



2019 Third-Quarter Sales
Press release – Paris, October 18, 2019

Continued growth acceleration

- Consolidated sales up by **+3.7%** on a reported basis to **€6,418m** in third quarter
- Third consecutive quarter of like-for-like sales growth acceleration: **+3.0%** in Q3
- Very strong growth of Specialized Nutrition offsets Waters softness due to weather comparables in Europe
- 2019 guidance: LFL sales growth narrowed to +2.5% to +3% and recurring operating margin reiterated at above 15%

Emmanuel Faber: Chairman and Chief Executive Officer statement

"Our business continues to demonstrate its resilience by delivering acceleration in revenue growth in Q3. The return to strong growth momentum for Specialized Nutrition in Asia is a highlight, reversing the trend reported last year. Across Danone, many of our initiatives aimed at quality of growth, product innovation, price-mix enhancement and revenue management discipline are gaining further traction with positive outcomes for our consumers and customers. Mindful of growing geopolitical uncertainties and softness in some markets, we continue to transform our business at pace so that it is well-positioned to respond to market needs. This keeps on track to deliver sales growth acceleration, steady improvement in recurring operating margin and strong recurring EPS expansion."

2019 third-quarter sales

€ million except %	Q3 2018	Q3 2019	Reported change	LFL Sales Growth	Volume Growth	9M 2018	9M 2019	Reported change	LFL Sales Growth	Volume Growth
BY REPORTING ENTITY										
EDP	3,214	3,240	+0.8%	+0.7%	-2.7%	9,699	9,818	+1.2%	+1.0%	-2.6%
Specialized Nutrition	1,723	1,920	+11.4%	+9.8%	+0.8%	5,353	5,611	+4.8%	+4.4%	-0.5%
Waters	1,248	1,258	+0.7%	-0.9%	-2.5%	3,527	3,603	+2.1%	+1.5%	-0.8%
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	3,468	3,451	-0.5%	+0.3%	-1.6%	10,231	10,303	+0.7%	+0.2%	-1.5%
Rest of the World	2,719	2,966	+9.1%	+6.5%	-1.3%	8,348	8,728	+4.6%	+4.6%	-1.3%
TOTAL	6,186	6,418	+3.7%	+3.0%	-1.6%	18,579	19,031	+2.4%	+2.1%	-1.6%

All references in this document to Like-for-Like (LFL) changes of sales, recurring operating income and margin, correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on pages 3 and 4.

¹North America (Noram): United States and Canada

In the third quarter of 2019, consolidated sales stood at €6.4bn, up **+3.0%** on a like-for-like basis. Value growth continued to be the main growth driver at +4.6%, positive in all reporting lines with all price, product mix and country mix contributing positively. Volumes declined by -1.6%, impacted by lower demand in Waters Europe and EDP Russia. Reported sales were up **+3.7%**, including +0.4% from the organic contribution of Argentina to growth, a

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negative scope effect (-1.3%), primarily linked to the deconsolidation from April 1st of *Earthbound Farm*. Currencies had a positive impact, +1.6%, mainly driven by the appreciation of the US dollar.

ESSENTIAL DAIRY AND PLANT-BASED (EDP)

Essential Dairy & Plant-based (EDP) posted in the third quarter net sales up **+0.7%** on a like-for-like basis, including a +3.4% increase in value, and a -2.7% decline in volumes. North America and CIS are facing challenging consumer environments, while momentum outside of these regions continues to be positive. Plant-based delivered consistent strong growth, including a double-digit growth of *Alpro*.

Europe delivered in Q3 another quarter of slightly positive growth, as Danone continues to make progress in the transformation of its dairy business to move its portfolio towards new generations, and in the execution of its plans to expand plant-based business in the region. **North America** reported flat sales in Q3 with a mixed performance between segments: Coffee Creamers and Plant-based (excluding Vega) posted solid growth while Yogurts held market share in a declining category and Premium Dairy reported declining sales despite the good performance of the core business under *Horizon* brand, given further discontinuation of some non-core business. In **CIS**, sales were down low single-digit as in Russia premium functional yogurts are impacted by a consumer trade-down. **Latam** posted moderate growth driven by Mexico and in **Aspame**, Morocco delivered double-digit sales growth.

SPECIALIZED NUTRITION

Specialized Nutrition sales growth was very strong in the third quarter, up **+9.8%** on a like-for-like basis, with an increase in value of +9.0% reflecting a positive mix both from a country and a product perspective resulting from value-enhancing innovations and volumes up +0.8%.

Medical Nutrition delivered another good quarter, with sales up mid-single digit, led by double-digit growth in China and solid growth in Europe.

Early Life Nutrition sales grew more than 10% this quarter. Sales in **China** were up more than 20% and sequentially increased in absolute terms, reaching the highest ever quarter in net sales. This was driven by an increased presence in physical stores in lower tier cities, very strong growth in e-commerce, and innovations roll-out. Direct channels grew faster than indirect channels, accounting for around 75% of total sales in China in the quarter. **Outside of China**, sales growth was solid, with rest of Asia posting strong results including market share gains in South-East Asia and further geographical expansion, Americas growing strongly and Europe improving driven in particular by the UK, on a low base.

WATERS

Waters sales were down -0.9% on a like-for-like basis, with a -2.5% decline in volumes and a +1.6% increase in value. In **Europe**, against an exceptional base of comparison, sales were down low-single digit, particularly in August, as temperatures were significantly lower than Q3 2018, while market shares remained overall stable in the region. In **Asia**, Indonesia and Turkey posted strong growth, while *Mizone* sales declined in China. **Latin America** delivered a strong quarter, with all countries growing.

2019 OUTLOOK

Macroeconomic outlook

In an environment of growing geopolitical uncertainties since the beginning of the year, Danone remains vigilant. In 2019, Danone expects further cost inflation with a mid-to-high single digit inflation in the costs of raw and packaging materials, including:

- milk price inflation high-single digit overall, on the back of a rebalancing supply and demand dynamic,
- continued inflation in PET cost driven by sustained market demand,
- inflationary conditions in other raw materials, including sugar and fruits.

2019 guidance

In 2019, Danone will continue to progress towards its 2020 objectives by strengthening its operating model through its priorities: accelerate growth, maximize efficiencies and allocate capital with discipline. Delivery of its agenda of sales growth acceleration and improved recurring operating margin will be supported by valorized innovations, active portfolio management, and further savings from the Protein efficiency program and WhiteWave integration synergies.

After a +2.1% like-for-like sales growth over the nine first months of the year, **Danone is targeting for the full-year like-for-like sales growth between +2.5% and +3%** (vs. around 3% previously) **and recurring operating margin above 15%** (unchanged).

MAJOR FINANCIAL TRANSACTIONS AND DEVELOPMENTS OVER THE PERIOD

- **On August 20th, 2019**, Danone announced the appointment of Nigyar MAKHMUDOVA as Executive Vice President, Growth & Innovation. In this role, she will be responsible for overseeing the company's global Marketing, Innovation, R&D, Digital and Sales functions, and joins as a member of Danone's Executive Committee.
- **On October 16th, 2019**, Danone Manifesto Ventures announced that it entered into a strategic partnership, as a minority investor, with Forager Project. The San Francisco-based company, which produces and markets organic, plant-based foods notably made of cashew, will leverage the partnership to continue to build its portfolio of innovative products, enhance sustainable sourcing and production, increase brand awareness and widen distribution.

IFRS STANDARDS

IAS29 impact on reported data

Danone has been applying IAS 29 in Argentina from July 1st, 2018 with effect from January 1st, 2018. Adoption of IAS 29 in this hyperinflationary country requires its non-monetary assets and liabilities and its income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Moreover, its financial statements are converted into euro using the closing exchange rate of the relevant period.

IAS29 impact on reported data € million except %	Q3 2019
Sales	+2
Sales growth (%)	+0.0%

Breakdown by quarter of 9M 2019 sales after application of IAS 29

9M 2019 sales correspond to the addition of:

- Q3 2019 reported sales;
- Q1 and Q2 2019 sales resulting from the application of IAS29 until September 30 to sales of Argentinian entities (application of the inflation rate until September 30, 2019 and translation into euros using September 30, 2019 closing rate) and provided in the table below for information (unaudited data).

€ million	Q1 2019 ⁽¹⁾	Q2 2019 ⁽²⁾	Q3 2019	9M 2019
EDP	3,305	3,273	3,240	9,818
Specialized Nutrition	1,827	1,864	1,920	5,611
Waters	1,001	1,344	1,258	3,603
Total	6,133	6,480	6,418	19,031

⁽¹⁾Results from the application of IAS29 until September 30, 2019 to Q1 sales of Argentinian entities (application of the inflation rate until September 30, 2019 and translation into euros using September 30, 2019 closing rate – unaudited data).

⁽²⁾Results from the application of IAS29 until September 30, 2019 to Q2 sales of Argentinian entities (application of the inflation rate until September 30, 2019 and translation into euros using September 30, 2019 closing rate – unaudited data).

FINANCIAL INDICATORS NOT DEFINED IN IFRS

Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material.

Financial indicators not defined in IFRS

Like-for-like changes in sales and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope and, starting January 1st, 2019, previous-year and current-year scope excluding Argentinian entities;
- changes in applicable accounting principles;
- changes in exchange rates with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current year).

Bridge from reported data to like-for-like data

(€ million except %)	Q3 2018	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS29	Argentina organic contribution	Like-for-like growth	Q3 2019
Sales	6,186	-1.3%	+1.6%	+0.4%	+3.0%	6,418

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French CNC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Sales ratio.



FORWARD-LOOKING STATEMENTS

This press release 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”, “objective”, “believe”, “forecast”, “guidance”, “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, predictions of future activities, operations, direction, performance and results of Danone.

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).

Subject to regulatory requirements, Danone does not undertake to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy Danone securities.

The presentation to analysts and investors, held by CFO Cécile Cabanis, will be broadcast live today from 9.00 a.m. (Paris time) on Danone’s website (www.danone.com).

Related slides will also be available on the website in the Investors section.

APPENDIX – Sales by reporting entity and by geographical area (in € million)

	First quarter		Second quarter		Third quarter	
	2018	2019	2018	2019	2018	2019
BY REPORTING ENTITY						
EDP	3,296	3,308	3,257	3,283	3,214	3,240
Specialized Nutrition	1,812	1,828	1,831	1,866	1,723	1,920
Waters	976	1,002	1,325	1,346	1,248	1,258
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	3,311	3,381	3,453	3,471	3,468	3,451
Rest of the World	2,774	2,757	2,961	3,025	2,719	2,966
Total	6,085	6,138	6,414	6,496	6,186	6,418

	First quarter		Second quarter		Third quarter	
	2019		2019		2019	
	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change
BY REPORTING ENTITY						
EDP International	+0.4%	+0.2%	+0.8%	+2.2%	+0.8%	+0.7%
Specialized Nutrition	+0.9%	+0.4%	+1.9%	+3.2%	+11.4%	+9.8%
Waters	+2.7%	+3.9%	+1.6%	+2.1%	+0.7%	-0.9%
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	+2.1%	-0.8%	+0.5%	+1.1%	-0.5%	+0.3%
Rest of the World	-0.6%	+3.0%	+2.2%	+4.2%	+9.1%	+6.5%
Total	+0.9%	+0.8%	+1.3%	+2.5%	+3.7%	+3.0%

¹North America (Noram) : United States and Canada