2012 Interim financial report

For the six-month period ended June 30, 2012

The English version of the 2012 Interim financial report is a free translation from the original which was prepared in French. The original French version of the document prevails over this translation.

French corporation (*société anonyme*) with a Board of Directors and share capital of 160,790,500 euros

Registered office: 17, boulevard Haussmann, 75009 Paris - France

Paris Register of Commerce and Companies number: 552 032 534

Table of contents

1 Interim management report

Unless otherwise noted:

- *all references herein to the "Company" refer to Danone the issuer;*
- *all references herein to the "Group" or "Danone" refer to the Company and its consolidated subsidiaries;*
- *all references herein to "Division" or "Divisions" refer to Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition Group businesses;*
- *all references herein to consolidated financial statements refer to interim condensed consolidated financial statements for the six-month period ended June 30, 2012;*

The Group uses financial indicators not defined by IFRS both internally (including indicators used by its key operational decision-makers) and in its communications. The definition of non-IFRS-compliant indicators used by the Group appears in Section Financial indicators not defined by IFRS

- *like-for-like changes in sales, trading operating income and trading operating margin and underlying net income;*
- *trading operating income and trading operating margin;*
- *underlying net income;*
- *underlying fully diluted EPS;*
- *free cash flow;*
- *net financial debt.*

1.1 H1 2012 business review and 2012 outlook

Business highlights

Key figures

In the first half of 2012, main characteristics of the Group's activity are:

- Solid growth in H1 2012 sales of +7.7% as reported and +5.9% like-for-like;
- Q2 trends in line with expectations, marked by a high basis for comparison in 2011 in the Waters Division; reported sales up +7.8% and like-for-like sales up +5.0%;
- Sales up in all Divisions, with variations from one region to the next including a decline in Europe and double-digit growth (like-for-like) in the rest of the world;
- Trading operating margin in line with expectations at 13.85% (-61bps like-for-like);
- Underlying fully diluted earnings per share up +4.7% at €1.51 as reported, and up +2.5% like-for-like;
- Free cash flow at €890 million;

The Group confirms its full-year targets for 2012: sales growth of +5% to +7% (like-for-like), operating margin down 50 bps (like-for-like), and free cash flow at €2 billion.

(In € millions except margin expressed in percentage and earning per share expressed in euro per share)	Six-month period ended June 30 2011 Restated [5]	2012	Change
Sales [1]	9 728	10 475	+5.9% [2]
Free cash flow [4]	925	890	-3.8% [3]
Trading operating income[4]	1 407	1 451	+1.4% [2]
Trading operating margin [4]	14,47%	13.85%	-61bp [2]
Underlying net income [4]	874	911	+2.1% [2]
Underlying earning per share (fully diluted) [4]	1,44	1.51	+4.7% [3]

(1) Net Sale.

(2) Like-for-like (see definition Section Financial indicators not defined by IFRS).

(3) Reported figures.

(4) See definition section Financial indicators not defined by IFRS.

(5) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011

Key financial transactions and events in H1 2012 (from press releases issued in the past six months)

- On May 30, 2012, Danone announced the successful launch of its first US bond issue of an amount of $850 million and maturing in ten years' time. This issue was carried out by way of a private placement with institutional investors. Funds raised will enable Danone to diversify its sources of financing geographically and extend the maturity of its debt at favorable market conditions.
- On June 27, 2012, Danone announced that it was raising its interest in Centrale Laitière du Maroc from 29.2% to 67.0% by acquiring part of SNI's shareholding for a total amount of approximately €550 million, thus becoming the majority shareholder. The transaction represents a key step in Danone's development in Morocco. It will allow the Group to invest more in a market with major potential, and thus support growth of the local dairy industry. The move also confirms the strategic appeal of markets in North Africa for Danone. Finally, with a majority interest, Danone will be able to fully integrate Centrale Laitière into its consolidated accounts, and the transaction will be accretive for Danone net earnings per share from the first year.

Change in Danone SA shareholder base in Spain

On July 26, Danone announced the purchase from two minority shareholders of a total 1,416,368 shares of its subsidiary Danone SA (Spain), raising its equity interest from 57.05% to 65.62%.

These acquisitions were made through a cash payment of €91.5 million plus the contribution of 6,110,039 Danone treasury shares earmarked for external growth initiatives and representing around 0.95% of Danone's total share capital. An equal number of shares will be purchased over the next three months by the Group as part of a share buyback program to offset dilution caused by this transaction.

The two minority shareholders receiving the Danone shares in exchange for their interests in Danone SA (Spain) have undertaken to hold these shares for a minimum of three years.

This operation will be accretive for Danone net earnings per share from the first year and will have a positive €81 million impact on Group debt (based on an average repurchase price of €47.15 per Danone share, corresponding to the opening price on July 26, 2012).

Following the transaction, put options granted by the Group to other Danone SA (Spain) minority shareholders are recorded in Group financial statements as financial debt in an amount of €1,693 million.

Discussions are now under way with remaining minority shareholders. These discussions may or may not be successful.

Consolidated net income

Net sales

Consolidated net sales

Consolidated net sales increased by +7.7% to €10,475 million in the first half of 2012. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +5.9%. This organic growth reflects a +2.2% increase in sale volumes and a +3.7% increase due to the price/mix effect.

Exchange-rate effects of +2.0% reflect favorable trends in currencies including the US dollar and the Chinese yuan, primarily from the second quarter on.

Consolidated net sales by business line and by geographic area

(In € millions)	2011	2012	Change (1)	Volume Growth (1)
				Six-month period ended June 30
By business line				
Fresh Dairy Products	5 672	5 906	2,9%	-0,2%
Waters	1 667	1 855	9,6%	5,2%
Baby Nutrition	1 818	2 090	11,3%	5,4%
Medical Nutrition	571	624	6,6%	7,1%
By geographic area				
Europe	5 543	5 548	-0,1%	-2,6%
Asia	1 395	1 762	18,2%	14,2%
Rest of World	2 790	3 165	11,7%	4,1%
Total	9 728	10 475	5,9%	2,2%

(1) Like-for-like (see definition Section Financial indicators not defined by IFRS).

In the first half of 2012, Fresh Dairy Division sales increased by +2.9% like-for-like, reflecting a slight -0.2% decline in volume and a +3.1% increase in value.

The Waters Division reported a 9.6% like-for-like increase in sales in the first half of 2012, driven by a +5.2% increase in sale volumes and a +4.4% increase due to the price/mix effect.

The Baby Nutrition Division reported excellent growth with sales up +11.3% like-for-like in the first half of 2012. This sales growth comes from +5.4% growth in volume and +5.9% growth in value.

Medical Nutrition sales increased by +6.6% like-for-like in the first half of 2012, driven by volume growth of +7.1%.

Trading operating income and trading operating margin

(In percentage except Change in basis point)	2011 Restated (1)	2012	Change (2)
			Six-month period ended June 30
By business line			
Fresh Dairy Products	12,17%	11,23%	(85) bp
Waters	14,02%	13,67%	(35) bp
Baby Nutrition	19,86%	19,97%	(9) bp
Medical Nutrition	21,44%	18,70%	(252) bp
By geographic area			
Europe	14,16%	11,93%	(201) bp
Asia	20,64%	22,57%	168 bp
Rest of World	12,00%	12,36%	36 bp
Total	**14,47%**	**13,85%**	(61) bp

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

(2) Like-for-like (see definition Section Financial indicators not defined by IFRS).

Danone's H1 2012 trading operating margin (EBIT) was down -61 bps like-for-like at 13.85%.

This decrease mainly reflects raw material costs still high compared with the first half of 2011, which benefited from hedging, particularly for packaging and milk powder.

In addition, the cost of some raw materials—including serum, milk proteins, plastics, fruit and sugar—continued to outpace our projections.

Ongoing initiatives to optimize costs generated significant savings of €246 million in the first half of 2012, partially offsetting the rise in raw materials.

Moreover, the decline in sales in Southern Europe, plus the additional resources deployed to support consumption in this region, cut profitability significantly, and higher margins outside Europe, where investment programs were maintained, only partially offset the decline.

Advertising expenses held steady in the first half of 2012 to keep Group brands' profile high. Expenditure on digital marketing continues to grow substantially.

The Group also continued to invest heavily in other growth drivers, in particular its sales teams and Research & Development.

The balance of Other operating income and expense was -€40 million, reflecting in particular charges relating to the integration of Unimilk group's companies.

Financial income and expense

In the first half of 2012, the cost of net financial debt declined compared to the first half of 2011, primarily due to the positive impact of managing the Group's bond financing and, to a lesser extent, the decline in interest rates.

The change in Other financial income and expense results primarily from a rise in the cost of hedging exchange rates for emerging economies.

Tax rate

The underlying tax rate for the first half of 2012 was 26.7%.

Underlying net income and underlying fully diluted earnings per share

Underlying net income increased by +4.3% as reported to €911 million, or a like-for-like increase of +2.1%.

The transition from net income – Group share to underlying net income is shown in the following table:

	Year ended December 31			Six-month period ended June					
			2011			**2011 - Restated (1)**			**2012**
(In € millions)	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**
Trading operating income	**2 843**		**2 843**	**1 407**		**1 407**	**1 451**		**1 451**
Other operating income (expense)		(114)	(114)		(4)	(4)		(40)	(40)
Operating income	**2 843**	**(114)**	**2 729**	**1 407**	**(4)**	**1 403**	**1 451**	**(40)**	**1 411**
Cost of net debt	(174)		(174)	(88)		(88)	(76)		(76)
Other financial income (expense)	(107)	(13)	(120)	(45)	(6)	(51)	(62)	(6)	(68)
Income before tax	**2 562**	**(127)**	**2 435**	**1 274**	**(10)**	**1 264**	**1 313**	**(46)**	**1 267**
Income tax expense	(661)	35	(626)	(331)	(2)	(333)	(351)	10	(341)
Effective tax rate	25,8%		25,7%	26,0%		26,3%	26,7%		26,9%
Net income from fully consolidated companies	**1 901**	**(92)**	**1 809**	**943**	**(12)**	**931**	**962**	**(36)**	**926**
Share of profit of associates	46		46	23		23	39		39
Net income	**1 947**	**(92)**	**1 855**	**966**	**(12)**	**954**	**1 001**	**(36)**	**965**
• Group share	**1 749**	**(78)**	**1 671**	**874**	**(9)**	**865**	**911**	**(30)**	**881**
• Non-controlling interests	**198**	**(14)**	**184**	**92**	**(3)**	**89**	**90**	**(6)**	**84**

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011

Underlying diluted net earnings per share were +4.7% higher than in the first half of 2011 at €1.51, and up +2.5% like-for-like.

The transition from net earnings – Group share, per share to underlying fully diluted earnings per share is shown in the following table:

	Year ended December 31		Six-month period ended June			
		2011		**2011 - Restated (1)**		**2012**
(In euros per share except for number of shares)	**Underlying**	**Total**	**Underlying**	**Total**	**Underlying**	**Total**
Number of shares						
• Before dilution	602 202 781	602 202 781	603 778 591	603 778 591	600 877 199	600 877 199
• After dilution	604 049 698	604 049 698	605 693 135	605 693 135	603 149 367	603 149 367
Net Income - Group share, per share						
• Before dilution	2,90	2,77	1,45	1,43	1,52	1,47
• After dilution	2,89	2,77	1,44	1,43	1,51	1,46

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011

Free cash flow

Cash flows provided by operating activities and free cash flow

In the first half of 2012, free cash flow amounts to €890 million, or 8.5% of sales. This is a -3.7% decline compared to the first half of 2011 and was due to a very steep 23.4% rise in capital expenditure, against a low basis of comparison in H1 2011 resulting from a marked concentration of 2011 investments in the second half of the year.

The transition from operating cash flow to free cash flow is presented in the table below:

	Year ended December 31	Six-month period ended June 30	
(In € millions)	2011	2011 Restated [2]	2012
Cash flow from operating activities	**2 605**	**1 168**	**1 255**
Capital expenditures	(885)	(337)	(416)
Disposal of tangible assets	152	92	51
Transaction fees related to business combinations [1]	2	2	
Free cash flow	**1 874**	**925**	**890**

(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.

(2) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

Balance sheet

Simplified consolidated balance sheet

	As of Decembre 31	As of June 30
(In € millions except percentage)	2011	2012
Non-current assets	22 314	22 491
Current assets	6 112	7 202
Total assets	28 426	29 693
Equity (Group share)	12 100	12 236
Non-controlling interests	98	57
Net debt	6 633	6 798
Net financial debt	3 011	3 177
Gearing based on net debt	55%	56%
Gearing based on net financial debt	25%	26%

Net debt and financial net debt

Generation of substantial free cash flow allowed the Group to pay a total €835 million of dividends to Danone's shareholders while pursuing its aim of holding debt ratios steady. Net financial debt increased by €166 million to total €3,177 million (excluding put options totaling €3,621 million granted to minority shareholders on June 30, 2012).

The transition from net debt to financial debt is presented in the table below:

(In € millions)	As of Decembre 31 2011	As of June 30 2012
Non-current financial debt	7 166	6 848
Current financial debt	1 865	2 952
Short term investments	(1 114)	(1 644)
Cash and cash equivalents	(1 027)	(1 143)
Derivatives - assets	(257)	(215)
Net debt	**6 633**	**6 798**
Liabilities related to put options granted to non-controlling interests - Non-current	*(3 622)*	*(3 160)*
Liabilities related to put options granted to non-controlling interests - Current		*(461)*
Financial debt excluded from net financial debt	(3 622)	(3 621)
Net financial debt	**3 011**	**3 177**

Outlook for 2012

Adjustment in 2012 financial outlook

In February this year, Danone set clear priorities for 2012: developing its product categories, pursuing investment in countries with high growth potential, particularly those that Danone calls "MICRUB" (Mexico, Indonesia, China, Russia, the United States and Brazil) and supporting operations and brands in Western Europe.

Since the end of the first quarter, the Group has faced a swift deterioration in consumption in Southern Europe that has proven steeper than anticipated, especially in Spain.

In these markets, Danone has chosen to respond with a combination of support for its brands and steps to make its products more competitive.

In addition, the increase in the Group's raw material costs has been stronger than anticipated since the beginning of the year.

As a result, the group has decided to adjust its targets for 2012 as follows:

- the target for sales growth is unchanged at +5-7% on a like-for-like basis, with the robust performance of operations in Asia, the Americas, Africa/Middle East and the CIS continuing to help offset pressure on Western Europe;
- the target for trading operating margin is reduced from "stable" to "down 50 basis points on a like-for-like basis". This adjustment is aimed at deploying initiatives needed in Southern Europe, while continuing to develop Group sales and profitability for the rest of the world;
- the free cash flow target is unchanged at €2 billion, with the Group continuing to make progress, in particular in its management of working capital.

These forecasts, outlooks, representations and other forward‑looking information included in this Interim financial report are based mainly on the data, assumptions and estimates detailed below, and which are deemed reasonable by the Group. They are not historical data and should not be interpreted as guarantees that actual results will be in line with said forecasts. By their very nature, such data, assumptions and estimates, as well as all other factors taken into account in the preparation of such forward-looking representations and information, may happen and are susceptible to change or be amended because of uncertainties notably related to the Group's economic, financial and competitive environment. In addition, the occurrence of certain risks described in Section *Main risks and uncertainties* could have an impact on the Group's activities, financial position, earnings and outlook and on the achievements of its forecasts, outlooks, representations and forward-looking information provided above.

Main assumptions underlying the profit forecasts

The above forecasts were prepared using accounting methods that are consistent with those applied by the Group for the preparation of historical information. They are based on a number of assumptions, including:

- the data was prepared based on projected exchange rates and interest rates determined at the Group level;
- current consumption trends in countries that are important to the Group will continue for the rest of the year and will not improve or deteriorate significantly, whether mature or emerging markets;
- raw materials price increases continued during the first half, and should be less pronounced in the second half;

- the Group's revenue growth will continue to be primarily driven by development of its product categories, continuing investment in countries with high growth potential, particularly those that Danone calls "MICRUB" (Mexico, Indonesia, China, Russia, the United States and Brazil), and support of its operations and brands in Western Europe;
- the Group will continue to pursue its policy of focusing on sustained productivity and using selective pricing to offset in part raw materials cost inflation.

Post-closing events

Details of major events occurring after the end of the reporting period are provided in Note 16 of the Notes to the condensed interim consolidated financial statements.

Main risks and uncertainties

The main risks and uncertainties to which the Group may be exposed in the second half of 2012 are those specified in Section 2.7 *Risk factors* of the 2011 Registration Document and, including in particular deteriorated economic context in Western Europe as well as the risk of heavier existing taxes or new taxes in mature countries, notably in France.

Financial indicators not defined by IFRS

The Group reports on financial indicators not defined by IFRS. They are calculated as follows:

Like-for-like changes in net sales, trading operating income, trading operating margin and net income - Group 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), and (ii) changes in consolidation scope, with previous year indicators calculated on the basis of current-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 operations, and costs 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, 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.

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

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)).

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.

1.2 Financial information on the parent company Danone

In the first six months of 2012, Danone's parent company net revenue and income before tax amount to € 317 million and € 616 million respectively (€ 237 million and € 824 million, respectively in the first six months of 2011).

1.3 Other information related to the first six months of 2012

Share ownership structure

Voting rights, crossing of thresholds

It is reminded that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder since at least two years (see Section 8.7 *Voting rights, crossing of thresholds* of the 2011 Registration Document).

In addition, the by-laws of the Company provide that any individual or entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 *et seq.* of Volume II of the French Commercial Code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale on the market, the period of five trading days begins as from the date of trade and not the date of delivery. In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' General Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

Share ownership structure as of July 26, 2012

As of July 26, 2012, after the transfer of treasury shares in the context of the purchase of Danone SA (Spain) shares (see Section *Change in Danone SA shareholder base in Spain*), and on the basis the threshold crossing declarations received by the Company, the shareholders holding more than 1.5% of the voting rights of the Company are as follows:

Shareholder	Number of shares held	Percentage of the capital(1)	Number of gross voting rights	Percentage of gross voting rights(1)(2)	Number of net voting rights	Percentage of net voting rights(1)(3)
Eurazeo group	16 433 370	2.6 %	31 902 983	4.6 %	31 902 983	4.9 %
Sofina and Henex group	13 584 541	2.1 %	27 169 082	3.9 %	27 169 082	4.2 %
MFS Investment Management(4)	25 893 016	4.0 %	24 268 011(5)	3.5 %	24 268 011(5)	3.7 %
Groupe Amundi	20 830 218	3.2 %	20 830 218	3.0 %	20 830 218	3.2 %
"Fonds Danone" company investment fund	8 964 210	1.4 %	17 090 483	2.5 %	17 090 483	2.6 %
Norges Bank	16 222 007	2.5 %	16 222 007	2.4 %	16 222 007	2.5 %
Natixis Asset Management	13 981 133	2.2 %	13 981 133	2.0 %	13 981 133	2.1 %
MFS Institutional Advisors, Inc.(4)	23 373 877	3.6 %	13 699 784(5)	2.0 %	13 699 784(5)	2.1 %
Caisse des Dépôts et Consignations group	11 688 114	1.8 %	11 688 114	1.7 %	11 688 114	1.8 %
Company (6)	29 853 524	4.6 %	29 853 524	4.3 %	-	-
Subsidiary Danone Spain	5 780 005	0.9 %	5 780 005	0.8 %	-	-
Other	456 557 985	71.1 %	477 227 651	69.3 %	477 227 651	72.9 %
Total	**643 162 000**	**100.0%**	**689 712 995**	**100.0%**	**654 079 466**	**100.0%**

(1) This percentage is calculated on the basis of the share capital or voting rights as of July 26, 2012 (and not on the basis of the share capital or voting rights as of the date of the threshold crossing declaration).

(2) The percentage of gross voting rights is calculated taking into account the shares held by the Company and its subsidiaries, which are stripped of voting rights.

(3) The number of net voting rights (or voting rights « exercisable in a Shareholders' General Meeting ») is calculated excluding the shares stripped of voting rights.

(4) MFS Investment Management informed the Company that MFS Investment Management and MFS Institutional Advisors, Inc. are two separate entities within the MFS group, which do not combine the shares and voting rights of the companies they own under the rules relating to the declarations regarding the crossing of legal thresholds, in accordance with the provisions of article Article 223-12-1 of the General Regulations of the French Financial Markets Authority (the Company has not verified this information).

(5) MFS Investment Management specified the Company that the difference between the number of shares and the number of voting rights held by MFS Investment Management and MFS Institutional Advisors, Inc. is due to the fact that some of their clients retain the ability to exercise the voting rights attached to the shares held by these companies (the Company has not verified this information).

(6) The transfer by the Company of treasury shares in the context of the purchase of Danone SA (Spain) shares (see section Change in Danone SA shareholder base in Spain) will be offset over the next 3 months by a specific share buyback program for an equal number of Danone shares.

Related party transactions

Major related party transactions are detailed in Note 15 of the condensed interim consolidated financial statements.

2 Condensed interim consolidated financial statements

2.1 Consolidated financial statements

Consolidated income statements

(In € millions)	Notes	Year ended December 31 2011	Six-month period ended June 30 2011 Restated [1]	2012
Net sales		**19 318**	**9 728**	**10 475**
Cost of goods sold		(9 541)	(4 803)	(5 238)
Selling expense		(5 092)	(2 594)	(2 744)
General and administrative expense		(1 564)	(763)	(842)
Research and development expense		(233)	(114)	(125)
Other income (expense)		(45)	(47)	(75)
Trading operating income		**2 843**	**1 407**	**1 451**
Other operating income (expense)	**6**	(114)	(4)	(40)
Operating income		**2 729**	**1 403**	**1 411**
Interest income		*67*	*32*	*44*
Interest expense		*(241)*	*(120)*	*(120)*
Cost of net debt	**7**	(174)	(88)	(76)
Other financial income (expense)	**7**	(120)	(51)	(68)
Income before tax		**2 435**	**1 264**	**1 267**
Income tax expense	**8**	(626)	(333)	(341)
Net income from fully consolidated companies		**1 809**	**931**	**926**
Share of profit of associates		46	23	39
Net income		**1 855**	**954**	**965**
• Group share		1 671	865	881
• Non-controlling interests		184	89	84

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011

Earnings per share

(In € per share except for number of shares)	Notes	Year ended December 31 2011	Six-month period ended June 30 2011 Restated [1]	2012
Number of actions				
Before dilution		602 202 781	603 778 591	600 877 199
Dilution due to Group performance shares and stock-options [2]		*1 846 917*	*1 914 544*	*2 272 168*
After dilution		604 049 698	605 693 135	603 149 367
Net income - Group share, per share				
Before dilution		2,77	1,43	1,47
After dilution		2,77	1,43	1,46

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011
(2) Stock-options and Group performance shares granted to certain employees and corporate officers.

Consolidated statements of comprehensive income

	Year ended December 31	Six-month period ended June 30	
(In € millions)	**2011**	**2011 Restated** (1)	**2012**
Net income	**1 855**	**954**	**965**
Translation adjustments, net of tax	(89)	(528)	131
Actuarial gains and losses on retirement commitments	*(27)*		
Tax effects	*7*		
Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax	(20)		
Revaluation of hedging derivatives, net of tax (2)	15	23	(8)
Revaluation of available-for-sale financial assets	*(1)*	*4*	*2*
Amount recycled to profit or loss in the current year			
Tax effects			
Revaluation of available-for-sale financial assets, net of tax	(1)	4	2
Other comprehensive income, net of tax	5	1	
Total other comprehensive income	**(90)**	**(500)**	**125**
Total comprehensive income	**1 765**	**454**	**1 090**
• Group share	1 617	383	999
• Non-controlling interests	148	71	91

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

(2) Includes notably a foreign exchange loss amounting to €10 million before tax, related to the fair value measurement through equity of the $ 850 million bond (see Note 13 of the Notes to the consolidated financial statements). Indeed, this bond is qualified as net investment hedge according to IAS 39, Financial instruments: recognition and measurement.

Consolidated balance sheet

		As of December 31	As of June 30
(In € millions)	**Notes**	**2011**	**2012**
Assets			
Brands		*4 258*	*4 319*
Other intangible assets		*531*	*523*
Goodwill		*11 289*	*11 385*
Intangible assets	9	16 078	16 227
Property, plant and equipment		3 916	4 040
Investments in associates	10	1 030	1 048
Investments in other non-consolidated companies		123	124
Long-term loans		53	40
Other long-term financial assets		166	181
Derivatives - assets		257	215
Deferred taxes		691	616
Non-current assets		**22 314**	**22 491**
Inventories		1 061	1 137
Trade receivables		1 981	2 291
Other receivables		820	889
Short-term loans		40	32
Short term investments		1 114	1 644
Cash and cash equivalents		1 027	1 143
Assets held for sale	4	69	66
Current assets		**6 112**	**7 202**
Total assets		**28 426**	**29 693**
Equity and liabilities			
Issued capital	11	161	161
Additional paid-in capital		3 452	3 487
Retained earnings		10 192	10 179
Cumulative translation adjustments		(23)	101
Accumulated other comprehensive income		(118)	(124)
Treasury shares and DANONE call options [(1)]	11	(1 564)	(1 568)
Equity attributable to owners of the Company		**12 100**	**12 236**
Non-controlling interests	11	98	57
Equity	11	**12 198**	**12 293**
Financing	12	*3 431*	*3 653*
Derivatives - liabilities		*113*	*35*
Liabilities related to put options granted to non-controlling interests	12, 13	*3 622*	*3 160*
Non-current financial debt		7 166	6 848
Provisions for retirements and other long-term benefits		458	469
Deferred taxes		1 108	1 099
Other provisions and non-current liabilities		534	544
Non-current liabilities		**9 266**	**8 960**
Financing and derivatives - liabilities	12	*1 865*	*2 491*
Liabilities related to put options granted to non-controlling interests	12,13	-	*461*
Current financial debt		1 865	2 952
Trade payables		2 706	3 104
Other current liabilities		2 354	2 368
Liabilities directly associated with assets classified as held for sale	4	37	16
Current liabilities		**6 962**	**8 440**
Total equity and liabilities		**28 426**	**29 693**

(1) DANONE call options purchased by the Company.

Consolidated statements of cash flows

		Year ended December 31	Six-month period ended June 30	
(In € millions)	**Notes**	**2011**	**2011 Restated** [(1)]	**2012**
Net income		1 855	954	965
Share of profits of associates		(46)	(23)	(39)
Depreciation and amortization		637	313	337
Dividends received from associates		30	11	13
Other components of net income with a cash impact		(96)	(85)	(51)
Other components of net income with no cash impact		63	65	97
Cash flows provided by operating activities, excluding changes in net working capital		**2 443**	**1 235**	**1 322**
(Increase) decrease in inventories		*(92)*	*(133)*	*(66)*
(Increase) decrease in trade receivables		*(125)*	*(336)*	*(298)*
Increase (decrease) in trade payables		*306*	*406*	*362*
Change in other receivables and payables		*73*	*(4)*	*(65)*
Change in working capital requirements		162	(67)	(67)
Cash flows provided by (used in) operating activities	**14**	**2 605**	**1 168**	**1 255**
Capital expenditure	14	(885)	(337)	(416)
Proceeds from disposal of property, plant and equipment		152	92	51
Net cash outflow on purchases of subsidiaries and financial investments	14	(60)	(35)	(21)
Net cash inflow on sales of subsidiaries and financial investments [(2)]	14	23	5	2
(Increase) decrease in long-term loans and other long-term assets		3	(30)	(43)
Cash flows provided by (used in) investing activities	**14**	**(767)**	**(305)**	**(427)**
Increase in issued capital and additional paid-in capital		37	34	35
Purchases of treasury shares (net of disposals) and of DANONE call options [(3)]	11, 14	(659)	(553)	(4)
Dividends paid to Danone shareholders	11, 14	(783)	(783)	(835)
Transactions with non-controlling interests	14	(214)	(176)	(200)
Net cash flows on hedging derivatives		(20)	0	(38)
Bonds issued or raised during the period	12	822	66	685
Bonds repaid during the period	12	(912)	(746)	(173)
Increase (decrease) in other current and non-current financial debt	12	(158)	1 261	377
Increase (decrease) in short term investments		23	173	(555)
Cash flows provided by (used in) financing activities	**14**	**(1 864)**	**(724)**	**(708)**
Effect of exchange rate changes		**(1)**	**(37)**	**(4)**
Increase (decrease) in cash and cash equivalents		**(27)**	**102**	**116**
Cash and cash equivalents at beginning of period		**1 054**	**1 054**	**1 027**
Cash and cash equivalents at end of period		**1 027**	**1 156**	**1 143**
Supplemental disclosures				
Payments during the year of:				
• net interest		195	134	101

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

(2) Including net debt as of transfer date.

(3) DANONE call options purchased by the Company.

Consolidated statements of changes in shareholders' equity

	Notes	Number of shares		Equity (In € millions)								
		Issued	Excluding treasury shares	Issued capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Accumulated other comprehensive income	Treasury shares	Group share	Non-controlling interests	Total equity
As of January 1, 2011		**647 921 840**	**611 067 883**	**162**	**3 627**	**9 251**	**30**	**(117)**	**(1 216)**	**11 737**	**47**	**11 784**
Total comprehensive income						865	(510)	28		**383**	71	**454**
Increase in issued capital	11	939 160	939 160		33					**33**		**33**
Decrease in issued capital										**0**		**0**
Changes in treasury shares DANONE call options[1]	11		(11 466 498)						(553)	**(553)**		**(553)**
Counterpart entry to expense relating to Group performance shares and stock-options[2]						11				**11**		**11**
Dividends paid to Danone shareholders	11					(786)				**(786)**	3	**(783)**
Other transactions with non-controlling interests	11					(8)				**(8)**	(90)	**(98)**
As of June 30, 2011 Restated [3]		**648 861 000**	**600 540 545**	**162**	**3 660**	**9 333**	**(480)**	**(89)**	**(1 769)**	**10 817**	**31**	**10 848**

(1) DANONE call options purchased by the Company.

(2) Stock-options and Group performance shares granted to certain employees and corporate officers.

(3) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

	Notes	Number of shares		Equity (In € millions)								
		Issued	Excluding treasury shares	Issued capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Accumulated other comprehensive income	Treasury shares	Group share	Non-controlling interests	Total equity
As of January 1, 2012		**642 246 573**	**600 641 108**	**161**	**3 452**	**10 192**	**(23)**	**(118)**	**(1 564)**	**12 100**	**98**	**12 198**
Total comprehensive income						881	124	(6)		**999**	91	**1 090**
Increase in issued capital	11	915 427	915 427		35					**35**		**35**
Decrease in issued capital										**0**		**0**
Changes in treasury shares DANONE call options[1]	11		(138 103)						(4)	**(4)**		**(4)**
Counterpart entry to expense relating to Group performance shares and stock-options[2]						10				**10**		**10**
Dividends paid to Danone shareholders	11					(838)				**(838)**	3	**(835)**
Other transactions with non-controlling interests	11					(66)				**(66)**	(135)	**(201)**
As of June 30, 2012		**643 162 000**	**601 418 432**	**161**	**3 487**	**10 179**	**101**	**(124)**	**(1 568)**	**12 236**	**57**	**12 293**

(1) DANONE call options purchased by the Company.

(2) Stock-options and Group performance shares granted to certain employees and corporate officers.

2.2 Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of Danone (the "Company"), its subsidiaries and associates (the "Group") as of and for the six-month period ended June 30, 2012 (the "consolidated financial statements") were approved by Danone's Board of Directors on July 26, 2012.

Notes to the consolidated financial statements contents

Note 1 – Accounting principles

The Group's consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union, which are available on the web site of the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm). The standards and interpretations applied in the preparation of these consolidated financial statements are also in accordance with IFRS as issued by the IASB (International Accounting Standards Board).

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2012 are presented and have been prepared in compliance with IAS 34, *Interim Financial Reporting*, the standard as adopted by the European Union regarding interim financial reporting information. The standard provides that condensed interim financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2011. The Group's activity related to six-month period ended June 30, 2011 shows no significant seasonal effect.

The accounting principles used to prepare these condensed interim consolidated financial statements are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2011 (see Note 1 of the Notes to the consolidated financial statements for the year ended December 31, 2011), except for standards, amendments and interpretations applicable for the first time as from January 1, 2012.

Standards, amendments and interpretations, whose application is mandatory as of January 1, 2012

- Amendment to IFRS 7 on to the disclosure of transfers of financial assets.

The application of these standards, amendments and interpretations to be applied as from January 1, 2012 did not have a material impact on the Group's condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2012.

Standards, amendments and interpretations, whose application is not mandatory as of January 1, 2012 but which may be adopted earlier

- IAS 19, *Employee benefits* particularly for defined benefit plans;
- IFRS 12 (under conditions) to on the disclosure of interests in other entities;
- Amendment to IFRS 1 on severe hyperinflation;
- IAS 1 on the presentation of other comprehensive income;
- Amendment to IFRS 7 on financial assets and financial liabilities offsetting.

The Group did not exercise the option to adopt in advance these standards, amendments and interpretations in the condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2012, and does not expect that they would have a material impact on its results and financial position.

In addition, the IASB has published standards, amendments and interpretations that are applicable as of January 1, 2012, but not yet adopted by the European Union:

- IFRS 9 on financial instruments;
- IFRS 10 on consolidated financial statements;
- IFRS 11 on joint arrangements;
- IFRS 12 on the disclosure of interests in other entities;
- IFRS 13 on fair value measurement;
- Revised IAS 27 on consolidated and separate financial statements;
- Revised IAS 28 on investments in associates and joint ventures.

The Group is currently assessing the impact of these standards on its results and financial position.

Other IASB and IFRIC projects

The Group is also closely monitoring the work of the IASB and the IFRIC, which could lead to an amendment of specific standards on the treatment of such put options granted to non-controlling interests.

The draft interpretation issued by IFRIC on May 31, 2012 specifies that all changes in the measurement of the financial liability that is recognized for a put option granted to non-controlling interest must be recognized in profit and loss, in line with IAS 39 and IFRS 9. In the absence of specific provisions stipulated by IFRS, the Company has applied the recommendations issued by the French Financial Markets Authority (AMF) in November 2009: the difference between the strike price of the options granted and the carrying amount of non-controlling interests is presented as a reduction of "Retained earnings – Group share".

Note 2 – Restatement of reported consolidated financial statements as of June 30, 2011

The reported consolidated financial statements as of June 30, 2011 have been restated in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and revised IFRS 3, *Business Combinations* in connexion with:

- the change in accounting principle and income statement presentation of retirement obligations and other long-term benefits applied for the first time to the consolidated financial statements for the year ended December 31, 2011;
- the finalization of December 31, 2011 of the accounting treatment of the acquisition of the Unimilk group's companies.

Both elements are detailed in Note 4 of the Notes to the consolidated financial statements for the year ended December 31, 2011.

This restatement impacts:

- the consolidated income for the six-month period ended June 30, 2011: (i) increase of € 11 million of both trading operating income and operating income, (ii) additional Other financial expense of € 3 million, (iii) additional income tax expense of € 2 million and (iv) increase of € 4 million of Net income – Group share (increase of € 2 million of Net income – Non controlling interests);

- the earnings per share for the six-month period ended June 30, 2011: (i) no change in the basic earnings per share – Group share and (ii) increase of 0.01 euro per share of the diluted earnings per share – Group share;
- the comprehensive income for the six-month period ended June 30, 2011: (i) increase of € 6 million of the consolidated net income, (ii) increase of € 4 million of the total comprehensive income – Group share (increase of € 2 million of the total comprehensive income – non-controlling interests);
- the consolidated statement of change in equity as of June 30, 2011: increase of € 6 million of the equity – Group share (no change in equity – non-controlling interests).

Note 3 – Changes in the scope of consolidation and in Group's ownership in its subsidiaries

Acquisitions

Acquisitions resulting in control being obtained

In the first six months of 2012, the Group did not carry out any acquisition resulting in control being obtained.

In the first six months of 2011, the Group acquired 100 % of Complan (Medical Nutrition - United Kingdom).

Other acquisitions

In the first six months of 2012, the Group carried out partial acquisitions of non-controlling interests (see Note 14 of the Notes to the consolidated financial statements), mainly in Danone Canarias (Fresh Dairy Products – Spain) for a 10.9 % stake increasing its ownership to 94.4 % as at June 30, 2012.

In the first six months of 2011, the Group did not carry out any other acquisition.

Disposals

Partial disposals resulting in a loss of control

In the first six months of 2012, the Group carried out the partial disposal of a 51 % stake in the wholly-owned subsidiary Danone Thailand (Fresh Dairy Products – Thailand), resulting in a loss of control of the company and in a decrease of the Group's ownership in the company to 49%.

During the first six months of 2011, the Group did not carry out any disposal resulting in a loss of control.

Other disposals

In the first six months of 2011 and of 2012, the Group did not carry out any significant Other disposal.

Main acquisitions in progress

Danone announced that the Group is raising its interest in Centrale Laitière in Morocco to 67.0% by acquiring part of SNI's shareholding for a total around € 550 million. Centrale Laitière is Morocco's leading dairy product company with nearly 60% of the market. It has sales of around €600 million and sells products branded Danone as Yawmy, Moufid and Activia.

This acquisition is subject to the approval of relevant authorities and is expected to be finalized by the end of 2012.

With this transaction Danone obtains the control of the company, which will be fully consolidated. This transaction has no impact on consolidated financial statements as of and for the six-month period ended June 30, 2012, with, among others, the continued accounting for the company as an associate.

In addition, on August 2, 2011 Danone signed an agreement with the Wockhardt group to acquire its nutrition business in order to establish a presence in the Indian baby nutrition and medical nutrition market.

The acquisition by Danone of the nutrition activity and brands of the Wockhardt group and of industrial assets located in the Punjab region in India, for approximately € 250 million is in progress as of June 30, 2012.

Note 4 – Assets and liabilities held for sale

Disposals

In the first six months of 2012, the Group carried out the partial disposal of a 51 % stake in the wholly-owned subsidiary Danone Thailand (Fresh Dairy Products – Thailand), resulting in a loss of control of the company and in a decrease of the Group's ownership in the company to 49% (See Note 3 of the Notes to the consolidated financial statements). The company's non-current assets and non-current liabilities were classified as held for sale as of December 31, 2011.

Assets and liabilities held for sale

As of June 30, 2012, the Group is in the process of selling part or all of its equity interests of certain companies in the Fresh Dairy Products and Waters Divisions. The Group believes that it is highly likely that these transactions will be completed within the next 12 months. Consequently, the assets and liabilities of these companies, which amount to € 66 million and € 16 million, respectively, were classified as assets and liabilities held for sale as of June 30, 2012.

As of December 31, 2011, the assets and liabilities of certain companies in the Fresh Dairy Products and Waters Divisions were classified as assets and liabilities held for sale and amounted to € 69 million and € 37 million respectively.

In both 2011 and first six months of 2012, no business activity was classified as a discontinued operation.

Note 5 – Operating segments

The key financial indicators reviewed and used by the Group's primary operational decision-makers (Chairman and Chief Executive Officer Franck RIBOUD, the two Deputy General Managers, Bernard HOURS and Emmanuel FABER, and the Chief Financial Officer, Pierre-André TERISSE) to assess operational performance are the following:

- net sales;
- trading operating income;
- trading operating margin defined as the trading operating income over net sales ratio;
- free cash flow, which represents cash flows provided by or used in operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised));
- net financial debt, which 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.

Among the key financial indicators reviewed and used by the Group's primary operational decision-makers, only net sales, trading operating income and trading operating margin are monitored by business line, other key indicators being monitored at Group level.

Information by business line

Net sales, trading operating income and trading operating margin are followed by the four Group's business lines: Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition.

	Six-month period ended June 30					
(In € millions except percentage)	Net Sales (1)		Trading operating income		Trading operating margin	
	2011	2012	2011 Restated (2)	2012	2011 Restated (2)	2012
Dairy	5 672	5 906	690	663	12,2%	11,2%
Waters	1 667	1 855	234	254	14,0%	13,7%
Baby Nutrition	1 818	2 090	361	417	19,9%	20,0%
Medical Nutrition	571	624	122	117	21,4%	18,7%
Total business lines	9 728	10 475	1 407	1 451	14,5%	13,8%
Group total	**9 728**	**10 475**	**1 407**	**1 451**	**14,5%**	**13,8%**

(1) Net sales to third parties

(2) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

Information by geographic area

The key financial indicators reviewed and used by the Group's primary operational decision-makers (including net sales) are presented through three geographic areas: Europe (Western Europe, Central Europe, and Eastern Europe), Asia (including the Pacific Region), and Rest of the World (North and South America, Africa, and the Middle East).

	Six-month period ended June 30					
(In € millions except percentage)	Net Sales [1] [2]		Trading operating income		Trading operating margin	
	2011	2012	2011 Restated [3]	2012	2011 Restated [3]	2012
Europe	5 543	5 548	784	662	14,2%	11,9%
Asia	1 395	1 762	288	398	20,6%	22,6%
Rest of the World	2 790	3 165	335	391	12,0%	12,4%
Group total	**9 728**	**10 475**	**1 407**	**1 451**	**14,5%**	**13,8%**

(1) Net sales third parties

(2) Including €1,070 million in France in the six-month period ended June 30, 2012 (€1,091million in 2011).

(3) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

Non-current-assets presented hereafter consist of tangible and intangible assets:

	As of December 31	As of June 30
(In € millions)	Tangible and intangible assets	
	2011	2012
Europe [1]	12 366	12 526
Asia	4 081	4 137
Rest of the World	3 547	3 604
Group total	**19 994**	**20 267**

(1) Including €1,693 million in France as of June 30, 2012 (€1,682 million as of December 31, 2011).

Note 6 – Other operating income and expense

In the first six months of 2012, other operating expense amount to € 40 million, which comprise notably Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition and costs related to a strategic external growth project lead by the Group in the first half of 2012.

In the first six months of 2011, other operating expense amounted to € 4 million related mainly to insurance received in connection with US class action and Unimilk integration costs.

Note 7 – Cost of net financial debt and other financial income and expense

For the first six month of 2012, net financial result breaks down as follows:

	Six-month period ended June 30	
(In € millions)	2011 Restated [1]	2012
Interest income on cash, cash equivalents and short term investments	32	44
Interest expense on financial debt	(120)	(120)
Cost of net financial debt	**(88)**	**(76)**
Other financial income	16	13
Other financial expense	(67)	(81)
Other financial income or expense	**(51)**	**(68)**
Financial result	**(139)**	**(144)**

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011.

For the first six month of 2012, the cost of net financial debt declined compared to the first six-month of 2011, primarily due to the positive impact of managing the Group's bond financing and, to a lesser extent, the decline in interest rates.

The change in Other financial income and expense results primarily from a rise in the cost of hedging exchange rates for emerging economies.

For the first six month of 2011, net financial result had increased compared to the first six month of 2010, due primarily to the cost of Unimilk's debt and, to a lesser extent, the increase in interest rates over the period.

Note 8 – Income tax

For the first six months of 2012, the effective income tax rate amounts to 26.9%, (26.3 % for the first six months of 2012 and 25.7% in 2011). The difference between the effective tax rate and the statutory tax rate in France can be detailed as follows:

	Six-month period ended June 30	
(As a percentage of income before tax)	**2011**	**2012**
Statutory tax rate in France	**34,4 %**	**34,4%**
Recognition of deferred tax asset in respect of loss carry forward	0,0%	(1,6%)
Differences between French and foreign tax rates	(9,0%)	(7,5%)
Other effects	0,9%	1,6%
Effective income tax rate	**26,3%**	**26,9%**

Note 9 – Impairment review of intangible assets

As of June 30, 2012, intangible assets amount to € 16,227 million (€ 16,078 million as of December 31, 2011), including € 15,704 million of goodwill and brands with indefinite useful life (€ 15,547 million as of December 31, 2011).

Intangible assets are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. An impairment provision is recognized, when the recoverable value of an intangible asset becomes durably lower than its carrying amount. The recoverable value of an intangible asset corresponds to the higher of market value and value in use.

- market value corresponds to the net selling price, that could be obtained by the Group in an arm's-length transaction, which is generally estimated on the basis of earnings multiples;
- value in use is assessed with reference to expected future discounted cash flows of the Cash Generating Unit ("CGU") or group of CGUs to which the asset belongs. The CGUs or groups of CGUs correspond to subsidiaries or groups of subsidiaries, that are included in the same reportable segment and that generate cash flows largely independent from those generated by other CGUs or groups of CGUs.

As of June 30, 2012, the Group has reviewed impairment indicators liable to result in a reduction in the carrying value of goodwill and brands.

In the case of the Baby Nutrition Rest of the World, Baby Nutrition Asia and Medical Nutrition cash-generating units (CGUs), the indicators analyzed refer to external factors such as changes in the discount rate, market growth, changes in market share and inflation of raw material prices, and to internal factors such as the revised annual forecast and performance to date compared with the budget. No indication of impairment has been identified.

In the case of the Fresh Dairy Products and Waters CGUs, the indicators analyzed relate mainly to internal factors such as changes in the key ratios of each CGU.

- for Fresh Dairy Products CGUs, the operating margin warning issued by the Group on June 19, 2012 having its origin in a context of "a swift deterioration in consumption in Southern Europe that has proven steeper than anticipated, especially in Spain" is an indication of impairment at South-Europe CGU level. Impairment tests performed show that the recoverable value of its assets exceeds their net book value. No impairment loss is to be recognized as at June 30, 2012 on any of the Fresh Dairy Products CGUs;
- for Waters CGUs, the analysis of indicators of impairment did not lead to conduct impairment tests on significant CGUs. No impairment loss is to be recognized as at June 30, 2012 on any of the Waters CGUs.

Note 10 – Impairment review of investments in associates

As of June 30, 2012, investments in associates amount to € 1,048 million (€ 1,030 million as of December 31, 2011).

Investments in associates are recognized in the consolidated balance sheet at their acquisition cost, adjusted for the Group's share of the changes in the company's net assets since its acquisition. The Group reviews the fair value of its investments in associates, when events or circumstances indicate, that impairment is likely to have occurred. An impairment provision is recognized within "Income (loss) from investments in associates", when the recoverable amount of the investment falls below its carrying amount. This impairment provision may be reversed, if the recoverable amount subsequently exceeds the carrying amount.

In the first six months of 2012, no investment in associates was subject to impairment.

Note 11 – Information on changes in shareholders' equity

As of June 30, 2012, shareholders' equity amount to € 12,293 million (€ 12,198 million as of December 31, 2011).

Changes in shareholders' equity in respect of the first six months of 2012 are primarily attributable to:

- the total comprehensive income for the period ended on June 30, 2012: it implied an increase in the total shareholder's equity by € 1,090 million;
- the dividend paid by the Company for the fiscal year 2011 reducing shareholders' equity by € 835 million;
- transactions with non-controlling interests: they implied a reduction of "Retained earnings – Group share" of € 66 million and a reduction of "non-controlling" interests of € 135 million (see Note 12 of the Notes to the consolidated financial statements), they implied a total decrease in shareholders' equity of € 201 million;
- capital increase related to French company savings plan (*Plan d'Épargne Entreprise*): the Group carried out a capital increase resulting in an increase of shareholders' equity of € 35 million.

In the first six months of 2012, the Group did not carry out any purchase of DANONE shares other than exercise of DANONE call options related to exercise of stock-options granted to certain employees and corporate officers. In addition, in the first six months of 2012, the Group did not carry out any cancellation of DANONE shares.

Note 12 – Current and non-current financial debt

Current and non-current financial debt break-down as of June 30, 2012 and their changes in respect of the first six months of 2012 can be detailed as follows:

		Movements during the period					
(In € millions)	**As of December 31, 2011**	**Bond issue or net increase of other item**	**Bond repayment or net decrease of other item**	**Transfer to current portion**	**Translation adjustments**	**Other**	**As of June 30, 2012**
Bonds [1] [2]	217		(173)	193	55		292
Commercial paper [2]	852	464					1 316
Other financing and other debts [1] [3]	796	130			1	(87)	840
Financing [1]	1 865	594	(173)	193	56	(87)	2 448
Derivatives - liabilities [1]	-			43			43
Financing and derivatives - liabilities [1]	*1 865*	*594*	*(173)*	*236*	*56*	*(87)*	*2 491*
Liabilities related to put options granted to non-controlling interests [1]	-			*461*			*461*
Current financial debt	**1 865**	**594**	**(173)**	**697**	**56**	**(87)**	**2 952**
Bonds [2] [4]	3 155	685		(193)	(111)		3 536
Other financing and other debts [3] [4]	276		(216)		15	42	117
Financing [4]	*3 431*	*685*	*(216)*	*(193)*	*(96)*	*42*	*3 653*
Derivatives - liabilities [4]	*113*		*(1)*	*(43)*	*(28)*	*(6)*	*35*
Liabilities related to put options granted to non-controlling interests [4]	*3 622*			*(461)*	*31*	*(32)*	*3 160*
Non-current financial debt	**7 166**	**685**	**(217)**	**(697)**	**(93)**	**4**	**6 848**
Financial debt	**9 031**	**1 279**	**(390)**		**(37)**	**(83)**	**9 800**

(1) Less than one year portion.

(2) Financing managed at the Company level.

(3) Subsidiaries' bank financing and other financing, debts related to finance lease.

(4) More than one year portion.

Bonds

In the first six months of 2012, the Group carried out the following transaction: in order to diversify its financing sources and increase the average maturity of its debt, while benefiting from favorable market conditions, the Group launched an inaugural bond issue on the United States bond market. On May 29, 2012, Danone issued an $ 850 million bond maturing in 2022 and paying a 3 % interest. In addition, bonds representing € 173 million matured in the first six months of 2012.

Financial liabilities related to put options granted to non-controlling interests

The Group granted options to holders of non-controlling interests in certain consolidated companies, whereby the Group is committed to acquire part or all of their shares in such companies, should the owners of said interests wish to exercise their put options. These financial debts do not bear interest. These put options are recognized as financial liabilities in the consolidated balance sheet:

As of June 30, 2012, financial liabilities related to put options granted to non-controlling interests amount to € 3,621 million (€ 3,622 million as of December 2011), of which, € 461 million are classified as current financial liabilities and € 3,160 million are classified as non-current financial liabilities:

- the main commitment concerns Danone Spain (See Note 13 of the Notes to the consolidated financial statements), for € 2,154 million as of June 30, 2012, of which € 461 million are classified as current financial liabilities;
- as part of the acquisition of Unimilk group's companies, Danone granted put options to former Unimilk shareholders. Contractually, these put options can be exercised in their totality during a period that begins in 2014 and expires on December 31, 2022. They are valued based mainly on an earnings multiple. As of June 30, 2012, the commitment relative to these put options totaled € 865 million (€ 856 million as of December 31, 2011) and is classified as non-current financial liabilities;
- other put options granted to non-controlling interests amount to € 602 million (€ 613 million as of December 31, 2011). They can be

exercised (i) at any time for a cumulative amount of € 416 million and (ii) from 2013, on different dates, for a cumulative amount of € 186 million. No significant cash outflow is considered probable in the short term with respect to these put options, even for options that can be exercised at any time. Therefore, all these options are classified as non-current financial liabilities.

Note 13 – Current and non-current financial debt related to put options granted to non-controlling interests of Danone Spain

As of June 30, 2012, financial liabilities related to put options granted to non-controlling interests of Danone Spain amount to € 2,154 million (€ 2,153 million as of December 2011).

These put options apply to nearly all of the 42.19% equity interest held by the non-controlling interests of Danone Spain (as of June 30, 2012, Danone Spain's shares are held (i) for 57.05 % by the Group, (ii) for 41.64 % by non-controlling interests and (iii) for 1.31 % by Danone Spain).

The formula used to calculate the amount of this commitment is fixed contractually, based on an average of the Spanish subsidiary's earnings over several years, to which a multiple is then applied. These put options were granted for an initial contractual period of 25 years (expiring between November 2016 and February 2017) and may be tacitly renewed for successive five-year periods.

The options are exercisable at any time. In July 2010, the beneficiaries of put options representing more than 70% of the shares of this subsidiary covered by the options agreed to amended terms under which they accepted a one-year differed settlement for both payment of the amount owed by Danone and the shares' ownership transfer.

During the first six months of 2012, two minority shareholders of Danone Spain holding a total ownership of 8.5 % of Danone Spain and holding put options for a cumulated amount totaling € 461 million as of June 30, 2012, agreed with the Group to amend conditions for exercizing their option. According to these agreements, put options would be exercised for their total ownership. These acquisitions by the Group would be made with no one-year differed settlement through a cash payment of € 91.5 million plus the contribution of 6,110,039 Danone treasury shares earmarked for external growth initiatives and representing around 0.95% of Danone's total share capital. An equal number of shares will be purchased over the next three months by the Group as part of a share buyback program to offset dilution caused by this transaction. The two minority shareholders receiving the DANONE shares in exchange for their interests in Danone SA (Spain) have undertaken to hold these shares for a minimum of three years

These acquisitions of Danone Spains' shares by the Group pursuant to these agreements are subject to the approval by Danone's Board of Directors on July 26, 2012 (see Note 16 of the Notes to the consolidated financial statements).

As of June 30, 2012, put options subject to the above mentioned amendments (amounting to € 461 million) are classified as current financial liabilities.

Note 14 – Information on changes in consolidated cash flows and on changes in net debt

Cash flows provided by (used in) operating activities

In the first six months 2012, cash flows provided by operating activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(In € millions)	**2011**	**2011 Restated [1]**	**2012**
Net income	1 855	954	965
Share of profits of associates	(46)	(23)	(39)
Depreciation and amortization	637	313	337
Dividends received from associates	30	11	13
Other components of net income with a cash impact	(96)	(85)	(51)
Other components of net income with no cash impact	63	65	97
Cash flows provided by operating activities, excluding changes in net working capital	**2 443**	**1 235**	**1 322**
(Increase) decrease in inventories	*(92)*	*(133)*	*(66)*
(Increase) decrease in trade receivables	*(125)*	*(336)*	*(298)*
Increase (decrease) in trade payables	*306*	*406*	*362*
Change in other receivables and payables	*73*	*(4)*	*(65)*
Change in working capital requirements	162	(67)	(67)
Cash flows provided by (used in) operating activities	**2 605**	**1 168**	**1 255**

(1) See Note 2 of the Notes to the consolidated financial statements, related to the restatement of reported consolidated financial statements as of June 30, 2011

Cash flows provided by (used in) investing activities

In the first six months of 2012, cash flows used in investing activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(In € millions)	**2011**	**2011**	**2012**
Capital expenditure	(885)	(337)	(416)
Proceeds from disposal of property, plant and equipment	152	92	51
Net cash outflow on purchases of subsidiaries and financial investments [1]	(60)	(35)	(21)
Net cash inflow on sales of subsidiaries and financial investments [1][2]	23	5	2
(Increase) decrease in long-term loans and other long-term assets	3	(30)	(43)
Cash flows provided by (used in) investing activities	**(767)**	**(305)**	**(427)**

(1) See Note 3 of the Notes to the consolidated financial statements.

(2) Including net debt as at transfer date.

Capital expenditures amount to € 416 million in the first six months of 2012, compared with € 337 million in the first six months of 2011 and € 885 million in 2011 (representing 4 %, 3 % and 4.9 % of consolidated sales, respectively).

Cash flows provided by (used in) financing activities

In the first six months 2012, cash flows used in financing activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(In € millions)	**2011**	**2011**	**2012**
Increase in issued capital and additional paid-in capital [1]	37	34	35
Purchases of treasury shares (net of disposals) and of DANONE call options [1][2]	(659)	(553)	(4)
Dividends paid to Danone shareholders [1]	(783)	(783)	(835)
Transactions with non-controlling interests	(214)	(176)	(200)
Net cash flows on hedging derivatives	(20)	0	(38)
Bonds issued or raised during the period [3]	822	66	685
Bonds repaid during the period [3]	(912)	(746)	(173)
Increase (decrease) in other current and non-current financial debt [3]	(158)	1 261	377
Increase (decrease) in short term investments	23	173	(555)
Cash flows provided by (used in) financing activities	**(1 864)**	**(724)**	**(708)**

(1) See Note 11 of the Notes to the consolidated financial statements.

(2) DANONE call options purchased by the Company.

(3) See Note 12 of the Notes to the consolidated financial statements.

In the first six months of 2012, transactions with non-controlling interests mainly include dividends payment for € 168 million and acquisition of some non-controlling interests for € 32 million (see Note 3 of the Notes to the consolidated financial statements).

In the first six months of 2011 and in 2011, transactions with non-controlling interests mainly included dividends payment for € 160 million and € 197 million, respectively.

Change in net debt

Consolidated net debt increased by € 165 million between December 31, 2011 and June 30, 2012 to total to € 6,798 million.

The change in the structure of net debt between December 31, 2011 and June 30, 2012 is analyzed below:

	As of Decembre 31	As of June 30
(In € millions)	**2011**	**2012**
Non-current financial debt	7 166	6 848
Current financial debt	1 865	2 952
Short term investments	(1 114)	(1 644)
Cash and cash equivalents	(1 027)	(1 143)
Derivatives - assets	(257)	(215)
Net debt	**6 633**	**6 798**

Note 15 – Related party transactions

The main related parties are the associated companies, the members of the Executive Committee and the members of the Board of Directors.

In the first six months of 2012, there were no significant changes in the types of related party transactions reported for the fiscal year ended 2011 (see Note 34 of the Notes to the consolidated financial statements for the year ended December 31, 2011).

In addition, in the first six month of 2012 and in the context of the $ 850 million bond issue on the U.S. market, (see Note 12 of the Notes to the consolidated financial statements), the Company entered into a purchase agreement with the banks in charge of the bonds placement (among which JP Morgan Securities LLC), under which the banks subscribed to the bonds issued by the Company to immediately place them before investors wishing to participate in the issue. Ms. Isabelle SEILLIER, Chairman of JP Morgan for France, is a member of the Company's Board of Directors. The commission paid to each bank in charge of the bonds' placement (including JP Morgan Securities LLC) is strictly proportional to the subscription commitment made by the bank concerned. In this respect, the Company paid JP Morgan Securities LLC a $ 1.53 million commission. The execution of this agreement was authorized by the Board of Directors of the Company during its April 20, 2012 meeting, in accordance with the provisions of Articles L.225-38 *et seq.* of the French Commercial Code (regulated agreements).

Finally, the Shareholders' General Meeting of April 26, 2012 authorized the Board of Directors to grant in 2012 and 2013 Group performance shares to certain employees and corporate officers. In the first six months of 2012, no Group performance shares were granted. The grant of Group performance shares for 2012 will be submitted to the approval by the Board of Directors on July 26, 2012.

Note 16 – Post-closing events

Amended Finance Bill for 2012 in France

On July 4, 2012, an amended finance bill for 2012 (*projet de loi de finances rectificative pour 2012*) was presented to the cabinet (*Conseil des ministres*). As currently drafted, this amendment could have an impact on the Group's consolidated financial statements, beginning in the second half of 2012. These impacts are being assessed by the Group.

Put options granted to non-controlling interests of Danone Spain

Danone's Board of Directors of July 26, 2012 authorized agreements amending conditions for exercizing options granted to two minority shareholders of Danone Spain concluded during the first six months of 2012 (see Note 13 of the Notes to the consolidated financial statements). Therefore, Danone purchased from those two minority shareholders a total 1,416,368 shares of its subsidiary Danone SA (Spain), raising its equity interest from 57.05% to 65.62%.

Acquisition of Wockhardt Group's nutrition business

Danone completed on July 26, 2012 the acquisition of Wockhardt Group's nutrition business.

3 Statutory Auditor’s review report on the 2012 interim financial information

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by the shareholder's meeting and in accordance with the requirements of the article L. 451-1-2 III of the French Monetary and Financial Code (*Code Monétaire et Financier*), we hereby report to you on :

- the review of the accompanying condensed interim consolidated financial statements of Danone, for the period from January 1st to June 30th, 2012,
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. Specific procedure

We have also verified the information given in the interim management report commenting the condensed interim consolidated financial statements subject to our review.

We have no matters to report on the fairness and consistency of this information with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 26, 2012

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit

Etienne BORIS Philippe VOGT

Ernst & Young et Autres

Jeanne BOILLET Gilles COHEN

4 Statement by the person responsible for the condensed interim consolidated financial statements

"We certify that, to our knowledge, the condensed financial statements for the half year ended June 30, 2012 have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, liabilities, financial position and results of the Company and of all companies within its scope of consolidation, and that the attached interim management report presents a faithful representation of the significant events which occurred during the first six months of the fiscal year, their impact on the financial statements, and the main related party transactions, as well as the major risks and uncertainties for the remaining six months of the year."

Paris, July 26, 2012

Franck Riboud

Chairman and Chief Executive Officer