PRESS RELEASE

DANONE

Sales in the third quarter and first nine months of 2012

October 17, 2012

Organic growth for the first nine months: +5.6%

Organic growth for the third quarter: +5.0%

Full-year targets for 2012 reconfirmed

- **Sales[1] for the first nine months of 2012 are up +8.3% as reported and +5.6% like-for-like[2]**
- **Third-quarter sales show growth of +9.4% as reported and +5.0% like-for-like[2], reflecting increases in both volume (+1.6%) and value (+3.4%)**
- **Overall performance was solid, with contrasts from region to region: sales grew by over 10%[2] in emerging markets and North America combined, and declined in Europe as deterioration continued in Southern Europe**
- **Danone reconfirms its full-year targets for 2012: sales growth of +5-7%[2], operating margin down 50 bps[2], and free cash flow[3] of €2 billion**

[1] Net sales
[2] Like-for-like; see page 6 for details on calculation of financial indicators not defined in IFRS
[3] See page 6 for details on calculation of financial indicators not defined in IFRS

Chairman's comment

"Danone reported solid growth in sales for the first nine months of 2012, in line with full-year targets, thanks to very strong momentum continuing worldwide except in Europe.

Emerging markets and North America posted further strong growth in the third quarter. Oikos scored additional gains in the United States, while in Russia Danone-Unimilk continued to build its product portfolio. In Asia, Africa-Middle East and Latin America, operations expanded very rapidly in all product categories.

Yet pressure on consumer spending in Europe continued, and the situation deteriorated further in Southern Europe, affecting sales for the business lines most exposed to this region.

Against this backdrop, our priorities are clear: we will continue to deploy our model in growth regions by investing in our product categories, our brands and our people. In Europe, we need to

For more information, contact:
Press Relations: +33 1 44 35 20 75 – Investor Relations: +33 1 44 35 20 76
DANONE : 17, boulevard Haussmann, 75009 Paris

adapt our model to the slump in consumption and to the needs of our consumers, while building new sources of growth. Our teams will pursue these priorities with determination."

Sales by business line and geographical area in the 3rd quarter and first 9 months of 2012

€ millions	Q3 11	Q3 12	**Change** *Like-for-like[1]*	**Volume growth** *Like-for-like[1]*	9M 11	9M 12	**Change** Like-for-like[1]	**Volume growth** *Like-for-like[1]*
BY BUSINESS LINE								
Fresh Dairy Products	2,785	2,910	0.7%	-0.7%	8,457	8,816	2.2%	-0.4%
Waters	816	962	12.3%	5.4%	2,483	2,817	10.5%	5.3%
Baby Nutrition	906	1,062	11.5%	3.6%	2,723	3,152	11.4%	4.8%
Medical Nutrition	298	323	4.9%	5.9%	869	948	6.0%	6.7%
BY GEOGRAPHICAL AREA								
Europe	2,661	2,682	-1.5%	-2.6%	8,203	8,231	-0.6%	-2.6%
Asia	740	946	18.3%	8.9%	2,135	2,708	18.2%	12.4%
Rest of World	1,404	1,629	10.5%	5.0%	4,194	4,794	11.3%	4.4%
Total	4,805	5,257	5.0%	1.6%	14,532	15,733	5.6%	2.0%

[1] Like-for-like; see page 6 for details on calculation of financial indicators not defined in IFRS

Overview of sales performance – Q3 2012

Consolidated sales increased +9.4% to €5,257 million in the third quarter of 2012. Excluding the impact of changes in the basis for comparison, including changes in exchange rates and scope of consolidation, sales were up +5.0%. This organic growth reflects a +1.6% increase in sales volume and a +3.4% increase due to the price/mix effect.

The +4.3% exchange-rate effect reflects favorable trends in currencies including the US dollar and the Chinese yuan.

Fresh Dairy Products

Fresh Dairy Products division sales were up +0.7% like-for-like in the third quarter of 2012, reflecting a slight -0.7% easing in volume and a +1.4% increase in value.

Sales in Latin America and the Africa-Middle East region remained extremely buoyant with continued double-digit growth, while the CIS region and North America are performing according to plan, with sales growing at a faster pace each quarter.

The CIS region has thus continued to grow since the beginning of the year and is on track to meet growth and margin targets. Unimilk's priority brands continued to report double-digit growth this quarter, following the example of *Prostokvashino*—still the top contributor to growth in this area—as well as the *Bio Balance* and *Tëma* brands. Integration of Danone-Unimilk's operations is moving ahead, with shared systems being deployed and a gradual merger of logistics and sales force resources.

Sales have also continued to gather pace in the United States, strengthening Danone's leading position in a market that has grown more competitive than in the first half. In particular, the Group

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is winning further market share in the very fast-growing Greek yogurt segment with its *Oikos* and *Light&Fit Greek* brands, benefiting from new production capacity added on July 1.

Operations in Europe fell back more sharply this quarter as conditions deteriorated in Southern Europe, particularly Spain and Italy, where sales declined by over -10%.

Waters

The Waters division reported strong third-quarter growth, with a +12.3% like-for-like increase driven by a +5.4% rise in sales volumes and a +6.9% rise due to the price/mix effect.

Strong growth in emerging markets continues to drive the division's performance. In Western Europe, sales benefited from a favorable basis of comparison with Q3 2011, which helped offset adverse weather conditions that prevailed in July 2012.

Growth in value continues to benefit from aquadrinks and their positive price/mix effect, and also reflects the strong performance in Western Europe this quarter. The impact of price increases introduced in emerging countries in 2011 is tapering off.

Baby Nutrition

The Baby Nutrition division reported robust growth in all geographical markets, with sales up +11.5% like-for-like in the third quarter of 2012. This includes a +3.6% rise in volume and +7.9% growth in value.

Key to the division's success is a very strong performance in Asia, particularly China, where the *Dumex* range—Danone's flagship brand for baby nutrition in this country—has been completely revamped.

As before, changes in the division's product mix made a positive contribution to performance, while the growing-up milk segment again reported double-digit growth and weaning foods continued to decrease.

Medical Nutrition

Medical Nutrition sales increased +4.9% like for like in the third quarter of 2012, driven by volume growth of +5.9%.

Slowing growth reflects deteriorating conditions on some markets in Western Europe.

In contrast, China, Turkey and Brazil maintained their momentum, driving strong growth for key brands like *Nutrison*, *Nutrini* and *Neocate*.

In October, the Group introduced its new *Souvenaid* product on four markets: Germany, Belgium, the Netherlands and Brazil.

Share buyback

As announced when results for the first half of 2012 were released, Danone has bought back 6,110,039 of its own shares over the past three months. These replace treasury shares used to pay minority shareholders for their sale of shareholdings in Danone SA (Spain) on July 26, 2012, and thus eliminate any dilution resulting from that transaction.

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On the basis of steady debt ratios and taking into account its robust generation of free cash flow, Danone expects to buy back from €500 million to €700 million worth of shares over the next four months.

2012 financial outlook (from press release issued June 19, 2012)

In February this year, Danone set clear priorities for 2012: developing its product categories, pursuing investment in countries with high growth potential—particularly those that Danone calls "MICRUB"[1]—and supporting its businesses and brands in Western Europe.

Since the end of the first quarter, the Group has faced a swift deterioration in consumption in Southern Europe that has proven steeper than anticipated, especially in Spain.

In these markets, Danone has chosen to respond with a combination of support for its brands and steps to make its products more competitive.

In addition, inflation in the Group's raw material costs has been stronger than anticipated since the beginning of the year.

As a result, the Group has decided to adjust its targets for 2012 as follows:

- the target for sales growth is unchanged at +5-7% on a like-for-like basis[2], with the robust performance of operations in Asia, the Americas, Africa/Middle East and the CIS continuing to help offset pressure on Western Europe,
- the target for trading operating margin[3] is reduced from "stable" to "down 50 basis points on a like-for-like basis"[2]. This adjustment is aimed at deploying initiatives needed in Southern Europe, while continuing to develop Group sales and profitability in the rest of the world,
- the free cash flow[3] target is unchanged at €2 billion, with the Group continuing to make progress, in particular in its management of working capital.

[1] Mexico, Indonesia, China, Russia, the US and Brazil
[2] Like-for-like; see page 6 for details on calculation of financial indicators not defined in IFRS
[3] See page 6 for details on calculation of financial indicators not defined in IFRS

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Danone launches “Danone Investor Relations”, a new iPad app offering quick mobile access to the latest news from Danone. The app is available from the online Apple Store starting October 16, 2012.

Our presentation to analysts and investors will be broadcast live at 9.00 am (Paris time) this Wednesday, October 17, 2012. Slides will be available on our website (www.finance.danone.com) from 7.30 am (Paris time) 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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Financial indicators not defined in IFRS

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

Like-for-like changes **in net sales, trading operating income, trading operating margin and net income-Group share,** essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope, with previous year indicators calculated on the basis of current-year scope.

Trading operating income and expense is defined as the Group operating income excluding 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 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 external growth operations, and costs related to major litigation. Since 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 excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised)).

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APPENDIX – Sales by division and by region

€ millions	First quarter 2011	First quarter 2012	Second quarter 2011	Second quarter 2012	Third quarter 2011	Third quarter 2012	First 9 months 2011	First 9 months 2012
BY BUSINESS LINE								
Fresh Dairy Products	2,851	2,960	2,821	2,946	2,785	2,910	8,457	8,816
Waters	718	841	949	1,014	816	962	2,483	2,817
Baby Nutrition	910	1,014	907	1,076	906	1,062	2,723	3,152
Medical Nutrition	278	302	293	323	298	323	869	948
BY GEOGRAPHICAL AREA								
Europe	2,697	2,710	2,845	2,839	2,661	2,682	8,203	8,231
Asia	661	829	734	933	740	946	2,135	2,708
Rest of World	1,399	1,578	1,391	1,587	1,404	1,629	4,194	4,794
Group	4,757	5,117	4,970	5,359	4,805	5,257	14,532	15,733

	First quarter 2012		**Second quarter 2012**		**Third quarter 2012**		**First 9 months 2012**	
	Reported change	*Like-for-like change[1]*	*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	*3.8%*	3.8%	4.4%	*2.1%*	*4.5%*	0.7%	*4.3%*	2.2%
Waters	17.1%	16.4%	6.9%	4.6%	17.8%	12.3%	13.4%	10.5%
Baby Nutrition	11.4%	9.0%	18.6%	13.6%	17.2%	11.5%	15.7%	11.4%
Medical Nutrition	8.3%	6.4%	10.3%	6.7%	8.4%	4.9%	9.0%	6.0%
BY GEOGRAPHICAL AREA								
Europe	0.5%	0.9%	-0.2%	-1.0%	0.8%	-1.5%	0.3%	-0.6%
Asia	25.4%	19.4%	27.1%	17.2%	27.8%	18.3%	26.8%	18.2%
Rest of World	12.8%	12.7%	14.1%	10.7%	16.1%	10.5%	14.3%	11.3%
Group	**7.6%**	**6.9%**	**7.8%**	**5.0%**	**9.4%**	**5.0%**	**8.3%**	**5.6%**

[1] Like-for-like; see page 6 for details on calculation of financial indicators not defined in IFRS

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