



2020 First-Quarter Sales
Press release – Paris, April 21, 2020

Resilience amid COVID-19

- First-quarter consolidated sales of **€6,242m**, up +1.7% on a reported basis
- Like-for-like sales growth of **+3.7%**, including pantry loading benefit in Europe and North America in March
- Full-year guidance withdrawn given lack of visibility related to COVID-19
- Confident in fundamentals of our unique brands, value chain resilience, and balance sheet strength

Emmanuel Faber: Chairman and Chief Executive Officer statement

"The first quarter of 2020 will long be remembered as the time of an unprecedented pandemic, which may change the way we live and do business for a long time ahead. In an effort to limit its immediate impact on the health of people, governments took lockdown actions that translated into waves of temporary freezes of both supply and demand in the economic equation. In this context, we focused on our continuity of business by ensuring maximum safety and security for our employees, both from a health and revenue guarantee standpoint. With the immediate and significant effects on demand shift, our quarterly sales grew +3.7% on a like-for-like basis, stronger than we had anticipated, with a China downside offset by pantry loading upside in Europe and North America in March, and categories performance offsetting each other.

Q2 demand and supply conditions will be broadly and deeply impacted by a global lockdown. Beyond the initial pantry loading trends we observed in March, we are unable to predict how the lockdown may affect both supply and demand, with significant differences depending on food habits and lifestyles and people's income, all in a context of diverse local and national government lockdown strategies and exits, as well as their unknown success rate.

As a result, the global conditions of both demand and supply will be extraordinarily volatile and unpredictable, as well as the breadth of the mitigation and optimization actions we will consider and implement, with direct material impacts on our revenues and costs. Our Board of directors therefore has decided to withdraw our financial guidance for the year, while we are managing with a view to protect and leverage our strong cash liquidity situation.

With this in mind, in the short term, our priority will be to ensure our employees work safely, and our brands serve people needs beyond the normal way of doing business. I am glad that we opened very early in the crisis a specific €300m cash easing facility for our smallest business partners as the need starts to appear already. On that note, I would like to thank our shareholders, who nearly unanimously voted their support during the April 2009 AGM, to the creation of the Danone Ecosystem Fund, which has protected and will continue to protect our job ecosystem through this crisis. We are convinced that a company's success will depend more than ever on the strength of its business ecosystem.

We share a sense that never before has our One Planet. One Health. frame of action been so relevant, urgent and meaningful than today. In these unprecedented circumstances, it drives the way our teams at Danone engage daily with their farmers and suppliers, customers and consumers, healthcare professionals and patients, but also with their business partners, governments and health authorities.

I am proud and grateful for what they are currently achieving every day all over the world to continue to fulfill our mission and reinforce our brands preference within their communities. I am convinced that this is the best way for Danone to continue to be resilient through this crisis and continue to create and share sustainable value".

I. COVID-19 update

Danone's priority in dealing with the exceptional challenges posed by COVID-19 is to ensure the safety of its 100,000 employees around the world as well as that of its trading partners, in order to protect its supply chain and maintain the availability of its daily food supply to its consumers. In every region the company is working closely with the government and public health authorities to ensure Danone is giving support wherever it can.

Consequently, Danone has announced key measures to strengthen its entire value chain:

- employment contracts secured and wages guaranteed for all Danone employees worldwide until June 30;
- extensive coverage (health, childcare, quarantine) for all employees worldwide;
- specific bonus for all employees working on site during the pandemic;
- financial support of €300 million, including extended payment terms and credit to farmers, suppliers and smaller customers in its global ecosystem, financed by Danone's cash flow, a relief fund, dedicated to supporting the entrepreneurs of Danone Manifesto Ventures' portfolio, and support to the communities of Danone Ecosystem.

There are two specific short-term business challenges posed by lockdown actions taken by governments in March with respect to COVID-19. Firstly, we need to address significant changes in consumers' buying behaviours, with unprecedented swings in weekly demand accentuated by stocking patterns in the first weeks, the shift from out-of-home to at-home food consumption, as well as shifting preferences to larger pack sizes. Secondly, we need to maintain service levels and address the reduced efficiency of the supply chain resulting from distancing requirements, lower productivity, rising transportation costs and other logistics constraints.

Resilient and agile, Danone will continually review its short-term resource allocation decisions against this backdrop to ensure people safety, business continuity, efficient operations, and resilience of its ecosystem, whilst maintaining a strong balance sheet.

II. 2020 first-quarter sales

In the first quarter of 2020, consolidated sales stood at €6.2 bn, up **+3.7% on a like-for-like basis**, with +2.9% growth in volume and +0.8% growth in value. Reported sales were up +1.7%, including a negative **scope effect** (-1.7%), mainly reflecting the deconsolidation from April 1st, 2019 of Earthbound Farm, a negative impact of **currencies** (-0.9%), as well as a +0.5% organic contribution of Argentina to growth.

€ million except %	Q1 2019	Q1 2020	Reported change	LFL Sales Growth	Volume Growth
BY BUSINESS					
EDP	3,308	3,364	+1.7%	+4.6%	+2.8%
Specialized Nutrition	1,828	1,949	+6.6%	+7.9%	+5.2%
Waters	1,002	928	-7.4%	-6.8%	-0.9%
BY GEOGRAPHICAL AREA					
Europe & Noram ¹	3,381	3,469	+2.6%	+4.7%	+5.4%
Rest of the World	2,757	2,772	+0.5%	+2.6%	+0.6%
TOTAL	6,138	6,242	+1.7%	+3.7%	+2.9%

¹North America (Noram): United States and Canada

First-quarter like-for-like sales growth is ahead of the expectations set by the company earlier in the year at a time when the COVID-19 outbreak was impacting the Chinese market. It includes a sharp rise in sales in the month of March, at a high-single-digit rate, boosted by the short-term effects of both a shift to at-home consumption as well as pantry loading in Europe and North America. This benefitted sales in Essential Dairy and Plant-Based and Specialized Nutrition. Sales in Waters were more impacted by food service channel closure as around 40% of the division's sales are normally consumed away from home.

In terms of regional dynamics, growth was driven by Europe and North America with both regions posting mid-single-digit sales growth on a like-for-like basis, led by volumes. In the Rest of the World, sales grew at +2.6% on a like-for-like basis with slightly positive volumes but with different dynamics within this, including a sustained momentum in South East Asia and a slight improvement in Russia more than offsetting an expected sales decline in China.

Performance by reporting entity

ESSENTIAL DAIRY AND PLANT-BASED (EDP)

In the first quarter, net sales were up by +4.6% on a like-for-like basis, including a +2.8% increase in volume and +1.9% in value, benefiting from the triple effect of low exposure to out-of-home channels, growing at-home food consumption in March and some pantry loading benefits in **Europe** and **North America**, which both posted mid-single-digit growth rate in the first quarter. In order to secure the manufacturing and availability on shelf of our products in those regions, we have refocused our portfolio on large formats and SKUs with a high-rotation rate. In the rest of the world, COVID-19 has had so far a limited impact on consumer demand, except in **Africa** with flat sales in the quarter, negatively impacted by the closure in March of a significant number of traditional proximity stores. **CIS** improved compared to the previous quarter thanks to a stabilization in traditional dairy and **Latin America** posted solid sales growth. Overall, sales in **Plant-Based** grew at a mid-teen rate in the period, including high-teens growth rate for *Alpro* brand in Europe and *Silk* brand in North America; and **Essential Dairy** posted solid growth with market share gains in key markets and some of our top-brands performing particularly well such as *Actimel*, *Danone* and *Danette* in Europe, and *Horizon* and *Two Good* in the US.

SPECIALIZED NUTRITION

In the first quarter, net sales were up +7.9% on a like-for-like basis, with an increase of +5.2% in volume and +2.7% in value, boosted by stock loading in the second part of the quarter, with a contribution from all regions. Sales in **Infant Nutrition** (including breast-milk substitutes, babyfood and paediatrics specialities) grew overall at a high-single-digit rate in the period while **Adult Nutrition** business posted strong growth. Sales to consumers in **China** posted a solid growth, with *Aptamil* market share boosted by its strong position in fast-growing e-commerce, while travel bans and Hong-Kong border closure negatively impacted sales in other channels. Market premiumization has continued. In **Europe**, sales rose by around +10% on a like-for-like basis in the quarter, with growth rate higher than +30% in the last month, boosted by increased stocks for breast-milk substitutes and first-diet products as well as strong demand for adult tube feeding solutions on the back of higher hospitalization rates. **Other regions** posted very strong growth as well, led by double-digit growth in South-East Asia and in the US.

WATERS

In the first quarter, net sales were down -6.8% on a like-for-like basis, with a decline of -0.9% in volume and of -5.9% in value, reflecting the negative mix effect from decreased demand for high-value small-size formats in foodservice and impulse channels where sales are down at a steep double-digit rate. Sales in **China** declined as expected by around 40%, given the previously flagged impact of COVID-19 on the on-the-go market demand and supply chain. In **Europe**, sales declined at a mid-single digit rate despite some pantry loading on plain waters and large formats sold in Modern Trade and through e-commerce. **Other geographies** posted overall another quarter of solid growth, notably in Indonesia and Mexico, where large reusable formats continued to perform very well.

III. 2020 outlook and guidance

Since we gave 2020 guidance at the end of February, local market policies and initiatives to reduce the transmission of COVID-19 have significantly increased, and half of the global population is today living under lockdown.

Given the global nature of the COVID-19 pandemic, and the uncertainty around the severity, the duration, and the multitude of its impacts, upside and downside, across our different markets, Danone is not in a position to accurately assess its impact on its 2020 financial performance beyond the initial pantry loading trends observed in the month of March in Europe and North America. It is likely that there will be significant differences on the impacts,

depending on food habits, and lifestyles and the terms of local and national government approaches to lockdown execution and exit.

The current lack of consensus around how the pandemic will develop and when it will end, its mid-term macro-economic consequences, and its impact on people's behaviors and income, adds further complexity to the prediction of the business.

This, in combination with the latest foreign exchange rates fluctuations, leads us to withdraw our guidance on recurring EPS growth, like-for-like sales growth and recurring operating margin for 2020.

We expect both global supply and demand to be extraordinarily volatile and unpredictable for the rest of the year, with a likely impact on the cost base of the actions taken in order to preserve our people safety and ensure business continuity and product availability, including additional safety, industrial, and transportation costs.

IV. Long-term goals and strategic priorities

In February, with full-year results, Danone set out its plan to accelerate the climate action of its brands and strengthen its growth model for the future.

This translated into an accelerated investment plan of around €2billion cumulative over the 2020-2022 period on brands, climate and agriculture, packaging and digitalization, with the objective to build the most attractive business platform in the food industry, with greater recognition from consumers for climate-proofing actions, and create a virtuous circle that fuels a superior growth model and unlocks value further and faster.

We believe that, in the post-COVID 19 world, these factors will be even more important to our customers and consumers. As a result, we remain committed to delivering this plan, although we are mindful that the timing of some initiatives may be slightly pushed back as a result of the short-term disruption from COVID-19.

We remain confident that we can deliver on our 2030 goals, accelerating topline growth, continuing to maximize efficiencies and allocating capital with discipline.

V. Other

Financial transactions and developments

- **April 3, 2020:** Given the exceptional circumstances created by the Covid-19 outbreak that led French government to take strict lockdown measures, the Board of Directors of Danone has decided to postpone the Annual General Meeting initially convened for Tuesday April 28, 2020 to a later date. The payment date of the dividend for the 2019 financial year has therefore also been postponed. The Board of Directors will communicate later the new arrangements for the General Meeting, which shall in any event take place before June 30, 2020.
- **March 11, 2020:** Danone launches a successful €800 million bond issue. It enables Danone to extend the maturity of its debt and to optimize its cost, taking advantage of current market window favoring quality bond issues. The issue, realized under Danone's Euro Medium Term Note (EMTN) program, consists in a 7-year euro-denominated bond, at a fixed rate priced at mid-swap +0.93%, offering a coupon of 0.571%.
- **March 5, 2020:** Danone's water brands launch 'WeActForWater' to pioneer a new way to do business. Aimed at bringing healthy hydration and safe drinking water to people around the world in the most responsible way, 'WeActForWater' is a set of urgent actions, ambitious objectives, and new investments. Deployed by Danone's iconic water brands, including *evian*, *Volvic*, *AQUA* and *Bonafont*, it focuses on responsible packaging, climate neutrality, watershed preservation and access to safe drinking water.

IFRS Standards

IAS29 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 euro using the closing exchange rate of the relevant period.

IAS29 impact on reported data € million except %	Q1 2020
Sales	-2
Sales growth (%)	-0.0%

FINANCIAL INDICATORS NOT DEFINED IN IFRS

Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material.

Financial indicators not defined in IFRS

Like-for-like changes in sales and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope and, starting January 1st, 2019, previous-year and current-year scope excluding Argentinian entities;
- changes in applicable accounting principles;
- changes in exchange rates with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current year).

Bridge from reported data to like-for-like data

<i>(€ million except %)</i>	Q1 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	Q1 2020
Sales	6,138	-1.7%	-0.9%	+0.5%	+3.7%	6,242



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.