



First-quarter 2016 sales

Press release – Paris, April 19, 2016

A good start to the year, in line with expectations Danone continues to re-balance its model of growth

FIRST QUARTER 2016

Like-for-like sales growth: +3.5%

- Solid underlying trends in all four businesses
- Continued progress on key priorities
- Reported sales growth: -3.0% reflecting a negative currency impact of -7.2%

FULL-YEAR 2016 TARGETS CONFIRMED

- Sales growth¹: within a range of +3% to +5%
- Solid improvement¹ of trading operating margin

All references in this document (including Q1 2016 and FY 2016 targets sections above) to like-for-like changes, trading operating income, trading operating margin, recurring net income, recurring income tax rate, recurring EPS, free cash-flow, free cash-flow excluding exceptional items, and net financial debt, correspond to financial indicators not defined by IFRS that are used by Danone. Their definitions, as well as their reconciliation with financial statements, are listed on pages 5 and 6.

CEO EMMANUEL FABER'S COMMENTS

“With +3.5% organic growth, Danone delivered a performance fully in line with our 2016 agenda and priorities. This growth reflects stable or improving underlying trends across all our businesses, and positive results on key priorities. It includes progress on our Dairy agenda, with a confirmed re-acceleration in the United States, and sequential improvement in Europe. For Waters, it reflects broad-based growth in on all our platforms and the continued transition of the Mizone brand, and for Early Life Nutrition, ongoing actions to build a more sustainable growth model in China.

As expected, Brazil presents complex challenges and we are still operating in a volatile environment. This strengthens our determination to remain disciplined and to focus on pace rather than speed when implementing and monitoring our growth agenda.

After solid 2015 results, Q1 2016 results confirm my confidence that Danone, with our Executive Committee and all our teams, is fully engaged in the right direction to keep adapting our growth model to ensure strong, profitable and sustainable growth as we move towards 2020, and to deliver another year of success in 2016.”

¹ Like-for-like

Q1 2016 SALES

€ million except for %	Q1 2015	Q1 2016	Reported change	Like-for-like Change	Volume growth
BY DIVISION					
Fresh Dairy Products	2,807	2,676	-4.7%	+2.3%	-2.1%
Waters	1,065	1,020	-4.2%	+3.9%	+6.4%
Early Life Nutrition	1,220	1,226	+0.5%	+4.8%	+1.3%
Medical Nutrition	380	384	+1.2%	+6.6%	+5.2%
BY GEOGRAPHICAL AREA					
Europe	2,156	2,127	-1.3%	+0.0%	-0.1%
CIS & North America ¹	1,108	1,096	-1.1%	+5.1%	-1.9%
ALMA ²	2,207	2,082	-5.6%	+6.3%	+3.3%
Total	5,471	5,306	-3.0%	+3.5%	+0.8%

Consolidated sales stood at €5,306 million, up +3.5% like-for-like. Growth reflects a +0.8% rise in volume and a +2.7% rise in value.

Reported sales were down -3.0%, including changes in exchange rates (-7.2%) and in the scope of consolidation (+0.7%).

The exchange-rate effect reflects negative trends in currencies including the Argentine peso, the Brazilian real, the Mexican peso and the Russian ruble.

Changes in the scope of consolidation result primarily from full consolidation of Fan Milk Group companies since December 2015.

Fresh Dairy Products: Continued progress in line with 2020 agenda

The Fresh Dairy Products division reported sales up +2.3% like-for-like, supported as anticipated by strong growth in North America. Growth includes a decline in volumes (-2.1%) and a price-mix improvement of +4.4%.

In the CIS & North America region:

- In the United States, Danone reported strong growth, confirming the recovery observed in the second half of 2015. Sustained investments and successful innovations continued to drive gains in market share.
- In Russia, Danone continued to show resilience in a persistently difficult consumer environment. Efforts to enhance its brand portfolio linked to a positive mix effect once again offset declining volumes in low value-added segments.

In Europe, Danone is continuing to make good progress in its transformation program, in line with its roadmap. Danone is pursuing a major renovation of its brand portfolio, and is planning relaunches throughout the year for *Danonino*, *Actimel* and *Activia*, with a view to stabilizing sales in Europe by the end of 2016.

In the ALMA region, Danone reported strong growth despite contrasting performances in Latin America. A slowdown in Brazil linked to difficult economic conditions was offset by solid results in Mexico and Argentina.

¹ North America = United States and Canada

² ALMA = Asia-Pacific / Latin America / Middle East / Africa

Waters: Strong growth excluding China; Mizone transition on track

The Waters division reported sales up +3.9% like-for-like, with growth in both plain water and aquadrinks, supported by strong category fundamentals and brand activation plans.

This solid performance reflects persistently strong growth excluding China (around +9%), as well as the Mizone brand's continued transition in China. As anticipated, the price mix was down -2.5% due to Mizone's impact on the geographical mix.

In Europe, Danone generated solid growth and continued to win market share in key markets including France, Germany and Spain.

The ALMA region (excluding China) also reported a good performance. Indonesia's Aqua brand continued to generate very strong growth, while Argentina and Mexico were solid growth drivers in Latin America.

In China, Danone is continuing Mizone's transition toward a normalized growth pattern in the second half of 2016 by pursuing inventory adjustments, in line with the roadmap.

Early Life Nutrition: Well-balanced growth; towards a more sustainable model of growth in China

The Early Life Nutrition division saw sales rise a solid +4.8% like-for-like, reflecting a +1.3% volume rise and a +3.5% increase in value.

In Europe, the underlying trend is unchanged. As anticipated, the high base effect had a slowing effect on apparent like-for-like growth rates.

In China, Danone continued to build a sustainable growth model by reinforcing its international brands (*Aptamil* and *Nutrilon*), managing the conversion of indirect online sales into direct sales, and developing its presence in specialized stores. Locally, sales growth has turned positive, once again.

Lastly, sales in the rest of the world show good momentum, while some countries (Brazil and New Zealand) are significant growth drivers.

Medical Nutrition: Strong dynamics in all regions and categories

The Medical Nutrition division generated sales growth of +6.6% like-for-like, including volume and price-mix impacts of +5.2% and +1.4%, respectively. Growth was strong and balanced evenly across the division's geographical areas and categories.

In Europe and in the CIS & North America area, Danone reported growth of over +5%, driven by solid gains in mature European economies including the United Kingdom and Germany.

Lastly, the ALMA area, which reported double-digit growth, benefited from further expansion in Brazil and Argentina, despite economic difficulties in both countries, while China once again turned in very positive results, driven by *Neocate*'s very strong performance.

Continuing the trends observed in recent quarters, all categories contributed to first-quarter sales growth, with pediatric ranges and adult ranges delivering strong growth.

2016 OUTLOOK

(From press release issued February 23, 2016)

After delivering profitable growth in 2015, Danone will pursue its journey to meet its ambition for 2020, which calls for strong, profitable and sustainable growth.

Danone assumes that economic conditions will remain volatile and uncertain 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, China and Brazil.

In 2016, Danone also anticipates upward trends in the cost of its main strategic raw materials. Against this backdrop, it will continue to strengthen its model through a range of initiatives aimed at offsetting inflation and limiting its exposure to volatility.

Milk prices are thus expected to edge up, with variations from one geographical area to the next:

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

Regarding its other raw materials, including plastics, sugar and fruits, Danone anticipates overall inflation in which the recent deterioration in emerging market currencies is an important factor.

In this context, Danone will continue its transformation toward an increasingly balanced model, which makes perfect execution of its roadmap for growth and discipline in allocating resources its top priorities.

As a result, Danone's 2016 targets include:

- sales growth¹ within a range of +3% to +5%
- solid improvement¹ of trading operating margin

Danone will also focus on increasing the free cash-flow, without setting a short-term target.

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¹ Like-for-like

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 6.

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

- like-for-like changes in sales, trading operating income, trading operating margin, recurring net income and recurring EPS;
- trading operating income;
- trading operating margin;
- recurring net income;
- recurring income tax rate;
- recurring EPS;
- 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, the Company has 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 Danone is as follows:

Like-for-like changes in Sales, Trading operating income, Trading operating margin, Recurring net income and recurring EPS reflect Danone'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 Company for the current year and applied to both previous and 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 Danone'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 did not reflect Danone's organic performance in that country accurately. As a result, the Company 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, which is applicable only to Argentina starting with the release of 2014 full-year results. More specifically, this methodology leads 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. With respect to 2014, adjustment for the full year had been recorded in the fourth quarter of 2014.

	Previous period	Impact of changes in scope of consolidation	Impact of fluctuations in exchange rates	Of which treatment of over-inflation	of which other impact of fluctuations in exchange rates	Like-for-like growth	Period under review
Sales (€ million except %)							
Q1 2015	5,061	-0.4%	+3.7%	+0.5%	+3.2%	+4.8%	5,471
Q1 2016	5,471	+0.7%	-7.2%	+0.2%	-7.3%	+3.5%	5,306

Trading operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French CNC (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 its recurring 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 IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (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 Trading operating income over Net sales ratio.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share of Total Recurring net income. Total Recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include capital gains and losses on disposals and impairments of Investments in associates and in other non-fully-consolidated entities and tax income and expenses related to non-recurring income and expenses. Such income and expenses excluded from Net income are defined as Total Non-recurring net income and expenses.

Recurring income tax rate measures the income tax rate related to Danone's recurring performance and corresponds to Total Recurring net income over tax income and expenses related to non-recurring income and expenses.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as Recurring 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 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 deployed within the framework of the plan to generate savings and adapt Danone's 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 note

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.

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 "Risk Factor" section of Danone's Registration Document (available at www.danone.com).

The presentation to analysts and investors, chaired by CFO Cécile Cabanis, will be broadcast live today from 9.00 a.m. (Paris time) at www.danone.com.

Related slides are also available on the website, in the Investors section.