



2010 Full-Year Results

February 15, 2011

2010 targets exceeded

**Growth of over 20% in 2010 for Unimilk,
consolidated as from December 1, 2010**

**2011 targets: sales up 6 to 8%
with rises in free cash flow and operating margin**

- Danone sales^[1] increased +6.9% in Q4 and in full year 2010^[2]
- Volume growth of +4.8% in Q4 and of +7.6% in full year 2010^[2]
- Trading operating margin^[3] steady at 15.16% (+3 bps)^[2] in 2010, up a steep +78 bps^[2] in H2 compared with 2009
- Underlying net income^[3] up 14.2%^[2]
- Underlying fully-diluted Earnings Per Share^[3] increased 8.6%^[4] in reported figures to €2.71, rising 12.7% like-for-like
- Free Cash Flow^[3] up 20.0%^[5] to €1,713 million
- Proposal to pay a dividend of €1.30 per share

[1] Net sales

[2] Like for like see page 8 for definition

[3] See page 8 for details on calculation of financial indicators not defined in IFRS

[4] Theoretical ex-rights price (TERP) adjusted

[5] Reported figure

Chairman's comment

“Our sales grew by over 6% in 2010, rising from quarter to quarter, with volume and value both making positive contributions in the second half. All of our divisions and all our regions posted gains. Continued high operating margin and a 20% rise in free cash flow are remarkable achievements in a year that saw a steep rise in raw material prices and the end of adjustments to sales prices under our Reset Program, which improved our competitive edge. These robust performances in 2010 testify to the strength of our business model.

Reflecting the growth strategy Danone has pursued for many years, our structure is changing rapidly and emerging economies now represent half of our business. The joint venture uniting

Danone and Unimilk since December, 1, 2010 makes Russia our largest single national market, with France. The move has created a new leader in Fresh Dairy products, with a nation-wide presence and strong brands in each segment. This investment offers exciting growth perspectives with major potential for value creation.

The strength of our Group, businesses, brands and teams, and our exposure to regions with robust growth prospects mean that we can look to 2011 with confidence. We anticipate no major change in consumer demand and in this context, also marked by persistently steep increases in raw material prices, we are placing the emphasis on lasting development of our brands, with a commitment to health, eating pleasure and respect for the environment. We will also be continuing efforts to raise global productivity to underpin our policy of competitive price management.

We will aim to outperform our competitors in organic sales growth, margin, and cash generation.”

Financial highlights for 2010 (full year)

Key figures	2009	2010	Change
Sales ^[1] (€ m)	14 982	17 010	+6.9% ^[2]
Free cash flow ^[4] (€ m)	1 427	1 713	+20.0% ^[3]
Trading operating income ^[4] (€ m)	2 294	2 578	+7.1% ^[2]
Trading operating margin	15.31%	15.16%	+3 bps ^[2]
Underlying net income ^[4] (€ m)	1 412	1 669	+14.2% ^[2]
Underlying fully diluted EPS ^[4] (€ m)	2.50 ^[5]	2,71	+8.6% ^[3,5]

[1] Net sales

[2] Like for like see page 8 for definition

[3] Reported figures

[4] See page 8 for details on calculation of financial indicators not defined in IFRS

[5] TERP adjusted

Sales by business line and geographical area in Q4 and full-year 2010

€ m								
	Q4 09	Q4 10	Change Like-for-like ^[1]	Volume growth Like-for-like ^[1]	2009	2010	Change Like-for-like ^[1]	Volume growth Like-for-like ^[1]
BY BUSINESS LINE								
Fresh Dairy	2 142	2 531	+6.2%	+3.3%	8 555	9 732	+6.5%	+7.5%
Waters	559	634	+5.2%	+7.3%	2 578	2 868	+5.3%	+7.8%
Baby Nutrition	735	856	+9.8%	+6.4%	2 924	3 355	+8.9%	+7.6%
Medical Nutrition	246	278	+7.7%	+8.4%	925	1 055	+9.0%	+8.7%
BY GEOGRAPHICAL AREA								
Europe	2 185	2 388	+2.2%	+1.0%	8 960	9 449	+1.9%	+3.8%
Asia	453	588	+13.1%	+9.6%	1 877	2 386	+14.0%	+12.6%
Rest of World	1 044	1 323	+14.4%	+9.4%	4 145	5 175	+14.9%	+11.8%
Total	3 682	4 299	+6.9%	+4.8%	14 982	17 010	+6.9%	+7.6%

[1] See page 8 for details on calculation of financial indicators not defined in IFRS

Danone's Board of Directors met on February 14, 2011 to close statutory and consolidated financial statements for the 2010 fiscal year. The Company's auditors have largely completed their examination of accounts as of today.

Overview of 2010 sales

Consolidated sales rose 13.5% to €17,010 million in 2010. Excluding the impact of changes in exchange rates (+6.0%) and in scope of consolidation (+0.6%), total sales were up 6.9%. This organic growth reflects a +7.6% rise in sales volume and a -0.7% decrease due to price mix. Exchange-rate effects were due primarily to rises in the Brazilian real, the Mexican peso, the US dollar and the Russian ruble. Main changes in the scope of consolidation were the integration of Unimilk (Russia) from December 1, 2010, and, to a lesser extent, the arrival of two new European fruit-drink subsidiaries (Danone-Chiquita and Proviva), partially offset by the sale of Frucor (New Zealand) in February 2009.

Overview of sales performance – Q4 2010

Consolidated sales rose +16.8% to €4,299 million in the fourth quarter of 2010. Excluding exchange-rate effects (+6.7%) and changes in the scope of consolidation (+3.2%), the increase was +6.9%. This like-for-like rise reflects a +4.8% rise in sales volume and a 2.1% increase in sales value.

Fresh Dairy

Sales of the Fresh Dairy division increased by +6.2% on a like-for-like basis in the fourth quarter of 2010, reflecting volume growth of +3.3% and a 2.9% rise in value.

This takes into account a steep +27.1% like-for-like rise at Unimilk in December, reflecting volume growth of +8.9% and a significant rise in average price per kilo due to higher sales prices and improvement in value within the product mix.

Excluding the impact of Unimilk, Fresh Dairy sales continued the trend observed in the previous quarter, rising +5.4% like for like in the fourth quarter of 2010 with a combination of +2.8% volume growth and a positive price effect of +2.6%.

This performance illustrates continued momentum from the Reset program, despite a significantly higher basis for comparison in volume terms for the quarter and a persistently difficult consumer market in southern Europe.

The rise in sales price per kilo in the fourth quarter marks the end of the impact of the Reset program and a return to competitive management of the product portfolio and prices. Growth in sales value was affected by price rises in high-inflation countries (Argentina, Ukraine and Turkey), as well as Russia, where price increases were applied in line with overall market trends and also in response to an exceptional surge in milk prices due notably to adverse weather conditions in summer 2010.

The division's priority markets, among them the US, Russia and Brazil, continue to drive growth, while Activia is the division's most dynamic product, accounting for half of overall growth.

Water

The Waters division posted a +5.2% like-for-like rise in sales in the fourth quarter of 2010, in line with average growth over the year. A robust +7.3% rise in volumes confirms trends over the past six quarters, with continued double-digit growth in emerging markets and steadying volumes in mature economies, where France and German were top performers.

Baby Nutrition

The Baby Nutrition division turned in its best quarterly performance of the year, with sales up +9.8% like-for-like and volume growth reaching +6.4%. A +3.4% rise in value reflects a favorable geographical mix and price increases for infant milk in China, in line with market trends. All regions reported growth, with China, Indonesia and the United Kingdom still the main contributors. The milks category continued to deliver double-digit growth, while weaning foods saw a slight rise in the fourth quarter reflecting good performances in France, Poland and Russia.

Medical Nutrition

Medical Nutrition reported a +7.7% like-for-like sales growth in the fourth quarter of 2010, entirely attributable to a rise in volumes (+8.4%). Once again all regions contributed to growth, with Western Europe and new geographies contributing equally. All product categories gained ground, with pediatrics and the gastro-intestinal allergy range again showing above-average growth.

Steady trading operating margin in 2010 (like-for-like), up +3 bps overall on 2009

	2009	2010	Change <i>Like-for-like [1]</i>
BY BUSINESS LINE			
Fresh Dairy	14.54%	14.03%	- 3 bps
Waters	12.56%	12.93%	+ 13 bps
Baby Nutrition	18.32%	18.92%	+ 17 bps
Medical Nutrition	20.57%	19.65%	- 62 bps
BY GEOGRAPHICAL AREA			
Europe	16.04%	15.70%	- 1 bps
Asia	17.72%	18.66%	+ 63 bps
Rest of World	12.64%	12.55%	+ 1 bps
Total	15.31%	15.16%	+3 bps

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[1] See page 8 for details on calculation of financial indicators not defined in IFRS

Danone's trading operating margin (EBIT) rose +3 bps to 15.16% in 2010, which saw a steep rise in raw material prices, particularly milk. The margin evolution was particularly favorable in the second half, with a +78 bps rise like-for-like compared to 2009.

The increase in raw materials was primarily offset by various cost-cutting measures that generated record savings of over €500 million during the year.

The benefits of a call for bids from media-space suppliers made in the end of 2009 for 2010 as a whole financed an increase of around 10% in media visibility for Group brands for a like-for-like rise in advertising expenses of only +6.8%. At the same time, promotional levels were gradually scaled back from particularly high levels during the Reset program in 2009, reducing total A&P as a percentage of sales by 93 bps (like-for-like).

Underlying net income attributable to the Parent rose +37.4% (reported figure). Underlying like-for-like fully diluted EPS increased by +8.6% to €2.71 in 2010

€ millions	2009	2010
Trading operating income	2 294	2 578
Other operating items	217	(80)
Operating income	2 511	2 498
Cost of net debt	(264)	(143)
Other financial items	(225)	134
Income tax	(424)	(576)
Net result of consolidated companies	1 598	1 913
Net result of affiliated companies	(77)	121
Net result	1 521	2 034
Attr to minority interests	160	164
Attr to the Parent	1 361	1 870
-/- non-current net result [1]	(51)	201
Underlying net income [1]	1 412	1 669
Underlying fully diluted EPS (€)[1]	2.57	2.71
Underlying fully diluted EPS _[1] (TERP-adjusted) (€)	2.50	-

[1] See page 8 for details on calculation of financial indicators not defined in IFRS

Cost of net debt fell sharply in 2010, due to the combined benefits of the June 2009 rights issue, debt restructuring, strong free cash flow generation and the proceeds of disposals of selected non-core activities.

The sharp rise in "Other financial income" resulted primarily from capital gains on the sale of a financial interest in Wimm Bill Dann (Russia). This accounted for most of the non-current net result.

The underlying tax rate [1] for the full year 2010 was 25.2%.

Underlying net income rose +18.2% in reported figure and +14.2% like-for-like to total €1,669 million. Underlying fully diluted EPS came to €2.71, showing a rise of +8.6% from the reported figure for 2009 and a 12.7% increase like-for-like.

Cash flow and Indebtedness

Cash flow

Free cash flow from operations increased 20.0% to €1,713 million, i.e 10.1% of sales in 2010, compared with 9.5% in 2009. Capital expenditure was €832 million, i.e 4.9% of sales.

Indebtedness

A combination of sound growth in free cash flow (net of dividends, share buybacks, acquisitions and the Unimilk transaction) enabled in 2010 a reduction of the net financial debt^[1] by €278 million (excluding €3,858 million in put options granted to minority shareholders as of December 31, 2010) to €3,216 million.

[1] See page 8 for definition

2011 Outlook

Backed by steady growth at the end of the year, Danone is moving into 2011 with confidence. It expects 2010 trends to continue in the months ahead:

- consumer spending in both the industrialized world and emerging economies shows no sign of either significant improvement or worsening;
- raw material prices remain on a volatile upward path.

More specifically, in view of developments since the beginning of 2011, the Group expects total raw material and packaging costs to increase by 6 to 9% on average over the year, with a steeper increase in the first half reflecting the comparison with figures recorded in 2010.

Danone will be drawing on its experience of 2010 to manage these increases through consistently high productivity. The Group will also continue to use pricing to maintain competitive edge, benefiting from increased room for maneuver thanks to repositioning in 2009 (Reset program).

Another priority for 2011 will be the integration of Unimilk's operations in Russia and CIS countries, with sales and cost synergies set to boost Unimilk's operating margin from the second half on.

Altogether, targets for 2011 include:

- a 6% to 8% rise in sales^[1] on a like-for-like basis^[2];
- an increase of around 0.20% in trading operating margin^[2], like-for-like. This will be fueled by all the Group's activities, but especially by Unimilk and synergies from its integration. As a result, the rise will only take shape in the second half, with first-half trading operating margin down slightly from the same period of 2010;
- A rise in free cash flow ^[2]in keeping with the €2 billion target set for 2012.

[1] Net Sales

[2] See page 8 for details on calculation of financial indicators not defined in IFRS

Reduction of carbon footprint

Danone products depend to a large extent on natural eco-systems. It is therefore in the Group's best interest to take care for the environment as an integral part of its business activities.

Carbon footprint is a global indicator that reflects a wide range of environmental criteria. Danone is committed to reducing its carbon intensity (grams of CO₂ per kilogram of product sold) by an ambitious -30% from 2008 to 2012.

In keeping with this commitment, Danone cut its carbon intensity by -22% [1] from 2008 to 2010. The Group is maintaining its 30% reduction target for 2012, i.e., over a five-year period.

[1] Based on constant scope and on emissions under Danone's direct responsibility (packaging, industrial activities, logistics and end of life)

Dividend

Danone will propose to the Annual General Meeting of Shareholders on Thursday, April 28, 2011, to approve distribution of a €1.30 dividend per share, to be paid in cash in respect of the 2010 fiscal year. This amount represents a +8.3% rise from 2009. The ex-dividend date will be Tuesday, May 10, 2011 and the dividend will be payable as from Friday, May 13, 2011.

Share buyback

Following receipt of income on disposal of non-strategic interests in Huiyuan and Wimm Bill Dann, Danone launched in October 2010 a share buyback for a total amount of €500 million. As of February 4, 2011, Danone purchased 9,180,100 shares for a total amount of €423 million.

Considering robust generation of free cash flow and assuming steady debt ratios, Danone plans to continue to buy back shares in the first half of 2011, up to a maximum of an additional €500 million.

Financial transactions and key developments in 2010 (from press releases issued during the quarter)

On October 28, Danone announced the finalization of the sale of its 18.4% stake in Wimm Bill Dann Foods for a received consideration of USD 470 million.

On November 17, Danone announced that it had successfully extended the maturity of its debt through a bond exchange offer for two tranches maturing in February 2014 and May 2015. As part of this transaction, Danone issued a new tranche of bonds for a nominal amount of €500 million, maturing in November 2020 with a 3.60% coupon, thus using favorable long-term interest rates to extend the average maturity of debt by one year.

On November 24, Danone signed an agreement to acquire YoCream, the leading producer of frozen yogurt in the United States, for around US\$ 103 million. The acquisition rounds out Danone's existing distribution structure with a complementary away-from-home network, and expands the range of times and places where its products are consumed.

On November 25, Danone announced the appointment of Jordi Constans as Executive Vice President, Fresh Dairy Products, and Felix Martin as Executive Vice President, Baby Nutrition.

On November 30, Danone and Unimilk announced that they had finalized the merger of their fresh dairy product business in Russia and other CIS countries, creating the region's market leader in fresh dairy products.

On December 8, Danone announced that an opinion released the same day by EFSA (European Food Safety Agency) judged that the elements included in an application filed by Danone in 2009 were not sufficient to establish a definite relationship of cause and effect between the consumption of Actimel, containing *L Casei DN114 001*, and reduced risk of diarrhoea associated with *Clostridium difficile* bacteria in hospital environments.

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Change in accounting method

In view of changes introduced for first-time application of IAS 27 (Revised), the Group has changed its method of accounting for put options granted to minority shareholders.

Starting January 1, 2010, the difference between the exercise price of put options granted to minority shareholders and the book value of these options is no longer accounted for by an increase in goodwill, but recognized into equity (excluding minorities).

To ensure consistent accounting for all similar transactions, the Group extended the scope of this change in method to cover put options granted prior to January 1, 2010 and not exercised at that date. As a result, goodwill corresponding to put options granted to minorities at December 31, 2009 has been reclassified, reducing equity by €2.7 billion.

The consolidated balance sheet for 2009 was restated to ensure comparability of figures for the 2009, 2010 and subsequent financial years.

This change in accounting method has no impact on the amount of net debt, since put options granted to minority shareholders remain classified as debt.

Financial indicators not defined in IFRS

Information published by Danone uses financial indicators that are not defined by IFRS. These are calculated as follows:

Like-for-like changes in net sales, trading operating income and trading operating margin exclude the impact of changes in (i) exchange rates, with both previous year and current year indicators calculated using the same exchange rates; and (ii) scope of consolidation, with previous year indicators calculated on the basis of current-year scope.

Trading operating income and expense is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current 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 acquisitions, and costs related to major litigation. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

Underlying net income or net income attributable to the Group measures the Group's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current performance. Such non-current income and expense mainly include capital gains and losses on disposals and impairments of non fully-consolidated equity interests and tax income, and expense related to non-current income and expense. Non-current net income attributable to the Group is defined as non-current income and expense excluded from Net income attributable to the Group.

€ m	Year ended December 31			Year ended December 31		
			2009			2010
	Current	Non current	Total	Current	Non current	Total
Trading operating income	2 294		2 294	2 578		2 578
Other operating income (expense)		217	217		(80)	(80)
Operating income	2 294	217	2 511	2 578	(80)	2 498
Cost of net debt	(264)		(264)	(143)		(143)
Other financial income (expense)	(120)	(105)	(225)	(91)	225	134
Net income before tax	1 910	112	2 022	2 344	145	2 489
Income tax	(448)	24	(424)	(590)	14	(576)
Net income from fully consolidated companies	1 462	136	1 598	1 754	159	1 913
Net income from affiliates	110	(187)	(77)	80	41	121
Net income	1 572	(51)	1 521	1 834	200	2 034
Attributable to the Parent	1 412	(51)	1 361	1 669	201	1 870
Attributable to non controlling interests	160		160	165	(1)	164

Free cash flow represents cash flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised)).

€ m	Year ended 31	
	2009	2010
Cash flows provided by (used in) operating activities	2 000	2 476
Capital expenditure	(699)	(832)
Disposal of tangible assets	126	44
Reverse of business combinations fees		25
Free cash flow	1 427	1 713

Net financial debt represents the net debt portion bearing interests. It corresponds to current and non current financial debt (i) excluding debt related to put options granted to non controlling interests (ii) net of cash and cash equivalents, marketable securities, other short term investments and assets components of financial instruments

Our presentation to analysts and investors will be broadcast live from 9.00 a.m. on Tuesday, February 15, 2010. Related slides will be available on our website (www.finance.danone.com) from 7.30 a.m. today, 15, 2010, and the webcast can be downloaded thereafter.

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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 section "Risk Factors" in Danone's Annual Report (available on www.danone.com)

APPENDIX – Sales Overview

€ m	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Full Year	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010

BY BUSINESS LINE

Fresh Dairy	2 121	2 319	2 141	2 436	2 151	2 446	2 142	2 531	8 555	9 732
Waters	614	620	735	828	670	786	559	634	2 578	2 868
Baby Nutrition	723	797	741	857	725	845	735	856	2 924	3 355
Medical Nutrition	216	242	229	265	234	270	246	278	925	1 055

BY GEOGRAPHICAL AREA

Europe	2 190	2 275	2 327	2 420	2 258	2 366	2 185	2 388	8 960	9 449
Asia	471	527	479	635	474	636	453	588	1 877	2 386
Rest of World	1 013	1 176	1 040	1 331	1 048	1 345	1 044	1 323	4 145	5 175

Group	3 674	3 978	3 846	4 386	3 780	4 347	3 682	4 299	14 982	17 010
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€ m	First Quarter 2010		Second Quarter 2010		Third Quarter 2010		Fourth Quarter 2010		Full Year 2010	
	<i>Reported Change</i>	<i>Like-for-like Change [1]</i>	<i>Reported Change</i>	<i>Like-for-like Change [1]</i>	<i>Reported Change</i>	<i>Like-for-like Change [1]</i>	<i>Reported Change</i>	<i>Like-for-like Change [1]</i>	<i>Reported Change</i>	<i>Like-for-like Change [1]</i>

BY BUSINESS LINE

Fresh Dairy	9.4%	7.6%	13.8%	6.6%	13.7%	5.5%	18.1%	6.2%	13.8%	6.5%
Waters	1.0%	2.3%	12.5%	4.8%	17.4%	8.7%	13.4%	5.2%	11.3%	5.3%
Baby Nutrition	10.2%	8.5%	15.7%	8.7%	16.5%	8.6%	16.4%	9.8%	14.7%	8.9%
Medical Nutrition	11.8%	9.3%	16.0%	10.8%	15.0%	8.4%	13.3%	7.7%	14.0%	9.0%

BY GEOGRAPHICAL AREA

Europe	3.9%	2.1%	4.0%	1.4%	4.7%	2.1%	9.4%	2.2%	5.5%	1.9%
Asia	11.8%	12.2%	32.5%	15.3%	34.4%	15.3%	29.5%	13.1%	27.1%	14.0%
Rest of World	16.1%	16.1%	27.9%	15.9%	28.4%	13.5%	26.7%	14.4%	24.8%	14.9%

Group	8.3%	7.0%	14.0%	6.9%	15.0%	6.9%	16.8%	6.9%	13.5%	6.9%
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[1] See page 8 for details on calculation of financial indicators not defined in IFRS