



DANONE

## 2013 First-Half Results

July 29, 2013

**Sales<sup>[1]</sup> up +6.5%<sup>[2]</sup> in the second quarter  
and up +6.0%<sup>[2]</sup> in the first half of 2013**

**Trading operating margin<sup>[3]</sup> for H1 2013  
in line with targets at 13.34% (-49 basis points<sup>[2]</sup>)**

**Full-year targets for 2013 confirmed**

- Solid growth in H1 2013 sales<sup>[1]</sup>, up +6.0% like-for-like<sup>[2]</sup> and +5.6% as reported
- Second-quarter trends confirm a good start to the year, with sales<sup>[1]</sup> up +6.5% like-for-like<sup>[2]</sup> and reported sales up +6.7%, reflecting the strongest growth in volume in the past eight quarters
- Sales growth held at over +10%<sup>[2]</sup> in emerging markets/North America as a whole in Q2, while in Europe the decline was lower than in the previous quarter (-3.0%<sup>[2]</sup>)
- Trading operating margin<sup>[3]</sup> of 13.34% in H1 2013, with a decline similar to that observed in 2012 (-49 bps)<sup>[2]</sup>, in line with targets
- Underlying fully diluted earnings per share<sup>[3]</sup> at €1.48, steady like-for-like<sup>[2]</sup> and down -2.4% from 2012 as reported
- Free cash-flow<sup>[3]</sup> in H1 2013 at €714 million excluding exceptional items<sup>[3]</sup>
- Full-year 2013 targets confirmed: sales<sup>[1]</sup> growth of at least +5%<sup>[2]</sup>, trading operating margin down by between -50 and -30 bps<sup>[2]</sup>, and free cash-flow of around €2 billion excluding exceptional items<sup>[3]</sup>

[1] Net sales

[2] Like-for-like: see pages 10-12 for details on calculation of financial indicators not defined in IFRS

[3] See pages 10-12 for details on calculation of financial indicators not defined in IFRS

## Chairman's comment

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"With sales up 6% in the first half, Danone is off to a strong start in 2013 in an economic and consumption context that remains difficult in Europe and in some cases volatile in emerging countries. This performance demonstrates the relevance of our action plans, with our teams doing a good job of executing them around the globe.

In Europe, simplifying our model and reducing costs remain a priority. Our organizational adaptation plan is now being deployed, right on schedule, with the first benefits expected from the second semester onwards. Meanwhile, adjustments to our product portfolio are beginning to pay off.

In emerging markets and in North America, our profitable growth drivers are fully operational. In these markets, we are continuing to build our brands and our organizations, while at the same time laying the groundwork for future growth. This is the point of our various initiatives in the first half of 2013: the full integration of Central Laitière in Morocco, our partnerships with COFCO and Mengniu to expand the Fresh Dairy Product category in China, our move into the promising organic baby nutrition segment with the acquisition of Happy Family in the United States, as well as the strategic partnership we've just finalized with Starbucks.

Our teams at Danone are tackling the second half of the year with the same energy, attitude and ambition, focusing on building a Group with strong, sustainable and profitable growth for 2014 and on meeting our 2013 targets."

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***Our presentation to analysts and investors by Pierre-André Terisse, Chief Financial Officer, will be broadcast live from 9.30 a.m. (Paris time) on Monday, July 29, 2013.***

***Related slides will be available on our website ([www.finance.danone.com](http://www.finance.danone.com)) from 7.30 a.m. today (Paris time).***

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## Key financial data

Key figures € million (except as noted)	H1 2012	H1 2013	Change
Sales <sup>[1]</sup>	10,475	11,058	+6.0% <sup>[2]</sup>
Free cash-flow excluding exceptional items <sup>[3]</sup>	890	714	-19.8% <sup>[4]</sup>
Trading operating income <sup>[3]</sup>	1,451	1,475	+2.3% <sup>[2]</sup>
Trading operating margin <sup>[3]</sup>	13.85%	13.34%	-49 bps <sup>[2]</sup>
Underlying net income <sup>[3]</sup>	911	873	-1.3% <sup>[2]</sup>
Underlying fully-diluted EPS <sup>[3]</sup> (€)	1.51	1.48	-2.4% <sup>[4]</sup>

[1] Net sales

[2] Like-for-like: see pages 10-12 for details on calculation of financial indicators not defined in IFRS

[3] See pages 10-12 for details on calculation of financial indicators not defined in IFRS

[4] Reported figures

## Sales by business line and geographical area in Q2 and H1 2013

€ million	Q2 12		Change like-for- like <sup>[1]</sup>	Volume growth like-for- like <sup>[1]</sup>	Q2 13		Change like-for-like <sup>[1]</sup>	Volume growth like-for- like <sup>[1]</sup>
	Q2 12	Q2 13			H1 12	H1 13		

### BY BUSINESS LINE

Fresh Dairy Products	2,946	3,071	2.6%	3.6%	5,906	6,023	1.7%	2.1%
Waters	1,014	1,104	10.5%	7.1%	1,855	1,991	9.6%	5.9%
Baby Nutrition	1,076	1,206	13.5%	2.7%	2,090	2,383	15.2%	5.2%
Medical Nutrition	323	339	4.7%	3.6%	624	661	5.5%	4.9%

### BY GEOGRAPHICAL AREA

Europe excl. CIS	2,233	2,155	-3.0%	-1.6%	4,350	4,160	-4.0%	-2.7%
CIS & North America <sup>[2]</sup>	1,118	1,197	10.2%	8.6%	2,201	2,360	9.3%	6.8%
ALMA <sup>[3]</sup>	2,008	2,368	15.3%	6.2%	3,924	4,538	15.9%	7.2%

<b>Total</b>	<b>5,359</b>	<b>5,720</b>	<b>6.5%</b>	<b>4.1%</b>	<b>10,475</b>	<b>11,058</b>	<b>6.0%</b>	<b>3.5%</b>
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[1] Like-for-like: see pages 10-12 for details on calculation of financial indicators not defined in IFRS

[2] North America: United States and Canada

[3] Asia-Pacific / Latin America / Middle East / Africa

## Overview of sales performance – H1 2013

Consolidated sales increased +5.6% as reported in the first half of 2013 to total €11,058 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +6.0%. This organic growth reflects a +3.5% increase in sales volume and a +2.5% increase due to the price/mix effect.

The -2.5% exchange-rate effect reflects unfavorable trends in currencies including the Argentine peso, the Brazilian real and the Indonesian rupee. Changes in the scope of consolidation led to a +2.1% rise in sales that primarily reflected the full consolidation of Centrale Laitière (Morocco) starting in March 2013.

## **Overview of sales performance – Q2 2013**

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Consolidated sales increased +6.7% as reported to total €5,720 million in the second quarter of 2013. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +6.5%. This organic growth reflects a +4.1% increase in sales volume and a +2.4% increase due to the price/mix effect.

The -2.6% exchange-rate effect reflects unfavorable trends in currencies including the Argentine peso, the Brazilian real and the Indonesian rupee. Changes in the scope of consolidation led to a +3.0% rise in sales, primarily reflecting full consolidation of Centrale Laitière (Morocco) starting in March 2013.

### **Fresh Dairy Products**

Fresh Dairy Products division sales were up +2.6% like-for-like in the second quarter of 2013, reflecting a +3.6% rise in volume and a negative price/mix effect of -1.0%.

With sales still declining, Europe benefited from a basis for comparison that started to become easier in the second quarter, and showed early signs of stabilization with market share steady since the beginning of the year.

The CIS and North America<sup>[1]</sup> area reported an excellent quarter of double-digit growth, with each of these two regions performing better than in the previous quarter. The CIS reported strong volume growth driven by all of its own regional markets, while in the United States Danone continued to win market share in the Greek yogurt segment.

Markets in ALMA<sup>[2]</sup> remained buoyant, with continued double-digit growth.

The negative price/mix effect results primarily from ongoing investments in pricing and promotions in European markets.

*[1] North America: United States and Canada*

*[2] Asia-Pacific / Latin America / Middle East / Africa*

### **Waters**

The Waters division maintained a solid growth trend and reported solid rise in sales, up +10.5% like-for-like from Q2 2012, driven by volumes up +7.1%.

Vigorous growth in emerging countries, particularly in Asia, continued to drive the division. In Europe, sales remained down slightly, impacted—as in the second quarter of 2012—by adverse weather conditions.

The positive price/mix effect of growth in aquadrinks continued to be the main driver of value growth.

## Baby Nutrition

The Baby Nutrition division reported excellent sales again this quarter, with a like-for-like rise of +13.5% from Q2 2012.

Momentum again came from strong sales in the Asia-Pacific region, particularly in China and Hong Kong, while Europe continued to benefit from indirect demand for international baby formula brands in some emerging countries. Growth continued in the rest of the world, with very strong trends in Latin America in particular.

As in the past, changes in the division's product mix made a positive contribution to performance: the growing-up milk segment once again reported double-digit growth and weaning foods lost further ground in Europe.

## Medical Nutrition

Medical Nutrition division sales rose +4.7% like-for-like in Q2 2013, with a volume rise of +3.6%.

The division's performance is still impacted by overall pressure on healthcare spending.

China, Brazil, Turkey, the United States and the United Kingdom were the main contributors to growth, and the Pediatrics category continued to expand at a robust pace.

## Trading operating margin<sup>[1]</sup>:13.34%, down -49 bps like-for-like<sup>[1]</sup> from the first half of 2012

	H1 2012	H1 2013	Change like-for-like <sup>[1]</sup>
<b>BY BUSINESS LINE</b>			
Fresh Dairy Products	11.23%	9.91%	-128 bps
Waters	13.67%	13.18%	-57 bps
Baby Nutrition	19.97%	20.49%	+43 bps
Medical Nutrition	18.70%	19.31%	+65 bps
<b>BY GEOGRAPHICAL AREA</b>			
Europe excluding CIS	15.24%	14.28%	-118 bps
CIS & North America <sup>[2]</sup>	8.86%	9.36%	+55 bps
ALMA <sup>[3]</sup>	15.10%	14.56%	-28 bps
<b>Total</b>	<b>13.85%</b>	<b>13.34%</b>	<b>-49 bps</b>

[1] See pages 10-12 for details on calculation of financial indicators not defined in IFRS

[2] North America: United States and Canada

[3] Asia-Pacific / Latin America / Middle East / Africa

Danone's trading operating margin stood at 13.34% in the first half of 2013, down -49 bps like-for-like. As in 2012, lower sales in Europe continued to cut significantly into Group profitability, while outside Europe margin as a whole continued to rise.

Raw material prices increased substantially once again, albeit more moderately than in the first half of 2012, with inflation on milk and dairy ingredients rising faster than anticipated. Negative exchange-rate fluctuations also came into play.

Ongoing cost-cutting measures once again helped generate robust productivity of €254 million, partly offsetting the rise in raw material, production and distribution costs.

A&P outlays increased slightly from the first half of 2012. Danone also continued to invest heavily in other growth drivers, beefing up its sales forces and spending on R&D. Outlays in these areas rose by around 10%<sup>[1]</sup>.

[1] Like-for-like; see pages 10-12 for details on calculation of financial indicators not defined in IFRS

## **Underlying fully diluted EPS at €1.48, steady like-for-like compared with the first half of 2012**

€ million (except as noted)	H1 2012	H1 2013
<b>Trading operating income</b> <sup>[1]</sup>	<b>1,451</b>	<b>1,475</b>
Other operating items	(40)	(291)
<b>Operating income</b>	<b>1,411</b>	<b>1,184</b>
Cost of net debt	(76)	(86)
Other financial income and expense	(68)	(14)
Income tax	(341)	(315)
<b>Net income of consolidated companies</b>	<b>926</b>	<b>769</b>
Net income of affiliated companies	39	276
Net income	965	1 045
Minority interests	84	73
<b>Attributable to the Group</b>	<b>881</b>	<b>972</b>
of which non-current net result <sup>[1]</sup>	(30)	99
<b>Underlying net income</b> <sup>[1]</sup>	<b>911</b>	<b>873</b>
<b>Underlying fully diluted EPS (€)</b> <sup>[1]</sup>	<b>1.51</b>	<b>1.48</b>

[1] See pages 10-12 for details on calculation of financial indicators not defined in IFRS

Other operating income and expense items stood at - €291 million, impacted primarily by the portion of costs related to the Group's cost reduction and organizational adaptation plan in Europe booked in the first half of the year (- €233 million).

Cost of net debt was up due to higher net financial debt<sup>[1]</sup> in this half compared to the first half of 2012. Notable factors driving this rise are acquisitions made since July 1, 2012, in particular the buyout of some minority interests in Danone Spain and the increased interest in Centrale Laitière, as well as buybacks by the Group of 16.4 million<sup>[2]</sup> of its own shares since that date. Together these transactions have a positive impact on net earnings per share.

The increase in "Other financial income and expense" resulted primarily from capital gains (booked as non-current) on the sale of Danone Group's interest in SNI, as part of its increased shareholding in Centrale Laitière.

The underlying tax rate<sup>[1]</sup> for the first half of 2013 was 30.3%, a steep rise of over 3 points on 2012 that reflects an overall increase in fiscal pressure, and, particularly, in France, the ceiling on deductibility of financial interests, and the tax on dividends.

The sharp increase in "Net income of affiliated companies" (representing €226 million, booked as non-current) reflects the revaluation of Danone's historic 29.2% interest in Centrale Laitière. This was recognized as a result of the Group's takeover of this company, in accordance with IFRS.

Underlying net income<sup>[1]</sup> came to €873 million in the first half of 2013, down -1.3% like-for-like<sup>[1]</sup> and down -4.2% as reported when compared with 2012. Underlying fully diluted EPS totaled €1.48, which is steady like-for-like<sup>[1]</sup> and down -2.4% as reported compared with the first half of 2012.

*[1] See pages 10-12 for details on calculation of financial indicators not defined in IFRS*

*[2] Excludes purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary.*

## **Cash-flow and debt**

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Free cash-flow<sup>[1]</sup> totaled €675 million in H1 2013, hit by expenses of €39 million linked to the Group's cost reduction and organizational adaptation plan in Europe.

Free cash-flow excluding exceptional items<sup>[1]</sup> was €714 million (6.5% of sales), down -19.8% from H1 2012. In addition to the impact of reduced trading operating margin<sup>[1]</sup>, this decline reflects the unfavorable geographical mix effect of growth on the Group's working capital. Capital expenditure rose significantly, up +9.1% from the first half of 2012, to total €454 million or 4.1% of sales.

At June 30, 2013, the Group's net debt stood at €8,238 million, including €3,149 million in put options granted to minority shareholders.

The value of these put options has declined since December 31, 2012, due primarily to Danone's purchase in early 2013 of 1,550,315 Danone Spain shares subject to put options (at June 30, 2013, the Group held 75.6% of this subsidiary's equity). The impact of these purchases was partially offset by booking the put options granted on 26.75% of Centrale Laitière's capital in the first half of the year.

Excluding the put options granted to minority shareholders, the Group's net financial debt<sup>[1]</sup> stood at €5,089 million, up €2,068 million from December 31, 2012. This rise is linked for the most part to acquisitions made by Danone in 2013: in addition to buying out some minority interests in Danone Spain and raising its stake in Centrale Laitière, first-half transactions included the takeovers of Sirma in Turkey and Happy Family in the United States, and the acquisition of a strategic interest in Mengniu in China. In addition, since January 1, 2013 Danone has bought back 8.3 million of its own shares<sup>[2]</sup>.

*[1] See pages 10-12 for details on calculation of financial indicators not defined in IFRS*

*[2] Excludes purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary.*

## **2013 Outlook** (from press release dated February 19, 2013)

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The Group assumes that trends in consumer demand will continue to show contrasts region to region, with overall trends negative in Europe—assuming, however, no major political or economic upheavals—and favorable in the rest of the world.

The Group also expects the cost of its major raw materials and packaging materials to remain high, with moderate growth.

This being the case, the Group will continue to adapt its model in Europe, stepping up the pace of updates to its product ranges to meet consumers' changing needs, and at the same time adapting its structures and costs to achieve €200 million in savings by the end of 2014.

In the rest of the world, Danone will continue to expand its product categories, build its brands and grow its market share in a profitable and lasting way.

Through these actions, Danone plans to get back on track to strong, profitable organic growth as of 2014.

For 2013, which will remain a year of transition, the Group has set the following targets:

- a like-for-like sales<sup>[1]</sup> growth of at least +5%
- a decline in trading operating margin, by between -50 bps and -30 bps like-for-like<sup>[2]</sup>
- free cash-flow of around €2 billion, excluding exceptional items<sup>[2]</sup>.

*[1] Net sales*

*[2] See pages 10-12 for details on calculation of financial indicators not defined in IFRS*

## Share buyback

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As announced when results for the first quarter of 2013 were released, in April 2013 Danone bought back 2.3 million of its own shares<sup>[1]</sup>.

At its meeting on July 26, 2013, the Board of Directors voted to cancel 4.3 million treasury shares with immediate effect.

Following this decision, Danone's share capital totals €157,757,000 represented by 631,028,000 shares.

*[1] Excludes purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary.*

## Governance

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At its meeting on July 26, 2013, Danone's Board of Directors voted to appoint Mr. Richard Goblet d'Alviella as a member of the Nomination and Compensation Committee, to replace Mr. Yoshihiro Kawabata, who wished to step down from the Board. Mr. Franck Riboud thanked Mr. Kawabata warmly for his contributions to the Board and to the Nomination and Compensation Committee.

## Key financial transactions and events in H1 2013

(from press releases issued in the past quarter)

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On April 26, 2013, Danone announced it had signed a new cooperation framework with Yakult to replace the strategic alliance dating back to 2004. Aimed at strengthening the two partners' global leadership in probiotics and accelerating the growth of both companies in the functional food market, the alliance had led to several collaboration projects in probiotics research and promotion, as well as commercial joint ventures in India and Vietnam. As provided for in the alliance, discussions on the development of the partnership had taken place since the end of the first phase in 2012, leading to the termination of the alliance agreement and the signing of a new cooperation framework. This new framework calls for existing collaborations to be continued, and envisages extending them into areas that are more operational in nature and that offer benefits for both parties. Given the relationship of trust built up over the years, this framework does not provide for commitment or limitation regarding Danone's equity interest in Yakult. Through this new framework agreement, which opens a new stage in their cooperation, Danone reaffirms its status as a major shareholder and long-term partner of Yakult. In this context three Danone representatives will continue to serve on Yakult's Board of Directors.



On May 6, 2013, Danone announced it had signed an agreement that will enable it to acquire a 50.1% interest in Sirma, one of the leading players in the Turkish water market. Ranked 11th worldwide in volume, Turkey's bottled water market grew by 20% in value in 2012. With reported sales of nearly €100 million, Sirma is active in plain and flavored bottled waters, and in HOD (Home & Office Delivery); it is one of the market's fastest-moving brands. Danone is already present in Turkey's water market with Hayat, and will benefit from the two companies' strong complementarities in terms of brand positioning, geographical presence and distribution channels.

On May 13, 2013, Danone announced that it had signed an agreement to acquire an equity interest of over 90% in Happy Family, the fourth largest contender in the US baby food market (excluding milk). Launched in 2006, Happy Family is one of the most innovative and dynamic companies in the US baby food sector, where it holds over 4% of the market. Its gross sales total more than 60 million dollars and strong growth is expected in 2013. Specializing in products made with premium organic ingredients, Happy Family has been a driver in the baby food category's growth over the past few years. Its robust development is driven by a wide and varied range of products that combine convenience with clearly defined nutritional benefits.

On May 20, 2013, Danone announced that it had signed an agreement with COFCO, the State-owned largest food company in China, under which the two parties will form a joint venture. COFCO has agreed to sell 148,014,022 shares in China Mengniu (a Hong-Kong listed company) to the joint venture. After the transaction, COFCO and Danone own 51% and 49% respectively in the newly formed company, and COFCO continues to be the single largest shareholder in Mengniu. Danone becomes a strategic shareholder in Mengniu, owning an indirect interest of approximately 4% at the initial stage, with an aim to increase this interest based on market conditions in the future.

On the same day, Danone announced that it had signed a framework agreement with Mengniu to establish a joint venture for the production and sales of fresh dairy products in China, combining their respective assets in this category for total 2012 pro forma net sales of €500 million, with an estimated market share of around 21% and 13 factories across China. This joint venture will benefit from the complementarity of the Danone and Mengniu brands. It will achieve synergies by introducing Danone's undisputed worldwide expertise in quality and product innovation, while fully leveraging Mengniu's leadership and distribution capability in China's fresh dairy product category. Danone will own 20% and Mengniu 80% of this new joint venture in China. Danone will assign experienced senior executives to join the top management team, assisting Mengniu to further upgrade its management capability. Danone will invest approximately €325 million in the two cooperation projects above. This transaction is subject to the approval of the competent authorities and should be finalized over the next few months.

On June 3, 2013, Danone announced the successful launch of a €650 million 6-year bond issue in euros. The issue, priced at mid swap +30 basis points, pays a coupon of 1.375%, and was widely subscribed by a diversified investor base. Funds raised enable Danone to diversify its sources of finance and extend the maturity of its debt at favorable market conditions.

On June 21, 2013, Danone announced the successful launch of a €500 million 10-year bond issue in euros. The issue, priced at mid swap +63 basis points, pays a coupon of 2.60%, and was widely subscribed by a diversified investor base. Funds raised enable Danone to diversify its sources of finance and extend the maturity of its debt at favorable market conditions.

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## Financial indicators not defined in IFRS

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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 fully diluted EPS
- Trading operating income
- Trading operating margin
- Underlying net income
- Underlying fully diluted EPS
- 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 has 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, net income - Group share and underlying fully diluted EPS 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), and (ii) changes in consolidation scope, with indicators for the current year calculated on the basis of previous-year scope.

**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 (recorded or estimated) related to major litigation. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

**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, can not 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)	H1 2012			H1 2013		
	Underlying	Non-current items	Total	Underlying	Non-current items	Total
<b>Trading operating income</b>	<b>1,451</b>		<b>1,451</b>	<b>1,475</b>		<b>1,475</b>
Other operating income (expense)		(40)	(40)		(291)	(291)
<b>Operating income</b>	<b>1,451</b>	<b>(40)</b>	<b>1,411</b>	<b>1,475</b>	<b>(291)</b>	<b>1,184</b>
Cost of net debt	(76)		(76)	(86)		(86)
Other financial income (expense)	(62)	(6)	(68)	(66)	52	(14)
<b>Income before tax</b>	<b>1,313</b>	<b>(46)</b>	<b>1,267</b>	<b>1,323</b>	<b>(239)</b>	<b>1,084</b>
Income tax expense	(351)	10	(341)	(402)	87	(315)
<i>Effective tax rate</i>	26.7%		26.9%	30.3%		29.0%
<b>Net income from fully-consolidated companies</b>	<b>962</b>	<b>(36)</b>	<b>926</b>	<b>921</b>	<b>(152)</b>	<b>769</b>
Share of profit of associates	39		39	38	238	276
<b>Net income</b>	<b>1,001</b>	<b>(36)</b>	<b>965</b>	<b>959</b>	<b>86</b>	<b>1,045</b>
• Group share	911	(30)	881	873	99	972
• Non controlling interests	90	(6)	84	86	(13)	73

**Underlying fully diluted EPS** is defined as the underlying net income over diluted number of shares ratio.

(In euros per share except for number of shares)	H1 2012		H1 2013	
	Underlying	Total	Underlying	Total
<b>Net income – Group share</b>	911	881	873	972
<b>Number of shares</b>				
• Before dilution	600,877,199	600,877,199	589,927,117	589,927,117
• After dilution	603,149,367	603,149,367	592,145,734	592,145,734
<b>Net income – Group share, per share</b>				
• Before dilution	1.52	1.47	1.48	1.65
• After dilution	1.51	1.46	1.48	1.64

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

**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)	H1 2012	H1 2013
<b>Cash-flow from operating activities</b>	<b>1,255</b>	<b>1,088</b>
Capital expenditure	(416)	(454)
Disposals of tangible assets	51	20
Transaction fees related to business combinations <sup>[1]</sup>	-	21
<b>Free cash-flow</b>	<b>890</b>	<b>675</b>
Cash-flow for cost reduction and organizational adaptation plan in Europe	-	(39)
<b>Free cash-flow excl. exceptional items</b>	<b>890</b>	<b>714</b>

[1] These expenses previously classified as investment flows impact cash-flow from operating activities as from January 1, 2010 pursuant to Revised IFRS 3 on Business Combinations.

**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 (ii) net of cash and cash equivalents, short-term investments and derivatives – assets.

<i>(€ million)</i>	<b>At December 31, 2012</b>	<b>At June 30, 2013</b>
Non-current financial debt	6,346	6,548
Current financial debt	3,176	4,543
Short term investments	(1,748)	(1,535)
Cash and cash equivalents	(1,269)	(1,174)
Derivatives - assets	(213)	(144)
<b>Net debt</b>	<b>6,292</b>	<b>8,238</b>
<ul style="list-style-type: none"> <li>• Liabilities related to put options granted to non-controlling interests - Non-current portion</li> </ul>	(1,881)	(822)
<ul style="list-style-type: none"> <li>• Liabilities related to put options granted to non-controlling interests - Current portion</li> </ul>	(1,390)	(2,327)
Financial debt excluded from net financial debt	<b>(3,271)</b>	<b>(3,149)</b>
<b>Net financial debt</b>	<b>3,021</b>	<b>5,089</b>

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 Factors" section of Danone's Annual Report (available on [www.danone.com](http://www.danone.com))*

## APPENDIX – Sales by division and by region

<b>€ million</b>	<b>First quarter</b>		<b>Second quarter</b>		<b>First half</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>BY BUSINESS LINE</b>						
Fresh Dairy Products	2,960	2,952	2,946	3,071	5,906	6,023
Waters	841	887	1,014	1,104	1,855	1,991
Baby Nutrition	1,014	1,177	1,076	1,206	2,090	2,383
Medical Nutrition	302	322	323	339	624	661
<b>BY GEOGRAPHICAL AREA</b>						
Europe excl. CIS	2,116	2,005	2,233	2,155	4,350	4,160
CIS & North America <sup>[2]</sup>	1,084	1,163	1,118	1,197	2,201	2,360
ALMA <sup>[3]</sup>	1,917	2,170	2,008	2,368	3,924	4,538
<b>Group</b>	<b>5,117</b>	<b>5,338</b>	<b>5,359</b>	<b>5,720</b>	<b>10,475</b>	<b>11,058</b>

<b>€ million</b>	<b>First quarter 2013</b>		<b>Second quarter 2013</b>		<b>First half 2013</b>	
	<i>Reported change</i>	<i>Change Like-for-like [1]</i>	<i>Reported change</i>	<i>Change Like-for-like [1]</i>	<i>Reported change</i>	<i>Change Like-for-like [1]</i>
<b>BY BUSINESS LINE</b>						
Fresh Dairy Products	-0.3%	0.7%	4.2%	2.6%	2.0%	1.7%
Waters	5.5%	8.6%	8.9%	10.5%	7.4%	9.6%
Baby Nutrition	16.1%	17.1%	12.1%	13.5%	14.0%	15.2%
Medical Nutrition	6.4%	6.3%	5.1%	4.7%	5.9%	5.5%
<b>BY GEOGRAPHICAL AREA</b>						
Europe excl. CIS	-5.3%	-5.1%	-3.5%	-3.0%	-4.4%	-4.0%
CIS & North America <sup>[2]</sup>	7.4%	8.5%	7.1%	10.2%	7.3%	9.3%
ALMA <sup>[3]</sup>	13.2%	16.6%	17.9%	15.3%	15.6%	15.9%
<b>Group</b>	<b>4.3%</b>	<b>5.6%</b>	<b>6.7%</b>	<b>6.5%</b>	<b>5.6%</b>	<b>6.0%</b>

[1] Like-for-like: see pages 10-12 for details on calculation of financial indicators not defined in IFRS

[2] North America: United States and Canada

[3] Asia-Pacific / Latin America / Middle East / Africa