

H1 2016 RESULTS

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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).

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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

H1 2016 KEY HIGHLIGHTS

PROGRESSING ON KEY BATTLES



Sustain the re-acceleration



Return to growth



Build a sustainable model



Pursue Mizone's transition

CONTINUING TO BUILD A SOLID AND BALANCED MODEL...



BEYOND BUDGET

...IN A CHALLENGING CONTEXT



STRONG RESULTS: ANOTHER KEY STEP TOWARDS THE 2020 AMBITION

- Sales growth: **+3.8%**⁽¹⁾
- Recurring operating margin⁽²⁾ growth: **+93 bps**⁽¹⁾
- Recurring EPS: €1.52 / **+16.1%** growth at constant exchange rates

(1) Like-for-like growth

(2) Formerly known as "Trading operating margin" (respectively as "Trading operating income") – Definitions remain unchanged

H1 2016: Strong results, another quarter of delivery

SALES GROWTH

-3.0%

+3.8%⁽¹⁾

RECURRING OPERATING MARGIN⁽²⁾

**13.37%
+125 bps**

+93 bps⁽¹⁾

RECURRING EPS

**€1.52
+10.7%**

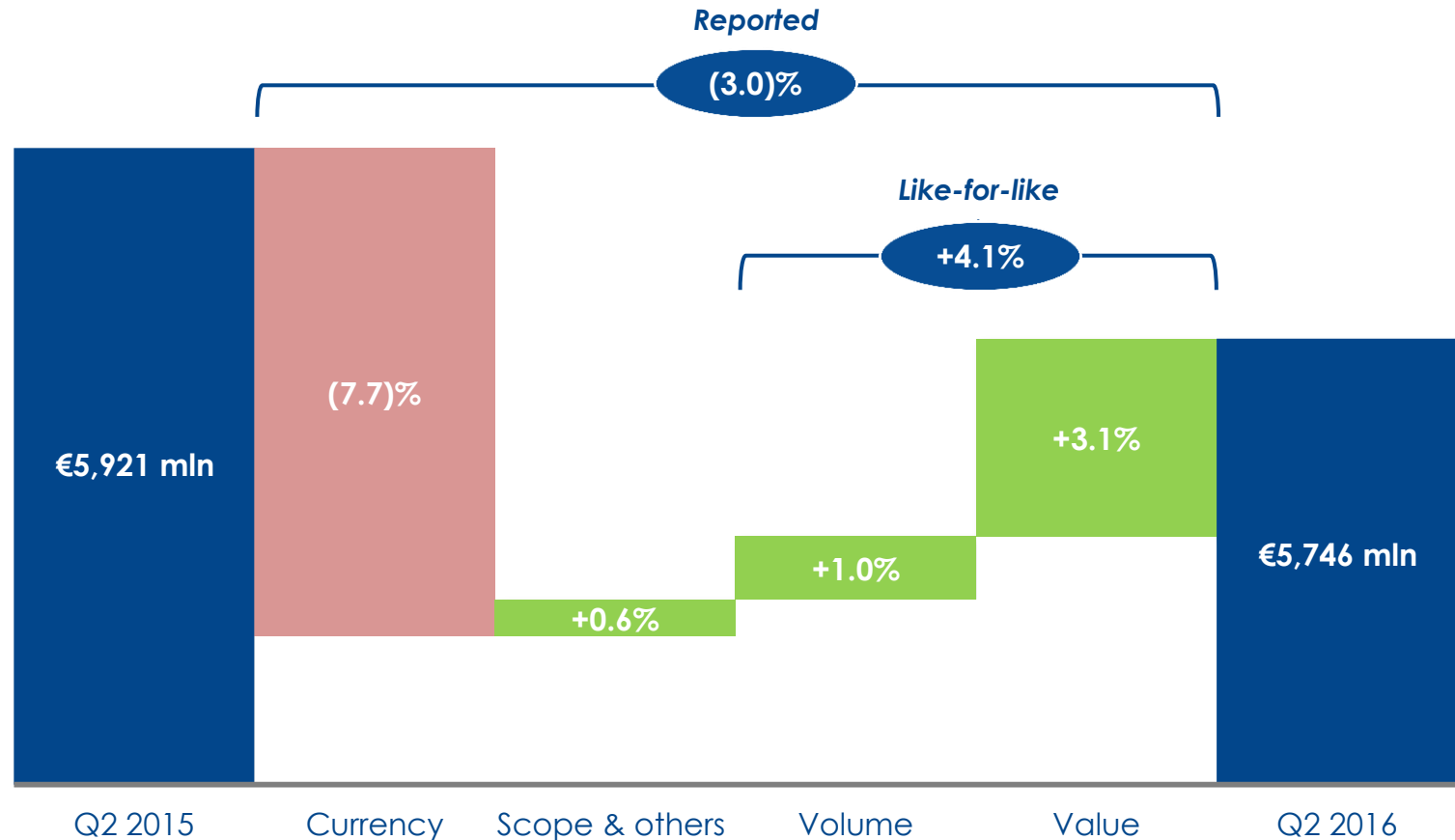
+16.1%

At constant exchange rates

(1) Like-for-like growth

(2) Formerly known as "Trading operating margin" (respectively as "Trading operating income") – Definitions remain unchanged

Q2 2016 like-for-like sales growth at +4.1%



- Organic sales growth in line with expectations
- Reported sales impacted by currencies (Argentine peso, Russian ruble, Mexican peso and Brazilian real)

Q2 2016 sales⁽¹⁾ regional dynamics

EUROPE

-0.2%

- Continued improvement in Dairy
- Slowdown of indirect sales to the Chinese market in ELN
- Solid growth in Waters

NORAM CIS

USA+Canada+CIS

+4.8%

- Confirmed momentum in Dairy US
- Resilient CIS platform despite a challenging context

ALMA

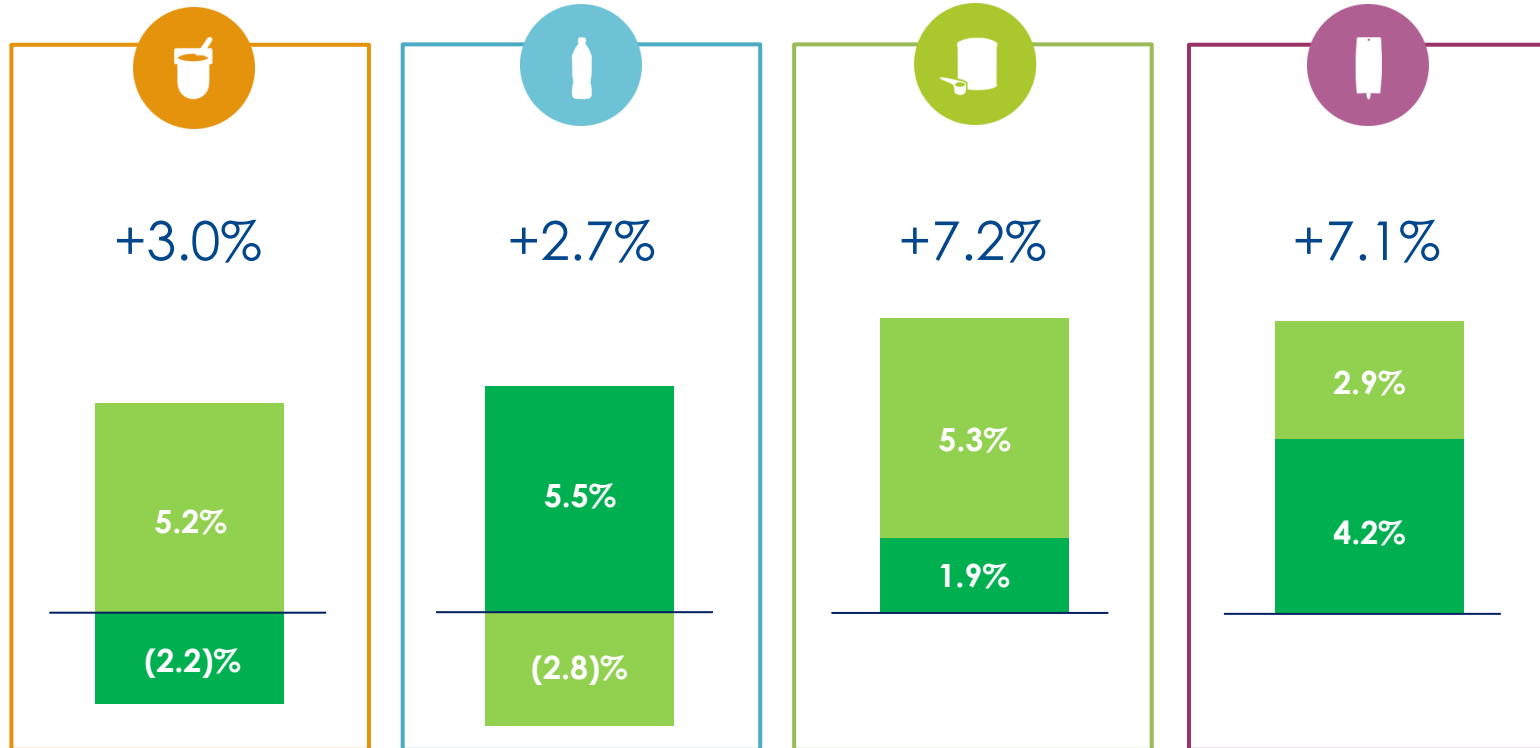
AsiapacLatamMiddleEastAfrica

+8.0%

- Mizone transition in process
- Sequential step-up of local Chinese sales in ELN
- Positive dynamics in Indonesia, Mexico and Africa

Q2 & H1 2016 divisional dynamics⁽¹⁾

SALES Q2 2016



MARGIN H1 2016



⁽¹⁾ Like-for-like growth

PROGRESSING ON KEY BATTLES



Dairy US: Sustaining the re-acceleration

Successfully drive innovations...



...to nurture solid momentum...

H1 16
market share

35.6%
+1.2 pt vs LY

H1 16
sales growth⁽¹⁾

Mid-single digit

...with a long-term vision



*The **DANNON PLEDGE**
on sustainable agriculture,
naturalness and transparency*

⁽¹⁾ Like-for-like



Dairy Europe: Returning to profitable growth

2016: a key year for global brand relaunches

First positive results in Q2:
on track towards a return to growth



Back to positive
sales growth





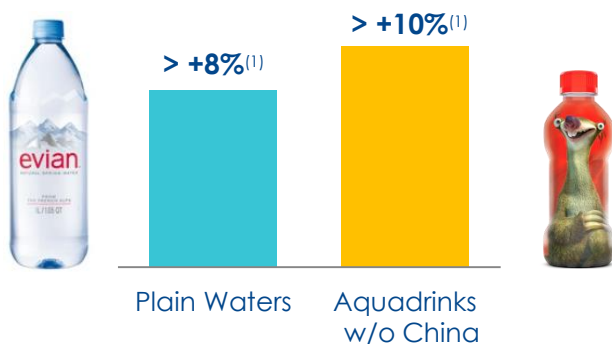
Waters: Expanding platforms across markets and pursuing Mizone transition in China



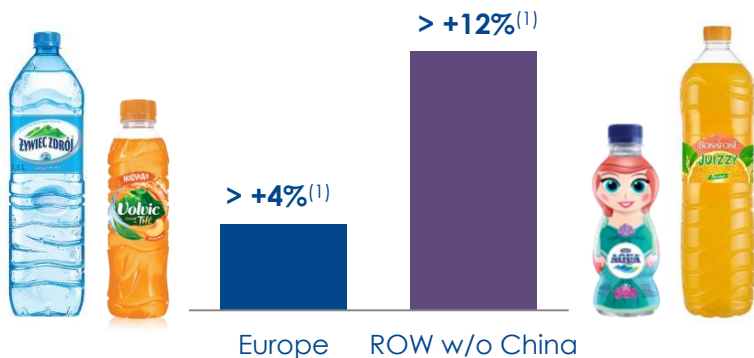
Outside China

Expand a balanced portfolio across markets

- Fortify plain water & step-up in aquadrinks



- Keep balancing growth across geographies



China



A slowing category

From

Mid-single digit growth in 2014

To

0 to low-single digit growth since 2015



Move ahead on Mizone's transition

- Protect market share
- Resize the organization
- Invest to support growth after transition



⁽¹⁾ H1 2016 Like-for-like sales growth excluding China



ELN China: Building a sustainable model

Strong foundations to adapt the model...

- Strong brand equity



- Leading e-commerce position



...in a fast-changing market context

- Market growth driven by MBS and e-commerce

Market Growth: Low to Mid Single Digit(1)



- New regulation on cross-border e-commerce

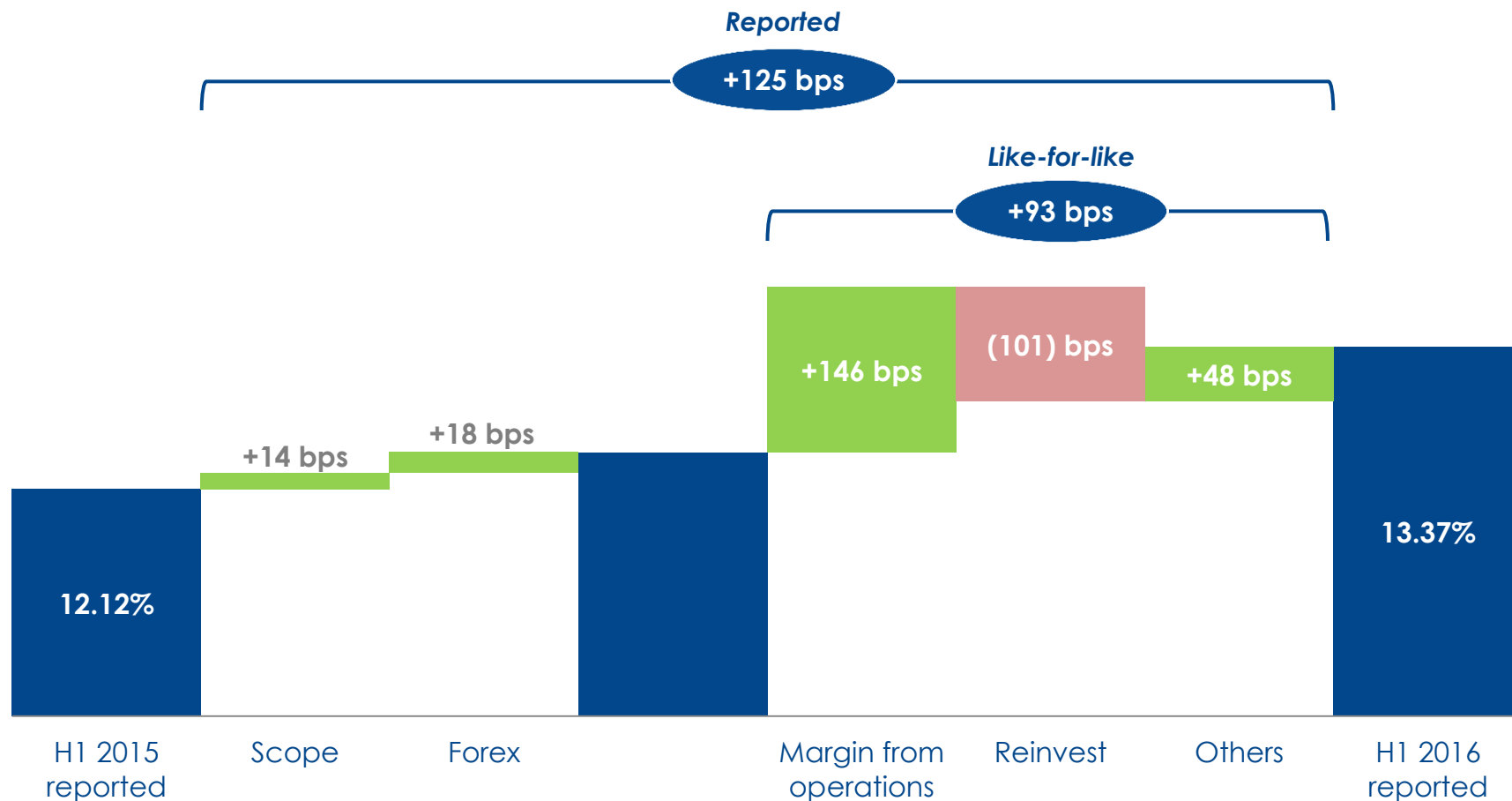
Development of a direct model in Greater China

- Conversion from indirect (import) to direct sales (local) in progress



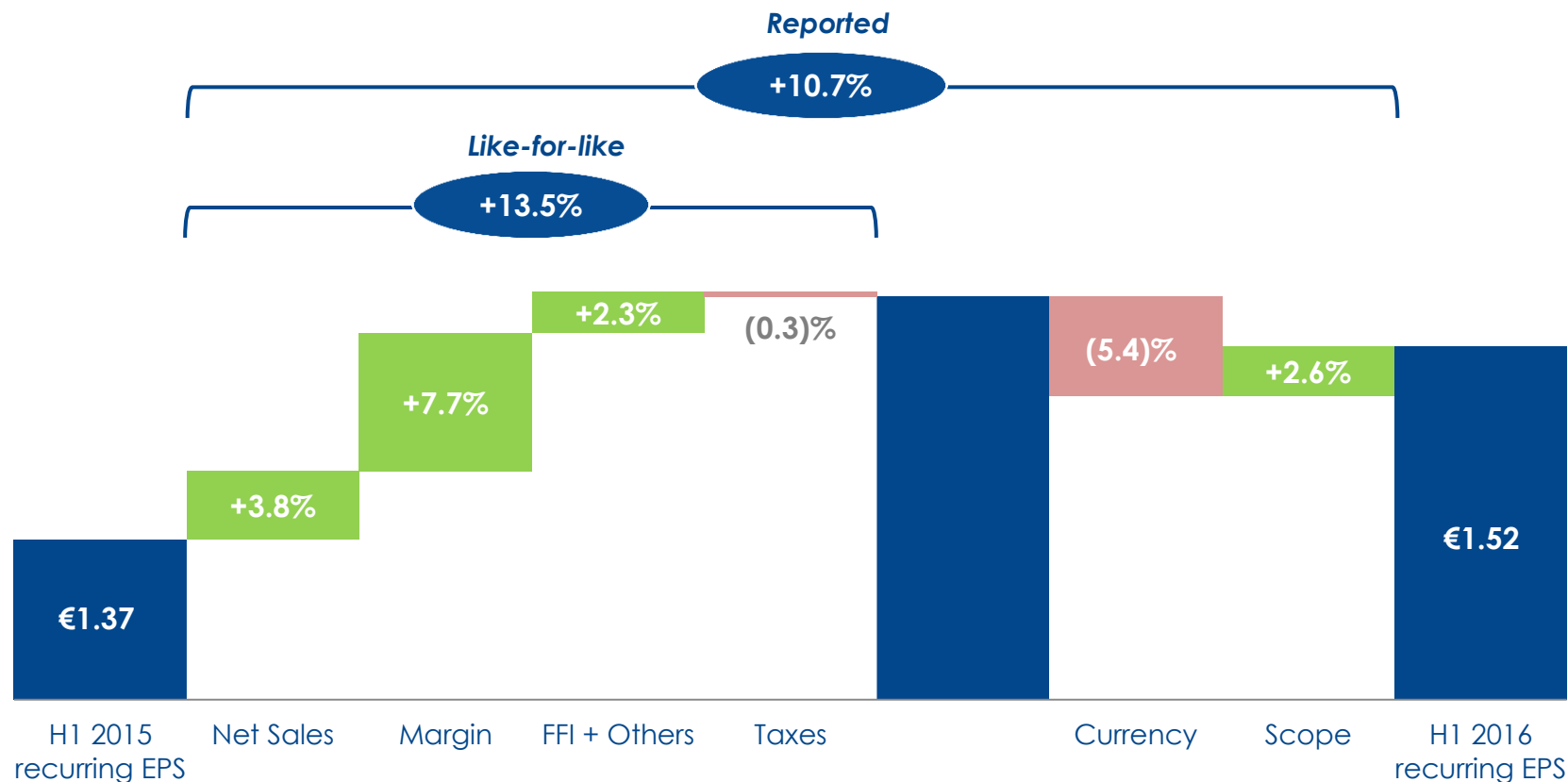
FINANCIAL METRICS

Very strong improvement in recurring operating margin



- Strong progress in rebalancing the growth model in a favorable raw material context
- Positive impact from low basis of comparison in the ELN division: H1 2015 impacted by some on-offs

Strong recurring EPS growth reflecting a more balanced model

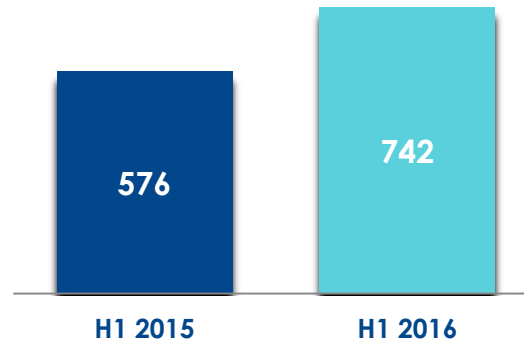


- +16.1% growth at constant exchange rates
- +13.5% like-for-like growth

Solid cash improvement driven by NOPAT increase

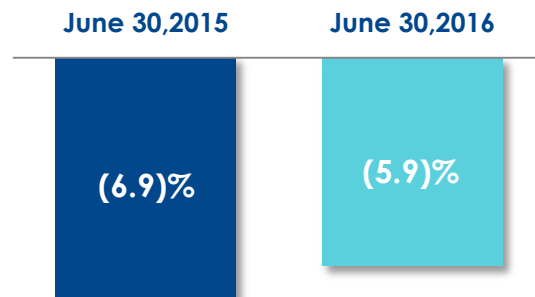
Solid cash generation

Free cash-flow excluding exceptional items (€ mln)



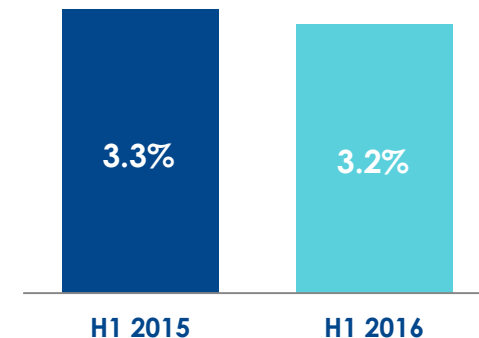
Sound control of working capital

Working cap/sales (%)



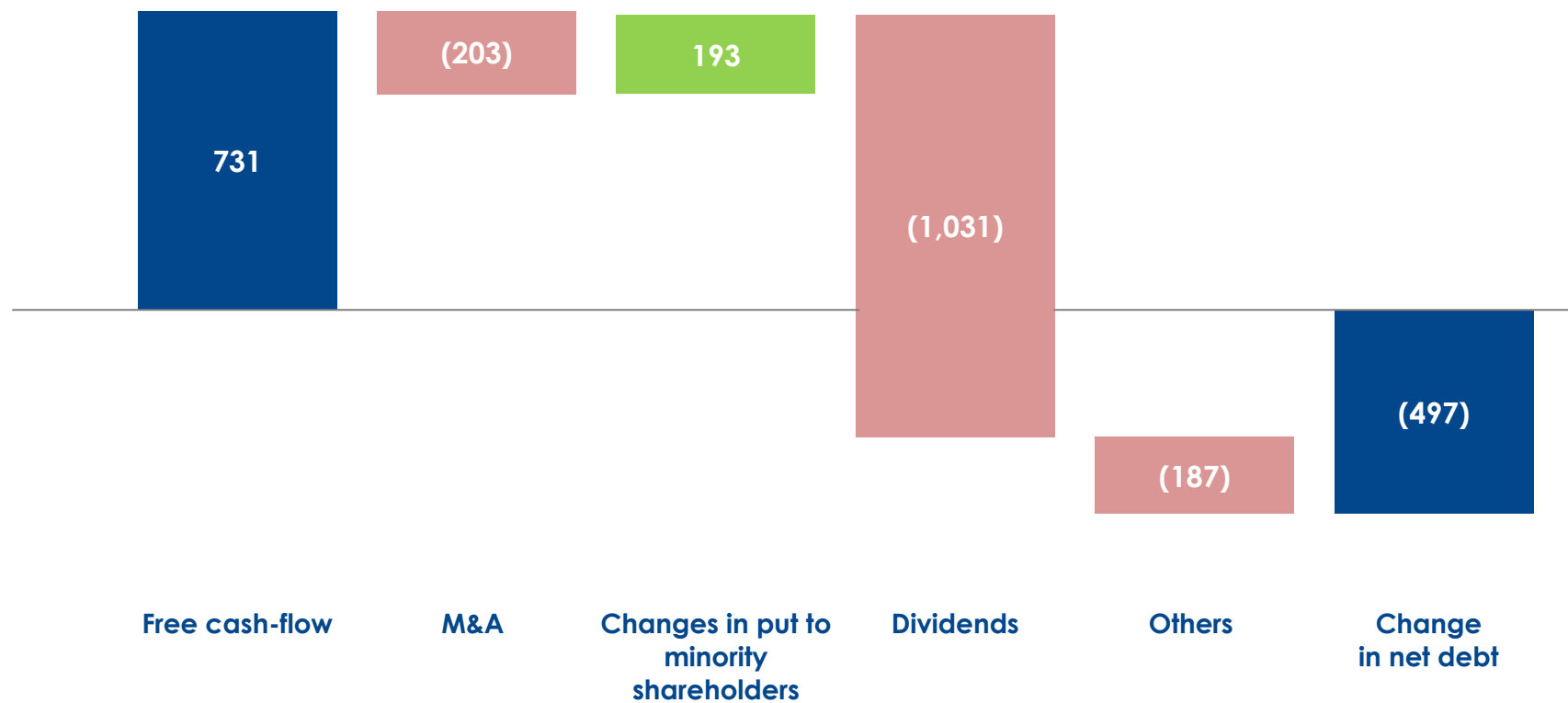
Continued rhythm of investment

Capex/sales (%)

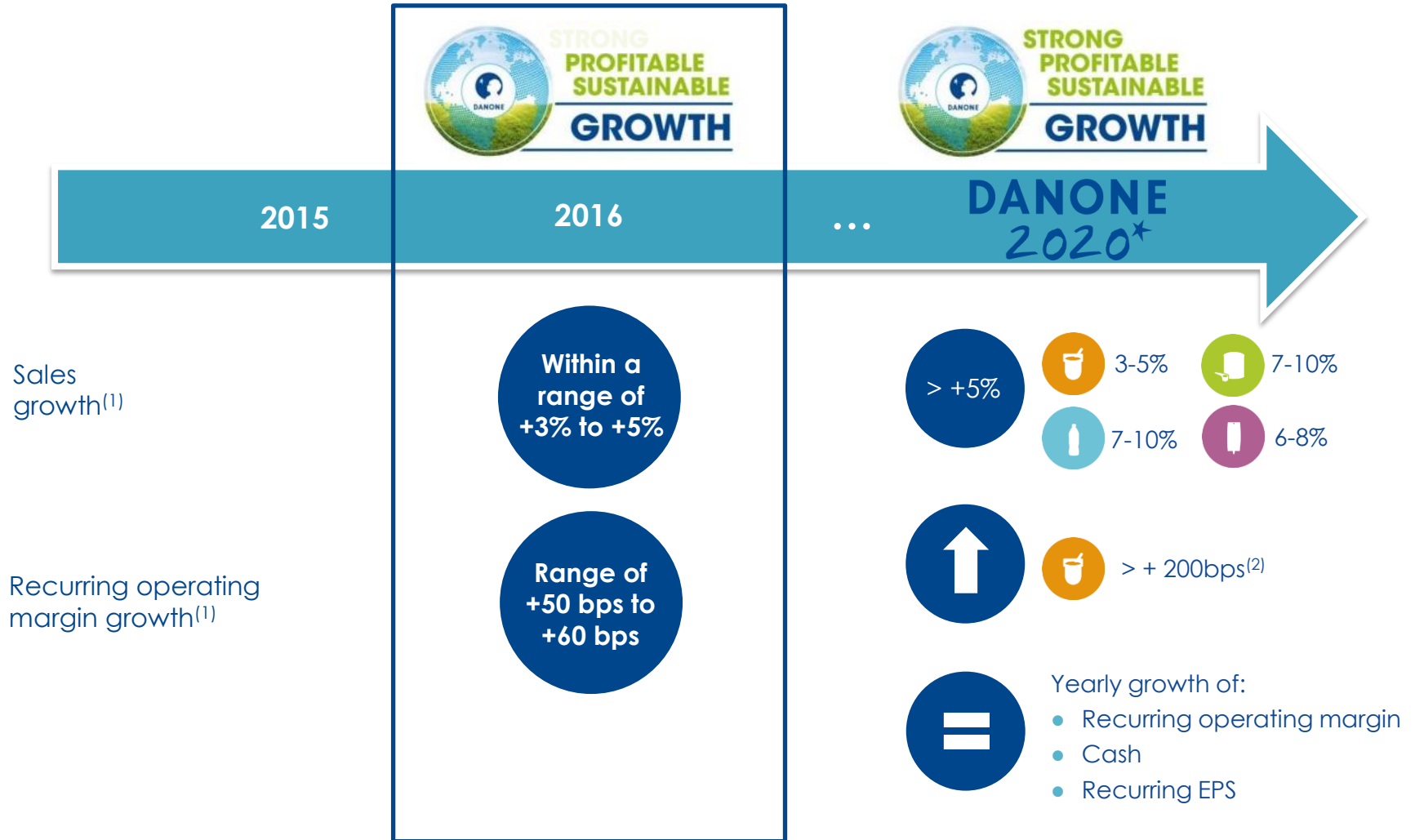


Free cash-flow to net debt

€ mln



2016: The transformation continues towards our 2020 ambition



⁽¹⁾ Like-for-like

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

2016 guidance: Anchoring a profitable and sustainable model

2016 GUIDANCE

SALES⁽¹⁾

Within a range of +3% to +5%

RECURRING OPERATING MARGIN⁽¹⁾

Range of +50 bps to +60 bps

APPENDIX



Q2 & H1 2016 impact of currencies & scope

Q2 2016	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(5.5)%	(4.5)%	+3.6%	+0.4%	(3.0)%
Currency	(9.6)%	(7.1)%	(4.8)%	(4.9)%	(7.7)%
Scope of consolidation	+1.1%	(0.1)%	+1.2%	(1.8)%	+0.6%
Like-for-like sales growth	+3.0%	+2.7%	+7.2%	+7.1%	+4.1%

H1 2016	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(5.1)%	(4.4)%	+2.1%	+0.8%	(3.0)%
Currency	(9.1)%	(7.5)%	(4.7)%	(4.4)%	(7.4)%
Scope of consolidation	+1.4%	(0.1)%	+0.8%	(1.6)%	+0.6%
Like-for-like sales growth	+2.6%	+3.2%	+6.0%	+6.8%	+3.8%

Changes in exchange rates

27.7% of H1 2016 sales denominated in €

	% total H1 16 sales	H1 16 vs H1 15 (avg)	Q2 16 vs Q2 15 (avg)
US dollar	12.4%	(0.1)%	(2.1)%
Chinese yuan	7.1%	(4.9)%	(7.1)%
Russian ruble	6.3%	(17.7)%	(21.7)%
Indonesian rupiah	6.2%	(3.3)%	(3.4)%
British pound	5.6%	(6.0)%	(8.4)%
Mexican peso	5.0%	(16.3)%	(17.0)%
Argentine peso	3.9%	(38.5)%	(38.4)%
Brazilian real	3.6%	(19.8)%	(14.2)%
Moroccan dirham	2.7%	(0.5)%	(1.0)%
Polish zloty	2.5%	(5.2)%	(6.5)%

Recurring operating margin by regional areas

€ mln	H1 2015	H1 2016	Like-for-like change
Europe	16.29%	16.57%	+30 bps
CIS+Noram	7.75%	9.54%	+177 bps
ALMA	10.29%	12.15%	+135 bps
Total	12.12%	13.37%	+93 bps

From operating income to EPS

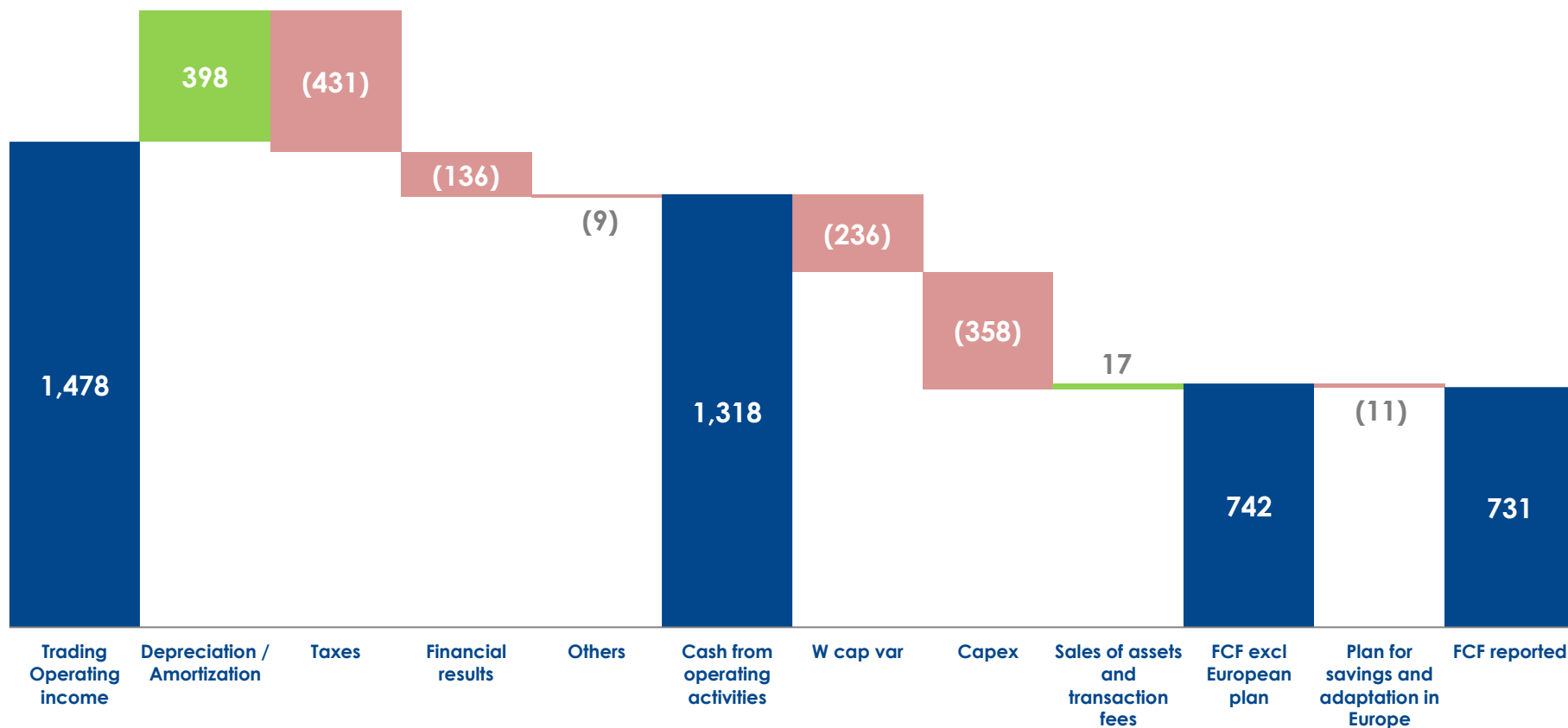
€ mln

	H1 2015 recurring	H1 2016 recurring	Non-recurring	H1 2016
Recurring operating income	1,381	1,478	-	1,478
Other operating items	-	-	21	21
Operating income	1,381	1,478	21	1,499
Total financial expenses	(155)	(136)	0	(136)
Income tax	(398)	(431)	23	(408)
Net income of affiliates	64	78	(99)	(21)
Net income	892	990	(55)	935
Non-controlling interests	(61)	(55)	(0)	(55)
Net income - Group share	831	935	(55)	880

Fully diluted number of share <i>mln</i>	606	616
Recurring EPS	€ 1.37	€ 1.52

Cash bridge

€ mln

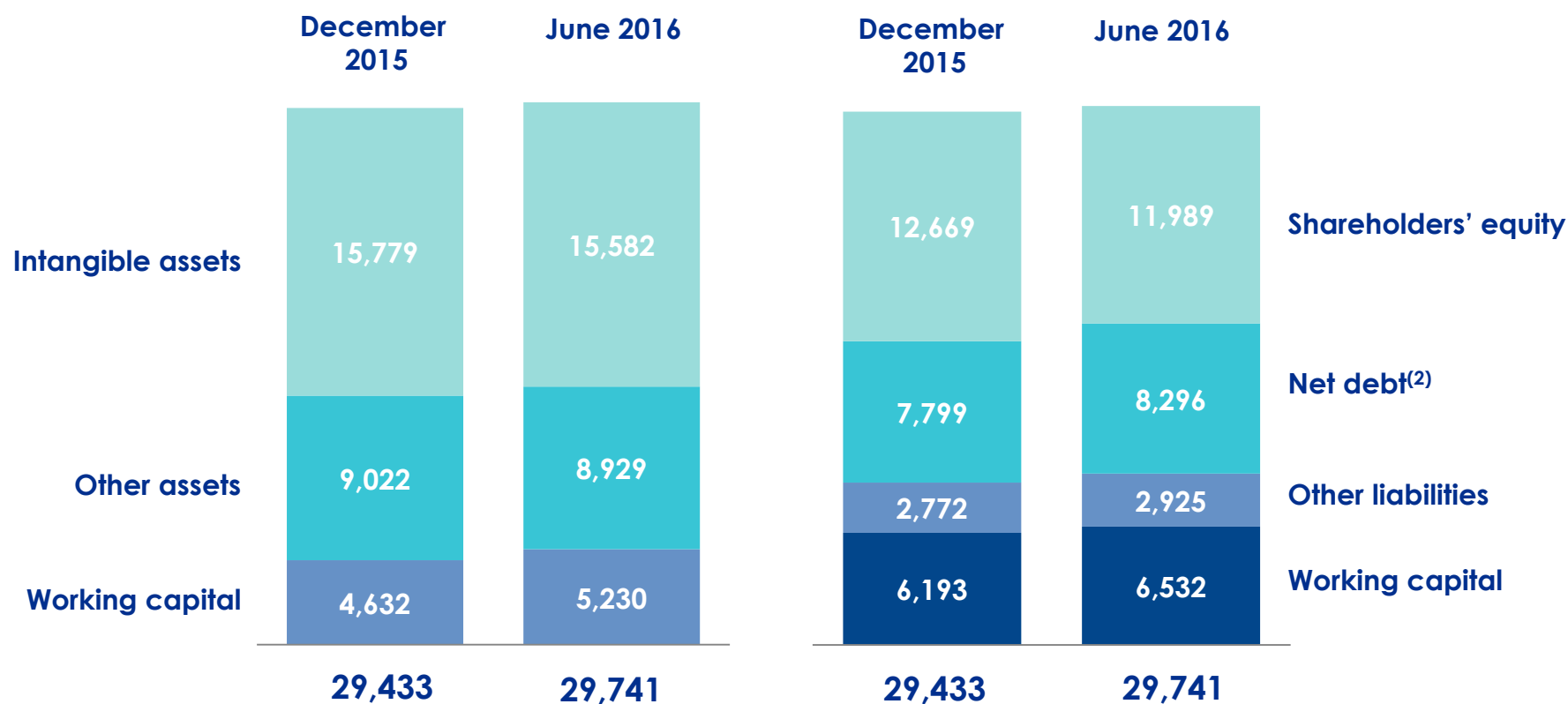


Balance sheet

€ mln

ASSETS⁽¹⁾

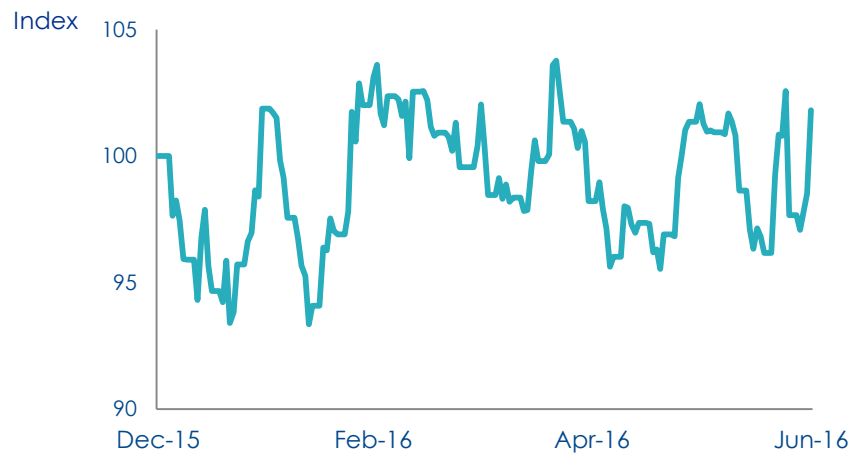
LIABILITIES



(1) Excluding assets included in net debt

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

H1 2016 stock price evolution



H1 2016 stock price performance ⁽¹⁾

- December 31, 2015: €62.28
- June 30, 2016: €63.41

- Absolute **+1.8%**
- Relative vs. CAC 40 **+10.4%**
- Relative vs. Eurostoxx 50 **+14.7%**

Financial indicators not defined in IFRS

Like-for-like changes in Sales, recurring operating income, recurring 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.

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 of 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.

Recurring operating margin is defined as Recurring 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 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.