GROUPE DANONE

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007

Free translation for information purposes

STATEMENT ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statement on the half-year consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers.

"We state, to the best of our knowledge, that the accounts are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the undertakings of the consolidation taken as whole, and that the half-year management report includes a fair review of the significant events occurred during the first six months of the fiscal year and their impact on the half-year financial statements, the major risks and uncertainties for the remaining six months of the fiscal year and the related parties transactions."

Paris, July 30, 2007

Chairman and Chief Executive Officer,
Franck RIBOUD

STATUTORY AUDITORS' REVIEW REPORT ON INTERIM FINANCIAL INFORMATION FOR 2007

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 GROUPE DANONE

In our capacity of Statutory Auditors and in accordance with the requirements of article L.232-7 of the French Commercial Code (*Code de commerce*):

- we have reviewed the accompanying condensed interim consolidated financial statements of GROUPE DANONE for the period from January 1 to June 30, 2007, and

- we have verified the information given in the interim management report.

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

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 all material matters have been identified. 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, standard of the IFRS as adopted by the European Union applicable to interim financial reporting.

Without qualifying the above conclusion, we draw your attention on note 11 relating to the change in the relationship between the Group and one of its partners in its Wahaha subsidiary.

In accordance with professional standards applicable in France, we have also verified the information given in the interim management report accompanying 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.

Neuilly-sur-Seine and Courbevoie, July 30, 2007

The Statutory Auditors
(French original signed by)

PricewaterhouseCoopers Audit | **Mazars & Guérard**

Eric Bulle | Olivier Lotz | Thierry Colin | Dominique Muller

GROUPE DANONE'S HALF-YEAR MANAGEMENT REPORT

On July 3, 2007, Groupe DANONE announced its intent to sell its Biscuits and Cereal Products business to Kraft Foods, except for its investments in Latin America (Bagley Latino America – accounted for under the equity method) and India (Britannia Industries – a non consolidated investment).

Accordingly, and in conformity with IFRS 5, net sales, trading operating income, the free cash flow [1], capital expenditures and the net debt of the Group as presented in this report exclude the financial results of the Biscuits and Cereal Products business held for sale. The financial information related to the Biscuits and Cereal Products business is presented in Note 3 of the half-year consolidated financial statements.

Net Sales

The consolidated net sales of Groupe DANONE totaled € 6,508 million in the six months ended June 30, 2007, a 4.8% increase from the six months ended June 30, 2006.
This 4.8% increase relates to a 9.2% growth at constant scope of consolidation and currency exchange rates, a negative net impact of -1.8% from changes in the scope of consolidation and of -2.6% from the change in currency exchange rates.

Changes in the consolidation scope primarily relate to the deconsolidation of Britannia Industries Ltd (Biscuits – India) effected July 1, 2006 and to the sale of Griffins (Biscuits – New Zealand) at the end of May 2006.

The 9.2% growth in net sales at constant scope of consolidation and exchange rates is due to a 6.9% positive volume effect and a 2.3% positive price effect.

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

The Fresh Dairy Products business continued to show a strong performance with an 11.6% increase in net sales from the six months ended June 30, 2006. Net sales from the Beverages business increased by 4.7%.

Net sales increased by 8.9% in Europe, by 0% in Asia and by 16.5% in the Rest of the World from the six months ended June 30, 2006.

Trading Operating Income

Trading operating income totaled € 890 million in the six months ended June 30, 2007, an 11.2% increase from the six months ended June 30, 2006.

Trading operating margin increased to 13.7% in the six months ended June 30, 2007 from 12.9% in the six months ended June 30, 2006, or an increase by 65 basis points at constant scope of consolidation and currency exchange rates.

Net Income

The following table shows a reconciliation between the net income attributable to the Group (€ 656 million for the six months ended June 30, 2007 compared to € 704 million for the six months ended June 30, 2006) and the underlying net income from continuing operations attributable to the Group (which increased by 8.0%, to € 663 million in the six months ended June 30, 2007 from € 614 million in the six months ended June 30, 2006):

(In millions of euro)	Six months ended June 30, 2007	Six months ended June 30, 2006
Net income attributable to the Group	**656**	**704**
- Non-current net income from continuing operations	7	67
- Non-current net income from discontinued operations	-	(157)
Underlying net income from continuing operations	**663**	**614**
- Of which net income from continuing operations	545	475
- Of which net income from discontinued operations	118	139

The non-current net income from continuing operations is not significant for the six months ended June 30, 2007.

In the six months ended June 30, 2006, the non-current net income from continuing operations primarily included the gain on the sale of Griffins, net of the € 130 million expense recognized in connection with the Group's ownership interest in The Danone Springs of Eden, BV (HOD – Europe).

In the six months ended June 30, 2006, the non-current net income from discontinued operations included the gain on the sale of the Sauces activities in Asia effected January 2006.

Diluted earnings per share from continuing operations increased by 10.1%, or to € 1.38 in the six months ended June 30, 2007 from € 1.25 in the six months ended June 30, 2006.

Financing

Free cash flow (or cash flows provided by operating activities less capital expenditures net of disposals) totaled € 571 million in the six months ended June 30, 2007 (compared to € 663 million in the six months ended June 30, 2006). This decrease resulted from (i) stable cash flows provided by operating activities, excluding changes in net working capital (primarily attributable to an increase in the cost of debt), (ii) greater capital expenditures which represented € 280 million in the six months ended June 30, 2007 compared to € 223 million in the six months ended June 30, 2006, and (iii) a decrease in current working capital primarily from the Wahaha company in China.

In addition, in the six months ended June 30, 2007, cash flows provided by investing activities were impacted by the acquisition of an additional 4.7% interest ownership in Wimm Bill Dann (Fresh Dairy Products in Russia – a non consolidated investment) for € 115 million.

In the six months ended June 30, 2007, the Group purchased treasury shares for € 508 million (compared to € 394 million in the six months ended June 30, 2006) and received € 41 million from the exercise of the employees stock options (compared to € 69 million in the six months ended June 30, 2006).

Balance sheet

Net debt, which includes the financial liabilities less cash, cash equivalents and marketable securities, increased to € 3,365 million in the six months ended June 30, 2007 from € 2,902 million at December 31, 2006. This increase results from the items disclosed in the previous section on "Financing".

Groupe Danone's parent company statutory financial information

In the six months ended June 30, 2007, the parent company's net sales and current income before tax amounted to € 215 million and € 774 million, respectively, compared to € 79 million and € 166 million, respectively, in the six months ended June 30, 2006.

Related parties transactions

Related parties transactions are disclosed in Note 8 of the half-year consolidated financial statements.

Future Prospects – Major risks and uncertainties

The performance in the six months ended June 30, 2007 was in line with the internal objectives and enabled Groupe DANONE to confirm its 2007 financial targets. At constant scope of consolidation and currency exchange rates, the objective is to achieve a growth rate in net sales of +6% to +8%, of above 20 basis points in trading operating margin, and of +10% in the underlying earnings per share. The 2007 objectives include the performance of the Biscuits and Cereal Products business until December 31, 2007 and exclude the effect of the contemplated acquisition of Royal Numico NV (refer to Note 12 of the half-year consolidated financial statements).

This information represents objectives and prospects that the Group considers are based on reasonable assumptions. They should not be used for the purpose of establishing earnings estimates. In addition, they are subject to numerous risks and uncertainties: the actual results of the Group could therefore differ from those objectives and prospects. For a further description of the risks and uncertainties, refer to the 2006 *Document de Référence* of the Group.

The major risks and uncertainties the Group will have to deal more specifically within the last six months of 2007 relate to (i) the outcome of the ongoing discussion and the legal proceedings with one of its Chinese partners in the Wahaha company (refer to Note 11 of the half-year consolidated financial statements) and (ii) the continuing increase in the price of raw materials, primarily related to milk and powder milk.

Subsequent events

Subsequent events are disclosed in Note 12 of the half-year consolidated financial statements.

GROUPE DANONE

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended		Year ended December 31,
	2007	**2006**	**2006**
	(In millions of euro)		
Net sales	**6,508**	**6,208**	**12,068**
Cost of goods sold	(3,247)	(3,154)	(6,182)
Selling expenses	(1,799)	(1,677)	(3,170)
General and administrative expenses	(451)	(427)	(878)
Research and development expenses	(51)	(52)	(103)
Other (expense) income	(70)	(98)	(156)
Trading operating income	**890**	**800**	**1,579**
Other operating (expense) income	1	16	(38)
Operating income	**891**	**816**	**1,541**
Interest income	76	91	178
Interest expense	(109)	(110)	(216)
Cost of net debt	(33)	(19)	(38)
Other financial (expense) income	3	(10)	(29)
Income before tax	**861**	**787**	**1,474**
Income tax	(260)	(208)	(270)
Income from consolidated companies	**601**	**579**	**1,204**
Net income (loss) of affiliates	29	(70)	(49)
Net income from continuing operations	**630**	**509**	**1,155**
Net income from discontinued operations	117	298	405
Net income	**747**	**807**	**1,560**
- Attributable to the Group	**656**	**704**	**1,353**
- Attributable to minority interests	**91**	**103**	**207**

PER SHARE INFORMATION (in euro, except number of shares)

Number of shares used in computing [1]			
- earnings per share	477,748,483	487,345,202	485,468,188
- diluted earnings per share	482,166,302	491,033,592	489,377,826
Earnings per share attributable to the Group	1.37	1.44	2.79
Diluted earnings per share attributable to the Group	1.36	1.43	2.76

[1] Adjusted to reflect the two-for-one stock split effected June 1, 2007.

GROUPE DANONE

CONSOLIDATED BALANCE SHEETS

	As of June 30, 2007	As of December 31, 2006
	(In millions of euro)	
ASSETS		
Brand names	577	962
Other intangible assets, net	70	175
Goodwill, net	3,390	4,145
Intangible assets, net	4,037	5,282
Property, plant and equipment, net	2,699	3,020
Investments accounted for under the equity method	922	1,093
Investments in non-consolidated companies	964	827
Long-term loans	21	22
Other long-term assets	114	115
Deferred tax assets	308	343
Non-current assets	**9,065**	**10,702**
Inventories	570	628
Trade accounts and notes receivable	1,564	1,594
Other accounts receivable and prepaid expenses	580	601
Short-term loans	38	34
Marketable securities	1,948	2,564
Cash and cash equivalents	652	655
Assets held for sale	2,700	78
Current assets	**8,052**	**6,154**
Total assets	**17,117**	**16,856**

LIABILITIES AND STOCKHOLDERS'EQUITY		
Capital stock	131	130
Additional paid-in capital	255	203
Retained earnings	6,641	6,460
Cumulative translation adjustments	25	34
Treasury shares	(1,881)	(1,414)
Net income recognized directly in equity	491	410
Stockholders' equity attributable to the Group	**5,662**	**5,823**
Minority interests	275	246
Stockholders' equity	**5,937**	**6,069**
Long-term financial liabilities	5,543	5,705
Pensions and post-retirement provisions	113	147
Deferred tax liabilities	117	296
Other long-term liabilities	334	391
Stockholders' equity and long-term liabilities	**6,107**	**6,539**
Trade accounts and notes payable	1,852	1,861
Accrued expenses and other current liabilities	1,915	1,971
Current financial liabilities	422	416
Liabilities held for sale	884	-
Current liabilities	**5,073**	**4,248**
Total liabilities and stockholders' equity	**17,117**	**16,856**

GROUPE DANONE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	2007	**2006**	**December 31, 2006**
		(In millions of euro)	
Net income attributable to the Group	656	704	1,353
Minority interests in net income of consolidated companies	91	103	207
Net income from discontinued operations	(117)	(298)	(405)
Net income from affiliates	(29)	70	49
Depreciation and amortization	210	205	421
Dividends received from affiliates	9	10	25
Other cash items	-	(31)	(82)
Other non-cash items	21	75	79
Cash flows provided by operating activities, excluding changes in net working capital	**841**	**838**	**1,647**
(Increase) decrease in inventories	(55)	(36)	(24)
(Increase) decrease in trade accounts receivable	(377)	(285)	(78)
Increase (decrease) in trade accounts payable	307	222	128
Changes in other working capital items	108	139	257
Net change in current working capital	17	40	283
Cash flows provided by operating activities	**824**	**878**	**1,930**
Capital expenditures	(280)	(223)	(621)
Business acquisitions and other investments, net of acquired cash	(366)	(318)	(564)
Proceeds from the sale of businesses and other investments, net of cash disposed of	233	374	410
(Increase) decrease in long-term loans and other long-term assets	(7)	65	336
Changes in cash and cash equivalents of discontinued operations	60	63	176
Cash flows used in investing activities	**(360)**	**(39)**	**(263)**
Increase in capital and additional paid-in capital	59	47	50
Purchase of treasury shares (net of disposals)	(467)	(325)	(587)
Dividends paid to the shareholders of Groupe DANONE and to the minority shareholders of the consolidated companies	(617)	(589)	(607)
Increase (decrease) in long-term financial liabilities	24	22	28
Increase (decrease) in current financial liabilities	(82)	(300)	(235)
(Increase) decrease in marketable securities	613	445	(201)
Cash flows used in financing activities	**(470)**	**(700)**	**(1,552)**
Effect of exchange rate changes on cash and cash equivalents	3	(22)	(36)
Increase (decrease) in cash and cash equivalents	**(3)**	**117**	**79**
Cash and cash equivalents at beginning of the year	655	576	576
Cash and cash equivalents at end of the period	652	693	655

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Number of shares [1]		In millions of euro								
	Issued	Excluding treasury stock	Capital stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Treasury shares	Net income recognized directly in equity	Stockholders' equity - Group	Minority interests	Stockholders' equity
As of December 31,2005	528,470,380	489,038,722	132	244	5,728	258	(1,149)	67	5,280	341	5,621
Translation adjustments						(221)			(221)	(29)	(250)
Unrealized gain (loss) on available-for-sale securities								71	71		71
Cash flow hedge								11	11		11
Stock purchase options					12				12		12
Net income recognized directly in equity					*12*	*(221)*		*82*	*(127)*	*(29)*	*(156)*
Net income for the six months ended June 30, 2006					704				704	103	807
Total recognized income and expense for the six months ended June 30, 2006					*716*	*(221)*		*82*	*577*	*74*	*651*
Issuance of shares	1,259,112	1,259,112	-	44					44	4	48
Reduction of shares											
Changes in treasury shares		(5,842,322)			3		(317)		(314)		(314)
Dividends paid					(415)				(415)	(175)	(590)
Changes in the scope of consolidation										(16)	(16)
Put options granted to minority shareholders										55	55
As of June 30, 2006	529,729,492	484,455,512	132	288	6,032	37	(1,466)	149	5,172	283	5,455
As of December 31,2006	521,729,492	480,819,150	130	203	6,460	34	(1,414)	410	5,823	246	6,069
Translation adjustments						(9)			(9)	(2)	(11)
Unrealized gain (loss) on available-for-sale securities								77	77		77
Cash flow hedge								4	4		4
Stock purchase options					5				5		5
Net income recognized directly in equity					*5*	*(9)*		*81*	*77*	*(2)*	*75*
Net income for the six months ended June 30, 2007					656				656	91	747
Total recognized income and expense for the six months ended June 30, 2007					*661*	*(9)*		*81*	*733*	*89*	*822*
Issuance of shares	1,121,968	1,121,968	1	52					53	6	59
Reduction of shares											
Changes in treasury shares		(7,347,978)					(467)		(467)		(467)
Dividends paid					(480)				(480)	(137)	(617)
Changes in the scope of consolidation										(11)	(11)
Put options granted to minority shareholders										82	82
As of June 30, 2007	522,851,460	474,593,140	131	255	6,641	25	(1,881)	491	5,662	275	5,937

[1] Adjusted to reflect the two-for-one stock split effected June 1, 2007.

Notes to the interim condensed consolidated financial statements

1. Accounting principles

The annual consolidated financial statements of Groupe DANONE, its subsidiaries and affiliates (collectively the “Group”) have been prepared in conformity with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The consolidated financial statements of the Group for the six months ended June 30, 2007 have been prepared and are presented in accordance with IAS 34 – *Interim Financial Reporting*, the IFRS standard as adopted by the European Union on the interim financial information. This standard requires that, since these interim consolidated financial statements are condensed, they may not include all the information required under IFRS for the preparation of the annual consolidated financial statements. Therefore, these interim condensed consolidated financial statements must be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2006. The accounting principles used for the preparation of these interim consolidated financial statements are similar to those used for the preparation of the consolidated financial statements for the year ended December 31, 2006 (refer to Note 1 to the consolidated financial statements for the year ended December 31, 2006).

The standards and interpretations, which are effective for the fiscal years beginning January 1, 2007, are not applicable to the Group, IFRS 7 - *Financial instruments: Disclosures* not being applicable to the condensed half-year consolidated financial statements. The Group does not anticipate that the standards and interpretations, as adopted by the IASB and the IFRIC during the first half of 2007, will have a significant impact on its results of operations and financial position.

2- Changes in the scope of consolidation

Acquisitions

During the first half of 2007, the main acquisitions were the following:

- Acquisition of an additional interest ownership in Danone Industria (Fresh Dairy Products – Russia), increasing the Group’s percentage of interest from 70% to 85%;
- Acquisition of all the remaining interest in Calpis Ajinomoto Danone (Fresh Dairy Products – Japan) following the purchase of half of the shares held by third parties. This entity (renamed Danone Japon), which was previously accounted for under the equity method, is now fully consolidated;
- Acquisition of an additional interest ownership as a result of the initial public offering of China Hui Yuan Juice (Beverages – Chine). At June 30, 2007, the percentage of interest owned by the Group is 23.32%.

During the first half of 2006, the main acquisitions related to the acquisition of all the remaining interests in Danone Djurdjura (Fresh Dairy Products – Algeria) and Danone Romania (Fresh Dairy Products) of 49% and 35%, respectively, and the acquisition of an interest ownership of 22.18% in the China Hui Yuan Juice company.

Disposals

During the first half of 2007, the main disposals relate to entities accounted for under the equity method, as follows:

- The 39.46% interest ownership in Danone Clover Beverages (Fresh Dairy Products – South Africa): the disposal of this subsidiary was completed in April 2007 and resulted in a non significant gain;
- The 40% interest ownership in Griesson – de Beukelaer (Biscuits – Germany): the disposal of this subsidiary was completed in May 2007 and resulted in a net loss of approximately € 15 million.

During the first half of 2006, the main disposals related to the Sauces activities in Asia, Griffins (Biscuits – New Zealand) and Danone Waters of Canada (HOD).

3- Discontinued operations / Assets and liabilities held for sale

Discontinued operations

Discontinued operations relate to the Biscuits and Cereal Products and Sauces businesses.

On July 3, 2007, the Board of Directors of Groupe DANONE decided to consider on an exclusive basis the offer made by Kraft Foods Inc. on July 2 to purchase the Group's Biscuits and Cereal Products business. This offer does not include the Group's investments in Biscuits businesses in Latin America (Bagley Latino America – accounted for under the equity method) or India (Britannia Industries – a non consolidated investment), and should lead to a definitive agreement during the last quarter of 2007, after consultations with employee representatives and pending regulatory approvals.

The minority shareholders of some entities of the Biscuits and Cereal Products business have a call option on the majority ownership held by the Group, which is exercisable in the event of a change of control. Refer to Note 12 for the options which have been exercised to date.

In January 2006, the Group completed its divestment from the Sauces activities by selling its Amoy and Amoy Foods businesses in Asia. The gain from the sale is reflected in Other operating (expense) income in the following table for € 157 million and € 152 million at June 30, 2006 and at December 31, 2006, respectively.

The following table shows the income statements of the discontinued operations:

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
	(In millions of euro)		
Net sales	**1,045**	**1,008**	**2,005**
Cost of goods sold	(544)	(519)	(1,033)
Selling expenses	(233)	(222)	(435)
General and administrative expenses	(84)	(83)	(169)
Research and development expenses	(11)	(10)	(23)
Other (expense) income	(8)	(3)	(11)
Trading operating income	**165**	**171**	**334**
Other operating (expense) income	-	157	152
Operating income	**165**	**328**	**486**
Interest income	2	2	4
Interest expense	(2)	(1)	(3)
Cost of net debt	-	1	1
Other financial (expense) income	-	-	(2)
Income before tax	**165**	**329**	**485**
Income tax	(53)	(36)	(90)
Income from consolidated companies	**112**	**293**	**395**
Net income (loss) of affiliates	5	5	10
Net income from discontinued operations	**117**	**298**	**405**
- Attributable to the Group	*118*	*291*	*394*
- Attributable to minority interests	*(1)*	*7*	*11*

The following table shows the contribution to the change in cash flows from the Biscuits and Cereal Products, and the Sauces businesses, before financing activities:

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
	(In millions of euro)		
Net income	**112**	**293**	**395**
Depreciation and amortization	34	36	70
Other non-cash items	(32)	(214)	(221)
Cash flows provided by operations	**114**	**115**	**244**
(Increase) decrease in inventories	(17)	(10)	(3)
(Increase) decrease in trade accounts receivable	(55)	(98)	(54)
Increase (decrease) in trade accounts payable	21	67	33
Other changes	13	9	19
Net change in current working capital	(38)	(32)	(5)
Cash flows provided by operating activities	**76**	**83**	**239**
Capital expenditures	(21)	(23)	(71)
Net change in loans	-	(7)	(11)
Proceeds from the sale of businesses and other investments	5	10	19
Cash flows used by investing activities	**(16)**	**(20)**	**(63)**
Increase in cash and cash equivalents	**60**	**63**	**176**

The following table shows the assets and liabilities of the Biscuits and Cereal Products business:

ASSETS	As of June 30, 2007 (In millions of euro)
Brand names	488
Other intangible assets, net	11
Goodwill, net	864
Intangible assets, net	1,363
Property, plant and equipment, net	398
Investments accounted for under the equity method	94
Investments in non-consolidated companies	-
Long-term loans	1
Other long-term assets	2
Deferred tax assets	23
Non-current assets	**1,881**
Inventories	133
Trade accounts and notes receivable	488
Other accounts receivable and prepaid expenses	100
Short-term loans	2
Current assets	**723**
Total assets held for sale	**2,604**
LIABILITIES	
Pensions and post-retirement provisions	33
Deferred tax liabilities	155
Other long-term liabilities	30
Long-term liabilities	**218**
Trade accounts and notes payable	346
Accrued expenses and other current liabilities	320
Current liabilities	**666**
Total liabilities held for sale	**884**

The excess of the net treasury of the entities included in the Biscuits and Cereal Products business represents € 28 million at June 30, 2007, after elimination of the intercompany net debt of € 785 million.

Pursuant to the specific clauses included in the agreement dated July 2, 2007, the assets and liabilities held for sale exclude the items related to this excess of net treasury.

Other assets and liabilities held for sale

In May 2007, the Group signed an agreement for the sale of its investment in The Danone Springs of Eden, BV (HOD – Europe), which resulted in the reclassification of the investment in this entity from "Investment accounted for under the equity method" to "Assets held for sale" for € 96 million (see Note 4). The disposal of The Danone Springs of Eden, BV was completed in July 2007.

On December 31, 2006, the Group was in the process of disposing of its investment in Griesson (Biscuits – Germany), which resulted in the reclassification of the investment in this entity from "Investment accounted for under the equity method" to "Assets held for sale" for € 78 million. The disposal of Griesson was completed in May 2007.

4- Impairment reviews

The net book value of goodwill, brands, other intangible assets and investments accounted for under the equity method is reviewed at least annually and when certain events or circumstances indicate that their value may be impaired. Such events or circumstances correspond to significant, adverse and durable changes that have an impact on the economic environment, the assumptions or the targets used on the acquisition date. An impairment charge is recorded when the recoverable value of the assets tested becomes permanently lower than their net book value.

At June 30, 2007, the Group has performed a review of the events and circumstances that could have indicated that the value of some assets might be impaired. Following the agreement for the sale of its investment in The Danone Springs of Eden, BV, the Group recorded an additional impairment charge to bring the value of its investment to its net selling price. A net gain of € 4 million after tax was recorded in "Net income of affiliates" in the consolidated income statement with a corresponding impact in "Investments accounted for under the equity method" and "Deferred taxes" in the consolidated balance sheet.

5- Investments in non consolidated companies

At June 30, 2007, the increase in the net book value of the non consolidated investments primarily relates to the revaluation of the investments at fair market value at period-end, and to the acquisition in June 2007 of an additional 4.7% ownership interest in Wimm Bill Dann. As a result of this additional investment of € 115 million, the percentage of interest of the Group in this entity is 18.3%, and the investment fair value represents € 538 million at June 30, 2007.

As disclosed in Note 7 of the consolidated financial statements for the fiscal year ended December 31, 2006, the IFRS financial information is no longer available to the Group since July 1, 2006, which prevents from consolidating Britannia Industries Ltd. Given the ongoing discussions with its Indian partner, the Group continues to record its investment under "Investments in non-consolidated companies" at fair market value which is determined based on the stock price at period-end. The investment fair value represents € 174 million at June 30, 2007.

6- Commitments relating to financial investments

As part of the creation of the company The Danone Springs of Eden, BV, the Group had granted a put option and had a call option for the remaining 33.1% interest not directly or indirectly owned, which were unconditionally exercisable in 2008 or before, if certain conditions were met. These options expired following the signature of the agreement on May 2007 to dispose of this investment (refer to Note 3).

In addition, the Group is committed to acquire the shareholdings owned by third parties in some of the less than 100% owned subsidiaries and affiliates, should these third parties wish to exercise their put options. The acquisition price is generally based on the subsidiary or affiliate's annual profitability. In the six months ended June 30, 2007, the option held in Danone Industria (Fresh Dairy Products – Russia) was partially exercised. At June 30, 2007, the Group's commitments in relation to the options held represented € 2,594 million (€ 2,618 million at December 31, 2006), of which € 2,419 million (€ 2,504 million at December 31, 2006) are included in financial liabilities as they relate to subsidiaries. There was no significant new commitment during the six months ended June 30, 2007.

7- Earnings per share

The following table below shows the reconciliation between basic earnings per share attributable to the Group and diluted earnings per share attributable to the Group:

	Net income attributable to the Group (in millions of euro)	Weighted average number of shares outstanding (1)	Earnings per share attributable to the Group (in euro)	Earnings per share of continuing operations attributable to the Group (in euro)	Earnings per share of discontinued operations attributable to the Group (in euro)
Six months ended June 30, 2007					
Before dilution	656	477,748,483	1.37	1.12	0.25
Stock options.................................	-	4,417,819	(0.01)	-	(0.01)
After dilution.................................	656	482,166,302	1.36	1.12	0.24
Six months ended June 30, 2006					
Before dilution	704	487,345,202	1.44	0.89	0.55
Stock options.................................	-	3,688,390	(0.01)	(0.01)	-
After dilution.................................	704	491,033,592	1.43	0.88	0.55

(1) Adjusted to reflect the two-for-one stock split effected June 1, 2007.

8- Related parties transactions

At June 30, 2007, there was no significant change in the nature of the related parties transactions compared to December 31, 2006 (refer to Note 25 of the consolidated financial statements at December 31, 2006).

At June 30, 2007, the number of stock options granted to the Executive Committee of the Group was 1,010,600 after the two-for-one stock split effected June 1, 2007.

9- Information on the statement of cash flows

Cash flows provided by operating activities

In the first half of 2006, the Other cash items include a contribution for € 130 million made to insurance companies to fund one of the Group's defined benefit pension plans, net of the interests received of approximately € 100 million in connection with the loan granted to the holding company that acquired Galbani.

Cash flows used in investing activities

Cash flows from investing activities primarily resulted from the acquisitions and disposals described in Note 2, as well as from the changes in cash and cash equivalents of discontinued operations described in Note 3.

In the first half of 2006, cash flows from investing activities included the reimbursement of the loan granted to the holding company that acquired Galbani of € 208 million.

Change in net debt

The following table shows the change in the net debt of the Group:

(In millions of euros)	At December 31, 2006	Change during the period	Reclassification from long-term to current debt	Foreign currency translation impact	Other	At June 30, 2007
Cash and cash equivalents	655	(6)	–	3	–	652
Marketable securities	2,564	(613)	–	(1)	(2)	1,948
Total cash and cash equivalents and marketable securities	***3,219***	***(619)***	–	***2***	***(2***	***2,600***
Current financial debt	416	(82)	22	2	64	422
Long-term financial debt	5,705	24	(22)	7	(171)	5,543
Total financial debt	***6,121***	***(58)***	–	***9***	***(107)***	***5,965***
Net debt	**2,902**	**561**	**–**	**7**	**(105)**	**3, 365**

The other changes mainly relate to the revaluation of the put options granted to minority shareholders and to changes in the scope of consolidation.

10- Segment information

Following the Group's announcement to consider on an exclusive basis the offer made by Kraft Foods Inc. on July 2 to purchase almost all of the Biscuits and Cereal Products business, the information by activity only relates to the Fresh Dairy Products and the Beverages. The Other items include information related to the entities of the Biscuits and Cereal Products business which were not disposed of (refer to Note 3), and to unallocated items.

10.1 – By activity

As of June 30, 2007 (In millions of euro)	Fresh Dairy Products	Beverages	Total Segments	Other	Total Group
Net sales outside the Group	4,369	2,139	6,508	-	6,508
Trading operating income	600	289	889	1	890
Depreciation and amortization	120	81	201	9	210
Net income (loss) from affiliates	21	15	36	(7)	29
Capital expenditures	163	108	271	9	280
Cash flows provided by operations	536	300	836	5	841

As of June, 30 2006 (In millions of euro)	Fresh Dairy Products	Beverages	Total Segments	Other	Total Group
Net sales outside the Group	3,966	2,045	6,011	197	6,208
Trading operating income	518	270	788	12	800
Depreciation and amortization	110	83	193	12	205
Net income (loss) from affiliates	19	(97)	(78)	8	(70)
Capital expenditures	124	87	211	12	223
Cash flows provided by operations	505	281	786	52	838

10.2- By geographic area

(In millions of euro)	As of June 30, 2007 Europe	Asia	Rest of the World	Total Segments	As of June 30, 2006 Europe	Asia	Rest of the World	Total Segments
Net sales outside the Group	3,757	1,049	1,702	6,508	3,430	1,049	1,532	6,011
Trading operating income.........	574	114	201	889	496	123	169	788
Net income (loss) from affiliates................................	10	13	13	36	(126)	13	35	(78)
Capital expenditures.................	105	41	125	271	89	39	83	211
Cash flows provided by operations.............................	539	117	180	836	493	114	179	786

11- Change in the relationship with a partner of the Group in its Wahaha subsidiary in China

Wahaha (Beverages – China) includes numerous legal entities (the "Subsidiaries"), which are fully consolidated. The Subsidiaries are controlled by the Group with 51% ownership, with various minority shareholders owning the remaining 49%. The Group considers that some of the minority shareholders, in addition to other connected persons, have illegally set up numerous companies which manufacture and sell the same or identical products as those sold by the Subsidiaries, and are making unlawful use of the Subsidiaries' trademarks, distributors and suppliers. In that context, during the first half of 2007, the Group has filed several legal actions against some of the minority shareholders and other parties.

Pursuant to various Joint Venture Agreements and a Services Agreement, all of which include an arbitration clause in the event of a dispute, the Group filed, on May 9, 2007, various requests for arbitration based upon numerous breaches of the Joint Venture Agreements and a request for arbitration against Mr. Zong Qinghou (the Executive Director of all of the Subsidiaries) based upon numerous breaches of his Services Agreement, all with the Arbitration Institute of the Stockholm Chamber of Commerce.

In addition, on June 4, 2007, the Group filed a complaint in the Superior Court of the State of California, County of Los Angeles (United States) against Ever Maple Trading Limited (BVI), Hangzhou Hongsheng Beverage Co. Ltd. and their legal representatives and/or shareholders due to activities taken in the United States on various tort theories as well as on the basis of unfair and fraudulent competition.

The Chairman of the Board of Directors of each of the Subsidiaries, Mr. Zong Qinghou, resigned on June 6, 2007 from his position with the Subsidiaries. Therefore, the Group appointed Vice Chairman, is now the current interim Chairman of the Boards of each of the Subsidiaries.

On June 13, 2007, one of the minority shareholders filed an arbitration action with the Hangzhou Arbitration Commission seeking a declaration that the Trademark Transfer Agreement which transferred ownership of all the Wahaha trademarks to the Group's first Wahaha joint venture (established in 1996) is void and/or terminated.

In July 2007, certain minority shareholders in the Subsidiaries have filed several derivative suits against the Group appointed board members of several Subsidiaries, based on various alleged violations of the People's Republic of China law.

Given the current status of the discussions and of the legal proceedings, and given the extent of the uncertainties, the Group is unable to reliably assess the outcome of any of these actions nor the possible settlement date. To date, the Group cannot exclude any option or outcome, including any action or decision (both legal and non-legal), that could lead to a significant adverse impact on its future results.

12- Subsequent events

On July 3, 2007, the Board of Directors of the Group decided to consider on an exclusive basis the offer made by Kraft Foods Inc. on July 2 to purchase the Group's Biscuits and Cereal Products business. The transaction and the related accounting impacts are disclosed at Note 3.

The minority shareholders of some entities of the Biscuits and Cereal Products business have a call option on the majority stake of the Group, which is exercisable in the event of a change in control. The only significant call option relates to the majority stake of the Group in the Papadopoulos company (Biscuits – Greece). This option was exercised by the minority shareholder. The investment of the Group in this company will be sold in August 2007 pursuant to the agreement signed on July 20, 2007.

On July 9, 2007, the Group announced a cash offer to purchase all of the issued and outstanding ordinary shares of Royal Numico NV ("Numico") at a price of € 55.00 per share. Based on this intended offer price, Numico is valued at approximately € 12.3 billion. Numico and the Group expect to reach definitive agreement on the intended offer over the next weeks. The commencement of the offer is subject to the satisfaction or waiver of certain pre-offer conditions customary for a transaction of this kind, such as no revocation of the recommendation of the offer by the Boards of Numico, the absence of a material adverse effect on the business of the Numico group, obtaining a positive advice of Numico's works council and concluding the discussion with the trade unions. When made, the consummation of the offer will be subject to the satisfaction or waiver of certain offer conditions customary for transactions of this kind, such as no revocation of the recommendation of the offer by the Boards of Numico, the absence of a material adverse effect on the business of the Numico group and merger clearance filings. The consummation of the offer will also be subject to at least 66.66% of the issued and outstanding share capital of Numico being tendered under the offer. It is currently expected that the offer can be made and that an offer memorandum will be published in the month of August 2007. To date, the Group already acquired on the stock exchange 29.57% of the shares in Numico.