

Rating object	Rating information	
<p>Long-Term Local Currency Senior Unsecured Issues</p> <p>Type of issues: Long-term local currency senior unsecured issues Home Market: Euronext Paris Issuer: Danone S.A. Guarantor: --</p>	<p>Corporate Issuer Rating: BBB+ / stable</p> <p>LT Senior Unsecured Issues, LC: BBB+</p> <p>Rating Date: 28 September 2018 Monitoring until: withdrawal of the rating Publication Date: 8 October 2018 Rating methodology: CRA „Corporate Issue Ratings“ Rating history: www.creditreform-rating.de</p>	<p>Type: Initial rating Unsolicited</p> <p>Other: n.r.</p>

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Transaction summary

Object of this rating are the long-term (“LT”) local currency (“LC”) senior unsecured issues (“Notes”) issued by Danone S.A. (“Danone”). The Notes have been issued within the framework of a Euro Medium Term Note Programme (“EMTN Programme”), of which the latest base prospectus is dated 20 October 2017 (and its supplements). The Notes are unsecured and are issued in series from time to time with different interest payments and maturities. The issues proceeds are used to finance general corporate purposes of the issuer, unless otherwise specified in the final terms of each Note.

The rating of BBB+ represents a highly satisfactory level of credit quality with a low to medium investment risk.

In accordance with CRA methods, this unsolicited corporate issue rating is derived from Danone S.A.’s unsolicited corporate issuer rating, which was first prepared on 29 March 2017 (initial rating). Information about the current unsolicited corporate issuer rating of Danone S.A. and its rating report are available on the website of Creditreform Rating AG.

Issue rating details

Issuer

The French *société anonyme* Danone – hereafter referred to as the company, the Group or Danone –, located in Paris, France, was born from the merger of BSN und Gervais Danone in 1973. After having commercialized several types of food products, the company is nowadays specialized in the production and distribution of fresh dairy products, early nutrition products, waters and medical nutrition products. The company operates in the food industry under several brands in 130 markets worldwide.

In 2017, in a volatile environment and a global increase of the commodities prices, Danone S.A. generated EUR 24.7 bn in revenues (2016: EUR 21.9 bn), of which 53.5% was generated in Europe (except CIS), USA and Canada and 46.5% in the rest of the world. This represents an organic growth of 2.5% in comparison with 2016, also linked with the acquisition of The WhiteWave Foods Company (“WhiteWave”) from April 2017 onwards. The company generated a positive EAT amounting to EUR 2.5 bn (2016: EUR 1.7 bn) in 2017. The company continued the integration of WhiteWave and its cost savings programme of EUR 1 bn by 2020.

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The acquisition of Whitewave at a price of EUR 12.1 bn was financed by new bond issuances in 2016. As of 31 December 2017, reported net debt increased up to EUR 15.4 bn from EUR 7.5 bn as of 31 December 2016, mostly due to the use of 2016 bonds proceeds. The liquidity as of 31 December 2017 was nevertheless adequate with cash and cash equivalents of EUR 638 million, covering 17% of short-term borrowings and a syndicated credit facility of EUR 2.0 bn as well as committed credit facilities amounting to EUR 1.5 bn. Despite the significant increase in net debt in 2017, CRA adj. leverage showed a limited increase up to 5.0x from 4.2x thanks to better operating performance.

The following table shows some key financials of Danone for the last 2 years.

Table 1: Financials of Danone | Source: Danone annual report 2017, standardized by CRA

Financial ratios´ extract Basis: consolidated annual statement per 31.12 (IFRS)	CRA standardized figures	
	2016	2017 ¹
Revenues	EUR 21,944 million	EUR 24,677 million
EBITDA	EUR 3,709 million	EUR 4,708 million
EBIT	EUR 2,923 million	EUR 3,734 million
EAT	EUR 1,720 million	EUR 2,453 million
Total assets adj.	EUR 36,995 million	EUR 34,590 million
Equity ratio adj.	21.0 %	20.2 %
Capital lock-up period	62.7 days	57.7 days
Short-term capital lock-up	24.1 %	26.4 %
Return on investment	5.7 %	8.7 %
Net debt / EBITDA adj.	4.2 x	5.0 x
Ratio of interest expenses to debt	1.7 %	2.6 %

We expect a stable development of the company in 2018 as Danone increased its revenues as of 30 June 2018 by 2.4% in comparison with the first half-year 2017 (incl. WhiteWave +4.0%). All divisions have been growing, except in Morocco, where sales of dairy products decreased by -40% between April and June 2018 due to a boycott movement. As of 30 June 2018, Danone lowered its net debt by EUR 1.7 bn in comparison with 31 December 2017 to EUR 13.7 bn (Danone reported figures). The company has set objectives until 2020 and is currently in line with its strategic ambitions.

Regarding the general structural risks, business risks and financial risks as well as the outlook of the issuer, we refer to the report on the unsolicited corporate issuer rating of Danone S.A. as of 29 March 2017 (BBB+ / stable) and the information published by the Group since then. The specifics of the company are described in detail in the rating report, which can be found on the website of CRA. As mentioned above, the rating is monitored on an ongoing basis.

Rating object

The rating objects considered here are exclusively the long-term senior unsecured issues, issued by Danone S.A., which are denominated in EUR and which are included in the list of ECB-eligible marketable assets. This ECB list of eligible marketable assets is updated daily from Monday to Friday by the European Central Bank and can be found on its website.

¹ Incl. WhiteWave from April 2017 onwards.

The Notes have been issued within the framework of the EMTN Programme, of which the latest base prospectus dated 20 October 2017. The current EMTN Programme amounts to maximum EUR 16 bn. The Notes issued under the EMTN Programme benefit from a negative pledge provision and cross-default mechanism. A redemption at the option of the noteholders following a change of control can be specified in the final terms of each series.

Rating result

We assign a rating of BBB+ to the long-term local currency senior unsecured debt securities issued by Danone S.A. The rating derives from the unsolicited corporate issuer rating.

The following tables gives overviews of the ratings attributed by CRA as well as of the current EMTN Programme.

Table 2: Summary of CRA ratings | Source: CRA

Rating objects	Detail information	
	Date	Rating
Danone S.A.	29.03.2017	BBB+ / stable
Long-term LC senior unsecured issues of Danone S.A.	14.09.2018	BBB+
Other	--	n.r.

Table 3: Overview of 2017 EMTN Programme | Source: Danone S.A. prospectus dated 20 October 2017

Overview 2018 EMTN Programme			
Programme Volume	EUR 16,000,000,000	Maturity	Depending on the respective Notes
Issuer	Danone S.A.	Coupon	Depending on the respective Notes
Arranger	BNP Paribas	Currency	Depending on the respective Notes
Credit Enhancement	--	ISIN	Depending on the respective Notes

At the time of the rating, the following EUR-Notes are rated by Creditreform Rating AG:

Table 4: Unsolicited ratings of Danone's long-term LC senior unsecured issues | Source: Danone

ISIN	EUR	Issue date	Maturity	Unsolicited rating
FR0013216884	1,350,000,000	03.11.2016	03.11.2018	BBB+
FR0011894633	150,000,000	09.05.2014	09.05.2019	BBB+
FR0011513340	650,000,000	10.06.2013	10.06.2019	BBB+
FR0012432904	550,000,000	14.01.2015	14.01.2020	BBB+
FR0013216892	1,000,000,000	03.11.2016	03.11.2020	BBB+
FR0010967216	500,000,000	17.11.2010	23.11.2020	BBB+
FR0011625409	1,000,000,000	15.11.2013	15.11.2021	BBB+
FR0013216900	1,000,000,000	03.11.2016	03.11.2022	BBB+
FR0011527241	500,000,000	28.06.2013	28.06.2023	BBB+
FR0013063609	750,000,000	30.11.2015	30.05.2024	BBB+

FR0013216918	1,250,000,000	03.11.2016	03.11.2024	BBB+
FR0012432912	750,000,000	14.01.2015	14.01.2025	BBB+
FR0013325172	300,000,000	26.03.2018	26.03.2025	BBB+
FR0013216926	1,600,000,000	03.11.2016	03.11.2028	BBB+

All future LT LC senior unsecured Notes that will be issued by Danone under the current EMTN Programme, denominated in euro and be included in the list of ECB-eligible marketable assets, will, until further notice, receive the same ratings than the current LT LC senior unsecured Notes issued under the EMTN Programme.

Notes issued under the Programme in another currency than euro or other types of debt instruments (i.e. undated deeply subordinated fixed rate resettable notes or social bonds) are not rated by CRA so far. The current ratings and other information about the issuer and / or its issues can be found on the website of Creditreform Rating AG.

Best-case scenario

Best-case scenario: BBB+
Worst-case scenario: BBB

In our best-case scenario for one year, we assume a rating of BBB+. As the rating of the debt securities is linked to the rating of the issuer, we refer to the rating update on the unsolicited corporate issuer rating of Danone S.A. as of 29 March 2017 (BBB+ / stable).

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of BBB. As the rating of the debt securities is linked to the rating of the issuer, we refer to the rating update on the unsolicited corporate issuer rating of Danone S.A. as of 29 March 2017 (BBB+ / stable).

Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

Appendix

Rating history

Table 5: Corporate issuer Danone S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	29.03.2017	05.04.2017	Withdrawal of the rating	BBB+ / stable

Table 6: LT LC senior unsecured issues issued by Danone S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	28.09.2018	08.10.2018	Withdrawal of the rating	BBB+

Regulatory and legal disclosures

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the issuer, the base prospectuses and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Marie Watelet (m.watelet@creditreform-rating.de) and Christian Konieczny (c.konieczny@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 28 September 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to non-rated (n.r.).

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Please note:

This report exists in an English version only. This is the only binding version.

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To prepare this credit rating, CRA has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

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In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the 'Basic Data' card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within 'Basic Data' information card.

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