The LACTALIS strategy to respond to new needs worldwide

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GROUPE LACTALIS

MORE THAN 80 YEARS OF PASSION FOR DAIRY

1933

> André Besnier
> 1 employee
> 35 litres of milk collected/day
> 17 camemberts made/day

1955

> Michel Besnier
> 50 salaried employees
> 20, 000 litres of milk collected/day

1968

> Launch of Président camembert

2000

> Emmanuel Besnier
> 16,000 employees
> 4th place worldwide in milk collection
> 66 manufacturing sites in France and 15 outside of France

2006

> Galbani brand take up
> Joint-venture with Nestlé in the chilled dairy category

2011

> Acquisition of Parmalat, making Lactalis Group the N° 1 in dairy worldwide
> 54,000 employees
> 14.5 billion litres of milk collected/year
> 192 manufacturing sites in 34

2017

> 80,000 employees
> 19,2 billions litres of milk collected/year
> 240 manufacturing sites in 47 countries

GLOBAL LEADER IN DAIRY

15th
agri-food group
worldwide

18,4
billion €
turnover
(77% outside of France)

25
P.D.O. cheeses

19,2
billion litres
of milk collected

LEADING
POSITIONS
in all
dairy categories

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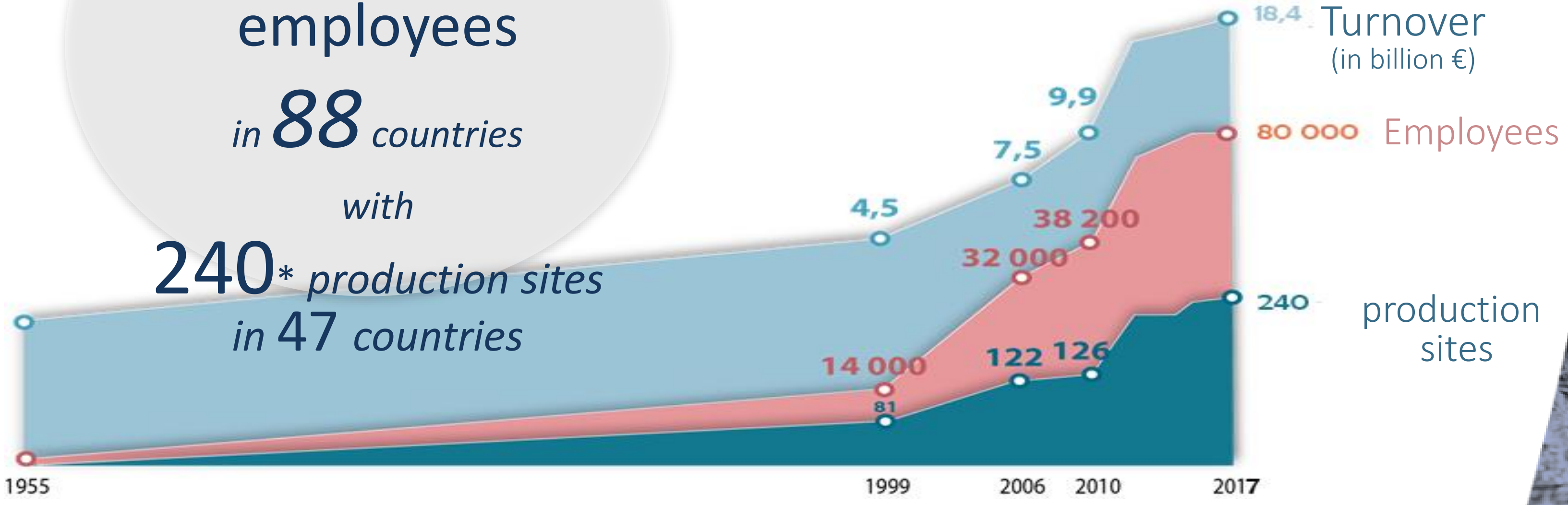
LACTALIS TODAY

80,000
employees
in 88 countries
with
240* production sites
in 47 countries



(*) At the end of 2017

LACTALIS TODAY

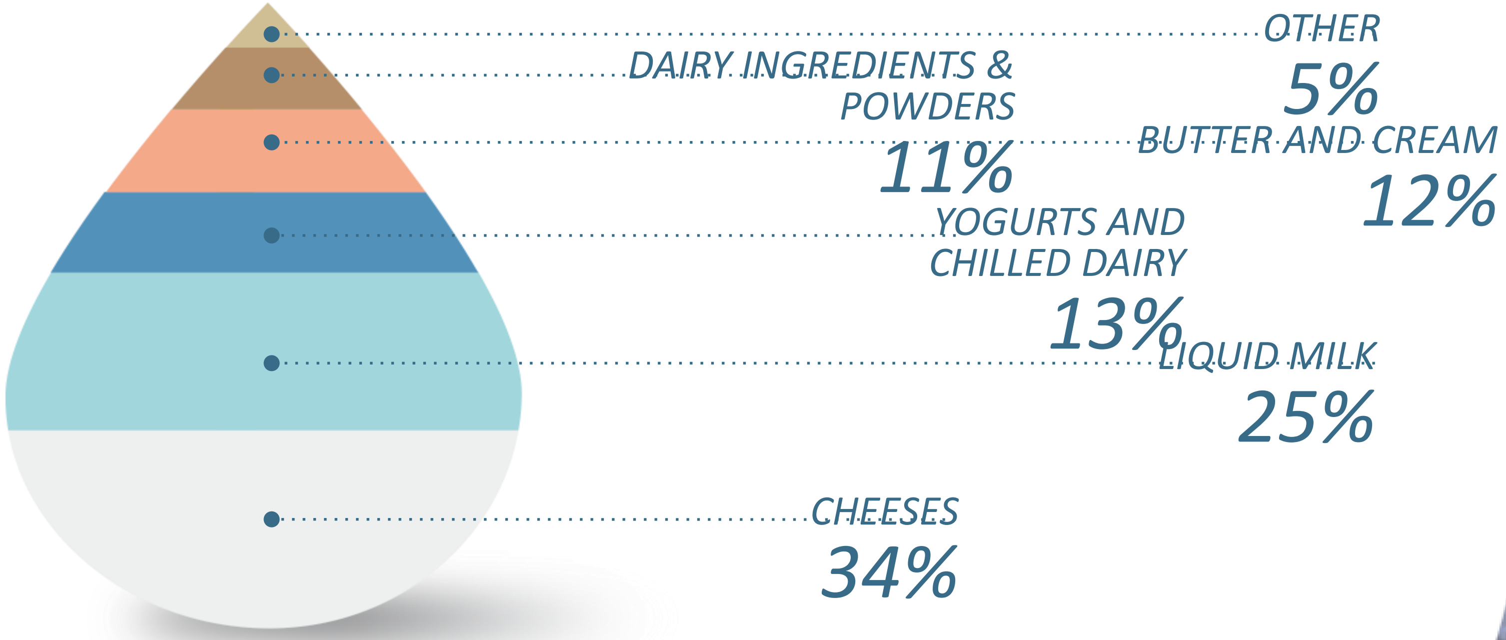
AMÉRICAS
24%
of employees

EUROPE
(with CIS)
47%
of employees

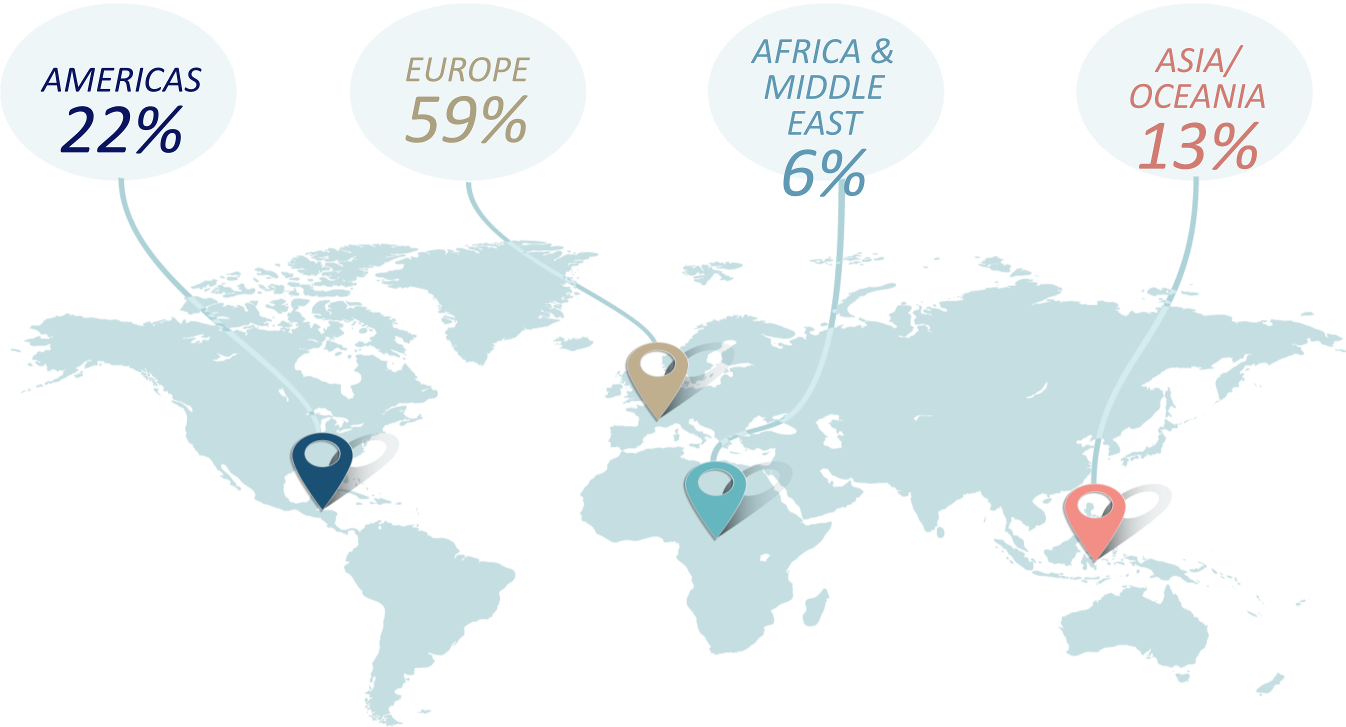
AFRICA
13%
of employees

ASIA-OCEANIA
16%
of employees

A BUSINESS MODEL COVERING ALL DAIRY PRODUCTS



BREAKDOWN OF TURNOVER BY BUSINESS ZONE



A BRANDS STRATEGY

Cheese Expertise

Born in France in 1968, today the Président brand is present in over 150 countries and is a defining global brand for cheese lovers across the world.

The Président portfolio offers a wide range of cheeses (75%), as well as butters (20%) and creams (5%).

PRÉSIDENT

The leader in Italian Cheese

Born in a little Italian village in 1882, Galbani has inspired Italians for more than 130 years, thanks to its undisputable quality and an innovative product line.

Galbani is sold in over 120 countries bringing authentic Italian cheese traditions to the four corners of the globe.

International Milk and Dairy Brand

Born in 1962, the Parmalat brand has rapidly become a major player in the dairy sector.

Thanks to its long time dedication to innovation and high value add product development, today Parmalat has a presence on 5 continents.

parmalat

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A BRANDS STRATEGY

MULTI-COUNTRY brands

L'essentiel est dans Lactel
lactel

Masters of Natural Aging
Black Diamond
TRADITION 1933 QUALITY

Dukat

Nestlé La Laitière

Bridel
Depuis 1846

Celia

Salakis
100% Brebis

Santal

Дольче

Astro
ATHENTIKOS
GREEK YOGOURT GREC

A BRANDS STRATEGY

LOCAL brands

PULEVA · Skåne mejerier · Bonnita · Astro · Balderson · Vallelata · Food Master · Teama · Société · La Campiña · vaalia

Lindahls · Frica · Rachel's · Nestlé le Viennois · Simonsberg · Bravo · Oak · mu

Nestlé Nesquik · Pride · Nestlé Munch Bunch · Kunín · Primevère · Pauls · El Ventero

Seriously Strong · Lou Pérac · Ice Break · Beatrice · Istara · Pochat & fils · Picot

Nestlé Sveltesse · Balkis · Nestlé Hirz · Alpsko mleko · Flor de Esgueva · Nestlé Früttolo · Président Дольче

Nestlé Yoggi · Lemnos · Allerums · Gran Capitán · Bridélice · LaDorna

Valbreso Feta · Nestlé Ski · Lepetit · Lanquetot · Baer · Lactantia

What are the new needs, and where ?

/Daniel OSSO

ACQUISITIONS DRIVEN BY MARKET INSIGHT

Here : 2017-2018

Since 2014

- **25** acquisitions
- **+11** countries
- New product segments
- New regional & global export basis

THE UNITED STATES

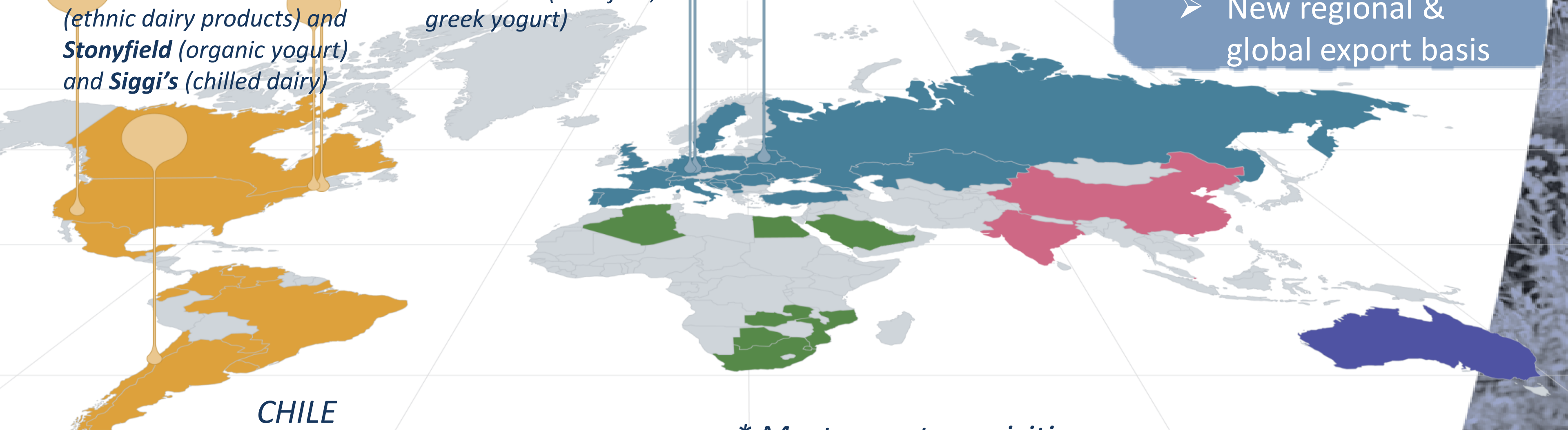
*Acquisition of **Karoun Dairies** (ethnic dairy products) and **Stonyfield** (organic yogurt) and **Siggi's** (chilled dairy)*

GERMANY

*Acquisition of **Omira** (dairy ingredients, milk powder, milk drinks, yogurt and desserts) and **Weber** (PDO feta, greek yogurt)*

BELARUS

*Acquisition of **Lyahovichy** (butter, casein, chilled dairy)*



CHILE

*Acquisition of **la Vaquita** (cheese)*

** Most recent acquisition :*

ASPEN (South Africa, Mexico, New Zealand)

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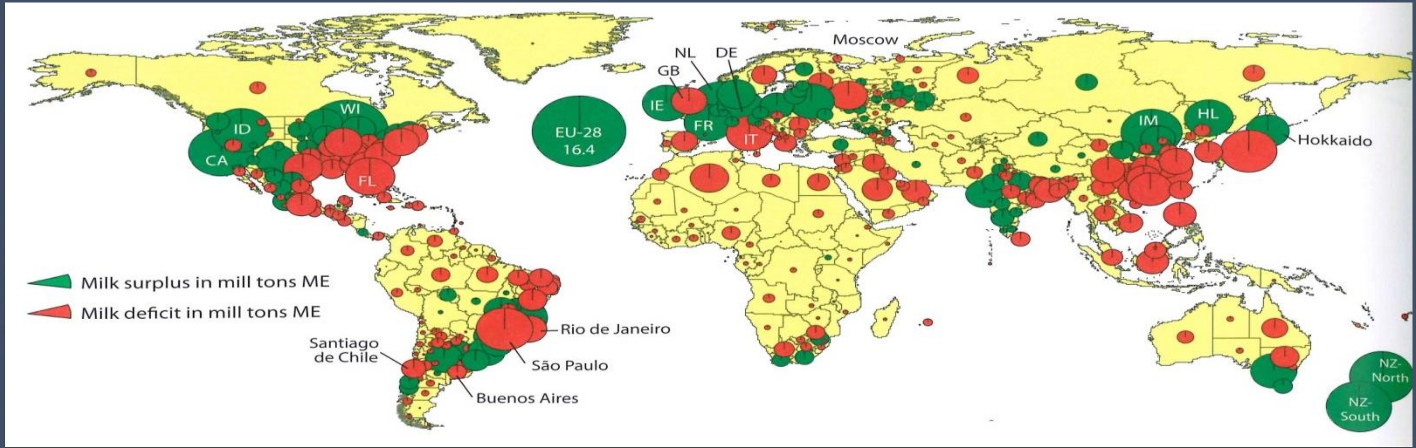
DEVELOPING MARKETS

Fulfiling a dairy deficit vs. development of dairy in diets



Dairy surpluses and deficits worldwide

IFCN Report 2017

MATURE MARKETS

Expectations on Dairy farming practices, local tradition, & multi-species

- ✓ **Organic** farming
- ✓ **GMO**-free feed
- ✓ **Pasturing** cows
- ✓ Animal **welfare** (cows and calves)
- ✓ Preserving **environmental** resources
- ✓ **GI**s

MATURE MARKETS

Expectations on functionality & nutrition

- ✓ Low-lactose
- ✓ New tastes and texture
- ✓ Functionality
- ✓ Simple ingredients
- ✓ Power-food
- ✓ Nutritional care
- ✓ Ethnicity & culture

Two keys

#1

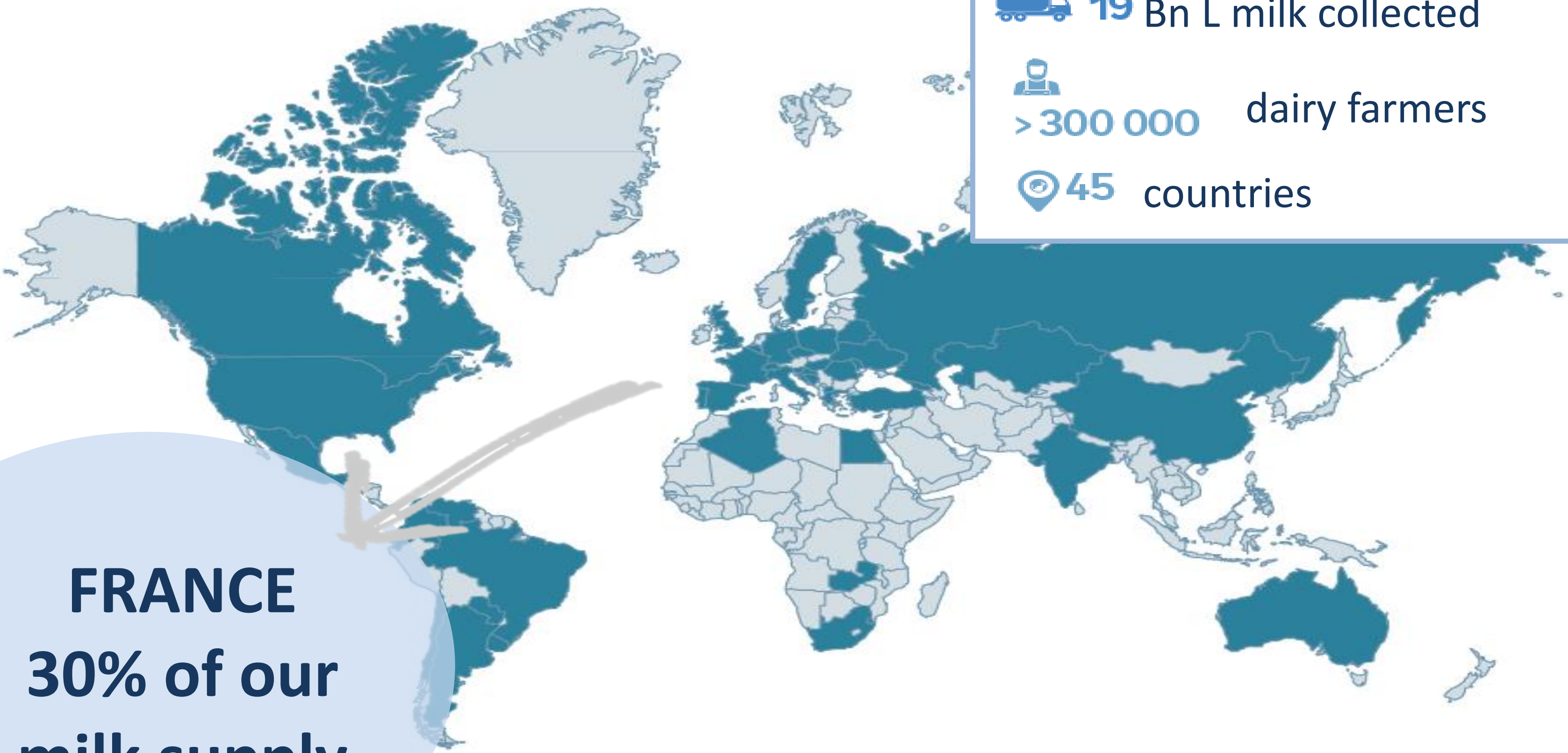
Getting the best raw material worldwide

STAKES OF A GLOBAL MILK SUPPLY

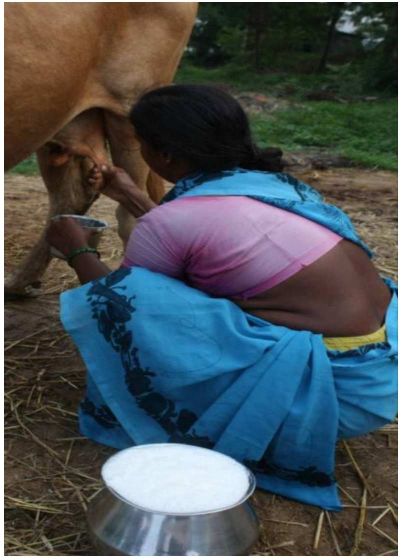
19 Bn L milk collected

> 300 000 dairy farmers

45 countries



FRANCE
30% of our milk supply



India

Paraguay

Colombia

Zambia

Romania

Poland

France

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Upstream challenges

- ✓ Getting the **best raw material** (quality, fat content,…) at the best price
- ✓ Lowering **seasonality** (gen., feed)
- ✓ Strengthening the relationship with producers to develop **best practices** and **share economic visions**
- ✓ Developing **close milk collection centers**, and bigger trucks fleet to optimize milk collection scheme and reduce collection costs
- ✓ Implementing a system of **milk quality payment** (vs. water, sampling)
- ✓ **Investment** in cooling tanks

Colombia

Two keys

#2

Preserving & improving market access

Regulation, Trade & Retail : key success factors

Regulation

- ✓ Ensuring that dairy products are protected against misleading sales descriptions (plant-based products)
- ✓ Preventing the expansion of heterogeneous regulations on Origin Labelling in the EU Single Market
- ✓ Ensuring that Front of pack nutritional labelling does not threat dairy products position in healthy diets

Retail

- ✓ Concentration of retailers
- ✓ “War on prices” and deflation

Trade

- ✓ Prioritizing FTA negotiations
- ✓ Preserving exports from TBT, SPS, tariff barriers
- ✓ Specific issues:
  - ✓ Approaching BREXIT
  - ✓ Still ongoing Russian ban

BREXIT

EUROPE loses its first dairy export market

31% Consumption is imported

4,6 BnL « imported »

2,2 Bn€ Trade deficit

99% EU sourcing

46% cheeses
13% infant formulae
12% chilled dairy

1st – Ireland (1,5 BnL eq.)
2nd – France (720 MnL)
3rd – Germany (570 MnL)

1/3 Of total Irish dairy exports

UK is, for dairy France:

3rd Client (10% volumes)

9% Exports in value

3% Of French milk collection

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Thank you

for your attention

/Daniel OSSO