



First-quarter 2017 sales
Press release – Paris, April 20, 2017

**Danone upgrades its 2017 guidance
to double-digit recurring EPS growth at constant exchange rate**

First Quarter 2017

- Low start to the year, in line with expectations : LFL sales growth at +0.7% (+3.0% in reported)

WhiteWave Acquisition

- Key mid-term value creation metrics confirmed
- Expected 2017 recurring EPS accretion upgraded from "solid" to "strong"

Upgraded 2017 guidance

- Double-digit recurring EPS growth at constant exchange rates
(compared to the 3.10€ recurring EPS reported in 2016)

All references in this document (including "Q1 2017", "WhiteWave acquisition" and "2017 guidance" sections above) to like-for-like changes, "like-for-like New Danone" changes recurring operating income, recurring operating margin, recurring net income and recurring EPS correspond to financial indicators not defined in IFRS that are used by Danone. Their definitions, as well as their reconciliation with financial statements, are listed on pages 7 & 8.

CEO EMMANUEL FABER'S COMMENTS

"Q1 has been an important time for all teams at Danone. As anticipated, sales are showing a slow start to the year. In a continued volatile environment, we have made progress on our key priorities across our categories. In particular, to address headwinds and sub-optimal execution in the Fresh Dairy category in Europe, which sequentially impacted our performance, we continue to adapt our plans. In addition, in a matter of only a few weeks, we simplified our global organization, and localized further our decision-making. This new organization allowed us to decouple the company's growth & efficiency agenda, with the Protein program launched to support both our short term results and our growth journey.

At the same time we are entering into a new chapter with the acquisition of WhiteWave. With leading positions in some of the fastest-growing, health-focused global categories, this combination will drive our Alimentation Revolution, our business performance, and will accelerate our 2020 profitable growth journey. I am particularly impressed with the performance of Alpro in Europe, which paves the way to a successful roll-out across many more countries in the future. In the US, last week's closing ended a prolonged process which caused growing managerial and business disruptions in a low growth context for the food sector. The combined experience and capabilities of the DanoneWave management team and the extensive work done by the integration team since July will fully deliver our synergy plan from day 1, address the current business challenges, and capture the business opportunities ahead starting from H2.

I am therefore fully confident that we will drive strong value creation from the WhiteWave acquisition, and deliver the attractive financial benefits we outlined last July. Reflecting this in the short term, we are now upgrading our Danone FY 2017 guidance to double-digit recurring EPS growth at constant exchange rate.

2017 is a year of construction that will strengthen Danone as an even more resilient company, best prepared to seize tomorrow's opportunities, with the right portfolio of products and brands to serve our consumers meaningfully in a balanced array of geographies. And with fully committed teams".

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Q1 2017 SALES

€ million except for %	Q1 2016	Q1 2017	Reported change	Like-for-like change	Volume growth
BY DIVISION					
Fresh Dairy Products	2,676	2,741	+2.4%	-2.3%	-5.3%
Waters	1,020	1,024	+0.4%	+1.7%	-1.3%
Early Life Nutrition	1,226	1,285	+4.8%	+4.1%	+0.1%
Medical Nutrition	384	414	+7.8%	+8.8%	+4.8%
BY GEOGRAPHICAL AREA					
Europe	2,127	2,036	-4.3%	-1.9%	-2.0%
CIS & North America ¹	1,096	1,231	+12.3%	-0.1%	-4.9%
ALMA ²	2,082	2,197	+5.5%	+3.7%	-1.3%
Total	5,306	5,464	+3.0%	+0.7%	-2.6%

Consolidated sales stood at €5,464 million, up 0.7% like-for-like, reflecting a -2.6% decline in volume and a +3.3% rise in value. Reported sales were up +3.0%, including changes in exchange rates (+2.8%) and in the scope of consolidation (-0.5%).

The exchange-rate effect reflects the positive impact of changes in the Russian ruble, Brazilian real and the US dollar. Changes in the scope of consolidation result primarily from the deconsolidation of Dumex China since May 31, 2016.

FRESH DAIRY PRODUCTS

The Fresh Dairy Products division reported sales down -2.3% like-for-like, including a -5.3% decline in volume and a +3.0% rise in value.

In Europe, sales continued to be impacted by difficult market conditions and *Activia's* performance. As announced in February, Danone is implementing all necessary initiatives to reverse this trend. Local execution plans are being reworked (packaging, communication campaigns and activation) and will be rolled out gradually, country by country in the course of the second quarter. They will be complemented by new product launches in *Activia's* range. In parallel, local brands such as *Les deux vaches* in France, *Danio* in Poland and in Italy as well as *Oikos* in Italy have continued to be successfully developed.

Within the CIS and North America region¹, Danone generated stable growth.

- In the US, slower category growth and price pressure from competitors weighed on first-quarter sales. Backed by strong brands, market leadership and reinforced communication and innovation plans, Danone will continue to pursue its growth agenda as planned in 2017.
- In Russia, Danone once again demonstrated its resilience, in a consumption context which remains difficult. The enhancement of its brand portfolio's value through rising prices and very positive mix management continued to offset a decline in volumes in lower-end segments.

The ALMA² region reported a slightly negative performance, as consumption trends in Brazil worsened. Initiatives are being rolled out to boost the brand portfolio and protect the profitability equation. These include a Portfolio Revenue Growth Management (PRGM) program aimed at optimizing the product mix, establishing the best price-promotion-format positioning for each brand. At the same time, communication plans are being adjusted and innovation projects reinforced.

¹ North America = United States and Canada

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

WATERS

The Waters division reported sales up +1.7% like-for-like, including a -1.3% decrease in volume and a +3.0% rise in value. Danone is continuously gaining market share with leading positions both in aquadrinks and plain water, supported by strong category fundamentals and brand activation plans.

The division's overall performance reflected a slightly lower start to the year in Europe compared to previous quarters due to a high basis of comparison and Mizone's adaptation in China. In China, where non-alcoholic beverages remained in transition, Danone continued to focus on protecting Mizone's market share and fueling growth initiatives at the right pace and through disciplined investments.

EARLY LIFE NUTRITION

Early Life Nutrition sales rose +4.1% like-for-like, including a 0.1% rise in volume and a +4.0% increase in value.

This solid performance reflected major gains in developing a direct distribution model in China, where "direct" sales rose by a very strong double-digit growth supported by its growing presence in specialized stores and direct e-commerce through successful initiatives, such as the recent launch of *Aptamil Platinum* on the ultra-premium segment.

In parallel, the transition of the "indirect" channel for China, induced by a fast-changing regulatory environment, continued and should last until the new regulations are fully enforced, creating volatility in the performance from one quarter to the other.

Danone also pursues its investments in Tailored Nutrition, a major growth driver in the short and medium term. This segment, which already represents around 10% of division revenue, rose strongly in the first quarter.

MEDICAL NUTRITION

Medical Nutrition sales rose by a steep 8.8% like-for-like, with volume and price mix contributing +4.8% and +4.0% respectively.

These figures reflect the division's very strong performance in Europe and continued growth in emerging markets, mainly driven by China.

China, Turkey and Benelux were main contributors to growth, observed across all categories, with a strong contribution from the *Neocate* and *Nutrison* brands.

WHITEWAVE INTEGRATION: IMMEDIATE IMPLEMENTATION OF NEW ORGANIZATION

DANONEWAVE

Danone and WhiteWave combine their activities for North America to operate as a Strategic Business Unit, named "DanoneWave". As previously disclosed, the combination will include Danone Dairy's and WhiteWave's current North American businesses under the leadership of **Lorna Davis**, who has been appointed Chief Executive Officer of the combined entity.

This new organization is scaled to accelerate Danone's growth journey towards 2020 and is specifically designed to immediately generate the synergies announced last July, set the operational business back in motion after the impact of a lengthy process of closing, while preserving WhiteWave's entrepreneurial spirit and its innovation capacity.

As part of this new organization, Danone is pleased to announce that **Blaine McPeak**, WhiteWave's former Chief Operating Officer (COO), is appointed COO of DanoneWave effective as of the closing date. Blaine McPeak is responsible for the business operations, building, commercializing and implementing the strategic growth plans of the new entity.

In parallel, **the dedicated Integration team**, in place since last July, will ensure the rapid and smooth integration of businesses, starting to deliver the synergy plan immediately.

DANONE'S NEW CATEGORIES AND REGIONAL BREAKDOWN

To reflect Danone's recent evolution, including WhiteWave's integration, the Company will use a new divisional and regional breakdown to report its operations, starting Q2 2017:

- **DanoneWave** includes Danone Fresh Dairy Products' and WhiteWave's current North American businesses;
- **Fresh Dairy Products** includes Danone's Fresh Dairy Products in Europe, CIS and ALMA³ as well as WhiteWave's business in Europe, Latin America and China;
- In line with the organization announced last February, **Early Life Nutrition and Advanced Medical Nutrition** will report as a single category to foster synergies and accelerate momentum for both businesses;
- **Waters** will be reported as previously.

As of Q2 2017, the performance will be reported based on two different regions:

- **Europe and NORAM⁴** will report as a single region;
- **Rest of the World's (RoW)** perimeter will cover current ALMA⁴ and CIS regions.

³ ALMA = Asia-Pacific / Latin America / Middle East / Africa

⁴ North America = United States and Canada

WHITEWAVE: KEY SHORT & MID-TERM VALUE CREATION METRICS CONFIRMED

Following the closing of the WhiteWave acquisition, Danone reconfirms that the transaction will accelerate Danone's growth journey towards 2020, resulting in strong value creation.

As a result, the key value creation metrics are confirmed and include:

- A significant \$300 million run-rate synergy at recurring operating income level by 2020;
- An improvement of Danone's full year like-for-like sales growth profile by an extra +0.5% to +1%;
- An accretion of the recurring operating margin from 2018;
- A recurring EPS accretion above 10%, based on run-rate synergies;
- An impact of -200 bps on ROIC in 2017 before returning to 2016 level in 2019.

For 2017, Danone upgrades from "solid" to "strong" the expected recurring EPS accretion from the WhiteWave acquisition.

UPGRADED 2017 GUIDANCE (INCLUDING WHITEWAVE FROM THE CLOSING DATE)

Danone has decided to upgrade its 2017 guidance to a double-digit recurring EPS growth at constant exchange rate (compared to the 3.10€ recurring EPS reported in 2016).

This new guidance is based on:

- A moderate "Like-for-like New Danone"⁽⁵⁾ sales growth;
- A sustained recurring operating margin improvement on a "like-for-like New Danone"⁽⁵⁾ basis.

MAJOR FINANCIAL TRANSACTIONS AND DEVELOPMENTS OVER THE PERIOD

- **On March 31, 2017**, Danone announced that it had reached a major step towards the closing of the WhiteWave acquisition as it had reached an agreement in principle with the Antitrust Division of the United States Department of Justice ("DOJ"). As part of the agreement in principle, in order to facilitate the prompt closing of the WhiteWave acquisition, Danone decided to sell one of its U.S. dairy subsidiaries, Stonyfield, in the months following the closing of the acquisition of WhiteWave.
- **On April 6, 2017**, Danone announced that the U.S. District Court for the District of Columbia issued an order on April 5th which would allow for the completion of the acquisition of WhiteWave.
- **On April 12, 2017**, Danone announced that it had completed its acquisition of WhiteWave. In connection with the completion of the transaction, the WhiteWave common stock was delisted from the New York Stock Exchange.

⁽⁵⁾ See definition on page 7

2017 OUTLOOK

(From press release issued February 15, 2017)

In 2017, Danone assumes that economic conditions will remain particularly volatile and uncertain overall, with persistently fragile or even deflationary consumer trends in Europe, and specific contextual difficulties in a few major markets, including the CIS, China and Brazil.

In addition, Danone anticipates a year-on-year mid-single digit rise in the cost of its strategic raw materials. In this context, the Company will continue to strengthen the resilience of its model through a range of initiatives aimed at offsetting inflation and limiting its exposure to volatility in some raw materials while ensuring the competitiveness of its products.

More specifically, Danone anticipates a steep rise in milk prices over the year, with variations from one geographical area to the next:

- a low to mid-single digit increase in Europe and the United States, and
- a strong rise in emerging countries such as the CIS and Latin America.

Regarding other raw materials, including plastic, sugar and fruits, Danone also anticipates inflationary conditions overall.

In this context, Danone will continue to give priority this year to improving margins and strengthen its growth model. The Company will rely on successful execution of its growth plans, optimization of its business model reinforced by the "Protein" program, and disciplined resource allocations that promote strategic growth opportunities over short-term tactical allocations.

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***The presentation to analysts and investors, held by Cécile Cabanis, EVP, CFO, Strategy and Information Systems will be broadcast live today from 6.00 p.m. (Paris time) at www.danone.com.
Related slides are also available on the website, in the Investors section.***

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 8.

Additional indicator of like-for-like changes: “like-for-like New Danone” changes

Since completion of the acquisition, WhiteWave and Danone's activities have been combined and are generating synergies. Separate reporting of WhiteWave and Danone in their pre-acquisition forms thus no longer reflects their real performance. This being the case, Danone has decided to monitor and then report its performance by integrating the contribution of WhiteWave as a whole to its organic growth from the time of the acquisition by using an additional indicator - “like-for-like New Danone” changes.

This indicator is a variation on the “like-for-like” changes indicator used by Danone which integrates WhiteWave's performance starting at the date of acquisition:

- for periods in previous years compared, and
- based on WhiteWave reported data after restatement to allow comparison with Danone data.

This additional indicator will be used temporarily, starting with the second quarter of 2017 and running through the end of 2018.

Financial indicators not defined in IFRS, used by Danone and presented in this press release

These indicators are calculated as follows:

Like-for-like changes in sales, recurring operating income and recurring operating margin 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 Danone 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 accurately 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) limiting the inflation of price and cost of goods sold per kilo to their average level for the past three years and (b) capping Recurring 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.

Sales (€ million except %)

	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
Q1 2016	5,471	0.7%	-7.2%	0.2%	-7.3%	3.5%	5,306
Q1 2017	5,306	-0.5%	2.8%	0.2%	2.6%	0.7%	5,464

“Like-for-like New Danone” changes (or “Like-for-like including WhiteWave starting April 2017” changes) in sales, recurring operating income and recurring operating margin reflect the organic performance of Danone and WhiteWave combined. This indicator corresponds to like-for-like changes for Danone and WhiteWave combined, considering the activity of WhiteWave as a whole by integrating its companies during the fiscal years prior and following their acquisition in April 2017:

- from April 1 to December 31 for periods compared until 2017 included;
- from January 1 to December 31 for periods compared in 2018.

Financial data related to periods prior to the closing date and used to calculate “like-for-like New Danone” changes are extracted from the historical income statements of, respectively, Danone (prepared in euros under IFRS) and WhiteWave (prepared in US dollars under US-GAAP). However, to ensure that these can be compared with the income statement of Danone and WhiteWave combined, they are adjusted as follows:

- WhiteWave's income statements for periods prior to the closing date have been restated to reconcile them with Danone's accounting principles;
- the effect on the income statement of the purchase price allocation of WhiteWave is also reflected in periods prior to the acquisition.

Recurring 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, (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date, and (iv) certain income and expenses related to the purchase price allocation of WhiteWave.

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Non-recurring results from associates include significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, non-recurring items as defined by Danone included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the consolidated recurring net income. The 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 other income and expenses, non-recurring results from associates, capital gains and losses on disposals and impairments of 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 Non-recurring net 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.

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. In some cases, you can identify these forward-looking statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," "continue," "convinced," and "confident," the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, statements regarding Danone's operation of its business including that of WhiteWave following completion of the merger, the expected benefits of the transaction, and the future operation, direction and success of Danone's business including that of WhiteWave.

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 (the current version of which is available on www.danone.com).

Subject to regulatory requirements, Danone does not undertake 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.