
PRESS RELEASE



DANONE

2015 First-Half Results

July 24, 2015

- **Solid and profitable organic growth in the first half with:**
 - ✓ **Sales^[1] up +4.6%^[2] in the first half and up +4.5%^[2] in the second quarter**
 - ✓ **Trading operating margin^[3] up +53 basis points^[2]**
 - **Full-year targets confirmed**
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- **Solid, profitable growth in H1 2015, shaped by favorable trends in currencies and commodities, and by a significant increase in investments:**
 - **Sales^[1] up +4.6% like-for-like^[3], and up +8.8% as reported**
 - **Trading operating margin^[3] at 12.12%, up +53 basis points like-for-like^[3] and up +85 basis points as reported**
 - **Underlying fully diluted earnings per share^[3] at €1.37, up +6.8% like-for-like^[3] and up +18.5% as reported**
 - **Free cash-flow excluding exceptional items^[3] at €576 million**
- **Performance is in line with Danone's roadmap, laying a solid foundation for a model for profitable, sustainable growth.**
- **In Europe, the company continued to adapt its Fresh Dairy Products portfolio, while benefiting from Chinese demand for international Infant Milk Formula (IMF) brands.**
- **In China, following the accelerated structural changes in distribution dynamics for IMF, Danone has decided to reallocate its resources within this market and subsequently to revise downward long-term sales projections for Dumex, leading to an impairment of the brand.**
- **Danone has reached a preliminary agreement with Mengniu and Yashili to merge Dumex in China with Yashili, building a strong local IMF brand platform, and to increase its shareholding in Mengniu.**
- **2015 targets confirmed: organic sales growth^[1] of between +4% and +5%^[2], and a slight rise in trading operating margin^[2].**

[1] Net sales

[2] Like-for-like: see pages 9-12 for details on calculation of financial indicators not defined in IFRS

[3] See pages 9-12 for details on calculation of financial indicators not defined in IFRS

Emmanuel Faber: CEO's comment

"First-half growth of 4.6% and half a percentage point rise in margin are fully in line with our roadmap. With a still volatile overall context, we remain focused on our priorities: consolidating our model for profitable, sustainable growth and enhancing our brands and businesses' ability to serve our consumers' needs. In Europe, where margins rose significantly, we are executing an overhaul of our Fresh Dairy Products business and finalizing the conditions necessary for a return to growth. In China, we are strengthening our Early Life Nutrition business model, building on the success of our international brands and reinforcing our partnership with Mengniu and Yashili. In the CIS and in North America, we are guiding our operations carefully through the current transition, to get growth back on track while pursuing investments to develop the category. In each region, half-year results confirm the efficient execution of our plans and the excellent work done by our 100,000 employees. Building on our unique culture, brands, geographical platforms, talent of our teams and trust of our partners, we work every day to lay the foundations for sustainable, profitable growth and are moving to deploy our Danone 2020 transformation plan for economic and social value creation serving Danone's corporate mission."

Key figures

| € million (unless stated otherwise) | H1 2014 | H1 2015 | Change ^[3] |
|---|---------|---------------|-----------------------------|
| Sales^[1] | 10,467 | 11,392 | +4.6% |
| Free cash-flow excluding exceptional items^[2] | 286 | 576 | +101% ^[4] |
| Trading operating income^[2] | 1,180 | 1,381 | +9.3% |
| Trading operating margin^[2] | 11.27% | 12.12% | +53 bps |
| Underlying net income – Group share^[2] | 683 | 831 | +9.7% |
| Underlying fully-diluted EPS^[2] (in €) | 1.16 | 1.37 | +6.8% |

[1] Net sales

[2] See pages 9-12 for details on calculation of financial indicators not defined in IFRS

[3] Like-for-like unless stated otherwise. See pages 9-12 for details on calculation of financial indicators not defined in IFRS

[4] As reported

Our presentation to analysts and investors, chaired by Emmanuel Faber, CEO, and Cécile Cabanis, CFO, will be broadcast live from 9.00 a.m. (Paris time) today. Related slides will be available on our website (www.finance.danone.com) from 7.30 a.m. (Paris time).

Sales by business line and geographical area in Q2 and H1 2015

| € million except % | Q2 14 | Q2 15 | Change like-for-like [1] | Volume growth like-for-like ^[1] | H1 14 | H1 15 | Change like-for-like [1] | Volume growth like-for-like ^[1] |
|------------------------------------|--------------|--------------|--------------------------------|--|---------------|---------------|--------------------------------|--|
| BY BUSINESS LINE | | | | | | | | |
| Fresh Dairy Products | 2,831 | 2,857 | -1.1% | -3.1% | 5,640 | 5,664 | -0.4% | -3.9% |
| Waters | 1,179 | 1,438 | +10.2% | +5.6% | 2,074 | 2,503 | +9.5% | +6.0% |
| Early Life Nutrition | 1,042 | 1,225 | +11.1% | +7.3% | 2,071 | 2,445 | +11.3% | +5.9% |
| Medical Nutrition | 354 | 401 | +7.1% | +5.0% | 682 | 780 | +8.1% | +4.3% |
| BY GEOGRAPHICAL AREA | | | | | | | | |
| Europe | 2,208 | 2,290 | +1.8% | -0.4% | 4,261 | 4,446 | +2.3% | -0.5% |
| CIS & North America ^[2] | 1,176 | 1,197 | +0.4% | -4.3% | 2,330 | 2,305 | +1.6% | -4.6% |
| ALMA ^[3] | 2,022 | 2,434 | +9.4% | +5.3% | 3,876 | 4,641 | +8.7% | +3.8% |
| Total | 5,406 | 5,921 | +4.5% | +1.5% | 10,467 | 11,392 | +4.6% | +0.7% |

[1] See pages 9-12 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

Overview of sales performance – H1 2015

Consolidated sales rose +8.8% as reported in the first half of 2015 to reach €11,392 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.6%. This organic growth reflects a +0.7% rise in sales volume and a +3.9% rise in value.

The +4.6% exchange-rate effect reflects favorable trends in currencies including the US dollar, the Chinese yuan, the Argentine peso, the British pound and the Indonesian rupiah.

The -0.4% impact of the change in scope of consolidation results in large part from the deconsolidation of various Fresh Dairy Products operations—in China from July 2014, and in Indonesia with the sale of the Fresh Dairy Products business effective December 2014.

Overview of sales performance – Q2 2015

In the second quarter of 2015, consolidated sales rose +9.5% to total €5,921 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.5%. This organic growth reflects a +1.5% rise in sales volume and a +3.0% rise in value.

The +5.5% exchange-rate effect reflects favorable trends in currencies including the US dollar, the Chinese yuan, the Argentine peso, the British pound and the Indonesian rupiah.

The -0.5% impact of the change in scope of consolidation results in large part from the deconsolidation of various Fresh Dairy Products operations—in China from July 2014, and in Indonesia with the sale of the Fresh Dairy Products business effective December 2014.

Fresh Dairy Products

The Fresh Dairy Products division reported sales down -1.1% like-for-like in the second quarter, reflecting a -3.1% fall in volumes and a +2.0% price/mix effect. As anticipated, this was below first-quarter figures, with the improvement in volume offset in the second quarter by a less favorable base for comparison in price and mix, particularly in Russia.

Sales in Europe have continued to decline, with performance limited by the basis for comparison in volume that preceded streamlining of the product portfolio starting in mid-2014. These efforts have helped increase the Fresh Dairy Products division's gross margin significantly, thus laying the foundations of reinvestment for a sequential improvement in sales volumes as of the second half of 2015. The *Actimel* brand continued to stabilize.

In the CIS region, with consumer spending still fragile, sales remained solid despite more moderate growth than in the first quarter. The division is carefully managing sales trends in its various product ranges and key brands like *Prostokvashino*, *Tëma* and *Danone* have continued to do well.

In the United States, Danone is consolidating its leading position, fueled in particular by strong momentum in the children's segment with the *Danimals* brand, and by the launch of Greek yogurt specialty *Oikos Triple Zero*.

The ALMA zone continued to expand, driven in particular by a solid performance in Mexico.

Waters

The Waters division once again reported strong growth in the second quarter of 2015, with sales up +10.2% like-for-like. This rise was split roughly equally between +5.6% growth in volume and a +4.6% price/mix effect.

As in the past, these figures were underpinned by solid growth in Europe and in plain waters. They also reflect once again the very strong performance of emerging markets in Asia and Latin America, and the vibrant aquadrink segment.

Early Life Nutrition

The Early Life Nutrition division reported Q2 sales up a steep +11.1% like-for-like, including a +7.3% rise in volume and a +3.8% rise in value.

In the Chinese market, the division continues to benefit from a boom in online sales combined with the popularity of our *Aptamil* and *Nutrilon* brands, generating double-digit growth for European sales.

Despite this overall positive environment, *Dumex* brand products remained well below levels observed in early 2013, hit hard by the false alert raised by Fonterra and by the shift in consumer preferences from supermarkets to both online sales and specialized distribution. Danone has decided to reallocate resources in this market, and subsequently to revise downward long-term sales projections for *Dumex* in China. Therefore Danone impaired the brand and certain assets in China for a total amount of €398 million at June 30, 2015.

In an extension of their strategic alliance, Danone has reached a preliminary agreement with Mengniu and Yashili to merge *Dumex* in China with Yashili and to increase its shareholding in Mengniu. By bringing the *Dumex* and *Yashili* brands closer together, this operation would build a strong local brand platform in a context of local consolidation.

Division sales in the rest of the world remained robust, with double-digit growth in the rest of Asia, Latin America and the Middle East.

Medical Nutrition

The Medical Nutrition division reported Q2 sales up +7.1% like-for-like, with volumes up +5.0% and a +2.1% price/mix effect. Growth was driven in all regions by the division's pediatrics and metabolic ranges.

Trading operating margin^[1] at 12.12%, up +53 bps like-for-like^[1] compared with the first half of 2014

| | H1 2014 | H1 2015 | Change Like-for-like ^[1] |
|------------------------------------|---------------|---------------|--|
| BY BUSINESS LINE | | | |
| Fresh Dairy Products | 7.81% | 9.17% | +50 bps |
| Waters | 12.50% | 12.86% | +10 bps |
| Early Life Nutrition | 17.42% | 16.47% | +20 bps |
| Medical Nutrition | 17.56% | 17.57% | +50 bps |
| BY GEOGRAPHICAL AREA | | | |
| Europe | 14.56% | 16.29% | +182 bps |
| CIS & North America ^[2] | 7.23% | 7.75% | +1 bp |
| ALMA ^[3] | 10.09% | 10.29% | -53 bps |
| Total | 11.27% | 12.12% | +53 bps |

[1] See pages 9-12 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 H1 trading operating margin rose +85 basis points as reported, to total 12.12%. This reflects:

- a +53 bps like-for-like rise,
- a +13 bps rise due to changes in the scope of consolidation, resulting primarily from the deconsolidation of various Fresh Dairy Products operations in China and Indonesia, and
- +19 bps linked to fluctuations in exchange rates.

As expected, Danone continued to benefit from the lower prices of strategic raw materials, with milk in particular down from record highs in the first half of 2014. But the year-on-year improvement should dwindle over the next six months, since milk prices had already slid sharply in the second half of 2014.

The company also benefited from successful moves to streamline Danone's Fresh Dairy Products portfolio in Europe and ongoing efforts to optimize costs across the regions where it operates.

In the first half, Danone built on these structural improvements and falling commodity prices to step up investment in its brands, products and structures to secure its equation of profitable growth.

After this reinvestment, and despite a negative impact from Dumex in China (including the deleverage and the costs associated with its adaptation plan), Danone increased margin +53 bps like-for-like.

Underlying fully diluted EPS^[1] totaled €1.37, up +6.8% like-for-like^[1] from the first half of 2014

| € million (unless stated otherwise) | H1 2014 | H1 2015 |
|---|--------------|--------------|
| Trading operating income^[1] | 1,180 | 1,381 |
| Other operating items | (96) | (509) |
| Operating income | 1,084 | 872 |
| Cost of net debt | (95) | (86) |
| Other financial income and expense | (64) | (68) |
| Income tax | (284) | (299) |
| Net income of consolidated companies | 641 | 419 |
| Net income of affiliated companies | 26 | 56 |
| Net income | 666 | 475 |
| Minority interests | 59 | 59 |
| Attributable to the Group | 608 | 416 |
| of which non-current net result ^[1] | (75) | (414) |
| Underlying net income^[1] | 683 | 831 |
| Underlying fully diluted EPS (€)^[1] | 1.16 | 1.37 |

[1] See pages 9-12 for details on calculation of financial indicators not defined in IFRS

Other operating items stood at -€509 million, primarily due to a -€398 million impairment loss for the brand and for certain *Dumex* assets in China, as well as expenses related to cost-reduction and organizational adaptation plans rolled out by the company, especially in Europe.

The decline in cost of net debt reflects in particular the impact of bond issues that allowed Danone to extend the average maturity of its debt at favorable market conditions.

The rise in net income of affiliated companies is due in particular to a steep increase in net income for Mengniu in China and to consolidation of net income reflecting an equity interest in Yashili.

The underlying tax rate^[1] for the first half of 2015 was 32.5%, higher than in the first half of 2014. This three-point rise from H1 2014 primarily reflects the amortization of tax credits previously booked on losses carried forward at *Dumex*.

Underlying net income^[1] came to €831 million in the first half, up +9.7% like-for-like^[1] and up +21.7% as reported from H1 2014. Underlying fully diluted EPS stood at €1.37, up +6.8% like-for-like^[1] and up +18.5% as reported in the first half of 2015.

[1] See pages 9-12 for details on calculation of financial indicators not defined in IFRS

Free cash-flow and debt

Free cash-flow^[1] stood at €545 million in H1 2015, including €30 million^[2] in outlays linked to the company's cost-reduction and organizational adaptation plan in Europe.

Free cash-flow excluding exceptional items^[1] came to €576 million (5.1% of sales), up a steep +101% on H1 2014, driven by growth in sales and margins. The increase also reflects the sequence of capital expenditure during the year, which got off to a slow start (H1 investment of €378 million, or 3.3% of sales), but is expected to rise in the second half.

In H1 2015, Danone paid dividends totaling €902 million, including €311 million in cash (excluding balancing payments) and €591 million in DANONE shares. Over the same period, the company also finalized a number of external acquisitions totaling €1,423 million, consisting primarily of the repurchase of 15.7% of Danone Spain equity and a 25% equity interest in Chinese infant milk company Yashili.

Excluding put options to minority shareholders, Danone's net financial debt^[1] was up by €1,116 million from December 31, 2014 to stand at €6,322 million on June 30, 2015.

Including the €1,826 million in put options granted to minority shareholders, Danone's net debt stood at €8,148 million at June 30, 2015. Debt corresponding to those same put options for minority shareholders was down €732 million from December 31, 2014, reflecting Danone's increased equity interest in Danone Spain in which it now holds 91.49%.

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

[2] Net of tax

2015 Outlook (from press release issued on February 20, 2015)

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%^[2]
- 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] Like-for-like; see pages 9-12 for details on calculation of financial indicators not defined in IFRS

Key financial transactions and events over the period (from press releases issued in the past quarter)

On June 1, 2015, Danone announced the results of the option offered to shareholders to receive payment of their 2014 dividend in the form of DANONE shares. This option was approved by the Shareholders' Meeting held on April 29, 2015.

The option period was open from Thursday, May 7, 2015 to Thursday, May 21, 2015 included. At the end of the option period, 65.95% of rights had been exercised in favor of the 2014 dividend payment in shares. For the purposes of the dividend payment in shares, 10,321,148 new shares were issued, representing 1.60% of Danone's share capital on the basis of share capital as of May 31, 2015. The settlement and delivery of the shares as well as their admission to trading on Euronext Paris took place on Wednesday, June 3, 2015. The shares carry dividend rights as from January 1, 2015 and are fully assimilated to existing shares already listed.

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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 12.

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, the Company is publishing 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 Danone 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 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.

Since inflation in Argentina—already structurally high—had 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 had not reflected Danone's organic performance in that country accurately. As a result, the Company 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. With respect to 2014, adjustment for the full year had been recorded in the fourth quarter. More specifically, it leads 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 period | Impact of changes in scope of consolidation | Impact of fluctuations in exchange rates | of which treatment of over-inflation | of which other impact of fluctuations in exchange rates | Like-for-like growth | Period under review |
|--|-----------------|---|--|--------------------------------------|---|----------------------|---------------------|
| Sales | | | | | | | |
| H1 2014 | 11,058 | +0.8% | -8.3% | - | -8.3% | +2.2% | 10,467 |
| H1 2015 | 10,467 | -0.4% | +4.6% | +0.5% | +4.1% | +4.6% | 11,392 |
| Trading operating margin | | | | | | | |
| H1 2014 | 13.34% | - 35 bps | -12 bps | - | -12 bps | -159 bps | 11.27% |
| H1 2015 | 11.27% | +13 bps | +19 bps | +1 bp | +18 bps | +53 bps | 12.12% |
| Net income – Group share, per share, after dilution | | | | | | | |
| H1 2014 | 1.48 | -2.1% | -9.1% | - | -9.1% | -10.3% | 1.16 |
| H1 2015 | 1.16 | +4.5% | +7.2% | +0.7% | +6.5% | +6.8% | 1.37 |

Trading operating income is defined as Danone's 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 its 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 Company 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 Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its current performance. Such non-current income and expense mainly include capital gains and losses on disposals and impairments of Investments in associates and in other non-fully-consolidated and tax income, and expense related to non-current income and expense. Such income and expense excluded from Net income – Group Share is defined as Non-current net income and expense.

| (€ million except %) | H1 2014 | | | H1 2015 | | |
|---|--------------|-------------|--------------|--------------|--------------|--------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Trading operating income | 1,180 | | 1,180 | 1,381 | | 1,381 |
| Other operating income and expense | | (96) | (96) | | (509) | (509) |
| Operating income | 1,180 | (96) | 1,084 | 1,381 | (509) | 872 |
| Cost of net debt | (95) | | (95) | (86) | | (86) |
| Other financial income and expense | (61) | (3) | (64) | (69) | 1 | (68) |
| Income before taxes | 1,024 | (99) | 925 | 1,226 | (508) | 718 |
| Income tax | (303) | 19 | (284) | (398) | 99 | (299) |
| Effective tax rate | 29.6% | | 30.7% | 32.5% | | 41.6% |
| Net income from fully consolidated companies | 721 | (80) | 641 | 828 | (409) | 419 |
| Share of profit of associates | 25 | 1 | 26 | 64 | (8) | 56 |
| Net income | 746 | (79) | 666 | 892 | (416) | 475 |
| Attributable to the Group | 683 | (75) | 608 | 831 | (414) | 416 |
| Minority interests | 63 | (5) | 59 | 61 | (2) | 59 |

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) | H1 2014 | | H1 2015 | |
|---|-------------|-------------|-------------|-------------|
| | Current | Total | Current | Total |
| Net income, Group share | 683 | 608 | 831 | 416 |
| Number of shares | | | | |
| • Before dilution | 588,879,463 | 588,879,463 | 604,404,930 | 604,404,930 |
| • After dilution | 591,041,125 | 591,041,125 | 605,505,956 | 605,505,956 |
| Net income, Group share, per share | | | | |
| • Before dilution | 1.16 | 1.03 | 1.37 | 0.69 |
| • After dilution | 1.16 | 1.03 | 1.37 | 0.69 |

Free cash-flow represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with of IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

| (€ million) | H1 2014 | H1 2015 |
|--|------------|------------|
| Cash-flow from operating activities | 641 | 905 |
| Capital expenditure | (457) | (378) |
| Disposal of tangible assets | 20 | 15 |
| Transaction fees related to business combinations ^[1] | 3 | 3 |
| Earn-outs related to business combinations ^[2] | | |
| Free cash-flow | 207 | 545 |
| Cash-flows related to plan to generate savings and adapt organization in Europe ^[3] | 79 | 30 |
| Free cash-flow excluding exceptional items | 286 | 576 |

[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, 2014 | At June 30, 2015 |
|---|----------------------|------------------|
| Non-current financial debt ^[1] | 6,598 | 7,576 |
| Current financial debt | 4,544 | 4,571 |
| Short-term investments | (2,317) | (2,734) |
| Cash and cash equivalents | (880) | (1 018) |
| Derivatives — assets | (181) | (247) |
| Net debt | 7,764 | 8,148 |
| • Liabilities related to put options granted to non-controlling interests — non current | (349) | (106) |
| • Liabilities related to put options granted to non-controlling interests — current | (2,209) | (1,720) |
| Financial debt excluded from net financial debt | (2,558) | (1,826) |
| Net financial debt | 5,206 | 6,322 |

[1] Including Derivatives – liabilities.

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.

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 “Risk Factor” section of Danone’s Registration Document (available at www.danone.com).

APPENDIX – Sales by division and by geographical area

| <i>€ million</i> | First quarter | | Second quarter | | First half | |
|------------------------------------|---------------|--------------|----------------|--------------|---------------|---------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| BY BUSINESS LINE | | | | | | |
| Fresh Dairy Products | 2,809 | 2,807 | 2,831 | 2,857 | 5,640 | 5,664 |
| Waters | 895 | 1,065 | 1,179 | 1,438 | 2,074 | 2,503 |
| Early Life Nutrition | 1,029 | 1,220 | 1,042 | 1,225 | 2,071 | 2,445 |
| Medical Nutrition | 328 | 380 | 354 | 401 | 682 | 780 |
| BY GEOGRAPHICAL AREA | | | | | | |
| Europe | 2,053 | 2,156 | 2,208 | 2,290 | 4,261 | 4,446 |
| CIS & North America ^[2] | 1,154 | 1,108 | 1,176 | 1,197 | 2,330 | 2,305 |
| ALMA ^[3] | 1,854 | 2,207 | 2,022 | 2,434 | 3,876 | 4,641 |
| Total | 5,061 | 5,471 | 5,406 | 5,921 | 10,467 | 11,392 |

| | First quarter 2015 | | Second quarter 2015 | | First half 2015 | |
|------------------------------------|------------------------|---|------------------------|---|------------------------|---|
| | <i>Reported change</i> | <i>Like-for-like^[1] change</i> | <i>Reported change</i> | <i>Like-for-like^[1] change</i> | <i>Reported change</i> | <i>Like-for-like^[1] change</i> |
| BY BUSINESS LINE | | | | | | |
| Fresh Dairy Products | -0.1% | 0.2% | 0.9% | -1.1% | 0.4% | -0.4% |
| Waters | 18.9% | 8.6% | 22.0% | 10.2% | 20.7% | 9.5% |
| Early Life Nutrition | 18.5% | 11.6% | 17.6% | 11.1% | 18.1% | 11.3% |
| Medical Nutrition | 15.8% | 9.1% | 13.3% | 7.1% | 14.5% | 8.1% |
| BY GEOGRAPHICAL AREA | | | | | | |
| Europe | 5.0% | 2.9% | 3.7% | 1.8% | 4.3% | 2.3% |
| CIS & North America ^[2] | -4.0% | 2.8% | 1.8% | 0.4% | -1.1% | 1.6% |
| ALMA ^[3] | 19.0% | 8.0% | 20.4% | 9.4% | 19.7% | 8.7% |
| Total | 8.1% | 4.8% | 9.5% | 4.5% | 8.8% | 4.6% |

[1] See pages 9-12 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