



2020, a year marked by the health crisis

Reinventing Danone to reconnect with our profitable growth ambition

2020 FY landing in line with reinstated guidance

- **14% recurring operating margin** and **€2.1bn free cash flow**; **net debt/EBITDA ratio maintained at 2.8x**
- **Contrasted top line performance leading** to 2020 net sales of €23,620m, down -1.5% like-for-like (LFL) and -6.6% on a reported basis
- **EDP back to solid growth**, up +3.4% LFL, highest rate since 2012
- **Specialized Nutrition and Waters impacted by COVID**-related channel disruptions, Specialized Nutrition sequentially improving in all geographies in the fourth quarter
- **Reported EPS up +1%** at €2.99, **recurring EPS down -13%** at €3.34
- **Carbon emissions down 1m tons of CO2 eq. vs 2019** on a like-for-like basis, of which 50% thanks to regenerative agriculture initiatives ; cost of carbon per share decreasing by -4.1%

2021 outlook

- Tough Q1 driven by base of comparison and continued channel-related headwinds
- Back to growth as of Q2, return to profitable growth in H2
- FY recurring operating margin expected to be broadly in line with 2020

Leading a bold reinvention to reconnect with mid-term profitable growth ambition

- Investing in portfolio superiority and differentiation, optimizing execution, reshaping the organization and reviewing the portfolio
- €1bn savings plan fueling reinvestments in innovation and brand support
- Strengthening governance to reinforce oversight of Management's delivery of the plan

2020 Key Figures

<i>in millions of euros except if stated otherwise</i>	2019	2020	Reported Change	Like-for-like (LFL)
Sales	25,287	23,620	-6.6%	-1.5%
Recurring operating income	3,846	3,317	-13.8%	-10.9%
Recurring operating margin	15.2%	14.0%	-117 bps	-150 bps
Non-recurring operating income and expenses	(609)	(519)	+89	
Operating income	3,237	2,798	-13.6%	
Operating margin	12.8%	11.8%	-96 bps	
Recurring net income – Group share	2,516	2,189	-13.0%	
Non-recurring net income – Group share	(586)	(233)	+353	
Net income – Group share	1,929	1,956	+1.4%	
Recurring EPS (€)	3.85	3.34	-13.2%	
EPS (€)	2.95	2.99	+1.2%	
Free cash flow	2,510	2,052	-18.3%	
Cash flow from operating activities	3,444	2,967	-13.9%	

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, 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 8 to 10. The calculation of Net Debt/EBITDA is detailed in the half-year interim financial report and the universal registration document.

Emmanuel Faber: Chairman and Chief Executive Officer statement

"I can't start this comment on our FY 2020 results without paying a tribute to our 100,000 colleagues at Danone who made it possible for our brands to continue to serve our customers consumers patients, around the world. On behalf of our board of directors, I want to express my gratitude to them for their commitment, want to recognize the challenges they faced, including in their personal life, to adapt to this situation. Beyond the brighter, more efficient and empowering organizational model of Local First, I want to also acknowledge the additional uncertainty created for those whose role might be affected by the transformation. We are committed to as quickly as possible clarify the future for everyone.

On the business front, as COVID became a pandemic throughout 2020, we faced material specific short-term challenges in a number of our key categories and geographies but also clearly uncovered significant long-term opportunities, whose existence directly lies in the strategic framework and choice of category portfolio that we made over the last several years. our one planet one health framework of action has never been as relevant as today for the future, and we continue to be ahead of competition in implementing this vision.

Building on the highly successful integration of whitewave which sales grew 11% (like for like) last year, contributing to 160 bps to our growth, I am thrilled to announce the acquisition of follow your heart, a California based pioneer company, leading the cheese and mayonnaise plant based alternatives, opening for Danone a strong foothold into the promising flexitarian trend in the US cheese market, in both retail and foodservice.

This is building further on our global leadership on plant-based, now representing 10% of our sales.

After making 2020 a year of both delivery and progress under serious challenging conditions, we know Q1 2021 is going to be heading tough comparables in particular in our SN Chinese operations and that governmental health strategies around the world will continue to create uncertainties on the speed of recovery of mobility in indexes that will weigh a bit longer on our water business performance.

2021 is therefore going to be a year of recovery. we are focused on preparing our return to sales growth as soon as Q2, and are fully confident that we are building the right conditions and momentum to reconnect with our profitable growth agenda as soon as H2.

In this context, we fully recognize that our share price is not where we would like it to be and we are pleased that this FY announcement resumes our ability to dialogue openly with our shareholders, in preparation of our important CME On March 25, when we will share more on the growth platforms underlying our categories and countries, as well as our progress on our transformation plans, which will provide the necessary support to our full ability to unlock our short and mid term profitable growth opportunities."

I. FOURTH QUARTER AND FULL-YEAR RESULTS

Fourth quarter and full-year sales

In 2020, consolidated sales stood at €23.6 bn, down -1.5% on a like-for-like basis, with stable volumes (-0.1%) and a -1.5% decrease in value reflecting negative category and country mix, especially in Waters and Specialized Nutrition. On a reported basis, sales were down -6.6%, mainly driven by the negative impact of exchange rates (-5.0%) that resulted from currencies devaluation against the Euro in the United States, Latin America, Indonesia and Russia. Reported sales were also impacted by a negative scope effect (-0.4%), resulting from the deconsolidation from April 1st, 2019 of Earthbound Farm, and by a +0.3% organic contribution of Argentina to growth.

In the fourth quarter, sales declined -1.4% on a like-for-like basis, showing a sequential improvement from the two previous quarters, with flat volumes. Reported sales were down -9.8%, mainly driven by a continued strong negative effect of -8.8% from exchange rates.

€ million except %	Q4 2019	Q4 2020	Reported change	LFL Sales Growth	Volume Growth	FY 2019	FY 2020	Reported change	LFL Sales Growth	Volume Growth
BY REPORTING ENTITY										
EDP	3,335	3,131	-6.1%	+3.6%	+3.7%	13,163	12,823	-2.6%	+3.4%	+3.0%
Specialized Nutrition	1,943	1,753	-9.8%	-3.1%	-1.7%	7,556	7,192	-4.8%	-0.9%	-0.8%
Waters	962	743	-22.8%	-15.6%	-9.3%	4,568	3,605	-21.1%	-16.8%	-7.7%
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	3,408	3,252	-4.6%	-1.0%	+1.0%	13,710	13,408	-2.2%	-0.3%	+1.6%
Rest of the World	2,833	2,376	-16.1%	-1.9%	-1.0%	11,577	10,212	-11.8%	-3.1%	-1.6%
TOTAL	6,241	5,628	-9.8%	-1.4%	+0.0%	25,287	23,620	-6.6%	-1.5%	-0.1%

¹North America (Noram): United States and Canada

Q4 was still marked by a contrasted performance across channels

After a sequential improvement in Q3, out-of-home channels sales declined by approximately -25% in Q4, penalized by new waves of restrictions and lockdown measures related to COVID-19, especially in Europe. Infant Formula sales in China from cross-border channels continued to contract sharply (c. -45%) given the ongoing Hong-Kong border closure and travel limitations with mainland China, but showed a sequential improvement compared to the previous quarter. On the other hand, Domestic sales of Infant Formula in China were back to growth in the quarter, at low-single-digit rate. The eCommerce channel continued to grow significantly, at approximately +45% in the quarter, with all categories contributing to growth.

In terms of regional dynamics, sequential improvement vs. Q3 was led by Rest of the World

Like-for-like sales growth in Europe and North America was broadly in line with the previous quarter, moving from -1.1% to -1.0% in Q4. In Europe, good EDP performance and Specialized Nutrition sequential improvement offset the deterioration in Waters, while North America continued to see solid momentum. Like-for-like sales growth in the Rest of the World improved in Q4 from -4.1% to -1.9%, notably led by a better performance in China and another quarter of growth in CIS.

Recurring Operating Margin

Danone's recurring operating income reached €3.3bn in 2020. Recurring operating margin stood at **14.0%**, down -117 basis points (bps) on a reported basis and -150bps on a like-for-like basis. This includes a negative -62 bps effect from €150m incremental costs directly related to COVID-19 incurred during the year to keep employees safe and ensure business continuity. It also includes around -100bps of negative mix, mostly driven by negative category mix, with lower sales from Specialized Nutrition, Danone's most profitable business, and negative country mix, reflecting the slowdown of China. To mitigate these headwinds, Danone stepped-up its efforts on efficiency and cost discipline, especially in the second half of the year, allowing the company to deliver over 280bps of productivity in 2020 and unlock close to €850m of savings. In 2020, the Protein program delivered more than €300 million of incremental savings, bringing its total savings to €1.3 billion since 2017. Reported margin also reflects a positive effect from change in scope (+7bps) and currencies (+38bps), and a negative effect of -11bps reflecting Argentina's impact on margin.

Recurring operating profit (€m) and margin (%)	FY 2019		FY 2020		Change	
	€m	Margin (%)	€m	Margin (%)	Reported	Like-for-like

BY REPORTING ENTITY

EDP	1,345	10.2%	1,303	10.2%	-6 bps	-36 bps
Specialized Nutrition	1,908	25.3%	1,763	24.5%	-74 bps	-126 bps
Waters	593	13.0%	251	7.0%	-601 bps	-574 bps

BY GEOGRAPHICAL AREA

Europe & Noram ²	1,999	14.6%	1,823	13.6%	-98 bps	-117 bps
Rest of the World	1,847	16.0%	1,494	14.6%	-132 bps	-189 bps

Total	3,846	15.2%	3,317	14.0%	-117 bps	-150 bps
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²North America (Noram): United States and Canada

Performance by reporting entity

▪ ESSENTIAL DAIRY AND PLANT-BASED (EDP)

Essential Dairy & Plant-based posted net sales growth of +3.4% in 2020 on a like-for-like basis, sustained by both Essential Dairy, up low-single digit, and Plant-based that grew at +15% and reached €2.2bn of sales in 2020, up from €1.9bn in 2019. Recurring operating margin remained broadly stable above 10%, despite COVID-related costs.

In the fourth quarter, net sales were up +3.6% on a like-for-like basis, reflecting a +3.7% increase in volume and -0.1% in value. This growth was led by **Europe** and **North America**, that sustained their mid-single-digit performance. In North America growth was supported by Premium Dairy and Plant-based continued momentum. Yogurt and Coffee Creamers both grew in Retail channels, low-single digit and double-digit respectively, but continued to be penalized by their exposure to away-from-home channels. In Europe, Essential Dairy was back to low-single-digit growth in the quarter (+2%), with a broad-based contribution from all key brands, and Plant-based registered high-teens growth, with all geographies contributing. In the **Rest of the World**, CIS delivered another quarter of positive growth, with a balanced contribution from traditional and modern dairy brands, while Latin America and Africa continued to experience pressure from COVID-related restrictions.

▪ SPECIALIZED NUTRITION

Specialized Nutrition posted net sales growth of -0.9% in 2020 on a like-for-like basis and recurring operating margin decreased by -74bps to 24.5%, notably reflecting the negative country mix from Infant Nutrition in China, as well as COVID-related costs incurred this year.

In the fourth quarter, sales declined -3.1% on a like-for-like basis, with a decrease of -1.7% in volume and -1.3% in value, sequentially improving from the third quarter (-5.7%) thanks to better trends across geographies. **In China**, sales declined at mid-teens rate, after decreasing double-digit in Q3. While cross-border channels sequentially improved from last quarter, they were still severely penalized by ongoing Hong-Kong border closure and travel limitations with mainland China, declining by -45% in the fourth quarter compared to last year. On the other hand, Domestic channels were back to growth in the quarter, driven by the excellent performance of *Aptamil* that gained market shares and ranked leading brand of 11:11 during the quarter. **In Europe**, infant milk and first diet performance slowly recovered but remained negative, penalized by continued soft category dynamics, while adult nutrition accelerated, notably driven by the first signs of normalization in hospital and prescription activity. **Other regions** delivered strong growth, sustained by market share gains in South East Asia and Latin America.

▪ WATERS

Waters sales declined by -16.8% in 2020 on a like-for-like basis and recurring operating margin decreased to 7.0%. The performance of Waters was severely impacted by COVID-related restrictions to mobility that disrupted Danone's ability to serve consumers in out-of-home and impulse channels and ultimately translated in negative volume, product and format mix.

In the fourth quarter, net sales were down -15.6% on a like-for-like basis, with a decrease in volume of -9.3% and -6.3% in value. The period was very volatile, marked by stop and go in restrictions across geographies.

After a sequential improvement in the third quarter, **Europe** performance was penalized by new waves of lockdowns and restrictions to mobility, notably in France, Germany and the UK. These channel-related headwinds were partially offset by market shares gains in these countries. In the **Rest of the World**, while Latin America and Indonesia kept declining at steep double-digit rate, in China, *Mizone* posted positive growth in the fourth quarter, an encouraging performance given mobility indices in China are still below pre-COVID levels.

Net income and Earnings per share

Other operating income and expense stood at -€519 million from -€609 million in the prior year, which included an exceptional loss from the sale of *Earthbound Farm*. They mostly include expenses related to some reorganization costs in the Essential Dairy and Plant-Based and Specialized Nutrition businesses. As a result, the reported operating margin was down -96 bps from 12.8% to 11.8%.

Net financial costs were down by €60 million to -€310 million, notably given the successful bond issues realized in the first semester at attractive rates and favorable currency effects. **Recurring income tax rate** remained at 27.5%, in line with the prior year. **Recurring net income from associates** decreased from €98 million to €85 million, reflecting the deteriorated performance of Mengniu and Yashili in China, especially in the first semester. **Recurring minority interests** were down by €28 million, reflecting a deterioration of performance across minorities.

As a result, **Recurring EPS** was €3.34, down -13% vs. last year, but Reported EPS increased by 1.2% to €2.99.

<i>in millions of euros except if stated otherwise</i>	FY 2019			FY 2020		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	3,846		3,846	3,317		3,317
Other operating income and expense		(609)	(609)		(519)	(519)
Operating income	3,846	(609)	3,237	3,317	(519)	2,798
Cost of net debt	(220)		(220)	(207)		(207)
Other financial income and expense	(150)	(0)	(151)	(103)	0	(103)
Income before taxes	3,477	(609)	2,867	3,007	(519)	2,488
Income tax	(956)	163	(793)	(828)	66	(762)
Effective tax rate	27.5%		27.7%	27.5%		30.6%
Net income from fully consolidated companies	2,521	(446)	2,075	2,179	(453)	1,726
Net income from associates	98	(144)	(46)	85	219	304
Net income	2,618	(590)	2,028	2,264	(234)	2,030
• Group share	2,516	(586)	1,929	2,189	(233)	1,956
• Non-controlling interests	103	(4)	99	75	(1)	74
EPS (€)	3.85		2.95	3.34		2.99

Cash flow and Debt

Free cash flow reached €2,052 million in 2020, down from €2,510 million in 2019, implying a cash conversion rate of 8.7%. The decrease from last year has been driven by a deterioration of working capital due to negative channel mix as Danone's exposure to traditional channels in emerging markets is highly cash generative. Capex stood at €962 million in 2020, broadly stable compared to last year (€951 million in 2019).

As of December 31th 2020, **Danone's net debt stood at €11.9bn**, down €0.9bn. Net debt/EBITDA ratio remained stable at 2.8x.

Dividend

At the Annual General Meeting on April 29, 2021, Danone's Board of Directors will propose a dividend of **€1.94 per share**, in cash, in respect of the 2020 fiscal year. In line with the Company's continued measured and balanced dividend policy, the dividend is down 8% from last year. This reflects on the one hand the impact of the deteriorated environment on 2020 results, and demonstrates on the other Danone's confidence in rapidly reconnecting with profitable growth, as reflected by the increased pay-out ratio to 58%. Assuming this proposal is approved, the ex-dividend date will be May 10, 2021 and the dividends will be payable on May 12, 2021.

II. 2020 SUSTAINABILITY FOOTPRINT

Environmental footprint

As part of its pledge towards carbon neutrality on its full value chain by 2050, Danone set intermediate greenhouse gas (GHG) reduction targets for 2030 which were officially approved by the Science-Based Targets initiative in 2017.

On December 8th 2020, for the second time in a row, Danone is one of the only 10 companies and the only food company out of the 5,800+ companies scored in 2020 that achieved a place on the A List for the three environmental areas covered by CDP of climate change, forests preservation and water security. The Company confirms that the peak of its carbon emissions on its full scope was reached in 2019, with 2020 GHG emissions totaling 26.1 million tons CO₂ eq., down 1mT CO₂ eq. as compared to 2019. Half of carbon reduction is linked to the implementation of regenerative agriculture initiatives within Danone supply-chain. The company also increased its share of electricity sourced from renewable sources, reaching 54.3% of total electricity purchased, above Danone's commitment of 50% at the end of 2020. Overall, Danone has reduced on a like-for-like basis its GHG emission intensity¹ by 24.5%² on its full scope since 2015.

Since last year, Danone has disclosed a 'carbon-adjusted' recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain³. Given the business context and despite the emissions reduction achieved that contributed to the -4.1% decrease of the cost of carbon per share, the 'carbon-adjusted' recurring EPS decreased in 2020 by -19%, penalized by the decrease of -13% in recurring EPS.

Danone signed the "Business Ambition for 1.5°C" pledge in 2019 and is now partnering with the Science-Based Targets initiative to define pathways for the food & beverages sector.

Inclusive diversity and B Corp performance

- **Inclusive Diversity:** Danone is committed to promote greater diversity, with the following objectives that were to be reached by the end of 2020: to have 42% of female directors and 30% of female executives and to have 50% of our directors and 30% of our executives from under-represented nationalities⁴. These objectives have been achieved at the end of 2020 and even exceeded for one of them, as 32% of our executives are from under-represented nationalities. For the third time in a row, Danone has been recognized as one of the 380 companies included in the 2021 Bloomberg Gender-Equality Index which distinguishes companies committed to transparency in gender reporting and advancing women's equality.

¹Grams of CO₂ equivalent per kilo of products sold

²The data is based on a constant consolidation scope and a constant methodology. The GreenHouse Gas protocol defines three scopes for carbon footprint assessment: Scope 1 covers direct emissions from equipment that is company-owned or under the operational control of Danone, scope 2 refers to indirect energy emissions related to the generation of electricity, steam, heat or cold purchased and consumed by Danone and scope 3 covers all indirect emissions due to Danone's activities, including emissions from raw materials used, the transport and distribution of products, the use and the end-of-life of products. Please refer to Danone 2020 Universal Registration Document (chapter 5 – Social, Societal and Environmental Responsibility) for more information on Danone's GHG emissions across its entire value chain, its targets, its measures and its calculation methodology.

³ Carbon-adjusted recurring EPS is equal to the recurring EPS less an estimate financial cost for carbon / number of shares after dilution. The estimated financial cost for carbon is based on Danone's full scope (1, 2 and 3) carbon emissions of 26.1 mT for 2020 (27.2 mT for 2019) x a constant carbon cost estimate of 35€/ton, aligned with CDP disclosure.

⁴Under-represented nationalities are nationalities within the Africa, Americas, Asia, Eastern Europe and Oceania regions

- **B Corp:** In July 2020, Danone advanced its global ambition to be certified as a B Corp™ to 2025. As of December 31st 2020, 32 Danone's entities are certified B Corp™, and approximately 50% of Danone's consolidated sales are covered by B Corp™ certification.

III. ACQUISITION OF FOLLOW YOUR HEART

Danone announces it has entered into an agreement to acquire 100% of the shares of Follow Your Heart, a pioneering leader in plant-based foods. Founded to meet the growing demand for plant-based products, Follow Your Heart holds leading positions in the plant-based cheese and mayonnaise categories, in addition to several other delicious plant-based products.

As part of the Danone family, Follow Your Heart will be able to accelerate growth nationally and internationally alongside some of Danone's best-known plant-based brands, including *Alpro*, *Silk* and *So Delicious Dairy Free*. This partnership will enable Danone to enhance and expand its plant-based offering, including cheese, while contributing to its goal of increasing plant-based sales worldwide from more than €2 billion in 2020 to €5 billion by 2025.

IV. 2021 OUTLOOK AND GUIDANCE

Danone expects a tough Q1 driven by the tough base of comparison of Q1 last year and continued channel-related headwinds.

The **Company anticipates to be back to growth in Q2, and to return to profitable growth in H2.**

FY recurring operating margin is expected to be broadly in line with 2020.

V. ADAPTATION PLAN UPDATE

With its Q3 sales in October, Danone announced a new plan to restore shareholder value creation. This included a focus on investing for portfolio superiority and differentiation, as well as optimizing value across the value chain. The company also announced a move to reshape its organization onto a geographic structure which will create efficiencies, whilst adopting a "Local First" approach which should provide a lever for growth acceleration. The company is also conducting a full strategic review of the portfolio of SKUs, brands and assets, starting with a review of its strategic options for Argentina and its Vega brand.

On **November 23, 2020**, Danone hosted an Investor update focused on providing additional details on how shifting to a local-first organization would unlock future growth and drive margin expansion in a post-COVID world. While reconfirming its mid-term ambition of achieving 3% to 5% profitable like-for-like revenue growth, Danone updated its mid-term recurring operating margin target to mid-to-high teen levels, with the first milestone to be above 15% in 2022, taking into account a new €1bn cost savings plan.

A second investor update is planned for 25 March 2021. This event will focus on how Danone will accelerate profitable sales growth towards its mid-term objectives.

VI. GOVERNANCE AND FINANCIAL STATEMENTS

- On December 14, 2020, Danone announced several decisions related to Board's composition and organization to reinforce the governance of the company, including:
 - create a new Strategy and Transformation Committee of the Board, starting under the chairmanship of Benoit Potier;
 - appoint Cécile Cabanis as Vice-Chair of the Board; and
 - propose new independent members to the Board: Gilles Schnepf, Ariane Gorin and Susan Roberts.
 This Board refreshment will increase its independence rate (70%), its diversity (gender parity) and its expertise.

- At its meeting on February 18, 2021, the Board of Directors closed statutory and consolidated financial statements for the 2020 fiscal year. Regarding the audit process, the statutory auditors have substantially completed their examination of financial statements as of today.

VII. IFRS STANDARDS AND FINANCIAL INDICATORS NOT DEFINED IN IFRS

IAS29 applied on Argentina: impact on reported data

Danone has been applying IAS 29 in Argentina from July 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 euros using the closing exchange rate of the relevant period.

IAS29 applied on Argentina: impact on reported data € million except %	Q4 2020	FY 2020
Sales	(5)	(36)
Sales growth (%)	(0.09%)	(0.2)%
Recurring Operating Income		(23)
Recurring Net Income – Group share		(27)

Breakdown by quarter of FY 2020 sales after application of IAS 29

FY 2020 sales correspond to the addition of:

- Q4 2020 reported sales;
- Q1, Q2 and Q3 2020 sales resulting from the application of IAS29 until December 31, 2020 to sales of Argentinian entities (application of the inflation rate until December 31, 2020 and translation into euros using December 31, 2020 closing rate) and provided in the table below for information (unaudited data).

€ million	Q1 2020 ⁽¹⁾	Q2 2020 ⁽²⁾	Q3 2020 ⁽³⁾	Q4 2020	FY 2020
EDP	3,354	3,232	3,106	3,131	12,823
Specialized Nutrition	1,946	1,789	1,703	1,753	7,192
Waters	924	924	1,014	743	3,605
Total	6,223	5,946	5,823	5,628	23,620

⁽¹⁾Results from the application of IAS29 until December 31, 2020 to Q1 sales of Argentinian entities.

⁽²⁾Results from the application of IAS29 until December 31, 2020 to Q2 sales of Argentinian entities.

⁽³⁾Results from the application of IAS29 until December 31, 2020 to Q3 sales of Argentinian entities.

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 and, since 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 years).

Bridge from reported data to like-for-like data

(€ million except %)	FY 2019	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS29	Argentina organic contribution	Like-for-like growth	FY 2020
Sales	25,287	-0.4%	-5.0%	+0.3%	-1.5%	23,620
Recurring operating margin	15.2%	+7 bps	+38 bps	-11 bps	-150 bps	14.0%

Danone clarified the definition of its recurring performance indicators, without modifying neither their content nor their calculation which are detailed hereafter.

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses comprise items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring operating performance and its evolution. These mainly include:

- capital gains and losses on disposals of fully consolidated companies;
- impairment charges on intangible assets with indefinite useful lives;
- costs related to strategic restructuring or transformation plans;
- costs related to major external growth transactions;
- costs related to major crisis and major litigations;
- in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to a acquisition date.

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

Other non-recurring financial income and expense corresponds to financial income and expense items that, in view of their significant or unusual nature, cannot be considered as inherent to Danone's recurring financial management. These mainly include changes in value of non-consolidated interests.

Non-recurring income tax corresponds to income tax on non-recurring items as well as tax income and expense items that, in view of their significant or unusual 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 items that, because of their significant or unusual nature, cannot be viewed as inherent to the recurring activity of those companies and thus distort the assessment of their recurring performance and its evolution. These mainly include (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) 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 excludes items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring performance and its evolution. Such non-recurring income and expenses correspond to Other operating income and expenses, Other non-recurring financial income and expenses, Non-recurring income tax, and Non-recurring income from associates. Such income and expenses, excluded from Net income, represent Non-recurring net income.

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.

	FY 2019		FY 2020	
	Recurring	Total	Recurring	Total
Net income-Group share (€ million)	2,516	1,929	2,189	1,956
Coupon related to hybrid financing net of tax (€ million)	(14)	(14)	(15)	(15)
Number of shares				
• Before dilution	648,250,543	648,250,543	649,331,592	649,331,592
• After dilution	649,106,039	649,106,039	649,968,844	649,968,844
EPS (€)				
• Before dilution	3.86	2.95	3.35	2.99
• After dilution	3.85	2.95	3.34	2.99

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)	FY 2019	FY 2020
Cash-flow from operating activities	3,444	2,967
Capital expenditure	(951)	(962)
Disposal of tangible assets & transaction fees related to business combinations ¹	17	47
Free cash-flow	2,510	2,052

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, 2019	December 31, 2020
Non-current financial debt ¹	12,906	12,343
Current financial debt ¹	4,474	4,157
Short-term investments	(3,631)	(3,680)
Cash and cash equivalents	(644)	(593)
Derivatives — non-current assets ²	(271)	(259)
Derivatives — current-assets ²	(16)	(27)
Net debt	12,819	11,941
• Liabilities related to put options granted to non-controlling interests — non-current	(13)	(7)
• Liabilities related to put options granted to non-controlling interests — current	(469)	(355)
Net financial debt	12,337	11,579

¹ Including derivatives-liabilities. As from January 1st 2019, also include debt related to leases in compliance with IFRS 16

² Managing net debt only



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.

The presentation to analysts and investors, held by Chairman and CEO Emmanuel Faber, and 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 on the website in the Investors section.

APPENDIX – Sales by reporting entity and by geographical area (in € million)

	First quarter		Second quarter		Third quarter		Fourth quarter		Full Year	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
BY REPORTING ENTITY										
EDP	3,308	3,364	3,283	3,238	3,240	3,108	3,335	3,131	13,163	12,823
Specialized Nutrition	1,828	1,949	1,866	1,792	1,920	1,698	1,943	1,753	7,556	7,192
Waters	1,002	928	1,346	925	1,258	1,015	962	743	4,568	3,605
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	3,381	3,469	3,471	3,352	3,451	3,334	3,408	3,252	13,710	13,408
Rest of the World	2,757	2,772	3,025	2,602	2,966	2,486	2,833	2,376	11,577	10,212
Total	6,138	6,242	6,496	5,954	6,418	5,821	6,241	5,628	25,287	23,620

	First quarter 2020		Second quarter 2020		Third quarter 2020		Fourth quarter 2020		Full Year 2020	
	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change
BY REPORTING ENTITY										
EDP	+1.7%	+4.6%	-1.4%	+1.6%	-4.1%	+3.7%	-6.1%	+3.6%	-2.6%	+3.4%
Specialized Nutrition	+6.6%	+7.9%	-4.0%	-2.2%	-11.6%	-5.7%	-9.8%	-3.1%	-4.8%	-0.9%
Waters	-7.4%	-6.8%	-31.3%	-28.0%	-19.3%	-13.5%	-22.8%	-15.6%	-21.1%	-16.8%
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	+2.6%	+4.7%	-3.4%	-3.5%	-3.4%	-1.1%	-4.6%	-1.0%	-2.2%	-0.3%
Rest of the World	+0.5%	+2.6%	-14.0%	-8.2%	-16.2%	-4.1%	-16.1%	-1.9%	-11.8%	-3.1%
Total	+1.7%	+3.7%	-8.3%	-5.7%	-9.3%	-2.5%	-9.8%	-1.4%	-6.6%	-1.5%

¹North America (Noram): United States and Canada