



2022 Capital Market Event
Press release – Paris, March 8, 2022

Renew Danone

Restoring growth, driving value creation

- **New CEO Antoine de Saint-Affrique, together with a strengthened leadership team, will present Danone's new strategic plan "Renew Danone" today at a Capital Market Event (CME).**
- **The plan will enable Danone to reconnect with a sustainable profitable growth model. The delivery of the plan will be facilitated by a greater alignment between purpose and performance.**

Over the past six months, Antoine de Saint-Affrique has completed a holistic review of Danone with the objective to restore growth and drive value creation. The review confirmed that Danone operates in healthy, on-trend and growing categories. The company benefits from a strong portfolio of brands – both global and local, leading positions and a balanced geographical exposure to Developed and Emerging markets. The review also confirmed the value of Danone's commitment to performance and social and environmental responsibility, and its pioneering roots to provide people access to health through food.

However, the review also recognised Danone's historic underperformance compared to its markets, which can be attributed to a lack of focus on its core portfolio, late and sub-scale innovation efforts, inconsistent execution and low investments.

In this context, and under the oversight of Danone's Board of Directors, Antoine de Saint-Affrique and the Executive Committee have built a plan that aims at restoring Danone's performance, competitiveness and value creation for the long-term.

The plan is articulated around four strategic pillars:

- Restoration of Danone's competitiveness in core categories and geographies;
- Selective expansion of Danone's presence, in terms of segments, channels and geographies;
- Active seeding of future growth avenues;
- Active portfolio rotation.

The plan will allow Danone to reconnect with a sustainable profitable growth model. It will be based upon an end-to-end step up in the quality of execution, a strengthened innovation model geared for scale and impact, and increased investments in consumer value, as well as brands and commercial development.

Delivery of the plan will be facilitated by a greater alignment between purpose and performance, consistently putting consumer and customer at the heart of everything Danone does. The company will restore passion for execution, a stronger discipline on capital allocation, and a greater sense of urgency in seizing opportunities and tackling issues.

Based on this, Danone announces a new set of targets for the 2022-2024 period:

- **2022 will be a foundational year** with price-led like-for-like sales growth between +3 and +5% and a recurring operating margin above 12%, assuming the reinvestment of 100% of Local First savings, a productivity higher than last year and a low to mid-teens level of input cost inflation (based on current macro-economic assumptions);
- **2023-2024 ambition, profitable growth:** like-for-like sales growth between +3 and +5% with recurring operating income growing faster than like-for-like net sales;
- **Sustainable value creation and shareholder returns:** sequential ROIC improvement over the period supported by capital allocation discipline, portfolio rotation reaching around 10% of net sales, an annual capital expenditure envelope equivalent to a maximum of 4.5% of net sales, and further improvement in working capital;
- **Disciplined financial policy:** healthy balance sheet with targeted net debt to EBITDA ratio below 3x, and stable or growing yearly dividend.

Gilles Schnepf: Chairman's statement

"Today is an important milestone for Danone. We have a new CEO, a new strategy, and a clear objective: accelerate organic growth to restore sustainable value creation. The "Renew Danone" plan has the unanimous support of the Board and provides the company with a clear compass.

Complementing this strategy is the Board renewal program we initiated in July last year. By April 2023, we will have completed the Board renewal with new senior leaders from industry and business to ensure that it comprises the right blend of capabilities, perspectives and experiences to support Danone's long-term success. I want to thank the current board members: they showed a great sense of responsibility and collective interest, and created the conditions for Danone to solidly enter into this new phase.

The strategy set out today by Antoine is yet another step in Danone's evolution. Building on Danone's strong roots, the plan puts in place the foundations to refocus our business on growth, while creating sustainable returns for our shareholders, and all our stakeholders."

Antoine de Saint-Affrique: CEO's statement

"Renew Danone" is all about creating the conditions for sustainable and competitive growth, and then delivering consistently in a way that creates sustainable value for all.

Danone is a one-of-a-kind company, with a culture anchored in a vision combining entrepreneurship and responsibility. It is a company with iconic local and global brands, playing in growing and on-trend categories. Danone has been leading the way in many fields: branding, innovation, people's development and sustainability. But we have also been underperforming our markets for a while and have a lot we can improve on.

In the short term, we have to take better care of our core, with a renewed focus on great execution and strong innovations. We will face into our issues with greater speed and without compromise but will also make sure we better leverage our real strengths.

We first must win where we are. We also have the opportunity to expand our brands in places they should be. This combined with active portfolio management, will bring us back in the race. In parallel, we will start seeding for the future with the ambition to outperform our markets then.

None of this can be achieved without the passion of the Danoners. Building from our value, we want to revive a culture where performance and sustainability go hand in hand, and where you see the best of being local and global coming together. We want Danone to be known for being the home of great talents and great brands, and a synonym for great innovation and great execution.

We are embarking on a renewal journey with a worthy destination: bringing Danone back to where it belongs."



Today's CME presentations will be broadcast from 8:00 a.m. (Paris time) on the Capital Market Event's website ([link](#)). Related slides will also be available.

All references in this document to like-for-like sales growth, recurring operating income, recurring operating margin, ROIC and net debt/EBITDA ratio correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on page 4. In addition, the calculation of ROIC and Net Debt/Ebitda is detailed in the universal registration document (URD).

APPENDIX

Financial disclosure

Starting from 2022, Danone will report its key indicators (net sales, like-for-like sales growth, recurring operating income and recurring operating margin) according to its new operating segments in order to reflect Local First, the reshaping of the organization announced in November 2020 into a geographic structure.

As a result, the new leadership team in place since January 6th 2022 will assess the operational performance of Danone by geographical zones and the new primary operating segments will correspond to 4 zones ¹:

- Europe;
- North America which is comprised of the United States and Canada;
- China, North Asia and Oceania which is comprised of China, Japan, Australia and New Zealand;
- Rest of the World including South-East Asia, Latam, CIS, Africa, Turkey, Middle-East.

The company will retain global category reporting, on both net sales and recurring operating income and margin, for EDP, Specialized Nutrition and Waters. It will also adapt the way it reports organic sales growth: from now on, the Mix component will be grouped with Volumes, instead of Price.

Please refer to the restated Full-Year 2021 by new operating segments and global categories below (non-audited):

FY2021 sales restated by new operating segments and global categories

(€ million)	Europe	Noram	China/North Asia/Oceania	Rest of the World	Total
EDP	4,002	5,087	326	3,675	13,090
Specialized Nutrition	2,723	290	2,045	2,173	7,230
Waters	1,615	187	637	1,521	3,961
Total Company	8,341	5,564	3,008	7,369	24,281

FY2021 recurring operating income and margin restated by new operating segments

(€ million except %)	Europe	Noram	China/North Asia/Oceania	Rest of the World	Total
Recurring operating income	1,291	603	939	504	3,337
Recurring operating margin	15.5%	10.8%	31.2%	6.8%	13.7%

Board Committee composition after the 2022 AGM

Danone announced over the past 3 months the appointment of 4 new directors, in addition to Antoine de Saint-Affrique : Valérie Chapoulaud-Floquet, former CEO of Rémy Cointreau, Patrice Louvet, currently President and CEO of Ralph Lauren, Géraldine Picaud, currently CFO of Holcim and Susan Roberts, PhD, professor of nutrition at Tufts University and co-director of the Tufts Institute for Global Obesity Research. It should be noted that Cécile Cabanis has indicated her intention to resign from her term of office as Director of the Company at the end of June 2022.

From April 2022, subject to the appointment of new Directors by the shareholders' meeting, the Board will have 3 committees composed as follows:

- **Governance Committee:** Valérie Chapoulaud-Floquet (Chair and Lead Independent Director), Michel Landel and Patrice Louvet;
- **Audit Committee:** Géraldine Picaud (Chair), Frédéric Boutebba and Gilles Schnepf;
- **Engagement Committee:** Serpil Timuray (Chair), Michel Landel, Susan Roberts and Bettina Theissig.

1. As part of the new organization, the management of some entities has been changed, leading to the reallocation of €143m of Net Sales to Europe and North America zones (from the previously known Rest of the World region)

In order for Strategy to be fully discussed by the Board as a whole, the Strategy & Transformation Committee will be dissolved.

Financial indicators not defined in IFRS

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 IAS 29 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 %)	FY 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	FY 2021
Sales	23,620	+0.4%	-1.6%	+0.7%	+3.4%	24,281
Recurring operating margin	14.0%	-12 bps	-14 bps	+5 bps	-9 bps	13.7%

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 restructurings 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 acquisition date.

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

ROIC is the ratio of net operating income in the current year to average capital invested in the current year and prior years.

Invested capital = goodwill and other tangible and intangible assets + investments in non-consolidated companies and other financial investments + assets held for sale net of liabilities + working capital requirements – provisions and other net liabilities.

Net debt / EBITDA ratio corresponds to the ratio of net debt to operating income restated for depreciation, amortization and impairment of tangible and intangibles assets.



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 at 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.