



2021 Third-Quarter Sales
Press release – Paris, October 19, 2021

Another quarter focused on execution and delivery 2021 guidance reiterated

- **Net sales of €6,158m in the third quarter, up +3.8% on a like-for-like (LFL) basis**, and +5.8% on a reported basis
- **Another quarter focused on execution and delivery:**
 - All categories contributing to growth with **sustained strong momentum in EDP**, continued **recovery in Specialized Nutrition and Waters**
 - **Higher inflation and supply chain pressure**, greater focus on **productivity and pricing initiatives**
 - **Local First implementation on track**
- **2021 guidance reiterated:** return to profitable growth in H2, and FY recurring operating margin broadly in line with 2020
- **Capital market event to take place on March 8th, 2022**

Juergen Esser: Chief Financial Officer statement

"Today's results further underscore our progress to profitable growth. Our actions and focused delivery across all parts of the company ensured that all categories contributed to a solid performance this quarter.

We see clear evidence of our brands' strengths and relevance to the global health and wellness agenda. Our Essential Dairy and Plant-based business continued its strong momentum, particularly in Europe and North America, with market share gains on key platforms. Our Waters business, led by a strong performance in Europe, benefited from the improved out of home mobility. And our Specialized Nutrition business also saw good dynamics driven by Adult Nutrition and the return to growth of Infant Milk Formula in China.

Like just about everyone across the sector and beyond, we see inflationary pressures across the board. What started as increased inflation on material costs evolved into widespread constraints impacting our supply chain in many parts of the world. That said, we are putting even greater focus on productivity and pricing actions to mitigate the impact on our performance, thus re-iterating our FY 2021 guidance."

I. 2021 THIRD-QUARTER SALES

€ million except %	Q3 2020	Q3 2021	Reported change	LFL Sales Growth	Volume Growth	9M 2020	9M 2021	Reported change	LFL Sales Growth	Volume Growth
BY REPORTING ENTITY										
EDP	3,108	3,269	+5.2%	+4.1%	+0.6%	9,699	9,686	-0.1%	+3.5%	+1.1%
Specialized Nutrition	1,698	1,777	+4.6%	+2.9%	-5.3%	5,441	5,294	-2.7%	-0.8%	-4.6%
Waters	1,015	1,112	+9.6%	+4.6%	+2.4%	2,864	3,031	+5.8%	+4.5%	-0.6%
BY GEOGRAPHICAL AREA										
Europe & Noram ¹	3,334	3,498	+4.9%	+3.9%	+0.6%	10,156	10,282	+1.2%	+2.5%	+0.7%
Rest of the World	2,486	2,660	+7.0%	+3.7%	-2.1%	7,848	7,729	-1.5%	+2.2%	-2.1%
TOTAL	5,821	6,158	+5.8%	+3.8%	-0.8%	18,004	18,011	+0.0%	+2.3%	-0.9%

¹North America (Noram): United States and Canada

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In the third quarter of 2021, consolidated sales stood at €6.2 bn, up +3.8% on a like-for-like basis, led by +4.6% in value and -0.8% in volume. On a reported basis, sales increased by +5.8%, benefiting from a positive impact of exchange rate of +0.8%, notably reflecting the appreciation of the Chinese Renminbi, the Mexican Peso and the British Pound against the Euro while the US Dollar and other emerging currencies remained broadly stable versus last year. Reported sales also benefited from +0.7% organic contribution of hyperinflation geographies to growth, as well as a slightly positive scope effect of +0.3%, mainly resulting from the combined effects of the integration of Harmless Harvest and Follow Your Heart and the disposal of Vega.

In terms of regional dynamics, strong growth was broad-based in the third quarter. Europe and North America sales were up +3.9% on a like-for-like basis, driven by the sustained momentum in EDP and the recovery of Waters in Europe. Sales in the Rest of the World increased by +3.7% on a like-for-like basis, notably led by the performance of Specialized Nutrition in China.

Performance by reporting entity

▪ ESSENTIAL DAIRY AND PLANT-BASED (EDP)

Essential Dairy & Plant-based posted sales growth of +4.1% in Q3 2021 on a like-for-like basis, reflecting a +0.6% increase in volume and +3.5% in value. The Essential Dairy portfolio delivered solid growth, while Plant-based grew strong mid-single digits. By geographical area, EDP in **Europe and Noram** was up +4.3% on a like-for-like basis during the period. In Europe, Essential Dairy performance was again driven by the Probiotics and Protein platforms, led by *Actimel* and *YoPro*, that registered double-digit growth, and *Activia* that pursued its strong momentum in the UK and Germany. *Alpro* delivered another quarter of double-digit growth, notably led by the strong performance of the recently relaunched Oat range. In Noram, growth was led by the Yogurt and Coffee Creations segments, with *Oikos*, *Two Good* and *Activia* showing very strong growth and market share gains, and *International Delight* and *Stok* delivering double-digit growth. The performance of the Plant-based portfolio was impacted this quarter by supply and logistic disruptions hampering Danone's ability to produce and serve customer demand. In the **Rest of the World**, Latam and Africa continued their sequential recovery, while dynamics continued to be soft in CIS, amid a remaining challenging macro-economic and sanitary environment.

▪ SPECIALIZED NUTRITION

Specialized Nutrition sales increased by +2.9% in Q3 2021 on a like-for-like basis, with a decrease of -5.3% in volume and an increase of +8.2% in value. **Adult Nutrition** delivered mid single-digit growth, led by China and other emerging platforms, growing double-digits, while Europe delivered another quarter of growth. By segment, both the Oral and Tube feeding platforms continue to grow, while the Healthy Ageing platform pursued its roll-out in South-East Asia and Africa. **Infant Nutrition** delivered moderate growth this quarter. As expected, growth was led by China which grew double digits with a broad-based contribution from all channels. Channels distributing domestic labels delivered another quarter of mid to high single-digit growth while International labels sold in cross-border e-commerce platforms kept posting steep double-digit growth. Cross-border indirect channels, which notably include *Daigous* and *Friends & Family*, were back to growth after having declined by approximately -60% in the same period last year. In Europe, sales were flat in a declining market, while in other regions, dynamics were soft due to phasing effects.

▪ WATERS

Waters sales increased by +4.6% in Q3 2021 on a like-for-like basis, led by volumes up +2.4% and value +2.1%. **Europe** delivered strong mid single-digit growth, sequentially closing the gap vs 2019 and registered broad-based market share gains with an excellent performance of *evian*, *Volvic*, *Żywiec Zdrój* and *Font Vella*. **In the Rest of the World**, *Mizone*'s sales declined low single digit this quarter, after three quarters of growth. While sell-in was temporarily impacted by local lockdowns and bad weather, execution remained solid, with continuing recruitment of new young consumers and resilient market shares. Latin America delivered double-digit growth, thanks to a return to mobility this summer, while Indonesia's performance was still negatively impacted by strong restrictions linked to Covid-19, including the re-implementation of some local lockdowns over the summer.

II. 2021 OUTLOOK AND GUIDANCE

Macro-economic outlook

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

2021 guidance reiterated

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

III. SHARE BUYBACK

On July 29, 2021, Danone announced the launch a share buyback program of up to €800m worth of shares in the second half of 2021. As of October 15, 2021, the Company had repurchased an aggregate market value of €673 million.

IV. MAJOR DEVELOPMENTS OVER THE PERIOD

Governance and leadership changes

- **July 29, 2021:** As part of the transition initiated earlier this year on the company's governance framework, Danone's Board of Directors announced an overhaul of its composition, that will be completed by Danone's 2023 Shareholders' Meeting.
- **September 28, 2021:** Danone announced the appointment of Laurent Sacchi as General Secretary, succeeding Bertrand Austruy, with effect from October 1st. Laurent Sacchi joined Danone's Executive Committee, while maintaining his duties as Secretary to the Board of Directors.
- **October 19, 2021:** Danone announced the appointment of Roberto Di Bernardini as Chief Human Resources Officer with effect from November 29th. Roberto Di Bernardini will join Danone's Executive Committee.

Major financial transactions

- **September 7, 2021:** As part of the active management of its hybrid debt portfolio and taking advantage of favorable market conditions, Danone launched the partial refinancing of its €1.25 billion hybrid bond. On September 7, 2021, Danone successfully priced an issue of €500 million undated deeply subordinated notes, offering a fixed resettable coupon of 1%, with a first call date on 16 December 2026. On September 15, 2021, Danone announced the success of the tender offer on part of its €1.25 billion hybrid bond (bearing a 1.750% p.a. coupon and with a first call date on 23 March 2023), for a total amount of €500 million. The new €500 million notes were issued and the tender offer on existing bonds was settled on 16 September 2021.

V. IFRS STANDARDS AND FINANCIAL INDICATORS NOT DEFINED IN IFRS

IAS29: impact on reported data

Danone has been applying IAS 29 in hyperinflation countries as defined in IFRS. Adoption of IAS 29 in these hyperinflationary countries requires its non-monetary assets and liabilities and its income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Moreover, its financial statements are converted into euros using the closing exchange rate of the relevant period.

IAS29: impact on reported data € million except %	Q3 2021
Sales	2.5
Sales growth (%)	+0,04%

Breakdown by quarter of 9M 2021 sales after application of IAS 29

9M 2021 sales correspond to the addition of:

- Q3 2021 reported sales;
- Q1 and Q2 2021 sales resulting from the application of IAS29 until September 30, 2021 to sales of entities of hyperinflation countries (application of the inflation rate until September 30, 2021 and translation into euros using September 30, 2021 closing rate) and provided in the table below for information (unaudited data).

€ million	Q1 2021 ¹	Q2 2021 ²	Q3 2021	9M 2021
EDP	3,158	3,259	3,269	9,686
Specialized Nutrition	1,723	1,795	1,777	5,294
Waters	793	1,126	1,112	3,031

Total	5,674	6,179	6,158	18,011
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¹ Results from the application of IAS29 until September 30, 2021 to Q1 sales of entities of hyperinflation countries.

² Results from the application of IAS29 until September 30, 2021 to Q2 sales of entities of hyperinflation countries.

Financial indicators not defined in IFRS

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

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

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope, both previous-year and current-year scopes excluding entities in countries under hyperinflation according to 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 %)	Q3 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	Q3 2021
Sales	5,821	+0.3%	+0.9%	+0.7%	+3.8%	6,158

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.



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.

**The presentation to analysts and investors 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	
	2020	2021	2020	2021	2020	2021
BY REPORTING ENTITY						
EDP	3,364	3,149	3,238	3,254	3,108	3,269
Specialized Nutrition	1,949	1,719	1,792	1,793	1,698	1,777
Waters	928	790	925	1,125	1,015	1,112
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	3,469	3,273	3,352	3,510	3,334	3,498
Rest of the World	2,772	2,384	2,602	2,661	2,486	2,660
Total	6,242	5,657	5,954	6,171	5,821	6,158

	First quarter 2021		Second quarter 2021		Third quarter 2021	
	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change
BY REPORTING ENTITY						
EDP	-6.4%	+1.6%	+0.5%	+4.8%	+5.2%	+4.1%
Specialized Nutrition	-11.8%	-7.7%	+0.1%	+2.8%	+4.6%	+2.9%
Waters	-14.9%	-11.6%	+21.6%	+19.5%	+9.6%	+4.6%
BY GEOGRAPHICAL AREA						
Europe & Noram ¹	-5.6%	-2.8%	+4.7%	+6.4%	+4.9%	+3.9%
Rest of the World	-14.0%	-4.2%	+2.3%	+6.9%	+7.0%	+3.7%
Total	-9.4%	-3.3%	+3.6%	+6.6%	+5.8%	+3.8%

¹North America (Noram): United States and Canada