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# EDITED TRANSCRIPT

## BN.PA - Full Year 2018 Danone SA Earnings Call

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**OVERVIEW:**

Co. reported 2018 sales growth of 2.9% and reported EPS of EUR3.63. Expects 2019 like-for-like sales growth to be around 3%.

## CORPORATE PARTICIPANTS

**Emmanuel Faber** Danone SA - Chairman & CEO

**Cécile Cabanis** Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

**Nadia Ben Salem-Nicolas** Danone SA - Head of IR and Financial Communication

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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Danone 2018 Full Year results. (Operator Instructions) I must advise you that this conference is being recorded today, Tuesday, the 19th of February 2019.

I'd now like to turn the conference over to your speaker today, Nadia Ben Salem-Nicolas Head of Investor Relations. Please go ahead.

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**Nadia Ben Salem-Nicolas** - Danone SA - Head of IR and Financial Communication

Good morning everyone. Welcome to Danone's 2018 Full Year Investor Call. This is Nadia Ben Salem-Nicolas speaking, Head of Danone's Investor Relations. I'm here in Paris with our Chairman and CEO, Emmanuel Faber; and our CFO, Cécile Cabanis. As usual, Emmanuel will start the presentation with the highlights of the year and hand it over to Cécile for the financial review. And we'll leave enough time to go through your questions in the second step. For the Q&A session, a kind reminder to keep your question to maximum of 2 to allow everyone a chance to feature. Before we start, I draw your attention to the disclaimer on Page 2 and the notes on financial restatements.

And with that, I think we can start.

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**Emmanuel Faber** - Danone SA - Chairman & CEO

Thank you, Nadia. Good morning, everyone. I'm sitting here with Cécile and the team. Happy to have you on board for this important call for us, update on our results '18, our guidance '19 and the road map further.

In a short few words before I enter the presentation, I'd just like to say that I'm particularly proud of the results that the teams at Danone have achieved this year, because it's really one of these years where we've been able to balance the delivery of our short-term commitments with the roadmap for our mid-term commitments and the preparation for the long-term future. Which, as you know, for Danone, is essential given the success that we want to have in fully participating in the huge transformation that's currently taking place in the food space. So it's been a year of both delivery and construction. And let me go through a few charts with you to illustrate that.

So maybe turning to Page 4. This is basically, as you know, the framework of the goals that we presented for 2030 for Danone back in the AGM last year, and which we rediscussed with a number of you during our Investor Day in London back in October. And it really stands about 3 main pillars, the business model, the brand model and the trust model, that are guiding our transformation.

If you turn to the next page, Page 5, a year of delivery for 2018. Our guidance was, as you know, double-digit recurring EPS growth at constant exchange rate, and we delivered nearly 13% on that metric. So well into our guidance metrics.

On Page 6, immediately looking at how much we've actually also been preparing the longer term, and you'll see the 3 columns again, the pillars of our models, the business, brand and trust models. On the business side, not only short-term delivery of significant and strong earnings per share growth, but also the road map to our becoming a B Corp, with 30% of net sales achieved and certified as a B Corp already last year. So pretty well ahead of our plan, actually.

On the brand side, huge transformation going on. And I think in the next couple of days, weeks, we will discuss about one of the big changes, which has been Activia, and I'll come back to that. 20% of our brands are now in their Manifesto journey, and they grow faster than others. But also happy to report that for the first time, we've been best-in-class in carbon reduction on the CDP climate ranking last year, and we expect to continue that.

On the trust model side, with the Food Revolution going on all over the place, diversity, inclusiveness, people-focus are critical. And on these aspects as well, last year has been a great year of progress for us.

If I turn to the next page, a couple of aspects I'd like to highlight about our growth last year was: first of all, it's been a very balanced sales growth and profitability development. You know the numbers: 2.9% for the full year; 50 bps plus in terms of recurring operating margin; and better numbers, if you would like to exclude the one-off effect of the Morocco boycott.

It's also been, on Page 8, an important year because all our reporting lines have contributed to this growth on a pretty broad base. I'm particularly happy with the nearly 6% growth of our Specialized Nutrition, in a context in which Cécile will, of course, go into much more detail later on, but of course, very happy about seeing our overall EDP business, both International and the U.S., coming back to growth and, as you know, with some interesting acceleration. And again, Cécile will come back to that on the back end of the year. And finally, the continued very solid growth of our Water business with another plus 5% last year.

All of that, on Page 9, is fuelled by the heavy focus that we are putting on higher-return categories. Organic has been a big push for us, again, last year. No news, but continued delivery with 8 of our flagship brands starting an organic business, an organic version.

This picture of Bledina in France, we are already the #2 organic brand in the baby food space in France, introducing another number of SKUs right now as we speak in organic.

Plant-based, 15% of our total EDP sales. And as you know, we have a plan that is going to treble that plant-based business by 2025 for us to EUR 5 billion. So it's a big investment. We continue to focus a lot on that after the Alpro and the WhiteWave acquisitions.

Probiotics, which is really a completely rejuvenated territory in terms of category now. From the past where we were pioneers 30 years ago, and now it's becoming an obvious way of dealing with a healthy diet for more and more people. We've innovated significantly to the tune where 1/3 of our probiotics sales are now coming from innovation, and that includes Activia in a very successful manner.

And finally, an important aspect when it comes to the long-term resilience of our business is reduced sugar, where we've made a 10% progress of coverage of our volumes versus where we want to be by 2020 in terms of lower sugar. And let me remind you that we're blessed with categories and products that are recognized by health authorities as being for 90% of the volume that we sell daily consumption authorizations and needs.

Page 10 is another cut into the innovation paradigm that we have accelerated last year with a number of, I think, important figures for the future. In London, for those of you who were with us, we said probably, we'd be with innovation for 2018 accounting for a bit more than 20%, 22%, maybe. We are coming from 16% from innovation by 2016. And actually, we've achieved 25% by the end of the year. So you can see this huge acceleration of innovation. That is also a factor of a much faster time to market. Nearly half the time to market of a number of important recent innovations from their predecessors and driving value, as we already discussed. If you think that food has no pricing power and it's a commoditized business, we don't think that's the case. And the revolution is what it says.

So if you embrace the revolution, you end up with, as we can see there, in Waters, with innovation driving 50% higher net sales per liter. And in EDP, which, again, is an area in which I know we had the proof of the burden, we're coming up with a number of 25% higher than net sales per kg on innovation.

Longer term, innovation is, on Page 11, the continued investments that we are making with our Danone Manifesto Ventures. A number of them we've discussed. I won't go into any detail here. But we're thrilled about the development of the, probably, dozen of investments that we've made since we started that venture about 3 years ago. They really prepare the future of our categories. They are inspiring for us.

As I already said, unlike many others' incubators, we are not running this completely separate and safe from the big Corporate. We intend to really make sure that we inoculate the virus of these young entrepreneurship companies and models into our core business, and this is really where I think it makes a big difference, and it will.

Another way to innovate, on Page 12, is on media. I won't expand much either, but be sure that we are taking a lot of opportunities that we see in the social media, the digital space, user-generated content to engage much more efficiently, much broader, much quicker with our audience and the tribes that are choosing our brands. And there are several examples of these in the U.S., in Indonesia, where Aqua was a partner to Asian Games; a very great lifestyle campaign on social media in Spain with El futuro es free, 60 million impressions; and in Russia, another great YouTube event that we organized last year.

Other innovations and changes in paradigms with route to markets and channels, nothing really new, but an update on the numbers. You know that we want to double our e-business to reach EUR 2 billion by 2020. This is next year. Last year, EUR 1 billion. Most of you know that number, EUR 1 billion sales. That's 40% progression versus 2017. And we've also highlighted on this chart that one of the secret behind the stabilization and the restoration of the growth of our EDP business in 2018 has been the push on impulse channels, and I should also probably add to this hard discounts. So 2/3 of our growth has come from there, and this is not by chance, obviously. And this is also thanks to the innovation that allowed us to bring the right products, packaging, formulations for the convenience that's needed to address these channels.

A couple of words, 3 charts specifically, on the very rightly so discussed EDP performance overall. One is on Page 14 to reassure you on why we continue, and we are more excited than ever about, the WhiteWave addition to our business. We are now back into a situation where 3/4 of WhiteWave's former businesses are above 5% growth already. The synergies are flowing in nicely and according to plan. And most of them, as you know, are on cost side at this point in time. But we have added on the photos here - no numbers, sorry for that yet - but a number of initiatives that illustrate how we are also creating value through volume synergies and revenue synergies by pushing into new moments of consumptions, creating new brands, like this Living Oats shot in the U.K. that we've launched; the fantastic growth that we have in Mexico for our Silk products there; the extension into coffee, where we continue to push and to see a lot of growth as well.

Page 15 is too-short a snapshot probably to a very long expected outcome, which is the stabilization and the position for growth now of our Essential Dairy and Plant-based in Europe. On the back of a number of successful innovations that have turned our products on the shelves faster and new shelves, but also a lot of work on local relevancy, execution and routes to markets and, as I said earlier, about new moments of consumption as well, this has led, as you can see on the right part of this Page 15, from the very negative full year '17 number, to a first half of last year that was already cut by half in terms of loss of sales, nearly flat in Q3 and positive in Q4.

That would not have been possible without Page 16 which is basically driving Activia back to growth. Through the disruption of this brand, I think we've shown that there is no fate for large brands as long as they accept with no fear to self-disrupt themselves. This is what we've essentially done after the failure of the big relaunch of '16, as you can see here in the center of this charts, Page 16, which led to the very deep drop in sales of Activia across '17 as we had announced back in December '16. And you've seen gradually how we drove Activia back to growth during the year '16 to the point where, in many ways, the brand has been rejuvenated in terms of its consumer base. Obviously, it's execution, organic, lactose-free, even going outside of dairy with some plant-based vegetable versions, still and always enjoying the 5 exclusive ferments and probiotics of Activia.

If I turn for 2 pages on the other side of why I think 2018 was a success for us and paved the road for the further success of our road map, as I said, it was a balanced year of growth and efficiency. I've been speaking a lot about growth, so let me spend maybe a more efficient and shorter time on efficiency.

Efficiencies have been delivered well into, and I would say, even beyond our objective last year, Page 17. For those of you with us in London, we were shooting for about EUR 200 million of Protein delivery in year 1. We've actually achieved a EUR 300 million delivery, which bodes well for the delivery of our EUR 1 billion next year, and Cécile will come back to them again. But it's, for us, it's a very new way of working. I think the speed and the depth at which and with which the Danone team have accepted to change the rules of the game and the way we work together with more collective discipline is a tribute to how the culture of the company is also adjusting to capture beyond our great cultural folklore, which I think makes this company absolutely unique. The ability to capture the right ideas when they make sense for us and apply playbooks that we probably would have tried to not apply a few years ago. And I think this is also part of the transformation and why I felt I wanted to spend a few minutes with you on that particular chart. Because it also talks about how Danone is changing.

And talking about changes. We shared with you this morning, on Page 18, a couple of adjustments that we are basically going through right now as we speak. One is that in terms of organization, we are going to move really our Specialized Nutrition business as one integrated, powerful, global category. The more we go, the more we see the potential of putting these 2 organizations together in a very careful way to make sure that we protect and actually gain on the revenue synergies that we can gain. When, for instance, our teams are addressing in ELN, Early Life Nutrition, they're addressing prevention of allergy with one brand talking to pediatricians, and another team come from medical nutrition with Neocate, which is a treatment of allergy milk formula. And that's another team that does that to the same pediatrician.

I'm obviously sharing with you the most obvious example. But we have a number of examples of how we could leverage better the expertise of our teams and the coverage of the market at a time where efficiency is obviously something extremely important, both for revenue and cost side.

So that's one thing that we are going to do this year. We've been preparing this for the last 18 months. There are already a few pilot countries in place that show the do's and don'ts of that transformation, and I am totally confident about the strengthening of our organization through this change.

In the middle of this chart, Page 18, we have finally another Danone change. A couple of years ago, we finally got the organization to agree that there would be one single grid of geographies, irrelevant of the categories in which you play. So the 4 divisions by then agreed that there would be 7 regions and 30 clusters of countries when we started One Danone in 2015 and installed the regions 2 years later.

Well, we are moving this one step further by delayering again our organization. As you know, we are obsessed, and I'm certainly obsessed, with the ability of our teams to make decisions as close as possible to the reality of where people live, eat and drink. And this is not in Paris for the rest of the world or Schiphol or Singapore and therefore, we want to make sure that our teams can make the right decisions locally. This is essential, and as you know, I shared that already in '16 when -- or exactly 2 years ago - when we announced the new organization for Activia in the same time as our full year 2016, we discontinued the global Activia team at that point in time and put it into the regions.

Well, this is taking the same logic beyond. We are essentially cutting the 7 regions and the 30 clusters and collapsing all of this into a more flat organization of 13 regions, under which some countries will be regions. But essentially, the objectives here is to clearly become the most localized of all the large Food and Beverage companies, because we believe this is how we can best serve the revolution that's happening all over the place and not stay as an old hierarchical pyramidal company, as we have all been traded a couple of decades ago.

On the right side of the chart, a word to speak about our business services, the One Danone organization that Cécile is running, and you've known that for already 4 years now. Well, taking advantage of the first 2 moves that I just mentioned, we are going to take this organization to its next level in the next 3 to 5 years, including on data and technology in order to fully take advantage of what technology can bring us in efficiency, in relevancy, in time to market and service, so that we continue to best serve the local markets and the 13 regions basically, as much as they did.

None of this is going to be a big restructuring charge somewhere. It's essentially meant to enable us to continue to work day by day, week by week towards our 2020 commitments and the further acceleration of our strong and profitable growth, as you know, beyond 2020.

Two last words for me, or 3. Just to turn to a very exciting page of the history of Danone on Page 19. We have started, as you know, a program that essentially also celebrating the 100-year anniversary of the company this year in 2019. Last year, we created the program called One Person, One Voice, One Share.

We are strong believers that people and the younger generation absolutely want to understand where, how and why they work. They want to have a voice. They want to have a share. And therefore, all our employees will be granted 1 share of Danone at the AGM of this year, but they've already expressed their voice through this global consultation that we run with them and which we, in turn, on Page 20, turn into a routine where basically, they will be debriefed about our strat plans. They will work on the priorities against the 9, integrated, 10-year goals that we have locally to enroot these goals locally and make sure we make sense locally and not only in the big UN meetings.

And that is the blue part of the routine that is on Page 20, where for 4 months, they will work and participate in building a bottom-up feedback to us to inform our strat plan every year. And on that chart again, you can see that they will have a direct interaction, as you heard me share already, with our Board once in October, once in April to make sure again that we have a fully embedded governance with an entrepreneurship spirit, a participation spirit in which people do not feel that they are obliged to do things,but they also do that because they really believe that they are part of the game.

And to finish and before handing out the next session to Cécile, let me simply say that all of what I just shared, the short, the mid, the longer term that we've prepared last year is giving us, giving me full confidence in the road map, including this very important road map that we have with you, by 2020, where we reiterate the commitment on this Page 21, that we've made to you that you can read on the page by yourself.

And with that, I'll turn over to Cécile.

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**Cécile Cabanis** - Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

Thank you, Emmanuel. Good morning, everyone. So let me go now through the details of the numbers. Starting on Page 23, as Emmanuel said, 2018 was another year of delivery. We delivered our guidance, and this achievement demonstrates again our ability to deliver on our commitments, which is based on a stronger and more agile business model with greater discipline and efficiency and despite, what I will share just now, a challenging backdrop, including unexpected events this year.

Moving to Page 24. Indeed, the external environment has not been favorable in 2018. We already shared that in H1. Some headwinds were expected at the beginning of the year. Some others were completely unpredictable. Inflation in commodity prices and COGS overall have been around 7% for the full year driven in particular by PET, which increased by more than 20%; and higher logistic costs in the U.S.

The consumer boycott in Morocco was an unfortunate event that started, as you know, end of April and severely impacted Centrale Danone, with a significant effect as well on our company performance, as you have seen around 70 bps in terms of growth and more than EUR 40 million EBIT of impact. Finally, we suffered from emerging market currencies that devaluated significantly this year against the euro and mainly the case, as you see on the chart, for the Argentinian peso.

Moving to Page 25. I will go quickly through it because Emmanuel commented on that. We can be proud to have delivered on all our strategic priorities in 2018. We accelerated growth, and as Emmanuel highlighted, we did that notably through plant-based acceleration; through innovation significant step-up; and also an acceleration of the shift in our channels.

Second, we delivered more than EUR 900 million of efficiencies, mainly thanks to the first year of delivery of savings of Protein, EUR 300 million; and the second year of synergies of WhiteWave, which is continuing exactly according to plan.

And finally, let me comment on capital allocation. We are exiting 2018 with a much stronger balance sheet than we exited 2017, ending the year with a level of net debt-to-EBITDA of 2.9x, ahead of our deleveraging plan. And this has been achieved through strict discipline in capital allocation and great delivery of free cash flow.

Moving now to the indicators. I will start on Page 27 with the Q4 sales growth bridge. So if you look at the bridge in Q4, like-for-like sales grew by plus 2.4%, driven by value with volumes that were continuously penalized by the situation in Morocco. If we consider the impact of the boycott of Morocco and we exclude it, volumes would have been positive, and the sales growth overall would have exceeded 3%, both for Q4 but also for the full year. The value growth was driven by both price increase and positive product mix. The currencies had a negative impact of 4.4%, mainly driven by what I commented on currency depreciation and especially the Argentinian peso.

If we go now through our different entities. First, if you look at the overall performance, it's important to note that both Waters and Specialized Nutrition have grown more than 5%, which makes 50% of our portfolio that is growing over 5%.

If I start with Waters on Page 28. The Water business accounted, as you know, for around 20% of Danone sales into 2018, delivered consistent mid-single-digit growth all along the year, landing at 5.3% growth on a full year basis and posting its 6th consecutive quarters at mid- to high single-digit growth.

As you recall, the margin was under pressure while remaining around 11%. It decreased by 82 bps into 2018, but it improved in H2 versus H1. The PET inflation was massive, and the team did a really great job to deliver both on its valorization strategy through accretive innovation and to register a record high level of productivity to limit the impact of input cost inflation and be able to improve margin in H2.

If we go through the Q4 numbers for Waters, I'm on Page 29, Q4 has been another quarter of strong growth at 5.6%, which is basically in line with the first 9 months of the year. In Europe, the growth was moderate, facing a high base of comparison, in particular in the U.K. where last year, we were very successful in the activation around Star Wars. This year, the evian campaign around the Mickey Mouse's 90th anniversary as well as another quarter of very strong growth for our local brands in both Nordics and Poland drove the performance in Europe.

North America: evian registered a very strong quarter with sales up more than 20%. That includes the first benefits of the new distribution agreement recently signed with Keurig Doctor Pepper.

In Asia, growth was mid-single-digit positive, mainly driven by Indonesia. Aqua, our local brand there, posted a strong quarter. In China, the Q4 performance was penalized by the consequence of the weak summer season that I described already in Q3. That said, our volume market share remains stable, and Mizone was broadly flat for the full year. And finally, Turkey is also doing very well. Latin America contributing to the growth of Waters in particular through valorization, while volumes in that region remained weak. For 2019, we expect the growth of Waters to be solid on the back of strong fundamentals.

Moving to Specialized Nutrition on Page 30: strong sales growth above 5%, as I was saying for 2018 for both Medical Nutrition and Early Life Nutrition. This was coupled with an exceptional improvement of margin, 139 basis points, landing close to 25% margin expansion that was triggered by positive mix, both from a product and a country perspective as well as huge efforts in delivering efficiencies, including the Protein savings.

Moving to the next page, Page 31. For the last quarter of the year, Specialized Nutrition posted positive growth at 1.1%, improving versus the Q3. Medical Nutrition registered high single-digit growth in Q4, leaving the year with a growth above 5%. All regions were growing, and China registered a strong double-digit growth mostly on the back of an excellent performance of allergy treatment products. And Europe continued to post a solid quarter.

Early Life Nutrition: the growth was slightly negative in the last quarter of the year, impacted by negative growth in China of around minus 10%, less negative than Q3. And I will come back on China in the next slide in more details. Outside China, so we're talking 70% of ELN portfolio, the growth was solid and broad-based. Europe saw a material acceleration in Q4 versus Q3 in most of the countries and in the U.K. in particular as we saw a progressive recovery with the Aptamil plan to restore brand preference. Elsewhere, the growth was high single digit, especially Africa and Middle East, and double digit in the U.S. where Happy Family, the leader in organic baby food, has become now the second largest player in total baby food category.

Moving on Page 32 and coming back to Early Life Nutrition, China. The results in Q4 have been, once more, the outcome of a mixed performance by channel. While the growth of our direct sales was more than 20%, indirect sales continued to decrease sharply. The mix generated a negative growth in China overall in Q4. But it's important to highlight that beyond the quarterly volatility, ELN sales in full year 2018 in China were high single-digit positive in terms of growth. And if we look at the performance since 2016, we grew 25% in CAGR. Despite the demographic slowdown, the IMF category has been very dynamic in 2018, supported especially by an increase in penetration, consumption per capita, notably on GUM. A strong premiumization effect keeps supporting also the industry. And also, as you've seen, the CBEC regulation has now been clarified and is effective since the beginning of the year, which will leave less question marks for the future.

If we look at 2018 for our business in China, we progressed on our strategic objective, which is around reducing our exposure to indirect sales, that represented in 2018 1/3 of total sales versus 2/3 from direct channels. We gained market share in the most dynamic direct channel, and in particular, mom-and-baby stores. And we almost tripled the sales of Aptamil Platinum, which is today, our biggest brand in the country.

Looking forward, we confirm the outlook that we have given in London at the investor seminar for China with an IMF category growing in the midterm 3% to 5%, continuously led by a trading-up with increased consumption and penetration which would offset the decrease in terms of number of birth. You'll recall that new babies were down 12% in 2018 versus 2017.

And for Danone, H1 2019 will remain negative due to the exceptional base of comparison as well as expected continuous shift in channel mix. We are confident to bring Early Life Nutrition in China back to positive growth in H2 on the back of further expansion in the ultra-premium and lower tier cities. The rhythm will also depend on speed of innovation registration. So overall, the results of Specialized Nutrition give us confidence in our ability to achieve our growth target of above 5% in 2020, while in 2019, the year will be unbalanced across semester, including a negative start of the year as a result of the growth profile of Early Life Nutrition in China in 2018.

Let me now move to EDP, and I think we can say that for EDP, 2018 was a very important step that I would qualify as the year of the growth turnaround. So starting with EDP Noram on Page 33. Growth for 2018 stood at 1.5%, with sequential improvement in the back half of the year. On a full year basis, operating margin improved by 25 basis points to 11.7% with a clear acceleration on the second half of the year by 90 basis points with good progresses on synergies, some targeted price increases in July to offset also the strong increase in transportation costs.

If we look at Q4 growth: in Q4, EDP Noram registered another solid quarter of sales growth, more than 3% if we exclude Fresh Food; plus 2.2% in total with positive volumes. Our segments overall outperformed the Food and Beverage category that is slowing down. And going through the segments in details, we have our Yogurt business in North America that posted a moderate growth in Q4 in a very highly competitive category in the U.S., especially in the Greek segment,while Canada grew solidly. We continued to leverage our positioning in dynamic yogurt segments: kids, probiotics and plant based. Activia posted high single-digit growth on the back of solid demand for probiotics. Plant-based yogurts, as you know, it's still small but growing very strongly at more than 30% for the quarter.

In Plant-based segment, sales growth was solid, continuing to be driven by the nut-based segment, while the soy category continues to decline. In this segment, our pipeline of innovation remains very strong, extending the range of plant-based ingredients. Vega keeps being under pressure, slowly recovering from the unsuccessful reformulation of Vega One Organic.

Coffee creamers continued to deliver strong growth in Q4, fueled by a large and growing coffee consumption in the U.S. In particular, our ready-to-drink coffee under the SToK brand is a key contributor to growth, continuously gaining market share.

Premium Dairy posted positive growth in Q4 for the first time since WhiteWave closing, which is driven by increasing volumes and gains in market share in an improved category trend. This positive evolution is driven by the success of what we described all along the year on the valorization strategy on value-added offers, like the grass-fed milk and single-serve drinks that are dedicated to kids. As part of our margin enhancement initiatives, we will start to discontinue some non-core, loss-making SKUs in Q1, which will represent a small portion of this business.

Finally, Fresh Foods sales were down, impacted by a one-off FDA alert because of a risk of E-coli on the category of romaine salad for which the sales were stopped in the U.S. for 1 week.

Moving to EDP International. The acceleration of EDP International across the year has been very strong, exiting it at more than 4% growth, excluding Morocco. Despite the impact of Morocco, the operating margin improved by 29 basis points, 9.1%, thanks to value-added innovations, good delivery of Protein savings. Excluding Morocco, like-for-like margin improved by 60 basis points.

Moving to the Q4 growth. So the reporting entity posted 2% growth in Q4 and 4.5%, excluding Morocco, exceeding expectations. As explained by Emmanuel earlier, we can proudly say that today, Europe has stabilized, both in volume and in value, which is confirming the consistent progress since the beginning of 2017, driven by improved execution, local relevancy and value-added innovation.

Activia is roughly flat in Europe. And Danone brand is consistently posting positive growth since Q2, supported also by a strong innovation pipeline. Alpro continues to grow very fast at more than 10% in Q4. The geographical expansion is successful, with notably very good results in Spain where Alpro is now the branded leader in plant-based with 80% plant-based yogurt volumes being incremental for Danone.

CIS posted another quarter of strong growth, closing the year at mid-single digit. Latin America posted strong growth in Q4. If we go through the region, Mexico registered high single-digit sales growth, the highest in several years, driven notably by drinkable and single-serve innovations, but also by plant-based product acceleration under the brand, Silk. Brazil was back to growth this quarter and is regaining market shares thanks to a big a revamp in the distribution network and the product offering. In Argentina, price increases offset the impact of the inflationary environment and the negative volumes.

In Morocco, the sales trend in Q4 was in line with the previous quarter, down approximately 35% year-on-year. We are, however, slowly recovering market share compared to the bottom level we reached in June. The introduction of affordable products is starting to build, and the mix is positively driven also by Fresh Dairy products.

The boycott in the country will keep impacting EDP International top and bottom line in the first part of 2019 until the boycott is lapped by next April 20. So if we look at 2019 for EDP, you know that first we will combine the 2 EDP in a single reporting entity. We will remove Argentina from our like-for-like growth definition. So if we take this new combined EDP, excluding Argentina, it would have posted a growth of 1.5% positive in Q4 2018.

For 2019, we expect further acceleration of EDP. And knowing that the Moroccan boycott will be lapped in April, we assume H1 to be roughly in line with Q4 2018 and then an acceleration throughout the year.

Moving to the margin,going through the margin bridge on Page 38. So as we said, we have a strong like-for-like margin improvement, 51 basis points; 58 basis points if we exclude the impact of the boycott in Morocco. The reporting margin for the full year stood at 14.45%. And if we go from left to right, the performance is a combination of negative 28 basis points impact as a result of the dilution driven by the base effect from the integration of WhiteWave; scope effect that was slightly positive 6 bps resulting from the divestiture of Stonyfield; the currencies, that had a negative impact, minus 10 bps, and this includes minus 9 bps effect from the application of the new norm IAS 29, hyperinflation accounting standard for Argentina.

If we turn now to the underlying performance and driver of the like-for-like margin expansion, the 51 basis point improvement is the result of negative evolution of our margin from operations, 72 basis points, which is the combination of more than EUR 1 billion of costs linked to inflation of raw material, manufacturing and logistics costs. Significant external volatility and inflation has been mitigated through, what we said already, clear delivery in terms of portfolio valorization through innovation and mix and some targeted price increases and record high efficiency.

Moving to sales and marketing expenses. The impact on margin was positive, 79 basis points. It's the result of the over-delivery of Protein savings and also WhiteWave synergies as well as a strict discipline in investments that are focused on high-return campaign, including an increase in A&P spending in several countries, in ELN China, EDP Russia, evian in the U.S. and some others. We finally had 45 basis points favorable impact from overheads and others. That is here as well coming from efficiencies and the second year of synergies from WhiteWave as well as continuous adaptation of the organization in a number of countries. Overall, we are happy to report another year of margin improvement, the fourth in a row and in a tough backdrop including unexpected headwinds.

One more word on efficiency on Page 39. In 2018, we delivered over EUR 900 million of efficiencies, which exceeds our expectations. Protein was ahead of plan with EUR 300 million savings achieved. This, together with our usual productivity initiative and second year synergies from WhiteWave will continue, of course, to be a key lever in achieving our 16% target margin for 2020.

Going now, Page 41, on the EPS bridge. Recurring EPS closed at EUR 3.56, increasing by 12.8% on our guidance perimeter, 2.2% on a reported basis. If we go through the bridge, from left to right, the main elements are the impact of the disposal of part of our stake in Yakult, minus 1.5%; the impact of the consolidation of WhiteWave in the first quarter plus 1%; our operational performance, which is both the combination of our like-for-like sales growth and our recurring margin improvement that contributed for 6.7%. Our financial cost contributed positively. That slightly decreased versus last year as a result of the early redemption of senior notes on WhiteWave balance sheet last year. Tax and affiliates contributed 4.3%, thanks in particular to our underlying tax rate that decreased from 30% to 28%. This is the result of both the tax reform in the U.S. and an improvement overall in the geographical mix of our taxable income.

The reported EPS also includes a very minor negative scope impact, minus 0.3%. Currencies had an important negative effect of minus 9.2% since, as we said, euro appreciated against all main currencies, and this also includes a 2% impact linked to the application of the IAS 29 accounting standard for Argentina.

Moving to Page 42. Even if there is no new news versus H1, important to look at the reported EPS that landed at EUR 3.63. The main non-recurring events included were already disclosed in H1 publication, it's namely the impairment of part of the goodwill of the Centrale Danone brand in Morocco for EUR 662 million. And on the other hand, a capital gain registered as an outcome of the partial divestiture of our stake in Yakult for around EUR 700 million. It also includes some costs that are linked to the integration of WhiteWave and the adaptation of our organization, namely in some countries in EDP International.

Moving to free cash flow, Page 44. Again, Danone's ability to generate strong free cash flow is confirmed by the fourth consecutive year in which we registered free cash flow improvement. Again, a challenging base of comparison, because in 2017 the free cash flow included some exceptional reimbursements: Fonterra and the insurance for the Cuijk factory.

So today, the free cash flow is reaching 9% of net sales. We've been able to improve the working capital after the negative impact of WhiteWave integration last year and the progress came mainly from EDP Noram, and we continue to be focused on improving this level. In terms of CapEx on net sales, we were in the same order of magnitude than 2017, 3.8% of sales.

Moving to Page 45, change of net debt. So the very strong cash flow conversion coupled with the proceeds of the divestiture of part of our stake in Yakult has allowed further acceleration in our objective of deleveraging the company after the acquisition of WhiteWave. As you can see on the bottom part of the chart, today the balance sheet is significantly stronger. We have a net debt-to-EBITDA ratio of 2.9x, and this is really the proof that we've been very disciplined and rigorous in terms of capital allocation.

It's important to keep also in mind that our deleverage objective also includes maintaining a strong investment grade with our credit rating agencies. And from 2019, there will be the application of IFRS 16, where we will include operating lease into our net debt, and this is going to mechanically increase the overall debt.

But we can say that we are very happy and proud of the work done around the quick deleverage which is allowing us to, next page, propose to the next AGM dividend to be paid in cash, EUR 1.94 dividend per share, up 2% versus last year, in line with the progression of the EPS and confirming 10-year trend of continuous increase.

I take the opportunity on Page 47 to remind everyone of our capital allocation priorities, which are unchanged. We continue to be focused on deleveraging the company, including strengthening the balance sheet through FCF improvement, an active portfolio management and M&A will continue to be focused on accelerating our Danone Manifesto Ventures deployment and targeted bolt-on acquisitions. We will also step up in terms of our CapEx, we've been for several year at the bottom part of the range that we gave you between 4% to 5%. We will move to the high end of the range to support our plant-based strong acceleration plan in particular, and, of course, continue to remunerate our shareholders through dividend.

To close on 2018, I felt important to stop on Page 48 because it's not only that 2018 has been a year of delivery, but if we step back to our performance and we look at it since 2014, we have regularly and progressively year-after-year improved on all parameters. We've been able to deliver year-after-year while continuing to transform the model to make it both more agile and local but also more efficient and stronger in ensuring consistent and sustainable delivery. So I thought it was important to show that.

Then let's go to 2019, starting with the context. Overall, in terms of raw materials, the indicators shows that milk price will be up single digit this year and it was already the case for SMP in January. The oil price has been quite volatile. All in all, we expect raw & packs material to be up mid-to high single digit this year. When we think about Early Life Nutrition in China in 2019, we need to keep in mind that the growth will be unbalanced between semester as a consequence of 2018 growth profile. The boycott of Centrale Danone in Morocco, as I said, will be lapped at the end of April, easing significantly the base of comparison thereafter. And finally, regarding Brexit, it's still too soon to comment and guide precisely on a potential impact as long as the final deal and time line won't be clarified.

That being said, we are very confident that we can continue to face this volatile environment, continue to strengthen our business model and deliver against our strategic priorities, again, in 2019. We will be very focused on gross margin improvement through both topline value growth acceleration, continuing to unlock efficiencies in the way we operate and adapting the organization. We expect restructuring costs to be in the magnitude of what we had in 2018. And lastly, of course, allocate our resources with strict discipline and managing very actively our overall portfolio.

So when we say that, agility and discipline will continue to be key to safely and successfully deliver, especially towards our 2020 objective. As I mentioned, 2019 won't be a linear year. We expect to have a low start to the year in the first half and in particular in the first quarter, including less trading days due to Easter phasing this year versus last year and a much stronger second half, growing in Q4 consistently with our 2020 topline objective.

Accordingly, we will continue to increase our recurring operating margin. It will accelerate in H2 to ensure that we progress towards our 2020 commitments.

So if we move to Page 51, you remember that a few years ago, we decided to guide on EPS to make sure that we had the right flexibility to manage growth and efficiency for sustainable delivery. And we committed to delivering consistent EPS growth year-after-year. For 2019 and in order to help you understand better our path towards 2020 commitments, we have decided to guide more precisely on growth and margin. So for 2019, our guidance will be the following: Around 3% like-for-like sales growth which will be accelerating versus a base of 2.6% in full year 2018, excluding Argentina, and at least 15% of recurring operating margin.

2019 will be another key step towards both our 2020 commitments and our 2030 goals. We are confident that we are taking the right steps to strengthen our operating model.

To wrap up, I would say that we are overall very happy and proud of the results with another year of delivery as we continue to transform our model to make it more local, more agile, and more efficient at a pace that will ensure sustainable value creation and progress towards our long-term goals.

With that, I'm finished, and I hand it over to you for the questions where Emmanuel and I will be happy to answer.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Our first question comes from the line of Eileen Khoo from Morgan Stanley.

**Eileen Khoo** - Morgan Stanley, Research Division - Equity Analyst

2 questions from me. The first one is on margins. I wonder if you could give us some more color on the degree of reinvestments of your cost savings in 2018 and how does it compare versus your guidance which was, I think, 70% reinvestment, at least for the Protein side of things. And what would you expect the level of reinvestment to be going forward? And then what gives you the confidence in being able to achieve the above 16% margin

by next year, which implies more than 100 bps improvement next year? That's the first question on margins. Secondly, on EDP International, congratulations on a strong performance, particularly achieving stability in Europe. Given that in 4Q you are already above your 3% to 4% mid-term guidance for that business, can you give us some color on how sustainable that 4.5% run rate is once Morocco is in the base? And also some color on where you are in terms of your geographic expansion plan for Alpro? And then in terms of the rates of new innovations this year, whether we should expect that to be at the same level as last year.

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**Cécile Cabanis** - Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

Okay. I will answer on your question regarding margin and reinvestment. The first thing we can say is that by accelerating innovation by 25%, we've been reinvesting significantly in our product and innovation acceleration, which I think has proven to deliver an acceleration in terms of growth. So that's the first thing. The second thing, as I mentioned, we've been reinvesting, being very disciplined in order to make sure that we were reinvesting behind growth and high-return campaign in terms of A&P, and we've been advancing quite significantly in our precision marketing rollout. Overall, as you know, we had some unexpected headwinds. So the fact that were able to deliver more than Protein savings has enabled us both to mitigate this extra headwinds and continue to reinvest. Now when we talk about our path towards 2020 and the 16%, I think everything we've been able to deliver both in terms of value growth, acceleration and efficiency is boding well for our ability to continue to accelerate and strengthen our model. We will continue, of course, to maximize our efficiency. Remember that, by 2020, Protein savings is a target of EUR 1 billion in total. We continue to have synergies of WhiteWave that will come also for next year until 2020. And, overall, our usual productivity that will continue to maximize. Then around gross margin, it's also about everything we do in terms of growth and value growth, as I said, innovation has been accretive: in Aquadrinks we've been having innovation that are 50% more priced than the usual range. We are also working on targeted price increase and improving our overall mix, optimizing also our trade terms. So there are initiatives. And, finally, a very strict portfolio review and management will also contribute to fulfill our commitment on our 16% objective of margin for 2020.

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**Emmanuel Faber** - Danone SA - Chairman & CEO

I take the question on EDP. Thanks for the question. Where I think we are is that we see the growth today of EDP also International, also a function of very strong performance in countries like Russia, CIS, but also Latin America, Mexico, Brazil that has improved significantly. And therefore, it means that these engines are already working very efficiently, and we don't expect them to accelerate. So of course, there is a Moroccan effect that we'll support in the second half of the year in terms of growth for EDP International, but really, what needs to continue to be happening and confirmed is beyond the stabilization, the growth of Europe. So in a way, most of the first half of this year for EDP International in terms of what needs to be executed properly is the continued, gradual reacceleration of Europe, in which we are very confident. But it's only 1 quarter that we have been positive, and we need to repeat that every quarter this year. And as Cécile said, it's going to start with a slower start because of trading days and a number of other factors in Europe on that front. So that's for EDP International. Overall, the acceleration is a good one as well in EDP Noram. Cécile commented on all topics. We continue to see plant-based significantly above the average of food and beverage in the U.S, several points of growth higher than this, 5% to 6% growth in Q4 for the category compared to 1% to 2% only for the total food and beverage in the U.S. And so we see that traction. The same happens with coffee creamers. Premium Dairy, as Cécile said, has been recovering but that's only 1 quarter. So we also need to confirm the solidity of these numbers with volume and pricing. So there's still a lot of work to be done, but we are very confident indeed that the Q4 number, the acceleration of the back end of the year is a great milestone to the equation that we want to be at for next year.

When it comes to Alpro, the acceleration of Alpro and geographical expansion, 2018 has really been about the 4 main markets of Alpro plus a couple of markets like France and Spain where we have been extremely successful. In Spain, Cécile mentioned the numbers. In France, we are already the second, and we are growing 50% of the category and in plant-based yogurt, we're talking about a category growing 30% in France, so we are very pleased about the innovation and the push there. We have, as I said, also Mexico. And now, we are going to work more on Latin American countries in '19. But as well as Russia, which has long-term great potential from a low base today. And redesigning some categories, including for instance in Japan where the category has been a very traditional one and we believe it can be revived. So Japan is going to be another test for us to continue the Alpro expansion this year. Your question on innovation. Mechanically, you will probably see some more. But this is not an objective that we have. I really believe that with 25%, a quarter of our total sales in a space like food, what we need is now innovation that stick and actually, even before sticking, we need them to hit the road. And therefore, being on the shelf available for consumers. So I think this was a huge step forward to bring the company to where it is today. From an innovation mindset standpoint, we now need to continue to adjust all our organization and supply chain to make sure that this innovation reaches its full potential. So in a way there will be probably less inventions and more rollout and execution in 2019 of most of the great stuff that you've seen in our presentations and hopefully in some other shelves that you have visited.

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**Operator**

Your next question comes from the line of Alain Oberhuber from MainFirst.

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**Alain-Sebastian Oberhuber** - MainFirst Bank AG, Research Division - Head of Equity Research Switzerland & MD

Alain Oberhuber, MainFirst. 2 questions from my side. Could you talk a little bit more about the Waters business here particularly in Mizone? What was challenging last year and what we could expect for the next couple of quarters in Mizone per se? And the second question is obviously congratulations for the very strong growth rate with WhiteWave brands. Could you also talk about the other 25%, where we currently stand there, which are not growing at the moment?

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**Emmanuel Faber** - Danone SA - Chairman & CEO

Sure. So I'll take that. Mizone, I think we explained last year that we were not pleased with the way the season worked. We had a good preloading perspective but the season wasn't as successful as we and our distributors anticipated. It wasn't bad, but it wasn't good. Market shares were sort of holding in a category that continues to transform, to switch. We did not expect to have the breakthrough for the innovation of the future. So essentially, we've been navigating that transition without an ambition to be able to provide the future formula for success, for another big success. The back end of the year, including in a situation where a lot of innovations have actually come to the market, beyond our own brands, of course has led distributors to reduce their inventories significantly. And therefore, this is hitting the December and fourth quarter performance of Mizone, which, as you know, in any case, is a very seasonal business. So it's not a big part of the year, but it's an indication of the fact that it's been a good year, but certainly not the year that's really building the future yet for Mizone in China. When it comes to the next couple of quarters, my easy answer would be to not expect much impact from Mizone on the total company. As you know, especially the first quarter is a very low quarter. This is where the sales conference happens in China with all the distributors and the beverage companies, et cetera. There would be loading in Q2, and this is what we will monitor carefully this year again, make sure that we have the right amount of products in the pipe, but not too many. And we'll see for the next season, really. We're coming up with a few interesting changes and some of the potential future recipes for success, but not all of them, so we do not expect any spectacular year for Mizone this year again. It would be another, I would say, positive year of transition, but not a huge contribution, or a significant contribution of Mizone to the overall strong profitable growth of Water for the year.

To your question on WhiteWave, the other 25%. Well, if you look at the full year, one is Premium Dairy, on which we are, as I just said, we are now in a situation where we feel that volumes of supply and demand are gradually becoming better. We have started to diversify the portfolio with innovations like grass-fed that have allowed us to get traction with a valorized option, basically under the Horizon and other brands, actually, with the grass-fed option that has been rolled out gradually last year. And that's one of the reason for the reacceleration. And --commenting or building on Cécile's comment on our portfolio management and strict discipline on our resource allocation, we are also going to consider probably pruning a bit of the SKUs and the brands that you were using, which are encompassing premium organic dairy milk in the U.S. in order to make sure that we really focus on the higher growth and potential opportunities that we have. So that's one. Another one is Vega, where we had stellar performance, literally since the brand was created and acquired by WhiteWave and then by us through WhiteWave. They went through a formulation, an organic, that was not a consumer success, basically. So we had to very quickly unwind that back to the previous formula. That's what happened in last summer basically. But the result is that the brand hasn't recovered yet. Its potential isn't touched, but we are managing that transition. In a way, it's a little bit what happened with Silk 2.5 years ago when there was a pretty poor execution before we acquired the company in terms of rebranding and relooking of the brand which we turned back very quickly thereafter. And therefore, we expect Vega to go through a transition year this year, in 2019. Again still very excited about what this brand is and its potential for expansion beyond the U.S. actually. The last bit is one that you know well, that's Earthbound Farms, which Cécile has commented. The company is the leader in the organic salad business in the U.S. It's a very specific market in which in particular this year, the company's made good operational progress on its efficiency, still loss-making, still not growing, and in particular, had been hit by this E- coli outbreak in the category that did not directly, or did not actually concern our products, but hit the whole category with some inability to supply for at least 1 week that didn't go without consequences overall. So this is a specific situation. As you know,





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this is not a company that's integrated as part of the WhiteWave or the Danone North America Business now, which we manage separately because it's got separate dynamics and it's obviously a matter of intense strategic scrutiny by us on this. And so that's basically the topics that we still need to resolve out of the 25% of the business that's not growing beyond 5% at WhiteWave at the moment.

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**Operator**

Our next question comes from the line of David Hayes from Societe Generale.

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**David Hayes** - Societe Generale Cross Asset Research - Equity Analyst

So a question on the sales growth outlook, you're talking about circa around 3% growth in 2019, which obviously includes a bit of bounce back on Morocco. I'm just trying to understand really that comes in at, let's say, 3%, you're looking and growing that to over 4% for the target for 2020? I guess a broad question: in terms of -- what really sets up between those 2 years to take you from this circa 3% in 2019 to over 4% in 2020? I guess, when it relates to least Morocco, can you just give us the last couple of months run rates of sales decline, and obviously it was running at 35%, 40% decline. I just wonder whether you can give us a bit more context in terms of how much that's improved? And then the second area of question is on China infant formula. Obviously, we've got these new rules now on the cross border market. So it just kind of feels like you can still sell as call it gray market product from Europe and other countries into China. But can you just be specific again about what you're understanding is about the regulatory change in terms of what it does to your business coming out of Europe and what you're seeing in terms of stocking or restocking over the last couple of months or so?

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**Cécile Cabanis** - Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

I take the first one on the overall growth. To understand it, you really have to step back on the path that wouldn't be linear in 2019. So overall, we are guiding for the full year like-for-like sales growth around 3%, but with an unbalanced profile. And I said that the exit growth rate of the year should be compatible and in line with our 2020 growth objective. If we go entity by entity, overall, I mentioned Waters will be solid next year, throughout the year. In terms of EDP, we said that the start of the year will be low on both grounds that indeed the Morocco boycott won't be lapped until the end of April and also we have some less trading days overall in Q1, due to the Easter phasing. And then EDP will accelerate for the rest of the year in a consistent manner. And on Specialized Nutrition, impacted by the growth profile of Early Life Nutrition in China for the past years we will have here as well an unbalanced profile where we will have a start of the year that will be negative and a second part of the year that will rebound. Overall, we assume that Early Life Nutrition growth in China will be around flat for the full year. So this is a 3% guidance in terms of like-for-like sales growth for the year, but it is with an acceleration pattern that will be built throughout the year.

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**Emmanuel Faber** - Danone SA - Chairman & CEO

David, your question on China: essentially, the confirmation of the new regulation is protecting us from the hard landing of China scenario that at some time we discussed, saying that it was not in our assumptions. And, without commenting on the current trading, we believe that there will be a continued opportunity for CBEC imports in China of non-China labeled formulas as we are mostly focused on when it comes to indirect. So that will be an element of continuity in our business model, which is significantly more, I would say, secure now than it was probably a year ago in terms of, again, regulation. Having said that, this is China, and the government might again change their mind. But at least, that's the position in which they have clarified it. And I think they gave visibility in order for that channel to continue to work properly. So that's where the situation is right now.

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**David Hayes** - Societe Generale Cross Asset Research - Equity Analyst

Okay. And just on Morocco specifically, just about the first question, for the last couple of months or maybe the end of last year versus the -40%, you talked about market share improving, I was wondering if you can quantify a little bit the exit rates.

**Cécile Cabanis** - Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

Yes, the exit rate of last year was minus 35%, in line with Q3. And for next year, we expect that after the lapping it will grow double digit.

**Operator**

Your final question comes from the line of Jon Cox from Kepler.

**Jon Cox** - Kepler Cheuvreux, Research Division - Head of Swiss Equities and Head of European Consumer Equities

Congrats on the top line, particularly in the Dairy business. I wonder if you could just talk a little bit about the margin where you came in slightly lower than expectations. Just on the gross margin you were talking about. Can you give us an indication of what the gross margin -- what actually happened to gross margin? Because I think raw material costs particularly maybe in that Water business had an impact and maybe also Dairy? And if you could give us a bit more granularity on that. Second question, just on EPS. You, obviously, didn't want to give any guidance. But just wondering if you're more or less comfortable with consensus at the moment which is sort of mid- high single-digit growth in EPS for the year. Because if we go add up everything you said, it's probably where we're more or less going to end up.

**Cécile Cabanis** - Danone SA - Executive Vice President, Chief Financial Officer, IS/IT, Cycles & Procurement

Thank you, Jon. So first of all, on the margin, I don't think we came low versus expectations. First, we gave our guidance on EPS. Second, if you look at it when we were building the overall performance IAS 29 was not part of the story. And there is a 9-basis points of margin impact from IAS 29. So overall, if you remove that, you're closer to the 14.60%. But in any case, this is not what really matters. What really matters is that despite significant headwinds both in terms of inflation and the Moroccan boycott impact, we've been able to make significant progress in continuing to improve our overall margin in terms of basis points and progress. And it came also through a record high productivity and efficiency. So this is not by chance, and this is really showing that we are able to continue to improve our business model despite significant headwinds. So the gross margin overall is really the result of both the headwinds, and as I said, inflation was there, but we were hit by a stronger inflation both in terms of PET and logistics costs in the U.S. And we commented that in H1, so there is no new news. And we've been able to mitigate that through our different levers. So overall, we are not today in a position to say that we are lower than expectations. We've been progressing well. We have all delivered what it takes in order to continue to improve safely towards our 2020 margin objective. And on EPS, so this year, I'm not guiding on EPS so you want an EPS guidance, which is fair. EPS will be the consequence of the delivery of the model, and we continue to commit to have a consistent EPS growth year-after-year. Maybe on the more technical items on the EPS, we expect, in terms of tax, to continue to be in the range of 28% to 29%. The associates would be roughly in line with 2018. Overall, the minorities will increase, given the great performance of Aqua in Indonesia. There will be no scrip dividends as you have heard. And overall, in terms of ForEx, there will be a minor impact subject to the IAS second year impact of Argentina. So this is what I can tell you so that you can compute your numbers for your model.

**Nadia Ben Salem-Nicolas** - Danone SA - Head of IR and Financial Communication

Thank you, Jon. Thank you, Emmanuel, Thank you, Cécile. This closes this call. It's going to be a long day. Thanks a lot for your attention, and I'm available with the team here to follow-up for rest of the day. Thank you very much.