
PRESS RELEASE



Paris, June 18th, 2010

Danone and Unimilk join complementary strengths to found a high-profile dairy leader in Russia and the CIS

Danone and Unimilk today announced the signature of an agreement to merge Danone's Fresh Dairy Product businesses in the CIS area with those of Russian company Unimilk.

Spanning operations in Russia, Ukraine, Kazakhstan and Belarus, the merger covers all dairy products. It will make Danone- Unimilk the leader for dairy products in the CIS area as a whole, and particularly in Russia, where it will account for around 21% of the total market and hold strong positions in high-value, high-growth segments.

The new entity will generate annual sales of approximately €1.5 billion* and count over 18,000 employees. It will be chaired by Andrey Beskhmelnitsky, current CEO of Unimilk, while Filip Kegels, current General Manager of Danone Fresh Dairy Products in Eastern Europe and Central Asia, will take charge of operational management.

Danone-Unimilk will draw strength from the tie-up between two fast-growing and highly complementary businesses offering:

- A complementary geographical presence, with Danone operating mainly in western Russia, while Unimilk has a higher profile to the east;
- Complementary product ranges: Danone's strength in the value-added health segment will round out Unimilk's strong positions and powerful brands in core markets;
- Complementary distribution networks: Danone's access to modern trade will be matched by Unimilk's strength in proximity distribution;
- Complementary strengths in production, with Danone contributing expertise built up as the global expert in making dairy products since 1919, while Unimilk covers the whole of Russia, Ukraine and Belarus with 28 production sites.

These complementary features will give the new entity the benefit of significant sales and cost synergies. They will also position Danone- Unimilk extremely well to take advantage of strong growth momentum in the region's dairy product market, and to accelerate it in the years ahead.

Danone will control 57.5% interest in the new entity, while the current shareholders of Unimilk will hold 42.5%. The transaction will be carried out principally through a contribution of assets, supplemented with a cash purchase of shares by Danone. Danone's net financial debt will increase by €1.3 billion principally as the result of the value of the put options which will be granted to the current shareholders of Unimilk. These options will allow them to dispose part or all of their shares in the new entity, Danone being able to hold 100% of these shares in 2022. The operation will be accretive to Danone earnings per share starting in 2011.

Commenting on the alliance, Danone Chairman and CEO Franck Riboud said, "Almost 20 years after taking our first steps in Russia, Danone-Unimilk represents a strategic move for Danone in a region which is offering a promise of growth in the years ahead, and where we will be pursuing ambitious goals for the future. Our alliance with a highly respected food-industry leader that has been remarkably well managed from its beginnings will make for added pace, benefiting consumers and the local economic fabric. It is also an important new step in Danone's drive to extend business into new geographical markets."

Unimilk CEO Andrey Beskhmel'nitsky announced: "Since its very beginning Unimilk was established as a company open for partnership, ready for implementation of any bold ideas and projects aimed at our consumers' satisfaction. Our alliance with Danone, the world leader in fresh dairy products, will increase investment potential of the whole industry, set new standards of efficiency, increase demand for high quality raw milk, and will obviously promote consumer market and the development of our teams."

This transaction is subject to customary regulatory approvals in the countries concerned. Closing is currently expected to take place towards the end of 2010.

** Proforma 2009*

About Unimilk

Unimilk, a privately owned company, is Russia's second largest manufacturer of dairy products and baby food. Its mission is to raise quality of life through selection of best dairy products. Established in 2002 it unites 28 production plants in Russia, Ukraine and Belarus and 14,000 employees. The Company also sells its products in Kazakhstan. Unimilk owns the leading dairy brand in CIS "Prostokvashino" and has a strong brand portfolio in all market segments. Unimilk's sales in 2009 amounted to € 1 billion (+7% vs 2008).

About Danone

Danone is a Fortune 500 company and one of the most successful healthy food companies in the world. Its mission is to bring health through food to as many people as possible. Fulfilling this mission is a major contributor to Danone's continuous strong growth. Danone, with 160 plants and around 80,000 employees, has a presence in all five continents and over 120 countries. In 2009, Danone recorded € 15 billion in sales. Danone enjoys leading positions on healthy food in four businesses: fresh dairy products (n°1 worldwide), water (n°2 on the packaged water market), baby nutrition (n°2 worldwide) and medical nutrition. Listed on Euronext Paris, Danone is also ranked among the main indices of social responsibility: Dow Jones Sustainability Index Stoxx and World, ASPI Eurozone and Ethibel Sustainability index.