



2019 First-Half Results
Press release – Paris, July 25, 2019

Good execution driving profitable growth

On track to deliver guidance

- Consolidated sales up by +1.3% on a reported basis to **€6,496m** in second quarter
- Like-for-like sales growth rebound in Q2 as expected: **+2.5%**, with all businesses growing at more than 2%
- Recurring operating margin improving for the 7th consecutive semester at **14.69%**, up +42 bps
- Strong recurring EPS growth: +6.3% at **€1.87**
- Reported EPS at €1.58 reflecting sale of *Earthbound Farm* and non-recurring restructuring costs
- **2019 guidance confirmed: like-for-like sales growth of around 3% and recurring operating margin above 15%**

Emmanuel Faber: Chairman and Chief Executive Officer statement

"Our first-half results demonstrate our continued focus on the combination of strong execution and progress in the transformation of Danone, in order to drive agility and resilience, and deliver consistent profitable growth. I was pleased to see top-line accelerating in the second quarter, with growth across all our businesses. The innovation momentum remains strong, while we have addressed most of the underperformers in our portfolio. Our margin improvement was of high quality, driven by gross margin progression, and further savings from our Protein efficiency-program. As this short term delivery is served by our long-term focus on creating value in a responsible and inclusive way, we are well on track for our 2020 objectives. With unchanged expectations for the full year, I am confident that the improved fundamentals of our business will continue to drive top-line growth acceleration and margin expansion throughout rest of the year."

2019 Half-Year Key Figures

<i>in millions of euros except if stated otherwise</i>	H1 2018	H1 2019	Reported Change	Like-for-like (LFL)
Sales	12,498	12,648	+1.2%	+1.7%
Recurring operating income	1,784	1,858	+4.2%	+6.4%
Recurring operating margin	14.27%	14.69%	+42 bps	+68 bps
Non-recurring operating income and expenses	(695)	(314)	+381	
Operating income	1,089	1,543	+41.8%	
Operating margin	8.71%	12.20%	+349bps	
Recurring net income – Group share	1,132	1,221	+7.8%	
Non-recurring net income – Group share	72	(186)	-258	
Net income – Group share	1,204	1,035	-14.1%	
Recurring EPS (€)	1.76	1.87	+6.3%	
EPS (€)	1.87	1.58	-15.4%	
Free cash flow	1,104	1,083	-1.9%	
Cash flow from operating activities	1,427	1,435	+0.6%	

All references in this document to Like-for-like (LFL) changes, Recurring operating income and margin, Recurring net income, Recurring income tax rate, Recurring EPS, Free cash-flow, and Net financial debt, correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on pages 7 and 8.

2019 second quarter and half-year sales

€ million except %	Q2 2018	Q2 2019	Reported change	LFL Sales Growth	Volume Growth	H1 2018	H1 2019	Reported change	LFL Sales Growth	Volume Growth
BY REPORTING ENTITY										
EDP	3,257	3,283	+0.8%	+2.2%	-1.2%	6,554	6,600	+0.7%	+1.2%	-2.5%
Specialized Nutrition	1,831	1,866	+1.9%	+3.2%	-1.3%	3,644	3,696	+1.4%	+1.8%	-1.1%
Waters	1,325	1,346	+1.6%	+2.1%	-0.4%	2,301	2,352	+2.2%	+2.8%	+0.2%
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	3,453	3,471	+0.5%	+1.1%	-0.7%	6,764	6,851	+1.3%	+0.1%	-1.5%
Rest of the World	2,961	3,025	+2.2%	+4.2%	-1.5%	5,735	5,797	+1.1%	+3.6%	-1.3%
TOTAL	6,414	6,496	+1.3%	+2.5%	-1.0%	12,498	12,648	+1.2%	+1.7%	-1.6%

¹North America (Noram) : United States and Canada

In the second quarter of 2019, consolidated sales stood at €6.5bn, up +2.5% on a like-for-like basis. Sales grew by +3.5% in value, with a continued sales/kg improvement. Volumes slightly declined by -1.0%. All reporting lines contributed to the growth and posted like-for-like sales growth over 2%. Reported sales were up **+1.3%**, including a negative **scope effect** (-1.4%), primarily linked to the deconsolidation from April 1st of *Earthbound Farm*, that was sold in April 2019, a minor negative impact of **currencies** (-0.1%), and +0.3% from the organic contribution of Argentina to growth.

ESSENTIAL DAIRY AND PLANT-BASED (EDP)

Essential Dairy & Plant-based (EDP) posted in the second quarter net sales up +2.2% on a like-for-like basis, including a +3.4% increase in value, and a -1.2% decline in volumes. Performance was driven by a stabilization at global level of Dairy activities, while Plant-Based activities continued to deliver consistent strong growth. All regions grew in Q2.

Europe delivered slightly positive growth, including a good performance in Southern Europe with Spain and France stabilized for the first time in the last 7 years. *Alpro* continued to post double-digit growth, with balanced contribution from core business and new markets. **North America** delivered moderate sales growth, with solid growth in Plant-Based driven by almond-based beverages and adjacent categories, strong growth in Coffee creamers supported by a dynamic demand and gains in market shares in ready-to-drink coffee, flat sales in Yogurts impacted in the US by competitor promotion activity, notably in the Greek yogurt segment. **CIS** growth slowed down in Q2, as core segments were impacted by a softer consumer environment while kids and indulgence offerings performance remained sustained. In **Latam**, Brazil kept growing and Mexico posted solid growth driven by increasing plant-based penetration in the country. **Morocco** delivered sales growth of around +10%, with Centrale Danone progressively recovering market share and regaining market leadership, following strong consumer engagement and a reshaping of the portfolio.

SPECIALIZED NUTRITION

Specialized Nutrition sales growth accelerated in the second quarter, up +3.2% on a like-for-like basis (vs. +0.4% in Q1), with an increase in value of +4.4% and a decrease of -1.3% in volumes. Performance was driven by strong fundamentals of Advanced Medical Nutrition and a return to growth in Early Life Nutrition.

Advanced Medical Nutrition delivered mid single digit sales growth in the first-half, with all segments (adult and pediatric care) and all regions performing strongly. China led the growth, with double-digit sales growth, alongside robust dynamics in Europe and in rest of the world.

Early Life Nutrition registered moderate sales growth. After 3 quarters of decline, ELN **China** delivered slightly positive growth, supported by the good execution of development plans in the direct channels, in particular in low tier cities, as well as, in the indirect channels, by an increase in sales through social e-commerce. The **rest of the world** posted solid growth, with strong performance in rest of Asia, benefiting from the successful relaunch of *Bebelac* in Indonesia, and double-digit growth in the Americas. Performance in Europe was still negative but improving, notably in France, getting positive results from the large pipeline of *Bledina* innovations.

WATERS

In **Waters**, net sales were up +2.1% on a like-for-like basis, with a +2.5% increase in value and a -0.4% decline in volumes.

In **Europe**, sales were slightly down in the second quarter, adversely impacted by poor weather conditions in May with temperatures below the average of the season. *Volvic infusions* and *Bulles de Fruits by Badoit* continued to performed well in the Aquadrinks segment. In **Asia**, growth was solid, led by Indonesia benefiting from expanding geographical reach of *Aqua* and by Turkey with strong growth driven by *Hayat* and *Sirma* market share gains. In China, the brand model of *Mizone* is being adapted to better reflect fast-changing category dynamics. In **Latin America**, *Bonafont* registered strong growth in Mexico, driven by good plain waters performance.

H1 2019 RECURRING OPERATING MARGIN: +68bps LIKE-FOR-LIKE

In H1 2019, Danone's recurring operating income stood at €1.9 bn. Recurring operating margin reached **14.69%**, up +42 bps on a reported basis.

This was driven by a +68 bps margin improvement on a like-for-like basis, reflecting notably Danone's valorized growth model and operational savings from 'Protein' efficiency-program, offsetting raw materials gross inflation; sales and marketing expenses optimization, as the company pursues the shift of its marketing spending towards digital; and overheads management. Overall, 'Protein' efficiency program delivered an additional ~€150 million gross savings in H1 2019.

In addition, reported margin included:

- a +10 bps positive scope effect, resulting primarily from the divestiture of Earthbound Farm on April 1st;
- a -9 bps negative impact from currencies entirely linked to the application of IAS29 hyperinflationary accounting in Argentina;
- a -27 bps linked to the deterioration of margin in Argentina due to imported inflation.

Recurring operating profit (€m) and margin (%)	H1 2018		H1 2019		Change	
	€m	Margin (%)	€m	Margin (%)	Reported	Like-for-like
BY REPORTING ENTITY						
EDP	590	9.00%	621	9.41%	+40 bps	+58 bps
Specialized Nutrition	930	25.53%	934	25.28%	-25 bps	+55 bps
Waters	263	11.45%	303	12.87%	+142 bps	+110 bps
BY GEOGRAPHICAL AREA						
Europe & Noram ²	878	12.98%	942	13.75%	+77 bps	+102 bps
Rest of the World	906	15.80%	915	15.79%	-0 bps	+15 bps
Total	1,784	14.27%	1,858	14.69%	+42 bps	+68 bps

²North America (Noram) : United States and Canada

H1 2019 RECURRING EPS: +6.3%

in millions of euros except if stated otherwise	H1 2018			H1 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	1,784		1,784	1,858		1,858
Other operating income and expense		(695)	(695)		(314)	(314)
Operating income	1,784	(695)	1,089	1,858	(314)	1,543
Cost of net debt	(115)		(115)	(118)		(118)
Other financial income and expense	(60)	3	(57)	(65)	0	(65)
Income before taxes	1,608	(692)	916	1,675	(314)	1,361
Income tax	(475)	63	(412)	(453)	126	(327)
Effective tax rate	29.5%		45.0%	27.0%		24.0%
Net income from fully consolidated companies	1,134	(629)	504	1,222	(188)	1,034
Net income from associates	46	701	747	51	1	51
Net income	1,180	71	1,251	1,273	(187)	1,085
• Group share	1,132	72	1,204	1,221	(186)	1,035
• Non-controlling interests	48	(1)	47	52	(1)	51
EPS (€)	1.76		1.87	1.87		1.58

Other operating income and expense stood at -€314 million, mainly related to a non-cash pre-tax charge of -€150 million recorded in the first half of the year, as a result of the divestiture of *EarthBound Farm* on April 2019, as well as restructuring costs of around -€150 million, including provisions linked to the further integration of Early Life and Medical Nutrition organizations, reorganisation of operations notably in Africa, and the integration of WhiteWave.

The **net financial result** slightly increased in absolute amount, from -€172 million in H1 2018 to -€182 million in H1 2019, mainly reflecting a negative impact on the USD-denominated portion of net debt from the USD revaluation since the beginning of the year.

The **recurring income tax rate** decreased to 27.0%, more than 2 points down vs. last year, driven by a positive geographical mix.

Recurring net income from associates increased to €51 million, despite the reduction in Danone's stake in Yakult from 21.3% to 6.6% in March 2018, reflecting good results from the participation in Mengniu and Yashili.

Recurring minority interests increased to €52 million, notably as the result of the good performance of *Aqua* in Indonesia, and **recurring EPS** increased by +6.3% to €1.87.

Total non-recurring net income amounted to -€186 million in H1 2019 (including a post-tax loss of around -€50m from the sale of *Earthbound Farm*), down from an exceptional positive amount of €72 million last year that was linked notably to the capital gain from the partial sale of Danone's stake in Yakult. As a result, reported **EPS** was €1.58, down -15.4% versus last year.

H1 2019 CASH-FLOW AND DEBT

Danone delivered a consistent €1.1bn of free cash flow in the first semester. Capex amounted to €359 million, or 2.8% of net sales, in line with H1 18.

Danone's net debt stood at €13.9 bn as of June 30, 2019, up +€1.2 bn from December 31, 2018. The application of IFRS16 increased net debt by €0.7 bn (please refer to IFRS Standards section page 6).

2019 OUTLOOK

(From press release issued on February 19, 2019)

Macroeconomic outlook

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. **For the year, Danone is targeting like-for-like sales growth around 3% and recurring operating margin above 15%.**

MAJOR FINANCIAL TRANSACTIONS AND DEVELOPMENTS OVER THE PERIOD

- **On April 25th, 2019**, the Shareholders' Meeting approved all proposed renewals of terms of office of the members of the Board of Directors : Emmanuel Faber, Chairman and Chief Executive Officer, Franck Riboud and Clara Gaymard. At this occasion, it was also confirmed that within the 'One Person, One Voice, One Share' program, each of the 100,000 Danone employees across the world would be granted a free share combined with a global annual dividend-based incentive scheme with immediate effect. Furthermore, the Board of Directors decided to further integrate the 'One Person, One Voice, One Share' participative governance through the creation of a new Purpose & Engagement Committee, in charge of ensuring that this approach of consultation and engagement with employees is properly coordinated with the work and strategic orientations of the Board.
- **On June 3rd, 2019**, Danone announced the launch of its first global Employee Share Subscription Plan as part of the "One Person. One Voice. One Share" program. As from June 7, 2019, Danone employees in eight countries have the opportunity to subscribe to new Danone shares. Including French employees, who already benefit from a local company savings plan, this represents 50% of all Danone employees worldwide.

OTHER INFORMATION

- The condensed interim consolidated financial statements for the 2019 First-Half Results were approved by the Board of Directors at its meeting on July 24, 2019. A limited audit has been carried out by the statutory auditors of Danone on the condensed interim consolidated financial statements.
- The 2019 half-year financial report is available on Danone's website (www.danone.com).

IFRS STANDARDS

IFRS16: applicable starting January 1, 2019, no restatement of 2018 financial statements

Danone applies IFRS 16 on leases starting January 1, 2019 and elected for the modified retrospective approach for its implementation:

- lease assets and lease liabilities are calculated as of January 1, 2019 based on discounted future lease payments,
- they are recognized in the consolidated balance sheet as of January 1, 2019 and prior-period financial information are not restated (i.e. IAS17 is applied).

2018	January 1, 2019	2019
IAS 17	<ul style="list-style-type: none"> • Assets: +€664m • Liabilities : +€664m 	IFRS 16

IFRS 16 has no significant impact on the recurring operating income, recurring operating margin and recurring net income.

IAS29 impact on reported data

Danone is 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 %	Q2 2019	H1 2019
Sales	+7	+12
Sales growth (%)	+0.1%	+0.1%
Recurring Operating Income		-18
Recurring Net Income – Group share		-29

Breakdown by quarter of first-half 2019 sales after application of IAS 29

The breakdown of H1 2019 sales by quarter after application of IAS 29 in Argentina is provided in the table below for information (data not audited).

€ million	Q1 2019	Q2 2019	H1 2019
EDP	3,317	3,283	6,600
Specialized Nutrition	1,830	1,866	3,696
Waters	1,006	1,346	2,352
Total	6,153	6,496	12,648

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 %)	H1 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	H1 2019
Sales	12,498	-0.7%	-0.0%	+0.3%	+1.7%	12,648
Recurring operating margin	14.27%	+10 bps	-9 bps	-27 bps	+68 bps	14.69%

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.

Other non-recurring financial income and expense corresponds to capital gains or losses on disposal and impairment of non-consolidated interests as well as significant financial income and expense items that, in view of their exceptional nature, cannot be considered as inherent to Danone's recurring financial management.

Non-recurring income tax corresponds to income tax on non-recurring items as well as significant tax income and expense items that, in view of their exceptional nature, cannot be considered as inherent to Danone's recurring performance.

Recurring effective tax rate measures the effective tax rate of Danone's recurring performance and is computed as the ratio income tax related to recurring items over recurring net income before tax.

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.

	H1 2018		H1 2019	
	Recurring	Total	Recurring	Total
Net income-Group share (€ million)	1,132	1,204	1,221	1,035
Coupon related to hybrid financing net of tax (€ million)	(7)	(7)	(7)	(7)
Number of shares				
• Before dilution	638,169,867	638,169,867	647,640,873	647,640,873
• After dilution	639,083,725	639,083,725	648,454,100	648,454,100
EPS (€)				
• Before dilution	1.76	1.88	1.87	1.59
• After dilution	1.76	1.87	1.87	1.58

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.

(€ million)	H1 2018	H1 2019
Cash-flow from operating activities	1,427	1,435
Capital expenditure	(363)	(359)
Disposal of tangible assets & transaction fees related to business combinations ¹	40	8
Free cash-flow	1,104	1,083

¹ Represents acquisition costs related to business combinations paid during the period.

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.

(€ million)	December 31, 2018	June 30, 2019
Non-current financial debt ¹	14,343	14,389
Current financial debt ¹	3,546	4,884
Short-term investments	(4,199)	(4,330)
Cash and cash equivalents	(839)	(755)
Derivatives — non-current assets ²	(81)	(244)
Derivatives — current-assets ²	(27)	(25)
Net debt	12,744	13,920
• Liabilities related to put options granted to non-controlling interests — non-current	(46)	(35)
• Liabilities related to put options granted to non-controlling interests — current	(463)	(515)
Net financial debt	12,235	13,370

¹ Including derivatives-liabilities

² Managing net debt only

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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 8.30 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		First half	
	2018	2019	2018	2019	2018	2019
BY REPORTING ENTITY						
EDP	3,296	3,308	3,257	3,283	6,554	6,600
Specialized Nutrition	1,812	1,828	1,831	1,866	3,644	3,696
Waters	976	1,002	1,325	1,346	2,301	2,352
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	3,311	3,381	3,453	3,471	6,764	6,851
Rest of the World	2,774	2,757	2,961	3,025	5,735	5,797
Total	6,085	6,138	6,414	6,496	12,498	12,648

	First quarter 2019		Second quarter 2019		First half 2019	
	Reported change	« Like-for- like New Danone » change	Reported change	« Like-for- like New Danone » change	Reported change	« Like-for- like New Danone » change
BY REPORTING ENTITY						
EDP International	+0.4%	+0.2%	+0.8%	+2.2%	+0.7%	+1.2%
Specialized Nutrition	+0.9%	+0.4%	+1.9%	+3.2%	+1.4%	+1.8%
Waters	+2.7%	+3.9%	+1.6%	+2.1%	+2.2%	+2.8%
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	+2.1%	-0.8%	+0.5%	+1.1%	+1.3%	+0.1%
Rest of the World	-0.6%	+3.0%	+2.2%	+4.2%	+1.1%	+3.6%
Total	+0.9%	+0.8%	+1.3%	+2.5%	+1.2%	+1.7%

¹North America (Noram) : United States and Canada