French corporation (*société anonyme*) with a Board of Directors and share capital of 162,215,250 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, 2011

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

The Group reports on financial indicators not defined by IFRS. They are defined in Section 1.7:

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

1.1 H1 2011 business review

Key figures

In the first half of 2011, Group's activity main characteristics are:

- strong growth in sales of +16.3% in the first half of 2011 as reported, gaining +8.7% like for like;
- strong performance across all regions and all divisions, with Waters supported by exceptional factors;
- trading operating margin is in line with our targets at 14.35% (-23bp like for like) for the first half of the year;
- underlying fully diluted earnings per share are up 4.3% at €1.44 as reported and up 5.1% like for like;
- free cash flow is up 7.8% as reported at €925 million;
- Unimilk's performance was in line with priorities for integration.

Full year targets for 2011 are confirmed.

(in € millions except margin expressed in percentage and earning per share expressed in euro per share)	Six-month period ended June 30 2010	2011	Change
Sales [1]	8 364	9 728	+8,7% [2]
Free cash flow [4]	858	925	+7,8% [3]
Trading operating income[4]	1 280	1 396	+6,9% [2]
Trading operating margin [4]	15,30%	14,35%	(23) pb [2]
Underlying net income [4]	848	870	+3,4% [2]
Underlying earning per share (fully diluted) [4]	1,38	1,44	+4,3% [3]

(1) Net sales.
(2) Like for like (see definition Section 1.7).
(3) Reported figures.
(4) See Section 1.7 definition of financial indicators not defined in IFRS.

Net sales

Consolidated sales increased by +16.3% to €9,728 million in the first half of 2011. Excluding the impact of changes in exchange rates (-0.8%) and the scope of consolidation (+8.4%), sales were up +8.7%. This organic growth reflects a +4.0% increase in sales volume and a +4.7% increase in value.

Exchange-rate effects reflect unfavorable trends that started in the second quarter for currencies including the US dollar, the Argentine peso, the Russian ruble and the Chinese yuan. The main change in the scope of consolidation was the integration of Unimilk (Russia) for the full six months.

Activity by business line and geographic region

(in € millions)	Six-month period ended June 30 2010	2011	Change Like for like	Volume growth Like for like
BY BUSINESS LINE				
Fresh Dairy Products	4 755	5 672	+6,0 %	1,4%
Waters	1 448	1 667	+16,6 %	10,3%
Baby Nutrition	1 654	1 818	+10,4 %	5,5%
Medical Nutrition	507	571	+9,0 %	9,1%
BY GEOGRAPHICAL AREA				
Europe	4 695	5 543	+4,0 %	(0,3)%
Asia	1 162	1 395	+19,5 %	15,3%
Rest of World	2 507	2 790	+13,6 %	7,5%
Total	8 364	9 728	+8,7 %	4,0%

Sales of the Fresh Dairy division increased by 6.0% in the first half of 2011, on a like-for-like basis compared to the first half of 2010, driven by a volume growth of +1.4% and a value growth of +4.6%.

The Waters division posted a record sales growth of +16.6% in the first half of 2011, on a like-for-like basis compared to the first half of 2010, driven by a volume growth of +10.3% and a value growth of +6.2%.

The Baby Nutrition division continued to deliver strong growth with +10.4% on a like-for-like basis compared to the first half of 2010.

Medical Nutrition continued to perform well with a sales growth of +9.0%, on a like-for-like basis compared to the first half of 2010, driven by volume growth. By geography, the growth achieved in the first half of 2011 was led by Asia and the Rest of the World, with a sales growth rate of +19.5% and +13.6% respectively compared to the first half of 2010. Sales in Europe grew by +4.0%, on a like-for-like basis compared to the first half of 2010.

Trading operating margin

	Six-month period ended June 30		Change
(in percentage except Change in basis point)	**2010**	**2011**	*Like for like*
BY BUSINESS LINE			
Fresh Dairy Products	13,94 %	12,03 %	**(82) bp**
Waters	13,70 %	13,85 %	**+ 5 bp**
Baby Nutrition	19,19 %	19,82 %	**+ 63 bp**
Medical Nutrition	19,90 %	21,41 %	**+ 135 bp**
BY GEOGRAPHICAL AREA			
Europe	16,26 %	14,02 %	**(78) bp**
Asia	19,54 %	20,47 %	**+ 85 bp**
Rest of World	11,55 %	11,96 %	**+ 19 bp**
Total	15,30 %	14,35 %	**(23) bp**

Danone’s trading operating margin (EBIT) stood at 14.35% in the first half, down -23 bp like for like from the same period of 2010, and in line with targets announced by the Group.

This decrease mainly reflects the basis for comparison of Unimilk’s margin for the first half, prior to the very steep increase in milk prices in summer 2010. Excluding Unimilk, trading operating margin decreased only by -8 bp, due entirely to the catastrophe in Japan in March 2011 and its impact on Fresh Dairy Product operations.

Excluding these developments, trading operating margin held steady in the first half of 2011, a performance all the more remarkable given the sharp increase in raw material prices, notably milk and PET. This took a particularly heavy toll on the first half, and should benefit from a less unfavorable basis of comparison in the second half of the year.

The rise in raw material prices was offset by ongoing initiatives to optimize costs that generated savings of €246 million over the six-month period, as well as competitive price increases applied in the first half of the year in the Fresh Dairy Products, Waters and Baby Nutrition divisions.

Advertising expenses increased slightly compared with the first half of 2010. The amount dedicated to promotions, one vector used to manage our consumer prices, was reduced. Total advertising and promotional expense held steady on a comparable basis.

Underlying net income and underlying earning per share

The cost of net debt increased compared to the first half of 2010, due primarily to the cost of Unimilk's debt and, to a lesser extent, the increase in interest rates over the period.

The underlying tax rate for the first half of 2011 was 26.0%.

Net income of companies consolidated on an equity basis is down following the sale in 2010 of China Hui Yuan along with lower earnings at Yakult and affiliated companies in North Africa and the Middle East over this six-month period.

The underlying net income, Group share, increased by +2.5% as reported to €870 million, a like-for-like increase of +3.4%. Underlying diluted net earnings per share were +4.3% higher than in the first half of 2010 at €1.44 as reported, and up +5.1% like for like.

The reconciliation (i) from the net income - Group share to the underlying net income- Group share and (ii) from net earnings per share - Group share to underlying net earnings per share – Group share are presented in the table below:

						Six-month period ended June 30
(in € millions)			**2010**			**2011**
	Underlying	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**
Trading operating income	**1 280**	**-**	**1 280**	**1 396**	**-**	**1 396**
Other operating income (expense)	-	(17)	**(17)**	-	(4)	**(4)**
Operating income	**1 280**	**(17)**	**1 263**	**1 396**	**(4)**	**1 392**
Cost of net debt	(64)	**-**	**(64)**	(88)	**-**	**(88)**
Other financial income (expense)	(49)	(5)	**(54)**	(42)	(6)	**(48)**
Income before tax	**1 167**	**(22)**	**1 145**	**1 266**	**(10)**	**1 256**
Income tax expense	(280)	5	(275)	(329)	(2)	(331)
Tax rate	*24,0%*		*24,0%*	*26,0%*		*26,3%*
Net income from fully consolidated companies	**887**	**(17)**	**870**	**937**	**(12)**	**925**
Share of profit of associates	44	7	51	23	-	23
Net income	**931**	**(10)**	**921**	**960**	**(12)**	**948**
• Group share	**848**	**(10)**	**838**	**870**	**(9)**	**861**
• Non-controlling interests	**83**	**-**	**83**	**90**	**(3)**	**87**

				Six-month period ended June 30
(in euros per share except for number of shares)		**2010**		**2011**
	Underlying	**Total**	**Underlying**	**Total**
Number of shares				
• before dilution	614 469 503	614 469 503	603 778 591	603 778 591
• after dilution	615 698 869	615 698 869	605 693 135	605 693 135
Basic earnings per share - Group share	**1,38**	**1,36**	1,44	1,43
Diluted earnings per share - Group share	**1,38**	**1,36**	1,44	1,42

Free cash flow and net debt

Free cash flow increased by 7.8% to €925 million, or 9.5% of sales. Capital expenditure was €337 million or 3.5% of sales.

Debt

The sharp increase in free cash flow allowed the Group to buy back shares in an amount of €592 million in the first half, while pursuing its aim of holding debt ratios steady. Net financial debt thus increased from €532 million to €3,748 million (excluding put options totaling €3,778 million granted to minority shareholders on June 30, 2011).

The transition from cash flow from operating activities to free cash flow is shown in the following table:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2010**	**2010**	**2011**
Cash flow from operating activities	2 476	1 117	1 168
Capital expenditures	(832)	(275)	(337)
Disposal of tangible assets	44	16	92
Transaction fees related to business combinations (1)	25	0	2
Free cash flow (2)	**1 713**	**858**	**925**

(1) These expenses previously classified as investment flows impact cash flow from operating activities as from January 1, 2010 pursuant to Revised IFRS 3 on Business Combinations.
(2) See definition of the indicator Free cash flow in paragraph 1.7.

Balance sheet

There were no material changes in the structure of the Group's balance sheet between December 31, 2010 and June 30, 2011, or in the level of its net debt (see "Free cash flow and net debt" above).

1.2 Danone's parent company statutory financial information

In the first six months of 2011, Danone's parent company net revenue and income before tax amounted to € 237 million and € 824 million respectively, compared to € 221 million and € 827 million respectively in the first six months of 2010.

1.3 Major related party transactions

Major related party transactions are detailed in Note 11 of the condensed interim consolidated financial statements.

1.4 2011 financial outlook

Backed by steady growth in the first half of 2011, Danone stands by its targets announced at the beginning of the year, as follows:

"The Group expects 2010 trends to continue in the months ahead:

- consumer spending in both the industrialized world and emerging economies shows no sign of significant improvement or significant worsening.

- raw material prices remain on a volatile upward path.

More specifically, in view of developments since the beginning of 2011, the Group expects total raw material and packaging costs to increase by 6% to 9% on average over the year, with a steeper increase in the first half reflecting the comparison with figures recorded in 2010.

Danone will be drawing on its experience of 2010 to manage these increases through consistently high productivity. The Group will also continue to use pricing to maintain its competitive edge, benefiting from increased room for maneuver thanks to repositioning in 2009 (Reset program).

Another priority for 2011 will be the integration of Unimilk's operations in Russia and CIS countries, with sales and cost synergies set to boost Unimilk's operating margin from the second half on.

Altogether, targets for 2011 include:

- a 6% to 8% increase in net sales on a like-for-like basis (1).

- an increase of around 0.20% in trading operating margin, like for like (1).This will be fuelled by all Group activities, but especially by Unimilk and synergies from integration. As a result, the increase will only take shape in the second half, with first-half trading operating margin down slightly from the same period of 2010.

- an increase in free cash flow (1) in keeping with the €2 billion target set for 2012."

(1) *See definition of financial indicators not defined by IFRS Section 1.7.*

These forecasts, outlooks, representations and other forward-looking information included in the 2010 Registration Document are based mainly on the data, assumptions and estimates detailed below, and are deemed reasonable by the Group. They are not historic data and should not be interpreted as guarantees that actual results will be in line with said forecasts. By their very nature, such data, assumptions and estimates, as well as all other factors taken into account in the preparation of such representations and forward-looking forecasts and other information, may not be realized and are susceptible to change or be amended because of uncertainties primarily related to the Group's economic, financial and competitive environment. In addition, the realization of certain risks described in Section 2.3 of the 2010 Registration Document could have an impact on the Group's activities, financial condition, earnings and outlook and on the realization of its forecasts, outlooks, representations and forward-looking information provided above.

Main assumptions underlying our forecasts

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

- the data was prepared based on projected exchange rates and interest rates determined at the Group level;
- forecasts concerning Unimilk were prepared based on historic information, and information related to the period prior to its acquisition by Danone covering the first eleven months of 2010 was prepared by Unimilk's management;
- current consumption trends in those countries that are the most important to the Group (including both emerging and mature countries) will continue throughout the year and will not improve or deteriorate significantly;
- raw materials price increases and volatility will continue. More specifically, in light of the developments after the beginning of this year, the Group anticipates an average 6% to 9% increase in all materials and packaging in 2011, with a sharper increase in the first half given the 2010 bases for comparison;
- the Group's revenue growth will continue to be primarily driven by its geographic expansion and by volumes, particularly those of its leading brands, with the clear priority being to increase by all of the Group's key markets their consumer price-benefit ratio in order to respond to consumption trends. This should enable the Group to gain market shares in its key countries;
- the Group will continue to pursue its policy of optimizing operating and general administrative costs in 2011, offsetting in part moderate cost inflation.

1.5 Subsequent events

Details of major events occurring after the end of the reporting period are provided in Note 15 to the condensed interim consolidated financial statements.

1.6 Main risks and uncertainties

The main risks and uncertainties to which the Group may be exposed in the second half of 2011 are those specified in Section 2.3 of the 2010 Registration Document and, as the economic climate and debt reduction plans undertaken by some states, which could have a negative impact on consumption in these countries.

1.7 Definitions

Information published by Danone uses financial indicators that are not defined by IFRS. These are calculated as follows:

Like-for-like changes in net sales, trading operating income and trading operating margin exclude the impact of changes in (i) exchange rates, with both previous year and current year indicators calculated using the same exchange rates; and (ii) scope of consolidation, with previous year indicators calculated on the basis of current-year scope.

Trading operating income and expense is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major acquisitions, and costs related to major litigation. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

Trading operating margin is defined as the trading operating income over net sales ratio.

Underlying net income or current net income **-** Group share measures the Group’s recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group’s current performance. Such non-current income and expense mainly include capital gains and losses on disposals and impairments of non fully-consolidated equity interests and tax income, and expense related to non□current income and expense. Non□current net income attributable to the Group is defined as non-current income and expense excluded from Net income attributable to the Group.

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

Net financial debt represents the net debt portion bearing interests. It corresponds to current and non current financial debt (i) excluding debt related to put options granted to non controlling interests (ii) net of cash and cash equivalents, marketable securities, other short term investments and assets components of financial instruments.

2

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.1 Condensed interim consolidated financial statements

Consolidated income statement

		Year ended December 31	Six-month period ended June 30	
(in € millions)	**Notes**	**2010**	**2010**	**2011**
Net sales		**17 010**	**8 364**	**9 728**
Cost of goods sold		(7 959)	(3 879)	(4 808)
Selling expense		(4 663)	(2 342)	(2 594)
General and administrative expense		(1 494)	(715)	(763)
Research and development expense		(209)	(107)	(114)
Other income (expense)		(107)	(41)	(53)
Trading operating income		**2 578**	**1 280**	**1 396**
Other operating income (expense)	**7**	(80)	(17)	(4)
Operating income		**2 498**	**1 263**	**1 392**
Interest income		*87*	*51*	*32*
Interest expense		*(230)*	*(115)*	*(120)*
Cost of net debt	**8**	(143)	(64)	(88)
Other financial income (expense)	**8**	134	(54)	(48)
Income before tax		**2 489**	**1 145**	**1 256**
Income tax expense	**10**	(576)	(275)	(331)
Net income from fully consolidated companies		**1 913**	**870**	**925**
Share of profit of associates		121	51	23
Net income		**2 034**	**921**	**948**
• Attributable to owners of the Company		**1 870**	**838**	**861**
• Attributable to non-controlling interests		**164**	**83**	**87**

Earnings per share

		Year ended December 31	Six-month period ended June 30	
(in euros per share except for number of shares)	**Notes**	**2010**	**2010**	**2011**
Number of shares				
• before dilution		614 433 216	614 469 503	603 778 591
• after dilution		615 990 584	615 698 869	605 693 135
Basic earnings per share attributable to owners of the Company	**9**	3,04	1,36	1,43
Diluted earnings per share attributable to owners of the Company	**9**	3,04	1,36	1,42

Consolidated statement of comprehensive income

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2010**	**2010**	**2011**
Net income	**2 034**	**921**	**948**
Translation adjustments	920	1 561	(528)
Share of other comprehensive income of associates	1	2	1
Revaluation of hedging derivatives, net of tax	13	(116)	23
Revaluation of available-for-sale financial assets, net of tax	(277)	(11)	4
Total other comprehensive income	**657**	**1 436**	**(500)**
Total comprehensive income	**2 691**	**2 357**	**448**
• **Attributable to owners of the Company**	**2 506**	**2 244**	**379**
• **Attributable to non-controlling interests**	**185**	**113**	**69**

Consolidated balance sheet

(in € millions)	Notes	As of December 31 2010	As of June 30 2011
ASSETS			
Brands		4 255	4 131
Other intangible assets		565	540
Goodwill		11 213	10 936
Intangible assets	4	16 033	15 607
Property, plant and equipment		4 032	3 946
Investments in associates	5	947	916
Investments in non-consolidated companies		125	123
Long-term loans		42	32
Other long-term financial assets		138	171
Financial instruments - assets	13	236	198
Deferred taxes		651	567
Non-current assets		**22 204**	**21 560**
Inventories		975	1 074
Trade receivables		1 924	2 176
Other receivables		768	809
Short-term loans		24	52
Marketable securities and other short term investments	13	1 111	868
Cash and cash equivalents	13	1 054	1 156
Assets held for sale	3	39	51
Current assets		**5 895**	**6 186**
TOTAL ASSETS		**28 099**	**27 746**

(in € millions)	Notes	As of December 31 2010	As of June 30 2011
EQUITY AND LIABILITIES			
Issued capital		162	162
Additional paid-in capital		3 627	3 660
Retained earnings		9 344	9 420
Cumulative translation adjustments		31	(479)
Accumulated other comprehensive income		(8)	20
Treasury stock		(1 216)	(1 769)
Equity attributable to owners of the Company		**11 940**	**11 014**
Non-controlling interests		47	31
Equity		**11 987**	**11 045**
Non-current financial debt	13	6 946	6 511
Provisions for retirement and other post-employment benefits		248	259
Deferred taxes		1 172	1 118
Other non-current liabilities		543	532
Non-current liabilities		**8 909**	**8 420**
Trade payables		2 417	2 782
Other current liabilities		2 239	2 234
Current financial debt	13	2 529	3 237
Liabilities directly associated with assets classified as held for sale		18	28
Current liabilities		**7 203**	**8 281**
TOTAL EQUITY AND LIABILITIES		**28 099**	**27 746**

Consolidated statement of cash flows

(in € millions)	Notes	Year ended December 31 2010	Six-month period ended June 30 2010	Six-month period ended June 30 2011
Net income attributable to owners of the Company		1 870	838	861
Net income attributable to non-controlling interests		164	83	87
Share of profits of associates	14	(121)	(51)	(23)
Depreciation and amortization	14	594	285	313
Dividends received from associates		52	9	11
Other components of net income with a cash impact		(78)	(73)	(85)
Other components of net income with no cash impact		(82)	94	71
Cash flows provided by operating activities, excluding changes in net working capital	**14**	**2 399**	**1 185**	**1 235**
(Increase) decrease in inventories		*(63)*	*(63)*	*(133)*
(Increase) decrease in trade receivables		*(54)*	*(273)*	*(336)*
Increase (decrease) in trade payables		*275*	*350*	*406*
Change in other receivables and payables		*(81)*	*(82)*	*(4)*
Change in working capital requirements		77	(68)	(67)
Cash flows provided by (used in) operating activities		**2 476**	**1 117**	**1 168**
Capital expenditure	14	(832)	(275)	(337)
Proceeds from disposal of property, plant and equipment		44	16	92
Net cash outflow on purchases of subsidiaries and financial investments	14	(327)	(37)	(35)
Net cash inflow on sales of subsidiaries and financial investments		562	2	5
(Increase) decrease in long-term loans and other long-term assets		1	3	(30)
Cash flows provided by (used in) investing activities	**12**	**(552)**	**(291)**	**(305)**
Increase in issued capital and additional paid-in capital		36	35	34
Purchases of treasury stock (net of disposals) [(1)]		(233)	33	(553)
Dividends paid to Danone shareholders		(737)	(737)	(783)
Transactions with non-controlling interests [(2)]		(155)	(93)	(176)
Net cash flows on hedging financial instruments [(3)]		(47)	(8)	0
Increase (decrease) in non-current financial debt		436	98	13
Increase (decrease) in current financial debt		(285)	89	568
Increase (decrease) in marketable securities and other short term investments		(601)	(147)	173
Cash flows provided by (used in) financing activities	**12**	**(1 586)**	**(730)**	**(724)**
Effect of exchange rate changes		**72**	**101**	**(37)**
Increase (decrease) in cash and cash equivalents		**410**	**197**	**102**
Cash and cash equivalents at beginning of period		**644**	**644**	**1 054**
Cash and cash equivalents at end of period		**1 054**	**841**	**1 156**

(1) Includes the purchase of treasury stock of Danone Spain for 48 million euros in December 2010.

(2) The line item comprises dividends paid to non-controlling interests for 81 million euros as of June 2010, 110 million euros as of December 2010, 160 million as of June 30, 2011.

(3) Financial instruments used to hedge debt and net investments in foreign operations.

Consolidated statement of changes in equity

	Number of shares		Equity *(in € millions)*								
	Issued	**Excluding treasury stock**	Issued capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Accumulated other comprehensive income	Treasury stock	**Attributable to owners of the Company**	Non-controlling interests	**Total equity**
As of January 1, 2010 - Reported	**646 990 850**	**613 483 625**	**162**	**3 596**	**11 137**	**(869)**	**256**	**(1 027)**	**10 555**	**54**	**10 609**
Effect of change in accounting principle [(1)]					(2 700)						
As of January 1, 2010 - Restated	**646 990 850**	**613 483 625**	**162**	**3 596**	**8 437**	**(869)**	**256**	**(1 027)**	**10 555**	**54**	**10 609**
Total comprehensive income					838	1 531	(125)		2 244	113	2 357
Increase in issued capital	930 990	930 990		31					v	4	35
Decrease in issued capital									0		0
Changes in treasury stock		1 059 762						33	33		33
Share purchase options					14				14		14
Dividends paid to Danone shareholders					(740)				(740)	3	(737)
Other transactions with non-controlling interests [(2) (3)]					(75)				(75)	(122)	(197)
As of June 30, 2010 - Restated	**647 921 840**	**615 474 377**	**162**	**3 627**	**8 474**	**662**	**131**	**(994)**	**12 062**	**52**	**12 114**

(1) Starting January 1, 2010, the difference between the exercise price of put options granted to non-controlling interests and the book value of these options is no longer accounted for by an increase in goodwill, but recognized into equity (Group share). To ensure consistent accounting for all similar transactions, the Group extended the scope of this change in method to cover put options granted prior to January 1, 2010 and not exercised at that date. As a result, goodwill corresponding to put options granted to non-controlling interests at December 31, 2009 has been reclassified, reducing equity by € 2.7 billion. This change in accouting principle is decribed in Note 1 of the Notes to the consolidated financial statements as of December 31, 2010.

(2) Including a decrease in reported Retained earnings of € 51 million due to the change in accounting principle described above.

(3) Transactions with non-controlling interests mainly include dividends and changes in options granted to them.

	Number of shares		Equity *(in € millions)*								
	Issued	**Excluding treasury stock**	Issued capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Accumulated other comprehensive income	Treasury stock	**Attributable to owners of the Company**	Non-controlling interests	**Total equity**
As of January 1, 2011	**647 921 840**	**611 067 883**	**162**	**3 627**	**9 344**	**31**	**(8)**	**(1 216)**	**11 940**	**47**	**11 987**
Total comprehensive income					861	(510)	28		379	69	448
Increase in issued capital	939 160	939 160		33					33		33
Decrease in issued capital											0
Changes in treasury stock [(1)]		(11 466 498)						(553)	(553)		(553)
Share purchase options					11				11		11
Dividends paid to Danone shareholders					(786)				(786)	3	(783)
Other transactions with non-controlling interests [(2)]					(10)				(10)	(88)	(98)
As of June 30, 2011	**648 861 000**	**600 540 545**	**162**	**3 660**	**9 420**	**(479)**	**20**	**(1 769)**	**11 014**	**31**	**11 045**

(1) Changes in treasury stocks include share buy back for an amount of € 592 million and disposals for the remaining part.

(2) Transactions with non-controlling interests mainly include dividends and changes in put options granted to them (See also Note 6).

2.2 Notes to the condensed interim consolidated financial statements

Index

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, 2011 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, 2010. The Group's activity and the results of its operations related to six-month period ended June 30, 2011 do not include any significant seasonal effect as compared to the Group's activity and the results of its operations related to 2011.

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, 2010 (see Note 1 of the notes to the consolidated financial statements for the year ended December 31, 2010). Standards and interpretations applicable for the first time as from January 1, 2011 have no material impact on the Group's interim consolidated financial statements for the six months ended June 30, 2011.

Note 2 – Changes in the scope of consolidation

Acquisitions

Acquisition of controlling interests

During the first half of 2011, the Group acquired the following controlling interests:

- On June 15, 2011, the Group acquired 100 % of Complan (United Kingdom - Medical Nutrition).

This business combination has 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 such business combination.

Furthermore, this transaction had no deferred payment and no earn-out provision and had no significant impact on the Group consolidated financial statements.

In 2010, the Group acquired the following controlling interests:

- acquisition on January 5, 2010 of an additional equity interest in Ferminvest (Waters – France), thereby increasing the Group's equity interest from 57% to 100%. Following this transaction, the Group increased its holding in Damavand (Waters – Iran) from 39.89% to 70%. Damavand is a leading Iranian mineral water company;

- acquisition on May 25, 2010 of a 51% equity interest in Chiquita Fruits (France) and acquisition on July 13, 2010 of 100% of the equity of Immédia (France) by Chiquita. These companies market fruit-juice-based beverages. Their management reports to the Fresh Dairy Products Division;

- acquisition on July 15, 2010 of a 51% equity interest in Narang Beverages (Waters – India), simultaneously with the acquisition of a 30% equity interest in Narang Access (Waters – India) which is consolidated as an associate under the equity method. These companies package and market mineral water in India;

- acquisition on July 22, 2010 of a 100% equity interest in Medical Nutrition USA, Inc. (Medical Nutrition – United States);

- acquisition on September 30, 2010 of 51% of ProViva and Lunnarps Mejeri (Sweden). These companies produce and market fruit-juice-based beverages enriched with probiotics. Their managements report to the Fresh Dairy Products business line;

- on November 30, 2010, signing of an agreement to combine the Fresh Dairy Products businesses of the two companies in Russia, Ukraine, Kazakhstan and Belarus. Danone acquired control over the new entity (hereafter "Danone CIS"), with a 50.9% equity interest. The remaining shares are held by Unimilk seller shareholders (42%) and the EBRD (7.1%);

- acquisition on December 3, 2010 of a 100% equity interest in Womir Spa (Waters – Poland);

- acquisition on December 23, 2010 of a 94.67% equity interest in YoCream (Fresh Dairy Products – United States). This company produces and markets frozen yogurt in the United States.

Business combinations carried out during second half of 2010 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. Purchase price allocation is under progress, in particular for Unimilk group.

Other acquisitions

The Group did not carried out any other acquisitions during the first half of 2011.

In 2010, the Group carried out other acquisitions that did not result in control being obtained:

- a 50% equity interest in Murray Goulburn (Fresh Dairy Products – Australia), which was accounted for as an associate;

- a 30% equity interest in Narang Access (Waters – India) which is consolidated as an associate under the equity method, simultaneously with the acquisition of a 51% equity interest in Narang Beverages (Waters – India);

- an additional equity interest in Aqua d'Or (Waters – Denmark), thereby bringing the overall equity interest to 90%, with the company already fully consolidated as a subsidiary.

Disposals

The Group did not carried out any disposal during the first half of 2011.

The main disposals in 2010 involved:

- the equity interest in China Hui Yuan Juice Group Limited, which is listed on the Hong Kong Stock Exchange, and certain companies in the Waters Division;

- the non-consolidated 18.36% equity interest in Russia-based Wimm-Bill-Dann, a company listed in Moscow and New York.

Note 3 – Assets and liabilities held for sale

As of June 30, 2011, the Group is in the process of selling part or all of its equity interests of certain companies in the Fresh Dairy Products and Waters Divisions. The Group believes that it is highly likely these transactions will be completed within the next 12 months. Consequently, the assets and liabilities of these companies, which amount to € 51 million and € 28 million, respectively, were classified as assets and liabilities held for sale as of June 30, 2011.

As of December, 2010, assets held for sale corresponded to part or all of its equity interests of certain companies in the Fresh Dairy Products and Waters Divisions. Assets and liabilities of these companies, amounted to € 39 million and € 18 million, respectively.

During the first half of 2011, no business activity was classified as a discontinued operation.

Note 4 – Impairment reviews of intangible assets

Goodwill, brands, other intangible assets 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, 2011, 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 the World, Baby Nutrition Asia and Medical Nutrition cash-generating units (CGUs), the indicators analyzed refer to external factors such as changes in the discount rate, market growth, changes in market share and inflation of raw material prices, and to internal factors such as the revised annual forecast and performance to date compared with the budget. No indication of impairment has been identified.

In the case of the 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 (Damavand – Iran, Hayat – Turkey) and on six CGUs in the Fresh Dairy Products division (Dannon Company / Yocream – United States, Danone China – China, Danone Egypt – Egypt, CGU Eastern Europe Zone, Danone Japan - Japan, Chiquita – France). 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 associates

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. No investment in associates was subject to impairment for the six-month period ended June 30, 2011.

Note 6 – Transactions with non-controlling interests

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

As of June 30, 2011, the non-current financial liabilities relating to these options amounted to € 3,778 million (€ 3,858 million as of December 31, 2010). These financial liabilities do not bear interest. Main commitments concern:

- Danone Spain, for € 2,309 million as of June 30, 2011 (€ 2,309 million as of December 31, 2010). This put option applies to nearly all of the 40.62 % equity interest held by the non-controlling interests 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 over several years, to which a multiple is then applied). This put option was granted for an initial contractual period of 25 years (expiring between November 2016 and February 2017) and may be tacitly renewed for successive five-year periods. Those options are exercisable at any time. In July 2010, the beneficiaries of these put options representing more than 70% of the shares of this subsidiary covered by the option agreed to amended terms under which they pledged to exercise their options only after a one-year prior notification period.

- Danone CIS (See Note 2), for € 697 millions as of June 30, 2011 (€ 754 million as of December 31, 2010) for put options granted to former Unimilk shareholders. Contractually, these put options may be exercised during a period that begins in 2014 and expires on December 31, 2022. Their strike is based on an earnings multiple.

No significant cash outflow is considered probable in the short term with respect to all put options granted to non-controlling interests.

Furthermore, transactions with non-controlling interests reduced retained earnings attributable to owners of the Company by € 10 million and non-controlling interests by € 88 million during the six-month period ended June 30, 2011. These variances are analyzed below:

Effects of transactions with non-controlling interests recorded in equity	**Retained earnings attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
(in € millions)			
Effects of changes in value of liabilities related to put options for non-controlling interests	80		80
Neutralization of the change in non-controlling interests subject to put options	(80)	80	
Dividends paid to non-controlling interests		(160)	(160)
Others [(1)]	(10)	(8)	(18)
Total	(10)	(88)	(98)

(1) Mainly include acquisitions of non-controlling interests.

Note 7 – Other operating income (expense)

As of June, 30, 2011, other operating expenses related mainly to insurance received in connexion with US class action and Unimilk integration costs.

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

Note 8 – Net financial expense

The cost of net debt increased compared to the first half of 2010, due primarily to the cost of Unimilk's debt and, to a lesser extent, the increase in interest rates over the period.

Net financial expenses can be detailed as follows:

	Six-month period ended June 30	
(in € millions)	**2010**	**2011**
Interest income on excess cash	51	32
Interest expense on debt	(115)	(120)
Cost of net debt	**(64)**	**(88)**
Other financial income	7	4
Other financial expense	(61)	(52)
Other financial income or expense	**(54)**	**(48)**
Financial result	**(118)**	**(136)**

Note 9 – Earnings per share

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

	Net income attributable to owners of the company *(in € millions)*	Weighted average number of shares outstanding	Earnings per share attributable to owners of the Company *(in €)*
Six-month period ended June 30 2010			
Before dilution	**838**	**614 469 503**	**1,36**
Stock-based compensation		1 229 366	-
After dilution	**838**	**615 698 869**	**1,36**
Six-month period ended June 30 2011			
Before dilution	**861**	**603 778 591**	**1,43**
Stock-based compensation		1 914 544	-
After dilution	**861**	**605 693 135**	**1,42**

Note 10 – Tax rate

The Group's effective tax rate was 26.3% for the six-month period ended June 30, 2011 (24.0% for the six-month period ended June 30, 2010 and 23.1% for the year ended December 31, 2010).

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

	Six-month period ended June 30	
(As a percentage of income before tax)	**2010**	**2011**
Statutory tax rate in France	**34,4 %**	**34,4 %**
Recognition of deferred tax asset in respect of loss carry forward	(7,2) %	0,0 %
Differences between French and foreign tax rates	(5,0) %	(9,0) %
Other effects	1,8%	0,9%
Effective income tax rate	**24,0 %**	**26,3%**

Note 11 – Related party transactions

There were no significant changes between December 31, 2010 and June 30, 2011 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, 2010).

In the first half of 2011, 179,200 group performance shares were granted to the members of the Group's Executive Committee.

Note 12 – Information on the cash flow statement

Cash flow provided by (used in) operating activities

In the first half of 2011, cash flows provided by operating activities amounted to € 1,168 million, including € 861 million related to net income attributable to the Group.

Cash flow provided by (used in) investing activities

In the first half of 2011, cash flows relating to investing activities included notably the effect of the acquisition of Complan (Medical Nutrition – United Kingdom) as described in Note 2 and disposal of industrial and real estate assets, notably in France and Spain.

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

Cash flow provided by (used in) financing activities

In the first half of 2011, cash flows relating to financing operations included notably share buy back for an amount net of disposal of € 553 million and the payment of € 783 million to Danone's shareholders. Transactions with non-controlling interest include dividends paid to non-controlling interests for € 160 million.

As a consequence, financial net debt increased by € 532 million (excluding debt related to options granted to non-controlling interests).

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

Note 13 – Structure of net debt and non-current financial debt

Changes in net debt are as follows:

(in € millions)	**As of December 31, 2010**	**Change in nominal amount excluding put options**	**Transfer to current portion**	**Translation adjustments**	**Others**	**As of June 30, 2011**
Derivative instruments - assets (i)	**236**	**0**	**0**	**0**	**(38)**	**198**
Cash and cash equivalents	1 054	139	0	(38)	1	1 156
Marketable securities and other short term investments	1 111	(173)	0	(17)	(53)	868
Cash, marketable securities and other short term investments (ii)	**2 165**	**(34)**	**0**	**(55)**	**(52)**	**2 024**
Current financial debt	2 529	568	245	(8)	(97)	3 237
Financing	*3 088*	*13*	*(245)*	*(57)*	*(66)*	*2 733*
Liabilities related to put options granted to non-controlling interests	*3 858*	*0*	*0*	*(61)*	*(19)*	*3 778*
Non-current financial debt	6 946	13	(245)	(118)	(85)	6 511
Financial debt (iii)	**9 475**	**581**	**0**	**(126)**	**(182)**	**9 748**
Net debt (iii) - (ii) - (i)	**7 074**	**615**	**0**	**(71)**	**(92)**	**7 526**

Note 14 – 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.

Data by business line

							Six-month period ended June 30 2010
(in € millions)	**Fresh Dairy Products**	**Waters**	**Baby Nutrition**	**Medical Nutrition**	**Business Line total**	**Other items [1]**	**Group total**
Sales to third parties	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**
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**
Capital expenditure	137	86	31	14	**268**	7	**275**
Financial investments	22	15	-	2	**39**	-	**39**
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) 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 2011
(in € millions)	**Fresh Dairy Products**	**Waters**	**Baby Nutrition**	**Medical Nutrition**	**Business Line total**	**Other items [1]**	**Group total**
Sales to third parties	5 672	1 667	1 818	571	9 728	0	9 728
Trading operating income	683	231	360	122	1 396	0	1 396
Operating income	674	230	359	122	1 385	7	1 392
Share of profits of associates	15	1	0	0	17	7	23
Depreciation and amortization	168	73	46	21	308	5	313
Cash flows provided by operating activities, excluding changes in working capital	583	229	351	103	1 266	(31)	1 235
Capital expenditure	181	100	35	18	334	3	337
Financial investments	12	(1)	0	25	35	0	35
Investments in associates	781	27	0	0	808	108	916
Total assets	7 164	2 863	10 590	5 007	25 624	2 122	27 746

(1) 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.

Data by geographic region

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

				Six-month period ended June 30
(in € millions)	**Europe**	**Asia**	**Rest of world**	**Total**
Net sales	5 543	1 395	2 790	9 728
Trading operating income	776	286	334	1 396

Net sales generated in France amounted to € 1,091 million for the six-month period ended June 30, 2011.

Note 15 – Events after the balance sheet date

No significant events have occurred subsequent to June 30, 2011.

3

STATUTORY AUDITOR'S REVIEW REPORT ON THE 2011 INTERIM FINANCIAL INFORMATION

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

To the shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Danone, for the period from January 1st to June 30th, 2011,
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

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

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

2. Specific procedure

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

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

Neuilly-sur-Seine, July 27, 2011

The Statutory Auditors

French original signed by

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

4

STATEMENT BY THE PERSON RESPONSIBLE FOR THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

“We certify that, to our knowledge, the condensed financial statements for the half year ended June 30, 2011 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 27, 2011

Franck Riboud

Chairman and Chief Executive Officer