



DANONE

First Quarter Sales 2009

April 16th, 2009

Continued positive like-for-like volume and sales growth in first quarter 2009 Full-year targets 2009 reconfirmed

- **Total sales up 1.0%^[1] despite challenging market conditions and difficult comparables**
- **Total volume growth of 1.1%^[1]**
- **Dairy sales down 1.2%^[1]; underlying country performance mixed**
- **Waters sales down 3.9%^[1], reflecting continued challenging conditions in W-Europe**
- **Baby and Medical Nutrition sustain double-digit growth track at 10.5% and 10.8%^[1] resp.**
- **Full-year targets 2009 reconfirmed**

Chairman's comment

Commenting on the results in the first quarter of 2009, Franck Riboud, Chairman and CEO of Groupe DANONE said:

“The performance in the first quarter is in line with our expectations, reflecting the impact of a deteriorating economic environment on consumption behavior as well as a very high base of comparison in the first quarter of 2008. In this context, the Group's sales continued to grow in the first quarter, both in volume and in value terms.

Baby Nutrition and Medical Nutrition continued to show their potential and resilience, and so did our Waters businesses in the emerging markets which continued to deliver strong growth. On the other hand, the ongoing market deterioration has weighed - as anticipated - on the performance of the Fresh Dairy division in various regions. The initiatives that we have started to implement since the end of 2008, in order to rapidly adapt our proposition, are starting to deliver results in various important markets where volumes and market shares are starting to rebound since the beginning of this year. We will extend these initiatives in the coming months.

The tight management of our growth and market shares, country-by-country, gives us confidence in our ability to achieve growth in the short- and the medium term and to reach our objective to increase our underlying earnings per share by 10% on a like-for-like basis in 2009.”

¹ *like-for-like growth = at constant scope of consolidation and constant exchange rates*

Sales by business line and geographical area for the first quarter 2009

€ mln	Q1 08	Q1 09	Change L-f-L ^[1]
BY BUSINESS LINE			
Fresh Dairy	2,179	2,121	-1.2%
Waters	695	614	-3.9%
Baby Nutrition	683	723	10.5%
Medical Nutrition	203	216	10.8%
BY GEOGRAPHICAL AREA			
Europe	2,394	2,190	-2.3%
Asia	445	471	10.7%
Rest of World	921	1,013	4.8%
Group	3,760	3,674	1.0%

[1] : like-for-like is at constant scope of consolidation and constant exchange rates

Overview of sales performance

In the first quarter 2009, consolidated reported sales decreased by 2.3% to € 3,674 million. Excluding the effects of changes in exchange rates (-2.2%) and in scope of consolidation (-1.1%), total sales increased by 1.0% on a like-for-like basis. This like-for-like sales growth was driven by a 1.1% rise in volume and a -0.1% decrease in value.

Sales performance by division

Fresh Dairy

Sales in the Fresh Dairy division decreased by 1.2% on a like-for-like basis, due to a combination of the continued difficult economic environment and a historical high comparable basis in the first quarter of 2008. This quarter's organic growth consisted of -1.0% volume growth and -0.2% value growth. The Blockbuster brands continued to drive the growth of the division delivering above-divisional volume and sales growth.

A number of markets have shown an improvement in the volume and sales growth trend compared to the preceding quarters. In Poland, the division generated significant volume growth acceleration in the quarter, driven by double-digit consumer price reductions coupled with targeted and intensified advertising campaigns as well as adjustments of pack sizes. This led to market share gains in the quarter. Hungary delivered a significant improvement in volume performance within the quarter mainly driven by Actimel, and Activia which benefited from intensified promotion supported by specific (TV) advertising to emphasize the brands' benefits. The US witnessed a noticeable volume trend rebound in the first quarter of 2009 resulting in positive volume growth in March due to – among others – new product introductions, intensified trade support and consumer promotions and a selective adjustment of pricing. Consequently, Danone regained volume and value market share in the US within the quarter. Additionally, countries like Brazil, Italy and the UK continued their strong volume and sales track. These positive trends in the division were offset by a deteriorating trend in Mexico and Russia, among others.

Waters

The performance of the Waters division in the first quarter of 2009 continues to reflect the negative dynamics witnessed in the developed markets in 2008. Sales declined by -3.9% based on a continued positive volume growth of 3.0% which was offset by a negative value effect of -6.9%. Volume growth was driven by the emerging markets (52% of the divisional sales) which continued to deliver strong volume and sales growth, driven by continued strong performances in Indonesia, Mexico and Argentina. However, the continued adverse trends in the category in the developed markets (France, Spain, the UK, Germany and Japan), as well as a marked deceleration in the "Away From Home" channel, negatively impacted volume growth and led to a negative value effect for the division overall.

Baby Nutrition

The Baby Nutrition division was able to continue its double-digit growth track in the first quarter of 2009, despite the very high volume and sales comparable in the first quarter of 2008. Sales increased by 10.5% driven by a volume growth of 3.3% and a value growth of 7.2%. The volume growth performance mainly reflects the underlying difficult comparable whereas value growth partly reflects the carry forward effect from price increases taken in the course of 2008. Western Europe and Asia continued to deliver strong performances while some Eastern European countries like Russia experienced some softness in the quarter.

Medical Nutrition

Medical Nutrition also continued its double-digit growth trajectory with sales growth of 10.8% in the first quarter of 2009. This growth was driven by a volume growth of 10.6% and a value growth of 0.2%. Growth was supported by all regions with particularly strong performances coming from Southern and Eastern Europe. In addition, all product categories contributed to the growth with above-average growth coming from the Pediatrics range.

Outlook 2009

Our scenario for 2009 remains that current consumption patterns in our key emerging and developed markets will continue over the balance of the year, with no significant improvement or dramatic breakdown.

Our sales growth will, therefore, continue to be mainly driven by our leading brands, with a clear focus in all key markets on increasing their functional value for money to respond to the spending pattern of our consumers. As a result, we expect to gain further market share in our key geographies.

Our operating margin will be enhanced by the category and geographic mix of our sales growth, overall improving input prices of our key commodities as well as cost efficiencies in all areas of our organization.

Based on the above, Danone targets the following for full year 2009:

- like-for-like sales growth of a few points below the medium-term guidance;
- like-for-like continued improvement of the trading operating (EBIT) margin;
- a +10% growth of its underlying fully-diluted earnings per share at constant scope of consolidation and constant exchange rates.

As indicated since November 2008, the different growth drivers of our earnings per share will be dynamically adjusted depending on the evolution of the environment and the markets in which we operate with a view to emerge even stronger in our ability to deliver our mission beyond the current economic transition.

Financial position and results

Changes in scope of consolidation

Changes in scope of consolidation accounted for -1.1% in the first quarter of 2009. This effect was predominantly driven by the divestiture of Frucor, a beverage business based in Australia and New Zealand, that was sold to Suntory Limited on October 23rd 2008.

Currency effects

Changes in exchange rates impacted sales growth by -2.2% in the first quarter of 2009. This effect was mainly driven by the British pound, the Russian ruble, the Polish zloty and the Mexican peso.

Financing

The next significant debt repayment is the first tranche of the € 2.3 bn syndicated loan that will mature in December 2010, of which € 1.2 bn was drawn at 31 December 2008.

Significant transactions and events of the period

Groupe Danone and Wadia Group terminate their existing joint venture relationships

On 14 April 2009, Danone announced that it reached agreement with the Wadia Group about the termination of their joint venture relationships in India, thereby enabling Danone to pursue its business interests in India on its own. As part of this agreement, Danone has sold its 50% interest in ABI Holdings Limited (held through Britannia Brands Limited) to Wadia Group. ABI Holdings Limited holds an effective 50.96% interest in Britannia Industries Limited, a leading bakery company in India. This agreement also sees an end to the intellectual property dispute over the Tiger brand between Danone and Britannia. By concluding this agreement, Groupe Danone is pursuing its strategy of divesting its biscuit activities and concentrating on its four strategic business lines.

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FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements concerning Groupe DANONE. Although Groupe 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 Groupe DANONE's Annual Report (which is available on www.danone.com).

€ mln	First Quarter	
	2008	2009

BY BUSINESS LINE

Fresh Dairy	2,179	2,121
Waters	695	614
Baby Nutrition	683	723
Medical Nutrition	203	226

BY GEOGRAPHICAL AREA

Europe	2,394	2,190
Asia	445	471
Rest of World	921	1,013

Group	3,760	3,674
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€ mln	First Quarter 2009	
	Reported Change	Like-for-like Change

BY BUSINESS LINE

Fresh Dairy	(2.7)%	(1.2)%
Waters	(11.7)%	(3.9)%
Baby Nutrition	5.9%	10.5%
Medical Nutrition	6.7%	10.8%

BY GEOGRAPHICAL AREA

Europe	(8.5)%	(2.3)%
Asia	5.7%	10.7%
Rest of World	10.0%	4.8%

Group	(2.3)%	1.0%
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