PRESS RELEASE

DANONE

2015 First-Quarter Sales

April 15, 2015

Solid organic growth with first-quarter sales up +4.8%, in line with roadmap

Full-year 2015 targets confirmed

- **Q1 sales[1] up +8.1% as reported and up +4.8% like-for-like[2]**
- **Broad-based growth driven by all regions, reflecting the solidity of Danone businesses across the board:**
  - **Europe: +2.9%**
  - **CIS & North America[3]: +2.8%**
  - **ALMA[4]: +8.0%**
- **2015 targets confirmed: organic growth in sales[1] of between +4% and +5%[5], slight growth in trading operating margin[2]**

[1] Net sales
[2] See pages 6 and 7 for details on calculation of financial indicators not defined in IFRS
[3] North America = United States and Canada
[4] ALMA = Asia-Pacific / Latin America / Middle-East / Africa
[5] Like-for-like; see pages 6 and 7 for details on calculation of financial indicators not defined in IFRS

CEO's comments

"With a solid 4.8% organic growth, we are in line with our expectations for the quarter and with our roadmap, delivering further adaptation of our products and organization in Europe, confirming our leadership in North America and CIS and maintaining dynamic growth in emerging countries. In a continued difficult and unstable environment, Danone's teams are focusing on our 3 priorities: anchor our model of sustainable profitable growth, continue to make our brands and businesses more competitive to serve our consumers and shape the Danone 2020 agenda. This first set of results makes me strongly confident that, with the new Executive Committee and all teams, Danone is on the right track to reach a decisive milestone in 2015".

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Our presentation to analysts and investors, chaired by CFO, Cécile Cabanis, will be broadcast live from 9.00 a.m. (Paris time) on Wednesday, April 15, 2015.

Related slides will be available on our website (www.finance.danone.com).

Sales by business line and geographical area in Q1 2015

€ million	Q1 2014	Q1 2015	**Change** *Like-for-like[1]*	**Volume growth** *Like-for-like[1]*
BY BUSINESS LINE				
Fresh Dairy Products	2,809	2,807	0.2%	-4.8%
Waters	895	1,065	8.6%	6.6%
Early Life Nutrition	1,029	1,220	11.6%	4.4%
Medical Nutrition	328	380	9.1%	3.5 %
BY GEOGRAPHICAL AREA				
Europe	2,053	2,156	2.9%	-0.6%
CIS & North America[2]	1,154	1,108	2.8%	-4.8%
ALMA[3]	1,854	2,207	8.0%	2.2%
Total	5,061	5,471	4.8%	-0.2%

[1] See pages 6 and 7 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
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In the first quarter of 2015, reported consolidated sales grew +8.1% to total €5,471 million. Excluding the impact of changes in the basis for comparison, which includes exchange rates and scope of consolidation, sales were up +4.8%. This reflects stable sales volumes (-0.2%) and a +5.0% increase in value.

The exchange-rate effect of +3.7% reflects favorable trends in some currencies, including the US dollar, the Chinese renminbi and the Indonesian rupiah.

The -0.4% impact on scope of consolidation results primarily from the deconsolidation of Fresh Dairy Products operations in China starting in July 2014 and in Indonesia starting in December 2014.

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Fresh Dairy Products

The Fresh Dairy Products division recorded steady like-for-like sales in the first quarter of 2015 (+0.2%), reflecting a positive +5.0% price/mix effect and a -4.8% decrease in volume.

As anticipated, business in Europe was in line with trends observed in previous quarter, with sales down by around -4%. This reflects a decline in sales volumes that was partly offset by an improved price/mix effect, and results in part from initiatives to streamline assortment and promotions, which were rolled out gradually since mid-2014. These initiatives are under way throughout Europe; they are aimed at improving the division's gross margin and laying the foundations for a sequential improvement in sales volumes.

In Russia, sales are solid in an uncertain consumer environment, in which the division is closely guiding trends in its various product ranges. An enhanced portfolio value has thus continued to drive growth, while sales volumes kept declining.

In the United States, the division's performance was in line with the category as a whole, allowing Danone to confirm its leading position.

Waters

In the first quarter, the Waters division reported another strong growth in sales, up +8.7% like-for-like, driven by a +6.7% increase in volume and a +2.0% increase in value.

These figures reflect both a very good performance in Europe and continued strong growth in emerging markets, in particular Asia, with steady gains by the *Aqua* and *Mizone* brands. They come despite the impact of inventory reduction in China during the quarter.

Early Life Nutrition

Early Life Nutrition division sales grew by a strong +11.6% like-for-like in Q1 2015, albeit from bases for comparison that were less favorable than in the previous two quarters. Sales volumes were up +4.2% and the price/mix effect was a high +7.4%.

In China, division brands continued to benefit from category growth, with e-commerce expanding rapidly. The *Nutrilon Platinum* brand, launched in China in early 2014, continued to win market shares among specialized distribution stores. Yet sales of *Dumex* brand products remained well below levels observed in early 2013.

In Europe, Q1 sales showed double-digit growth driven by the international success of brands like *Aptamil* and *Nutrilon*.

The division in the rest of the world reported continued robust business, with double-digit growth in the rest of Asia, Latin America and the Middle East.

Medical Nutrition

The Medical Nutrition division reported Q1 2015 sales of +9.1% like-for-like, with volumes up +3.5%.

The division turned in a solid performance, particularly in Europe, despite downward pressure on healthcare spending as a whole.

Main contributors to growth were the United Kingdom, China and Brazil, with a stronger contribution from the *Neocate* and *Nutrison* brands.

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2015 outlook (from press release dated February 20, 2015)

Danone assumes that economic conditions will remain difficult and unstable overall, with fragile or even deflationary consumer trends in Europe, emerging markets undermined by volatile currencies, and difficulties specific to a few major markets, in particular the CIS.

In 2015, Danone also anticipates marked but varied trends in the cost of major strategic raw materials, particularly milk:

- lower prices in Europe and the United States in the first half, with a rebound likely in the second half of the year, and
- gradual price increases in emerging countries all year long.

Altogether, Danone anticipates a moderate rise in the cost of main raw materials and packaging in 2015.

Against this backdrop, Danone will focus on developing its product categories and winning market share. In Europe, the company will continue to strengthen its competitive edge. In growth markets, it will focus on developing its product categories, in particular through strong local brands in the most attractive geographical markets.

After delivering profitable growth in the second half of 2014, Danone will seek to make this equation sustainable, generating organic growth in sales and in operating margin in 2015, while making the investments necessary to ensure this performance is lasting.

As a result, Danone's 2015 targets include:

- organic growth in sales[1] of between +4% and +5%[2]
- slight growth in trading operating margin[3]

Lastly, Danone will continue to work towards lasting gains in free cash-flow without setting a short-term target.

[1] Net sales
[2] Like-for-like; see pages 6 and 7 for details on calculation of financial indicators not defined in IFRS
[3] See pages 6 and 7 for details on calculation of financial indicators not defined in IFRS

Change in the shareholding of Danone SA in Spain

In early 2015, Danone purchased in exchange for cash 2,581,030 shares of Danone Spain. For the shares subject to put options, Danone paid an amount below the carrying value as of December 31, 2014 of the related liabilities. The shares purchased through this transaction represented approximately 15.7% of Danone Spain's share capital, thereby bringing Danone's overall equity interest in the company to 91%.

Major financial transactions and developments over the period (summary of press releases issued in the last quarter)

On January 7, 2015, Danone announced the successful launch of a €1.3 billion dual-tranche bond issue in euros. An integral part of financing for Danone and its development, this issue enables the group to extend the maturity of its debt in a market favorable to quality bond issues. The issue consists of two tranches: (i) a tranche of 5-year floating rate notes of €550 million (coupon of Euribor 3 months +33 basis points); and (ii) a tranche of 10-year fixed rate bonds of €750 million, priced at mid swap +48 basis points (coupon of 1.125%). It was widely subscribed by a diversified investor base. The bonds are on Euronext Paris. Danone is rated A-, negative outlook, by Standard & Poor's and Baa1, stable outlook, by Moody's.

On March 16, 2015, Danone announced it had appointed Lorna Davis and Pascal De Petrini to two newly created roles in the Executive Committee to shape the "Danone 2020" initiative. Lorna Davis will join the Executive Committee on June 1, 2015. Her mandate will be to lead the innovative, broad co-creation and company-wide deployment process of "Danone 2020", a business transformation programme designed for a sustainable, collaborative and community-engaging future. As a core part of this roadmap to strengthening the economic and social impact of its growth, engaging Danone's 100,000 employees, Danone has decided to create a "Manifesto" to underpin the way the company intends to deliver its mission. As Chief Manifesto Catalyst, Lorna Davis will play a key role in supporting and coordinating the establishment of the Manifesto across Danone's teams, and local communities the world over, with a view to maximize the potential of this process to catalyze bottom-up innovation. Commenting on her appointment, Danone CEO Emmanuel Faber, said: "With a life-long experience in the food industry, living and working in seven countries on all five continents, Lorna's depth of knowledge and ability to engage people across cultures has allowed her to provide innovative and highly-effective business solutions, including during her 10 years at Danone. I am personally thrilled and we are all extremely pleased to welcome Lorna back to the Danone family." Pascal De Petrini will join the Executive Committee on June 15, 2015 as Executive Vice-President Strategic Resource Cycles. His mandate will be to lead the Strategic Resource Cycles team that will strengthen Danone's ability to protect and get the best and most appropriate value from its essential resources (milk, water and plastics). He will also manage global sourcing organizations. Commenting on his appointment, Danone CEO Emmanuel Faber said: "Pascal brings 30 years of passionate experience in the food industry, across Asia, the Middle East and Africa, and in the water, early life nutrition and dairy sectors. I am enthusiastic that we will be able to leverage the business expertise and very strong operations and process transformation capabilities he has gained throughout his long career, including during his previous tenure at Danone."

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Financial indicators not defined in IFRS

Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material. See Methodology note on page 7.

Information published by Danone uses the following financial indicators that are not defined by IFRS:

- like-for-like changes in net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income
- underlying fully diluted EPS or current net income – Group share, per share after dilution;
- free cash-flow;
- free cash-flow excluding exceptional items;
- net financial debt.

Given severe deterioration in consumer spending in Europe, Danone has set a target for savings and adaptation of its organization to regain its competitive edge. Starting in the first half of 2013, Danone published a free cash-flow indicator excluding cash-flows related to initiatives deployed within the framework of this plan.

Calculation of financial indicators not defined in IFRS and used by the Group is as follows:

Like-for-like changes in net sales, trading operating income, trading operating margin, current net income – Group Share (or underlying net income) and current net income – Group Share per share (or underlying net income per share) reflect the Group's organic performance and essentially exclude the impact of:

- changes in consolidation scope with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates, (i) 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) correcting differences caused by the exceptional volatility of inflation in countries that are structurally subject to hyperinflation, which would otherwise distort any interpretation of the Group's organic performance.

Since inflation in Argentina—already structurally high—accelerated further in 2014, in particular following the sharp, steep devaluation of the peso in January, using an identical exchange rate to compare 2014 figures with those for the prior year would not have reflected the Group's organic performance accurately. As a result, Danone fine-tuned the definition of like-for-like changes to include in its exchange-rate impact the differences caused by the exceptional volatility in structurally hyperinflationary countries. Danone is applying this methodology starting with the release of 2014 full-year results, where it is applicable only to Argentina, and where adjustment for the full year was recorded in the fourth quarter. More specifically, it led to (a) limit the inflation of price and cost of goods sold per kilo to their average level for the past three years and (b) cap trading operating margin at its prior-year level ; this methodology has been applied to each division operating in Argentina.

Trading operating income is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2013-03 of the French ANC (format of consolidated financial statements for companies reporting under international reporting standards), 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 transactions, and costs related to major crisis and major litigations. Furthermore, in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Group also classifies in Other operating income and expense (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

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

Underlying net income (or current net income – Group Share) 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 – Group Share is defined as non-current income and expense excluded from Net income – Group share.

Underlying fully diluted EPS (or current net income – Group Share, per share after dilution) is defined as the underlying net income over diluted number of shares ratio.

Free cash-flow represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with of IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt organization in Europe.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets.

Methodology

Unless otherwise indicated, amounts are expressed in millions of euros and rounded to the nearest million. In general, figures presented in this press release are rounded to the nearest full unit. As a result, the sum of rounded amounts may show non-material differences with the total as reported. Note that ratios and differences are calculated based on underlying amounts and not on the basis of rounded amounts.

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APPENDIX – Sales by division and geographical area

€ million	First quarter 2014	First quarter 2015
BY BUSINESS LINE		
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Waters	895	1,065
Early Life Nutrition	1,029	1,220
Medical Nutrition	328	380
BY GEOGRAPHICAL AREA		
Europe	2,053	2,156
CIS & North America[1]	1,154	1,108
ALMA[2]	1,854	2,207
Total	5,061	5,471

	First quarter 2015	
	Reported change	*Like-for-like change [3]*
BY BUSINESS LINE		
Fresh Dairy Products	-0.1%	0.2%
Waters	18.9%	8.6%
Early Life Nutrition	18.5%	11.6%
Medical Nutrition	15.8%	9.1%
BY GEOGRAPHICAL AREA		
Europe	5.0%	2.9%
CIS & North America[1]	-4.0%	2.8%
ALMA[2]	19.0%	8.0%
Total	**8.1%**	**4.8%**

[1] North America = United States and Canada
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