



Press release – Paris, October 22, 2018

## **Danone reaffirms objective to superior sustainable profitable growth**

Danone held its Investor Seminar today in London. Chairman and CEO Emmanuel Faber and senior members of the management team presented the strategy to embrace the food revolution building on the company's 2020 objectives and 2030 strategic goals, to drive superior sustainable profitable growth and create sustainable shareholder value.

Emmanuel Faber, Chairman and CEO declared:

*"At the occasion of this Danone investor seminar in London, we are pleased to share with the financial community our good progress towards building a company uniquely positioned to embrace the food revolution. We are developing our unique portfolio of health-focused and purpose-led Manifesto brands, acting as a catalyst for consumer reach. Our growth strategy focuses on valorized innovations to address some of the fastest-growing trends, notably among the younger generations. We continue to make our organizational model more efficient by empowering our people and fostering engagement. Our strategic priorities remain to accelerate growth, maximize efficiencies, and allocate capital with discipline. Our progress to date gives us every confidence in our ability to navigate increasing global volatility and deliver superior sustainable profitable growth, to create and share value."*

### **Danone activates high quality drivers to achieve its ambition**

Building on Danone's balanced business model, the Investor Seminar provided updates on:

- Waters: profitable growth and circularity

Leveraging unique leadership positions across the world, Danone is embedding its 100% packaging circularity vision in its Waters brands as a catalyst for consumer engagement, to drive continued profitable growth, along with reinforced focus on valorized innovations, notably in Aquadrinks.

- Specialized Nutrition in China: a strong and sustainable engine for growth

After 12 months of exceptional growth in China, sales are contracting in the short term, amid changes in Infant Milk Formula market dynamics. Combining its global and local strengths, Danone is fundamentally ready to address in the mid-term new profitable growth opportunities, positioning its strategy towards the faster growth areas, including by seizing the growth opportunities emerging from evolving lifestyles and needs from an ageing population.

- Essential Dairy and Plant-Based (EDP): maximizing the plant-based opportunity

Danone plans to triple its worldwide Plant-Based sales from €1.7 billion to around €5 billion by 2025 notably by accelerating its core plant-based beverages and yogurt categories, expanding into adjacencies, and unlocking unique opportunities by the combination of its leadership position in dairy business with the high plant-based growth potential.

- Fit for growth and innovation

The newly formed Growth and Innovation organization is a key lever for growth acceleration, notably through re-imagining brands, optimizing consumer reach and engagement via precision marketing. Together with its purpose-led Manifesto brand strategy, Danone will accelerate its presence in fast-growing channels with a priority on e-business, where the objective is to double sales by 2020 to €2 billion.

- Efficiency: the power of Protein

Danone is making excellent progresses towards its Protein cost saving program, targeting €1 billion savings by 2020, and is embedding efficiencies in its operating model to support sustainable profitable growth.

**Danone confirms its 2018 guidance of double-digit recurring EPS growth at constant exchange rate, excluding Yakult Transaction impact<sup>1</sup>.**

**Danone reaffirms its 2020 objectives. ROIC<sup>2</sup> target of around 12% is postponed to 2022, mainly due to currencies evolution and application of new accounting standard.**

Danone confirms its objectives of:

- Accelerating like-for-like sales growth to 4%-5% by 2020, based on following dynamics:
  - o Strong like-for-like sales growth above 5% in Specialized Nutrition;
  - o In Waters, also achieve strong like-for-like sales growth above 5%;
  - o Solid like-for-like sales growth of 4% to 5% in Essential Dairy & Plant-based.  
To reflect its organization under a single business leader, EDP International and EDP Noram reporting will be merged into a single EDP reporting entity from January 1<sup>st</sup> 2019;
- Increasing recurring operating margin to more than 16% by 2020;
- Reaching Net Debt / EBITDA<sup>2</sup> ratio below 3-times by 2020;
- Danone also confirms its ROIC<sup>2</sup> target of around 12% while postponing its achievement to 2022, primarily reflecting the impact of currency devaluations and changes in accounting standards (capitalization of operating leases as per IFRS16 from 1<sup>st</sup> January 2019).

Cécile Cabanis, CFO, added: *"In an increasingly volatile environment, we are very pleased with the enhanced resilience of our operating model, delivering good results. Given short-term headwinds, including in our Early Life Nutrition business in China, the path to 2020 will not be linear. We continue to strengthen our business model to accelerate throughout 2019 and 2020, towards our objectives, in order to deliver consistent EPS growth and create sustainable shareholder value."*

All presentations are available on Danone's website (danone.com) in the Investors section.

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<sup>1</sup> Full-year guidance does not take into account the application of hyperinflation accounting in Argentina from July 1<sup>st</sup>, 2018 and therefore excludes any impact from the IAS29 application on recurring EPS growth at constant exchange rate (see details page 4 of the Q3 Sales press release).

<sup>2</sup> See definition on page 64 of Danone's 2017 registration document

**Like-for-like changes** in sales and 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;
- changes in applicable accounting principles; For 2018 vs 2017 changes, it concerns only IAS29 applicable to Argentina with application date January 1st 2018;
- 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).

**“Like-for-like New Danone” changes (or “Like-for-like including WhiteWave starting in April 2017” changes)** in sales and operating margin reflect the organic performance of Danone and WhiteWave combined. This indicator corresponds to like-for-like changes for Danone and WhiteWave combined, considering the activity of WhiteWave as a whole by integrating its companies during the fiscal years prior to and following their acquisition in April 2017:

- from April 1 to December 31 for periods compared until 2017 included;
- from January 1 to December 31 for periods compared in 2018.

Financial data used to calculate “like-for-like New Danone” changes are as follows:

- Financial data post acquisition date are extracted from the historical statements of Danone (after restatement for IFRS15) and WhiteWave combined, prepared in euros under IFRS (thus after allocation of WhiteWave's acquisition price).
- Financial data prior to the acquisition are extracted from the historical income statements of, respectively, Danone (prepared in euros under IFRS) and WhiteWave (prepared in US dollars under US-GAAP). However, to ensure comparability with the income statement of Danone and WhiteWave combined, the following adjustments are performed:
  - WhiteWave's income statements for periods prior to the closing date have been restated to reconcile them with Danone's accounting principles;
  - The effect of the WhiteWave purchase price allocation is also reflected in periods prior to the acquisition so as to neutralize its impact on the improvement in recurring operating margin on a like-for-like New Danone basis.

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

**Non-recurring results from associates** include significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, non-recurring items as defined by Danone included in the net income from associates.

**Recurring net income** (or Recurring net income – Group Share) corresponds to the Group share of the consolidated recurring net income. The recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include other operating income and expense, other non-recurring financial income and expense, non-recurring tax, and non-recurring income from associates. Such income and expenses excluded from Net income are defined as Non-recurring net income and expenses.

**Recurring EPS** (or Recurring net income – Group Share, per share after dilution) is defined as the ratio of Recurring net income adjusted for hybrid financing over Diluted number of shares. In compliance with

IFRS, income used to calculate EPS is adjusted for the coupon related to the hybrid financing accrued for the period and presented net of tax.

**Yakult Transaction Impact** corresponds to the amount to deduct from Danone's 2017 recurring net income to reflect an interest in Yakult in 2017 identical to the interest prevailing in 2018 following the completion of the partial disposal finalized at the end of Q1 2018. It is computed as the difference between Danone's interest in Yakult after the transaction (6.61%) and 21.29% applied, prorata temporis, to 2017 profit from Yakult as estimated by Danone for its 2017 consolidated financial statements. Yakult Transaction Impact amounts to -0.6% of H1 2017 recurring EPS and -1.5% of FY 2017 recurring EPS.

**Free cash-flow** represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

**Net financial debt** represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets managing net debt.

#### 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," "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, statements regarding Danone's operation of its business, and the future operation, direction and success of Danone's business.*

*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](http://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.*

#### **About Danone ([www.danone.com](http://www.danone.com))**

Dedicated to bringing health through food to as many people as possible, Danone is a leading global food & beverage company built on four businesses: Essential Dairy and Plant-Based Products, Waters, Early Life Nutrition and Advanced Medical Nutrition. Danone aims to inspire healthier and more sustainable eating and drinking practices, in line with its vision -Danone, One Planet. One Health- which reflects a strong belief that the health of people and the health of the planet are interconnected. Building on health-focused categories, Danone commits to operating in an efficient and responsible manner to create and share sustainable value. Danone holds itself to the highest standards in doing business, as reflected by its ambition to become one of the first multinationals certified as B Corp. With products sold in over 120 markets, Danone generated sales of €24.7 billion in 2017. Danone's portfolio includes leading international brands (Actimel, Activia, Alpro, Aptamil, Danette, Danio, Danonino, evian, Nutricia, Nutrilon, Volvic, among others) as well as strong local and regional brands (including AQUA, Blédina, Bonafont, Cow & Gate, Horizon, Mizone, Oikos, Prostokvashino, Silk, Vega).

Listed on Euronext Paris and on the OTCQX market via an ADR (American Depositary Receipt) program, Danone is a component stock of leading social responsibility indexes including the Dow Jones Sustainability Indexes, Vigeo Eiris, the Ethibel Sustainability Index, MSCI Global Sustainability, MSCI Global SRI Indexes and the FTSE4Good Index.