



2018 Full-Year Results
Press release – Paris, February 19, 2019

Solid performance in 2018: Accelerating sales growth and efficiencies

2018 results: guidance delivered

- **Very strong recurring EPS growth: +12.8%** at constant exchange rate⁽¹⁾ excluding Yakult Transaction Impact
- **Sales growth acceleration vs. 2017:** +2.9% on a like-for-like basis⁽²⁾ (+3.6% excluding the Morocco boycott impact⁽³⁾), with +2.4% in the fourth quarter
- **Recurring operating margin improvement:** 14.45%, up +51bps on a like-for-like basis⁽²⁾
 - **Record-high efficiencies**, at above €900 million in 2018
 - **Protein efficiency program delivering ahead of plan**, around €300 million during the year
- **Operating margin** adversely impacted by impairment of Centrale Danone in first half (-€662million)
- **Capital gain** from reduction in Yakult's stake: €701million
- **Strong free cash flow delivery**, up +7.1% at €2.2billion
- **Proposed dividend: €1.94 payable in cash**

2019 guidance

- Like-for-like sales growth of around 3%
- Recurring operating margin above 15%

(1) Excluding IAS29 impact – please see page 9 for further details

(2) "Like-for-like New Danone"

(3) See "additional information section" for more details on page 8

2018 Key Figures

<i>in millions of euros except if stated otherwise</i>	FY 2017	FY 2018	Reported Changes	Like-for-like New Danone
Sales	24,812	24,651	-0.7%	+2.9%
Recurring operating income	3,537	3,562	+0.7%	+6.7%
Recurring operating margin	14.26%	14.45%	+20 bps	+ 51 bps
Non-recurring operating income and expenses	192	(821)	(1,013)	
Operating income	3,729	2,741	-26.5%	
Operating margin	15.03%	11.12%	-391 bps	
Recurring net income – Group share	2,186	2,304	+5.4%	
Non-recurring net income – Group share	263	46	(217)	
Net income – Group share	2,449	2,349	-4.1%	
Recurring EPS (€)	3.48	3.56	+2.2%	
EPS (€)	3.90	3.63	-7.0%	
Free cash flow	2,083	2,232	+7.1%	
Cash flow from operating activities	2,958	3,111	+5.2%	

All references in this document to "Like-for-like (LFL) New Danone" changes, Recurring operating income and margin, Recurring net income, Recurring income tax rate, Recurring EPS, Yakult Transaction Impact, 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 10 to 13. Q1, Q2, Q3, Q4 and FY 2017 figures presented in this press release have been restated for IFRS 15: see explanation note on page 10. Q3, Q4 and FY 2018 figures take into account application of IAS29 (hyperinflationary accounting) to Argentina from July 1st, 2018, with effect from January 1, 2018; please refer to page 9 for further details. The impact of Morocco boycott is presented in "additional information section" on page 8. Finally, the calculation of ROIC and Net Debt/Ebitda are detailed in the half-year interim financial report and the annual registration document.

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Emmanuel Faber: Chairman and Chief Executive Officer statement

"I am proud of the results achieved by our teams at Danone in 2018.

Our company is becoming more agile every day. We keep adjusting our ways of working and delivering efficiency. And we adapt to the ever changing world around us, as exemplified by the impressive acceleration of our innovation rate, supplying a quarter of our total sales in 2018 from only 16% two years ago, and our 40% growth in e-commerce last year.

With Specialized Nutrition, Waters and our global plant based brands from WhiteWave continuing to post strong growth despite a very volatile environment, the year has seen the encouraging progress of our Essential Dairy and Plant-based business in Europe, which stabilized in the fourth quarter last year. This could not have happened without the multi-faceted reinvention of Activia, which shows that after years of decline, embracing with no fear the new paradigms can turn around a large global brand.

We are actually further delayering our organization, as another step to move away from the pyramidal model that built the giant food companies of the past. With this, we are becoming the most localized of our peers, prepared to capture the underlying value of the biodiversity of local food cultures and agricultures in tune with the new eating and drinking paradigms.

I am also thrilled that we are entering a very special year in 2019, as we will celebrate the 100th anniversary of Danone by welcoming each of us at Danone as a shareholder of the company this year. In addition, after a 100 000 people worldwide consultation that we launched last year, the voice of all our team members will now routinely inform the management of our long term goals and our Board of Directors decisions.

I would like to finish by thanking our teams for their demonstrated ability last year to both deliver on our short-term commitments through a balanced model of gradually accelerating growth and significant margin enhancement, and simultaneously walk the path to our 2020 commitments and prepare the future, an imperative for those companies, like ours, that have a true ambition to thrive through the food revolution, with the support of many partners."

2018 fourth quarter and full-year sales

€ million except %	Q4 2017	Q4 2018	Reported change	LFL Sales Growth	Volume Growth	FY 2017	FY 2018	Reported change	LFL Sales Growth ⁽¹⁾	Volume Growth ⁽¹⁾
BY REPORTING ENTITY										
EDP International	2,129	2,007	-5.7%	+2.0%	-5.1%	8,612	8,015	-6.9%	+0.1%	-5.5%
EDP Noram	1,246	1,309	+5.1%	+2.2%	+1.9%	4,492	5,041	+12.2%	+1.5%	+2.5%
Specialized Nutrition	1,791	1,754	-2.1%	+1.1%	-0.6%	7,079	7,115	+0.5%	+5.9%	+1.2%
Waters	974	939	-3.7%	+5.6%	+1.1%	4,630	4,480	-3.2%	+5.3%	+2.1%
BY GEOGRAPHICAL AREA										
Europe & Noram	3,398	3,422	+0.7%	-0.3%	-0.1%	13,192	13,654	+3.5%	-0.8%	-0.4%
Rest of the World	2,743	2,587	-5.7%	+5.7%	-2.7%	11,620	10,997	-5.4%	+7.6%	-0.6%
TOTAL	6,140	6,009	-2.1%	+2.4%	-1.4%	24,812	24,651	-0.7%	+2.9%	-0.7%

(1) "Like-for-like New Danone"

In 2018, consolidated sales were €24.7bn, up +2.9% on a "like-for-like New Danone" basis. Sales grew by +3.6% in value, led by a continued mix and portfolio valorization, largely offsetting a -0.7% decline in volumes. All reporting lines contributed to the growth. In the **fourth quarter**, sales grew +2.4% on a like-for-like basis.

Excluding the impact of the Morocco boycott, sales were up +3.6% and volumes rose +0.6% in the full-year, and +3.2% in the fourth quarter with volumes up +0.2%.

Full-year reported sales were down -0.7% vs. 2017, including:

- the **White Wave base effect** corresponding to the consolidation of WhiteWave from April 12, 2017 (+4.0%) and other changes in the **scope of consolidation** (-0.8%), primarily from the disposal of Stonyfield (August 2017);
- a negative **currency impact** (-6.6%) reflecting the appreciation of the euro against the Argentinian peso, the US dollar, and emerging currencies, including the Russian Ruble, the Turkish Lira, and the Brazilian Real; and a **negative impact** (-0.2%) linked to the adoption of IAS29 hyperinflationary accounting in Argentina (see further details page 9).

ESSENTIAL DAIRY AND PLANT-BASED (EDP) INTERNATIONAL

Essential Dairy & Plant-Based (EDP) International posted net sales growth of +0.1% in 2018 on a like-for-like New Danone basis and +2.1% excluding the impact of the Morocco boycott.

Growth accelerated across the year, up +2.0% in the fourth quarter on a like-for-like basis. Excluding the impact of the Morocco boycott, EDP International sales were up +4.5% in Q4, with volumes down -0.8%. Performance was driven by a stabilization of Europe, a consistent strong momentum in CIS as well as an improved performance in Latin America. **Europe** confirmed its continued progress since the beginning of 2017, driven by *Activia* sales now roughly flat, *Danone* brand growing consistently since the second quarter and a continued double-digit sales growth of *Alpro*. In the **CIS region**, sales continued to grow strongly through new launches, powerful communication campaigns, and a positive mix evolution driven by fresh dairy products. **Latin America** registered strong growth, driven by Mexico where sales grew high-single-digit, thanks notably to innovations and expansion of plant-based offering, and by the progress registered in Brazil, where sales benefited from a revamped distribution network and product offering. In **Morocco**, the sales trend was in line with the previous quarter.

ESSENTIAL DAIRY AND PLANT-BASED (EDP) NORAM

Essential Dairy & Plant-Based (EDP) Noram posted net sales growth of +1.5% in 2018 on a like-for-like New Danone basis.

Q4 was another quarter of solid sales growth with sales up +2.2% in the quarter on a like-for-like basis, up +0.3% in value and up +1.9% in volumes. Excluding Fresh Foods, sales were up +3.1% in Q4. **Yogurt** sales showed moderate growth in a highly competitive category, especially in the Greek segment, with very strong performance of the *Activia* brand and plant-based products, as well as a good performance in Canada. In **Plant-based segments**, performance was solid, continuing to be driven by the nut-based segment, while the soy category is declining. **Coffee creamers** continued to deliver strong growth. **Premium Dairy** posted positive growth in the fourth quarter for the first time since the acquisition of WhiteWave, driven by increasing volumes with market share gains, thanks in particular to the success of value-added offers and single-serve drinks designed for kids. The FDA alert on the US romaine salads category in November penalized **Fresh food** sales.

SPECIALIZED NUTRITION

Specialized Nutrition posted net sales growth of +5.9% in 2018 on a like-for-like New Danone basis.

Growth was positive in the fourth quarter, improving versus the previous quarter, at +1.1% on a like-for-like basis, with a -0.6% decline in volume and a +1.7% increase in value. **Advanced Medical Nutrition** delivered high-single digit sales growth in Q4, with a positive contribution from all the regions. Europe posted a solid quarter. China registered strong double-digit growth, mostly thanks to an excellent performance of allergy treatment products. In **Early Life Nutrition**, sales growth was slightly negative in the fourth quarter. Sales growth was solid and broad-based outside China, with a material acceleration in most European countries and increased contribution from Africa, the Middle-East, and the US, where Happy Family, the leader in organic baby-food, has become the second largest player in the overall baby-food category. In China, where total sales account for around 30% of Early Life Nutrition business, growth was negative in Q4, resulting from continued decrease in sales from indirect channels, while sales in direct

channels continued to grow very strongly, gaining market share in the most dynamic direct channels, like mom and baby stores.

WATERS

Waters posted net sales growth of +5.3% in 2018 on a like-for-like New Danone basis.

Sales growth in the fourth quarter was strong, in line with the first nine months of the year, with sales up +5.6% on a like-for-like basis, including a +1.1% growth in volume and a +4.5% rise in value. In **Europe** growth was moderate, facing a high base of comparison, supported by successful activations of brands, like the *evian* campaign around the Mickey Mouse 90th anniversary. Local brands in the Nordics and in Poland posted very strong growth. In **North America**, *evian* sales were up by more than 20%, including first acceleration benefits of the distribution agreement recently signed with Keurig Doctor Pepper in the US. In **Asia**, growth was mid-single digit positive. The local *Aqua* brand in Indonesia was a key contributor to the performance. The performance in China was penalized by the consequences of a weak summer season, although market share remained stable in volume. **Latin America** contributed to the overall growth notably through valorization, while volumes remained weak.

FY 2018 RECURRING OPERATING MARGIN: +51 bps ("like-for-like New Danone")

In 2018, Danone's recurring operating income stood at €3.6 bn. Recurring operating margin reached 14.45%, up +20 bps on a reported basis including:

- the dilutive impact resulting from WhiteWave contribution from January 1 to April 12, 2017 (-28 bps);
- other scope effects (+6 bps), resulting from the disposal in August 2017 of Stonyfield;
- negative impact from currencies (-10 bps, including -9bps linked to the adoption of IAS29 hyperinflationary accounting in Argentina).

On a "like-for-like New Danone" basis, recurring operating margin increased by +51 bps, and +58 bps excluding the impact of the Morocco boycott. This strong improvement was achieved despite an inflationary cost environment, in particular for PET packaging and US transportation costs.

It reflects:

- Danone's profitable growth model, based on valorized innovations and positive mix improvement;
- growing efficiencies, achieved mainly through more than \$180 million cumulative synergies from the integration of WhiteWave, and around €300 million of cumulated savings from the Protein efficiency program, offsetting an inflationary cost environment;
- continued discipline in resource allocation.

Recurring operating margin (%)	FY 2017	FY 2018	Change (<i>"like-for-like New Danone"</i>)
BY REPORTING ENTITY			
EDP International	8.81%	9.06%	+29 bps
EDP Noram	12.31%	11.71%	+25 bps
Specialized Nutrition	23.82%	24.77%	+139 bps
Waters	11.66%	10.79%	-82 bps
BY GEOGRAPHICAL AREA			
Europe & Noram	15.45%	14.12%	-55 bps
Rest of the World	12.90%	14.86%	+182 bps
Total	14.26%	14.45%	+51 bps

FY 2018 RECURRING EPS: +12.8% (at constant exchange rate, excluding Yakult Transaction and IAS29 Impact)

in millions of euros except if stated otherwise	2017			2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	3,537		3,537	3,562		3,562
Other operating income and expense		192	192		(821)	(821)
Operating income	3,537	192	3,729	3,562	(821)	2,741
Cost of net debt	(263)		(263)	(231)		(231)
Other financial income and expense	(136)	(38)	(174)	(119)	2	(117)
Income before taxes	3,138	153	3,292	3,213	(819)	2,393
Income tax	(953)	111	(842)	(895)	179	(716)
Effective tax rate	30.4%		25.6%	27.9%		29.9%
Net income from fully consolidated companies	2,185	264	2,450	2,318	(640)	1,678
Net income from associates	111	(2)	109	79	683	762
Net income	2,297	262	2,559	2,397	43	2,440
• Group share	2,186	263	2,449	2,304	46	2,349
• Non-controlling interests	111	(1)	110	93	(3)	90
EPS (€)	3.48		3.90	3.56		3.63

Other operating income and expenses were -€821 million, mainly related to a non-cash charge of -€662 million recorded in the first half of the year, corresponding to the impairment of the *Centrale* brand and to an impairment charge of Centrale Danone's goodwill as a consequence of the consumer boycott started in April 2018 in Morocco. Other operating income and expenses also include restructuring costs of -€140 million, related notably to the integration of WhiteWave.

The **cost of net debt** decreased in absolute amount, from -€263 million in 2017 to -€231 million in 2018, mainly reflecting a positive currency impact on the USD-denominated portion of net debt, and the early redemption of WhiteWave's outstanding 5.375% \$500 million senior notes in October 2017.

The **recurring income tax rate** decreased to 27.9% in 2018, more than 2 points below the 2017 rate, driven by the positive impact of the US tax reform enacted in December 2017, and a positive geographical mix.

Recurring net income from associates decreased to €79 million, reflecting mainly the reduction in Danone's stake in Yakult from 21.3% to 6.6% closed in March 2018. The transaction resulted in a €701 million non-recurring capital gain.

Recurring net income – Group share was €2,304 million in 2018, up +5.4% vs. last year. **Recurring EPS** increased by +2.2% to €3.56, up +12.8% at constant exchange rate, excluding Yakult Transaction Impact and IAS29 impact. **Recurring minority interests** decreased to €93 million, notably as the result of the increased ownership in Unimilk from 93% to 98% in the second half of 2017.

Total non-recurring net income amounted to €46 million in 2018, down from an exceptional amount of €263 million last year that was linked notably to the capital gain on Stonyfield disposal in 2017 and one-off benefits resulting from the reevaluation of deferred tax liabilities. In 2018, main components of the €46 million **non-recurring net income** were the capital gain of €701 million from the partial sale of Danone's stake in Yakult, partly offset by the -€662 million charge related to the impairment of Centrale Danone.

As a result, **Net income – Group share** was €2,349 million, down -4.1% versus 2017, and **EPS** was €3.63, down -7.0% versus 2017.

FY 2018 CASH-FLOW AND DEBT

Free cash flow stood at €2.2bn in 2018, up +7.1% from 2017, supported by the rise in recurring operating income, with capex amounting to €941 million, or 3.8% of sales.

Danone's net debt decreased by €2.6 bn from December 31, 2017, ahead of its deleverage plan, as a result of the sale of part of its stake in Yakult and a very strong free cash flow delivery. Net debt stood at €12.7 bn on December 31, 2018, with Net Debt / EBITDA reaching 2.9 times at the end of 2018, decreasing from 3.3 times at the end of 2017.

DIVIDEND

At the Annual General Meeting on April 25, 2019, Danone's Board of Directors will propose to shareholders to approve the distribution of a **€1.94 dividend per share in cash** in respect of the 2018 fiscal year, increasing in line with the recurring EPS growth. This dividend reflects the reinforced confidence of both the Board and management in the Company's strong financial position and the good progress of its agenda towards superior sustainable profitable growth. Assuming this proposal is approved, the ex-dividend date will be May 7, 2019 and dividends will be payable on May 9, 2019.

SOCIAL, ENVIRONMENTAL AND HEALTH FOOTPRINT

To achieve its mission of "bringing health through food to as many people as possible", in line with its "One Planet. One Health" vision, Danone strives for the highest standards regarding social, environmental and health performance, notably when it comes to health and nutrition, fighting against climate change, circular economy and inclusive diversity.

- **Health and Nutrition:** In 2018, 89% of volumes sold are in healthy categories and recommended for daily consumption¹. Danone has committed to improve its products' nutritional profile building on its in-depth knowledge of eating and drinking habits, local and cultural context and public health priorities.
- **Fight against climate change:** Danone has pledged to be carbon neutral by 2050. To meet this goal, Danone has set intermediate greenhouse gas (GHG) reduction targets for 2030, with a 2015 baseline: to reduce full scope (scopes 1, 2 and 3)² emission intensity³ by 50%; and to achieve a 30% absolute reduction in scope 1 and 2 emissions as defined by the greenhouse gas protocol. Both targets were officially approved by the Science-Based Targets initiative. By the end of December 2018, Danone has reduced its GHG emission intensity⁴ by 15.6% on its full scope since 2015 and achieved 20.3% absolute reduction in scope 1 and 2 emissions. Danone's ranking in the CDP Climate Change program was upgraded in 2018 to the "A List".
- **Circular Economy:** In 2018, Danone has issued its new Packaging Policy, emphasizing the Company's new commitments towards packaging circularity. This policy is structured on three pillars: packaging designed for circularity; reused, recycled and composted in practice; preservation of natural resources by expanding the amount of recycled and bio-plastic used in packaging (see page 8 for more details).
- **Inclusive Diversity:** In 2018, 50% of the manager, director and executive population of Danone are women. Danone is committed to promoting greater diversity within its organization. The objective is to achieve a total of

¹ Refers to water, yogurts, milks and other daily dairy products, beverages with 0% sugar, early life nutrition products (except biscuits and beverages for children under 3 years old) and medical nutrition. The remaining categories are mainly low sugar beverages and indulgent products.

² Scope 1, 2 and 3:

• Scope 1 covers direct emissions from equipment that is company-owned or under the operational control of Danone (combustion of fuels in boilers, mobile combustion sources and fugitive emissions linked to leakages of refrigerant gases)

• Scope 2 refers to indirect energy emissions related to the generation of electricity, steam, heat or cold purchased and consumed by Danone.

• 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.

³ Grams of CO₂ equivalent per kilo of products sold.

⁴ Based on constant scope of consolidation and constant methodology

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30% female executives and 30% of executives representing countries outside Western Europe by 2020. At the end of 2018, these two indicators were 28%.

- **B Corp:** Danone's global ambition is to be certified as a B Corp™. The Company has achieved key progress in 2018 by achieving Danone North America and Danone Canada B Corp™ Certification, two years ahead of target. As of December 31st, 2018, 11 entities were certified B Corp™, and approximately 30% of Danone's consolidated sales are covered by B Corp™ certification.

2019 OUTLOOK

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 2019, Danone is targeting like-for-like sales growth around 3% and recurring operating margin above 15%.

Cécile Cabanis, Chief Financial Officer, said:

"In 2018, we delivered a solid performance and continued to successfully transform Danone for the future. Our reinforced operating model was able to absorb unexpected headwinds and deliver our guidance for the year. In 2019, we expect growth and margin to accelerate throughout the year, as the unfavorable base of comparison in the first half of the year unwinds, exiting the year at a growth rate consistent with our 2020 topline objective. We are well on track to reach our objectives and will continue to drive positive change towards superior sustainable profitable growth. Confident in the financial strength and outlook, we propose the payment of a cash dividend of €1.94, increasing in line with our earnings."

MAJOR FINANCIAL TRANSACTIONS AND DEVELOPMENTS OVER THE PERIOD

(Summary of press releases issued since the beginning of the fourth quarter of 2018)

- **On October 22, 2018**, Danone reaffirmed during its investor seminar in London its ambition to deliver superior sustainable profitable growth, through the activation of high quality drivers across all its business lines. Danone notably confirmed at this occasion its mid-term objectives: like-for-like sales growth of 4% to 5%, recurring operating margin above 16%, and net debt / EBITDA < 3 times by 2020. Return On Invested Capital is expected to reach around 12% by 2022.
- **On October 25, 2018**, Danone announced its accelerated transition towards a circular economy of packaging, through the publication of an updated packaging policy based on following commitments. All packaging should be designed for circularity, and notably be fully recyclable, reusable, or compostable by 2025. All packaging should be reused, recycled and reusable in practice, and by 2025 Danone should have initiated or supported collection and recycling initiatives in every one of its top 20 markets. The amount of recycled PET in waters and other beverage bottles should be increased to 50% by 2025 and the use of renewable, bio-based materials will be developed.
- **On January 10, 2019**, Véronique Penchienati - Bosetta, former EVP Growth & Innovation, member of the Executive Committee, was appointed EVP Specialized Nutrition.

GOVERNANCE

At its meeting on February 18, 2019, Danone's Board of Directors approved draft resolutions that will be submitted to the Annual General Meeting on April 25.

Acting upon the recommendation of the Nomination and Compensation Committee, and after a thorough examination of Danone's governance structure, the Board of Directors renewed the appointment of Emmanuel Faber as Chairman and Chief Executive Officer, subject to the approval of the renewal of his term as Director by the Annual General Meeting of April 25, 2019.

The Board of Directors also proposes that shareholders renew the appointments of Directors whose current terms are expiring: Franck Riboud, Honorary Chairman of Danone, and Clara Gaymard, Board member since April 2016.

ADDITIONAL INFORMATION

- **Impact of Morocco boycott:** Danone is facing a consumer boycott in Morocco since April 2018. The impact of this boycott on net sales in 2018 has been estimated by the company as the difference between 2018 net sales and 2017 net sales excluding exceptional items in Morocco. In 2018, the impact on total net sales was a decrease of -€178 million versus 2017 net sales, of which around two thirds come from losses in milk sales, and one third from losses in dairy products. With the same principles for recurring operating income, the impact of the consumer boycott in Morocco on the recurring operating income of Danone in 2018 was a decrease of -€43 million versus 2017, including remediation measures.
- **Financial statements:** As its meeting on February 18th, 2019, the Board of Directors closed statutory and consolidated financial statements for the 2018 fiscal year. Regarding the audit process, the statutory auditors have substantially completed their examination of financial statements as of today.

IAS 29: Adoption of hyperinflationary accounting in Argentina from July 1st, 2018 with effect from January 1st, 2018

A consensus has been reached that all necessary conditions (3-year cumulative rate of inflation for consumer prices and wholesale prices exceeding the 100% threshold being the last one reached during the first half 2018) are in place to now consider Argentina as "hyperinflationary" as defined by IFRS rules and therefore that IAS 29 rule related to Financial Reporting in Hyperinflationary Economies becomes applicable to the country.

Consequently, 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.

Impact on reported data:

- from July 1st, 2018: Danone is applying IAS 29 in Argentina with effect from January 1st, 2018;
- Q3 and Q4 2018 sales: reported data incorporates the IAS29 hyperinflation adjustment over the sales of the quarter with no cumulative effect;
- Q1 and Q2 2018: reported data is presented as previously published (ie not restated to reflect IAS29 adjustments);
- FY 2018: reported data incorporates IAS29 with effect from January 1st, 2018.

IAS29 impact on reported data € million except %	Q4 2018	FY 2018
Sales	+1	-51
Sales growth (%)	+0.0%	-0.2%
Recurring Operating Income		-30
Recurring Net Income – Group share		-47

Breakdown by quarter of full-year 2018 sales after application of IAS 29

The breakdown of 2018 full-year sales by quarter after application of IAS 29 in Argentina is provided in the table below for information (data not audited).

€ million	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
EDP International	2,074	1,997	1,937	2,007	8,015
EDP Noram	1,192	1,247	1,293	1,309	5,041
Specialized Nutrition	1,807	1,828	1,727	1,754	7,115
Waters	965	1,322	1,254	939	4,480
Total	6,038	6,393	6,211	6,009	24,651

Impact on "like-for-like"

For 2019, since Argentina is now considered as hyperinflationary, Danone will exclude from its "like-for-like" definition the contribution of its Argentinian entities starting from January 1st, 2019 (see revised definition page 11).

For 2018, as "Like-for-like" current definition already excludes the effects of changes in applicable accounting principles during the year, IAS29 in Argentina has no impact on like-for-like sales growth and like-for-like margin improvement of the Company.

For reference, Argentinian entities as a whole contributed:

- In Q4 2018 for 3.0% to Danone's sales and for around 70 bps on sales growth,
- In FY 2018 for 2.6% to Danone's sales and for around 30 bps on sales growth.

IFRS 15: restatement starting January 1, 2018

Danone applies IFRS 15 on Revenues from contracts with customers starting January 1, 2018 and elected to restate the comparative financial statements (see 2018 annual registration document).

CHANGES IN REPORTING AND IN LIKE-FOR-LIKE DEFINITION WITH EFFECT FROM JANUARY 1st 2019

As detailed hereafter, starting January 1st, 2019, Danone is adapting its reporting to the organization of its Essential Dairy and Plant-Based activities and adjusts its like-for-like definition in connection with hyperinflation in Argentina. 2018 data presented according to the new reporting structure and based on the new like-for-like definition are detailed in Appendix 2.

Changes in reporting

To reflect its organization under a single business leader, EDP International and EDP Noram reporting will be merged into a single EDP reporting entity.

Changes in like-for-like definition

Since Argentina is considered as hyperinflationary, Danone excludes from its "like-for-like" definition the contribution of its Argentinian entities (see revised definition below).

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.

Additional indicator of like-for-like changes: "**like-for-like New Danone**" changes until end of 2018

Since the completion of the WhiteWave acquisition, WhiteWave and Danone's activities have been combined and are generating synergies. Separate reporting of WhiteWave and Danone in their pre-acquisition forms thus no longer reflects their real performance. This being the case, Danone decided to monitor and then report its performance by integrating the contribution of WhiteWave as a whole into its organic growth from the time of the acquisition by using an additional indicator - "**like-for-like New Danone**" changes.

This indicator is a variation on the "like-for-like" changes indicator used by Danone which integrates WhiteWave's performance starting at the date of acquisition:

- for periods in previous years compared, and
- based on WhiteWave reported data after restatement to allow comparison with Danone data.

This indicator is used starting with the second quarter of 2017 and running through the end of 2018. During this period, Danone has not monitored internally nor published like-for-like changes. Indeed like-for-like changes would not reflect accurately the Company's real performance, which is reflected in *like-for-like New Danone* changes and, by extension, the difference between like-for-like changes and *like-for-like New Danone* changes would not accurately reflect the contribution to this real performance of WhiteWave and its companies.

Financial indicators not defined in IFRS

These indicators are calculated as follows:

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).

“Like-for-like New Danone” changes (or “Like-for-like including WhiteWave starting in April 2017” changes until end of 2018) 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.

Bridge from reported data to like-for-like New Danone data

(€ million except %)	FY 2017 ¹	WhiteWave Base effect	Impact of other changes in scope of consolidation	Impact of changes in exchange rates	Impact of IAS 29	Like-for-like New Danone growth	FY 2018
Sales	24,812	+4.0%	-0.8%	-6.6%	-0.2%	+2.9%	24,651
Recurring operating margin	14.26%	-28 bps	+ 6 bps	-1 bp	-9 bps	+51 bps	14.45%

¹ Consolidated data as reported by Danone after restatement for IFRS15

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 of 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.

	FY 2017 restated		FY 2018	
	Recurring	Total	Recurring	Total
Net income-Group share (€ million)	2,186	2,449	2,304	2,349
Coupon related to hybrid financing net of tax (€ million)	(2)	(2)	(14)	(14)
Number of shares				
• Before dilution	626,954,761	626,954,761	642,721,076	642,721,076
• After dilution	627,121,266	627,121,266	643,450,446	643,450,446
EPS (€)				
• Before dilution	3.48	3.90	3.56	3.63
• After dilution	3.48	3.90	3.56	3.63

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.

(€ million)	FY 2017	FY 2018
Cash flow from operating activities	2,958	3,111
Capital expenditure	(969)	(941)
Disposal of tangible assets & transaction fees related to business combinations ¹	95	61
Free cash flow	2,083	2,232

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, 2017	December 31, 2018
Non-current financial debt ¹	15,716	14,343
Current financial debt ¹	3,792	3,546
Short-term investments	(3,462)	(4,199)
Cash and cash equivalents	(638)	(839)
Derivatives — non-current assets ²	(16)	(81)
Derivatives — current-assets ²	(19)	(27)
Net debt	15,372	12,744
• Liabilities related to put options granted to non-controlling interests — non current	(38)	(46)
• Liabilities related to put options granted to non-controlling interests — current	(569)	(463)
Net financial debt	14,765	12,235

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 Chairman and CEO Emmanuel Faber, and CFO Cécile Cabanis, 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 1 – Sales by reporting entity and by geographical area (in € million)

	First quarter		Second quarter		Third quarter		Fourth quarter		Full Year	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
BY REPORTING ENTITY										
EDP International	2,131	2,105	2,261	2,011	2,091	1,922	2,129	2,007	8,612	8,015
EDP Noram	642	1,192	1,328	1,247	1,275	1,293	1,246	1,309	4,492	5,041
Specialized Nutrition	1,694	1,812	1,756	1,831	1,838	1,723	1,791	1,754	7,079	7,115
Waters	1,026	976	1,361	1,325	1,268	1,248	974	939	4,630	4,480
BY GEOGRAPHICAL AREA										
Europe & Noram ²	2,649	3,311	3,623	3,453	3,523	3,468	3,398	3,422	13,192	13,654
Rest of the World	2,844	2,774	3,084	2,961	2,949	2,719	2,743	2,587	11,620	10,997
Total	5,493	6,085	6,707	6,414	6,472	6,186	6,140	6,009	24,812	24,651

	First quarter 2018		Second quarter 2018		Third quarter 2018		Fourth quarter 2018		Full Year 2018	
	Reported change	Like-for-like change ⁽¹⁾	Reported change	Like-for-like change ⁽¹⁾	Reported change	Like-for-like change ⁽¹⁾	Reported change	Like-for-like change ⁽¹⁾	Reported change	Like-for-like change ⁽¹⁾
BY REPORTING ENTITY										
EDP International	-1.2%	+0.8%	-11.1%	-2.4%	-8.1%	+0,0%	-5.7%	+2.0%	-6.9%	+0.1%
EDP Noram	+85.6%	-0.2%	-6.1%	+1.4%	+1.4%	+2.7%	+5.1%	+2.2%	+12.2%	+1.5%
Specialized Nutrition	+7.0%	+14.5%	+4.3%	+10.6%	-6.2%	-1.5%	-2.1%	+1.1%	+0.5%	+5.9%
Waters	-4.9%	+4.2%	-2.7%	+4.8%	-1.5%	+6.4%	-3.7%	+5.6%	-3.2%	+5.3%
BY GEOGRAPHICAL AREA										
Europe & Noram ²	+25.0%	-0.3%	-4.7%	-1.7%	-1.6%	-1.0%	+0.7%	-0.3%	+3.5%	-0.8%
Rest of the World	-2.5%	+11.7%	-4.0%	+9.4%	-7.8%	+4.2%	-5.7%	+5.7%	-5.4%	+7.6%
Total	+10.8%	+4.9%	-4.4%	+3.3%	-4.4%	+1.4%	-2.1%	+2.4%	-0.7%	+2.9%

¹ Like for Like New Danone.

² North America = United States and Canada

APPENDIX 2 – Reported sales and margins in 2018 with combined Essential Dairy and Plant-Based

Net Sales (m€)	First quarter 2018	Second quarter 2018	First half 2018	Third quarter 2018	Fourth quarter 2018	Full year 2018
EDP	3,296	3,257	6,554	3,214	3,316	13,056
Waters	976	1,325	2,301	1,248	939	4,480
Specialized Nutrition	1,812	1,831	3,644	1,723	1,754	7,115
Total	6,085	6,414	12,498	6,186	6,009	24,651

Like-for-like sales growth excluding Argentina	First quarter 2018	Second quarter 2018	First half 2018	Third quarter 2018	Fourth quarter 2018	Full year 2018
EDP	-0.4%	-1.3%	-0.8%	+0.8%	+1.5%	+0.1%
Waters	+3.9%	+4.9%	+4.5%	+6.9%	+4.2%	+5.1%
Specialized Nutrition	+13.9%	+10.3%	+12.1%	-1.7%	+0.8%	+5.5%
Total	+4.3%	+3.1%	+3.7%	+1.2%	+1.7%	+2.6%

Recurring operating margin	First quarter 2018	Second quarter 2018	First half 2018	Third quarter 2018	Fourth quarter 2018	Full year 2018
EDP	-	-	9.00%	-	-	10.09%
Waters	-	-	11.45%	-	-	10.79%
Specialized Nutrition	-	-	25.53%	-	-	24.77%
Total	-	-	14.27%	-	-	14.45%

Like-for-like margin improvement excluding Argentina	First quarter 2018	Second quarter 2018	First half 2018	Third quarter 2018	Fourth quarter 2018	Full year 2018
EDP	-	-	-1 bp	-	-	+51 bps
Waters	-	-	-73 bps	-	-	-59 bps
Specialized Nutrition	-	-	+110 bps	-	-	+136 bps
Total	-	-	+53 bps	-	-	+68 bps

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