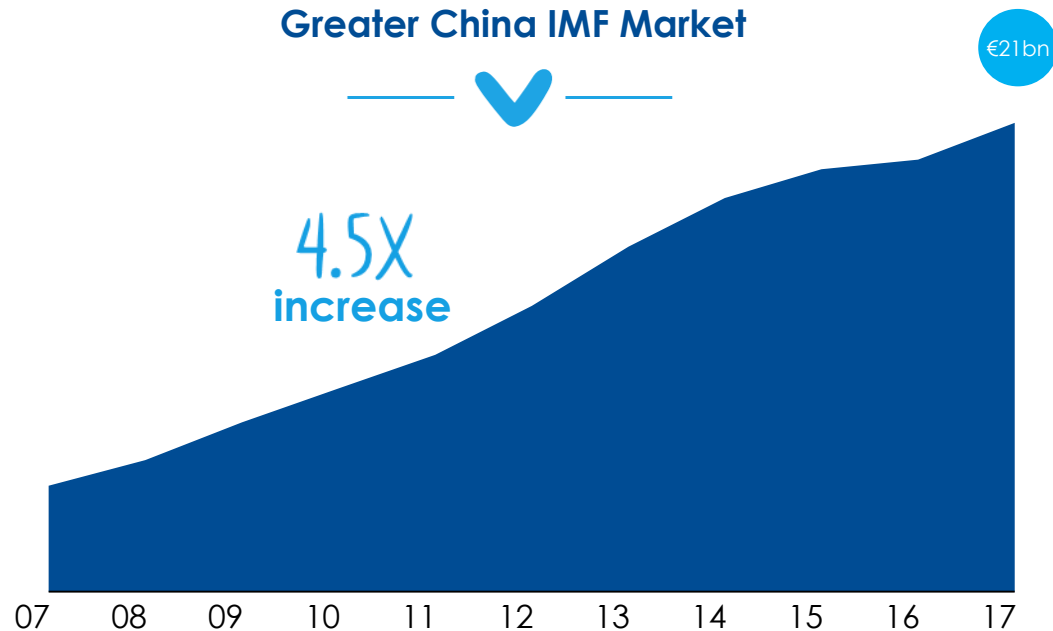
Nutricia # 1
Adult Nutrition Brand



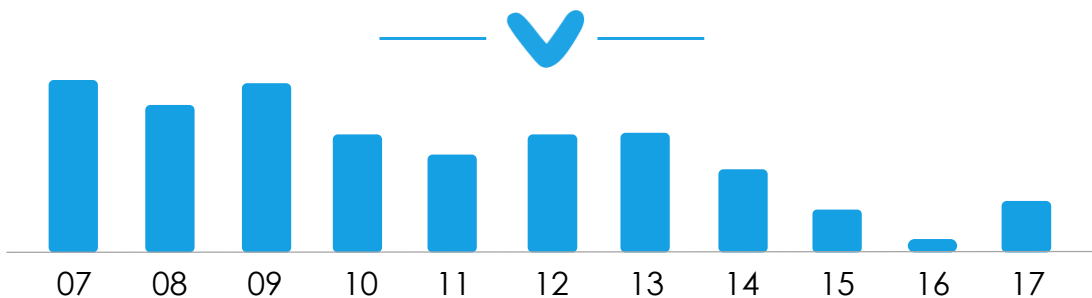
10 years of massive growth of IMF market

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Greater China IMF Market



YOY Growth



Source: Euromonitor Packaged foods value

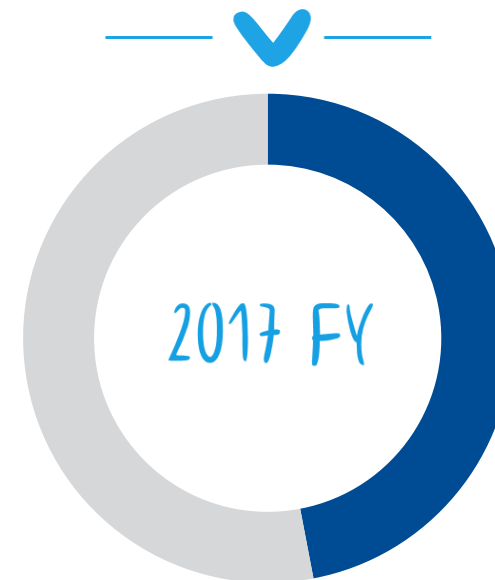
Baby births

Urbanization
& middle
class

Safety
Concerns

Premiumization

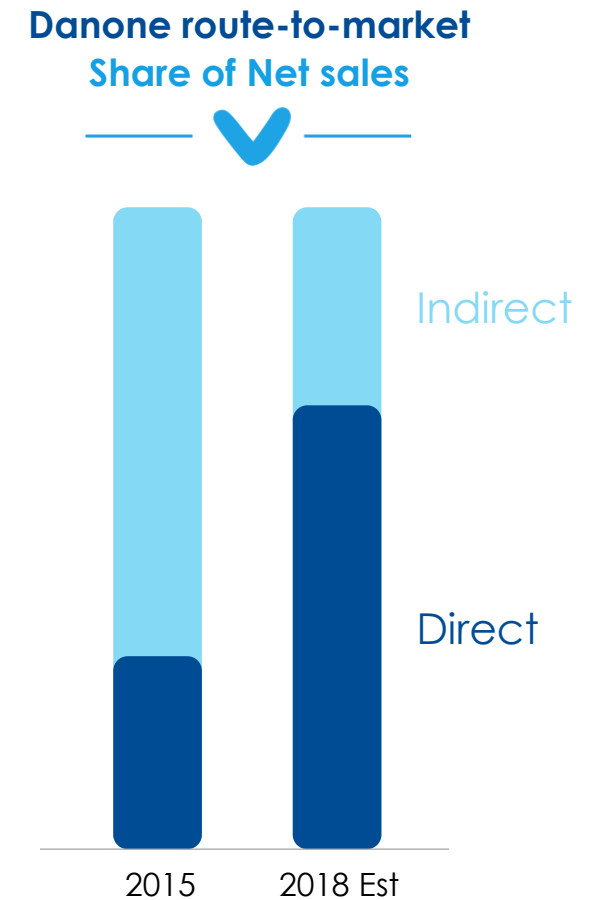
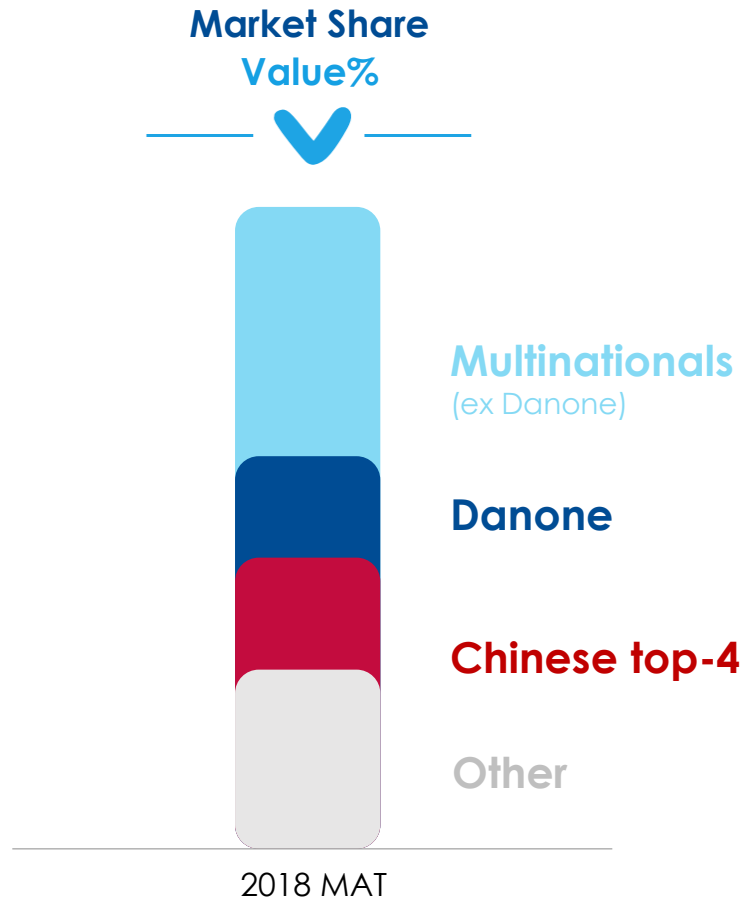
Infant Milk Formula Global Market



- Greater China
- Rest of the world

Source: value, Nielsen, Smartpath

We outperformed category while building a more sustainable IMF business model



Source: Nielsen & smartpath IMF category ; Internal netsales

We are successfully building Direct channels to address sustainability of RTM

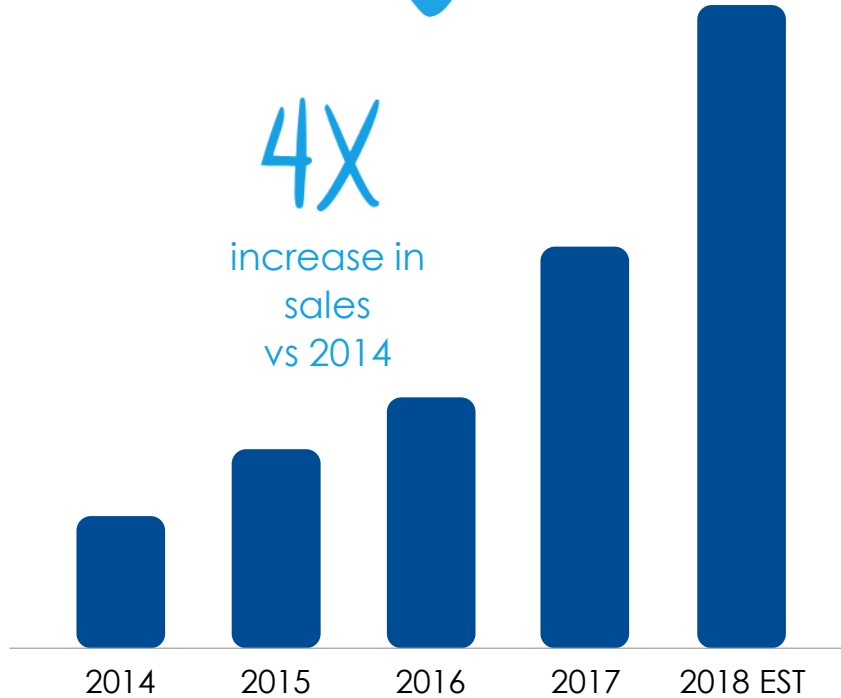
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Direct China
Net sales



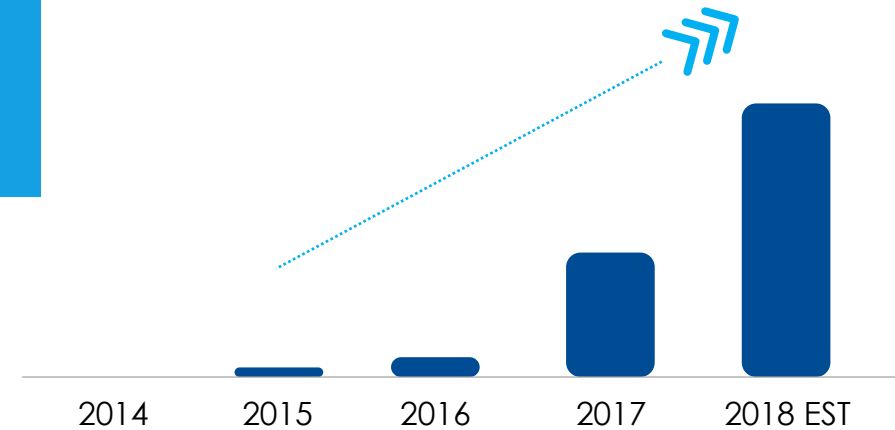
4X

increase in
sales
vs 2014



~€1BN

Direct International
Net sales



Source: internal



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We established IMF leadership leveraging key specific capabilities to win in China

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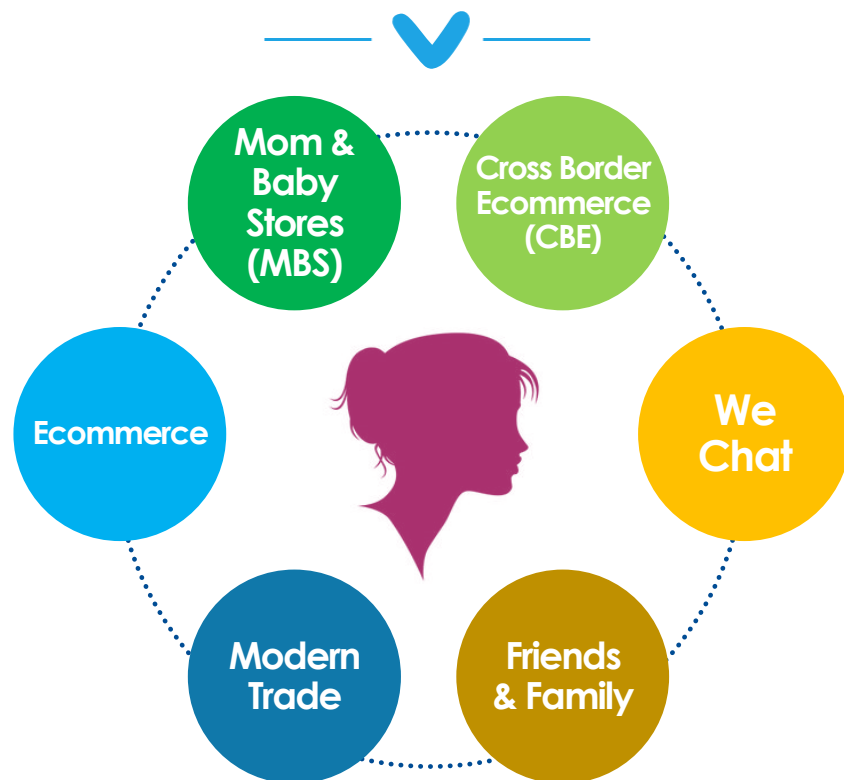
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Omnichannel Reach



Strong Global Brands

Champion exposure-led parenting to become the No.1 culturally resonant parenting brand



#1
IMF
Brand

Reconnect Chinese families to nature to become the No.1 socially responsible parenting brand



#5
IMF
Brand



We have also built strong leadership both in pediatric allergy and in adult hospital nutrition

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Neocate

#1

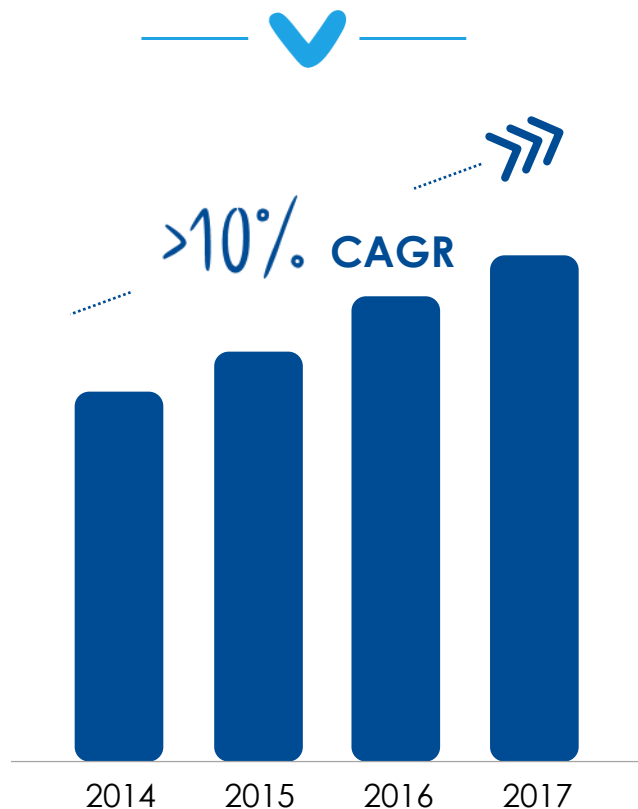
HCP recommended
brand



Allergy Management Market



Enteral Nutrition Market



NUTRICIA

#1

Hospital Nutrition
brand



Source: internal



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Performance softening after four quarters of exceptional growth

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Source: internal, like-for-like Net Sales year on year evolution

In the short term, a few factors putting pressure Market is expected to continue to grow

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**shrinking
baby pool**

Impacted by
demographic and
lifestyle trends

**regulatory
changes**

Reinforced regulation
of our categories

**continued
category
growth**



Demographic and lifestyle trends are impacting growth of IMF category

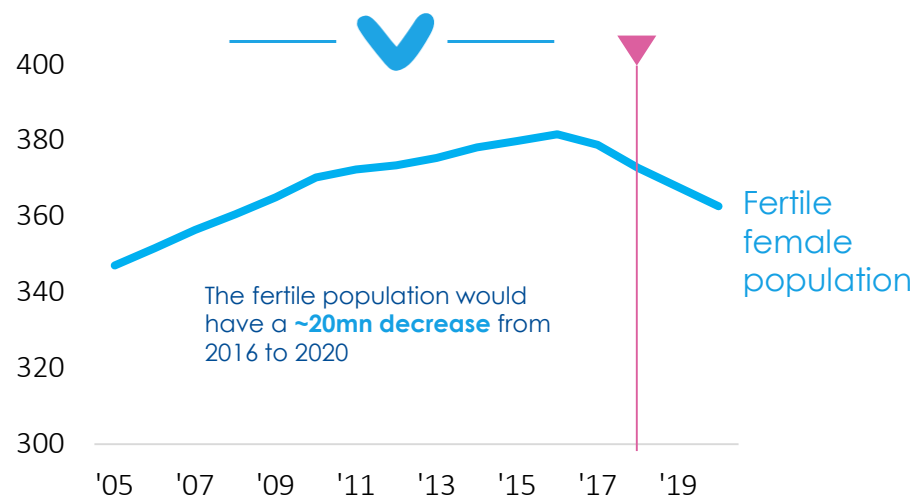
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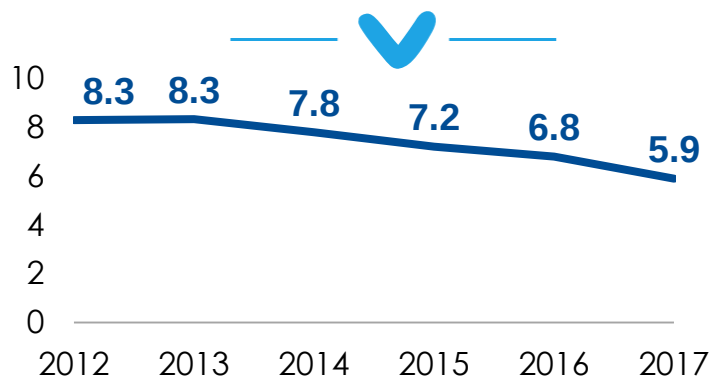
China Fertile Population (15-49yo)

Mn, 2005-2020E

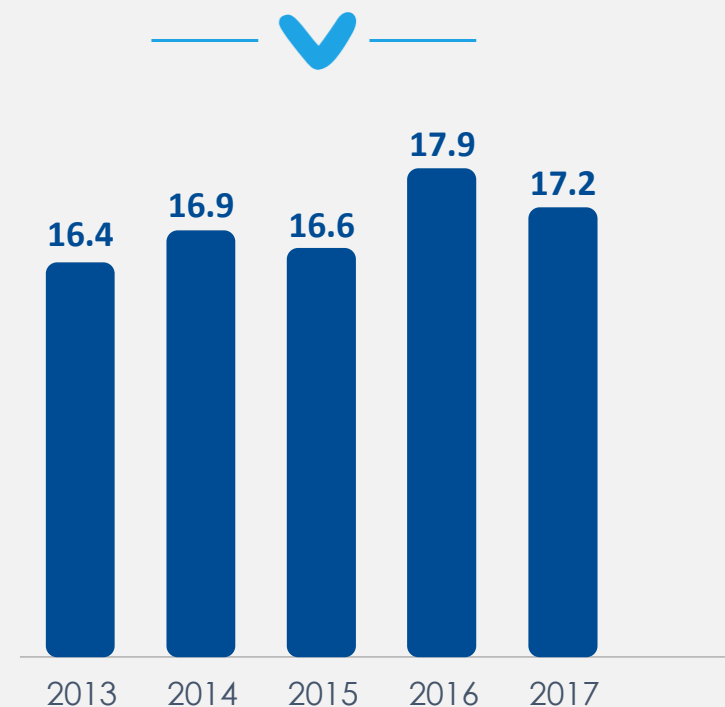


Birth Willingness of 15-49yo Women (currently no child):

%, 2012-2017



China New-born Baby Population (MN), 2013-2017



Fertile Population - No. of women in reproductive age (15-49 years old)
Birth willingness - % of fertile age woman who gave 1st child birth at given year
Source: Government; Internal analysis & research

Accelerated trend of regulation of our categories in China

1

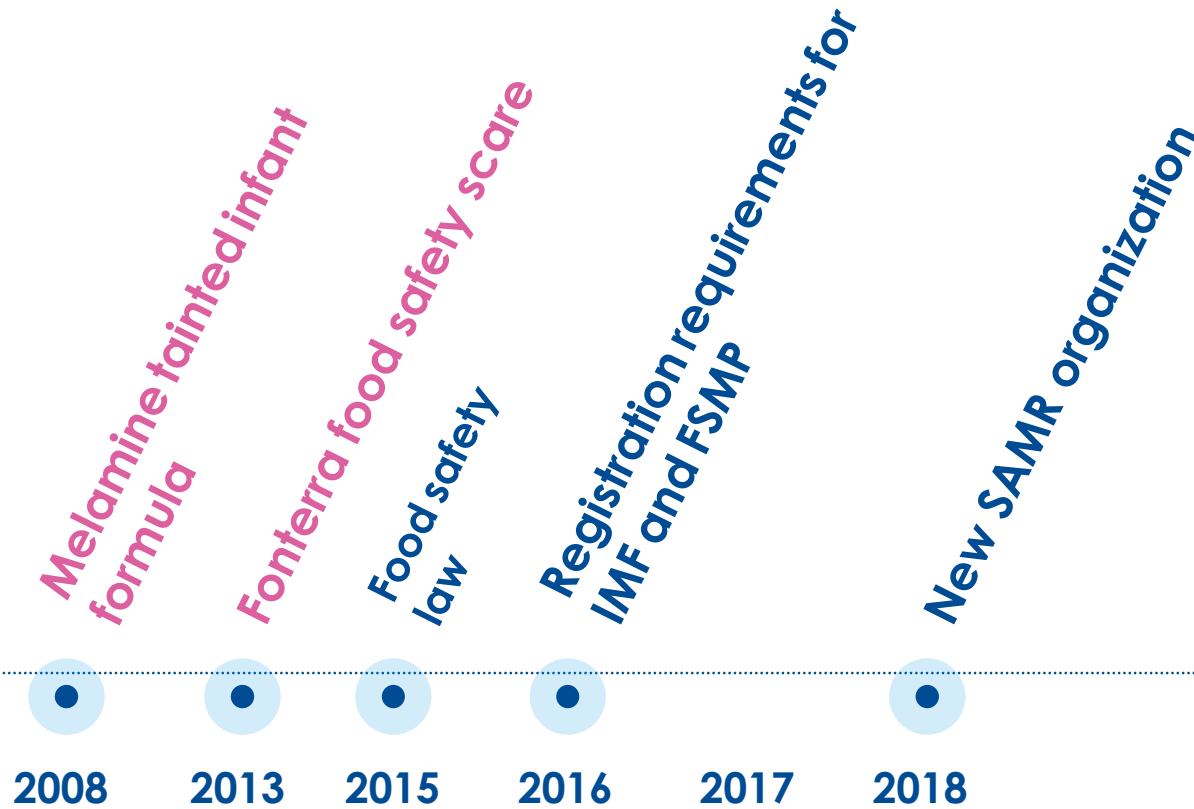
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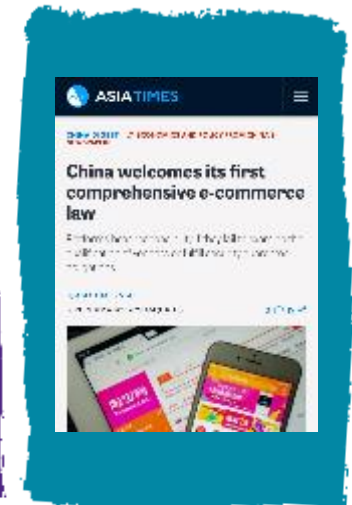
2018 Developments



New IMF national standards in draft



New process for drug license renewal



New E-commerce law promulgated

Note: SAMR – State Authority for Market Regulation; FSMP – Food for Special Medical Purposes



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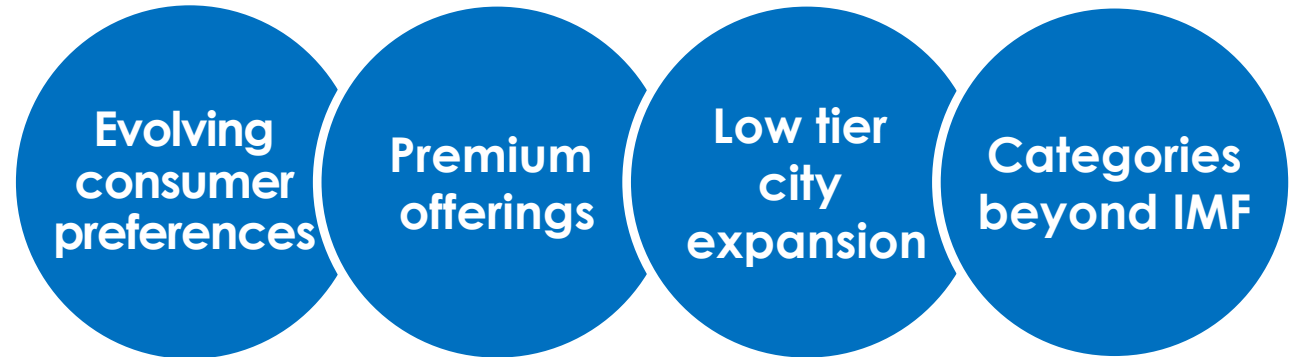
Moving forward, Danone SN well positioned to capitalize on significant opportunities within a changing China market

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Our pillars



potential growth drivers



We are in the Right Categories with potential for growth

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Right
Categories

Key Categories

Infant Milk
Formula

First Diet

Condition
Related
Nutrition¹

Enteral
Nutrition

Expected 3Y category growth dynamic

Low to
Mid
Single
digit

Double
Digit

Double
Digit

High
single
digit



Source: Internal analysis and estimates
Note: 1. Pediatric areas (Allergy, GI, Growth)

We have the Right Brands to drive consumer preference in all of these growth categories

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Right
Brands &
Strategies



Scientifically advanced – immune function
→ ready for challenges”
Infant Milk Formula
Condition Related Nutrition



Hong Kong Premiumness,
better absorption
Infant Milk Formula
Baby Food



Dutch Heritage, Rooted in Nature
for strong growth
Infant Milk Formula



Leading edge organic
Baby Food
Infant Milk Formula

Neocate

Condition Related Nutrition
#1 allergy globally

Fortimel

Condition Related Nutrition
Strength, Muscle

Infatrini

Condition Related Nutrition
Faltering growth

Souvenaid

Condition Related Nutrition
Cognition

Fortini

Condition Related Nutrition
Disease related malnutrition

Nutrison

Enteral Feeding

NUTRICIA

Our Medical Masterbrand

We have the Right Strategies to meet the evolving needs and preferences of Millennial Chinese parents

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Right
Brands &
Strategies



More independent
thinker (product truths
over brand status)



Seek more sources
before making decisions



No longer trust institution
or conventional
knowledge easily



Define own values and
success (do not let society
define them)

Shifts in consumer motivations

2016

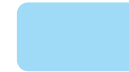
2018 H1



Authenticity & Safety



Brand image



Formula



Functional benefits



Source: Market research



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Our Brands & Strategies are well suited to address untapped opportunity in ultra-premium IMF segments

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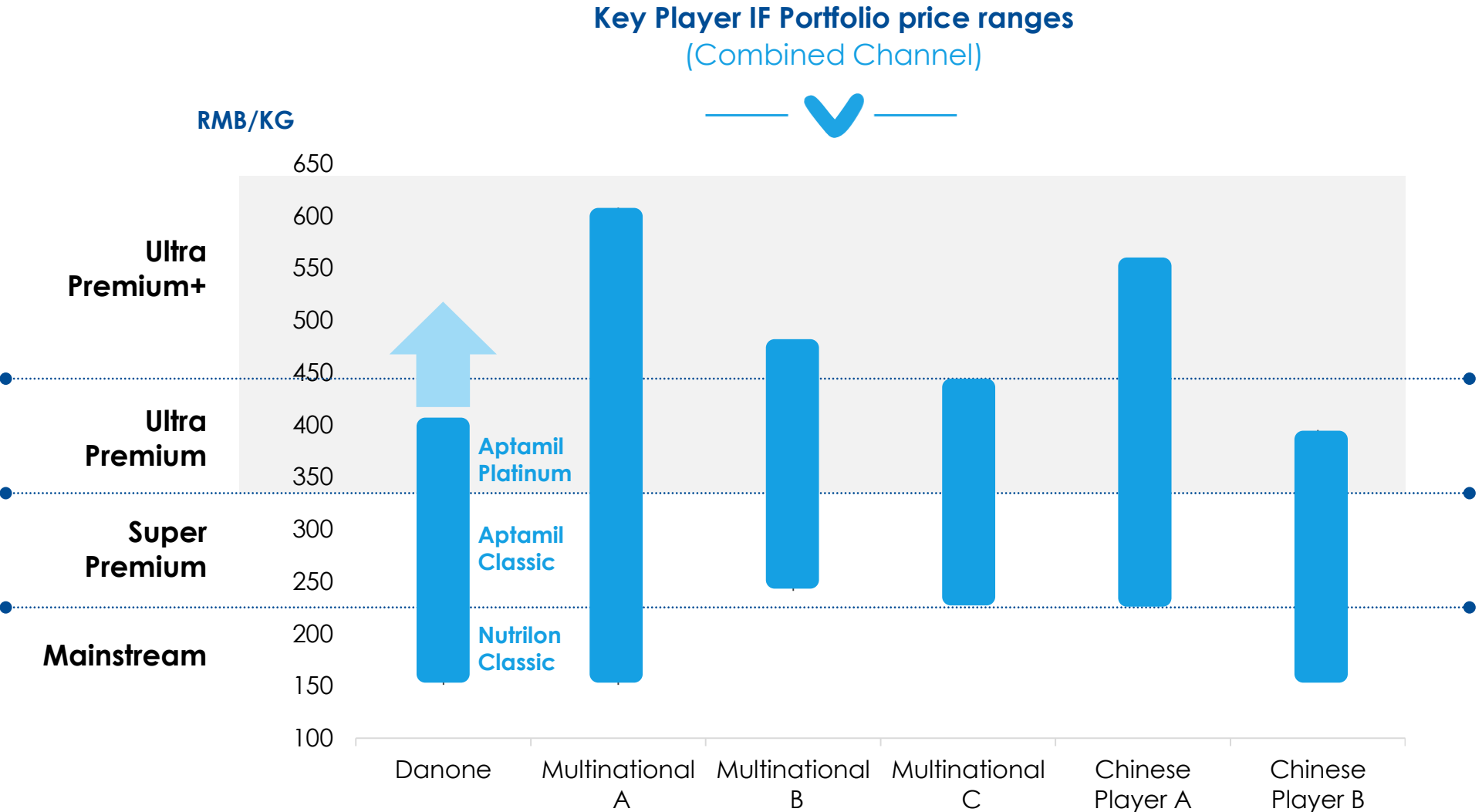
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Right
Brands &
Strategies



Net sales
> x2
YTD

Source: Nielsen; Smartpath IMF category, IF stage

We are prepared to leverage an innovative, benefit-focused, global portfolio to extend our presence in ultra premium.

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Science-based Benefits



Ingredient-based Benefits



Our Brands & Strategies are well suited to address untapped opportunity in condition related or “tailored nutrition”

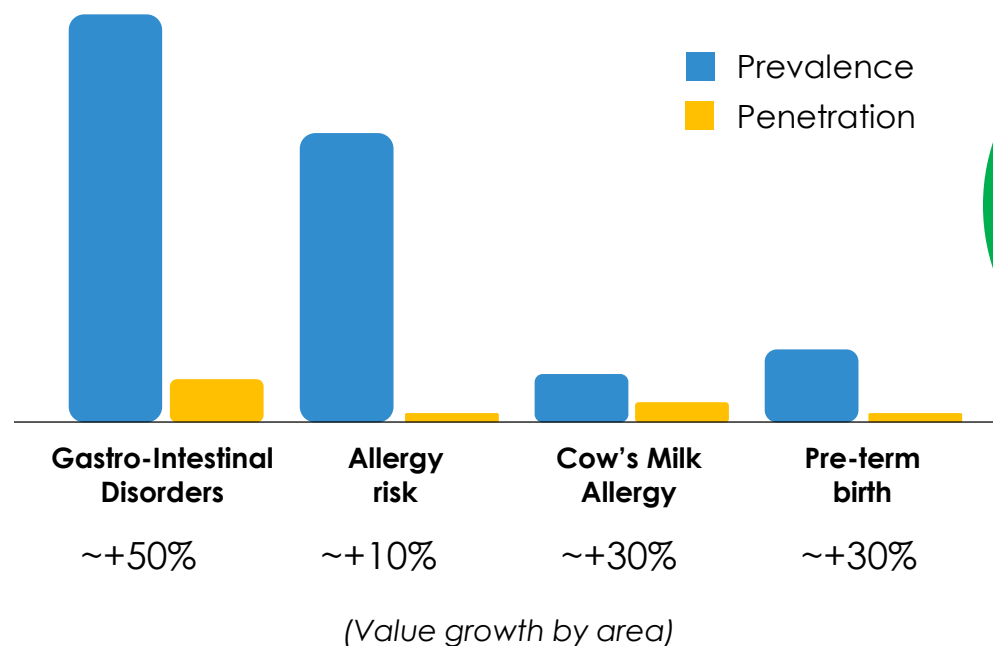
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Right
Brands &
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Penetration vs Prevalence



EUR 1.3 billion
Tailored Nutrition
+30% growth

Opportunity to leverage our scientific capabilities

Leadership in Cow's Milk Allergy management

Strong HCP & KOL credibility

Research capabilities to localize science

Source: Internal estimates & research; Nielsen & Smartpath tailored nutrition market MAT2018

Again, we will adapt and leverage our global portfolio tailored to specific conditions & medical needs

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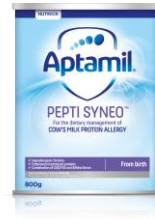
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APTAMIL PROSYNEO
Hypo-Allergenic, Partially Hydrolyzed Formula
for infants at-risk of cow's milk allergy



APTAMIL PEPTI SYNEO
Whey-based, Extensively Hydrolyzed
Formula for infants diagnosed with Cow's
Milk Allergy (CMA).



NEOCATE SYNEO
Amino Acid-Based Formula for infants
diagnosed with severe Cow's Milk Allergy
(CMA) and/or Multiple Food Allergy (MFA).

A complete portfolio in Allergy prevention and management



Gastro-intestinal disorders



Challenged growth due
to pre-term birth



Faltering growth due to
disease and/or disability

We'll leverage the right brands, strategies and medical expertise to continue capturing potential beyond IMF²

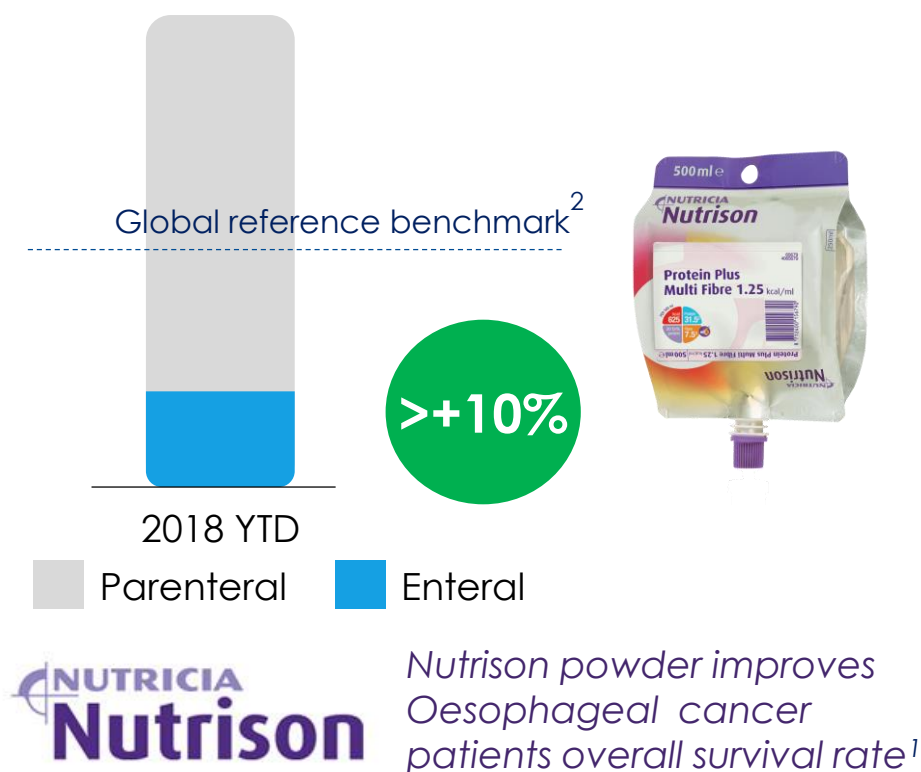
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Right
Brands &
Strategies

Enteral & Parenteral Nutrition market evolution



Source: 1. Research trials; 2. Long term reference based on fully developed markets
Note: FSMP, Food for Special Medical Purposes

AFSMP New Regulatory Framework

New regulatory framework, opening a new self-pay Medical Food Category in 2018, linked to a growing elderly population

—
Opportunity to make medical nutrition accessible in community

—
Supporting chronic disease management eg. cancer care, geriatrics



#1
Hospital
Nutrition
brand

We've developed the Right Consumer & Medical Marketing and RTM capabilities to win in China

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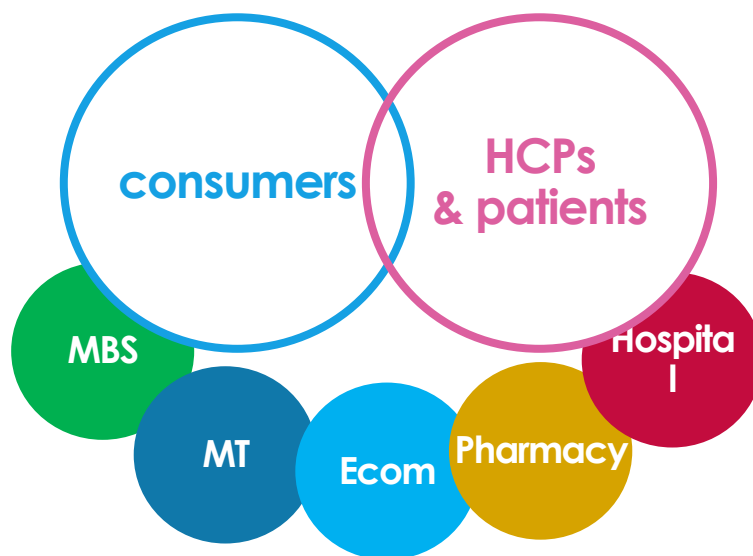
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Right
Capabilities

Data driven marketing



Medical & Consumer route to market



Partnerships with leading retail and ecommerce players



Walmart Group

Best Supplier Marketing Partner



Ali Group

Supplier of the Year

Golden Award of Data Collab.

Best Integrated MKT



JD

The Only GSKA in IMF



Kidswant

1st Brand of IMF



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We're leveraging these skills to capitalize to expand our market reach and capture opportunities in lower tier cities

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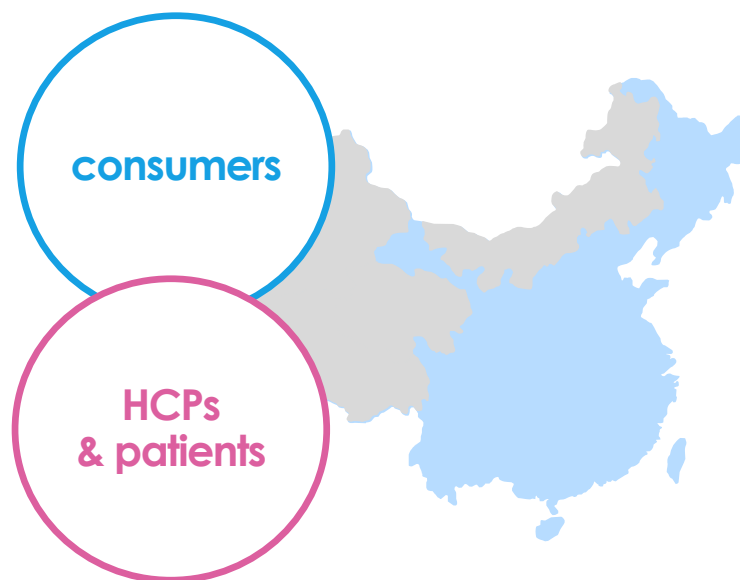
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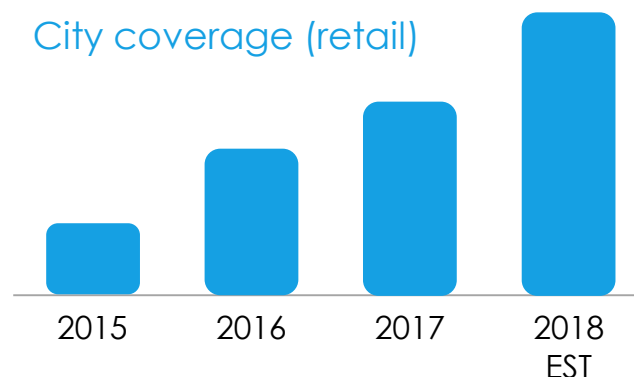
Right
Capabilities

Dual strategy approach

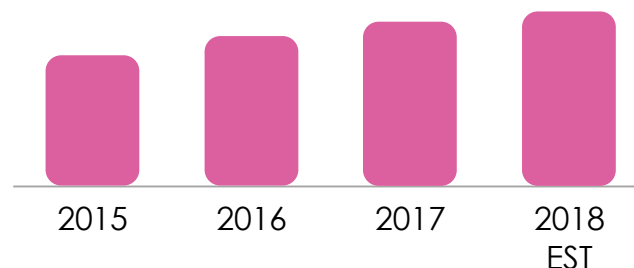


Expanding our market reach

City coverage (retail)



Hospital coverage



Deploying our assets

e-RTM
model



e-RTM package for
Independent Mom & Baby Stores

Therapeutic
Area
Strategy

Patient
journey
management

Digital
Education
Platforms

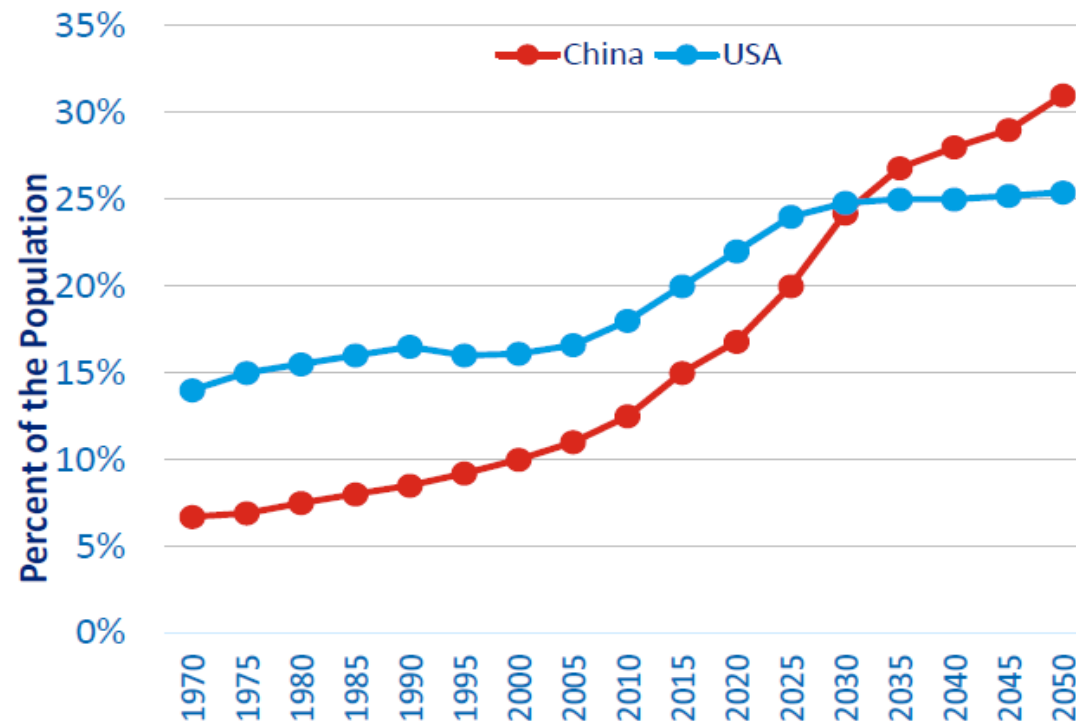
Medical qualifications
& pharma background

Strong clinical evidence and efficacy
of medical nutrition treatment

Source: Internal

We've begun to explore opportunities to capitalize on our science and portfolio to support the needs of a large, growing silver demographic

Percent of population in 50+ age range



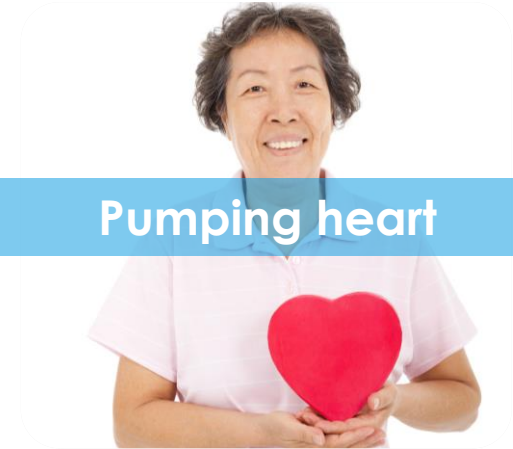
Increasing relevance



Allowing us to begin building new platforms to fuel future growth



Happy mind



Pumping heart



Inner care



Energy & Mobility



Never too old for sports



“Specialized Nutrition, giving people the “extra” support they need at critical moments in every stage of life.”

first 1000 days

childhood

adulthood

aging



Great Confidence for 2020 and Beyond

To contribute to Danone's objectives



our pillars



our strategic priorities

- 1 accelerate growth
- 2 maximize efficiencies
- 3 allocate capital with discipline

our 2020 objectives

>5%
sales growth ⁽¹⁾



Company objectives

4 to 5% sales growth ⁽¹⁾ >16% operating margin ⁽²⁾

(1) Like-For-Like sales growth
(2) Recurring operating margin

Disclaimer

- This presentation 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. Forward looking statements in this document include, but are not limited to, statements regarding Danone’s operation of its business, the expected benefits of the transaction, and the future operation, direction and success of Danone’s business.
- 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 “Risk Factor” section of Danone’s Registration Document (the current version of which is available on www.danone.com).
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- All references in this presentation to “Like-for-like (LFL) New Danone” changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, Recurring EPS, Yakult Transaction Impact, free cash flow and net financial debt correspond to financial indicators not defined in IFRS. Their definitions, their reconciliation with financial statements and IAS29 accounting treatment for Argentina are included in the Q3 sales press release issued on October 17th, 2018. Q1, Q2 and H1 2017 reported figures have been restated for IFRS 15. Indicators ROIC and Net Debt / EBITDA are defined on page 64 of Danone’s 2017 registration document
- Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.