



## Sales in the third quarter and the first nine months of 2010

October 21, 2010

### Solid 3rd quarter 2010 growth in volumes and sales Full-year targets 2010 confirmed

- Sales increased 6.9% in both the 3rd quarter and in the first nine months <sup>[1]</sup>
- Volumes rose 6.3% in the 3rd quarter and 8.6% in the first nine months <sup>[1]</sup>
- Continued momentum for the Fresh Dairy Products, Baby Nutrition and Medical Nutrition divisions, reporting sales growth of 5.5%, 8.6% and 8.4%, respectively <sup>[1]</sup>
- Vigorous growth in the Waters division, with sales up 8.7% <sup>[1]</sup> in the 3<sup>rd</sup> quarter, partly due to favorable weather in Japan and Europe
- Full year targets confirmed, calling for sales growth of at least 6% <sup>[1]</sup>, stable operating margin <sup>[1]</sup> and a rise of at least 10% in cash flow from operations <sup>[2]</sup>

#### Chairman's comment

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Commenting on Danone's third-quarter performance, Chairman and CEO Franck Riboud said:

"Our third-quarter results confirm the strong performance we reported in the previous months of 2010 and the solidity of Danone's business model. We are keeping up the pace and expanding our four business lines in all parts of the world. These positive results, achieved in the face of difficult economic conditions marked by weak consumer demand in Europe and rising raw material prices, enable us to confirm our full-year targets for growth and value creation. They also provide added support for our decision to continue investing in the emerging markets that are our priorities as drivers for both present and future growth."

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

*[2] Based on reported data*

## Sales by business line and geographical region for Q3 and first nine months of 2010

€ millions	Q3 09	Q3 10	Change L-f-L <sup>[1]</sup>		9-M 09	9-M 10	Change L-f-L <sup>[1]</sup>	
			Sales	Volume			Sales	Volume

### BY BUSINESS LINE

Fresh Dairy	2 151	2 446	5.5%	5.6%	6 413	7 201	6.6%	9.1%
Waters	670	786	8.7%	7.6%	2 019	2 234	5.4%	7.9%
Baby Nutrition	725	845	8.6%	6.7%	2 189	2 499	8.6%	8.0%
Medical Nutrition	234	270	8.4%	7.8%	679	777	9.5%	8.8%

### BY GEOGRAPHICAL REGION

Europe	2 258	2 366	2.1%	2.9%	6 775	7 061	1.8%	4.8%
Asia	474	636	15.3%	12.3%	1 424	1 798	14.3%	13.6%
Rest of the World	1 048	1 345	13.5%	9.2%	3 101	3 852	15.1%	12.7%
<b>Total</b>	<b>3 780</b>	<b>4 347</b>	<b>6.9%</b>	<b>6.3%</b>	<b>11 300</b>	<b>12 711</b>	<b>6.9%</b>	<b>8.6%</b>

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

## Overview of sales performance – 9M 2010

Consolidated reported sales rose 12.5% to €12,711 million in the first nine months of 2010. Excluding foreign-exchange effects, which had a positive impact of 5.7%, and changes in the scope of consolidation, which had a negative impact of 0.1%, like-for-like sales growth stood at 6.9%. This reflected an 8.6% rise in volumes combined with a -1.7% decline in value.

Foreign exchange effects principally reflect rises in the Indonesian rupiah, the Brazilian real, the Russian ruble and the US dollar. Changes in the scope of consolidation mainly concerned the divestiture of Frucor, a beverage business in Australia and New Zealand that was deconsolidated in February 2009, with the impact partly offset by the consolidation of the joint venture with Chiquita from June 2010 on.

## Overview of sales performance – Q3 2010

Consolidated reported sales rose 15.0% to €4,347 million in the third quarter of 2010. Excluding the effects of changes in exchange rates (+7.9%) and the effect of changes in the scope of consolidation (+0.2%), sales growth stood at 6.9% on a like-for-like basis. This sales growth reflected a 6.3% rise in volumes combined with a positive value effect of +0.6%.

### Fresh Dairy Products

Fresh Dairy Products sales showed a like-for-like rise of 5.5% in the third quarter of 2010, with a 5.6% rise in volumes and a value effect of -0.1%.

A year after the implementation of the Reset program, this performance reflects the continuing strength of volume growth in all regions, despite an unfavorable basis for year-on-year comparisons and difficult economic conditions in Southern Europe. The main source of momentum remained priority markets, among them the US, Brazil, Russia, Saudi Arabia and Mexico. The Activia brand was once again the main driver, accounting for nearly half of the rise in division growth.

As expected, value effects moved towards neutral (-0.1%), with average prices per kilo steady from the second half of 2009.

## **Waters**

Sales in the Waters division reported an 8.7% like-for-like rise in the third quarter of 2010, the strongest since the fourth quarter of 2007. A steep 7.6% rise in volumes reflected continued double-digit growth in emerging markets combined with positive performance in mature markets, which were mainly attributable to favorable weather in Japan and, to a lesser extent, in Europe.

This situation on mature markets made a temporary contribution to a positive value effect of +1.1%.

## **Baby Nutrition**

The Baby Nutrition division again reported solid growth, with a like-for-like rise of 8.6% reflecting a 6.7% rise in volumes and a positive value effect of +1.9% in the third quarter of 2010. Sales increased in all regions, with China, Indonesia, and the UK still the main drivers. Growth in the milks category was again in double digits, with growing-up milks doing particularly well. Products in the weaning food category lost a little ground due to negative trends for this segment in Southern Europe.

## **Medical Nutrition**

Third-quarter sales of the Medical Nutrition division were up 8.4% like-for-like, driven by a 7.8% rise in volumes. Performance was geographically balanced, with Western Europe and new geographical markets contributing equally to growth. All product categories scored gains, with above average-gains once more for products in the pediatric and gastro-intestinal allergy ranges.

## **Significant transactions and events of the period (reminder of PRs issued during Q3 2010)**

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### **Danone sells its 22.98% interest in Huiyuan to SAIF Partners**

On July 28, 2010, Danone announced an agreement for the sale of its 22.98% shareholding in China Huiyuan Juice Group Limited, a company listed on the Hong Kong Stock Exchange, to SAIF Partners, a Hong Kong-based private equity firm. The price per share was set at HK\$ 6 for a total consideration of approximately €200 million.

Huiyuan holds a leading position in fruit-juice market in China. Danone's decision to sell its minority stake is in line with the company's strategy to focus the activities of its Waters division on mineral waters and spring-water beverages.

### **Danone has reached agreement with Wimm Bill Dann to sell back its 18.4% stake in the Russian company**

On August 12, 2010, Danone announced an agreement with Wimm Bill Dann Foods ("WBD") whereby WBD will acquire all ordinary shares and ADRs held by Danone, representing an 18.4% stake in WBD, for a total consideration of USD 470 million.

The agreement follows the recent announcement of the joint venture between Danone and Unimilk in the CIS region.

The sale will become effective, and close, upon Danone having received the necessary regulatory approvals for the merger of its CIS operations with Unimilk.

## Joint-venture between Danone and Unimilk : updated status

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In recent weeks Danone has received necessary regulatory approval to merge its Fresh Dairy Products operations with those of Unimilk in four of the five countries in the CIS region where the joint venture operates. Finalization of this transaction is expected before the end of 2010.

As a reminder, on June 18, 2010, Danone announced the signature of an agreement to merge Danone's Fresh Dairy Product businesses in the CIS area with those of Russian company Unimilk. The new entity will become the leader for dairy products in the CIS area as a whole, and particularly in Russia. Danone-Unimilk will draw strength from the tie-up between two fast-growing businesses offering strong complementarity in terms of geographies, products ranges and distribution networks, giving the new entity the benefit of significant sales and cost synergies.

## Share buyback

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Upon receipt of the proceeds of the sale of non-strategic interests in Huiyuan and Wimm Bill Dann amounting to around €500 million in total, Danone plans to initiate a share buyback for an equivalent amount.

## Outlook 2010

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Danone assumes that the financial, economic and social crises will continue to weigh on consumption trends in Europe, while emerging markets are expected to keep developing well overall.

In this context, Danone will continue to focus on, and invest in, growth opportunities in key categories and geographies, on the strength of its competitive positions and on the development of its brands. Productivity gains as well as the growth of free cash flow will continue to be key priorities.

Considering the results of the first nine months, Danone confirms its targets for 2010 as a whole, these being:

- Like-for-like sales growth of at least 6%;
- A stable trading operating (EBIT) margin versus 2009 on a like-for-like basis;
- An increase in free cash flow from operations of at least 10% versus 2009 on a reported basis.

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### 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](http://www.danone.com)).*

*In € millions*

First Quarter		Second Quarter		Third Quarter		First 9 months	
2009	2010	2009	2010	2009	2010	2009	2010

#### BY BUSINESS LINE

Fresh Dairy	2 121	2 319	2 141	2 436	2 151	2 446	6 413	7 201
Waters	614	620	735	828	670	786	2 019	2 234
Baby Nutrition	723	797	741	857	725	845	2 189	2 499
Medical Nutrition	216	242	229	265	234	270	679	777

#### BY GEOGRAPHICAL REGION

Europe	2 190	2 275	2 327	2 420	2 258	2 366	6 775	7 061
Asia	471	527	479	635	474	636	1 424	1 798
Rest of World	1 013	1 176	1 040	1 331	1 048	1 345	3 101	3 852

<b>Group</b>	<b>3 674</b>	<b>3 978</b>	<b>3 846</b>	<b>4 386</b>	<b>3 780</b>	<b>4 347</b>	<b>11 300</b>	<b>12 711</b>
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First Quarter 2010		Second Quarter 2010		Third Quarter 2010		First 9 months 2010	
<i>Reported change</i>	<i>Like-for-like change</i>	<i>Reported change</i>	<i>Like-for-like change</i>	<i>Reported change</i>	<i>Like-for-like change</i>	<i>Reported change</i>	<i>Like-for-like change</i>

#### BY BUSINESS LINE

Fresh Dairy Products	9.4%	7.6%	13.8%	6.6%	13.7%	5.5%	12.3%	6.6%
Waters	1.0%	2.3%	12.5%	4.8%	17.4%	8.7%	10.7%	5.4%
Baby Nutrition	10.2%	8.5%	15.7%	8.7%	16.5%	8.6%	14.1%	8.6%
Medical Nutrition	11.8%	9.3%	16.0%	10.8%	15.0%	8.4%	14.3%	9.5%

#### BY GEOGRAPHICAL REGION

Europe	3.9%	2.1%	4.0%	1.4%	4.7%	2.1%	4.2%	1.8%
Asia	11.8%	12.2%	32.5%	15.3%	34.4%	15.3%	26.3%	14.3%
Rest of World	16.1%	16.1%	27.9%	15.9%	28.4%	13.5%	24.2%	15.1%

<b>Group</b>	<b>8.3%</b>	<b>7.0%</b>	<b>14.0%</b>	<b>6.9%</b>	<b>15.0%</b>	<b>6.9%</b>	<b>12.5%</b>	<b>6.9%</b>
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