PRESS RELEASE

DANONE

2011 First-Half Results

July 28, 2011

Strong growth in sales in H1 2011

Trading operating margin in line with our targets

Full-year targets for 2011 confirmed

- **Strong growth in sales[1] of +16.3% in the first half of 2011 as reported, gaining +8.7% like for like[2]**
- **Second quarter trends confirming those observed in the first three months of the year, with reported sales[1] up +13.3% and like-for-like sales [2] up +8.8%**
- **A strong performance across all regions and all divisions, with Waters supported by exceptional factors**
- **Trading operating margin[3] is in line with our targets at 14.35% (-23pb)[2] for the first half of the year**
- **Underlying fully diluted earnings per share[3] are up +4.3% at €1.44 as reported and up +5.1%[2] like for like**
- **Free cash flow[3] is up +7.8%[4] at €925 million**
- **Unimilk's performance was in line with priorities for integration**
- **Full year targets for 2011 confirmed**

[1] Net sales
[2] Like for like (see definition page 7)
[3] See page 7 for details on calculation of financial indicators not defined in IFRS
[4] Reported figures

Chairman's comment

"Danone has once again met its targets in a persistently difficult environment shaped by trends in consumption and rising raw material prices. Sales show remarkable growth in the first half, with our Waters division doing particularly well. All of our business lines and geographical regions reported growth. This confirms the choices that have guided our actions since 2007.
We have also met our margin targets, countering steep rises in raw material costs with major efforts to raise productivity and fine-tune pricing.

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Finally, Danone-Unimilk is on track to achieve its targets and its priorities: building key brands, increasing operating margin and integrating employees from both partners, which will be completed by the end of this year.
Our Group fundamentals are thus very sound, and Danone teams are putting in a strong and focused performance. As we head into the second half, this makes me confident that we will achieve our full-year guidance."

Key financial data in H1 2011

Key figures	H1 2010	H1 2011	Change
Sales[1] *(€ millions)*	8 364	**9 728**	**+8.7%** [2]
Free cash flow [4] *(€ millions)*	858	**925**	**+7.8%** [3]
Trading operating income [4] *(€ millions)*	1 280	**1 396**	**+6.9%** [2]
Trading operating margin[4]	15.30%	**14.35%**	**-23 pb** [2]
Underlying net income [4] *(€ millions)*	848	**870**	**+3.4%** [2]
Underlying EPS (fully diluted) [4] *(€)*	1.38	**1.44**	**+4.3%**[3]

[1] Net sales
[2] Like for like (see definition page 7)
[3] Reported figures
[4] See page 7 for details on calculation of financial indicators not defined in IFRS

Sales by business line and geographical area in Q2 and H1 2011

€ millions	Q2 10	Q2 11	**Change** *Like for like* [1]	**Volume growth** *Like for like*	H1 10	H1 11	**Change** *Like for like* [1]	**Volume growth** *Like for like*
BY BUSINESS LINE								
Fresh Dairy Products	2 436	2 821	+5.5%	(0.2)%	4 755	5 672	+6.0%	+1.4%
Waters	828	949	+18.9%	+10.0%	1 448	1 667	+16.6%	+10.3%
Baby Nutrition	857	907	+9.6%	+5.2%	1 654	1 818	+10.4%	+5.5%
Medical Nutrition	265	293	+8.7%	+8.6%	507	571	+9.0%	+9.1%
BY GEOGRAPHICAL AREA								
Europe	2 420	2 845	+4.2%	(1.5)%	4 695	5 543	+4.0%	(0.3)%
Asia	635	734	+20.8%	+15.8%	1 162	1 395	+19.5%	+15.3%
Rest of World	1 331	1 391	+12.6%	+6.3%	2 507	2 790	+13.6%	+7.5%
Total	4 386	4 970	+8.8%	+3.1%	8 364	9 728	+8.7%	+4.0%

[1] See page 7 for details on calculation of financial indicators not defined in IFRS

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Overview of sales performance – H1 2011

Consolidated sales increased +16.3% to €9,728 million in the first half of 2011. Excluding the impact of changes in exchange rates (-0.8%) and the scope of consolidation (+8.4%), sales were up +8.7%. This organic growth reflects a +4.0% increase in sales volume and a +4.7% increase in value.

Exchange-rate effects reflect unfavorable trends that started in the second quarter for currencies including the US dollar, the Argentine peso, the Russian ruble and the Chinese yuan. The main change in the scope of consolidation was the integration of Unimilk (Russia) for the full six months.

Overview of sales performance – Q2 2011

Consolidated sales increased +13.3% to €4,970 million in the second quarter of 2011. Excluding the impact of changes in exchange rates (-3.8%) and the scope of consolidation (+8.3%), sales were up +8.8%. This organic growth reflects a +3.1% increase in sales volume and a +5.7% increase in value.

Fresh Dairy Products

Fresh Dairy division sales increased by +5.5% on a like-for-like basis in the second quarter of 2011, reflecting a slight volume decline of -0.2% and a +5.7% increase in value.

Excluding Unimilk, Fresh Dairy division sales continued the robust trend observed in the previous three quarters, rising +5.4% like for like due to a combination of +2.6% volume growth and a positive price effect of +2.8%.

Growth in sales value reflects ongoing competitive price increases that began to be implemented across most countries in the first quarter.

Sales in Western Europe were steady compared with the second quarter of 2010, while emerging markets continued to report double-digit growth. Activia, children's brands and indulgent brands were the division's main drivers, due in particular to innovation that continued at a steady pace.

These results illustrate once again sustained sales momentum, especially in view of a particularly high basis of comparisons for volumes over the first semester.

Unimilk continued to concentrate on its priorities: improving its product mix, increasing profitability, and making the Danone-Unimilk merger a success. Focusing on products with higher added value led to a major increase in this category, whereas traditional products, including milk, saw a decline in volumes, due in part to certain products being discontinued. Sales volumes thus fell back -11.2% whereas the product mix/price effect was +17.1%. Margin increased steadily throughout the six-month period, driven notably by a decline in milk prices and the first benefits of synergies achieved through integration.

Waters

The Waters division posted a record +18.9% like-for-like increase in sales in the second quarter of 2011, driven by a +10.0% increase in sales volumes and a +8.9% increase in sales value.

Strong underlying trends underpinned gains, but the division's performance became exceptional when combined with various short-term factors that included favorable weather in Western Europe and Latin America in both April and May. A further boost came with a temporary surge in demand following the Japanese earthquake, and as local inventories were replenished during the three-month period. Finally, quarterly growth benefited from low bases for comparison in Mexico and Japan.

The +8.9% increase in sales value reflects both price increases in the past quarter in response to very steep price inflation for PET, and the division's improved mix, with the return to positive territory for mature economies and a very strong performance by aquadrinks in emerging countries.

Baby Nutrition

The Baby Nutrition division pursued its strong trend with sales up +9.6% like for like, based on +5.2% volume growth. The robust +4.4% increase in value reflects two factors: the discontinuation of non-strategic commodity milk powder business in the Middle East and price increases in some regions.

All regions reported growth, with Indonesia, China, the United Kingdom and Turkey the division's main drivers.

Growing-up milks continued to deliver double-digit growth, while weaning foods held steady.

Medical Nutrition

Medical Nutrition sales increased +8.7% like for like in the second quarter of 2011, driven entirely by volume growth (+8.6%). As in previous quarters, geographical areas contributed equally to growth: Western Europe generated half of the total, led by the UK and the Netherlands, with the remaining half in new geographical regions, including China and Turkey in particular.

All product categories gained ground, with pediatric care including the Neocate and Nutrini brands showing above-average growth.

Trading operating margin of 14.35% down -23 bp like for like from the first half of 2010

	H1 2010	**H1 2011**	**Change** *Like for like [1]*
BY BUSINESS LINE			
Fresh Dairy Products	13.94%	12.03%	**-82 bp**
Waters	13.70%	13.85%	**+5 bp**
Baby Nutrition	19.19%	19.82%	**+63 bp**
Medical Nutrition	19.90%	21.41%	**+135 bp**
BY GEOGRAPHICAL AREA			
Europe	16.26%	14.02%	**-78 bp**
Asia	19.54%	20.47%	**+85 bp**
Rest of World	11.55%	11.96%	**+19 bp**
Total	15.30%	14.35%	**-23 bp**

[1] See page 7 for details on calculation of financial indicators not defined in IFRS

Danone's trading operating margin (EBIT) stood at 14.35% in the first half, down -23 bp like for like from the same period of 2010, and in line with targets announced by the Group.

This decrease mainly reflects the basis for comparison of Unimilk's margin for the first half, prior to the very steep increase in milk prices in summer 2010. Excluding Unimilk, trading operating margin decreased only by -8 bp, due entirely to the catastrophe in Japan in March 2011 and its impact on Fresh Dairy Product operations.

Excluding these developments, trading operating margin held steady in the first half of 2011, a performance all the more remarkable given the sharp increase in raw material prices, notably milk

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and PET. This took a particularly heavy toll on the first half, and should benefit from a less unfavorable basis of comparison in the second half of the year.

The rise in raw material prices was offset by ongoing initiatives to optimize costs that generated savings of €246 million over the six-month period, as well as competitive price increases applied in the first half of the year in the Fresh Dairy Products, Waters and Baby Nutrition divisions.

Advertising expenses increased slightly compared with the first half of 2010. The amount dedicated to promotions, one vector used to manage our consumer prices, was reduced. Total advertising and promotional expense held steady on a comparable basis.

Underlying fully diluted earnings per share increased +4.3% as reported, to €1.44 in the first half of 2011

€ millions	**H1 2010**	**H1 2011**
Trading operating income *[1]*	**1 280**	**1 396**
Other operating items	(17)	(4)
Operating income	**1 263**	**1 392**
Cost of net debt	(64)	(88)
Other financial items	(54)	(48)
Income tax	(275)	(331)
Net income of consolidated companies	**870**	**925**
Net income of affiliated companies	51	23
Net result	921	948
Attr to minority interests	83	87
Group share	**838**	**861**
of which non-current net result[1]	(10)	(9)
Underlying net income *[1]*	**848**	**870**
Underlying fully diluted EPS*[1]* **(€)**	**1.38**	**1.44**

[1] See page 7 for details on calculation of financial indicators not defined in IFRS

The cost of net debt increased compared to the first half of 2010, due primarily to the cost of Unimilk's debt and, to a lesser extent, the increase in interest rates over the period.

The underlying tax rate*[1]* for the first half of 2011 was 26.0%.

Net income of companies consolidated on an equity basis is down following the sale in 2010 of China Hui Yuan along with lower earnings at Yakult and affiliated companies in North Africa and the Middle East over this six-month period.

The underlying net income, Group share, increased +2.5% as reported to €870 million, a like-for-like increase of +3.4%. Underlying diluted net earnings per share were +4.3% higher than in the first half of 2010 at €1.44, and up +5.1% like for like.

Financing

Free cash flow increased by 7.8% to €925 million, or 9.5% of sales. Capital expenditure was €337million or 3.5% of sales.

Debt

The sharp increase in free cash flow allowed the Group to buy back shares in an amount of €592 million in the first half, while pursuing its aim of holding debt ratios steady. Net financial debt*[1]* thus increased from €532 million to €3,748 million (excluding put options totaling €3,778 million granted to minority shareholders on June 30, 2011).

[1] See page 7 for details on calculation of financial indicators not defined in IFRS

2011 financial outlook

Backed by steady growth in the first half of 2011, Danone stands by its targets announced at the beginning of the year, as follows:

“The Group expects 2010 trends to continue in the months ahead:

- consumer spending in both the industrialized world and emerging economies shows no sign of significant improvement or significant worsening.
- raw material prices remain on a volatile upward path.

More specifically, in view of developments since the beginning of 2011, the Group expects total raw material and packaging costs to increase by 6 to 9% on average over the year, with a steeper increase in the first half reflecting the comparison with figures recorded in 2010.

Danone will be drawing on its experience of 2010 to manage these increases through consistently high productivity. The Group will also continue to use pricing to maintain its competitive edge, benefiting from increased room for maneuver thanks to repositioning in 2009 (Reset program).

Another priority for 2011 will be the integration of Unimilk’s operations in Russia and CIS countries, with sales and cost synergies set to boost Unimilk’s operating margin from the second half on.

Altogether, targets for 2011 include:

- a 6% to 8% increase in sales*[1]* on a like-for-like basis*[2]*.
- an increase of around 0.20% in trading operating margin*[2]*, like for like. This will be fueled by all Group activities, but especially by Unimilk and synergies from integration. As a result, the increase will only take shape in the second half, with first-half trading operating margin down slightly from the same period of 2010.
- an increase in free cash flow*[2]* in keeping with the €2 billion target set for 2012.”

[1] Net sales
[2] See page 7 for details on calculation of financial indicators not defined in IFRS

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Financial indicators not defined in IFRS

Information published by Danone uses financial indicators that are not defined by IFRS. These are calculated as follows:

Like-for-like changes in net sales, trading operating income and trading operating margin exclude the impact of changes in (i) exchange rates, with both previous-year and current-year indicators calculated using the same exchange rates; and (ii) scope of consolidation, with previous year indicators calculated on the basis of current-year scope.

Trading operating income and expense is defined as the Group operating income before other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current (ordinary) activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major acquisitions, and costs related to major litigation. Since the application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

Trading operating margin is defined as the trading operating income over net sales ratio.

Underlying net income attributable to the Group measures the Group's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current performance. Such non-current income and expense mainly include capital gains and losses on disposals and impairments of non fully-consolidated equity interests and tax income, and expense related to non-current income and expense. Non-current net income attributable to the Group is defined as non-current income and expense excluded from Net income attributable to the Group.

	Six-month period ended June 30			Six-month period ended June 30		
(€ millions)			2010			2011
	Underlying	Non-current items	Total	Underlying	Non-current items	Total
Trading operating income	**1 280**		**1 280**	**1 396**		**1 396**
Other operating items (expense)		(17)	(17)		(4)	(4)
Operating income	**1 280**	**(17)**	**1 263**	**1 396**	**(4)**	**1 392**
Cost of net debt	(64)		(64)	(88)		(88)
Other financial income (expense)	(49)	(5)	(54)	(42)	(6)	(48)
Income before tax	**1 167**	**(22)**	**1 145**	**1 266**	**(10)**	**1 256**
Income tax expense	(280)	5	(275)	(329)	(2)	(331)
Tax rate	*24.0%*		*24.0%*	*26.0%*		*26.3%*
Net income from fully consolidated companies	**887**	**(17)**	**870**	**937**	**(12)**	**925**
Share of profit of associates	44	7	51	23		23
Net income	**931**	**(10)**	**921**	**960**	**(12)**	**948**
Group share	848	(10)	838	870	(9)	861
Non-controlling interests	83		83	90	(3)	87

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Free cash flow represents cash flows provided or used by operating activities less capital expenditure, net of disposals and acquisition fees related to business combinations (since the application of IFRS 3 (Revised)).

	Six-month period ended June 30	
(€ millions)	**2010**	**2011**
Cash flow from operating activities	**1 117**	**1168**
Capital expenditures	(275)	(337)
Disposals of tangible assets	16	92
Transaction fees related to business combinations (1)		2
Free Cash Flow	**858**	**925**

(1) These expenses previously classified as investment flows impact cash flow operating activities as from January 1, 2010 pursuant to Revised IFRS 3 on Business Combinations.

Net financial debt represents the net debt portion bearing interests. It corresponds to current and non-current financial debt (i) excluding debt related to put options granted to non-controlling interests (ii) net of cash and cash equivalents, marketable securities, other short term investments and assets components of financial instruments.

Our presentation to analysts and investors will be broadcast live at 9.30 am (CET) on Thursday, July 28, 2011. Related slides will be available on our website (www.finance.danone.com) from 7.30 a.m 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 (available on www.danone.com)

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APPENDIX – Sales by division and by region

€ millions	First quarter 2010	First quarter 2011	Second quarter 2010	Second quarter 2011	First half 2010	First half 2011
BY BUSINESS LINE						
Fresh Dairy Products	2 319	2 851	2 436	2 821	4 755	5 672
Waters	620	718	828	949	1 448	1 667
Baby Nutrition	797	910	857	907	1 654	1 817
Medical Nutrition	242	278	265	293	507	571
BY GEOGRAPHICAL AREA						
Europe	2 275	2 698	2 420	2 845	4 695	5 543
Asia	527	661	635	734	1 162	1 395
Rest of World	1 176	1 399	1 331	1 391	2 507	2 790
Group total	**3 978**	**4 757**	**4 386**	**4 970**	**8 364**	**9 728**

€ millions	First quarter 2011		Second quarter 2011		First half 2011	
	Reported change	*Like-for-like change [1]*	*Reported change*	*Like-for-like change [1]*	*Reported change*	*Like-for-like change [1]*
BY BUSINESS LINE						
Fresh Dairy Products	22.9%	6.5%	15.8%	5.5%	19.3%	6.0%
Waters	15.9%	13.3%	14.6%	18.9%	15.2%	16.6%
Baby Nutrition	14.1%	11.2%	5.9%	9.6%	9.9%	10.4%
Medical Nutrition	15.2%	9.3%	10.3%	8.7%	12.6%	9.0%
BY GEOGRAPHICAL AREA						
Europe	18.6%	3.7%	17.6%	4.2%	18.1%	4.0%
Asia	25.5%	18.0%	15.6%	20.8%	20.1%	19.5%
Rest of World	18.9%	14.8%	4.5%	12.6%	11.3%	13.6%
Group	**19.6%**	**8.5%**	**13.3%**	**8.8%**	**16.3%**	**8.7%**

[1] See page 7 for details on calculation of financial indicators not defined in IFRS

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