

Invest for Kids Conference:

Danone Investment

November 7, 2012



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Where Can You Find Attractive Risk-Reward?

Current Macro Concerns

▪ United States

- S&P approaching five-year highs
- High unemployment persists
- Slow GDP growth
- Fiscal cliff

▪ Europe

- Euro in doubt
- Social unrest

▪ China

- Change of political leadership
- Economic slowdown

▪ Middle-East

- Geopolitical risks (Syria, Iran)

Food Company Strengths

▪ Irreplaceable brands

▪ Resilient cash flow

▪ High dividends

▪ Liquidity

▪ Ability to work income statement, optimize balance sheet

Triam Credibility and Expertise

- Triam has played a role in transforming several large cap food companies over the past six years...



In the face of numerous macro concerns, food companies offer attractive risk-reward at current levels

Long Investment Idea: Danone



Share Price: €48

Market Cap: €29bn

Enterprise Value: €36bn

Dividend Yield: 3%

- **Triun holds an approximate 1% economic interest in Danone (“Danone” or the “Company”)**
- **21st Century Portfolio**
 - Yogurt: 46% of EBIT
 - Baby/Medical Nutrition: 37% of EBIT
 - Bottled Water: 17% of EBIT
- **52% of Sales in Emerging Markets**
 - Among the highest exposures within consumer staples
 - Margins at or above those in developed markets
- **Attractive valuation**
 - 7% free cash flow yield, 14.8x P/E; 9.3x EV/ EBITDA (2013E)
 - Trading in-line with slower-growth, structurally challenged US peers
- **Triun believes Danone’s implied target value per share could be approximately €78 by year-end 2014⁽¹⁾ (current: €48)**

We believe the market is offering investors a world-class business for relatively low multiples of earnings and cash flow

Source: Company filings.

Note: Market data as of November 2, 2012. EBIT contribution represents first-half 2012 trading operating profit results. Balance sheet data used for calculation of market cap and enterprise value as of June 30, 2012.

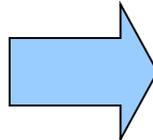
(1) Includes dividends received over ~2-year holding period.

Why Is It Cheap: The Bear Case

The Bears' Concerns

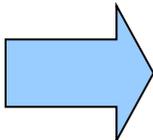
▪ European exposure

- Spain & Italy are ~10% of sales and higher percentage of EBIT
- “Contagion” risk – other countries vulnerable (France, UK, etc.)



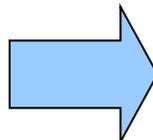
▪ Yogurt is high percentage of sales

- Increasing private label competition
- Innovation cycle slowing?



▪ Organic growth is slowing

- 2012 expected to be at low-end of 5-7% range
- 2013 guidance may again be at low end given Spain / Italy weakness



Trian View

▪ Solid geographic profile

- Approximately 10% higher Emerging Market exposure than Nestle (52% vs. 40%)⁽¹⁾
- Slower EBITDA growth in 2012/2013 priced into the market (including potential near-term pressure on earnings estimates)
- France, Germany, UK better consumer environments & more balanced product mix

▪ Fundamentally sound category

- Danone has leading position (23% global market share)
- Yogurt still compelling growth category; huge per capita consumption opportunity in many large geographies (e.g. US)
- Private label trends should moderate as economy recovers

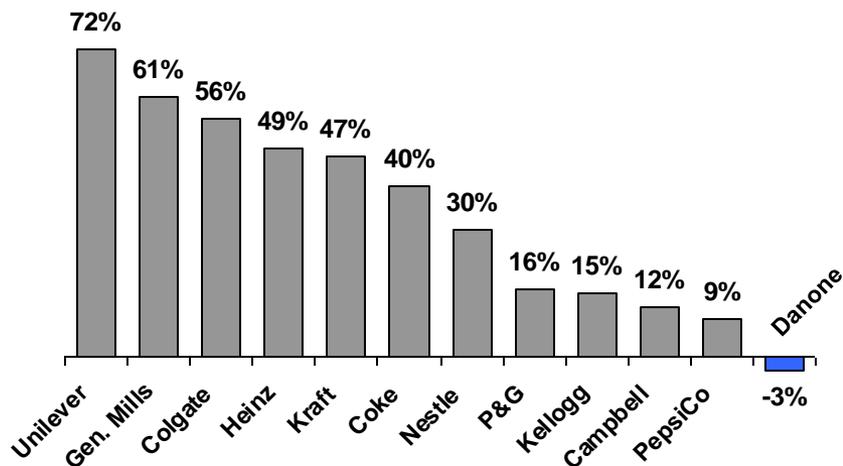
▪ Organic growth is still strong

- Even under duress, Q3 2012 organic growth was 5% (vol +2%, price/mix: +3%)
- Intrinsically strong categories

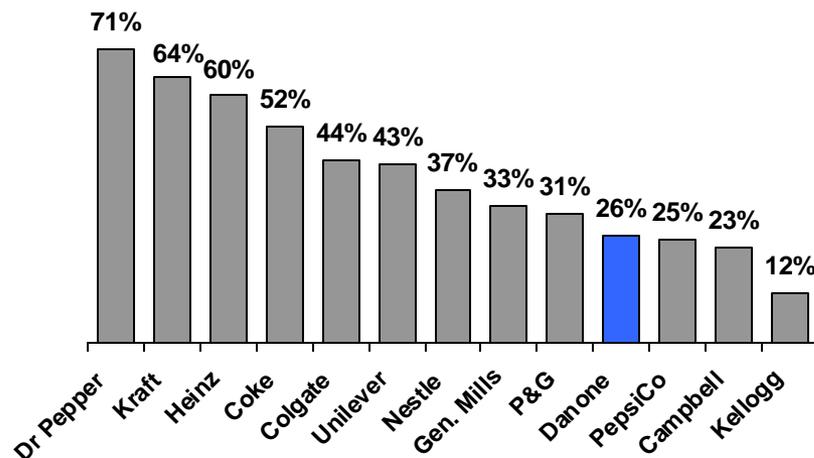
Though there are valid concerns in the near term, we believe buying Danone at 1.5-2.0x P/E and ~33% FCF discount to European food peers more than compensates

Share Price Performance

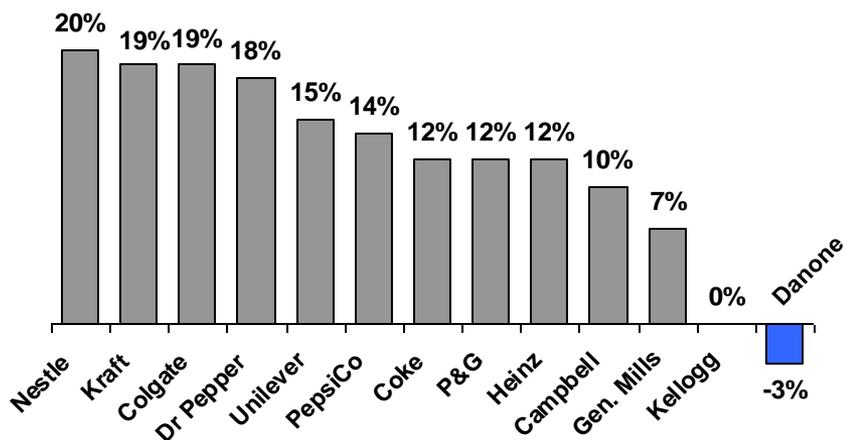
5-Year Total Shareholder Return



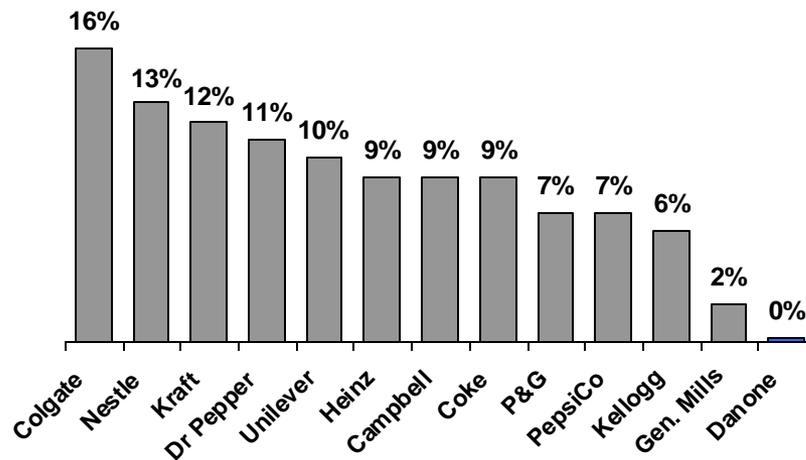
3-Year Total Shareholder Return



1-Year Total Shareholder Return



YTD Total Shareholder Return



Source: Capital IQ as of Oct 31, 2012.

Note: Total returns include dividends. Unilever's total shareholder return represents total return of PLC shares. Dr Pepper excluded from 5-year total shareholder return due to lack of trading history.

Exciting 21st Century Portfolio

- One of the best positioned food companies for increasingly health-conscious consumers
- Natural beneficiary of long-term health issues: obesity, diabetes, malnutrition, heart disease and access to clean water

Fresh Dairy



Water



Infant / Baby Nutrition



Source: Investor presentation.

Note: Danone owns approximately 85% of Stonyfield.

Exposure to Attractive, High-Growth Categories

■ Dairy (Yogurt)

- Danone almost 4x sales of nearest competitor
- Brands that travel: Activia ~€3b in sales globally
- US fresh dairy per capita consumption 14lbs per year vs. approximately 30lbs in UK and 70-80lbs in France and Germany

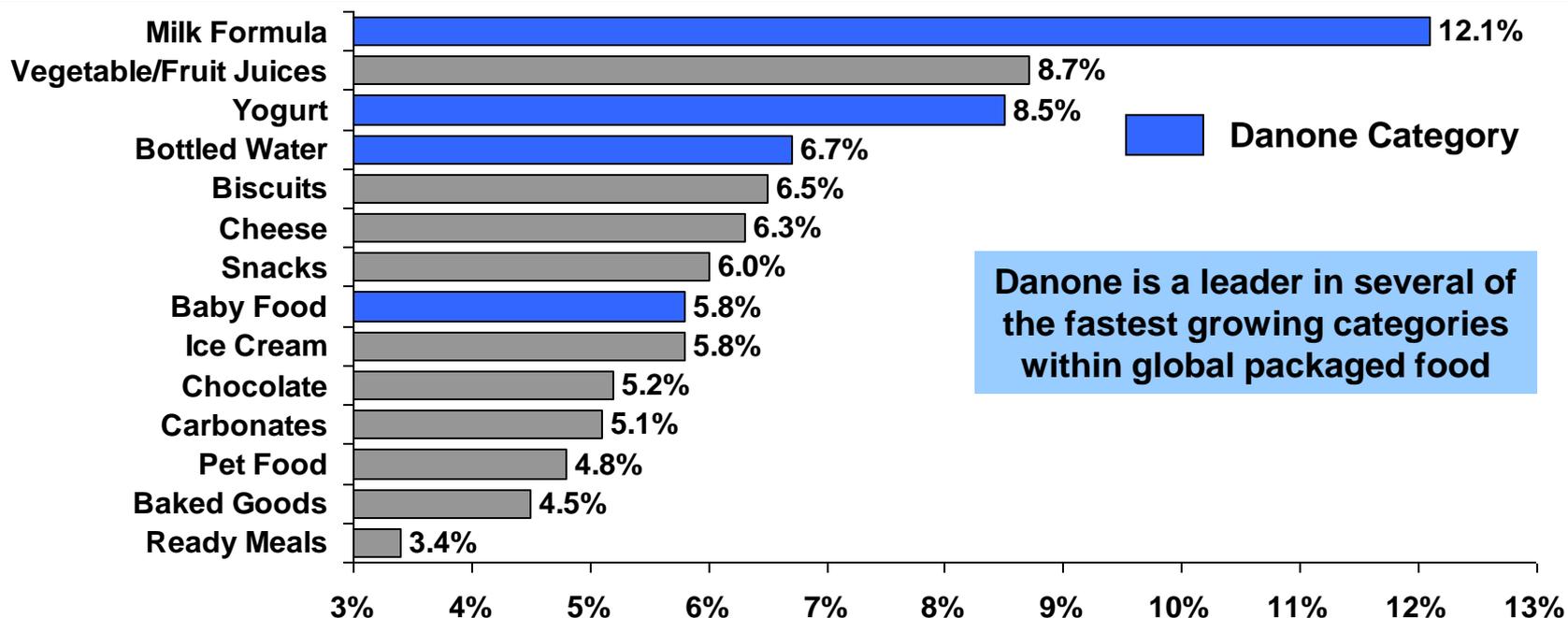
■ Water

- Top 3 player but #1 in premium brands
- Danone: #1 positions in Mexico, Indonesia and among largest in China
- Consumption in emerging markets like China and Brazil ~70-80% below developed markets

■ Infant Nutrition

- ~75% of sales in Emerging Markets
- Top 5 companies control over 60% of global formula market
- Minimal private label threat
- Leveraged to increasing number of births and growing global middle class

Estimated Global Annualized Category Growth Rate, 2011-2020



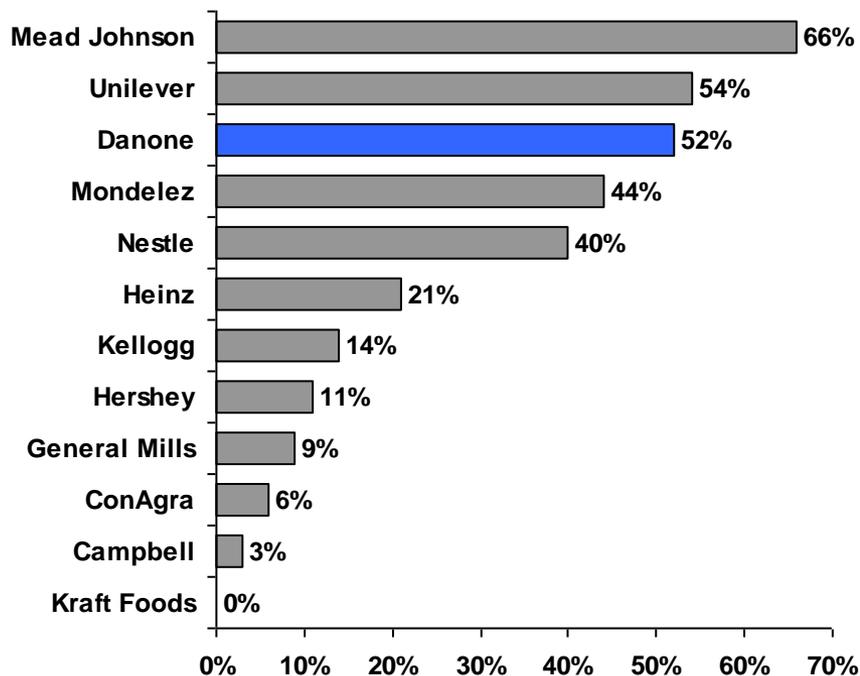
Source: Euromonitor, Street research, Investor Presentations, Pfizer Nutrition Acquisition presentation.

Note: Displaying all categories applicable to Danone plus those additional categories that represent 3% or more of total global packaged food & drink sales.

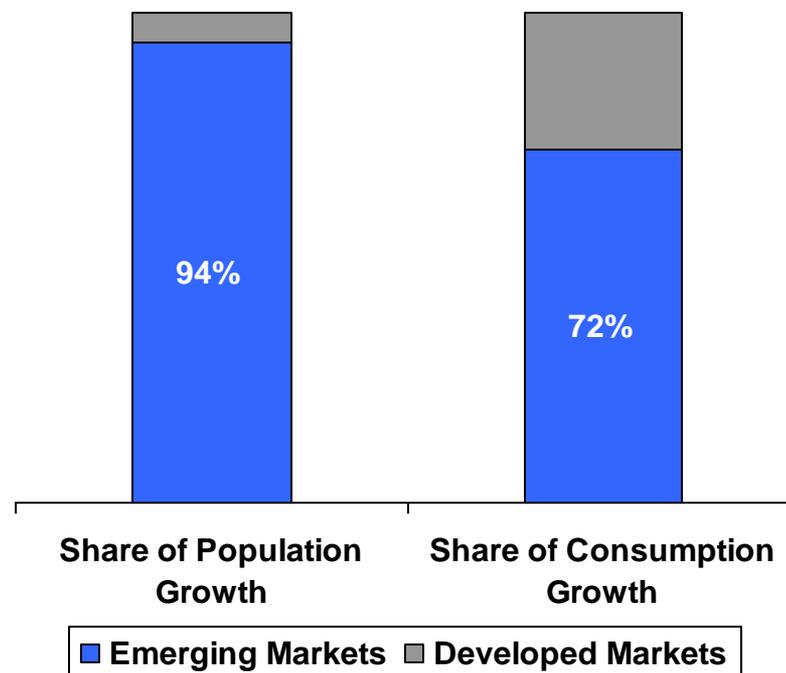
Strong Emerging Market Presence

- In the US, companies with relatively higher Emerging Market exposure have delivered differentiated top-line growth and receive premium valuations (e.g. Heinz, Mondelez)
- Danone has greater Emerging Market exposure at 52% than most of its peers and is growing at similar or better rates in these markets

% Emerging Market Exposure



Emerging Market Share of Future Growth Over the Next Decade



Source: Danone and Unilever investor presentations, SEC filings, Annual Reports, conference call transcripts.

Note: Danone emerging market exposure as of June 30, 2012. Kellogg emerging markets pro forma for Pringles acquisition. Estimates 6% for ConAgra: foreign net sales were 12% of total in FY12, and assumes 50% of foreign sales were to emerging market economies.

Health-Focused Portfolio

- **Large-cap food companies covet health & wellness businesses**
 - Nestle acquisition of Pfizer Infant Nutrition for 19.8x EBITDA
 - October 2012 Whitewave IPO (organic milk): trading ~24x 2013 EPS
 - Developed market grocers (Whole Foods / Fresh Market) north of ~30x forward EPS
- **While some peers are moving to nutritionally-focused portfolios, Danone is already there...**

Example 1: Nestle

“In the last [few] years, we have really been aligning the whole company very strongly behind our agenda, which is nutrition, health and wellness...”

-Paul Bulcke, CEO, Sept 2012

Nestle’s Less Healthy Brands...

Chocolate



Ice Cream



Frozen



Example 2: PepsiCo

“Big trend, health and wellness – this is no longer a trend or a fad. This is here to stay. Profound changes are underway...”

-Indra Nooyi, CEO, Feb 2011

Pepsi’s Less Healthy Brands...

CSD



Salty Snacks



Danone: Health-Focused

FRESH DAIRY PRODUCTS
Developing a well being category worldwide



WATERS
Hydration and elimination



Bring health through food to the largest number of people

BABY NUTRITION
Supporting growing children
Every step of the way



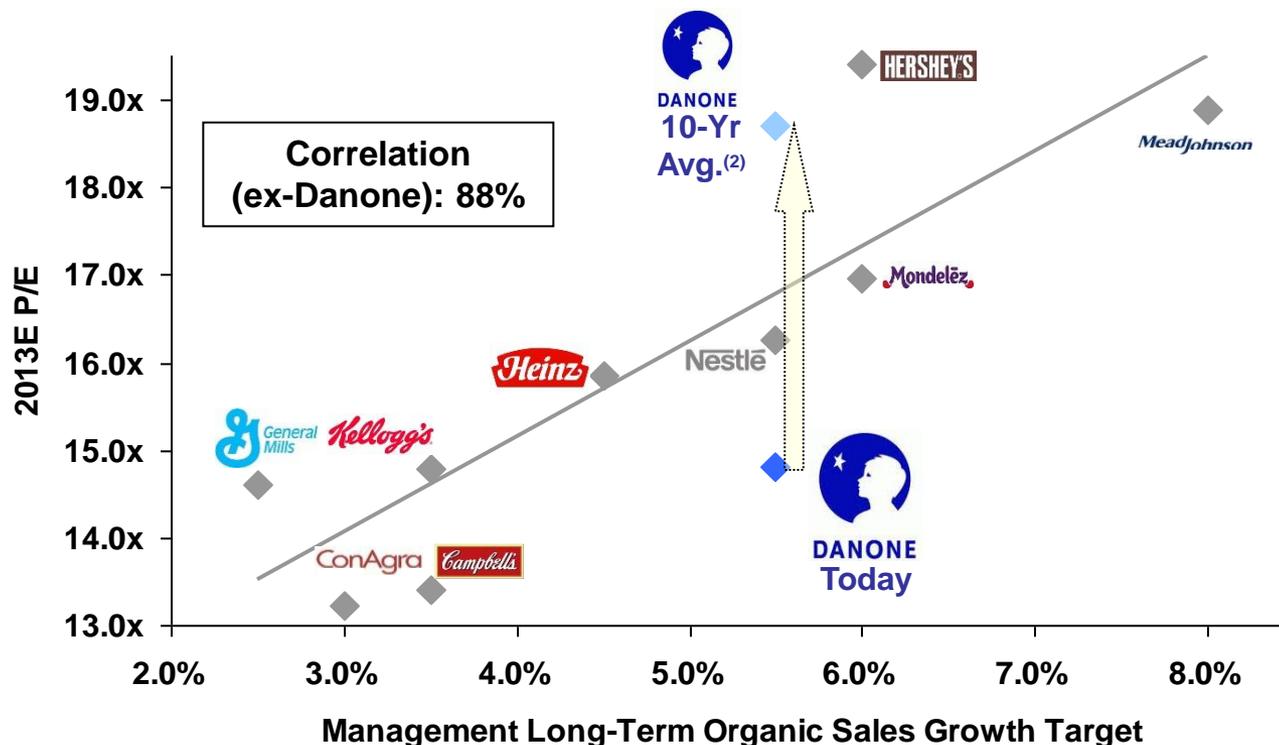
MEDICAL NUTRITION
Nutritional support for persons in fragile health



Attractive Valuation

- Despite (a) health focus, (b) structurally attractive categories and (c) top-tier emerging markets exposure, Danone trades in-line with slower-growing US peers like Campbell and General Mills
- Historically Danone traded at a premium to Nestle; now trades at approximately 1.5x discount on 2013 P/E and much wider discount on free cash flow yield⁽¹⁾

Relationship Between Long-Term Organic Sales Growth Targets and 2013E P/E



Despite near-term headwinds, we would expect Danone to trade back to historic levels and believe it should trade at a premium given its portfolio mix and emerging market exposure

Source: Company filings and presentations.

Note: Graph reflects mid-point of target organic sales growth where applicable. Mead Johnson uses 2012 estimated growth rate per CAGNY presentation in Feb 2012. Danone's medium term organic sales growth is 5+, which we have assumed to be 5.5% for this analysis. Danone's average organic growth for the years 2009-2011 was 6.0%. General Mills long-term growth of "low single digits," which we have assumed to be as 2.5% for this analysis. Heinz uses outlook for next three to five years per May 2012 Analyst Meeting. Excludes Kraft Foods Group and Unilever due to limited growth rate disclosure.

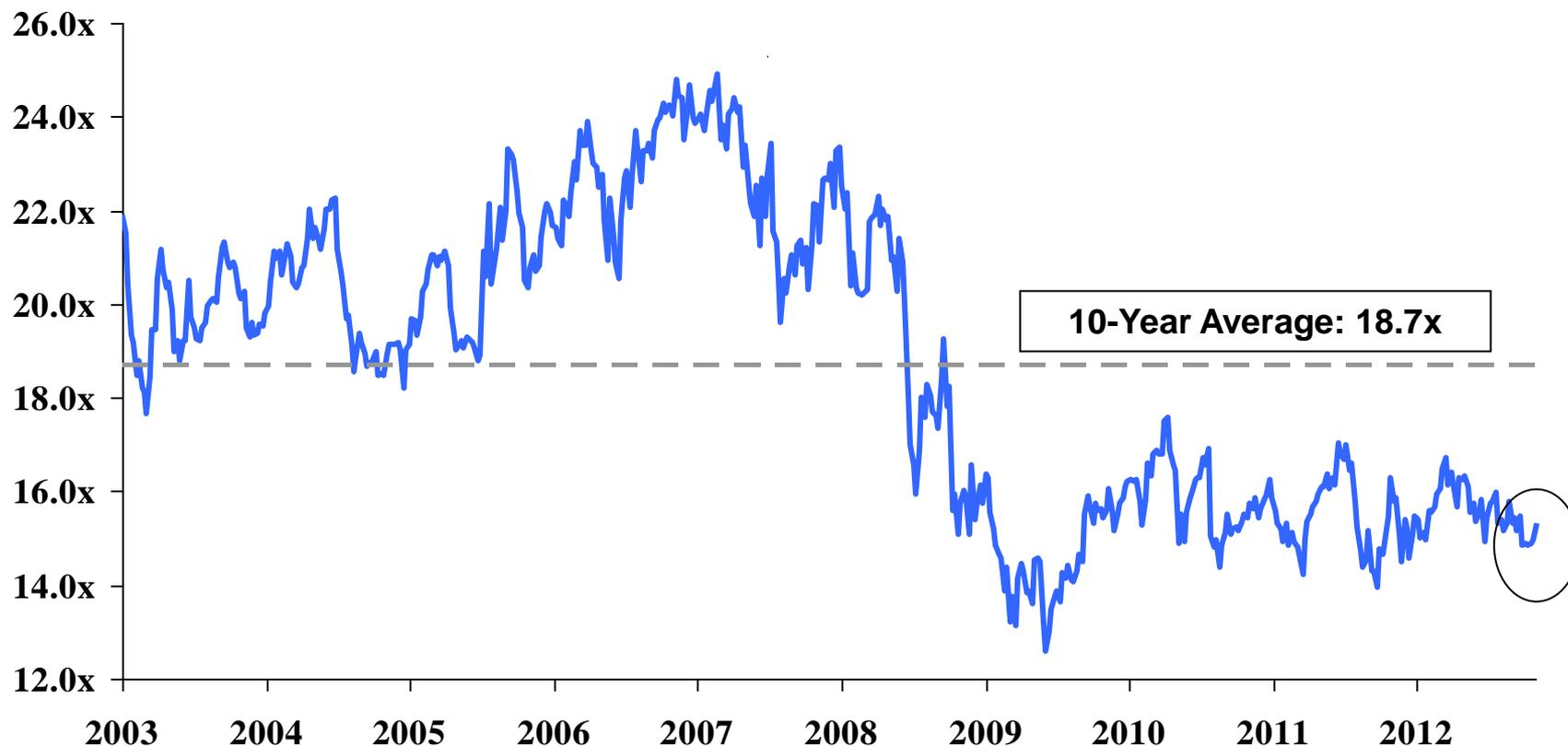
(1) There is no assurance that Danone and Nestle were or are of comparable value.

(2) Average of weekly NTM P/E ratios over the period from January 3, 2003 through November 2, 2012.

Trading Near Trough Multiples

- Danone is currently trading at close to trough multiples for the period 2003-2012 (excluding trading multiples from early 2009)
- With approximately 7% free cash flow yield and 3% dividend yield, investors could receive a reasonable return even without considering the value of future growth

Historical Forward P/E



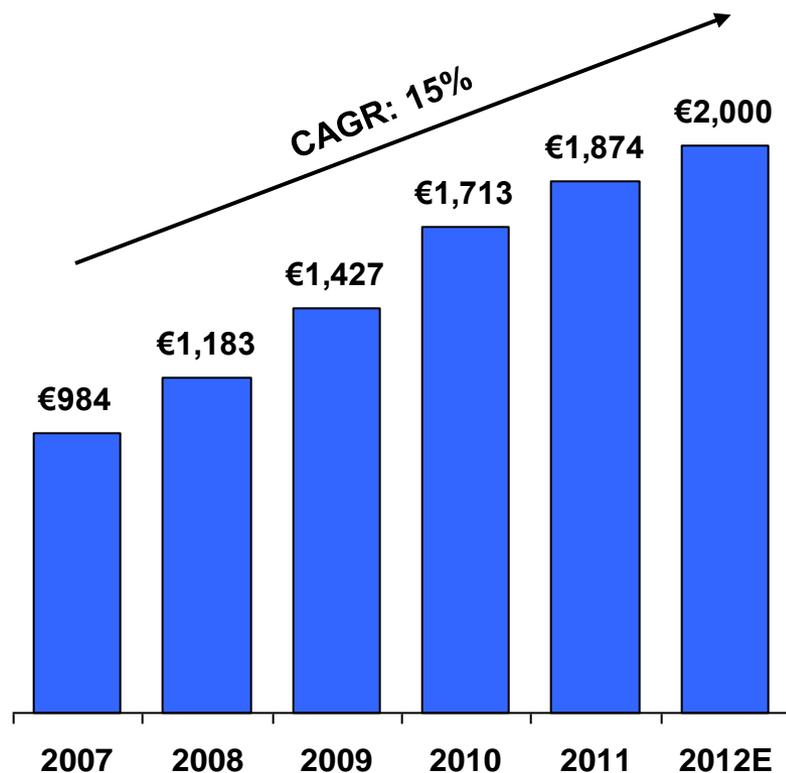
Source: Capital IQ.

Note: Forward P/E is defined as the current price divided by next twelve months (NTM) consensus earnings per share (EPS). Through November 2, 2012. 10-Year average reflects average of weekly NTM P/E ratios over the period from January 3, 2003 through November 2, 2012.

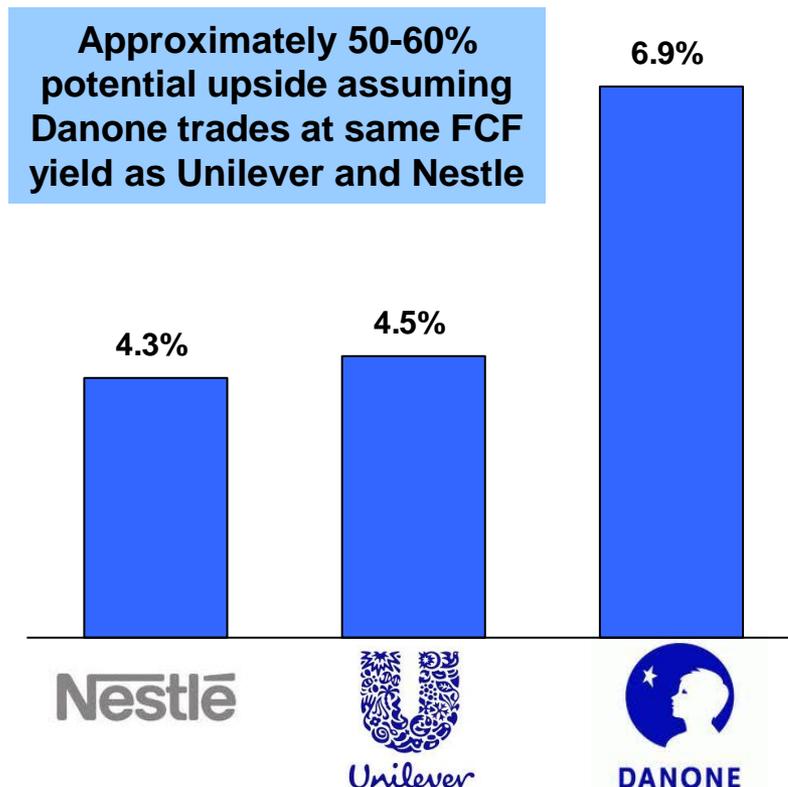
Highly Cash-Generative

- Negative sentiment has driven Danone's free cash flow yield to 7%, in-line with the free cash flow yield that companies comprising the U.S. Packaged Food Index traded at in March 2009 when U.S. sentiment hit bottom
- That would have been a good time to buy, as the U.S. Packaged Food Index has increased 111% since March 2009, and free cash flow yields have normalized to approximately 5.5%

Free Cash Flow (FCF)



2012E Free Cash Yield



Source: Company filings, Bloomberg.

Note: Free Cash Flow is defined as operating cash flow less capital expenditures net of tangible asset disposals, plus M&A fees.

Danone: A Compelling Value

- **Triar believes Danone is significantly undervalued with significant potential upside over the long term**
- **In our view, management has, on the whole, run Danone well and takes pride in performance**
 - CEO Franck Riboud, since taking over in 1996, has transformed Danone from an unfocused company to having one of the best positioned portfolios in the large-cap food space
- **While there are cultural and corporate governance differences in France versus the US or UK, we believe there are opportunities to improve performance that can drive increased shareholder value**
 - Continue to push for leaner cost structure to offset headwinds in Europe and allow for core investments in R&D and marketing (unlike slower-growth peers watching every dollar spent, Danone has been able to rely more on top-line)
 - Adopt balanced approach to driving value (both sales AND EPS growth)
 - Refrain from dilutive M&A
- **We look forward to engaging management in a constructive dialogue**

Illustrative Returns

Summary Income Statement and Implied Returns

(€ in millions, except per share amounts)

	2012E	2015E	'12 - 15E CAGR
Sales	€20,773	€25,000	6%
Adjusted EBIT	€2,935	€3,782	9%
% - <i>Margin</i>	14.1%	15.1%	
% - <i>Margin Improvement</i>		1.0%	
Net Income	€1,814	€2,396	10%
÷ Shares Outstanding	600	545	-3%
Adjusted EPS	€3.02	€4.39	13%
x Forward P/E Multiple		17.0x	
Implied 2014 Share Price		€74.69	
(+) Dividends Received, 2013-2014		3.05	
Implied Total Value Received ⁽¹⁾		€77.74	
Current Share Price		48.13	
Implied Total Return		62%	

Source: Company filings, Trian estimates.

Note: See "Disclosure Statement and Disclaimers". The estimates, projections, pro forma information and potential impact of the opportunities identified by Trian Partners herein are based on assumptions that Trian Partners believes to be reasonable as of the date of this presentation, but there can be no assurance or guarantee that actual results or performance of the Issuer will not differ, and such differences may be material.

Current share price as of November 2, 2012. Figures are adjusted.

- (1) Includes dividends received over approximately 2.2-year holding period and is assumes year-end 2014 exit.
- (2) Average of weekly NTM P/E ratios over the period from January 3, 2003 through November 2, 2012.

Current Share Price: €48

Implied Target Value⁽¹⁾: €78

% Potential Upside: +62%

Major Assumptions

- **Top-line consistent with consensus estimates and recent trends**
- **2015E EBIT margin in-line with historical performance and below margins of 15.3% seen in 2009 and 2010**
 - Assumes company finds savings and efficiencies to offset recent headwinds
- **Assumes discretionary free cash flow (post-dividend) used to repurchase stock**
- **Assumes 17x forward P/E, a slight premium to Nestle (16.3x), but lower than 10-year average P/E of 18.7x⁽²⁾**