

DANONE

H1 2013 Results – July 29th, 2013



Disclaimer

This document 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). DANONE undertakes no obligation to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy, Danone shares.



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H1 2013 Highlights

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	H1 2013
Sales growth ⁽¹⁾	+6.0%
Trading operating margin	13.34% -49 bps Like-for-like ⁽¹⁾
Free cash-flow excluding exceptional items ⁽²⁾	€ 714 mln

(1) Like-for-like : Based on constant scope of consolidation and constant exchange rates

(2) Free cash-flow excluding exceptional items : cash flows provided or used by operating activities (I) less capital expenditure net of disposals (II) excluding acquisition costs related to business combinations and (III) before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe.

H1 2013 in line with our priorities

2013 a year of transition

● Europe :



Adapt & fix

- Savings & competitiveness
- Value for consumers

● Growth markets :

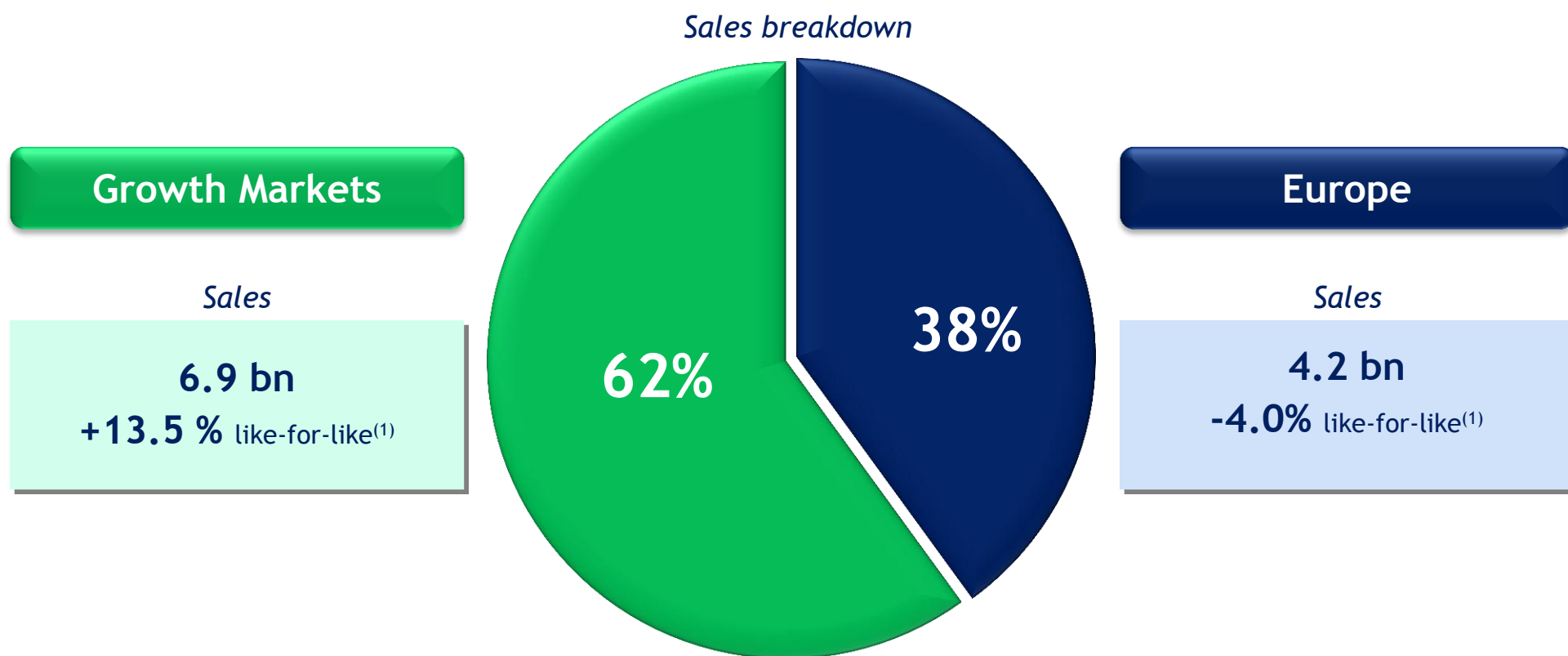


Invest & leverage

2014 back to



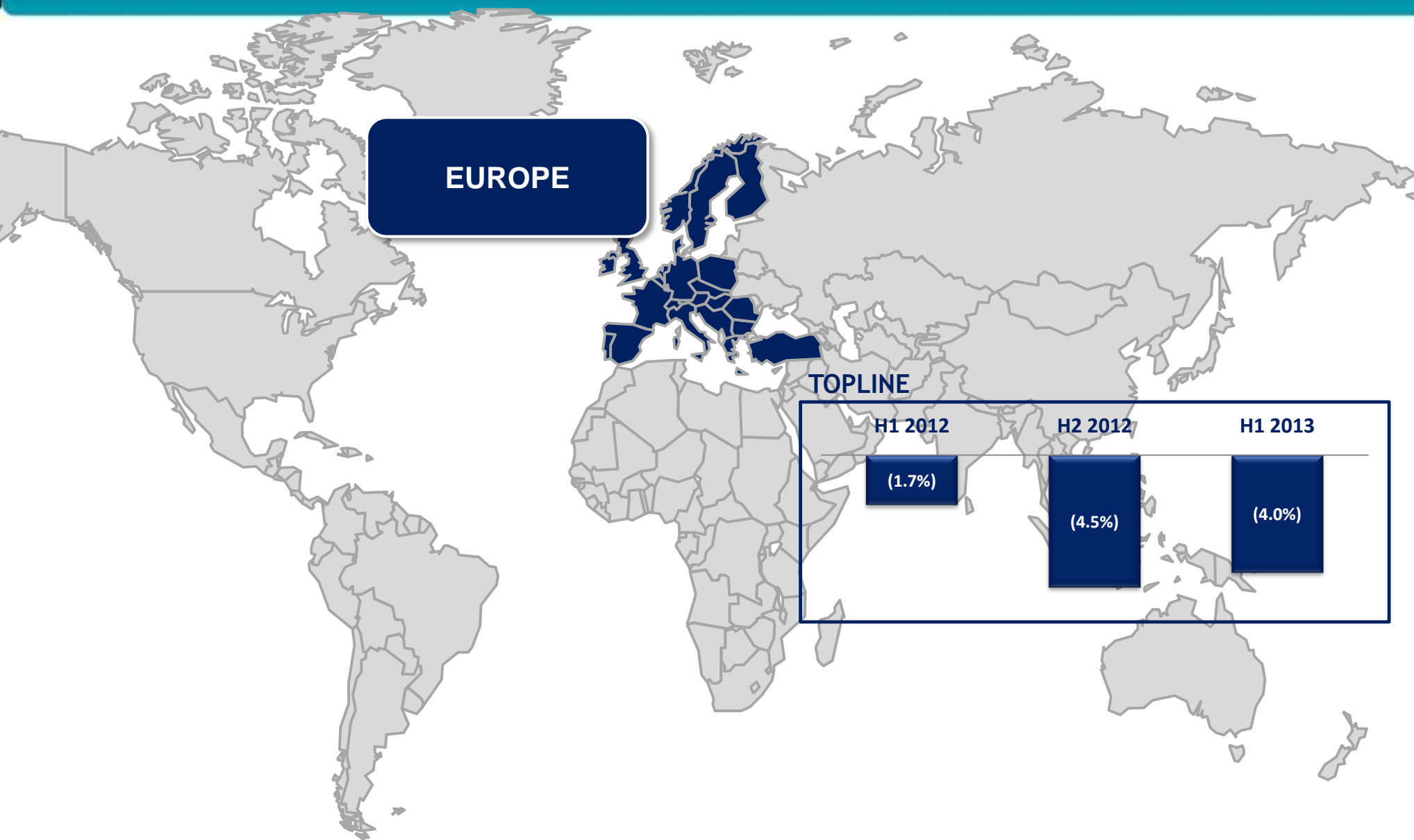
H1 2013 : A 2 tier momentum





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Europe





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Europe : Our roadmap to restore growth

The best packaging



The right organization



The right price point



The best product



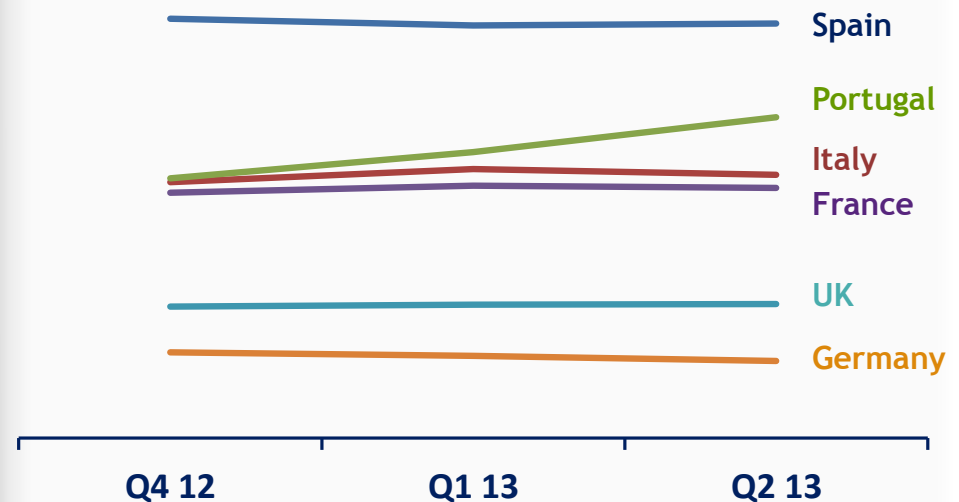
Differentiating innovation

Dairy Europe : first signs of stabilization

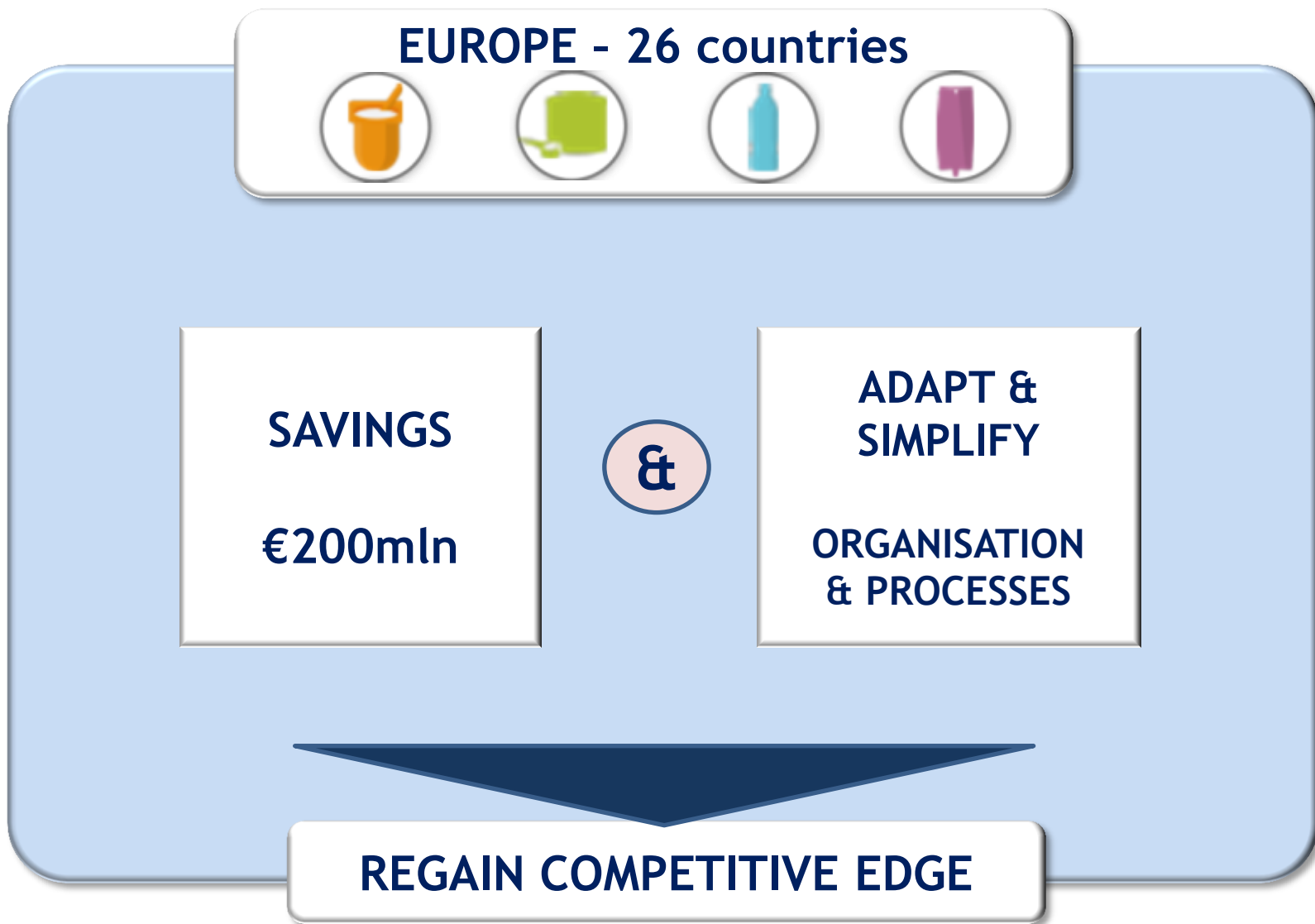
Breakdown volume / value growth (%)



Value market shares



Plan for competitiveness in Europe moving on target



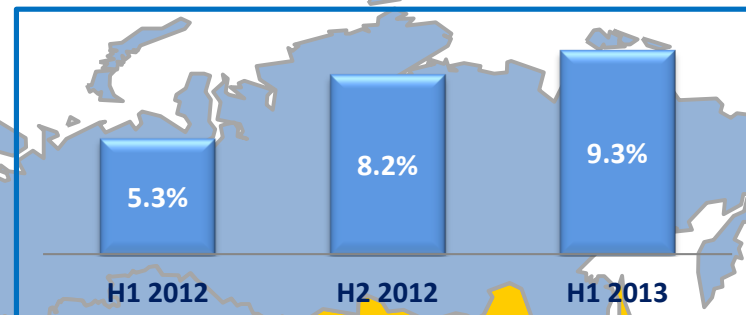


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Growth markets

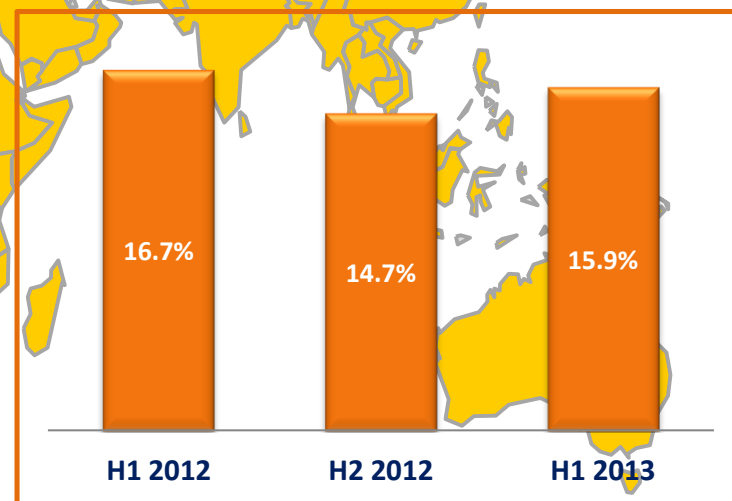
NORAM & CIS

TOPLINE



ALMA

TOPLINE





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Growth markets - Dairy

One yogurt a day strategy



Logistics JV with Norbert
Dentressangle



Centrale Laitière integration



Partnership with Cofco
and Mengniu



Greek segment latest innovations



New partnership



“Strategic Agreement to Create and Develop an Exclusive Line of *Evolution Fresh*, Inspired by Dannon-branded Fresh Dairy Products”

Centrale Laitière : A key step in North Africa



The leading dairy player in Morocco

#1 in Milk (volume MS : ca. 60%)

#1 in Fresh Dairy Products (volume MS : ca. 55%)

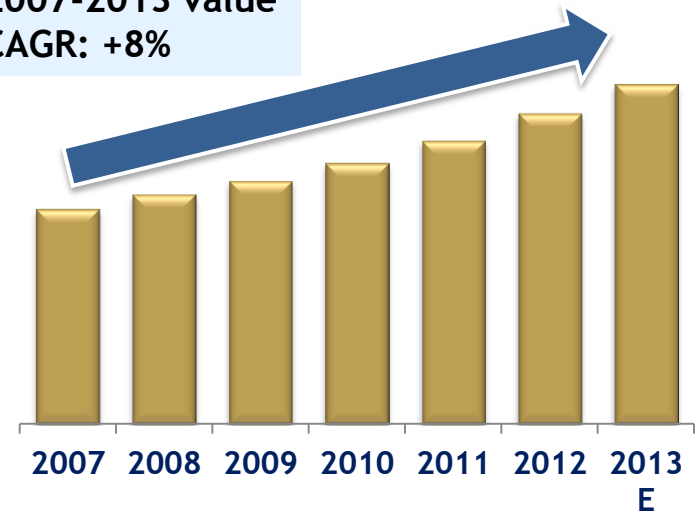
70,000 points of sales in Morocco

→ 2012 net sales of 604M€

→ 2012 EBITDA margin : 15.8%

High single digit Fresh Dairy Product market growth

2007-2013 value
CAGR: +8%



Source : Euromonitor - Yogurt & sour milk products

Ongoing transition

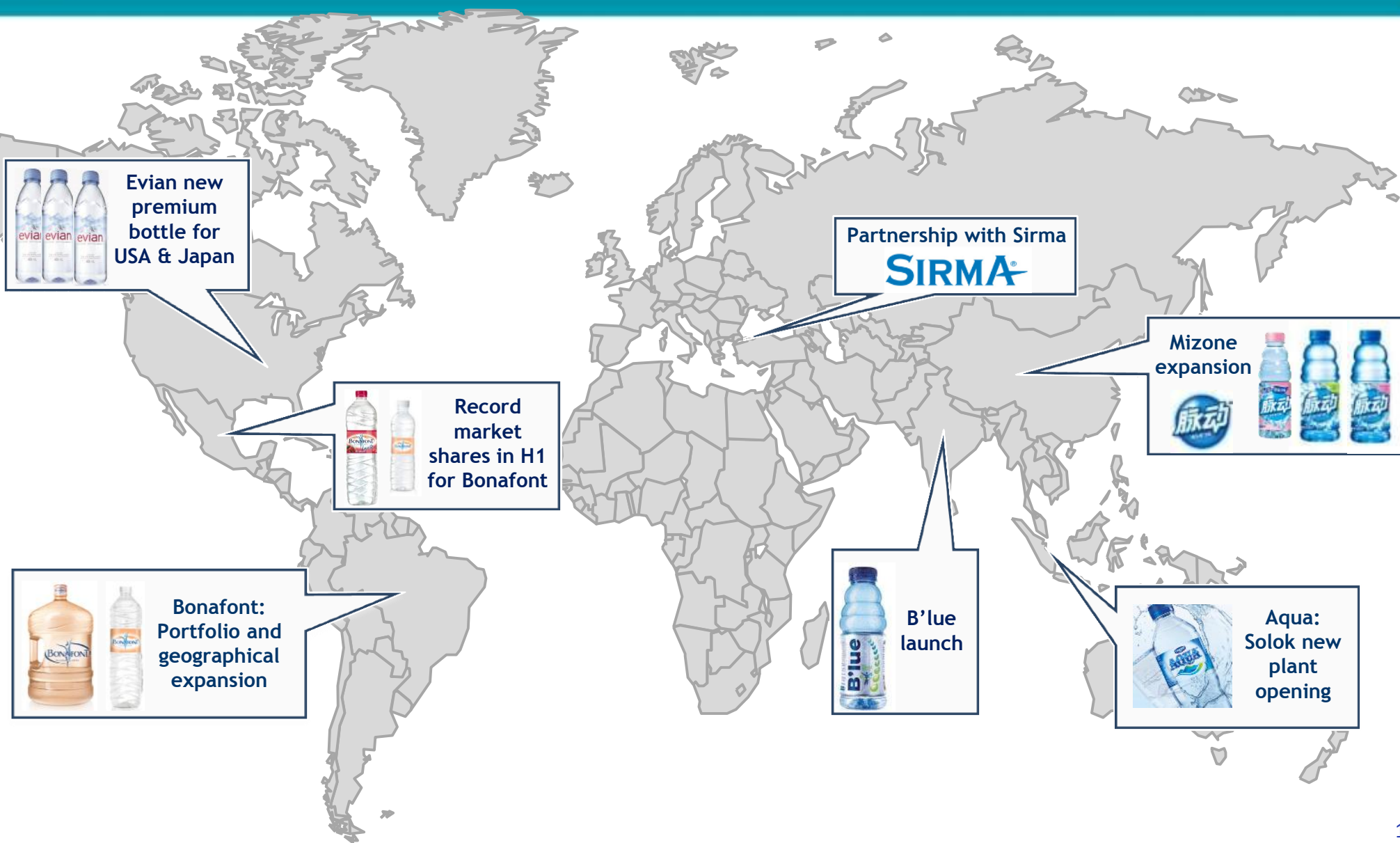
- New management team
- Integration process started : systems, human resources, quality etc...





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Growth markets - Waters



Aquadrinks: unlocking the potential of the category





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Growth markets - Baby & Medical Nutrition



Baby Nutrition China : Range and channels expansion



Local and international brands



Full entry in Hong Kong



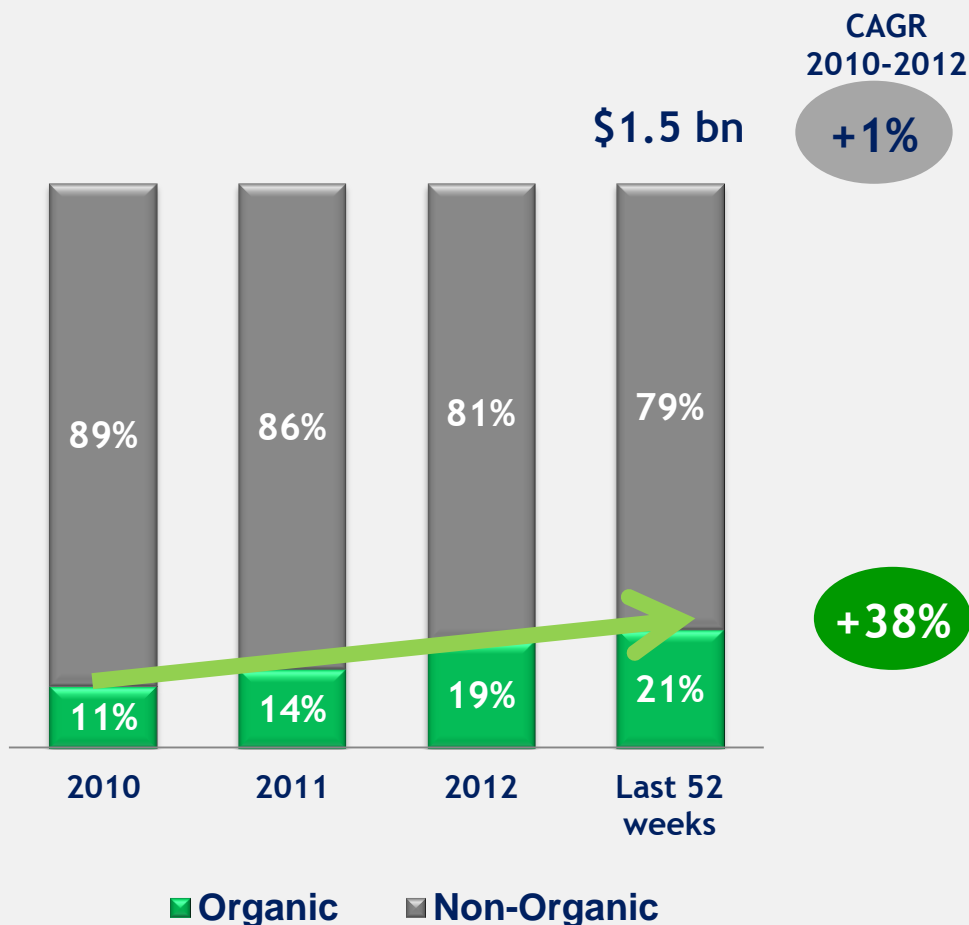
E-commerce



Happy Family : Investing in the fast growing premium organic Baby food in the United States



US Weaning Food Market



Source : Nielsen US Baby Food Category March, 16 2013 and Danone Estimates



H1 2013 : A 2 tier momentum

Growth Markets

Sales

6.9 bn

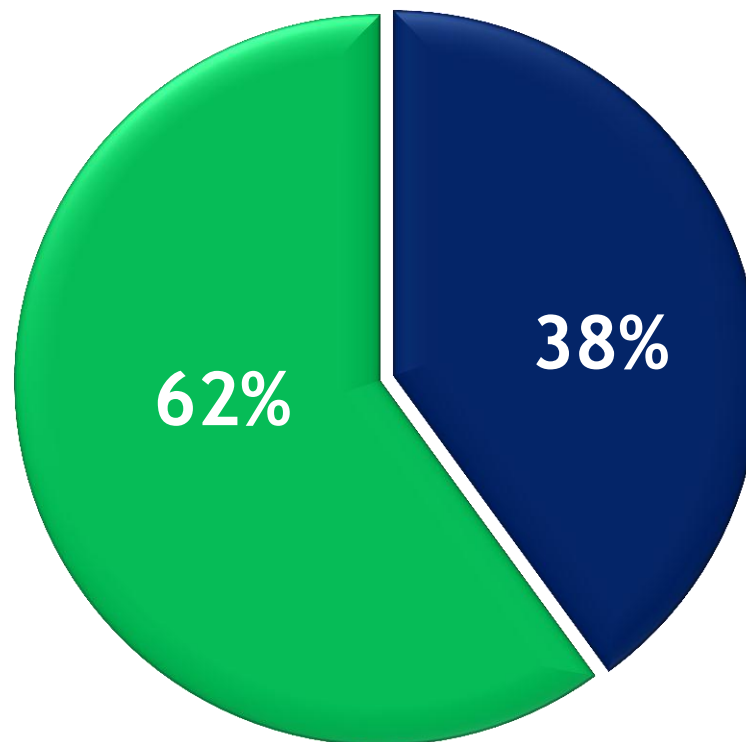
+13.5% like-for-like⁽¹⁾

Trading operating margin

12.8%

+10bps like-for-like⁽¹⁾

Sales breakdown



Europe

Sales

4.2 bn

-4.0% like-for-like⁽¹⁾

Trading operating margin

14.3%

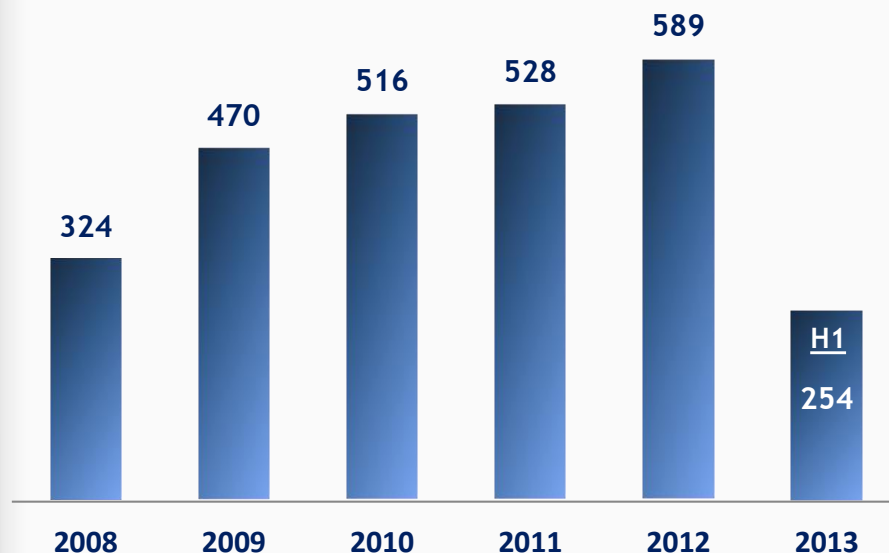
-118bps like-for-like⁽¹⁾

Monitoring the financial equation

*Skimmed milk powder (SMP) price evolution
2008-2013 (€/ton)*



Productivity 2008-2013 (€ mln)



*Global sourcing
organization for the
Dairy division*



*Worldwide media
tender offer*

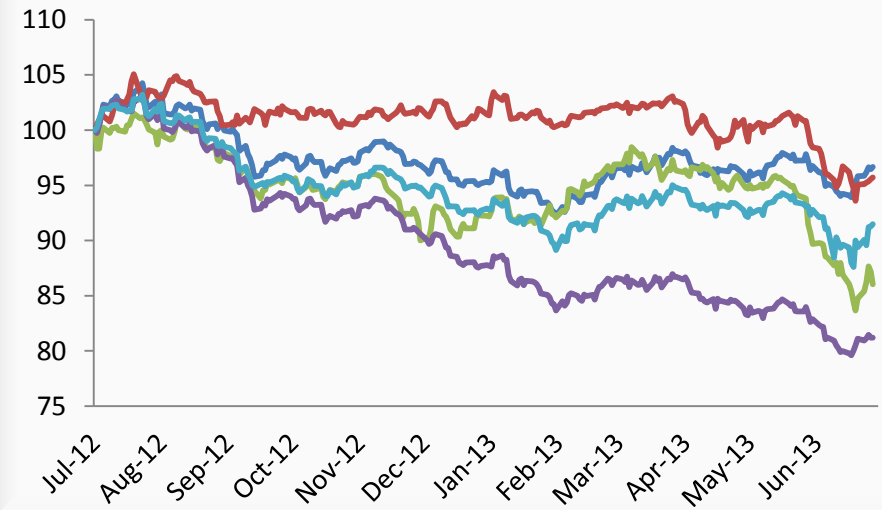


Monitoring the financial equation

Capex for growth



Volatile Forex



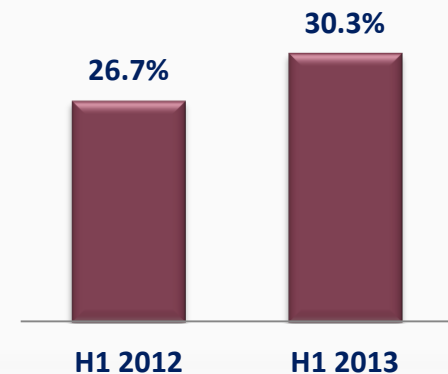
Working cap % of sales

Europe

Rest of the World



Increasing tax rate



2013 objectives confirmed

2013 objectives	
Sales growth ⁽¹⁾	At least 5%
Trading operating margin ⁽¹⁾	-30bps to -50bps
Free cash-flow excluding exceptional items ⁽²⁾	Around € 2 bn

(1) Like-for-like : Based on constant scope of consolidation and constant exchange rates

(2) Free cash-flow excluding exceptional items : cash flows provided or used by operating activities (I) less capital expenditure net of disposals (II) excluding acquisition costs related to business combinations and (III) before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe.

H1 2013 Results

KEY FIGURES - H1 13

Sales



€ 11,058 mln

**+6.0% like-for-like ⁽¹⁾
+5.6% reported**

Trading operating income



€ 1,475 mln

**+2.3% like-for-like ⁽¹⁾
+1.7% reported**

Trading operating margin



13.34%

**-49 bps like-for-like ⁽¹⁾
-51 bps reported**

Underlying net income



€ 873 mln

**-1.3% like-for-like ^(1,2)
-4.2% reported**

Underlying EPS (fully diluted)



€ 1.48

**+0.5% like-for-like ^(1,2)
-2.4% reported**

**Free cash-flow excluding
exceptional items ⁽³⁾**



€ 714 mln

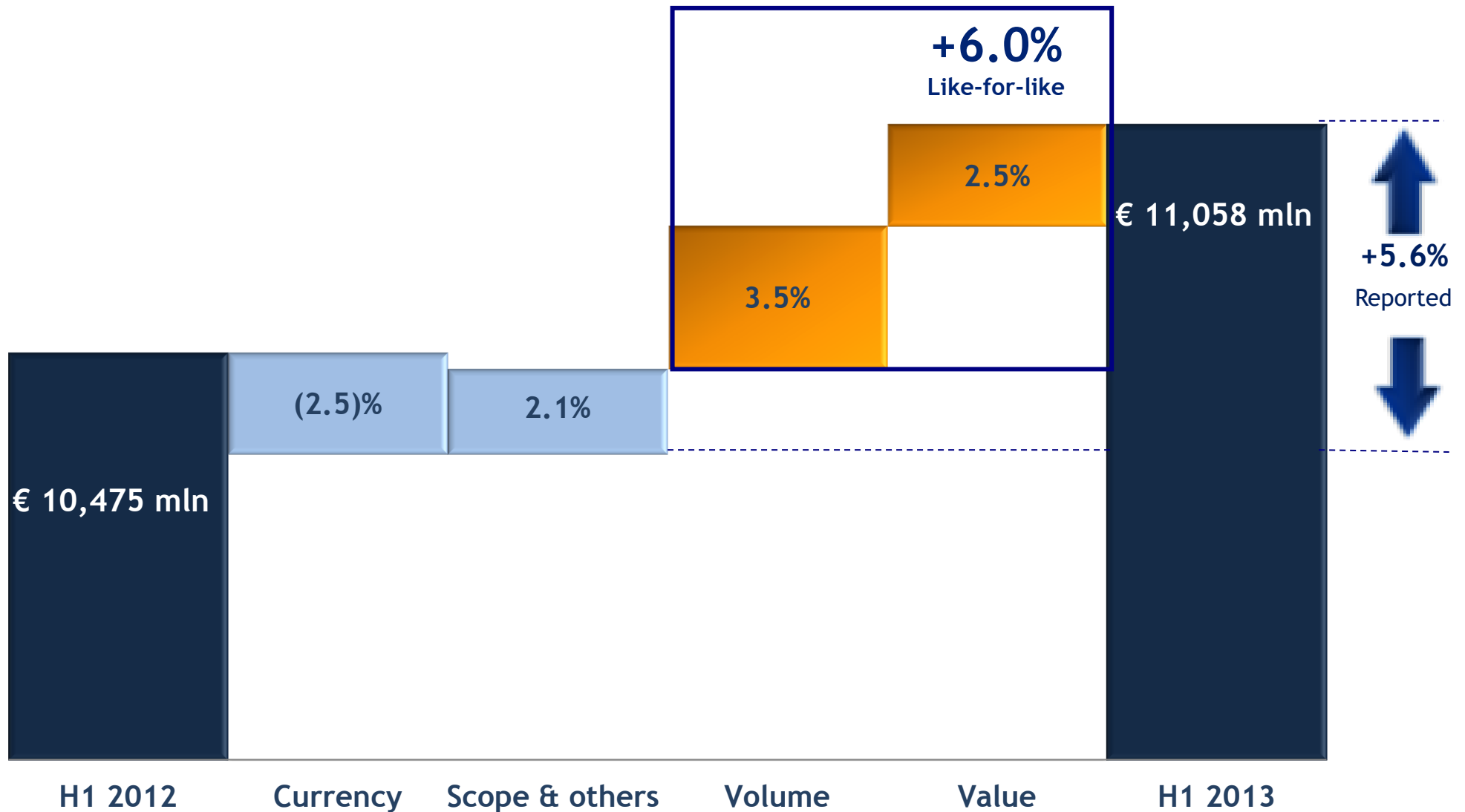
-19.8% reported

(1) Like-for-like : Based on constant scope of consolidation and constant exchange rates

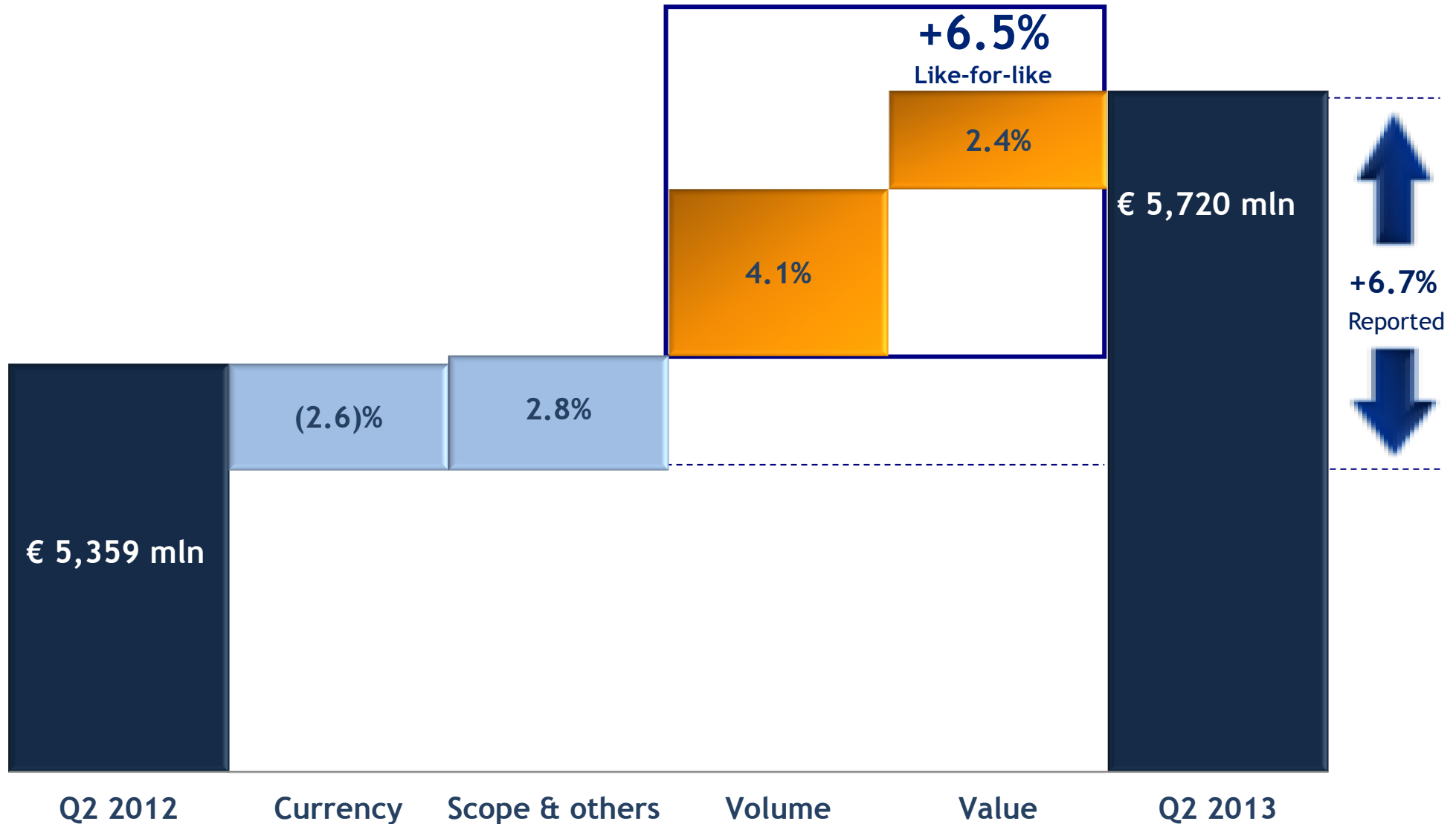
(2) Excluding non current

(3) Free cash-flow excluding exceptional items : cash flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations and before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe

Sales growth analysis - H1 13



Sales growth analysis - Q2 13



Total Group : Solid H1, Q2 is confirming a good start to the year

Like-for-like sales growth



- Q2 improving vs. Q1, driven by Dairy division
- Pace of decline reducing in Europe, benefiting from easier base of comparison in Dairy and from high overseas demand in Baby nutrition
- Excellent quarter in CIS-Noram, exceeding 10% growth
- Continued mid-teens growth in ALMA

Geographical dynamics

Like-for-like sales growth by region

EUROPE

(0.5)%

(2.8)%

(3.8)%

(5.1)%

(5.1)%

(3.0)%

CIS+Noram
CIS+USA+Canada

5.3%

5.3%

6.8%

9.7%

8.5%

10.2%

ALMA

Asiapac Latam Middle East Africa

18.1%

15.4%

15.2%

14.2%

16.6%

15.3%

Q1 12

Q2 12

Q3 12

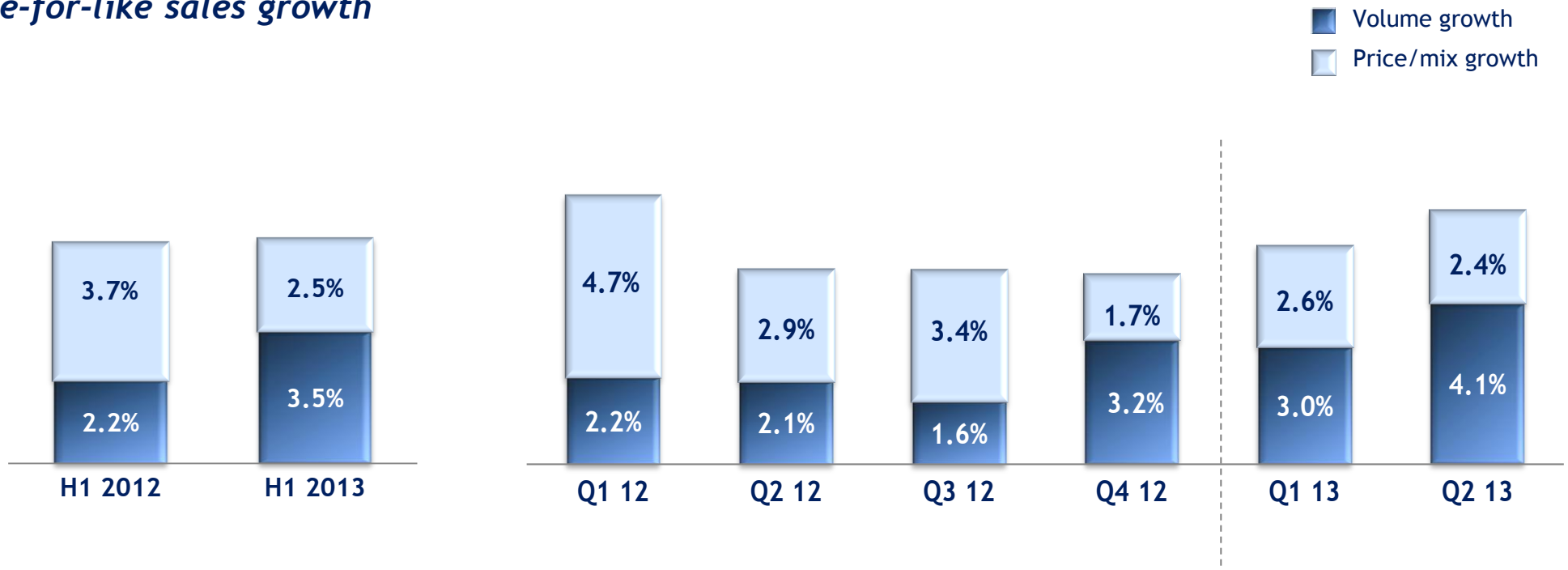
Q4 12

Q1 13

Q2 13

Total Group : healthy equation

Like-for-like sales growth



- Strong Q2 volume, driven by Dairy and Waters
- Positive mix driven by Baby nutrition

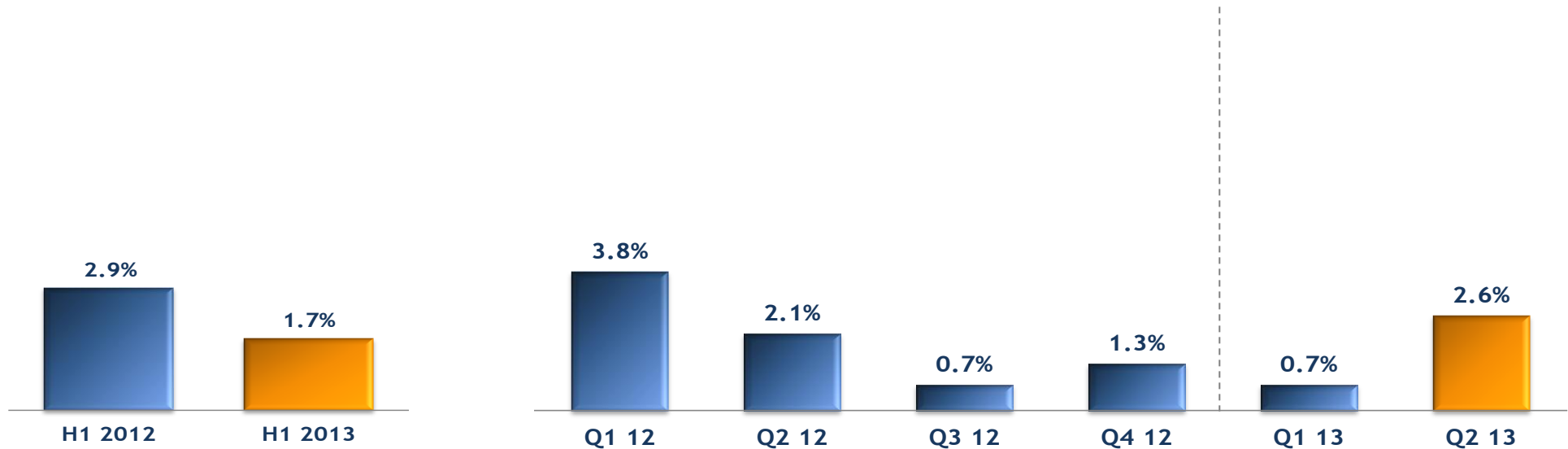


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Sales performance by division

FRESH DAIRY PRODUCTS - Growth improving

Like-for-like sales growth

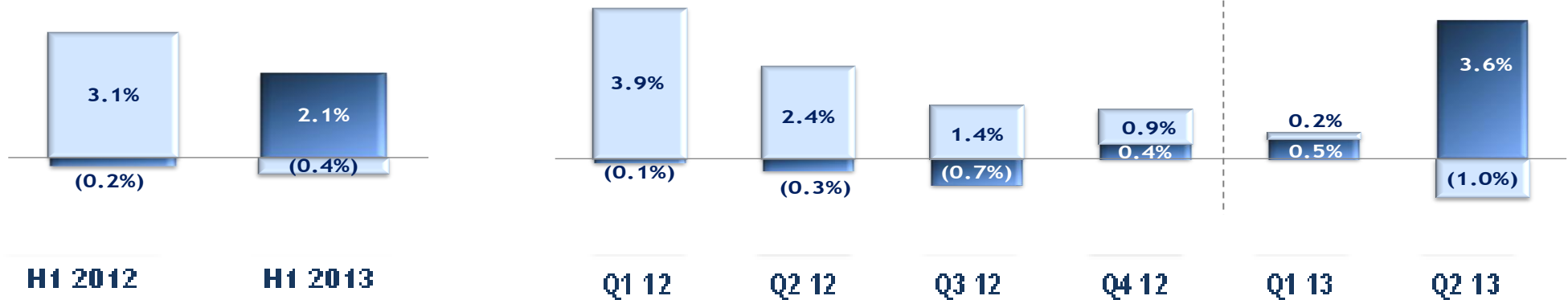


- Excellent quarter in CIS-Noram, exceeding 10% growth, with better trends vs Q1 in both geographies
- Continued double-digit growth in ALMA. Brazil keeps outperforming
- First signs of stabilization in Europe, base of comparison getting easier

FRESH DAIRY PRODUCTS - Solid volume growth

Volume and price/mix growth

■ Volume growth
■ Price/mix growth



- Volume growth accelerating in all regions
- Negative Price/Mix driven by continued « value for money » investments in Europe and lesser positive price/mix in growth markets

FRESH DAIRY PRODUCTS - Selected innovations



KISS Roll Out : UK/Belgium



Renovation of DanUp :
new pack and formula
(Portugal)



Oikos Dips
(United States)



Danonino : Bebe Dino
(Spain)

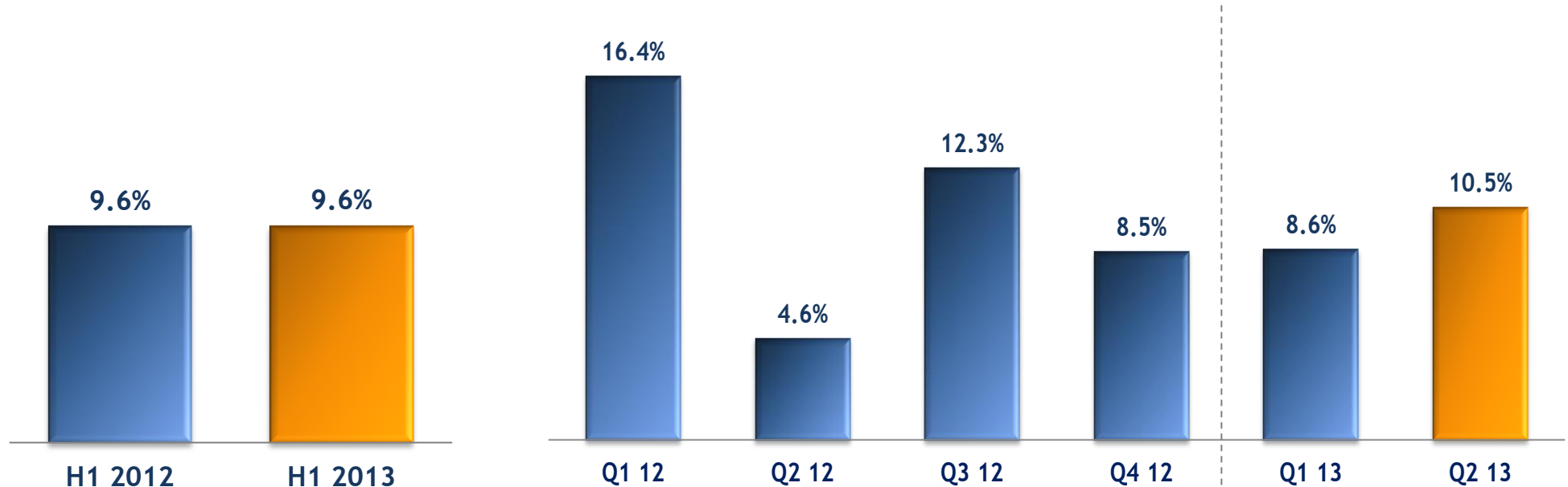


Yolado renovation
(Spain)



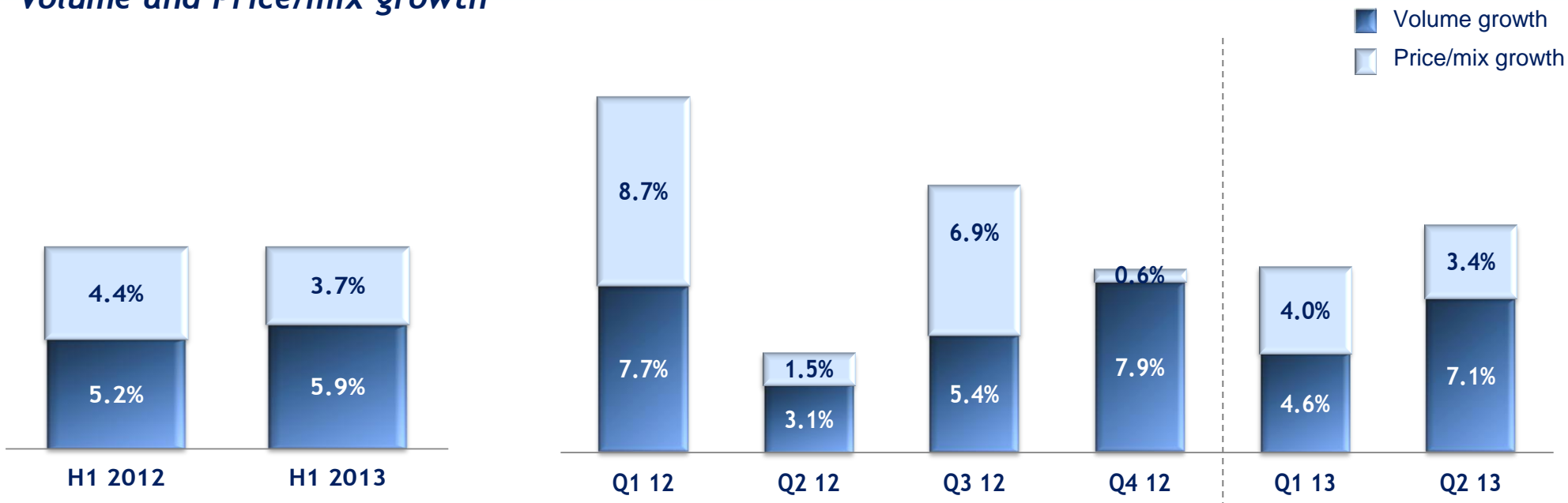
WATERS - Continued Strong Performance

Like-for-like sales growth



- Asia & Aquadrinks keep outperforming
- Europe remaining soft, impacted by poor weather, similarly to last year
- Market shares growing or stable in most of our markets

Volume and Price/mix growth



- Strong volume, driven by Asia
- Positive Mix from Aquadrinks and valorized formats

WATERS - Selected innovations

Evian : new premium bottle
(United States & Japan)



Fontvella Levité
(Spain)



Evian : “Baby&me” campaign
113 millions views in 3 months



Zywiec Flavoured Fizz
(Poland)



BABY NUTRITION - Outstanding dynamics again

Like-for-like sales growth



- Similar underlying trends to Q1, Asian demand is the number one contributor
- Excellent performance in all regions including Europe, despite continued weakness in weaning food
- Continued market shares gains overall, driven by Milk formula

BABY NUTRITION - Selected innovations

BoboVita vegetable & fruit
(Poland)



Aptamil Active
(Brazil)



Karicare Comfort
(Australia - New Zealand)



Almiron Advance
(Spain)



Bledine cereals
nutritionnal upgrade
(France)



Lactamil : milk powder formula
for mothers during lactating period
(Turkey)



Nutrilon classic into China E-commerce market
(China)



Mellin Gum Milk&Go
(Italy)



MEDICAL NUTRITION - Soft Performance

Like-for-like sales growth



- Continued pressure across the board coming from cost reduction programs by health systems and hospitals
- Priority given to mix-accretive and differentiated products : paediatrics and metabolism segments, innovations bringing more convenience and taste

MEDICAL NUTRITION - Selected innovations

Lophlex Sensation
(Netherlands, Germany, United Kingdom, Ireland, Denmark, Hungary)



Nutrison plastic bottle
(11 EU countries)



Fortimel DiaCare Creme
(France)



Trading operating income and margin

€ mln

H1 2012

H1 2013

Trading operating income

1,451

1,475

Other operating items

(40)

(291)

Operating income

1,411

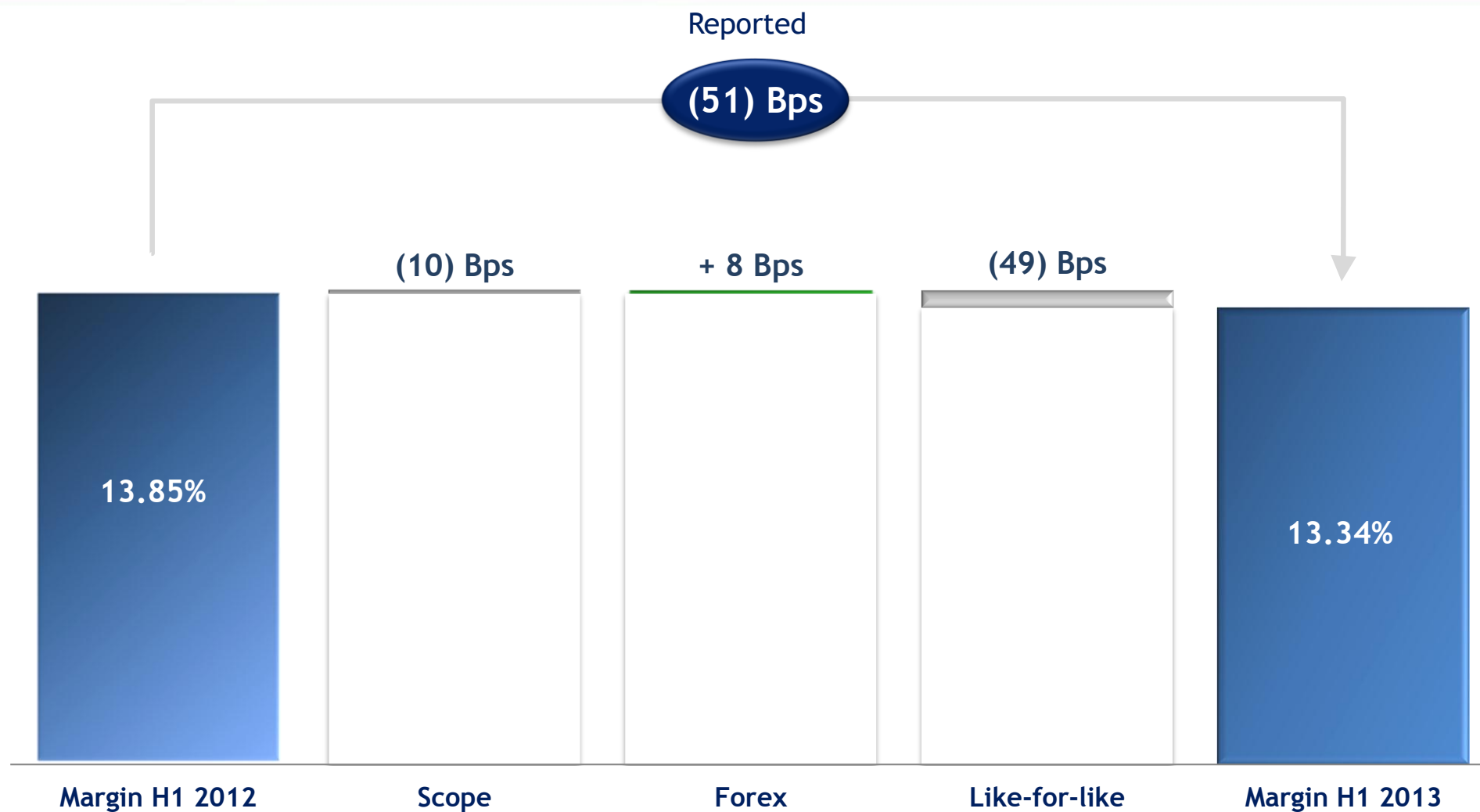
1,184

Trading operating margin

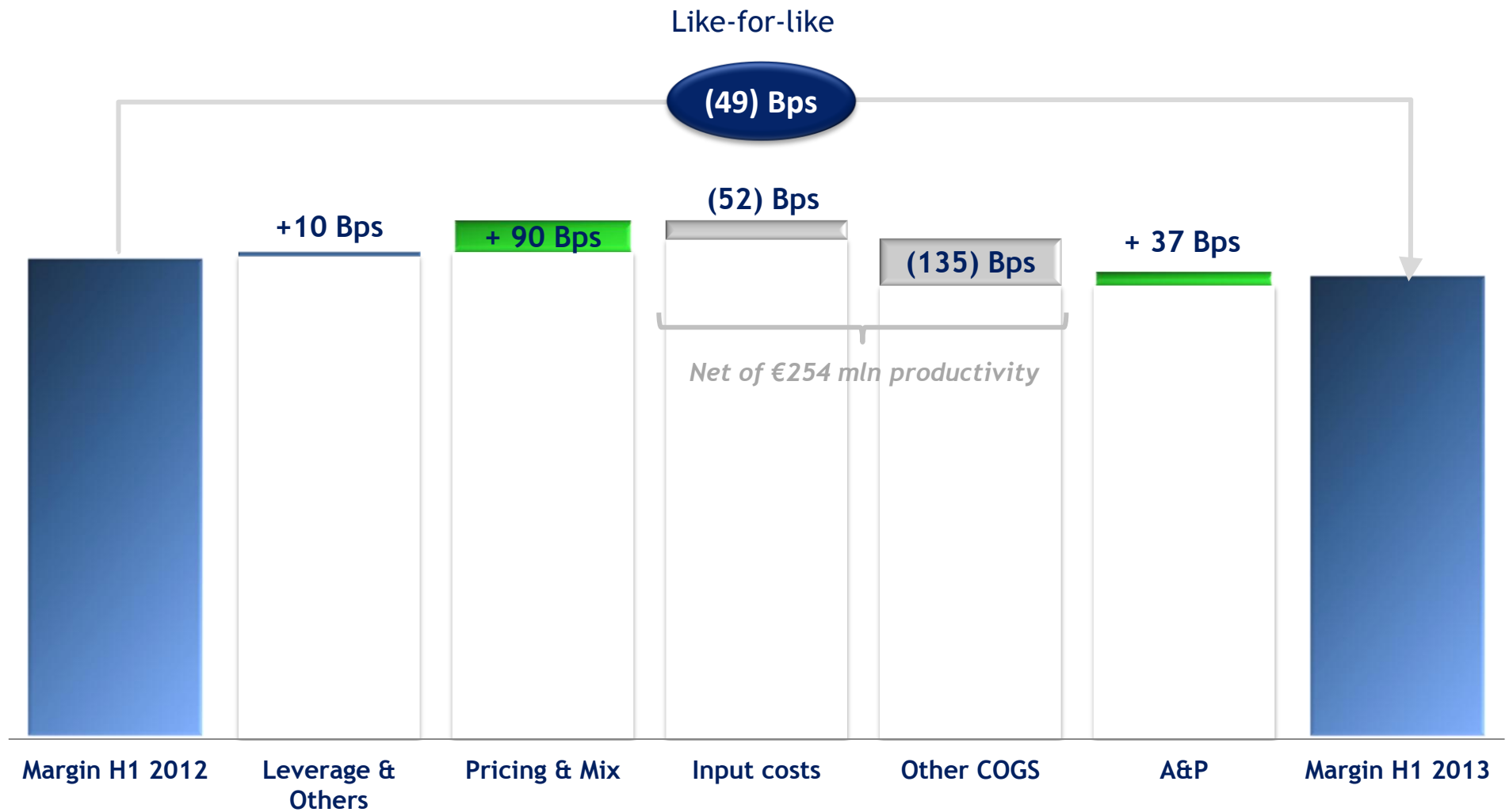
13.85%

13.34%

H1 13 Margin bridge development



Margin bridge



Trading operating margin by business line & geographical areas

	H1 2012	H1 2013	Like-for-like change
Fresh Dairy Products	11.23%	9.91%	(128) bps
Waters	13.67%	13.18%	(57) bps
Baby Nutrition	19.97%	20.49%	+43 bps
Medical Nutrition	18.70%	19.31%	+65 bps
Europe	15.24%	14.28%	(118) bps
CIS+Noram	8.86%	9.36%	+55 bps
ALMA	15.10%	14.56%	(28) bps
Total	13.85%	13.34%	(49) bps

From operating income to net income

€ mln	H1 2012 Underlying	H1 2013 Underlying	Non-current items	H1 2013
Trading operating income	1,451	1,475	-	1,475
Other operating items	-	-	(291)	(291)
Operating income	1,451	1,475	(291)	1,184
Total financial expenses	(138)	(152)	52	(100)
Income tax	(351)	(402)	87	(315)
Net income of affiliates	39	38	238	276
Net income	1,001	959	86	1,045
<i>Non-controlling interests</i>	90	86	(13)	73
Net income - Group share	911	873	99	972

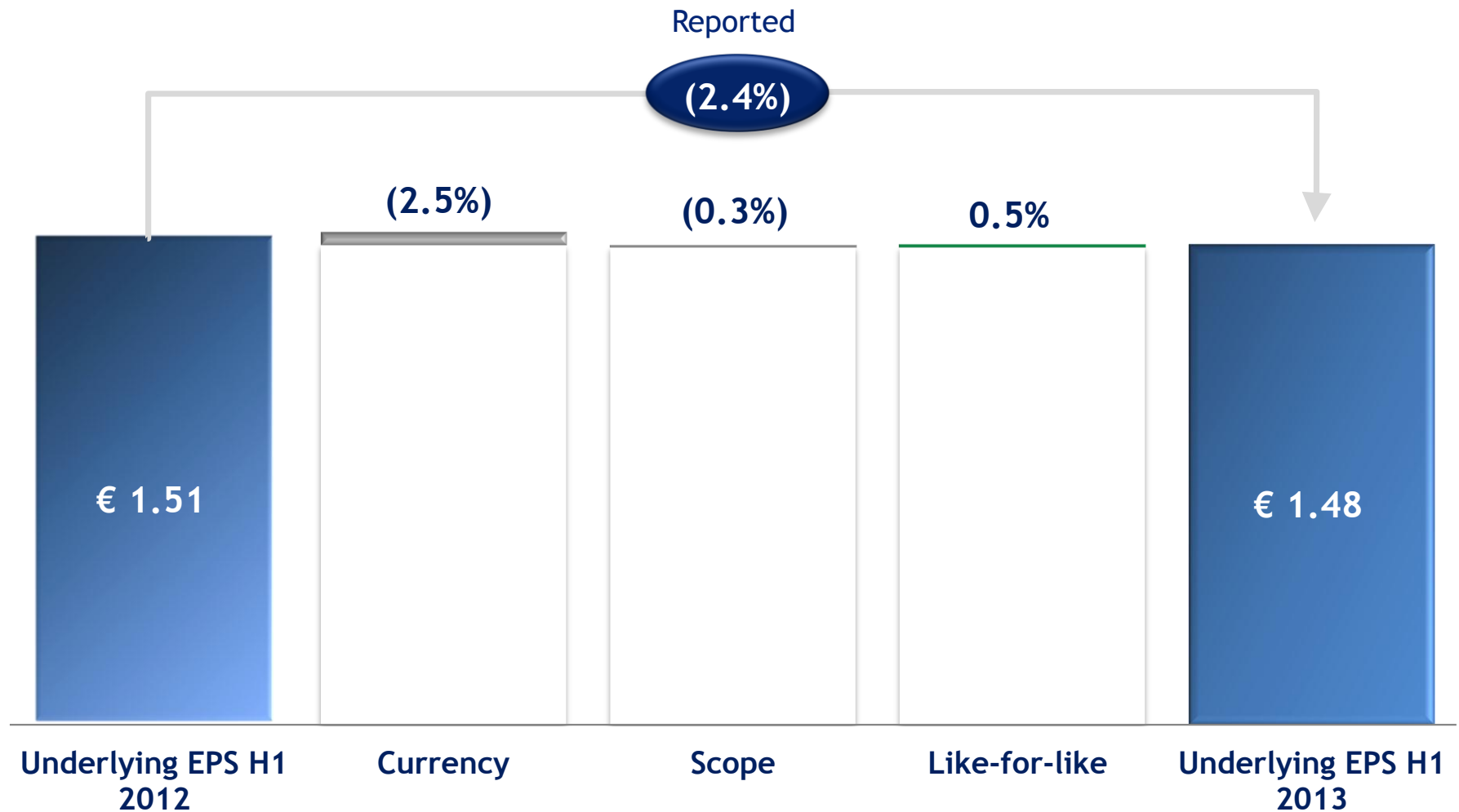
Tax rate development

€ mln	H1 2012	H1 2013
Total income tax (reported)	(341)	(315)
<i>Reported tax rate</i>	26.9%	29.0%
Non-current income tax ⁽¹⁾	10	87
Current income tax	(351)	(402)
<i>Underlying tax rate</i>	26.7%	30.3%

Underlying EPS

		H1 2012	H1 2013
Underlying net income	€ million	911	873
Fully diluted number of shares	million	603	592
		↓	↓
Fully diluted underlying EPS		€ 1.51	€ 1.48

Analysis of underlying fully diluted EPS growth H1 13

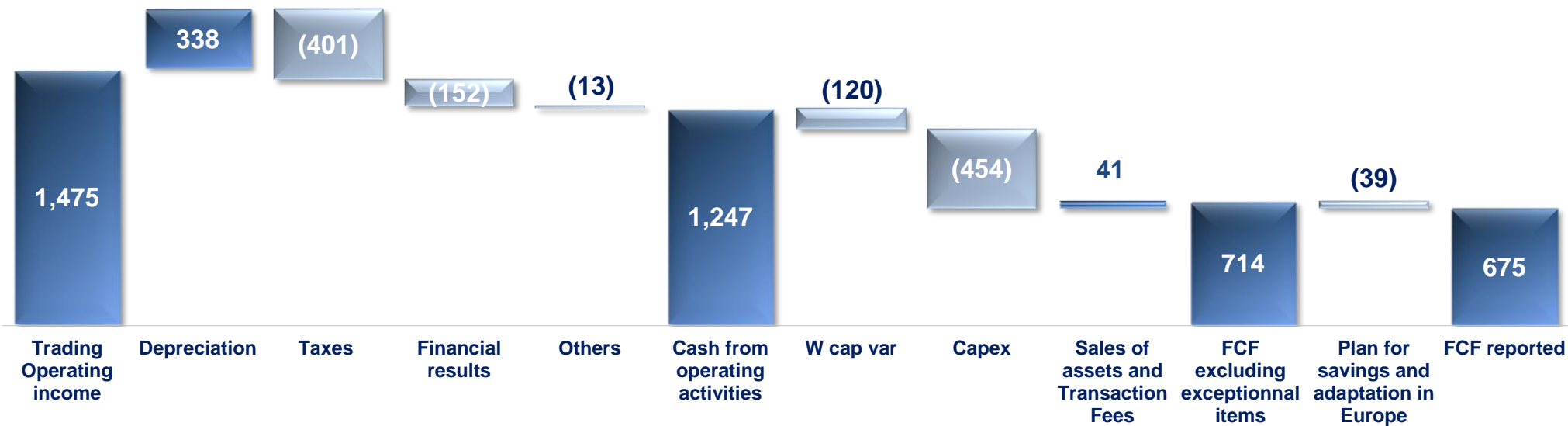




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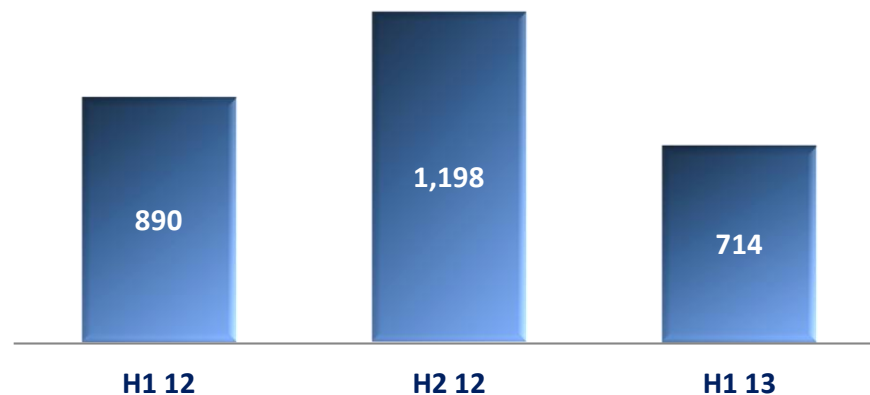
Cash bridge

€ mln



Cash drivers

Free cash-flow excluding exceptional items (€ mln)

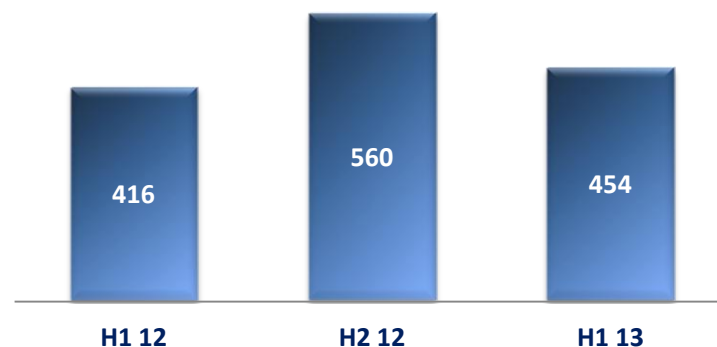


Working Capital (€ mln)



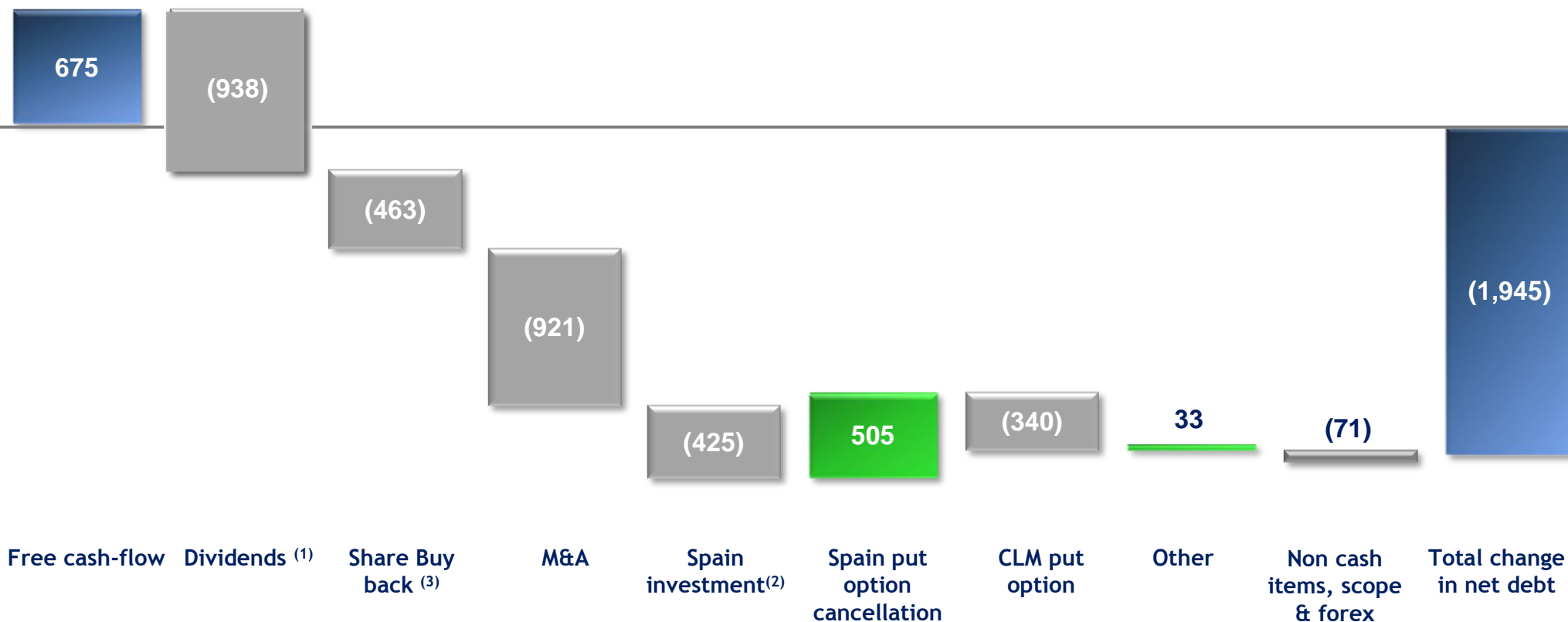
% of sales -5.8% -7.3% -6.4%

Capital expenditures (€ mln)



% of sales 4.0% 5.4% 4.1%

FCF to net debt change



(1) Including transactions with NCIs other than Danone Spain

(2) Including payment in cash and in DANONE shares

(3) Excluding purchase of treasury stock to offset dilution resulting from shares transferred to minority shareholders at Danone Spain in exchange for their shares in this subsidiary

Synthetic Balance Sheet

Assets⁽¹⁾

Liabilities

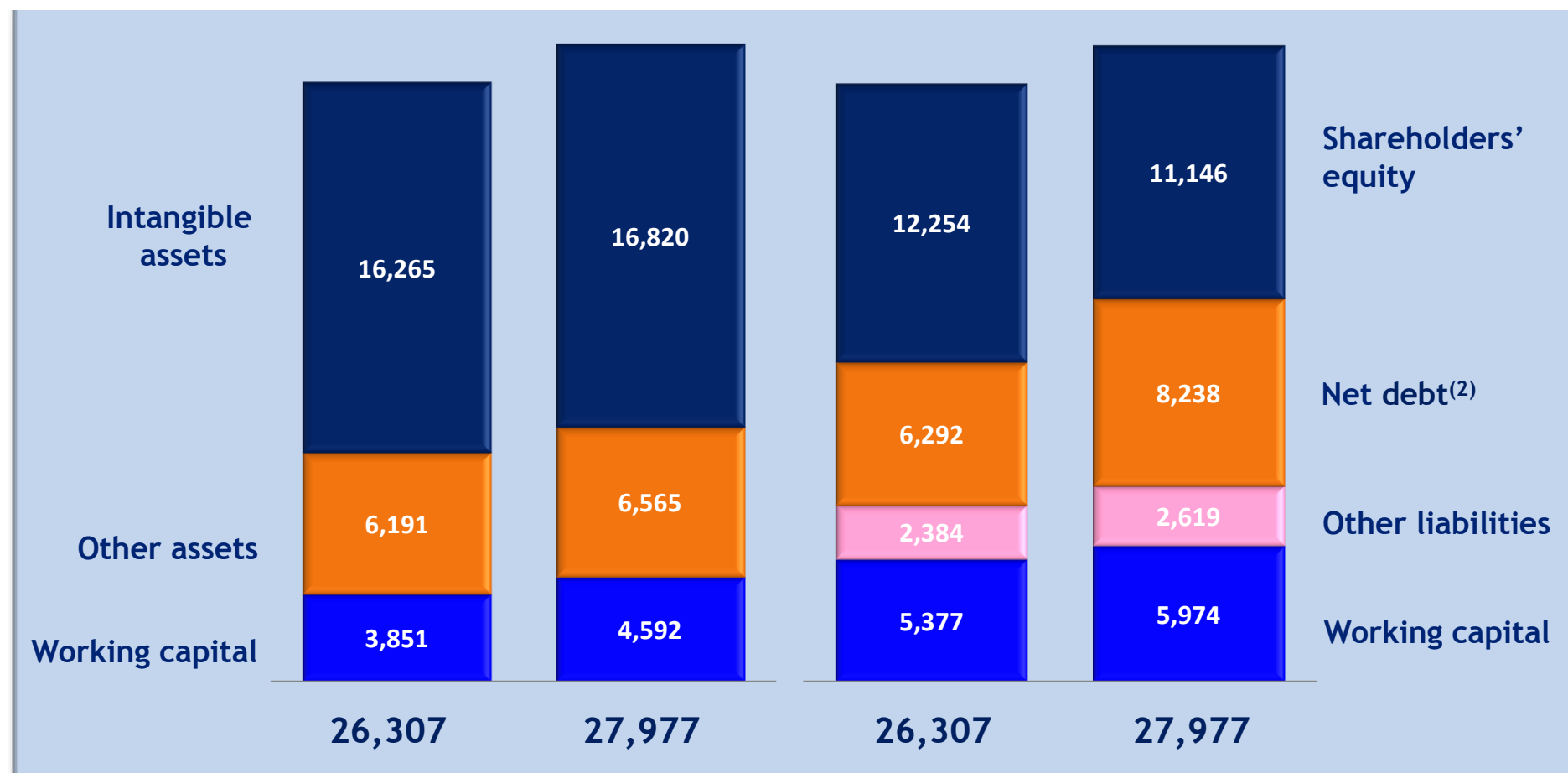
€ mln

December 12

June 13

December 12

June 13



(1) Excluding assets included in net debt

(2) Net of cash, cash equivalents, marketable securities, other short term investments and financial instrument assets

- As announced when results for the first quarter of 2013 were released, in April 2013 Danone bought back 2.3 million of its own shares^[1]
 - ✓ As of June 30th, 2013, the group owns 49 million of treasury shares representing 7.8% of the Company's share capital
- 4.3 million treasury shares cancellation decided by the Board of Directors, on July 26th, 2013 :
 - ✓ As of July 26th, 2013, the Company's new share capital amounts to €157,757,000, fully paid in, and divided into 631,028,000 shares

[1] Excludes purchase of treasury stock to offset dilution resulting from shares transferred to minority shareholders at Danone Spain in exchange for their shares in this subsidiary

2013 OUTLOOK

2013 objectives confirmed

2013 objectives	
Sales growth ⁽¹⁾	At least 5%
Trading operating margin ⁽¹⁾	-30bps to -50bps
Free cash-flow excluding exceptional items ⁽²⁾	Around € 2 bn

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H1 2013 in line with our priorities

2013 a year of transition

● Europe :



Adapt & fix

- Savings & competitiveness
- Value for consumers

● Growth markets :



Invest & leverage

2014 back to

Strong
Sustainable
Profitable

GROWTH



APPENDIX

Share price & Shareholding

Danone Share price evolution



Danone YTD June 2013 stock performance

Absolute

+15.54%

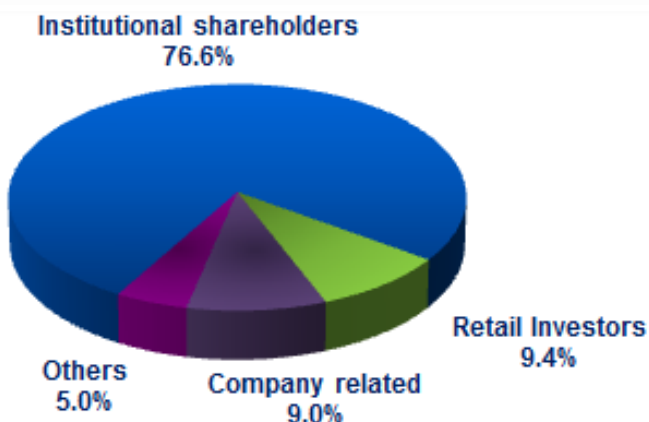
Relative vs. CAC 40

+12.85%

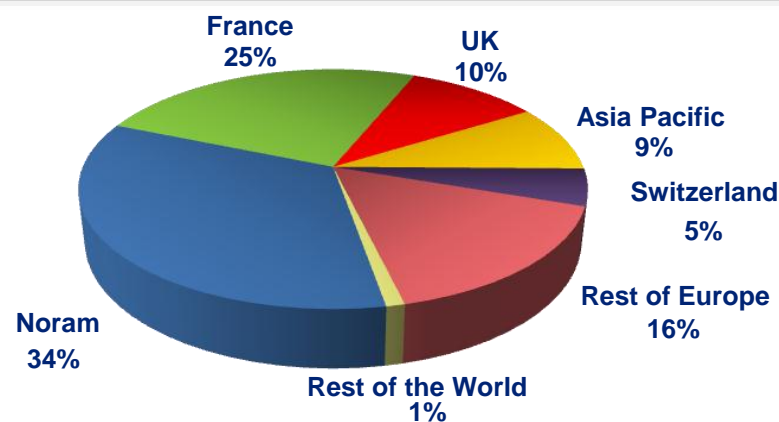
Relative vs. Eurostoxx 50

+16.80%

Shareholding by investor ⁽¹⁾



Institutional Shareholding by geography ⁽¹⁾



(1) The company conducted a survey of the Company's identifiable shareholders as of December 2012

Impact of currencies and scope - Q2 13

	Dairy	Waters	Baby Nutrition	Medical Nutrition	Total
Reported sales growth	+4.2%	+8.9%	+12.1%	+5.1%	+6.7%
Currency	(3.4)%	(1.5)%	(2.0)%	(1.8)%	(2.6)%
Scope of consolidation	+5.0%	(0.1)%	+0.6%	+2.2%	+2.8%
Like-for-like sales growth	+2.6%	+10.5%	+13.5%	+4.7%	+6.5%

Impact of currencies and scope - H1 13

	Dairy	Waters	Baby Nutrition	Medical Nutrition	Total
Reported sales growth	+2.0%	+7.4%	+14.0%	+5.9%	+5.6%
Currency	(3.0)%	(2.1)%	(1.8)%	(1.6)%	(2.5)%
Scope of consolidation	+3.3%	(0.1)%	+0.6%	+2.0%	+2.1%
Like-for-like sales growth	+1.7%	+9.6%	+15.2%	+5.5%	+6.0%

Sales by business & geographical area - Q2 13

€ mln	Q2 2012	Q2 2013	Like-for-like sales growth
Fresh Dairy Products	2,946	3,071	+2.6%
Waters	1,014	1,104	+10.5%
Baby Nutrition	1,076	1,206	+13.5%
Medical Nutrition	323	339	+4.7%
Europe	2,233	2,155	(3.0)%
CIS+Noram	1,118	1,197	+10.2%
ALMA	2,008	2,368	+15.3%
Total	5,359	5,720	+6.5%

Sales by business & geographical area - H1 13

€ mln	H1 2012	H1 2013	Like-for-like sales growth
Fresh Dairy Products	5,906	6,023	+1.7%
Waters	1,855	1,991	+9.6%
Baby Nutrition	2,090	2,383	+15.2%
Medical Nutrition	624	661	+5.5%
Europe	4,350	4,160	(4.0)%
CIS+Noram	2,201	2,360	+9.3%
ALMA	3,924	4,538	+15.9%
Total	10,475	11,058	+6.0%

Like-for-like sales growth - Q2 13

Breakdown volume/value

<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy Products	+3.6%	(1.0)%	+2.6%
Waters	+7.1%	+3.4%	+10.5%
Baby Nutrition	+2.7%	+10.8%	+13.5%
Medical Nutrition	+3.6%	+1.1%	+4.7%
Europe	(1.6)%	(1.4)%	(3.0)%
CIS+Noram	+8.6%	+1.6%	+10.2%
ALMA	+6.2%	+9.1%	+15.3%
Total	+4.1%	+2.4%	+6.5%

Like-for-like sales growth - H1 13

Breakdown volume/value

<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy Products	+2.1%	(0.4)%	+1.7%
Waters	+5.9%	+3.7%	+9.6%
Baby Nutrition	+5.2%	+10.0%	+15.2%
Medical Nutrition	+4.9%	+0.6%	+5.5%
Europe	(2.7)%	(1.3)%	(4.0)%
CIS+Noram	+6.8%	+2.5%	+9.3%
ALMA	+7.2%	+8.7%	+15.9%
Total	+3.5%	+2.5%	+6.0%

Changes in exchange rates 27.5% of sales denominated in €

	% total H1 13 sales	H1 13 vs H1 12(avg)	Q2 13 vs Q2 12 (avg)
Russian ruble	10.2%	(2.6)%	(3.7)%
US dollar	8.7%	(1.2)%	(1.8)%
Chinese yuan	7.1%	0.8%	0.9%
Indonesian rupee	5.7%	(6.8)%	(6.7)%
Mexican peso	5.6%	4.1%	6.3%
Argentine peso	4.6%	(15.4)%	(16.7)%
British pound	4.6%	(3.3)%	(4.7)%
Brazilian real	4.3%	(9.5)%	(7.0)%
Polish zloty	2.6%	1.6%	1.3%
Moroccan Dirham	1.8%	(0.2)%	(0.3)%

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