



**2022 Third-Quarter Sales**  
Press release – Paris, October 27, 2022

## **Making progress on Renew Danone Further growth acceleration in the third quarter**

- **Q3 net sales up +19.1% on a reported basis and +9.5% on a like-for-like (LFL) basis**, with price up +10.9%, and volume/mix down -1.4%; **proforma volume/mix -0.2% excluding EDP Russia**
- **Accelerated like-for-like sales growth in all geographies and categories**
  - +11.2% in North America driven by balanced competitive growth across categories
  - +6.0% in Europe led by Specialized Nutrition and Waters
  - +6.8% in China, North Asia & Oceania led by Specialized Nutrition in China and EDP in Japan
  - +13.6% in Rest of the World with price-led growth across all countries and categories
- **Portfolio management:** initiation of a process to transfer the effective control of the **EDP Russia** business
- **2022 guidance upgraded:** LFL net sales growth now expected between +7 and +8%, versus +5 to +6% previously; recurring operating margin above 12% confirmed

### **Antoine de Saint-Affrique: CEO statement**

*"In what remains a challenging environment, we continue to display consistent progress in all aspects of our Renew agenda, with active portfolio management and a disciplined approach to boosting our winners, fixing our underperformers and driving our core, as exemplified by the ongoing transformation of our European dairy platform.*

*Q3 was another quarter of strong growth, with sales up +9.5% on a like-for-like basis, led by a sequential growth acceleration across all our categories and geographies. We now expect LFL sales growth between +7 and +8% in the full-year 2022.*

*We continue to implement pricing actions in a responsible and disciplined manner, while focusing on the quality of our execution and reinvesting behind our brands and capabilities. This shows in the performance of our Specialized Nutrition business, led by Aptamil, in Waters, where our evian, Bonafont and Aqua brands continue to perform strongly in the marketplace, but also in EDP, with the resilience of portfolio, notably in the US, Canada and Japan."*

All references in this document to Like-for-like (LFL) changes, Recurring operating margin, correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on pages 4 and 5.

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## I. 2022 THIRD-QUARTER SALES

€ million except %	Q3 2021	Q3 2022	Reported change	LFL Sales Growth	Volume/Mix Growth	9M 2021	9M 2022	Reported change	LFL Sales Growth	Volume/Mix Growth
<b>BY GEOGRAPHICAL ZONE</b>										
Europe	2,122	2,246	+5.9%	<b>+6.0%</b>	-2.0%	6,264	6,628	+5.8%	<b>+5.6%</b>	+0.4%
North America <sup>1</sup>	1,413	1,813	+28.3%	<b>+11.2%</b>	+1.0%	4,120	4,953	+20.2%	<b>+8.6%</b>	+1.5%
China, North Asia & Oceania <sup>2</sup>	801	940	+17.3%	<b>+6.8%</b>	+5.2%	2,231	2,611	+17.0%	<b>+7.8%</b>	+5.8%
Rest of the World	1,822	2,335	+28.1%	<b>+13.6%</b>	-5.9%	5,396	6,509	+20.6%	<b>+11.0%</b>	-3.0%
<b>BY CATEGORY</b>										
EDP <sup>3</sup>	3,269	3,862	+18.1%	<b>+6.3%</b>	-6.0%	9,686	10,946	+13.0%	<b>+5.2%</b>	-3.6%
Specialized Nutrition	1,777	2,134	+20.1%	<b>+12.2%</b>	+3.3%	5,294	6,174	+16.6%	<b>+11.0%</b>	+5.3%
Waters	1,112	1,338	+20.4%	<b>+14.4%</b>	+4.4%	3,031	3,580	+18.1%	<b>+12.3%</b>	+4.2%
<b>TOTAL</b>	<b>6,158</b>	<b>7,334</b>	<b>+19.1%</b>	<b>+9.5%</b>	<b>-1.4%</b>	<b>18,011</b>	<b>20,700</b>	<b>+14.9%</b>	<b>+8.1%</b>	<b>+0.4%</b>

In the third quarter of 2022, consolidated sales stood at €7.3 bn, up +9.5% on a like-for-like basis, with price up +10.9% and volume/mix down -1.4%. On a reported basis, sales increased by +19.1%, benefiting notably from a positive forex impact of +7.6%, reflecting in particular the appreciation of the US dollar and various Asian and Latin American currencies against the euro. Reported sales were also driven by a positive organic contribution of hyperinflation geographies to growth of +1.4%, as well as a slightly negative scope effect of -0.2%, resulting mainly from the impact of the disposal of Vega.

### Performance by geographical zone

#### ▪ EUROPE

Europe posted **sales growth of +6.0% in Q3 2022 on a like-for-like basis**, driven by +8.0% growth in price, while volume/mix declined by -2.0%. EDP registered +2.2% growth in the region, with a contrasted performance by geography, with sales and volumes impacted by portfolio choices and temporary delivery suspensions in some countries such as Germany and Belgium. Other countries benefited from the good momentum of key brands like *Actimel*, *Danone*, *Yopro* and *Danette*. Specialized Nutrition posted +9.5% growth, led by *Aptamil*, which registered broad-based and competitive growth in the quarter. Waters reported +9.2% growth, supported by all brands.

#### ▪ NORTH AMERICA

North America **sales were up by +11.2% in Q3 2022 on a like-for-like basis**. Growth was balanced and competitive, driven by accelerated pricing, up +10.2%, and by the continued roll-out of Revenue Growth Management (RGM) initiatives, leading to resilient volume/mix, at +1.0%. In EDP, growth was led by both Dairy, with *International Delight*, *Activia* and *Oikos* up double digits, and Plant-based, with *Silk* up high single digits. Growth in the region was also sustained by the strong momentum in Waters and Specialized Nutrition.

#### ▪ CHINA, NORTH ASIA & OCEANIA

China, North Asia & Oceania posted **sales growth of +6.8% in Q3 2022 on a like-for-like basis**, with price up +1.6% and volume/mix up +5.2%. In China, Infant Milk Formula sales registered competitive growth on a high base, led by *Aptamil*, which continued to gain share in international and domestic labels. Adult Nutrition and Pediatric Specialties registered another quarter of outstanding growth, while in Waters, *Mizone*'s performance improved sequentially and market shares stabilized, despite challenging operating conditions. Beyond China, sales in Japan accelerated further, led by *Bio* and *Oikos* functional propositions.

<sup>1</sup>United States and Canada; <sup>2</sup>China, Japan, Australia and New Zealand; <sup>3</sup>Essential Dairy and Plant-based

## ▪ REST OF THE WORLD

Rest of the World registered **sales growth of +13.6% in Q3 2022 on a like-for-like basis**, driven by price up +19.5%, while volume/mix declined by -5.9%. Excluding EDP Russia, volume/mix was down -1.7% in the region. In Indonesia, sales increased by double digits, led by Aqua in Waters and by SGM and Bebelac in Specialized Nutrition, with resilient market share supported by disciplined execution. In Latin America, sales were up double digits, with all categories contributing.

## II. 2022 GUIDANCE UPGRADED

Price-led like-for-like sales growth now expected between +7 and +8%, versus +5 to +6% previously; recurring operating margin expected above 12%.

## III. MAJOR DEVELOPMENTS OVER THE PERIOD

- **August 31, 2022:** Danone successfully issued a €600 million bond with a 10-year maturity and a 3.071% coupon. The settlement took place on September 7, 2022, and the bonds are listed on Euronext Paris.
- **October 3, 2022:** Danone announced that two senior leaders, Gilbert Ghostine, Chief Executive Officer of Firmenich, and Lise Kingo, former Chief Executive Officer and Executive Director of the United Nations Global Compact, have been co-opted to join the Board of Directors as independent members, starting October 15 and December 1 respectively. They will replace Guido Barilla and Cécile Cabanis.
- **October 14, 2022:** Danone has initiated a process to transfer the effective control of its EDP business in Russia, considering that this is the best option to ensure long-term local business continuity for its employees, consumers and partners. Once closed, the transaction, which will be subject to regulatory approvals, will result in the deconsolidation of Danone's EDP Russia business. It could result in a write-off of up to €1 billion<sup>1</sup>.

Proforma Like-for-like sales growth and volume/mix growth by quarter excluding EDP Russia business (unaudited figures):

	Q1 2022		Q2 2022		Q3 2022	
	LFL Sales Growth	Volume/Mix Growth	LFL Sales Growth	Volume/Mix Growth	LFL Sales Growth	Volume/Mix Growth
Rest of the World incl. EDP Russia	+7.0%	-2.2%	+12.3%	-0.8%	+13.6%	-5.9%
Rest of the World excl. EDP Russia	+7.9%	-0.1%	+14.9%	+4.2%	+16.9%	-1.7%
<b>Total Company incl. EDP Russia</b>	<b>+7.1%</b>	<b>+2.2%</b>	<b>+7.7%</b>	<b>+0.9%</b>	<b>+9.5%</b>	<b>-1.4%</b>
<b>Total Company excl. EDP Russia</b>	<b>+7.3%</b>	<b>+3.0%</b>	<b>+8.1%</b>	<b>+2.2%</b>	<b>+10.0%</b>	<b>-0.2%</b>

- **October 24, 2022:** Danone and Royal Unibrew agreed not to complete the contemplated sale to Royal Unibrew of Aqua d'Or, Danone's Water and Beverage's business in Denmark, that was announced on November 16, 2021. The Parties have determined that they will not be able to fulfil the closing conditions, including the approval by the Danish Competition and Consumer Authority. The Parties have therefore withdrawn the notification of the transaction to the Danish Competition and Consumer Authority. Aqua d'Or remains under review.

<sup>1</sup>Based on the accounts and foreign exchange rates as of June 30th, 2022

## IV. 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, except for Turkey in view of the immaterial impact. 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.

IAS 29: impact on reported data € million except %	Q3 2022
Sales	1.4
Sales growth (%)	+0.02%

### Breakdown by quarter of 9M 2022 sales after application of IAS 29

9M 2022 sales correspond to the addition of:

- Q3 2022 reported sales;
- Q1 and Q2 2022 sales resulting from the application of IAS29 until September 30, 2022 to sales of entities of hyperinflation countries (application of the inflation rate until September 30, 2022 and translation into euros using September 30, 2022 closing rate) and provided in the table below for information (unaudited data).

€ million	Q1 2022 <sup>1</sup>	Q2 2022 <sup>2</sup>	Q3 2022	9M 2022
Europe	2,114	2,267	2,246	6,628
North America	1,477	1,662	1,813	4,953
China, North Asia & Oceania	735	936	940	2,611
Rest of the World	1,936	2,237	2,335	6,509
<b>Total</b>	<b>6,263</b>	<b>7,103</b>	<b>7,334</b>	<b>20,700</b>

<sup>1</sup>Results from the application of IAS29 until September 30, 2022 to Q1 sales of entities of hyperinflation countries.

<sup>2</sup>Results from the application of IAS29 until September 30, 2022 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 1<sup>st</sup>, 2019, and except for Turkey);
- 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 2021	Like-for-like change	Impact of changes in scope of consolidation	Impact of changes in exchange rates & others incl. IAS29	Organic contribution from hyperinflation countries	Reported change	Q3 2022
<b>Sales</b>	<b>6,158</b>	<b>+9.5%</b>	-0.2%	+8.4%	+1.4%	<b>+19.1%</b>	<b>7,334</b>

**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.

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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 Universal Registration Document (the current version of which is available at [www.danone.com](http://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 6:00 p.m. (Paris time) on Danone's website ([www.danone.com](http://www.danone.com)).**  
**Related slides will also be available on the website in the Investors section.**

## APPENDIX – Sales by geographical zone and by category (in € million)

	First quarter		Second quarter		Third quarter	
	2021	2022	2021	2022	2021	2022
<b>BY GEOGRAPHICAL ZONE</b>						
Europe	1,987	2,114	2,155	2,267	2,122	2,246
North America <sup>1</sup>	1,316	1,477	1,391	1,662	1,413	1,813
China, North Asia & Oceania <sup>2</sup>	598	735	832	936	801	940
Rest of the World	1,756	1,909	1,793	2,202	1,822	2,335
<b>BY CATEGORY</b>						
EDP <sup>3</sup>	3,149	3,365	3,254	3,684	3,269	3,862
Specialized Nutrition	1,719	1,919	1,793	2,106	1,777	2,134
Waters	790	951	1,125	1,277	1,112	1,338
<b>TOTAL</b>	<b>5,657</b>	<b>6,236</b>	<b>6,171</b>	<b>7,067</b>	<b>6,158</b>	<b>7,334</b>

	First quarter 2022		Second quarter 2022		Third quarter 2022	
	Reported change	Like-for- like change	Reported change	Like-for- like change	Reported change	Like-for- like change
<b>BY GEOGRAPHICAL ZONE</b>						
Europe	+6.4%	+5.7%	+5.2%	+5.1%	+5.9%	+6.0%
North America <sup>1</sup>	+12.2%	+5.5%	+19.5%	+8.9%	+28.3%	+11.2%
China, North Asia & Oceania <sup>2</sup>	+22.9%	+15.3%	+12.5%	+3.3%	+17.3%	+6.8%
Rest of the World	+8.7%	+7.0%	+22.8%	+12.3%	+28.1%	+13.6%
<b>BY CATEGORY</b>						
EDP	+6.9%	+3.6%	+13.2%	+5.6%	+18.1%	+6.3%
Specialized Nutrition	+11.7%	+9.5%	+17.5%	+11.4%	+20.1%	+12.2%
Waters	+20.5%	+15.9%	+13.6%	+7.9%	+20.4%	+14.4%
<b>TOTAL</b>	<b>+10.2%</b>	<b>+7.1%</b>	<b>+14.5%</b>	<b>+7.7%</b>	<b>+19.1%</b>	<b>+9.5%</b>

<sup>1</sup>United States and Canada; <sup>2</sup>China, Japan, Australia and New Zealand; <sup>3</sup>Essential Dairy and Plant-based