PRESS RELEASE

2014 Full-Year Results

February 20, 2015

2014 results in line with expectations
Sales[1] up +4.7%[2]
Trading operating margin[3] of 12.59% (-12 bps[2])
Free cash-flow of €1.4 billion, excluding exceptional items

2015 targets
Organic growth in sales[1] of between +4% and +5%[2]
Slight growth in trading operating margin[2]

[1] Net sales
[2] Like-for-like: see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[3] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS

Chairman's comment

"2014 was a critical year for Danone, with a number of major transformations aimed at preparing our company for the future. In particular, we outlined the key points of Danone 2020, our roadmap to a new stage in development. We also adopted a new structure that will help us roll out this initiative over time, while meeting immediate challenges. This was why we decided to create a role of Chairman with strengthened duties, focusing on medium- and long-term strategy, while entrusting a CEO and management team with responsibility for guiding day-to-day operations. At the same time, 2014 was a year of political and economic turbulences, not to mention severe volatility—a taste of what awaits us in the years ahead. Yet despite all that, we met our targets and I would like to congratulate all of our people for their remarkable achievements. Against this backdrop, I have great confidence in the future of Danone, which now has the resources and structure to meet new global challenges."

CEO's comment

"Our 2014 achievements laid a solid foundation for Danone to build on in 2015 and the years ahead. As announced, we tipped the equation towards profitable growth as of the second half. We thus met our 2014 targets, which allows us to propose a higher dividend of €1.50 per share. In the course of the year, we also made significant progress in many markets, especially in Europe where a combined focus on updating our product lines and raising our competitive edge are beginning to pay off. We also continued to build our portfolio and expand in high-growth markets, particularly in Asia and Africa. We can all be proud of everything that we have achieved. Looking ahead, we anticipate an ongoing difficult and unstable environment, and I have worked with the

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Executive Committee to define three priorities: first, continue to make our brands and businesses more competitive to serve our consumers. Second, continue to generate profitable growth in sales and set the conditions for making that growth sustainable. And third, roll out our Danone 2020 roadmap with a view to creating shared value for all our stakeholders: our 100,000 employees, our consumers, our customers and suppliers, and our shareholders."

Highlights

- **Full-year 2014 sales[1] of €21,144 million, up +4.7% like-for-like[2] from 2013, and down -0.7% as reported**
- **Q4 sales up +7.5%[3], with continued benefits from favorable bases for comparison in Early Life Nutrition**
- **2014 trading operating margin[2] at 12.59%, down -12bps like-for-like[2] from 2013**
- **Underlying fully diluted EPS[2] of €2.62, up +2.5% like-for-like[2]**
- **Dividend up +3.4%[5] from 2013 at €1.50, with the option of full payment in either cash or shares**
- **2014 free cash-flow of €1,401 million excluding exceptional items[2]**

Key figures *€ million (unless stated otherwise)*	2013	**2014**	**Change[4]**
Sales[1]	21,298	**21,144**	**+4.7%**
Free cash-flow excluding exceptional items[2]	1,549	**1,401**	**-9.6%[5]**
Trading operating income[2]	2,809	**2,662**	**+3.7%**
Trading operating margin[2]	13.19%	**12.59%**	**-12 bps**
Underlying net income — Group share[2]	1,636	**1,561**	**+3.6%**
Underlying fully diluted EPS[2] (€)	2.78	**2.62**	**+2.5%**

[1] Net sales
[2] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[3] Like-for-like and after treatment of over-inflation during the year; see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[4] Like-for-like and unless stated otherwise; see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[5] As reported

Our presentation to analysts and investors, chaired by Franck Riboud, Chairman of the Board of Directors, Emmanuel Faber, CEO, and Pierre-André Térisse, CFO, will be broadcast live this Friday, February 20, 2015, starting at 9.00 a.m. (Paris time).

Related slides will be available on our website (www.finance.danone.com) from 7.30 a.m. (Paris time) today.

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At its meeting on February 19, 2015, the Board of Directors closed statutory and consolidated financial statements for the 2014 fiscal year. As regards the audit process, the statutory auditors have substantially completed their examination of accounts as of today.

Full-year 2014 sales

€ million	2013	2014	**Change** *Like-for-like[1]*	**Volume growth** *Like-for-like[1]*
BY BUSINESS LINE				
Fresh Dairy Products	11,790	11,129	1.5%	-6.6%
Waters	3,903	4,186	11.6%	7.5%
Early Life Nutrition	4,263	4,397	6.1%	1.7%
Medical Nutrition	1,342	1,432	7.9%	5.6%
BY GEOGRAPHICAL AREA				
Europe excl. CIS	8,197	8,522	2.0%	-0.9%
CIS & North America[2]	4,713	4,525	5.0%	-6.9%
ALMA[3]	8,388	8,097	7.4%	0.5%
Total	21,298	21,144	4.7%	-1.5%

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
[3] ALMA = Asia-Pacific / Latin America / Middle-East / Africa

Consolidated sales stood at €21,144 million in 2014, down -0.7% from the figures reported in 2013. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.7%. This organic growth reflects a -1.5% decline in sales volume and a +6.2% increase in value.

The negative impact of fluctuations in exchange rates was -5.5% and reflects a marked decline in certain emerging currencies, including the Russian ruble, the Argentine peso and the Indonesian rupiah.

The impact of changes in scope of consolidation were neutral on the whole (+0.1%), reflecting both the deconsolidation of various Fresh Dairy Products operations (in Saudi Arabia in 2013, and in China and Indonesia in 2014) and the full consolidation of companies in which Danone acquired a controlling interest in 2013, in particular Centrale Laitière (Morocco), YoCrunch (USA), Sirma (Turkey) and Happy Family (USA).

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Q4 2014 sales

€ million	Q4 13	Q4 14	**Change** *Like-for-like* [1]	**Volume growth** *Like-for-like*[1]
BY BUSINESS LINE				
Fresh Dairy Products	2,854	2,693	-1.0%	-7.8%
Waters	823	944	12.3%	9.0%
Early Life Nutrition	956	1,241	28.1%	11.5%
Medical Nutrition	348	384	8.7%	6.3%
BY GEOGRAPHICAL AREA				
Europe excl. CIS	1,969	2,105	4.8%	0.0%
CIS & North America[2]	1,170	1,042	2.0%	-8.0%
ALMA[3]	1,842	2,114	14.0%	3.7%
Total	4,981	5,261	7.5%	-0.3%

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
[3] ALMA = Asia-Pacific / Latin America / Middle-East / Africa

Consolidated sales rose by +5.6% as reported to total €5,261 million in the fourth quarter of 2014. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +7.5%. This organic growth reflects steady sales volumes (-0.3%) and a +7.8% increase in value.

The -1.4% exchange-rate effect reflects the negative impact of trends in currencies including the Russian ruble, the Argentine peso and the Indonesian rupiah.

The -0.5% impact of the changes in scope of consolidation results in large part from the deconsolidation of certain Fresh Dairy Products businesses—in China from July 2014 and in Indonesia from December 2014.

It should be noted that the methodology introduced to reflect the full-year impact of over-inflation in Argentina led to this being recorded entirely in the fourth quarter. In so doing, it reduced Q4 organic growth by 1.6 point, offset by the improved exchange-rate impact.

Fresh Dairy Products

The Fresh Dairy Products division reported sales down -1.0% like-for-like in the fourth quarter. This slight decrease reflects a -7.8% decline in volume, most of which was offset by a steep +6.8% increase in value.

Overall, business in Europe was in line with trends observed in previous quarters, with sales down by around -4%. This reflects a continued decline in sales volumes, due to the division's more selective approach to promotions and streamlining of some product lines. Together these initiatives, rolled out gradually since the beginning of the year, led to a year-on-year rise in trading operating margin in the area in the second half of 2014.

Business in the CIS/North America[1] zone held steady in the fourth quarter.

- In Russia, where consumer demand weakened, continued portfolio enhancement achieved through higher prices and a positive mix effect offset the significant decline in volumes driven by low value-added segments.

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- In the United States, the entire category leveled off after several years of strong dynamics, driven by Greek yogurt.

The ALMA[2] area reported a very slight decline in sales in the fourth quarter, affected by the treatment of over-inflation impacts in Argentina for the full year, while other operations continued to grow.

[1] North America = United States and Canada
[2] ALMA = Asia-Pacific / Latin America / Middle-East / Africa

Waters

The Waters division continued to report rapid growth, with sales up +12.3% in Q4 2014 (like-for-like), driven by a +9.0% increase in sales volumes.

These figures reflect both very good performance in European markets and continued strong growth in emerging markets, in particular Asia, fueled by expansion of the *Mizone* brand and very strong performances by *Aqua*.

The +3.3% rise in sales value was due primarily to the positive mix impact generated by strong growth in aquadrinks.

Early Life Nutrition

The Early Life Nutrition division saw sales steeply rise +28.1% like-for-like in the fourth quarter, driven by +11.5% volume growth. This excellent performance was buoyed by very favorable bases for comparison across all eight Asian markets affected by Fonterra's false alert as of August 2013, with sales in most of these markets now back to pre-crisis levels.

In China, the market that was hardest hit, Danone brands as a whole continued to grow, broadly in line with expectations. While sales of *Dumex* brand products continue to lag projections, demand for *Nutrilon* products rose sharply once again, particularly in ultra-premium segments and specialized distribution ("mom & baby stores"). The e-commerce boom has been another driver, with a significant impact on Chinese consumer trends.

In Europe, Q4 sales showed double-digit growth, underpinned in particular by the international success of brands like *Aptamil* and *Nutrilon*.

Division activities in the rest of the world remained very robust, with double-digit growth in Latin America, Russia and Africa/Middle East.

Medical Nutrition

The Medical Nutrition division reported Q4 growth of +8.7% like-for-like, with volumes up +6.3%.

The division's operations were once again adversely affected by pressure on healthcare spending, but was nonetheless solid, particularly in Europe.

Main contributors to growth were Turkey, China and Brazil, with a stronger contribution from the *Neocate* and *Nutrini* pediatric nutrition brands, which both outperformed the division average.

Trading operating margin[1] at 12.59%, down -12 bps like-for-like[1] from 2013

	2013	2014	**Change** *Like-for-like[1]*
BY BUSINESS LINE			
Fresh Dairy Products	10.35%	9.28%	-67 bps
Waters	13.04%	12.88%	+93 bps
Early Life Nutrition	19.62%	18.83%	-40 bps
Medical Nutrition	18.16%	18.28%	+89 bps
BY GEOGRAPHICAL AREA			
Europe excl. CIS	14.42%	15.67%	+158 bps
CIS & North America[2]	9.56%	8.56%	-63 bps
ALMA[3]	14.03%	11.60%	-157 bps
Total	13.19%	12.59%	-12 bps

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
[3] ALMA = Asia-Pacific / Latin America / Middle-East / Africa

Danone's trading operating margin stood at 12.59%, down -60 bps as reported, reflecting:

- a -20 bps decline due to changes in the scope of consolidation, resulting primarily from the integration of Centrale Laitière (Morocco), YoCrunch (United States) and Sirma (Turkey),
- A -28 bps decline due to trends in exchange rates and overinflation in Argentina in 2014, and
- A -12 bps decline in trading operating margin like-for-like.

As expected, the consequences of the false alert on quality triggered by Fonterra in August 2013 and the decline in sales of *Dumex* brand products in China in particular continued to undermine the company's growth and profitability in 2014.

Key developments during the year included a very steep rise in the cost of milk and dairy ingredients. This surge was offset by solid growth trends, by selective and competitive price increases, by optimization of the mix, and, finally, by additional efforts to reduce costs. A focus on optimizing raw material, production and logistics costs led to continued high productivity. In addition, most of the cost-reduction plan for Europe was finalized by the end of 2014 and delivered the savings anticipated.

Danone continued to invest in its growth drivers, with no change[1] in amounts spent on marketing, sales and R&D compared with 2013.

[1] Like-for-like: see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS

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Underlying fully diluted EPS[1] totaled €2.62, up +2.5% like-for-like[1] from 2013

€ million (unless stated otherwise)	2013	2014
Trading operating income[1]	**2,809**	**2,662**
Other operating items	(681)	(511)
Operating income	**2,128**	**2,151**
Cost of net debt	(193)	(179)
Other financial income and expense	(70)	(133)
Income tax	(604)	(599)
Net income of consolidated companies	**1,261**	**1,239**
Net income of affiliated companies	289	14
Net income	1,550	1,253
Minority interests	128	134
Attributable to the Group	**1,422**	**1,119**
of which non-current net result[1]	(214)	(442)
Underlying net income[1]	**1,636**	**1,561**
Underlying fully diluted EPS (€)[1]	**2.78**	**2.62**

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS

Other operating items stood at -€511 million, and mainly reflected expenses related to cost-reduction and organizational adaptation plans rolled out by the company, especially in Europe (-€186 million for the all plans), and the -€249 million in impairment for *Dumex* reflecting a relaunch for the brand that was longer than initially anticipated.

Cost of net debt declined despite higher net financial debt[1] than in 2013. This decline was linked in particular to lower interest rates and the benefits of bond issues that enabled the company to extend the average maturity of its debt at favorable market conditions.

The change in other financial income and expense resulted primarily from the exceptionally high basis for comparison in 2013, which recorded a capital gain linked to Danone's disposal of its interest in SNI as part of the transaction that led to its takeover of Centrale Laitière (Morocco).

The sharp change in net income of affiliated companies also largely reflects the exceptionally favorable basis for comparison in 2013, boosted by the €226 million revaluation of Danone's historical 29.2% interest in Central Laitière. Excluding non-current items, the net income of affiliated companies came to €66 million in 2014. During the year, the company also booked a €54 million charge representing impairment of interests in some affiliated companies consolidated on an equity basis (recorded as non-current).

The underlying tax rate[1] for the full year was 30.45% in 2014, stable compared with 2013.

Underlying net income[1] stood at €1,561 million in 2014, up +3.6% from 2013 like-for-like[1] and down -4.6% as reported. Underlying fully diluted EPS was €2.62, up +2.5% like-for-like[1] from 2013 and down -5.6% as reported.

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS

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Cash-flow and debt

Free cash-flow[1] stood at €1,277 million in 2014, including €123 million[2] in outlays linked to the company's cost-reduction and adaptation plan in Europe.

Free cash-flow excluding exceptional items[1] thus came to €1,401 million (6.6% of sales), down -9.6% from 2013, reflecting in particular the impact of negative exchange-rate effects.

Capital expenditure for 2014 came to €984 million, or 4.7% of sales.

Net debt stood at €7,764 million at December 31, 2014, including €2,558 million in put options granted to minority shareholders. The debt represented by these options is down €686 million from December 31, 2013 due in particular to Danone's increased equity interest in Centrale Laitière (Morocco) during the year.

Excluding put options for minority shareholders, the company's net financial debt[1] stood at €5,206 million, up €484 million from December 31, 2013. The rise is linked mainly to acquisitions made by Danone in the course of 2014, including its increased stake in Centrale Laitière (Morocco) and Mengniu (China), and its acquisition of an interest in Brookside (Kenya).

[1] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[2] Net of tax

Reduction of carbon footprint

Danone products depend on natural ecosystems. It is thus in the company's best interest to make care for the environment an integral part of its business activities.

Since carbon footprint is a global indicator that reflects a wide range of environmental criteria, Danone has committed to reducing the carbon intensity[1] of its products very significantly over the past several years. As a result of action plans deployed to this end, the company reduced its carbon intensity[1] by -42%[2] from 2008 to 2014.

[1] Grams of $C0_2$ per kilo of product sold
[2] Based on constant scope of consolidation, excluding Unimilk, and on emissions under Danone's direct responsibility (packaging, industrial activities, logistics and end of life)

2015 outlook

Danone assumes that economic conditions will remain difficult and unstable overall, with fragile or even deflationary consumer trends in Europe, emerging markets undermined by volatile currencies, and difficulties specific to a few major markets, in particular the CIS.

In 2015, Danone also anticipates marked but varied trends in the cost of major strategic raw materials, particularly milk:
- lower prices in Europe and the United States in the first half, with a rebound likely in the second half of the year, and
- gradual price increases in emerging countries all year long.

Altogether, Danone anticipates a moderate rise in the cost of main raw materials and packaging in 2015.

Against this backdrop, Danone will focus on developing its product categories and winning market share. In Europe, the company will continue to strengthen its competitive edge. In growth markets, it will focus on developing its product categories, in particular through strong local brands in the most attractive geographical markets.

After delivering profitable growth in the second half of 2014, Danone will seek to make this equation sustainable, generating organic growth in sales and in operating margin in 2015, while making the investments necessary to ensure this performance is lasting.

As a result, Danone's 2015 targets include:

- organic growth in sales[1] of between +4% and +5%[3]
- slight growth in trading operating margin[2]

Lastly, Danone will continue to work towards lasting gains in free cash-flow without setting a short-term target.

[1] Net sales
[2] See pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[3] Like-for-like; see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS

Dividend

At the Annual General Meeting on Wednesday, April 29, 2015, Danone's Board of Directors will ask shareholders to approve distribution of a €1.50 dividend per share in respect of the 2014 fiscal year, up +3.5% from 2013. This dividend reflects the confidence of both the Board and management in the company's scope for growth in profit.

In keeping with the current absence of share buybacks, shareholders will be asked to opt for full payment of their dividend in either cash or in DANONE shares. New shares would be issued at a price set at 90% of the average opening DANONE share price on Euronext over the twenty trading days prior to the General Meeting on April 29, 2015 less the amount of the dividend.

Assuming this proposal is approved, the ex-dividend date will be Thursday, May 7, 2015. The period during which shareholders may opt to receive dividends in cash or in shares will begin on Thursday, May 7 and run through Thursday, May 21. Dividends will be payable in cash or in shares on Wednesday, June 3, 2015.

Governance

At its meeting on February 19, 2015, Danone's Board of Directors approved draft resolutions for the Group's Annual General Meeting of Shareholders, to be held on April 29 this year.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors will ask shareholders to approve the renewal of the appointments of Jean Laurent, Lead Independent Director, Jacques-Antoine Granjon, Benoît Potier, Mouna Sepehri and Virginia Stallings, whose current terms are expiring.

Meeting on February 19, 2014, the Board also noted former Director Richard Goblet d'Alviella's decision not to seek a new term as Director. Speaking on behalf of the Board, Franck Riboud expressed his deep gratitude for Richard Goblet d'Alviella's active contribution to Danone's Board and Committees for 12 years.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors will ask shareholders to fill this directorship by appointing Serpil Timuray to the Board. Serpil Timuray qualifies as an Independent Director under the AFEP-MEDEF governance code.

A native of Turkey, 45-year-old Serpil Timuray holds a degree in business administration from Bogazici University in Istanbul. She began her career in 1991 at Procter & Gamble, where she was later on appointed to the Executive Committee of Procter & Gamble Turkey. In 1999, she moved to Groupe Danone as the Marketing Director and a member of the Executive Committee for the Fresh Dairy Products subsidiary in Turkey. From 2002 to 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies in the region. In 2009 she joined Vodafone Group as the Chief Executive Officer of Vodafone Turkey, contributing to its considerable growth. Since January 2014, Serpil Timuray is serving as the Regional CEO of Africa, Middle East and Asia-Pacific and as a member of the Executive Committee of Vodafone Group. Her widely recognized skills in executive positions, her success in helping international groups grow their business, and her thorough knowledge of markets that are critical for Danone will be valuable assets for the work of the Board of Directors.

The Board notes that these renewals and this new appointment are in keeping with its commitment, made several years ago, to continue to improve corporate governance by increasing the Board's independence (with the percentage of independent Directors rising from 71% to 77% at the end of the General Meeting), the number of women Directors (up from 29% to 38%), and the expertise and diversity of its composition.

Major financial transactions and developments over the period (summary of press releases issued in the last quarter)

On October 31, 2014, Danone announced that it would expand its strategic alliance with Mengniu to infant milk formula in China. The new agreement called for Danone to subscribe to a private placement by Yashili, one of China's leading infant milk companies, totaling €437 million, at a price of HK$3.70 per share. Upon completion of the subscription, Mengniu, currently Yashili's majority shareholder, will hold a 51.0% equity interest and Danone will hold 25.0%. Through this alliance, Danone, Mengniu and Yashili intend to expand and strengthen their cooperation in the infant milk formula (IMF) business in China. The partners will study the possibility of an equity investment in Danone's subsidiary Dumex China with a comparable minority stake. This transaction extends the scope of the 2013 strategic alliance in fresh dairy products between Mengniu, Danone and COFCO, China's leading state-owned company in the food sector. Under their newly expanded alliance, Danone and Mengniu will leverage Danone's world-leading technology and know-how in the IMF industry and Mengniu's market experience in the PRC to grow Yashili and develop a wide range of products that meet the very highest standards in the category. The transaction is expected to be finalized in the coming months.

On November 3, 2014, Danone announced that it would acquire an additional 21.75% interest in Centrale Laitière (Morocco) from SNI, investing a total of €278 million to raise its equity stake in the company to 90.86%. The operation follows a 2013 transaction that made Danone Centrale Laitière's majority shareholder.

On December 12 2014, Danone confirmed its strategic priorities and strengthened its management team following a December 11 meeting of the Board of Directors chaired by Franck Riboud. "When I was appointed in October, I shared with our 100,000 employees that there was no greater inspiration than our mission: bringing health through food to as many people as possible," said CEO Emmanuel Faber. "As 2014 draws to an end, I want to re-emphasize that message and reiterate that each of our core businesses—Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition—has a role to play in living up to our mission and achieving the profitable, sustainable growth that is an integral part of our strategy." Against this backdrop, Danone will continue to expand capacity rapidly and build development platforms in fast-growing regions, particularly in Asia and Africa. Investments made for this purpose over the past two years have resulted in a higher use of debt than in the past, at a level that could imply a credit rating one notch lower, and that is appropriate for this current period of development given the company's sound

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cash-flow outlook and debt structure. To deploy this strategy and support the “Danone 2020” ambition, Emmanuel Faber has decided to strengthen his management team, announcing the following appointments, effective January 1, 2015: Gustavo Valle, Executive Vice President Fresh Dairy Products; Pierre-André Térisse, Executive Vice President of the newly created Africa division; Cécile Cabanis, CFO; and Bertrand Austruy, General Secretary, a new function combining legal affairs, regulatory matters, compliance and food safety, as well as communications and public affairs. Gustavo Valle, Cécile Cabanis and Bertrand Austruy joined the company’s Executive Committee.

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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 15.

Information published by Danone uses the following financial indicators that are not defined by IFRS:

- like-for-like changes in net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income
- underlying fully diluted EPS or current net income – Group share, per share after dilution;
- free cash-flow;
- free cash-flow excluding exceptional items;
- net financial debt.

Given severe deterioration in consumer spending in Europe, Danone has set a target for savings and adaptation of its organization to regain its competitive edge. Starting in the first half of 2013, Danone published a free cash-flow indicator excluding cash-flows related to initiatives deployed within the framework of this plan.

Calculation of financial indicators not defined in IFRS and used by the Group is as follows:

Like-for-like changes in net sales, trading operating income, trading operating margin, current net income – Group Share (or underlying net income) and current net income – Group Share per share (or underlying net income per share) reflect the Group'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 Group for the 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 the Group'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 would not have reflected the Group's organic performance accurately. As a result, Danone 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 starting with the release of 2014 full-year results, where it is applicable only to Argentina, and where adjustment for the full year was recorded in the fourth quarter. More specifically, it led to (a) limit the inflation of price and cost of goods sold per kilo to their average level for the past three years and (b) cap trading operating margin at its prior-year level ; this methodology has been applied to each division operating in Argentina.

(€ million except %)	Previous year	Impact of changes in scope of consolidation	Impact of fluctuations in exchange rates	of which treatment of over-inflation impacts	of which other impact of fluctuations in exchange rates	**Like-for-like growth**	Year under review
Sales							
2013	20,869	+2.4%	-5.1%	-	-5.1%	**+4.8%**	21,298
2014	21,298	+0.1%	-5.5%	+0.4%	-5.9%	**+4.7%**	21,144
Trading operating margin							
2013	14.18%	- 20 bps	+2 bps	-	+2 bps	**-81 bps**	13.19%
2014	13.19%	-20 bps	-28 bps	-20 bps	-8 bps	**-12 bps**	12.59%
Net income – Group share, per share, after dilution							
2013	3.01	-0.8%	-5.0%	-	-5.0%	**-2.2%**	2.78
2014	2.78	-0.3%	-7.8%	-1.7%	-6.1%	**+2.5%**	2.62

Trading operating income is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2013-03 of the French ANC (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 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 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 Group also classifies in Other operating income and expense (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.

Underlying net income (or current net income – Group Share) 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 – Group Share is defined as non-current income and expense excluded from Net income – Group share.

(€ million except %)	2013			2014		
	Operating	Non-operating	Total	Operating	Non-operating	Total
Trading operating income	**2,809**		**2,809**	**2,662**		**2,662**
Other operating income and expense		(681)	(681)		(511)	(511)
Operating income	**2,809**	**(681)**	**2,128**	**2,662**	**(511)**	**2,151**
Cost of net debt	(193)		(193)	(179)		(179)
Other financial income and expense	(118)	48	(70)	(129)	(3)	(133)
Income before taxes	**2,498**	**(633)**	**1,865**	**2,353**	**(514)**	**1,839**
Income tax	(750)	146	(604)	(716)	117	(599)
Effective tax rate	30.0%		32.4%	30.5%		32.6%
Net income from fully consolidated companies	**1,748**	**(487)**	**1,261**	**1,637**	**(397)**	**1,239**
Share of profit of associates	50	239	289	66	(52)	14
Net income	**1,798**	**(248)**	**1,550**	**1,703**	**(450)**	**1,253**
Attributable to the Group	1,636	(214)	1,422	1,561	(442)	1,119
Minority interests	162	(34)	128	142	(7)	134

Underlying fully diluted EPS (or current net income – Group Share, per share after dilution) is defined as the underlying net income over diluted number of shares ratio.

(€ per share except number of shares)	2013		2014	
	Operating	Total	Operating	Total
Net income, Group share	1,636	1,422	1,561	1,119
Number of shares				
• Before dilution	587,411,533	587,411,533	594,472,798	594,472,798
• After dilution	588,469,577	588,469,577	595,536,328	595,536,328
Net income, Group share, per share				
• Before dilution	2.79	2.42	2.63	1.88
• After dilution	2.78	2.42	2.62	1.88

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 that may be taken by the Group to deploy the plan to generate savings and adapt organization in Europe.

(€ million)	2013	2014
Cash-flow from operating activities	**2,356**	**2,189**
Capital expenditure	(1,039)	(984)
Disposal of tangible assets	79	67
Transaction fees related to business combinations[1]	32	6
Earn-outs related to business combinations[2]	-	-
Free cash-flow	**1,428**	**1,277**
Cash-flows related to plan to generate savings and adapt organization in Europe[3]	121	123
Free cash-flow excluding exceptional items	**1,549**	**1,401**

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[1] Represents acquisition costs related to business combinations paid during the period
[2] Represents earn-outs related to business combinations and paid subsequently to acquisition date and over the period
[3] Net of tax

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.

(€ million)	**At December 31, 2013**	**At December 31, 2014**
Non-current financial debt[1]	7,065	6,598
Current financial debt	4,862	4,544
Short-term investments	(2,862)	(2,317)
Cash and cash equivalents	(969)	(880)
Derivatives — assets	(130)	(181)
Net debt	**7,966**	**7,764**
• Liabilities related to put options granted to non-controlling interests — non current	(477)	(349)
• Liabilities related to put options granted to non-controlling interests — current	(2,767)	(2,209)
Financial debt excluded from net financial debt	(3,244)	(2,558)
Net financial debt	**4,722**	**5,206**

[1] Includes passive derivatives instruments

Methodology

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.

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APPENDIX – Sales by division and by geographical area

€ million	2013					2014				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
BY BUSINESS LINE										
Fresh Dairy Products	2,953	3,071	2,913	2,854	11,790	2,809	2,831	2,796	2,693	11,129
Waters	887	1,104	1,089	823	3,903	895	1,179	1,169	944	4,186
Early Life Nutrition	1,177	1,206	924	956	4,263	1,029	1,042	1,084	1,241	4,397
Medical Nutrition	322	339	333	348	1,342	328	354	366	384	1,432
BY GEOGRAPHICAL AREA										
Europe excl. CIS	2,005	2,155	2,068	1,969	8,197	2,054	2,208	2,156	2,105	8,522
CIS & North America[2]	1,163	1,197	1,183	1,170	4,713	1,154	1,176	1,153	1,042	4,525
ALMA[3]	2,170	2,368	2,008	1,842	8,388	1,854	2,022	2,107	2,114	8,097
Group	**5,338**	**5,720**	**5,259**	**4,981**	**21,298**	**5,061**	**5,406**	**5,415**	**5,261**	**21,144**

	Reported change in 2014					**Like-for-like change[1] change in 2014**				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
BY BUSINESS LINE										
Fresh Dairy Products	-4.8%	-7.8%	-4.0%	-5.7%	-5.6%	3.9%	2.4%	0.7%	-1.0%	1.5%
Waters	0.9%	6.8%	7.3%	14.6%	7.3%	8.9%	13.1%	11.8%	12.3%	11.6%
Early Life Nutrition	-12.6%	-13.6%	17.3%	29.9%	3.1%	-7.7%	-9.2%	19.2%	28.1%	6.1%
Medical Nutrition	1.8%	4.4%	10.1%	10.3%	6.7%	5.2%	7.3%	10.1%	8.7%	7.9%
BY GEOGRAPHICAL AREA										
Europe excl. CIS	2.4%	2.5%	4.2%	6.9%	4.0%	0.5%	0.1%	2.8%	4.8%	2.0%
CIS & North America[2]	-0.8%	-1.8%	-2.6%	-10.9%	-4.0%	7.8%	7.0%	3.3%	2.0%	5.0%
ALMA[3]	-14.6%	-14.6%	4.9%	14.7%	-3.5%	0.5%	2.0%	13.5%	14.0%	7.4%
Group	**-5.2%**	**-5.5%**	**3.0%**	**5.6%**	**-0.7%**	**2.2%**	**2.3%**	**6.9%**	**7.5%**	**4.7%**

[1] Like-for-like : see pages 12 to 15 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
[3] ALMA = Asia-Pacific / Latin America / Middle-East / Africa

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