PRESS RELEASE

DANONE

2013 Full-Year Results

February 20, 2014

2013 results
Sales[1] up +4.8%[2]
Trading operating margin[3] (-81 bps) and free cash-flow[3] (€1,549 million excluding exceptional items) in line with revised targets

2014 targets
Sales[1] growth of between +4.5% and +5.5%[2]
Trading operating margin stable within a range of -20 bps and +20 bps[2]
Free cash-flow of around €1.5 billion excluding exceptional items[3]

[1] Net sales
[2] Like-for-like: see pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[3] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS

Chairman's comments

"Despite strong headwinds that took a toll on our business, 2013 was a year of solid growth and decisive progress in building Danone's future.

Several factors affected our results, particularly in the second half: currencies were volatile in emerging countries, milk prices rose steeply around the world, taxes went up sharply, and a false food-safety alert triggered by one of our suppliers had a marked impact on our Early Life Nutrition activities.

Yet despite all that, we turned in a solid performance, with organic growth of nearly 5% driven by the success of many strategic projects. We consolidated our leadership in the US yogurt market, thanks to our Greek-style yogurt line. Our Russian platform—created by the successful merger of Danone and Unimilk—experienced vibrant, profitable growth. And our Waters division reported strong, ongoing growth, thanks in particular to demand for aquadrinks.

We also achieved major progress on initiatives that will make our group stronger starting in 2014: in Europe, we renovated our product portfolio and undertook ambitious cost-reduction and streamlining to boost our competitive edge; in Africa, we integrated Morocco's Centrale Laitière and acquired an interest in Fan Milk, operating in Ghana and Nigeria. Together these moves will drive our future growth.

We are holding our course, focused on building a solid group and returning to sustainable, profitable growth in the course of 2014. This is the goal I have set our teams, and it is in this spirit that we are heading into the current year."

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Highlights

- **Full-year 2013 sales[1] of €21,298 million, up +4.8% like-for-like[2] from 2012, and up +2.1% as reported**
- **Strong underlying trends across all businesses in 2013, with a gradual stabilization of business in Europe, and sales up +10%[2] in the CIS & North America[3] and ALMA[4] zones**
- **Q4 performance nonetheless continued to reflect fall-out from the Fonterra affair and adverse exchange-rate effects, with sales up +2.9% like-for-like[2] and down -3.0% as reported**
- **Full-year trading operating margin[5] stood at 13.19% in 2013, down -81 bps[2] from 2012 and in line with the revised target announced last October**
- **Underlying fully diluted EPS[5] stood at €2.78, down -2.2% like-for-like[2]**
- **Dividend unchanged from 2012 at €1.45, with the option of full payment in either cash or shares**
- **Free cash-flow[5] for the year was €1,549 million excluding exceptional items[3], in line with the revised target announced last October**

Key figures *€ million (unless stated otherwise)*	2012	**2013**	**Change**
Sales[1]	20,869	**21,298**	**+4.8%[2]**
Free cash-flow excluding exceptional items[5]	2,088	**1,549**	**-25.8%[6]**
Trading operating income[5]	2,958	**2,809**	**-1.1%[2]**
Trading operating margin[5]	14.18%	**13.19%**	**-81 bps[2]**
Underlying net income – Group share[5]	1,818	**1,636**	**-4.5%[2]**
Underlying fully diluted EPS[5] *(€)*	3.01	**2.78**	**-2.2%[2]**

[1] Net sales
[2] Like-for-like: see pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[3] North America = United States and Canada
[4] ALMA = Asia-Pacific / Latin America / Middle-East / Africa
[5] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[6] As reported

Our presentation to analysts and investors, chaired by Franck Riboud, Chairman and CEO, and Pierre-André Térisse, CFO, will be broadcast live from 9.00 a.m. (Paris time) on Thursday, February 20, 2014.

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

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Sales by business line and geographical area in Q4 and full-year 2013

€ million	Q4 12	Q4 13	**Change** *Like-for-like [1]*	**Volume growth** *Like-for-like [1]*	2012	2013	**Change** *Like- for- like [1]*	**Volume growth** *Like-for-like [1]*
BY BUSINESS LINE								
Fresh Dairy Products	2,859	2,854	4.9%	0.8%	11,675	11,790	3.2%	1.7%
Waters	832	823	8.1%	6.0%	3,649	3,903	11.2%	6.8%
Early Life Nutrition	1,105	956	-6.9%	-5.9%	4,257	4,263	3.6%	-0.7%
Medical Nutrition	340	348	6.4%	4.8%	1,288	1,342	5.8%	5.5%
BY GEOGRAPHICAL AREA								
Europe excl. CIS	1,992	1,969	-0.4%	-0.6%	8,431	8 197	-2.4%	-1.6%
CIS & North America[2]	1,109	1,170	10.2%	2.9%	4,426	4 713	10.0%	5.3%
ALMA[3]	2,035	1,842	2.2%	-0.8%	8,012	8 388	10.0%	3.6%
Total	5,136	4,981	2.9%	0.5%	20,869	21,298	4.8%	2.3%

[1] Like-for-like: see pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
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At its meeting on February 19, 2014, the Board of Directors closed statutory and consolidated financial statements for the 2013 fiscal year. As regards the audit process, the statutory auditors have substantially completed their examination of accounts as of today.

Net sales in 2013

Consolidated sales rose +2.1% as reported to total €21,298 million in 2013. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.8%. This organic growth reflects a +2.3% increase in sales volume and a +2.5% increase due to the price/mix effect.

The negative impact of fluctuations in exchange rates was -5.1% and reflects a marked decline in certain emerging currencies starting in the third quarter. These include the Argentine peso, the Indonesian rupiah and the Brazilian real. The +2.5% impact of the change in scope of consolidation results in large part from full consolidation of Centrale Laitière (Morocco) starting in March 2013.

Overview of sales performance – Q4 2013

Consolidated sales decreased -3.0% as reported to total €4,981 million in the fourth quarter of 2013. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +2.9%. This organic growth reflects a +0.5% increase in sales volume and a +2.4% increase due to the price/mix effect.

The -8.2% exchange-rate effect reflects negative trends in currencies including the Argentine peso, the Indonesian rupiah and the Russian ruble. The +2.6% impact of the change in scope of consolidation results in large part from the full consolidation of Central Laitière (Morocco) starting in March 2013, and the integration of other recent acquisitions including Sirma (Turkey), YoCrunch (United States) and Happy Family (United States).

Fresh Dairy Products

The Fresh Dairy Products division turned in another good performance, with Q4 sales up +4.9% like-for-like, reflecting a +0.8% increase in volume and a +4.1% increase in value.

With sales still flagging, Europe continued trends observed in the previous quarter. Data from Spain confirmed a sharp improvement, while market conditions in Germany and Italy remained difficult for the division.

The CIS region delivered another excellent performance, integrating competitive price hikes introduced during the year to meet a very steep rise in milk prices. Vibrant sales also reflect a more favorable product mix, buoyed by the *Actimel*, *Danissimo* and *Tëma* brands, while flagship brand *Prostokvashino* continued to gain ground, accounting for a larger share of the total product portfolio. Operations in North America[1] confirmed their leading role in the product category and sales continued to grow.

Sales in the ALMA region[2] remained extremely buoyant, with continued double-digit growth.

The positive value effect reflects selective and competitive price increases in specific countries such as Russia, to counter rising milk prices.

[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 +8.1% like-for-like in the fourth quarter of 2013, driven by a +6.0% increase in sales volumes.

This performance was underpinned by steady growth in the plain waters segment, driven by flagship brands *Evian* and *Aqua*, as well as very strong pace in aquadrinks, in particular the *Mizone* brand's gains in Asia, but also growth for *Bonafont con Jugo* in Latin America and *Volvic Juiced* in Europe.

Growth in value was +2.1%, and continued to reflect mainly the positive impact of the product mix generated by aquadrinks.

Early Life Nutrition

The Early Life Nutrition division continues to be significantly affected by fall-out from the false safety alert triggered by Fonterra in August 2013. This led to a €200 million loss in sales in the fourth quarter, and resulted in negative growth in sales volume (-5.9%) and value (-6.9%).

Recovery plans to get sales back on track are being deployed in the countries affected and are having some impact, with the pace of recovery varying from market to market. In China and in Australia-New Zealand in particular, the trend is very gradual, as anticipated when third-quarter sales were announced.

Full year, this affair led to a loss in sales at Group level estimated at €370 million and cut trading operating margin by an estimated €306 million, including:

- a €105 million loss in trading operating margin due to estimated lost sales, and
- €201 million in costs related directly to the non-current items ("Other operating items"). Directly linked to the crisis, these costs include product recall and destruction, the restructuring and recovery plan deployed in response to the crisis, and costs related to suspensions of business in China as a result of the crisis.

The loss in free cash-flow linked to this affair is estimated €291 million.

Excluding the two brands affected by the recall, *Dumex* and *Karicare*, division business remained very buoyant, with organic growth of +12.3% full year and +14.8% in the fourth quarter. Sales thus rose by double-digits in Europe, driven by international brands *Aptamil* and *Nutrilon*, as well as in Russia, Latin America and the Africa/Middle East zone.

Medical Nutrition

Medical Nutrition sales increased +6.4% like-for-like in the fourth quarter of 2013, with volumes up +4.8%.

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

China, the United Kingdom, and Turkey were the main contributors to growth, which was driven in large part by the *Nutrison* enteral nutrition range and by the *Neocate* and *Nutrini* pediatric nutrition brands which outperformed the division average.

Trading operating margin[1]: 13.19%, down -81 bps like-for-like[1] from 2012

	2012	2013	**Change** *Like-for-like[1]*
BY BUSINESS LINE			
Fresh Dairy Products	12.11%	10.35%	-160 bps
Waters	13.23%	13.04%	+10 bps
Early Life Nutrition	19.51%	19.62%	+21 bps
Medical Nutrition	17.95%	18.16%	-4 bps
BY GEOGRAPHICAL AREA			
Europe excluding CIS	15.66%	14.42%	-121 bps
CIS & North America [2]	10.21%	9.56%	-24 bps
ALMA [3]	14.81%	14.03%	-58 bps
Total	14.18%	13.19%	-81 bps

[1] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[2] North America = United States and Canada
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Danone's trading operating margin fell back by -81 bps like-for-like in 2013 to stand at 13.19%. As in 2012 and as anticipated, lower sales in Europe cut significantly into Group profitability once again.

Key developments during the year included a rise in milk and dairy ingredient prices that proved much stronger than initial projections. This surge was offset by strong growth trends, by selective and competitive price increases, particularly in emerging markets, and, finally, by additional efforts to optimize costs.

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A focus on optimizing raw materials, production and logistics costs led to continued productivity gains. In addition, the cost-reduction plan for Europe has been under way since the third quarter, delivering anticipated savings in the second half of the year.

These trends were compounded in the second half by Fonterra's false safety alert in August, which led the Group to reduce its margin target by 30 bps to -80 bps in October. This affair led to a loss in trading operating income estimated at €105 million for full-year 2013.

In 2013, the Group continued to invest in its growth drivers, with no change in spending[1] on marketing, sales and R&D compared with 2012.

[1] Like-for-like: see pages 11 to 13 for details on calculation of financial indicators not defined in IFRS

Underlying fully diluted EPS[1] totaled €2.78, down 2.2% like-for-like[1] from 2012

€ million (unless stated otherwise)	2012	2013
Trading operating income[1]	**2,958**	**2,809**
Other operating items	(211)	(681)
Operating income	**2,747**	**2,128**
Cost of net debt	(170)	(193)
Other financial income and expense	(132)	(70)
Income tax	(712)	(604)
Net income of consolidated companies	**1,733**	**1,261**
Net income of affiliated companies	54	289
Net income	1,787	1,550
Minority interests	115	128
Attributable to the Group	**1,672**	**1,422**
of which non-current net result[1]	(146)	(214)
Underlying net income[1]	**1,818**	**1,636**
Underlying fully diluted EPS (€)[1]	**3.01**	**2.78**

[1] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS

Other operating items stood at -€681 million, and mainly reflected the portion of expense related to the cost-reduction and organizational adaptation plan rolled-out by the Group in Europe and booked in 2013 (-€280 million), and costs linked directly to the Fonterra affair (-€201 million).

Cost of net debt rose due to higher net financial debt[1] than in 2012. This rise was linked in particular to acquisitions made by the Group since July 1, 2012, more specifically the buyout of some minority interests in Danone Spain and an increase in its stake in Centrale Laitière (Morocco), as well as buybacks of 16.4 million of its own shares[2] since then.

The change in other financial income and expense resulted primarily from a capital gain (recorded as non-current) linked to Danone's disposal of its interest in SNI as part of the transaction that led to its increased stake in Centrale Laitière.

Similarly, the sharp change in net income of affiliated companies reflects a €226 million (recorded as non-current) revaluation of Danone's historical 29.2% interest in Central Laitière, recorded in compliance with IFRS standards as part of the Group's takeover of that company. Excluding non-current items, the net income of affiliated companies came to €50 million in 2013.

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The underlying tax rate[1] for the full year was 30.0%, a steep 2 points higher than in 2012, due to a general rise in tax pressure and, particularly in France, to the ceiling on deductible financial interest and tax on dividends.

Underlying net income[1] stood at €1,636 million in 2013, down -4.5% from 2012 like-for-like[1] and down -10.0% as reported. Underlying fully diluted EPS was €2.78, down -2.2% from 2012 like-for-like[1] and down -7.9% as reported.

[1] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[2] Excludes purchase of treasury stock to offset dilution resulting from shares transferred to minority shareholders at Danone Spain in exchange for their shares in this subsidiary

Cash-flow and debt

Free cash-flow[1] stood at €1,428 million in 2013, including €121 million[2] in outlays linked to the Group's cost-reduction and adaptation plan in Europe.

Free cash-flow excluding exceptional items came to €1,549 million (7.3% of sales), down -25.8% from 2012. This reflects the impact of the Fonterra affair in Asia, which led to an estimated €291 million loss in free cash-flow full year in 2013, as well as unfavorable exchange-rate effects totaling €90 million.

Capital expenditure continued to increase, totaling €1,039 million or 4.9% of sales.

Net debt stood at €7,966 million at December 31, 2013, including €3,244 million in put options granted to minority shareholders. The debt represented by these options remains globally unchanged from December 31, 2012.

Excluding put options for minority shareholders, the Group's net financial debt[1] stood at €4,722 million, up €1,701 million from December 31, 2012. The rise is linked mainly to acquisitions made by Danone in the course of 2013. In addition to the buyout of some minority interests in Danone Spain and its increased stake in Centrale Laitière, the Group took a controlling interest in Sirma (Turkey) and purchased Happy Family (United States) and YoCrunch (United States). It also took a 4.0%[4] interest in China's Mengniu and a 49% stake in Fan Milk in West Africa.

[1] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS
[2] Net of tax
[3] Excludes purchase of treasury stock to offset dilution resulting from shares transferred to minority shareholders at Danone Spain in exchange for their shares in this subsidiary
[4] Since then, the Group has signed an undertaking to subscribe a capital increase reserved to Mengniu, raising its stake in China's leading dairy products company from 4.0% to 9.9%

Reduction of carbon footprint

Danone products depend to a large extent on natural ecosystems. It is thus in the Group'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 Group reduced its carbon intensity[1] by -37.4%[2] from 2008 to 2013.

[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)

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2014 outlook

The Group assumes that consumer demand will remain similar to 2013, with sluggish trends in Europe, significant carry-over of milk price inflation and persistently high exchange-rate volatility in emerging markets, resulting in higher inflation in those countries.

In response, Danone will continue to deploy action plans already under way in Europe—updating its product portfolio and sharpening its competitive edge—with a view to stabilizing its performances in the region by the end of 2014. The Group will also build on its strong momentum in markets outside Europe to continue growth in emerging countries and North America, and to manage rising inflationary pressures as appropriate. Finally, the Group will focus on rebuilding its Early Life Nutrition positions in Asia, in particular through product launches and brand extensions, favoring solid, lasting growth over speed.

Due to this rebuilding effort and to 2013 bases for comparison, organic growth in sales and operating margin will vary widely from one half to the next in 2014. The Group thus anticipates a return to strong, sustainable, profitable growth beginning in the second half.

Danone has set the following targets for full-year 2014:

- like-for-like sales[1] growth of between +4.5% and +5.5%,
- trading operating margin stable within a range of -20 bps and +20 bps, reflecting the flexibility that the Group seeks to manage its operations, in particular for its Early Life Nutrition business in Asia,
- free cash-flow of around €1.5 billion excluding exceptional items[2].

[1] Net sales
[2] See pages 11 to 13 for details on calculation of financial indicators not defined in IFRS

Dividend

At the Annual General Meeting of Shareholders on Tuesday, April 29, 2014, Danone's Board of Directors will ask shareholders to approve distribution of a €1.45 dividend per share in respect of the 2013 fiscal year, unchanged from 2012.

In view of French tax provisions and 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 prices on Euronext over the twenty trading days prior to the General Meeting on April 29, 2014 less the amount of the dividend.

Assuming this proposal is approved, the ex-dividend date will be Wednesday, May 7, 2014. The period during which shareholders may opt to receive dividends in cash or in shares will begin on Wednesday, May 7 and run through Wednesday, May 21. Dividends will be payable in shares or in cash on Tuesday, June 3, 2014.

Governance

At its meeting on February 19, 2014, 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 appointments of four Directors: Mr. Bernard Hours, Deputy General Manager of Danone, Mr. Bruno Bonnell, Ms. Isabelle Seillier and Mr. Jean-Michel Severino, whose current terms are expiring.

At its meeting on July 26, 2013, the Board of Directors had noted Mr. Yoshihiro Kawabata's decision to step down as Director.

Meeting on February 19, 2014, the Board also noted former Danone Deputy General Manager Jacques Vincent's decision not to seek a new term as Director. Speaking on behalf of the Board, Mr. Franck Riboud expressed his deep gratitude for Mr. Vincent's outstanding contribution to Danone's growth and development over more than 40 years, and for his contribution to the Board for 17 years.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors will ask shareholders to fill these two directorships by appointing Ms. Gaëlle Olivier and Mr. Lionel Zinsou-Derlin to the Board. Both candidates qualify as Independent Directors under the AFEP-MEDEF governance code.

Ms. Gaëlle Olivier, a French national, has headed Axa's liability operations in Asia since 2011. She joined the Axa Group in 1998 and served as Executive Assistant to the Chairman and CEO, then Secretary of its Supervisory Board for five years. In 2004, she joined Axa Life Japan, where she served on the Executive Board with responsibility for business strategy, integration with Winterthur Japan and Audit. In 2009 she was appointed Axa's Head of Communications and Corporate Responsibility. In these capacities, Ms. Olivier has acquired recognized expertise in finance, internal audit and risk management, and, through her role as Secretary of the Supervisory Board, has been involved in governance issues. These competencies, as well as her very comprehensive knowledge of Asia, will strengthen the expertise already represented on the Board.

Mr. Lionel Zinsou-Derlin, a French and Beninese national, has headed the PAI Partners investment fund since 2009. A former adviser to the Minister for Industry and then to the Prime Minister, he joined Danone in 1986 and held a range of positions including Head of Business Development, then General Manager of HP Foods and Lea & Perrins. In 1997, he left Danone for Rothschild & Cie as a Managing Partner, where he is Head of the Consumer Goods unit, Head of the Middle East and Africa region, and a member of the bank's World Investment Committee.
Mr. Zinsou-Derlin's wide experience of finance and mergers and acquisitions, as well as his excellent knowledge of African markets, represent invaluable expertise for the Board.

The Board notes that these renewals and two new appointments 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 57% to 71% at the end of the General Meeting), the number of women Directors (up from 21% to 28%), 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 21, 2013, the Group announced that, effective January 1, 2014, Marc Benoît would become Executive Vice President, Human Resources, succeeding Muriel Pénicaud, who stepped down to focus on governance and social responsibility.

On October 24, 2013, Danone and the Abraaj Group announced they had signed a partnership agreement to acquire Fan Milk International ("Fan Milk"). With 2012 sales of around €120 million, Fan Milk is the leading manufacturer and distributor of frozen dairy products and juices in West Africa. Since its establishment over 50 years ago, Fan Milk has grown rapidly through a unique distribution network and currently operates in the markets of Ghana, Nigeria, Togo, Burkina Faso, Benin and Ivory Coast. The combination of Danone's know-how in the Fresh Dairy category alongside Abraaj's 20-year investment experience, insights and local presence on the African

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continent will boost Fan Milk's growth in a market with major potential. The Abraaj Group had previously announced its agreement to acquire 100% of Fan Milk through one of its funds in June 2013. The Abraaj Group and Danone now own stakes of 51% and 49%, respectively, in Fan Milk International. Under the agreement, Danone will in coming years gradually acquire a controlling stake in the business.

On November 7, 2013, Danone announced the successful launch of a €1 billion 8-year bond issue in euros. The €1 billion bond, priced at mid swap +53 basis points, pays a coupon of 2.25% and was widely subscribed by a diversified investor base.

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Financial indicators not defined in IFRS

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. In 2012, free cash-flow excluding exceptional items was equal to free cash-flow and totaled €2,088 million.

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) essentially exclude the impact of: (i) changes in exchange rates, 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), (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope et (iii) changes in applicable accounting principles.

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 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with of IFRS 3 (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 related 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.

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(€ millions)	2012			2013		
	Current	Non-current	Total	Current	Non-current	Total
Trading operating income	**2,958**		**2,958**	**2,809**		**2,809**
Other operating items		(211)	(211)		(681)	(681)
Operating income	**2,958**	**(211)**	**2,747**	**2,809**	**(681)**	**2,128**
Cost of net debt	(170)		(170)	(193)		(193)
Other financial income and expense	(130)	(2)	(132)	(118)	48	(70)
Pretax income	**2,658**	**(213)**	**2,445**	**2,498**	**(633)**	**1,865**
Income tax	(735)	23	(712)	(750)	146	(604)
Effective tax rate	*27.6%*		*29.1%*	30.0%		32.4%
Net income of consolidated companies	**1,923**	**(190)**	**1,733**	**1,748**	**(487)**	**1,261**
Net income of affiliated companies	59	(5)	54	50	239	289
Net income	**1,982**	**(195)**	**1,787**	**1,798**	**(248)**	**1,550**
• Attributable to the Group	1,818	(146)	1,672	1,636	(214)	1,422
• Minority interests	164	(49)	115	162	(34)	128

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)	2012		2013	
	Current	Total	Current	Total
Net income, Group share	1,818	1,672	1,636	1,422
Number of shares				
• Before dilution	600,477,145	600,477,145	587,411,533	587,411,533
• After dilution	603,105,304	603,105,304	588,469,577	588,469,577
Net income, Group share, per share				
• Before dilution	3.03	2.78	2.79	2.42
• After dilution	3.01	2.77	2.78	2.42

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)	2012	2013
Cash-flow from operating activities	**2,858**	**2,356**
Capital expenditure	(976)	(1,039)
Disposal of tangible assets	193	79
Transaction fees related to business combinations[1]	13	32
Earn-outs related to business combinations[2]	-	-
Free cash-flow	**2,088**	**1,428**
Cash-flows related to plan to generate savings and adapt organization in Europe[3]	-	121
Free cash-flow excluding exceptional items	**2,088**	**1,549**

[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, 2012**	**At December 31, 2013**
Non-current financial debt[1]	6,346	7,065
Current financial debt	3,176	4,862
Short-term investments	(1,748)	(2,862)
Cash and cash equivalents	(1,269)	(969)
Derivatives — assets	(213)	(130)
Net debt	**6,292**	**7,966**
• Liabilities related to put options granted to non-controlling interests — non current	(1,881)	(477)
• Liabilities related to put options granted to non-controlling interests — current	(1,390)	(2,767)
Financial debt excluded from net financial debt	**(3,271)**	**(3,244)**
Net financial debt	**3,021**	**4,722**

[1] Includes passive derivatives instruments

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 Annual Report (available at www.danone.com).

APPENDIX – Sales by division and by region

€ million	First quarter 2012	First quarter 2013	Second quarter 2012	Second quarter 2013	Third quarter 2012	Third quarter 2013	Fourth quarter 2012	Fourth quarter 2013	Full year 2012	Full year 2013
BY BUSINESS LINE										
Fresh Dairy Products	2,960	2,952	2,946	3,071	2,910	2,913	2,859	2,854	11,675	11,790
Waters	841	887	1,014	1,104	962	1,089	832	823	3,649	3,903
Early Life Nutrition	1,014	1,177	1,076	1,206	1,062	924	1,105	956	4,257	4,263
Medical Nutrition	302	322	323	339	323	333	340	348	1,288	1,342
BY GEOGRAPHICAL AREA										
Europe excluding CIS	2,116	2,005	2,233	2,155	2,089	2,068	1,992	1,969	8,431	8,197
CIS & North America[2]	1,084	1,163	1,118	1,197	1,116	1,183	1,109	1,170	4,426	4,713
ALMA[3]	1,917	2,170	2,008	2,368	2,052	2,008	2,035	1,842	8,012	8,388
Group	**5,117**	**5,338**	**5,359**	**5,720**	**5,257**	**5,259**	**5,136**	**4,981**	**20,869**	**21,298**

	First quarter 2013		**Second quarter 2013**		**Third quarter 2013**		**Fourth quarter 2013**		**Full-year 2013**	
	Reported change	*Like-for-like change[1]*	*Reported change*	*Like-for-like change[1]*	*Reported change*	*Like-for-like change[1]*	*Reported change*	*Like-for-like change[1]*	*Reported change*	*Like-for-like change[1]*
BY BUSINESS LINE										
Fresh Dairy Products	-0.3%	0.7%	4.2%	2.6%	0.1%	4.6%	*-0.2%*	4.9%	*1.0%*	3.2%
Waters	5.5%	8.6%	8.9%	10.5%	13.2%	16.9%	-1.0%	8.1%	7.0%	11.2%
Early Life Nutrition	16.1%	17.1%	12.1%	13.5%	-13.0%	-8.6%	-13.4%	-6.9%	0.2%	3.6%
Medical Nutrition	6.4%	6.3%	5.1%	4.7%	3.3%	5.8%	2.3%	6.4%	4.2%	5.8%
BY GEOGRAPHICAL AREA										
Europe excluding CIS	-5.3%	-5.1%	-3.5%	-3.0%	-1.0%	-0.9%	-1.2%	-0.4%	-2.8%	-2.4%
CIS & North America[2]	7.4%	8.5%	7.1%	10.2%	6.0%	11.1%	5.4%	10.2%	6.5%	10.0%
ALMA[3]	13.2%	16.6%	17.9%	15.3%	-2.1%	6.0%	-9.5%	2.2%	4.7%	10.0%
Group	**4.3%**	**5.6%**	**6.7%**	**6.5%**	**0.0%**	**4.2%**	**-3.0%**	**2.9%**	**2.1%**	**4.8%**

[1] Like for like: see pages 12 to 14 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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