DANONE

French corporation (*société anonyme*) with a Board of Directors and share capital of 161,980,460 euros

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

Paris Register of Commerce and Companies number: 552 032 534

INTERIM FINANCIAL REPORT

For the six-month period ended June 30, 2010

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

1. Interim management report

1.1. H1 2010 business review

Net sales

Consolidated reported sales increased by 11.2% to € 8,364 million in the first half year of 2010. Excluding the effects of changes in exchange rates (+4.7%) and in scope of consolidation (-0.5%), total sales increased by +7.0% on a like-for-like basis. This like-for-like sales growth was driven by a +9.8% rise in volume and a -2.8% decline in value. The aforementioned effects of changes in exchange rates were mainly driven by the Indonesian rupiah, the Brazilian real, the Mexican peso and the Russian ruble. The change in the scope of consolidation was driven by the disposal of Frucor, a beverage business based in Australia and New Zealand which was deconsolidated as of February 2009.

Activity by business line and geographic region (at constant scope of consolidation and exchange rates)

Sales of the Fresh Dairy division increased by 7.1 % in the first half of 2010, on a like-for-like basis, driven by a broad-based volume growth.

The Waters division posted solid sales growth of 3.7%, thereby continuing the underlying improvement observed since mid-2009.
The Baby Nutrition division continued to deliver high-single digit growth (+8.6%) on a like-for-like basis.

Medical Nutrition continued to perform well with a sales growth of 10.1%, on a like-for-like basis, which continued to be entirely driven by volume growth.

By geography, the growth achieved in the first half of 2010 was led by Asia and the Rest of the World, with a sales growth rate of 13.8% and 16.0% respectively compared to the first half of 2009. Sales in Europe grew by 1.7% compared to the first half of 2009.

Trading operating income

Danone’s trading operating margin was stable at 15.3% compared to the average margin in 2009. Compared to the first half of 2009, the margin decreased by 74 basis points, on a like-for-like basis. This decrease mainly reflects the negative price effect of the Reset program, the effect of rising raw material prices and a difficult comparable basis. The impact of higher raw material prices in H1 10 has been largely offset by various cost savings initiatives which are expected to generate up to € 500 million in 2010. The decrease of the EBIT margin of the Medical Nutrition division reflects investments behind organic growth opportunities.

Cost of net debt

Cost of net debt decreased substantially compared to the first half of 2009, driven by the 2009 capital increase, the strong free cash flow generation as well as the proceeds from the disposal of selected non-core activities that occurred during the second half of 2009.

Net income and earnings per share

The reconciliation of the net income attributable to the Group to the underlying net income attributable to the Group is presented in the table below:

(In € millions)	Six months ended June 30	
	2010	**2009**
Net income attributable to the Group	**838**	**932**
Including non-current net income attributable to the Group	(10)	210
Including underlying net income attributable to the Group	**848**	**722**

Underlying net result increased by 10.1% like-for-like to € 848 million and underlying fully diluted earnings per share grew by 7.7%[1,2] to € 1.38 on a like-for-like basis in the first half of 2010 compared to the first half of 2009.

[1] *like-for-like = at constant scope of consolidation and constant exchange rates*
[2] *excl. impact of rights issue*

Financing

Free cash flow from operations increased by 34.9% to € 858 million, or 10.3% of sales, in the first half of 2010, compared to € 636 million, or 8.5% of sales, in the same period last year. Capital expenditure was € 275 million, or 3.3% of sales which is below the anticipated capex level of between 4 and 5% of sales for FY 2010 due to timing.

The Group's net debt (corresponding to financial liabilities less cash, cash equivalents and marketable securities) totalled € 6,731 million at the end of the first half of 2010 (€ 3,551 million excluding put options granted to non-controlling interests) compared to € 6,562 million at December 31, 2009 (€ 3,494 million excluding put options granted to non-controlling interests).

In the first six months of 2010, the Group paid out to Danone's shareholders and non-controlling interests (for the 2009 fiscal year) € 818 million in dividends (compared to € 721 million in the first half of 2009 for the 2008 fiscal year).

The Group also received € 64 million (compared to € 22 million in the first half of 2009) following the exercise of stock options and the capital increase reserved for employees.

In 2009 and so far in 2010, the Group has not repurchased any of its treasury shares.

Balance sheet

There were no material changes in the structure of the Group's balance sheet between December 31, 2009 and June 30, 2010, or in the level of its net debt (see "Financing" above).

1.2. Danone's parent company statutory financial information

In the first six months of 2010, Danone's parent company net revenue and income before non-recurring items and tax amounted to € 221 million and € 827 million respectively, compared to € 205 million and € 602 million respectively in the first six months of 2009.

1.3. Major related party transactions

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

1.4. Significant events during the first six months of 2010 and their impact on the interim financial report

On June 18, 2010, Danone and the Russian company Unimilk announced the signing of an agreement to merge Danone's Fresh Dairy Products businesses in the CIS area with those of Unimilk. Spanning operations in Russia, Ukraine, Kazakhstan and Belarus, the merger covers all dairy products. It will make the merged entity the leading provider of dairy products in the CIS area as a whole, and particularly Russia, where it will account for around 21% of the total market and hold strong positions in high-value, high-growth segments. Subject to customary regulatory approvals in the respective countries, this transaction does not have a material impact on the condensed interim consolidated financial statements for the six months ended June 30, 2010. The deal is expected to be completed towards the end of 2010.

On June 11, 2010, Danone signed an agreement with the shareholders of Medical Nutrition USA, Inc. (MNI), a U.S. based company, under the terms of which Danone would acquire 100% of MNI's share capital. MNI, which introduced the concept of liquid protein supplements for elderly people in the U.S. long-term care market in 2003, will become part of the Group's Medical Nutrition Division. This transaction is subject to the normal regulatory conditions and does not have a material impact on the condensed interim consolidated financial statements for the six months ended June 30, 2010. The deal is expected to be completed in the third quarter of 2010.

Finally, during the first half of 2010, the Group carried out the acquisitions and disposals described in Note 2 to the condensed interim consolidated financial statements.

1.5. Outlook 2010

Danone assumes that the financial, economic and social crises will continue to weigh on consumption trends in Europe, while emerging markets are expected to keep developing well overall.

In this context, Danone will continue to focus and invest in growth opportunities in key categories and geographies, on the strength of its competitive positions and on the development of its brands. Productivity gains as well as the growth of free cash flow (1) will continue to be key priorities.

Based on the above and the performance in the first half of 2010 and in line with its medium-term targets - Danone expects to reach:

- A like-for-like sales growth of at least 6% (instead of at least 5%);
- An increase of the free cash flow from operations of at least 10% on a reported basis (the medium-term target being annual free cash flow of € 2 billion in 2012).

In addition, Danone aims to achieve a trading operating margin in line with the 2009 level on a like-for-like basis (2).

(1) Free cash flow corresponds to the balance of the cash flows from operating activities after taking into account capital expenditure net of proceeds disposals.

(2) Excluding effects of changes in consolidation scope and exchange rates.

These forecasts, targets, statements and other forward-looking information included in the interim financial information are based mainly on the data, assumptions and estimates detailed below and are deemed reasonable by the Group. They are not historical data and must not be interpreted as guarantees that actual results will be in line with said forecasts. By their very nature, such data, assumptions and estimates, as well as all other factors taken into account in the preparation of said forward-looking forecasts and other information, may not be in line with actual results and are likely to change or be amended due to the uncertainties affecting the Group's economic, financial and competitive environment. Moreover, should certain of the risks described in Section 4 of the 2009 Registration Document come to pass, it could have an impact on the Group's activities, financial position, results and outlook and on whether the Group's actual results are in line with the forecasts, targets, statements and other forward-looking information disclosed above.

Main assumptions underlying the forecasts

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

- the data were prepared using forecast exchange rates and interest rates determined at Group level;
- current consumption trends in those countries most important to the Group (including both emerging and mature markets) will continue throughout the year and will not improve or deteriorate significantly;
- the Group's revenue growth will continue to be driven mainly by volumes, in particular those of its leading brands, and its clear priority across all its key markets will be to increase the consumer price-benefit ratio in order to respond to consumption trends. This should enable the Group to gain market share in its key countries;
- the Group will continue to pursue its policy of optimizing operating and general and administrative costs in 2010, partially offsetting moderate cost inflation;
- the Group plans to reduce its financial expense, mainly as a result of the restructuring of the Group's debt in 2009.

1.6. Subsequent events

Details of major events occurring after the end of the reporting period are provided in Note 13 to the condensed interim consolidated financial statements.

1.7. Main risks and uncertainties

The main risks and uncertainties to which the Group may be exposed in the second half of 2010 are those specified in chapter 4 of the 2009 Registration Document and, as the economic climate and debt reduction plans undertaken by Western European countries, which could have a negative impact on consumption in these countries.

2. Condensed interim consolidated financial statements

Consolidated income statement

		Six-month period ended June 30		Year ended December 31
(In € millions)	Notes	**2010**	**2009**	**2009**
Net revenue	12	**8 364**	**7 520**	**14 982**
Cost of goods sold		(3 879)	(3 376)	(6 749)
Selling expenses		(2 342)	(2 135)	(4 212)
General and administrative expenses		(715)	(667)	(1 356)
Research and development expenses		(107)	(96)	(206)
Other revenue (expense)		(41)	(40)	(165)
Trading operating income		**1 280**	**1 206**	**2 294**
Other operating income (expense)	7	(17)	205	217
Operating income		**1 263**	**1 411**	**2 511**
Interest revenue		*51*	*23*	76
Interest expense		*(115)*	*(193)*	*(340)*
Cost of net debt		(64)	(170)	(264)
Other financial revenue (expense)		(54)	(35)	(225)
Income before tax		**1 145**	**1 206**	**2 022**
Income tax	9	(275)	(228)	(424)
Income from fully consolidated companies		**870**	**978**	**1 598**
Share of profits of associates		51	30	(77)
Net income from continuing operations		**921**	**1 008**	**1 521**
Net income from discontinued operations		-	-	-
Net income		**921**	**1 008**	**1 521**
- Attributable to the Group		**838**	**932**	**1 361**
- Attributable to non-controlling interests		**83**	**76**	**160**

Earnings per share (Note 8)

	Six-month period ended June 30		Year ended December 31
(In euros, except for number of shares)	**2010**	**2009**	**2009**
Number of shares used for calculating			
- earnings per share before dilution	614 469 503	513 168 900	548 701 050
- earnings per share after dilution	615 698 869	512 461 202	548 791 367
Earnings per share attributable to the Group before dilution			
- underlying	1,38	1,41	2,57
- total	1,36	1,82	2,48
Earnings per share attributable to the Group after dilution			
- underlying	1,38	1,41	2,57
- total	1,36	1,82	2,48

Consolidated statement of gains and losses recognized directly in equity

	Six-month period ended June 30		Year ended December 31
(In € millions)	**2010**	**2009**	**2009**
Net income- attributable to the Group	**838**	**932**	**1 361**
Translation adjustments, net of tax	1 531	231	289
Share of gains and losses on investments in associates recognized directly in equity, net of tax	2	(51)	(37)
Unrealized gain (loss) on derivative hedging instruments, net of tax	(116)	(115)	(158)
Unrealized gain (loss) on available-for-sale securities, net of tax	(11)	106	248
Stock options	14	14	28
Total gains and losses recognized directly in equity – attributable to the Group	**1 420**	**185**	**370**
Net income and gains and losses recognized directly in equity – attributable to the Group	2 258	1 117	1 731
Net income and gains and losses recognized directly in equity – attributable to non-controlling interests	113	76	168
Net income and gains and losses recognized directly in equity	**2 371**	**1 193**	**1 899**

Consolidated balance sheet

(In € millions)	Notes	As of June 30 2010	As of December 31 2009
ASSETS			
Brand names		4 228	3 903
Other intangible assets, net		364	355
Goodwill, net		13 915	12 927
Intangible assets, net	4	18 507	17 185
Property, plant and equipment, net		3 516	3 180
Investments in associates	4	965	805
Investments in non-consolidated companies	5	514	521
Long-term loans		33	27
Other long-term financial assets		138	127
Financial instruments (1)		256	134
Deferred taxes		803	621
Non-current assets		**24 732**	**22 600**
Inventories		879	765
Trade accounts and notes receivable		2 061	1 682
Other accounts receivable and prepaid expenses		668	645
Short-term loans		31	41
Marketable securities		645	454
Cash and cash equivalents		841	644
Assets held for sale	3	215	176
Current assets		**5 340**	**4 407**
TOTAL ASSETS		**30 072**	**27 007**

LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		162	162
Additional paid-in capital		3 627	3 596
Retained earnings		11 225	11 137
Cumulative translation adjustments		662	(869)
Other income recognized directly in equity		131	256
Treasury stock		(994)	(1 027)
Shareholders' equity attributable to the Group		**14 813**	**13 255**
Non-controlling interests		52	54
Shareholders' equity		**14 865**	**13 309**
Non-current financial liabilities	11	5 801	6 092
Retirement commitments		237	219
Deferred taxes		1 126	937
Other non-current liabilities		630	594
Non-current liabilities		**7 794**	**7 842**
Trade accounts and notes payable		2 486	1 981
Accrued expenses and other current liabilities		2 255	2 173
Current financial liabilities	11	2 672	1 702
Liabilities associated with assets held for sale		-	-
Current liabilities		**7 413**	**5 856**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30 072**	**27 007**

(1) Financial instruments with positive fair values are now presented in a specific line of assets, they are not netted with non-current financial liabilities.

Consolidated statement of cash flows

		Six-month period ended June 30		Year ended December 31
(In € millions)	Notes	**2010**	**2009**	**2009**
Net income attributable to the Group		838	932	1 361
Net income attributable to non-controlling interests		83	76	160
Share of profits of associates		(51)	(30)	77
Depreciation and amortization	12	285	260	549
Dividends received from associates		9	58	174
Other flows with an impact on cash		(73)	(141)	(157)
Other flows with no impact on cash		94	(309)	(72)
Cash flows provided by operating activities, excluding changes in net working capital	12	**1 185**	**846**	**2 092**
(Increase) decrease in inventories		(63)	(11)	37
(Increase) decrease in trade accounts receivable		(273)	(205)	(112)
Increase (decrease) in trade accounts payable		350	(10)	(127)
Changes in other accounts receivable and payable		(82)	213	110
Changes in other working capital requirements		(68)	(13)	(92)
Cash flows provided by operating activities		**1 117**	**833**	**2 000**
Capital expenditure	12	(275)	(306)	(699)
Purchase of businesses and other investments, net of cash and cash equivalents acquired		(37)	(30)	(40)
Proceeds from the sale of businesses and other investments, including indebtedness of companies sold		18	815	1 024
(Increase) decrease in long-term loans and other long-term assets		3	13	36
Cash flows provided by (used in) investing activities	11	**(291)**	**492**	**321**
Increase in capital and additional paid-in capital		35	2 980 *	2 977
Purchases of treasury stock (net of disposals)		33	75	100
Dividends paid to Danone shareholders		(737)	(221)	(221)
Transactions with non-controlling interests (1)	11	(93)	(54)	(337)
Net cash-flows from financial instruments (2)		(8)		(154)
Increase (decrease) in non-current financial liabilities		98	(3 100)	(4 154)
Increase (decrease) in current financial liabilities		89	(97)	(427)
Increase (decrease) in marketable securities		(147)	(869)	(60)
Cash flows provided by (used in) financing activities		**(730)**	**(1 286)**	**(2 276)**
Effect of exchange rate changes	**11**	**101**	**(13)**	**8**
Increase (decrease) in cash and cash equivalents		**197**	**26**	**53**
Cash and cash equivalents at beginning of period		644	591	591
Cash and cash equivalents at end of period		841	617	644

** This amount includes € 2 961 million related to the June 25, 2009 capital increase.*
(1) As of June 30, 2009 and December 312, 2009, transactions with non controlling interests have been isolated in compliance with IFRS3 revised and IAS27 Revised ; Includes dividends of € 81 million paid to non-controlling interests for June 30, 2010.
(2) Financial instruments hedging net investments in foreign subsidiaries.

Consolidated statement of changes in shareholders' equity

	Number of shares									*Equity*	
	Issued	Excluding treasury stock	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Other net income recognized directly in equity	Treasury stock	**Shareholders' equity - Group**	**Shareholders' equity – non-controlling interests**	**Shareholders' equity**
As of December 31, 2008	**513 802 144**	**477 807 616**	**128**	**297**	**10 399**	**(1 121)**	**166**	**(1 225)**	**8 644**	**56**	**8 700**
Translation adjustments						231			**231**		**231**
Unrealized gain (loss) on non-consolidated companies							106		**106**		**106**
Share of gains and losses on investments in associates recognized directly in equity						(51)			(51)		(51)
Cash flow hedges							(115)		**(115)**		**(115)**
Stock options					14				**14**		**14**
Net income recognized directly in equity					*14*	*180*	*(9)*		***185***		***185***
Net income for the six months ended June 30, 2009					932				**932**	**76**	**1 008**
Net income and gains and losses recognized directly in equity					*946*	*180*	*(9)*		***1 117***	***76***	***1 193***
Capital increase	135 033 148	135 033 148	34	3 392	(61)				**3 365**	**1**	**3 366** (1)
Capital reduction	(1 844 442)			(93)	(13)				**(106)**		**(106)**
Changes in treasury stock		76 500						174	**174**		**174**
Dividends paid to Danone's shareholders		(215 885)			(576)				**(576)**		**(576)**
Transactions with non controlling interests (2)										**(87)**	**(87)**
As of June 30, 2009	**646 990 850**	**612 701 379**	**162**	**3 596**	**10 695**	**(941)**	**157**	**(1 051)**	**12 618**	**46**	**12 664**
As of December 31, 2009	**646 990 850**	**613 483 625**	**162**	**3 596**	**11 137**	**(869)**	**256**	**(1 027)**	**13 255**	**54**	**13 309**
Translation adjustments						1 531			1 531	30	1 561
Unrealized gain (loss) on non-consolidated companies							(11)		(11)		(11)
Share of gains and losses on investments in associates recognized directly in equity							2		2		2
Cash flow hedges							(116)		(116)		(116)
Stock options					14				14		14
Net income recognized directly in equity					*14*	*1 531*	*(125)*		*1 420*	*30*	*1 450*
Net income for the six months ended June 30, 2009					838				838	83	921
Net income and gains and losses recognized directly in equity					*852*	*1 531*	*(125)*		*2 258*	*113*	*2 371*
Capital increase	930 990	930 990		31					31	4	35
Capital reduction											
Changes in treasury stock		1 059 762						33	33		33
Dividends paid to Danone's shareholders					(740)				(740)		(740)
Transactions with non controlling interests (2)					(24)				(24)	(119)	(143)
As of June 30, 2010	**647 921 840**	**615 474 377**	**162**	**3 627**	**11 225**	**662**	**131**	**(994)**	**14 813**	**52**	**14 865**

(1) Includes the capital increase related to the dividend payment in shares in respect of the 2008 fiscal year.
(2) Including dividends of € 145 million paid to non-controlling interests.
(3) Including dividends of € 81 million paid to non-controlling interests.

Notes to the condensed interim consolidated financial statements

Note 1 – Accounting principles

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

The Group's interim consolidated financial statements for the six months ended June 30, 2010 are presented and have been prepared in compliance with IAS 34 – Interim Financial Reporting, the standard as adopted by the European Union regarding interim financial reporting information. The standard provides that condensed interim financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2009. The Group's activity and the results of its operations related to 6-month period ended June 30, 2010 do not include any significant seasonal effect as compared to the Group's activity and the results of its operations related to 2010.

The accounting principles used to prepare these interim consolidated financial statements are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2009 (see Note 1 of the notes to the consolidated financial statements for the year ended December 31, 2009), with the exception of the new standards and interpretations applied for the first time as from January 1, 2010 and the provisions specific to IAS 34 on the measurement of half-year tax and pension expenses.

The following standards and interpretations must be applied by the Group as from January 1, 2010:

- IFRS 3 Revised - Business Combinations, and IAS 27 Revised – Consolidated and Separate Financial Statements. These revised standards have been applied prospectively. Transactions covered by these standards, that occurred during first half 2010 and described in Note 2 do not have any significant impact on the Group's interim condensed financial statements as at June 30, 2010;
- Other standards and interpretations whose application was mandatory as of January 1, 2010 do not have a significant impact on the Group's interim condensed financial statements.

The Group does not expect that the other standards and interpretations whose application was not mandatory as of January 1, 2010 and that may be applied by anticipation would have a significant impact on its results or financial position.

Impact of new standards on the Group's accounting principles

- **Business combinations: acquisitions of controlling interests, partial disposals with loss of control**

The revisions to IFRS 3 and IAS 27, which are applicable as from January 1, 2010, mainly affect the Group's accounting for step acquisitions and partial disposals with loss of control:

- In case of an acquisition of a controlling interest, incidental acquisition expenses are charged to the income statement under the heading "Other operating income (expense)" in the period in which they are incurred, an earn-out is initially recognized at fair value and subsequent changes in fair value are recognized through profit or loss under the heading "Other operating income (expense)."
- In the case of a step acquisition or partial disposal, the portion previously owned (or residual portion) is measured at fair value with the corresponding entry being through profit or loss;
- In case of an acquisition of a controlling interest, recognition of non-controlling interests is either at the non-controlling interest's proportionate share of the fair value of the acquired company's assets and liabilities, or at fair value (in which case a share of the goodwill is allocated to these non-controlling interests). The choice of method to be adopted must be made individually for each acquisition.

- **Transactions in controlling interests: acquisition of interests and disposal of interests without acquisition or loss of control**

Acquisitions or disposal of equity stakes in companies controlled by the Group are recognized as transfers between shareholders' equity attributable to the Group and shareholders' equity attributable to non-controlling interests, with no impact on profit or loss.

- **Put options granted to non-controlling interests**

When non-controlling interests hold put options on their interests, a financial liability is recognized for an amount corresponding to the strike of the option.

In the absence of specific provisions, the corresponding entry as at June 30, 2010 is:

- On one hand, the elimination of the carrying amount of the corresponding non-controlling interests;
- On the other hand:
    - Either, in the case of options granted before January 1, 2010, an increase in goodwill: the Group has chosen to present the difference between the strike of the options granted and the carrying amount of the corresponding non-controlling interests as an increase in goodwill, said goodwill being adjusted at the end of each period on the basis of changes in the strike of the options and the carrying amount of the non-controlling interests;
    - Or, in the case of options granted after January 1, 2010, a reduction in consolidated shareholders' equity: the difference between the exercise price of the options granted and the carrying amount of the non-controlling interests is presented as a deduction from retained earnings, which are adjusted at the end of each period on the basis of changes in the exercise price of the options and the carrying amount of the non-controlling interests;

The above accounting treatments have no impact on the consolidated income statement.

Note 2 – Changes in the scope of consolidation

Acquisitions

Acquisition of controlling interests

During the first half of 2010, the Group acquired the following controlling interests:

- On January 5, 2010 the Group acquired an additional interest in Ferminvest (Waters – France), thereby increasing the Group's ownership from 57% to 100%. Following this transaction, Danone increased its stake in Damavand (Waters – Iran) from 39.89% to 70%. Damavand is a major player in the mineral water market in Iran.
- On May 25, 2010, the Group acquired a 51% stake in Chiquita Fruits (France), which markets fruit-based drinks. It is managed by the Fresh Dairy Products division.

These business combinations have been accounted for on a preliminary basis: the amounts allocated to the identifiable assets and liabilities acquired and goodwill may be amended within a period of one year from the respective date of each business combination.

Since each individual transaction is not material, these transactions have been combined for the purposes of preparing the following information.

The main characteristics and effects of transactions resulting from the acquisition or loss of control during the first half of 2010 are as follows:

- They did not result in additional payments;
- Put options were granted to non-controlling interests in certain of these companies with a value at June 30, 2010 of € 23 million. These options were recognized as non-current financial liabilities (see Note 6);
- The interests held prior to the acquisition of a controlling interest were measured at fair value on the date control was acquired, which generated net loss of € 0,5 million in the first half of 2010, recognized in the income statement under the heading "Share of profits in associates".
- Transaction expenses for the period, which totalled € 0,5 million, were recognized in the income statement under the heading "Other operating income (expense)."
- The total amount of goodwill generated by these transactions was as follows:

(In € millions)	**Six-month period ended June 30**
Acquisition cost (1)	34,6
Non-controlling interests (2)	1,1
Fair value of identifiable assets and liabilities acquired (3)	(2,8)
Goodwill (4)	32,9

(1) Of which € 23,44 million were paid in cash, the remaining amount corresponding to the fair value of the stake previously held by the Group.
(2) For each acquisition during the first half of 2010, non-controlling interests were measured at their share of the acquired company's assets and liabilities.
(3) The fair value adjustments relate mainly to the measurement at fair value of brand names and inventories.
(4) The goodwill reflects mainly human capital, expected synergies in terms of revenues and cost reduction, market share and company's growth potential.

Other acquisitions

The Group acquired a 50% stake in Murray Gouldburn (Dairy - Australia), which is accounted for under the equity method. It also acquired an additional stake in Aqua d'Or (Waters - Denmark), thereby increasing its interest to 90%. This company was already fully consolidated by the Danone Group.

Finally, during the first half of 2010, the Group announced:

- the signing of an agreement to merge Danone's Fresh Dairy Products businesses in the CIS area with those of the Russian company Unimilk, a major player in fresh dairy products in the CIS area:
  - Spanning operations in Russia, Ukraine, Kazakhstan and Belarus, the merger covers all dairy products. It will make the merged entity the leader for dairy products in the CIS area as a whole, and particularly in Russia where it will account for around 21% of the total market, with strong positions in high-value, high-growth segments, and benefit from two complementary and fast-growing businesses.
  - This transaction is subject to customary regulatory approvals in the countries concerned and it is expected to be completed towards the end of 2010.
  - Danone will have a 57.5% controlling interest in the new entity while Unimilk's current shareholders will hold the remaining 42.5% interest. The transaction will be carried out mainly through a contribution of assets, supplemented by a cash purchase of shares by Danone.
  - This transaction should cause Danone's net debt to increase by around € 1.3 billion, principally as a result of the put options which will be granted to Unimilk's current shareholders. These options will enable them to dispose of all or part of their shares in the new entity, with Danone being able to own 100% of these shares in 2022. The operation should improve Danone's earnings per share as from 2011, given expected synergies.

- the signing of an agreement with Medical Nutrition USA, Inc. (MNI), a U.S. base company, under the terms of which Danone would acquire 100% of MNI's share capital. This transaction is subject to the normal regulatory conditions and it is expected to be completed in the third quarter of 2010.

Neither of these business combinations had a material impact on the condensed consolidated financial statements for the six months ended June 30, 2010.

The Group did not make any major acquisitions during the first half of 2009.

Disposals

During the first half of 2010, the Group disposed of its 50% stake in Dasanbe (Waters – Poland). This transaction did not have a material impact on the condensed interim consolidated financial statements for the six months ended June 30, 2010.

The main disposals during the first half of 2009 were:

- the 100% equity interest in the subsidiary Frucor (Waters – New Zealand and Australia). Of the total net capital gain on disposal of the shares and the brand names, which was finalized in February 2009, € 315 million (after a negative € 110 million of translation adjustments transferred to the income statement) was recognized in "Other operating income (expense)" and € 45 million was recognized in "Other revenue (expense);"
- the 100% equity interest in the subsidiary Danone Naya (Waters – Canada). The disposal, completed in May 2009, generated a net capital gain of € 3 million.

Note 3 – Assets and liabilities held for sale

As of June 30, 2010, assets held for sale amounted to € 215 million. They mainly correspond to its 22.98% non-controlling stake in China Huiyuan Juice Group Limited (a company listed on the Hong Kong stock exchange and leader in the fruit drinks market). The Group is still involved in the process of selling this asset and considers as highly probable that the sale will be completed within the next 12 months.

Note 4 – Impairment reviews of intangible assets and investments in associates

Goodwill, brands, other intangible assets and investments in associates 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, unfavourable 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, 2010, the Group has reviewed the impairment indicators liable to result in a reduction in the carrying value of the goodwill and brand names.

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

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

Analysis of the impairment indicators resulted in an impairment test being carried out on two CGUs in the Waters division (Aqua d'Or – Denmark and Hayat - Turkey) and on one CGU in the Fresh Dairy Products division (Danone Tikvesli - Turkey). These tests showed that the recoverable amount of the assets exceeds their carrying value and hence no impairment loss is to be recognized.

Note 5 – Investments in non-consolidated companies

As of June 30, 2010, the decrease in the value of investments in non-consolidated companies was attributable mainly to the remeasurement at fair value of the shares held in Wimm Bill Dann for an amount of € 22 million.

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

Note 6 – Commitments related to financial investments

The Group is committed to acquire non-controlling interests in certain consolidated companies or associates, should the owners of said interests wish to exercise their put options.

As of June 30, 2010, the commitments relating to these options amounted to a total of € 3,180 million (€ 3,068 million as of December 31, 2009), recognized in full in non-current financial liabilities, including € 23 million dealt during the first half of 2010 and related to certain acquisitions made during this period (see Note 2).

The commitments relating to the put options granted to the non-controlling interests in Danone Spain represented € 2,401 million as of June 30, 2010. These put options concern almost the entire 42.71% stake held by these shareholders in the capital of Danone Spain. The formula used to calculate the amount of this commitment is fixed contractually (based on an average of the Spanish subsidiary's earnings 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 may be automatically renewed for successive five-year periods.

No significant cash outflow is considered probable in the short term with respect to these options.

Note 7 – Other operating income (expense)

As of June, 30, 2010, other operating expenses related mainly to fees in connection with acquisitions closed or about to be closed.

As of June 30, 2009, other operating income corresponded to the capital gains on the disposal of Frucor (Waters – New Zealand and Australia) and Danone Naya (Waters – Canada) for a gross amount of € 328 million (after a negative € 110 million of translation adjustments transferred to the income statement). Other operating expense included, in particular, the € 100 million free and irrevocable contribution to the Danone Ecosystem Fund.

Note 8 – Earnings per share

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

	Underlying net income from continuing operations attributable to the Group *(in € millions)*	**Non-current net income attributable to the Group** *(in € millions)*	**Net income attributable to the Group** *(in € millions))*	**Weighted average number of shares outstanding**	**Underlying earnings per share attributable to the Group** *(in euros)*	**Total earnings per share attributable to the Group** *(in euros)*
Six-month period ended June 30, 2010						
Before dilution	848	(10)	838	614 469 503	1,38	1,36
Stock options				1 229 366	(0,00)	(0,00)
After dilution	848	(10)	**838**	**615 698 869**	**1,38**	**1,36**
Six-month period ended June 30, 2009						
Before dilution	722	210	932	513 168 900	1,41	1,82
Stock options				(707 698)	0,00	0,00
After dilution	**722**	**210**	**932**	**512 461 202**	**1,41**	**1,82**

Pursuant to IAS 33 – Earnings per Share, the dilutive effect of the capital increase carried out on June 25, 2009 has been taken into account retrospectively.

Note 9 – Tax rate

The Group's effective tax rate was 24.0% (21.0% for the year ended December 31, 2009 and 18.9% for the six months ended June 30, 2009).

The difference between the effective tax rate and the statutory tax rate in France (34.4% in 2010) breaks down as follows:

(As a percentage of income before tax)	**2010**
Statutory tax rate in France	**34,4 %**
Recognition of deferred tax asset in respect of loss carry forward	(7,0) %
Differences between French and foreign tax rates	(5,0) %
Other effects	1,6 %
Effective income tax rate	**24,0 %**

The main event during the period was the recognition of a deferred tax asset in respect of the losses carried forward and temporary differences in the financial statements of Danone Ltda (Fresh Products – Brazil) for an amount of € 79 million, which reduced the effective tax rate for the period ended June 30, 2010 by 7.0%.

This decision was made on the basis of actual results and in particular the successful launch of leading products such as Activia and the growth prospects of both Danone Ltda and the Brazilian economy.

Note 10 – Related party transactions

There were no significant changes between December 31, 2009 and June 30, 2010 in the types of related party transactions reported (see Note 24 of the notes to the consolidated financial statements for the year ended December 31, 2009).

In the first half of 2010, no stock option has been granted to the members of the Group's Executive Committee.

Note 11 – Information on the cash flow statement

Cash flow provided by (used in) investing activities

In the first half of 2010, cash flows relating to investing activities included notably the effect of the acquisition of Chiquita and the purchase of the non-controlling interests in Ferminvest.

In the first half of 2009, cash flows relating to investing activities included notably the effect of the disposals of the equity interests in Frucor and Naya.

Cash flow provided by (used in) financing activities

In the first half of 2010, cash flows relating to financing operations included notably the payment of dividends totalling € 818 million, € 737 to Danone's shareholders and € 81 million to non-controlling interests.

In the first half of 2009, cash flows from financing activities included the proceeds of the € 3 billion capital increase and the subsequent debt repayments.

Changes in net debt

Changes in net debt are as follows:

(In € millions)	As of December 31, 2009	Changes for the period	Transfer to current portion	Translation adjustments	Other	As of June 30, 2010
Financial instruments assets	***134***	***-***	***-***	***122***	***-***	***256***
Cash and cash equivalents	644	95	-	101	1	841
Marketable securities	454	147	-	44	-	645
Total cash and marketable securities	***1 098***	***242***		***145***	***1***	***1 486***
Current financial liabilities	1 702	89	759	156	(34)	2 672
Non-current financial liabilities	6 092	98	(759)	124	246	5 801
Total financial liabilities	***7 794***	***187***	***-***	***280***	***212***	***8 473***
Net debt	***6 562***	***(55)***	***-***	***13***	***211***	***6 731***

In the first half of 2010, the increase in net debt was attributable to the change in the fair value of options granted to non-controlling interests totalling € 112 million.

As of June 30, 2010, marketable securities consisted mainly of investments in money market funds and negotiable debt instruments issued by AAA-rated financial institutions.

Note 12 – Operating segments

The internal information reviewed and used by the main operational decision-makers is based on the Group's four business lines and three geographic regions. The monitoring indicators by geographic region used internally by the main operational decision-makers are limited to revenue and trading operating income, as detailed below.

12.1. Data by business line

							Six-month period ended June 30, 2010
(In € millions)	**Fresh Dairy Products**	**Waters**	**Baby Nutrition**	**Medical Nutrition**	**Total Business Lines**	**Other items (2)**	**Group Total**
Revenues	4 755	1 448	1 654	507	**8 364**	-	**8 364**
Trading operating income	663	198	318	101	**1 280**	-	**1 280**
Operating income	652	197	318	101	**1 268**	-5	**1 263**
Share of profits of associates	28	16	-	-	**44**	7	**51**
Impairment	-	-	-	-	**-**	-	**-**
Capital expenditure	137	86	31	14	**268**	7	**275**
Financial investments (1)	22	15	-	2	**39**	-	**39**
Depreciation and amortization	141	69	47	20	**277**	8	**285**
Cash flows provided by operating activities, excluding changes in working capital	564	217	322	95	**1 198**	-13	**1 185**
Investments in associates	834	17	-	-	**851**	114	**965**
Total assets	8 577	3 300	11 194	5 066	**28 137**	1 935	**30 072**

(1) Including additional interests acquired in companies already controlled by the Group.

(2) Assets reflected in the "Other Items" column include assets held for sale and current and deferred tax assets. The income and expense items reflected in the "Other Items" column cannot be directly allocated to the business lines.

							Six-month period ended June 30, 2009
(In € millions)	**Fresh Dairy Products**	**Waters**	**Baby Nutrition**	**Medical Nutrition**	**Total Business Lines**	**Other items (2)**	**Group Total**
Revenues	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**
Share of profits of associates	16	9	-	-	**25**	5	**30**
Impairment	-	-	-	-	**-**	-	**-**
Capital expenditure	170	72	41	16	**299**	7	**306**
Financial investments (1)	21	-	2		**23**	3	**26**
Depreciation and amortization	131	62	41	18	**252**	8	**260**
Cash flows provided by operating activities, excluding changes in working capital	537	190	264	87	**1 078**	(232)	**846**
Investments in associates	650	416	-	-	**1 066**	82	**1 148**
Total assets	7 317	3 269	9 927	4 776	**25 289**	2 206	**27 495**

(1) Including additional interests acquired in companies already controlled by the Group.
(2) Assets reflected in the "Other Items" column include assets held for sale and current and deferred tax assets. The income and expense items reflected in the "Other Items" column cannot be directly allocated to the business lines.

12.2 Data by geographic region

				Six-month period ended June 30, 2010
(In € millions)	**Europe**	**Asia**	**Rest of world**	**Total**
Revenues	4 695	1 162	2 507	**8 364**
Trading operating income	763	227	290	**1 280**

				Six-month period ended June 30, 2009
(In € millions)	**Europe**	**Asia**	**Rest of world**	**Total**
Revenues	4 517	950	2 053	**7 520**
Trading operating income	756	179	271	**1 206**

Note 13 – Events after the balance sheet date

No significant events have occurred subsequent to June 30, 2010.

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

“We certify that, to our knowledge, the condensed financial statements for the half year ended June 30, 2010 have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, liabilities, financial position and results of the Company and of all companies within its scope of consolidation, and that the attached interim management report presents a faithful representation of the significant events which occurred during the first six months of the fiscal year, their impact on the financial statements, and the main related party transactions, as well as the major risks and uncertainties for the remaining six months of the year.”

Paris, July 26, 2010

Franck Riboud
Chairman and Chief Executive Officer

4. Statutory Auditor's review report on the 2010 interim financial information

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

To the shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Danone, for the period January 1st to June 30th, 2010,

- 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, 2009 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 the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be indentified in an audit. Accordingly, we do not express an audit opinion.

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

2. Specific procedure

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

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

Neuilly-sur-Seine, July 26, 2010

The Statutory Auditors

French original signed by

PRICEWATERHOUSE COOPERS AUDIT		ERNST & YOUNG et AUTRES	
Etienne Boris	Philippe Vogt	Jeanne Boillet	Gilles Cohen