



2020 Investor Update Event
Press release – Paris, November 23, 2020

Reshaped 'local-first' organization: a key step to restore value creation in a COVID-world

- **Shifting to a local-first and efficient organization, unlocking future growth and margin expansion**
 - Move from category-led to local organization; 6 additions to Executive Committee to reflect new zones
 - €1bn cost savings expected by 2023 including through 20% reduction in overhead costs
- **Updated mid-term profitable growth ambition**
 - Targeting mid-term recurring operating margin at mid-to-high teen levels
 - First milestone: > 15% recurring operating margin in 2022
 - 2020 full-year guidance confirmed

All references in this press release to Like-for-like (LFL) changes, Recurring operating income and margin, free cash flow (FCF) correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are included in the press release dated 19 October 2020.

Emmanuel Faber - Chairman and CEO statement:

“The global pandemic has accelerated a number of the patterns of the food revolution and altered others. Among the aspects that are favorable to Danone: the increased perceived relationship between health and food and notably on immunity to which fermented proteins, and probiotics participate but also the accelerated conversion to plant-based diets or the boom in e-commerce. Conversely, we are confronted with factors such as the closure of out-of-home channels affecting everywhere our Water business, with the reduction of SKU ranges by our retail partners, or the announced dip in birth number dynamics, but also with the elevated cost of operating with sanitary measures and the cost of securing procurement and physical flaws of our products.

Last July, we announced that we would give ourselves till the end of the year to work on our adaptation plan. Here we are. Last October 19th, we laid the ground for our plan which we have finalized and are announcing today. This transformation is necessary because we are at this stage in the paradoxical situation where on one hand, our One Planet. One Health frame of action anchored in a portfolio of healthy and sustainable products and brands is even more relevant in today's world, but on the other hand we are unable to fully reap the benefits of the current positive trends nor face in an optimal way their challenges. Our recent results evidence this. We definitely need to reinvent ourselves, as a company, very much like all of us are doing it in our own ways of living, working or consuming.

In this reinvention of food, the most prominent paradigm accelerated by the pandemic is undoubtedly the trend toward local. It is a systemic evolution whereby the diversity of dietary habits rooted in their local cultures is now considered as a key security and resilience factor for global food systems. It is also a major political trend with the strong emergence of national food sovereignty narratives in many countries. It is finally and for long a consumer trend where many perceive local as a way to regain control over their food.

Our adaptation plan in this context can be summarized in just two words « Local First ». This plan, that we announce this morning, with the full support of our Board, and of course the full commitment of our teams, has also been built listening to our 100,000 employees during the preceding cycles of yearly consultation that we are organizing with them. It has three major axes.

- *To start with, “Local First” is a plan by which our local business units will regain autonomy, everywhere, as close as possible to consumers and the field. For this, our business entities in countries will not anymore be dependent on a specific global category organization but will be unified in one single local business unit playing with strength and efficiency on the whole range of local specificities to win in our capability to serve our clients and*

consumers and therefore to grow. Because each of them has a unique contribution, expertise, experience, we also want our countries to participate actively to the global management of the company. Consistent with that, they will be represented at the Executive Committee by zone presidents.

- Simultaneously, by giving power back to countries, we will regain agility, by shortening our decision-making processes: for instance by having only two decision-making levels on capital expenditure where there are five today or two levels to manage a brand like Activia where there are four today. By doing this, we will profoundly change the nature of the role of our headquarters because central functions will have a new role essential to serving the competitiveness of our countries. These shared or “common” functions will harness and foster the collective intelligence which makes the uniqueness of this company: our culture, our talents, our expertise, the data and the common language that they will allow, but also the access to technologies and resources in capital. It will be critical that these common functions are symbiotic with our local entities and better connected to our business. This is among the reasons why we will study relocating our global headquarters in Paris closer to our French business headquarters. This simplification and evolution in the role of our common functions will translate in reductions of around 1,500 to 2,000 positions in local and global headquarters, with up to 25% of current job positions for our global headquarters. And we will on this topic pay particular attention to the quality of the human and social aspects of this transformation including by implementing the specific policies that we have designed to face the current crisis with our social values and principles.
- Finally, we will gain efficiency and competitiveness. Local First works hand in hand with the implementation of our new integrated value chain organization End-to-End Design-to-Delivery which we announced on October 19, which will allow us to access new sources of productivity including through digitalization. Combined, these pillars of the plan will reinforce our ability to grow and also to generate recurring savings amounting to €1 billion by 2023, which will be partly reinvested in support of our growth and our brands but also to re-enforce our margins.

Historically, Danone was a growth champion from which derived our gradual improvement of our margin. Over the last few years, we have accelerated the progression of our margin in a more complex growth context. We have been able to raise by 50% the recurring EPS of the company over the five years that preceded the pandemic.

After 12 months of COVID, we now forecast thanks to this adaptation plan to return to profitable growth in less than 12 months, as soon as H2 2021 and for our recurring operating margin to return to its pre-COVID levels at more than 15% by 2022.

Growth is sine qua non condition of our success, of our positive impact. But in these new circumstances, I want to insist on the utmost importance of the profitability of our model, because this year has shown that the competitiveness of our businesses, of our brands, in our countries could be destabilized by strong and brutal external factors. All this makes me deeply convinced that, for us to be able to continue to invest for the long-term, in health, in agriculture, in our ecosystems, fundamentally to fulfill our mission, we have to quickly and sustainably add a safety margin to the level of the operational profitability of our business.

We therefore need to set an additional, strong, ambition for our margins. We can't just wait for growth to bring it. We must build this ambition from an agenda that we can own and is in our hands. And that is: how we organize ourselves, our ways of working, our efficiencies, and the operational optimization of our portfolio. Because we are strongly confident in this agenda, we are releasing with this adaptation plan financial objectives that are setting a mid-term ambition on our recurring operating margin, way above the highest objectives that we have ever set for ourselves.

I know I can count on the energy and the commitment of all the Danone teams around the world to work in implementing our Local First plan. I believe it is fundamentally aligned with the deep DNA of our company. I would like to express my gratitude to our teams for the remarkable work they've been doing over the last months in incredibly challenging conditions. And I also would like to thank them for their personal contribution to the global consultation that was completed last week in which more than 85,000 of our employees have given feedback that will guide us in the local implementation of our plans in consultation with our unions and employees representatives.

I also wish to thank all the members of our Board of directors who have been so closely guiding our journey through this health crisis over the last nine months, for their full support to our plans and objectives announced today.”

* * *

Danone will today host an Investor Update as part of a series of events covering the adaption plans announced in Q3 results on 19 October to counter the challenges and win the opportunities emerging from a new COVID-world. This first event will focus on how Danone will unlock significant efficiencies and reconnect with its profitable growth ambition by shifting from a category-led to a local-first organization. Today's presentation to analysts and investors will be broadcast 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 page under the Investor Seminar section.

Objectives: updated financial targets

- By reshaping its organization, **Danone targets to deliver €1 billion cost savings by 2023**, including €300 million from reduced cost of goods and €700 million related to general and administrative costs (representing around 20% reduction in overheads costs). Expected savings will be partly reinvested to fuel growth opportunities and contribute to progress the profitable growth agenda of the company. Total one-off costs related to the new organization initiatives are expected to be around €1.4 billion for the 2021-2023 period.
- Danone also reconfirms its mid-term ambition of achieving 3% to 5% profitable like-for-like revenue growth. Taking into account the €1bn cost savings plan announced today, the company now targets **mid-term recurring operating margin to reach mid-to-high teen levels**, with the **first milestone to be above 15% in 2022**.
- **The company also confirms its 2020 guidance** of full-year 14% recurring operating margin and the delivery of €1.8bn free cash flow despite more challenging market conditions in the fourth quarter created by new waves of restrictions and closures since Q3 announcement from local pandemic spikes, notably in Europe.

Executive Committee: enlargement to reflect local-first organization

Danone announced on October 19th the company would be organized in two macro-regions, led by Shane Grant for Danone North America, and Véronique Penchienati-Bosetta for Danone International.

To ensure decisions are pushed down to a local level, Danone International will be organized under five zones: Europe, Asia/Africa & Middle East, Greater China & Oceania, CIS & Turkey and Latin America.

Their Presidents will be appointed and, as such, be members of the Executive Committee in 2021 after the relevant information consultation processes: Floris Wesseling for Europe; Corine Tap for Asia, Africa & Middle East; Bruno Chevot for Greater China & Oceania; Charlie Cappetti for CIS & Turkey; and Silvia Davila for Latin America. Jean-Marc Magnaudet will also join the executive committee team to represent the Specialized Nutrition Unit to keep and strengthen the category expertise. They will report to Véronique Penchienati-Bosetta, CEO of Danone International. In the meantime, they will be part of the Executive Committee in their current roles and as study leaders of the new organization.

o o O o o

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 Universal 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.