

H1 2015 RESULTS

July 24, 2015

Emmanuel FABER, CEO

Cécile CABANIS, CFO



DANONE

DISCLAIMER

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This document refers to financial indicators that are not defined by IFRS. For a detailed description of these indicators, please refer to the section “Financial indicators not defined in IFRS” of the press releases on its results published by Danone (which are available on www.danone.com).

Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.





**Emmanuel
FABER
CEO**



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H1 2015 - A STEP TOWARDS 2020



H1 2015 KEY ACHIEVEMENTS

OPTIMIZE

- Dairy Europe continued portfolio optimization
- CIS optimization

INVEST

- Dairy additional reinvestment
- Innovations to develop categories

BUILD

- New organization design
- Stronger model in ELN China

NURTURE

DANONE
2020[★]



H1 2015 HIGHLIGHTS - SOLID FINANCIAL RESULTS



TOPLINE

+8.8%

+4.6%
Like-for-like

MARGIN ^[1]

12.12%
+85 bps

+53 bps
Like-for-like

EPS ^[2]

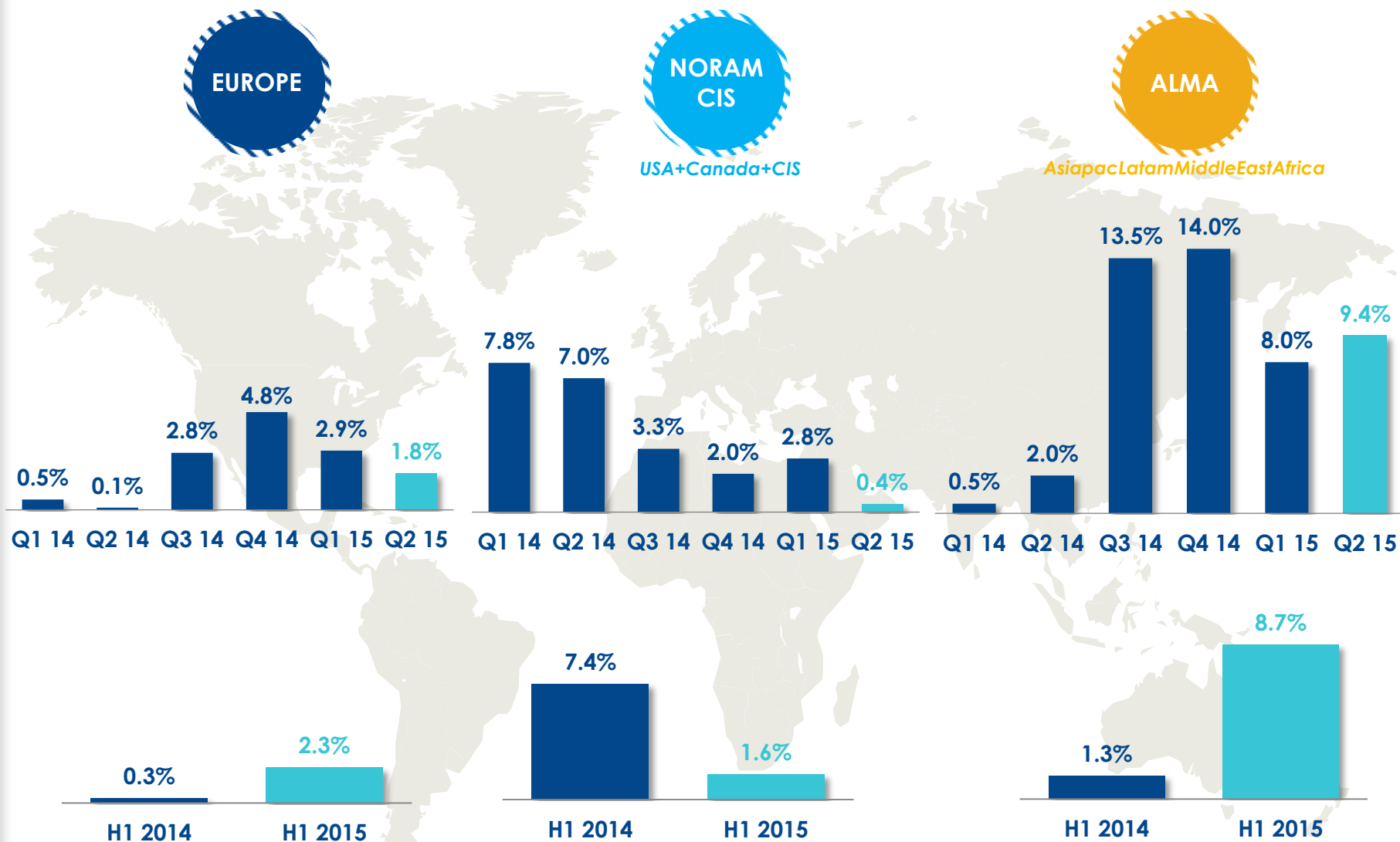
€1.37
+18.5%

+6.8%
Like-for-like

[1] Trading operating margin

[2] Underlying fully diluted earning per share

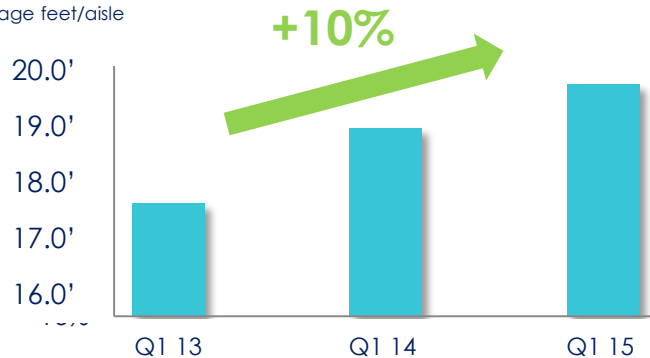
GEOGRAPHICAL DYNAMICS



USA DAIRY - RENEW GROWTH DYNAMICS AND CONSOLIDATE LEADERSHIP

Grow category aisle space...

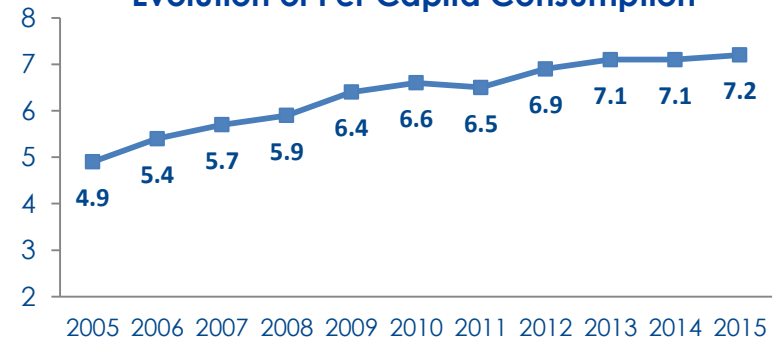
Average feet/aisle



Danone strong leader in a promising category

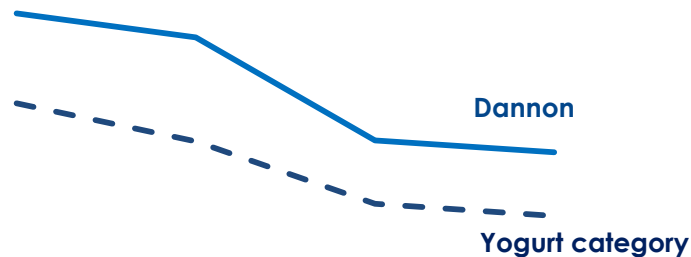
Kg/cap

Evolution of Per Capita Consumption



Source: Euromonitor

...and optimize shelf



Revenue per SKU

N°1

>34%
Market Share

N°1

≈30 % Share of Shelf



+0.7 pt vs LY

EUROPE DAIRY - COMPLETE TRANSFORMATION AND PREPARE PATH FOR GROWTH

Our resources

RIGHT
PORTFOLIO



EFFICIENT
SOURCING



EFFICIENT
OPERATIONS



RIGHT
ORGANIZATION



INVESTMENTS

A&P
> +150 BPS

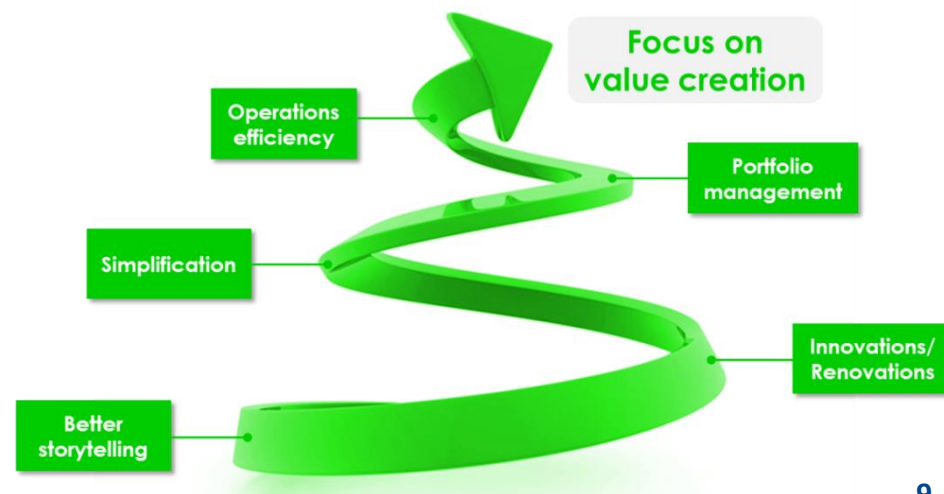
Our results



Positive H1 in
Europe



Positive H1 in
Spain



CHINA - STRENGTHEN THE BUSINESS MODEL

Strong fundamentals for future growth opportunities



- Upgrade of the quality and food safety practices
- Urbanization and demographics
- Role of R&D and science

Co-build a stronger local platform with Mengniu & Yashili



蒙牛



- Acceleration of the channel shift
- Extension of the strategic alliance with Mengniu and Yashili

Leverage success of international brands & Internet dynamics





Cécile
CABANIS
CFO



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SOLID Q2 TOP LINE PERFORMANCE

TOPLINE

+8.8%

+4.6%

Like-for-like

MARGIN

12.12%

+85 bps

+53 bps

Like-for-like

EPS

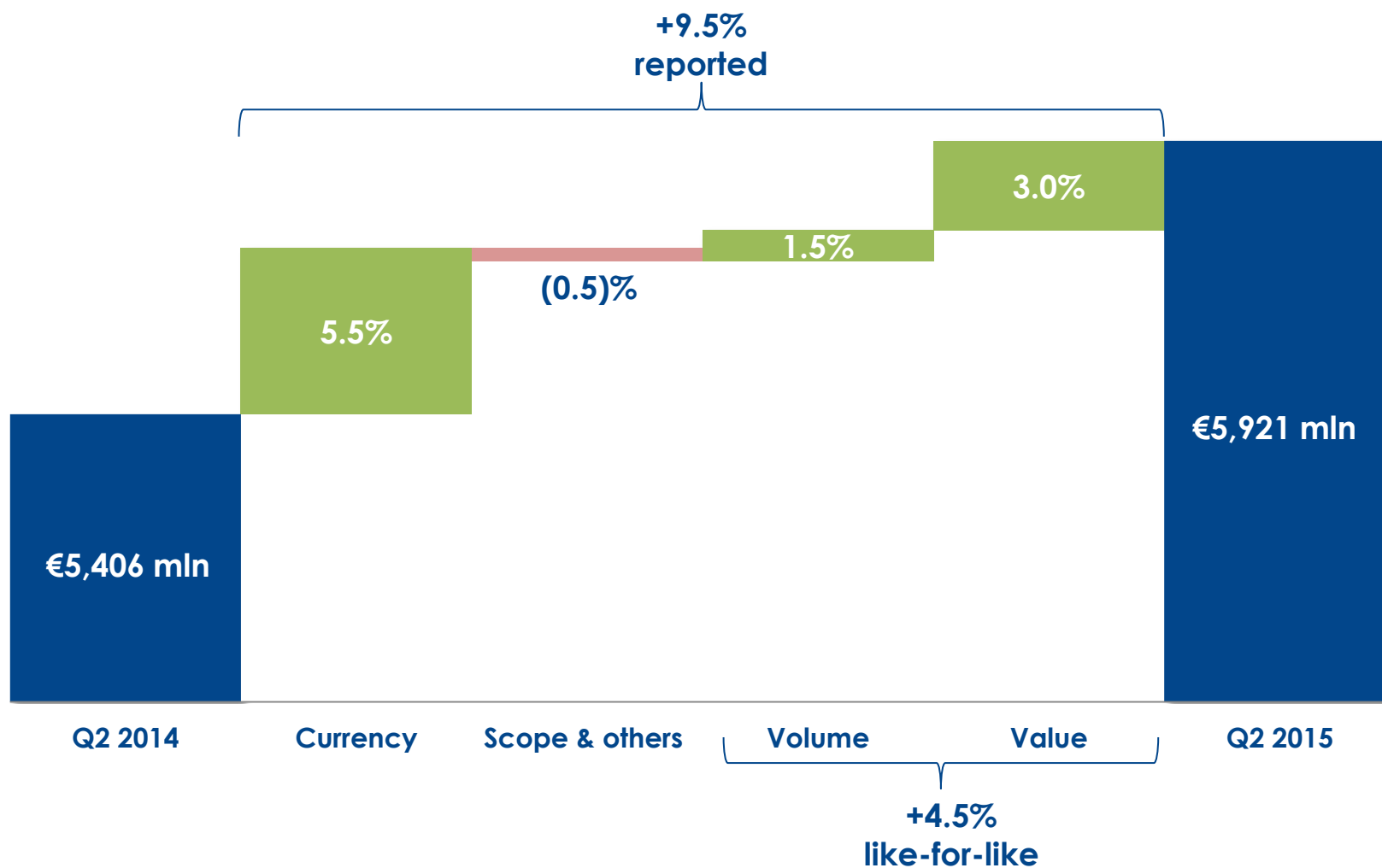
€1.37

+18.5%

+6.8%

Like-for-like

Q2 2015 - REPORTED SALES AT +9.5%

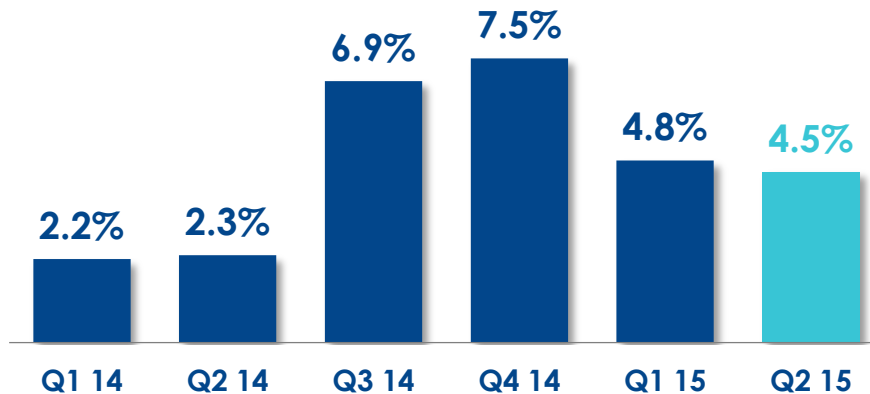


- H1 2015 like-for-like growth : +4.6% / reported growth: +8.8%

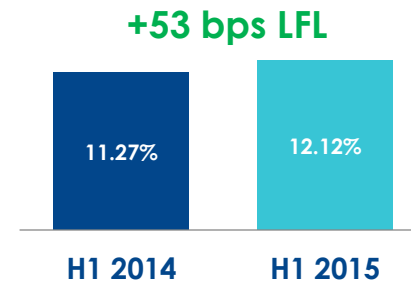
TOTAL COMPANY - SOLID H1 EQUATION ON ROAD TO SUSTAINABLE PROFITABLE GROWTH



TOPLINE



MARGIN

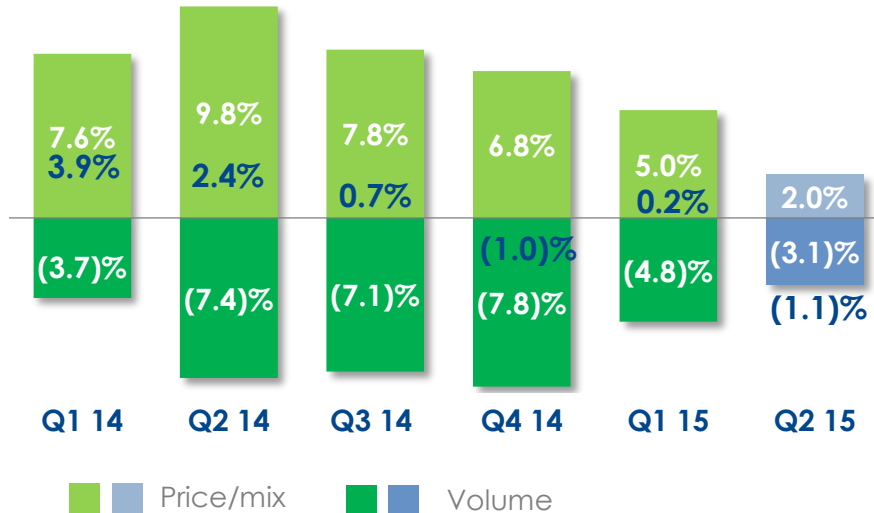


- Solid Q2 performance on track with roadmap
- Strong improvement of gross margin through price/mix improvement, productivities, efficiency and favorable input costs
- Reinvestment

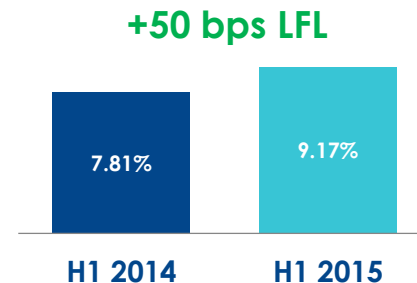
FRESH DAIRY PRODUCTS - COMPLETE TRANSFORMATION



TOPLINE



MARGIN

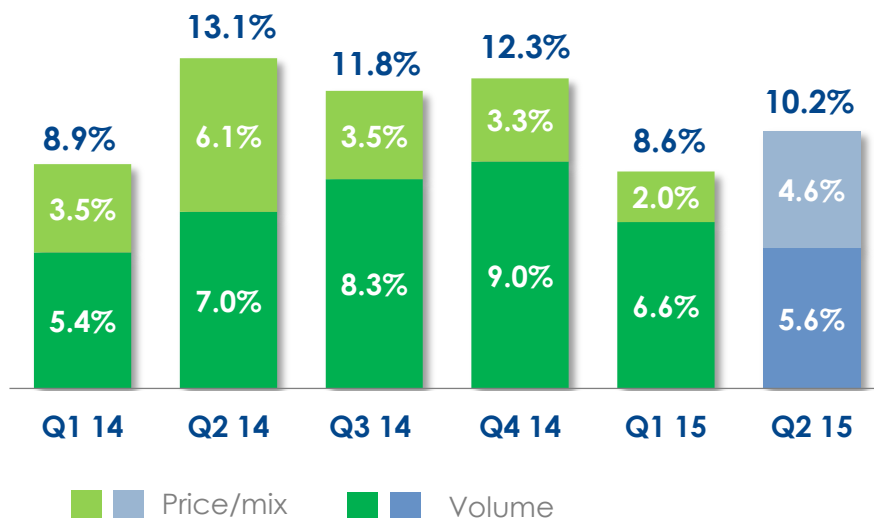


- PRGM program almost completed in Europe
- Positive results on global brand platforms : *Actimel* Europe, *Activia* Spain, *Light & Fit* in the USA, key brands in Russia
- Favorable context of milk price
- Significant increase of investment in H1

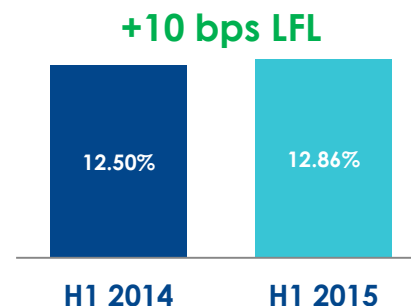
WATERS - CONTINUED STRONG AND WELL-BALANCED GROWTH



TOPLINE



MARGIN

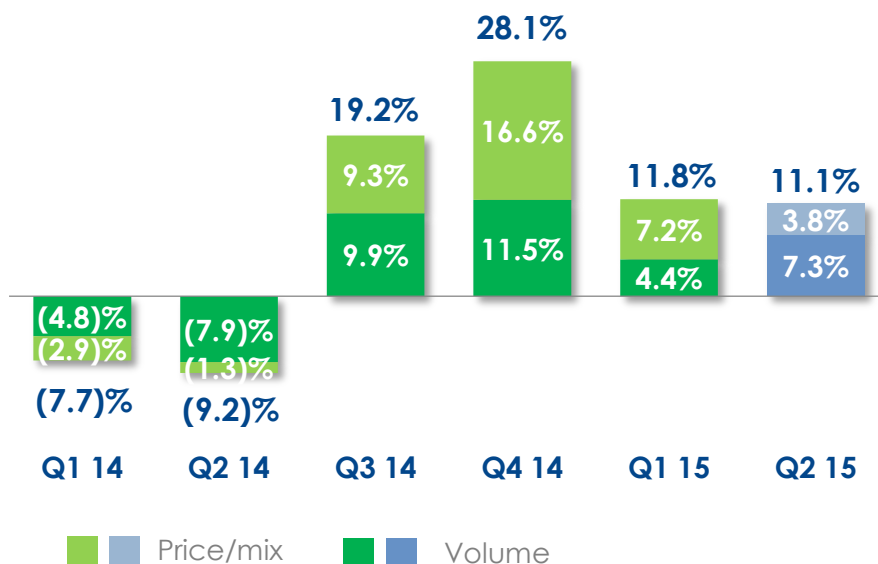


- All regions positive contributing to the global increase in market share
- Solid progression in Europe and good performance of the plain segment
- Aquadrinks as a “healthier hydration platform”
- Continued increased investment in innovations, A&P and sales force to drive growth

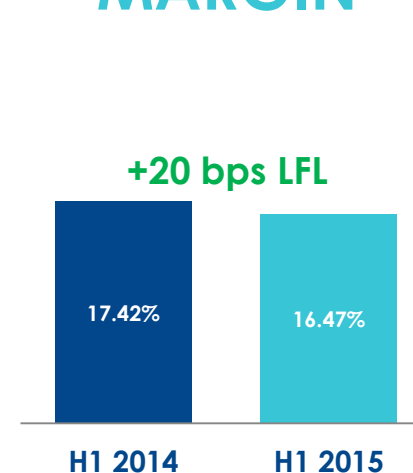
EARLY LIFE NUTRITION - BUILDING SUSTAINABLE GROWTH



TOPLINE



MARGIN

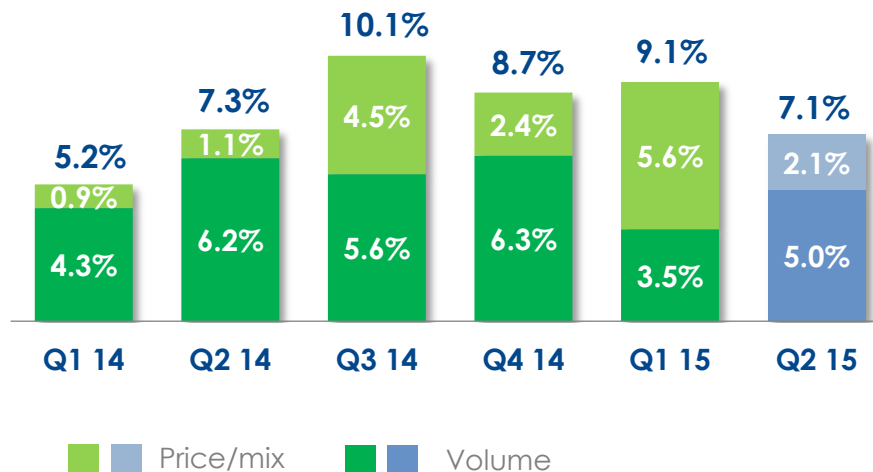


- Strong fundamentals of growth in all regions
- Chinese performance still driven by international brand successes
- Co-build a stronger local platform with Yashili

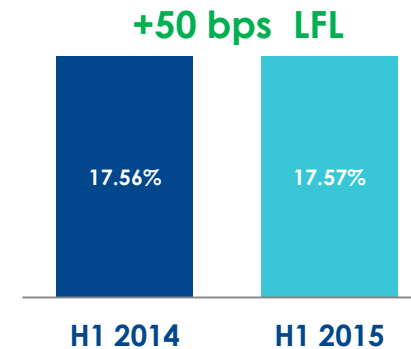
MEDICAL NUTRITION - STEADY AND SUSTAINABLE DYNAMICS



TOPLINE



MARGIN



- Positive results in all regions
- Strong H1 mix improvement driven by pediatrics and metabolics
- Continued strong performance of Neocate



H1 2015 MARGIN - SOLID INCREASE TO SUPPORT SUSTAINABLE GROWTH MODEL



TOPLINE

+8.8%

+4.6%

Like-for-like

MARGIN ^[1]

12.12%
+85 bps

+53 bps

Like-for-like

EPS

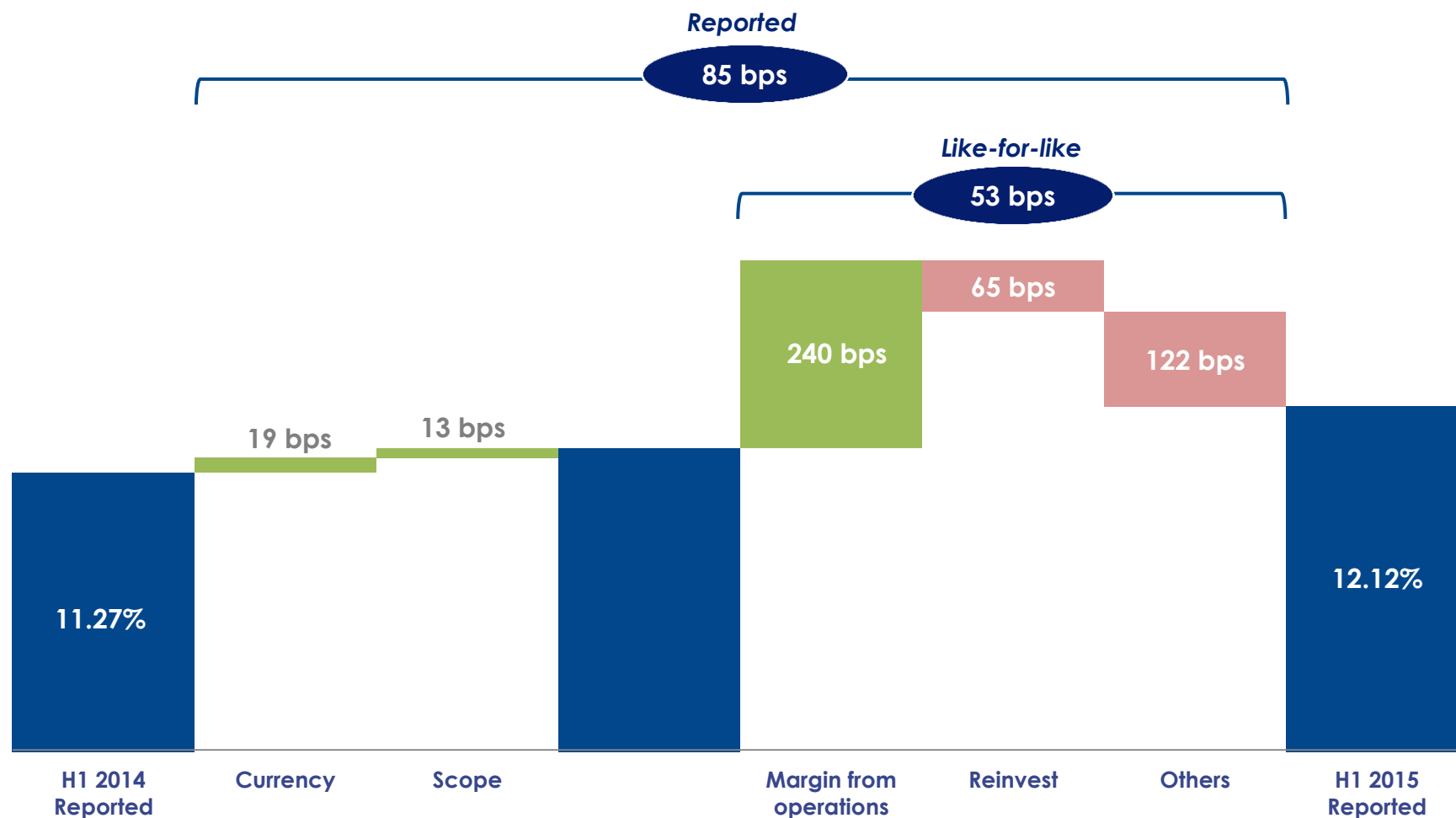
€1.37
+18.5%

+6.8%

Like-for-like

[1] Trading operating margin

REPORTED MARGIN INCREASE OF 85 BPS



H1 2015 EPS - STRONG INCREASE DRIVEN BY SALES AND MARGIN GROWTH



TOPLINE

+8.8%

+4.6%

Like-for-like

MARGIN

12.12%

+85 bps

+53 bps

Like-for-like

EPS ^[1]

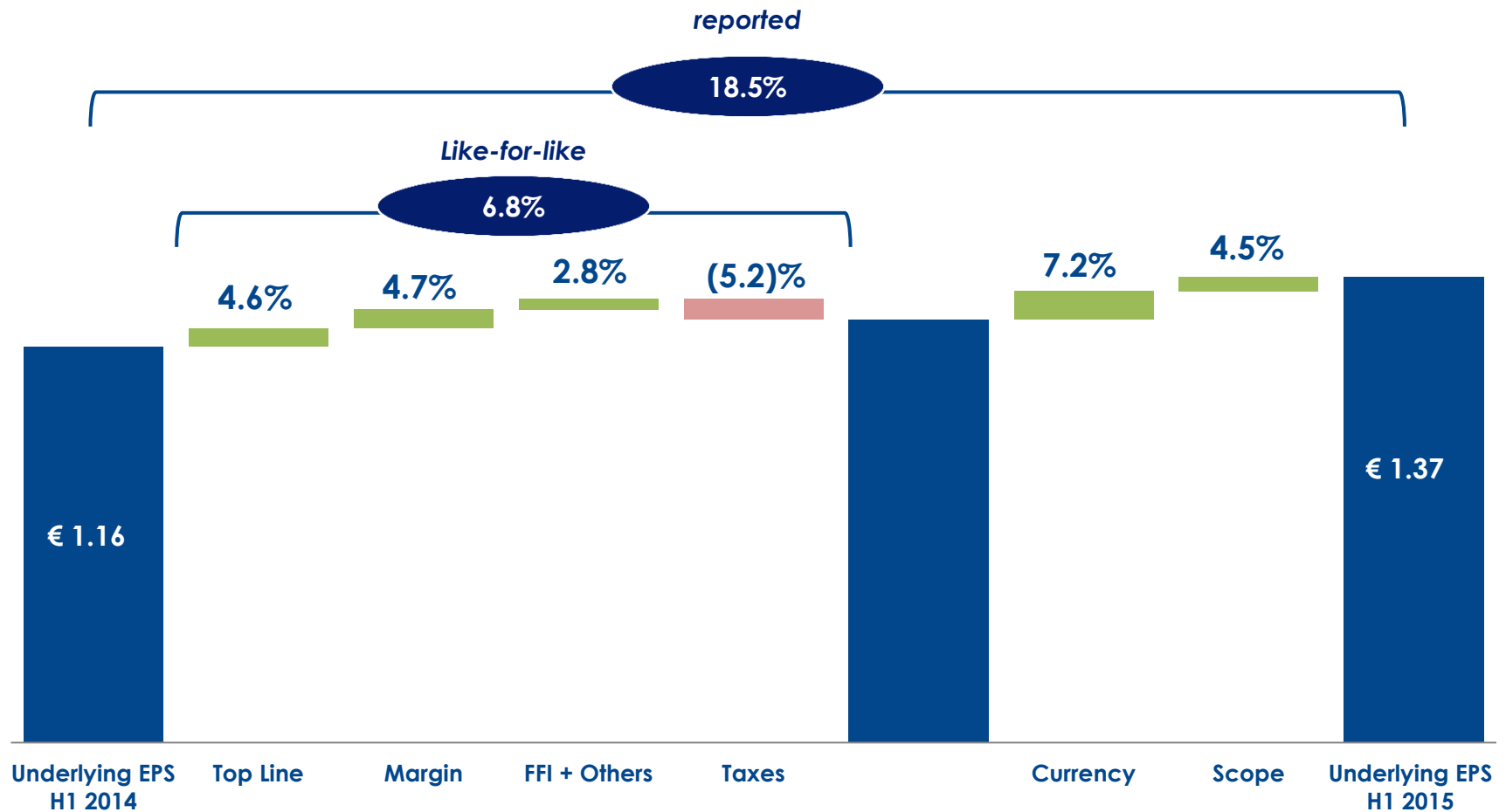
€1.37
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+6.8%

Like-for-like

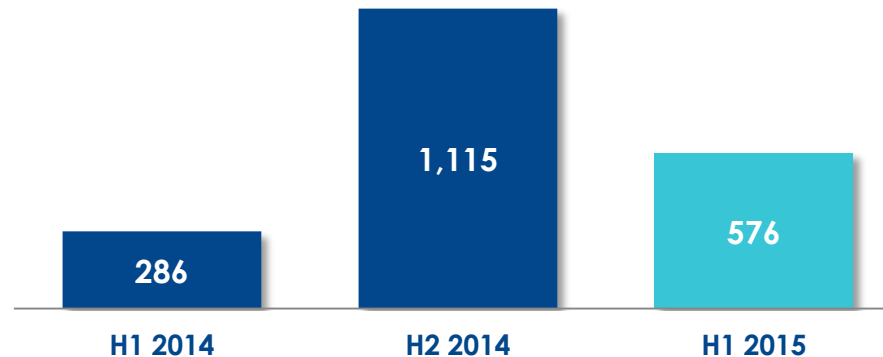
[1] Underlying fully diluted earning per share

H1 2015 EPS MIRRORS A SUSTAINABLE AND PROFITABLE GROWTH MODEL

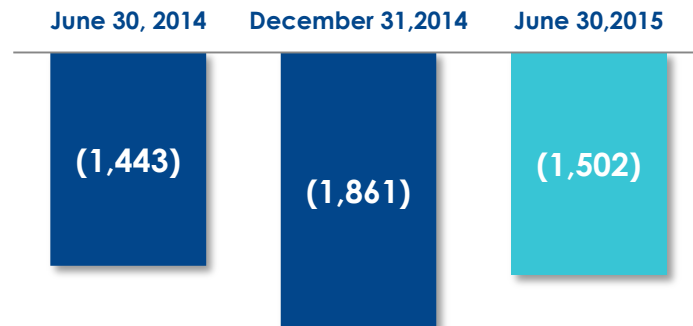


H1 2015 - SALES & MARGIN INCREASE TO FOSTER CASH GENERATION

Free cash-flow excluding exceptional items (€ mln)

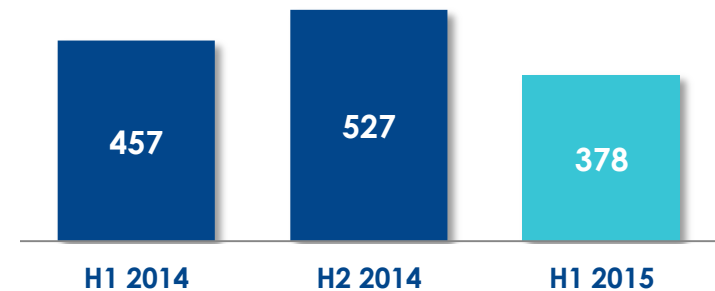


Working capital (€ mln)



	June 30, 2014	December 31, 2014	June 30, 2015
% of sales	-7.0%	-8.8%	-6.8%

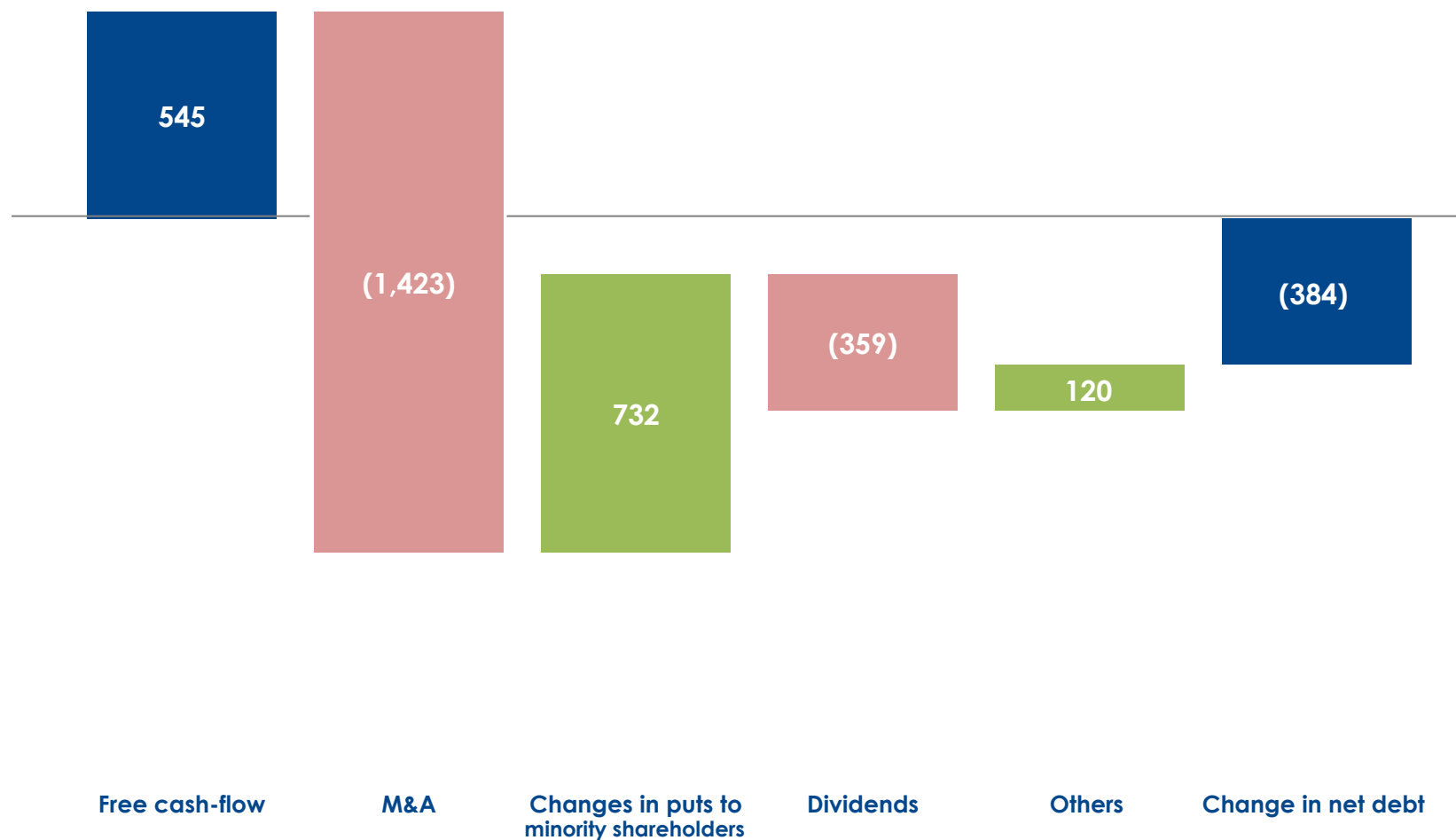
Capital expenditures (€ mln)



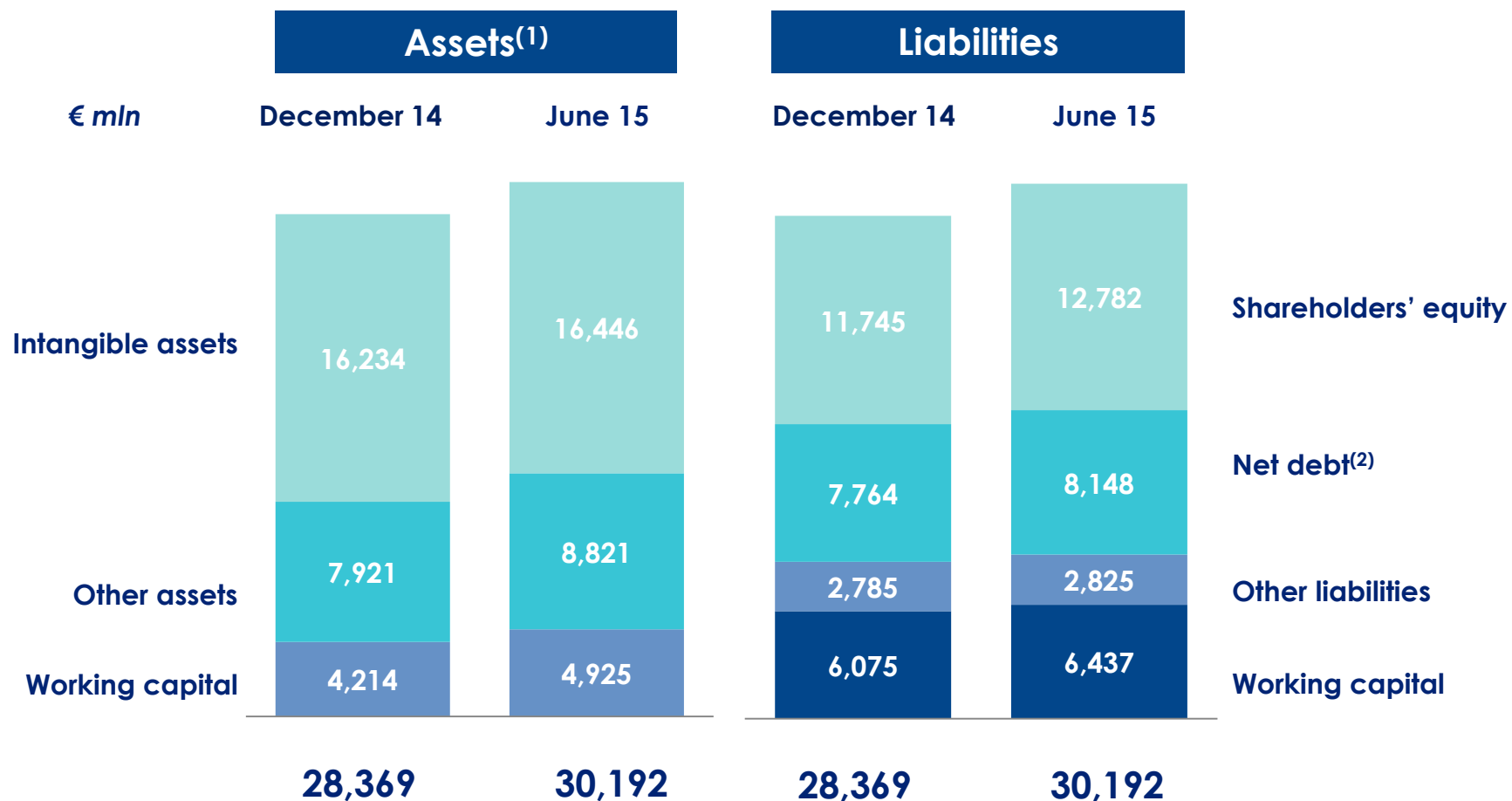
	H1 2014	H2 2014	H1 2015
% of sales	4.4%	4.9%	3.3%

H1 2015 FREE CASH-FLOW TO NET DEBT CHANGE

€ mln



H1 2015 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

H1 2015 - A STEP TOWARDS 2020



2015 GUIDANCE - ANCHORING THE NEW SUSTAINABLE MODEL

2015 objectives

Sales growth⁽¹⁾

4% to 5%

Trading operating margin⁽¹⁾

Slightly up

APPENDIX



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TRADING OPERATING MARGIN BY GEOGRAPHICAL AREA

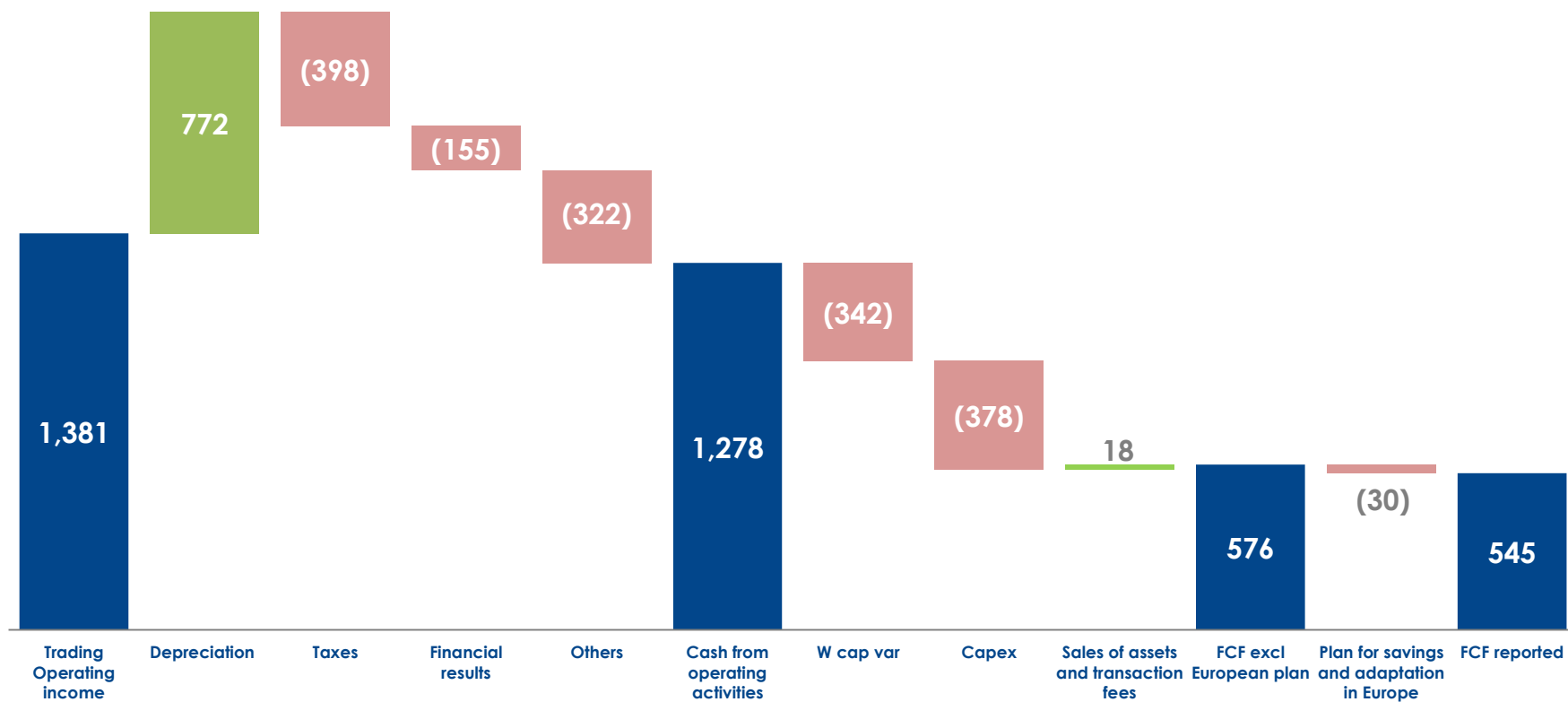
€ mln	H1 2014	H1 2015	Like-for-like change
Europe	14.56%	16.29%	+182 bps
CIS+Noram	7.23%	7.75%	+1 bps
ALMA	10.09%	10.29%	(53) bps
Total	11.27%	12.12%	+53 bps

FROM OPERATING INCOME TO EPS

€ mln	H1 2014 underlying	H1 2015 underlying	Non-current items	H1 2015
Trading operating income	1,180	1,381	-	1,381
Other operating items	-	-	(509)	(509)
Operating income	1,180	1,381	(509)	872
Total financial expenses	(156)	(155)	1	(154)
Income tax	(303)	(398)	99	(299)
Net income of affiliates	25	64	(8)	56
Net income	746	892	(416)	475
of which Non-controlling interests	63	61	(2)	59
Net income - Group share	683	831	(414)	416

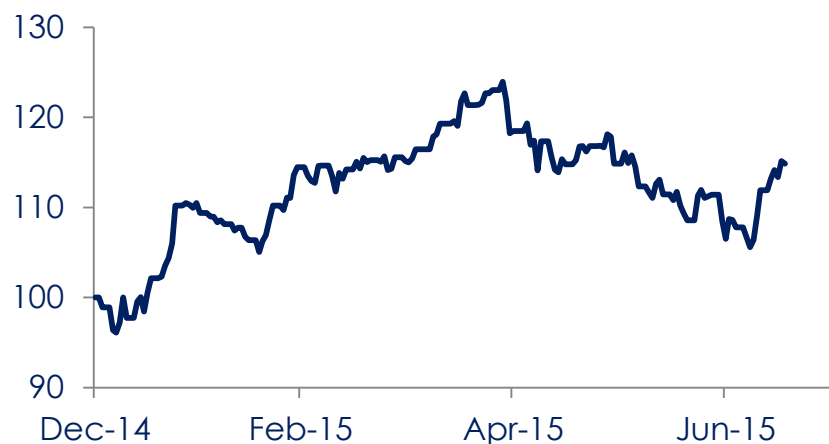
Fully diluted number of share mln	591	606
Fully diluted underlying EPS	€ 1.16	€ 1.37

€ mln



SHARE PRICE DATA

Danone H1 share price evolution



Danone H1 stock performance ⁽¹⁾

Absolute **+6.5%**

Relative vs. CAC 40 **-5.6%**

Relative vs. Eurostoxx 50 **-2.3%**

(1) At 30/06/2015

Q2 & H1 2015 - IMPACT OF CURRENCIES & SCOPE

Q2 2015	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	+0.9%	+22.0%	+17.6%	+13.3%	+9.5%
Currency	+3.5%	+10.6%	+5.9%	+5.7%	+5.5%
Scope of consolidation	(1.5)%	+1.2%	+0.6%	+0.5%	(0.5)%
Like-for-like sales growth	(1.1)%	+10.2%	+11.1%	+7.1%	+4.5%

H1 2015	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	+0.4%	+20.7%	+18.1%	+14.5%	+8.8%
Currency	+2.1%	+10.1%	+5.9%	+5.8%	+4.6%
Scope of consolidation	(1.3)%	+1.1%	+0.9%	+0.6%	(0.4)%
Like-for-like sales growth	(0.4)%	+9.5%	+11.3%	+8.1%	+4.6%

CHANGES IN EXCHANGE RATES

- 27.2% of H1 2015 sales denominated in €

	% total H1 15 sales	H1 15 vs. H1 14 (avg)	Q2 15 vs. Q2 14 (avg)
US dollar	11.6%	22.9%	24.1%
Chinese yuan	7.6%	21.8%	24.6%
Russian ruble	7.1%	(25.4)%	(17.5)%
Indonesian rupiah	5.8%	11.0%	9.8%
British pound	5.7%	12.2%	13.0%
Mexican peso	5.4%	6.4%	5.1%
Argentine peso	5.2%	9.1%	11.6%
Brazilian real	4.2%	(4.8)%	(10.0)%
Moroccan dirham	2.6%	4.0%	3.9%
Polish zloty	2.4%	0.8%	1.9%