



**DANONE**  
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# HALF-YEAR RESULTS 2018

July 27, 2018

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- *This presentation 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,” “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, statements regarding Danone’s operation of its business, and the future operation, direction and success of Danone’s business.*
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- *All references in this presentation to “Like-for-like (LFL) New Danone” changes, recurring operating income, recurring operating 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 defined in the H1 results press release issued on July 27th, 2018. Q1, Q2 and H1 2017 reported figures have been restated for IFRS 15.*
- *Due to rounding, the sum of values presented in this presentation may differ from totals as reported. Such differences are not material.*

# Highlights

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# H1 2018 highlights

## Strong set of results

**Recurring EPS**  
*at constant FX*  
*excl. Yakult Transaction Impact*

**+13.4%**

€ 1.76

Net Sales

**+4.0%**<sup>(1)</sup>

€ 12.5 bn

Recurring  
Operating Margin

**+51 bps**<sup>(1)</sup>

14.27%

Free Cash Flow

**+20.0%**

€ 1.1 bn

(1) Like-for-like New Danone

# WhiteWave, one year after closing

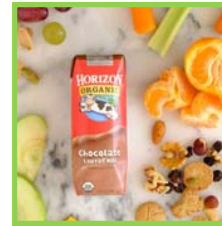
## High-quality asset, accretive to Danone's model



#1



#2



#1

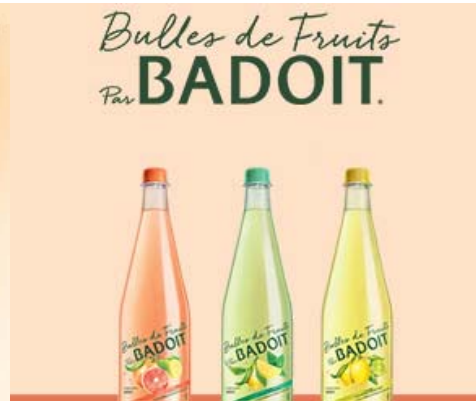


#1

~75% of former WhiteWave sales  
growing > 5% in H1 2018







- ✓ High-growth categories
- ✓ Successful integration
- ✓ Synergies delivery on track
- ✓ Innovation momentum
- ✓ Distribution expansion

# Major step-up in innovation - more, faster, better Robust innovation engine



# Rebalanced growth profile

## Q2 2018 performance by reporting entity

	Specialized Nutrition	EDP Noram	EDP International	Waters	Europe & Noram	Rest of the World
						
Net sales	€1.8 bn	€1.2 bn	€2.0 bn	€1.3 bn	€3.5 bn	€3.0 bn
LFL growth <sup>(1)</sup>	+10.6%	+1.4%	-2.4% <i>excl. Morocco:</i> <i>+0.4%</i>	+4.8%	-1.7%	+9.4%
Volume	+4.0%	+2.9%	-8.0%	+2.8%	-1.6%	+0.9%
Value	+6.6%	-1.5%	+5.6%	+2.0%	-0.1%	+8.5%

(1) Like-for-like New Danone

## Protein efficiency program underway On track for €1bn gross savings in 2020

€75m gross savings delivered in H1 2018

€200m gross savings target for the full-year

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Manufacturing

Logistics

Sales  
& Marketing

Professional  
services



# Challenging H1 macro headwinds

## Navigating market volatility

### Crude oil increase



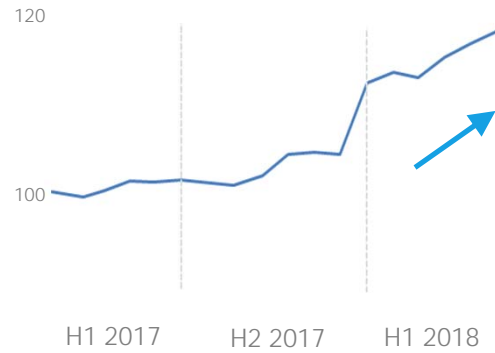
Source: US Energy Information Administration



H1 Impact

PET cost inflation  
~ +20%

### US freight costs



Source: RMOG Freight Rate Index



US freight costs inflation  
~ +20%

### Transportation strikes



Recurring operating  
income impact  
~ -€20m

## Update on Morocco

### Committed to rebuilding trust with consumers



- **Unforeseen boycott**

Complex situation,  
extending beyond  
business

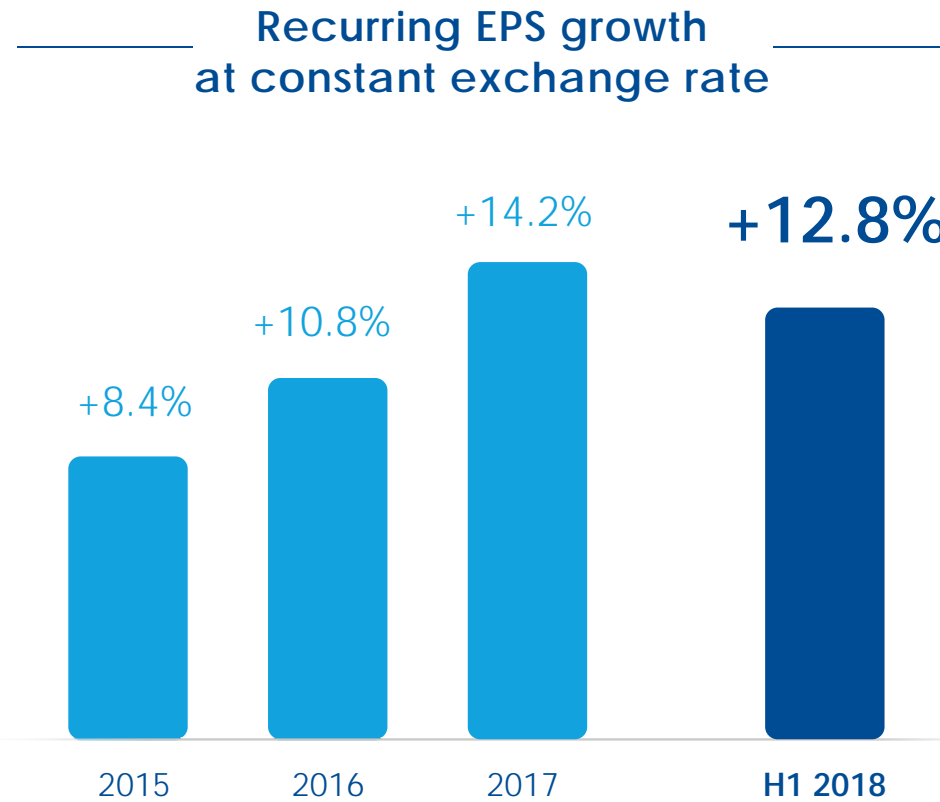
- **Significant impact**

Q2 sales down 40%  
H1 recurring operating  
income down €25m  
€661m non-cash  
impairment

- **Commitment to  
change fresh milk  
model**

Greater transparency  
and consumer  
engagement

## Delivering consistent recurring earnings growth Focus on long-term value creation



# Financial Review

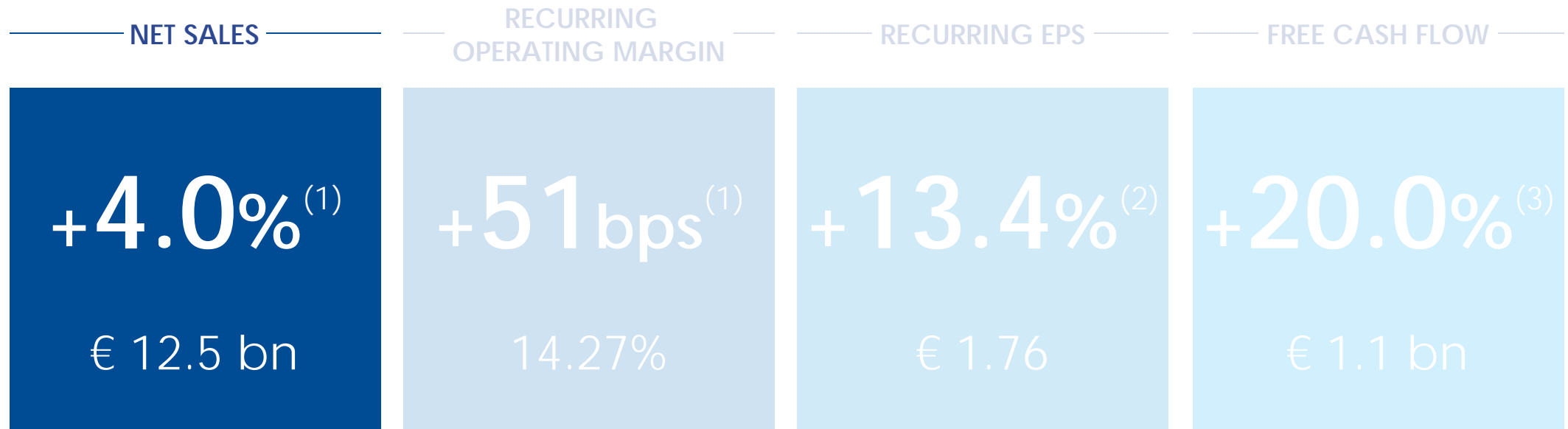
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# H1 2018 Highlights

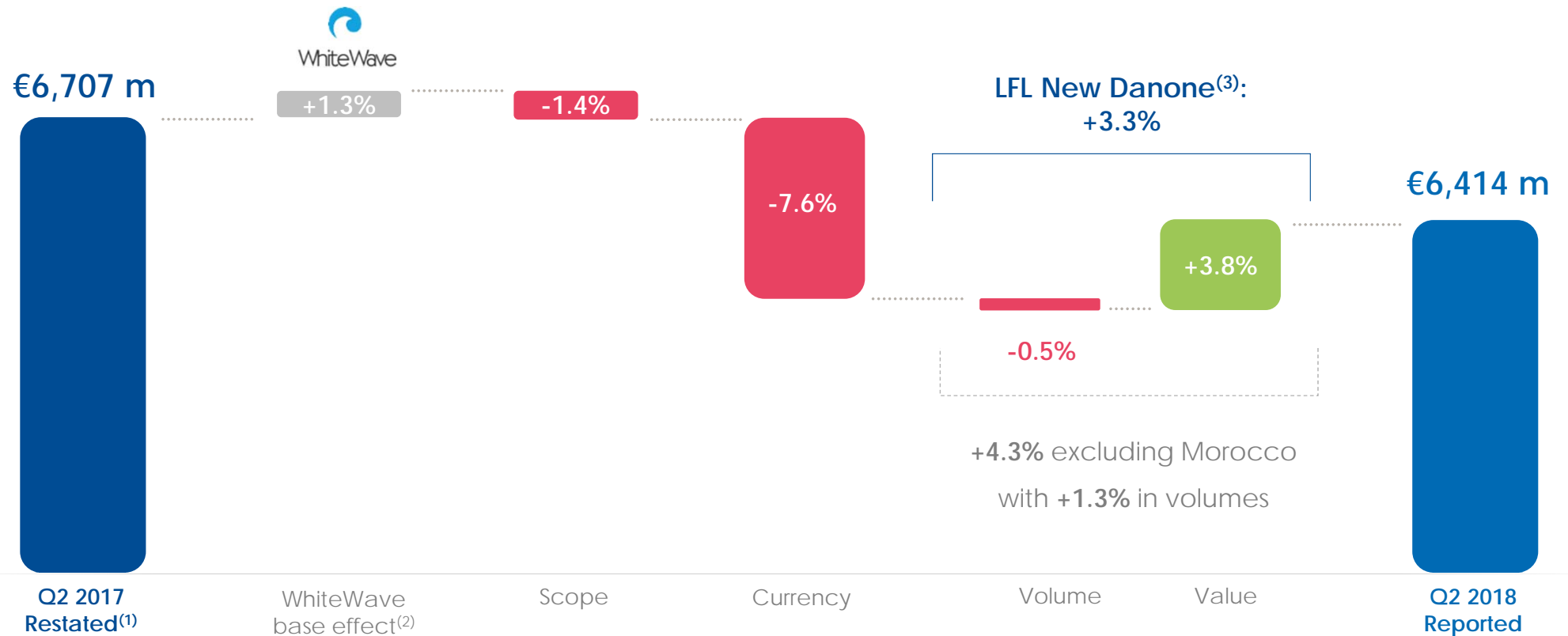
## Strong set of results



(1) Like-for-like New Danone (2) At constant exchange rates; excl. Yakult Transaction Impact (3) on a reported basis

# Q2 2018 sales bridge: +3.3% like-for-like<sup>(1)</sup> growth

## Strong headwinds from FX and Morocco boycott



(1) Q2 2017 sales figures have been restated for IFRS 15 – please refer to H1 results press release issued on July 27th, 2018.

(2) Corresponds to the contribution of WhiteWave over the period from April 1 to April 12, 2017

(3) Like-for-like New Danone



# SPECIALIZED NUTRITION



## H1 2018 key figures

Sales	€3.6bn
Change <sup>(1)</sup>	+12.5%
Volume / Price Mix	+4.8% / +7.7%
Recurring operating margin	25.53%
Change <sup>(1)</sup>	+121bps

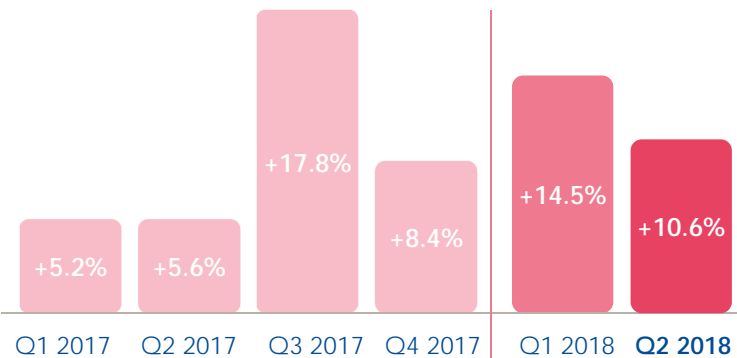
(1) Like-for-like New Danone



## Specialized Nutrition: +10.6% in Q2

Early Life and Medical Nutrition both contributing to highly profitable growth

Quarterly LFL sales growth



**Advanced Medical Nutrition: mid to high-single digit growth**

- Solid growth in Europe, very strong in Rest of the World

**Early Life Nutrition: double-digit growth**

- China<sup>1</sup>: sales growth ~30%
  - Expansion in ultra-premium
  - Pursuing channel shift
- Other markets
  - Europe: slight decrease
  - Latam: double-digit growth in sales and volumes

**Recurring operating margin:**

- Very strong expansion
- Positive mix and valorization

All data in like-for-like New Danone

(1) Total sales in China, including direct and indirect distribution channels





# EDP NORAM

## H1 2018 key figures

Sales	€2.4bn
Change <sup>(1)</sup>	+0.6%
Volume / Price Mix	+2.3% / -1.7%
Recurring operating margin	9.96%
Change <sup>(1)</sup>	-43bps

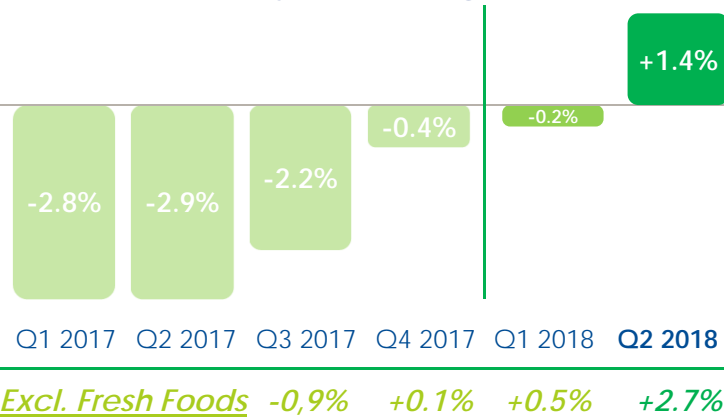
(1) Like-for-like New Danone



EDP Noram: +1.4% in Q2

## Plant-based and yogurt leading return to growth

### Quarterly LFL sales growth



All data in like-for-like New Danone



### Yogurt: slightly positive growth

- Probiotics: *Activia* growing thanks to *Dailies*
- Kids: activation (*Danimals Incredible!*) and innovations
- Plant-based: portfolio and distribution expansion



### Plant-based: high-single-digit growth

- Innovations in almond large size and premium offerings, and novelties
- Relevant communication campaign



### Coffee creamers: strong growth

- Better-for-you offering and ready-to-drinks growing fast



### Premium Dairy: still declining but outperforming the category

### Recurring operating margin:

- Strong impact from freight costs
- Negative mix in Premium Dairy
- Synergies delivery




# EDP INTERNATIONAL

## H1 2018 key figures

Sales	€4.1bn
Change <sup>(1)</sup>	-0.8%
Volume / Price Mix	-5.6% / +4.8%
Recurring operating margin	8.44%
Change <sup>(1)</sup>	+26bps

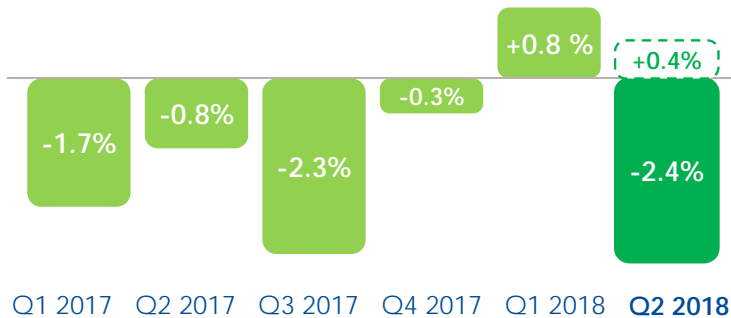
(1) Like-for-like New Danone



## EDP International: +0.4% in Q2 excluding Morocco

### Back to profitable growth excluding impact of Morocco boycott

Quarterly LFL sales growth



Excl. Morocco



All data in like-for-like New Danone

#### Europe: slightly negative; back to solid growth in some countries

- UK and Nordics growing in both dairy and plant-based
- France & Spain still challenging
- Alpro growing around 10%

#### CIS: strong growth

- Consistent portfolio valorization

#### Latam: still penalized by Brazil

#### Morocco: ~ -40% sales decline in Q2 due to boycott

#### Recurring operating margin:

- ~+50bps improvement excl. Morocco
- Acceleration of efficiencies



### H1 2018 key figures

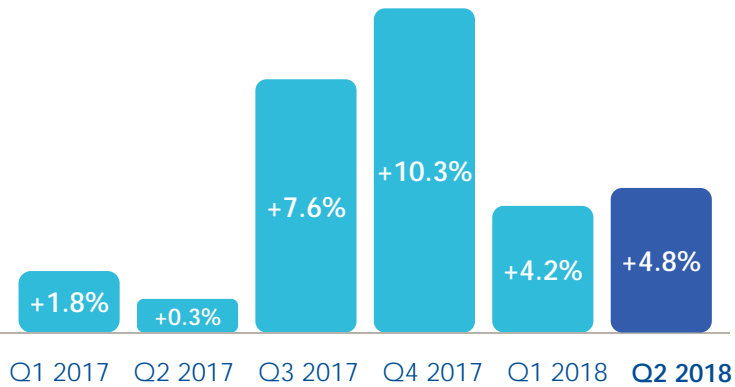
Sales	€2.3bn
Change <sup>(1)</sup>	+4.5%
Volume / Price Mix	+2.6% / +1.9%
Recurring operating margin	11.45%
Change <sup>(1)</sup>	-96bps

(1) Like-for-like New Danone

# Waters: +4.8% in Q2

## Another quarter of strong growth; PET inflation weighing on margin

Quarterly LFL sales growth



All data in like-for-like New Danone

Continued good momentum in all regions and categories

**Europe: solid growth**

- Valorized innovations acceleration
- Good weather conditions in Northern Europe

**Noram: enduring high-single digit growth**

**Asia: strong momentum across region**

- Strong performance in Indonesia and Turkey
- Mizone: solid growth; innovation and marketing activation

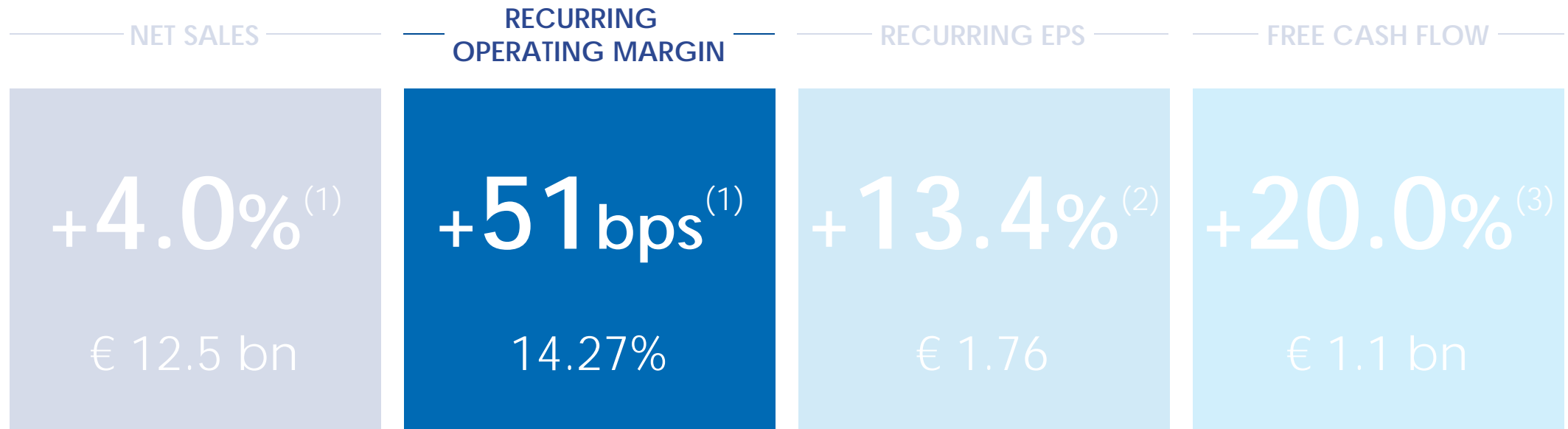
**Latam: still soft;** weather conditions in Mexico

**Recurring operating margin:**

- Adversely impacted by inflation in plastic and disruptions caused by railway strike in France

# H1 2018 Highlights

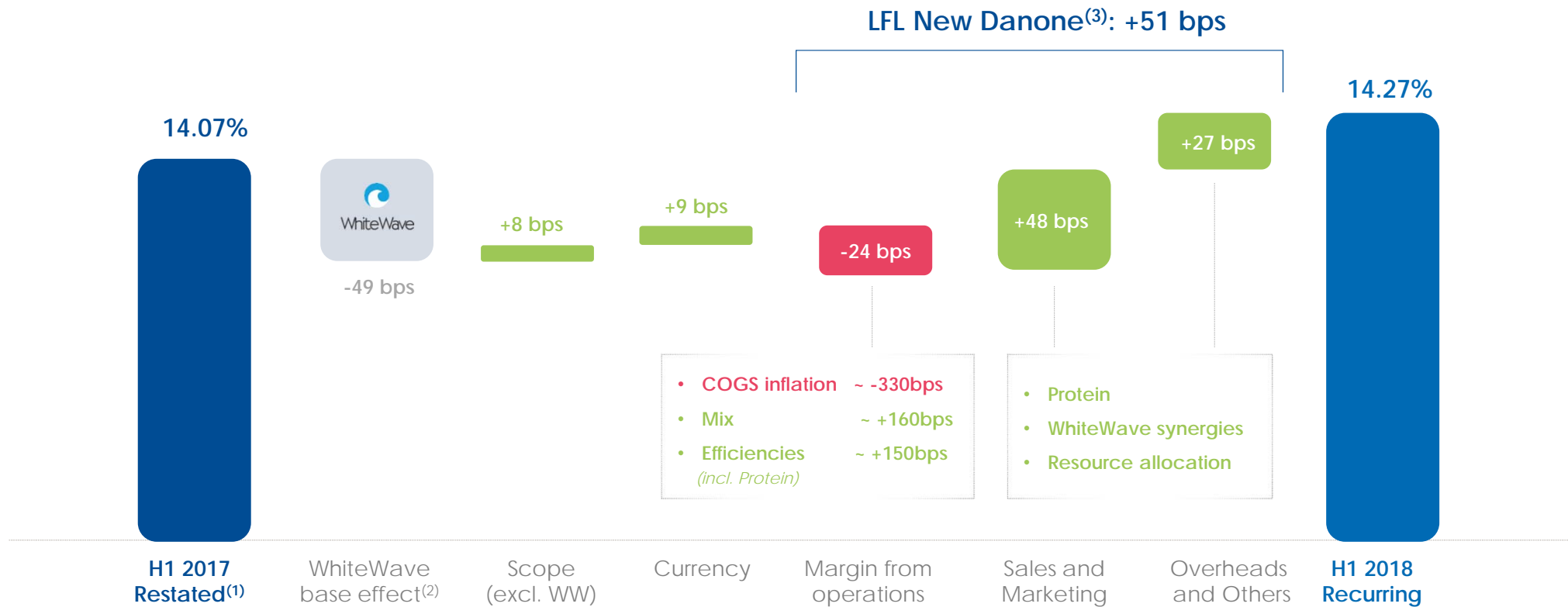
## Strong set of results



(1) Like-for-like New Danone (2) At constant exchange rates; excl. Yakult Transaction Impact (3) on a reported basis

# Strong improvement in recurring operating margin

## Mix and efficiencies offsetting strong headwinds



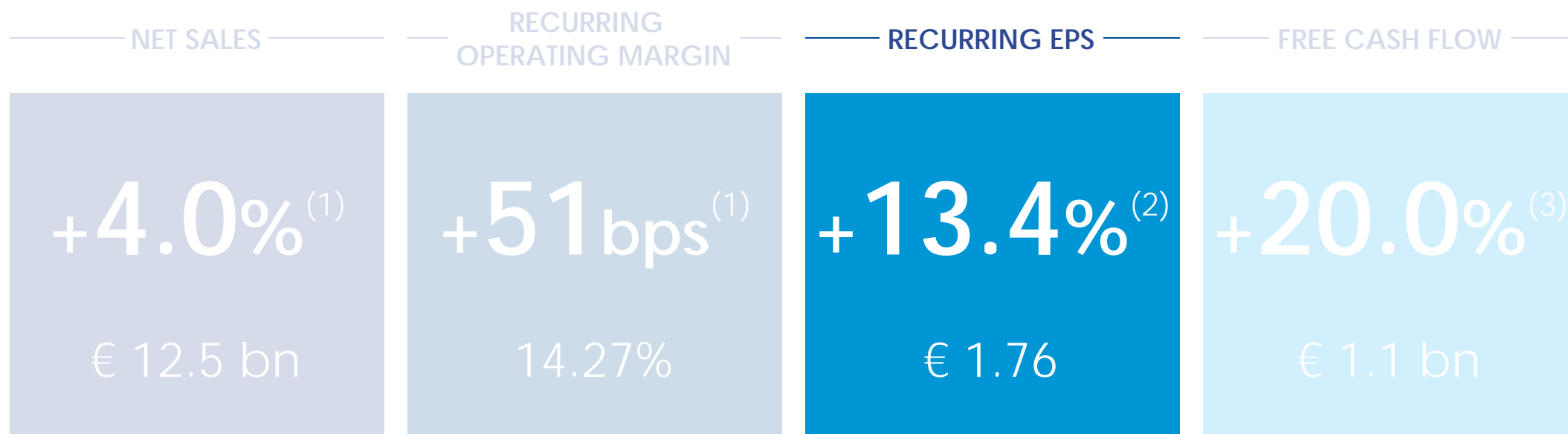
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# H1 2018 Highlights

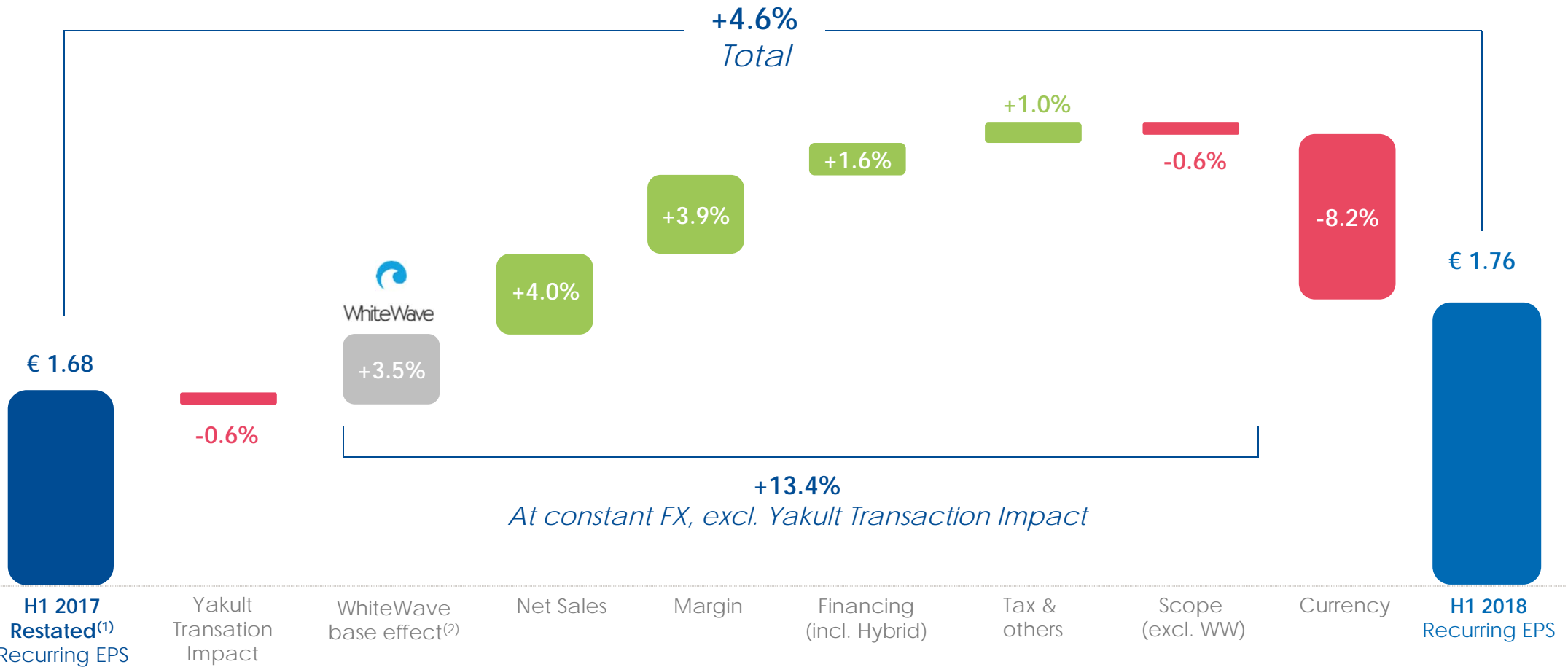
## Strong set of results



(1) Like-for-like New Danone (2) At constant exchange rates; excl. Yakult Transaction Impact (3) on a reported basis

# EPS bridge

## Double-digit growth at constant exchange rate excl. Yakult Transaction Impact



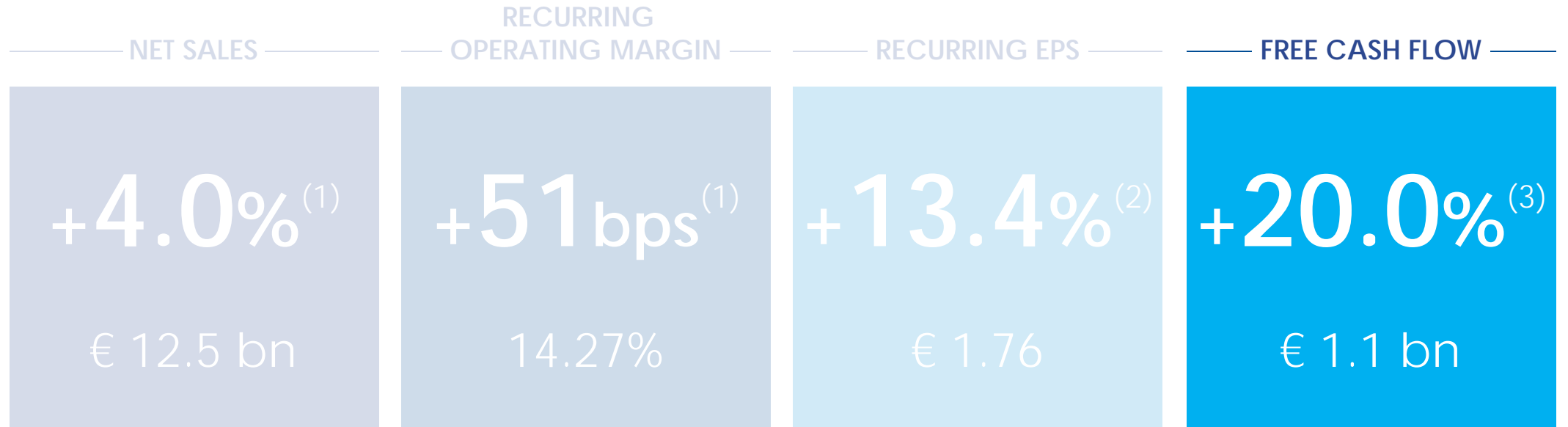
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## From Recurring operating income to Net income

€ million	H1 2017 recurring	H1 2018 recurring	H1 2018 Non-recurring items	Total H1 2018
Recurring operating income	1,717	1,784	-	1,784
Other operating income and expenses	-	-	(695)	(695)
<b>Operating income</b>	<b>1,717</b>	<b>1,784</b>	<b>(695)</b>	<b>1,089</b>
Total Financial expenses	(201)	(175)	3	(172)
Income tax	(459)	(475)	63	(412)
Net income from associates	47	46	701	747
Net income	1,104	1,180	71	1,251
Non-controlling interests	(57)	(48)	1	(47)
<b>Net income – Group share</b>	<b>1,047</b>	<b>1,132</b>	<b>72</b>	<b>1,204</b>
<b>EPS</b>	<b>1.68</b>	<b>1.76</b>	<b>-</b>	<b>1.87</b>

# H1 2018 Highlights

## Strong set of results

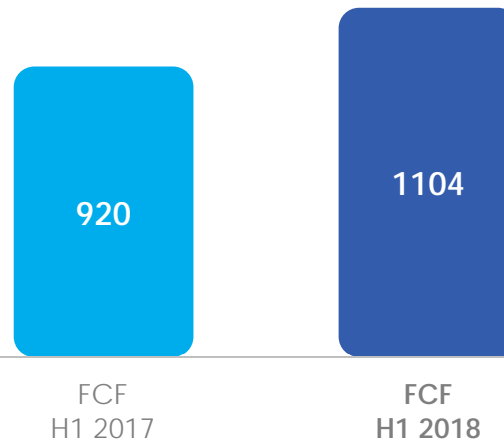


(1) Like-for-like New Danone (2) At constant exchange rates; excl. Yakult Transaction Impact (3) on a reported basis

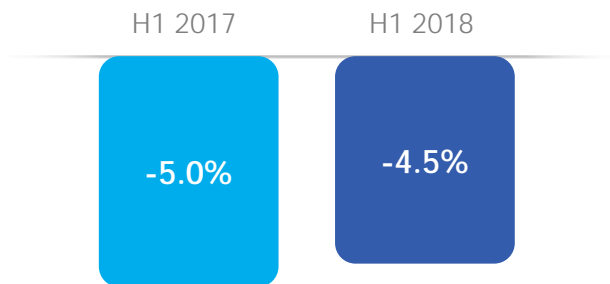
## Accelerated cash delivery: +20.0%

### Solid cash conversion

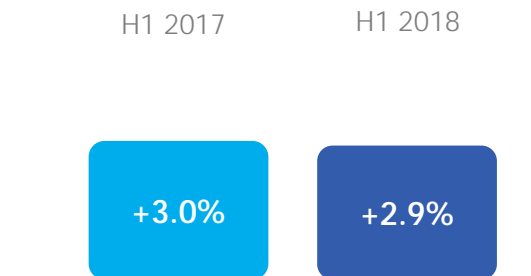
Free Cash Flow (€m)



Working Capital / Net Sales (%)

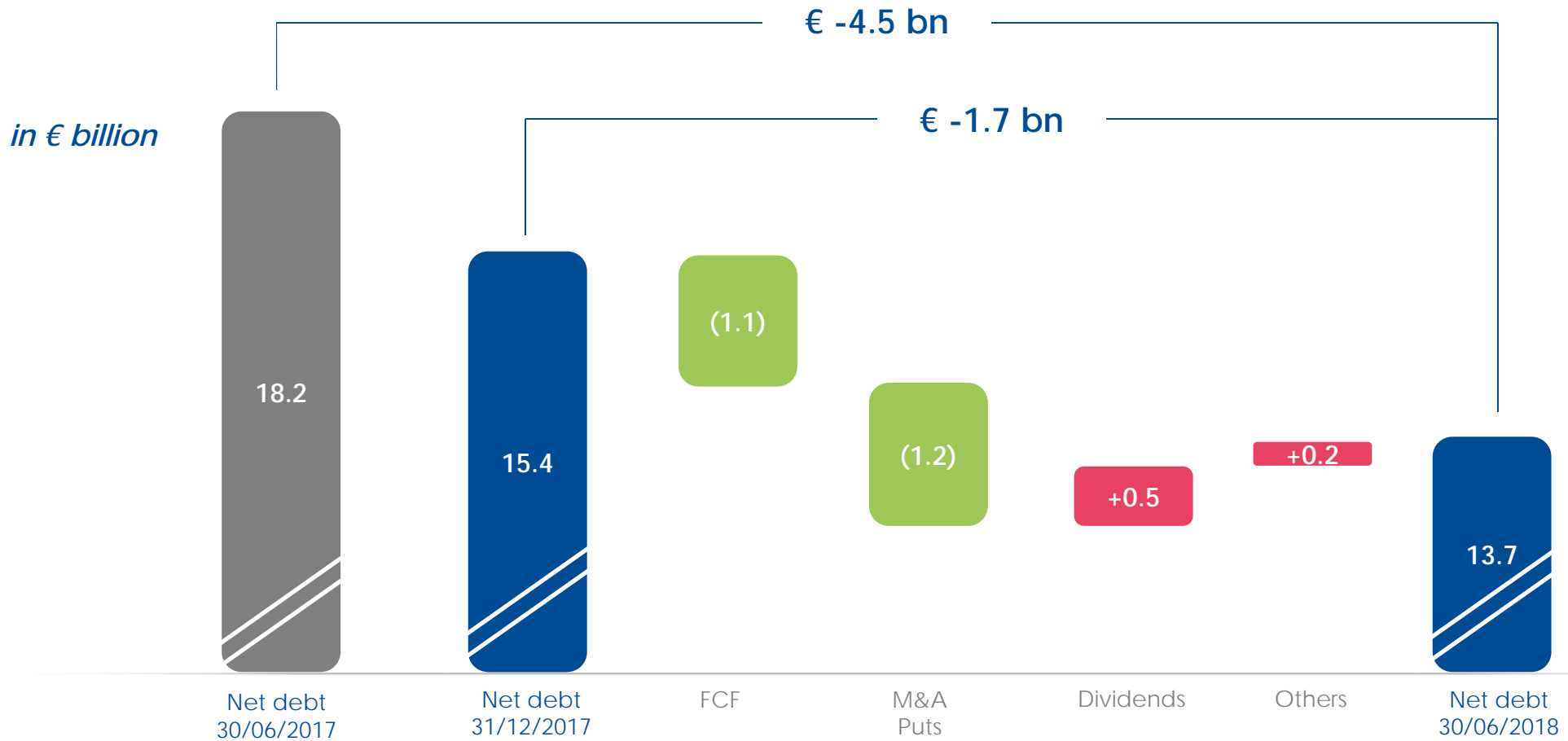


Capex / Net Sales (%)

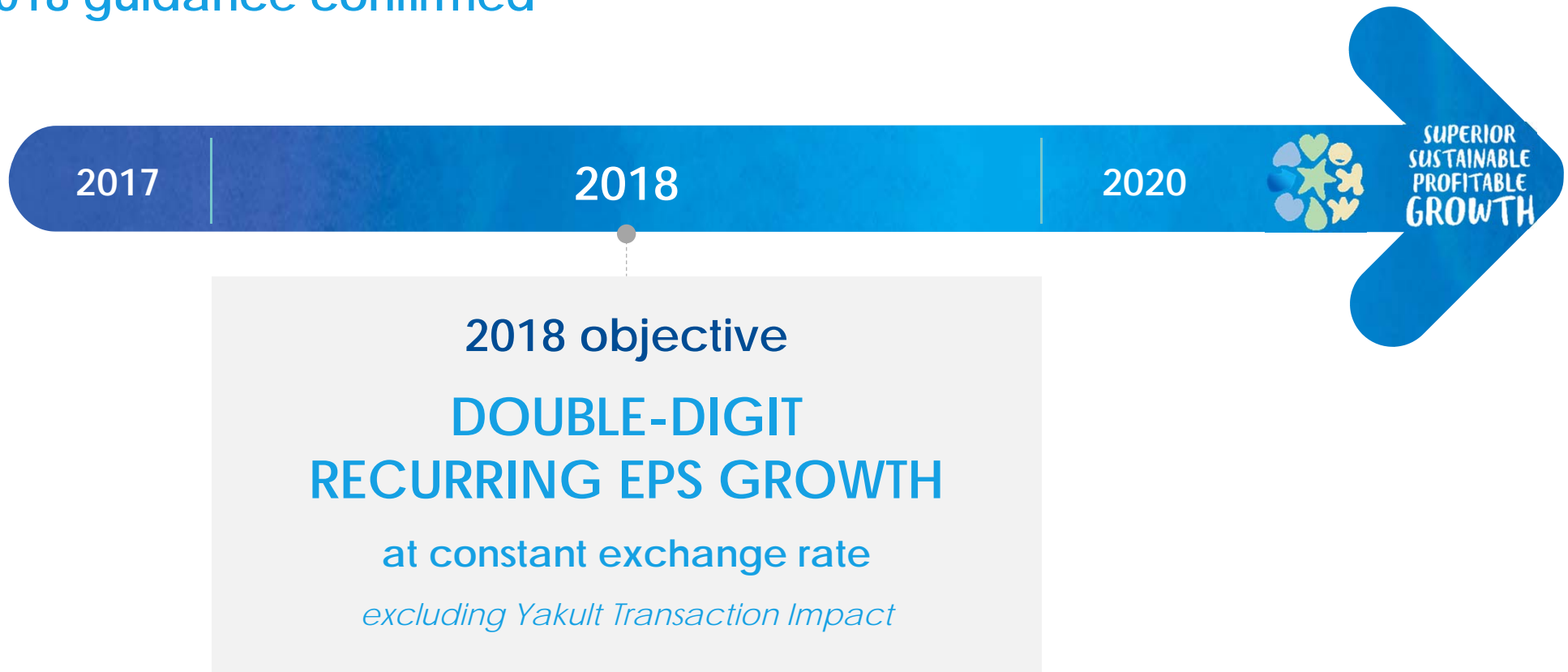


# Change in net debt

## Accelerated pace of deleverage



## FY2018 guidance confirmed



**Based on:**

- *Accelerated LFL sales growth vs. FY2017*
- *Recurring operating margin improvement LFL*

## Appendix

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## Q2 & H1 2018 impact of currencies & scope

Q2 2018	EDP International	EDP Noram	Specialized Nutrition	Waters	Total
Reported sales growth	(11.1%)	(6.1%)	+4.3%	(2.7%)	(4.4%)
Currency	(9.5)%	(7.6)%	(5.7)%	(7.0)%	(7.6)%
WhiteWave base effect	+0.4%	+5.9%	+0.0%	0.0%	+1.3%
Scope of consolidation	+0.4%	(5.8%)	(0.5)%	(0.5)%	(1.4)%
« Like-for-like New Danone » sales growth	(2.4)%	+1.4%	+10.6%	+4.8%	+3.3%

H1 2018	EDP International	EDP Noram	Specialized Nutrition	Waters	Total
Reported sales growth	(6.3)%	+23.8%	+5.6%	(3.6)%	+2.4%
Currency	(8.8)%	(10.5)%	(6.2)%	(7.6)%	(8.2)%
WhiteWave base effect	+3.1%	+39.5%	(0.5)%	(0.1)%	+8.0%
Scope of consolidation	+0.1%	(5.8)%	(0.2)%	(0.4)%	(1.4)%
« Like-for-like New Danone » sales growth	(0.8)%	+0.6%	+12.5%	+4.5%	+4.0%

## Changes in exchange rates

	% total H1 2018	H1 18 vs H1 17 (avg)	Q2 18 vs Q2 17 (avg)
US Dollar	19.8%	-10.5%	-9.0%
Chinese Renminbi	7.9%	-3.3%	-1.8%
Russian Ruble	6.6%	-12.7%	-12.3%
British Pound	5.3%	-2.2%	-2.2%
Indonesian Rupiah	4.9%	-13.5%	-12.2%
Mexican Peso	4.3%	-8.8%	-11.4%
Argentine Peso	3.2%	-34.5%	-33.2%
Brazilian Real	2.9%	-16.8%	-14.3%
Polish Zloty	2.5%	1.2%	-0.1%
Hong Kong Dollar	2.3%	-11.2	-9.5%
Turkish Lira	1.8%	-20.5%	-20.5%
Australian Dollar	1.8%	-8.5%	-6.4%
Moroccan Dirham	1.8%	-4.2%	-3.5%

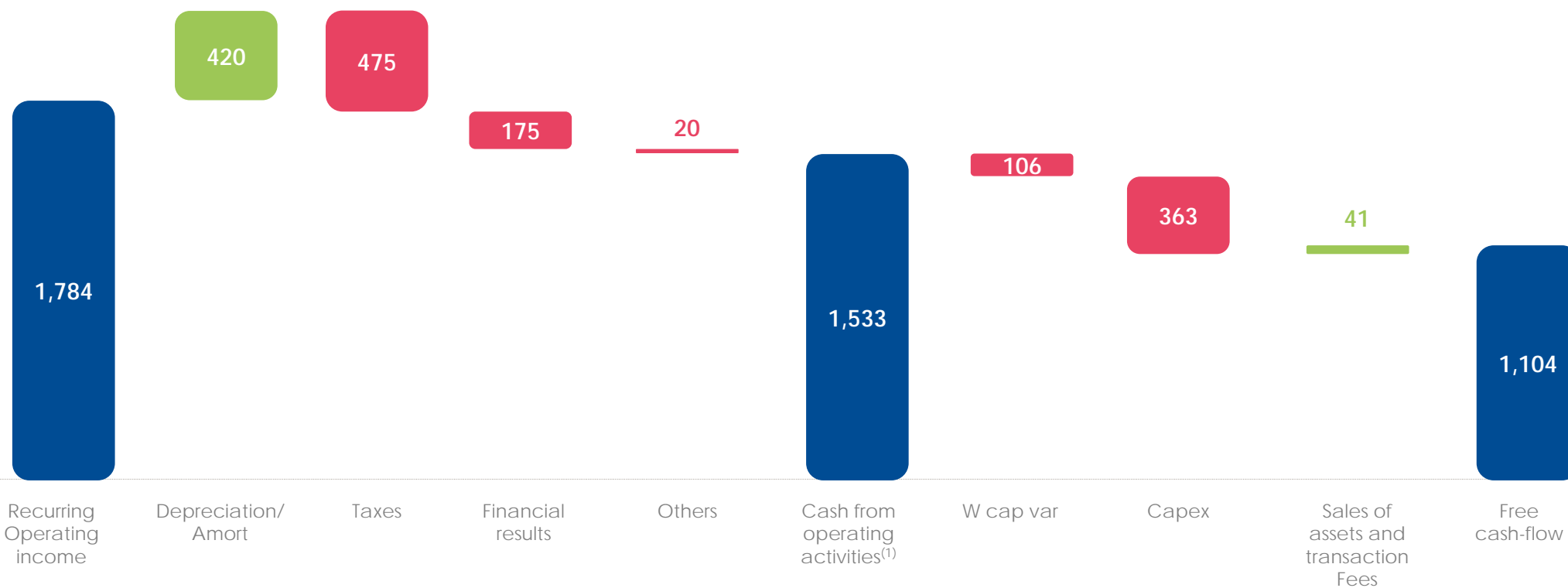
## Recurring operating margin by geographical area

	H1 2017	H1 2018	Like-for-like change <sup>(1)</sup>
EDP International	8.15%	8.44%	+26 bps
EDP Noram	11.69%	9.96%	-43 bps
Specialized Nutrition	24.32%	25.53%	+121 bps
Waters	12.15%	11.45%	-96 bps
Europe & Noram	15.31%	12.98%	-126 bps
Rest of the world	12.77%	15.80%	+260 bps
<b>Total</b>	<b>14.07%</b>	<b>14.27%</b>	<b>+51 bps</b>

(1) Like-for-like New Danone

# Cash bridge

in € million



(1) Excluding working capital variations

