

2015 RESULTS

February 23, 2016

Emmanuel FABER, CEO

Cécile CABANIS, CFO

DANONE



DANONE

DISCLAIMER

This document 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 section "Risk Factors" in 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.

All references in this presentation 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 used by Danone, which are defined at the end of this presentation.

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



DANONE

Emmanuel FABER

CEO



2015: A YEAR OF TRANSFORMATION TOWARDS 2020



2015: A YEAR OF PROGRESS AND DELIVERY

SALES GROWTH

+6.0%

+4.4%⁽¹⁾

TRADING OPERATING MARGIN

12.91%
+32 bps

+17 bps⁽¹⁾

RECURRING EPS

€2.93
+12%

+8.4%

At constant exchange rates

GUIDANCE 2015

Sales growth: **+4% to +5%⁽¹⁾**



Trading operating margin growth:

Slightly up⁽¹⁾



⁽¹⁾ Like-for-like

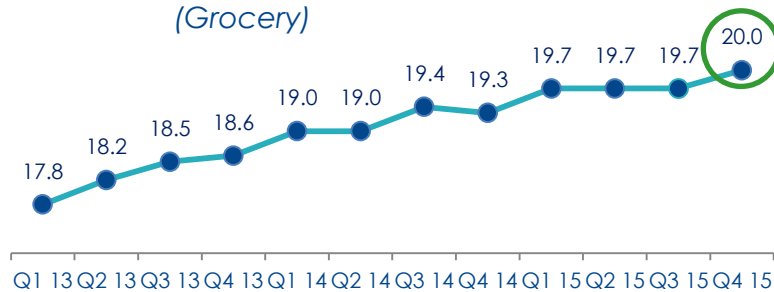
FRESH DAIRY US: STEADY PROGRESS IN RESTORING PROFITABLE GROWTH



Re-acceleration in the United States

Continued expansion of the yogurt category

Yogurt Category Avg Feet/aisle
(Grocery)



STRONG Q4 PERFORMANCE

Sales growth

> +4%⁽¹⁾

Danone⁽²⁾ #1 leading
MS position

> 34.5%

Innovation and activation driver of 2015 growth

Drive category engagement
with the NFL partnership



Expand category occasions



Accelerate portability



⁽¹⁾ Like-for-like

⁽²⁾ Danone : including Stonyfield and YoCrunch / Source IRI Multi Outlet

FRESH DAIRY EUROPE: STEADY PROGRESS IN RESTORING PROFITABLE GROWTH

Gradual improvement in Europe

Portfolio renovation

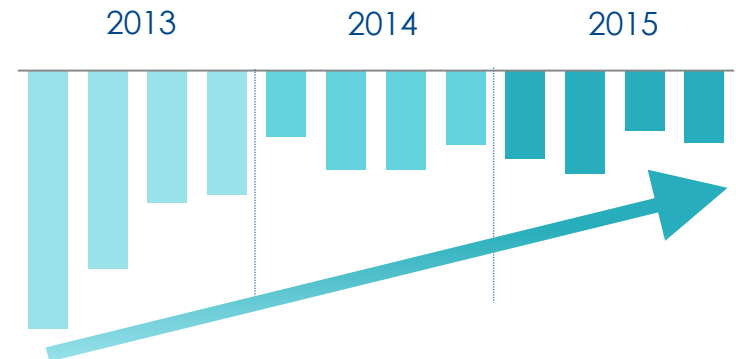


Model consolidation



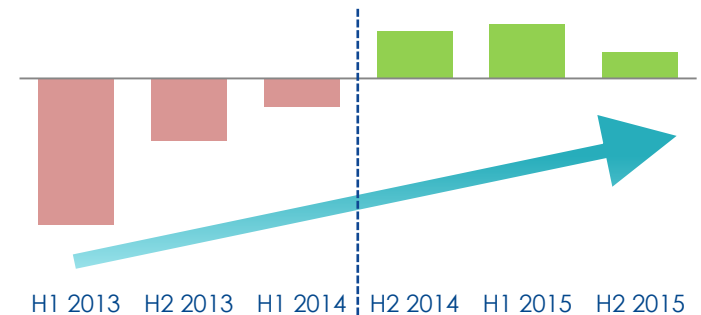
Underlying trend confirming the direction

Quarterly sales growth evolution



Structural gross margin improvement

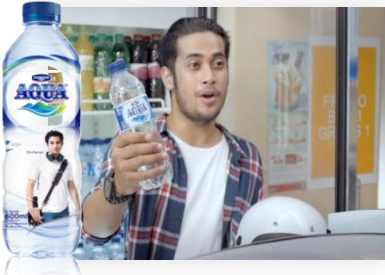
Excl milk price impact (in bps)



WATERS: DEVELOPING PILLARS OF GROWTH, ACTIVELY MANAGING TRANSITION IN CHINA

Leverage our platforms worldwide

- **Plain water** > +8% *FY LFL sales growth*



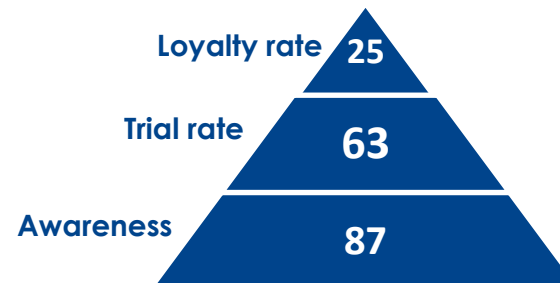
- **Aquadrinks** > +15% *FY LFL sales growth excluding China*



China transitioning to a new pattern of growth

- Protect and keep building strong brand equity
- Monitor and adjust distributor inventories and co-packer forecasts
- Correctly size our organization
- Continue leveraging innovation and activation plan

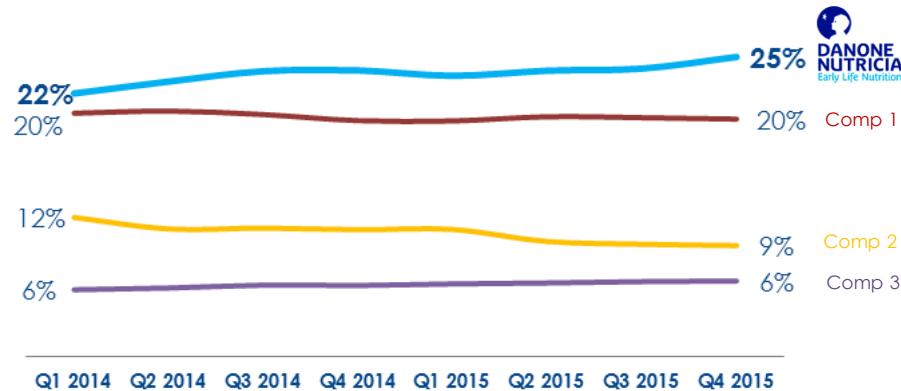
Brand equity



EARLY LIFE NUTRITION: STRENGTHENING A MODEL OF STRONG PROFITABLE GROWTH



Leader in our universe



ELN universe = Infant Formula + Follow On Milk + Growing-Up Milk + Tailored Nutrition + Dry and Wet Foods

Develop base camp



Keep pioneering new markets



Sales x 2 since 2012



Sales x 3 since 2013

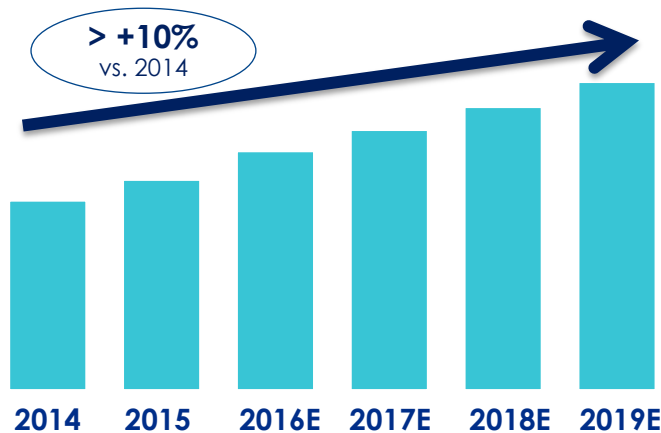


EARLY LIFE NUTRITION CHINA: A MORE SUSTAINABLE MODEL OF GROWTH UNDER CONSTRUCTION



A promising category

IMF Market growth



New market dynamics



Mom & Baby specialized stores

≈ 50% of IMF market



E-Commerce

≈ 30% of IMF market



Modern Trade

≈ 20% of IMF market



Leverage international brands



Adapt local brands to new trends



MEDICAL NUTRITION: SUSTAINING STRONG GROWTH

Innovate for sustainable growth

Be community-relevant to drive future growth

Pediatrics



> +10%
LFL sales growth



> +10%
LFL sales growth

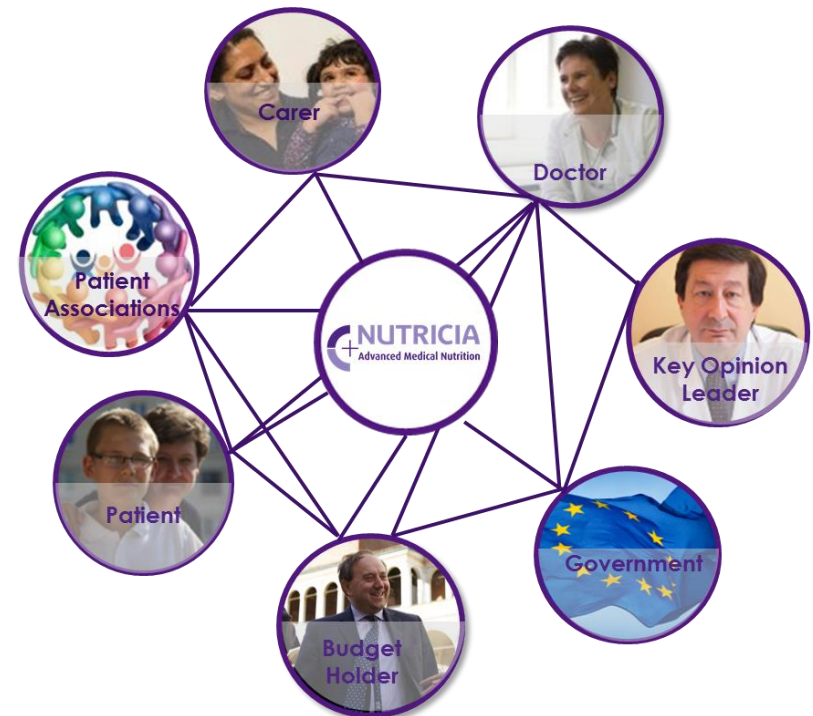
Adult



> +20%
LFL sales growth



> +8%
LFL sales growth



AFRICA: STRENGTHENING OUR PLATFORMS



SOURCING



INDUSTRIAL SET-UP



ROUTE TO MARKET



QUALITY



Increasing stake



Taking control



Acquisition



AFRICA: BUILD THE FUTURE OF DANONE

CSR ENGAGEMENT TO BUILD SUSTAINABLE PERFORMANCE

Target: zero net carbon emissions in the long-term including agriculture



- **Direct and shared scope of responsibility**
- **-50%** carbon intensity between 2015 and 2030
- Commitment to start reducing emissions in **absolute terms** before 2025
- **Social innovator**, creating new alliances and forms of cooperation to drive change

2015 CSR achievements

- **-46%** carbon intensity
2008-2015
- **-5%** water intensity
in 2015
- Lost time accident frequency rate:
2.0 for 2015



2015 KEY ACHIEVEMENT: STRENGTHENING OUR MODEL

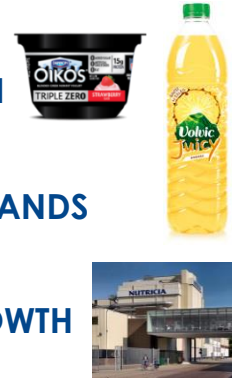
OPTIMIZE

- PORTFOLIO MANAGEMENT
- COST EFFICIENCIES
- RESOURCE ALLOCATIONS



INVEST

- INNOVATIONS TO FUEL GROWTH
- REINVESTMENTS BEHIND OUR BRANDS
- CAPEX TO PREPARE FUTURE GROWTH

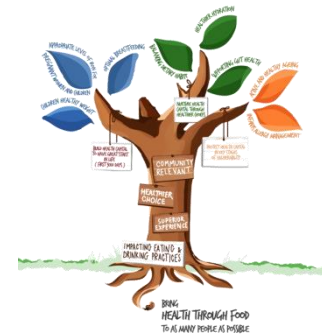


BUILD

- STRATEGIC RESOURCES
- ONE DANONE
- AFRICA



NURTURE



DANONE
Manifesto

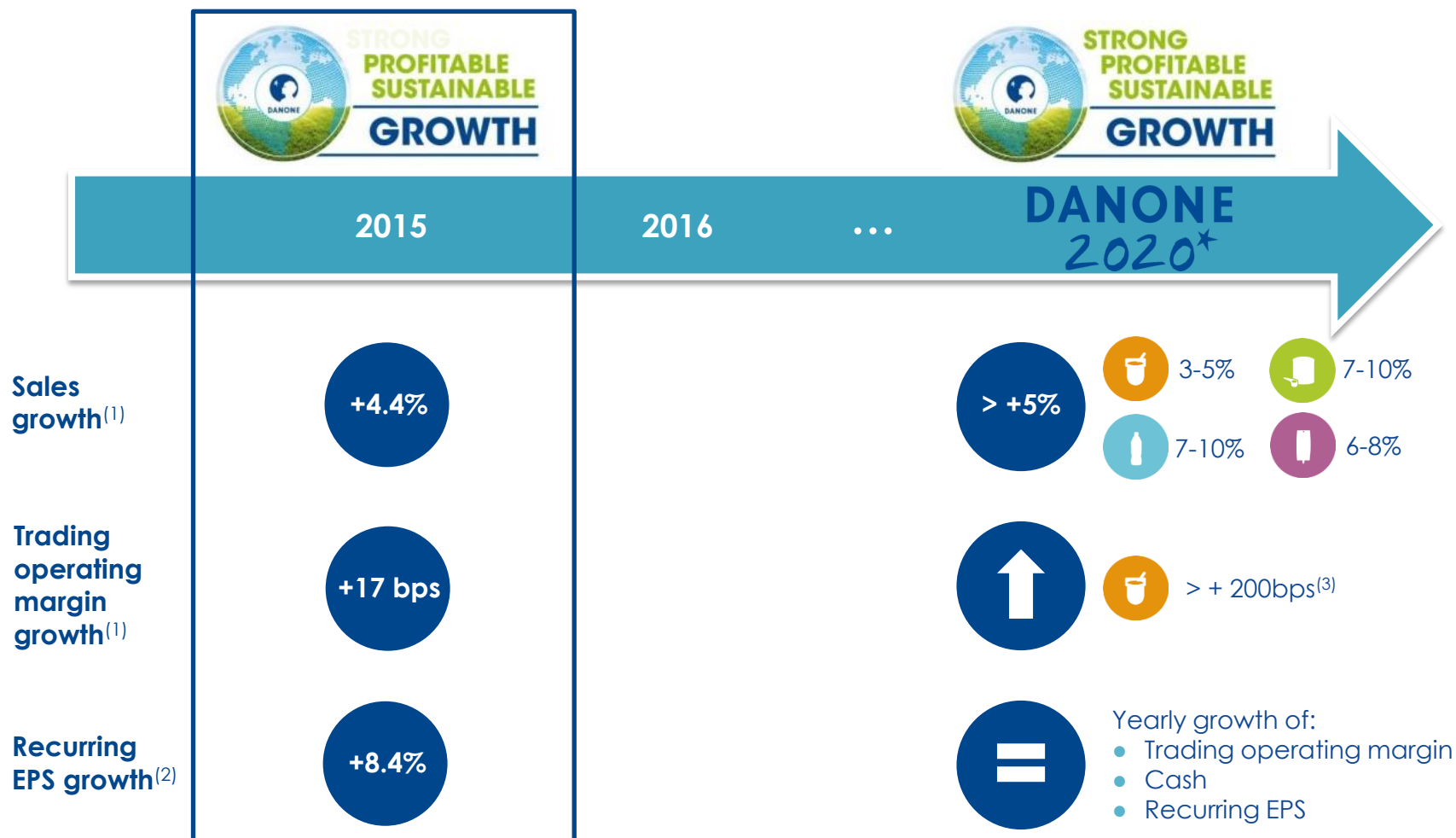
DANONE
2020[★]

Cécile CABANIS

CFO



2015: A YEAR OF DELIVERY AND PREPARATION



⁽¹⁾ Like-for-like

⁽²⁾ At constant exchange rates

⁽³⁾ Cumulative trading operating margin improvement (2015 – 2020), at constant exchange rates

2015: SOLID RESULTS – FULLY IN LINE WITH OUR AGENDA



SALES GROWTH	TRADING OPERATING MARGIN	RECURRING EPS
+6.0%	12.91% +32 bps	€2.93 +12%
+4.4% ⁽¹⁾	+17 bps ⁽¹⁾	+8.4% At constant exchange rates

- Balanced model of growth consistent with our agenda towards strong, profitable and sustainable growth
- Solid progress on key priorities
- Challenging context in some emerging markets

⁽¹⁾ Like-for-like

2015: SOLID RESULTS – FULLY IN LINE WITH OUR AGENDA

SALES GROWTH

+6.0%

+4.4%⁽¹⁾

TRADING OPERATING MARGIN

12.91%
+32 bps

+17 bps⁽¹⁾

RECURRING EPS

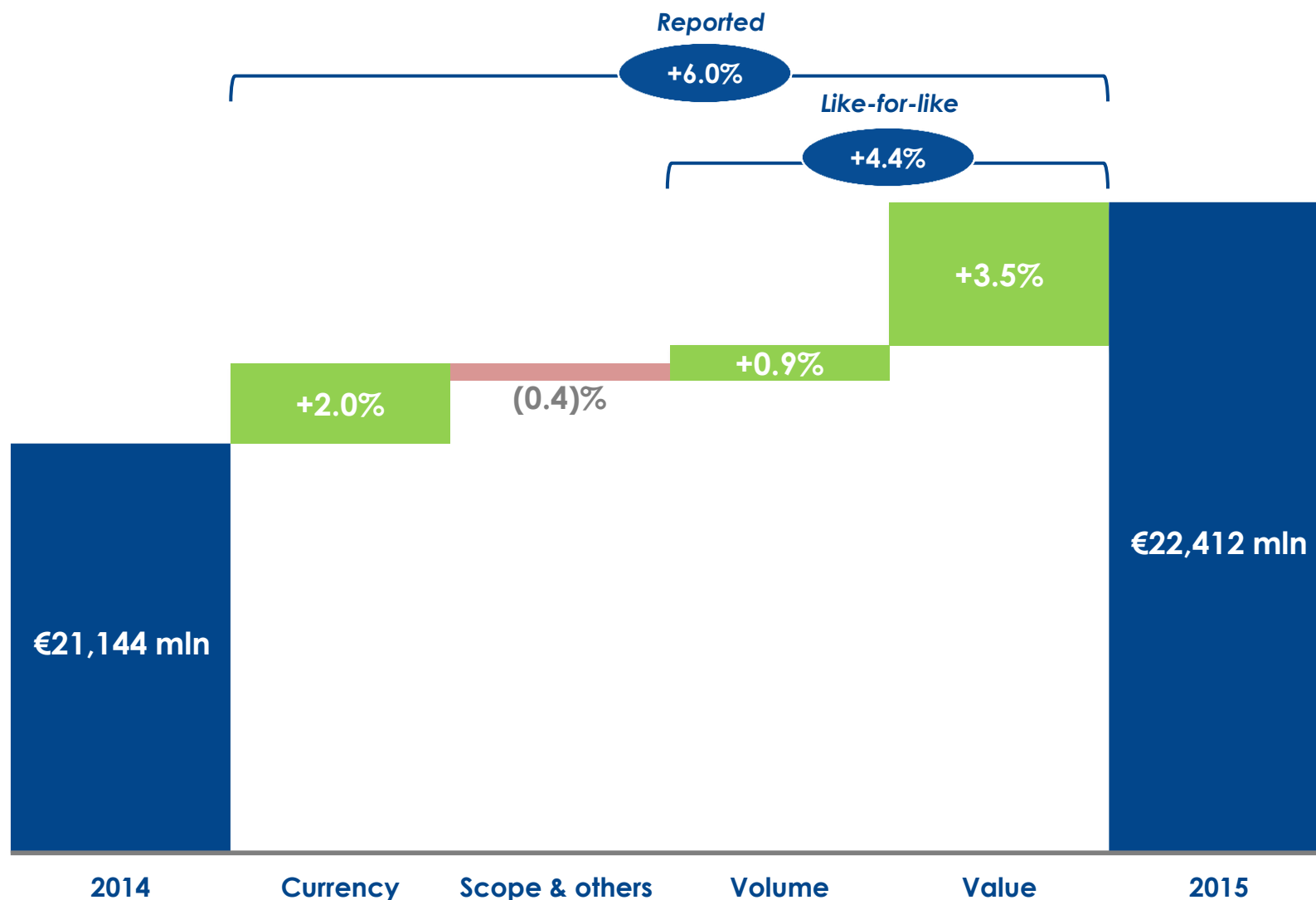
€2.93
+12%

+8.4%

At constant exchange rates

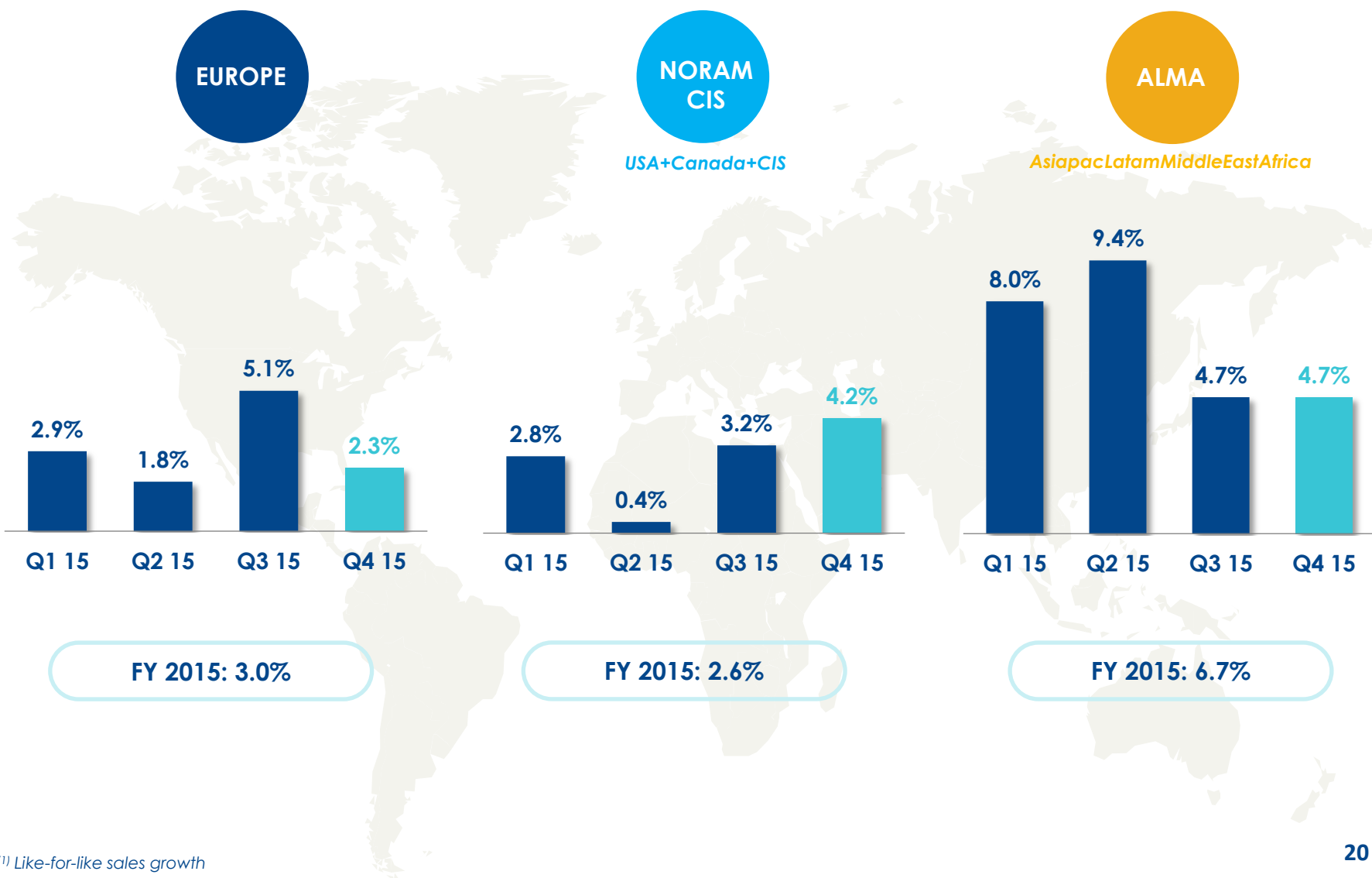
⁽¹⁾ Like-for-like

SOLID SALES GROWTH OF +4.4%

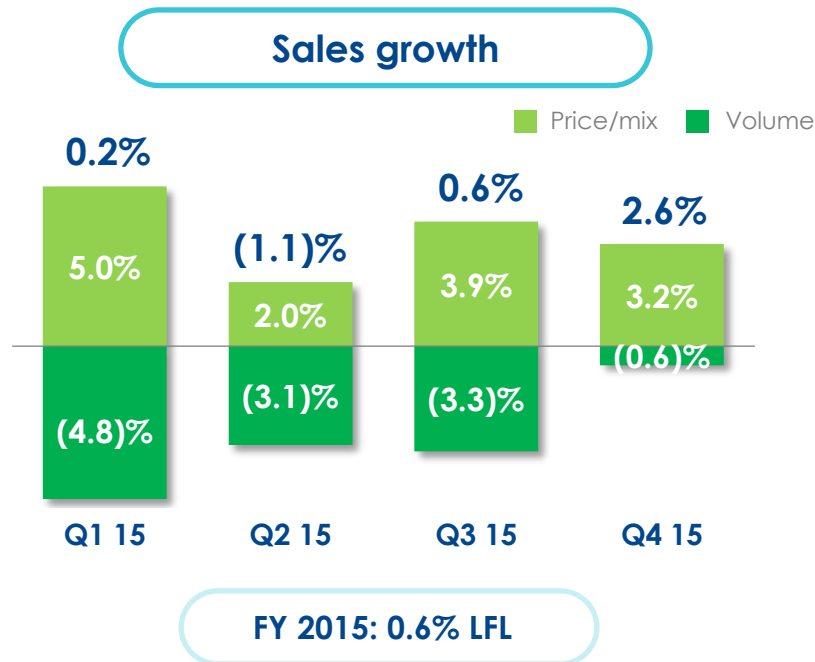


- Q4 2015 like-for-like sales growth: +3.6% / reported growth: +2.2%

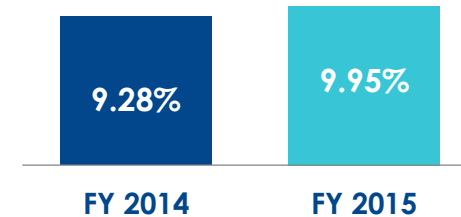
GEOGRAPHICAL DYNAMICS⁽¹⁾



FRESH DAIRY PRODUCTS: STEADY PROGRESS IN RESTORING PROFITABLE GROWTH



Trading operating margin

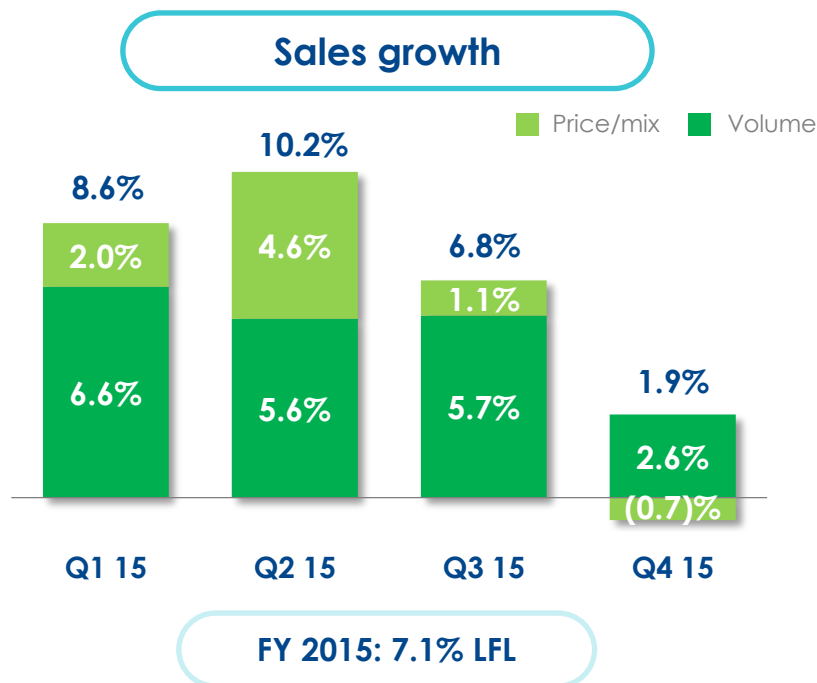


+24 bps LFL
+49 bps at constant exchange rates

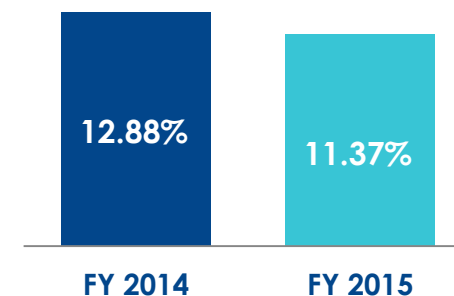


- Sequential improvement of sales trends
- Acceleration in the United States thanks to re-investments
- European transformation well underway
- Structural improvement of the profitability in main markets

WATERS: BROAD-BASED GROWTH, TRANSITION IN CHINA



Trading operating margin

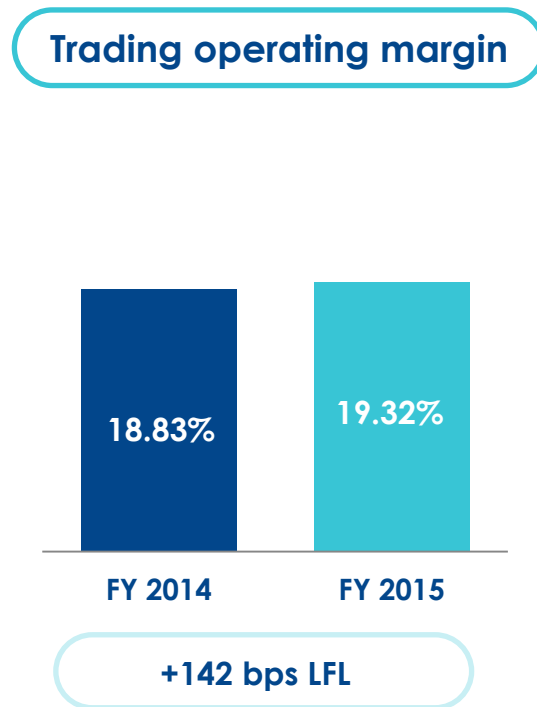
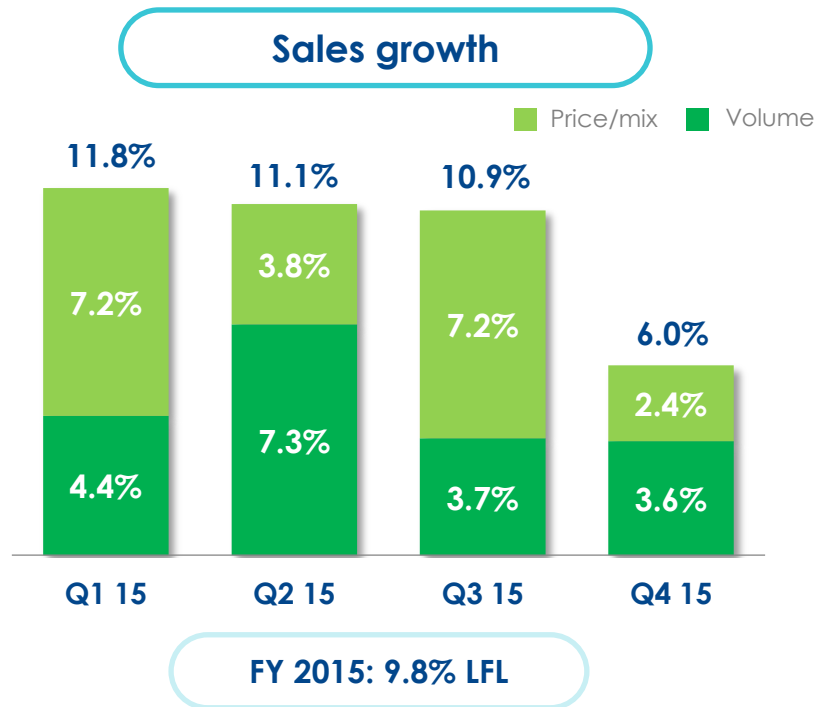


-192 bps LFL

- Strong profitable growth model in all regions (outside China)
- Continued broad-based growth in plain water and aquadrinks
- Managing the transition in China

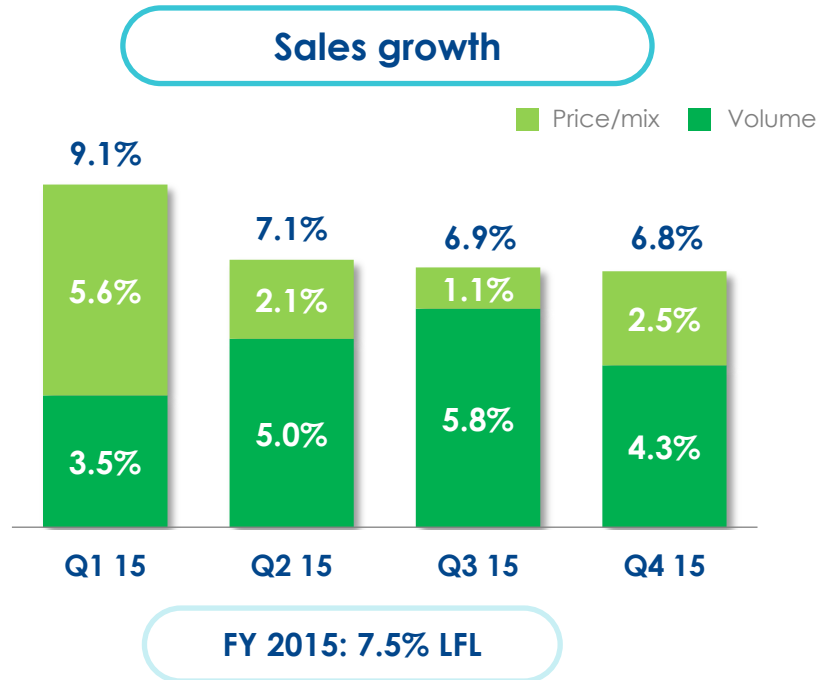


EARLY LIFE NUTRITION: STRONG PROFITABLE GROWTH

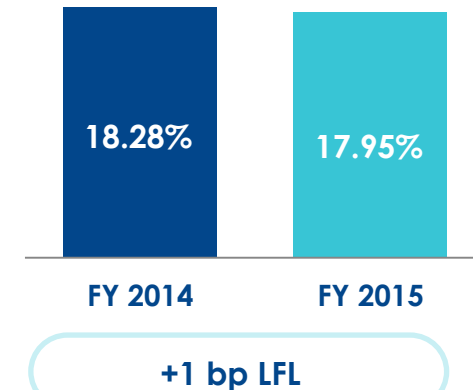


- Strong dynamics in all regions
- Continued strong demand of international brands on the Chinese market
- Profitable equation of growth driven by mix in a favorable milk context

MEDICAL NUTRITION: SUSTAINING STRONG PROFITABLE GROWTH



Trading operating margin



- Strong fundamentals of growth in all regions
- Favorable mix driven by pediatrics



2015: SOLID RESULTS – FULLY IN LINE WITH OUR AGENDA

SALES GROWTH

+6.0%

+4.4%⁽¹⁾

TRADING OPERATING MARGIN

12.91%
+32 bps

+17 bps⁽¹⁾

RECURRING EPS

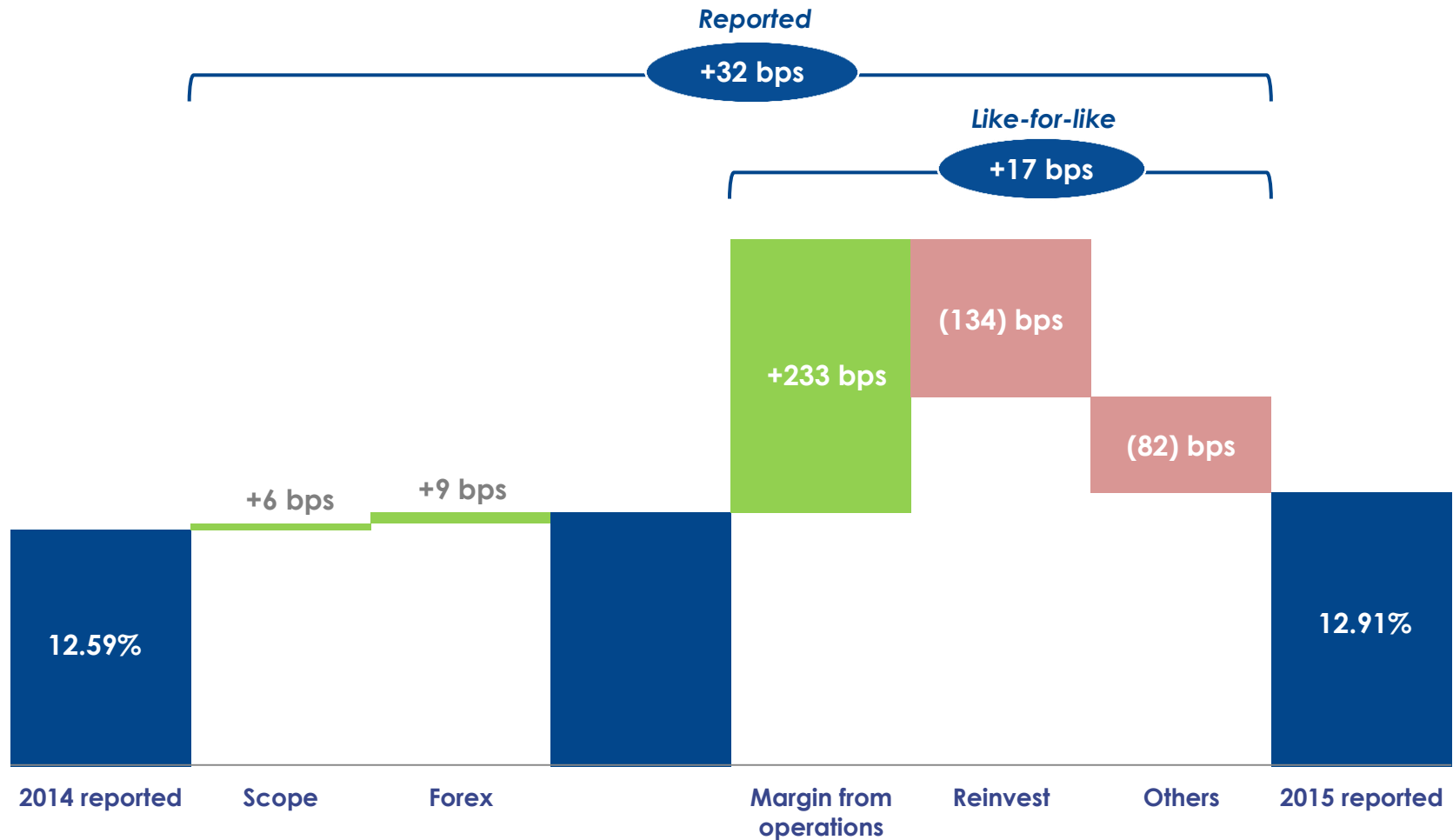
€2.93
+12%

+8.4%

At constant exchange rates

⁽¹⁾ Like-for-like

TRADING OPERATING MARGIN IMPROVEMENT REFLECTING PROGRESS IN STRENGTHENING OUR MODEL



2015: SOLID RESULTS – FULLY IN LINE WITH OUR AGENDA

SALES GROWTH

+6.0%

+4.4%⁽¹⁾

TRADING OPERATING MARGIN

12.91%
+32 bps

+17 bps⁽¹⁾

RECURRING EPS

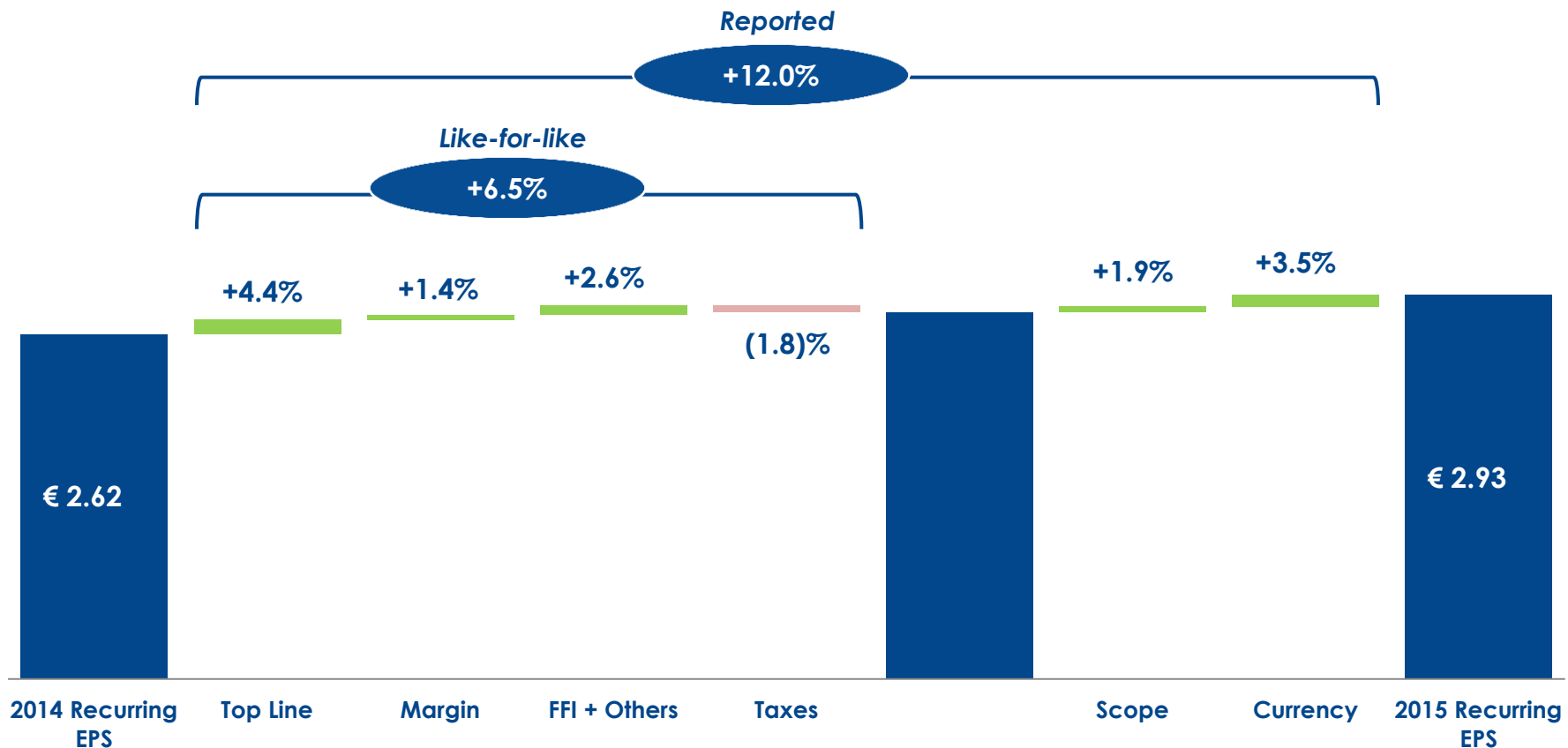
€2.93
+12%

+8.4%

At constant exchange rates

⁽¹⁾ Like-for-like

STRONG RECURRING EPS GROWTH REFLECTING PROGRESS IN STRENGTHENING OUR MODEL

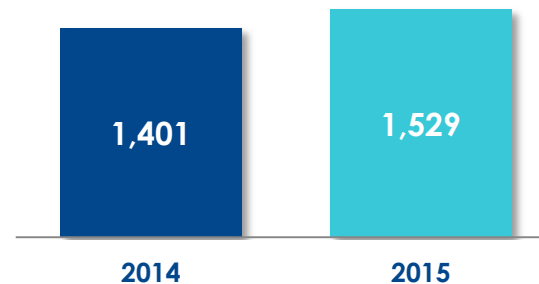


+8.4% at constant exchange rates

SALES AND MARGIN INCREASE TO SUPPORT STEADY CASH DELIVERY

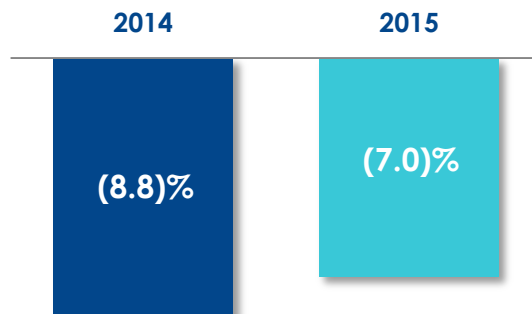
Strong cash delivery

Free cash-flow excluding exceptional items (€ mln)



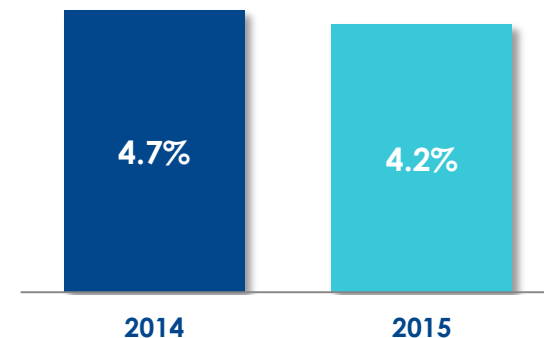
Strong negative level of working cap/sales

Working cap/sales (%)



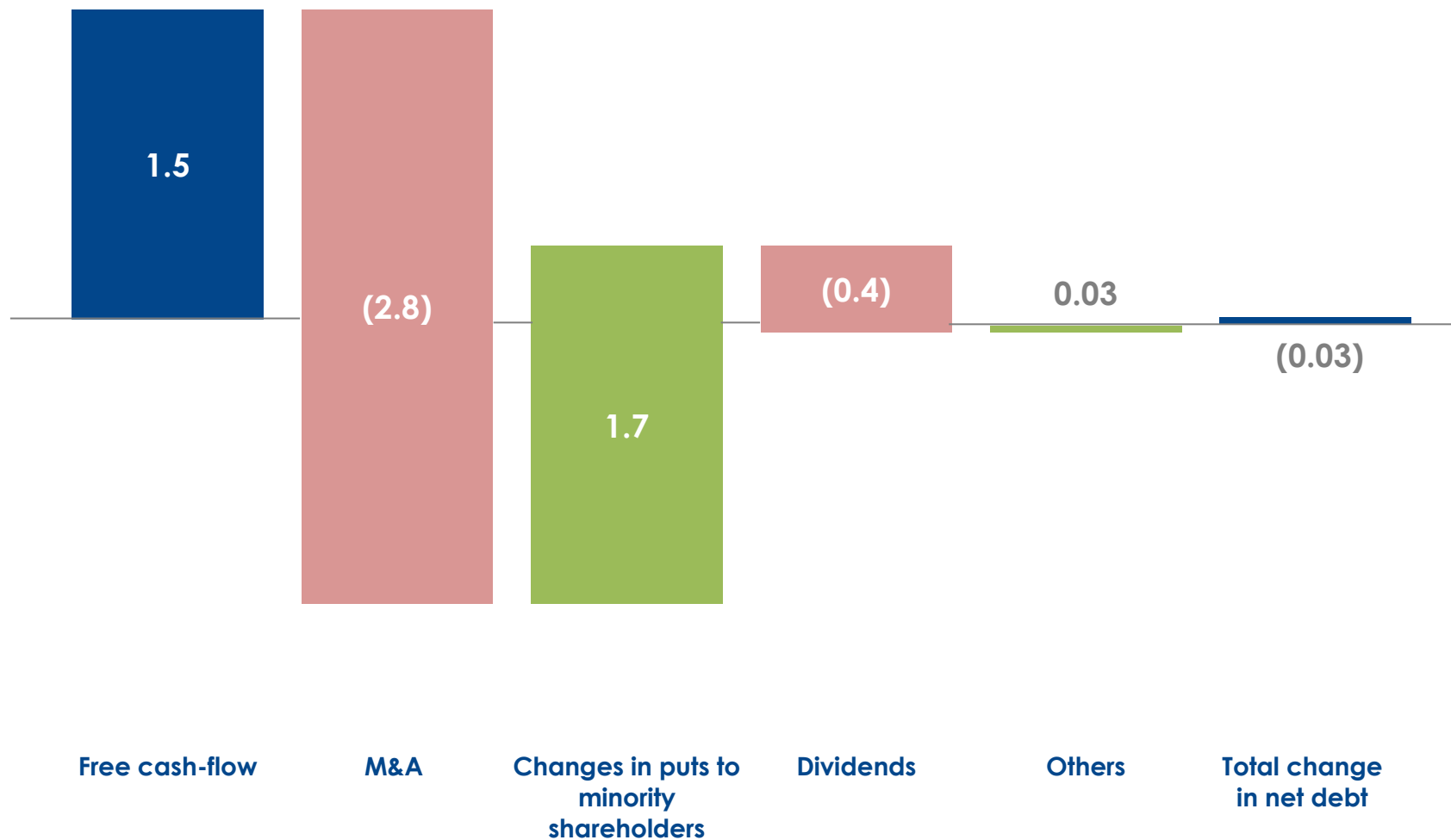
Continued rhythm of investment

Capex/sales (%)

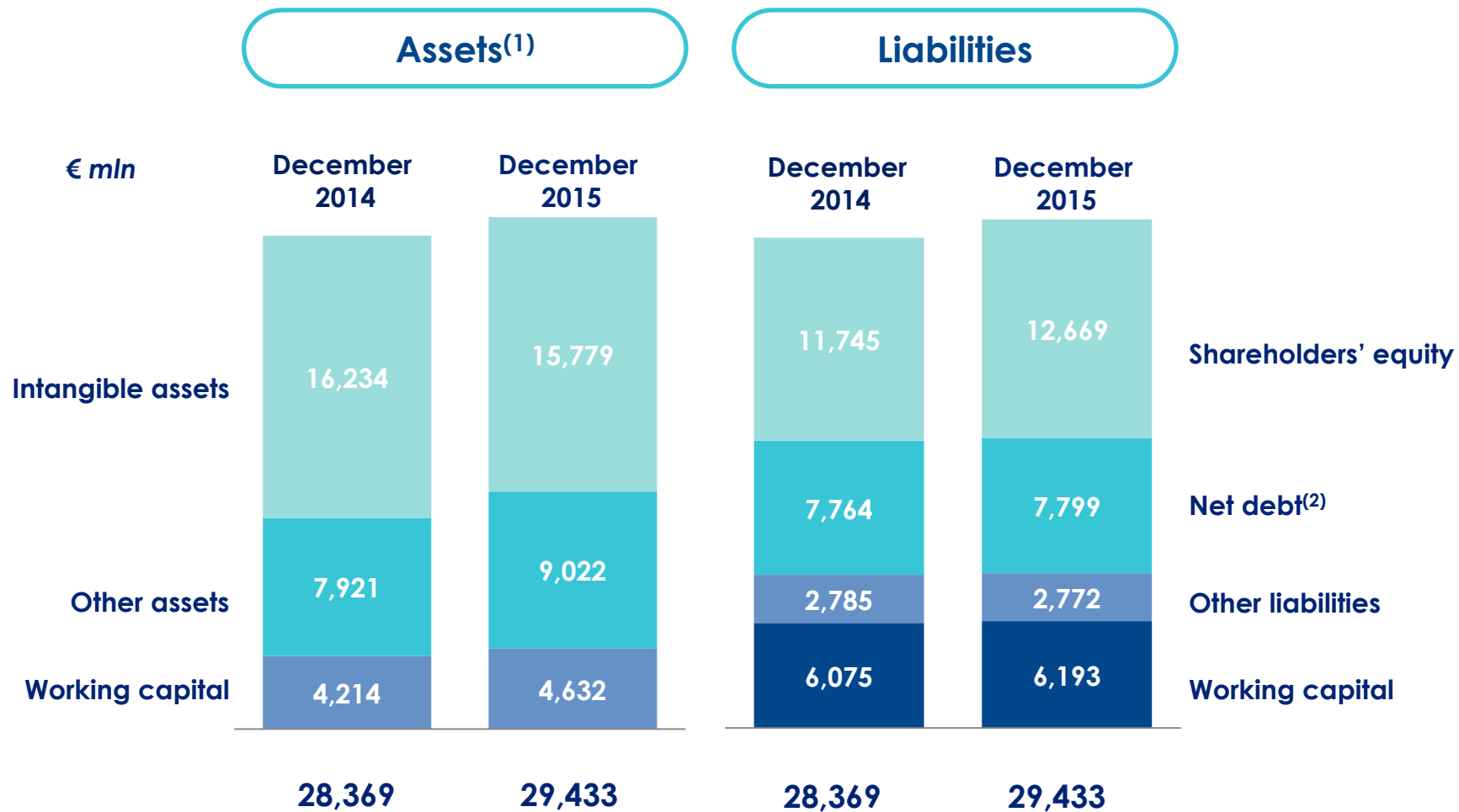


2015 NET DEBT STABLE

€ bn



2015 BALANCE SHEET



(1) Excluding assets included in net debt

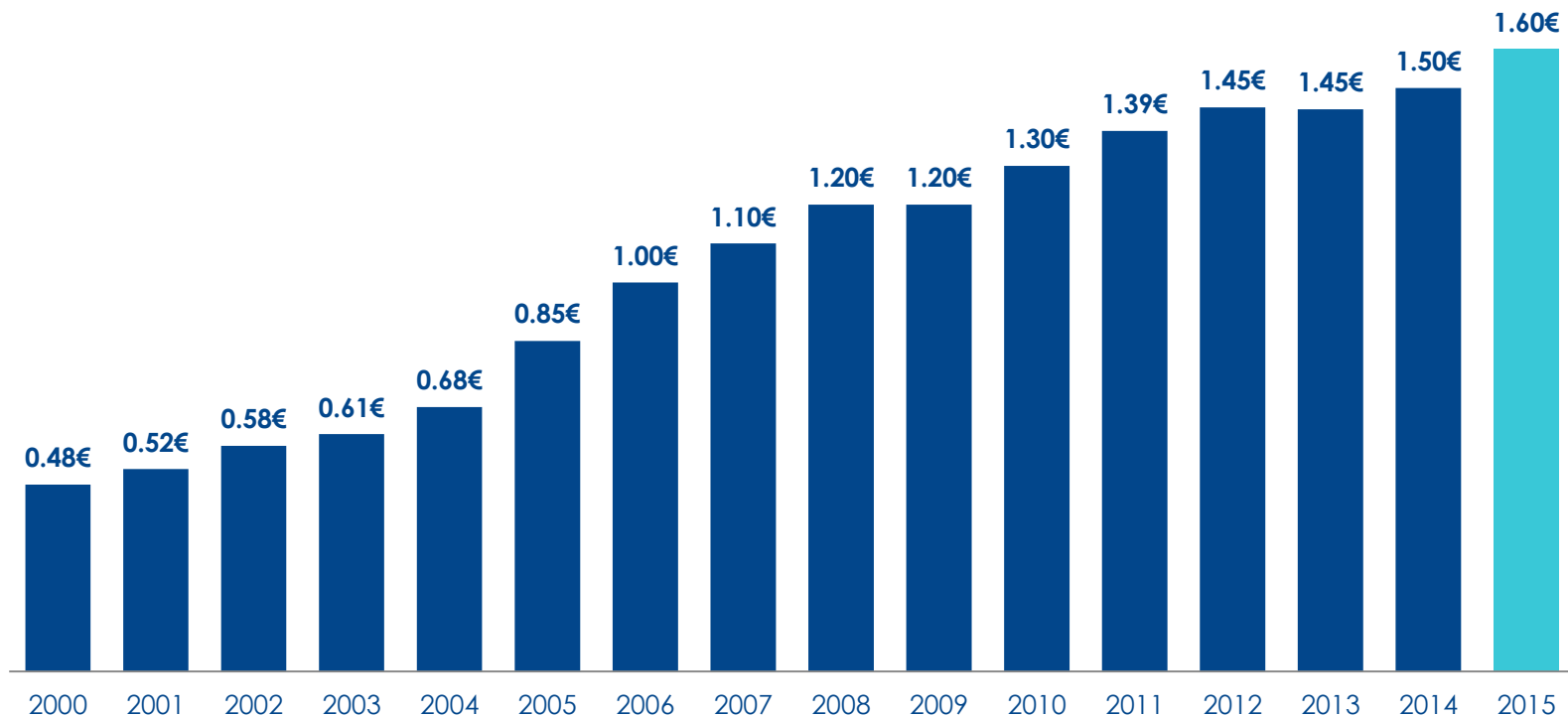
(2) Net of cash, cash equivalents, marketable securities, other short-term investments and financial instrument assets

2015 DIVIDEND: A FIRM COMMITMENT TO SHAREHOLDERS



Dividend proposed at the next AGM on April 28, 2016:

€ 1.60 per share (+6.7% ; +10 cts vs. 2014)



2016: THE TRANSFORMATION CONTINUES



A BALANCED MODEL TO DELIVER OUR 2020 AMBITION



VOLATILE



UNSTABLE



COMPLEX



AMBIGUOUS

GROWTH

PROFIT

AGILITY

CONSISTENCY

UNIQUE BRANDS
& CATEGORIES



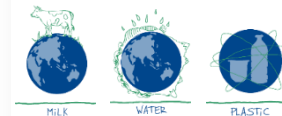
ALIMENTATION
ACTIVATION FOR NEW
GROWTH OPPORTUNITIES



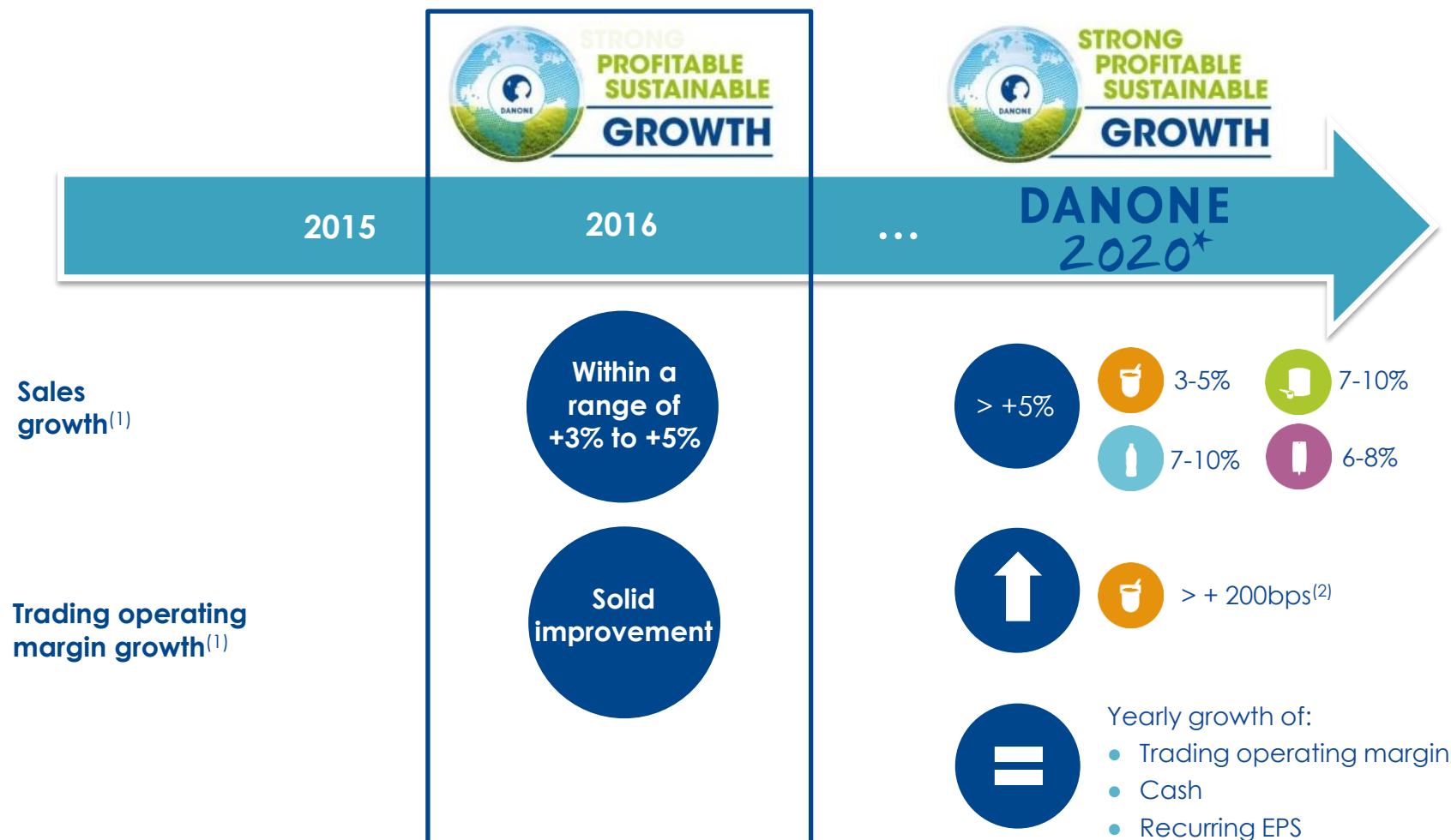
MORE EFFICIENT
OPERATING MODEL



STRATEGIC RESOURCES CYCLE
MANAGEMENT AS
A COMPETITIVE ADVANTAGE



2016 GUIDANCE: ANCHORING A PROFITABLE & SUSTAINABLE MODEL



⁽¹⁾ Like-for-like

⁽²⁾ Cumulative trading operating margin improvement (2015 - 2020), at constant exchange rates

APPENDIX



Q4 & FY 2015 IMPACT OF CURRENCIES & SCOPE

Q4 2015	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(0.4)%	+1.0%	+7.3%	+7.6%	+2.2%
Currency	(2.9)%	(0.8)%	+1.2%	+0.8%	(1.3)%
Scope of consolidation	(0.1)%	(0.1)%	+0.1%	+0.0%	(0.1)%
Like-for-like sales growth	+2.6%	+1.9%	+6.0%	+6.8%	+3.6%

FY 2015	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(0.6)%	+13.9%	+13.6%	+11.3%	+6.0%
Currency	(0.5)%	+6.4%	+3.5%	+3.5%	+2.0%
Scope of consolidation	(0.7)%	+0.4%	+0.3%	+0.3%	(0.4)%
Like-for-like sales growth	+0.6%	+7.1%	+9.8%	+7.5%	+4.4%

CHANGES IN EXCHANGE RATES

- 27.9% of FY 2015 sales denominated in euros

	% total FY 15 sales	FY 15 vs FY 14 (avg)	Q4 15 vs Q4 14 (avg)
US dollar	11.7%	19.8%	14.0%
Russian ruble	6.8%	(25.0)%	(17.2)%
Chinese yuan	6.8%	17.5%	9.9%
British pound	5.8%	11.1%	9.3%
Indonesian rupiah	5.7%	6.0%	1.5%
Argentine peso	5.7%	4.9%	(4.4)%
Mexican peso	5.2%	0.2%	(5.8)%
Brazilian real	3.9%	(15.6)%	(24.5)%
Moroccan dirham	2.8%	3.3%	2.3%
Polish zloty	2.4%	0.0%	(1.2)%

TRADING OPERATING MARGIN BY GEOGRAPHICAL AREA

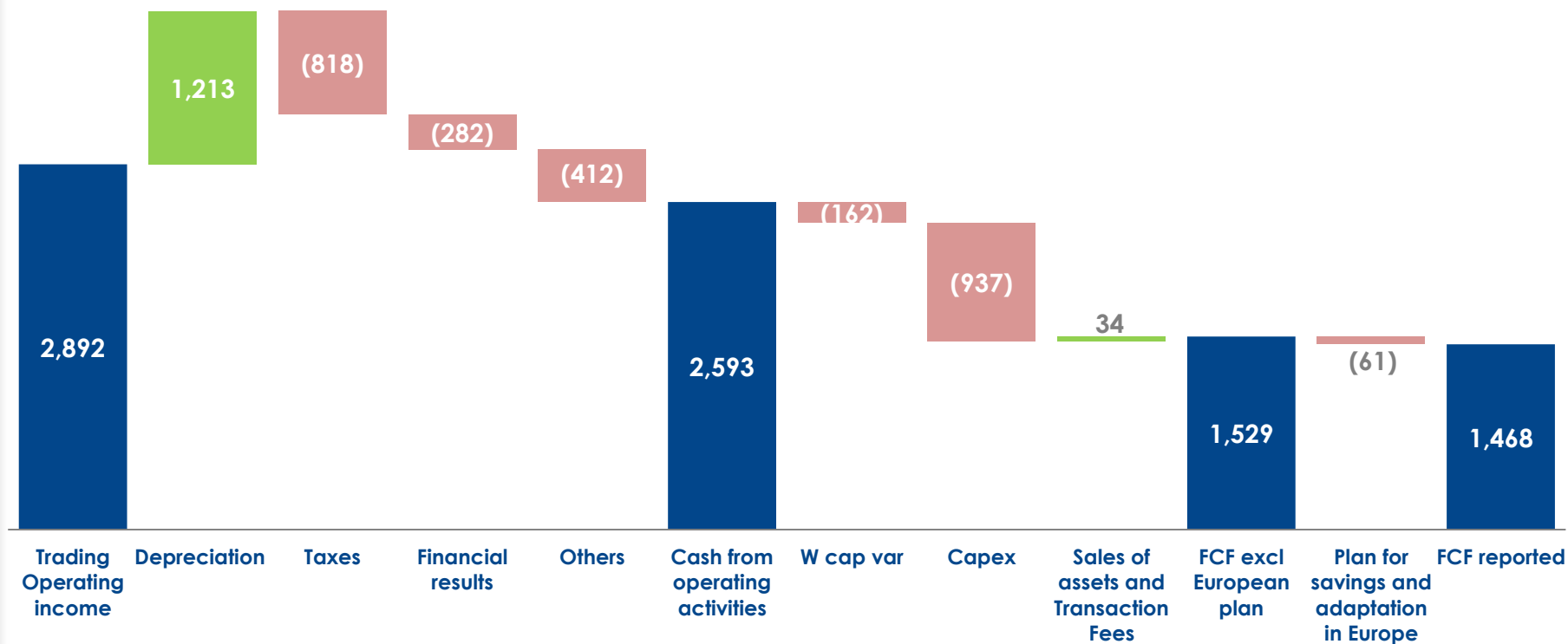
€ mln	FY 2014	FY 2015	Like-for-like change
Fresh Dairy Products	9.28%	9.95%	+24 bps
Waters	12.88%	11.37%	(192) bps
Early Life Nutrition	18.83%	19.32%	+142 bps
Medical Nutrition	18.28%	17.95%	+1 bps
Europe	15.67%	17.26%	+168 bps
CIS+Noram	8.56%	8.67%	(19) bps
ALMA	11.60%	10.71%	(120) bps
Total	12.59%	12.91%	+17 bps

FROM OPERATING INCOME TO EPS

€ mln

	2014 recurring	2015 recurring	Non-recurring items	2015
Trading operating income	2,662	2,892	-	2,892
Other operating items	-	-	(682)	(682)
Operating income	2,662	2,892	(682)	2,210
Total financial expenses	(309)	(282)	(4)	(285)
Income tax	(716)	(818)	193	(626)
Net income of affiliates	66	123	(25)	99
Net income	1,703	1,915	(518)	1,398
of which Non-controlling interests	142	125	(9)	115
Net income - Group share	1,561	1,791	(508)	1,282

Diluted number of share (mln)	596	610
Recurring EPS (€)	2.62	2.93
EPS (€)	1.88	2.10



TAX RATE DEVELOPMENT

€ mln

	2014	2015
Total income tax (reported)	(599)	(626)
<i>Reported tax rate</i>	32.6%	32.5%
Non-current income tax ⁽¹⁾	117	193
Current income tax	(716)	(818)
<i>Underlying tax rate</i>	30.5%	31.3%

⁽¹⁾ Tax related to non-current items

CASH-FLOW STATEMENT

	2014	2015
Operating income	2,662	2,892
Financial income	(309)	(282)
Income tax	(716)	(818)
Non-current income	(397)	(493)
Depreciation and amortization	956	1,217
Net change in provisions / Deferred taxes	(51)	(31)
Dividend received from equity accounted affiliates	18	40
Net change in interest income (expense)	(33)	(30)
Expense related to stock options and GPS	19	27
Other items	6	30
Cash-flow provided by operating activities, excluding changes in net working capital	2,154	2,552

CASH-FLOW STATEMENT

	2014	2015
Cash-flow provided by operating activities, excluding changes in net working capital	2,154	2,552
Change in working capital	35	(182)
Cash-flow from operations	2,189	2,369
Capital expenditure	(984)	(937)
Proceeds from the sale of industrial assets	67	31
Business acquisitions and other investments, net of cash and cash equivalent acquired	(1,070)	(596)
Proceeds from the sale of businesses	34	2
Change in long-term loans and other long-term assets	(14)	(19)
Cash-flow used in investing activities and disposals	(1,966)	(1,519)

CASH-FLOW STATEMENT

	2014	2015
Cash-flow used in investing activities and disposals	(1,966)	(1,519)
Increase in capital and additional paid-in capital	33	39
Purchases of treasury stock (net of disposal)	13	198
Dividends paid to Danone shareholders	(307)	(314)
Transactions with non-controlling interests*	(471)	(2,029)
Settlement of debt hedge financial instruments	(4)	22
Bonds issued or raised during the period	150	2,049
Bonds repaid during the period	(618)	(603)
Increase (decrease) in other current and non-current financial debt	312	(101)
Increase (decrease) in other short-term investments	535	(242)
Cash-flow used in financing activities	(357)	(982)
Exchange rate differences and others	45	(228)
Increase (decrease) in cash	(89)	(361)

* including dividends and capital increase

STOCK PRICE & SHAREHOLDING

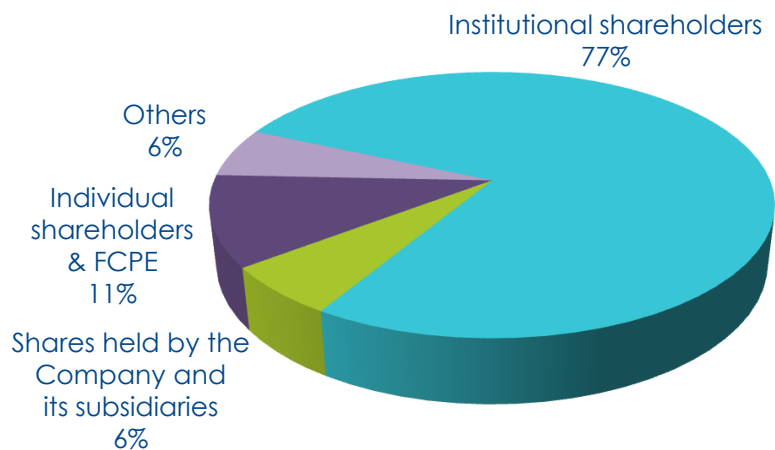
Danone 2015 stock price evolution ⁽¹⁾



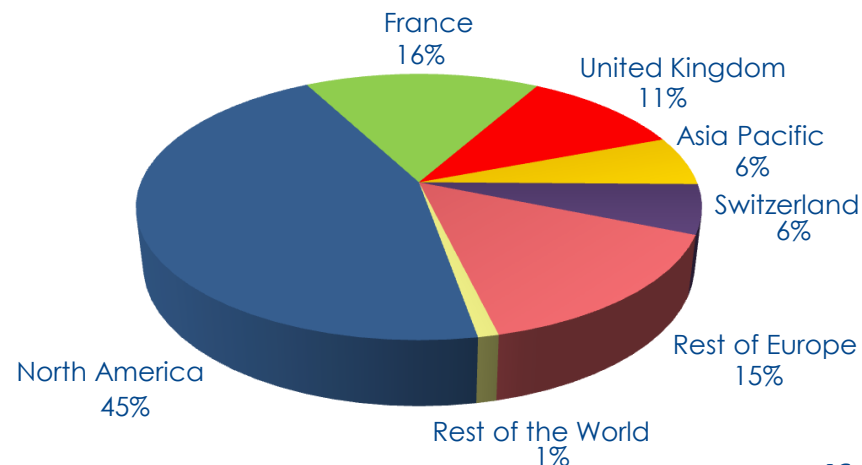
Danone 2015 stock performance ⁽¹⁾

- Absolute **+14.4%**
- Relative vs. CAC 40 **+5.8%**
- Relative vs. Eurostoxx 50 **+10.5%**

Total shareholder composition ⁽²⁾



Institutional shareholders by geography ⁽²⁾



⁽¹⁾ At 31/12/2015

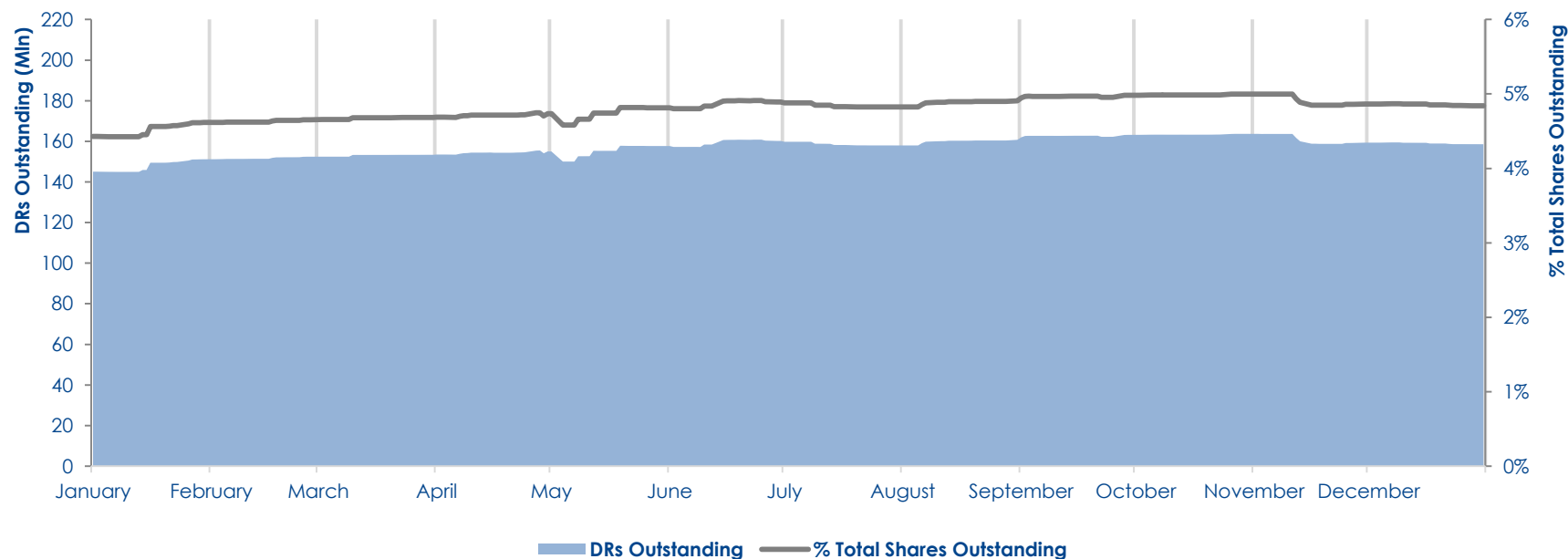
⁽²⁾ Based on the survey conducted by Danone of its identifiable shareholders in December 2015

2015 ADR PROGRAM



DRs Outstanding as a % of Total Shares Outstanding

Data as of December 31, 2015



- **Ticker:** DANOY
- **CUSIP Number:** 23636T100
- **Exchange:** OTC QX (www.otcqx.com/qx/market/quote?symbol=DANOY)
- **Ratio (ADR: ord):** 5:1
- **Depository Bank:** J.P. Morgan
- **ADR Depository Bank contact:** Jim Reeves +1 212 552 8928 / DRX_depo@jpmorgan.com

FINANCIAL INDICATORS NOT DEFINED IN IFRS



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.

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 the Trading operating income over Net sales ratio.

FINANCIAL INDICATORS NOT DEFINED IN IFRS



Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the 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 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 the 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 the 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 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 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.