

DANONE

FY 2012 results - February 19th, 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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FY 2012 Highlights

Franck Riboud

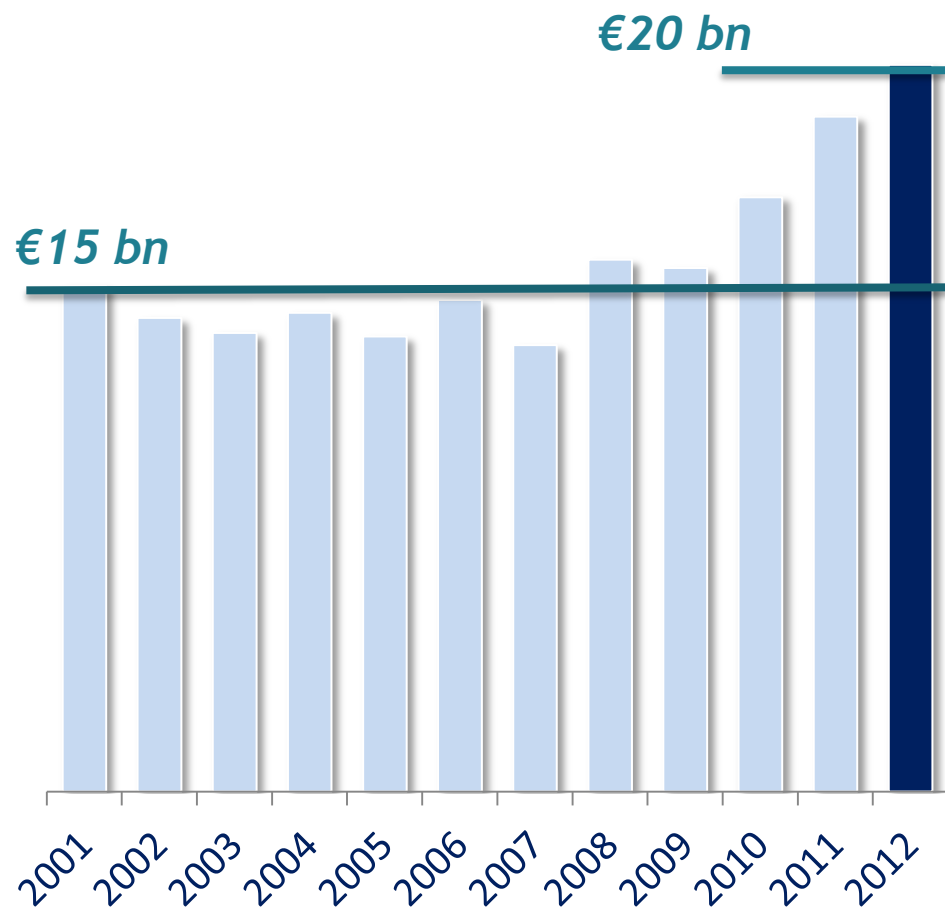
> € 20 bn sales

**> € 2 bn
free cash flow**

**> 60% sales
in growth markets**

-35% CO2

> € 20 bn sales



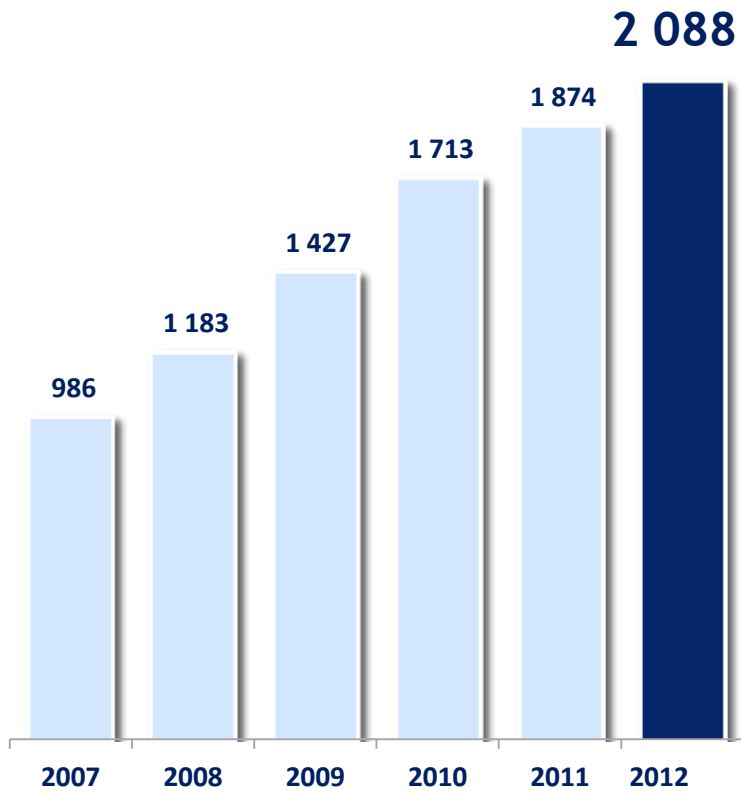
Strong brands



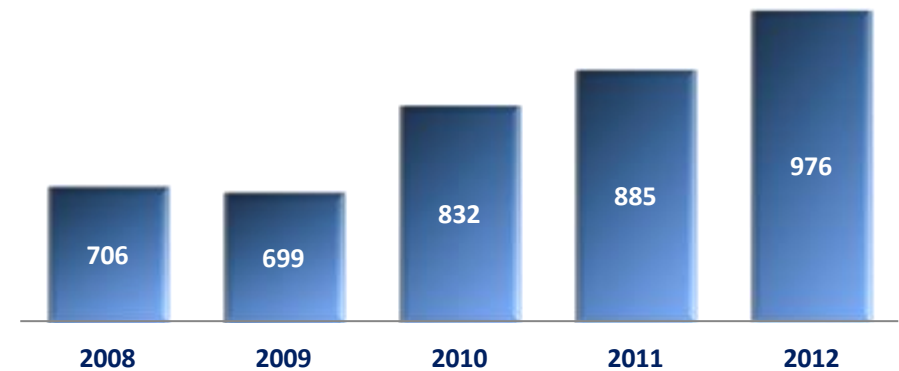
2012 a step change

**> € 2 bn
free cash flow**

x2 Free Cash Flow in 5 years



Capital expenditures (€ mln)

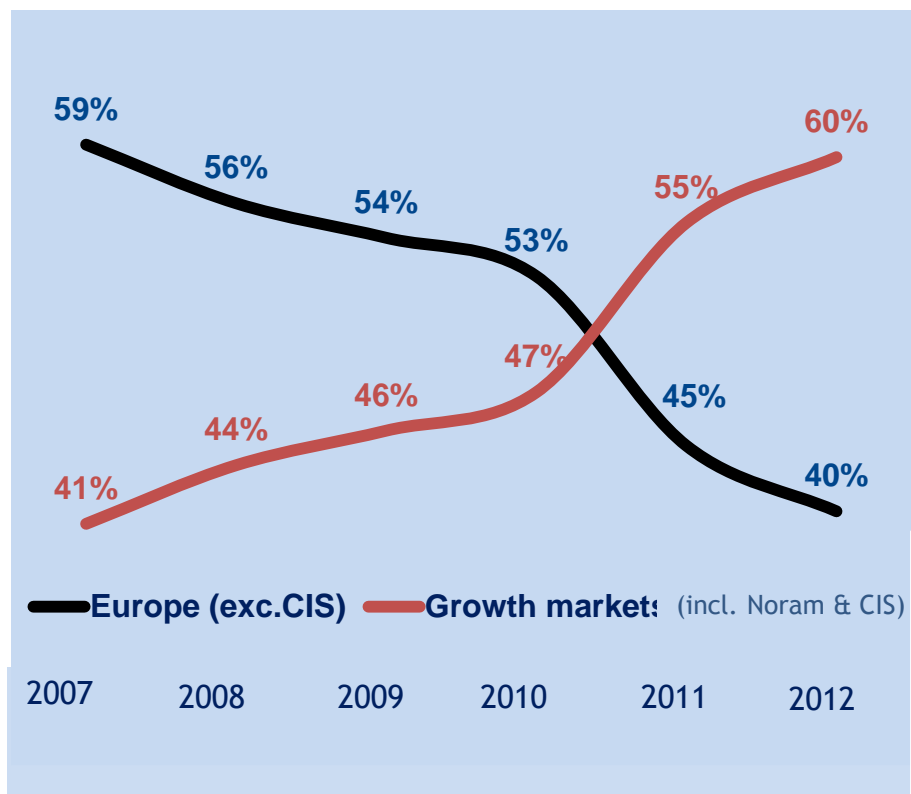


Acquisitions



**> 60% sales
in growth markets**

Sales evolution by geographies



Top 10 contributors to 2012 sales

#1		Russia	10%
#2		France	10%
#3		USA	8%
#4		China	6%
#5		Spain	6%
#6		Indonesia	6%
#7		Mexico	5%
#8		Argentina	5%
#9		UK	5%
#10		Brazil	4%

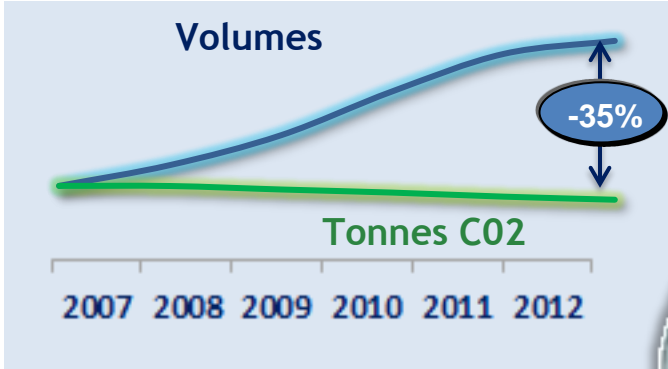


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2012 a step change

-35% CO2

Carbon footprint reduction



Connecting business & sustainability



Innovation & consumer satisfaction

Efficient sourcing



Employees engagement & loyalty



A 2 tier momentum

Growth Markets

Sales

12.5 bn

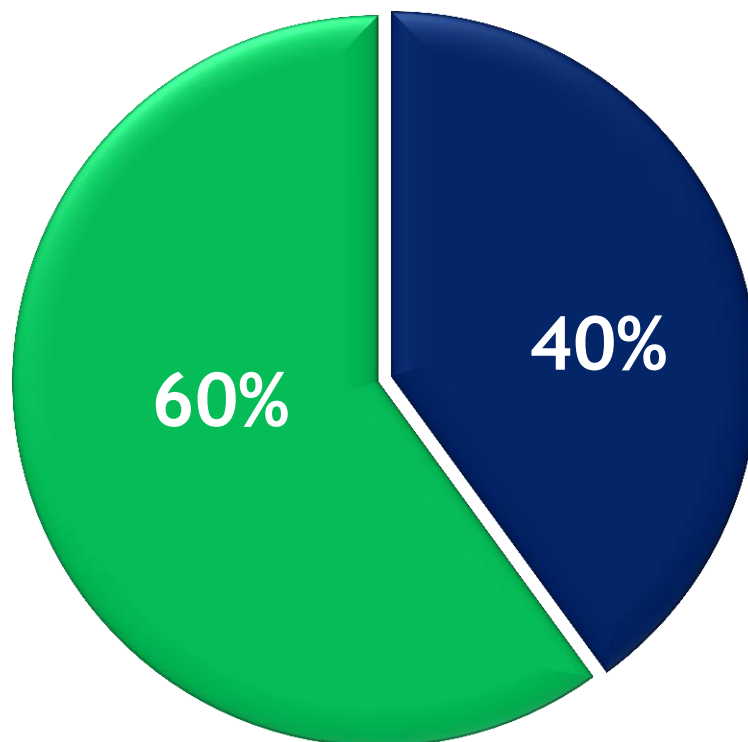
+12.4 % Like-for-like⁽¹⁾

Trading operating margin

13.2%

+80 bps Like-for-like⁽¹⁾

Sales breakdown



Europe ex CIS

Sales

8.4 bn

-3.0% Like-for-like⁽¹⁾

Trading operating margin

15.7%

-190 bps Like-for-like⁽¹⁾

FY 2012 Results

2012 objectives

FY 2012

Sales growth ⁽¹⁾

5-7%

+5.4%



Trading operating margin

Stable,
adjusted to -50 bps in
June

14.18%
-50 bps Like-for-like⁽¹⁾

Free cash flow ⁽²⁾

€ 2 bn

€ 2,088 mln



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

(2) Free cash flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees

Growth Markets

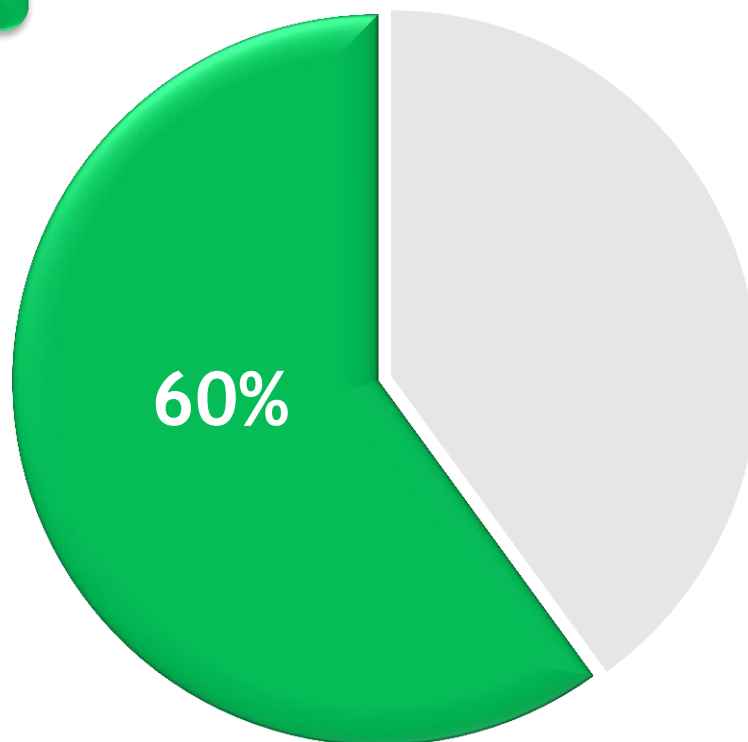
Sales

12.5 bn
+12.4 % Like-for-like⁽¹⁾

Trading operating margin

13.1%
+80 bps Like-for-like⁽¹⁾

Sales breakdown



**Invest
&
leverage**



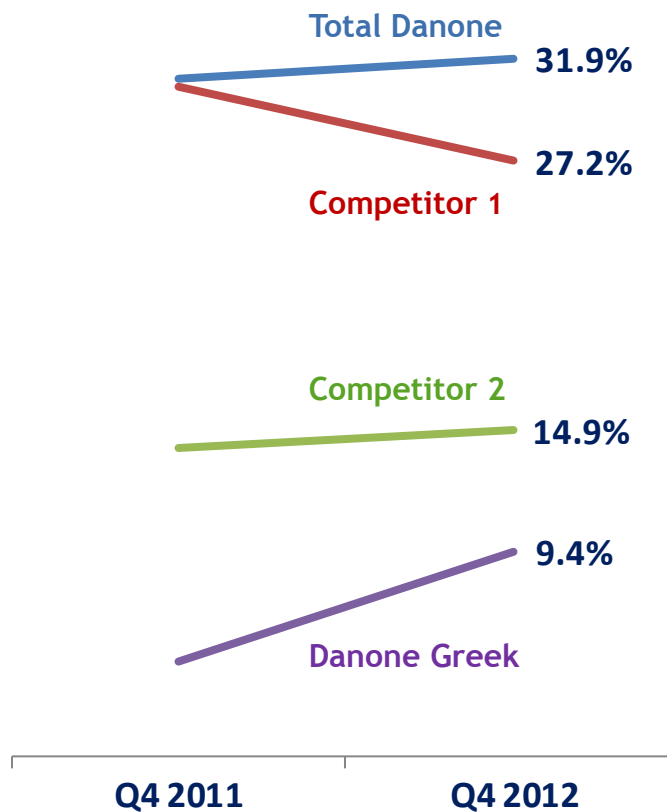
Fresh Dairy US : Building a strong market leader



The only key player in all segments

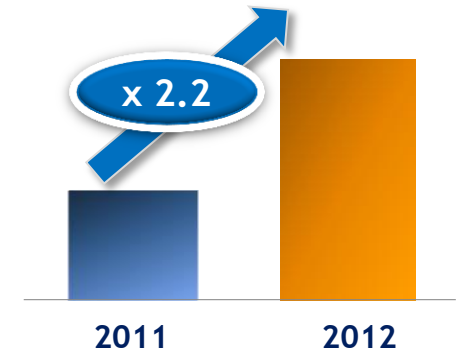


Total Fresh Dairy products : value market shares

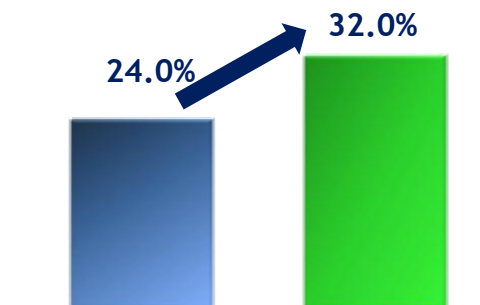


Source : IRI Multi Outlet

Oikos* and Light&Fit Greek \$ sales



Dannon Category Captaincy



(% retail universe with Danone as category caotain)

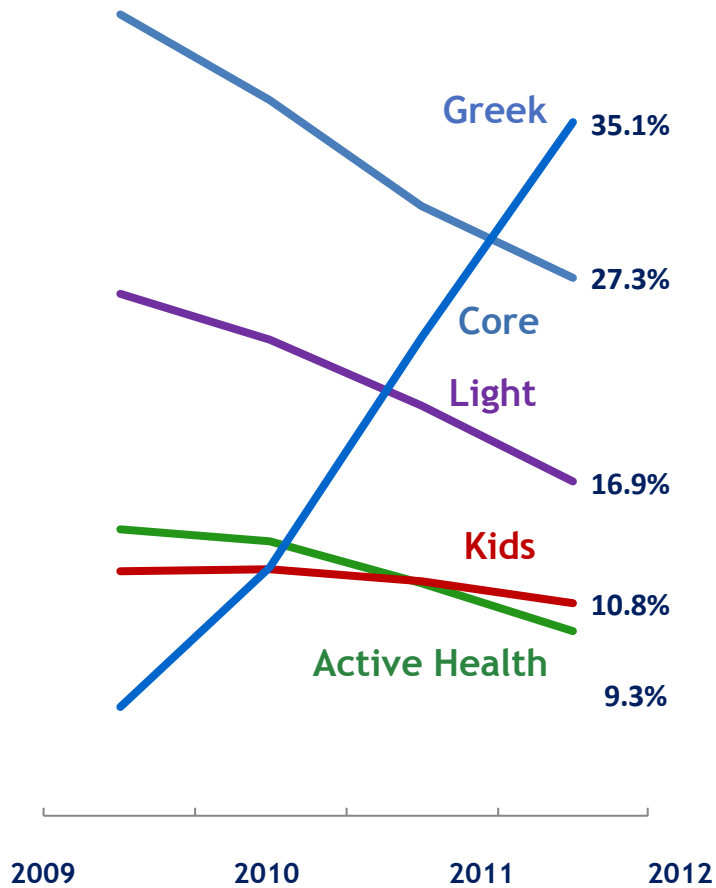
* Dannon + Stonyfield



Fresh Dairy US : Greek yoghurt becoming a component of Americans' diet



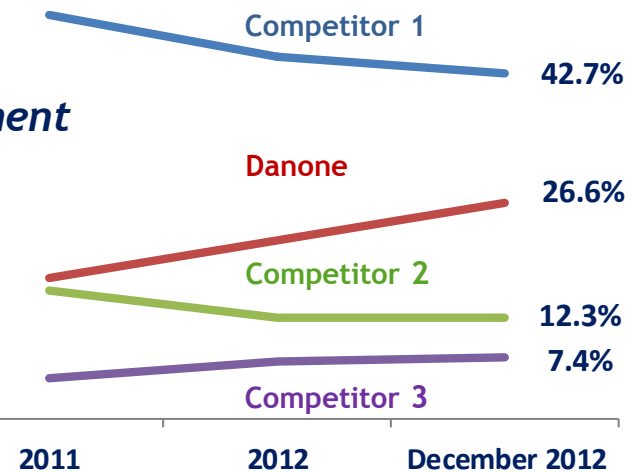
*Fresh Dairy products category
Value market shares by segment*



Source : IRI Total Food US

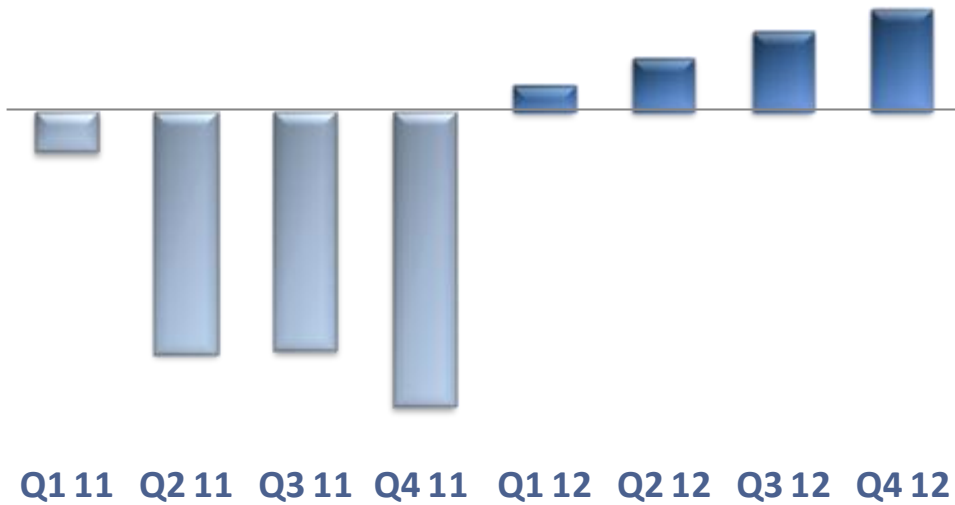


*Greek yoghurt segment
Value market shares*

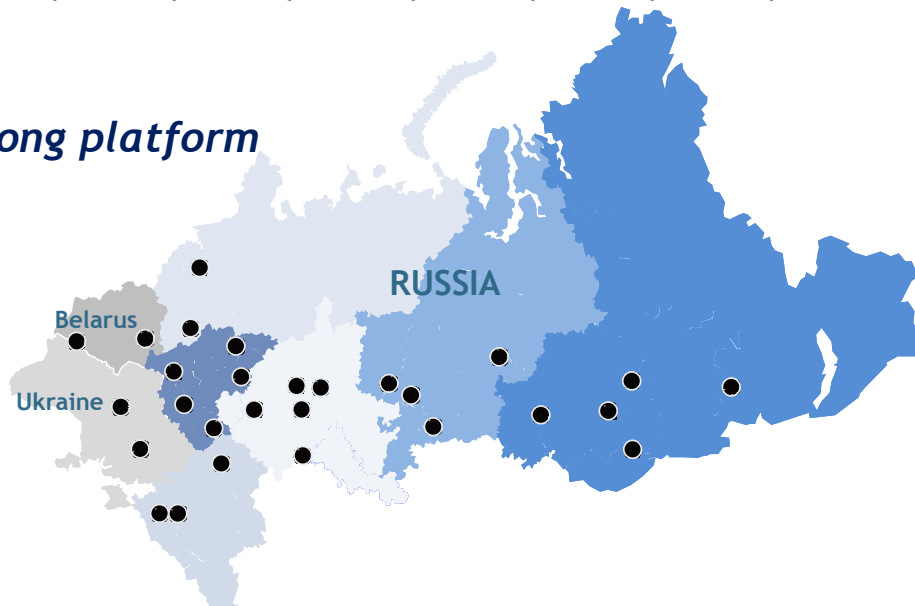


Source : IRI Multi Outlet

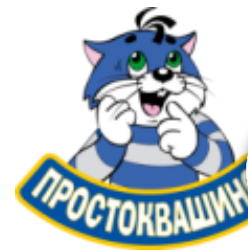
Back to solid volume growth



Strong platform



Strong portfolio



+13%
2012 Like-for-like sales growth



+22%
2012 Like-for-like sales growth



+6%
2012 Like-for-like sales growth





Baby Nutrition : leveraging our platform

2012
like-for-like growth
+11.6%

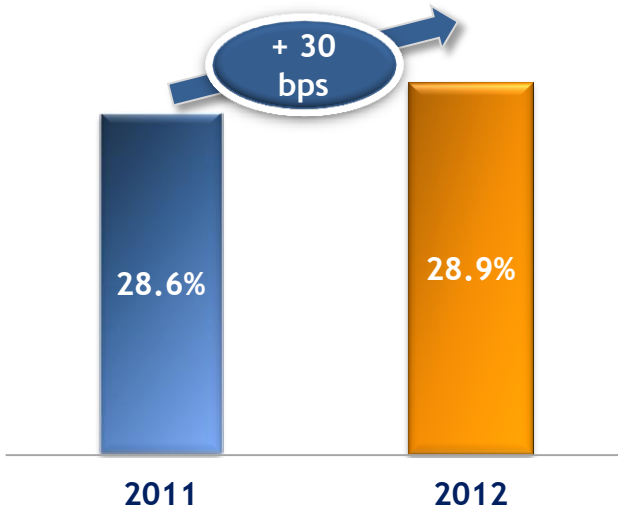
Our mission:



Expert & ambitious
mums

Prudent & harmonious
mums

Danone market share
(Danone Universe)





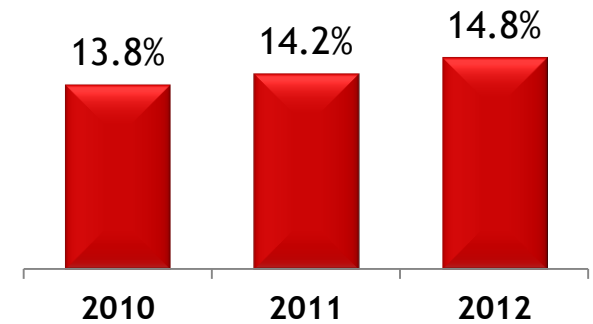
Summer 2012 : Dumex full relaunch



STAGE ENHANCED NUTRITION

Market share gains

Modern Trade - Total milks (YTD Nov 2012)



New internet business model

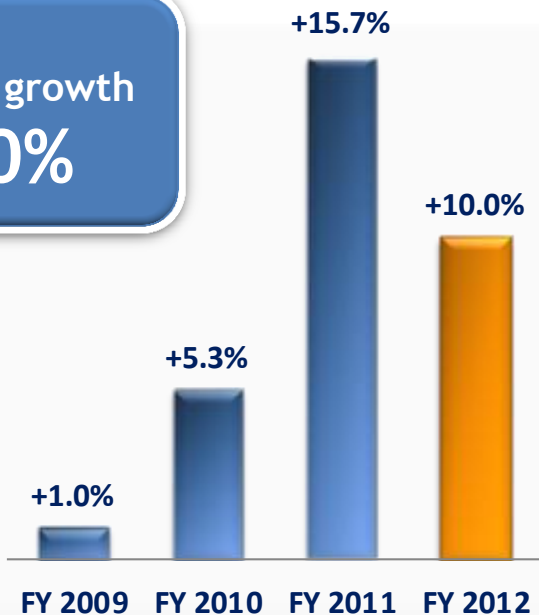




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Waters : unlocking the potential of the category

2012
like-for-like growth
+10.0%



Aquadrinks: a key contributor to our growth



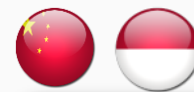
Like-for-like sales growth



> 10 bn litres



> € 500 mln



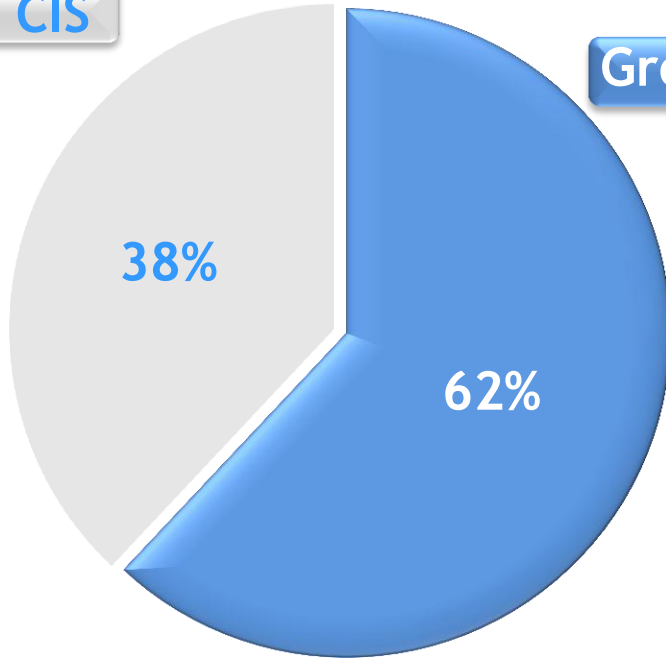
≈ € 500 mln



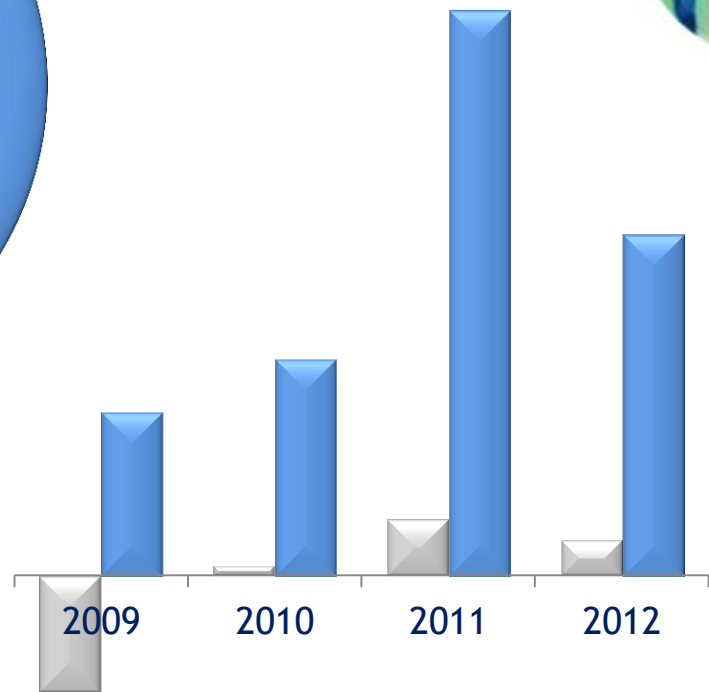
Waters : Strong engine in emerging markets

Sales breakdown

Europe ex CIS



Growth markets



Like-for-Like Sales growth

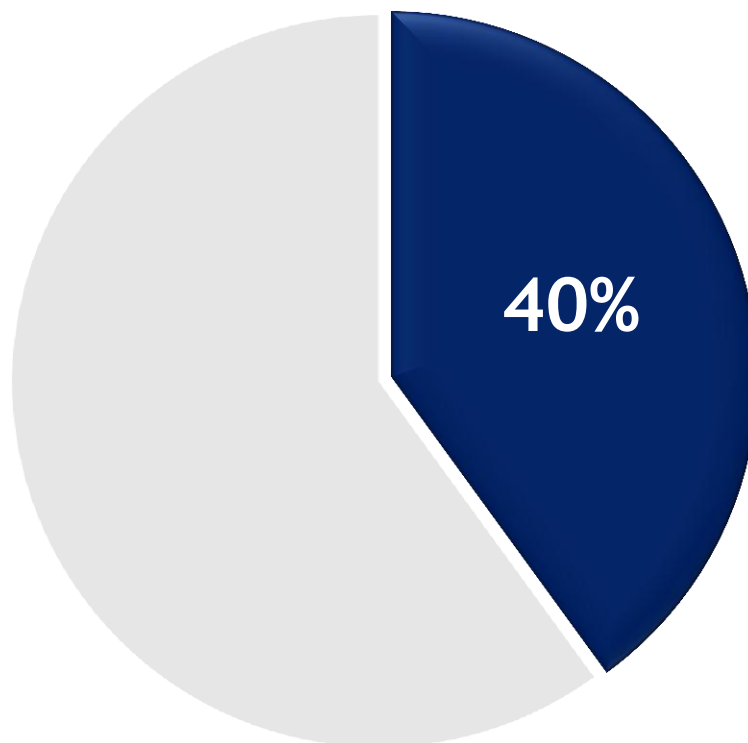
■ Growth markets

■ Europe



**Adapt
&
Fix**

Sales breakdown



Europe ex CIS

Sales

8.4 bn
-3.0% Like-for-like⁽¹⁾

Trading operating margin

15.6%
-190 bps Like-for-like⁽¹⁾



DANONE

Restoring growth in Europe: our roadmap

Drive category growth

Deliver value for money



Deepen consumer connection



Quality of life for the individual, lower costs for the healthcare system



Restoring growth in Europe: our roadmap

Drive category growth

The best product



The best packaging



Deliver value for money

The right price point



Deepen consumer connection

Differentiating innovation





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Restoring growth in Europe: our roadmap

New KISS pot



Velouté Fruix
new pot and
formula



New Badoit identity



Restoring growth in Europe: our roadmap

Drive category growth

Deliver value for money

Deepen consumer connection



A little bit about us

Simply hover over the pictures to find out more about us.



Live chat is a quick and easy way to get answers

There's no need to register or download any software. See how easy it is to chat one-to-one with us online. Just click to play the videos.





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Plan for competitiveness in Europe

EUROPE - 26 countries



SAVINGS

€200mIn



**ADAPT &
SIMPLIFY**

**ORGANISATION
& PROCESSES**

REGAIN COMPETITIVE EDGE

EUROPE - 26 countries



Presented to European Works Council on February 19th

Reorganization Project of European management & support functions

Shift from “Country” to a “Cross-Country” Business Unit model

- From 67 CBUs to 33 management units

Simplify processes and organisation

- Focus country level on consumer & brand activation
- Reduce reporting & administrative processes

Mutualize functions and expertise

- Group purchasing+Industrial+Logistics within an « Operations » Dpt
- Mutualize support functions on a cross-country basis

2013 a year of transition

● Europe :



Adapt & fix

- Savings & competitiveness
- Value for consumers

● Growth markets :



Invest & leverage

2014 back to

Strong
Sustainable
Profitable

GROWTH





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2012 Financials

Pierre-André Térésse

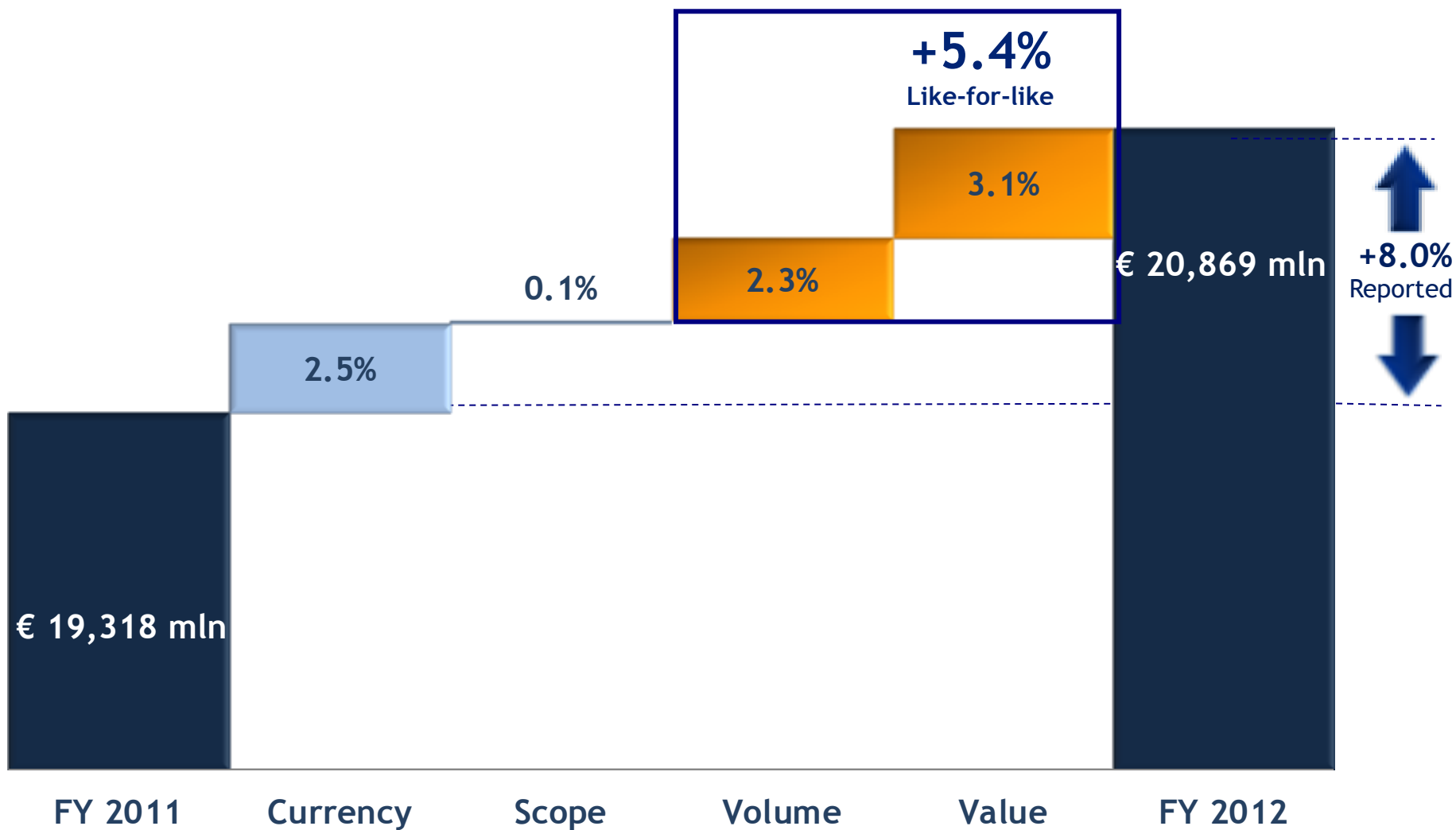
Sales	→	€ 20,869 mln	+5.4% like-for-like ⁽¹⁾ +8.0% reported
Trading operating income	→	€ 2,958 mln	+1.8% like-for-like ⁽¹⁾ +4.0% reported
Trading operating margin	→	14.18%	-50 bps like-for-like ⁽¹⁾ -54 bps reported
Underlying net income	→	€ 1,818 mln	+0.9% like-for-like ^(1,2) +4.0% reported
Underlying EPS (fully diluted)	→	€ 3.01	+1.1% like-for-like ^(1,2) +4.1% reported
Free cash flow ⁽³⁾	→	€ 2,088 mln	+11.4% reported

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

(2) Excluding non current

(3) Free Cash Flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees

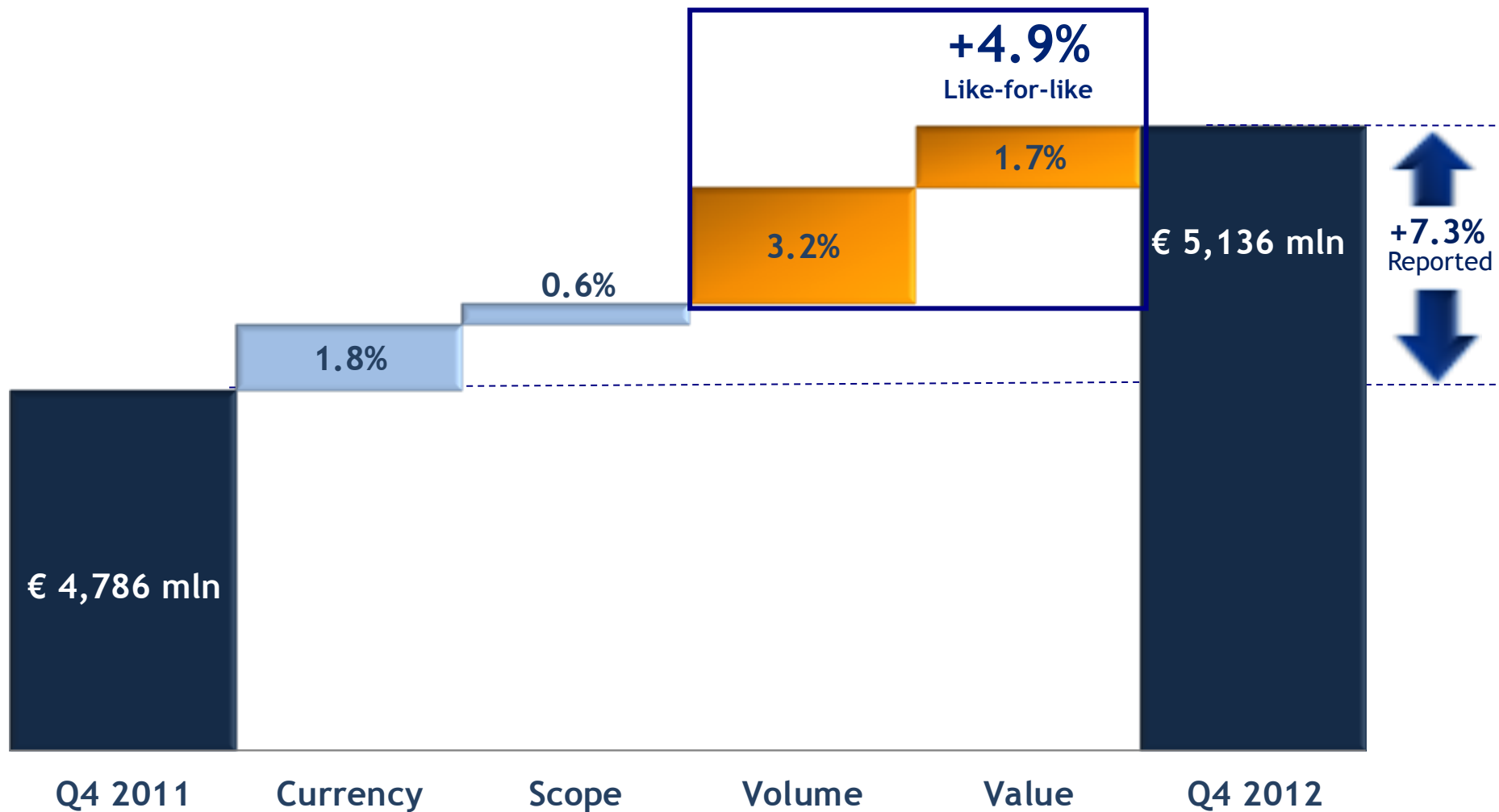
Sales growth analysis - FY 12





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Sales growth analysis - Q4 12



Total Group : FY organic growth on target

Like-for-like sales growth



- Q4 : a third consecutive quarter around +5%, with similar underlying trends vs Q3
- Continued outperformance in Emerging markets
- Europe remaining weak, similarly to Q3, except for Waters which benefited from favorable comparables in Q3

Total Group : volume recovery at year end

Like-for-like sales growth

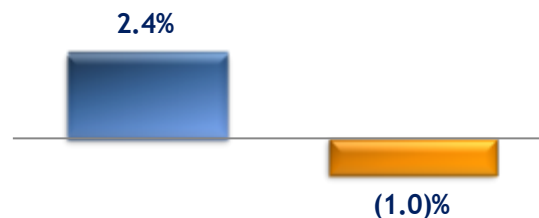


● Volume trends improving in all categories

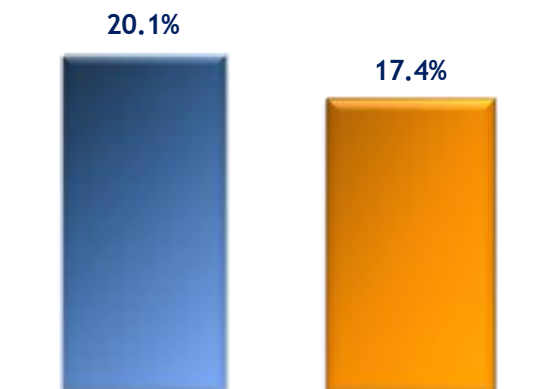
Different geographical dynamics

Like-for-like sales growth by region

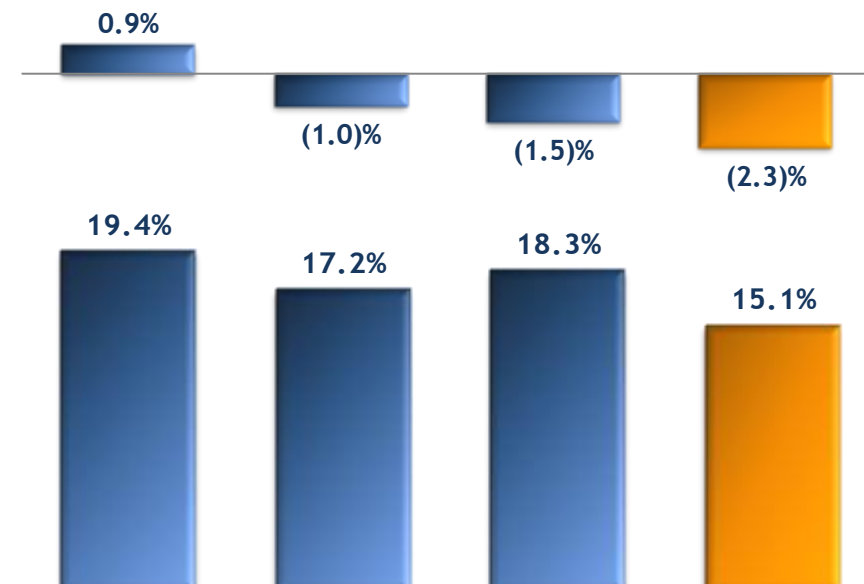
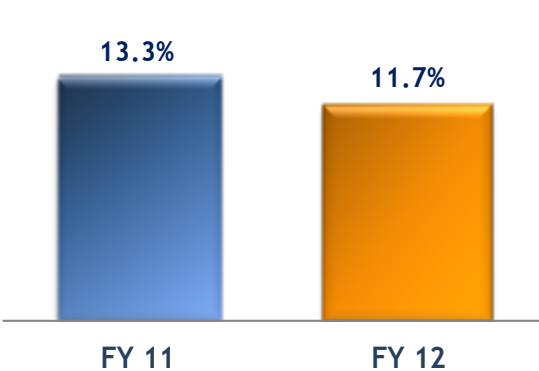
EUROPE



ASIA



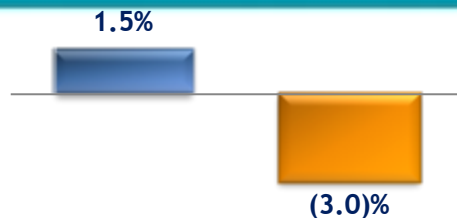
REST OF THE WORLD



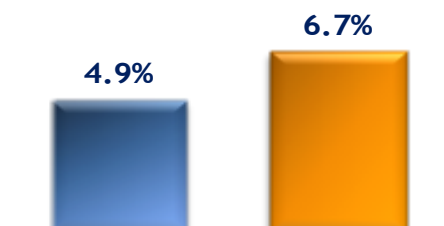


Different geographical dynamics - new geographical split

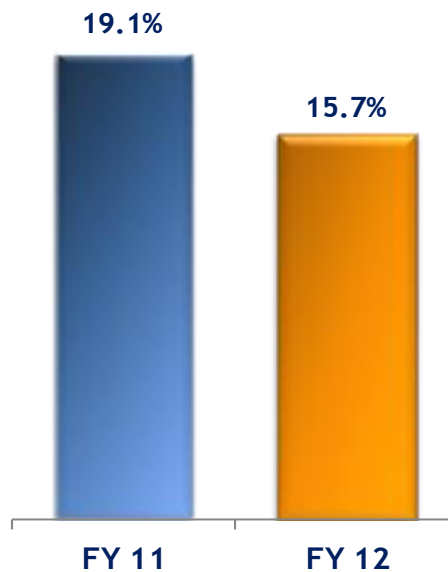
EUROPE



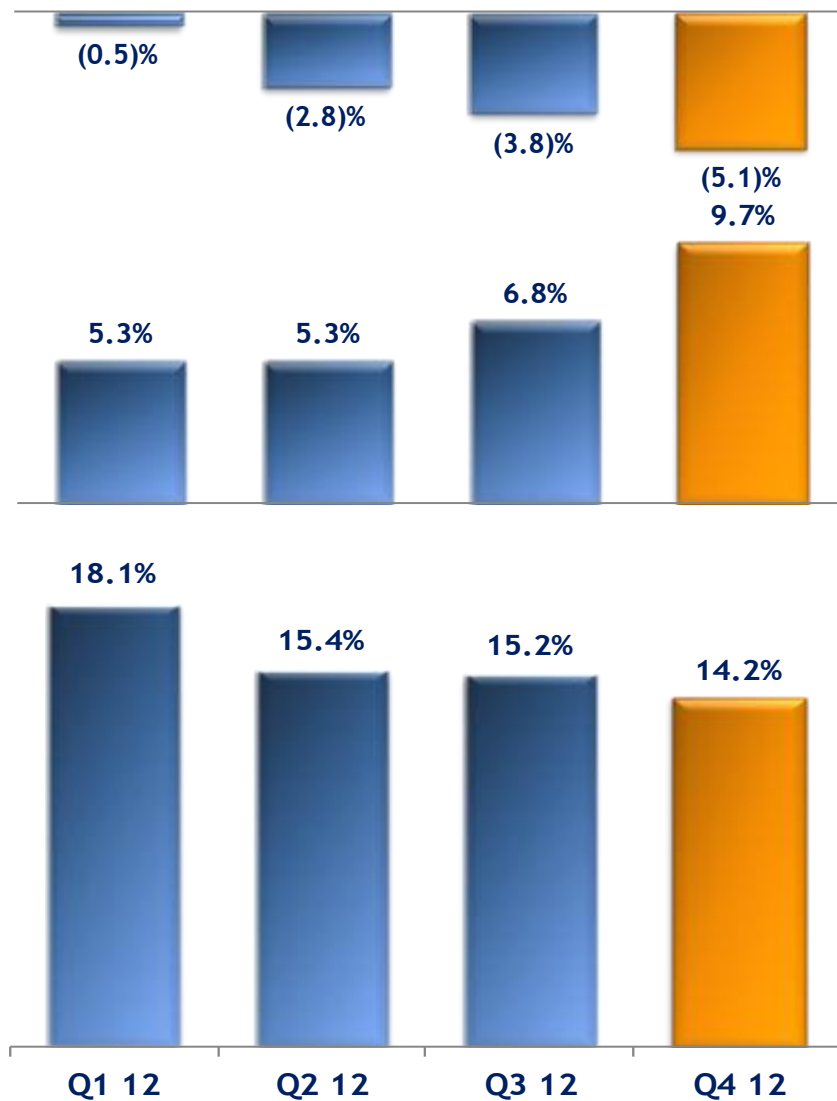
CIS-Noram
CIS+USA+Canada



ALMA
Asiapac Latam Middle East Africa



Like-for-like sales growth by region





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Sales performance by division

FRESH DAIRY PRODUCTS - Accelerating in CIS-Noram

Like-for-like sales growth



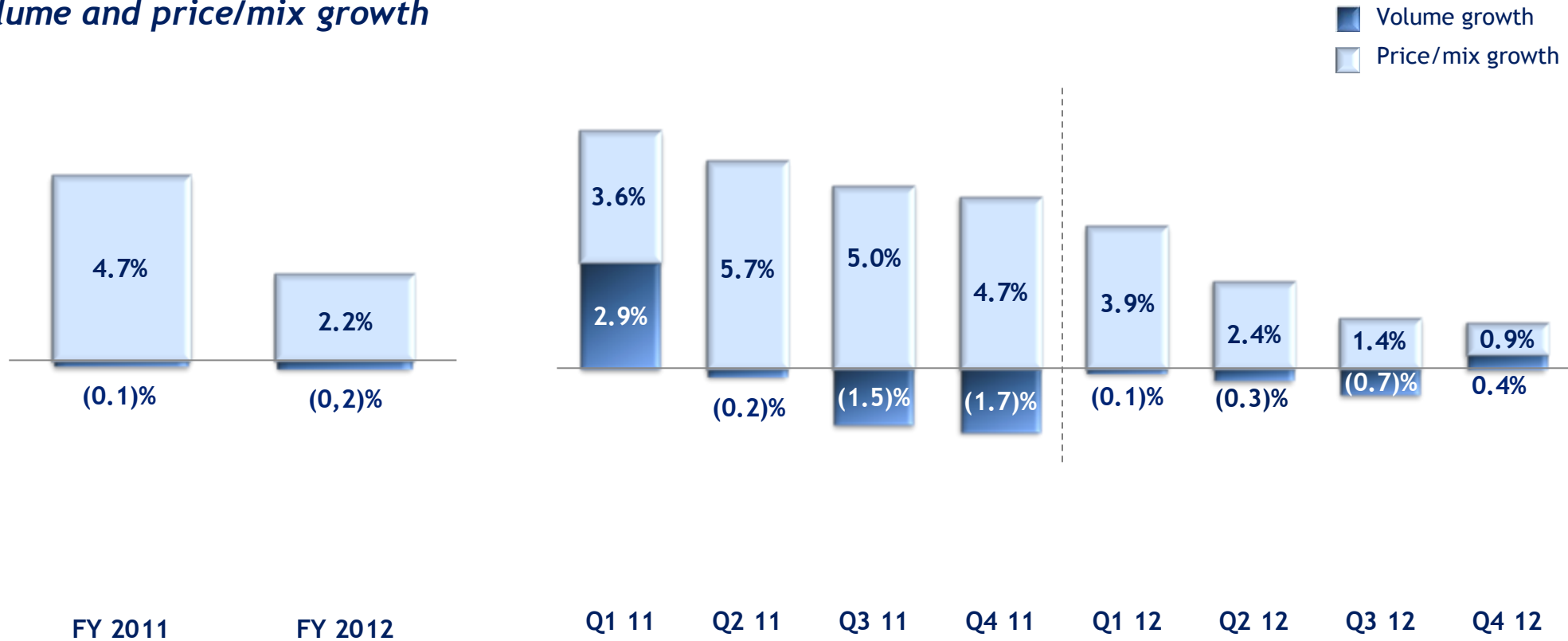
- Noram & CIS successfully on plan, exiting on a high-single-digit growth pace
- Continued outperformance in Latam and Africa Middle East
- Similar negative trend continuing in Europe



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FRESH DAIRY PRODUCTS - Stable volume

Volume and price/mix growth



- Positive Volume growth for first time in 7 quarters
- Price/promo investment in Europe

FRESH DAIRY PRODUCTS - Selected innovations

KISS packaging roll out
(France and Russia)



Actimel Vitamine C
(France)



Calci Set +
(Argentina)



CORE relaunch : new pack and formula
(Brazil)



DanVia
(Germany)





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WATERS - Strong Performance on high comparables

Like-for-like sales growth



- Continued outperformance of Emerging markets and Aquadrinks
- Steady underlying dynamics in Europe



WATERS - Strong Volume Growth

Volume and Price/mix growth



- Best volume growth of the year
- Positive mix effect from Aquadrinks offset by geographical mix



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WATERS - Selected innovations

Volvic Juice : new flavor Berry
(UK)



Mizone 1.5L Lychee Lemon
(Indonesia)



Mi primera FontVella
(Spain)



LIV - Villavicencio
(Argentina)



Evian World -
Diane Von Furstenberg bottle





BABY NUTRITION - Continued Excellent Performance

Like-for-like sales growth



- Continued great performance of emerging markets and export sales
- China confirming trends of previous quarters
- Positive mix from Milk outperformance vs Food decline in Europe



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BABY NUTRITION - Selected innovations

Bledina Fruit Jars (17 recipes)
(France)



Aptamil Gold Plus AllerPro
(New Zealand and Australia)



Vital new formula
(Argentina)



Relaunch of Cow & Gate GUM
(Hong Kong)



Like-for-like sales growth



- European markets continuing weak
- North America recovering
- China-Brazil-Turkey outperforming

Souvenaid: introduction in UK



Calogen Extra: New 'Shots' Format (UK and Sweden)



Trading operating income and margin

€ mln

FY 2011

FY 2012

Trading operating income

2,843

2,958

Other operating items

(114)

(211)

Operating income

2,729

2,747

Trading operating margin

14.72%

14.18%



2012 Margin development



Margin bridge

Like-for-like

(50) bps





Trading operating margin by business line & new geographical areas

	FY 2011	FY 2012	Like-for-like change
Fresh Dairy	13.13%	12.11%	(101) bps
Waters	13.13%	13.23%	+22 bps
Baby Nutrition	19.28%	19.51%	+23 bps
Medical Nutrition	19.98%	17.95%	(149) bps
Europe	17.37%	15.66%	(190) bps
CIS+Noram	9.33%	10.21%	+144 bps
ALMA	14.49%	14.81%	+31 bps
Total	14.72%	14.18%	(50) bps

From operating income to net income

€ mln	FY 2011 Underlying	FY 2012 Underlying	Non-current items	FY 2012
Trading operating income	2,843	2,958	-	2,958
Other operating items	-	-	(211)	(211)
Operating income	2,843	2,958	(211)	2,747
Total financial expenses	(281)	(300)	(2)	(302)
Income tax	(661)	(735)	23	(712)
Net income of affiliates	46	59	(5)	54
Net income	1,947	1,982	(195)	1,787
<i>Non-controlling interests</i>	198	164	(49)	115
Net income - Group share	1,749	1,818	(146)	1,672

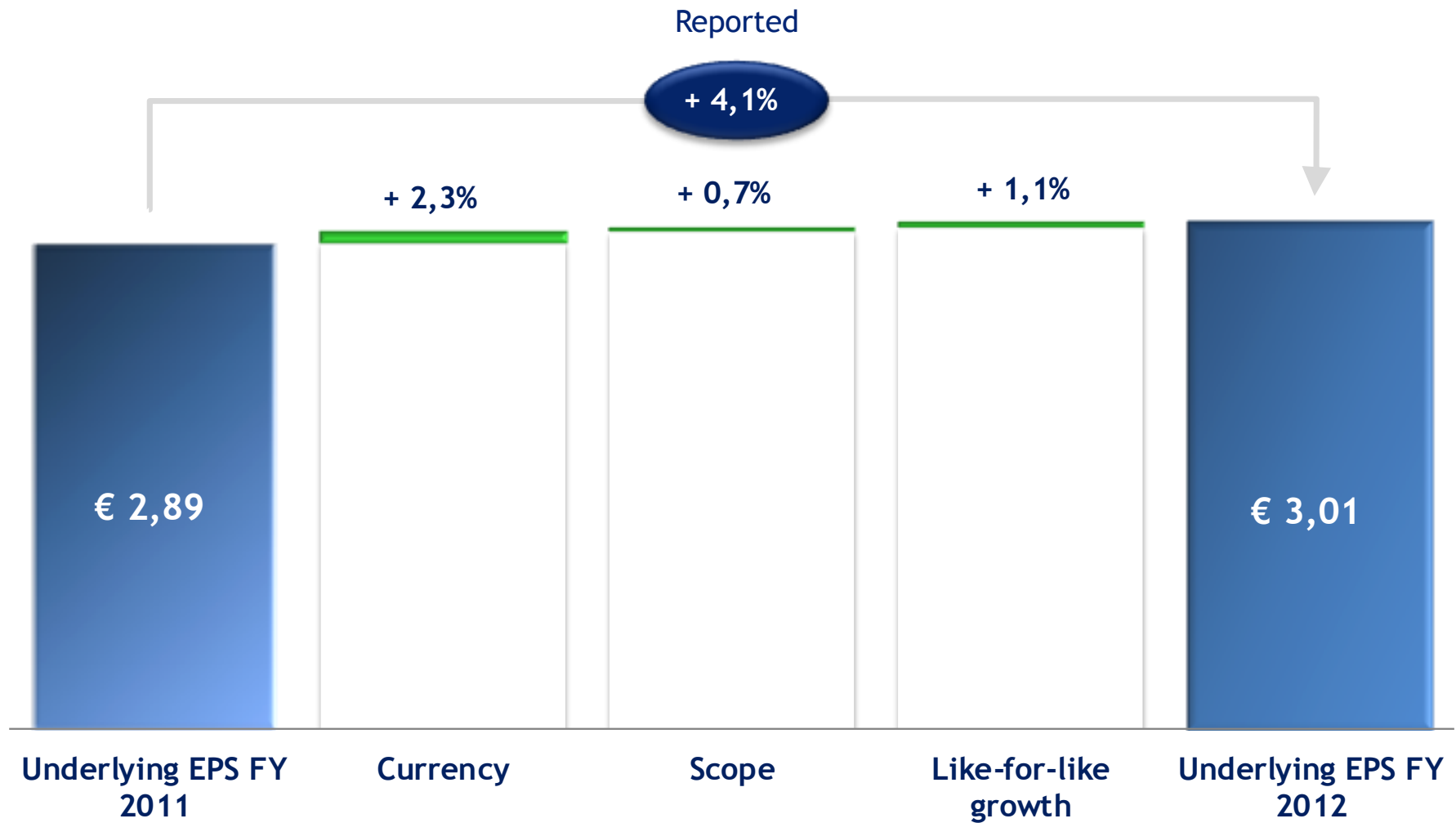
Tax rate development

<i>€ mln</i>	FY 2011	FY 2012
Total income tax (reported)	(626)	(712)
<i>Reported tax rate</i>	25.7%	29.1%
Non-current income tax ⁽¹⁾	35	23
Current income tax	(661)	(735)
<i>Underlying tax rate</i>	25.8%	27.6%

Underlying EPS

		FY 2011	FY 2012
Underlying net income	€ mln	1,749	1,818
Fully diluted number of shares	mln	604	603
		↓	↓
Fully diluted underlying EPS		€ 2.89	€ 3.01

Analysis of underlying fully diluted EPS growth FY 12

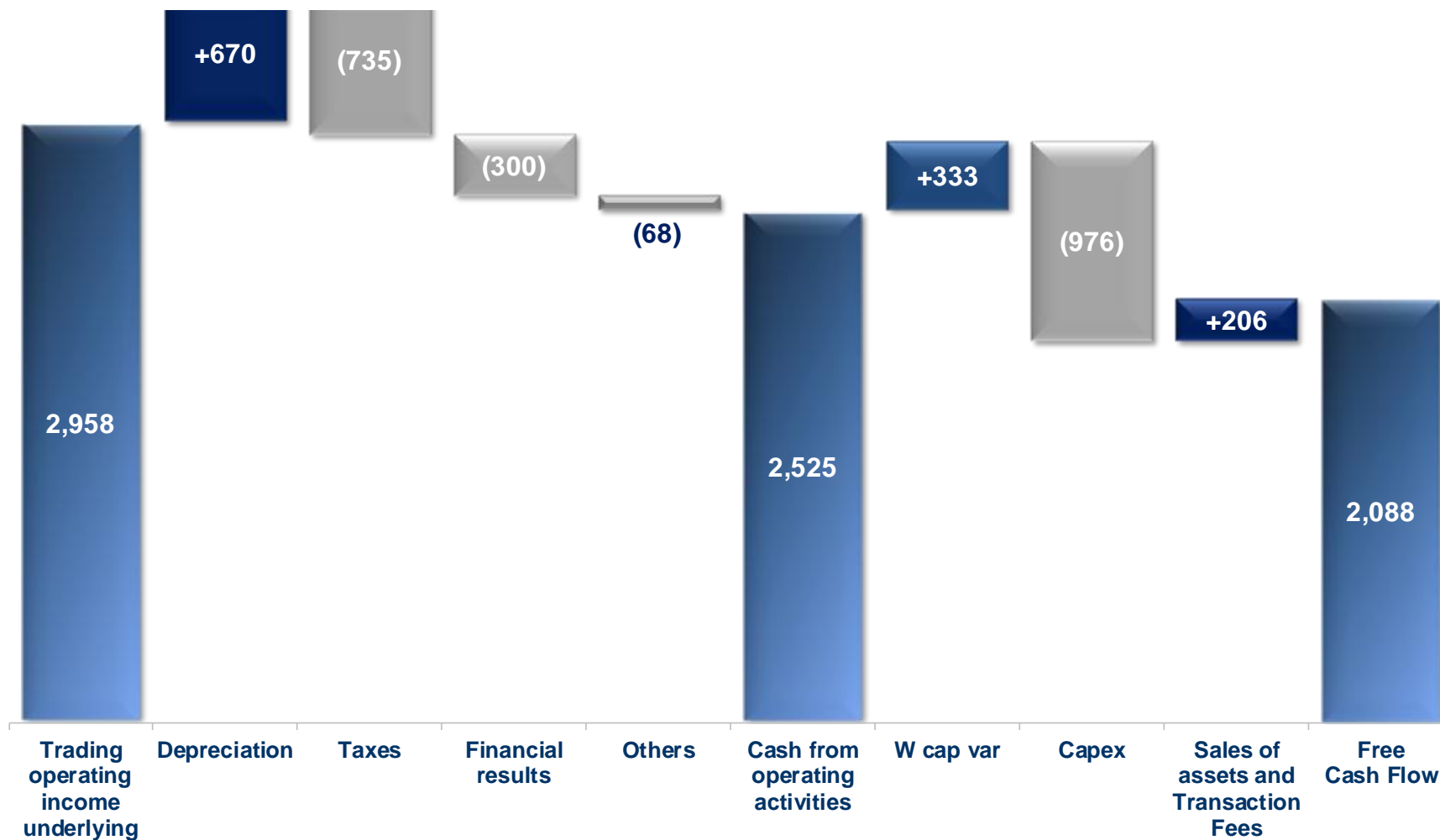




Cash bridge

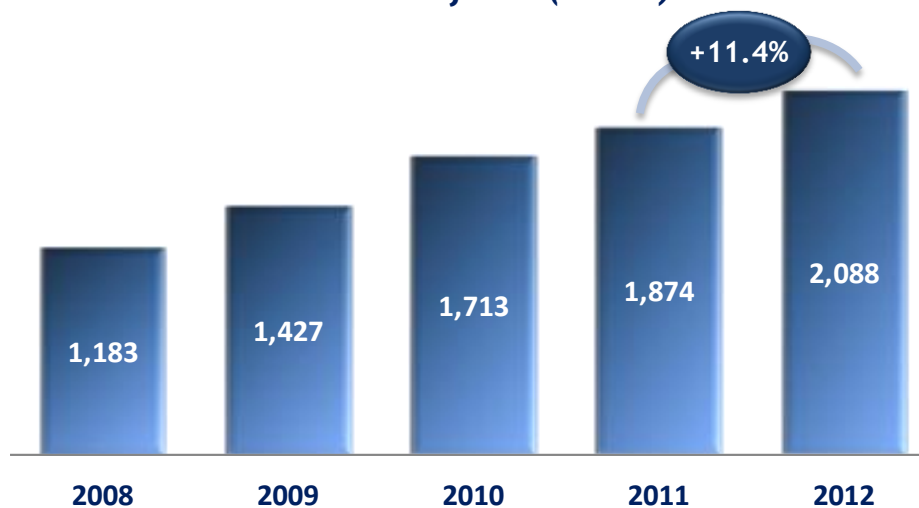
DANONE

€ mln



Consistent cash-flow excellence

Free cash flow (€ mln)



Working Capital (€ mln)



Capital expenditures (€ mln)



% of sales

-6.1%

-7.1%

-5.8%

-6.2%

-7.3%

% of sales

4.6%

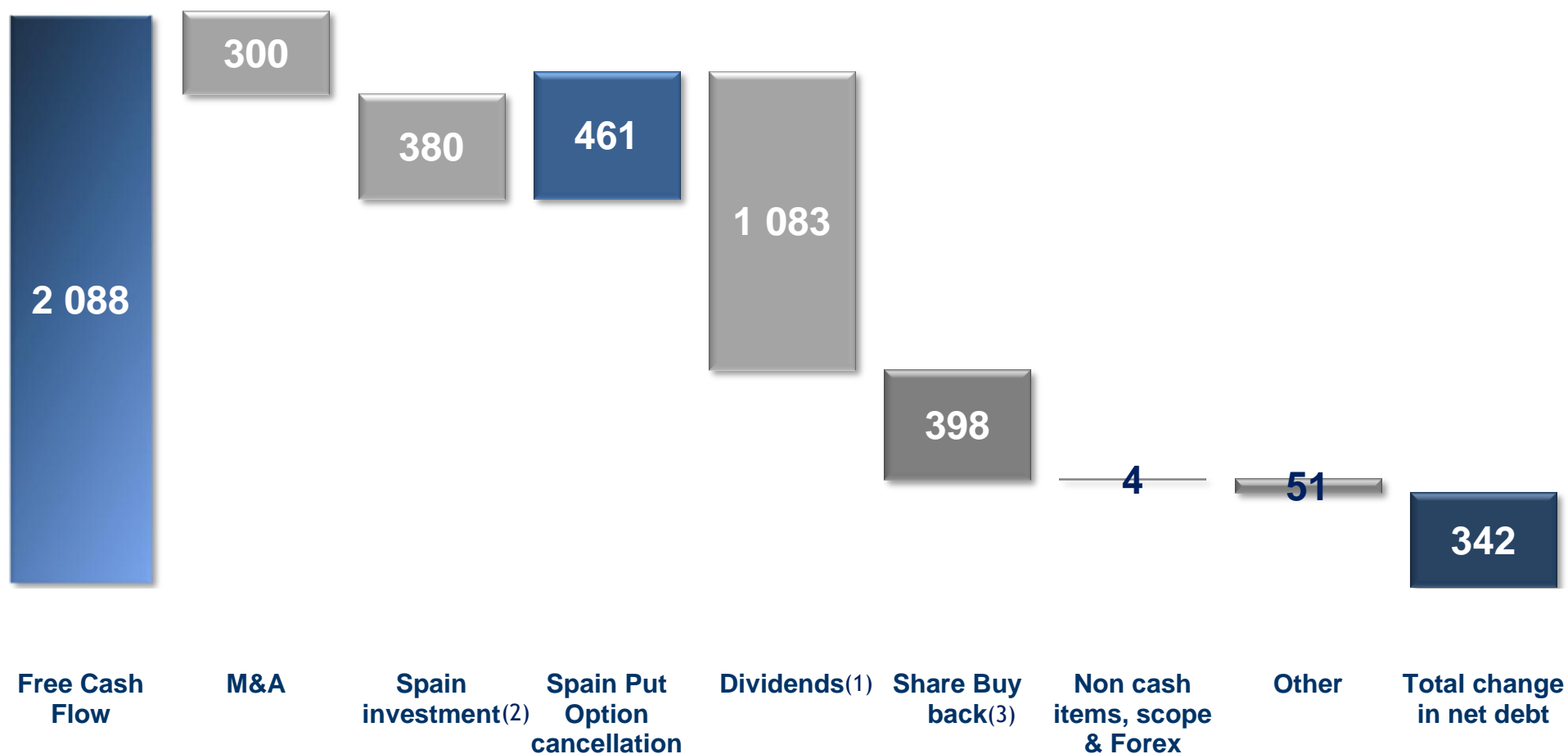
4.7%

4.9%

4.6%

4.7%

FCF to net debt change

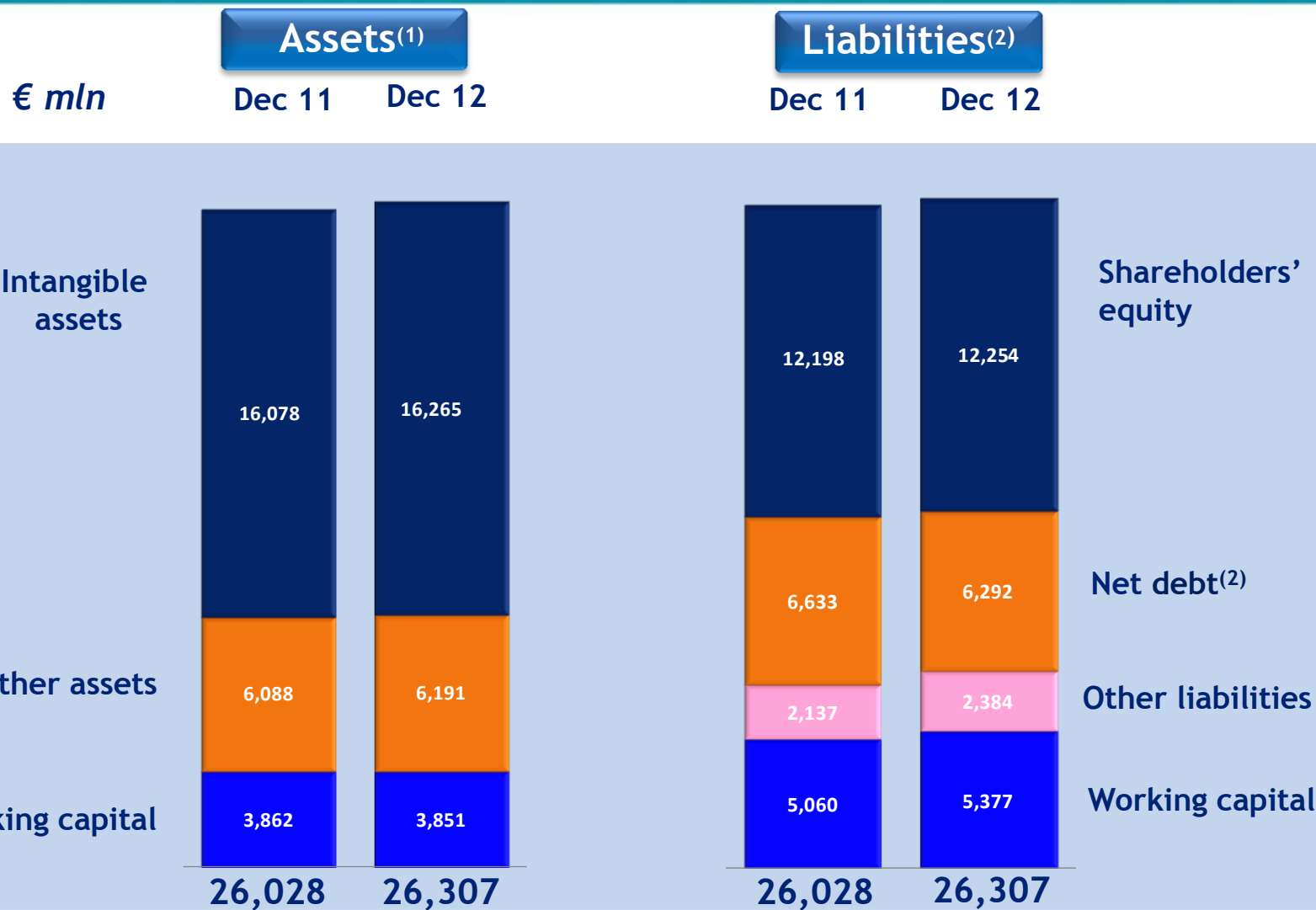


(1) Including transactions with NCIs other than Danone Spain

(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



(1) Excluding assets included in net debt

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

Danone Spain minority shareholding evolution

December 31st 2011

December 31st 2012

February 18th 2013

% shareholding in Danone Spain

57.0%

65.6%

75.0%

Danone Spain put options in Group net debt

2,153 mln

1,695 mln
- current: 1,305
- non current : 390

1,193 mln
- current: 803
- non current : 390

Net impact on net debt

(81) mln

(79) mln

8.6% minority stake sold to Danone

9.4% minority stake sold to Danone



Balance sheet management

- Share buy-back completed between October 17, 2012 and February 18, 2013
 - ✓ 12 959 694 shares for € 639.5 millions over the last 4 months

- Treasury shares cancellation decided by the Board, on February 18th, 2013
 - ✓ 8.8 million treasury shares to be effectively cancelled on February 21st, 2013
 - ✓ As of February 21st, 2013, the Company's share capital will amount to €158,590,500, fully paid in, and divided into 634,362,000 shares

- Dividend proposed to the next AGM on April 25th, 2013 :
 - ✓ € 1.45 per share
 - ✓ Payment in cash



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2013 OUTLOOK

2013 objectives

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

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

(2) Free cash flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees



DANONE

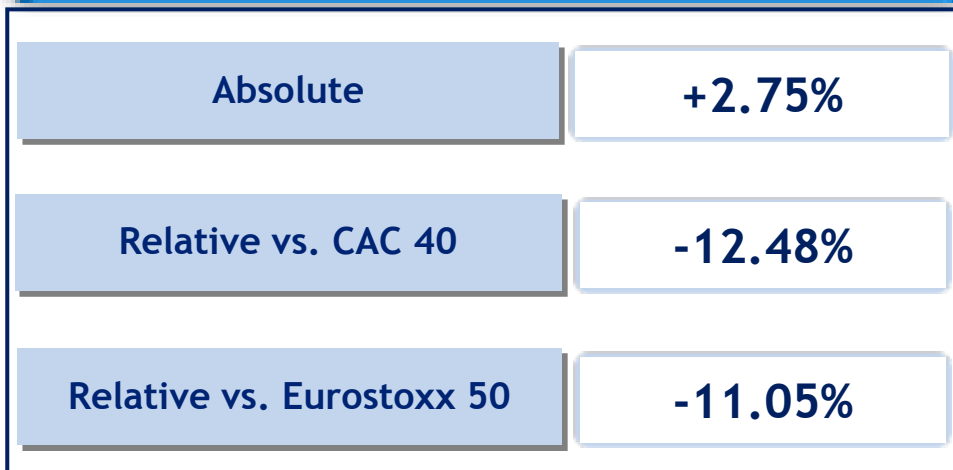
APPENDIX

2012 Share price & Shareholding

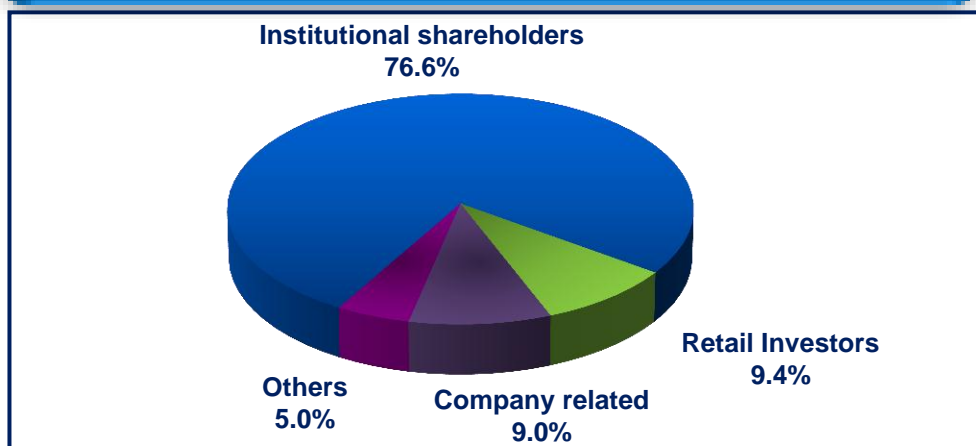
Danone Share price evolution



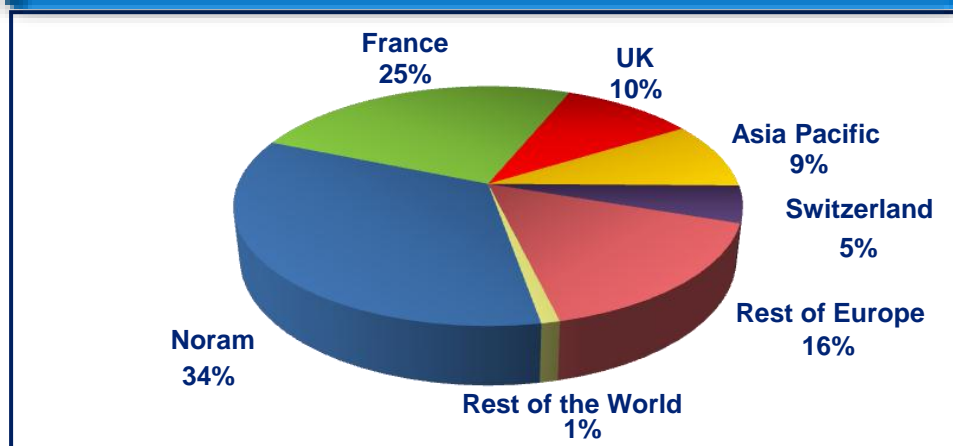
Danone December 2012 stock performance



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 - Q4 12

	Dairy	Waters	Baby Nutrition	Medical Nutrition	Total
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Reported sales growth	+2.9%	+11.4%	+16.4%	+9.2%	+7.3%
Currency	+1.6%	+1.7%	+2.7%	+1.7%	+1.8%
Scope of consolidation	0.0%	+1.2%	+1.6%	+2.0%	+0.6%

Like-for-like sales growth	+1.3%	+8.5%	+12.1%	+5.5%	+4.9%
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Impact of currencies and scope - FY 12

	Dairy	Waters	Baby Nutrition	Medical Nutrition	Total
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Reported sales growth	+3.9%	+13.0%	+15.9%	+9.1%	+8.0%
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Currency	+2.0%	+2.7%	+3.9%	+2.3%	+2.5%
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Scope of consolidation	(0.1)%	+0.3%	+0.4%	+0.9%	+0.1%
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Like-for-like sales growth	+2.0%	+10.0%	+11.6%	+5.9%	+5.4%
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Sales by business & geographical area - Q4 12

<i>€ mln</i>	Q4 2011	Q4 2012	Like-for-like sales growth
Fresh Dairy	2,778	2,859	+1.3%
Waters	746	832	+8.5%
Baby Nutrition	950	1,105	+12.1%
Medical Nutrition	312	340	+5.5%
Europe	2,055	1,992	(5.3)%
CIS+Noram	968	1,109	+9.6%
ALMA	1,763	2,035	+14.4%
Europe	2,607	2,617	(2.3)%
Asia	727	876	+15.1%
Rest of World	1,453	1,643	+12.9%
Total	4,786	5,136	+4.9%



Sales by business & geographical area - FY 12

<i>€ mln</i>	FY 2011	FY 2012	Like-for-like sales growth
Fresh Dairy	11,235	11,675	+2.0%
Waters	3,229	3,649	+10.0%
Baby Nutrition	3,673	4,257	+11.6%
Medical Nutrition	1,181	1,288	+5.9%
Europe	8,614	8,431	(3.0)%
CIS+Noram	3,948	4,426	+6.7%
ALMA	6,756	8,011	+15.7%
Europe	10,809	10,848	(1.0)%
Asia	2,862	3,584	+17.4%
Rest of World	5,647	6,437	+11.7%
Total	19,318	20,869	+5.4%



Like-for-like sales growth - Q4 12

Breakdown volume/value

<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy	+0.4%	+0.9%	+1.3%
Waters	+7.9%	+0.6%	+8.5%
Baby Nutrition	+6.1%	+6.0%	+12.1%
Medical Nutrition	+7.3%	(1.8)%	+5.5%
Europe	(0.9)%	(1.4)%	(2.3)%
Asia	+11.0%	+4.1%	+15.1%
Rest of World	+5.5%	+7.4%	+12.9%
Total	+3.2%	+1.7%	+4.9%



Like-for-like sales growth - FY 12 Breakdown volume/value

<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy	(0.2)%	+2.2%	+2.0%
Waters	+5.9%	+4.1%	+10.0%
Baby Nutrition	+5.2%	+6.4%	+11.6%
Medical Nutrition	+6.8%	(0.9)%	+5.9%
Europe	(2.2)%	+1.2%	(1.0)%
Asia	+12.0%	+5.4%	+17.4%
Rest of World	+4.7%	+7.0%	+11.7%
Total	+2.3%	+3.1%	+5.4%



Trading operating margin by business line & new/old geographical areas

	FY 2011	FY 2012	Like-for-like change
Fresh Dairy	13.13%	12.11%	(101) bps
Waters	13.13%	13.23%	+22 bps
Baby Nutrition	19.28%	19.51%	+23 bps
Medical Nutrition	19.98%	17.95%	(149) bps
Europe	17.37%	15.66%	(190) bps
CIS+Noram	9.33%	10.21%	+144 bps
ALMA	14.49%	14.81%	+31 bps
Europe	13.96%	12.17%	(160) bps
Asia Pacific	20.27%	22.07%	+192 bps
Rest of the World	13.35%	13.17%	(26) bps
Total	14.72%	14.18%	(50) bps



Cash flow statement

<i>€ mln</i>	FY 2011	FY 2012
Operating income	2,843	2,958
Financial income	(281)	(300)
Income tax	(661)	(735)
Non-current income	(92)	(190)
Depreciation and amortization	637	670
Net change in provisions	(12)	61
Dividends received from equity-accounted affiliates	30	35
Other cash items	(96)	(26)
Other non-cash items	75	52
Cash flow provided by operating activities, excluding changes in net working capital	2,443	2,525



Cash flow statement

€ mln

FY 2011

FY 2012

Cash flow provided by operating activities, excluding changes in net working capital	2,443	2,525
Net change in working capital	162	333
Cash flow from operations	2,605	2,858
Capital expenditure	(885)	(976)
Proceeds from the sale of industrial assets	152	193
Business acquisitions and other investments, net of cash and cash equivalents acquired	(60)	(291)
Proceeds from the sale of businesses	23	4
(Increase)/decrease in other long-term assets	3	(1)
Cash flow used in investing activities and disposals	(767)	(1071)



Cash flow statement

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€ mln	FY 2011	FY 2012
Increase in capital and additional paid-in capital	37	35
Purchases of treasury stock (net of disposal)	(659)	(701)
Dividends paid to Danone shareholders	(783)	(835)
Transactions with non controlling interests ⁽¹⁾	(214)	(339)
Settlement of debt hedge financial instruments	(20)	(70)
Current and non-current financings issued or raised during the period	1,388	1,585
Current and non-current financings repaid during the period	(1,636)	(328)
Change in cash equivalents	23	(831)
Cash flow used in financing activities	(1,864)	(1,484)
Exchange rate differences	(1)	(61)
Increase (decrease) in cash and cash equivalents	(27)	(242)

(1) Refers to 2010 restatement (see slide 29)

(2) Including dividends



Changes in exchange rates

29.8% of sales denominated in €

	% total FY12 sales	FY 12 vs FY 11 (avg)	Q4 12 vs Q4 11 (avg)
Russian ruble	10.3%	+ 2.4%	+ 4.4%
US dollar	8.7%	+ 8.2%	+ 3.9%
Chinese yuan	6.1%	+ 10.9%	+ 5.7%
Indonesian rupee	5.9%	+ 1.3%	(3.0)%
Argentinian peso	5.3%	(1.7)%	(7.9)%
Mexican peso	5.3%	+2.2%	+ 9.4%
British pound	4.8%	+ 7.0%	+ 6.1%
Brazilian real	4.3%	(7.3)%	(9.2)%
Polish zloty	2.8%	(1.6)%	+7.5%
Canadian dollar	1.6%	+7.1%	+ 7.2%
Turkish lira	1.6%	+0.9%	+6.3%

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