



2021 First-Quarter Sales
Press release – Paris, April 20, 2021

Danone Q1 sales: last quarter of decline before returning to like-for-like growth

- First-quarter consolidated sales of €5,657m, down -3.3% on a like-for-like (LFL) basis, reflecting Covid-related headwinds and lapping high Q1 2020 base of comparison
- Sharp -7.0% impact of FX, resulting in a -9.4% decline in consolidated sales
- 2021 guidance reiterated:
 - Back to like-for-like growth as of Q2; return to profitable growth in H2
 - FY recurring operating margin expected to be broadly in line with 2020

€ million except %	Q1 2020	Q1 2021	Reported change	LFL sales growth	Volume growth
BY BUSINESS					
EDP	3,364	3,149	-6.4%	+1.6%	+0.5%
Specialized Nutrition	1,949	1,719	-11.8%	-7.7%	-7.0%
Waters	928	790	-14.9%	-11.6%	-11.2%
BY GEOGRAPHICAL AREA					
Europe & Noram ¹	3,469	3,273	-5.6%	-2.8%	-2.7%
Rest of the World	2,772	2,384	-14.0%	-4.2%	-4.2%
TOTAL	6,242	5,657	-9.4%	-3.3%	-3.7%

¹North America (Noram): United States and Canada

Véronique Penchienati-Bosetta and Shane Grant: interim co-CEOs statement

“Our first quarter landed in line with expectations and we continue to expect a return to like-for-like sales growth in the second quarter, and to profitable growth in the second half of 2021.

We have now experienced over a year of Covid and the pandemic continues to impact our markets. Though this resulted in an overall decline in sales, -3.3% on a like-for-like basis, this first quarter has confirmed many of Danone’s strengths and ability to win in key areas. EDP sustained its performance momentum in key developed markets, especially in Probiotics, Protein and Plant-based. Growth in Adult Medical Nutrition remained strong, maintaining last years’ momentum. Waters continued to be impacted by out of home trends but showed sequential improvement compared to previous quarters.

Our focus is on delivery and execution, and so it is to our highly motivated and engaged Danoners that we send our thanks for their resilience and hard work during these unprecedented times. Through them, together, we will drive Danone back to profitable growth and winning in the market.”

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I. 2021 first-quarter sales

In the first quarter of 2021, consolidated sales stood at €5.7 bn, down **-3.3% on a like-for-like basis**, with a -3.7% decline in volume and a +0.3% increase in value.

On a reported basis, sales were down -9.4%, mainly driven by the negative impact of exchange rates (-7.0%) that resulted from currency devaluations against the euro in the United States, Latin America, Indonesia, Turkey and Russia. Reported sales also included a slightly positive scope effect (+0.4%) as well as a +0.4% organic contribution from hyperinflation geographies such as Argentina.

In terms of regional dynamics, Europe and North America sales declined by -2.8% on a like-for-like basis, from a high base of comparison that was driven by the pantry loading that benefited these regions in March 2020 for Specialized Nutrition and, to a lesser extent, Essential Dairy and Plant-based. Rest of the World sales decreased -4.2%, with China, Latin America, and Africa experiencing continued pressure in the quarter.

Performance by reporting entity

ESSENTIAL DAIRY AND PLANT-BASED (EDP)

In the first quarter, net sales were up +1.6% on a like-for-like basis, including a +0.5% increase in volume and +1.1% in value, sustaining momentum despite an exceptional first quarter last year marked by panic buying and pantry loading. **Europe and North America** delivered solid growth, driven by the Probiotics, Protein and Plant-based. **Europe** delivered another quarter of growth. This performance was driven by the continued strength of the Plant-based portfolio, growing well into double-digits, while the Probiotics and Protein platforms posted another quarter of solid growth. The Essential Dairy portfolio registered broad-based market-share gains led by *Actimel*, *Danette* and *YoPro*. **North America** recorded the largest absolute net sales quarter ever despite a high base of comparison, sustaining a solid growth momentum, notably in Coffee Creamers and Plant-based, which delivered strong and high single-digit growth respectively. **In the Rest of the World**, sales were flat, with soft dynamics in CIS, while Latin America and Africa started to show the first signs of improvement compared to previous quarters.

SPECIALIZED NUTRITION

In the first quarter, net sales declined by -7.7% on a like-for-like basis, with a decrease of -7.0% in volume and -0.7% in value, from a high base of comparison driven by the pantry loading of March 2020. **Adult Medical Nutrition** delivered another quarter of strong growth, driven by China. **Infant Nutrition** remained penalized by Covid-related channel disruptions in **China**, with cross-border channels sales down around -45%. Domestic channels confirmed their growth momentum. All in all, China sales decreased at a steep double-digit rate. In **Europe**, sales declined at a mid-teens rate, but market shares held up well amid continued soft category dynamics. **In the Rest of the World**, Danone continued to register a solid performance and market-share gains, led by South-East Asia and Middle East.

WATERS

In the first quarter, net sales were down -11.6% on a like-for-like basis, with a decline of -11.2% in volume and -0.4% in value, once again severely penalized as consumer mobility remained below pre-Covid levels. **In Europe**, sales declined at a high single-digit rate, improving sequentially compared to recent quarters, on the back of improving mobility, the continued resilience of at-home formats, and market share gains in key markets such as France, Germany, Spain and Poland. **In the Rest of the World**, sales in Latin America and Indonesia continued to decline at a steep double-digit rate, while *Mizone* registered another quarter of growth in China, in line with the last quarter, and entering the high season with innovative product offerings as well as strong activation plans.

II. 2021 outlook and guidance

Macro-economic outlook

Despite short-term uncertainties, a gradual reopening of economies is assumed to start from H2, as vaccination programs are rolled out. Meanwhile, a broad-based acceleration of inflation in milk, ingredients, packaging and logistics is expected.

2021 guidance reiterated

Danone expects to be back to like-for-like growth in Q2, and to return to profitable growth in H2. FY recurring operating margin is expected to be broadly in line with 2020.

III. Major financial transactions and developments over the period

Changes in governance

In recent months, Danone's management and Board of Directors have conducted an open dialogue with shareholders and social partners, as well as many other internal and external stakeholders, and a reflection on Danone's governance has been undertaken. Further to a decision to initiate the process of separating the functions of Chairman of the Board and Chief Executive Officer on March 1, 2021, the Board of Directors, at its meeting on March 14, 2021, reviewed the company's corporate governance and decided that Emmanuel Faber would step down as Chairman and Chief Executive Officer with immediate effect. The Board appointed Gilles Schnepf as the independent non-executive Chairman of the Board of Directors, and appointed Véronique Penchienati-Bosetta and Shane Grant to jointly lead the business as interim co-CEOs, while the search for a new Chief Executive Officer was launched. Furthermore, and in order to be in a position to take into account the company's future needs, the Board also decided to pause and reconsider any immediate member refreshments. As a result, the proposed nominations of Ariane Gorin and Susan Roberts as Directors will not be presented to the upcoming Annual General Meeting.

Search for a new CEO

The immediate priority of the new Chairman, together with the Board, is to lead the transition, including the search for a new Chief Executive Officer. An international executive search firm has been hired to conduct an extensive review of suitable external candidates. The Governance committee, led by Jean-Michel Severino, Lead Independent Director, is managing the day-to-day process.

Confirmation of Local First

The Board reaffirmed its support to the Local First plan, as it will make Danone stronger, enable the Company to accelerate growth and value creation and better meet consumer and customer needs in each country where it operates, as well as unlock significant resources to be reinvested into brands and commercial plans. The specific needs of the Specialized Nutrition category will be supported by dedicated resources, both globally and locally. Danone will pay careful attention to ensuring a proper transition and securing the execution of the plan without disruption to the business.

Financial transactions and developments

FOLLOW YOUR HEART ACQUISITION

On February 18, 2021, Danone announced it acquired 100% of the shares of Earth Island, maker of *Follow Your Heart* brands and a U.S. pioneer in plant-based foods. The transaction was closed on **April 14, 2021**.

MENGNUI

On February 28, 2021, Danone announced that it had reached an agreement with COFCO Dairy Investments Limited to convert Danone's stake in China Mengniu Dairy Company Limited, currently held indirectly, into a direct holding. **On April 16, 2021**, the conversion process was finalized. This conversion is a first step towards facilitating Danone's disposal of its stake in Mengniu.

IV. IFRS standards and financial indicators not defined in IFRS

IAS29: impact on reported data

Danone has been applying IAS 29 in hyperinflation countries as defined in IFRS. Adoption of IAS 29 in this hyperinflationary countries 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 euros using the closing exchange rate of the relevant period.

IAS29: impact on reported data € million except %	Q1 2021
Sales	+4
Sales growth (%)	+0.1%

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.

Like-for-like changes in sales, recurring operating income 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, both previous-year and current-year scopes excluding entities in countries under hyperinflation according to IAS29 during the previous year (as for Argentinian entities since January 1st 2019);
- 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 years).

Bridge from reported data to like-for-like data

(€ million except %)	Q1 2020	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS29	Organic contribution from hyperinflation countries	Like-for-like growth	Q1 2021
Sales	6,242	+0.4%	-6.7%	+0.4%	-3.3%	5,657



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 the 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 (current version 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 Juergen Esser, 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 in the Investors section of the website.***