



DANONE

H1 2014 Results

July 25, 2014



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 (which is available on www.danone.com). Danone undertakes no obligation 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.

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

H1 2014 Highlights



H1 2014 HIGHLIGHTS



H1 2014	
Sales growth ⁽¹⁾	+2.2%
Trading operating margin ⁽¹⁾	11.27% -159 bps
Free cash-flow excluding exceptional items ⁽²⁾	€ 286 mln

(1) Like-for-like : Based on constant scope of consolidation, constant exchange rates and accounting principles

(2) Free cash-flow excluding exceptional items : cash-flows provided or used by operating activities less capital expenditure net of disposals, excluding acquisition costs related to business combinations and earn-outs related to business combinations and paid subsequently to acquisition date and before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe

H1 2014 KEY ACHIEVEMENTS



OVERCOME MILK INFLATION



Q1 margin under pressure as a result of record milk prices

Pricing, mix & cost management
→ Q2 bounce back

Milk prices now stabilized / down

INNOVATION & MIX IN KEY MARKETS



EUROPE: Danio and evian La Goutte, Looney Drinks

NORAM/CIS: Tëma Biolact, Creamery & Oikos Frozen

ALMA: Nutrilon & Dumex International, VIT Levité

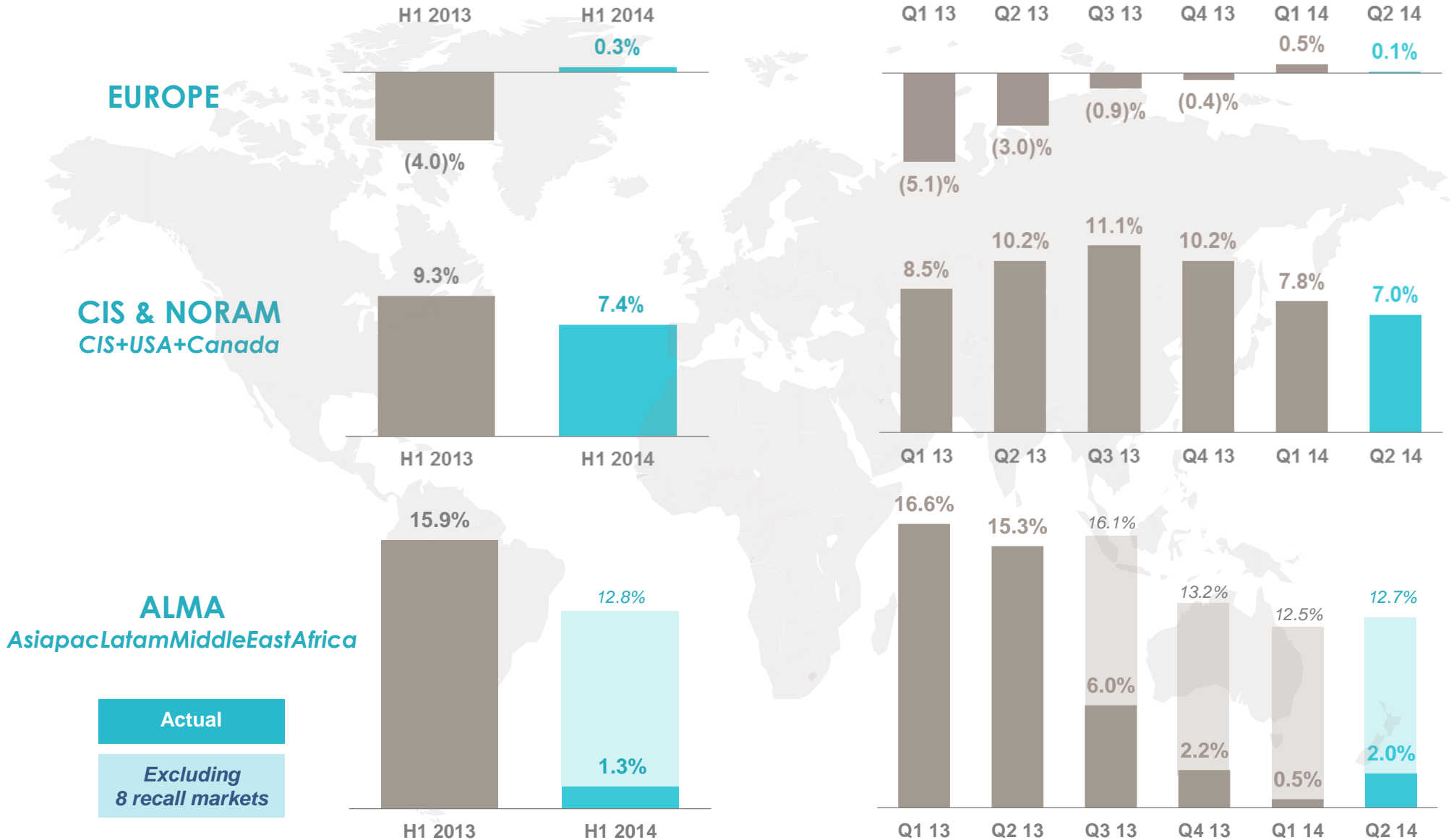
STRENGTHEN OUR STRATEGIC PLATFORMS



Closing of COFCO Mengniu partnership:
Increased stake & Fresh Dairy JV

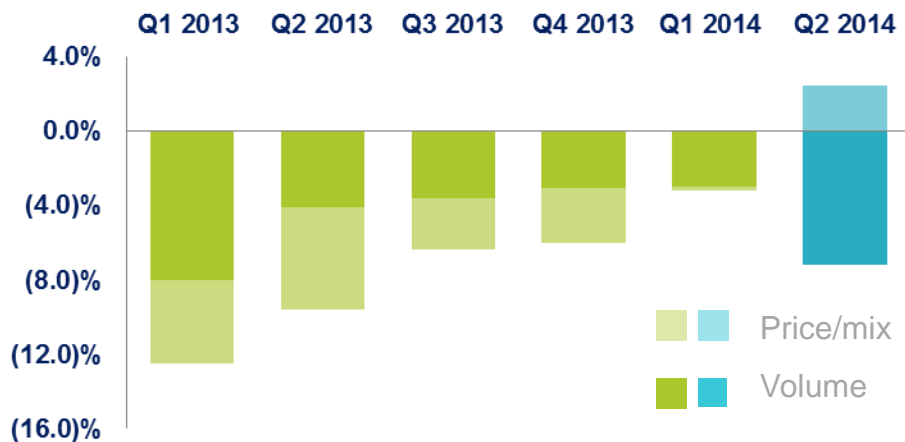
Strengthening Africa:
40% stake in Brookside (East Africa)

GEOGRAPHICAL DYNAMICS

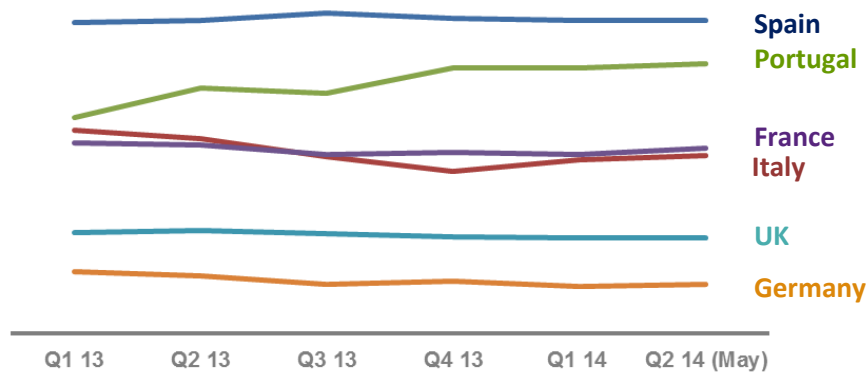


DAIRY EUROPE: RECOVERY IN PROGRESS TO RESTORE CONDITIONS FOR PROFITABLE GROWTH

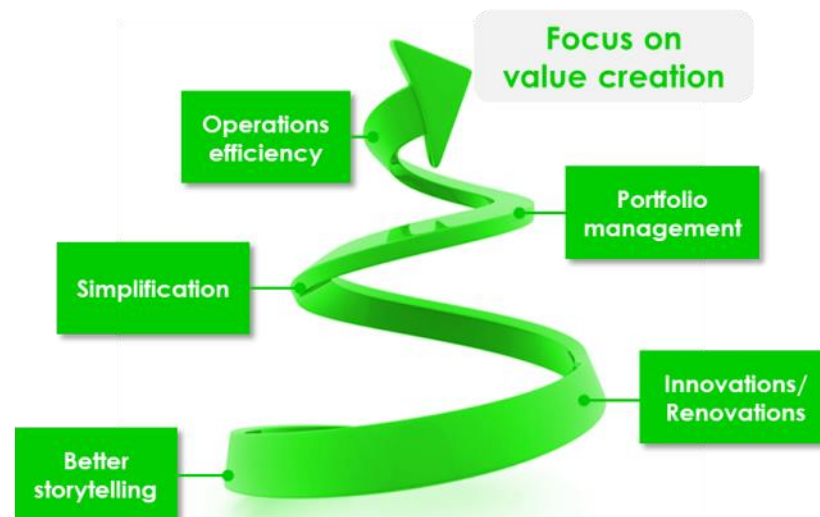
BREAKDOWN VOLUME/VALUE GROWTH (%)



VALUE MARKET SHARE EVOLUTION

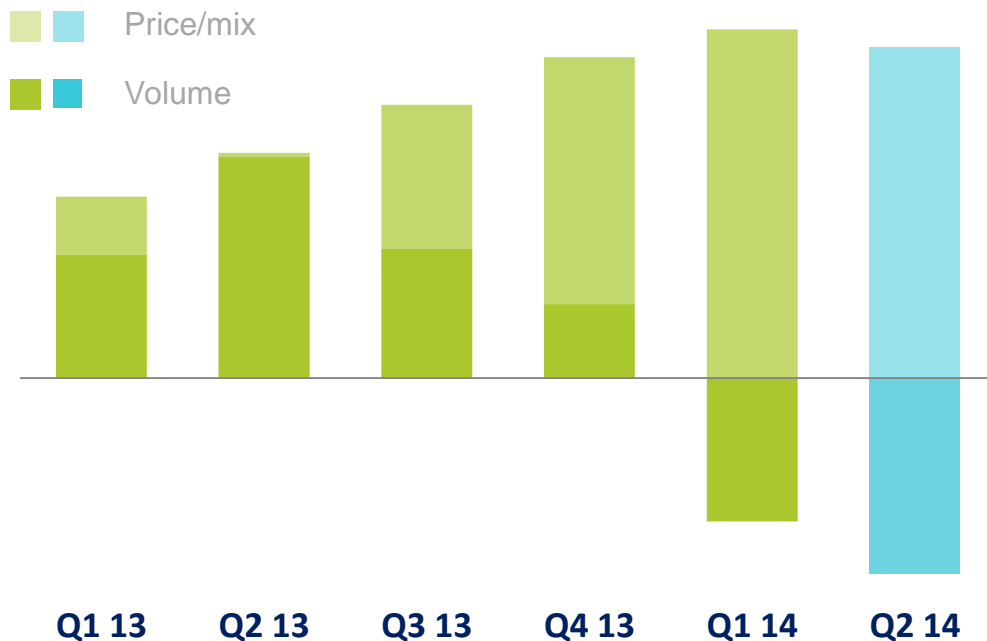


RE-INVENT EUROPE TO CREATE POSITIVE DRIVERS



CIS: KEEP STRENGTHENING THE PORTFOLIO

CIS PERFORMANCE



RUSSIAN SALES BREAKDOWN



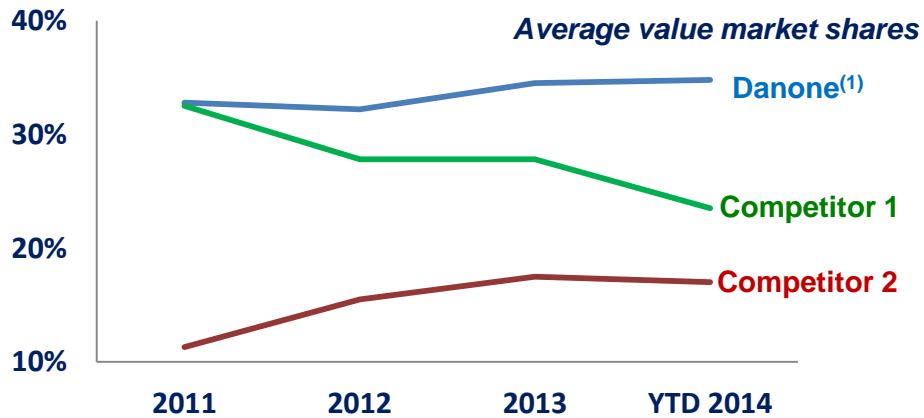
DECISION TO ADAPT COST STRUCTURE



NORAM: PUSHING THE CATEGORY GROWTH AGENDA THROUGH INNOVATIONS



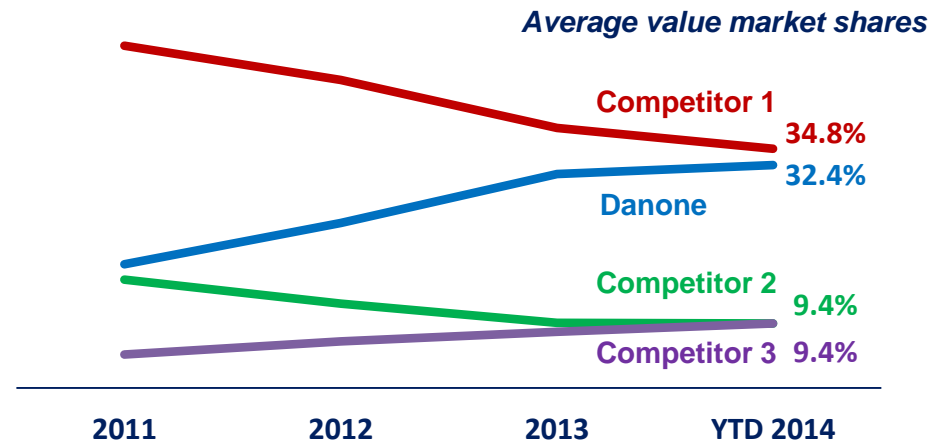
LEADING THE YOGURT CATEGORY



⁽¹⁾ Danone : including Stonyfield and YoCrunch

Source : IRI Multi Outlet

CO-LEADING THE GREEK YOGURT SEGMENT



Source : IRI Multi Outlet

RECENT INNOVATIONS



ALMA: GROW AND DEVELOP SOLID PLATFORMS



ALMA AREA PERFORMANCE



Medical Nutrition
YTD 2014 growth: >10%



Aquadrinks
YTD 2014 growth: >25%



ELN excluding 8 recall markets
YTD 2014 growth: >15%



Fresh Dairy Products
YTD 2014 growth: high single digit



ALMA: ENHANCE THE DANONE PLATFORM IN AFRICA



- ACCELERATE THE GROWTH OF DANONE'S PORTFOLIO
- EXPAND DANONE'S GEOGRAPHICAL FOOTPRINT



DANONE ACQUIRES A 40% INTEREST IN BROOKSIDE

East Africa's leading Dairy Products company

2013 revenues of around €130 million

Region's largest milk collection network (140,000 farmers)

Unique distribution platform serving the entire country



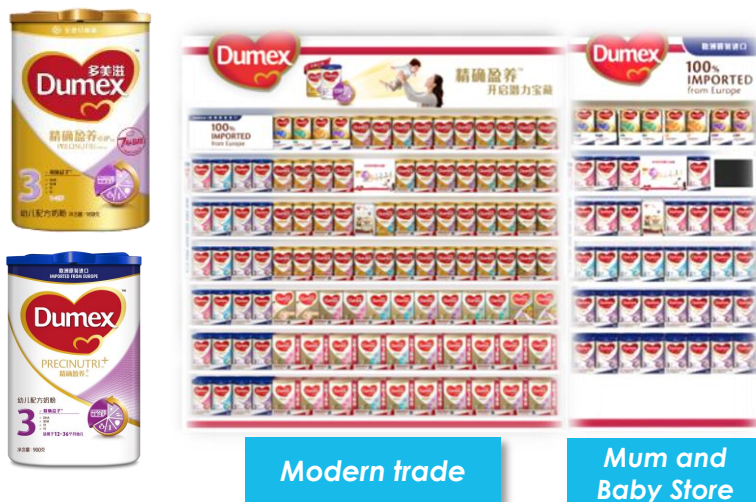
CHINA: KEEP TURNING ELN ENGINE BACK TO FULL SPEED

STRONG ACTIVATION CAMPAIGNS

Blue house exclusive launch at Walmart



Merchandising of Dumex Precinutri International



SUSTAINABILITY ENABLERS

Build category recognition

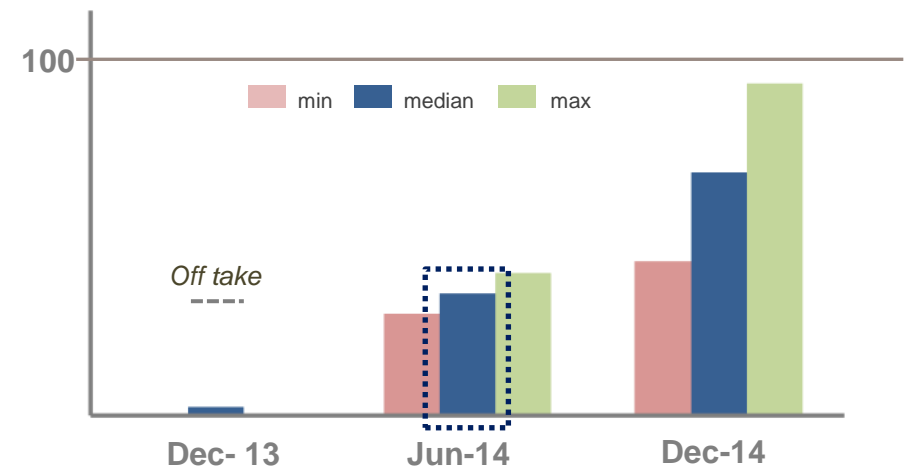
Master geographies and channels

Be the closest to mums

Efficient investment model to secure profitability

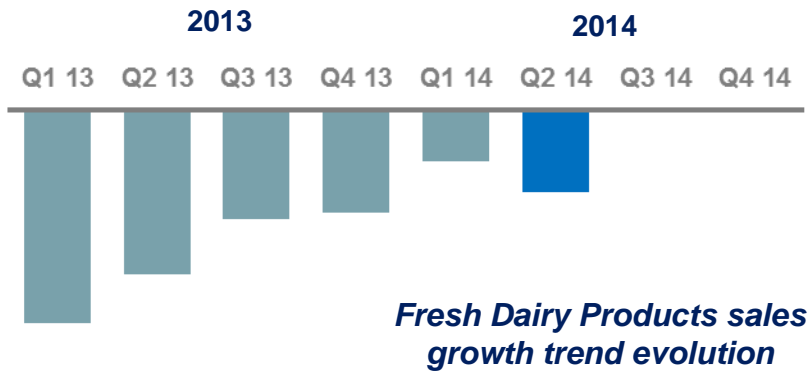
Secure global supply chain

ESTIMATED SALES RECOVERY PATH



H2 2014 AGENDA - DELIVER ON 2014 KEY PRIORITIES

TURNING AROUND EUROPE



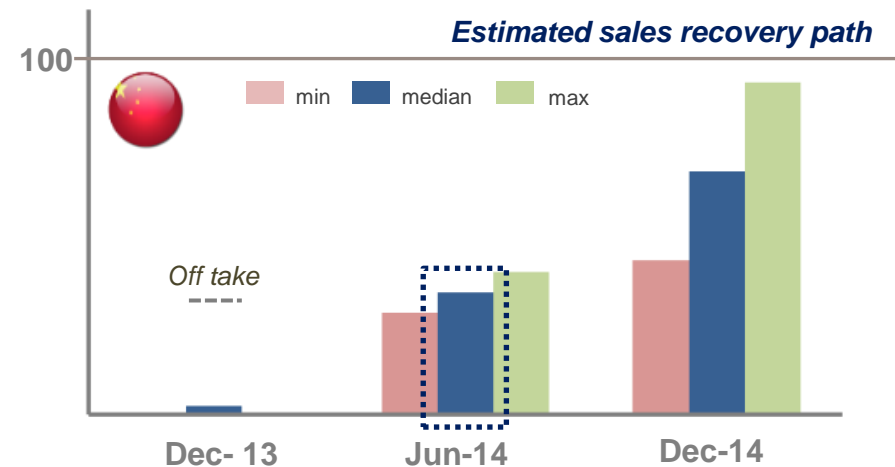
GROW AND NAVIGATE IN ALMA



KEEP WINNING CIS & NORAM



TURN ELN ENGINE BACK TO FULL SPEED



H1 2014 Results



H1 2014 - KEY FIGURES



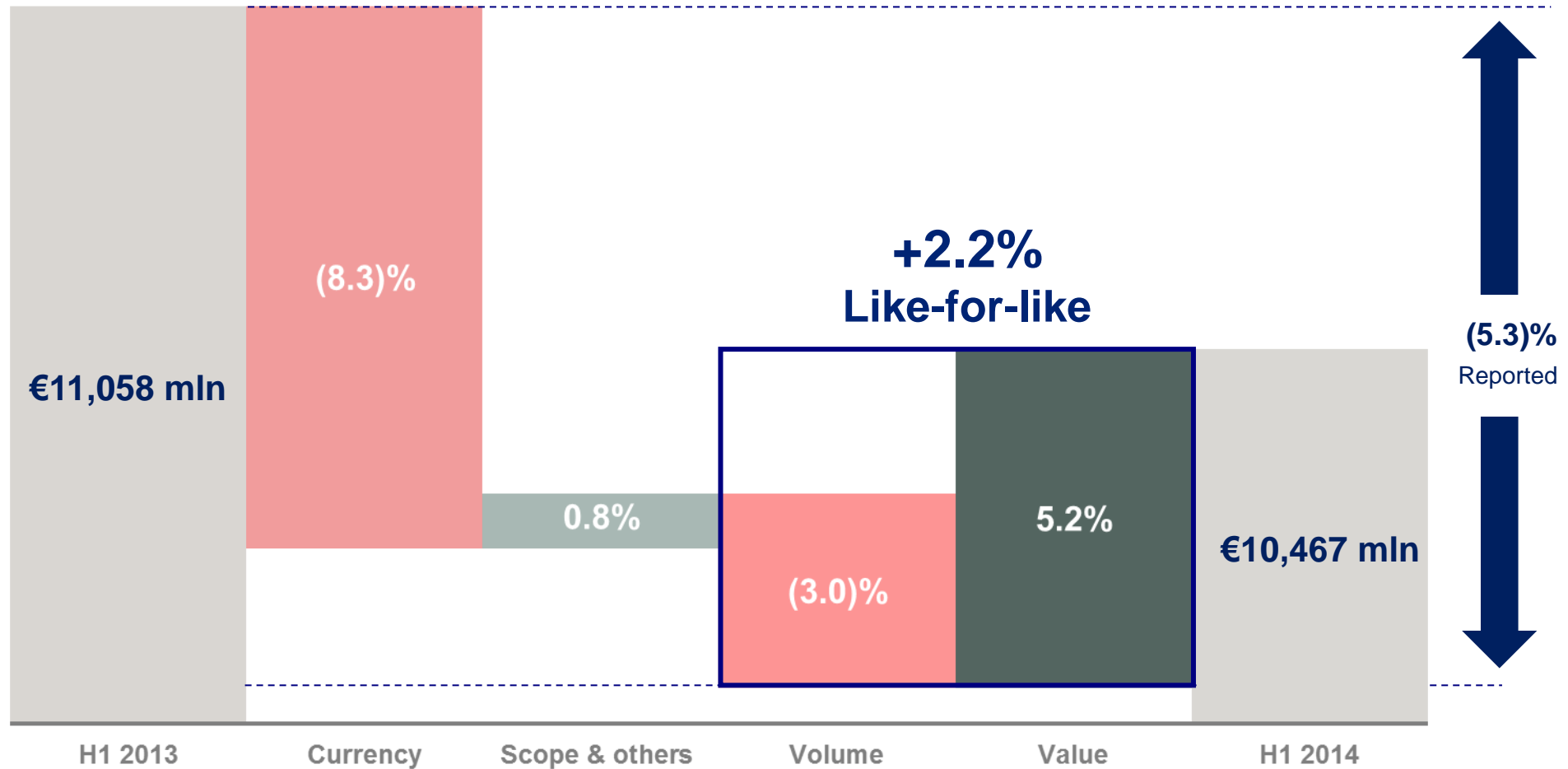
Sales	€10,467 mln	+2.2% like-for-like ⁽¹⁾ -5.3% reported
Trading operating income	€1,180 mln	-10.0% like-for-like ⁽¹⁾ -20.0% reported
Trading operating margin	11.27%	-159 bps like-for-like ⁽¹⁾ -207 bps reported
Underlying net income	€683 mln	-11.5% like-for-like ^{(1) (2)} -21.9% reported
Underlying EPS (fully diluted)	€ 1.16	-11.1% like-for-like ⁽¹⁾ -21.5% reported
Free cash-flow excluding exceptional items ⁽³⁾	€286 mln	-59.9% reported

⁽¹⁾ Like-for-like : Based on constant scope of consolidation and constant exchange rates

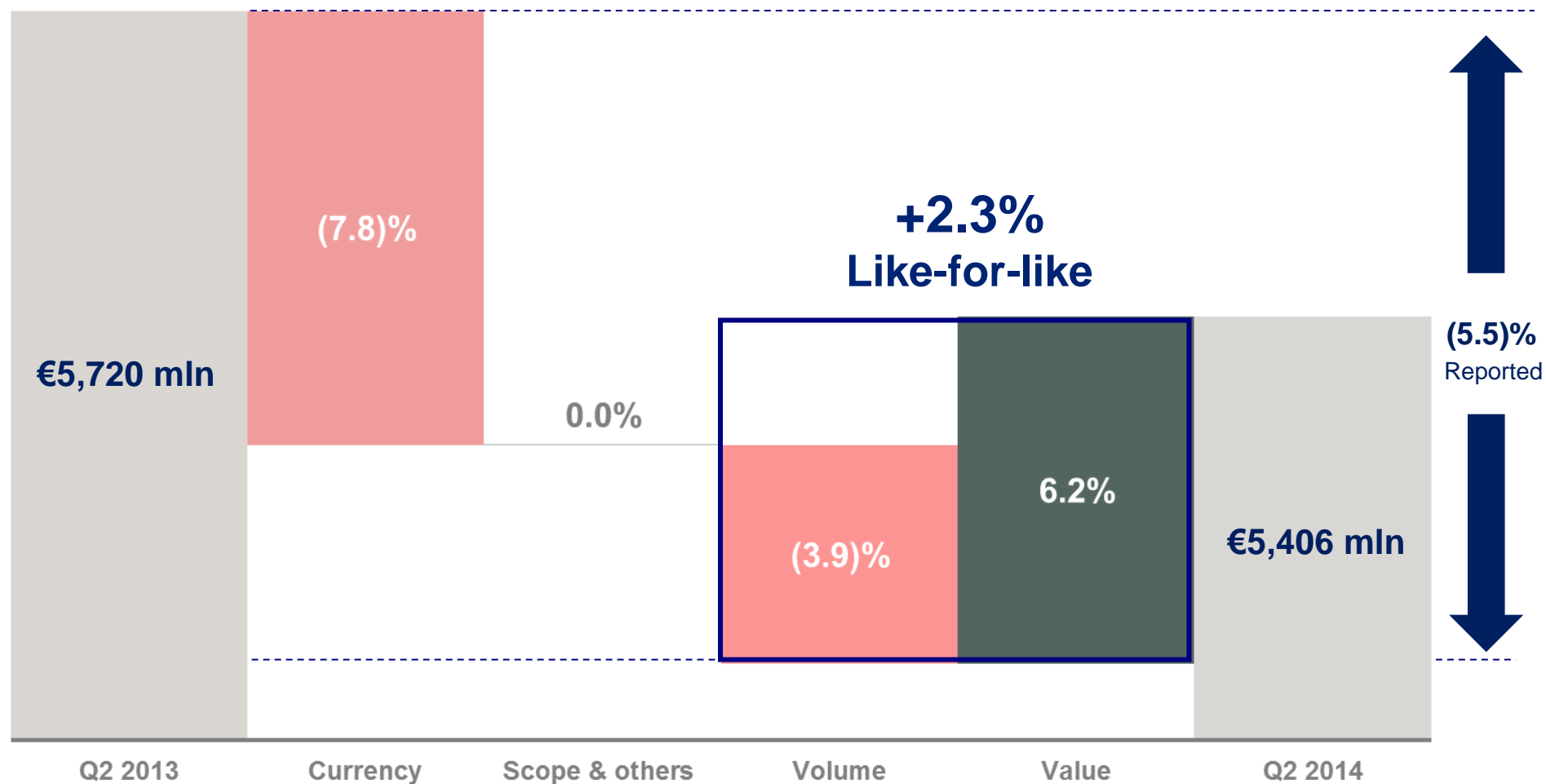
⁽²⁾ Excluding non-current

⁽³⁾ Free cash-flow excluding exceptional items : cash flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations and before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe

H1 2014 - SALES GROWTH ANALYSIS



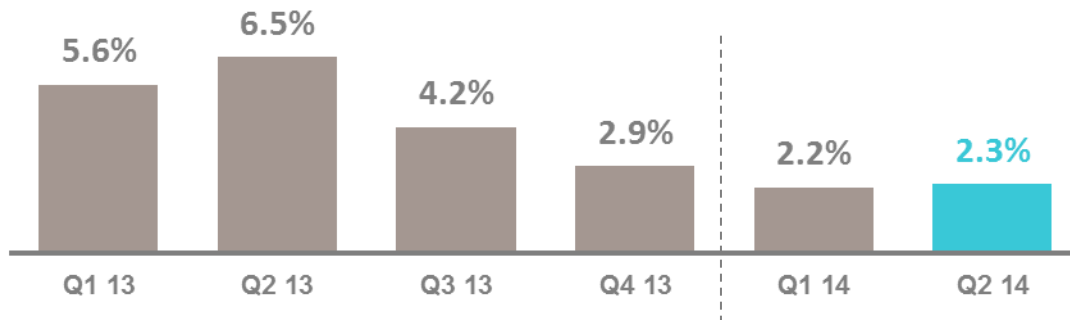
Q2 2014 - SALES GROWTH ANALYSIS



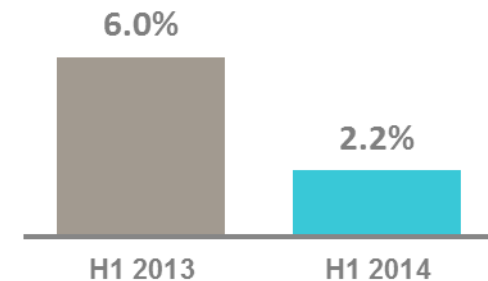
TOTAL GROUP – SOLID UNDERLYING TRENDS ON HIGH COMPS



Like-for-like sales growth per quarter



Like-for-like sales growth per semester



- * Strong impact of the Fonterra false alert
- * Underlying topline remains solid

A young child with curly brown hair is eating from a white yogurt container. The child is looking upwards and to the right with a curious expression. A white text box is overlaid on the left side of the image, containing the text 'Sales performance by Division'. There are three small white star-like icons in the upper left corner of the image.

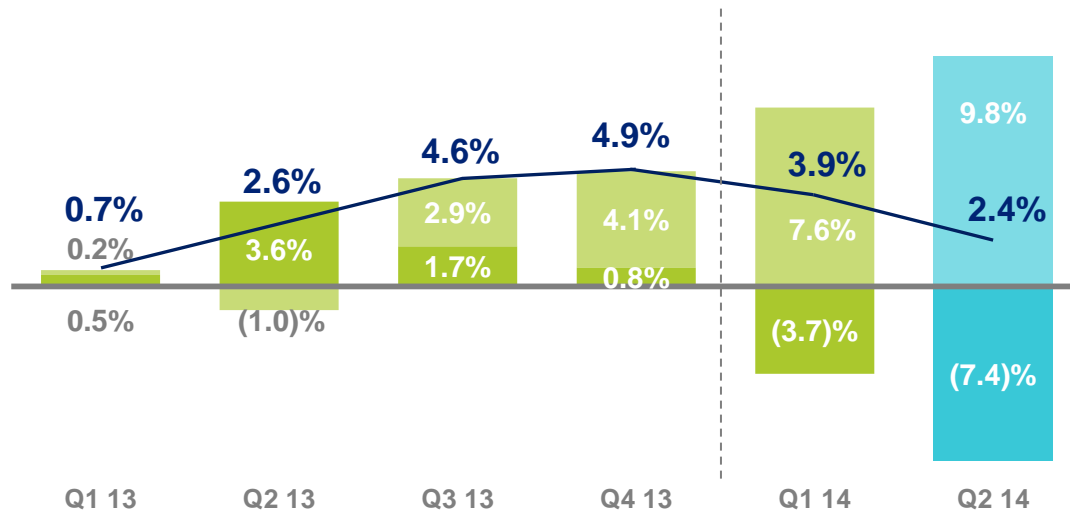
Sales performance by Division

FRESH DAIRY PRODUCTS - VALUE DRIVEN GROWTH

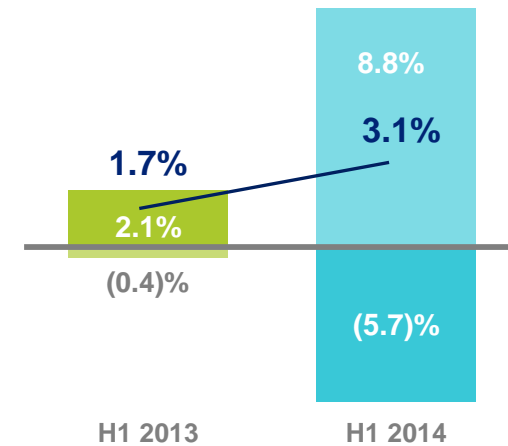


Price/mix
Volume

Like-for-like sales growth per quarter



Like-for-like sales growth per semester



- * Price/volume rebalancing to handle with milk inflation
- * Innovation driving mix up

FRESH DAIRY PRODUCTS - SELECTED INNOVATIONS Q2



**Tëma Biolact
Russia**



**Danet Drink
Spain**



**Mleczny start yogurt
Poland**



**Oikos Greek Frozen Yogurt & Creamery
United States**



**Danoninho Camadinha
Brazil**



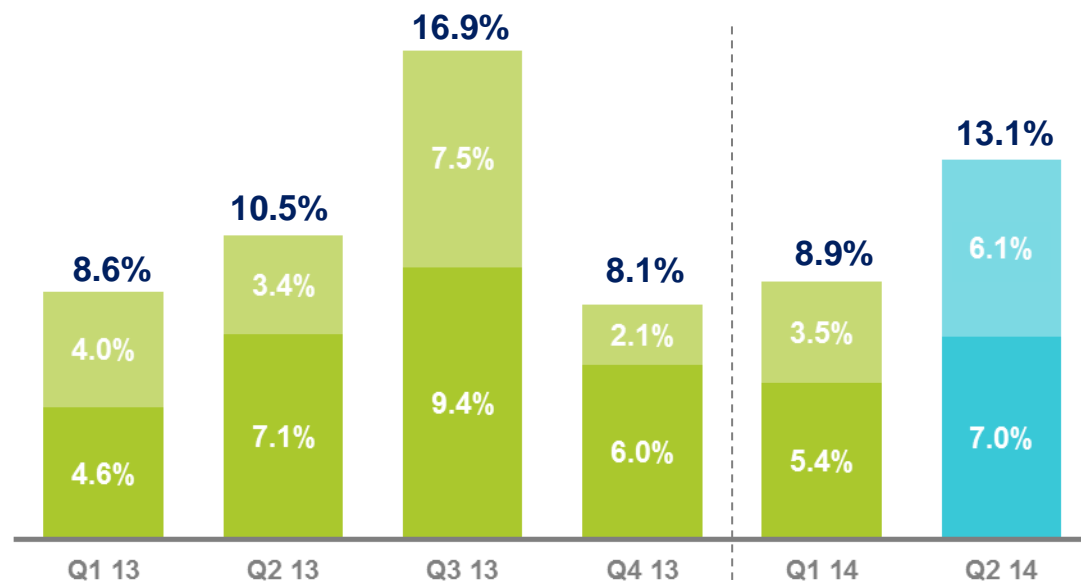
**Danone para Beber - Looney
Tunes / Spain**

WATERS - SUSTAINED STRONG GROWTH

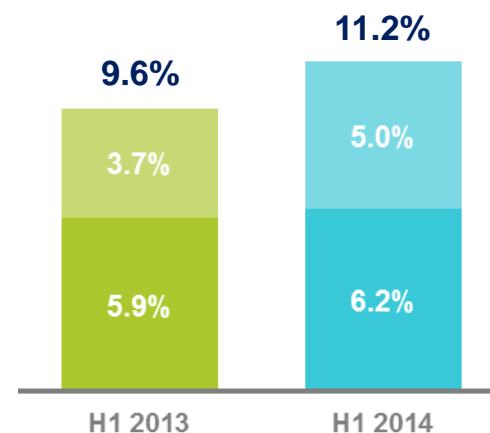


Price/mix
Volume

Like-for-like sales growth per quarter



Like-for-like sales growth per semester



- * Solid volume growth in all regions
- * Balanced growth with positive mix driven by Aquadrinks

WATERS - SELECTED INNOVATIONS Q2



**Salus Y!
Uruguay**



**Mizone Icy Cucumber & Lime
China**



**Bonafont Kids Copa
Brazil**



**Bonafont Levité 1L
Mexico**



**evian Essence bottle roll-out
France**

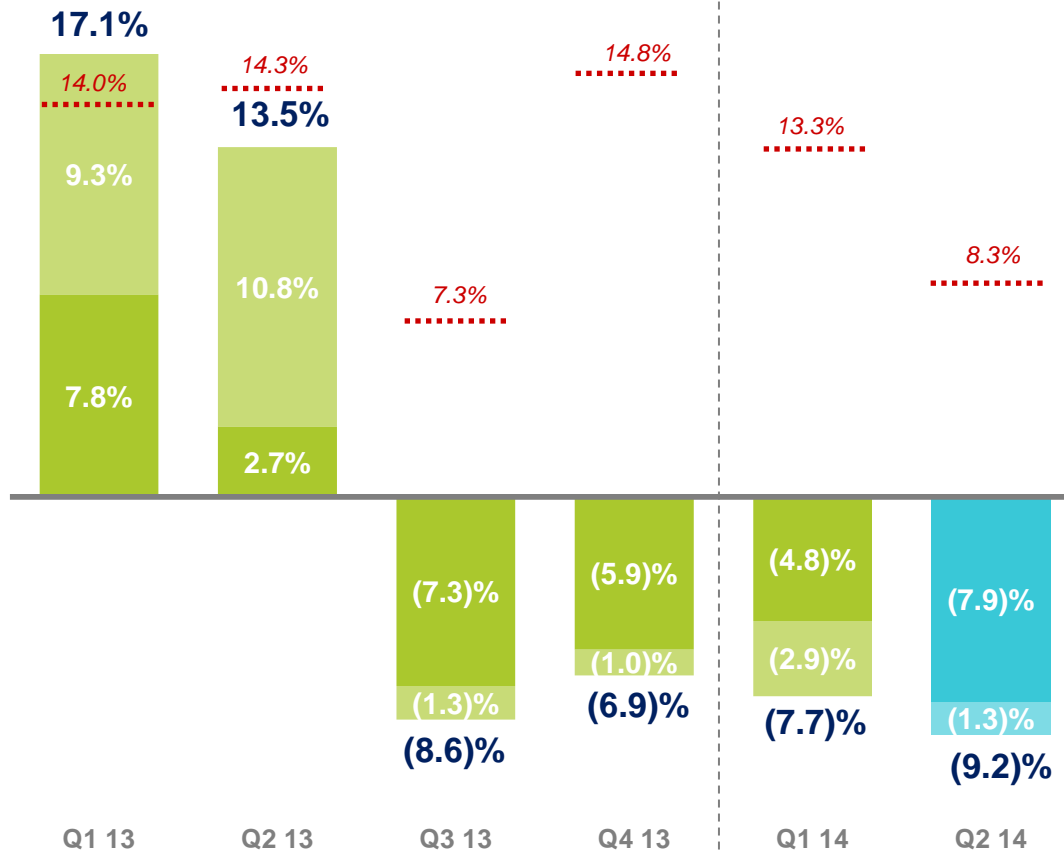


**evian La Goutte
France**

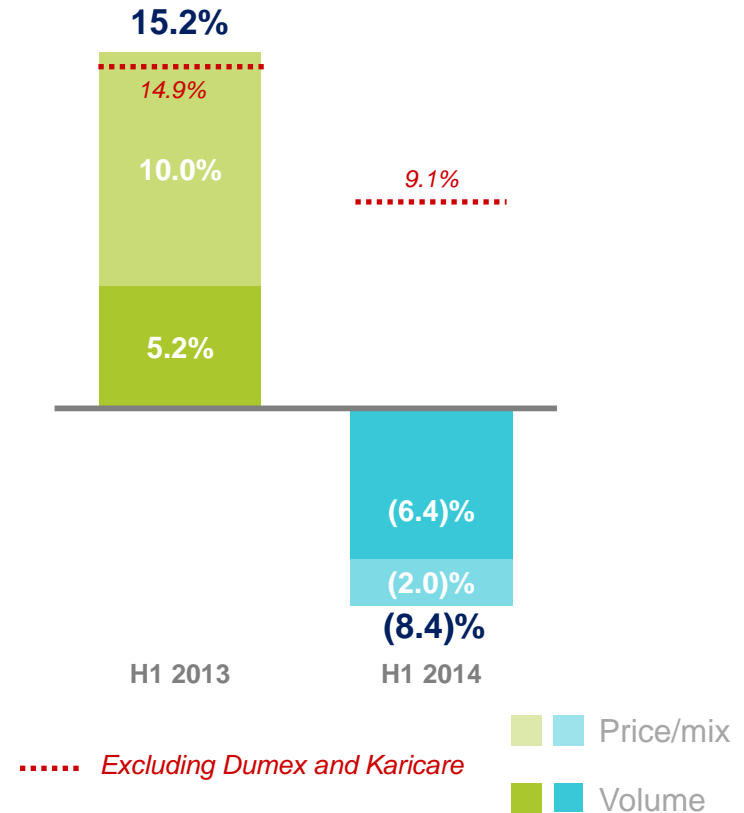
EARLY LIFE NUTRITION - SOLID UNDERLYING GROWTH



Like-for-like sales growth per quarter



Like-for-like sales growth per semester



- * Asia recovery initiatives in line with objectives
- * Solid dynamics in the Rest of the World

EARLY LIFE NUTRITION - SELECTED INNOVATIONS Q2



**Dumex PreciNutri International
China**



**Milupino & Aptamil Tetra
Germany & Austria**



**Jumbo pack Blédilait croissance
France**



**Olvarit Friends – Meal pouches
The Netherlands**

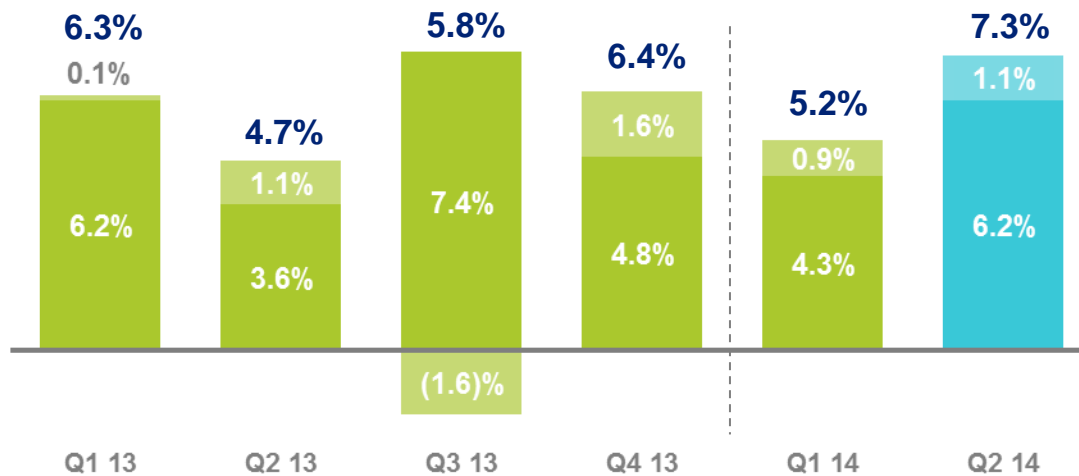


**Nutrilon Mama Fruit pouch
China**

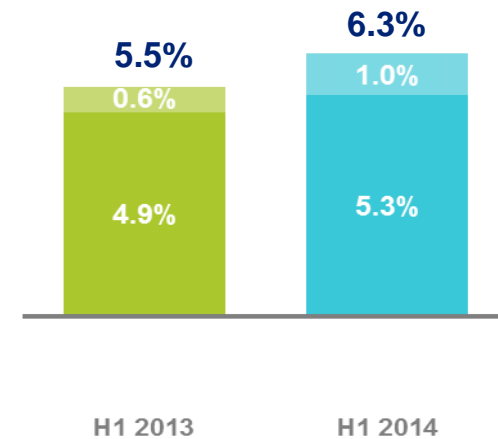
MEDICAL NUTRITION - SUSTAINED GROWTH



Like-for-like sales growth per quarter



Like-for-like sales growth per semester



- * Solid performance driven by volume growth
- * Growth across all categories

Price/mix
Volume

MEDICAL NUTRITION - SELECTED INNOVATIONS Q2



Nutilis Chocolate
United Kingdom



Infatrini Powder
Middle East region & Brazil



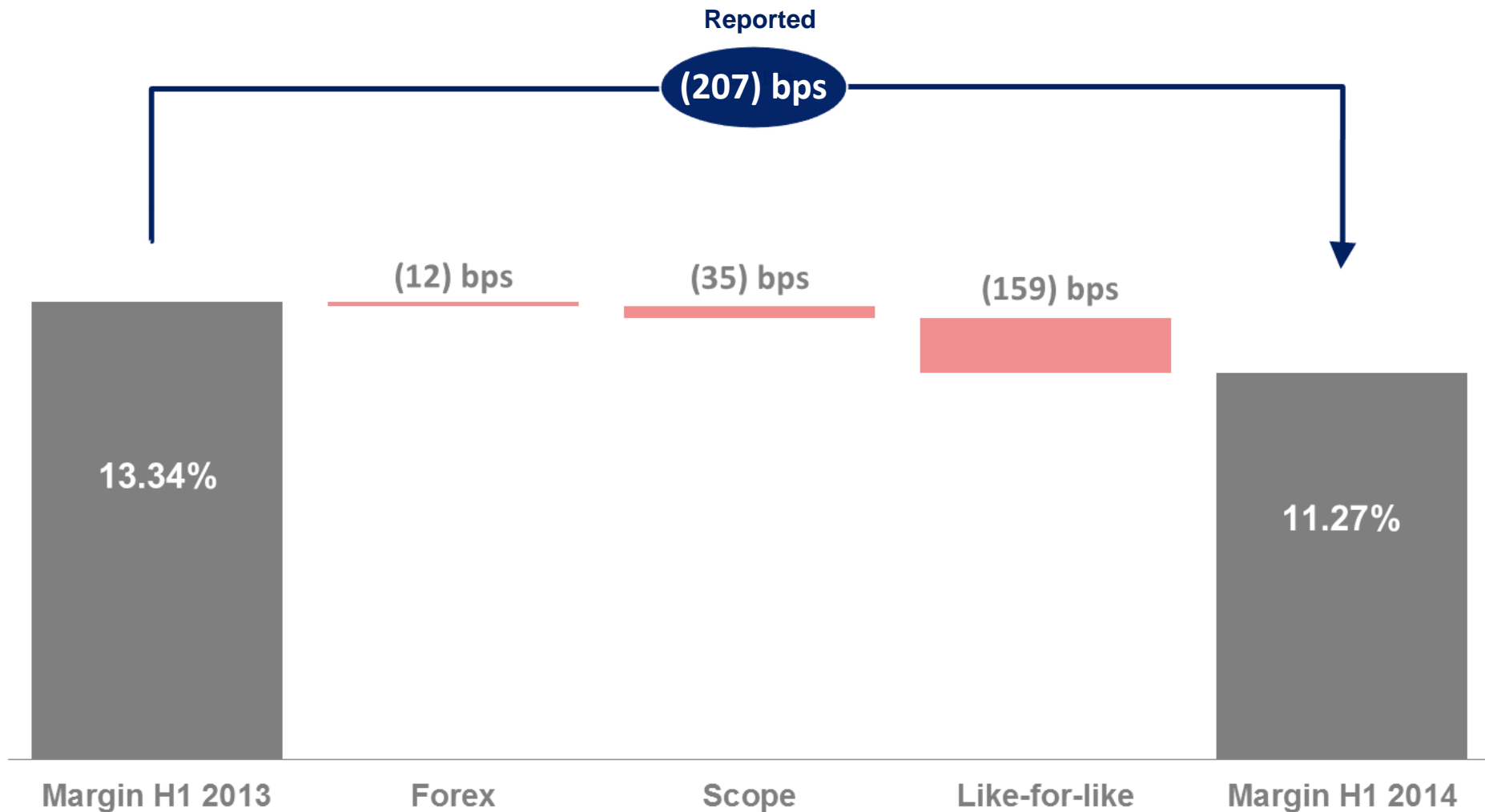
Roll-out of Souvenaid
Poland, Sweden, Finland & Switzerland

TRADING OPERATING INCOME AND MARGIN

€ mln	H1 2013	H1 2014
Trading operating income	1,475	1,180
Other operating items	(291)	(96) ⁽¹⁾
Operating income	1,184	1,084
Trading operating margin	13.34%	11.27%

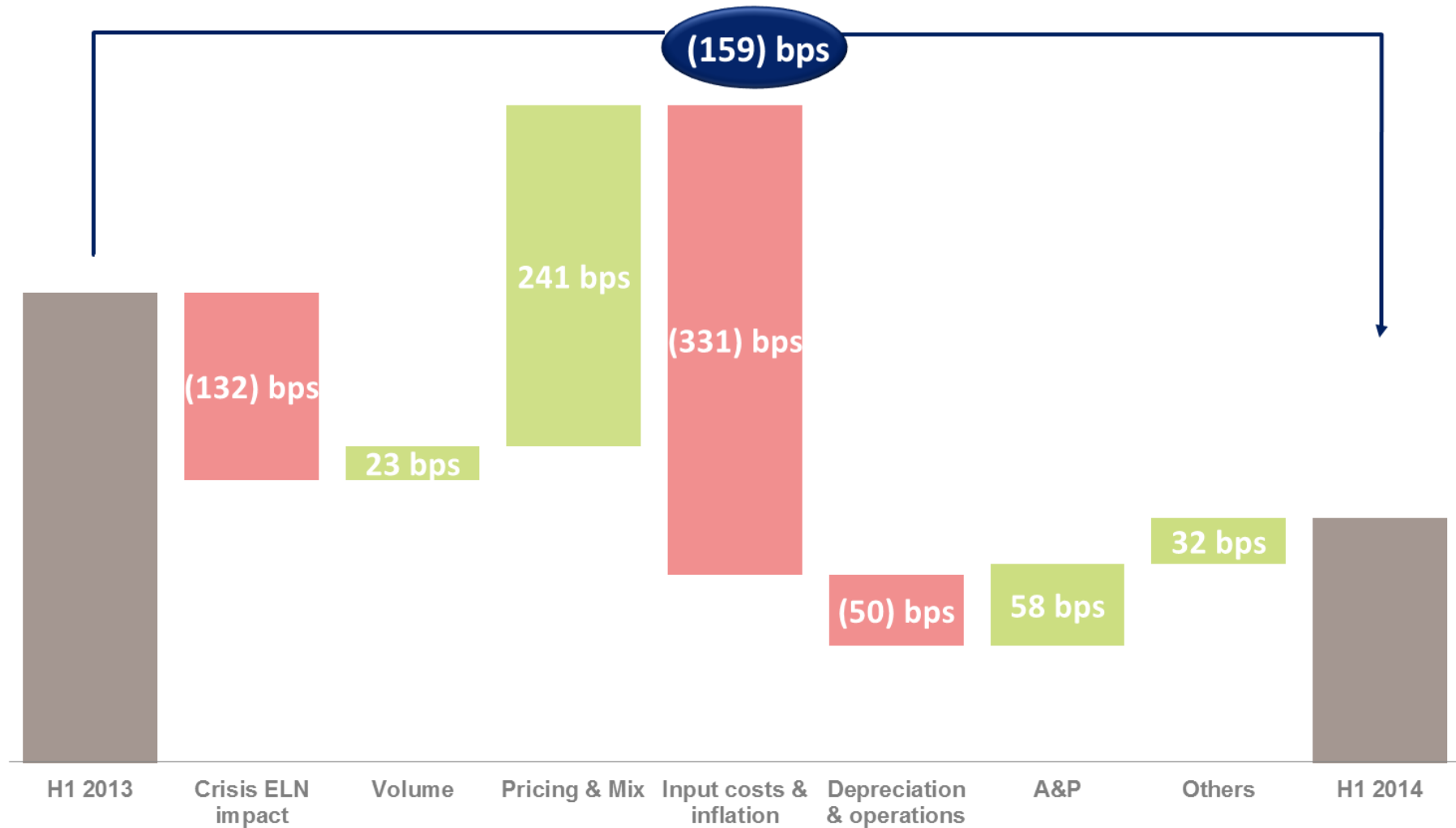
⁽¹⁾ Other operating items mainly include costs related to the European plan for savings and adaptation

H1 2014 - MARGIN DEVELOPMENT



H1 2014 - MARGIN DEVELOPMENT

LIKE-FOR-LIKE MARGIN BRIDGE



DANONE FARMGATE PRICE (€/TON)



TRADING OPERATING MARGIN

by business lines & geographical areas



	H1 2013	H1 2014	Like-for-like change
Fresh Dairy Products	9.91%	7.81%	(168) bps
Waters	13.18%	12.50%	+38 bps
Early Life Nutrition	20.49%	17.42%	(270) bps
Medical Nutrition	19.31%	17.56%	(92) bps
Europe	14.28%	14.56%	+60 bps
CIS+Noram	9.36%	7.23%	(121) bps
ALMA	14.56%	10.09%	(401) bps
Total	13.34%	11.27%	(159) bps

FROM OPERATING INCOME TO EPS

€ mln

H1 2013
underlying

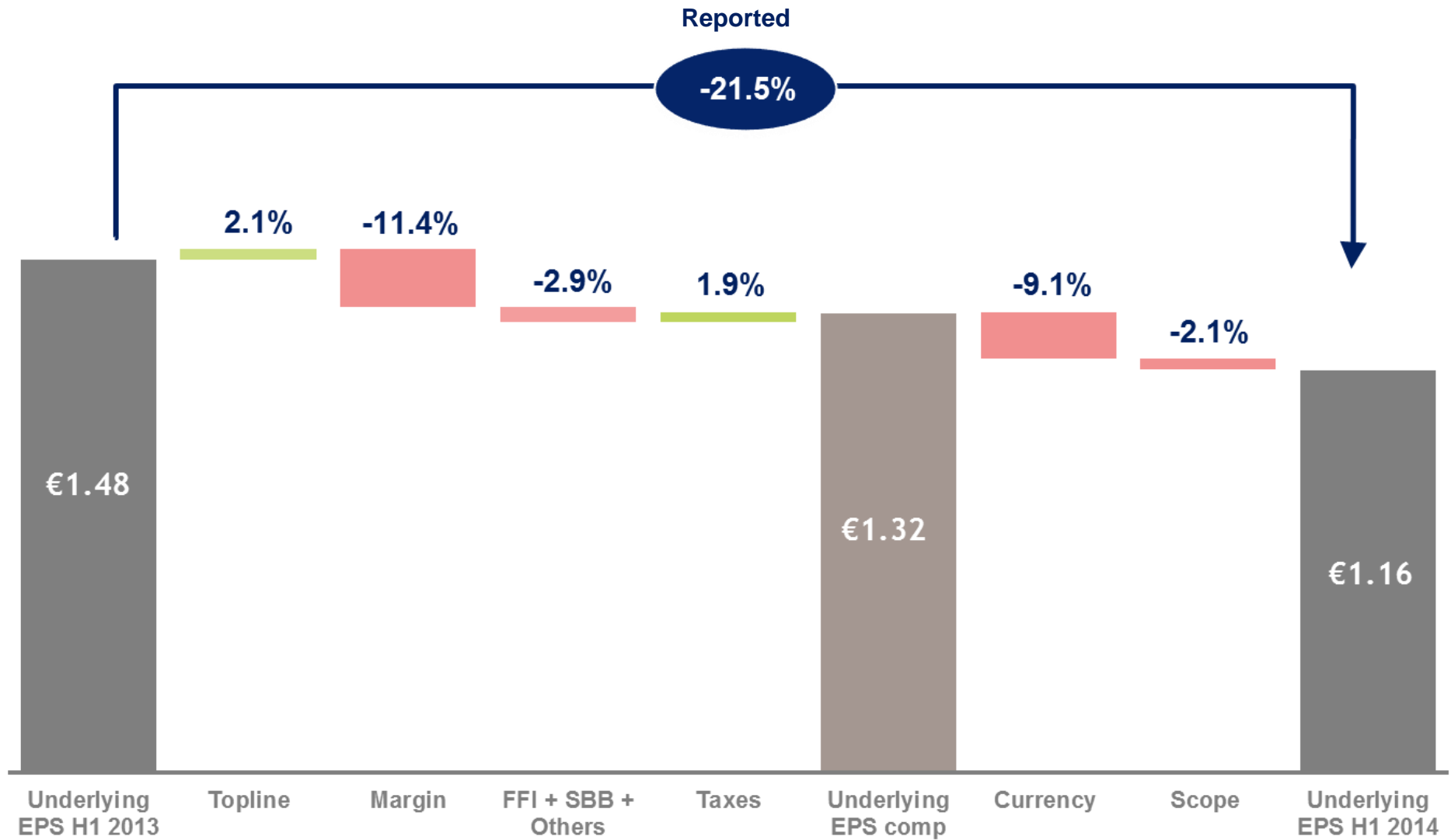
H1 2014
underlying

Non-current
items

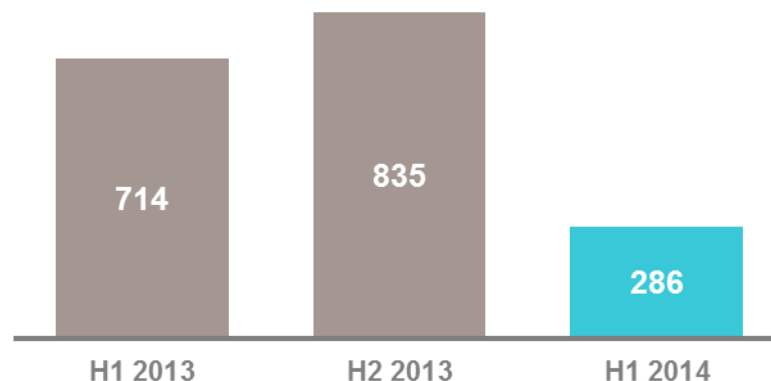
H1 2014

	H1 2013 underlying	H1 2014 underlying	Non-current items	H1 2014
Trading operating income	1,475	1,180	-	1,180
Other operating items	-	-	(96)	(96)
Operating income	1,475	1,180	(96)	1,084
Total financial expenses	(152)	(156)	(3)	(159)
Income tax	(402)	(303)	19	(284)
Net income of affiliates	38	25	1	26
Net income	959	746	(79)	666
of which non-controlling interests	86	63	(5)	59
Net income - Group share	873	683	(75)	608
Fully diluted number of shares mln	592	589		
Fully diluted underlying EPS €	€ 1.48	€ 1.16		

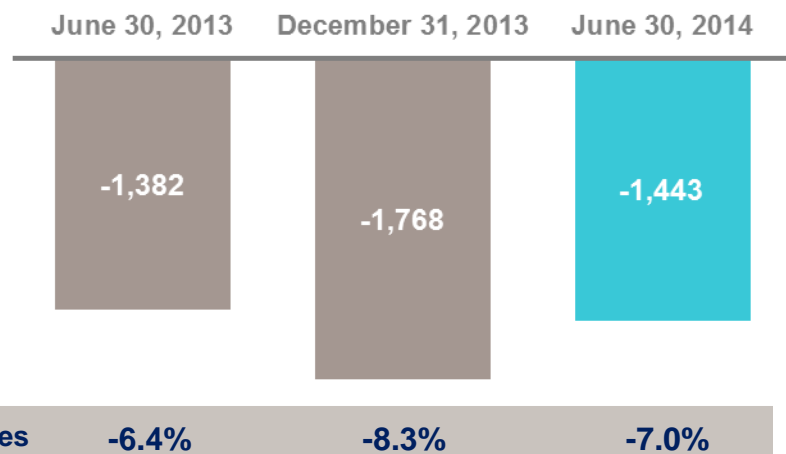
H1 2014 - ANALYSIS OF UNDERLYING FULLY DILUTED EPS GROWTH



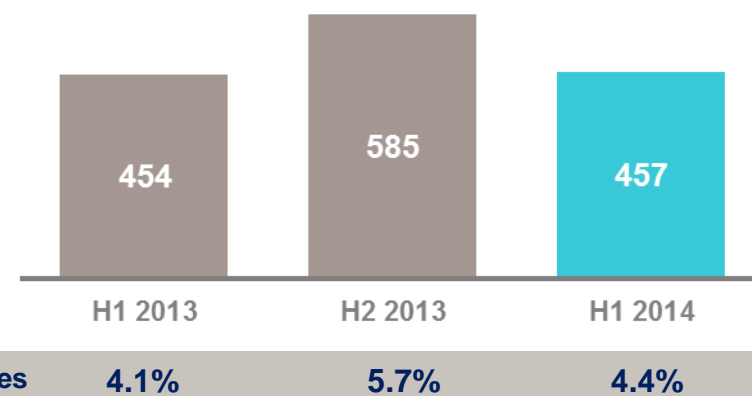
FREE CASH-FLOW EXCLUDING EXCEPTIONAL ITEMS (€ MLN)



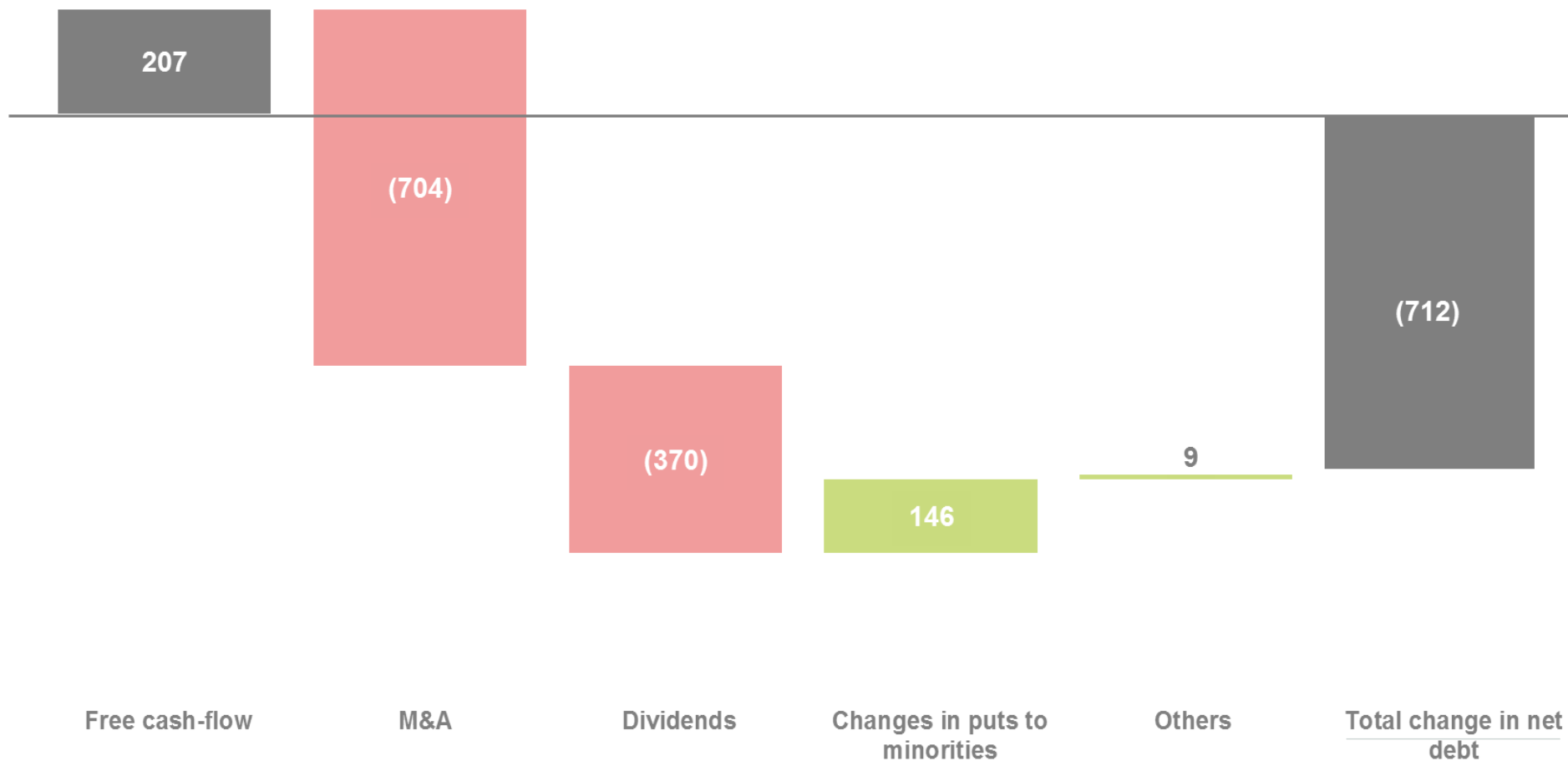
WORKING CAPITAL (€ MLN)



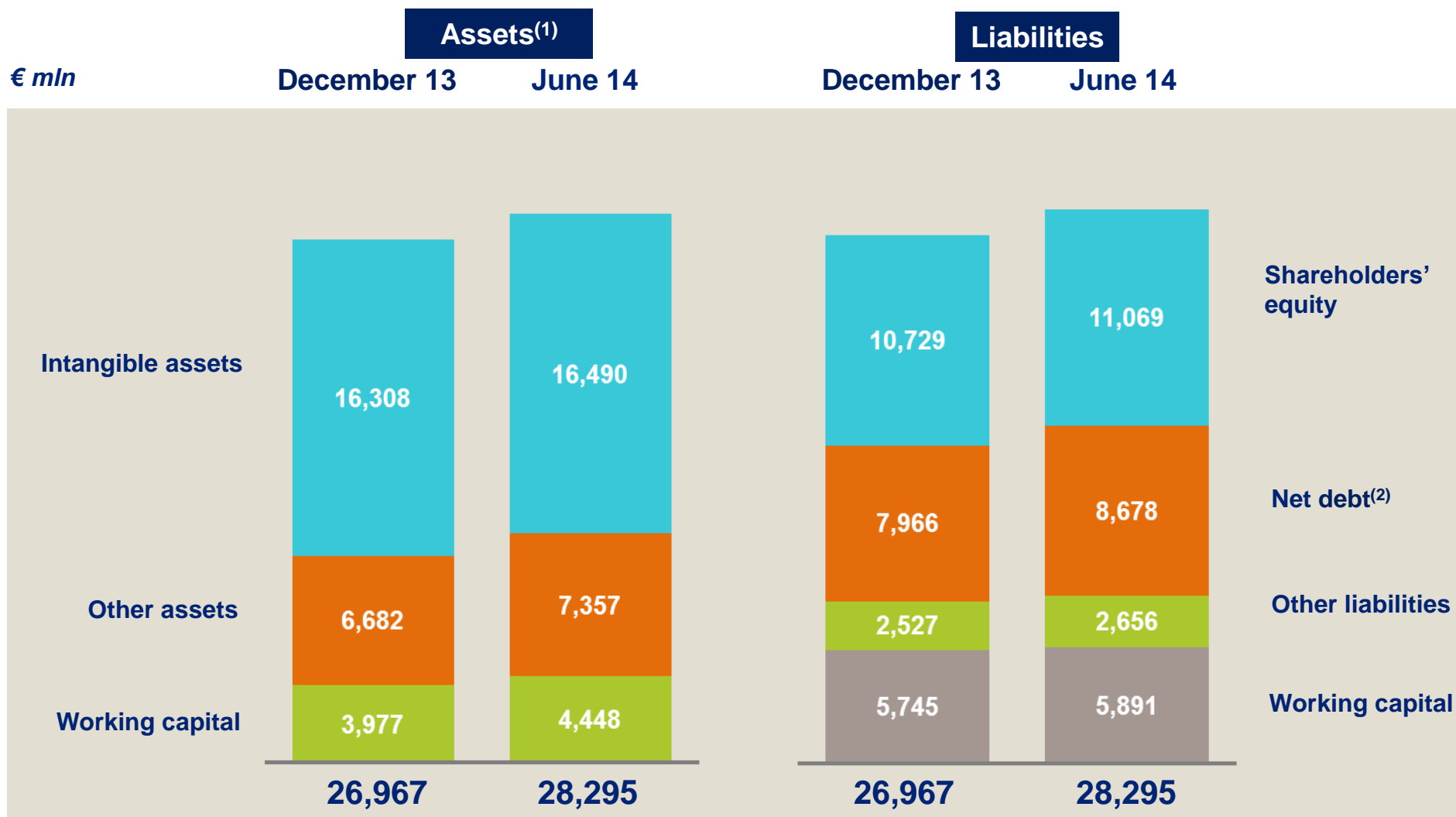
CAPITAL EXPENDITURES (€ MLN)



H1 2014 - FCF TO NET DEBT CHANGE



SYNTHETIC 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

2014 OUTLOOK



2014 objectives

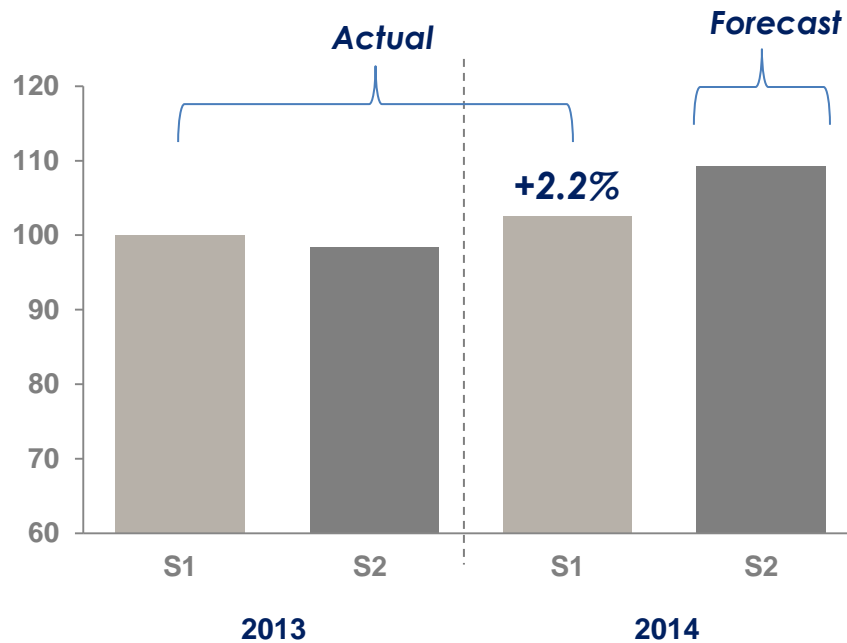
Sales growth ⁽¹⁾	+4.5% to +5.5%
Trading operating margin ⁽¹⁾	Stable ± 20 bps
Free cash-flow excluding exceptional items ⁽²⁾	around €1.5 bn

(1) Like-for-like : Based on constant scope of consolidation, constant exchange rates and accounting principles

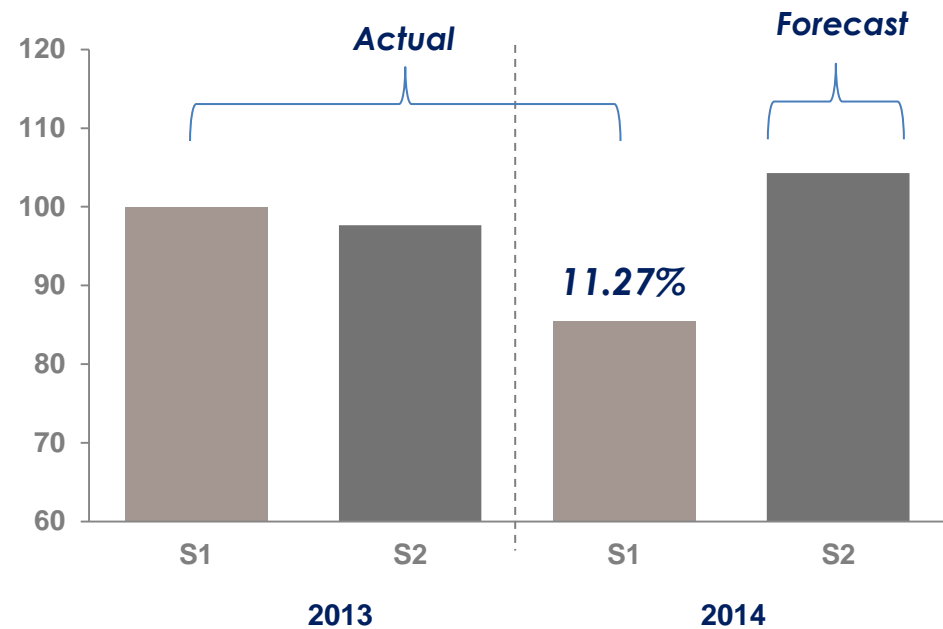
(2) Free cash-flow excluding exceptional items : cash-flows provided or used by operating activities less capital expenditure net of disposals, excluding acquisition costs related to business combinations and earn-outs related to business combinations and paid subsequently to acquisition date and before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe

2014 - AN UNBALANCED YEAR

TOPLINE



MARGIN



- * Negative effect of the 2013 comparison base and carryover of the Fonterra crisis
- * Strong rebound expected in H2 2014

DELIVER ON 2014 PRIORITIES

BRING DANONE BACK TO THE AGENDA OF A ...

TURNING AROUND EUROPE



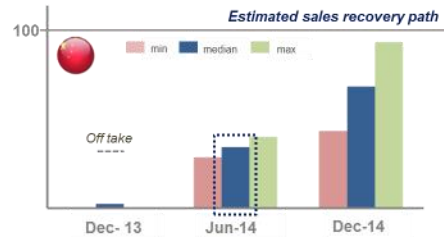
GROW AND NAVIGATE IN ALMA



KEEP WINNING CIS & NORAM



TURN ELN ENGINE BACK TO FULL SPEED



**STRONG
PROFITABLE
SUSTAINABLE
GROWTH**

APPENDIX

TAX RATE DEVELOPMENT

€ mln	H1 2013	H1 2014
Total income tax (reported)	(315)	(284)
<i>Reported tax rate</i>	29.0%	30.7%
Non-current income tax⁽¹⁾	87	19
Current income tax	(402)	(303)
<i>Underlying tax rate</i>	30.3%	29.6%

(1) Tax related to non-current items

SHARE PRICE & SHAREHOLDING

DANONE H1 2014 SHARE PRICE EVOLUTION



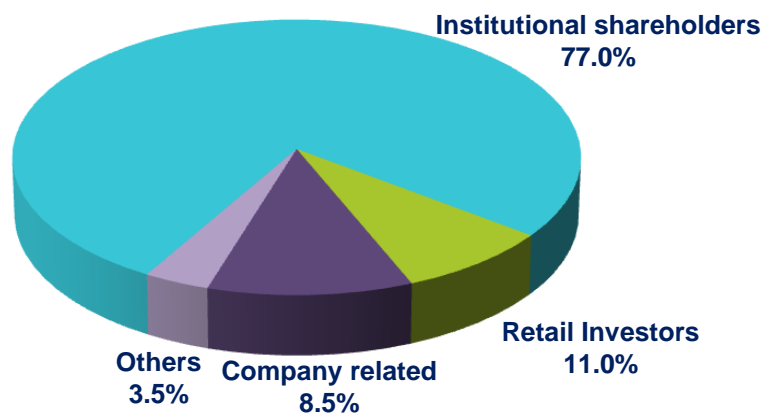
DANONE H1 2014 STOCK PERFORMANCE (June 30)

Absolute **+3.7%**

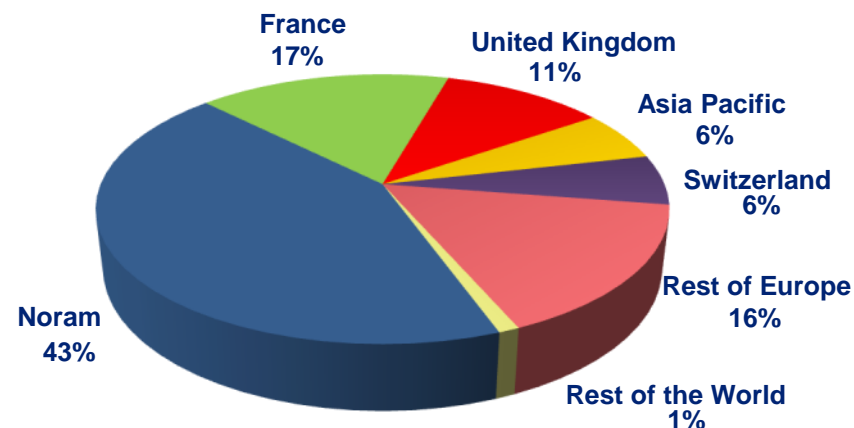
Relative vs. CAC 40 **+0.7%**

Relative vs. Eurostoxx 50 **-0.4%**

SHAREHOLDING BY INVESTOR ⁽¹⁾



INSTITUTIONAL SHAREHOLDING BY GEOGRAPHY ⁽¹⁾



(1) The company conducted a survey of the Company's identifiable shareholders as of December 2013

Q2 2014 - IMPACT OF CURRENCIES AND SCOPE



	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(7.8)%	+6.8%	(13.6)%	+4.3%	(5.5)%
Currency	(8.6)%	(8.2)%	(6.4)%	(3.4)%	(7.8)%
Scope of consolidation	(1.6)%	+1.9%	+2.0%	+0.4%	(0.0)%
Like-for-like sales growth	+2.4%	+13.1%	(9.2)%	+7.3%	+2.3%

H1 2014 - IMPACT OF CURRENCIES AND SCOPE



	Fresh Dairy Products	Waters	Early Life Nutrition	Medical Nutrition	Total
Reported sales growth	(6.3)%	+4.1%	(13.1)%	+3.1%	(5.3)%
Currency	(9.3)%	(8.9)%	(6.6)%	(3.7)%	(8.3)%
Scope of consolidation	(0.1)%	+1.8%	+1.9%	+0.5%	+0.8%
Like-for-like sales growth	+3.1%	+11.2%	(8.4)%	+6.3%	+2.2%

Q2 2014 - SALES BY BUSINESS & GEOGRAPHICAL AREA



<i>€ mln</i>	Q2 2013	Q2 2014	Like-for-like sales growth
Fresh Dairy Products	3,071	2,831	+2.4%
Waters	1,104	1,179	+13.1%
Early Life Nutrition	1,206	1,042	(9.2)%
Medical Nutrition	339	354	+7.3%
Europe	2,155	2,208	+0.1%
CIS+Noram	1,197	1,176	+7.0%
ALMA	2,368	2,022	+2.0%
Total	5,720	5,406	+2.3%

H1 2014 - SALES BY BUSINESS & GEOGRAPHICAL AREA



<i>€ mln</i>	H1 2013	H1 2014	Like-for-like sales growth
Fresh Dairy Products	6,023	5,640	+3.1%
Waters	1,991	2,074	+11.2%
Early Life Nutrition	2,383	2,071	(8.4)%
Medical Nutrition	661	682	+6.3%
Europe	4,160	4,261	+0.3%
CIS+Noram	2,360	2,330	+7.4%
ALMA	4,538	3,876	+1.3%
Total	11,058	10,467	+2.2%

Q2 2014 LIKE-FOR-LIKE SALES GROWTH

Breakdown volume/value



<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy Products	(7.4)%	+9.8%	+2.4%
Waters	+7.0%	+6.1%	+13.1%
Early Life Nutrition	(7.9)%	(1.3)%	(9.2)%
Medical Nutrition	+6.2%	+1.1%	+7.3%
Europe	(2.3)%	+2.4%	+0.1%
CIS+Noram	(9.0)%	+16.0%	+7.0%
ALMA	(3.4)%	+5.4%	+2.0%
Total	(3.9)%	+6.2%	+2.3%

H1 2014 LIKE-FOR-LIKE SALES GROWTH

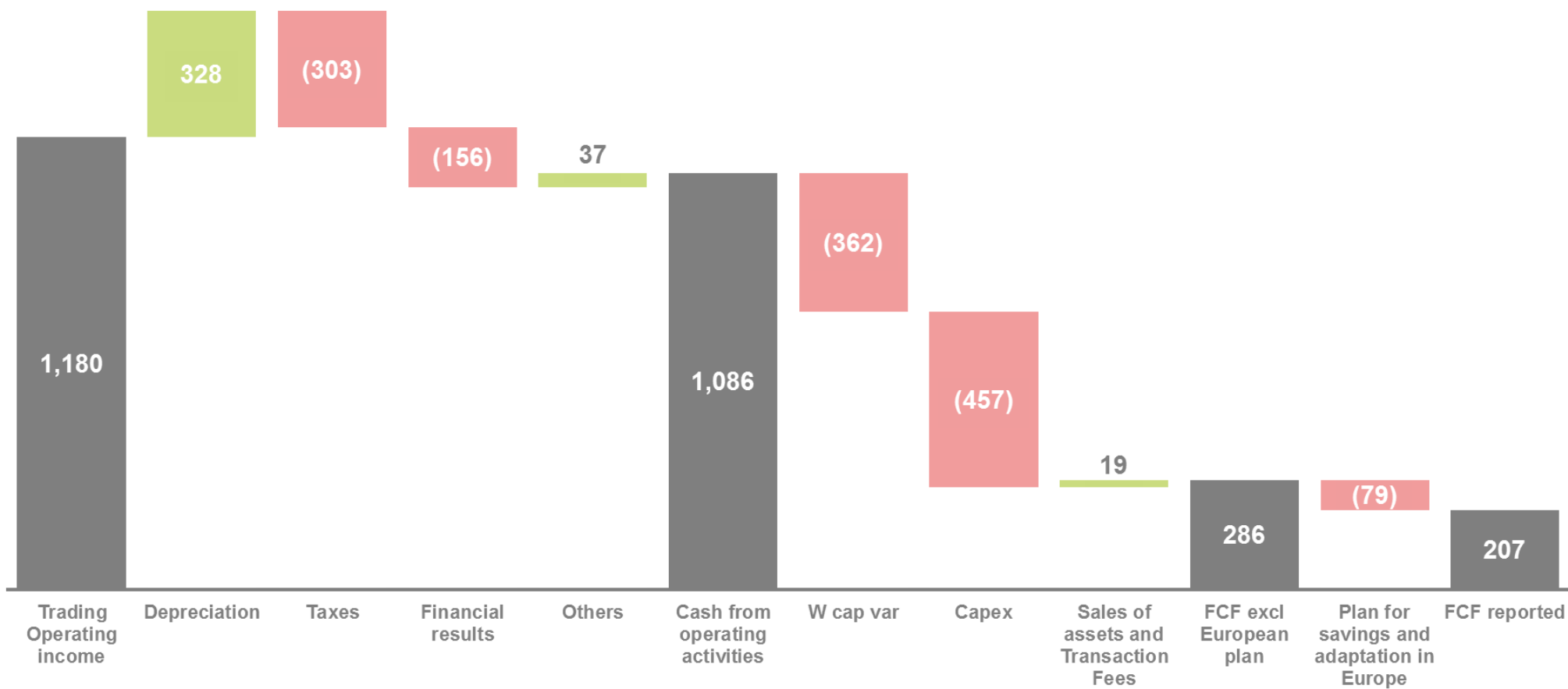
Breakdown volume/value



<i>Like-for-like</i>	Volume	Price/mix	Total
Fresh Dairy Products	(5.7)%	+8.8%	+3.1%
Waters	+6.2%	+5.0%	+11.2%
Early Life Nutrition	(6.4)%	(2.0)%	(8.4)%
Medical Nutrition	+5.3%	+1.0%	+6.3%
Europe	(1.4)%	+1.7%	+0.3%
CIS+Noram	(6.4)%	+13.8%	+7.4%
ALMA	(3.2)%	+4.5%	+1.3%
Total	(3.0)%	+5.2%	+2.2%

H1 2014 - CASH BRIDGE

€ mln



CHANGES IN EXCHANGE RATES

28.8% of sales denominated in €



	% total H1 14 sales	H1 14 vs H1 13 (avg)	Q2 14 vs Q2 13 (avg)
Russian ruble	10.1%	(15.2)%	(13.8)%
US dollar	10.1%	(4.2)%	(4.8)%
Chinese yuan	6.5%	(3.8)%	(5.9)%
Indonesian rupiah	5.3%	(20.4)%	(8.5)%
Mexican peso	5.3%	(8.2)%	(19.8)%
British pound	5.2%	3.6%	4.4%
Brazilian real	4.5%	(15.3)%	(11.7)%
Argentine peso	3.8%	(37.3)%	(38.1)%
Polish zloty	2.8%	0.1%	(0.8)%
Moroccan dirham	2.8%	(0.8)%	0.8%

