



DANONE

First Quarter Sales 2010

April 15th, 2010

Strong start to the year with 7% sales growth in first quarter 2010 Full-year targets 2010 confirmed

- **Total sales increased by 7.0%^[1], driven by all divisions and all regions**
- **Total volume growth of 10.8%^[1]**
- **Dairy sales increased 7.6%^[1] driven by 12.5% volume growth**
- **Waters sales increased for the third consecutive quarter, by 2.3%^[1]**
- **Baby and Medical Nutrition continued strong growth track at 8.5% and 9.3%^[1] resp.**

Chairman's comment

Commenting on the results in the first quarter of 2010, Franck Riboud, Chairman and CEO of Danone said:

“With a 10.8% growth of our volumes and 7% growth of our sales, our strong start in 2010 shows the result of the numerous initiatives we have undertaken in 2009: reset plans in our Dairy division, defense of the category in Waters, strong focus of our efforts in Baby Food, innovation in Medical Nutrition. While emerging countries are boosting our sales growth, all our geographies are progressing, with notably strong performances of our Dairy operations in the US and Russia. Our performance in the first quarter, coupled with our leading market positions and brands, allow us to confirm our targets for 2010.”

¹ *like-for-like growth = at constant scope of consolidation and constant exchange rates*

Sales by business line and geographical area for the first quarter 2010

€ mln	Q1 09	Q1 10	Change L-f-L ^[1]	Vol growth L-f-L ^[1]
BY BUSINESS LINE				
Fresh Dairy	2,121	2,319	+7.6%	+12.5%
Waters	614	620	+2.3%	+8.5%
Baby Nutrition	723	797	+8.5%	+8.9%
Medical Nutrition	216	242	+9.3%	+8.2%
BY GEOGRAPHICAL AREA				
Europe	2,190	2,275	+2.1%	+6.4%
Asia	471	527	+12.2%	+15.0%
Rest of World	1,013	1,176	+16.1%	+16.2%
Group	3,674	3,978	+7.0%	+10.8%

[1] : like-for-like is at constant scope of consolidation and constant exchange rates

Overview of sales performance

Consolidated reported sales increased by 8.3% to €3,978 million in the first quarter of 2010. Excluding the effects of changes in exchange rates (+2.1%) and in scope of consolidation (-0.8%), total sales increased by 7.0% on a like-for-like basis. This like-for-like sales growth was driven by a 10.8% rise in volume and a -3.8% decrease in price/mix. The aforementioned effects of changes in exchange rates were mainly driven by the favorable development of among others the Indonesian rupee, the Brazilian real and the Polish zloty, which was partly offset by the US dollar, Chinese yuan and Argentinian peso. The change in the scope of consolidation was predominantly driven by the divestiture of Frucor, a beverage-based business based in Australia and New Zealand, which was sold to Suntory Limited and deconsolidated as of the end of January 2009.

Sales performance by division

Fresh Dairy

Sales in the Fresh Dairy division increased by 7.6% on a like-for-like basis, driven by the successful implementation of the Reset Program in the course of 2009 and somewhat helped by the timing of Easter. This quarter's organic growth consisted of 12.5% volume growth and -4.9% price/mix growth. More than 95% of the sales in the division witnessed positive volume growth in the quarter. As anticipated, price/mix growth was 40 bps less negative than the trough level of Q4 2009. Next to the significant acceleration in volume growth, the division continued to gain market share (both in volume and in value terms) in the majority of countries in which it operates.

All regions delivered double-digit sales growth, except for Western Europe where sales were stable compared to the first quarter of 2009. In Western Europe, virtually all countries delivered positive volume growth, with particular encouraging sales performance in France and the UK.

Considering the lack of clarity and visibility regarding the application of the European Regulation on health and nutrition claims and the recent announcement of a new meeting (1st of June) organized by the European Food Safety Authority (EFSA) to clarify the criteria and rules of assessment, the Fresh Dairy division has decided to withdraw two applications (one application for Activia and one for Actimel that were filed under article 13.5) that were expected to receive an opinion from the EFSA in the coming weeks. Danone hopes that the coming period will bring the necessary clarification and stabilization regarding the approval process that all stakeholders are waiting for. Simultaneously, marketing communication continues to be adapted in the European countries.

The rest of Europe generated strong growth across the board, with particularly strong performance in Russia, Poland and Germany. In the rest of the world, sales growth continued to gain momentum, with outstanding sales performance in the US and continued strong performances in Brazil and Japan.

Among brands, Activia and Danacol continued to deliver strong performances, while Actimel continued to show improvements. The performance of the core range was very strong as a result of the successful relaunches in various countries.

Waters

The performance of the Waters division in the first quarter of 2010 confirmed improvements observed in the second half of 2009. Sales increased 2.3%, on a like-for-like basis, based on strong volume growth of 8.5% which was offset by a negative value effect of -6.2%. Volume growth continued to be driven by the emerging markets (55% of the divisional sales) which continued to deliver strong volume and sales growth, despite poor weather conditions in Mexico in January and February. The environment continued to remain very challenging in Japan and to a lesser extent in Spain, thereby having a continued negative effect on value (mainly country mix) growth.

Baby Nutrition

The Baby Nutrition division continued to deliver high-single digit growth (+8.5%) on a like-for-like basis which was driven by a volume growth of 8.9% and a value growth of -0.4%. The division continued to deliver double-digit sales growth in the milk-based portfolio while sales remained stable in the weaning food category, in line with market trends. European performance reflects the softness of the weaning food category, except for the UK who continued its double-digit growth track. In the rest of the world, most markets continued to perform well, except Russia which, however, showed an improvement in performance compared to the preceding quarter. Consequently, market shares showed resilience and improvements across the globe.

Medical Nutrition

Medical Nutrition continued to deliver strong, above-category, sales performance with sales growth of 9.3%, on a like-for-like basis, in the first quarter of 2010. This growth was driven by a volume growth of 8.2% and a value growth of 1.1%. Growth was supported by all regions with continued strong performances coming from Southern and Eastern Europe. In addition, all product categories contributed to the growth with above-average growth coming from the Pediatrics range.

Outlook 2010

Danone assumes it will continue to face a challenging financial, economic and social environment in 2010, with continued difficult consumption trends in western economies, weak emerging currencies and inflation of raw materials.

In this context, we will continue to focus on the development of our categories, the strengthening of our competitive positions and on the development of our brands. The growth of our free cash flow will continue to be one of our key priorities, and we will use productivity gains as well as selective and competitive pricing to manage cost inflation.

Based on the medium-term objectives that were announced in November 2009, Danone targets the following for full year 2010:

- a like-for-like sales growth of at least 5% and
- an increase of the free cash flow from operations of at least 10% on a reported basis.

In addition, Danone targets a stable trading operating (EBIT) margin versus 2009 on a like-for-like basis.

Financial position and results

Changes in scope of consolidation

Changes in scope of consolidation negatively impacted reported sales by 0.8% in the first quarter of 2010. This effect was predominantly driven by the divestiture of Frucor, a beverage business based in Australia and New Zealand, that was sold to Suntory Limited and therefore deconsolidated as of the end of January 2009.

Currency effects

Changes in exchange rates positively impacted sales growth by +2.1% in the first quarter of 2010. This effect was mainly driven by the Indonesian rupee, the Brazilian real and the Polish zloty, which was partly offset by the US dollar, Chinese yuan and Argentinian peso.

Financing

The next significant debt repayment are € 700 mln of euro bonds that mature in May 2011.

Significant transactions and events of the period

Danone and Chiquita start joint-venture to market fruit-based drinks

On 30 March 2010, Danone announced that the company will start a joint-venture with Chiquita Brands International, Inc. to market fruit-based drinks, based on Chiquita's Just Fruit in a Bottle® platform, in Europe. Under the terms of the joint-venture agreement, Danone will pay an undisclosed amount in cash to Chiquita for a 51 percent interest in - and management control over - the joint-venture. Chiquita will license its trademark to the new entity. The joint venture will provide Danone with a platform to explore and develop fruit-based products, adding to its existing portfolio of healthy fresh dairy products and extending its potential for growth in Europe. The transaction is subject to customary regulatory approvals and is expected to be completed in the first half of 2010.

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A live and on-demand audio web cast of the analyst & investor conference call on Thursday 15 April 2010 will be available as of 9.00 hrs CET today. The related presentation slides will be available on our website (www.finance.danone.com) as of 07.30 hrs CET today.

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements concerning Danone. Although Danone believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the section "Risk Factors" in Danone's Annual Report (which is available on www.danone.com).

APPENDIX – Sales Overview

€ mln	First Quarter	
	2009	2010

BY BUSINESS LINE

Fresh Dairy	2,121	2,319
Waters	614	620
Baby Nutrition	723	797
Medical Nutrition	216	242

BY GEOGRAPHICAL AREA

Europe	2,190	2,275
Asia	471	527
Rest of World	1,013	1,176

Group	3,674	3,978
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€ mln	First Quarter 2010	
	Reported Change	Like-for-like Change

BY BUSINESS LINE

Fresh Dairy	9.4%	7.6%
Waters	1.0%	2.3%
Baby Nutrition	10.2%	8.5%
Medical Nutrition	11.8%	9.3%

BY GEOGRAPHICAL AREA

Europe	3.9%	2.1%
Asia	11.8%	12.2%
Rest of World	16.1%	16.1%

Group	8.3%	7.0%
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