



DANONE

French *société anonyme* (joint stock company) with a Board of Directors and a share capital of
€ 161,747,712.50

Registered office: 17, boulevard Haussmann, 75009 Paris
Paris Trade and Companies Registry Number: 552 032 534

HALF-YEAR FINANCIAL REPORT

For the six-month period ended June 30, 2009

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The English language version of the condensed interim consolidated financial statements is a free translation from the original which was prepared in French. The original French language version of the document prevails over this translation.

1. Interim management report

1.1. Analysis of business in HY 2009

Net sales

The Group's consolidated net sales fell 2.2% from €7,691 million in the first six months of 2008 to €7,520 million in the first six months of 2009.

Without taking into account the negative impact of exchange rates (-2.5%) and changes in the scope of consolidation (-1.3%), net sales rose 1.6% on a like-for-like basis. This growth at constant scope of consolidation and constant exchange rates was driven by a volume growth of 2.4% and a drop in value of (-0.8%).

The negative impact of exchange rates is largely due to the negative performance of the Polish zloty, the Russian ruble, the British pound and the Mexican peso. Changes in the scope of consolidation primarily relate to the disposal of Frucor, a beverage business based in Australia and New Zealand which was sold to Suntory Limited. This company was deconsolidated as of January 2009.

Business Lines and Geographical Areas (at constant scope of consolidation and exchange rates)

The Fresh Dairy Products division reported a relatively stable performance with a slight dip in sales of (-0.3%) over the first half of 2008.

Sales for the Waters division declined (-1.9%) compared to the same period in 2008.

The Baby Nutrition division reported solid growth in sales, up 8.9% compared to the first six months of 2008.

Sales for the Medical Nutrition division grew 9.8% over the first half of 2008

By geography, the growth achieved in the first half of 2009 was led by Asia and the Rest of the World, with a sales growth rate of 12.0% and 5.3% respectively compared to the first half of 2008. Sales in Europe declined (-1.7%) compared to the first half of 2008.

Trading operating income

Trading operating income increased slightly from €1,177 million in the first half of 2008 to €1,206 million in the first half of 2009.

Trading operating margin increased 98 basis points at constant scope and exchange rates from 15.30% in the first half of 2008 to 16.03% in the first half of 2009.

Cost of net debt

The cost of net debt dropped from €178 million in the first half of 2008 to €170 million in the first half of 2009. This relative stability mainly comes from the offset of the following two items:

- The decline in net debt and short-term euro interest rates in the first half of 2009 compared to the first half of 2008, thus decreasing significantly the financial expenses of the Group, whereas
- The cost of bond issues set up at the end of the first half of 2008 had a two-month period impact compared to a six-month period impact in the first half of 2009.

Furthermore, the effects of the rights issue carried out on June 25, 2009 on the Group's deleveraging had a limited impact on the cost of net debt in the six-month period ended June 30, 2009 (for details about this operation, see the paragraph below on the important Events that occurred during the first six months of the financial year).

Net income

The net income attributable to the Group totaled €932 million for the first half of 2009 versus €879 million in the first half of 2008.

The reconciliation from net income attributable to the Group to underlying net income attributable to the Group is presented in the table below.

<i>(in millions of euros)</i>	Six months ended June 30	
	2009	2008
Net income attributable to the Group	932	879
- Non-current net income attributable to the Group	210	178
Underlying net income attributable to the Group	722	701

The underlying net income attributable to the Group increased to €722 million in the first six months of 2009 from €701 million in the first half of 2008.

In the first half of 2009, the non-current net income attributable to the Group mainly included (i) the net capital gain recognized from the disposal finalized in January 2009 of the shares in Frucor (Waters – Australia and New Zealand) for a total of €315 million and (ii) the free and irrevocable allocation of €100 million (Capital Allocation) which the Group pledged to grant under the “Danone Ecosystem Fund”, as approved by the Shareholders’ General Meeting on April 23, 2009.

Earnings per share

The underlying fully diluted earnings per share increased from €1.47 in the first half of 2008 to €1.50 in the first half of 2009, an increase of 6.7% at constant scope and exchange rates and excluding the effects of the rights issue carried out on June 25, 2009.

Financing

Free cash flow (or cash flows provided by operating activities less capital expenditure, net of disposals) totaled €636 million in the first six months of 2009 (versus €550 million in the first six months of 2008). This increase was primarily driven by the business generated in the first half of 2009. Furthermore, the cash flows provided by investing activities of the first six months of 2009 mainly include cash received from the disposals completed in the first half of 2009, particularly the disposal of Frucor (Waters – Australia and New Zealand). Details of these disposals can be found in Notes 2.1 and 3 of the condensed interim consolidated financial statements.

The Group's net debt (corresponding to financial liabilities less cash, cash equivalents and marketable securities) totaled €6,976 million at the end of the first half of 2009 (€4,108 million excluding put options granted to minority shareholders) versus €11,055 million at December 31, 2008 (€8,200 million excluding put options granted to minority shareholders).

In the first six months of 2009, the Group raised its equity through a rights issue of €3,048 million (see paragraph 1.4 below) and thereby gained net proceeds of €2,961 million.

An amount of €2,160 million was mostly assigned to the reimbursement, as from June 25, 2009, of the entirety of drawdowns from the syndicated loan (taken in 2007) and still ongoing as of that date, for €2,090 million (the outstanding amount was assigned to pursue the reduction of commercial paper outstanding).

In the first half of 2009, €721 million assigned to dividends (for the 2008 fiscal year) were decided to be distributed (versus €677 million in the first half of 2008 for the 2007 fiscal year). Out of this amount, the Group paid €275 million in cash, the remainder consisted in delivering 11,216,756 newly issued shares of the Company to the shareholders who took the option of choosing to receive their dividend payment in shares.

In addition, the Group received €22 million (versus €76 million in the first half of 2008) following the exercise of stock options and the capital increase reserved for employees.

In 2008 and so far in 2009, the Group has repurchased none of its treasury shares.

Balance sheet

Net debt decreased from €11,055 million at December 31, 2008 to €6,976 million at June 30, 2009. This drop can be primarily explained by the items presented in the "Financing" section above.

1.2. Danone's parent company statutory financial information

In the first six months of 2009, Danone's parent company net sales and current income before tax amounted to €205 million and €602 million respectively, compared to €206 million and €715 million respectively in the first six months of 2008.

1.3. Major related party transactions

Major related party transactions are detailed in Note 10 of the interim condensed consolidated financial statements.

1.4. Significant events having occurred in the first six months of the fiscal year and their impact on the interim financial statements

Cancellation of shares

On April 23, 2009, The Board of Directors resolved, using the authorization issued by the General Meeting of Shareholders of April 26, 2007 to cancel 1,844,442 Danone shares with a nominal value of €0.25 each which the Company held in its possession; the said cancellation became effective on the same day. All of the 1,844,442 shares correspond to the shares acquired for the purpose of being cancelled. As a result of this transaction, the Company's share capital decreased by €461,110.50.

Option to pay dividends in shares

The General Meeting of Shareholders held on April 23, 2009 approved the option offered to each shareholder to choose to receive their dividend payment in cash or in the Company's new shares issued at the unit price of €32.04.

On May 25, 2009, the Company's share capital was raised to reflect the 11,216,756 newly issued shares which were delivered on May 27, 2009 to those shareholders who had elected to receive their dividend payment in shares. The new shares enjoy the same rights as existing shares and were admitted for trading on Euronext Paris on May 27, 2009. Following this operation, the share capital was raised from €2,804,189.00 euros and the share premium by €356,580,673.24.

Capital increase

On June 25, 2009, the Group raised its capital by €3,048 million through the issue of 123,236,352 new shares offered at a subscription price of €24.73 each. Following this transaction, the share capital was raised by €30,809,088.00 and the share premium by €3,016,825 896.96.

As at June 30, 2009, the share capital was set at €161,747,712.50 and divided into 646,990,850 shares of €0.25 each fully paid up and all in the same category.

On that same date, the number of Danone shares held by the Company ("treasury shares") amounted to 28,309,466 shares and the number of treasury shares (held by the Spanish subsidiary Danone SA) totaled 5,980,005 shares.

Acquisitions and disposals

The Group did not complete any major acquisition in the first half of 2009. The disposals completed or in progress are disclosed in Notes 2.1 and 3 of the interim condensed consolidated financial statements.

1.5. 2009 Outlook

2009 Outlook

The scenario of the Group for 2009 remains that current consumption patterns in its key emerging and developed markets will continue over the balance of the year, with no significant improvement or dramatic breakdown.

The Group's sales growth will, therefore, continue to be mainly driven by its leading brands, with a clear focus in all key markets on increasing their functional value for money to respond to the spending pattern of its consumers. As a result, the Group expects to gain further market share in its key geographies.

The Group's operating margin will be enhanced by the category and geographic mix of its sales growth, overall improving input prices of its key commodities as well as cost efficiencies in all areas of its organization.

Based on the above and on the performance in the first half of 2009, Danone targets the following for full year 2009:

- like-for-like sales growth of a few points below the medium-term guidance;
- like-for-like continued improvement of the trading operating (EBIT) margin;
- a +10% growth of its underlying fully-diluted earnings per share at constant scope of consolidation and constant exchange rates and excluding the effects of the € 3 bn capital increase which took place in June 2009.

As indicated since November 2008, the different growth drivers of our earnings per share will continue to be dynamically adjusted depending on the evolution of the environment and the markets in which the Group operates with a view to emerge even stronger in its ability to deliver its mission beyond the current economic transition.

Major assumptions underlying this outlook

We prepared the foregoing scenarios on the basis of the accounting principles used to compile our historic data. They are primarily based on the following assumptions:

- the data was prepared on the basis of the forecast exchange rates prepared at Group level;
- the consumption patterns observed in our key emerging and developed markets will continue throughout the year, with no significant improvement or dramatic breakdown;
- our sales growth will continue to be primarily driven by our leading brands, with a clear focus in all key markets on increasing their functional value for money to respond to the spending pattern of our consumers. As a result, we expect to gain further market share in our key geographical areas;
- we expect our growth to be stimulated by the launch of special offers and the development of attractive prices, financed primarily by lower raw material prices;
- we shall continue to implement our policy to streamline operational and structural costs in 2009;
- lastly, we intend to reduce our financial expenses, particularly through the generation of Free cash flow (or cash flows provided by operating activities less capital expenditure, net of disposals), which we expect to grow gradually, and the favorable change in euro interest rates in the short term.

1.6. Subsequent Events

Subsequent events are disclosed in Note 13 of the interim condensed consolidated financial statements.

1.7. Major risks and uncertainties

The major risks and uncertainties to which the Group may be exposed in the second half of 2009 are those specified in chapter 4 of the 2008 Document de Référence and in its Update of May 28, 2009 and more specifically, the absence of improvement in consumer trends observed in the Group's key countries, for both emerging and mature markets.

2. Condensed interim consolidated financial statements

Consolidated statements of income

<i>(In € millions)</i>	Notes	Six-month period ended June 30		Year ended December 31
		2009	2008	2008
Net sales	12	7 520	7 691	15 220
Cost of goods sold		(3 376)	(3 623)	(7 172)
Selling expenses		(2 135)	(2 176)	(4 197)
General and administrative expenses		(667)	(603)	(1 297)
Research and development expenses		(96)	(101)	(198)
Other (expense) income		(40)	(11)	(86)
Trading operating income	12	1 206	1 177	2 270
Other operating (expense) income	8	205	(57)	(83)
Operating income		1 411	1 120	2 187
Interest income		23	141	58
Interest expense		(193)	(319)	(497)
Cost of net debt		(170)	(178)	(439)
Other financial (expense) income		(35)	(24)	(145)
Income before tax		1 206	918	1 603
Income tax		(228)	(241)	(443)
Income from consolidated companies		978	677	1 160
Net income from equity-accounted affiliates		30	26	62
Net income from continuing operations		1 008	703	1 222
Net income from discontinued operations	3	-	255	269
Net income		1 008	958	1 491
- Attributable to the Group		932	879	1 313
- Attributable to minority interests		76	79	178

PER SHARE INFORMATION (Note 9)

<i>(in euros, except for number of shares)</i>	Six-month period ended June 30		Year ended December 31
	2009	2008	2008
Number of shares used for calculating			
- earnings per share	483 360 745	476 572 270	477 111 224
- diluted earnings per share	482 653 047	478 625 638	478 563 494
Earnings per share attributable to the Group			
- underlying	1.49	1.48	2.75
- total	1.93	1.85	2.75
Diluted earnings per share attributable to the Group			
- underlying	1.50	1.47	2.74
- total	1.93	1.84	2.74

Consolidated statements of the gains and losses recognized directly in equity

<i>(In € millions)</i>	Six-month period ended June 30		Year ended December 31
	2009	2008	2008
Net income attributable to the Group	932	879	1 313
Translation adjustments, after tax	231	(132)	(924)
Revaluation of hedging instruments, after tax	(115)	24	44
Revaluation of financial assets available for sale, after tax	106	(133)	(379)
Revaluation of fixed assets, after tax	-	-	-
Gains and losses recognized directly in equity attributable to equity-accounted affiliates, after tax	(51)	(5)	(7)
Total gains and losses recognized directly in equity attributable to the Group	171	(246)	(1 266)
Net income and gains and losses recognized directly in equity attributable to the Group	171	(246)	(1 266)
Net income and gains and losses recognized directly in equity attributable to equity-accounted affiliates	-	(5)	1
Net income and gains and losses recognized directly in equity	171	(251)	(1 265)

Gains and losses recognized directly in equity during prior fiscal years and transferred into income during the first half of 2009 mainly include (i) cumulative translation adjustments included in equity from disposed businesses (see Note 3) and (ii) the impact of the early unwinding of hedging instruments resulting from the rights issue of June 25, 2009 (see Note 6).

Consolidated balance sheets

<i>(In € millions)</i>	Notes	As of June 30 2009	As of December 31 2008
ASSETS			
Brand names		3 892	3 846
Other intangible assets		372	380
Goodwill		12 588	12 320
Intangible assets	4	16 852	16 546
Property, plant and equipment		3 036	3 083
Investments accounted for under the equity method	4	1 148	1 267
Investments in non-consolidated companies	5	378	237
Long-term loans		75	73
Other long-term assets		123	137
Deferred taxes		558	639
Non-current assets		22 170	21 982
Inventories		810	795
Trade accounts and notes receivable		1 761	1 534
Other accounts receivable and prepaid expenses		618	950
Short-term loans		30	26
Marketable securities		1 249	441
Cash and cash equivalents		617	591
Assets held for sale	3	240	546
Current assets		5 325	4 883
TOTAL ASSETS		27 495	26 865
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital stock		162	128
Additional paid-in capital		3 596	297
Retained earnings		10 695	10 399
Cumulative translation adjustments		(941)	(1 121)
Treasury shares		(1 051)	(1 225)
Net income recognized directly in equity		157	166
Shareholders' equity attributable to the Group		12 618	8 644
Minority interests		46	56
Shareholders' equity		12 664	8 700
Non-current financial liabilities	11	8 303	11 435
Pension liabilities		215	208
Deferred taxes		938	1 109
Other non-current liabilities		567	515
Non-current liabilities		10 023	13 267
Trade accounts and notes payable		2 090	2 189
Accrued expenses and other current liabilities		2 179	2 024
Current financial liabilities	11	539	652
Liabilities held for sale	3	-	33
Current liabilities		4 808	4 898
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27 495	26 865

Consolidated statements of cash flows

<i>(In € millions)</i>	Notes	Six-month period ended June 30		Year ended December 31
		2009	2008	2008
Net income attributable to the Group		932	879	1 313
Net income attributable to minority interests		76	79	178
Net income from discontinued operations		-	(255)	(269)
Net income of equity-accounted affiliates		(30)	(26)	(62)
Depreciation and amortization	12	260	243	525
Dividends received from equity-accounted affiliates		58	12	29
Other flows with impact on cash		(141)	(109)	(113)
Other flows with no impact on cash		(309)	(2)	98
Cash flows provided by operating activities, excluding changes in net working capital	12	846	821	1 699
(Increase) decrease in inventories		(11)	(68)	3
(Increase) decrease in trade accounts receivable		(205)	(264)	(74)
(Increase) decrease in trade accounts payable		(10)	97	36
Changes in other working capital items		211	149	90
Net changes in current working capital		(13)	(86)	55
Cash flows provided by (used in) operating activities		833	735	1 754
Capital expenditure	12	(306)	(281)	(706)
Business acquisitions and other investments, net of cash and cash equivalents acquired		(26)	(55)	(259)
Proceeds from the sale of businesses and other investments, net of cash and cash equivalents disposed of		811	258	329
(Increase) decrease in long-term loans and other long-term assets		13	68	67
Changes in cash and cash equivalents of discontinued operations		-	-	-
Cash flows provided by (used in) investing activities	11	492	(10)	(569)
Increase in capital and additional paid-in capital		2 980*	43	48
Purchases of treasury shares (net of disposals)		75	34	46
Dividends paid to Danone shareholders and minority interests of consolidated companies		(275)	(677)	(705)
Debenture borrowings		-	1 740	-
Increase (decrease) in non-current financial liabilities		(3 100)	55	1 338
Increase (decrease) in current financial liabilities		(97)	(1 765)	(1 901)
(Increase) decrease in marketable securities		(869)	(52)	63
Cash flows provided by (used in) financing activities	11	(1 286)	(622)	(1 111)
Effect of exchange rate changes on cash and cash equivalents		(13)	(4)	(31)
Increase (decrease) in cash and cash equivalents		26	99	43
Cash and cash equivalents as of the beginning of the year		591	548	548
Cash and cash equivalents as of the end of the period		617	647	591

* This amount includes €2 961 million related to the rights issue of June 25, 2009.

Consolidated statement of changes in shareholders' equity

	Number of shares				In € millions							
	Issued	Excluding treasury shares	Capital stock	Additio- nal paid-in capital	Retained earnings	Cumulative translation adjustments	Treasury shares	Net income recognized directly in equity	Shareholder s' equity - Group	Minority interests	Sharehold- ers' equity	
As of December 31, 2007	512 851 460	475 455 901	128	255	9 594	(190)	(1 270)	501	9 018	82	9 100	
Translation adjustments						(137)			(137)	(5)	(142)	
Unrealized gain (loss) on available-for-sale securities								(133)	(133)		(133)	
Cash flow hedges								24	24		24	
Stock options					12				12		12	
<i>Net income recognized directly in equity</i>					12	(137)		(109)	(234)	(5)	(239)	
Net income for the six months ended June 30, 2008					879				879	79	958	
<i>Total recognized income and expenses for the six months ended June 30, 2008</i>					891	(137)		(109)	645	74	719	
Capital stock issues	950 684	950 684		42					42	1	43	
Capital stock reduction												
Changes in treasury stock		1 076 197					34		34		34	
Dividends paid					(527)				(527)	(150)	(677)	
Changes in the scope of consolidation										(4)	(4)	
Put options granted to minority interests										64	64	
As of June 30, 2008	513 802 144	477 482 782	128	297	9 958	(327)	(1 236)	392	9 212	67	9 279	
As of December 31, 2008	513 802 144	477 807 616	128	297	10 399	(1 121)	(1 225)	166	8 644	56	8 700	
Translation adjustments						180			180		180	
Unrealized gain (loss) on available-for-sale securities								106	106		106	
Cash flow hedges								(115)	(115)		(115)	
Stock options					14				14		14	
<i>Net income recognized directly in equity</i>					14	180		(9)	185		185	
Net income for the six months ended June 30, 2009					932				932	76	1 008	
<i>Total recognized income and expenses for the six months ended June 30, 2009</i>					946	180		(9)	1 117	76	1 193	
Capital stock issues	135 033 148	135 033 148	34	3 392	(61)				3 365	1	3 366*	
Capital stock reduction	(1 844 442)			(93)	(13)				(106)		(106)	
Changes in treasury stock		76 500					174		174		174	
Dividends paid		(215 885)			(576)				(576)	(145)	(721)	
Changes in the scope of consolidation										(7)	(7)	
Put options granted to minority interests										65	65	
As of June 30, 2009	646 990 850	612 701 379	162	3 596	10 695	(941)	(1 051)	157	12 618	46	12 664	

* Includes the rights issue related to the dividend payment in shares for the 2008 fiscal year.

Notes to the condensed interim consolidated financial statements

Note 1 – Accounting principles

The consolidated financial statements of Danone and its subsidiaries (“the Group”) have been prepared in compliance with IFRS (*International Financial Reporting Standards*) as adopted by the European Union, available on the web site of the European Commission (http://ec.europa.eu/internal_market/accounting/index_fr.htm).

The Group’s consolidated financial statements for the half-year ended June 30, 2009 are presented and have been prepared in compliance with IAS 34 – Interim Financial Reporting, the IFRS standard as adopted by the European Union regarding interim financial reporting information. This standard provides that condensed consolidated financial statements do not include all the information required under IFRS for the preparation of the annual consolidated financial statements. These condensed consolidated financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

The accounting principles used to prepare these interim financial statements are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2008 (see Note 1 in the notes to the consolidated financial statements for the year ended December 31, 2008).

The following standards and interpretations have become applicable for the Group in 2009:

- IFRS 8, Operating Segments. This standard, which replaces IAS 14, Segment Reporting, concerns the information to be provided with respect to operating segments. The application of this new standard does not have any impact on the operating segments as determined by the Group.
- The amendments to IAS 1R, Presentation of Financial Statements. The application of these amendments by the Group has not had a significant impact on its results or financial position. However, the Group now presents two separate statements of net income: (i) a statement detailing the net income components (“Statement of consolidated net income”) and (ii) a statement detailing the losses and gains recognized directly in equity (“Consolidated statement of the gains and losses recognized directly in equity”).
- The IFRIC 13 interpretations, Customer Loyalty Programmes, IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and IFRIC 16, Hedges of a Net Investment in a Foreign Operation. These interpretations have not had a significant impact on the Group’s results or its financial position.

The Group is not affected by the amendment to IAS 23 concerning borrowing costs, or by the amendments to IFRS 2, Share-based Payment, concerning stock option vesting conditions and cancellations.

The Group has not opted for early adoption of the revised standards IFRS 3, Business Combinations, and IAS 27, Consolidated and Separate Financial Statements, which must be applied prospectively for annual periods beginning on or after July 1, 2009. Furthermore, the Group does not expect that the standards and interpretations adopted by the IASB and the IFRIC during the first half of 2009 will have a significant impact on its results or its financial position.

Note 2 – Changes in the scope of consolidation

1. SUMMARY

Acquisitions

During the first half of 2009, the Group did not completed any major acquisitions.

The main acquisitions during the first half of 2008 related to the acquisition of all of the shares of Icoara (Waters – Brazil), a fully consolidated company; the takeover of Mayo (Fresh Dairy Products – South Africa) following the acquisition of a 70% stake. The company, renamed Mayo Dairy (Proprietary) Ltd, is fully consolidated. And lastly, the acquisition of an additional stake in Salus (Waters – Uruguay), increasing the Group’s holding from 58.61% to 94.11%. The company, named Salus S.A., is fully consolidated.

Disposals

The main disposals during the first half of 2009 were:

- The 100% stake in the subsidiary Frucor (Waters – New Zealand and Australia). The disposal, finalized in January 2009, resulted in a net capital gain of €315 million;
- The 100% stake in the subsidiary Danone Naya (Waters – Canada). The disposal, finalized in May 2009, resulted in a net capital gain of €3 million.

The main disposals during the first half of 2008 concerned the 100% stake in Sources du Mont-Dore en Auvergne, named SMDA (Waters – France), sold in January 2008; the 100% stake in Milupa Nutricia SAS and SD France SAS (Baby Nutrition – France), sold at the request of the antitrust authorities in connection with the acquisition of Numico. The sale, which occurred in June 2008, did not have any impact on the Group's consolidated result, as the assets and liabilities were revalued at their fair value in Numico's opening balance sheet, against goodwill.

2. DEVELOPMENTS IN THE RELATION WITH A PARTNER OF THE GROUP'S SUBSIDIARY WAHAHA IN CHINA

Wahaha (Waters – China) is composed of a group of legal entities (the "Subsidiaries" or "JVs"). The Group holds 51% of the capital of the Subsidiaries, and various minority shareholders hold the remaining 49%. Until June 30, 2007, the shares held by the Group in the Subsidiaries were fully consolidated.

The Group believes that the minority shareholders, along with other persons related to them, have illegally established many companies, (the "Non JVs") that produce and market products similar or identical to those marketed by the Subsidiaries, and are making illegal use of the brands, distributors and suppliers of these Subsidiaries. In this context, during the first half of 2007 the Group initiated multiple legal actions against the minority shareholders and against third parties.

Legal proceedings

The various legal proceedings instituted by the Group since 2007 are described in Note 2 in the notes to the Group's consolidated financial statements as of December 31, 2008 (pages 99 and 100) of the 2008 Registration Document ("Document de reference").

The main developments that have occurred in the first half of the year 2009 concern the hearing before the Arbitration Court of the Stockholm Chamber of Commerce, as well as the American and Chinese proceedings, as described below.

The hearings before the Arbitration Court of the Stockholm Chamber of Commerce were held from January 5 to 20, 2009. It is expected that the final decision on liability will be rendered within the next few months.

As regards the American proceedings, hearings concerning questions of forum convenience and jurisdiction were held on February 3, 2009 before the Superior Court of the State of California in Los Angeles (United States). A procedural decision was rendered on February 27, 2009 according to which the Judge (i) rejected the jurisdiction of the Court on the companies Ever Maple Trading Limited and Hangzhou Hongsheng Beverage Co. Ltd. and (ii) upheld the jurisdiction of the said Court on the individuals You Zhen Shi and Kelly Fuli Zong. The Group has appealed this decision.

Finally, in China, further decisions against Danone have been rendered by the Chinese tribunals and appeal courts (notably in April and June 2009). The CIETAC arbitration hearings are scheduled on August 11th and 12th, 2009 in Beijing and the verdict should be rendered within the next few months.

Accounting treatment

The shares held in Wahaha have been accounted for under the equity method since July 1, 2007. As there have been no significant new developments in the first half of 2009, the Group continues to account for these shares under the equity method.

As of June 30, 2009, the carrying value of the Wahaha investment was €381 million.

In the current state of the negotiations and proceedings, the Group is still unable to make a reliable assessment of the outcome of this dispute or of the date by which it might be settled.

The accounting treatment will be reviewed as of December 31, 2009, mainly in the light of the decisions rendered by the Arbitration Court of the Stockholm Chamber of Commerce and as a result of the Chinese legal proceedings.

Note 3 – Discontinued operations, and assets and liabilities held for sale

ASSETS AND LIABILITIES HELD FOR SALE

China Huiyuan Juice Group Limited

As of December 31, 2008, the Group was engaged in a process to sell its minority equity stake of 22.98% in China Huiyuan Juice Group Limited (a company listed on the Hong Kong stock exchange and a leader in fruit drinks) following a tender offer launched by The Coca-Cola Company. The assets held for sale net of liabilities were recorded in the balance sheet as of that date for €234 million.

On March 18, 2009, the Chinese antitrust authorities made it known that they were opposed to the tender offer launched by The Coca-Cola Company on China Huiyuan Juice Group Limited, to which the Group had announced its intention to tender its 22.98% minority stake. Consequently, on the same day The Coca-Cola Company and China Huiyuan Juice Group Limited announced the withdrawal of the tender offer.

As of June 30, 2009, the Group is still engaged in a process for the sale of its minority stake, still considering the sale highly probable within the next 12 months. As of June 30, 2009, the assets held for sale net of liabilities amount to €229 million.

Frucor

As of December 31, 2008, the Group was engaged in a divestment process with Suntory Limited for the sale, firstly, of its stake in the subsidiary Frucor (Waters – New Zealand and Australia) and, secondly, of its brands *V* and *Mizone* abroad (with the exception of China and Indonesia). The assets held for sale net of liabilities were recorded in the balance sheet as of that date for €182 million.

In February 2009, the Group announced that it had finalized the separate sale of its stake in Frucor and of its brands *V* and *Mizone* abroad (excluding China and Indonesia). The net capital gain on the disposal of the shares and the brands was recorded, respectively, for €315 million (including -€110 million of cumulative translation adjustments recycled in net income) in "Other operating (expense) income" and €45 million in "Other (expense) income" during the half year ended June 30, 2009.

Danone Naya

As of December 31, 2008, the Group was engaged in a process for the disposal of its stake in the subsidiary Danone Naya (Waters – Canada). The assets held for sale net of liabilities were recorded in the balance sheet as of that date for €14 million. The sale of this stake was finalized in May 2009.

Britannia Industries Limited

As of December 31, 2008, the Group was engaged in a divestment process with its Indian partner concerning its indirect 25.5% stake in Britannia Industries Limited (Biscuits – India). This company's non-consolidated shares were recorded in "Assets held for sale" for an amount corresponding to their estimated selling price.

In accordance with the various agreements signed on April 14, 2009, the Group has finalized the sale of its indirect stake in Britannia Industries Limited to its Indian partner, Wadia. Under these agreements, the Group and Wadia have terminated their joint-venture partnership in India. The net capital gain generated by this operation, amounting to €56 million has been recorded in "Non-current financial income" during the half-year ended June 30, 2009.

This agreement also puts an end to the dispute between the Group and its Indian partner concerning the *Tiger* brand.

DISCONTINUED OPERATIONS

There are no discontinued operations as of June 30, 2009.

As of June 30, 2008, discontinued operations concerned the sale of the Group's holding in Generale Biscuit Glico France. As Glico, partner in the joint venture, had not exercised its right to terminate the joint venture agreement (within the deadline provided for in the agreement for the sale of the Group's "Biscuits and Cereal Products" activities to Kraft Foods), an additional €257 million of income was received in June 2008. This income, plus accrued interest, was recorded in "Net income from discontinued operations" for an amount of €255 million after tax as of June 30, 2008.

Note 4 – Impairment reviews of intangible assets and equity investments

Goodwill, brands, other intangible assets and investments accounted for under the equity method are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. Such events or circumstances are related to significant, unfavorable changes that are of a lasting nature and affect either the economic environment or the assumptions or targets adopted as of the acquisition date. An impairment loss is recognized when the recoverable value of the assets tested becomes durably lower than their carrying value.

As of June 30, 2009, the Group has reviewed the impairment indicators liable to result in a reduction in the carrying value of the goodwill and brands accounted for. The review of the external and internal indicators only revealed the existence of impairment indicators for three CGUs (Cash Generating Units): Danone Tikvesli (Fresh Dairy Products – Turkey), Aquarius (Waters – China) and HOD Mexico (Waters – Mexico). Impairment tests were performed for these three CGUs; these tests show that the recoverable value of the assets is higher than their carrying value and that consequently no impairment loss is to be recognized.

Note 5 – Investments in non-consolidated companies

As of June 30, 2009, the increase in the value of investments in non-consolidated companies is mainly due to the revaluation at fair value of the shares held in Wimm Bill Dann for an amount of €130 million.

As of June 30, 2008, the decrease in the value of investments in non-consolidated companies was due to the revaluation of the investments at fair value, notably the shares in Wimm Bill Dann.

Note 6 – Financial market risks and derivatives

FOREIGN EXCHANGE RISK

No significant change of the Group's exposure to exchange risks was identified during the six-month period ended June 30, 2009 compared to the information disclosed in Note 16 of the appendix to the consolidated financial statements as of December 31, 2008.

LIQUIDITY RISK

The Group's liquidity risk is mainly induced by the maturity of its debts (i) bearing interest (bonds, bank facilities, etc.) and (ii) not bearing interest (debts linked to the put options granted to minority interests), as well as by cash flows relating to the derivative instruments.

The Group's policy aims at reducing its exposure to liquidity risk (i) by using diversified sources of financing, (ii) by managing a significant portion of its financing in the medium term, (iii) by maintaining sources of financing available at any time and, (iv) by not being subject to any commitment to maintain financial ratios (covenants).

Forecasted cash outflows linked to the contractual repayment of the principal amount and contractual payment of interest on the financial assets and liabilities, including premiums to be paid on derivative liabilities, recorded in the Group's balance sheet as of December 31, 2009, are presented below with their contractual maturity date and based on the assumption of non-renewal:

<i>(In € millions)</i>	Carrying amount as of June 30, 2009	Contractual cash flows 2 nd half-year 2009	Contractual cash flows 2010	Contractual cash flows 2011	Contractual cash flows 2012	Contractual cash flows 2013 and after
Bank facilities (amounts drawn) ⁽¹⁾	–	–	–	–	–	–
Bonds ⁽²⁾	4,036	(30)	(106)	(1,397)	(173)	(2,330)
Accrued interest, others	89	(42)	(18)	(18)	(11)	–
Bank financing – subsidiaries ⁽⁴⁾	581	(581)	–	–	–	–
Debts linked to leases ⁽⁴⁾	15	(3)	(2)	(1)	(2)	(7)
Derivative instruments ^{(3) (5)}	24	(24)	–	–	–	–
Commercial paper ^{(4) (6)}	1,229	(1,229)	–	–	–	–
Debts linked to put options granted to minority shareholders ⁽⁷⁾	2,868	–	–	–	–	(2,868)
TOTAL DEBT (NOMINAL BEFORE INTERESTS)	8,842	(1,909)	(126)	(1,416)	(186)	(5,205)
Interest on above-mentioned financing ⁽³⁾	–	(13)	(197)	(195)	(126)	(303)
Flows on derivative instruments ^{(3) (5)}	–	28	(20)	(29)	(18)	6
TOTAL DEBT INCLUDING INTEREST	8,842	(1,894)	(343)	(1,640)	(330)	(5,502)
(1)	<i>Part of the amount received from the capital increase (performed on June 25, 2009) has been allocated to the repayment of the outstanding amounts drawn; the bank facilities have not been used as of June 30, 2009.</i>					
(2)	<i>Nominal contractual flows.</i>					
(3)	<i>The floating interest rate is calculated on the basis of the rates applicable as of June 30, 2009.</i>					
(4)	<i>Nominal and interest contractual flows.</i>					
(5)	<i>Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at year-end.</i>					
(6)	<i>Commercial paper is renewed and secured by back-up credit lines.</i>					
(7)	<i>The majority of these options can be exercised at any time. No significant disbursement is currently considered as probable in the short term with respect to these options.</i>					

The sources of financing available at any time set up by the Group are mainly composed of confirmed credit line facilities. Changes in the amount available on the basis of outstanding transactions as of June 30, 2009 are shown in the table below:

<i>(In € millions)</i>	Amount available as of June 30, 2009	Amount available for the six-month period ended December 31, 2009	Amount available as of December 31, 2010	Amount available as of December 31, 2011	Amount available as of December 31, 2012	Amount available as of December 31, 2013 and after
Bank financing lines ⁽¹⁾	7,845	6,445	3,245	1,700	–	–
Other bank financing lines ⁽²⁾	433	415	4	4	–	–
(1)	<i>Nominal amount of the portion of the syndicated loan and credit lines not drawn as of June 30, 2009.</i>					
(2)	<i>Nominal amount of the portion not drawn as of June 30, 2009.</i>					

In addition, the Group has cash and cash equivalents amounting to €617 million.

MAIN CHANGES IN THE PORTFOLIO OF INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives to reduce its exposure to short-term interest fluctuations. These financial instruments are interest rate swaps and plain vanilla caps.

Following the capital increase performed on June 25, 2009 and the following repayment of a portion of the Group's financing, the portfolio was partially restructured by unwinding hedges. These unwinding operations performed prematurely concerned a gross nominal amount of €1,400 million and generated a non-current financial expense of €37 million.

Sensitivity analysis on the changes in the value of the interest rate derivatives

For the interest rate derivatives, a change of 50 basis points in the short-term interest rates as of the balance sheet date has been applied to outstanding transactions as of June 30, 2009 due to the level of the short-term euro interest rates (around 100 basis points) at that date. Such a fluctuation would result in a change in their value in the balance sheet, as a consequence of which shareholders' equity and net financial income would increase (decrease) by the following amounts (at a constant foreign exchange rate and volatility):

<i>(In € millions)</i>	Shareholders' equity		Profit and loss	
	Increase of 50 bp	Decrease of 50 bp	Increase of 50 bp	Decrease of 50 bp
As of June 30, 2009				
Interest rate options ⁽¹⁾	–	–	–	–
Interest rate swaps	5	(7)	–	–
Sensitivity to cash flows - net	5	(7)	–	–

⁽¹⁾ Caps

As of June 30, 2008, a change of 100 basis points in the short-term interest rates as of the balance sheet date would have resulted in a change in the balance sheet value of the derivatives, as a consequence of which shareholders' equity and net financial income would increase (decrease) by the following amounts (at a constant foreign exchange rate and volatility):

<i>(In € millions)</i>	Shareholders' equity		Profit and loss	
	Increase of 100 bp	Decrease of 100 bp	Increase of 100 bp	Decrease of 100 bp
As of June 30, 2008				
Interest rate options ⁽¹⁾	9	(9)	41	(20)
Interest rate swaps	44	(46)	2	(2)
Sensitivity to cash flows - net	53	(55)	43	(22)

⁽¹⁾ Caps and collars

Sensitivity analysis on the cost of net debt

As of June 30, 2009, 84% of the Group's net debt ⁽¹⁾, after taking into account the interest rate hedges outstanding ⁽²⁾ at that date, is protected against an increase in the short-term interest rates. The impact on the cost of net debt, calculated over the six-month periods ended December 31, 2009 and 2008, of a change in the short-term interest rate applied to net debt at year-end, after taking into account the interest rate hedges at that date, is presented in the table below:

<i>(In € millions)</i>	Profit and loss	
	Increase of 50 bp	Decrease of 50 bp
As of June 30, 2009	(2)	2

<i>(In € millions)</i>	Profit and loss	
	Increase of 100 bp	Decrease of 100 bp
As of June 30, 2008	(4)	21

⁽¹⁾ The net debt used to measure the Group's exposure to changes in interest rates corresponds to financial debt net of marketable securities and cash and cash equivalents. It excludes financial debt linked to options granted to minority shareholders as these liabilities do not bear interest.

⁽²⁾ After taking derivatives into account.

Note 7 – Commitments relating to the Group's financial investments

The Group is committed to acquiring minority shareholdings owned by third parties who are shareholders in certain consolidated companies or equity-accounted affiliates, should these third parties wish to exercise their put options.

As of June 30, 2009, the commitments relating to these options amount to a total of €2,868 million (€2,855 million as of December 31, 2008), recognized in full in non-current financial liabilities, corresponding to the options relating to holdings in investments in consolidated companies.

The commitments relating to the put options granted to minority shareholders of Danone Spain represent €2,299 million as of June 30, 2009. These put options concern almost the entire 42.79% stake held by these shareholders in the capital of Danone Spain. The formula for the calculation of the amount of this commitment is fixed contractually (on the basis of an average of the Spanish subsidiary's results for several years to which a multiple is applied). These put options, which can be exercised at any time, have been granted for an initial contractual period of 25 years (expiring between November 2016 and February 2017) and are subsequently renewable by tacit agreement every five years.

The Group has not entered into any significant commitment during the first half of 2009.

Note 8 – Other operating expense and income

As of June 30, 2009, other operating income corresponds to the net capital gains on the disposal of Frucor (Waters – New Zealand and Australia) and Danone Naya (Waters – Canada) for €315 million and €3 million respectively. Other operating expense includes the free and irrevocable allocation of €100 million in Danone Eco-system Fund in accordance with the fourteenth resolution adopted by the Shareholders' General Meeting on April 23, 2009.

As of June 30, 2008, other operating expense and income, amounting to €57 million, corresponded in particular to integration costs incurred in connection with the acquisition of Numico.

Note 9 – Earnings per share

The reconciliation between basic and diluted earnings per share is as follows:

	Net income from operating activities attributable to the Group (In € millions)	Non-current net income attributable to the Group (In € millions)	Weighted average number of shares outstanding	Earnings per share attributable to the Group (in euros)	Including net income from continuing activities (in euros)	Including net income from discontinued activities (in euros)
Six-month period ended June 30, 2009						
Before dilution	722	210	483,360,745	1.93	1.93	-
Stock options	-	-	(707,698)	-	-	-
After dilution	722	-	482,653,047	1.93	1.93	-
Six-month period ended June 30, 2008						
Before dilution	701	178	476,572,270	1.85	1.31	0.54
Stock options	-	-	2,053,368	(0.01)	-	(0.01)
After dilution	701	178	478,625,638	1.84	1.31	0.53

Following the capital increase performed on June 25, 2009, the Group adjusted the rights of the beneficiaries of the Company stock options granted under the stock option plans existing at that date.

Thus, to take into account the loss in value linked to the detachment of the preferential subscription right to which the option holders are not entitled, the exercise price and the corresponding number of options have been adjusted.

Note 10 – Related party transactions

There have been no significant changes in the nature of the related party transactions since December 31, 2008 (see Note 25 in the notes to the consolidated financial statements for the year ended December 31, 2008).

In the first half of 2009, the number of stock options granted to the members of the Group's Executive Committee amounted to 794,500.

Note 11 – Information on the cash flow statement

Cash flow provided by investing activities

In the first half of 2009, cash flows relating to investing activities include in particular the effect of the disposals of investments described in Notes 2.1 and 3 in the notes to the condensed consolidated financial statements.

In the first half of 2008, cash flows relating to investing activities mainly included the payment of costs linked to the acquisition of Numico, as well as the acquisitions described in Note 2.1 in the notes to the consolidated financial statements. The cash flows relating to disposals, amounting to €171 million, mainly corresponded to the sale of the Group's investment in the Generale Biscuits Glico France joint-venture and to asset disposals for €95 million.

Cash flow provided by financing operations

In the first half of 2009, cash flows relating to financing operations include in particular the proceeds from the capital increase for €3 billion and the repayment of the resulting debts.

Changes in net debt

Changes in the Group's net debt are as follows:

<i>(In € millions)</i>	As of December 31, 2008	Changes for the period	Transfer to current portion	Translation adjustments	Others	As of June 30, 2009
Cash and cash equivalents	591	26	-	4	(4)	617
Marketable securities	441	869	-	-	(61)	1,249
Total cash and marketable securities	1,032	895	-	4	(65)	1,866
Current financial liabilities	652	(97)	11	(44)	17	539
Non-current financial liabilities	11,435	(3,100)	(11)	1	(22)	8,303
Total financial liabilities	12,087	(3,197)	-	(43)	(7)	8,842
Net debt	11,055	(4,092)	-	(47)	60	6,976

In the first half of 2009, the reduction in net debt is mainly due to (i) the proceeds from the disposal of Frucor in February 2009 for approximately €600 million, (ii) the capital increase performed on June 25, 2009 for €3 billion and (iii) the cash generated by operations over the period for €833 million.

As of June 30, 2009, the financial debt has decreased in relation to December 31, 2008 due to the full repayment of the outstanding amounts drawn on the syndicated loan and the reduction in commercial paper outstanding, whilst marketable securities have increased by almost €800 million in relation to December 31, 2008.

As of June 30, 2009, marketable securities mainly comprise investments in monetary market funds and in negotiable debt instruments bought from first-class financial institutions.

Note 12 – Operating segments

As explained in Note 1 in the notes to the consolidated financial statements, the Group has applied IFRS 8, Operating Segments, since January 1, 2009.

The application of this new standard does not have any impact on the structure of the operating segments as previously presented by the Group. The internal information reviewed and used by the main operations' decision-makers is based on a structure according to four business lines and three geographic areas.

The content of the geographic information is nevertheless limited to only two key indicators which are monitored by the main operations' decision-makers, namely sales and trading operating income, as detailed below.

12.1. Segment information

<i>(In € millions)</i>	Fresh Dairy Products	Waters	Baby Nutrition	Medical Nutrition	Total Business Lines	Other	June 30, 2009 Total Group
Non-Group sales	4,262	1,349	1,464	445	7,520	-	7,520
Trading operating income	642	189	280	95	1,206	-	1,206
Operating income	637	511	280	95	1,523	(112)	1,411
Net income (loss) of affiliates	16	9	-	-	25	5	30
Impairment charge	-	-	-	-	-	-	-
Capital expenditure	170	72	41	16	299	7	306
Financial investments	21	1	2	-	24	6	30
Depreciation and amortization expense	131	62	41	18	252	8	260
Cash flows provided by operating activities, excluding changes in net working capital	537	190	264	87	1,078	(232)	846
Investments accounted for under the equity method	650	416	-	-	1,066	82	1,148
Total assets	7,317	3,269	9,927	4,776	25,289	2,206	27,495

							June 30, 2008
<i>(In € millions)</i>	Fresh Dairy Products	Waters	Baby Nutrition	Medical Nutrition	Total Business Lines	Other	Total Group
Non-Group sales	4,358	1,514	1,400	419	7,691	-	7,691
Trading operating income	604	220	254	99	1,177	-	1,177
Operating income	598	194	230	99	1,121	(1)	1,120
Net income (loss) of affiliates	2	22	-	-	24	2	26
Impairment charge	-	-	-	-	0	-	0
Capital expenditure	135	79	44	16	274	7	281
Financial investments	11	12	32	-	55	-	55
Depreciation and amortization expense	119	62	37	17	235	8	243
Cash flows provided by operating activities, excluding changes in net working capital	469	223	195	89	976	(155)	821
Investments accounted for under the equity method	590	606	-	-	1,196	81	1,277
Total assets	7,233	3,492	10,429	4,759	25,913	1,881	27,794

12.2 Information by geographic area

				June 30, 2009
<i>(In € millions)</i>	Europe	Asia	Rest of the World	Total
Non-Group sales	4,517	950	2,053	7,520
Trading operating income	756	179	271	1,206

				June 30, 2008
<i>(In € millions)</i>	Europe	Asia	Rest of the World	Total
Non-Group sales	4,911	906	1,874	7,691
Trading operating income	814	157	206	1,177

Note 13 – Subsequent events

No significant events have occurred subsequent to June 30, 2009.

3. Statement by the person responsible for the interim consolidated financial statement

This is a free translation into English of the Chief Executive Officer's statement issued in French, and is provided solely for the convenience of English-speaking readers.

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

Paris, July 24, 2009

The Chief Executive Officer,
Franck RIBOUD

4. Statutory auditors' review report on the 2009 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 of DANONE,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of 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 six months ended June 30, 2009;
- 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 and have been prepared in the current economic and financial crisis, which already prevailed for the year ended December 31, 2008 and which is notably characterized by a clear difficulty in apprehending future outlook. 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 we would 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 the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Courbevoie et Neuilly-sur-Seine, July 24, 2009

The Statutory Auditors

French original signed by

Mazars
Thierry Colin

PricewaterhouseCoopers Audit
Etienne Boris Olivier Lotz