



Grameen Danone Foods Ltd, a Social Business in Bangladesh

May 2010

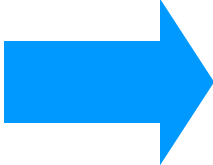


A.PROFILE

1. Background
2. Project description
3. Human resources
4. Management profile

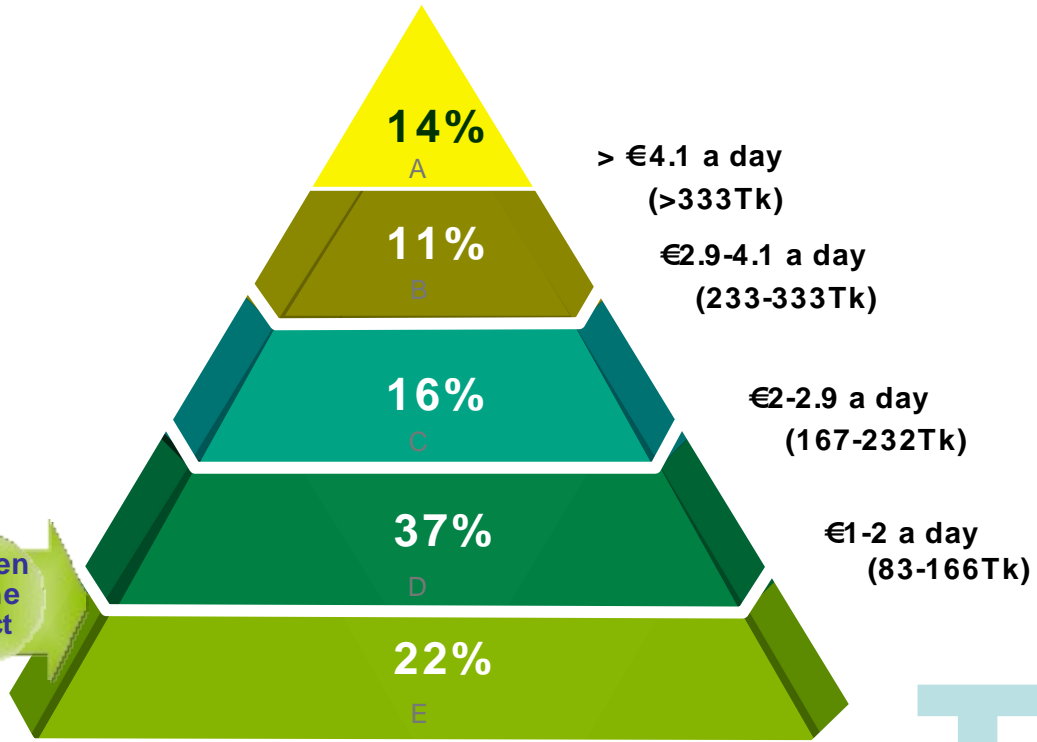


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Grameen Danone Project



Bangladesh, one of the world's poorest countries

Sources : 2004 statistical yearbook of Bangladesh, 2005 estimates on total population, household income per day



Total population in Bangladesh is 160 million.
72,9% of population is rural.
32% is aged below 14.
Average family size is 4,9 (2005).
GDP / cap is 497\$ a year (Indonesia : 2,246\$)
60% of Bangladeshi households live on less than 2€/day. (2007)
40% of Bangladeshi population is living under poverty level (2009).
Density is extremely high : 1084 people / km²
Life expectation in Bangladesh is 66 years (vs 80 years in France, for example).
Bangladesh is ranked 146th by the UNDP in terms of human development (2009).

Health Concerns

- Stunting (41% of young children)
- Diarrhea
- Polluted water (arsenic, bacteria)

Macro Nutrition Issues

- Overall energy deficiency, particularly among young children (between 24% and 40% gap vs RDA)
- Protein deficiency (70% of protein source is vegetal (lentils and beans), deficiency in essential amino-acids likely)

Micro Nutrition Issues

- Iron (49% among young children)
- Vitamin B2
- Calcium
- Vitamin C
- Vitamin A
- Iodine and zinc likely



Source: Grameen/ local NGOs

Nutritional situation in Bangladesh

One child out of two in Bangladesh is suffering from malnutrition, especially in rural areas.

Lack in micronutrients can impair mental development, alter the functioning of immune system, compromise proper eye sight, etc. Malnourished children are more often sick and less attending school. Malnutrition in Bangladesh is a vicious circle : it is not only a question of public health but also of economic development.



Birth of the project

Grameen Danone story developed extraordinarily fast !

October 2005 : Franck Riboud, Chairman and CEO of Groupe DANONE and Muhammad Yunus, father of Microcredit, met in Paris. Following their meeting, they decided to explore the possibility of establishing a partnership in Bangladesh.

An initial workshop was organized in Dhaka in November 2005, attended by a team from Danone and a team from Grameen.

Just a few months later, in March 2006, Franck Riboud and Muhammad Yunus announced in Dhaka the creation of Grameen Danone Foods Ltd.

In mid-July 2006, Grameen Danone acquired a plot of land in Bogra on which to build its first plant.

February 2007: The plant in Bogra produced its first yogurts.



Step 0
Sept 05 –
Nov 06

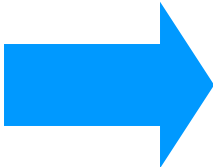
Step 1
Feb 07-
March 08

Step 2
Apr 08 –
Dec 08

Step 3
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A social business joint venture

The Grameen Group and Groupe DANONE joined forces since march 2006 to create Grameen Danone Foods Ltd, a social business based in Bangladesh.

Grameen Danone Foods Ltd's mission is to reduce poverty by a unique proximity business model that will provide daily healthy nutrition to the poor of Bangladesh.

Grameen Danone Foods Ltd is the first investment supported by 'danone.communities', an investment fund, created to support businesses that aim to be sustainable, but make social and societal goals their objective.



Grameen Danone Foods' objectives

- T**
- 1/ To bring health through nutrition at very affordable price for all Bangladeshi children
 - 2/ To improve living conditions of the poorest of the community by involving them in all stages of the business model (supply, production, sales), creating jobs and improving local competencies
 - 3/ To preserve non-renewable resources as much as possible
 - 4/ To be profitable to ensure economic sustainability.



Shokti +, a fortified yoghurt to meet nutritional needs of Bangladeshi children



Shokti+doï literally means 'yogurt to give strength'. Shokti+ has been specifically developed by Danone's experts in R&D, with technical help of the NGO 'Global Alliance for Improved Nutrition', to fulfil the nutritional needs of children in Bangladesh and to contribute to their healthy growth by bringing them the benefits of milk, live cultures and other micronutrients they lack.

Shokti+ is a yogurt made with cow's milk, date molasses and sugar. It is a natural source of calcium and protein, which are essential for healthy growth and bones. It also contains live fermenting cultures that help to reduce the severity and duration of diarrhoea.

Shokti+ is also enriched with micronutrients. A single 60g cup provides 30% of a child's daily requirements of vitamin A, iron, zinc and iodine. Price per cup of Shokti+ has been designed for the poorest families to be able to afford it regularly. Price is 6 BDT for 60g.

Shokti+ is produced by Grameen Danone Foods Ltd in a small modern factory in Bogra, built with the Danone know-how on quality and food safety.

First steps



In its 1st phase from February to September 2007, after having overcome some production issues, Grameen Danone sales started to increase around the factory.

Distribution was mainly done through small shops in Bogra town and rural sales ladies that sold door-to-door. Promotion was done through visits to Grameen Bank centers.

In September 2007, a full time Executive Director, Mr Wahidun Nabi, joined the team. Number of sales ladies went from 29 to 270 (in March 08). Sales expanded quickly to reach 350 000 cups sold in a month.

Since beginning 2008, Grameen Bank helped sales in some Bogra areas to prepare the market for Grameen Danone's teams.

The selling area remained exclusively in a radius of 30km around Bogra.

Key learnings at this stage were :

- Regarding product: Initial Shokti Doi recipe was not sweet enough for Bangladeshi taste. Therefore decision was made to upgrade the level of sweetness, but it still remained lower than local yogurt product.

- Regarding sales ladies recruitment: involvement of the community and family is key to recruit rural sales ladies

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Crisis and new start

A April 08, raw material costs rose sharply. Milk price jumped by 100 percent. Grameen Danone board made a tough decision to remain economically sustainable. It increased the price by 60% raising the price of 80g cup from 5tk to 8tk. Consumer demand immediately collapsed. In the process sales ladies' network disintegrated completely. June 08, Grameen Danone Foods Ltd (GDFL) launched a new formula maintaining 30% RDA in micronutrients in a smaller 60g cup, bringing down price to 6tk. With mini-promotional events and school nutrition programs in the villages, GDFL started to recover the market. A small effective professional ladies' network (35 ladies working 17 days / month and selling 50 cups / day) was built up.

After fixing the retail distribution model in Bogra town, GDFL expanded its sales, through retail shops, to Rajshahi and Pabna, 50km from Bogra.

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Expansion

Then GDFL went for accelerated expansion. Parallel to the rural distribution GDFL board decided to expand its market to Dhaka to use the excess capacity of the plant. Increase in production was necessary to decrease the per unit fixed cost. Dhaka price was set to get a margin to offset the loss in rural market. 80gr cup was priced at 12 tk for Dhaka.

Company launched new products like a valorized mango Shokti+ (8tk for 60g and 12 tk for 80g).

First TV advertising campaign was launched in March 09 and again in May, Sept 09 and March 10. October 09, a new TV campaign involving Pr. Yunus enabled to reach more than 100 tons in a month from november 09.

To support rural sales in 2009, 1270 proximity mini-events took place in villages. School nutrition programs were also organized in rural and urban schools reaching 80 000 pupils among B-C-D social economic classes.

In January 2010, ladies' network expanded to 650 and 22% of GDFL sales in volume.



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GDFL bumpy learning curve



New record in April:
170 tons or 95 000 units per day

900 ladies
12 000 shops

- 400 ladies
- 2000 urban shops

New mango
+
launch
Dhaka

Rural relaunch

Price from 5
to 8 takas

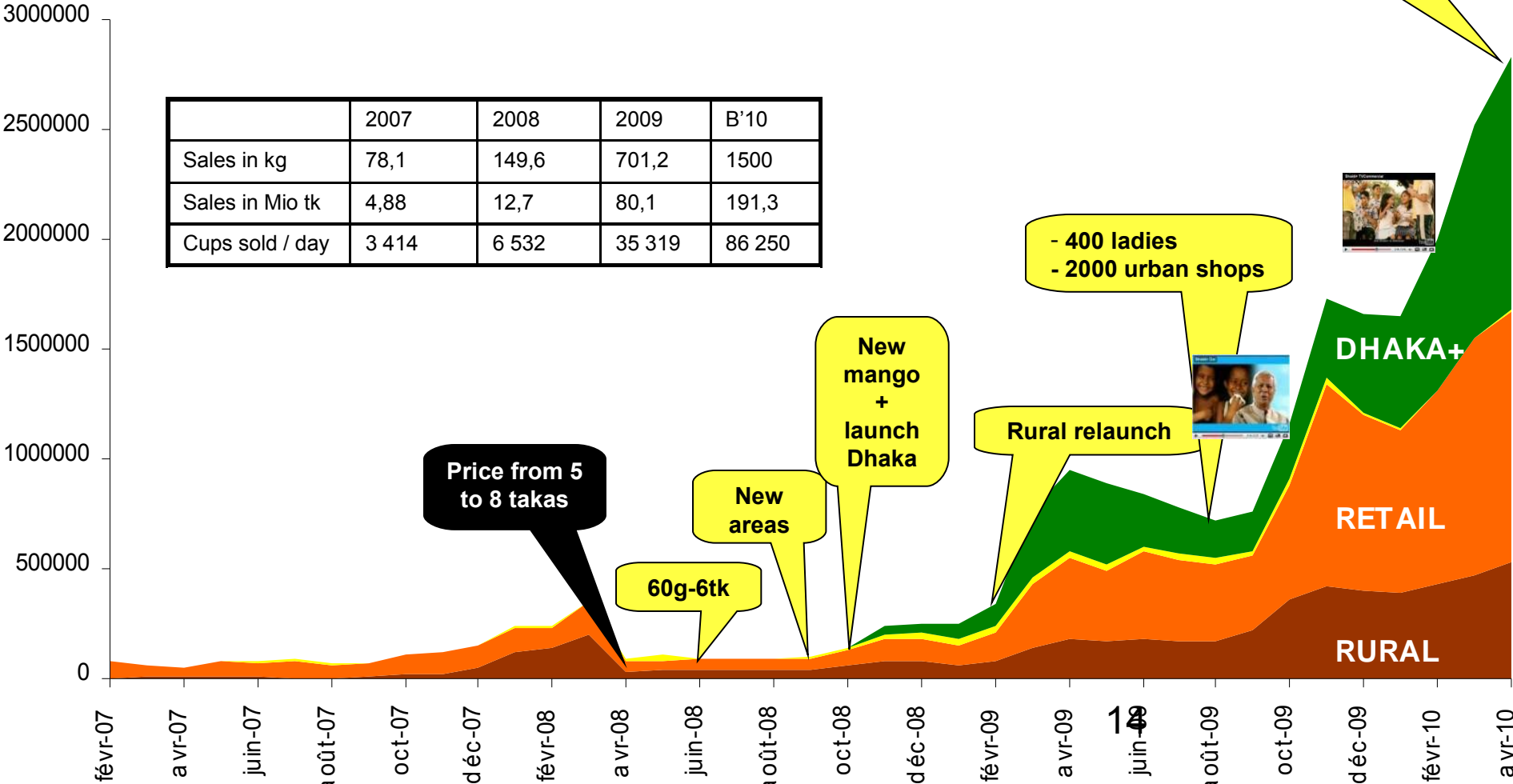
New
areas

60g-6tk



	2007	2008	2009	B'10
Sales in kg	78,1	149,6	701,2	1500
Sales in Mio tk	4,88	12,7	80,1	191,3
Cups sold / day	3 414	6 532	35 319	86 250

CUPS SOLD



RURAL

RETAIL

DHAKA+

14



2010 towards sustainability



Grameen Danone will implement several key actions to further grow and reach break-even in 2013 :

- Extend its sales network
From 4000 to more than 8000 stores
From 600 to 1500 ladies
- Fully exploit proven success marketing model
TV advertising with “Prof. Yunus”
Mini events in rural areas (approx. 7000, x3 vs 2009)
- Innovate by launching Shukti+packet : a 5tk pouch with same nutrition, longer shelf life with no fridge needed.
Partially vegetal recipe ensures lower formula cost and better profitability.
- Focus on developing own chilling centers to reduce cost of milk to / below 29 BDT/ liter
- Improve industrial efficiency by going to max. capacity
- Decision is made to build a 2nd factory near Dacca before 2011. A cash injection of approx. 240 Million takas is needed until profitability is reached and before further expansion (see p. 39

following)..



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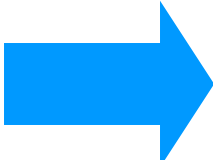
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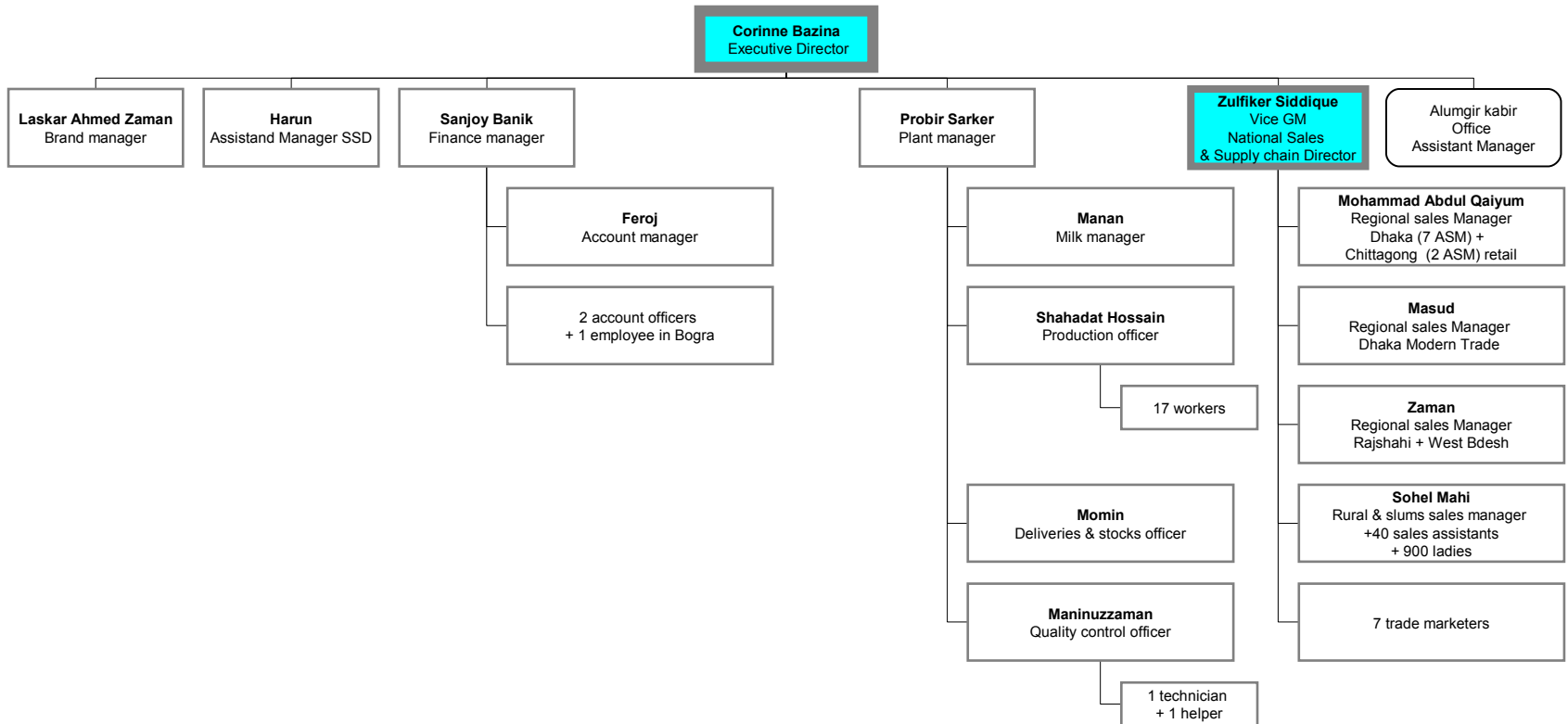


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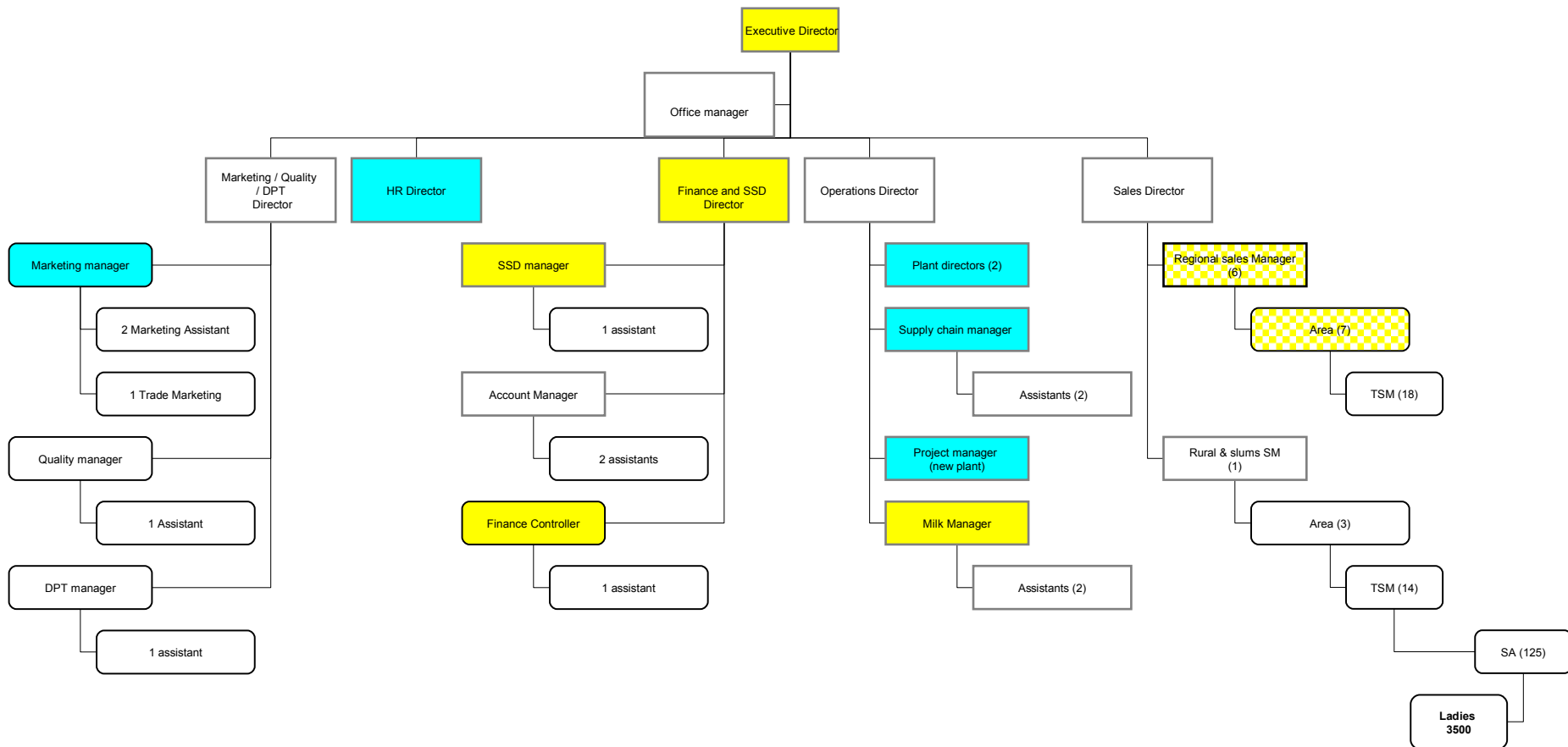


Organization chart of Grameen Danone April 2010





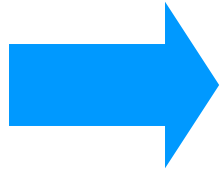
Organization chart of Grameen Danone Vision for 2013



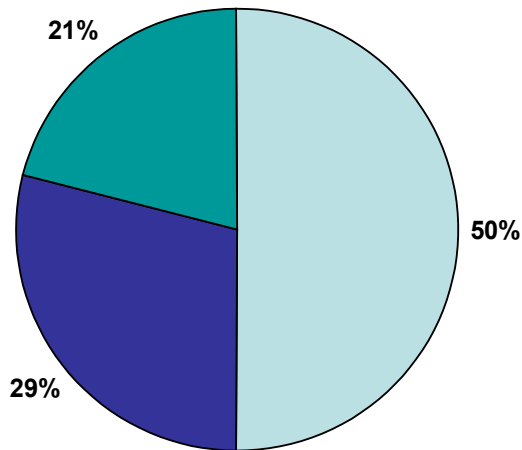


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Current capital structure



□ Grameen Group ■ danone.communities ■ Danone

GDFL capital structure

- GDFL was initially created as a 50%-50% joined-venture company between Grameen (comprising 4 companies) and Danone. Initial capital brought was 75 000 000 BDT.
- The venture fund danone.communities was then created 2007 to support and develop similar social business projects. danone.communities participated in the first capital increase for GDFL closed november 2008, bringing 50 000 000 BDT, in addition to Grameen reinvesting 50 000 000 BDT.
- Shareholders of Grameen Danone Foods Ltd in April 2010 are :
 - Grameen for 87 500 000 BDT ie 50% which is collectively comprised of : Grameen Byabosa Bikash, Grameen Kalyan, Grameen Shakti, Grameen Telecom
 - danone.communities for 50 000 000 BDT ie 29%
 - Danone Asia Pte. Ltd for 37 500 000 BDT ie 21%



GDFL governance



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- Participants in the Grameen Danone Board are : - Pr Muhammad Yunus, Chairman and 3 Grameen representatives
- Mr. Emmanuel Faber, co-chief operating officer Danone, Mr. Emmanuel Marchant, deputy general manager danone.communities and 2 other Danone representatives

The board meets 4 times / year.

- Corinne Bazina, a Danone expat is in charge of leading all the company's operations and of showing the way for a future local general manager. The company benefits from technical support from Danone competencies when needed, especially in the areas of R&D, product development, production and marketing.

danone).communities

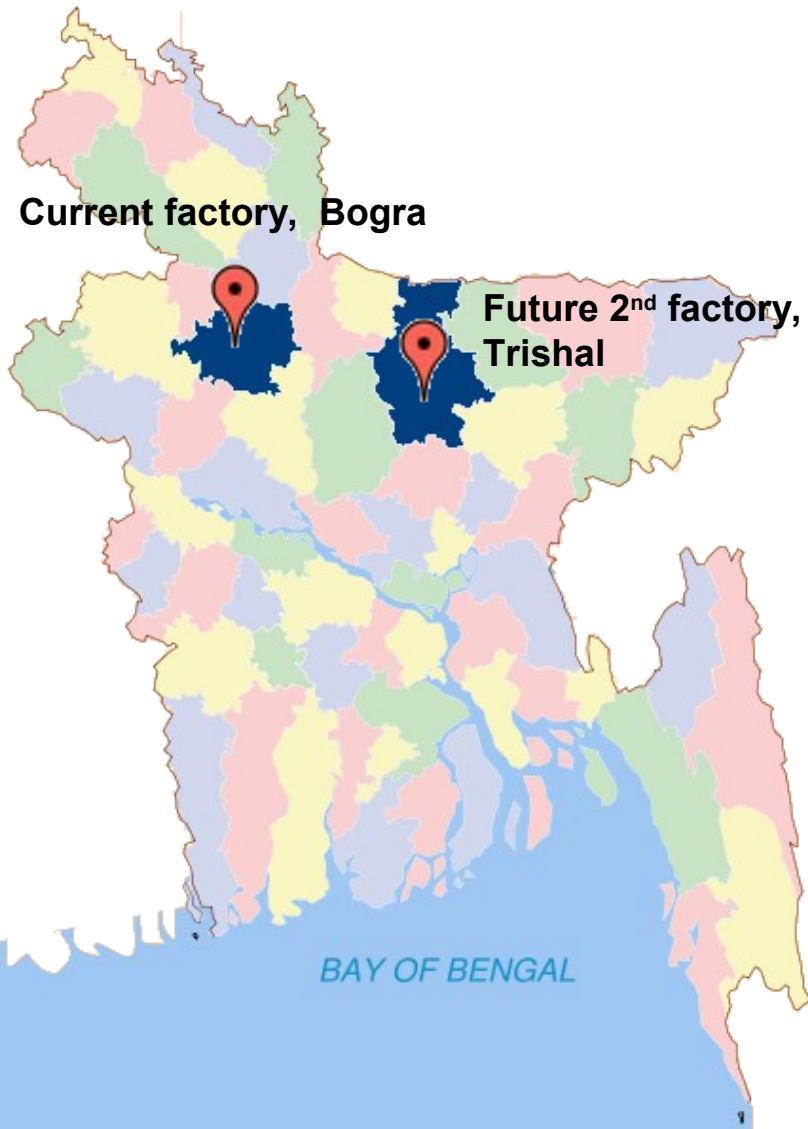




B. PHYSICAL INFRASTRUCTURE (existing and future project)

- 1. Location**
- 2. Present infrastructure**
- 3. Availability of facilities &
other utilities**
- 4. Plant & machinery**

Current factory is located in Bogra



Location : The 1st Grameen Danone factory, that started production February 07, is located in Bogra, 250km north from Dhaka, the capital town of Bangladesh. The headoffice of Grameen Danone Foods Ltd is located in Grameen Building in Dacca.

Infrastructure / facilities, utilities / plant & machinery : Bogra factory's installed capacity is 3600 tons, with 70% of the capacity used in April 2010.

The Bogra factory consists in milk reception (about 6000Liters / day in April 2010), mixing and fermentation, filling line, packaging and cold room area. It also has an office space, a laboratory and a storage room.

The field is 20392 sqm and hosts the plant (600sqm) as well as utilities, a waste water treatment station (5000L/h), a gas income building, and a security building.

The Bogra plant has been designed to rely on local labour rather than sophisticated machinery. This avoids expensive maintenance problems, enables to create 42 jobs and develops local competencies.

The factory has been designed in an environmentally friendly way, to minimize use of non-renewable resources. It is partially sourced with solar energy, it is collecting rain water, it is provided with a biodigester that produces natural gas. This gas is reused to produce light for the factory. In the future, it should be able to provide the surrounding houses with natural gas.

Priority is to reach plant capacity through proximity sales in a radius of 50km. This is in order to maximize penetration and level of consumption among local communities. And also to allow proximity transportation with rickshaw vans and small motorised vehicles with natural gas (CNG).

Nevertheless in order to reach Dhaka, the company also uses 3 trucks and 1 truck for Chittagong and Sylhet. Plan is to start building a 2nd factory close to Dacca by end 2010.



C. MARKET ASPECTS

- 1. Industry of fermented dairy products and competitors**
- 2. Demand & supply gap**
- 3. Marketing strategy**
- 4. Pricing policy**
- 5. Distribution channel**



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Fermented dairy products

Local market offer



Tk. 7 to 15
format 160-180 ml



Tk. 50 to 100
800 to 900grs



Tk. 20 to 50
150 ml



A very traditional and scattered market

There is traditionally a culture and familiarity with yogurt in Bangladesh.

But access is limited, due to lack of affordability and availability, and consumption is occasional.

No offer except Shokti+ is claiming a specific nutritional benefit.

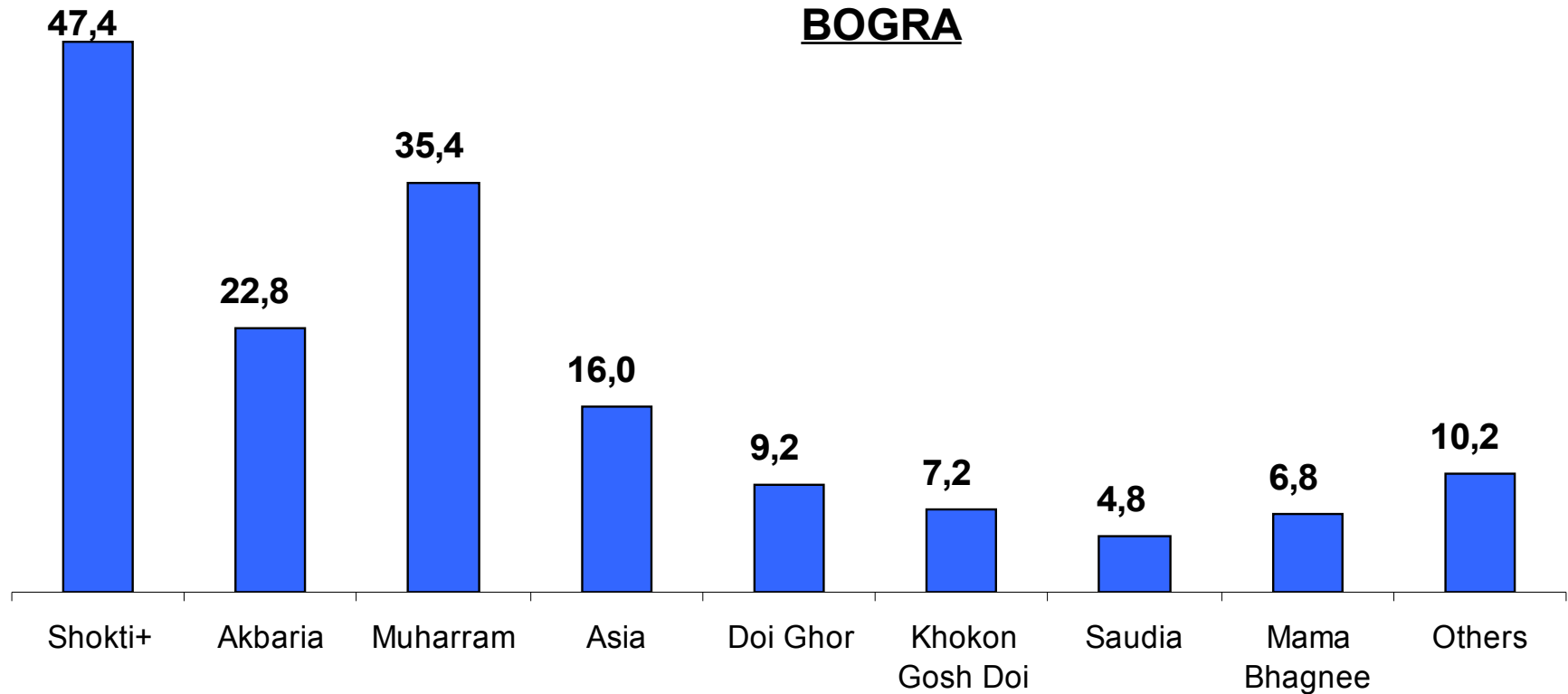
Two main types of products are available:

- Borhani: a salty and spicy yogurt drink, diluted with water, very acid
- Mishti Doi (“sweet yogurt”): thick and creamy (highly concentrated), very sweet, either home made (but requires expertise) or produced locally

Except Shokti+, few brands reach a decent penetration



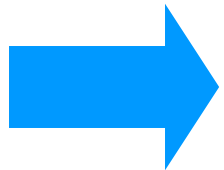
**Penetration of main Doi brands
in the last 3 months
BOGRA**





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A local supply business model where milk is a key challenge



Considering main ingredient in Shokti + is milk and since 90% of the Bangladeshi milk market operates on an informal basis, organizing milk supply is a big challenge for GDFL.

Until end 08, Grameen Danone mainly bought its milk from a milk cooperative of micro-farms : Grameen Livestock Foundation, 30km from the factory.

Since 2009, Grameen Danone has started to collect milk from local micro-farms around the plant (370 in April 10). Grameen Danone is also buying from ICMSE, the integrated farm of Dr Mostaq Ahmed, that owns 70 milking cows and provides technical assistance and training to 300 micro-farmers.

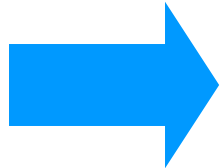
April 2010's milk consumption is 5700L/day : 38% is bought on the spot market at approx. +10% cost and with bad traceability. After the pouch launch, milk consumption will rise to 6600L/day meaning 44% milk bought on the spot. By extending partnerships with farmers and opening a 3rd chilling center, GDFL would decrease spot purchase to 27%, enabling better milk quality insurance and fixed cost.

Through opening of chilling centers or cooperation



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Marketing strategy

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Marketing strategy at Grameen Danone focuses on 2 main levers: 1/ make the product enter households and 2/ deliver a relevant and attractive message to consumers

1/ In order to make Shokti+ available especially for kids that need nutrition in SEC C&D, Grameen Danone sells products that suit local taste (in terms of sweetness perception in particular, even if lower than doi competition) at an affordable price of 6 BDT / 60g cup (and at 5 BDT per pouch as soon as it will be launched). Grameen Danone also combines retail and door-to-door sales through ladies recruited particularly thanks to endorsement of the partner Grameen Bank. A pilot in partnership with NGO Care Bangladesh is also on going.

2/ Communication relies on :

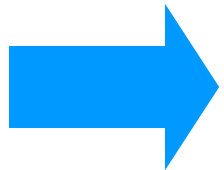
- A simple benefit included in the brand name : « Shokti » means « strength », an impactful selling line : « Shokti+ mane pushti », meaning « Shokti+ means nutrition », a consistent and impactful pack design with a nutritional lion icon
- Use of mass TV with efficient copy endorsed by Pr Yunus himself
- Ladies themselves
- Grameen as a door opener towards the targeted audience in rural
- Use of « mini events » in rural areas bringing fun, nutritional education and awareness on Shokti+ within the community





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Pricing strategy



- A differentiated pricing strategy in urban and rural areas
- Reaching 5BDT is a must for rural areas



	PLAIN 60GM	MANGO 60GM	PLAIN + PROTEIN 60GM (Sept 2009)	PLAIN 80GM	MANGO 80GM	POUCH (May 2010)
Price (in BDT)	6	8	8	12	12	5
Selling areas	rural, Care Rangpur, North & West Bdes	rural, Care Rangpur, North & West Bdes	Dhaka slums, Dhaka, Chittagong, Sylhet	Dhaka, Chittagong, Sylhet	Dhaka, Chittagong, Sylhet	rural
Grammage (in grams)	60	60	60	80	80	40
% volume sales in the portfolio (in cups, YTD March 2010)	 63%	 4%	 28%	 4%	 2%	

Pouch for extended affordability



Objective:

Product of 40g at 5 BDT

Launch:

2010

Recipe:

Milk+cereal base

Micronutrients as in cup

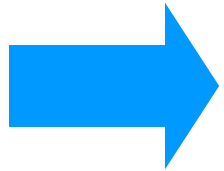
30 days shelf life outside
fridge





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“2 legs” distribution model



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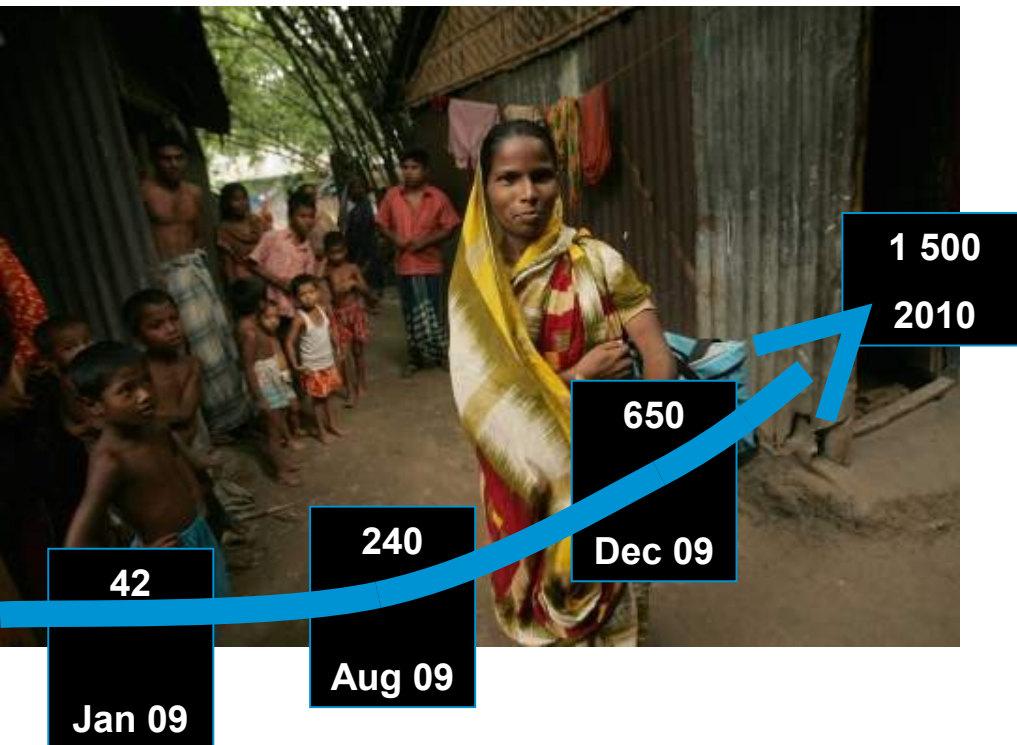
Distribution is based on two channels :

-Shops : Except in Dhaka, where some modern trade takes place, shops are small proximity stores, located in urban areas as well as in rural villages. They are generally provided with a fridge or an insulated box. Shops represent almost 80%of current Grameen Danone sales.

- Door-to-door sales in rural areas through a network of sales ladies : These “Grameen Danone ladies” are micro-entrepreneurs. They are supplied with yogurts, trained and coached by Grameen Danone staff. They get one-day sales credit, reimburse the cost of cups through their sales and keep a margin on each sold cup.

End of April 2010, number of active ladies is more than 800. By selling 50 cups per day, their income is 67 tk in a day. For these ladies that are often among the poorest in their community, this activity is a source of empowerment and valuable additional income for their family.

Door-to-door sales through ladies are slightly more than 20%of Grameen Danone sales.





D. FINANCIAL EXISTING & FUTURE PROJECT

- 1. Existing balance sheet,
P&L , cashflow**
- 2. Projected balance sheet,
P&L, cashflow**
- 3. Project debt service
coverage**



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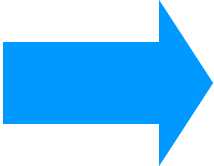


Key highlights

- GDFL is growing fast and still has huge growth opportunities nationwide. It will have reached 8000 stores out of a universe of approx. 40000 stores in Bangladesh by end of 2010.
- GDFL will need to build a second and bigger factory to serve the demand and to build scale rapidly. This will be a key driver of profit as the company has invested in both national advertising and central teams.
- The proposed plan is to accelerate towards 9500 tons in 2013 with 2 plants; and then towards 15000 tons with 3 plants.
- To achieve the next stage and build the second plant, GDFL would need 210 to 260 Million BDT of cash injection (depending on financing structure) and the company is looking for partners in both equity and debt to finance this future growth.
- The board agreed on a capital increase of 160 Million BDT. For the purpose of this presentation, we have taken the assumption that the cash injection is done by a capital increase of 160 Million BDT at the beginning of 2011 and the rest in the form of debt (including the 3rd plant in 2013).



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Profitability Forecast: 2008-2010

Taka 000's

	Actual 2008	Actual 2009	Est 2010
Volumes (Tons)	148	696	1727
Net Sales	10 455	52 340	142 834
Raw & Pack	(8 421)	(44 311)	(101 576)
<i>% to Net Sales</i>	-80,5%	-84,7%	-71,1%
Industrial	(9 183)	(13 058)	(18 210)
Supply Chain	(1 451)	(7 996)	(13 998)
Margin on operations	(8 600)	(13 025)	9 050
<i>% to Net Sales</i>	-82,3%	-24,9%	6,3%
A&P	(3 568)	(8 196)	(14 069)
Sales overheads	(2 282)	(10 176)	(21 730)
HO Overheads	(6 503)	(7 920)	(16 642)
Trading operating profit	(20 953)	(39 317)	(43 390)
<i>% to Net Sales</i>	-200,4%	-75,1%	-30,4%
Capital Expenditure	(4 989)	(3 302)	(166 995)
Working Capital change	3 221	(17 271)	39 983
Operational Cash Flow	(16 095)	(50 705)	(172 695)

2009 has seen a sharp increase of the volume and 2010 is also a year of strong growth based on this same trend. 2010 is also a year when two objectives must be met:

- Margin on Operation must be positive and this has been the case for the last 2 months
- New plant must be built (with a 150 Million takas impact on the cash flow)

Cash Forecast: 2008-2010

Taka 000's

	Actual 2008	Actual 2009	Est 2010
Trading operating profit	(20 953)	(39 317)	(43 390)
Net Financial income	1 095	2 663	(13 426)
Depreciation	5 531	6 522	11 133
Capital Expenditure	(4 989)	(3 302)	(166 995)
Working Capital change	3 221	(17 271)	39 983
Free Cash flow	(16 095)	(50 705)	(172 695)
Capital increase	60 000	40 000	-
Net Debt variation	43 905	(10 705)	(172 695)

2010 includes the capital expenditures needed for the 2nd plant.

The company intends to increase capital in 2010. In this 2010 forecast, all the cash needed is financed through debt with 10% interest rate until 2011.

Existing Balance sheet: 2009-2010

Taka 000's

	Actual 2009	Est 2010
Inventories	6 662	25 580
Accounts Receivable	4 831	22 746
Fixed Assets Suppliers	(1 003)	(1 003)
Other Accounts Payable	(51 635)	(71 103)
Rebates and trade payable	-	(167)
Other working Capital Items	60 107	2 892
Working Capital	18 962	(21 055)
Tangible & Intangible Assets(net)	48 019	203 881
Other Financial assets		
Non Amortized Brands & goodwill - Net		
Investment in non-consolidated Companies		
Assets	48 019	203 881
Long Term Provision		
Capital employed	66 981	182 826
Net Equity	105 420	48 604
Net Debt	(38 439)	134 256
Financing (2)	66 981	182 860



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Strong volume growth

	2009	2010	2011	2012	2013	2014	2015
volume in tons	696	1727	4400	6600	9600	11800	15150
% growth		148%	155%	50%	45%	23%	28%

Strong volume growth (CAGR* 2010-2015 at 75%) is mainly due to:

- Strong increase in distribution : number of outlets will go from 8000 in 2010 to 22000 in 2015 and number of door-to-door sales ladies will go from 1500 to 6500 ladies
- Increase in demand, in particular thanks to advertizing
- Product innovation with the launch of the pouch in 2010, a non refrigerated product with a shelf life of 1 month at 5 takas. This will help increase consumer demand as well as improve profitability.

To achieve that, GDFL will need :

- 2 new factories of 7000 tons capacity each including one near Dhaka built in 2010.
- A more developed and better controlled milk sourcing through 9 chilling centers by 2015.
- Added capacity of cold chain distribution - for instance by going from 3 trucks in 2010 to 9 trucks in 2015 for urban distribution. And an increased sales team.

Bogra sustainability

Taka 000's

	Actual 2008	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
Volumes (Tons)	148	696	1727	3200	3200	3200	3200	3200
Net Sales	10 455	52 340	142 834	282 351	284 013	290 408	292 927	292 747
Raw & Pack	(8 421)	(44 311)	(101 576)	(160 406)	(163 291)	(158 063)	(155 075)	(155 288)
<i>% to Net Sales</i>	-80,5%	-84,7%	-71,1%	-56,8%	-57,5%	-54,4%	-52,9%	-53,0%
Industrial	(9 183)	(13 058)	(19 110)	(21 462)	(23 273)	(24 865)	(25 757)	(26 620)
Supply Chain	(1 451)	(7 996)	(13 998)	(26 117)	(22 721)	(20 329)	(17 576)	(17 565)
Margin on operations	(8 600)	(13 025)	8 150	74 366	74 728	87 152	94 520	93 274
<i>% to Net Sales</i>	-82,3%	-24,9%	5,7%	26,3%	26,3%	30,0%	32,3%	31,9%
A&P	(3 568)	(8 196)	(14 069)	(45 176)	(38 058)	(29 041)	(29 293)	(29 275)
Sales overheads	(2 282)	(10 176)	(21 730)	(32 024)	(24 703)	(19 589)	(17 417)	(14 776)
HO Overheads	(6 503)	(7 920)	(16 642)	(19 428)	(18 970)	(17 575)	(15 683)	(12 308)
ROP	(20 953)	(39 317)	(44 290)	(22 263)	(7 003)	20 947	32 127	36 916
<i>% to Net Sales</i>	-200,4%	-75,1%	-31,0%	-7,9%	-2,5%	7,2%	11,0%	12,6%

- Bogra plant has started 3 years ago and is reaching full capacity.
- At 3200T ie 90% of its full theoretical capacity, margin on operations reaches 27% which will be sufficient to reach a positive Operating Result as soon as more volume (through more plants) will cover the central teams and national advertising costs

BP : 3 factories (2nd in 2010 , 3rd in 2013)



Bogra Factory: 3600T*

- Size cup: 60g & 40g
- Peak Capacity in 2011
- Investment (incl. additional capacity and pouch): 64 000 000 BDT**
- Distribution Rural, (Proxy, MT until 2011)

Dhaka Factory B (start 2011): 7000T*

- Size cup: 80gr & 60g & 40g
- Peak Capacity in 2013
- Investment: 150 000 000 BDT** in 2010
- Distribution Proxy, MT

Factory C (start 2014): 7000T*

- Size cup: 60g & 40g
- peak Capacity in 2015
- Investment: 185 000 000 BDT** in 2013
- Distribution Rural & Proxy

* Installed capacity

** Cost of land for Bogra was 2,4 Mio BDT vs 45Mio BDT for the 2 other plants.

Profitability Forecast 2010-2015

Taka 000's

	Actual 2008	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
Volumes (Tons)	148	696	1727	4400	6600	9600	11800	15150
Net Sales	10 455	52 340	142 834	389 421	591 399	883 846	1 092 983	1 406 425
Raw & Pack	(8 421)	(44 311)	(101 576)	(220 158)	(340 980)	(485 122)	(594 634)	(769 746)
<i>% to Net Sales</i>	-80,5%	-84,7%	-71,1%	-56,5%	-57,7%	-54,9%	-54,4%	-54,7%
Industrial	(9 183)	(13 058)	(18 210)	(54 611)	(61 797)	(89 812)	(106 423)	(112 666)
Supply Chain	(1 451)	(7 996)	(13 998)	(36 021)	(47 312)	(61 869)	(65 579)	(84 386)
Margin on operations	(8 600)	(13 025)	9 050	78 631	141 310	247 044	326 347	439 627
<i>% to Net Sales</i>	-82,3%	-24,9%	6,3%	20,2%	23,9%	28,0%	29,9%	31,3%
A&P	(3 568)	(8 196)	(14 069)	(62 307)	(79 248)	(88 385)	(109 298)	(140 643)
Sales overheads	(2 282)	(10 176)	(21 730)	(45 329)	(56 489)	(71 662)	(79 291)	(90 183)
HO Overheads	(6 503)	(7 920)	(16 642)	(23 746)	(34 779)	(46 866)	(51 405)	(51 795)
Trading operating profit	(20 953)	(39 317)	(43 390)	(52 751)	(29 205)	40 131	86 354	157 007
<i>% to Net Sales</i>	-200,4%	-75,1%	-30,4%	-13,5%	-4,9%	4,5%	7,9%	11,2%

- Operational margin becomes positive in 2010 as Bogra reaches full capacity and will be further improved through product mix and new products (including the 5 BDT pouch launched in 2010)
- Trading Operating profit is forecasted to be positive in 2013 when 2nd plant reaches full capacity and further improves with the 3rd plant in 2014-2015.

Strong Advertising

000 Takss	2009	2010	2011	2012	2013	2014	2015
A&P	8196	14069	62307	79248	88385	109298	140643
% growth		72%	343%	27%	12%	24%	29%

- From 2011 onwards, A&P budget enables to cover 4 months of TV advertizing (with approx. 965 GRP/ active week on BTV+Channel I+NTV+ATN and with a cost/GRP = 1690BDT) and massive promotional mini-event support.

Capital Expenditure Forecast 2010-2015

Taka 000's

	Actual 2008	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
New Factory:-			150000	30000	20000	185000	10000	0
Land			45000	0	0	45000	0	0
Building			10000	0	0	10000	0	0
Machineries			95000	30000	20000	130000	10000	0
Chilling Center		1137	1500	4500	3000	3000	0	1500
ERP			0	1000	0	0	0	0
Logistics	3 017		6000	3500	3500	5000	3500	5000
Factory Machineries	1 905		4995	10000	10000	10000	20000	20000
Milk Carring Truck			0	3000	3000	3000	0	0
Pouch Filling Machine		0	2000	0	0	0	0	0
Crates		1300	0	400	400	400	400	400
Others	67	865	2500	10000	5000	10000	5500	0
Capital Expenditure	4 989	3 302	166 995	62 400	44 900	216 400	39 400	26 900

- The bulk of Capital expenditure is explained by the two factories (395 Million takas)

Cash Forecast 2010-2015

Taka 000's	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
Trading operating Income(ROP Current)	(39 317)	(43 390)	(52 751)	(29 205)	40 131	86 354	157 007
Tax on above					(15 049)	(32 383)	(58 878)
Depreciation	6 522	11 133	44 613	53 593	87 873	95 753	101 133
Cash Flow from Operations	(32 795)	(32 257)	(8 138)	24 388	112 955	149 724	199 263
Capital Expenditure(Outside Group)	(3 302)	(166 995)	(62 400)	(44 900)	(216 400)	(39 400)	(26 900)
Working Capital Variation	(17 271)	39 983	0	6	(6)	0	(0)
Operating Free Cash Flow (OFCF)	(53 368)	(159 269)	(70 538)	(20 506)	(103 451)	110 324	172 362
Financial Results (Current)	2 663	(13 426)	(4 977)	(7 808)	(19 364)	(8 887)	8 906
Tax on Financial results					7 261	3 333	(3 340)
Free Cash Flows	(50 705)	(172 695)	(75 515)	(28 315)	(115 554)	104 770	177 929

- Cash flow needed from 2010 to 2012 is 277 Million BDT and 392 Million including the 3rd plant in 2013
- Operating Free cash flow needed from 2010 to 2012 is 250 Million BDT. Taking into account the positive net debt end of 2009 of 38 Million BDT and the Financial interest costs of 26 Million BDT the cash-injection required to finance the second plant until 2012 is estimated at 238 Million BDT financed by a capital increase of 160mios BDT in 2011 and a debt of 78 Million BDT at 10%interest rate

Balance sheet forecast: 2010-2015

Taka 000's

	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
Inventories	6 662	25 580	64 919	97 173	149 507	193 336	249 305
Accounts Receivable	4 831	22 746	62 015	94 179	139 773	172 846	222 415
Fixed Assets Suppliers	(1 003)	(1 003)	(1 003)	(1 003)	(1 003)	(1 003)	(1 003)
Other Accounts Payable	(51 635)	(71 103)	(110 079)	(147 758)	(210 220)	(257 675)	(333 557)
Rebates and trade payable	-	(167)	(454)	(690)	(819)	(1 012)	(1 303)
Other working Capital Items	60 107	2 892	(36 452)	(62 962)	(98 294)	(127 547)	(156 912)
Working Capital	18 962	(21 055)	(21 055)	(21 061)	(21 055)	(21 055)	(21 055)
Tangible & Intangible Assets(net)	48 019	203 881	221 668	212 974	341 501	285 148	210 915
Other Financial assets							
Non Amortized Brands & goodwill - Net							
Investment in non-consolidated Companies							
Assets	48 019	203 881	221 668	212 974	341 501	285 148	210 915
Long Term Provision							
Capital employed	66 981	182 826	200 612	191 913	320 446	264 093	189 860
Net Equity	105 420	48 604	150 876	113 862	126 841	175 258	278 954
Net Debt	(38 439)	134 256	49 770	78 085	193 639	88 869	(89 060)
Financing (2)	66 981	182 860	200 646	191 947	320 480	264 127	189 894

- In this balance sheet, the financing is partly coming from a capital increase agreed by the board of 160 000 000 BDT in 2011 and partly through debt.

Main Assumptions

Assumption For Projection

	2010(Est)	2011	2012	2013	2014	2015
VAT	11,39%	11,39%	11,39%	11,39%	11,39%	11,39%
Market Returns	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
Retail Margin	8,74%	8,74%	8,74%	8,74%	8,74%	8,74%
Distributor Margin	4,90%	4,90%	4,90%	4,90%	4,90%	4,90%
Trade Support	2,50%	2,50%	2,50%	2,00%	2,00%	2,00%
Material Cost in E/T	0,60	0,51	0,52	0,51	0,51	0,51
Manufacturing Labour	1,65%	1,65%	1,60%	1,50%	1,40%	1,30%
Direct Production Costs	7,00%	7,00%	6,00%	6,70%	6,50%	6,50%
Manufacturing Overhead	4,30%	4,20%	4,00%	3,50%	2,20%	2,20%
Logistics Cost	9,80%	9,25%	8,00%	7,00%	6,00%	6,00%
A&P and Marketing	9,85%	16,00%	13,40%	10,00%	10,00%	10,00%
Sales Team Overheads	14,80%	11,00%	9,40%	7,15%	7,00%	6,35%
HO Overheads	10,50%	6,50%	6,00%	5,25%	4,75%	3,80%

	2010	2011	2012	2013	2014	2015
Plant capacity per month						
Plant 1	3 600	3 600	3 600	3 600	3 600	3 600
Plant 2		1 800	3 600	6 000	6 000	6 000
Plant 3					3 000	6 000

Nb of ladies	1500	2800	3500	5000	5500	6500
Nb of units sold per lady/day	11,42	22,83	26,09	26,48	26,57	28,10
Total Income per lady	3000	5156	5333	5365	5382	5385
Nb of outlets	8100	10700	14000	15400	19000	22300
Nb of units sold per outlet/Day	6,43	10,15	12,00	15,00	16,03	17,68

Nb Sales team	122	158	179	240	265	283
Nb Sales team rural	78	126	143	204	226	241
Nb Sales team urban	44	32	36	36	39	42

Sales contribution						
Pouch	14%	51%	53%	59%	60%	58%
Cup	85%	49%	47%	41%	40%	42%
Rural	22%	32%	30%	30%	27%	26%
Urban	73%	63%	64%	64%	66%	66%
Modern Trade	6%	5%	6%	6%	7%	7%



D. FINANCIAL EXISTING & FUTURE PROJECT

- 1. Existing balance sheet,
P&L , cashflow**
- 2. Projected balance sheet,
P&L, cashflow**
- 3. Project debt service
coverage**

Debt service cousage 2010-2015

Taka 000's

	Actual 2009	Est 2010	FO 2011	FO 2012	FO 2013	FO 2014	FO 2015
Operating Free Cash Flow (OFCF)	(53 368)	(159 269)	(70 538)	(20 506)	(103 451)	110 324	172 362
Financial Results (Current)	2 663	(13 426)	(4 977)	(7 808)	(19 364)	(8 887)	8 906
debt service coverage ratio						(12,41)	19,35



E. ECONOMIC ASPECT EXISTING & FUTURE PROJECT

- 1. Nb of jobs created**
- 2. Nb of families impacted**
- 3. Contribution to GDP →
not available**

Social & economic impact



Grameen Danone Foods Ltd tries to maximize its local social impact and to make it sustainable by reaching economic profitability.

What is the status in April 2010 ?

1 kid out of 4 around Bogra within SEC C & D declares to eat at least one shokti+ / week in the last 3 months. NGO GAIN (Global Alliance for Improved Nutrition) and Jhn Hopkins University are about to deliver results of a clinical study on health impact of Shokti+ by mid 2010.

700 ladies are getting an additional income of 50 to 100 tk / day by selling Shokti+ products door-to-door. This is limited but contributes to improve their living conditions, they benefit from having a regular source of income, new social capital related to their formal job, more freedom to move in public space, and an improved self concept.

370 micro-farmers around the plant sell daily to Grameen danone at a fixed price, without having to go to the market. This improves their income by approximately +40% Dr. Mostaq Ahmed's farm also provides technical assistance and training to 300 micro-farmers around, like chilling center and health services.

Grameen Danone has directly created 117 jobs.

2015, GDFL expects to have created 400 jobs, to impact living conditions of approximately 2250 farmers and 6500 sales ladies.