



DANONE
ONE PLANET. ONE HEALTH

HALF-YEAR 2020 RESULTS

Resilience confirmed
Set to emerge stronger

July 30th, 2020

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Disclaimer

- *This presentation 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”, “outlook”, “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.*
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- *All references in this presentation to Like-for-like (LFL) changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax, recurring EPS and free cash flow correspond to financial indicators not defined in IFRS. Please refer to the FY 2019 results press release issued on February 26, 2020 for further details on IAS29 (Financial reporting in hyperinflationary economies), the definitions and reconciliation with financial statements of financial indicators not defined in IFRS. Finally, the calculation of ROIC and Net Debt/Ebitda is detailed in the annual registration document.*
- *Due to rounding, the sum of values presented in this presentation may differ from totals as reported. Such differences are not material.*

H1 2020 highlights

Resilience confirmed; set to emerge stronger

H1 2020, a mixed period: LFL sales growth -1.1%, recurring EPS -10%

- Solid momentum prior to COVID-19 pandemic; Q2 impacted by global lockdown
- Marked variations across channels and formats – EDP and SN growing +3%, Waters down -19%
- Improving underlying business fundamentals: increased penetration, market share gains, local anchoring
- Recurring operating margin down -72bps at 14%; continued focus on efficiency partly offsetting COVID-19 impact

Outlook: limited visibility into H2; maintaining commitment to long-term frame of action and goals

- Uncertainty remains on duration of gradual reopening and shape of the new normal
- Continued polarized market dynamics and bottom-line headwinds from COVID-19
- Leveraging the situation to accelerate business transformation underway to emerge stronger
- Progressing balanced multi-stakeholder approach to value creation and sharing



Half-year

Highlights



Q2 2020 highlights

A quarter hit by global lockdown: the perfect storm

<i>LFL sales growth</i>	Q1 2020	Q2 2020
Europe & Noram	+4.7%	-3.5%
Rest of the World	+2.6%	-8.2%
Company	+3.7%	-5.7%



Pandemic expansion into new regions



Reversal of Q1 pantry loading



Full effect of out-of-home closure, especially in Waters

<i>Recurring P&L items</i>	H1 2019	H1 2020
Operating Profit	€1,858m	€1,702m
Operating Margin	14.7%	14.0%
EPS	€1.87	€1.68



Extra-costs to maintain supply chain in first phase of pandemic



Deteriorating mix from channel and format shift

Free cash flow	€1,083m	€929m
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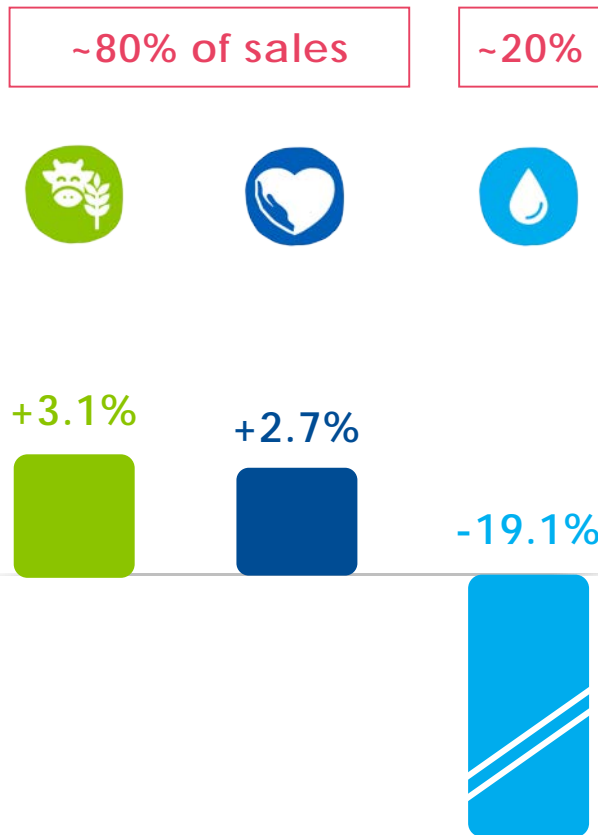


Drilling down into H1 revenue performance

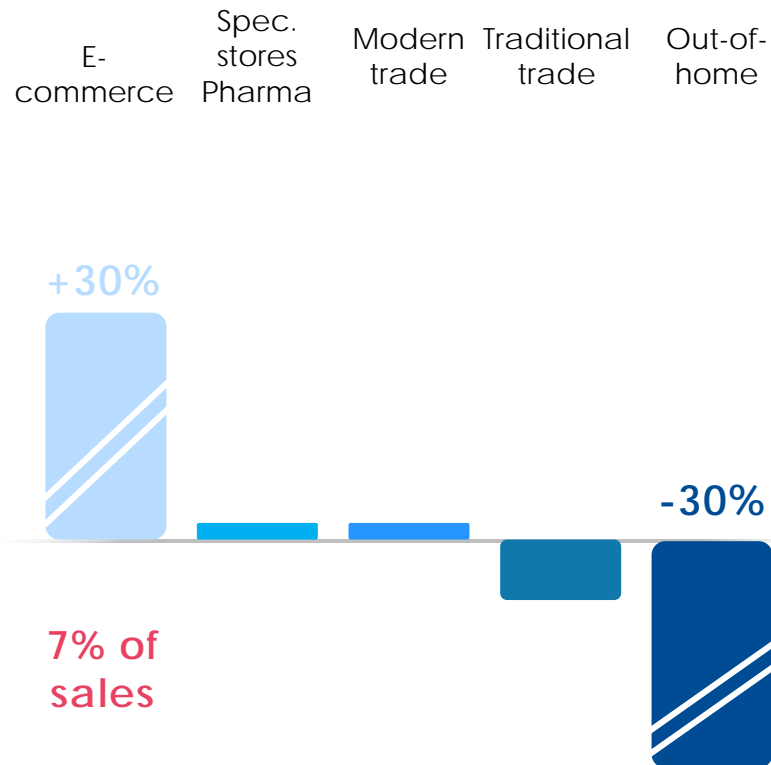
A semester of exceptional contrasts

H1 LFL Sales growth...

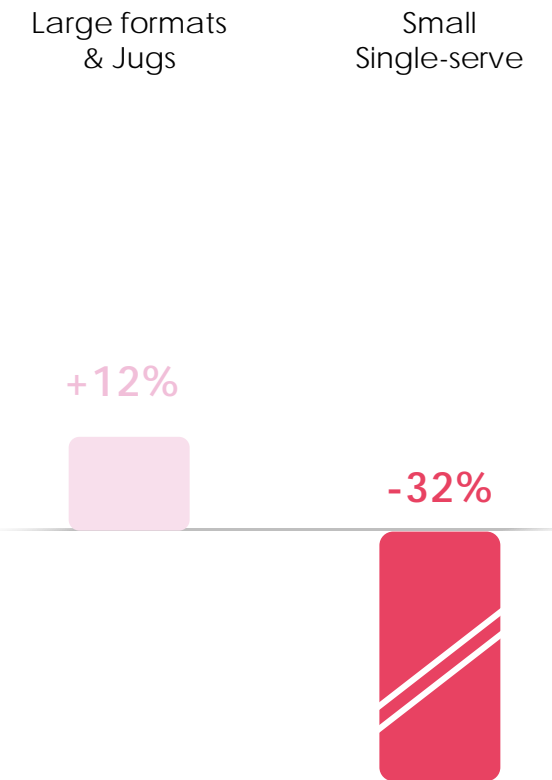
...By business



...By channel



...By formats – Waters only



Drilling down into H1 extra-costs

Broad mitigation actions to ensure supply chain resilience amid COVID-19

Extra supply costs
directly linked
to COVID-19

~€115million
in first semester



~€35m

Donations and bonuses

60,000 employees
continued working
on frontline



~€40m

Sanitary measures

Masks, gloves, sanitizer,
tests



~€40m

Extra logistic costs and inefficiencies

Social distancing,
warehousing adaptation,
truck rate increase,
temporary workers



Leading the way in creating and sharing sustainable value

New milestones in our journey



Pioneering French 'Entreprise à Mission' model

- Progressing balanced multi-stakeholder approach to value creation and sharing
- Consistent strategic frame of action and governance



Further progress on B Corp roadmap

- ~45% of global sales now covered by B Corp certification
- Volvic and Early Life Nutrition in China as most recent certified entities



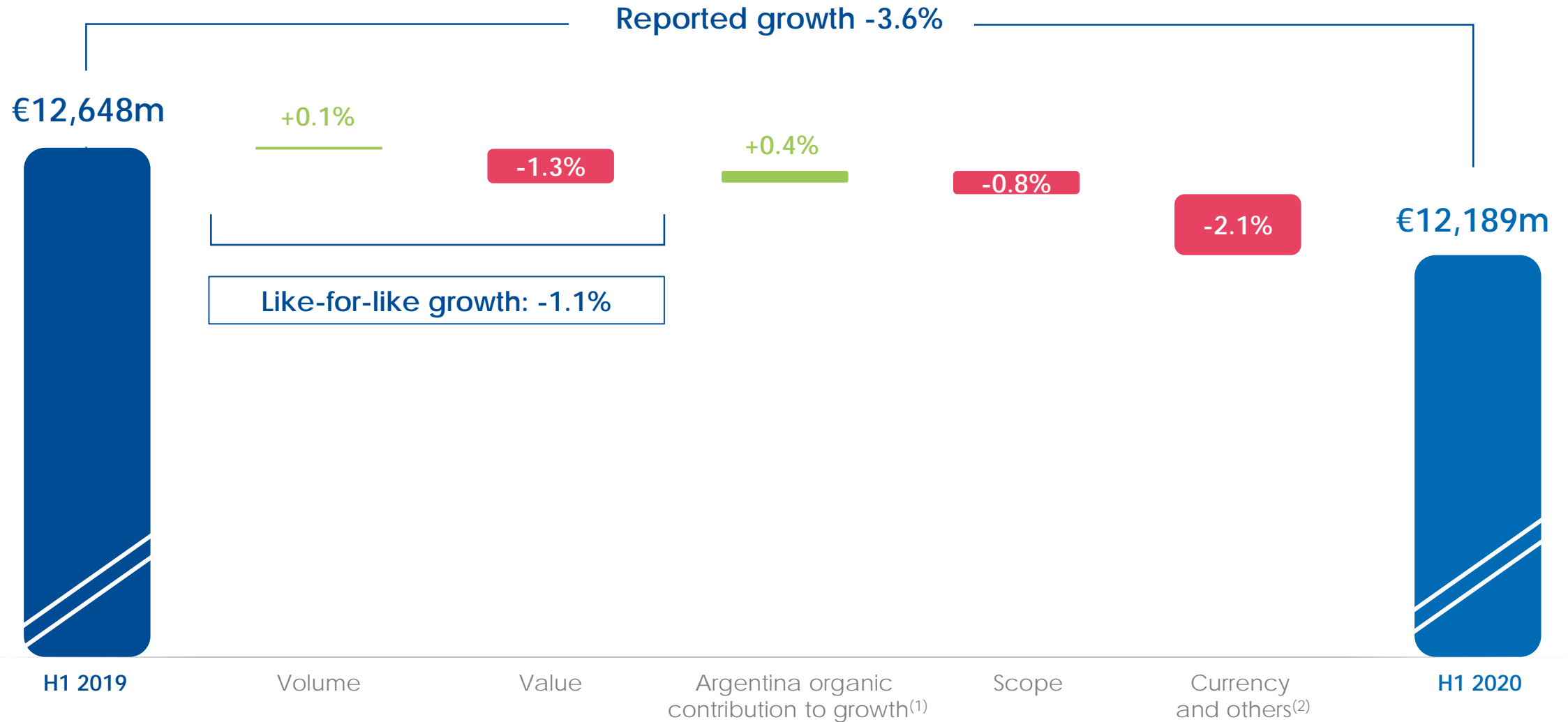
H1 2020

Financial Review



H1 2020 sales bridge

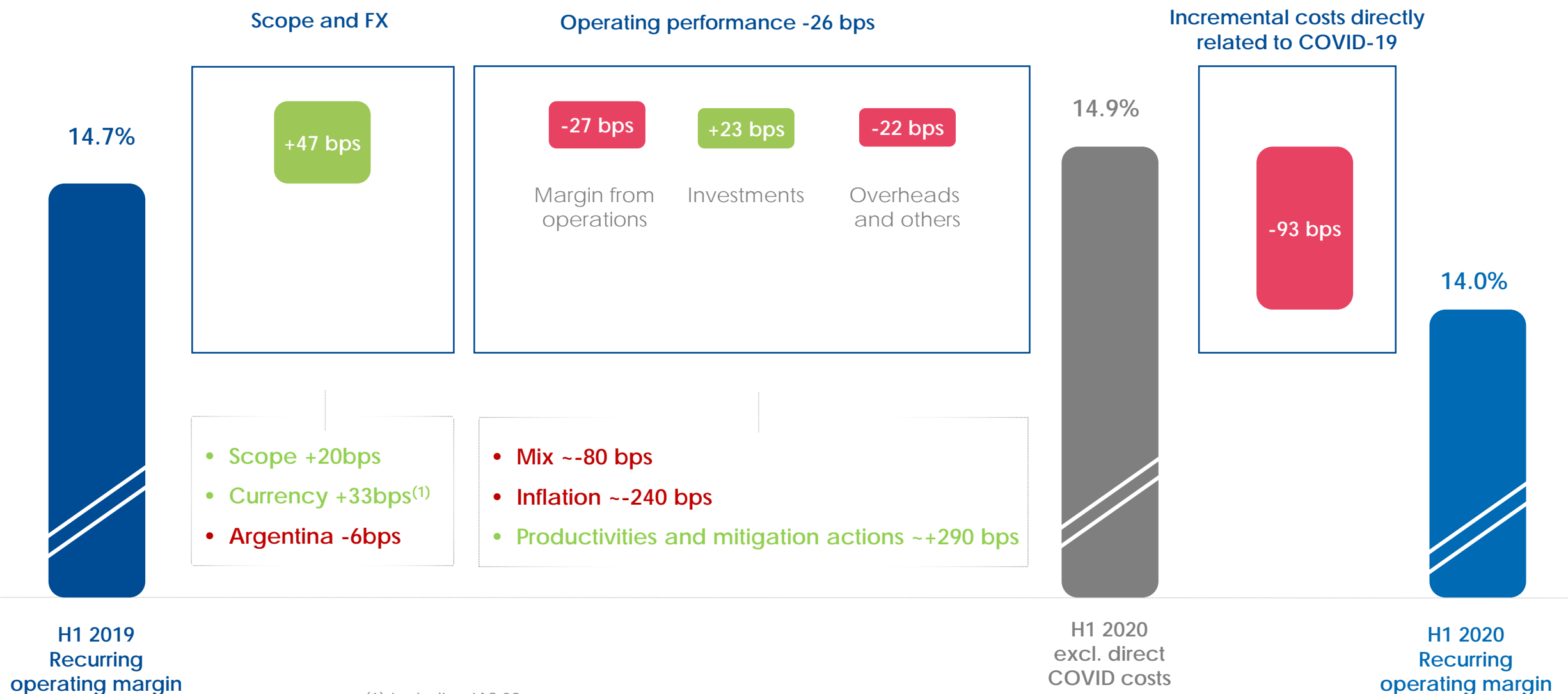
Stable volumes; negative mix from channel and format shifts



(1) Since January 2019, all like-for-like data exclude the contribution of Argentinian entities; (2) Including IAS 29

H1 2020 recurring operating margin

Continued efficiency focus partly offsetting COVID-19 impact; sustained brand investment



(1) Including IAS 29



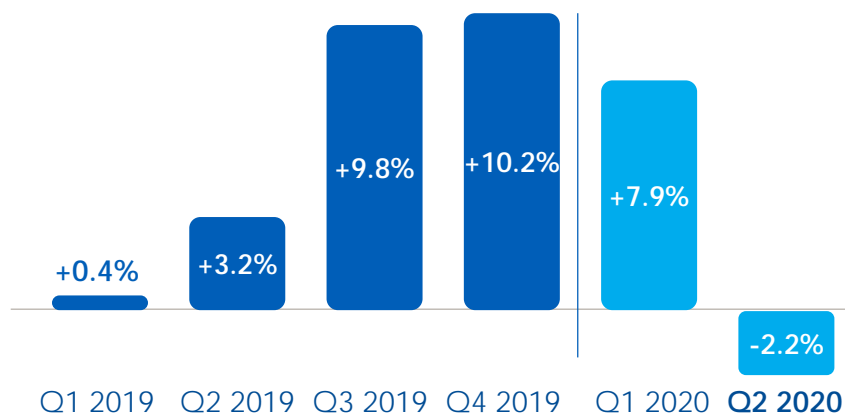
Specialized Nutrition

Q2: underlying trends confirmed – destocking in Europe

H1 2020 key figures

Sales	€3.7bn
Like-for-like change	+2.7%
Volume / Value	+0.8% / +2.0%
Recurring operating margin	26.4%
Change	+113 bps

Quarterly LFL sales growth



Like-for-like sales growth excluding Argentina

Q2 developments

China: flat sales

- Sustained growth in Advanced Medical Nutrition
- Early Life Nutrition performance affected by continued headwinds from Hong-Kong border closure, travel bans and partial destocking

Europe: double-digit sales decline

- Destocking effects, following pantry loading benefits of the first quarter
- Lower hospital and prescription activity during the quarter

Other geographies: continued strong momentum

- Notably in South East Asia driven by market share gain

H1 Recurring Operating Margin: +113 bps

- Innovation driving continued premiumization across all geographies
- Synergies from Early Life Nutrition and Medical Nutrition integration





China: strategic anchoring with local capabilities

Setting Danone for further success in Specialized Nutrition

Local Research and
Development capabilities



Tailored and
locally-relevant nutrition solutions

Local manufacturing
capabilities



Local offering to complement
existing portfolio

Expanding
our Medical offerings



Advanced Food for Special
Medical Purposes



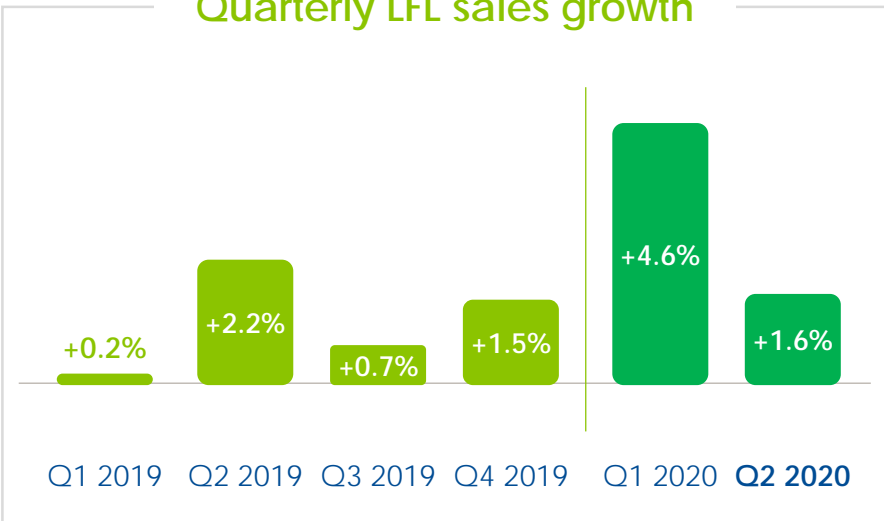
Essential Dairy & Plant-based

Q2: Sustained momentum in Europe & Noram, Emerging markets hit by lockdowns

H1 2020 key figures

Sales	€6.6bn
Like-for-like change	+3.1%
Volume / Value	+2.3% / +0.8%
Recurring operating margin	9.1%
Change	-35 bps

Quarterly LFL sales growth



Like-for-like sales growth excluding Argentina

Q2 developments

Europe: solid growth

- Sustained momentum in Core and Essentials beyond short-term stock piling
- Double-digit growth in Plant-based

North America: solid growth

- Despite headwinds from closure of away from home channels impacting Yogurt and Coffee Creamers
- Double-digit growth in Plant-based and Premium Dairy

Rest of the world

- Continued stabilization in CIS with rebound of Traditional portfolio
- High single-digit negative sales in Latin America and Africa

H1 Recurring Operating Margin: -35 bps

- Shift to larger formats and extra-costs offset by mitigation plans

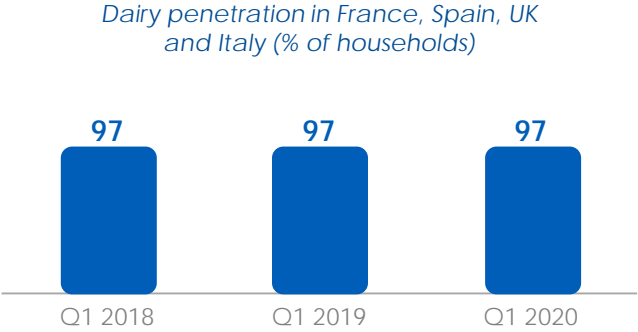


Europe: Dairy as a more essential and relevant category than ever

Danone competing and winning in the marketplace

EDP Europe: ~+5% LFL sales growth in H1

Category resilience confirmed



An essential, daily category seen as offering Immunity, Healthiness and Indulgence

Gaining market share⁽¹⁾ in 3 largest countries through 4 largest brands



Source: Retail audits
(1) Total Dairy market share (Jan-May 2020)



US: Uptick in category penetration

Further anchoring Danone categories and brands in daily diets

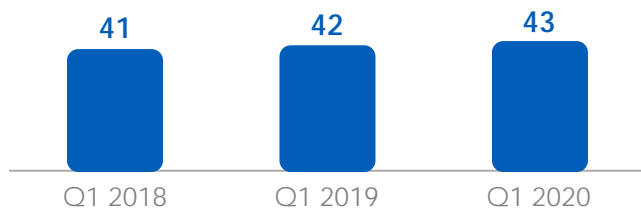
EDP Noram: ~+5% LfL sales growth in H1

Plant-based beverages

Segment penetration (% of households)

➡ +3% vs LY

Key Danone brands

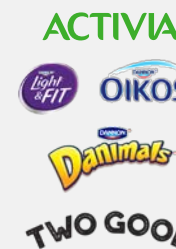
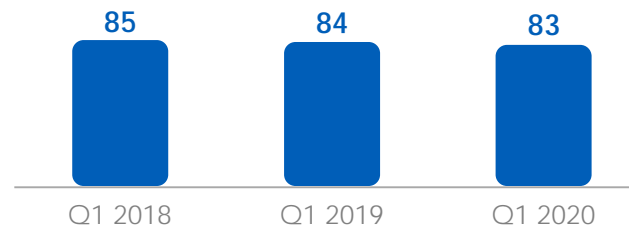


Dairy yogurt

Segment penetration (% of households)

➡ -1% vs LY

Key Danone brands

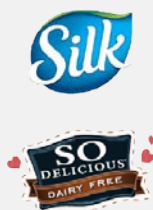
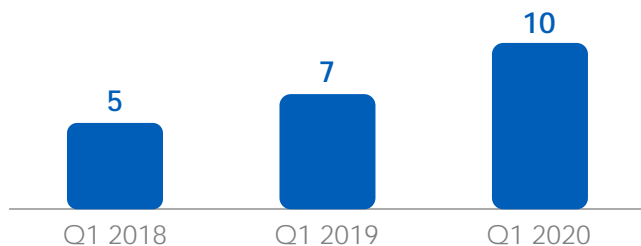


Plant-based yogurt

Segment penetration (% of households)

➡ +43% vs LY

Key Danone brands



Organic milk

Segment penetration (% of households)

➡ +6% vs LY

Key Danone brands





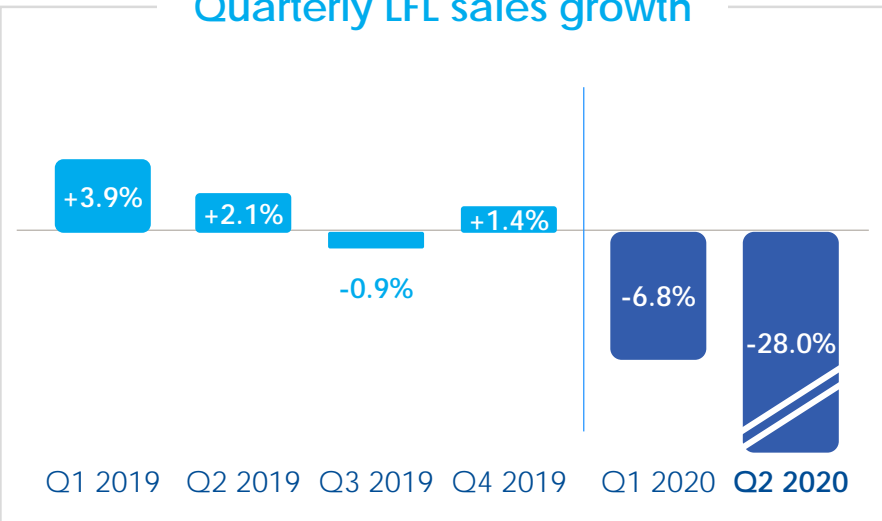
Waters

Q2: full effect of lockdown on out-of-home and small formats

H1 2020 key figures

Sales	€1.9bn
Like-for-like change	-19.1%
Volume / Value	-6.8% / -12.3%
Recurring operating margin	6.3%
Change	-655 bps

Quarterly LFL sales growth



Like-for-like sales growth excluding Argentina

Q2 developments

Product, format and channel performance driven by lockdown

- Out-of-home channels declining almost -50%
- Small formats down -50% vs. large formats and jugs growing double-digit
- Average price per liter severely hit

All regions declining at steep double digit rate

- China the only improving region vs Q1, though remaining weak

H1 Recurring Operating Margin: -655 bps

- Reduced operating leverage, negative mix and COVID-19 extra-costs



Europe: Waters penalized by small formats and aquadrinks

At home consumption holding well, supported by format innovation

Category essentiality confirmed,
and even increasing



59%
+5pts vs May



71%
+11pts vs May



35%
+2pts vs May

% of respondents perceiving Bottled Water as essential
(among 3 other choices: treat, postponable, expendable)

Polarized performance in H1: at home formats⁽¹⁾ growing in volume



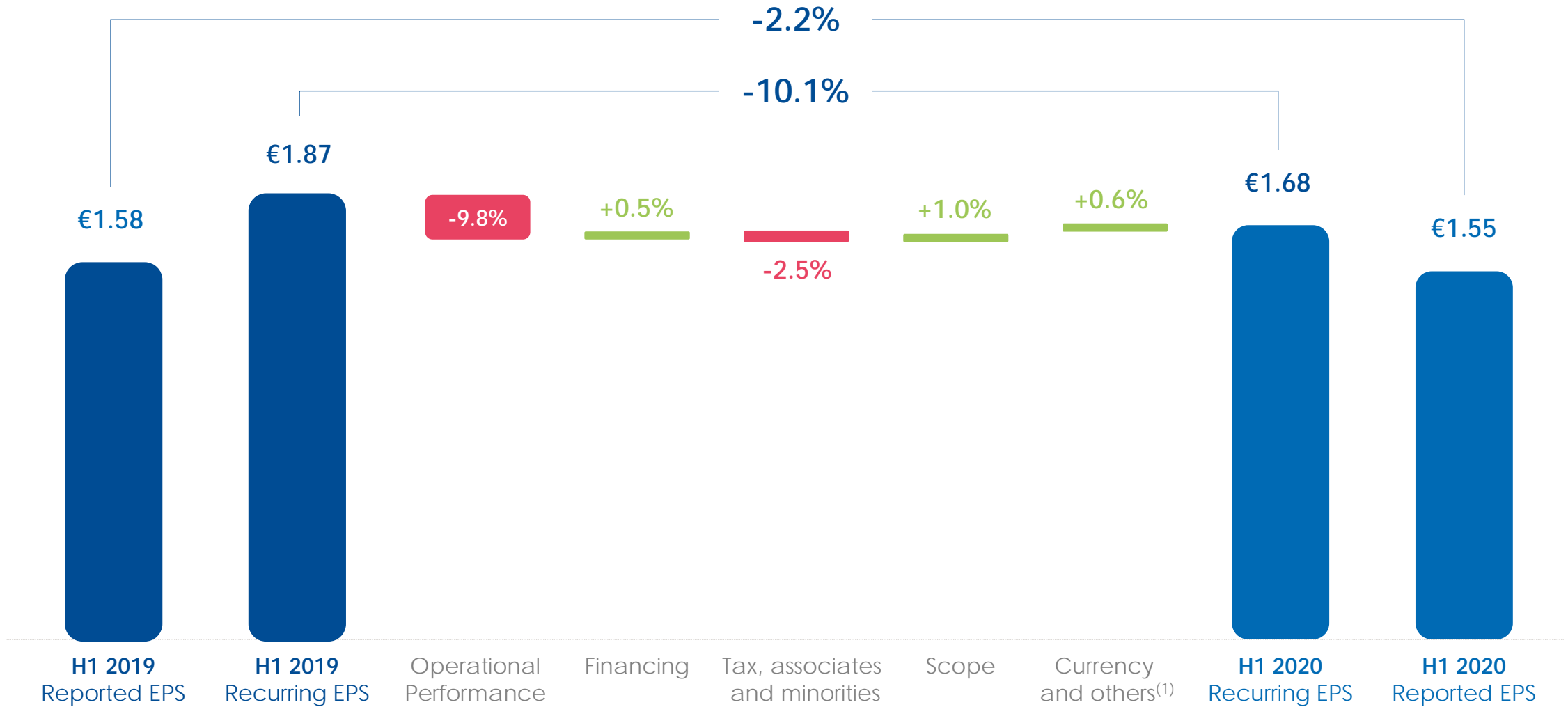
+4% volume
growth on large
formats in H1 in
Europe⁽²⁾



Source: Ipsos
(1) Formats above 1L; (2) France, Benelux, Germany, Switzerland, UK

EPS bridge

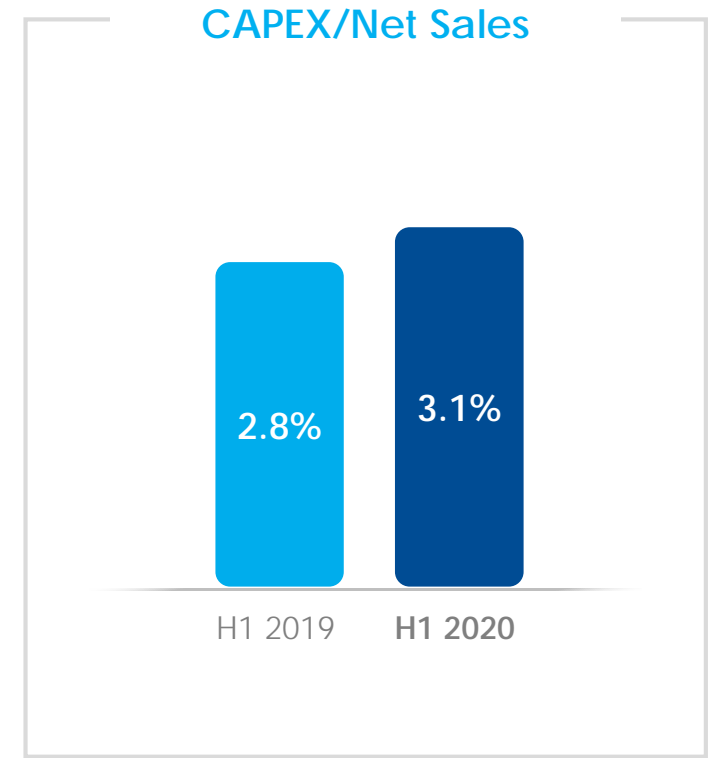
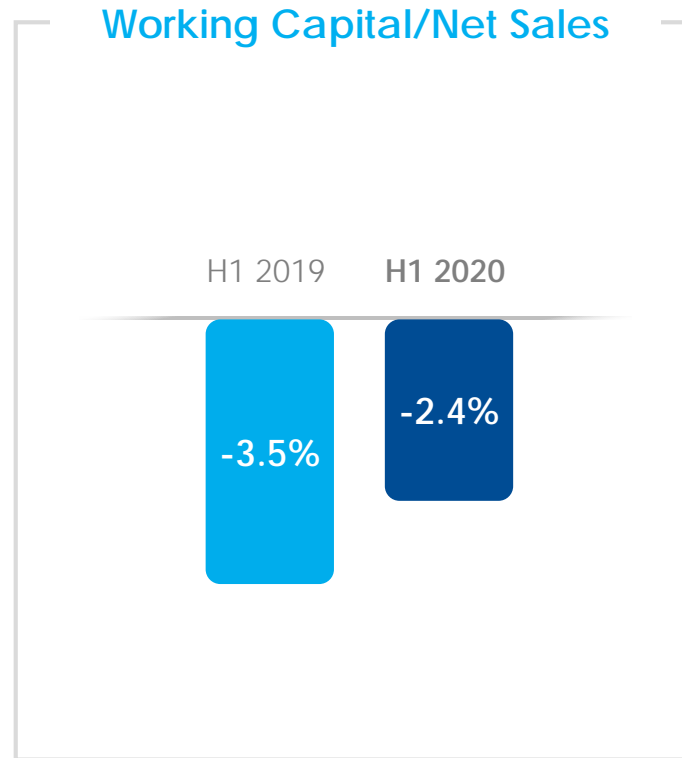
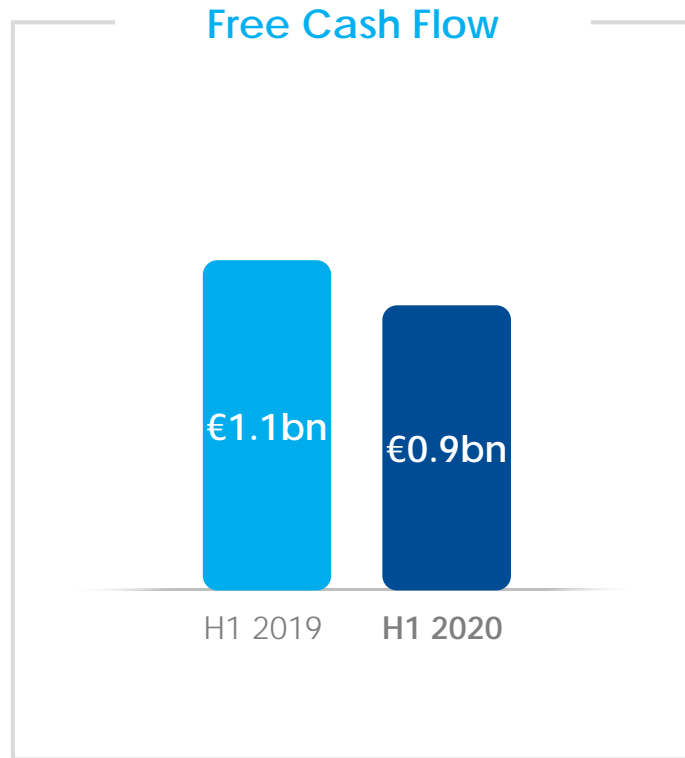
Recurring EPS -10%, Reported EPS -2%



(1) Including IAS 29 impact

Resilient cash flow generation to support accelerated investments

Working capital deterioration due to inventory increase and finance ease



Change in net debt

Strong balance sheet allowing increased dividend



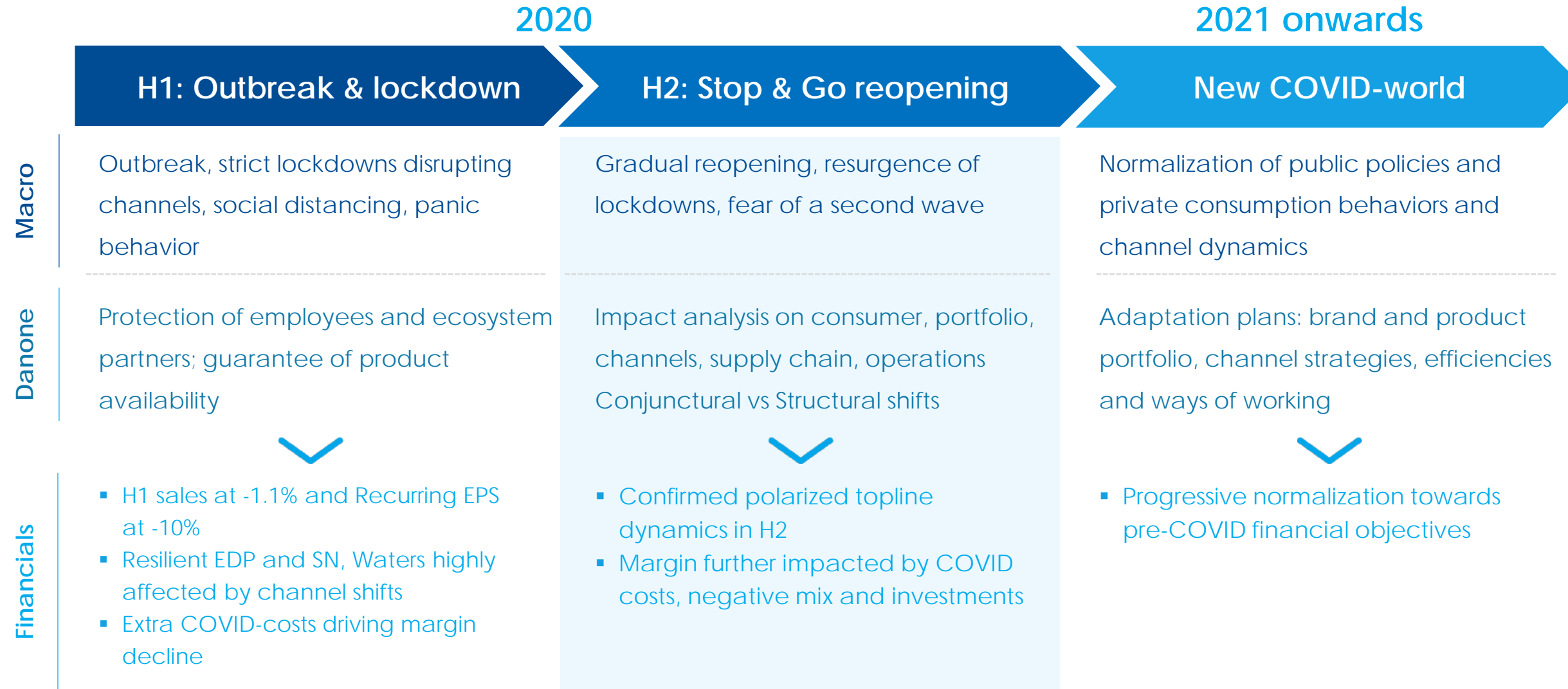


Outlook & Priorities



Limited visibility into H2

From mitigation actions to broader adaptation plans



We approach upcoming shifts with confidence

Danone growth model building on solid fundamentals

The right categories



- ✓ Health focused portfolio
- ✓ Flexitarian diets promotion
- ✓ Leader in organic

The hottest trends



- ✓ At home consumption
- ✓ Immunity and Health
- ✓ Smart indulgence

A diverse portfolio



- ✓ For all moments of consumption
- ✓ For all channels
- ✓ For all price points

Pushing hard on availability



- ✓ eCommerce acceleration
- ✓ Proximity and convenience
- ✓ Direct to consumer



Penetration



Frequency



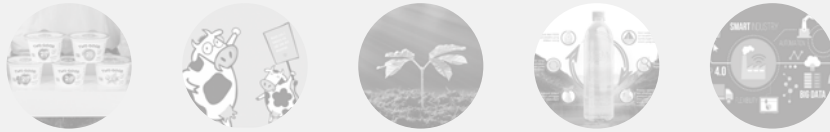
Market share

€2bn investment plan confirmed, and even accelerated in some areas

Serving superior sustainable profitable growth agenda

The relevance of our €2bn acceleration investment plan is confirmed

Around **€2bn** in 2020-2022



Diets and
agriculture

Scope and timing
confirmed



Packaging
circularity



Digital
End to end

Scope confirmed,
timing accelerated

Accelerating in Data
and eCommerce

Adapted portfolio
to online buying



Partnerships with brick & mortars,
pure players, food delivery, D2C...

Walmart

E.Leclerc

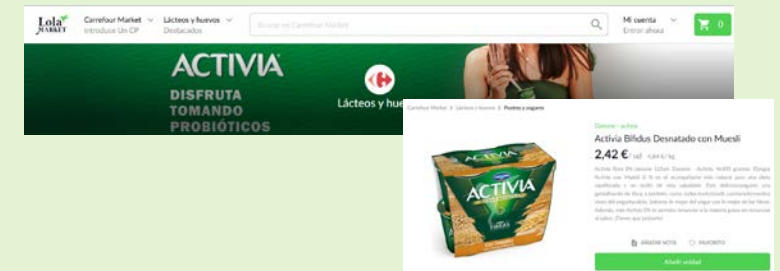
amazon

deliveroo

Glovo

instacart

Seamless execution
Generic & branded search,
Content management,
Product availability



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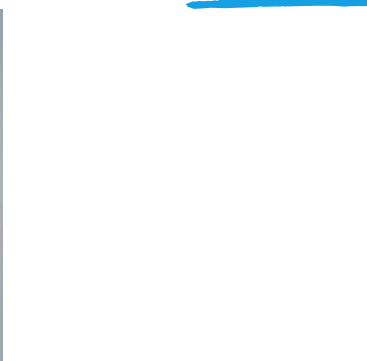
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Appendix



Q2 2020 sales by reporting entity - breakdown volume/value

	 Essential Dairy & Plant-based	 Specialized Nutrition	 Waters	 Company
Net sales	<hr/> €3,238m <hr/>	<hr/> €1,792m <hr/>	<hr/> €925m <hr/>	<hr/> €5,954m <hr/>
Like-for-like growth	<hr/> +1.6% <hr/>	<hr/> -2.2% <hr/>	<hr/> -28.0% <hr/>	<hr/> -5.7% <hr/>
Volume	<hr/> +1.8% <hr/>	<hr/> -3.7% <hr/>	<hr/> -12.0% <hr/>	<hr/> -2.6% <hr/>
Value	<hr/> -0.2% <hr/>	<hr/> +1.5% <hr/>	<hr/> -16.1% <hr/>	<hr/> -3.0% <hr/>

Q2 2020 sales by reporting entity and by geographical area

	 Essential Dairy & Plant-based	 Specialized Nutrition	 Waters	 Company
 Europe and Noram Sales <i>LFL growth</i>	€2,274m +3.7%	€679m -10.2%	€399m -24.1%	€3,352m -3.5%
 Rest of the world Sales <i>LFL growth</i>	€964m -2.9%	€1,112m +3.2%	€526m -30.6%	€2,602m -8.2%
 Company Sales <i>LFL growth</i>	€3,238m +1.6%	€1,792m -2.2%	€925m -28.0%	€5,954m -5.7%















Q2 & H1 2020 impact of currencies & scope

Q2 2020	Essential Dairy & Plant-based	Specialized Nutrition	Waters	Total
Reported sales growth	(1.4%)	(4.0%)	(31.3%)	(8.3%)
Argentina organic contribution to growth	+0.4%	+0.4%	(0.1%)	+0.3%
Currency and others ⁽¹⁾	(3.2%)	(2.1%)	(3.1%)	(2.9%)
IAS 29 impact	(0.2%)	(0.1%)	(0.0%)	(0.1%)
Scope	(0.0)%	(0.0%)	0.0%	(0.0%)
Like-for-like sales growth	+1.6%	(2.2%)	(28.0%)	(5.7%)

H1 2020	Essential Dairy & Plant-based	Specialized Nutrition	Waters	Total
Reported sales growth	(0.0%)	+1.2%	(21.3%)	(3.6%)
Argentina organic contribution to growth	+0.5%	+0.4%	+0.4%	+0.4%
Currency and others ⁽¹⁾	(1.8%)	(1.9%)	(2.4%)	(1.9%)
IAS 29 impact	(0.2%)	(0.1%)	(0.2%)	(0.2%)
Scope	(1.6%)	0.0%	0.0%	(0.8%)
Like-for-like sales growth	+3.1%	+2.7%	(19.1%)	(1.1%)

(1) Excluding IAS29 impact

Changes in exchange rates

	% total H1 2020	H1 20 vs H1 19 (avg)	Q2 20 vs Q2 19 (avg)
 United States Dollar	21.4%	+2.5%	+2.0%
 Chinese Renminbi	6.7%	-1.1%	-1.8%
 Russian Ruble	6.3%	-3.9%	-8.8%
 Indonesian Rupiah	5.7%	+0.2%	-2.0%
 British Pound	5.3%	-0.1%	-1.4%
 Mexican Peso	4.0%	-9.1%	-16.1%
 Brazilian Real	2.4%	-19.8%	-25.6%
 Hong Kong Dollar	2.3%	+3.6%	+3.2%
 Polish Zloty	2.4%	-2.7%	-4.9%
 Argentine Peso	1.9%	-34.2%	-33.7%
 Canadian Dollar	2.2%	+0.2%	-1.5%
 Australian Dollar	1.9%	-4.6%	-4.2%
 Turkish Lira	1.7%	-11.1%	-12.7%
 Moroccan Dirham	1.6%	+0.8%	-0.4%

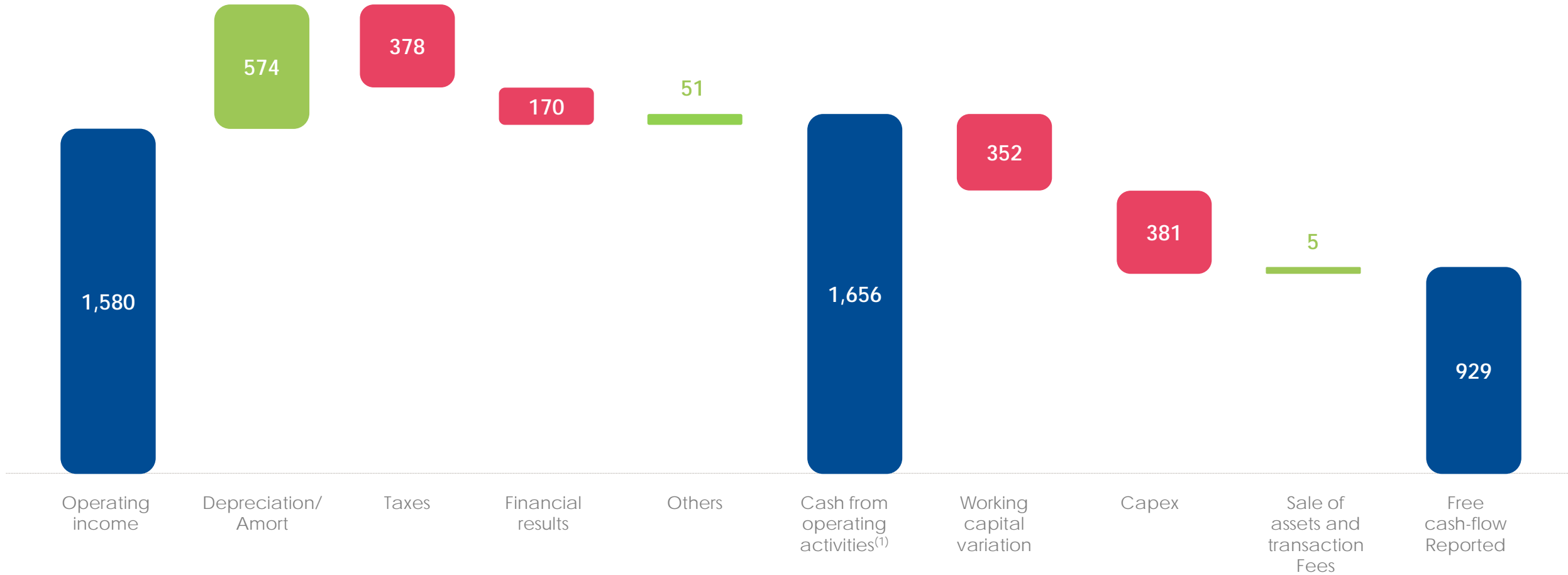


Recurring operating margin

Recurring operating profit (€m) and margin (%)	H1 2019		H1 2020		Change	
	€m	Margin (%)	€m	Margin (%)	Reported	Like-for-like
Essential Dairy & Plant-based	621	9.4%	598	9.1%	-35 bps	-83 bps
Specialized Nutrition	934	25.3%	987	26.4%	+113 bps	+54 bps
Waters	303	12.9%	117	6.3%	-655 bps	-638 bps
Europe & Noram	942	13.8%	880	12.9%	-85 bps	-110 bps
Rest of the world	915	15.8%	822	15.3%	-48 bps	-126 bps
Total	1,858	14.7%	1,702	14.0%	-72 bps	-120 bps

Cash bridge

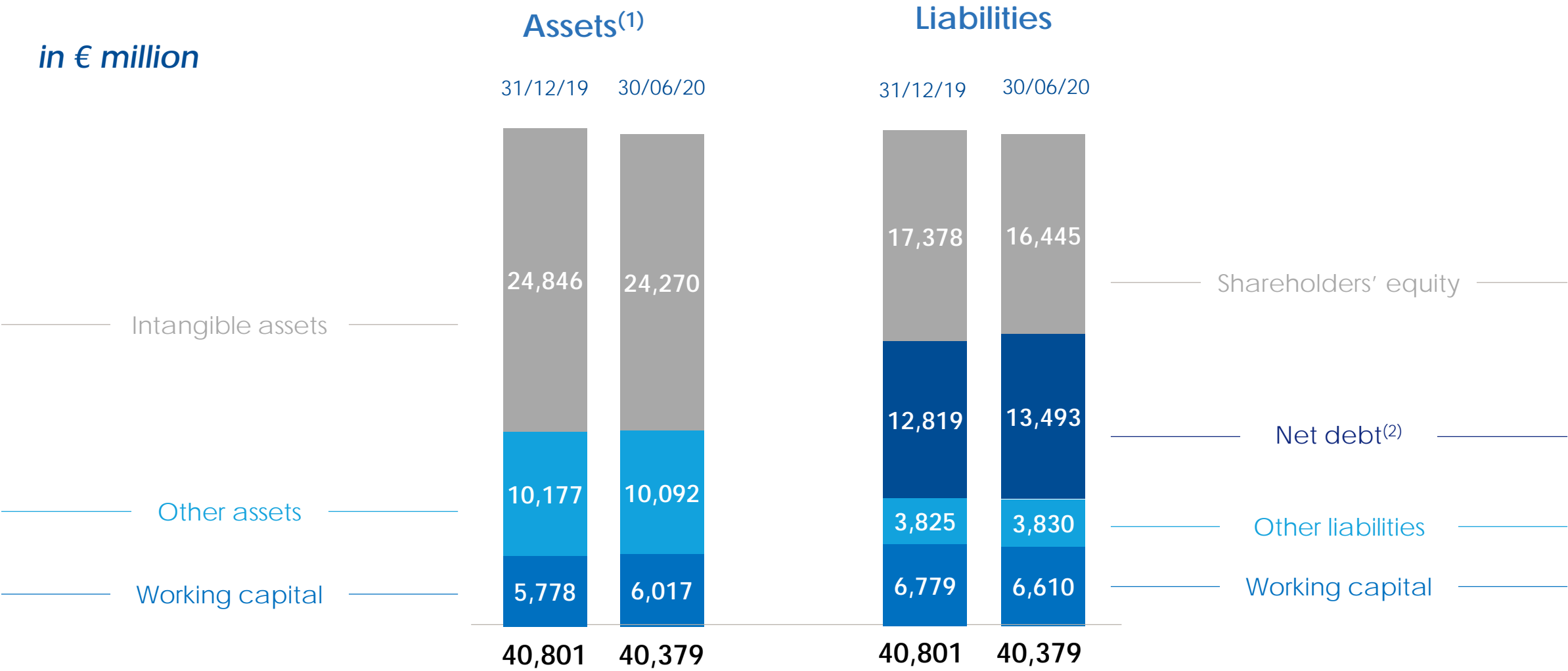
in € million



(1) Excluding working capital variations

Balance sheet

in € million



(1) Excluding assets included in net debt

(2) Net of cash, cash equivalents, marketable securities, other short-term investments and financial instrument asset

Bridging reported and recurring performance

	H1 2019	H1 2020	Change 2020 vs 19
Recurring net income (€m)	1,221	1,100	-9.9%
NON-RECURRING ITEMS			
Non-recurring net income (€m)	(186)	(86)	+101
Operating income	(314)	(123)	+192
Total Financial expenses	0	0	0
Income tax	126	36	(90)
Net income from associates	1	0	(0)
Non-controlling interests	(1)	(0)	(1)
Reported net income (m€)	1,035	1,015	-1.9%

(314)

Earthbound Farm⁽¹⁾
divestiture loss and
restructuring costs

(123)

Transformation of
organization and
operations;
Specialized Nutrition
integration

Note: Net income group share; (1) Divestiture of Earthbound Farm on April 2019