



DANONE

Sales in the third quarter and the first nine months of 2011

October 18, 2011

Organic growth for the first nine months of 2011: +7.7%

Full-year targets for 2011 confirmed

- Sales for the first nine months of 2011 are up +14.3% as reported and +7.7% like for like^[1]
- Third-quarter show organic growth of +5.9%^[2] reflecting increases in both volume (+1.5%) and value (+4.4%); all divisions report growth
- Unimilk's performance is in line with priorities for integration, steady sales
- Full-year targets for 2011 confirmed

[1] See page 6 for details on calculation of financial indicators not defined in IFRS

[2] Like for like (see definition page 6)

Chairman's comment

"We stand by our full-year targets for 2011. Danone is in very good shape, with operations in Asia, Latin America, and Africa/Middle East continuing to post robust growth. In Russia and the United States, we are working to strengthen our leading position, and our performance in Western Europe remains good. It's the on-going construction of our growth drivers —more than fluctuations in the weather or financial markets — that continues to energize our operations and give me confidence in the future.

So I am confident that 2011 will see us deliver strong, profitable growth, right on target and despite the steep increase in commodity prices at the beginning of the year. I am also confident about 2012."

Sales by business line and geographical area in Q3 2011

€ millions	Q3 10	Q3 11	Change Like for like ^[1]	Volume growth Like for like ^[1]
BY BUSINESS LINE				
Fresh Dairy Products	2 446	2 785	3.5%	-1.5%
Waters	786	816	7.9%	4.9%
Baby Nutrition	845	906	10.5%	5.5%
Medical Nutrition	270	298	9.8%	9.4%
BY GEOGRAPHICAL AREA				
Europe	2 366	2 661	0.1%	-3.9%
Asia	636	740	19.6%	13.9%
Rest of World	1 345	1 404	11.5%	4.5%
Group	4 347	4 805	5.9%	1.5%

[1] Like for like, at constant scope of consolidation and exchange rates. See page 6 for details on calculation of financial indicators not defined in IFRS

Overview of sales performance – Q3 2011

Consolidated sales increased +10.5% to €4,805 million in the third quarter of 2011. Excluding the impact of exchange rates (-3.7%) and changes in the scope of consolidation (+8.3%), sales were up +5.9%. This organic growth reflects a +1.5% increase in volume and a +4.4% increase in value.

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

Fresh Dairy Products

In the third quarter of 2011, Fresh Dairy division sales increased +3.5% like-for-like, reflecting a slight -1.5% volume decline and a +5.0% increase in value.

Excluding Unimilk, Fresh Dairy division sales delivered +4.1% like-for-like growth, fueled by both a +1.2% volume increase and +2.9% growth in value.

Regional performance was consistent with results for the second quarter, except in Russia and the United States, where sales stabilized from last year. In the United States, strong growth in the high value-added Greek-style yogurt segment has contributed to modify market trends. This led Danone to launch a revamped line under the Oikos name, with satisfactory initial results. Markets in Latin America and Africa/Middle-East remained vigorous, with continued double-digit growth, while Western Europe held steady.

Activia and indulgence brands provided most of the division's momentum.

Growth in sales value reflects the full impact of competitive price increases implemented in most countries during the first part of the year.

Unimilk continued to concentrate on its priorities: segmenting its brand portfolio, increasing profitability, and integrating the Danone-Unimilk joint venture.

Our teams made further significant progress in integrating the joint venture, which will begin operating as a single company in early 2012.

Unimilk met its targets for the third quarter, with sales remaining steady year-on-year as a 11.5% price / mix effect offset an -11.8% decrease in volumes. Volume has remained stable on a month-by-month basis since the beginning of the year.

Waters

Waters reported a solid +7.9% like-for-like increase and the division's performance continued to show a good balance between +4.9% volume growth and a +3.0% price/mix effect.

Latin America and Asia continued to drive the division, with double-digit growth reflecting vigorous demand, increased market share, and very strong growth in the aquadrinks segment.

In contrast, sales in Western Europe were penalized by unfavorable weather. Business in Japan returned to normal.

Baby Nutrition

The Baby Nutrition division pursued its strong trend with sales up +10.5% like for like, based on +5.5% volume growth.

The robust +5.0% increase in value reflects both a favorable growth mix and price increases applied since the beginning of the year in most regions.

Sales were up in all regions, with Indonesia, China, the Middle East, the UK and Turkey acting as the division's top drivers.

Growing-up milks continued to deliver double-digit growth, while weaning foods showed a slight increase thanks to a very strong performance in the cereals segment.

Medical Nutrition

Medical Nutrition sales posted a +9.8% like-for-like increase in the third quarter of 2011, driven primarily by volume growth (+9.4%).

The main contributors to this division growth were China, Brazil, the Netherlands, the UK and Turkey.

All product categories demonstrated positive growth, with Neocate, Nutrini and other pediatric care products showing above-average growth.

2011 financial outlook

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

Altogether, targets for 2011 include:

- a 6% to 8% increase in sales^[1] on a like-for-like basis^[2].
- an increase of around 0.2% in trading operating margin^[2], like for like. This will be fueled by all Group activities, but especially by Unimilk and synergies from its integration.
- an increase in free cash flow^[2] in keeping with the €2 billion target set for 2012.

^[1] Net sales

^[2] See page 6 for details on calculation of financial indicators not defined in IFRS

Financial transactions and key events for the period (recap of third-quarter press releases)

On August 2, 2011, Danone announced that it had signed an agreement with the Wockhardt Group to acquire its nutrition business and enter India's baby nutrition and medical nutrition markets. Closing of the transaction is subject to certain terms and conditions under the agreement.

On September 14, 2011, Danone announced that Thomas Kunz had been appointed Executive Vice President, Fresh Dairy Products, and Francisco Camacho had been appointed Executive Vice President of the Waters division.

On September 21, 2011, Danone announced the successful launch of a five-year, €500 million bond issue aimed at diversifying Danone's sources of finance and extending the maturity of its debt under favorable market conditions.

Our presentation to analysts and investors will be broadcast live at 9.00 am (CET) on Tuesday 18 October. 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)

APPENDIX – Sales by division and by region

€ millions	First quarter		Second quarter		Third quarter		First 9 months	
	2010	2011	2010	2011	2010	2011	2010	2011

BY BUSINESS LINE

Fresh Dairy Products	2 319	2 851	2 436	2 821	2 446	2 785	7 201	8 457
Waters	620	718	828	949	786	816	2 234	2 483
Baby Nutrition	797	910	857	907	845	906	2 499	2 723
Medical Nutrition	242	278	265	293	270	298	777	869

BY GEOGRAPHICAL AREA

Europe	2 275	2 697	2 420	2 845	2 366	2 661	7 061	8 203
Asia	527	661	635	734	636	740	1 798	2 135
Rest of World	1 176	1 399	1 331	1 391	1 345	1 404	3 852	4 194

Group total	3 978	4 757	4 386	4 970	4 347	4 805	12 711	14 532
--------------------	--------------	--------------	--------------	--------------	--------------	--------------	---------------	---------------

First quarter 2011		First quarter 2011		Third quarter 2011		First 9 months of 2011	
<i>Reported change</i>	<i>Like-for-like change [1]</i>	<i>Reported change</i>	<i>Like-for-like change [1]</i>	<i>Reported change</i>	<i>Like-for-like change [1]</i>	<i>Reported change</i>	<i>Like-for-like change [1]</i>

BY BUSINESS LINE

Fresh Dairy Products	22.9%	6.5%	15.8%	5.5%	13.8%	3.5%	17.4%	5.2%
Waters	15.9%	13.3%	14.6%	18.9%	3.7%	7.9%	11.1%	13.6%
Baby Nutrition	14.1%	11.2%	5.9%	9.6%	7.2%	10.5%	9.0%	10.4%
Medical Nutrition	15.2%	9.3%	10.3%	8.7%	10.7%	9.8%	12.0%	9.2%

BY GEOGRAPHICAL AREA

Europe	18.6%	3.7%	17.6%	4.2%	12.5%	0.1%	16.2%	2.6%
Asia	25.5%	18.0%	15.6%	20.8%	16.2%	19.6%	18.7%	19.5%
Rest of World	18.9%	14.8%	4.5%	12.6%	4.4%	11.5%	8.9%	12.9%

Group	19.6%	8.5%	13.3%	8.8%	10.5%	5.9%	14.3%	7.7%
--------------	--------------	-------------	--------------	-------------	--------------	-------------	--------------	-------------

[1] See page 6 for details on calculation of financial indicators not defined in IFRS

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.

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)).