DANONE
Registration Document
2008

DANONE

GROUPE DANONE

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Registration Document **2008**

AUTORITE DES MARCHÉS FINANCIERS AMF

The French language version of this *Document de Référence* (Registration Document) was filed with the *Autorité des marchés financiers* on March 20, 2009, pursuant to article 212-13 of its General Regulations.

This Registration Document may only be used in support of a financial transaction if supplemented by a *note d'opération* (or securities notice) approved by the *Autorité des marchés financiers*.

Copies of this Registration Document are available from Groupe Danone
at 17, boulevard Haussmann 75009 Paris, France
and on Groupe Danone's website at: **www.danone.com**
as well as on the website of the *Autorité des marchés financiers* at: **www.amf-france.org**

This is a free translation into English for information purposes only

1 PERSONS RESPONSIBLE

1.1 Person Responsible for the Registration Document

Mr. Franck RIBOUD

Chairman and Chief Executive Officer

Groupe Danone

1.2 Statement by the Person Responsible for the Registration Document

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

"We hereby certify, after having taken all reasonable measures thereto, that to the best of our knowledge all of the information in this registration document is accurate, and that no information liable to alter its scope has been omitted.

We certify that, to our knowledge, the financial statements in this document are prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, the financial situation, and results of the Company and all companies within its scope of consolidation, and that the management report referred to in the reconciliation table presents a faithful representation of the evolution of the business, results and financial position of the Company and all companies within its scope of consolidation, as well as a description of the principal risks and uncertainties that they face.

The statutory auditors have provided us with a letter (*lettre de fin de travaux*, or auditors' completion letter) stating that their work has been completed, and in which they indicate that they have verified the information included in this registration document relative to the financial situation and the financial statements, and have read this registration document in its entirety."

The Chairman and Chief Executive Officer,

Franck RIBOUD

STATUTORY AUDITORS

STATUTORY AUDITORS

MAZARS

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*
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Represented by Thierry Colin and Dominique Muller

PRICEWATERHOUSECOOPERS AUDIT

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*
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Represented by Étienne BORIS and Olivier Lotz

START DATE OF FIRST TERM OF OFFICE

May 21, 1992

May 21, 1992

EXPIRATION DATE OF TERM OF OFFICE

Date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ended on December 31, 2009

Date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ended on December 31, 2009

SUBSTITUTE STATUTORY AUDITORS

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START DATE OF FIRST TERM OF OFFICE

April 15, 2004

April 15, 2004

EXPIRATION DATE OF TERM OF OFFICE

Date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ended on December 31, 2009

Date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ended on December 31, 2009

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SELECTED FINANCIAL INFORMATION

Preamble

Pursuant to article 28 of the Regulations (EC) # 809/2004 of the European Commission dated April 29, 2004 and to paragraph 36 of standard IAS 1, *Presentation of the financial statements*, requiring that one-year comparative information must be presented at a minimum, this Registration Document incorporates by reference the following information:

- the consolidated financial statements and the statutory auditors' report relative to the fiscal year ended on December 31, 2006 on pages 96 to 151 of the Registration Document that was filed with the AMF on March 27, 2007 under filing number D.07-0236;
- the statutory financial statements and the statutory auditors' report relative to the fiscal year ended on December 31, 2006 on pages 170 to 182 of the Registration Document filed with the AMF on March 27, 2007;
- the consolidated financial statements and the statutory auditors' report relative to the fiscal year ended on December 31, 2007 on pages 80 to 130 of the Registration Document that was filed with the AMF on March 26, 2008 under filing number D.08-149;
- the statutory financial statements and the statutory auditors' report relative to the fiscal year ended on December 31, 2007 on pages 137 to 149 of the Registration Document filed with the AMF on March 26, 2008;
- selected financial information, the operating and financial review and all of the non-financial information pertaining to the fiscal year ended on December 31, 2007 on pages 5, 15 to 16, 34 to 45 of the Registration Document that was filed with the AMF on March 26, 2008.

General Information

The Danone group (hereinafter referred to as the "Group" or "Danone") is a major player in the global food industry with sales of € 15.2 billion and an operating income of € 2.2 billion in 2008.

Over the course of the past 10 years, the Group has refocused itself around business activities in the health foods industry. On October 31, 2007, the acquisition of Royal Numico N.V. and its subsidiaries ("Numico"), a group specialized in baby nutrition and medical nutrition, announced a new phase in its development by adding such business activities to its portfolio. The Group now operates in four markets corresponding to its four business lines (hereinafter referred to as the "business lines"): (i) Fresh Dairy Products, (ii) Waters, (iii) Baby Nutrition and (iv) Medical Nutrition.

The business activities carried by *Blédina*, a French subsidiary of the Group that is specialized in baby nutrition products prior to the acquisition of Numico, used to be consolidated with other business activities in the Fresh Dairy Products business line. This subsidiary's results are now integrated in the Baby Nutrition business line. The 2007 comparative data was therefore modified to reflect this change. In addition, in the results published for 2007, the Baby Nutrition and Medical Nutrition business lines include 2 months of Numico's following since its takeover by the Group on October 31, 2007.

The Group's international development strategy followed since the 1990s has lead to strong progress in sales outside of Western Europe. In 2008, these sales represented 52% of total sales, compared to less than 15% in 1995.

The Group's strategy relies upon (i) categories of products which have substantial elements of health and well-being, (ii) strong and unique brand names ("blockbuster" products) kept dynamic by sustained advertising campaigns, (iii) a balanced geographical distribution between developed countries and emerging countries, and (iv) an ambitious strategy of innovation focused on health benefits.

The internal growth experienced by the Group in recent years results from the Group's ability to (i) mainly sell products which have substantial elements of health and well-being (blockbusters), in particular by using the Group's marketing expertise in selling the products already sold in other countries, (ii) introduce products that are accessible to large numbers of consumers in emerging countries in order to develop mass consumption of brand-name packaged food products and ensure demand for the Group's brands for the future and (iii) improve the products sold by recently acquired companies.

The Group believes that demographic trends and economic developments in Asia and Latin America will lead, despite possible economic difficulties, to significant market expansion in the medium term. The progressive improvement in the purchasing power of local populations, together with the development of a middle class, is expected to increase demand for branded food products and beverages.

Key Financial Information

The financial information presented below is taken from the Group's consolidated financial statements prepared in accordance with IFRS. These consolidated financial statements are presented in Chapter 20.1 of the Registration Document.

	Fiscal year ended on December 31	
In € millions (except for per share data expressed in €)	**2007**	**2008**
Consolidated Income Statement Data		
Net sales	12,776	15,220
Trading operating income	1,696	2,270
Operating income	1,546	2,187
Net income from discontinued operations or held for sale	3,292	269
Net income – Attributable to the Group	4,180	1,313
Net income – Attributable to minority interests	158	178
Earnings per share attributable to the Group	8.77	2.75
Diluted earnings per share attributable to the Group	8.71	2.74
Underlying diluted earnings per share attributable to the Group	2.47	2.74
Consolidated Balance Sheet Data		
Current assets	4,394	4,883
Non-current assets	23,182	21,982
Total assets	27,576	26,865
Net debt (1)	11,261	11,055
Shareholders' equity — Attributable to the Group	9,018	8,644
Minority interests	82	56
Dividend per share	1.1	1.2 (2)
Cash Flow Statement Data		
Cash flow provided by operating activities, excluding changes in net working capital	1,430	1,699
Cash flow provided by operating activities	1,611	1,754
Cash flow (used in) provided by investment activities	(8,098)	(569)
Cash flow (used in) provided by from financing activities	6,396	(1,111)

(1) The net debt corresponds to the financial debt less cash and cash equivalents and marketable securities.
(2) Subject to the approval of the Shareholders' Meeting on April 23, 2009.

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RISK FACTORS

4.1 Risk Identification and Control Policy

The Group maintains an active risk management policy aimed at protecting its assets as well as the assets of its shareholders, and respecting the interests of employees, consumers, clients, suppliers, the environment and other stakeholders.

Since 2002, the Group has implemented a global risk identification approach (with a specific tool called "*Vestalis*") that maps major operational risks and allows the classification of problems in terms of the risks' probability of occurrence and their potential financial impact on the Group.

This methodology helps in the identification of risks and weaknesses within the Company's subsidiaries and helps to group or prioritize them by country or business line and to define preventive and corrective actions, which may be local or global, as appropriate.

Vestalis has thus been deployed in all of the companies in the Fresh Dairy Products and Waters business lines. In 2008, its deployment was extended to the principal companies in the Medical Nutrition business line: this deployment will be systematized in 2009 by expanding to include the companies in the Baby Nutrition business line. As of December 31, 2008, Vestalis was deployed in 76 of the Group's operating subsidiaries, which represent approximately 79% of the Group's consolidated net sales (based on the Group's new scope of consolidation).

The most significant risks are reviewed once a year by the management teams of the business lines and geographical areas during specific meetings. Meetings organized by job function or work process can also take place.

A general review of the Group's risks is regularly performed by Danone's General Management (in this context, the Enterprise Danone Risk Committee was created in 2008) and by the Audit Committee.

The risks that are inherent to the Group's business activities, the legal risks, the industrial risks, the environmental risks and the market risks are presented below per thematic category.

4.2 Risks Inherent to the Business Activity

4.2.1 RISKS ASSOCIATED WITH THE VOLATILITY OF PRICES AND A POSSIBLE SHORTAGE IN RAW MATERIALS

The Group's results may be negatively affected by the availability and price of raw materials, in particular materials needed to produce the Group's food and beverage products (mainly milk and fruits), and materials needed to package or transport its products (PET, PS, light cardboard for boxes, and petrol derivatives). Variations in supply and demand at global or regional levels, weather conditions and government controls could substantially impact the price of the raw materials concerned. The increase in their prices also may not be passed on, whether in full or in part, on the sales price of the Group's products and could have in any event a significant adverse effect on the Group's business activities and its results.

4.2.2 RISKS ASSOCIATED WITH THE CONCENTRATION OF PURCHASES OF SOME PRODUCTS AND SERVICES FROM A LIMITED NUMBER OF SUPPLIERS

In connection with its policy of optimizing its purchasing procedures, the Group centralizes from a limited number of suppliers the purchase of certain goods (in particular raw materials such as the ferments used in the Fresh Dairy Products business line) and services (in particular sub-contracted services or information technology services). If, despite the measures taken in order to safeguard supply, these suppliers are not able to supply the Group with the quantities and qualities of products or goods specified that the Group needs under the conditions set forth, or if the suppliers are not able to provide services in the required time period, this could have a material adverse effect on the Group's business activities and its results.

4.2.3 RISKS ASSOCIATED WITH CUSTOMER DEFAULTS AND WITH THE CONCENTRATION OF DISTRIBUTION LEADING TO A SMALLER NUMBER OF CUSTOMERS

While the final customers of Danone products are individual consumers, the Group sells its products mainly to major retail and grocery chains. Overall, the distribution market has become increasingly concentrated. In 2008, the Group's ten largest customers worldwide accounted for approximately 24% of the Group's consolidated sales – 6 of those customers are French companies and the Group's largest client, Carrefour, represents approximately 7% of the Group's consolidated sales. Continuation of the movement to concentrate distribution, that would translate into a smaller number of customers, could affect the Group's operating margin or represent a counterparty risk in the event of a default by a major customer, in particular given the current economic and financial context.

4.2.4 RISKS ASSOCIATED WITH A POSSIBLE DOMINANT POSITION OF THE GROUP IN CERTAIN MARKETS

The Group is market leader in some of its markets. As a consequence, the Group may be accused of abusing a dominant position in these markets by third parties. Such allegations could affect the reputation of the Group, result in legal proceedings or could have a potential material adverse effect on the Group's business activities and results.

4.2.5 RISKS ASSOCIATED WITH COMPETITION

The Group conducts its business in highly competitive markets in which large international groups and numerous local players of different sizes are present. In Western Europe and North America, those markets where the Group conducts its business tend to be relatively mature and competition for market share is therefore particularly intense. With respect to the Group's activities in the Rest of the World, a few international food and beverage groups also hold strong positions in some emerging markets and seek to expand such positions or enter new markets. In addition, certain retail and grocery chains have developed their own private brands. If the Group cannot differentiate itself relative to its competitors in terms of the range of products, the value (quality/price ratio), and the market position offered, it may no longer be able to effectively compete with the main actors in these markets.

4.2.6 RISKS ASSOCIATED WITH THE GROUP'S GROWTH STRATEGY

Acquisitions. The Group's strategy is to become the leader in each of the markets in which it operates. Within the context of continued concentration in the food and beverage industry, this strategy involves the pursuit of external growth opportunities through acquisitions. These acquisitions could have a negative impact on the Group's business if the Group is unsuccessful in integrating the acquired companies, providing the necessary resources, and/or fails to achieve all of the synergies and savings it expects from these acquisitions.

Partnerships. The relationships with partners of the Group in certain entities are governed by agreements, contracts, or documents that could allow certain decisions to be made with the agreement of such partners or without the agreement of the Group. Such restrictions could make it difficult for the Group to carry out its strategy. Finally, certain agreements signed with partners may provide the Group with call options, in particular in the event of a change of control of the Group.

4.2.7 RISKS ASSOCIATED WITH THE GEOGRAPHICAL DISTRIBUTION OF THE GROUP'S BUSINESS ACTIVITIES

The Group's employees and its operations could be exposed to the risks and uncertainties involved in pursuing commercial and industrial activities in numerous countries which may experience, or may have recently experienced economic, political, or social instability, particularly in Latin America, Asia, Africa and the Middle East. Also, some countries in which the Group is present offer legal environments that are not very developed and/or not very protective (in particular with respect to intellectual property rights), maintain exchange control or control of repatriation of profits and invested capital, impose taxes and other payments and put in place restrictions, sometimes retroactively, on the activities of international groups. Lastly, any economic or political measure which purpose or result is to limit free trade, which could be implemented in some countries, could have an unfavorable impact on the Group's growth.

However, the Group's growing internationalization enables a better geographical distribution of the majority of these risks. In addition, the Group believes that it continues to implement measures to minimize the risks arising from the Group's international operations. However, there can be no assurance that the results of the Group could not be significantly affected by a deteriation of economic, political, and or regulatory conditions or by a crisis in some of the countries where the Group is present.

4.2.8 RISKS ASSOCIATED WITH ECONOMIC CONDITIONS OF THE GROUP'S PRINCIPAL MARKETS

As a major player in the food and beverage industry, the Group's sales are dependent on the overall economic climate of its principal geographic markets. In periods of economic slowdown or transition, the Group could be confronted with a contraction of sales originating from consumers concerned with preserving their purchasing power, and with an evolution towards consumption methods that could be impacted by the economic climate. These events may have adverse effects on the Group's business activities and its results.

4.2.9 RISKS ASSOCIATED WITH AN UNFAVORABLE CHANGE IN BUSINESS ACTIVITY FORECASTS USED FOR THE PURPOSE OF THE IMPAIRMENT TEST OF ASSETS

In connection with the allocation of Numico's acquisition price, a significant amount was allocated to goodwill and to acquired, non amortized brands with an indefinite useful life (from an accounting standpoint).

Goodwill and indefinite useful life brands are not amortized. They are subject to an impairment test at least once annually and whenever events or circumstances indicate that a reduction in value might have occurred.

An unfavorable change in business activity forecasts and assumptions used in the projection of cash flows for the purpose of the impairment tests, in particular with respect to goodwill and to the Numico brands, could result in the recognition of impairment charges. These charges could then have significant adverse effects on the Group's results, in particular given the current economic and financial context.

4.2.10 RISKS ASSOCIATED WITH SEASONAL CYCLES AND WEATHER CONDITIONS

Some of the Group's product markets are affected by seasonal consumption cycles and weather conditions, which may have a negative impact on the Group's interim and annual results. In particular, beverages experience peak demand during the summer months. As a result, the Group's sales are generally higher during these months. Conversely, relatively cool summer temperatures, such as those observed in Western Europe in 2007 or 2008, may result in substantially reduced sales of beverage products, especially packaged water, in the impacted geographical area relative to a normal year, and thus may have adverse effects on the Group's business activities and results.

4.2.11 RISKS ASSOCIATED WITH THE PRODUCTS

The risk of contamination is classified into four categories: microbiological, chemical, physical and allergic and depends on the nature of the products. This risk of contamination exists at each stage of the production cycle: at the time of purchase and delivery of raw materials, the production process, the packaging of products, the stocking and delivery of finished products to distributors and food retailers, and the storage and shelving of finished products at the points of final sale.

A number of the Group's products, in particular fresh dairy products, must be maintained within certain temperatures to retain their flavor and nutritional value and to avoid contamination or deterioration. In domains such as Baby Nutrition and Medical Nutrition, the absence of chemical contaminants of raw materials, contaminations crossed with allergens and maintaining sterility in the packaging process are crucial. In addition, in the Waters activity, there exists a risk of pollution of the natural water sources that supply the necessary resources for this activity.

In the event that certain of the Group's products have suffered, or are alleged to have suffered contamination or to be harmful to health, the Group's activities and results of operations could be adversely affected. In addition, reports or allegations of inadequate product quality control relating to certain products of other food manufacturers could negatively impact its sales. The Group believes that it has put in place measures to limit the risk of contamination, in particular through the completion of multiple controls of the production lines and regular audits of its sites, partnerships with scientific organizations of international standing and the implementation of zero-tolerance quality management and food safety policies.

The Group's strategy rests on the development of new products with a strong nutrition/health component. In this context, the Group is particularly vigilant regarding scientific fundamentals, the regulatory context and the origin of ingredients used. In addition, the Group is developing more and more complex products made from organic materials, especially probiotics.

The Group also remains vigilant with respect to the follow-up of risks "perceived" by the consumer, of which GMOs (Genetically Modified Organisms) and obesity risks constitute some striking examples. To this end, the Group has developed a network of privileged interlocutors (including, in particular, consumer associations) in order to discuss common subjects that preoccupy individuals and to offer elements of clarification in both a formal and informal manner.

Lastly, the Group's activities are subject to the evolution of the tastes and preferences of consumers. If the Group cannot predict, identify, and interpret the evolutions of the tastes and dietary habits of consumers, its results could be negatively affected.

4.2.12 RISKS ASSOCIATED WITH INFORMATION SYSTEMS

The Group is increasingly dependent upon common information technology application systems for conducting the whole of its business activities. The main risks are related to confidentiality, the integrity of data and the interruption of computer services. Indeed, any failure of these applications or communication networks and any absence in the securitization of data centers or networks may block or slow down production, delay or taint certain decisions and result in financial losses for the Group. In addition, any accidental or intentional loss of data, that were to be used by third parties, may have adverse effects on the Group's business activities and its results.

4.2.13 RISK OF AN INTERNAL CONTROL FAILURE

The Group has implemented an internal control system. This system, no matter how appropriate it is, can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of the company's objectives due to the limits inherent in any control process. Therefore, the Group cannot exclude the risk of an internal control failure.

Similarly, the Group cannot exclude the risk of fraud. However, given the risk profile of its activities and the existence of an exhaustive and far-reaching anti-fraud program, this risk poses a limited threat.

4.2.14 RISKS ASSOCIATED WITH THE CONSEQUENCES OF RESTRUCTURING PLANS

The Group has undertaken restructuring plans in the past and could continue to do so. Restructuring plans consist of, in particular, plant closings and headcount reductions in order to improve efficiency of its production processes, to implement synergies, to adapt to the demands of a constantly evolving market and, possibly, to lower production costs. Restructuring could harm the Group's employee relations and result in labor disputes, including work stoppages, strikes and disruptions, which could have an adverse impact on the Group's image, business activities and results.

4.2.15 RISKS ASSOCIATED WITH THE GROUP'S REPUTATION

The Group's international expansion and strong reputation expose it to attacks of any nature that could affect its reputation via various means of communication. The Group has established crisis management processes that enable it to limit the impacts resulting from such attacks as much as possible.

4.3 Legal Risks

4.3.1 RISKS ASSOCIATED WITH BRAND NAMES AND INTELLECTUAL PROPERTY

Given the importance of brand recognition to its business, the Group has invested considerable effort in protecting its portfolio of trademarks such as, for example, the Danone brand name, with the product lines known as *Activia* and *Actimel*, or the *Evian* brand name. The Group uses security measures to protect its patents, licenses and proprietary formulae for its products (as indicated in paragraph 11.2). However, the Group cannot be certain that the measures it has taken will be sufficient to protect its intellectual property rights adequately or that third parties will respect or misappropriate its proprietary rights. Moreover, some of the countries in which the Group operates offer less protection for intellectual property rights than Europe or North America. If the Group is unable to protect its intellectual proprietary rights against infringement or misappropriation, its results and growth could be negatively affected.

4.3.2 RISKS ASSOCIATED WITH THE EVOLUTION OF REGULATIONS

As a player in the food and beverage industry present in numerous countries, the Group's activities are subject to extensive regulation enacted by many juridictions and international organizations, including regulation with respect to corporate governance, labor law, the environment, hygiene and security, quality control or tax laws. The Group's activities are also subject to all kinds of barriers or sanctions imposed by countries in order to limit international trade.

The activities of the Group are also subject to various changing regulations that are increasingly restrictive. These regulations relate in particular to the protection of health and human safety, assertions about the health benefits of products marketed by the Group, the reimbursement of certain products of the Medical Nutrition business, and the recommendations from the WHO (World Health Organization) favoring breastfeeding. Any regulatory change could have a significant impact on the Group's activities, increase its costs, reduce consumer demand, and could possibly result in litigation.

4.4 Industrial Risks

The safety of the Group's employees, people living close to the Group's industrial sites and industrial sites is a key priority for the industrial policy of the Group.

The Group's main industrial sites have a limited exposure to major natural hazards (floods, earthquakes and hurricanes). These risks are evaluated in advance of each major investment, and the Group's new industrial installations are designed with all applicable safety standards. However, the Group's international development makes it necessary for the Group to set up businesses in areas that are occasionally exposed to the risk of natural disasters, in particular earthquakes (Japan, Indonesia, Turkey, Mexico and Algeria).

The Group's main industrial activities do not intrinsically expose it to particular risks compared to other industries. The management of fire and explosion risks remain nevertheless a major concern of the Group's business lines.

In order to reinforce its risk management, the Group has put in place procedures to evaluate the level of safety at its industrial sites. These evaluations are made by independent auditors and enable operational units to define and implement customized prevention and protection policies. These procedures are based on international standards that most often go beyond local standards. Furthermore, they allow an exhaustive inventory of the various potential industrial risks and are also applicable to partnerships with the Group's most significant suppliers.

In 2008, 89 loss prevention audits of the Group's industrial sites were conducted by independent entities that assigned a rating ranging from 1 to 5 (with 5 being the best) to each audited industrial site. The average rating for all of these sites amounted to 3.95 in 2008 (against 3.76 in 2007) marking an improvement in security conditions. In addition, as of December 31, 2008, 31 sites had a rating of 5, enabling them to obtain an HPR certification (Highly Protected Risk).

4.5 Risks Related to the Environment

The Group's environmental policy aims to respond to the concerns of many different parties in this area, especially consumers (who are legitimately increasingly focused on the environmental impact of products), while controlling risks.

4.5.1 RISKS RELATED TO REGULATIONS

The Group's activities are subject to numerous laws and regulations (which mainly relate to water, air, the use of natural resources, noise and waste). They are becoming more and more stringent and are constantly evolving.

These activities are, in particular, subject to obtaining authorizations or making prior declarations, in Europe, pursuant to applicable legislation concerning installations and classified as for the protection of the environment and, in other countries, pursuant to equivalent regulations.

Packaging is subject to specific regulations and in particular European Directive 94/62, relating to packaging and packaging waste (which requires a reduction at source, reduction of the toxicity of hazardous substances, recycling, and recovery). In addition, the Group's activities are subject to, on the one hand, the European Directive of 2003 establishing an exchange system and, on the other hand, quotas for greenhouse gas emissions and the transpositions of the National Allocation Plans for Quotas in the European Union. Four of the Group's sites in the European Union are subject to quotas in this way, while the other sites are below the minimum eligibility threshold. If, in the future, the Group is unable to limit the emissions of these four sites and comply with allocated quotas, it would have to pay a fine and purchase the missing quotas on the market for greenhouse gas quotas.

4.5.2 RISKS RELATED TO CONSUMERS' ENVIRONMENTAL CHOICE

Consumers' purchasing preferences are increasingly influenced by environmental concerns (in particular greenhouse gas emissions and the preservation of water resources), and such preferences are at times relayed by NGOs (Non Governmental Organizations). Distributors also pay an increasing amount of attention to the messages sent to consumers (in particular the labeling of the impact of carbon on products). If the Group is unable to anticipate the evolutions in consumer preferences, in particular through the implementation of measures associated with reduction and communication on environmental consequences, its results could be negatively affected.

Consequently, the Group undertakes continuous efforts to reinforce its corporate commitment and improve the management of its business activities with respect to every step of its products' life cycle.

In 2008, the Group implemented a tool that measures the Carbon and Water footprint. This tool was made available to all subsidiaries in the Fresh Dairy Products and Waters business lines. It will be deployed progressively in the Baby Nutrition and Medical Nutrition business lines in 2009.

The estimated carbon footprint for the Group's products throughout the world represents a total impact of 16 million of CO_2 (or 0.003% of worldwide carbon emissions).

Due to the nature of its business activities, the direct environmental impact of the Group's industrial activity is very limited, and represents up to 11% of the Group's worldwide carbon emissions. Agricultural products used by the Group represent 52% of these emissions.

The remaining balance corresponds to packaging and transportation of the Group's products: packaging (18% of the footprint of its products) is subject to preventive measures on resources (reduction at source and packaging mix conception), to the promotion of recycling and to the reuse of recycled materials; transportation (19% of the footprint of its products) is subject to the optimization of types of transportation used, in particular by the increase in rail freight. For the Group, the focus on both of these areas will lead to strengthen all suppliers' implication in this risk.

4.5.3 OTHER RISKS

The principal potential risks are water pollution (essentially organic and biodegradable pollution), risks related to refrigerating installations (ammonia and other refrigerating liquids), and risks related to the storage of raw materials or products for the cleaning and disinfection of the Group's plants (acid or basic products), especially when these installations are located in inhabited areas. In the event that the Group's environmental responsibility is called into question, resulting from a significant accident or case of pollution, its results could be adversely affected.

4.6 Financial Market Risks

Within the scope of its business, the Group is more or less exposed to financial risks, in particular foreign currency exchange, financing and liquidity, and interest rate risks, to counterparty risks as well as security-related risks. The risk management policy and its organization within the Group are described in Chapter 9 and additional information and data, in particular with regard to the Group's remaining exposure (after hedging) to these different risks, are described in paragraph 20.1 (see Note 16 of the appendix to the consolidated financial statements).

4.6.1 CURRENCY EXCHANGE RISK

Due to its international presence, the Group could be exposed to currency exchange rate fluctuations in the three following situations:

- within the framework of its operating activities: the Group's subsidiaries' sales and operating expenses are mainly expressed in their country's currency. However, some imports (in particular imports of raw materials and finished products) and certain exports are expressed in other currencies. The sales and operating margin of subsidiaries concerned could therefore be exposed to currency exchange rate fluctuations against their functional currency. Pursuant to its operating foreign exchange risk hedging policy, the Group's residual exposure (after hedging) is not significant over the fiscal year (refer to Note 16 of the appendix to the consolidated financial statements);
- within the framework of its financing activities: pursuant to its risk centralization policy, the Group is faced with managing financings and multi-currency liquidities. Pursuant to its financial foreign exchange rate risk coverage policy, the Group residual exposure (after hedging) is not significant (refer to Note 16 of the appendix to the consolidated financial statements);
- during the process of translation in euros of the financial statements of subsidiaries transacting in a foreign currency: the trading operating income can be denominated in currencies other than the euro. Consequently, the fluctuations of exchange rates of foreign currencies against the euro could have an impact on the Group's income statement. These fluctuations also have an impact on the book value of the assets and liabilities that are expressed in currencies other than the Euro in the consolidated balance sheet. The Group has implemented a monitoring and hedging policy with respect to some of its subsidiaries' net equity.

In addition, pursuant to IAS 39 relative to derivative instruments, currency exchange rate fluctuations can have an impact on the Group's results and consolidated shareholders' equity (refer to Note 16 of the appendix to the consolidated financial statements).

4.6.2 FINANCING RISK AND LIQUIDITY RISK

Within the scope of its operating activities, the Group does not use indebtedness in either a recurring or a significant way. Operating cash flows are generally sufficient to self-finance its business operations and internal growth. However, the Group could, in the future, increase its indebtedness in order to finance external growth transactions. Its goal remains to maintain its amount of debt at a reasonable level, in particular, to preserve some flexibility with respect to its financing sources.

The Group's liquidity risk is induced primarily by the maturity of its financings (i) bearing interest (bonds, bank debt…) and (ii) not bearing interest (debt related to put options granted to minority shareholders), as well as payment flow on derivative instruments.

Within the framework of the management of its indebtedness, the Group seeks new financing on a regular basis in order to refinance its existing debt. Pursuant to its financing risk management policy, the Group reduces its exposure (i) by seeking diversified financing sources, (ii) by managing a significant part in the medium term financing (iii) by maintaining financing sources that are available at any moment and (iv) by ensuring that it is not subject to any commitment relative to financial covenants.

In countries in which centralized financing is not accessible or where medium term financing is not available, the Group could be exposed to a liquidity crunch, yet relative to limited amounts.

4.6.3 INTEREST RATE RISK

Through its debt bearing interest, the Group is exposed to interest rate fluctuations that have an impact on its level of interest expenses.

The Group has implemented a monitoring and management policy for this risk, in order to limit the volatility of its financial result.

In addition, pursuant to IAS 39 relative to derivative instruments, interest rate fluctuations can have an impact on the Group's results and consolidated shareholders' equity (refer to Note 16 of the appendix to the consolidated financial statements).

4.6.4 COUNTERPARTY RISK

The Group is exposed to counterparty risk, in particular related to banking counterparties as part of its financial risk management.

The goal of the Group's banking policy is to focus on the credit quality of its counterparties and, in doing so, to reduce the risks.

4.6.5 SECURITIES-RELATED RISK

Risk Related to the Company's Shares

Pursuant to its share repurchase policy, and within the framework of the authorizations granted at the General Shareholders' Meeting, the Company could choose to repurchase its shares. The fluctuation in the share price of the Company's treasury shares repurchased in this way does not have any impact on the Group's results. However, a decrease in the Company's share price could have an impact on the portion of the potential amount paid out in shares with respect to the financing of external growth transactions.

Risks Related to Other Share Securities

The Group holds equity interests in listed companies. With respect to these securities, a significant and/or prolonged decrease in the Company's share price could have an adverse effect on the Group's results.

As of December 31, 2008, the equity assets include listed securities, the market value of which is reflected in the balance sheet (please refer to Note 8 of the appendix to the consolidated financial statements).

4.7 Insurance and Risk Coverage

With respect to risks other than those related to the financial markets (described in paragraph 4.6), the Group has a global insurance coverage policy founded on stringent technical evaluations that use the insurance products around the world according to their availability on the local markets and the local regulations in force in each country.

The insurance policy for risk is consistent for all of the subsidiaries over which the Company has direct or indirect operational control.

This policy is as follows:

- traditional risks (Property Damage, Business Interruption, Commercial General Liability): potentially major, such programs are negotiated at Group level for all subsidiaries with renowned international insurers. The coverage is provided in the form of "all risks" on the basis of the largest guarantees existing on the market, together with variable deductibles that are relatively low compared to those granted to groups of comparable size in order to take into consideration and account for the management of each Business Unit. The guarantee limits are set on the basis of disaster scenarios estimated in accordance with insurance market rules. The coverage policies were renewed as of January 1, 2007 for a set period of three years. The total budget for these programs amounted to approximately € 18 million in 2008;

- common risks: these risks, which require local management, include the coverage for fleets of vehicles, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurances specific to some countries. These insurance policies are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. The budget for premiums amounted to approximately € 10 million in 2008;
- special risks: they are potentially significant, and require centralized management. The liability of the Group's directors and officers *(mandataires sociaux),* fraudulent acts, as well as various risks (taking products off the market, credit risk, environmental risk) are covered according to market availability, on the basis of scenarios estimating the impact of these claims. The total budget for this category of coverage amounted to approximately € 3 million in 2008.

The Baby Nutrition and Medical Nutrition business lines were integrated in the various programs described above in 2008.

In addition, in order to optimize the insurance cost and maintain a strong level of control over its risks, the Group provides its own insurance solutions on an internal basis via the reinsurance subsidiary Danone Ré (a fully consolidated Group entity). The self-insurance policy applies to specific risks where the costs can be accurately estimated as the Group is aware of their frequency and financial impact. Such risks relate essentially to (i) coverage for property damage, transportation, business interruption, commercial general liability for the majority of the Group's companies (these self-insurance programs are limited to accidents under € 7.5 million per accident) and (ii) payments for disabilities, training and death for the French subsidiaries. Moreover, "stop-loss" insurance protects Danone Ré against an increased frequency of accidents and loss. These self-insurance programs are managed by professional insurers and the provisions are determined by independent actuaries.

5 COMPANY INFORMATION

5.1 Company History and Evolution

5.1.1 Corporate Name and Commercial Name

The corporate name of the Company is "Groupe Danone" (hereinafter referred to as the "Company").

A proposal to modify the Company's corporate name and to adopt "Danone" as the new corporate name will be made to shareholders at the General Shareholders' Meeting of April 23, 2009.

5.1.2 Registration Number with the French Trade and Companies Registry

The Company is registered with the Paris Trade and Companies Registry under number 552 032 534.

The APE code of the Company is 7010Z. It corresponds to the activity of the registered offices.

5.1.3 Date of Incorporation and Term of the Company

The Company was created on February 2, 1899. The Extraordinary Shareholders' Meeting of December 13, 1941 extended the term of the Company until December 13, 2040.

5.1.4 Registered Office, Legal Form, and Applicable Law

REGISTERED OFFICE

The Company's registered office is located at 17, boulevard Haussmann, in Paris, FRANCE (75009). The telephone number of the registered office is +33 (0) 1 44 35 20 20.

LEGAL FORM AND APPLICABLE LAW

The Company, in the form of a French *société anonyme* (joint stock company) with a Board of Directors, is subject to the provisions of Book II of the French Commercial Code.

5.1.5 Significant Events in the Development of the Company's Business Activities

HISTORY

The Group's origins date back to 1966 when the French glass manufacturers, Glaces de Boussois and Verrerie Souchon Neuvesel, merged to form Boussois Souchon Neuvesel, or BSN. In 1967, BSN had sales of flat glass and glass containers of approximately € 150 million. In 1970, the BSN group began a program of diversification in the food industry and successively purchased Brasseries Kronenbourg, Société Européenne de Brasserie and Société Anonyme des Eaux Minérales d'Evian which, at the time, were major customers of the BSN group for glass containers. As a result of these acquisitions, the BSN group became France's market leader in beer and bottled water, as well as baby nutrition. In 1973, BSN merged with Gervais Danone, a French dairy products and pasta group, thereby becoming France's largest food and beverage group with consolidated sales in 1973 of approximately € 1.4 billion, of which 52% consisted of food and beverage sales.

Throughout the remainder of the 1970s and the 1980s, the BSN group focused on expansion in the food and beverage industry, primarily in Western Europe, after disposing of its flat glass business. This expansion included the acquisition of major breweries in Belgium, Spain and Italy; The Dannon Company (the leader in yogurt production in the United States); Générale Biscuit, a French holding company which owned LU and other major producers of biscuits in Europe; the biscuit subsidiaries of Nabisco, Inc. in France, Italy, the United Kingdom and Asia; and Galbani, Italy's leading cheese maker. As a result, with consolidated sales of € 7.4 billion in 1989, the BSN group became Europe's third largest diversified food group, ranking first in France, Italy and Spain.

As of the start of the 1990s, the BSN group pursued a strategy of consolidating its main business lines, developing synergies in Western Europe and expanding into growing markets. Moreover, the BSN group paved the way for a strategy of development outside Western Europe. As a result, the BSN group increased the scope of its operations and strengthened its portfolio of brands through a number of significant acquisitions and joint ventures. Within Western Europe, BSN acquired *Volvic* in France to strengthen its position in the bottled water sector. Outside Western Europe, BSN pursued an active acquisition strategy to expand internationally in the Asia-Pacific region, Latin America and Eastern Europe, as well as in selected markets like South Africa and the Middle East.

In 1994, in order to consolidate its position as an international food and beverage group, the BSN group decided to change the BSN parent company's name to "Groupe Danone".

Starting in 1997, the Group decided to focus on three business lines worldwide (Fresh Dairy Products, Beverages, as well as Biscuits and Cereal Products). As such, the Group completed several significant divestitures in Grocery, Pasta, Ready-to-Serve Meals and Confectionery Products, mainly in France, Belgium, Italy, Germany and Spain. In 1999 and 2003, the Group sold 56% and 44%, respectively, of the capital of BSN Glasspack, the holding company of its Glass Containers business, and, in 2000, the Group sold most of its European beer activities to different companies in the industry, including Scottish & Newcastle. In 2002, the Group sold Kro Beer Brands, which held the brands *Kronenbourg* and *1664*, among others; its Italian Cheese and Meat activities (Galbani); as well as its Brewing activities in China. In 2005, the Group sold its Sauces activities in the United Kingdom and the United States and, in January 2006, its Sauces activities in Asia. In addition, in 2005 the Group finalized its exit from the European Brewing activities, selling its interest in the Spanish company Mahou.

The 2007 year marked the end of a 10-year refocusing period during which the Group's activities were refocused in the area of health. In 2007, the Group sold nearly all of its Biscuits and Cereal Products business on the one hand (by selling it to the Kraft Foods group), and added Baby Nutrition and Medical Nutrition to its portfolio on the other hand (by acquiring Numico). The acquisition of Numico thus brought a new dimension to the Group's development model in terms of its positioning in health, its innovation, geographical expansion, and its responsibility toward children and senior citizens. The Group's strategy now presents clear priorities, which are in line with its mission of bringing health through food to the largest number of people.

Following these important changes, the Group is now centered around 4 business lines:

- Fresh Dairy Products, representing approximately 57% of consolidated sales for 2008;
- Waters, representing approximately 19% of consolidated sales for 2008;
- Baby Nutrition, representing approximately 18% of consolidated sales for 2008;
- Medical Nutrition, representing approximately 6% of consolidated sales for 2008.

KEY EVENTS IN 2008

The Group's total sales amounted to € 15,220 million, or an increase of 19.1% compared to 2007. At constant currency foreign exchange rates (also referred to as constant exchange rates) and constant scope of consolidation, total sales increased to 8.4%, a performance enabling the Group to reach the growth objectives it set.

The trading operating margin totaled 14.91% in 2008 compared to 13.27% in 2007. At constant exchange rates and constant scope of consolidation, the trading operating margin improved by 53 basis points, representing a higher increase than projected in the 2008 objectives set by the Group.

Free cash flow (or available cash, which represents cash flows from operating activities minus capital expenditures net of disposals) increased significantly from € 984 million in 2007 to € 1,183 million in 2008 (representing 7.8% of consolidated total sales).

Squeeze-Out Procedure for the Numico Acquisition

On November 25, 2008, the Group finalized the repurchase of all the shares of Royal Numico N.V. ("Numico"), in which it had held 98.85% of all the shares since December 31, 2007. On October 28, 2008, the Court of Appeals of Amsterdam authorized the repurchase of the remaining 1.15% of shares in connection with a squeeze-out procedure undertaken by the Group in 2007.

The acquisition of Numico enabled the Group to accelerate the growth of its sales and its operating margin in 2008 due to the dynamism of the Baby Nutrition and Medical Nutrition business lines. In addition, the reinforcement undertaken by the Group with respect to business activities with a strong health component increases its commitment to its mission of bringing health through food to the largest number of people.

Lastly, in 2008, the Group integrated Numico in the Group's key processes. The Integration Committee, created in late 2007 and piloted by the General Management, was dissolved in June 2008 and the forecasted cost synergies have been achieved.

Acquisitions and Disposals

In 2008, the Group continued the refocusing of its Waters business line on natural mineral waters by partially withdrawing its commitment to non-alcoholic beverages and fruit drinks in Asia. As such:

- on September 3, 2008, the Group announced its intention to tender its 22.98% minority equity stake in China Huiyuan Juice Group Limited (a company listed on the Hong Kong stock exchange and a leader in fruit drinks) to the tender offer launched by The Coca-Cola Company. As of December 31, 2008, this transaction was still subject to various authorizations and steps required for the completion of the takeover bid, including in particular the approval of the Chinese antitrust authorities;
- on October 23, 2008, the Group announced the sale of its subsidiary Frucor, one of the leaders in non-alcoholic beverages in New Zealand and Australia, and of its international brands *V* and *Mizone* (with the exception of China and Indonesia) to Suntory Limited at a price of over € 600 million.

In addition, in 2008, the Group initiated other divestments and acquisitions (see the preamble of Chapter 9 and paragraph 20.1, in Note 2.1 of the appendix to the consolidated financial statements) and continued its organic growth strategy (see paragraph 6.2).

Legal and arbitration Proceedings

A certain number of procedures oppose the Group and its Chinese partner in the Wahaha subsidiaries. These procedures are described in paragraph 20.1 in Note 2.2 of the appendix to the consolidated financial statements.

In addition, several class actions were filed in the United States against The Dannon Company Inc., one of the Company's subsidiaries. These class actions are described in paragraph 20.1 in Note 31 of the appendix to the consolidated financial statements and in paragraph 20.4.

Group Financing

The acceleration of the worldwide financial crisis during the second half-year of 2008 did not have a significant impact on the Group, in respect of its access to financing or in respect of counterparties.

In 2008, the Group completed refinancing transactions regarding its debt with a triple objective: (i) lengthen the maturity profile of its debt, (ii) diversify its sources of financing and (iii) secure its future financing needs.

These transactions resulted notably in the issuance in 2008 of debenture loans under EMTN documentation:

- on the Euro market (in April, July, and November);
- on the Japanese market;
- on the Swiss market.

These issuances represented a total principal amount of € 3.8 billion with initial maturities of 3 to 8 years.

In addition, the bridge loan implemented in 2007 for the financing of the acquisition of Numico was repaid in full during the 2008 fiscal year.

SUBSEQUENT EVENTS FOLLOWING THE 2008 FISCAL YEAR

In February 2009, the Group announced the completion of the sale, on the one hand, its subsidiary Frucor (one of the leaders in non-alcoholic beverages in New Zealand and Australia) and, on the other hand, its international brands, *Mizone* and *V* (with the exception of its presence in China and Indonesia). These assets were sold to Suntory Limited for an amount of over € 600 million. This sum was paid by Suntory Limited in February 2009.

In February 2009, the Group announced the signing of an agreement between its Dutch subsidiary known as Danone Baby and Medical Nutrition B.V. (previously a listed holding of the Numico group) and the Dutch Association of Shareholders ("VEB") on the principle of and additional payment for the benefit of all the shareholders who have sold their Numico shares during the morning of Monday, July 9, 2007 (the date on which Danone and Numico jointly announced the Danone's public offer for Numico).The total cost for Numico is estimated at about € 17 million and led to a provision in the Group's consolidated financial statements for the fiscal year ended on December 31, 2008 (see Note 18 of the appendix to the consolidated financial statements).

On March 18, 2009, the Chinese antitrust authorities have publicly declined approval for the tender offer launched by The Coca-Cola Company on China Huiyuan Juice Group Limited, to which the Group had announced its intention to tender its 22.98% minority equity stake. As a result, The Coca-Cola Company and China Huiyuan Juice Group Limited announced on the same day that they would not be able to proceed with the tender offer.

5.2 Investments

5.2.1 Principal Investments of the 2007 and 2008 Fiscal Years

INDUSTRIAL INVESTMENTS

Industrial investments reached € 706 million in 2008 against € 726 million in 2007 (representing 4.6% and 5.7% of consolidated sales, respectively). In order to continue its geographical expansion and support the growth of emerging countries, the Group maintained in 2008 a significant level of investment expenditures (excepting a decrease in the 4th quarter in order to take into account the slowdown in growth experienced in certain countries).

The amounts invested during the 2008 fiscal year include, for up to 40% of the total amount, investments in countries with a strong potential for growth (in particular Argentina, Brazil, Canada, China, Indonesia and the United States) and for up to 3% of the total amount, investments in countries where the Group's presence is recent (in particular South Korea).

The amounts invested during the 2007 fiscal year mainly included investments aimed at increasing production capacity in countries where the Group is already established (in particular Russia, China, Argentina, Mexico, Indonesia and the United States) and in countries where the Group's presence is recent (in particular Egypt, Colombia, and Chile) for the Fresh Dairy Products business line.

FINANCIAL INVESTMENTS

The financial investments totaled € 259 million (net of cash and cash equivalents accounted for in acquired companies) in 2008, against € 12,100 million in 2007. The financial investments in 2008 mainly include:

- the repurchase of the remaining 1.15% of shares of Royal Numico N.V., a company in which the Group had held 98.85% of the shares since December 31, 2007;
- the acquisition of all shares in Icoara (Waters – Brazil). The company, named Danone Water Brazil, is fully consolidated;
- the takeover of Mayo (Fresh Dairy Products – South Africa) by Danone Clover, the Group's South African subsidiary, following the acquisition of a 70% interest in Mayo. The company, named Mayo Dairy (Proprietary) Ltd, is fully consolidated;
- the acquisition of a 49% interest in the joint venture Toeca International Company (Fresh Dairy Products - Netherlands). The company is consolidated under the equity method;
- the takeover of Mashhad Milk Powder (Baby Nutrition – Iran) following the acquisition of a 60% interest. The company is fully consolidated;
- the acquisition of a 49% interest in a joint venture with Weight Watchers (China). The company is consolidated under the equity method;
- the acquisition of an additional equity interest in Danone Hayat Antalya (Waters – Turkey), thereby increasing the Group's equity holdings from 80% to 100%. The company is fully consolidated;
- the acquisition of an additional equity interest in Salus (Waters – Uruguay), thereby increasing the Group's equity holdings from 58.61% to 94.11%. The company, named Salus S.A., is fully consolidated.

The financial investments in 2007 mainly related to the acquisition of 98.85% of Numico for an amount of € 12,189 million, of all of the shares of the Danone Japan joint venture (Fresh Dairy Products), of an equity interest of 80% in the Danone Hayat Antalya joint venture (Waters – Turkey), of an equity interest of 70% in the Danone Chile joint venture (Fresh Dairy Products), of an equity interest of 51% in the Danone Alqueria joint venture (Fresh Dairy Products – Colombia), as well as the acquisition of an additional equity interest in Danone Industria (Fresh Dairy Products – Russia), thereby increasing the percentage of the Group's holdings to 85% in this company.

In addition, the Group did not carry out any share repurchases in 2008. In 2007, the repurchases of the Company's shares made through the programs authorized by the Shareholders' Meetings convened in 2006 and 2007 amounted to € 508 million.

5.2.2 Principal Investments in Progress

The principal investments currently in progress relate to production capacity extensions both in emerging countries and in countries with a strong growth potential, as well as to production capacity extensions in France to achieve the synergies between Numico and Blédina.

5.2.3 Principal Future Investments

INDUSTRIAL INVESTMENTS

As in 2008, the Group intends to focus its industrial investment efforts in 2009 on emerging countries and on countries with a strong growth potential.

The Group estimates that industrial investments should amount to between 4% and 5% of its 2009 consolidated sales.

FINANCIAL INVESTMENTS

Within the framework of pursuing its international development strategy, the Group will continue to take all opportunities to undertake acquisitions aimed at reinforcing its different business lines.

In addition, the Company and its subsidiaries concluded various agreements providing for the repurchase by the Group of interests held by third parties in certain companies in the event these third parties wish to sell their interests (see Note 16 of the footnotes to the consolidated financial statements). No significant financial investment is currently considered probable in the short term regarding these agreements.

Lastly, the Board of Directors submitted a draft resolution for approval to the Shareholders' Meeting of April 23, 2009 to repurchase treasury shares, representing a maximum amount of 10% of the Company's share capital at a maximum purchase price of € 65 per share. For information purposes, and without taking into account the shares already held by the Company (51,380,214 shares at December 31, 2008), the theoretical maximum purchase amount would be equal to € 3,340 million.

OVERVIEW OF BUSINESS ACTIVITIES

Unless otherwise noted:

- *all references herein to "markets" for products in particular, or to market share, refer to markets for packaged products and exclude products which may be otherwise marketed or sold;*
- *information pertaining to market shares or the Group's market positions are based on value sales;*
- *all references herein to market shares or to the Group's market positions are derived from internal evaluations, which may be based on third-party market studies;*
- *all references herein to "Fresh Dairy Products" and the Fresh Dairy Products business or markets refer to processed dairy products and exclude milk, cream and butter;*
- *all references to "Packaged Water" refer to bottled water, water sold in large containers (jugs), and water sold in small containers (cups);*
- *all references to "Baby Nutrition" refer to baby milk (powder-form milks, growing up milks), milk-based desserts and fruit desserts, cereal, small cups of baby food and pre-prepared meals for babies.*

6.1 Principal Business Activities of the Group

Business Overview

The Group is a major player in the global food and beverages industry, with worldwide sales and operating income of approximately € 15,220 million and € 2,187 million, respectively, in 2008. The Group operates in four markets: (i) Fresh Dairy Products, (ii) Waters, (iii) Baby Nutrition and (iv) Medical Nutrition.

By volume, the Group is the world's leading producer of Fresh Dairy Products, the second largest producer of Packaged Water, the second largest producer of Baby Nutrition, and the European leader in Medical Nutrition.

Some of the Group's brands include national and international market leaders such as *Danone* (*Dannon* in the United States), the world's leading brand of fresh dairy products; *Evian*, the world's leading brand of bottled still water; *Volvic*, the Group's other major international brand of bottled still water; and *Aqua*, the leading brand of packaged water in Indonesia.

In addition, with the acquisition of Numico in 2007, the Group, which already held a leading position in France with *Blédina*, is now the leader in the Baby Nutrition market in Europe through its local brands (such as *Cow&Gate* in the United Kingdom) or international brands, such as *Nutricia* and *Milupa*.

The brand name Danone, used primarily for Fresh Dairy Products, currently represents approximately 60% of the Group's net sales and experienced growth of close to 8% in 2008 at constant exchange rates and constant scope of consolidation.

In addition, the Group has developed two probiotic dairy product lines known under the names *Actimel*, and *Activia* (*Bio* in certain countries), and a line of low-fat products, under the names *Taillefine*, *Vitalinea*, and *Ser*, as well as a *"fromage frais"* line designed for children known under the brands *Danonino, Danimals,* and *Petit Gervais*. These brands are progressively being extended to all countries in which the Group is present.

The Group's main product for export is bottled water, mainly under the brand names *Evian* and *Volvic*. *Evian* was exported to approximately 150 countries in 2008. It is the leader in the United Kingdom on the global water market, and holds the number 2 position in Japan (*Volvic* is number 1). *Volvic* is the leading still mineral water brand in Germany and the leading imported mineral water in Japan.

Lastly, the Group has a strategy of internal and external growth aimed at establishing a geographic balance between developed and emerging countries. In this context, the Group develops its activities in countries that constitute areas of growth, namely in China, Indonesia, Brazil, Argentina, Poland, Russia and the United States. These countries represented approximately 30% of the Group's net sales in 2008.

The Purchase of Raw Materials

The Group's principal raw material needs consist of (i) materials needed to produce Danone's food and beverage products, primarily including milk and fruits, or, collectively, food raw materials and (ii) materials needed for packaging its products, primarily plastics and cardboard or, collectively, packaging raw materials.

Energy supplies represent a smaller portion of the Group's purchases.

Raw Materials – Food. Milk represents the largest portion of the Group's purchases of food raw material in terms of cost. In the countries where the Group uses milk, operating subsidiaries generally sign contracts with individual local milk producers or dairy cooperatives. The price of milk is subject to the evolution of the worldwide market for milk protein (milk powder) and milk butterfat; the price of milk is also subject to European Union policy. In this regard, milk quotas regulate the level of milk production and customs charges are applied to imports into the European Union. In addition, a large portion of the Group's purchases, liquid milk essentially and milk power, is subject to fluctuations in the worldwide market. In 2007, milk prices increased substantially due to an imbalance between production and consumption at world level. A number of factors contributed to this imbalance: (i) extreme climatic conditions (drought in Australia, flooding in Argentina), and (ii) GDP growth in a majority of countries, which stimulates demand for this product and its derivatives, in particular in China. In 2008, the price of milk started to trend down towards more normalized levels.

The purchase of other food raw materials, mainly fruit mixtures, is managed through global or regional purchasing programs, allowing for synergies.

Raw Materials – Packaging. The Group also manages its purchases of packaging raw materials through global or regional programs in order to optimize shared knowledge and volume effects. Factors that influence the pricing of packaging materials include international and regional supply and demand, economic cycles, production capacities and oil prices.

In 2008, the price of PET and plastics, which are among the most significant packaging raw materials purchased by the Group, fluctuated widely, mainly due to strong fluctuations in the price of oil during this fiscal year.

In 2008, the other main raw materials used for packaging, as well as cardboard, did not experience any significant change in prices at the Group level.

Nutrition – Health

The Group considers that nutrition plays an important role in health and well-being. This conviction has been reaffirmed year after year and inspired Danone's Food, Health and Nutrition Charter. This charter presents the Group's convictions and commitments with respect to nutrition and health. Among these commitments are the support of research programs on nutrition and health, dialogue with scientists, sharing of knowledge with the scientific world and health professionals and associations, as well as informing consumers (in particular through nutritional labeling of products).

The Group's strategy depends on the development of products with a strong nutrition and health component, carried by powerful and unique brands (blockbusters) distributed in varied geographical locations.

This blockbuster strategy, already deployed in the Fresh Dairy Products business line (through unique brands) and in the Waters business line (through its platforms), is currently being developed within the Baby Nutrition and Medical Nutrition business lines.

Medical Nutrition allows indeed for adapted and specialized nutrition for persons with specific nutritional needs due to food products with a modified texture, enriched for example in protein. The functional benefit is therefore of primary importance in this market. Certain products in the Baby Nutrition business also give non breast-fed babies a nutritional solution that is adapted to their diet. In addition, specific clinically tested preparations were also developed for babies suffering from intolerance to milk protein.

Customers, Distribution and Marketing

Customers. While end consumers of the Group's products are individual retail customers, the principal portion of the Group's sales are to major retail and grocery chains. The retail industry has become increasingly concentrated over the past several years. In many markets, the Group's three largest clients represent a significant portion of sales. This concentration, particularly advanced in Europe, is expected to increase, in particular in North America and in emerging countries. In 2008, the Group's

10 largest customers worldwide, of which six are French retail groups, accounted in aggregate for approximately 24% of total consolidated sales. Danone's largest client, Carrefour, accounts for approximately 7% of consolidated sales.

The Group has global partnership agreements with major retailers. These partnership agreements contain, in particular, provisions concerning logistical collaboration or management of food safety. However, they typically exclude pricing terms, which remain within the responsibility of the Group's subsidiaries.

The Group has undertaken several initiatives to work closely with its mass retailers to accelerate the development of its product categories, to optimize the flow of products and the inventory levels of its customers. These include efficient consumer response, or ECR, which, in addition to achieving stock management, automatic stock replenishments and just-in-time delivery, is used to work with distributors to better manage consumer demand and expectations. In order to accomplish this, the Group, in collaboration with its principal clients, put in place a shared stock management system that is used to coordinate stock levels between the stores, the client's warehouses and Danone's warehouses. The Group also works with its customers to develop marketing events to enhance its customers' sales, such as joint promotions for specific commercial transactions.

In recent years, certain European retail chains have rapidly expanded internationally. The Group has benefited from this expansion by using existing commercial relationships to introduce its products in certain international markets and therefore accelerate its own geographic expansion as well as the international development of its brands. In these new areas, most large retail chains seek to develop the marketing of brand name quality products as their means of growth and profitability.

In the Medical Nutrition market, the Group works closely with local and regional regulatory authorities, doctors, scientists, hospitals, clinics and pharmacies. In the Baby Nutrition market, clients also include major retail or grocery chains, pharmacies, hospitals, and clinics.

Distribution. Although distribution policies vary among different countries due to local characteristics, the Group has two major distribution policies: on the one hand, the flow of products towards major retailers, and on the other hand, the flow designated for traditional market outlets.

In emerging countries, particularly in Asia, Latin America and Eastern Europe, a large portion of Danone's sales is made through traditional market outlets or through small traditional business networks that are most often controlled by the Group. A strong distribution structure is a competitive factor in those countries in which traditional businesses and independent supermarkets still represent a significant share of food sales. In Latin America, a significant amount of sales of fresh dairy products and water are generated through proximity channels.

In recent years, the Group has built leadership positions in the market for water in large containers in Latin America and in Asia. This business requires a direct relationship with the consumers (Home and Office Delivery ("HOD")) or through franchised retail shops.

The Group follows an active policy of streamlining its logistics flows in order to increase the quality of service while reducing costs. This policy is based on an ongoing assessment of the Group's organizational models, most notably aimed at outsourcing its distribution in collaboration with specialized distributors.

In the Baby Nutrition and Medical Nutrition markets, products are mainly commercialized in hospitals, clinics and pharmacies, as well as through mass distribution with respect to the Baby Nutrition business line. Medical visitors meet with general practitioners and specialists (e.g., pediatricians, nutritionists, etc.), as well as with pharmacists.

Marketing. The Group's advertising and promotional policies constitute a key element in the success of its overall strategy based on innovation, brand recognition and market leadership. For several years, the Group has been following a policy of resource optimization by focusing on a few brands in order to maximize efficiency. Accordingly, more and more products have been introduced under leading brand names such as *Danone* or *Taillefine/Vitalinea,* currently used for Fresh Dairy Products and Waters. In addition, the Fresh Dairy Products business line has developed four blockbuster product lines, the *Actimel*, *Activia, Danonino* and *Vitalinea* lines, which are progressively being marketed in all of the countries where the Group is present. As with the Fresh Dairy Products business line, the Baby Nutrition business line has also developed blockbuster concepts focused around two marketing platforms: Immunity and Superior Nutrition.

In the Medical Nutrition market, products are oriented primarily towards patients, babies, or the elderly, who consume these products out of necessity in an effort to manage their daily diet. Most products are administered by prescription and are reimbursed. The Medical Nutrition business line works closely with local and regional regulatory authorities, doctors, scientists, medical personnel in hospitals and clinics and pharmacists. In Medical Nutrition, the reputation of the brands of the Group is positive, in particular with regards to the *Nutricia* brand (which covers a broader portfolio of sub-brands commercialized in several countries), as well as the SHS brand.

Danone's operating companies in each business line and geographic market are responsible for developing their own advertising, promotional and sales strategies adapted to local consumer patterns. The operating companies use shared and solid foundations for their strategies that are optimized across product lines and geographic areas by dedicated central organizations. In order to ensure (i) coherence of retailing strategies within the Group, (ii) a sharing of marketing know-how and (iii) an optimization of promotional costs, the Group has a

Director in charge of coordinating commercial retail strategies and initiatives as well as a policy of ensuring that strategic principles and initiatives extend across product lines and geographic areas.

Lastly, direct marketing, which aims at creating direct contact with consumers is based in France on a centralized database, which contains approximately four million French households and which allows the Group to regularly communicate with its consumers through personalized mailing campaigns that are adapted to consumer profiles. The marketing initiative "*Danone et vous*" (Danone and you) is a communication mechanism (outsourced by the Group since the end of 2008) that aims to supply consumers with more information, advice and transparency with respect to their food products. This program includes, notably, an annual guide devoted to nutrition and health and a *"Danone et vous"* magazine focused on families with children, as well as a dedicated Internet site.

Competition

The Group's competitors in its respective businesses include (i) large international food and beverage groups, such as Nestlé, PepsiCo., Coca-Cola or (ii) large groups in medical nutrition and baby nutrition such as Abbott, or (iii) smaller companies that are specialized in certain product lines or certain markets, or (iv) food retailing chains offering generic products or their own private label products.

The food and beverage sector is highly competitive due to the large number of national and international competitors. Management believes that the Group's strategy to maintain and improve its profitability is based on the quality, health benefits, convenience, affordability and availability, as well as on innovative aspects of the Group's products and the strong image associated with its brands in the important areas of health, nutrition and food safety. Management believes that success in this industry is achieved through strong local market positions, and therefore the Group seeks to be the market leader in each country where it operates. This strategy allows for a long-lasting, balanced and constructive relationship with major distribution networks, by marketing key products yielding growth and profitability.

- In Western Europe, given that markets tend to be relatively mature, competition for market share is particularly intense. The Group's strategy is to differentiate itself from its competitors by marketing innovative, value-added products that respond to a growing consumer demand for health-oriented/well-being food products. This effort is reinforced by significant advertising based on a portfolio of concentrated brands.
- In North America, the food and beverage markets are relatively mature and competition is intense. In competition with other large food and beverage groups, Danone has based its strategy on its experience of the management of value-added, health-oriented products and its ability to market locally its diverse global product lines.
- In the Rest of the World, essentially in emerging countries, competition in the Group's business lines is high. This is due to the presence of local competitors who usually market products at very low prices, and also due to the efforts of international competitors to penetrate or increase their activities in these high potential markets. The Group's strategy consists of targeting these areas by marketing quality and affordable products that bring health through food to the largest number of people.

Local Economic Impact on Emerging Economies

The Group has set up operations in many emerging countries, with local production to meet domestic demand.

The subsidiaries in developing countries benefit from training programs, technology transfer and modern industrial equipment. The transfer of know-how is facilitated by Danone Research, the organization that regroups all of the Group's worldwide Research and Development resources and that works in collaboration with various satellite organizations spread over several continents. Emphasis is put on innovation with regard to products, quality control and production processes.

The Group's activities in a country bring work to numerous local producers and suppliers of goods and services, with which the Group seeks to initiate long-term relationships to ensure supplies that meet its standards in terms of quantity and quality. In addition, the Group's industrial activities cause suppliers of specialized equipment (packaging machines, etc.) to establish a permanent presence in the countries where the Group operates, and facilitate the formation of teams that work, for example, with milk producers on the feeding of their cow herd and their rearing methods, etc.

Information Technology

Several years ago, the Group established an information systems organization, which allows the optimization and rationalization of investments in information technology while taking advantage of global synergies.

Project Themis. The Group continues the process of implementing an integrated information system *(Themis)* through an SAP framework.

In 2008, *Themis* was introduced in Algeria for the Fresh Dairy Products business line, and in Germany for the Waters business line. In addition, in 2008, the *Core Model* of *Themis* was extended to the Baby Nutrition and Medical Nutrition business lines in order to prepare for its deployment in these Business Lines over the course of 2009.

In 2008, *Themis* was implemented in subsidiaries representing nearly 60% of consolidated sales (based on the Group's new scope of consolidation).

Research and Development. In research and development, the *Artemis* system offers, in one device, all of the nutritional and food safety information related to the ingredients used by Danone, as well as a tool to support product formulation. This system allows research and development teams to accelerate the phases of conception, their market introduction and to ensure product launches.

Artemis is widely used in the Fresh Dairy Products business line, as well as in France with respect to the Waters business line. In 2008, the scope of *Artemis' Core Model* was extended to the Baby Nutrition and Medical Nutrition business lines in order to prepare its deployment in these Business Lines over the course of 2009.

Supply Chain. For several years, the Group has been optimizing its procurement and supply chain, with the goal of improving upstream efficiency as well as collaboration with its suppliers. With respect to the supply chain, the Group offers to its suppliers and industrials a range of technological solutions, a transactional platform for exchanging EDI messages for online transfer of documents, from ordering to invoicing *(eSupply Chain).* With respect to the purchasing process, the Group has decided to implement a *Supplier Relationship Management* solution. The goal of this project, which covers the processes for analyzing expenses, selecting suppliers, managing contracts, and analyzing suppliers' performance, is to structure and reinforce the internal procurement processes and the relationship with suppliers. The deployment of this solution will be carried out progressively in the various categories of the procurement organization as of 2009.

Sales and Marketing. Various initiatives have allowed the Group to develop its customer service, in particular:

- the implementation of a new sales force system for local retailers, in particular in Europe and Latin America;
- the analysis by category based on market data;
- the implementation of synchronization systems for product notes relative to the Group's principal clients.

6.2 Principal Markets

The tables below show the Group's activities by business line and geographic area.

Business Lines

The table below shows consolidated net sales and trading operating income by business line for the 2007 and 2008 fiscal years.

	Year ended December 31			
(In € millions, except percentages)		**2007**		**2008**
Net sales				
Fresh Dairy Products	8,299	65.0%	8,697	57.1%
Waters (1)	3,535	27.7%	2,874	18.9%
Baby Nutrition (2) (3)	809	6.3%	2,795	18.4%
Medical Nutrition (3)	133	1.0%	854	5.6%
TOTAL	**12,776**	**100.0%**	**15,220**	**100.0%**
Trading operating income				
Fresh Dairy Products	1,133	66.8%	1,224	54.0%
Waters	480	28.3%	368	16.2%
Baby Nutrition (2) (3)	74	4.4%	489	21.5%
Medical Nutrition (3)	7	0.4%	189	8.3%
Other items	2	0.1%	-	-
TOTAL	**1,696**	**100.0%**	**2,270**	**100.0%**

(1) A portion of the Water business line in China, sold under the Wahaha brand, is no longer fully consolidated since July 1, 2007 (see Note 2.2 of the consolidated financial statements).

(2) Blédina's sales and trading operating income, which were previously consolidated with the Fresh Dairy Products figures, are now integrated in the Baby Nutrition business line. The 2007 comparative figure was therefore modified in order to reflect this change.

(3) In 2007, the Baby Nutrition and Medical Nutrition business lines included 2 months of activity for Numico since it was acquired by the Group on October 31, 2007.

Geography

The table below shows consolidated net sales and trading operating income by geography (Europe, Asia, and the Rest of the World) for the 2007 and 2008 fiscal years.

	Year ended December 31			
(In € millions, except percentages)	**2007**			**2008**
Net sales (1)				
Europe (2)	7,670	60.0%	9,524	62.6%
Asia	1,643	12.9%	1,854	12.2%
Rest of the World	3,463	27.1%	3,842	25.2%
TOTAL	**12,776**	**100.0%**	**15,220**	**100.0%**
Trading operating income (1)				
Europe	1,107	65.3%	1,496	65.9%
Asia	177	10.4%	313	13.8%
Rest of the World	412	24.3%	461	20.3%
TOTAL	**1,696**	**100.0%**	**2,270**	**100.0%**

(1) Net sales or trading operating income of the Group's subsidiaries after elimination of sales between companies belonging to the same area and elimination of inter-region sales.

(2) France represented 23% of net sales in Europe in 2008 (29% in 2007).

Fresh Dairy Products. The principal products in this Business Line are yogurts and similar products. With sales of fresh dairy products in 2008 of over € 8.7 billion, representing approximately 3.2 million tons sold, the Group is the leading producer of Fresh Dairy Products worldwide, with approximately 28% of the world's market share.

Principal Markets. Due to a strong presence in Western Europe, this business line's strategy is to develop business activities in new geographical locations in order to benefit from the more rapid growth of emerging countries. This strategy is accompanied by a constant effort to make the main product lines affordable and with strong added value on functional benefits.

In 2008, the Fresh Dairy Products business line experienced a contrasted growth, which was especially strong in the 1st quarter but slowed down in the 2nd and 3rd quarters. This business line's performance results mainly from certain mature countries and countries in which the Group's presence is more recent.

Sales accounted for 63% of net sales (of which 45% represented sales in Western Europe) and sales in the Rest of the World accounted for 37%.

In Europe, the Group's principal markets for fresh dairy products in Europe are France, Spain, Germany, Italy, the Benelux countries, the United Kingdom, Poland and Russia, which together accounted for slightly more than half of the Group's sales in this Business Line in 2008.

- In France, the Group is the market leader for fresh dairy products with nearly one-third of the total market. The Group markets yogurts and other fresh dairy products principally under the *Danone* brand name. In 2008, France recorded a negative growth in sales despite a slight improvement starting in the second quarter following the launch of several advertising and promotion initiatives.
- In Spain, Danone has a 57.21% interest in Danone SA, Spain's leading producer of Fresh Dairy Products with a share of the Spanish market of 57%. In 2008, this Business Line's operating performance in this market remained stable.
- In Germany, despite a difficult local economic environment, net sales remained stable in 2008.
- In the other Western European countries, the performance of this Business Line in 2008 was marked by the dynamics of the United Kingdom, Italy, and the Netherlands. These countries experienced a strong level of business activity, nearing the levels observed in emerging countries. In the United Kingdom and Italy, where the consumption of yogurts is lower than in other mature countries, the Business Line demonstrated a capacity to innovate, to develop promotional actions and to secure leadership positions, in particular in Italy. The Group also markets its products in (i) Belgium and Portugal where it holds leading positions through locally established production subsidiaries and (ii) in Ireland, Austria, Switzerland, Denmark, Norway, and Sweden through marketing subsidiaries and franchises that sell Danone's product lines. In the Scandinavian countries, growth was particularly strong, notably as a result of the blockbuster focalization strategy.
- In Eastern Europe, the Group is the leading producer of Fresh Dairy Products in Russia, Poland, Hungary, the Czech Republic, Bulgaria, Romania and Turkey. Russia contributed strongly to the region's growth, together with Ukraine, Bulgaria, Slovakia, Turkey and Greece. Although the market is smaller in size, all these countries experienced double-digit growth in 2008. In addition, the Group has a commercial presence in the Baltic States, in Azerbaijan and in Belarus due to an export strategy originating from the production subsidiaries in bordering countries. In 2008, the Group continued its expansion in this region by reinforcing its presence in Kazakhstan.

In the Rest of the World, the Group's principal markets are the United States, Canada, Mexico, Argentina and Brazil, which accounted for more than one quarter of this Business Line's sales in 2008.

- In Latin America, the Group is the leading producer of Fresh Dairy Products in terms of sales and volumes. As such, Danone holds the leading market position in Mexico, Argentina and Brazil. In 2008, this region's growth was led by Argentina and Brazil. Chile and Colombia (where the Group is present due to acquisitions made in 2007), posted positive sales growth in 2008.
- In North America, the Group holds the leading position in the United States, due to the Dannon Company and Stonyfield Farm, the latter being the market leader for organic products in this country. In the United States, this Business Line has posted contrasted growth in the market in 2008, bolstering an exceptional performance with the *Activia* brand, a satisfactory performance with the *Stonyfield* brand, and more irregular performances from other brands. In Canada, where the Group is also the leader, the sales growth was exceptional.
- In the Africa and Middle East region, the Group is the leading producer of Fresh Dairy Products in Saudi Arabia, and is the leader in Egypt as well (where the Group's presence is more recently established), holding a market share of 30%. The Group also has minority interests in major producers of fresh dairy products in Morocco, Tunisia and Israel, which all have leading positions in their respective countries. In addition, the Group reinforced its presence in South Africa in 2008 following the takeover of Mayo, the leading brand in the townships.
- In the Asia-Pacific region, the Group has reinforced its presence in Japan since the acquisition, in 2007, of all of the shares of the joint venture Calpis Ajinomoto Danone (renamed Danone Japan), and has increased its market share in 2008. In Japan, the Company also has a minority interest in Yakult, a listed Japanese group with which the Group entered into a partnership at the beginning of 2004 with the objective of further accelerating the growth of both companies in the functional food market and strengthening their market leadership in probiotics. This partnership led to the launch in India in 2007 of probiotic products within the context of the joint venture with Yakult.
- In China, taking into account the experience gained through the partnerships and the positive reputation developed by its brands, the Group is maintaining its development strategy, through the acquisition, in 2008, of new industrial capacities.
- The Group is also present in Indonesia as well as in Thailand (in this latter country since the creation in January 2007 of a fresh dairy products company named Danone Dairy Thailand).

Principal Brand Names. The Group has developed two lines of probiotic dairy products (known under the names *Actimel* and *Activia*), a line of low-fat products (known under the names *Taillefine*, *Vitalinea,* and *Ser*), and a line of *"fromage frais"* designed for children (known as *Danonino, Danimals* or *Petit Gervais*), as well as a product positioned as the market leader in ultra-fresh anti-cholesterol products (known under the name of *Danacol*).

Driven by health consciousness and numerous scientific discoveries, the probiotic market is one of the most dynamic in the Fresh Dairy Products business line.

As such, *Actimel*, a probiotic dairy product that helps to strengthen the body's natural defenses through daily consumption, has been produced for more than ten years and continues to exhibit growth in sales. Net sales at constant exchange rates and constant scope of consolidation increased by approximately 5% in 2008, reaching nearly € 1.2 billion. The growth of *Actimel* was particularly strong in Eastern European countries in 2008.

Similarly, in the line of probiotic products, *Activia*, a fermented dairy product that, if consumed on a daily basis, helps to regulate slow transit after 15 days of consumption, experienced very strong growth during the last years. Its net sales at constant exchange rates and constant scope of consolidation increased by almost 24% in 2008, reaching € 2.3 billion. The growth of *Activia* has strongly contributed to the Group's growth in sales in 2008 in most regions, including in countries that suffered from a slowdown in growth, like for example in the United States. The success of *Activia* confirms the strength of the Group's blockbuster strategy.

Petit Gervais, the *"fromage frais"* designed for children, is now consumed in over fifty countries and the product line has different names from one country to another: *Danonino, Danimals, Petits Gervais*. The product line is based on a permanent innovative strategy delivering essential nutrients such as calcium and vitamin D for strong bones. Its net sales at constant exchange rates and constant scope of consolidation reached almost € 900 million in 2008.

Danacol, positioned as the leader on the market for ultra-fresh anti-cholesterol products, posted a dynamic performance over the course of the last years by fully embracing the *blockbuster* strategy. Its net sales at constant exchange rates and constant scope of consolidation increased by more than 36% in 2008, reaching nearly € 200 million.

New Products. The dynamism of the Fresh Dairy Products Business Line is closely linked to its ability to continuously introduce new products while trying to develop, as quickly and broad-based as possible, a worldwide market for high-potential products. At the same time, this Business Line has developed itself around two core concepts: affordability and value added. This approach, known as *affordvaluity,* consists in (i) developing specific brands (like for example *Gratka* in Poland) to reach out to categories of consumers with a more limited purchasing power and (ii) with respect to blockbuster products, offering reference products at more affordable prices or under different forms, while still offering the same functional benefits.

In 2008, several launches confirmed the ability of this Business Line to innovate and adapt global concepts to local markets. As such:

- in the United Kingdom and in Spain, the Group respectively launched *Activia "intensely creamy"* and *Activia Drink*, two extensions of the *Activia* range of products;
- in Poland, Slovenia and Austria, the Group launched *Danacol*.

In Bangladesh, the Group partnered up with Grameen in 2006 to create a humanitarian company known as Grameen Danone Foods Limited. The purpose of this initiative is to offer healthy foods to populations in Bangladesh that are in need and are suffering from specific nutritional deficiencies, and to contribute to the reduction of poverty through the implementation of a unique local business model, thereby developing employment and the initiative in the local community.

Market Trends. Overall, the market for Fresh Dairy Products on a worldwide basis has grown steadily over the past several years.

This market has grown continually in certain countries of Western Europe, driven by the innovation and the Business Line's ability to develop pre-existing growth models. In the other more mature markets in Western Europe, the Business Line is working hard on improving consumers' perception of prices and the superiority of its brands in order to adapt to the evolution of consumer trends.

In Eastern European countries, Africa and the Middle East, the Business Line has continued to follow its geographical expansion strategy through acquisitions, the development of industrial installations, or exports from bordering countries.

In Latin American countries, the strategy consists of implementing a production and distribution system that is located closer to consumers. In North America, the Business Line has experienced significant acceleration of its sales over the past year in the Canadian market.

The Group believes that its ability to innovate and to renew existing product lines, as well as its sales power and its distribution networks will enable it to reinforce its position in this market. In addition, within the framework of an economic transition, the Group will make every effort to improve, in particular, the accessibility to its products while contributing added value for the benefit of its consumers, by keeping with its mission of bringing health through food to the largest number of people.

Waters. The Waters business line includes activities focused on natural or flavored mineral water and on fruit-flavored or tea drinks, with a positioning concerned with health benefits. In 2008, net sales of the Waters business line were € 2.9 billion, of which 47% were in Europe, 31% in Asia and 22% in the Rest of the World. At constant exchange rates and constant scope of consolidation, the volume of sales in 2008 in emerging countries increased, representing 52% of net sales as compared with 48% in industrialized countries (in particular in Western Europe, Canada, the United States, and Japan).

The Waters business line had a difficult year in 2008, highlighted by a bipolarization of its geographical regions. In Western European countries and in North America, the sales in this Business Line posted a strong drop in growth, due in particular to unfavorable weather conditions, environmental concerns and the beginning of the economic crisis. In the Rest of the World, growth sustained, particularly as a result of this Business Line's ability to improve its brands, of its expertise in local commerce, and of concerns harbored by consumers who rather act safely in the absence of drinkable water in certain countries.

The Group is the second leading producer of Packaged Water in the world, with two of the five leading brands of bottled water in the world (*Evian* and *Volvic*) as well as the leading brand of Packaged Water in the world (*Aqua* in Indonesia). With approximately 18 billion liters of Packaged Water sold in 2008, the Group has a market share of approximately 11%. The Group is also the second largest producer of Packaged Water in Europe and a major actor of Packaged Water in Asia-Pacific and Latin America.

Principal Markets and Brand Names. The Group maintains strong market shares in Western Europe, where there is a long tradition of consumption of still and sparkling bottled water.

- The Group's principal market for bottled water is France, where the Group holds more than 28% of the market, mainly through its *Evian, Volvic, Badoit,* and *La Salvetat* brands.
- The Group is also the leading producer of bottled water in Spain, holding close to 31% of the Spanish market through its *Lanjarón*, *Font Vella* and *Fonter* brands.
- In the United Kingdom and in Ireland, the Group has a leadership position with a market share of more than 38% thanks to its *Evian* and *Volvic* brands.
- In Germany, the Group has a market share of almost 8%. In Denmark, through its 49% interest in Aqua d'Or*,* the Group is the leader in bottled still water.
- In Poland, the Group is the market leader through its subsidiary Zywiec Zdroj with a market share of more than 29%. The Group is present in Turkey through its subsidiary, Danone Hayat.
- In the North Africa and Middle East region, the Group is present in Morocco, where it acquired in 2001, in collaboration with the Moroccan conglomerate ONA, a 30% interest in Sotherma, one of the leaders in the bottled water market in this country.
- In Latin America, the Group is the market leader in Packaged Water. The Group is also the leader in Mexico. In the latter, the Group is present in the bottled water market through its *Bonafont* brand, while being a major player in the HOD water market. In addition, through the 2008 acquisition of Icoara in Brazil, the Group gave itself the means to extend the success of the *Bonafont* brand's growth model to this country. In Argentina, the Group is the leader in the bottled water market with the *Villa del Sur* and *Villavicencio* brands and is the market leader in Uruguay with the *Salus* brand.

- In North America, the Group is present in the United States in the premium bottled water market through its brand *Evian*, which is also sold in Canada. In addition, the Group, while holding the leading position in the bottled water market in Quebec, is negotiating as at the end of 2008 the disposal of its subsidiary Danone Naya.
- In the Asia-Pacific region, the Group is a major player in Packaged Water. In Indonesia, the Group holds a 74% interest in *Aqua*, which is by far the leader with more than 50% of the market. A significant part of its revenue is achieved through the sale of water in large containers. In 2008, the brand name *Aqua* had the leading position in the worldwide Packaged Water market with more than 6 billion liters of water sold.
- In China, the Group has a significant position with the *Robust* and *Health* brands, selling source water from the South of China. In this country, the *Mizone* brand (not sold to Suntory Limited and also distributed in Indonesia) was successfully reintroduced in a dynamic energy waters market. The Group is also present in China through its Wahaha Subsidiaries, which have been accounted for by the equity method since July 1, 2007.
- In Japan, in September 2002, the Group entered a partnership agreement with the Mitsubishi and Kirin Beverage Corp. group, one of the leaders in the Japanese beverage market, with the aim of accelerating growth of the *Volvic* brand in Japan and participating in the growth of the domestic Water business line of the market. The Group is the leader by value in the bottled water market in Japan and has a dominant position in the "premium" business line with its imported water brands *Volvic* and *Evian* (for which a distribution agreement was signed in 2008 with Itoen). In Australia and New Zealand, the Group withdrew from the non-alcoholic beverages market through the sale of its subsidiary Frucor to Suntory Limited, finalized in February 2009.

New Products. The Group's strategy focuses on the large brands of natural mineral water by developing drinkable, natural and hydrating high added-value products. Innovations have been developed around this focus by highlighting the specific qualities of its brands: elimination, purity, naturality, and mineral richness. This new strategy, baptized "DNH" (Drinkable, Natural and Hydrating) has contributed to the growth of the business line, confirming the Group's capacity to respond to the evolution of consumer trends and to improve its brands through two marketing platforms: elimination and replenishment.

Therefore, through their mineral composition and purity, the brands *Bonafont* in Mexico and more recently in Brazil, *Font Vella* in Spain, *Villa del Sur* in Argentina and *Zywiec* in Poland focus their advertising on the elimination benefits of natural water.

- The brands Evian and Volvic in France, Lanjarón in Spain, Villavicencio in Argentina, based on their origins, focus their advertising on the replenishment benefits of natural water.
- Lastly, the market for diet Waters regroups the brands *Taillefine* in France and *Ser* in Argentina, where a powder-form version of this product was launched in 2008.
- In 2008, innovations were focused on reducing packaging. In many countries, bottles are composed of recycled PET up to levels of 25%.

Market Trends. Given the bipolarization of its markets, the Waters business line will pursue in 2009 a dual strategy.

- In mature countries, Packaged Water faces several constraints including, in particular, (i) competition from distributors' brands and tap water, in terms of price and practicality, and (ii) ecological attacks concerned with the preservation of the environment.

  In mature countries, the Group will continue to reinforce the positioning of its brands and their value added as perceived by consumers. In addition, in 2008 the Group evaluated its carbon footprint and initiated a program of diversified action over three years (reduction of packaging, actions undertaken on sites in humid zones), which, among others, should lead to Evian having a neutral carbon footprint by the end of 2011.
- In emerging countries, the Business Line's strategy will consist of accelerating its growth model, in particular by drawing heavily from its experience in local commerce and by implementing the elimination marketing platform in geographical regions where this platform is not yet utilized (and in doing so, following the example of Brazil where the *Bonafont* brand was launched at the end of 2008).

Baby Nutrition. This Business Line's business activities consist of mainly producing food for newborns and babies (powder-form milk, growing up milk). It also offers a more diverse range of products for children aged 18 to 36 months. With net sales of € 2.8 billion in 2008, the Group became the second largest producer worldwide in the Baby Nutrition market since the acquisition of Numico in 2007.

In 2008, the Baby Nutrition business line had an exceptional year in all areas: (i) superior growth in sales and in the operating margin, (ii) market share gains in its main countries, in particular in China, and (iii) completion of the synergies between Numico and the rest of the Group.

The Business Line has therefore succeeded in maintaining a strong level of growth while also succeeding in integrating the business activities of Numico with those of Blédina.

Principal Markets and Brand Names. Sales in the Baby Nutrition business line are achieved through sales in Europe, representing 67% of the total, in Asia, representing 28% of the total, and in the Rest of the World, representing 5% of the total.

In Europe, the Group's principal markets are France, the United Kingdom, Italy, Poland, and Russia.

- In France, the Group is the market leader in Baby Nutrition products through its *Blédina* brand. In 2008, the performance of this market remains higher than the average growth of the French market, highlighted by a rising market share to over 47%.

- In the United Kingdom and Ireland, the Group is the leader with market shares of approximately 40% and 60% respectively. The United Kingdom continued its double-digit growth by developing the *Aptamil* brand, while maintaining its leadership position through the *Cow&Gate* brand.
- In the other Western European countries, in particular in the Netherlands, Italy, Belgium, Switzerland, Portugal, and Greece, the Group is locally either the leader or positioned as second.
- In Eastern European countries, the Group is by far the leading player in the region. It is the leader in Poland, Hungary, the Czech Republic, and in Slovakia. The Business Line's performance in Poland has continued to grow in 2008, reaching a market share of nearly 50%.
- In the Asia-Pacific region, the Group is positioned as the second player in the Baby Nutrition market with the *Dumex* brand. The Group's presence in Asia, where 28% of its net sales are achieved, has contributed strongly to this Business Line's exceptional performance in 2008 and confirms the Group's leadership in the region's main countries. In this region, the Group benefits from a solid portfolio, resulting from, in particular, leading position in China, Indonesia, Malaysia, and Thailand.
- In Latin America, the Group is present in Brazil and Argentina, where it posted powerful growth in 2008.
- In the North Africa and Middle East region, the Group is primarily present in Morocco, Tunisia, and Algeria, where it is locally either the leader or positioned as second. In Turkey, the Group is the leader of the market as it holds over two thirds of total market share.

New Products. In 2008, the Business Line reinforced the position of its brands around two platforms *(Immunity and Superior Nutrition)* by developing *blockbuster* concepts, as proven successful in the Fresh Dairy Products business line. Through this strategy, the Business Line reinforces itself through these two marketing positions and through communication related to health benefits and the packaging of its products.

The Immunity platform continued to demonstrate its potential for growth in all regions, boasting a significant increase in its sales.

In 2008, several product launches confirmed this Business Line's ability to develop global concepts. For instance, in Argentina and Switzerland, the Group launched *Bebelac* in powder-form milk and growing up milk.

Market Trends. The Group's goal is to reinforce its presence in emerging countries in order to benefit from growth opportunities and from these countries' resistance to the global economic slowdown. In the longer term, the Group intends to develop itself through a focus on affordability *(*concept of *affordvaluity)* and to offer more specific products intended to meet a growing demand resulting from, in particular, the development of allergies and risks associated with obesity.

Medical Nutrition. Medical Nutrition develops nutritional products adapted to specific needs, namely those of hospitalized patients, in order to prevent malnutrition and to improve its consumers' daily life. With a net sales figure of approximately € 0.9 billion in 2008, the Group is a major player in the medical nutrition market and occupies a leading position in Europe, due in particular to the strength of its *Nutricia*, *Milupa* and *SHS* brands.

In 2008, the Medical Nutrition business line continued to grow at a dynamic pace, thereby confirming its integration and its role within the Group. Given its activities, the Business Line is less exposed to macroeconomic changes.

Principal Markets Brand Names. Sales in the Medical Nutrition business line is mainly achieved in Europe, representing 82% of total sales, compared to 5% in Asia and 13% in the Rest of the World.

In the medical nutrition market, the Group is the leader in most European countries, as well as in some countries in Latin America and Asia, due to the strength of its *Nutricia* and *SHS* brands.

- In Western Europe, the main countries are the United Kingdom, Germany and France. In the United Kingdom, the Group is a leader due to the strength of its *SHS* and *Fortisip* brands.
- In Asia, China and the export activities of a certain number of countries in Southeastern Asia have contributed strongly to the growth of the Business Line in 2008.
- In the Rest of the World, some Middle Eastern countries have also contributed to the growth of the Business Line in 2008. In Latin America, the Group is mainly present in Brazil and Argentina and positioned as second locally.

New Products. In the Medical Nutrition market, innovation is key. The Group's innovation strategy focuses on the nutritional quality of the products, and their contribution to the diversification of diets. Specific products, enriched for example in protein, prevent malnutrition in the elderly and reinforce the natural defenses of hospitalized patients.

The Business Line started to develop a strategy based on unique brands and aimed at a limited number of brands such as *Neocate*, *Fortimel* and *Respifor*.

In 2008, this Business Line undertook several product launches:

- in Europe, the launch of *Neocate LCP*, an adapted product for newborns' allergies to cow milk;
- the *Fortimel* line of products was expanded to include a compact formula.

Market Trends. The Group's goal is to increase its worldwide coverage by establishing its presence in new countries and the development of distribution channels. In addition, the Group believes that the medical nutrition market has significant growth potential, in particular due to (i) the aging population of some countries, (ii) increased awareness regarding the role of nutrition in health, (iii) the onset of new illnesses or allergies, and (iv) the increase in the number of diseases detected allowing for earlier treatment of patients. Lastly, if current research aimed at providing support in the treatment of certain diseases or allergies was to lead to commercial successes, such successes could contribute to the growth potential.

7

ORGANIZATIONAL CHART

7.1 Group Description

A presentation of the Group is shown in paragraph 6.1 of the Registration Document.

The Company is a holding company and, as such, receives the profits of its interests. It also performs the functions of management, control, assistance and advisor functions for the group companies and as such receives royalty payments. For more details, see paragraph 20.2 Corporate documents of the Registration Document.

7.2 Simplified Organizational Structure of The Group as of December 31, 2008

The percentages below are the direct or indirect interest percentages of the Company in each of the following companies as of December 31, 2008. The list of consolidated companies can also be found in paragraph 20.1 in Note 32 of the appendices to the consolidated financial statements.

FRESH DAIRY PRODUCTS BUSINESS LINE

EUROPE

- AUSTRIA
  - Danone GmbH 100%
- BELGIUM
  - N.V. Danone SA 100%
- BULGARIA
  - Danone Serdika 100%
- CROATIA
  - Danone 100%
- CZECH REPUBLIC
  - Danone a.s. 100%
- FINLAND
  - Danone Finlande Oy 100%
- FRANCE
  - Stonyfield France 100%
  - Danone 100%
- GERMANY
  - Danone GmbH 100%
- GREECE
  - Danone Greece 100%
- HUNGARY
  - Danone Kft 100%
- ITALY
  - Danone S.p.A. 100%
- IRELAND
  - Danone Ltd. 100%
- NETHERLANDS
  - Danone Nederland B.V. 100%
- POLAND
  - Danone Sp. z.o.o. 100%
- PORTUGAL
  - Danone Portugal S.A. 55.23%
- ROMANIA
  - Danone SRL 100%
- RUSSIA
  - Danone Industria 85%
  - Danone Volga 77.16%
- SERBIA
  - Danone Adriatic 100%
- SLOVAKIA
  - Danone Spol s.ro 100%
- SLOVENIA
  - Danone 100%
- SPAIN
  - Danone SA 57.21%
  - Danone Canaries (Iltesa) 44.92%
- SWEDEN
  - Danone AB 100%
- SWITZERLAND
  - Danone 100%
- TURKEY
  - Danone Tikvesli 100%
- UNITED KINGDOM
  - Danone Ltd. 100%
- UKRAINE
  - Danone 100%
  - Danone Dnipro 100%

THE AMERICAS

- ARGENTINA
  - Danone Argentina S.A. 99.45%
- BRAZIL
  - Danone Ltda. 100%
- CANADA
  - Danone Canada Delisle Inc. 100%
- CHILE
  - Danone Chile 70%
- COLOMBIA
  - Danone Alqueria 61%
- GUATEMALA
  - Danone Guatemala 100%
- MEXICO
  - Danone de Mexico 100%
- UNITED STATES
  - The Dannon Co. 100%
  - Stonyfield Farm 84.23%
- URUGUAY
  - Danone 100%

AFRICA AND THE MIDDLE EAST

- ALGERIA
  - Danone Djurdjura Algérie 100%
- EGYPT
  - Danone Dairy Egypt 100%
- IRAN
  - Danone Sahar 70%
- KAZAKHSTAN
  - Danone 100%
- SOUTH AFRICA
  - Danone Clover 55%
  - Mayo 38.50%
- SAUDI ARABIA
  - Alsafi Danone Company 50.10%

ASIA-PACIFIC

- CHINA
  - Danone China 100%
- INDONESIA
  - Danone 100%
  - PT Danone Dairy Indonesia 70.30%
- INDIA
  - Danone India 100%
- JAPAN
  - Danone Japan 100%
- KOREA
  - Danone Korea 100%
- THAILAND
  - Danone Dairy Thailand 100%

Simplified Organizational Structure of The Group as of December 31, 2008

WATERS BUSINESS LINE

EUROPE

- BELGIUM
  - Danone Waters Beverages Belux 100%
- DENMARK
  - Aqua d'Or 49%
- GERMANY
  - Danone Waters Deutschland 100%
- FRANCE
  - Evian (SAEME) 100%
  - Société d'Exploitation des Activités Touristiques (SEAT) 99.91%
  - Volvic (SEV) 100%
  - Drinkco 100%
- POLAND
  - Zywiec Zdroj 100%
- SPAIN
  - Aguas Font Vella y Lanjarón 78.49%
- SWITZERLAND
  - Evian Volvic Suisse 100%
- TURKEY
  - Danone Hayat 100%
  - Danone Hayat Antalya 100%
- UNITED KINGDOM
  - Danone Waters UK & Ireland 100%

THE AMERICAS

- ARGENTINA
  - Aguas Danone de Argentina 100%
  - Danone Argentina 99.45%
- BRAZIL
  - Danone Water Brazil 100%
- CANADA
  - Danone Naya 100% (2)
- MEXICO
  - Bonafont 100%
  - Aga Pureza 50%
  - Ultra Pura 100%
  - CGA 100%
- UNITED STATES
  - Danone Waters of America 100%
- URUGUAY
  - Salus 94.11%

AFRICA AND THE MIDDLE EAST

- ALGERIA
  - Danone Tessala Boissons 100%

ASIA-PACIFIC

- AUSTRALIA
  - Frucor Beverages 100% (2)
- CHINA
  - Aquarius 50%
  - Danone Premium Brands Trading China 100%
  - Robust 92%
  - Robust Drinking Water 92%
  - Shenzhen Health Drinks 100%
- INDONESIA
  - Aqua 74%
- NEW ZEALAND
  - Frucor 100% (2)

BABY NUTRITION BUSINESS LINE

EUROPE

- AUSTRIA
  - Milupa GmbH 100%
- BELGIUM
  - N. V. Nutricia België 100% (1)
  - Milupa Belgium 100%
- CZECH REPUBLIC
  - Nutricia Deva AS 100%
  - Nutricia AS 100% (1)
- FINLAND
  - Nutricia Baby OY Ltd 100%
- FRANCE
  - Blédina 100%
- GERMANY
  - Milupa GmbH 100% (1)
  - Nutricia Grundstucksverwaltungs Gmbh 100%
  - Central Laboratories Friedrichsdorf Gmbh 100%
- GREECE
  - Numil Hellas S.A. 100% (1)
- HUNGARY
  - Numil Hungary Tápszerkereskedelni Kft. 100% (1)
- IRELAND
  - Nutricia Ireland Ltd. 100% (1)
- ITALY
  - Nutricia Italia S.p.A. 100% (1)
  - Mellin S.p.A. 100%
- KAZAKHSTAN
  - Nutricia Kazakhstan LLP 100%
- LATVIA
  - Nutricia Sia Amaija Latvia 100% (1)
- LITHUANIA
  - UAB Nutricia Baltics 100% (1)
- NETHERLANDS
  - Nutricia Export B.V. 100%
  - Nutricia Nederland B.V. 100% (1)
  - Nutricia Cuijk B.V. 100%
  - Danone Beheer B.V. 100% (1)
  - Danone Research B.V. 100% (1)
  - Danone Trading B.V.100% (1)
- POLAND
  - Nutricia Polska Sp. z.o.o. 50% (1)
  - Nutricia Zaklady Produkcyne Sp. z.o.o. 49.98%
- PORTUGAL
  - Milupa Produção S.A. 100%
  - Milupa Comercial S.A. 100% (1)
- ROMANIA
  - Milupa S.R.L. 100%
- RUSSIA
  - OJSC Istra Nutricia Baby Nutrition 99.69%
  - Nutricia Russia LLC 99.91% (1)
- SLOVAKIA
  - Nutricia Slovakia S.R.O 100% (1)
- SPAIN
  - Numil Nutrición S.R.L. 100%
- SWITZERLAND
  - Milupa S.A. 100%
- TURKEY
  - Numil Turkey TRY 100% (1)
- UKRAINE
  - Nutricia Ukraine LLC 100%
- UNITED KINGDOM
  - Nutricia Ltd. 100% (1)

THE MIDDLE EAST

- IRAN
  - Mashhad Milk Powder Industries Company 60%

THE AMERICAS

- ARGENTINA
  - Kasdorf S.A. 100%
  - Nutricia Bago SA 51% (1)
- BRAZIL
  - Support Produtos Nutricionais Ltda. 100% (1)

ASIA-PACIFIC

- AUSTRALIA
  - Nutricia Australia Pty Ltd. 100% (1)
- CHINA
  - International Nutrition Co. Ltd. Shangai 100%
- INDONESIA
  - PT Sari Husada Tbk 99.97%
  - PT Nutricia Indonesia Sejahtera 100%
  - PT Sugizindo 99.82%
- MALAYSIA
  - Dumex (Malaysia) Sdn. Bhd. 100%
- NEW ZEALAND
  - Nutricia Ltd. 100% (1)
- THAILAND
  - Dumex Ltd. Thailand 98.91%
- VIETNAM
  - Vietnam Nutrition Joint Stock Co. 100%

(1) Belongs to the Baby Nutrition and Medical Nutrition business lines.

(2) Businesses held for sale as of December 31, 2008.

Simplified Organizational Structure of The Group as of December 31, 2008

MEDICAL NUTRITION BUSINESS LINE

EUROPE

- AUSTRIA
  - Nutricia Nahrungsmittel GmbH 100%
- DENMARK
  - Nutricia A/S 100%
- FINLAND
  - Nutricia Clinical OY Ltd. 100%
- FRANCE
  - Nutricia Nutrition Clinique S.A.S. 100%
- GERMANY
  - Pfrimmer Nutricia GmbH 100%
  - SHS Ges. Für Klinische Ernährung GmbH 100%
- NETHERLANDS
  - N.V. Nutricia 100%
- NORWAY
  - Nutricia Norge AS 100%
- SPAIN
  - Nutricia S.R.L. 100%
- SWEDEN
  - Nutricia Nordica AB 100%
- SWITZERLAND
  - Nutricia S.A. 100%
- UNITED KINGDOM
  - SHS International Ltd. 100%

AMERICAS

- UNITED STATES
  - Nutricia North America Inc. 100%

ASIA-PACIFIC

- CHINA
  - Nutricia Pharmaceutical (Wuxi) Co. Ltd 100%.

(1) Belongs to the Baby Nutrition and Medical Nutrition business lines.

(2) Businesses held for sale as of December 31, 2008.

PROPERTY, PLANT AND EQUIPMENTS

8.1 Main Production Sites

The Group operates production facilities located around the world in its principal markets. At December 31, 2008, Danone had 160 production sites, of which (i) 54 are located in Europe, including 12 in France and 10 in Spain, (ii) 50 are in the Asia-Pacific region, including 20 in Indonesia, and (iii) 56 are located in the Rest of the World, including 7 in the United States and Canada, 34 in Argentina, Brazil, Mexico and countries in Latin America and 15 in Africa and the Middle East.

The table below sets forth the total number of the Group's facilities at December 31, 2008 and total production by business line in 2008 for the fully consolidated companies.

Business Line	Number of Plants	Total Production *(in millions of tons or liters)*
Fresh Dairy Products	53	4,830
Waters	84	16,972
Baby Nutrition	20	0.5
Medical Nutrition	3	0.4

The Group's general policy is to own its production facilities. The Group's production facilities are numerous and widely dispersed geographically.

In 2008, the Group's five largest Fresh Dairy Products facilities were located in Argentina, Mexico, Brazil, Saudi Arabia, and Russia, and accounted for approximately 30% of the Group's production of Fresh Dairy Products.

The Group's two largest facilities of bottled water, both located in France, accounted for approximately 16% of the Group's total production capacity for Packaged Water in 2008, and the two most important sources of production of water in large containers, both located in Indonesia, accounted for close to 12% of the Group's total water production capacity.

The Group's largest facility for Baby Nutrition and Medical Nutrition is located in the Netherlands.

Periodic reviews are conducted of the production sites to consider possibilities for improving quality, protection of the environment, safety and efficiency. On the basis of such reviews, management establishes plans for the expansion, specialization, upgrading and modernization or closing of specific sites.

Financial information on tangible fixed assets can be found in section 20.1, Note 6 of the appendix to the consolidated financial statements.

8.2 Environment and Safety

The industrial and environmental regulations and risks are described in Chapter 4 – Risk Factors and Chapter 17 of the Registration Document.

The Environment

The Group's approach with respect to environmental issues is linked to its businesses and its mission. Indeed, the environment and natural raw materials are paramount to the Group's nutritional business activities, as it uses such materials to transform and commercialize products with a strong nutrition/health component.

For many years, the Group sought to improve food safety and the quality of its raw materials. The Group is currently considering the development of sustainable industrial and farming models that respect the environment.

Environmental Expenses and Investments

In 2008, investments geared toward the protection of the environment amounted to approximately € 39 million, representing approximately 5.5% of the Group's total industrial investments.

The four main investment categories are broken down as follows:

- waste, corresponding to 12% (in particular the improvement of collection, storage, and sorting);
- water, corresponding to 30% (treatment of water, purification stations, savings in amounts consumed);
- atmosphere, corresponding to 16% (reduction of greenhouse gas emissions, treatment of odors, smoke, and noise);
- energy, corresponding to 42% (savings in amounts consumed, transitioning toward cleaner sources of energy).

Operating expenses related to the environment amounted to approximately € 93 million in 2008. They include, up to an amount of € 40 million, the management of water, energy, waste and environmental taxes other than contributions on packaging. These latter contributions amounted to € 53 million in 2008.

In addition, the fines, penalties and indemnities paid to third parties relative to the environment were less than € 0.1 million in 2008. No significant provisions for risks and charges related to the environment were recorded in the consolidated balance sheet for the fiscal year ended December 31, 2008.

OPERATING AND FINANCIAL REVIEW

Preamble

Strategic Refocusing. In line with the Group's strategy of refocusing its activities on health, the Group sold all of its Grocery activities, Packaging activities, Cheese and Cured Meat activities, its European Brewing activities, its Sauces activities and lastly in 2007, all of its Biscuits activities (except for its holdings in Latin America and South Asia) between 1997 and 2007.

With the acquisition of Numico in October 2007 (for a total consideration of € 12,189 million), the Group reached a key milestone in its project to become the world leader in health through food, by reinforcing itself on the markets for Baby Nutrition and Medical Nutrition. As such, the year 2007 marked the end of a 10-year period aimed at refocusing the Group on health-related activities.

In 2008, the Group continued to develop itself through a focus on economic affordability and value added *(affordvaluity),* as exemplified by the takeover of Mayo, the leading brand in the South African townships. In addition, the Group has reinforced its recentering with respect to natural mineral waters following the announcement of the disposal of its subsidiary Frucor, a major player in the non-alcoholic beverages market segment in New Zealand and Australia in October 2008.

External Growth. As part of the Group's development strategy, the Group is continuously considering potential acquisitions. The Group may acquire an initial equity interest of less than 100% of the capital in a target company, including, as the case may be, a minority interest, and concurrently enter into agreements with other shareholders allowing the Group to increase its interest over time, obtain effective control, or to become the sole owner of the Company's capital.

Changes in Scope of Consolidation. Changes in the scope of consolidation are described in Note 2 of the appendices to the consolidated financial statements.

The main financial investments for the 2008 fiscal year include:

- the repurchase of the remaining 1.15% of shares of Royal Numico N.V., in which the Group had held 98.85% of all shares since December 31, 2007;
- the acquisition of all shares in Icoara (Waters – Brazil). The company, named Danone Water Brazil, is fully consolidated;
- the takeover of Mayo (Fresh Dairy Products – South Africa) by Danone Clover, the Group's South African subsidiary, following the acquisition of a 70% interest in Mayo. The company, named Mayo Dairy (Proprietary) Ltd, is fully consolidated;
- the takeover of Mashhad Milk Powder (Baby Nutrition – Iran) following the acquisition of a 60% interest. The company is fully consolidated;
- the acquisition of a 49% interest in the joint venture Toeca International Company (Fresh Dairy Products - Netherlands). The company is consolidated under the equity method;
- the acquisition of a 49% interest in a joint venture with Weight Watchers (China). The company is consolidated under the equity method;
- the acquisition of an additional equity interest in Danone Hayat Antalya (Waters – Turkey), thereby increasing the Group's equity holdings from 80% to 100%. The company is fully consolidated;
- the acquisition of an additional equity interest in Salus (Waters – Uruguay), thereby increasing the Group's equity holdings from 58.61% to 94.11%. The company, named Salus S.A., is fully consolidated.

The financial investments of the 2007 fiscal year mainly related to the acquisition of 98.85% of Numico for an amount of € 12,189 million, of all of the shares of the Danone Japan joint venture (Fresh Dairy Products), of an equity interest of 80% in the Danone Hayat Antalya joint venture (Waters – Turkey), of an equity interest of 70% in the Danone Chile joint venture (Fresh Dairy Products), of an equity interest of 51% in the Danone Alqueria joint venture (Fresh Dairy Products – Colombia), as well as the acquisition of an additional equity interest in Danone Industria (Fresh Dairy Products – Russia), thereby increasing the percentage of the Group's holdings to 85% in this company.

The principal divestments for the 2008 fiscal year included:

- the 100% interest in Sources du Mont-Dore en Auvergne, named SMDA (Waters – France), sold in 2008;
- the 100% interest in the companies Milupa Nutricia SAS and SD France SAS (Baby Nutrition – France) sold pursuant to the

request received by antitrust authorities in connection with the acquisition of Numico. This sale, which occurred in June 2008, had no impact on the Group's consolidated result since the assets and liabilities were revalued at their fair value in Numico's opening balance sheet, against goodwill.

The principal divestments in the 2007 fiscal year included the equity interest held in the Danone Springs of Eden BV (HOD – Europe), and Biscuits and Cereal Products business activities, which were entirely divested, with the exception, in particular, of the equity interests held in Latin America (Bagley Latino America), and in India (Britannia Industries Limited).

Foreign Exchange Rate Translation. A significant part of the Group's activities is located outside of France and is denominated in currencies other than the Euro. In 2008, up to 44% of the Group's sales were generated in euros and 56% in other currencies, mainly the American Dollar, the Chinese Yuan, the Mexican Peso and the Russian Ruble. Approximately 59% of the Group's trading operating income was denominated in currencies other than the euro. Consequently, foreign exchange rate fluctuations against the euro could have an impact on the Group's income statement. These fluctuations also have an effect on the value of the consolidated balance sheet of assets and liabilities expressed in currencies other than the Euro.

Seasonality of Sales. Seasonal consumption cycles affect certain of the Group's product markets, which can have an impact on the Group's quarterly and annual results, in particular an increase in the consumption of water during the second and third quarters. As a result, the Group typically records its lowest quarterly net sales during the first quarter of each year. In addition, rainy summers, such as those in Europe in 2007 and in 2008, may negatively impact sales of Packaged Water and, as a result, total net sales. Conversely, warmer temperatures can stimulate demand and thus favorably impact sales (see Chapter 4 – Risk factors).

Other Factors. Other factors affecting the Group's business activities and results of operations include raw material prices (as was the case for milk in 2007), fluctuations in exchange rates, competition, economic conditions and consumer spending power in countries where the Group operates, fluctuations in interest rates, nutritional trends and certain government actions. For more information on how these particular factors may affect Danone's business and results of operations, please refer to Chapter 4 - Risk Factors.

Valuation of Assets. The Group performs a review of long-lived assets for impairment at least once a year. As described in Notes 1.4 and 1.5 of the footnotes to the consolidated financial statements, this review consists of comparing the recoverable value of the assets to their net carrying value. The recoverable value corresponds to the higher of value in use and fair value less costs to sell. In 2008, no impairment charges were recognized on the non-current assets, with the exception of the investments in non-consolidated companies for which unrealized losses that are considered to be significant and/or prolonged are recorded directly in the income statement. In 2008, the Group therefore recorded a value loss accounted for in non-current charges of € 131 million related to non-consolidated equity holdings in the Wimm-Bill-Dann company.

In 2007, the Group had recorded non-current operating expense of € 19 million related to goodwill of Danone Greece (Fresh Dairy Products) and € 8 million in relation to goodwill of Danone Tessala Boissons (Waters – Algeria).

These provisions and depreciations are described in Notes 5 and 8 of the appendix to the consolidated financial statements.

Market Risk Management Policy. The Group's policy consists of (i) minimizing the impact that its exposure to markets risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring and managing such exposure in a centralized fashion, whenever the regulatory and monetary frameworks so allow and (iii) using derivative instruments only for the purpose of economic coverage. Through its Treasury Department, which is integrated in the Financial Management Department, the Group possesses the expertise and tools (trading department, front and back office software) necessary to act on different financial markets following standards generally implemented in first-rate groups. In addition, the Management of the Internal Control Department and Internal Audit Department review the organization and procedures applied. Also, some banking activities are subject to the Banking Commission's supervision. Lastly, a monthly liquidity report is sent to the Group's General Management. The General Management can thus follow the decisions implementing the pre-approved management strategies.

Accounting Principles. The accounting principles followed by the Group for the preparation of its consolidated financial statements are described in Note 1 of the footnotes to the consolidated financial statements. The accounting principles, the application of which requires recourse to certain hypotheses, estimates and judgements and that could possibly have a significant impact on the consolidated financial statements relate to the valuation of intangible assets, investments accounted for under the equity method, deferred tax assets, financial liabilities relating to put options granted to minority stockholders, provisions for risks and liabilities, provisions for commercial agreements and pension liabilities.

9.1 Financial Position

The tables below present the principal components of the consolidated income statement in euro and as a percentage of net sales, as well as the Group's net sales, trading operating income and trading operating margin by business line and geography for each of the years ended December 31, 2007 and 2008.

Consolidated Income Statement

(In € millions, except for percentages expressed based on net sales)	Fiscal year ended on December 31	**2007**		**2008**
Net sales [(1)]	12,776	100.0%	15,220	100.0%
Cost of goods sold	(6,380)	49.9%	(7,172)	47.1%
Selling expenses	(3,498)	27.4%	(4,197)	27.6%
General and administrative expenses	(943)	7.4%	(1,297)	8.5%
Research and development expenses	(121)	0.9%	(198)	1.3%
Other (expense) income	(138)	1.1%	(86)	0.6%
Trading operating income	1,696	13.3%	2,270	14.9%
Other operating (expense) income	(150)	1.2%	(83)	0.5%
Operating income	1,546	12.1%	2,187	14.4%
Cost of net debt	(175)	1.4%	(439)	2.9%
Other financial (expense) income	(2)	-	(145)	1.0%
Income before income taxes	1,369	10.7%	1,603	10.5%
Income taxes	(410)	3.2%	(443)	2.9%
Income from fully consolidated companies	959	7.5%	1,160	7.6%
Income (loss) from companies accounted for by the equity method	87	0.7%	62	0.4%
Net income before income from discontinued operations	1,046	8.2%	1,222	8.0%
Net income from discontinued operations [(2)]	3,292	25.8%	269	1.8%
Net income	4,338	34.0%	1,491	9.8%
-Attributable to the Group	4,180	32.7%	1,313	8.6%
-Attributable to minority interests	158	1.2%	178	1.2%

(1) Net sales are stated net of rebates and discounts, as well as trade support actions that are generally invoiced by customers.
(2) The information related to sold companies in the Biscuits and Cereal Products business line are included in the net income from discontinued operations for all periods presented.

Net Sales, Trading Operating Income, and Trading Operating Margin

	Net Sales		Trading Operating Income		Trading Operating Margin (1)	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**
By Business line						
Fresh Dairy Products	8,299	8,697	1,133	1,224	13.7%	14.1%
Waters	3,535	2,874	480	368	13.6%	12.8%
Baby Nutrition (2) (3)	809	2,795	74	489	9.1%	17.5%
Medical Nutrition (3)	133	854	7	189	5.3%	22.1%
Other elements	-	-	2	-	-	-
Group	**12,776**	**15,220**	**1,696**	**2,270**	**13.27%**	**14.91%**
By Geographical area						
Europe (4)	7,670	9,524	1,107	1,496	14.4%	15.7%
Asia	1,643	1,854	177	313	10.8%	16.9%
Rest of the World	3,463	3,842	412	461	11.9%	12.0%
Group	**12,776**	**15,220**	**1,696**	**2,270**	**13.27%**	**14.91%**

(1) Trading Operating Income as a percentage of net sales.

(2) The net sales and trading operating income for Blédina, which were previously consolidated with the Fresh Dairy Products figures, are now integrated in the Baby Nutrition business line. The 2007 comparative figure was therefore modified in order to reflect this change.

(3) In 2007, the Baby Nutrition and Medical Nutrition business lines included 2 months of data with respect to Numico's business activities since it was acquired by the Group on October 31, 2007.

(4) France represents 23% of net sales in zone Europe in 2008 (29% in 2007).

Net Sales. Net sales for the Group increased by 19.1%, from € 12,776 million in 2007 to € 15,220 million in 2008. This increase is the result of a growth of 8.4% at constant exchange rates and constant scope of consolidation, excluding the positive effect of changes in the scope of consolidation (+14.2%) and the negative effect of fluctuations in currency exchange rates (-3.5%). The internal growth of 8.4% achieved in 2008 is the result of an increase in net sales volumes of approximately 2.8% and of an increase in value growth for 5.6%.

The effect of changes in the scope of consolidation primarily resulted from inclusion of 12 months of data with respect to Numico's business activities in 2008 compared to 2 months in 2007, following its acquisition by the Group on October 31, 2007.

Geographically, the growth at constant exchange rates and constant scope of consolidation achieved in 2008 was driven by Asia and the Rest of the World, by achieving growth rates of 16.3% and 13.2%, respectively. Growth in Europe amounted to 5.1% at constant exchange rates and constant scope of consolidation.

Cost of Goods Sold. Cost of goods sold corresponds to production costs (which essentially include the cost of raw materials in food and packaging), industrial labor as well as the amortization of production machinery. The cost of goods sold increased by 12.4%, from € 6,380 million in 2007 to € 7,172 million in 2008. As a percentage of net sales, the cost of goods sold decreased from 49.9% in 2007 to 47.1% in 2008, representing a decrease of 280 basis points. This decrease results from price increases that occurred up until the 1st quarter of 2008 and from the Group's policy to optimize its use of ingredients and packaging, thus resulting in productivity gains.

Selling Expenses. Selling expenses are comprised of advertising and promotional expenses, distribution costs and sale forces overhead costs. Selling expenses increased from € 3,498 million in 2007 to € 4,197 million in 2008, representing 27.4% and 27.6% of net sales in 2007 and 2008, respectively. This increase results from the Group's strategy consisting of extending its distribution area by multiplying its sales outlets and locating them closer to its consumers, while reinforcing the availability and accessibility of its products, in particular in emerging countries. In 2008, advertising and promotion spend remained relatively stable as a percentage of net sales.

General and Administrative Expenses. General and administrative expenses increased in 2008 to reach € 1,297 million compared to € 943 million in 2007. They represent 8.5% of net sales in 2008 compared to 7.4% of net sales in 2007, due to a mix effect associated with the Group's new activities.

Research and Development Expenses. Research and development expenses, representing 1.3% of net sales in 2008, increased by € 77 million and totaled € 198 million in 2008 compared to € 121 million in 2007. This increase results mainly from the Group's refocusing on activities with a strong research and development component.

Other Income and Expense. Other income and expense amounted to € 86 million in 2008 compared to € 138 million in 2007. The breakdown is as follows:

(In € millions)	**2007**	**2008**
Employee profit-sharing	(106)	(99)
Stock-based compensation	(10)	(21)
Capital gains resulting from the sale of tangible or intangible assets	72	99
Restructuring costs	(55)	(39)
Other	(39)	(26)
TOTAL	**(138)**	**(86)**

The capital gains from the sale of tangible and intangible assets resulted mainly from the sale of real estate or non-strategic brands.

Trading Operating Income. Trading operating income increased by € 574 million, from € 1,696 million in 2007 to € 2,270 million in 2008.

Trading operating margin increased by 164 basis points, from 13.27% in 2007 to 14.91% in 2008. At constant exchange rates and constant scope of consolidation, the trading operating margin grew by 53 basis points. This increase, supported by synergies achieved with Numico, by productivity gains, and by the optimization of fixed costs, occurred in spite of increases in product prices that transpired mostly over the course of the first quarter of 2008.

Other Operating (Expenses) Income. In 2008, the other operating income and expenses amounted to an expense of € 83 million and mainly included costs incurred in connection with the acquisition of Numico, the reversal of the provision for the VEB litigation accounted for against goodwill in Numico's accounts (following the signing of the agreement with the Dutch Association of Shareholders "VEB"), as well as incurred or estimated costs related to various legal disputes.

In 2007, the other operating expenses amounted to € 150 million and mainly included the restructuring and integration costs incurred in connection with the acquisition of Numico for € 88 million, as well as the impairment charge of € 19 million relating to the goodwill of Danone Greece (Fresh Dairy Products).

Operating Income. The operating income increased by € 641 million, from € 1,546 million in 2007 to € 2,187 million in 2008. The operating margin grew by 230 basis points, from 12.1% to 14.4%, mainly due to the lower impact in 2008 of costs resulting from the acquisition of Numico and to the capital gains achieved from the sale of assets during the fiscal year.

Cost of Net Debt. The cost of net debt increased from € 175 million in 2007 to € 439 million in 2008, and is broken down as follows:

(In € millions)	**2007**	**2008**
Interest expense	(307)	(497)
Interest income	132	58
TOTAL	**(175)**	**(439)**

In 2008, the increase in interest expense resulted from the inclusion, with respect to the full fiscal year, of the Group's indebtedness following the acquisition of Numico (see paragraph 10.1 – Net debt). The decrease in interest income is mainly due to the decrease in the Group's excess cash, determined over a 12-month period, which also occurred consecutively to the acquisition of Numico.

Other Financial Income and Expenses. The other financial expenses amounted to € 145 million in 2008 compared to € 2 million in 2007. This increase is mainly due to the impairment charge recognized in 2008 on the non-consolidated investment in Wimm-Bill-Dann for € 131 million (refer to Note 23 of the appendix to the consolidated financial statements).

Income Taxes. The Group's income taxes increased from € 410 million in 2007 to € 443 million in 2008. The decrease in the effective tax rate, representing 27.6% in 2008 compared to 29.9% in 2007, is mainly the result of variations in the scope of consolidation, of a decrease in tax rates in markets where the Group is present, of a positive combination of individual tax rates observed in the countries where the Group is present, and of a positive country mix (refer to Note 24 of the appendix to the consolidated financial statements). Excluding non-current items, the effective tax rate was 23.5% in 2008 compared to 27.0% in 2007. A comparison between the statutory tax rate in France and the effective tax rate of the Group is detailed in Note 24 of the appendix to the consolidated financial statements.

Income of Equity-Accounted Affiliates. The income from equity-accounted affiliates can be broken down as follows:

(In € millions)	**2007**	**2008**
Group's share in net income	91	91
Impairment charge	-	-
Gain on disposal and others	(4)	(29)
TOTAL	**87**	**62**

Net Income from Discontinued Operations. In 2008, this item mainly included the additional income received as a result of the disposal of the Group's equity holdings in the Generale Biscuit Glico France joint venture. In 2007, this item included the net income of the Biscuits and Cereal Products activities during that period, as well as the net capital gain of € 3,105 million from the disposal of these activities.

Net Income Attributable to the Group. The net income attributable to the Group amounted to € 1,313 million in 2008 compared to € 4,180 million in 2007. The reconciliation of the net income attributable to the Group to the current net income attributable to the Group is presented in the table below:

(In € millions)	**2007**	**2008**
Net income attributable to the Group	**4,180**	**1,313**
- Non-current net income attributable to the Group	2,995	-
Underlying net income attributable to the Group	**1,185**	**1,313**

The zero balance posted in 2008 in the line for non-current net income attributable to the Group includes (i) the non-current net income from continued activities in the negative amount of € 269 million (mainly refer to items above under "other income and expenses," whether operating or financial), as well as (ii) the net income from discontinued operations for an amount of € 269 million. The net income from discontinued operations is mainly associated with the additional income received as a result of the disposal of the Group's equity stake in the Generale Biscuit Glico France joint venture.

Net Income per Share. The diluted net income per share attributable to the Group changed from € 8.71 per share in 2007 to € 2.74 per share in 2008. Excluding non-current items recorded in 2007 and 2008, the underlying diluted net income attributable to the Group per share went from € 2.47 per share in 2007 to € 2.74 per share in 2008, representing an increase of 15.1% as compared with the "pro forma" net income per share (the "pro forma" notion is explained in the 2007 Registration Document, in paragraph 20.1, Note 2.2 of the appendix to the consolidated financial statements).

Net Sales, Trading Operating Income, and Trading Operating Margin by Business Line

Fresh Dairy Products. Net sales for the Fresh Dairy Products business line increased from € 8,299 million in 2007 to € 8,697 million in 2008, a 4.8% increase. At constant exchange rates and constant scope of consolidation, net sales of this Business Line increased by 7.7% in 2008. This internal growth results mainly, for 8.3% of its total, from a value growth effect associated with a relative stability in volumes growth (-0.6%). This increase, which was in particular driven by four blockbuster product lines *(Activia*, *Actimel, Vitalinea* and *Danonino)* and reinforced by the positive effects associated with the consolidation of Danone Japan and Danone Chile, in which the Group obtained control in April 2007 and September 2007, respectively.

The performance achieved in 2008 once again demonstrates this business line's ability to innovate and expand the scope of its brands and blockbusters, whether geographically (in countries with strong growth) or by the introduction of new products. As such, the probiotic line *Activia* continued to display growth rates in net sales of nearly 24% at constant exchange rate and constant scope of consolidation and represented net sales of € 2.3 billion in 2008. Similarly, net sales of *Actimel* recorded a growth of approximately 5% at constant exchange rate and scope of consolidation and represented net sales of nearly € 1.2 billion in 2008.

Trading operating income increased from € 1,133 million in 2007 to € 1,224 million in 2008 and the trading operating margin increased from 13.7% in 2007 to 14.1% in 2008. Despite the sharp increase in the cost of raw materials, this Business Line improved its trading operating margin due to price increases that occurred up until the end of the first quarter of 2008, productivity gains achieved, and the improvement of the product mix with more focus on the blockbuster product lines, in particular *Activia*.

Waters. Net sales for the Waters business line went down from € 3,535 million in 2007 to € 2,874 million in 2008, representing a decrease of 18.7%. At constant exchange rates and constant scope of consolidation, the net sales for this Business Line increased by 1.9% in 2008. This internal growth, for 5.3% of its total, results from an increase in the volumes sold, offset in part by a negative value effect (-3.4%). It was, in particular, driven in 2008 by the dynamism of emerging countries, namely Indonesia, Mexico and Argentina, which recorded double-digit growth, and by China. In mature countries, in particular in France, Spain and the United Kingdom, unfavorable market conditions lead to a slowdown in growth with a negative value effect.

The trading operating income dropped by approximately 23%, from € 480 million in 2007 to € 368 million in 2008, and the trading operating margin decreased from 13.6% in 2007 to 12.8% in 2008. This decrease in the trading operating margin mainly results from productivity losses incurred in particular in Europe.

Baby Nutrition. Net sales for the Baby Nutrition business line went from € 809 million in 2007 to € 2,795 million in 2008. Blédina's net sales, which used to be consolidated with the net sales of the Fresh Dairy Products business line, are now integrated in the Baby Nutrition business line. The 2007 comparative figure, corresponding to 2 months of activity since the acquisition of Numico on October 31, 2007, was therefore modified in order to reflect this change. At constant exchange rates and constant scope of consolidation, the net sales of the Business Line increased by 17.0% in 2008. This internal growth, for 7.9% of its total, results from a growth in the volumes sold and, for the remaining 9.1%, from a growth in value. The internal growth was, in particular, driven by (i) price increases applied to compensate for the increase in the price of milk, (ii) market share gains, in particular in China, and (iii) an unusually low net sales figure in the month of December 2007.

This Business Line's trading operating income increased from € 74 million in 2007 to € 489 million in 2008, which now includes the trading operating income of Blédina, and that was previously consolidated with the trading operating income of the Fresh Dairy Products business line. The trading operating margin went from 9.1% to 17.5%, mainly due to the achievement of synergies with Blédina and to productivity gains.

Medical Nutrition. The net sales for the Medical Nutrition business line increased from € 133 million in 2007 to € 854 million in 2008. This Business Line's net sales figure in 2007 corresponds to 2 months of activity since the acquisition of Numico on October 31, 2007. At constant exchange rates and constant scope of consolidation, the Business Line's net sales increased by 12.7% in 2008. This internal growth, for 13.6% of its total, results mainly from a volume growth. This growth was, in particular, driven by the dynamism of most regions and all categories of products contributed to the performance of the Business Line with results that were especially high in the "Allergy" and "Paediatrics" categories.

The trading operating income of the Business Line increased from € 7 million in 2007 to € 189 million in 2008 and the trading operating margin went from 5.3% in 2007 to 22.1% in 2008. This increase in the margin results mainly from the achievement of synergies with Blédina and the improvement of operating performances.

Net Sales, Trading Operating Income and Trading Operating Margin by Geography

Europe. Net sales in Europe increased from € 7,670 million in 2007 to € 9,524 million in 2008, representing an increase of 24.2%. At constant exchange rates and constant scope of consolidation, net sales increased by 5.1%, and France, the contribution of which decreased in 2008, represented € 2,164 million, or approximately 23% of the total for the region. In 2008, growth in Europe was primarily driven by the performances of countries in Eastern Europe, which was in particular carried by the sharp growth of the baby nutrition markets in Russia and Poland.

Trading operating income increased from € 1,107 million in 2007 to € 1,496 million in 2008 and trading operating margin increased from 14.4% to 15.7%. This increase can, in particular, be explained by the achievement in 2008 of synergies within the Baby Nutrition and Medical Nutrition business lines.

Asia. Net sales for this region grew from € 1,643 million in 2007 to € 1,854 million in 2008, representing an increase of 12.8%. At constant exchange rates and constant scope of consolidation, net sales have increased by 16.3%, with strong contributions from China and Indonesia.

The trading operating grew from € 177 million in 2007 to € 313 million in 2008, and the trading operating margin increased from 10.8% to 16.9%. This increase results mainly from the improvement in operating performances, in particular within the Waters (in Indonesia) and Baby Nutrition (in China) business lines.

Rest of the World. Net sales, which mainly include the activities of the Group in North and South America, the Middle East, and in Africa, increased from € 3,463 million in 2007 to € 3,842 million in 2008, representing an increase of 10.9%. At constant exchange rates and constant scope of consolidation, net sales increased by 13.2%, with high growth in all of the countries of the region, with the exception of Mexico and the United States.

The trading operating income was € 412 million in 2007 as compared with € 461 million in 2008. The trading operating margin remained stable at 12.0% in 2008.

9.2 Operating Income

The components of the operating result, as well as the non-current items that have impacted its evolution, are described in paragraph 9.1.

LIQUIDITY AND CAPITAL RESOURCES

10.1 Net Debt

The table below shows the changes in the Group's net debt:

(In € millions)	As of December 31, 2007	Change for the year	Transfer to current portion	Translation adjustments	Other	As of December 31, 2008
Cash and cash equivalents	548	62	-	(10)	(9)	591
Marketable securities	493	(63)	-	4	7	441
Total cash, cash equivalents and marketable securities	**1,041**	**(1)**	**-**	**(6)**	**(2)**	**1,032**
Current financial liabilities	2,447	(1,901)	109	(25)	22	652
Non-current financial liabilities	9,855	1,338	(109)	53	298	11,435
Total financial liabilities	**12,302**	**(563)**	**-**	**28**	**320**	**12,087**
NET DEBT	**11,261**	**(562)**	**-**	**34**	**322**	**11,055**

The Group's consolidated net debt decreased by € 361 million (excluding the debt in the amount of € 2,700 million in 2007 and of € 2,855 million in 2008 related to put options granted to minority shareholders) and went from € 8,561 million as of December 31, 2007 to € 8,200 million as of December 31, 2008. Nevertheless, the net debt to total shareholders' equity ratio amounts to 127.1% in 2008 compared to 123.7% in 2007. This increase resulted mainly from a reduction in the amount of shareholders' equity originating from the unfavorable fluctuation in currency exchange rates. Excluding the debt related to put options granted to minority interests, this ratio amounts to 94.3% in 2008 compared to 94.1% in 2007.

The "Other" column mainly relates to changes in the debt related to put options granted to minority shareholders (refer to Note 16 of the appendix to the consolidated financial statements).

Financial Debt

The financial debt is composed of the following:

(In € millions)	As of December 31 2007	2008
Bank loans, bonds, and other debt	9,602	9,232
Financial debt related to put options granted to minority shareholders	2,700	2,855
TOTAL	**12,302**	**12,087**

The line item "Bank loans, bonds, and other debt" mainly includes (i) the portion drawn from the syndicated credit line (concluded to refinance the Numico acquisition) totaling € 2,490 million, (ii) EMTN (Euro Medium Term Notes), or bonds issued as part of the annual program established by the Company and its subsidiary Danone Finance to issue EMTN, for an amount of € 4,286 million, (iii) commercial paper, issued within the framework of the French commercial paper *(Billets de trésorerie)* program of Danone Finance, amounting to € 1,563 million (see paragraph 10.3) and (iv) bank financings in subsidiaries amounting to a total of € 649 million.

The line item "Financial debt related to put options granted to minority shareholders" corresponds to the exercise price of the put options granted to minority stockholders in certain consolidated companies. The main commitment relates to the minority shareholders of Danone Spain for an amount of € 2,295 million. These options can be exercised at any time. No financial investment is currently being considered as probable in the short term with respect to these options (refer to pragraph 20.1 in the Note 16 of the appendix to the consolidated financial statements).

Cash, Cash Equivalents and Marketable Securities

Marketable securities amounted to € 441 million in 2008 (against € 493 million as of December 31, 2007) and are composed of (i) commercial paper and other short-term investments (€ 421 million as of December 31, 2008 compared to € 473 million as of December 31, 2007) and (ii) money market funds (€ 20 million as of December 31, 2008 and 2007). As of December 31, 2008, the amount of cash and cash equivalents and marketable securities remained stable compared to December 31, 2007.

Marketable securities purchased by the Group are issued by major financial institutions.

10.2 Cash Flows

The Group estimates that the cash flows generated by its operating activities, its excess cash, as well as cash available through its bank facilities will be sufficient enough to finance its operating expenses, capital investment needs, as well as the interest and dividend payments.

The table below presents a summary of the Group's consolidated cash flows for the fiscal years ended on December 31, 2007 and 2008.

	Fiscal year ended on December 31	
(In € millions)	**2007**	**2008**
Cash flows provided by operating activities	1,611	1,754
Capital expenditures (net of disposals)	(627)	(571)
"Free Cash Flow" (1)	984	1,183
Financial investments (net of disposals)	(7,500)	(64)
Increase (decrease) in long-term loans and other long-term assets	(142)	67
Changes in cash and cash equivalents from discontinued operations	171	-
Dividends distributed	(622)	(705)
Purchases of treasury stock (net of disposals)	(439)	46
Increase in capital and additional paid-in capital	66	48
NET FINANCING SURPLUS (REQUIREMENTS)	**(7,482)**	**575**

(1) "Free Cash Flow", or available cash, represents cash flows from operating activities minus capital expenditures net of disposals.

Cash Flows Provided by Operating Activities. Cash flows provided by operating activities reflect the difference between cash generated by operating activities, excluding changes in net working capital. Generally, cash flows are lower in the first half of any given year compared to the second half of that year because of higher working capital needs in the beginning of the year. This is due to (i) an increase in stocked production (in preparation for reduced plant activity and temporary plant closures during the summer vacation months), (ii) the build-up of the inventory in beverages (in light of stronger consumption in the summer) and (iii) outstanding accounts receivable from sales realized in May and June (as a result of seasonal variations).

The increase in 2008 in cash flows generated by operating activities resulted from (i) an increase of 18.8% in the cash generated from operating activities and (ii) a decrease in net working capital requirements of nearly 70%.

Cash generated from operating activities went from € 1,430 million in 2007 to € 1,699 million in 2008. The main factors that explain this net increase are: (i) the growth of the trading operating income for an amount of € 574 million, (ii) the increase in financial fees and amortization costs, and (iii) the recognition of deferred tax expenses. The reduction in net working capital, which decreased from € 181 million in 2007 to € 55 million in 2008, is mainly due to the reduction in trade accounts payable, in particular during the 4th quarter of 2008.

Capital Expenditures (net of disposals). Capital expenditures amounted to € 706 million in 2008 as compared with € 726 million in 2007 (representing 4.6% and 5.7% of net sales, respectively). These investments are described in paragraph 5.2.1 of the Registration Document. The disposals of industrial assets amounted to € 135 million in 2008 as compared with € 99 million in 2007.

Financial Investments (net of disposals). Acquisitions amounted to € 259 million in 2008 as compared with € 12,100 million in 2007. These investments are described in paragraph 5.2.1 of the Registration Document. In 2008, acquisitions mainly related to the purchase of the 1.15% remaining shares in Numico (a company in which the Group held a 98.85% of the shares since October 31, 2007) and to the acquisition of various equity interests, mainly in the Fresh Dairy Products and Waters business lines. In 2007, financial investments were, for the most part, associated with the acquisition of Numico.

Proceeds from the sale of financial investments amounted to € 195 million in 2008 as compared with € 4,600 million in 2007. In 2008, proceeds from disposals are, for the most part, associated with the disposal of equity interests in the General Biscuit Glico France joint venture and the Baby Nutrition business activity of Numico in France. In 2007, proceeds from disposals were mainly related to the sale of the Biscuits and Cereal Products activities.

Share Repurchase. In 2008, the Group did not repurchase any of its own shares. In 2007, the Group repurchased 8,618,954 of its own shares for a total amount of € 508 million. In addition, cash received upon the exercise of stock options by employees of the Group amounted to € 46 million in 2008 as compared with € 69 million in 2007.

Return on Invested Capital. The return on invested capital equals to the sum of the trading operating income after taxes and the current net income of equity-accounted affiliates attributable to the Group divided by the average invested capital. In 2008, the return on invested capital of the Group remained stable at 9.1% as compared with 2007, given the change of the Group's financing structure following the acquisition of Numico, that was already taken into account at the end of 2007.

10.3 Financing Structure and Financial Security

The Group's financing policy consists of (i) borrowing from diversified financing sources, (ii) managing a significant portion of its financing in the medium term, (iii) ensuring that financing sources are available at any time, and (iv) ensuring that it is not subject to any covenant relative to maintaining financial ratios in connection with financing contracts (covenants).

The Group's financing structure and financial security are mainly comprised of:

- bank financing:
  - a committed syndicated revolving credit facility entered into in December 2007 in order to finance the acquisition of Numico, for a principal amount of € 4 billion consisting in two tranches: a first tranche, with a principal amount of € 2.3 billion expiring in December 2010 (of which € 1.3 billion was drawn as of December 31, 2008), and a second tranche for a principal amount of € 1.7 billion and expiring in December 2012 (of which € 1.2 billion was drawn as of December 31, 2008);
  - available committed revolving credit facilities: a portfolio of back-up facilities entered into with major credit institutions, with maturity dates between 1 and 4 years, amounting to € 3.8 billion in principal. At December 31, 2008, the Group has not drawn any amount under these credit lines.

  The total amount of available committed revolving credit facilities on December 31, 2008 is equal to € 5.3 billion;
  - EMTN *(Euro Medium Term Notes)*: a program with a principal amount of € 7 billion (of which € 4,286 million has already been drawn on December 31, 2008);
  - Commercial paper: a program with a principal amount of € 2.5 billion (of which € 1.6 billion has already been drawn on December 31, 2008);
- Cash and marketable securities (mainly commercial paper): they amounted to € 1,032 million as of December 31, 2008 (compared to € 1,041 million on December 31, 2007).

The aforementioned revolving facility, the EMTN program (as from its renewal date in 2007), and certain available committed revolving credit facilities include a change of control provision described in paragraph 20.2.1.

All of these financing sources are not subject to any covenants relative to maintaining financial ratios.

In addition, as of December 31, 2008, long-term debts incurred by the Company and its subsidiary Danone Finance are rated as A3/Negative outlook by Moody's and A-/Stable by Standard & Poor's. Issuances of French commercial paper are rated as A2 by Standard & Poor's.

10.4 Contractual Obligations and Off-Balance Sheet Commitments

Contractual Obligations

The following table sets forth the contractual obligations of the Group as of December 31, 2008:

						Payments due by period	
(In € millions)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and after**
Balance Sheet Commitments							
Financial liabilities	**(9,028)**	(2,522)	(1,428)	(1,404)	(1,343)	(193)	(2,138)
Accrued interest	**(188)**	(188)	-	-		-	-
Debt related to put options granted to minority shareholders (1)	**(2,855)**	-	-	-	-	-	(2,855)
Capital lease commitments	**(16)**	(5)	(2)	(1)	(2)	(6)	-
TOTAL	**(12,087)**	**(2,715)**	**(1,430)**	**(1,405)**	**(1,345)**	**(199)**	**(4,993)**
Off Balance Sheet Commitments							
Operating lease commitments	**(358)**	(116)	(77)	(61)	(45)	(26)	(33)
Commitments to purchase goods, services, and investments	**(1,009)**	(753)	(127)	(85)	(30)	(6)	(8)

(1) Corresponds primarily to the financial debt related to put options granted to minority shareholders, the expiration date of which is undetermined. These put options can be exercised at any time (refer to paragraph 20.1, Note 16 of the appendix to the consolidated financial statements). No financial investment is currently being considered as probable in the short term with respect to these options. The options granted to the minority shareholders of Danone Spain (for € 2,295 million) can also be exercised at any time and were granted for an initial contractual period of 25 years (expiring between November 2016 and February 2017) and may be automatically renewed for successive 5-year periods.

Other Commitments

The following table sets forth the other commitments of the Group as of December 31, 2008:

						Commitments by maturity date	
(In € millions)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and after**
Commitments granted							
Guarantees and pledges given	**(132)**	(88)	(2)	(1)	(2)	(25)	(14)
Other commitments given	**(102)**	(52)	(14)	(11)	(10)	(1)	(14)

						Commitment for the period	
(In € millions)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and after**
Commitments received							
Bank financing facilities (1)	5,363	3,963	2,083	530	-	-	-
Other bank financing facilities (2)	433	415	4	4	-	-	-
Guarantees and pledges received	54	36	3	2	1	-	8
Other commitments received	58	28	3	3	-	-	-

(1) Principal amount of the portion of the syndicated credit and bank credit lines (for security purposes only) not yet drawn as of December 31, 2008.
(2) Principal amount of the portion not yet drawn as of December 31, 2008.

In addition, the Group granted a put option to its Indian partner in the holding companies that have control of Britannia Industries Limited, the exercise price of which is based on the estimated sale price (refer to Note 3 of the appendix to the consolidated financial statements).

Finally, the Company and its subsidiaries are parties to a variety of legal proceedings arising from the normal course of business. Liabilities are accrued for when a loss is probable and can be reasonably estimated.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Research and Development Policy

The Group's Research & Development is an essential element of the Group's policy for growth.

The 2008 fiscal year was characterized by the integration of two new global business activities with very intense research and development requirements, namely Baby Nutrition and Medical Nutrition. This integration allowed for the addition of new research teams, the implementation of a new organization, the defining of new priorities and the reaffirmation of a unique ambition in the food world.

Henceforth, Danone Research, the organization that brings together all of the Group's research and development resources throughout the world, defines its role in relation to two major scientific hubs: the Daniel Carasso research center located in Palaiseau in the outskirts of Paris, France, and the research center located in Wageningen in the Netherlands' "Food Valley". In remaining attentive to the various satellite organizations located on several continents, the Group's research and development relies on the expertise and the additional abilities of more than 1,200 employees throughout the world.

Danone Research is geared toward future innovations in the area of health, and participates in putting together scientific backing to support the health allegations made with respect to its existing products, while improving their nutritional profile and ensuring their quality at an organoleptic level. This process is carried out while respecting an uncompromising food safety policy and while designing innovative production processes in line with the Group's global cost reduction policy.

The mission assigned to local teams is a double mission: (i) adapt products (in terms of texture, flavor, size, packaging, etc.) in order to meet, in the best possible way, the local consumption habits, and (ii) develop specific products targeted for their markets.

The Group has developed scientific expertise in the following areas:

- the research on ferments and probiotics, made possible due to a collection of strains of 4,500 lactic and vegetable bacteria and which confers a considerable potential to the Group with respect to product innovations. Research & Development is fully invested in this endeavor, by in particular using recent techniques in genomics and robotics in order to identify and select the probiotic strains of tomorrow;
- research on prebiotics, which are non-digestible nutrients that support the growth of bacteria in our intestinal microbiote, like for example bifidobacteria. Numico has conducted research on prebiotics, which represents a strong strategic focus in its development, in particular with respect to Baby Nutrition;
- nutrition and human physiology: the goal is to translate, within the Group's products, the general rules of nutrition pertaining to food, which are in constant evolution. This also covers the study of the role food plays with respect to health and its impact on body functions: digestion, bone growth, immune system defenses, cardio-vascular system, and brain performance;

  The goal is also to identify the nutritional and public health contexts in the various countries in which Danone operates, in order to develop adapted products that can as such contribute to rectifying certain deficiencies and correcting excesses, but also to having an influence on dietary behaviors;
- the validation of health allegations, which rests on the implementation of clinical studies carried out with respect to finished products in accordance with standards equally as rigorous as those used in the pharmaceutical industry;
- consumer science, which is aimed at analyzing the consumer's behavior and to immerse oneself in these habits in order to develop innovative products. To establish a close relationship between consumers and researchers, a dedicated space was created in 2006 within the Daniel Carasso center.

In order to conduct its research, the Group regularly collaborates with outside entities such as universities and specialized public research centers. The Group benefits from the expertise of external scientific committees on strategic themes, such as probiotics or Water, as well as health brands (such as *Activia*, *Actimel*, *Danacol*, or *Vitalinea*). Furthermore, the Group maintains permanent relations with the scientific community in order to better understand health and nutrition issues and to stay informed of the latest developments in research. This permanent dialogue with scientists and the support of research constitutes two of the commitments made by the Group in its Food, Health and Nutrition Charter.

In 2008, the Group's Research & Development teams have in particular carried out the following actions:

- the launching of clinical studies on the benefits of mineral water, in particular with regard to elimination and the role of hydration on physiology and well-being;
- for the 5^{th} consecutive year, the continuation of the partnership with the *Institut Pasteur* in Paris, dedicated to the study of probiotics;

- the signing of research partnership agreements with the Washington University in the United States regarding the interactions between the human genome and intestinal bacteria.

Within the framework of contributing to research regarding nutrition, 17 Danone Institutes (non-profit independent institutions) were furthermore created throughout the world with a goal of contributing to the development of knowledge on the relationships between food, nutrition, and health. Their programs go from supporting scientific research, to informing and training health professionals, as well as to overall public awareness and education. The Danone Institutes regroup independent experts with strong reputations (researchers, doctors, dieticians) covering all aspects of food and nutrition (biology, medicine, and human sciences, such as psychology and sociology).

Lastly, Danone has established an international prize to reward research in nutrition or major contributions to public health.

In 2008, the Group invested € 198 million in research and development activities, representing 1.3% of its net sales (€ 121 million in 2007).

11.2 Protection of Industrial and Intellectual Property Rights

The Group owns rights to trademarks, brand names, models, copyrights, and Internet site domain names throughout the world. The territorial extent of protection depends on the significance of the products and business activities concerned: global protection with respect to products intended for the international arena, and local or regional protection for other products. The Group has established an intellectual property rights charter and regularly updates and revises its portfolio of products and corresponding rights for each of its subsidiaries in order to ensure the protection of its brand names, decors, forms, advertisements, websites, etc. that are used by the Group harmoniously and coherently with the activity.

The Group is also the owner of patents, licenses, proprietary recipes, and substantial know-how related to its products and packaging, as well as to manufacturing processes.

The Group's intellectual property, which is held by the Company and several entities throughout the Group, represent a major portion of the Group's assets. Also, through a more offensively driven intellectual and industrial property strategy, the Group is committed to taking all appropriate legal steps to protect and defend its rights at the international level.

Lastly, the Group has implemented licensing agreements with its subsidiaries and with the partners who use these industrial property rights.

TREND INFORMATION

Future Outlook

Danone believes that the 2009 fiscal year will be a year of transition towards consumption methods that may be structurally impacted by the economic climate.

The recent deterioration of the global economic environment has lead to a slowdown in most markets in which the Group operates, including in some emerging countries.

In 2009, Danone continues to follow its organic sales growth strategy, which relies on its concepts of blockbusters applied in all of its Business Lines and in its strategic markets.

The priority is to improve their quality and their affordability. This strategy based on blockbusters is key in a context marked by (i) the increase in health-related concerns, (ii) the increase in consumers' perception of health benefits, and (iii) the decrease in the price of raw materials.

In 2009, the Group has as objective to pursue the growth of its trading operating margin (at constant exchange rates and constant scope of consolidation), as a result of (i) the organic growth of its sales resulting in particular from a favorable mix effect (blockbusters), (ii) the rigorous management of its costs, (iii) the decrease in the price of certain raw materials (a portion of which should allow for maintaining margin levels and, another that should stimulate consumption through promotions or the recalibration of prices).

In addition, in 2009, the Group will evaluate its performance with respect to the diluted net earnings per share on a like-for-like bases, i.e. at constant exchange rates and constant scope of consolidation, in order to account for depreciation and the volatility of currencies.

In this context, Danone's objective in 2009 is to reach:

- like-for-like sales growth of a few points below the medium term guidance (this objective being comprised between +8% and +10%);
- like-for-like continued improvement of the trading operating margin;
- a +10% growth of its underlying fully-diluted earnings per share at constant scope of consolidation and constant exchange rates.

The Group will adapt its operating growth drivers depending on the evolution of the environment and of the markets in which it operates with a view to emerge even stronger beyond the current economic transition.

These statements and other indications of a forward-looking nature appearing in the Registration Document constitute objectives and prospects that the Group estimates are founded on reasonable assumptions at the date when the information was communicated. They may not be used in order to establish a prediction of future income. In addition, they are subject to several risks and uncertainties: the Group's actual results could therefore materially differ from these objective and prospects. Consequently, it is recommended that the reader attentively read the different statements relative to the risks appearing in Chapter 4 – Risk Factors.

Financial Communication Calendar

The financial communication calendar for the year 2009 is as follows:

April 16, 2009	Net sales for the first quarter of 2009
April 23, 2009	Shareholders' Meeting (Carrousel du Louvre, Paris)
July 24, 2009	Net sales for the second quarter of 2009 and results for the first half-year of 2009
October 22, 2009	Net sales for the third quarter of 2009

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PROFIT FORECASTS OR ESTIMATES

NOT APPLICABLE.

ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

14.1 Composition of the Board of Directors and of the Executive Committee

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

The administration of the Company is entrusted to a Board of Directors.

Each Director must hold at least 4,000 shares, and such shares must be held in registered form. The term of office of the Directors is of a renewable statutory period of three years, it being specified that the current term of office of any physical person acting as a Director expires, automatically, following the General Shareholders' Meeting that has deliberated on the financial statements of the previous fiscal year and held in the year during which this Director has reached or will reach the age of 70 years. However, at the Shareholders' Meeting's discretion, this age limit shall not apply to one or more Directors who remain in office or who may be re-appointed, provided the number of Directors concerned by this provision does not exceed one-quarter of the Directors in office.

The 13 members of the Board of Directors are, as of February 28, 2009, the following:

Name	Age	Principal occupation [1]	Director since	Term expires (date of the Shareholders' Meeting)
Franck RIBOUD	53	Chairman and Chief Executive Officer of Groupe Danone	1992	2010
Jacques VINCENT	63	Vice-Chairman of the Board of Directors and Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	1997	2011
Emmanuel FABER	45	Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	2002	2010
Bernard HOURS	52	Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	2005	2011
Bruno BONNELL [2]	50	Chairman of Robopolis SAS	2002	2011
Michel DAVID-WEILL	76	Chairman of the Supervisory Board of Eurazeo	1970	2011
Richard GOBLET D'ALVIELLA [2]	60	Vice-Chairman and Deputy director of Sofina S.A.	2003	2012 [3]
Christian LAUBIE [2]	70	Member of the *Collège du Haut Conseil du Commissariat aux Comptes*	1985	2012 [3]
Jean LAURENT [2]	64	Chairman of the *pôle de Compétitivité "Finance Innovation"*	2005	2012 [3]
Hakan MOGREN [2]	64	Deputy Chairman of Astra Zeneca	2003	2012 [3]
Jacques NAHMIAS [2]	61	Chairman and Chief Executive Officer of Pétrofrance SA	1981	2011
Benoît POTIER [2]	51	Chairman and Chief Executive Officer of Air Liquide	2003	2012 [3]
Naomasa TSURITANI	65	Senior Managing Director of Yakult Honsha, Co. Ltd.	2007	2011

(1) The terms of office and duties performed by each of the Directors are fully described in the appendix to the Registration Document (see appendix A3).
(2) Director designated as independent by the Board of Directors.
(3) Subject to his term of office being renewed by the Shareholders' Meeting dated April 23, 2009.

At the General Shareholders' Meeting on April 23, 2009, the appointment of Guylaine SAUCIER as a new Director will be proposed (see paragraph 20.2.1).

The Board of Directors also includes three honorary members who have advisory roles: Daniel CARASSO (honorary Chairman), Yves BOËL and Jean-Claude HAAS.

The Board of Directors refers to the AFEP-MEDEF Code to assess the status of independence of Directors. However, the Board of Directors decided not to follow the AFEP-MEDEF recommendation with respect to Directors who have exercised their duties in that capacity for more than twelve years. In accordance with the recommendation of the Nomination and Compensation Committee, the Board considers that, on the one hand, such seniority is a positive element for knowing the Group, its history, its activities and that, on the other hand, the freedom of judgement is the essential criteria defining one's independence.

The Board of Directors therefore recognized as of February 10, 2009 that it is composed of 7 independent members out of 13.

Subject to the nomination of Guylaine SAUCIER by the General Shareholders' Meeting, the number of independent Directors would increase from 7 out of 13 to 8 out of 14.

Lastly, with respect to the staggering of all the Directors' terms of office, their regular renewal by the Shareholders is facilitated, on the one hand, by a relatively short statutory duration of three years, and, on the other hand, by a staggering of the expiry dates of the various terms of office (as of the current composition of the Board: five terms of office expire during the first year, two during the second year, and six during the third year), which enables the General Shareholders' Meeting to decide each year on several terms of office.

POWERS OF THE CHIEF EXECUTIVE OFFICER

The Board of Directors meeting dated April 25, 2002 decided not to split the duties of the Chairman of the Board of Directors with those of the Chief Executive Officer, in order to promote cohesion between the powers of the Board of Directors and those of the General Management and, in doing so, avoid the dilution of power and responsibility of the Chairman of the Company. This absence of a separation of the duties does not lead to an excessive concentration of power since General Management includes three Deputy General Managers as from January 1, 2008.

Certain transactions that the Chief Executive Officer is responsible for are subject to the prior approval of the Board of Directors; these transactions are described in the Board of Directors' Charter (see paragraph 21.2.2 – Charter of the Board of Directors).

DIRECTORS' FEES *(JETONS DE PRÉSENCE)*

The Shareholders' Meeting of April 11, 2003 adopted a resolution increasing the annual aggregate amount of Directors' fees to € 500,000 to be allocated by the Board of Directors amongst its members. Pursuant to the Charter, Directors who are also members of the Executive Committee do not receive Directors' fees. In 2008, the gross amount of Directors' fees effectively paid out amounted to € 388,000.

A Director who only attends the meetings of the Board of Directors receives a compensation composed of a fixed portion of € 10,000 per year and a variable portion of € 2,000 per committee meeting attended. In addition, Directors who are also members of one of the three committees created by the Board of Directors receive a compensation of € 4,000 per committee meeting they attend. The compensation of the Chairmen of these committees is equal to € 8,000 per meeting.

It will be proposed at the General Shareholders' Meeting dated April 23, 2009 to increase the maximum overall annual amount of directors' fees from € 500,000 to € 600,000, to be distributed by the Board of Directors among its members (refer to paragraph 20.2.1).

OTHER INFORMATION

To the best of the Company's knowledge, on the one hand, there exists no family relationship between the Company's executive officers and, on the other hand, during the last five years at least, no executive officer was subject to a condemnation for fraud, bankruptcy, sequestration or liquidation, incrimination and/or to an official public sanction pronounced by legal or regulatory authorities, nor has been precluded by the courts from acting in his or her capacity as member of an administrative, management, or supervisory body, or to participate in the management or the handling of a company's business.

The restrictions related to the sale by the executive directors and officers *(mandataires sociaux)* of their Groupe Danone shares resulting from the exercise of options are indicated in paragraph 20.2.1.

Executive Committee

Under the authority of Mr. Franck RIBOUD, the Executive Committee ensures the Group's operational management. This committee implements the strategy defined by the Board of Directors, approves the budgets, coordinates the planning and execution of the missions of each of the subsidiaries and business lines and depending on the results achieved, determines action plans to be implemented. The members of the Executive Committee meet at least once per month.

As of February 28, 2009, the members of the Executive Committee are the following:

Name	Age	Main occupation within the Group	In office since [1]
Franck RIBOUD	53	Chairman and Chief Executive Officer *(Président Directeur Général)*	1996
Emmanuel FABER	45	Deputy General Manager *(Directeur Général Délégué)*	2000
Bernard HOURS	52	Deputy General Manager *(Directeur Général Délégué)*	2001
Thomas KUNZ	51	General Manager, Danone Waters	2004
Philippe-Loïc JACOB	44	General secretary *(Secrétaire Général)*	2005
Sven THORMAHLEN	52	General Manager, Danone Research	2005
Jordi CONSTANS	44	General Manager, Fresh Dairy Products for Western Europe	2008
Felix MARTIN GARCIA	48	General Manager *(Directeur Général)*, Fresh Dairy Products for Central Europe, Eastern Europe, Africa, the Middle East, Asia and Oceania	2008
Christian NEU	52	General Manager, Baby Nutrition	2008
Muriel PENICAUD	53	General Manager, Human Resources	2008
Pierre-André TERISSE	42	Chief Financial Officer	2008
Dirk VAN DE PUT	48	General Manager, Fresh Dairy Products and Waters (the Americas)	2008
Flemming MORGAN	53	General Manager, Medical Nutrition	2009

(1) Date of entry to the Executive Committee.

14.2 Conflicts of Interests

To the best of the Company's knowledge, there are no existing potential conflicts of interest between one of the Directors' duties with respect to the Company and their private interests and/or other duties.

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REMUNERATION AND BENEFITS

15.1 Remuneration paid out during the Fiscal Year

Remuneration Policy for Executive Officers

The Nomination and Compensation Committee met several times in 2008 to review the remuneration policy of directors and officers *(mandataires sociaux)* and members of the Executive Committee within a context of evolution of its members.

This remuneration policy was presented in a reference file based on a study produced by a specialized firm while observing the practices on three main markets (France, Europe, and the United States). The policy was developed through an approach organized in levels of responsibility corresponding to the job content and relative to a certain market reality. In addition, this policy bases itself on collective principles that are applicable to all General Managers and to more than 1,000 managers worldwide.

The retained principles can be broken down into four distinct elements:

- a fixed salary;
- short-term variable compensation granted subject to individual performance condition and calculated in respect of measurable objectives;
- medium-term variable compensation in the form of GPUs (Group Performance Units) granted subject to pluriannual performance criteria over a three-year period;
- long-term variable compensation in the form of stock options which number is set every year by the Board of Directors, and that are granted without a discount and with a period of validity of eight years.

The significance of medium and long-term variable compensation increases depending on the level of responsibility of the managers in question.

- Short-term variable compensation is determined based on economic, social business (*sociétaux*) and individual objectives.
  - For the Chairman and Chief Executive Officer, Franck RIBOUD, and the Vice-Chairman of the Board of Directors and Deputy General Manager, Jacques VINCENT, as well as for Emmanuel FABER, Deputy General Manager, and Bernard HOURS, Deputy General Manager: the variable economic portion is computed with reference to Group objectives (in terms of net sales, trading operating margin, and underlying earnings per share), as communicated to the financial markets, in addition to the Group's social business (*sociétaux*) objectives, (which are derived, on the one hand, from labor parameters such as job security, employee training, the development of key individuals, and, on the other hand, from environmental parameters such as water or energy consumption, carbon footprint) and an evaluation of the strategy developed during the fiscal year.
  - For members of the Executive Committee who manage a business line: the variable portion is based on objectives set in the budget of the relevant business line (in terms of sales, trading operating margin, and free cash flow ratio), the social business (*sociétale*) part of the variable portion is established based on social business (*sociétaux*) objectives set for the business line concerned (which are derived on the one hand, from labor parameters such as job security, employee training, the development of key individuals, and, on the other hand, derived from environmental parameters such as water or energy consumption, carbon footprint).
  - For the other members of the Executive Committee: the economic variable portion is calculated based on the Group's objectives, as communicated to the financial markets (set in terms of net sales, trading operating margin and underlying earnings per share), the social business (*sociétale*) variable portion is calculated based on the Group's social business (*sociétaux*) objectives.
- Medium-term variable compensation (GPUs) was instituted in 2005 with the objective of aligning more closely the compensation of directors and officers (*mandataires sociaux*), members of the Executive Committee and managers with the Group's overall economic performance in the medium term.

  GPUs are allocated upon the decision of the Board of Directors every year. They have replaced in part the stock options granted up until now. At the end of a three-year period, the beneficiaries receive compensation in the amount of € 30 per unit allocated if the Group has achieved, for each of the three years in question, all of the established objectives. This compensation is decreased to € 20 per GPU if the objectives are achieved only two years out of the three and to € 0 per GPU if the objectives were achieved only one year out of the three or were never achieved.

  The first payments took place in 2008 (GPUs allocated in 2005 for the 2005, 2006 and 2007 fiscal years), as the Group achieved its annual objectives in 2005, 2006 and 2007. The GPUs allocated in 2006 for the 2006, 2007 and 2008 fiscal years will result in a payment in 2009 of € 30 per GPU, as the Group achieved its annual objectives in 2006, 2007 and 2008.
- Long-term variable compensation is comprised of stock options which number is set every year by the Board of Directors, on the basis of an amount determined on a global basis, and that are

granted without a discount and with a period of validity of eight years. The stock options are valued in accordance with Standard IFRS 2 (see paragraph 20.1 in Note 1.22 to the appendix to the consolidated financial statement).

The compensation of Franck RIBOUD, Chairman and Chief Executive Officer, Jacques VINCENT, Vice-Chairman of the Board of Directors and Deputy General Manager, Emmanuel FABER, Deputy General Manager, and Bernard HOURS, Deputy General Manager, is determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee. Conversely, the compensation policy of the other members of the Executive Committee of the Group is only presented to the Nomination and Compensation Committee.

Name	Employee Agreement suspended (1)		Additional pension plan (2)		Indemnities or benefits owed or that may be owed pursuant to the termination of or change in duties (3)		Indemnities relative to a non-compete clause (4)	
	Yes	No	Yes	No	Yes	No	Yes	No
Franck RIBOUD Chairman and Chief Executive Officer of Groupe Danone Term of office began in: 1992 Term of office will end in: 2010	X		X		X			X
Jacques VINCENT Vice-Chairman of the Board of Directors and Deputy General Manager of Groupe Danone Term of office began in: 1997 Term of office will end in: 2011	X		X		X			X
Emmanuel FABER Deputy General Manager of Groupe Danone Term of office began in: 2002 Term of office will end in: 2010	X		X		X		X	
Bernard HOURS Deputy General Manager of Groupe Danone Term of office began in: 2005 Term of office will end in: 2011	X		X		X		X	

(1) With respect to the employment agreements of Franck RIBOUD and of Jacques VINCENT, refer to paragraph 15.3.1 and to paragraph 15.3.6 for the employment agreements of Emmanuel FABER and Bernard HOURS.

(2) A description of the additional pension plans is provided in paragraphs 15.2 and 15.3.8.

(3) Indemnities paid in certain cases of termination (licenciement) of their terms of office (cessation du mandat social) are provided in paragraph 15.3. In case of termination, no contractual indemnity would be paid. However, indemnities provided by the "Convention Collective" (Group collective bargaining agreement) would still be paid.

(4) This clause enables the Group, in the case of a departure, either to activate the clause for an 18-month period with a financial consideration equivalent to 50 % of their fixed and variable compensation or to release it without financial consideration.

All the information related to the indemnities paid to the four corporate officers of the Company in case of termination of their terms of office is provided in paragraph 15.3.7.

The Board of Directors of February 10, 2009 noted that all the conditions of indemnification applicable to each of the four corporate officers in cases of termination of their terms of office had been subject to a detailed examination in 2008. At such time, and in accordance with law, the payment of these indemnities had been subject to performance conditions. The commitments taken by the Company towards the four corporate officers was approved by the General Shareholders' Meeting of April 29, 2008 under four separate resolutions.

In addition, the Board of Directors noted that the terms of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER were to end during the General Shareholders' Meeting convened to approve the financial statements for the 2009 fiscal year, and therefore their conditions of indemnification will have to be, in accordance with law, submitted once again to the shareholders' approval during this next General Shareholders' Meeting.

For these reasons, the Board of Directors has decided to submit these new conditions of indemnification for each of the corporate officers (including for the ones for whom the term of office will not end in 2010) to the approval of the General Shareholders' Meeting that will be held in 2010.

Lastly, in accordance with the AFEP-MEDEF Code, the Board of Directors will take position on the holding by Mr. Franck RIBOUD of both an employment agreement (*contrat de travail*) and a corporate officer position (*mandat social*) at the renewal of his term of office during the General Shareholders' Meeting convened to approve the financial statements for the 2009 fiscal year, and will submit its decision to the approval by the shareholders.

Description of the Remuneration for the 2008 Fiscal Year

For the 2008 fiscal year, the gross aggregate amount of direct and indirect remunerations paid out to all of the members of the Board of Directors and members of the Executive Committee amounted to € 17.9 million.

This amount includes (i) the compensation paid out to the members of the Executive Committee, for an amount of € 17.5 million (including € 10.4 million with respect to the variable portion) and (ii) € 0.4 million of Directors' fees *(jetons de présence) to* which the four corporate officers are not entitled to.

In 2007 and 2008, for each director and officer *(mandataire social),* the short-term and medium-term variable compensation represented 65% and 75% of the total monetary compensation due. In addition, during that same period, stock options granted annually represented for all of the four officers less than 0.1% of the Group's share capital.

The aggregate amount of compensation paid out and stock options allocated to each director and officer *(mandataire social)* over the course of the 2007 and 2008 fiscal years is detailed as follows:

(In €)	Compensation owed		Valuation of stock options on the grant date according to standard IFRS 2 (1)		Total	
Name	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Franck RIBOUD	4,003,948	4,283,970	5,846,000	3,142,000	9,849,948	7,425,970
Jacques VINCENT	2,558,668	2,279,800	3,405,295	1,571,000	5,963,963	3,850,800
Emmanuel FABER	1,526,220	2,104,620	774,595	1,571,000	2,300,815	3,675,620
Bernard HOURS	1,758,620	3,594,620	774,595	1,571,000	2,533,215	5,165,620

(1) Refer to paragraph 20.1, Note 1.22 for the stock option valuation in accordance with IFRS 2.

The aggregate amount of compensation owed and paid out, as well as benefits of any nature awarded over the course of the 2008 fiscal year to the members of the Board of Directors is broken down as follows:

(In €)	Fixed Compensation (1)		Variable Compensation (2)		Benefits of any kind (3)		Directors' fees (4)	Total	
Name	**Amounts owed**	**Amounts paid**	**Amounts owed**	**Amounts paid**	**Amounts owed**	**Amounts paid**	**Amounts paid**	**Amounts owed**	**Amounts paid**
Franck RIBOUD	1,050,000	1,050,000	3,229,350	3,008,408	4,620	4,620	-	4,283,970	4,063,028
Jacques VINCENT	760,000	760,000	1,515,180	1,589,058	4,620	4,620	-	2,279,800	2,353,678
Emmanuel FABER	625,000	625,000	1,475,000	1,011,590	4,620	4,620	-	2,104,620	1,641,210
Bernard HOURS	625,000	625,000	2,965,000	1,176,990	4,620	4,620	-	3,594,620	1,806,610
Bruno BONNELL	-	-	-	-	-	-	36,000	-	36,000
Michel DAVID-WEILL	-	-	-	-	-	-	54,000	-	54,000
Richard GOBLET D'ALVIELLA	-	-	-	-	-	-	46,000	-	46,000
Christian LAUBIE	-	-	-	-	-	-	50,000	-	50,000
Jean LAURENT	-	-	-	-	-	-	62,000	-	62,000
Hakan MOGREN	-	-	-	-	-	-	26,000	-	26,000
Jacques NAHMIAS	-	-	-	-	-	-	24,000	-	24,000
Benoît POTIER	-	-	-	-	-	-	72,000	-	72,000
Naomasa TSURITANI	-	-	-	-	-	-	18,000	-	18,000

(1) Gross amount. The amounts owed correspond to sums to be paid with respect to the current fiscal year. The amounts paid correspond to sums effectively paid out during the fiscal year and include amounts that were owed with respect to the previous fiscal year.

(2) Gross amount. The amounts owed include € 3.8 million with respect to GPUs (Group Performance Units) granted in 2008 for the current fiscal year. The amounts paid include € 3.1 million paid out with respect to GPUs granted in 2005 for the 2005, 2006 and 2007 periods.

(3) Benefits of any kind correspond to the pool of cars and drivers made available to all members of the Executive Committee.

(4) Gross amount paid out over the course of the fiscal year, withholding at source not yet applied. The four directors and officers (mandataires sociaux) do not benefit from directors' fees.

The aggregate amount of compensation owed and paid out, as well as benefits of any nature awarded over the course of the 2007 fiscal year to the members of the Board of Directors is broken down as follows:

(In €)	Fixed Compensation (1)		Variable Compensation (2)		Benefits of any kind (3)		Directors' fees (4)	Total	
Name	**Amounts owed**	**Amounts paid**	**Amounts owed**	**Amounts paid**	**Amounts owed**	**Amounts paid**	**Amounts paid**	**Amounts owed**	**Amounts paid**
Franck RIBOUD	990,920	990,920	3,008,408	1,583,560	4,620	4,620	-	4,003,948	2,579,100
Jacques VINCENT	760,000	760,000	1,794,048	828,360	4,620	4,620	-	2,558,668	1,592,980
Emmanuel FABER	505,000	505,000	1,016,600	508,464	4,620	4,620	-	1,526,220	1,018,084
Bernard HOURS	572,000	572,000	1,182,000	809,550	4,620	4,620	-	1,758,620	1,386,170
Bruno BONNELL	-	-	-	-	-	-	30,000	-	30,000
Michel DAVID-WEILL	-	-	-	-	-	-	42,000	-	42,000
Richard GOBLET D'ALVIELLA	-	-	-	-	-	-	48,000	-	48,000
Hirokatsu HIRANO	-	-	-	-	-	-	3,250(5)	-	3250
Christian LAUBIE	-	-	-	-	-	-	44,000	-	44,000
Jean LAURENT	-	-	-	-	-	-	60,000	-	60,000
Hakan MOGREN	-	-	-	-	-	-	42,000	-	42,000
Jacques NAHMIAS	-	-	-	-	-	-	26,000	-	26,000
Benoît POTIER	-	-	-	-	-	-	68,000	-	68,000
Naomasa TSURITANI	-	-	-	-	-	-	18,750	-	18,750

(1) Gross amount. The amounts owed correspond to sums to be paid with respect to the current fiscal year. The amounts paid correspond to sums effectively paid out during the fiscal year and include amounts that were owed with respect to the previous fiscal year.
(2) Gross amount. The amounts owed include € 3.3 million with respect to GPUs (Group Performance Units) granted in 2007 for the current fiscal year.
(3) Benefits of any kind correspond to the pool of cars and drivers made available to all members of the Executive Committee.
(4) Gross amount paid out over the course of the fiscal year, withholding at source not yet applied. The four directors and officers (mandataires sociaux) do not benefit from directors' fees.
(5) Mr. HIRANO resigned following the Board of Directors of February 14, 2007, and was replaced by cooptation by Mr. TSURITANI.

Lastly, the conditions under which the four directors and officers (*mandataires sociaux*) of the Company are paid indemnities in certain cases of termination of their terms of office are described in paragraph 15.3. The other members of the Executive Committee benefit from similar commitments from the Company in certain cases of termination of their duties (see paragraph 20.1 in Note 25 of the appendix to the consolidated financial statements).

Policy for granting Stock Options and Group Performance Units to Corporate Officers

Annually, the Board of Directors grants stock options, on the basis of an amount determined on a global basis, as recommended by the Nomination and Compensation Committee.

As of December 31, 2008, the members of the Executive Committee benefited from exercisable stock options for an aggregate number of 3,602,966 shares.

Since 2007, all of the members of the Executive Committee are subject to an obligation to hold a portion of their shares resulting from the exercise of options, as described in paragraph 20.2.1.

Group Performance Units as well as stock options, from which the members of the Executive Committe benefit, are described in paragraph 17.2.

Lastly, the amounts accounted for with respect to the remuneration and other benefits intended for all Directors and members of the Executive Committee are detailed in paragraph 20.1 (in Note 25 of the appendix to the consolidated financial statements) and in paragraph 20.2 (in Notes 10 and 14 of the appendix to the statutory financial statements).

In accordance with Article L. 225-184 of the French Commercial Code, the grant and exercise of options on Company shares, that occurred in 2008 are detailed as follows:

						Options granted			Options exercised
Name	**Date of the Board of Directors granting the options**	**Valuation** (1) *(in €)*	**Number of options** (2)	**Vesting Date**	**Maturity**	**Exercise Price** *(in €)*	**Date of the Board of Directors granting the options exercised**	**Number of options**	**Exercise Price** *(in €)*
Franck RIBOUD	04/29/2008	3,142,000	200,000	04/28/2012	04/28/2016	57.13	03/14/2001	70,000	36.79
Jacques VINCENT					04/28/2016		04/11/2003	82,000	29.54
	04/29/2008	1,571,000	100,000	04/28/2012	04/28/2016	57.13	04/15/2004	160,000	33.71
Emmanuel FABER				04/28/2016	04/28/2016		04/11/2003	22,000	29.54
	04/29/2008	1,571,000	100,000	04/28/2012	04/28/2016	57.13	04/11/2003	55,002	29.54
Bernard HOURS	04/29/2008	1,571,000	100,000	04/28/2012	04/28/2016	57.13	04/25/2002	14,000	34.70

(1) Valuation as of the date of granting of the options in accordance with IFRS 2 (refer to paragraph 20.1, Note 1.22 for the stock option valuation), i.e. on April 29, 2008.

(2) As a percentage of the share capital on December 31, 2008, these grants represent 0.039% for Franck RIBOUD, and 0.019% for each of Jacques VINCENT, Emmanuel FABER and Bernard HOURS.

15.2 Retirement Benefits

Certain executives who hold the status of Manager of the Group and who were under the French pension schemes as of December 31, 2003 are, under certain conditions (particularly seniority and presence conditions), eligible for a defined benefit pension plan.

This plan allows a pension based on years of service and the amount of the last salaries, under the condition that the employee is still with the Group at the time of retirement. The pension is paid after deducting certain pensions (corresponding, with respect to a first category of Senior Managers of the Group, to the full amount of retirement benefits they acquired over the course of their professional career and, with respect to a second category of Senior Managers of the Group, to the full amount of retirement benefits that they acquired due to the implementation of an additional retirement plan paid for entirely by the Company), and may reach a maximum of 65% of the last salary amounts received. In the event of retirement before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, this pension plan is preserved, subject to the employee no longer taking any salaried position in the future. This pension plan was closed to new participants on December 31, 2003.

The amount accrued for under this plan represents the obligation of the Group as of December 31, 2008 for the payment of annuities calculated on the basis of life expectancies based on mortality tables.

As of December 31, 2008, the total amount of the Group's obligation towards the Company's directors and officers *(mandataires sociaux)* under this pension plan amounts to € 32.1 million.

The total amount paid out by the Company with respect to this pension plan for the benefit of the members of the Board of Directors (based on the duties they have completed within the Group) amounted to € 0.6 million in 2008.

With respect to the eligibility of each of the four directors and officers *(mandataires sociaux)* of the Company to this pension plan, refer to paragraph 15.3.8 (Related party transactions) and 20.2.4 (Special report of the statutory auditors).

15.3 Information on Transactions carried out with Members of the Administrative, Management, and Supervisory Bodies

Related Party Transactions pursuant to Article L.225-38 of the French Commercial Code *(conventions réglementées)*

The following related party transactions, which the Company entered into during the last fiscal years, continued to apply during 2008:

1. at its July 21, 2004 meeting, the Board of Directors, pursuant to the Compensation Committee's proposal, updated the conditions under which the employee agreements of Franck RIBOUD and Jacques VINCENT would once again become enforceable (it being specified that such employee agreements were suspended on August 26, 1994 when they were nominated as directors and officers (*mandataires sociaux*) of the Company), assuming that their term of office was coming to an end, for whatever reason, and has established that:
   - the amount of time during which they have exercised their duties as directors and officers (*mandataires sociaux*) for the benefit of the Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement,
   - the Company undertakes to offer them a position involving duties comparable to the ones currently exercised by the members of the Company's Executive Committee,
   - the annual compensation that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement,
   - they will benefit from the Company's defined benefit pension plan based on their seniority as a corporate officer and their seniority under the employee agreement;
2. at its February 14, 2007 meeting, the Company's Board of Directors renewed its authorization allowing the Company to guarantee or to become a guarantor for different financial transactions completed by Danone Finance, one of the specialized financial companies of the Group, up to a limit of € 500 million. As of this date, this guarantee has never been used;
3. at its April 26, 2007 meeting, the Board of Directors of the Company, within the framework of the danone.communities project, approved the signing of a cooperation agreement established between the Company, the danone.communities *Société d'Investissement à Capital Variable* (SICAV), the danone.communities *Fonds Commun de Placements à Risques* (FCPR, or French risk fund), and the companies of the Crédit Agricole Group (namely the companies Ideam and Crédit Agricole Private Equity, respective management companies for the SICAV and the FCPR, it being specified that as of the date of this meeting, Mr. Jean LAURENT, Director of the Company, was also the Chairman of the Board of Directors of Calyon, a subsidiary of the Crédit Agricole Group). This agreement governs the relations among the Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the SICAV (French mutual fund) by the Company for a maximum amount of € 20 million, as well as the annual financial contribution by the Company of a maximum amount of € 1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors of the Company. The Board of Directors meeting of February 13, 2008 decided to increase the annual level of financial contributions that the Company makes to the FCPR to a maximum of € 2.5 million for the second fiscal year of danone.communities. Mr. Franck RIBOUD and Mr. Emmanuel FABER, Directors of Groupe Danone, did not vote, as both were called to be appointed as Directors of the SICAV danone.communities (the financial contributions the Company made to danone.communities projects in 2008 amounted to € 2.2 million).
4. at its October 19, 2007 meeting, the Board of Directors renewed its authorization allowing the Company to guarantee the full amount of the sums due by Danone Finance with respect to its bonds issuance program known as *Euro Medium Term Notes*, up to a principal amount limit of € 3 billion, as well as any additional amount (interest, fees) that may possibly be owed by this subsidiary under this program (in 2008, this guarantee was implemented in the amount of an average outstanding credit amount used of € 1,143,407,207, resulting in proceeds from interest of € 1,143,407 for the benefit of the Company);
5. at its October 19, 2007 meeting, the Board of Directors authorized the Company to grant a collateral security to the benefit of its subsidiaries Danone Finance, Danone International, and for all other direct or indirect subsidiaries that would become additional borrowers to the credit line opened to the Company on December 7, 2007 with respect to all of their financial commitments in principal, interest, and accessory payments and, more generally, with respect to any payments due in their capacity as additional borrowers, and up to a limit of a maximum principal amount of € 4 billion

(in 2008, this guarantee was implemented in the amount of an average outstanding credit amount used of € 257,767,025, resulting in proceeds from interest of € 257,767 for the benefit of the Company);

6. the Board of Directors meeting of February 13, 2008 authorized an amendment to the employment agreements concluded with Mr. Emmanuel FABER and Mr. Bernard HOURS, for the purpose of determining the conditions under which their respective employment agreements would once again become enforceable (it being specified that such employee agreements were suspended when they were nominated as directors and officers *(mandataires sociaux)* of the Company), assuming that their term of office was to come to an end, for whatever reason. This amendment provides both executives, in an identical way, with the assurance that:

- the amount of time during which they have exercised their duties as directors and officers *(mandataires sociaux)* for the benefit of the Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement,
- the Company undertakes to offer them a position involving duties comparable to the ones currently exercised by the members of the Company's Executive Committee,
- the annual remuneration that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement,
- they will benefit from the Company's defined benefit pension plan based on their seniority as a corporate officer and their seniority under the employee agreement,
- the contractual indemnity due in the event of a breach in the employee agreement will be cancelled;

7. the Board of Directors meeting of February 13, 2008 has decided on the principle and the terms and conditions of a right to the payment of an indemnity to each of the four directors and officers (*mandataires sociaux*) of the Company in the event that (i) their respective duties as directors and officers (*mandataires sociaux*), for whatever reason other than a *faute grave* or a *faute lourde* (serious misconduct or gross negligence), are not renewed, or (ii) they resign from their duties within twelve months following a change in control of the Company.

In these cases, the corporate officer concerned shall receive, as an indemnity, an amount equal to two times his or her gross annual remuneration (including his or her fixed and variable remuneration and benefits in kind) received with respect to the performance of his or her duties during the twelve months preceding the expiration date of his or her duties as corporate officer.

The payment of this indemnity will be dependent on satisfying performance conditions that are identical for each of the four directors and officers (*mandataires sociaux*), and based on the comparison of the growth in the Danone group's sales with that of a panel of international reference groups in the food and beverages sector over a five-year period.

Over the Reference Period:

- if the Group's CICA is equal to or greater than the median CICA of the Panel, the corporate officer will be allocated 100% of the amount of the indemnity,
- if the Group's CICA is greater than or equal to the first quartile and lower than the median of the CICAs of the Panel, the corporate officer will be allocated 50% of the amount of the indemnity,
- if the Group's CICA is lower than the first quartile of the CICAs of the Panel, no indemnity will be paid out to the corporate officer.

It being specified that:

- the Reference Period corresponds to the five fiscal years ended preceding the end of the corporate officer's duties,
- the CICA of the Group corresponds to the internal ("organic") growth of the sales of the Danone group during the Reference Period,
- the CICA of the Panel corresponds to the internal ("organic") growth of the sales achieved by the members of the Panel during the Reference Period,
- the CICA of the Group and the CICA of the Panel are to be understood at constant scope of consolidation and exchange rates,
- the median of the CICA of the Panel corresponds to the central value of the Panel's CICA separating the CICAs of the Panel in two equal portions,
- the value corresponding to the first quartile of the Panel's CICAs references the value below which 25% of the CICAs of the Panel are located,
- Panel corresponds to: seven international reference groups in the food and beverages sector, or Kellog's, Unilever, Nestlé, Kraft, Pepsi Co, Coca-Cola and Cadbury Schweppes,
- in the event of the absence or delayed publication of audited accounting or financial data for one of the members of the Panel, the Board of Directors will, on an exceptional basis, have the option of excluding this member from the Panel,
- in the event of the absence or delayed publication of audited accounting or financial data for several of the members of the Panel, the Board of Directors will deliberate on the basis of the last audited financial statements published by the members of the Panel and by Groupe Danone over the last five fiscal years ended for which financial statements will have been published, for all of the members of the Panel and for Groupe Danone,
- the Board of Directors will have the option of excluding a member of the Panel in the event of the repurchase, consolidation, dissolution, merger, or change of business activity of any of the companies on the Panel, subject to preserving the overall consistency of the sample.

The contractual indemnities authorized by the Board of Directors meeting dated July 21, 2004 were also terminated with respect to the terms of corporate office of Mr. Franck RIBOUD and Mr. Jacques VINCENT and of employee agreement for Mr. Emmanuel FABER and Mr. Bernard HOURS;

8. the Board of Directors meeting of February 13, 2008 confirmed the commitment the Company undertook with respect to each of the four directors and officers (*mandataires sociaux*) relative to the payment of a retirement pension under the defined benefit pension plan in the form of an annuity (with a transfer option), calculated based on the following elements:

- the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the past three years of activity within the Group. The seniority taken into account would include the period corresponding to the term of corporate office,
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the officer retired and the age at which he would have received his full rate social security pension will be applied to this annuity,
- the amount of the annuity that would be paid to Mr. Franck RIBOUD and Mr. Jacques VINCENT would correspond to 2% of this calculation basis per year of seniority (this amount will however be subject to a ceiling of 65% of this calculation basis), minus the full amount of pension rights that Mr. Franck RIBOUD and Mr. Jacques VINCENT are entitled to and have acquired over the course of their professional careers, including the pension plan fully funded by the Company,
- the amount of the annuity that would be paid out to Mr. Emmanuel FABER and Mr. Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche located between 3 and 8 ceiling levels of French Social Security *(3 et 8 plafonds de la Sécurité Sociale),* and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche that is higher than these 8 ceiling levels (this amount will however be limited on the basis of a maximum seniority of 20 years) minus the full amount of pension rights that Mr. Emmanuel FABER and Mr. Bernard HOURS have acquired due to the implementation of the pension plan fully funded by the Company.

The officer is eligible to this pension plan only if he has performed his duties within the Group at the time he retires (it being specified that in the event the officer leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan is preserved, on the condition that the officer never again holds a salaried position).

Lastly, the Company entered into two new related party transactions in 2008:

- at its April 29, 2008 meeting, the Board of Directors of the Company amended the ceiling amount specified in the authorization enabling the Chief Executive Officer to guarantee the financial transaction undertaken by its subsidiary Danone Finance relative to the issuance of commercial paper, by increasing the € 2.5 billion ceiling to € 3 billion in principal, while including all interest amounts, fees, disbursements and accessory payments in connection with this undertaking (in 2008, this guarantee was implemented in the amount of an average outstanding credit amount used of € 2,130,891,667, resulting in proceeds from interest of € 2,130,892 for the benefit of the Company);
- the Board of Directors meeting dated December 18, 2008 authorized Groupe Danone to become the guarantor of its subsidiaries Danone Finance and Alfabanque, with respect to covering all of their financial commitments in principal, interest, fees, commissions and accessory payments and, more generally, with respect to any payments due in their capacity as additional borrowers of a line of bank credit, and up to a limit of a maximum principal amount of € 500 million. As of December 31, 2008, this guarantee has never been taken advantage of.

These transactions are described in the Statutory Auditors' special report (see paragraph 20.2.4).

Other Transactions

The Company entered into intra-group agreements with its subsidiaries and affiliates relative to transactions in the ordinary course of business. Generally speaking, these agreements relate to the sale and purchase of products, the supply of remunerated administrative services pursuant to agreements on management fees, such as the supply of treasury and financing management services, as well as on the licensing of intangible rights. These agreements were concluded under normal conditions, in accordance with the Company's commercial practices.

Neither a loan nor a guarantee has been granted or constituted by the Company or its subsidiaries for the benefit of the members of the Executive Committee.

16

ORGANIZATION OF THE ADMINISTRATIVE AND GOVERNING BODIES

16.1 Directors' Terms of Office

The dates of the beginning and end of the terms of office of the Directors are indicated in Chapter 14.1 – Composition of the Board of Directors and of the Executive Committee.

16.2 Service Contracts

As of the date of this Registration Document, no director or officer *(mandataire social)* has a service contract with the Company or any of its affiliates that provides for the provision of any sort of benefits.

16.3 Audit Committee, Nomination and Compensation Committee and Social Responsibility Committee

Audit Committee

Composition of the Audit Commitee:

As of February 28, 2009, the Audit Committee is comprised of the following Directors, who have all been declared as independent by the Board of Directors:

- Benoît POTIER, Chairman of the Committee and Independent Director (Mr. Benoît POTIER is Chairman and Chief Executive Officer of Air Liquide);
- Richard GOBLET D'ALVIELLA, Independent Director (Mr. Richard GOBLET D'ALVIELLA is Vice Chairman, Deputy Director of Sofina SA);
- Christian LAUBIE, Independent Director. Mr. Christian LAUBIE is the "financial expert" of the Audit Committee. He participates in the organization that regulates statutory auditors in France and was the Chief Financial Officer of Danone from 1980 to 2000.

Charter of the Audit Commitee:

In its meeting on December 15, 2006, the Board of Directors gave the Audit Committee a new charter which outlines its responsibilities.

The Audit Committee is primarily responsible for:

- reviewing and commenting on the Company's statutory and consolidated financial statements prior to their approval by the Board of Directors. This review always involves (i) a presentation by the Statutory Auditors of the key items of the results and the main accounting options that were retained, and (ii) a presentation by the Chief Financial Officer of the financial situation of the Group. The Audit Committee is responsible in particular, for (i) ensuring that management has ensured the relevance and consistency of the Company's accounting policies, (ii) reviewing the accounting treatment of complex or unusual transactions, (iii) reviewing the scope of consolidation, (iv) verifying that the internal control procedures are sufficient to ensure the quality of financial information and (v) reviewing the principal financial information documents of the Group;

- conducting the selection process for the statutory auditors of the Company, making all proposals for their appointment, renewal and compensation, reviewing their audit plan as well as reviewing specific projects that may be assigned to them, and ensuring their independence; and
- ensuring the existence of the internal control and risk management procedures established by the Company, reviewing the report of the Chairman of the Board of Directors on internal control, approving the internal audit plan, following its execution and ensuring the level of quality and adequacy of resources allocated to internal controls.

As part of its responsibilities, the Audit Committee may, on a regular basis, speak to the Chief Financial Officer, the Statutory Auditors, and the executive officers of the Group (in charge, in particular, of the preparation of the financial statements, internal control, risk management and internal audit, of the legal department, the tax department, the treasury and corporate finance department, and the compliance with ethics). These hearings may take place, whenever the Committee decides so, without the presence of the Management of the Company. In addition, the Audit Committee may consult with some independent external advisors, in particular regarding legal and accounting matters, and may request that an internal or external audit be performed.

In its meeting on July 30, 2007, the Board of Directors decided to amend the Audit Committee's charter in order to modify the distribution of its responsibilities with those of the Social Responsibility Committee. Following such amendment, the Audit Committee is responsible for responding to the questions of the Social Responsibility Committee related to the Business Conduct Principles or ethics. As such, it will be provided information regarding the Group's principal environmental, social, and social business (*sociétale*) risks that were presented to the Social Responsibility Committee.

Activity of the Audit Commitee

In 2008, the Audit Committee met six times. The attendance of its members, expressed by the attendancy rate, represented 100%.

The Committee reviewed the Group's annual and half-year financial statements and was in particular focused on examining (in each case after hearing the executive officer of the Group in charge):

- the change in the scope of the Group (including the integration of Numico);
- the financial situation of the Group and the financial risk procedures;
- the status of the work on internal control procedures;
- reviewing the part of the report of the Chairman of the Board of Directors which relates to internal control;
- monitoring process and risk assessment;
- reviewing anti-fraud procedures;
- the approval of audit plans and the review of the principal conclusions of the audits conducted during the year;
- the pre-approval policy for services of the statutory auditors (excluding audit-related engagements) to ensure their independence; within this framework, the Audit Committee, in its meeting dated December 20, 2007, pre-approved, on an exceptional basis and for a transitory period of one year, tax services performed by PricewaterhouseCoopers on behalf of the foreign entities of the Numico group (acquired by the Group at the end of 2007) in order to ensure that the majority of these services are being properly transferred to other firms during the year (refer to paragraph 20.1.3 of the Registration Document);
- the accounting treatment of complex transactions.

With respect to the review of the annual financial statements, the Audit Committee reviews the main closing options twice: a first time during its meeting of December, and a second time prior to the meeting of the Board which settles the financial statements.

Each Audit Committee meeting requires the presentation of a summary report given at the Board of Directors' meeting occurring after that meeting. These summary reports on its activity must enable the Board to be fully informed, thereby facilitating its deliberations.

Nomination and Compensation Committee

Composition of the Nomination and Compensation Commitee

As of February 28, 2009, the Nomination and Compensation Committee is comprised of the following three Directors, two of whom were recognized as independent by the Board of Directors:

- Mr. Michel DAVID-WEILL, Chairman of the Committee;
- Mr. Jean LAURENT, Independent Director;
- Mr. Hakan MOGREN, Independent Director.

Charter of the Nomination and Compensation Commitee

In its meeting on December 15, 2006, the Board of Directors gave the Nomination and Compensation Committee a new charter which outlines its responsibilities.

The Nomination and Compensation Committee is notably responsible for:

- making proposals to the Board of Directors for nominations of Directors;
- preparing the review by the Board of Directors of questions relating to the management of the Company;
- conducting an evaluation of the Board of Directors and the Audit Committee, upon request;
- proposing criteria for the compensation of the directors and officers *(mandataires sociaux)*;
- making proposals related to the grant of stock options or shares free of charge to the directors and officers *(mandataires sociaux)*;
- proposing the allocation of directors' fees *(jetons de présence)* among Directors;
- more generally, making recommendations related to the Group's compensation policy upon the request of the Board of Directors.

For all of the executive officers' nomination-related topics (and excluding any issue relating to their compensation), the Chairman and Chief Executive Officer participates in the Committee's activities.

Further to the recommendations of the Nomination and Compensation Committee, the Board of Directors of February 10, 2009 amended the Charter of this Committee providing for the following:

- the above mentioned preparation by this Committee of the review by the Board of Directors of questions relating to corporate governance will now have to be performed annually;
- the presentation of the compensation policy of the members of the Executive Committee of the Group (other than the directors and officers), which is made every year to the Committee, is now required to be made under the presence of one or more directors and officers (which was already the case in practice);
- the Nomination and Compensation Committee's performance will now be subject to a periodic assessment.

Activity of the Nomination and Compensation Commitee

In 2008, the Nomination and Compensation Committee met four times, and the attendance of the members, expressed by the attendancy rate, represented 83%.

The Committee primarily reviewed, in detail, all the compensation and benefits programs for the members of the Executive Committee.

It also examined in 2008:

- the renewal of Directors' term of office that was to end during the General Shareholders' Meeting of 2008;
- the review of the Company's undertakings related to the conditions of indemnification applicable to each of the four corporate officers in the case of termination of their term of office;
- the examination of all the conditions related to the compensation and benefits of each of the four corporate officers (and of the other members of the Executive Committee), in particular the variable compensation programs and benefits of the Group, including the (i) short-term, (ii) medium-term (Group Performance Unit, including the examination of the performance achievement over 2008 and the setting of the performance objectives for 2009), and (iii) long-term (stock options, including the commitment of holding shares resulting from the exercise of options by the corporate officers and the other members of the Executive Committee);
- the detailed review of the AFEP-MEDEF Code, and the compliance level of the Group in that respect, particularly in connection with the status and compensation of the corporate officers (including a favorable opinion on the decision to refer to this Code).

In connection with the review of the Group's compliance on the AFEP-MEDEF Code, two Nomination and Compensation Committee meetings were held at the beginning of February 2009, and they examined in particular the following topics (which they presented to the Board of Directors on February 10, 2009):

- the individual examination of the independence of each of the members of the Board, as well as the independence criteria used by the Board with respect to these recommendations;
- the review of the variable compensation policy of the Group (including the examination of the balance of the grants between the various categories of optionnees) of the weight between the long-term (stock options) and the medium term *(Group Performance Unit)* programs;
- the recommendation on the final prohibition of using any hedging instrument on the Company's shares for each corporate officer (including a recommendation to expand this rule to the other members of the Executive Officers);
- the examination of the opportunity to implement a pre-authorization internal procedure for the transactions on the securities of the Group's directors (the recommendation being negative, as the Group policy is to ensure that each director is responsible for his or her own transactions);
- the review of the process and practices in place in terms of the replacement of the Management of the Group (and noting that this process was expanded to all of the key positions of the Group's subsidiaries);
- the review of the Directors' fees (*jetons de présence,* which are only paid to the non-executive directors), with the recommendation to the Board of Directors to propose during the General Shareholders' Meeting to increase the maximum annual amount by € 100,000;

- changes to the charter of the Nomination and Compensation Committee (refer to the paragraph above).

Each Nomination and Remuneration Committee meeting requires the presentation of a summary report given at the Board of Directors' meeting occurring after that meeting. These summary reports on its activity must enable the Board to be fully informed, thereby facilitating its deliberations.

Social Responsibility Committee

In its meeting on December 15, 2006, the Board of Directors decided to create a third governance body, the Social Responsibility Committee.

Composition of the Social Responsibility Commitee

As of February 28, 2009, the Social Responsibility Committee was comprised of the following three Directors, two of whom were recognized as independent by the Board of Directors:

- Mr. Jean LAURENT, Chairman of the Committee and Independent Director;
- Mr. Bruno BONNELL, Independent Director;
- Mr. Emmanuel FABER, Director and Deputy General Manager.

Charter of the Social Responsibility Commitee

During its meeting on February 14, 2007, the Board of Directors gave this Committee a charter which outlines its responsibilities and procedures.

The Social Responsibility Committee is responsible for:

- reviewing the principal environmental risks and opportunities for the Group in relation to its objectives and activities;
- reviewing the social policies of the Group, its objectives and the results obtained;
- reviewing reporting, evaluation and control systems in order to allow the Group to produce reliable information regarding non-financial matters;
- reviewing all non-financial information published by the Group, in particular relating to social business *(sociétaux)* and environmental matters;
- the annual review of the summary of the ratings received by the Company and its subsidiaries by non-financial rating agencies; and
- ensuring the application of the ethical codes established by the Group.

In addition, in the area of socially responsible investments, the committee is responsible for:

- evaluating the impact of these investments on the Group;
- reviewing the application of the rules established by the Group concerning investments and social programs in areas related to the Group's activities; and
- ensuring that the Company's interests are preserved, with particular focus on preventing a conflict of interest between these investments and the rest of the activities of the Group.

Activity of the Social Responsibility Commitee

In 2008, the committee met three times. The attendance of the Directors, expressed by the attendancy rate, represented 100%.

In 2008, the Committee examined in particular:

- the various axes of the Group's social business *(sociétale)* approach (in connection with "New Danone 2008-2011");
- the Group's ongoing projects in the social business *(sociétal)* domain. In particular, pursuant to the Governance Charter of danone.communities, the Committee was consulted and issued a favorable opinion on the conformity to this charter of two new investment projects (1001 Fontaines and Laiterie du Berger) envisaged by the FCPR danone.communities. Furthermore, it issued a favorable opinion on the amount borne by the Company within the context of its financial contribution to danone.communities. See Sections 15.3.3 - "Related Party Transactions" and 20.2.1 entitled "Information on the danone.communities fund" and the Statutory Auditors' special report in paragraph 20.2.1. All of the activities of the Social Responsibility Commitee have resulted in a report made to the Board of Directors.

16.4 Corporate Governance

The Company is in compliance with the corporate governance regime in force in France pursuant to the conditions set forth in Chapters 14, 15 and 16.

Pursuant to the Law of July 3, 2008, the Board of Directors, at its meeting on December 18, 2008, studied the provisions of the AFEP-MEDEF Code and decided that the Group shall refer to this Code of governance (such decision has been published by a press release issued on December 19, 2008). This code is available on the MEDEF's website (www.medef.fr).

16.5 Conditions for the Preparation and Organization of the Board of Director's Activities

(in accordance with Article L. 225-37 paragraph 6 of the French Commercial Code)

Board of Directors' Activities in 2008

Ongoing efforts to improve the efficiency of the Board of Directors continued in 2008.

The Board of Directors met eight times in 2008 and each meeting lasted, on average, one hour and forty-five minutes. Directors' attendance rate was 79% (compared to 86% in 2007). The meetings are always organized in the presence of executive directors and officers *(dirigeants mandataires sociaux)*, in order to preserve the same degree of information between the members of the Board of Directors and to reinforce the collegial aspect of the Board.

The Board of Directors examined and discussed the following ongoing issues in 2008: review of the Group's activity, presentation of the strategic plans and annual budgets, approval of the statutory and consolidated annual financial statements, review of the half-year financial statements, financial information releases, in particular when the yearly and half-year financial statements are published, approval of the different reports of the Board as well as of the draft resolutions submitted for shareholder approval, preparation of the General Shareholders' Meeting (including responses to written questions addressed to the Board on this occasion), acquisitions and disposal of assets or interests, the financial situation and cash reserves, financial commitments (representations and warranties), share buy-backs or cancellations, capital increases reserved for employees, allocations of stock options and Group Performance Units (including the annual setting of performance objectives for the following year and the verification of their achievement for the preceding year), determining all the elements in respect of the compensation of each of the Company's four directors and officers *(mandataires sociaux)* (including for the stock options the review of the holding requirements for shares resulting from the exercise of options), review of the Company's share price and of its shareholding, approval of the Group's annual contribution to danone.communities, as well as the reports from the three Board committees (Audit Committee, Nomination and Compensation Committee, Social Responsibility Committee) regarding their work.

In particular, the following specific items were reviewed by the Board of Directors in 2008:

- the finalisation of the Numico acquisition (completion of the squeeze-out procedure, followed by the integration of the businesses into the Group, and review of the performances of the Baby Nutrition and Medical Nutrition business lines);
- planned disposals of the Frucor drinks business (in Australia and New Zealand) and Huiyuan Juice business (in China);
- authorization of regulated agreements relating to the Group's managers (these agreements were approved by the Board meeting held in February 2008 and were submitted for shareholder approval at the General Shareholders' Meeting of April 29, 2008);
- study of the Group's plans of action in light of the economic situation;
- financing transactions (completion of refinancing of the acquisition of Numico, via in particular several bonds issuances), and the review of financial situation of the Group (indebtedness, off-balance sheet commitments, liquidity, hedging of financial risks, rating);
- review of corporate governance issues (including in-depth review of AFEP-MEDEF Code and decision to refer to this code of governance).

In addition, to gain more in-depth knowledge of the Group's businesses and staff, the Directors participated in an *Evian* event, which takes place every year in September and brings together all the Group's managers worldwide. The Directors also met the Managing Directors of each of the Group's Business Lines over a half a day in December. These meetings took place in the presence of the directors and officers *(mandataires sociaux).*

At the Board of Directors' meeting during which the compensation of directors and officers *(mandataires sociaux)* is set by the Board, the latter are present, but, in conformity with law, do not vote. However, no corporate officer shall be present at the Nomination and Remuneration Committee meeting during which his or her remuneration is discussed.

Board of Directors' self-evaluation

The Board of Directors' self-evaluation conducted in 2007 led the Board to adopt a new charter at its meeting on July 30, 2007 (the one conducted in 2004 led to a reorganization of the Board in 2005). Following this evaluation, it was decided to provide more information to the Directors on the Group's strategy as well as on acquisitions and disposals (see Chapter 21.2.2 – Charter of the Board of Directors).

During the second half of 2008, a new Board self-evaluation was conducted, the results of which will be reviewed by the Directors during 2009. The Board of Directors, without waiting, in its meeting of February 10, 2009, decided to modify its Board of Directors Charter in order, in particular, to (i) specify the rules according to which it must be informed of the Company's financial situation (i.e., at least once every six months, which was already in practice) and (ii) definitively prohibit the use by the Directors of any hedging instrument with regard to Groupe Danone shares.

Other information

The principles and regulations approved by the Board of Directors to determine the compensation and benefits-in-kind granted to directors and officers (*mandataires sociaux*) are detailed in Chapter 16.3 of this Registration Document.

All of the information regarding the composition of the Board of Directors and the conditions of preparation and organization of its work are provided in:

- Chapter 14.1 – Composition of the Board of Directors and of the Executive Committee;
- Chapter 16.3 – Audit Committee, Nomination and Compensation Committee, and Social Responsibility Committee.

The decision of the Board of Directors to refer to the AFEP-MEDEF corporate governance Code is mentioned in paragraph 16.4.

The terms and conditions relating to the participation of shareholders to the General Shareholders' Meeting are included in the Company by-laws and are summarized in paragraph 21.2.3.

Restrictions that the Board of Directors imposes on the powers of the Chief Executive Officer are included in paragraph 21.2.2.

The information provided for in Article L. 225-100-3 of the French Commercial Code is mentioned in the management report and is included in paragraph 20.2.1.

Finally, the report prepared in application of Article L. 225-37 of the French Commercial Code was approved by the Board of Directors at their meeting of February 10, 2009.

16.6 Summary of the Internal Controls and Risk Management Procedures Established by the Company

(in accordance with Article L. 225-37 paragraph 6 of the French Commercial Code)

General Organization of Internal Controls

OBJECTIVES OF THE INTERNAL CONTROLS AND REFERENTIAL USED

The internal audit procedure is a process put in place by the General Management, the supervisory staff and employees of the Danone group and designed to provide reasonable assurance that the following principal objectives are being met:

- the accuracy of financial information;
- compliance with applicable laws and regulations;
- to a lesser extent, the efficiency of operations.

The Group applies an internal referential in compliance with the Reference Framework *(Cadre de Référence)* and Application Guide *(Guide d'Application)* suggested by the *Autorité des marchés financiers*. This Reference Framework was based on the Committee of Sponsoring Organizations (COSO)'s referential.

PERSONS RESPONSIBLE FOR INTERNAL CONTROLS

The Board of Directors and the Audit Committee ensure that the Group adheres to the internal audit policy. In doing so, they rely on both the operational and functional hierarchies (business lines, geographic areas and subsidiaries) and, in particular, the Internal Audit and the Risk Management Departments.

Reporting to the Chief Financial Officer, the Internal Control Department is made up of a central team of five people, supported by local internal controllers who report to the subsidiaries' Financial

Directors. They all ensure that the subsidiaries correctly apply the procedures defined by the Group. Specifically, the Internal Audit Department establishes the Group's internal control referential, defines the methods used to document the procedures, conducts analysis and puts in place action plans.

Reporting to one of the Group's Deputy General Management Departments, the Risk Management Department regroups the Internal Audit Department and the Risk Department. The Internal Audit Department, which uses the specialized teams of many large, international audit firms, of which KPMG in particular, regularly conducts audits in the operating units as well as audits related to cross-business lines and cross-business issues. This central structure is supported by internal auditors in certain important subsidiaries or in the pooled service departments as well as by other central services (Quality, Safety, IT, Administration, etc.).

The Scope of the Group's Internal Controls

The internal control process is implemented in the subsidiaries in which the Group has a controlling interest. The Internal Control Department and the Risk Management Department have progressively integrated Numico and its subsidiaries in the Group's mechanisms for managing internal control risks, in accordance with the integration plan established following the acquisition of Numico at the end of 2007.

The Group's Internal Control Procedures

Internal controls include five closely related components that are implemented within the Group as follows:

Control environment. The control environment determines the level at which the personnel should be informed of the need for control and constitutes the basis of all of the other elements of the internal audit, by imposing, in particular, discipline and organization.

The values of the Danone group, widely communicated in all of the subsidiaries, are as follows: a dual economic/corporate project, the existence of a periodically updated business code of conduct, human resource and social policy particularly with regard to the development and training of executives, the impetus given by the Board of Directors, the willingness to improve continuously the operating procedures as expressed by General Management and the "Danone Way Ahead" program launched in almost all of the Group's subsidiaries favoring a good control environment. The Group set up a whistle-blowing system for all of its employees in 2005 and procedures to raise awareness of the risk of fraud for all of its managers in 2006.

In 2008, special attention was given to the subsidiaries of the Baby Nutrition and Medical Nutrition divisions (previously subsidiaries of Numico). For example, a specific message was sent to Managers about Groupe Danone's Principles for Conducting Business.

In addition, the General Managers appointed in 2008, as well as the General Managers of small subsidiaries conducting business in emerging markets, also participated in seminars in which the Group's policies were presented to them, in particular in areas such as human resources, finance, internal controls, brand name protection, and crisis management.

Furthermore, the streamlining of the operating procedures through the establishment of the "Danone Governing and Operating Processes" and the implementation of an integrated information system (Themis) strengthened the control environment through an improved quality of information. The Group ensures that it establishes or updates its procedures with regard to, for example, the delegation of powers, the legal protection of the Group's property (names, images, forms) or the management of subcontracting. In keeping with its work in 2007, the Group continued its improvement programs for a better segregation of duties in 2008 through reorganizations and the review of accesses to the different IT systems.

Disclosure of information. Appropriate information must be identified, collected, backed-up and disclosed in a format and within an appropriate time frame so that each person may carry out his or her responsibilities.

Groupe Danone's values, culture, organization and information systems are elements that facilitate the dissemination of information necessary in the decision-making process. Moreover, the documentation and various Intranet sites enable a convivial sharing of information within the Group. This information regroups not only financial information but also non-financial information responding to the needs of various operating and functional departments.

Risk identification and evaluation. Every company faces internal and external risks that may hinder the realization of its objectives. The principal risks that the Group encounters are described in Chapter 4 – Risk Factors of this Registration Document.

The Group has put in place a risk identification system with a specific process called "Vestalis". This risk mapping application was implemented in many Baby Nutrition and Medical Nutrition subsidiaries for the first time in 2008. It allows for the identification of risks and weaknesses with respect to all processes followed in companies using the application, to consolidate these risks and weaknesses and rank them in terms of frequency of occurrence and their financial impact on the Group, to scale them down by country or business line, and as such to define preventive actions or actions to be taken to correct them, the scope of which could be local or global, as the case may be. The most significant risks are reviewed annually during specific meetings with business line and regional managers. An overall review is conducted on a regular basis by the Group's Management and the Audit Committee.

Similarly, the existence of procedures (on competitive watch, trainings, prevention and protection) as well as the actions taken by the specialized departments, Environmental Management or the Food Safety and Quality Management, help identify and analyze the risks. Moreover, the reduced levels of hierarchy, short decision-making processes and the participation of the operating units in strategic decisions contribute to the identification risks. Meetings that the Group's main executives attend address the major risks from which the Group must protect itself in the areas of food safety, investment policy, cash management, information systems and internal control.

Control activities. The control activities are intended to ensure the application of standards and procedures that contribute to the implementation of the main decision of the General Management.

A group of shared operating procedures and models, known as the "Danone Governing and Operating Processes", are being constantly improved and are communicated and applied in the operating units. Moreover, the use of the integrated application Themis by the majority of the operating units contributes greatly to the reliability of the operating control activities.

In addition to these regulations and procedures, the Group has also put in place a system of practices and procedures allowing it to implement its controls. These practices and procedures include a regular review of the performance of each operating unit, particularly within the context of performance reviews and the participation in Board of Directors' meetings or Management Committee meetings concerning the units. The internal controllers of the subsidiaries oversee the implementation of these practices and procedures.

Permanent monitoring. The internal control systems must be periodically reviewed so that the qualitative performance may be evaluated.

The permanent monitoring of the control procedures is part of the Company's and its subsidiaries' ongoing activities. In 2007, a new IT application called DANgo ("Danone Governing and Operating Processes") was deployed. It integrates the Danone Operating Models, the Group's internal control referential and the practices and values promoted in the Danone Way Ahead program. It enables the subsidiaries to document their operating procedures, in particular, those procedures used in establishing financial information, to self evaluate them and to assess whether they comply with the Group's internal control referential and to put in place the necessary action plans. The results of the annual self-evaluations by the subsidiaries are sent to the Internal Control Department that then analyzes them. If necessary, appropriate action plans are put in place and are later reviewed during independent internal audits.

Certain subsidiaries of the Baby Nutrition and Medical Nutrition business lines were included in this mechanism for reporting self-evaluations of operating processes, and plans of action are, if necessary, currently ongoing.

50 internal audits were conducted in 2008 in the operating units and horizontal functions on the basis of a plan previously presented to the Audit Committee, 17 of which were conducted on Baby Nutrition and Medical Nutrition entities. Following each audit, an action plan is prepared by the subsidiary's management to amend any weakness revealed in the audit report and the execution of the action plans are systematically reviewed and followed up by the operating and functional managers under the supervision of the Internal Audit Department. In 2008, such supervision led to 16 short audits on the implementation of the action plans.

The Audit Committee is regularly informed of the progress of the subsidiaries' self-evaluations, their findings as well as the progress and the results of the audits conducted by the Internal Audit Department.

Internal Control Procedures Related to the Preparation and Treatment of Groupe Danone's Financial and Accounting Information

Control environment. The Finance organization is based on the centralized functional departments (Corporate Finance/Treasury, Merger & Acquisition, Strategy, Controlling/ Consolidation, Standards and Procedures, Financial Communication, Information Systems) as well as the Financial Management department of each business line. These business lines are also organized by geography regrouping the operating units and, in certain countries, the accounting and treasury departments, as well as some other expertise departments. In any event, the operating units are responsible for their financial statements and for their internal control procedures.

The roles and the skills required at the different levels of the organization are clearly defined and the internal training programs are adapted accordingly. The relevance of the key performance indicators is reviewed on a regular basis. The internal control procedures are communicated to all the operating units and the accounting and financial procedures are available on an Intranet site. Moreover, a large number of the practices mentioned in DANgo contribute to the procedures for preparing the financial statements.

The deployment of *Themis* optimizes the flow of information between the financial, industrial, quality, supply chain, sales and purchasing departments within the subsidiaries as well as within the Group. This progressive deployment within the subsidiaries is accompanied by continual improvements to the system.

Disclosure of information. A unified information system, using the most widely used consolidation software on the market, enables the Group to produce financial information used to manage and control the operating units' activities. The procedures related to this consolidation system's safety, use and development of new functions are documented.

The financial managers of each business line and certain department managers meet to share information and best practices. Manuals and information on procedures are made available on an Intranet site to all the managers and senior managers of the Finance and IT departments. To prepare the year-end close, the Director of the Group Consolidation Department sets up meetings with the financial teams in the principal subsidiaries to address key topics on activity and specific accounting issues in accordance with IFRS standards.

Each quarter, the Group's entire financial department can connect to a website where the Chief Finance Officer comments on the activity for the quarter and the major objectives.

Risk identification and evaluation. The following allows the Group to manage the major identified risks: using the findings obtained through the applications already in place *(Vestalis* or *Danone Way Ahead)*, strategy planning, performance reviews, regular meetings where several financial departments are represented (Treasury, Management, Finance, M&A, Investments) and Executive Committee meetings.

Specific risks related to processes for the development and communication of financial information are also reviewed, and the internal controls mechanism is consequently adapted, if necessary.

Control activities. Each business line has a Financial Management department that is responsible for reviewing performance, investments and working capital needs for the business line. The Financial Management departments of each business line's financial departments rely on the support of the Financial Management departments located at the level of the geographic regions and operating units. Moreover, a central department manages the Group controlling.

The principal elements of the performance review process include a rigorous financial planning meaning a strategic plan, a budget process preceded by the preparation of guidelines with the key objectives to be achieved, complete re-estimates at regular intervals, monthly closings, monthly forecasts of certain indicators as well as monthly meetings to review performance with financial teams and the Managing Directors of the business divisions.

In this context, each operating unit prepares, on a monthly basis, detailed financial reporting and twice a year exhaustive consolidation packages for the preparation of the Group's consolidated financial statements. The financial reporting is characterized by a unique format centered on a limited number of monthly performance indicators. The financial information is integrated in a centralized and unified database used for both internal management purposes as well as for external publications. The operating units report, in the consolidation packages, the financial statements prepared in accordance with the Group's standards and tables of analysis facilitating the preparation of the consolidated financial statements and their appendices. These consolidation packages are audited by a central team that validates the accounting methods used throughout the year. This team records the elimination and consolidation entries and validates the accounts that are the most sensitive (intangible assets, taxes, provisions, off-balance sheet commitments). Members of the central departments conduct regular visits in the operating units (performance review, procedures review, pre-closing meetings, *ad hoc* audits, progress on improving the internal controls, follow-up on actions plans, training on accounting standards).

Once a year, the Managing Director and Finance Director of each operating unit confirm in writing that they have complied with the Group's procedures with regard to the quality of the financial information sent to the central teams.

In 2008, a specific project was carried out in the Baby Nutrition and Medical Nutrition business lines in order to ensure compliance with the Group's accounting principles, to deploy the consolidation system used by the Group in each of its subsidiaries known as "Magnitude", and to train employees in Financial Management departments.

The control activities are therefore conducted at all of the Group's hierarchical and functional levels and include a variety of steps such as approving and authorizing, verifying and comparing, evaluating the operational performances, ensuring the protection of assets and monitoring the segregation of duties.

Permanent monitoring. It is one of the responsibilities of each business lines' Financial Director and of each functional director to improve the procedures related to the preparation and treatment of the financial information. Detailed audits are conducted on the key control procedures in the preparation financial information (including published) in the subsidiaries and in the Group's headquarters and on their application. Moreover, the internal audits conducted in the operating units aim primarily at verifying the quality of the accounting and financial information. The Financial Management department of the business lines ensures that the action plans identified following the above-mentioned audits are correctly implemented.

Evaluation. The Audit Committee examined the report of the Chairman of the Board of Directors on the internal control procedures put in place by the Group. The procedures intended to control the accounting and financial information of the consolidated subsidiaries as well as the internal control procedures for preparing the consolidated accounts are adequate to provide reliable accounting and financial information. This report was then reviewed and approved by the Group's Board of Directors in accordance with the Law of July 3, 2008.

16.7 Statutory Auditor's Report

(Statutory Auditors' Report prepared in accordance with Article L. 225-235 of the French Commercial Code)

In our capacity as Statutory Auditors of Groupe Danone, and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors (or Supervisory Board) for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by Articles L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility

- to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS FRENCH ORIGINAL SIGNED BY:		PRICEWATERHOUSECOOPERS AUDIT FRENCH ORIGINAL SIGNED BY:	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

17 EMPLOYEES

17.1 Human Resources and Social Responsibility

As of December 31, 2008, the number of employees of the fully consolidated companies was 80,143. The table below sets forth the total number of employees at year-end and the percentage split by geography and business line as of December 31, 2007 and 2008.

	As of December 31,	
	2007	**2008**
Total number of employees	76,044	80,143
By Geography		
France	11.4%	10.9%
Rest of Europe	17.2%	27.2%
China	7.7%	9.9%
Rest of Asia-Pacific	15.3%	18.2%
North and South America	26.2%	28.3%
Africa and The Middle East	6.1%	5.5%
Baby Nutrition and Medical Nutrition (1)	16.1% (2)	-
TOTAL	**100.0%**	**100.0%**
By Business Line		
Fresh Dairy Products	40.7%	38.9%
Waters	41.5%	41.2%
Baby Nutrition (1)	16.1% (3)	13.9%
Medical Nutrition (1)		4.4%
Corporate Functions	1.7%	1.6%
TOTAL	**100.0%**	**100.0%**

(1) In 2007, the employees of the Baby Nutrition and Medical Nutrition business lines were all employees of Numico and its subsidiaries.
(2) As of December 31, 2007, the employees of the Baby Nutrition and Medical Nutrition business lines have not been split by geographical zone given the short time lag between the date of the Group's acquisition of Numico and the end of the 2007 fiscal year.
(3) As of December 31, 2007, these two Business Lines had not yet been presented separately by business line.

General Policy

In 2008, Danone's corporate culture was shown through a project known as "New Danone". This project corresponds to a collective construction method revolving around several hubs: health positioning, the development of individuals and their abilities, social responsibility and environmental responsibility.

Human resources played a central role in the process of development of the "New Danone" project in 2008. New synergies discovered between job functions were put in place, as illustrated, for example, by the "Fonds Danone Éco-système" project, which is at the epicenter of social, corporate, and financial plans. This project will be subject to the General Shareholders' Meeting dated April 23, 2009.

The Group's human resources policy is based on two principles: a full and complete involvement in operating decisions and the determination to ensure sustainability of social commitments. The *Direction du Développement Durable* et de *la Responsabilité Sociale* (Management of Sustainable Development and Social Responsibility) coordinates and implements the sustainable development policy, in connection with the various functional departments of the Group and of its subsidiaries.

Operational decisions are effected by a human resources organization that is close to the needs of the business. Human resources are organized by business line and rely on group-wide structures in key areas such as compensation, organization and know-how, integration of acquisitions, recruitment and senior management. To attract talent worldwide, the Group has developed, as a result, an institutional communication campaign presented on the Internet by the website "danonepeople.com." The development of human resources is ensured by training and quality management, for example, through tools such as "360°" personal assessments and coaching. Furthermore, human resources promotes the Group's international development through (i) a global recruitment policy, (ii) encouraging the movement of managers around the world through a dedicated team that manages the administrative, financial and personal aspects of transfers and rotations and (iii) the integration of newly acquired companies.

Social Policy

The Group's Fundamental Social Principles are based on International Labor Organization conventions relating to the prohibition of child labor, forced labor, discriminatory practices, safety and working conditions, working hours, the application of national laws to the minimum wage, freedom of association and expression of employees and the right to collective bargaining. These principles ("*Principes Sociaux Fondamentaux*" ("PSF") are minimum requirements to be met by all Group companies, related companies, partners and suppliers. The implementation of a human resource and social policy is only valid insofar as the basic requirements are fulfilled by the employees of the Group and its partners.

Safety and Working Conditions. Group policies regarding safety and working conditions apply to (i) all categories of employees (including interns, temporary staff and apprentices, who are all included in accident statistics), and (ii) to all Group companies. The same policy is in the process of being deployed in the Baby Nutrition and Medical Nutrition business lines. Specific actions will be taken with respect to sub-contracting companies employed on the Group's sites and their employees' work-related injuries will be accounted for in the Group's statistics.

Since 2003, the Group has committed to reinforcing its health and safety policy. Since 2005, objectives related to safety have been integrated into the variable compensation of certain managers and general managers of the consolidated companies and Business Lines. The Group employs the following recurring factors:

- health and safety committees, which oversee the proper functioning of the installations and compliance with norms and regulations;
- audits, which provide the opportunity for risk analysis and the development of action plans;
- management of safety, which includes the commitment of on-site management teams, training and establishing a dialogue between operators and managers.

By acting on these factors, the goal of reducing the frequency of work-related accidents by 50% as compared with 2004 was achieved.

The various tools (audits, training) were adapted in order to be deployed in the Group's commercial and logistic activities.

The Group's Executive Committee receives the safety results from all of the sites on a regular basis. All of this information is collected via a common Group indicator and by a "safety barometer". A special communication effort has been made within the Group in order to make the issue of safety the top priority for everyone, notably at internal conferences and in the exchanges of good practices (the "Networking" program).

Welfare. The Group has developed a welfare policy in accordance with the economic realities in the environment in which its subsidiaries operate. Welfare takes into account the fundamental needs for social protection for employees and their families. It covers the following areas: pensions, workplace accidents, access to medical care and insurance for business travel.

The Group's policy in this area is the following:

- to offer a welfare policy in accordance with national legislation;
- to impose a minimum standard, notably by increasing insurance for repatriation for all collaborators during their business travel as well as an accidental death indemnity for all (open-ended contracts and fixed-term contracts), which represents one year of compensation.

Dialogue with Unions. In 2004, the Group lead an investigation to study the characteristics of the dialogue with unions. This investigation revealed that workers' representatives exist in almost all of the Group's subsidiaries and that meetings are organized in order to either inform or consult personnel. The topics most often covered in collective bargaining agreements as negotiated with unions or workers' representatives are compensation, work hours and conditions and work safety. This investigation is currently in the process of being updated pursuant to the acquisition of companies in the Baby Nutrition and Medical Nutrition business lines.

Since 1996, the Group's Information and Consultation Committee (CIC) has met once a year and is composed of Group union members and permanent national unions on the one hand and Danone human resources and operational managers on the other. It also includes observer members from the International Union of Food Workers (IUF). Regular dialogue has existed since 1985 with the IUF, which has led to the implementation of common programs relating to equal opportunities in the workplace, the availability of economic and social information, the recognition of union rights and informing representatives of personnel in the event of a modification of the business which may affect jobs and working conditions, programs that have since been concluded by six agreements. In 2007, an agreement on diversity was signed, which has been applied worldwide. The supervision of its implementation will be ensured by specific indicators developed with the IUF. The first presentation of achievements will take place during the CIC's meeting in the month of October 2009.

Supervision of the application of such agreements will continue to be ensured by different channels:

- direct reporting of information by local unions to the IUF, through a process, introduced in 2008, of joint evaluations on related party agreements and the actions undertaken to communicate them, in particular with respect to the Baby Nutrition and Medical Nutrition business lines;
- the appointment in 2006 of a full-time IUF representative to the Group, together with the organizations of joint Danone/IUF visits made to various work sites of companies worldwide (first visit in 2008);
- a process of social reporting applied to Group companies based on twenty social indicators defined jointly by the Group and the IUF, and published and commented on during the CIC's meeting for the benefit of, and in the language spoken by, participants;
- an IUF – Groupe Danone pilot committee that meets each quarter to review the successful application of these agreements.

These agreements are widely distributed within the Group's subsidiaries and published in 20 languages in order to be more easily understood and implemented.

In addition to its subsidiaries, the Group communicated its Fundamental Social Principles (defined above) to all of its suppliers. To this end, the Group initiated in 2003 the "Respect" approach, in order to provide means to apply these Principles to all of its suppliers. "Respect" aims at proposing to the Group's different entities a strategy and tools that allow them to ensure that their suppliers respect the Fundamental Social Principles. The Group's subsidiaries, therefore, have the opportunity to implement, from among the proposed tools, social audits carried out by an international company recognized in this area.

Training and Development

In connection with the Group's mission, employee training at Danone contributes both to the growth of its business, by building necessary distinctive short-term and medium term abilities, and to the growth of its employees, by encouraging professionalization and individual development. Within this framework, the Group's training has three major objectives: develop professional and managerial skills, share and communicate good practices, and promote Group culture.

The training portfolio includes 3 large areas:

- training by area of business (marketing, purchasing, logistics, quality, finance, research and development, human resources) designed and run by professionals from different Group subsidiaries and in partnership with universities, renowned schools or consultancies;
- management and leadership development programs;
- seminars and workshops aimed at sharing the best growth practices.

Several years ago, the Group created a type of original company university known as "Danone Campus," with the purpose of bringing together, nearly 10 times per year, 150 to 250 managers in order to have an exchange on cross-business themes and on best practices, and to share the Group's strategy with a member of the Executive Committee. These "Danone Campuses" are held in different regions around the world where the Group is present and, in particular, in Evian where the Group's main training center is located.

Danone also invests in the professionalization and qualification of its employees through programs carried out by each country. In France, the "Evoluance" program, launched in 2004, has a double objective: to improve the organizations' efficiency and collective performance, by allowing employees to maintain and develop their employability. It is also a program to fight illiteracy aimed at directing employees towards educational training that will lead to certifications or diplomas (of which French degrees like the "BTS" or the "Bac Pro"), in particular French "CAP" degrees for employees with no formal training.

Finally, the Group aims at facilitating employees' development throughout the year, beyond formal training, by, in particular, implementing learning and sharing tools and methods like, for example, "networking", and by training managers who gather the necessary conditions for motivating others and increasing professionalism and personal commitment. The "individual development plan" is the cornerstone of this mechanism: it creates the opportunity to set objectives on an annual basis and to define the means through which such objectives will be reached. Initially implemented for managers and executives (cadres), this plan has been progressively introduced to a larger number of employees.

Social Business Responsibility

Social Business Responsibility. In keeping with the "Danone Way" philosophy, the Group expands its approach and the available means for the purpose of ensuring the progress of its subsidiaries in the principal domains in which they have committed their efforts: human rights, human relations, communication with customers, governance and the environment. Danone's approach is based on fundamentals applicable to all of the subsidiaries and the encouragement of local social business projects supporting the Group's mission. Danone adopted a resolutely open and respectful attitude by promoting conversation and working in close collaboration with local communities while preserving its responsibility as an economic entity, the mission of which is to bring health through food to the greatest number of people.

The goal of this new ambition is to:

- develop the consumers' trust in brands that routinely invest in order to guarantee the safety of its products, to respect the environment, and to take responsibility for their own concerns on their social impact;
- attract quality employees attached to corporate culture and strong values;
- provoke internal cohesion through the dual economic and social project;
- build mutually profitable relationships with the Group's strategic customers and suppliers;
- meet the investors' expectations and, in particular, those of Socially Responsible Investment ("SRI") Funds.

By spreading, sharing, and enriching the Group's values and culture, this societal innovation is encouraged within each subsidiary. For example, in 2008, *Aqua*, the leading brand of packaged water in the world in terms of volume, undertook the development of an experimental production site with a goal of controlling all of the site's environmental impacts: the management of water resources, energy management, waste recycling and transportation.

In parallel, the fundamentals of the "Danone Way" are evaluated within each subsidiary under the guidance of an internal audit. This approach is deployed in 2008 in 58 operational subsidiaries (40 in 2007) and will be expanded over the course of 2009 to all of the Baby Nutrition and Medical Nutrition business lines following the example of Blédina in France and Nutricia in Poland.

Danone and local communities. Danone's implication in local communities is firmly anchored in its culture and is consistent with its strategic challenges and stakes at hand. Danone and its subsidiaries can intervene in partnership with public authorities, NGOs, associations and local communities.

In an effort to act more efficiently, the Group focuses its powers of intervention in countries where it is present and with respect to a limited number of issues, where the Group has expertise and credibility in order to give a consistent meaning to its subsidiaries' actions around the world.

- Social business projects regrouped under one name, Danone Supporting Life, which has as triple objective benefits for the company, a commitment by employees and benefits for civil society.
- The encouragement and the implementation of social businesses via danone.communities (see paragraph 20.2.1).
- Research in nutrition is supported by the efforts of the Danone Institutes, which have a triple mission: promote research, information, and education on food and nutrition, connect scientists and professionals in health and education with each other and release scientific knowledge to the public. The Group's implication in the area of nutrition can be seen through the publication, in early 2005, of the Danone Charter for Food, Nutrition, and Health.

17.2 Profit Sharing and Stock Option Plans

Employee Profit Sharing

The Company's employees benefit from a three-year profit sharing plan, which was renewed in 2006, and which is primarily based on the Group's results.

In addition, all of the French subsidiaries and certain foreign subsidiaries of the Group have profit sharing plans in place for their employees based on their own results.

In 2008, expenses recorded in connection with the profit sharing plans for the Group amounted to € 99 million (€ 106 million in 2007).

Group Performance Units

In 2005, the Group put in place a new system of variable compensation, in the form of Group Danone Performance Units ("GPUs"), for which members of the Executive Committee, and the Managing Directors and their employees are eligible, totaling approximately 1,000 people worldwide.

The value of the GPUs, which can vary between € 0 and € 30, is calculated over a sliding period of three years based on the Group's overall economic performance on the medium term. Each year, the Board of Directors of the Company, considering the recommendations of the Nomination and Compensation Committee, sets the performance objectives for the next year and evaluates the achievement of the previous year's objective for each GPU plan.

In the event of a successful tender offer for shares of the Company, the performance objectives of all of the GPU plans will be considered to have been met and the GPUs will be paid in the month following the completion of the offer.

In the event of a disposal of all or part of a business, the performance objectives for the year in which the disposal takes place will be considered to have been met for the beneficiaries in the business considered and all of the GPU plans will be paid in the month following the completion of the disposal.

This three-year variable compensation program, based on performance objectives on the medium term, increases the unity and commitment of the members of the Executive Committee, as well as Managing Directors and their employees, with the objective of strengthening the Group's positions in its markets and improving its operational performance.

The performance objectives set under the 2005 GPU program were achieved in connection with the 2005, 2006 and 2007 periods. Consequently, a payment to all beneficiaries was made for the first time in May 2008.

Group policy for granting stock options

Only stock purchase options (*options d'achat d'actions*) are granted to some employees and corporate officers (the Company has not granted any stock subscription options (*options de souscription d'actions*) since 1997).

Stock options are granted on an annual basis to the members of the Executive Committee (including the directors and officers (*mandataires sociaux*)), to General Managers and some of their employees (on the basis of a third of the total grants for each of these three groups). Each year, they are distributed to approximately one thousand option holders.

Stock options are generally granted twice per year: (i) the main grant (generally in April) is designed to members of the Executive Committee (including the four corporate officers (*mandataires sociaux*)), the general managers of the Groupe, as well as to some of their employees and (ii) a second grant (generally in October) designed to some newly hired employees, to some promoted employees, as well as, if applicable, some employees in recently acquired companies (as, for example, in December 2007 within the framework of the acquisition of Numico).

The exercise price of the options is equal to the average of Groupe Danone's share price as listed on the stock market during the twenty trading days preceding the Board of Directors' meeting that decide their grant. The exercise price does not benefit from any discount.

Stock options expire after 8 years. Since 2006, the options can be exercised after a four-year vesting period starting on the day of their grant (with the exception of the first two stock option plans that took place in 2007 following the Numico acquisition). Nonetheless, the regulations applicable to stock option plans granted by the Board of Directors as from April 11, 2003 allow beneficiaries of these plans to exercise all or part of the options that they would be granted in the event of a successful tender offer for shares of the Company (see paragraph 20.2.1).

In accordance with Article L. 225-185 of the French Commercial Code, as introduced by the law of December 30, 2006, the Board of Directors decided that the Chairman and Chief Executive Officer and each of the three other executive directors and officers (*dirigeants mandataires sociaux*) must hold (in registered form) a certain number of shares resulting from the exercise of options applicable to any stock option grant decided as from January 2007, (and effective until the expiration of their duties with the Group) corresponding to 35% of the capital gain upon acquisition, net of taxes and social security charges, that was achieved with respect to all of the shares resulting from an exercise of options carried out by the executive concerned under this plan. In addition, the Board of Directors decided to make this holding obligation applicable to all of the members of the Company's Executive Committee.

In the event of resignation, the options granted are cancelled. As such, by way of illustration, at December 31, 2008, the aggregate number of cancelled options amounted to 2,573,190 as compared with a total of 27,892,914 granted options (see table below).

To this day, the exercise of options is not subject to any performance condition. However, the number of options granted takes into account the performance of the Group and of each of its option holders.

To this day, the Group's policy is to refrain from amending the initial conditions of the regulations applicable to option plans.

Option grants have a limited impact in terms of capital dilution shareholding. As of December 31, 2008 and 2007, the total number of options granted to all of the Company's option holders represented approximately 0.5% and 0.6% of the number of shares comprising the share capital, respectively. The total number of options allocated to the four corporate officers (*mandataires sociaux*) (i.e., approximately 15% and 25% of the amounts granted in 2008 and 2007, respectively) represented nearly 0.1% in both 2008 and 2007 of the total number of shares comprising the share capital.

To this day, the Group has not granted any free shares.

Following the restatement of the June 2007 prior period data (following the two-for-one splits in the par value of the share that occurred in June 2000, June 2004, and June 2007, it being specified that each option grants the right to purchase one Company share), the main characteristics of these stock option plans, as of December 31, 2008, are the following:

Date of the Shareholders' Meeting	Number of Options Authorized by the Shareholders' Meeting	Date of Board of Directors' Meeting Granting Options	Number of Options Granted	Expiration Date	Exercise Price per Share	Number of Options Cancelled as of December 31, 2008	Number of Options Exercised as of December 31, 2008	Number of Exercisable Options	Of which: Options Exercisable by Members of the Executive Committee	Of which: Number of Members of the Executive Committee concerned
May 19, 1999	**8,000,000 (1)**									
		06/15/1999	828,000	06/15/2007	32.10	150,800	677,200	-	-	
		09/14/1999	78,800	09/14/2007	30.08	-	78,800	-	-	
		01/26/2000	1,333,360	01/26/2008	29.05	44,800	1,288,560	-	-	
		03/15/2000	899,200	03/15/2008	25.77	89,600	809,600	-	-	
		05/22/2000	166,400	05/22/2008	31.75	68,002	98,398	-	-	
		09/13/2000	482,800	09/13/2008	38.96	148,800	334,000	-	-	
		10/17/2000	9,600	10/17/2008	38.45	-	9,600	-	-	
		03/14/2001	2,977,000	03/14/2009	36.79	468,600	1,863,370	645,030		
			6,775,160			**970,602**	**5,159,528**	**645,030**		
May 29, 2001	**8,000,000 (2)**									
		10/08/2001	622,600	10/08/2009	35.41	89,000	330,260	203,340	64,000	2
		04/25/2002	2,627,200	04/25/2010	34.70	185,200	1,465,002	976,998	184,200	4
		10/17/2002	469,200	10/17/2010	30.38	80,000	280,964	108,236	-	
		04/11/2003	3,687,300	04/11/2011	29.54	408,000	1,770,175	1,509,125	437,898	8
			7,406,300			**762,200**	**3,846,401**	**2,797,699**	**686,098**	
April 11, 2003	**8,000,000 (3)**									
		10/15/2003	122,400	10/15/2011	32.90	34,400	45,200	42,800	-	
		04/15/2004	3,751,360	04/15/2012	33.71	408,000	1,075,529	2,267,831	583,700	10
		10/13/2004	88,600	10/13/2012	32.03	8,000	5,600	75,000	52,000	2
		04/22/2005	2,275,456	04/22/2013	37.56	160,200	246,268	1,868,988	433,668	10
			6,237,816			**610,600**	**1,372,597**	**4,254,619**	**1,069,368**	
April 22, 2005	**6,000,000 (4)**									
		07/20/2005 (5)	28,000	07/20/2013	41.29	-	-	28,000	-	
		10/18/2005	25,600	10/18/2013	45.08	3,200	2,000	20,400	-	
		04/27/2006	1,930,050	04/26/2014	49.74	109,600	-	1,820,450	445,000	10
		10/16/2006	34,000	10/15/2014	55.54	1,000	-	33,000	-	
		04/26/2007	2,484,450	04/25/2015	60.99	80,600	-	2,403,850	692,000	10
			4,502,100			**194,400**	**2,000**	**4,305,700**	**1,137,000**	
April 26, 2007	**6,000,000 (6)**									
		10/19/2007	26,800	10/18/2015	55.47	-	-	26,800	-	
		12/17/2007	308,564	12/16/2015	59.96	24,588	-	283,976	-	
		04/29/2008	2,606,041	04/28/2016	57.13	10,800		2,595,241	710,500	12
		10/21/2008	30,133	10/20/2016	46.33	-		30,133	-	
			2,971,538			**35,388**	**-**	**2,936,150**	**710,500**	
TOTAL			**27,892,914**			**2,573,190**	**10,380,526**	**14,939,198**	**3,602,966**	

(1) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of May 1999, 1,224,840 options were not granted and expired on May 29, 2001.
(2) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of May 2001, 593,700 options were not granted and expired on April 11, 2003.
(3) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of April 2003, 1,762,184 options were not granted and expired on April 22, 2005.
(4) Of a total of 6,000,000 options authorized by the Shareholders' Meeting of April 2005, 1,497,900 options were not granted and expired on April 26, 2007.
(5) On July 20, 2005, the Board of Directors authorized the grant of 28,000 options and this grant was made by delegation on August 5, 2005.
(6) Of a total of 6,000,000 options authorized by the Shareholders' Meeting of April 2007, 3,028,462 options have not been granted at December 31, 2008.

Stock Options granted and exercised during the fiscal year

GRANTS OF OPTIONS TO THE TEN EMPLOYEES OF THE GROUP (EXCLUDING DIRECTORS AND OFFICERS *(MANDATAIRES SOCIAUX)*) WHO ARE GRANTED THE GREATEST NUMBER OF OPTIONS

In 2008, as per the April 26, 2007 Plan, 376,000 options to purchase shares were granted at an average weighted exercise price of € 57.13 (of which 298,000 options to eight members of the Executive Committee), excluding corporate officers (*mandataires sociaux*).

EXERCISE OF OPTIONS BY THE TEN EMPLOYEES OF THE GROUP (EXCLUDING DIRECTORS AND OFFICERS *(MANDATAIRES SOCIAUX)*) WHO EXERCISED THE GREATEST NUMBER OF SHARES

In 2008, 405,334 options were exercised at an average weighted exercise price of € 32.49 (of which 17,500 options by one member of the Executive Committee), excluding corporate officers (*mandataires sociaux*).

Also refer to chapter 15 for the detail of the options granted and those exercised during the fiscal year by the corporate officers of the Company.

Transactions carried out during 2008 related to Company Shares by the Corporate Officers and the Members of the Executive Committee as of December 31, 2008

Name	Nature of the Transaction	Date of Transaction	Gross Unit Price *(in €)*	Number of Shares	Total Gross Amount *(in €)*
Frank RIBOUD	Exercise of options	12/09/2008	36.79	70,000	2,575,300
	Sale	12/09/2008	44.51	70,000	3,115,700
Jacques VINCENT	Exercise of options	04/16/2008	29.54	82,000	2,422,280
	Exercise of options	04/16/2008	33.71	160,000	5,393,600
	Sale	07/28/2008	49.4446	27,000	1,335,004.20
	Sale	07/28/2008	48.9689	27,000	1,322,160.30
	Sale	09/18/2008	50.47	27,000	1,362,690
	Sale	10/27/2008	40.8077	27,000	1,101,807.90
	Sale	10/28/2008	43.0122	27,000	1,161,329.40
	Sale	10/29/2008	45.6213	107,000	4,881,479.10
Emmanuel FABER	Exercise of options	02/15/2008	29.54	22,000	649,880
	Exercise of options	02/15/2008	29.54	55,002	1,624,759.08
	Sale	02/15/2008	52.72	22,000	1,159,840
	Sale	04/15/2008	57.22	10,000	572,200
	Sale	04/15/2008	57.22	10,000	572,200
	Sale	04/15/2008	57.22	10,000	572,200
Bernard HOURS	Exercise of options	03/10/2008	34.70	14,000	485,800
	Subscription to the “Relais Danone” FCPE	05/05/2008	10.0215 (1)	3,056.7030	30,632.75
	Sale	05/07/2008	56.465	1,667	94,127.155
	Sale	05/07/2008	56.465	1,667	94,127.155
	Sale	05/07/2008	56.465	1,667	94,127.155
	Sale	10/03/2008	47.908849	2,999	143,678.6382
	Sale	10/03/2008	47.908849	2,999	143,678.6382
	Sale	10/03/2008	47.908849	2,999	143,678.6382
Philippe-Loïc JACOB	Exercise of options	03/13/2008	25.77	3,200	82,464
	Sale	03/13/2008	55.41	3,200	177,312
	Subscription to the “Relais Danone” FCPE	05/05/2008	10.0215 (1)	3,056.7030	30,632.75
Thomas KUNZ	Subscription to the “Relais Danone” FCPE	05/05/2008	10.0215 (1)	1,060.9938	10,632.75
Sven THORMAHLEN	Exercise of options	03/06/2008	29.54	4,000	118,160
	Exercise of options	05/20/2008	33.71	13,500	455,085
	Sale	09/01/2008	48	3,951	189,648
	Sale	09/01/2008	48	2,900	139,200
	Sale	09/01/2008	48	2,899	139,152
	Sale	10/01/2008	51.44	1,114	57,304.16
	Sale	10/01/2008	51.44	1,116	57,407.04
	Sale	10/01/2008	51.44	1,520	78,188.80

(1) A subscription in the context of annual share capital increases reserved for employees of the Company, with the subscription being carried out through a temporary FCPE (“fonds relais”, of which the part value was € 10.215 in 2008). This FCPE was, at the end of the capital increase, merged into the main FCPE “Fonds Groupe Danone”.

The Company’s directors and officers (*mandataires sociaux*) are expected to hold, under registered form, a certain number of shares resulting from the exercise of options granted as part each option allocation plan approved as from January 1, 2007 and until the termination of their mandates. This holding obligation was extended by the Board of Directors to the other members of the Executive Committee (please refer to section 20.2.1).

17.3 Employee Share Ownership

In connection with the authorization granted by the Shareholders' Meeting on April 26, 2007, the Company carried out a capital increase in May 2008, reserved for employees of the Group who were members of a French Company Savings Plan (or a "*Plan d'Epargne Entreprise*"), via the "*Fonds Relais*" subsequently merged into *"Fonds Groupe Danone"* FCPE ("*Fonds Commun de Placement d'Entreprise*" or employee shareholding vehicle) for a nominal amount of € 237,671, representing the issuance of 950,684 new shares.

In connection with the authorization granted by the General Shareholders' Meeting of April 26, 2007, the Board of Directors of February 10, 2009 decided to issue shares on behalf of the Group's employees under the French Company Savings Plan for a maximum subscription amount of € 65 million, representing a maximum of 1,960,784 shares based on the discounted price of Danone share of the € 33.15.

The final amount that will be subscribed will be known in May 2009. The Board noted that, similar to each year, in the situation where the share price, fees included, results being, at the end of the subscription period, lower than the subscription price, the company in charge of managing the *Fonds Commun de Placement* would be given the authorization to acquire shares directly in the stock market, within the limit of the employees' subscriptions.

Refer to the supplemental Statutory Auditors' report in the appendix A.2bis.

The Board of Directors requested a new authorization, subject to the approval of the General Shareholders' Meeting dated April 23, 2009, which will void and replace the previous authorization granted by the General Shareholders' Meeting dated April 26, 2007, concerning the undertaking of capital increases reserved for employees who are members of a company savings plan, within the limit of a nominal amount of € 3 million. This authorization will be valid until June 2011.

PRINCIPAL SHAREHOLDERS

18.1 Company Shareholding as of December 31, 2008 and Significant Changes over the Last Three Fiscal Years

Shareholding as of December 31, 2008

A double voting right is granted to all fully paid-up shares held in registered form, and registered in the name of the same holder for a period of at least two years. The following table sets forth certain information with respect to the principal shareholders, as of December 31, 2008.

Shareholders	Number of Shares Beneficially Owned	Percentage of Share Capital	Number of Gross Voting Rights	Percentage of Gross Voting Rights (1)	Number of Net Voting Rights	Percentage of Net Voting Rights (2)
Eurazeo group	25,951,990	5.1%	25,951,990	4.8%	25,951,990	5.2%
Caisse des Dépôts et Consignations	20,283,654	3.9%	20,283,654	3.8%	20,283,654	4.0%
Predica	7,192,120	1.4%	7,192,120	1.3%	7,192,120	1.4%
FCPE “Fonds Groupe Danone”	8,149,914	1.6%	15,433,180	2.9%	15,433,180	3.1%
Groupe Sofina et Henex (formerly Glaces de Moustier)	10,600,000	2.1%	16,000,000	3.0%	16,000,000	3.2%
Public	405,629,938	78.9%	417,263,882	77.5%	417,263,882	83.1%
The Company and its subsidiaries (3)	35,994,528	7.0%	35,994,528	6.7%	-	-
TOTAL	**513,802,144**	**100.0%**	**538,119,354**	**100.0%**	**502,124,826**	**100.0%**

(1) The percentage of gross voting rights includes the shares held by the Company and its subsidiaries, which hold no voting rights.
(2) The number of net voting rights (or voting rights that are “exercisable in the Shareholders’ Meeting”) excludes the shares that hold no voting rights.
(3) Including 5,764,120 shares (i.e., 1.1% of the capital) held by the Spanish subsidiary of the Company, Danone SA.

As of December 31, 2008, the total number of shares owned by the Company’s Directors and the members of the Executive Committee (22 persons) was 541,470 or 0.11% of the Company’s share capital.

As of December 31, 2008, pursuant to authorizations granted by the Shareholders’ Meeting on April 26, 2007 or prior authorizations, the Group owned, directly and through its Spanish subsidiary, Danone SA, 35,994,528 Company shares, representing 7.0% of its share capital.

To the best of the Company’s knowledge, only Eurazeo group holds more than 5% of the share capital of the Company and to the best of the Company’s knowledge there are no shareholders’ agreements. However, certain financial institutions, mutual funds, may manage funds that collectively hold more than 5% of the capital of the Company.

There is no clause in the Company’s by-laws giving preferential rights for the acquisition or sale of Company shares.

Furthermore, as of December 31, 2008, existing pledges on Company shares held in registered form on the books of the Company *(nominatif pur)* and in registered form on the books of a financial intermediary *(nominatif administré),* respectively, amounted to 1,576 shares held by two shareholders and 65,911 shares held by ten shareholders.

Significant Changes in Share Ownership over the Last Three Fiscal Years

The following table sets forth certain information with respect to the beneficial share ownership and voting rights of principal shareholders, as of December 31, 2005, 2006 and 2007.

	December 31, 2006		December 31, 2007		December 31, 2008	
Shareholders	**% of share capital**	**% of net voting rights (1)**	**% of share capital**	**% of net voting rights (1)**	**% of share capital**	**% of net voting rights (1)**
Eurazeo group	5.4	9.1	5.5	9.2	5.1	5.2
Caisse des Dépôts et Consignations	3.6	3.6	3.5	3.5	3.9	4
Groupe Sofina et Henex (formerly Glaces de Moustier)	2	2.5	2.1	2.6	2.1	3.2
Predica	1.7	1.7	1.8	1.8	1.4	1.4
FCPE “Fonds Groupe Danone”	1.5	2.9	1.6	2.9	1.6	3.1
Public	78	80.2	78.2	80	78.9	83.1
The Company and its subsidiaries	7.8	-	7.3	-	7	-
	100	100	100	100	100	100

(1) This percentage excludes the shares held by the Company and the treasury shares, which do not grant the right to vote.

On April 4, 2006, the group Eurazeo reported having exceeded the threshold of 5% of the Company’s share capital on that date and that it held 5.10% of the share capital and 8.71% of the voting rights of the company. On June 9, 2008, Eurazeo group implemented an internal reclassifying of all of its shareholding interest in Groupe Danone to the benefit of its subsidiary Legendre Holding 22, of which it holds 99.98 % of the share capital and voting rights.

Following this reclassifying, Eurazeo announced, on June 13, 2008, that it indirectly held, through its subsidiary Legendre Holding 22, and acting in concert with it, a shareholding interest in Groupe Danone representing 5.44 % of the share capital and 5.22 % of the voting rights.

To the best of the Company’s knowledge, there were no other significant shareholding changes during the past three fiscal years.

Survey of the Company’s Shareholders

The Company may, in accordance with applicable regulations, ask any body responsible for share compensation, and at any time, for the name, corporate name, nationality and address of the holders of shares or other securities conferring immediate or eventual voting rights at its Shareholders’ Meeting along with the number of securities held by each of them and, if applicable, the restrictions related to such securities attached to these. The request for this information may be limited to those individuals holding a certain number of securities set forth by the Company.

On December 31, 2008, the Company conducted a survey, which revealed the following distribution of the Company’s shareholders:

	% of share capital
Institutional Investors	
- France	31%
- United Kingdom	8%
- Germany	4%
- Benelux	4%
- Rest of Europe	6%
- United States	22%
- Rest of the World	5%
Individual Shareholders and “Fonds Groupe Danone” FCPE	13%
Treasury shares and shares held by its subsidiaries	7%
TOTAL	**100%**

18.2 Voting Rights

The Extraordinary Shareholders' Meeting of October 18, 1935, decided to grant double voting rights, in accordance with the law and given the portion of the Company's capital that they represent, to all fully paid up shares for which proof is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a capital increase through incorporation of reserves, profits or share issuance premiums – to registered shares granted free-of-charge to a shareholder in consideration of existing shares in respect of which he enjoys the said rights. Double voting rights cease in the event of a transfer or conversion into bearer shares. A merger with another company shall not affect double voting rights, which can be exercised within the merging company if its by-laws have instituted this procedure.

The Extraordinary Shareholders' Meeting of September 30, 1992 decided that at Shareholders' Meetings, no shareholder can, in his own right and through his agents (*mandataires*), in virtue of simple voting rights pertaining to shares which he holds directly and indirectly and to powers which have been granted to him, cast more than 6% of the total number of voting rights pertaining to the Company shares. Notwithstanding, if, additionally, he enjoys double voting rights in a personal capacity and/or in the capacity of an agent (*mandataire*), the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he represents shall not exceed 12% of the total number of voting rights pertaining to the Company's shares.

The aforementioned limitations shall become null and void if any individual or corporate body, alone or in concert with one or more individuals or corporate bodies, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public bid for all the Company's shares. The Board of Directors shall formally record the nullity thereof and shall undertake the relevant formalities relating to amendment of the by-laws. In addition, pursuant to the General Regulations of the *Autorité des marchés financiers*, the effects of the limitations provided for in the foregoing paragraphs shall be suspended at the first Shareholders' Meeting following the close of the offer if the offeror, acting alone or in concert, were to come into possession of at least two-thirds of the total shares or total voting rights of the company concerned.

Shareholders may vote by correspondence or by proxy, voting or giving their proxy by any means, including by remote data transmission (Internet) to the Company of the correspondence ballot papers or proxy forms in accordance with the applicable laws and regulations.

The Board of Directors may decide that any vote cast during a Shareholders' Meeting may be expressed by remote data transmission methods, in accordance with the terms set forth by applicable regulations.

18.3 Change in Corporate Control

To the best of the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

18.4 Market for Company's Securities

The Company's shares are listed on Euronext Paris (Eurolist – Compartment A – Differed Settlement Service; ISIN Code: FR0000120644) and on the Swiss stock exchange (SWX Suisse Exchange).

Since November 1997, the Company's shares have also been listed on the New York Stock Exchange as American Depositary Shares ("ADS"), each ADS representing 1/5 of one Company share. In April 2007, the Group announced the delisting of its ADS from the New York Stock Exchange, considering the low trading volume on this stock exchange. The delisting took effect on July 5, 2007 and the deregistration with regards to the Securities and Exchange Commission, pursuant to the U.S. Securities Exchange Act of 1934, took effect on October 5, 2007.

The Group maintains a sponsored Level 1 program of American Depositary Receipt (ADR) which are traded on the over the counter market.

The Company's shares are included in the CAC 40 Index, the principal stock exchange index published by Euronext Paris, the entity that manages and operates the French stock exchange markets, and are included in the Dow Jones Eurostoxx and Dow Jones Stoxx.

Finally, the Company's shares have been included in the Eurostoxx 50 index since September 2000. Eurostoxx 50 lists the fifty largest market capitalizations in the euro zone. In addition, the shares of the Company have also been included in the Dow Jones Sustainability Index World, which lists selected companies based on strict criteria such as the quality of corporate governance, social responsibility policy, their criteria relating to innovation and their economic performance.

Stock Exchange Prices and Trading Volumes

EURONEXT PARIS (SHARES) SHARE PRICES AND VOLUMES

	Volumes (1)			Price (1)		
	Shares *(in number of shares)*	**In Value** *(in € millions)*	**Daily Average** *(in number of shares)*	**Average Monthly Price** *(in €)*	**High** *(in €)*	**Low** *(in €)*
2008						
January	90,780,242	5,183.94	4,126,375	57.70	64.00	51.55
February	74,567,076	3,959.88	3,550,813	53.11	56.69	50.10
March	60,471,119	3,285.50	3,182,690	54.19	57.41	51.07
April	52,761,431	3,010.18	2,398,247	57.11	58.66	54.12
May	43,073,276	2,392.22	2,051,108	55.50	57.86	53.00
June	72,181,598	3,606.81	3,437,219	51.33	56.68	43.34
July	93,003,296	4,140.66	4,043,622	44.51	49.72	40.53
August	41,285,402	1,991.75	1,965,972	48.26	50.30	46.06
September	85,725,902	4,200.08	3,896,632	48.57	54.61	45.69
October	120,621,100	5,288.90	5,244,396	44.50	51.64	38.60
November	61,505,691	2,674.95	3,075,285	43.57	45.71	40.70
December	46,480,155	2,024.69	2,213,341	43.46	45.39	41.27
2009						
January	42,086,894	1,793.15	2,004,138	42.95	45.81	40.00
February	62,983,095	2,404.43	3,149,155	38.36	41.23	35.93

Source: Euronext Paris SA

(1) Including over-the-counter transactions.

18.5 Investments in Listed Companies

The Company directly or indirectly holds equity interests in the following companies:

- with respect to the fully consolidated companies:

  the Aqua company (Waters – Indonesia) is listed on the Jakarta Stock Exchange;

- with respect to companies accounted for under the equity method:

  the companies known as Yakult Honsha (Fresh Dairy Products – Japan) and Centrale Laitière du Maroc (Fresh Dairy Products – Morocco) are listed on the Tokyo and Casablanca Stock Exchanges, respectively. China Huiyuan Juice Group Limited is listed on the Hong Kong Stock Exchange;

- with respect to non-consolidated equity holdings:

  the companies known as Britannia Industries Limited (Biscuits – India) and ONA (Morocco) are listed on the Bombay and Casablanca Stock Exchanges, respectively. In addition, the company Wimm-Bill-Dann (Fresh Dairy Products – Russia) is listed on the Moscow Stock Exchange, as well as in New York as American Depositary Shares ("ADSs").

19 RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 25 of the appendix to the consolidated financial statements.

Also refer to paragraph 15.3 on the related-party transactions.

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FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL POSITION AND RESULTS

CONTENTS

20.1 Consolidated Documents

20.1.1 Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31	
(In € millions)	Notes	**2007**	**2008**
Net sales		**12,776**	**15,220**
Cost of goods sold		(6,380)	(7,172)
Selling expenses		(3,498)	(4,197)
General and administrative expenses		(943)	(1,297)
Research and development expenses		(121)	(198)
Other (expense) income	21	(138)	(86)
Trading operating income		**1,696**	**2,270**
Other operating (expense) income	22	(150)	(83)
Operating income		**1,546**	**2,187**
Interest income		*132*	*58*
Interest expense		*(307)*	*(497)*
Cost of net debt	23	(175)	(439)
Other financial (expense) income	23	(2)	(145)
Income before tax		**1,369**	**1,603**
Income tax	24	(410)	(443)
Income from consolidated companies		**959**	**1,160**
Net income of equity-accounted affiliates	7	87	62
Net income from continuing operations		**1,046**	**1,222**
Net income from discontinued operations	3	3,292	269
Net income		**4,338**	**1,491**
- Attributable to the Group		**4,180**	**1,313**
- Attributable to minority interests		**158**	**178**

PER SHARE INFORMATION (See Note 14)

(In euros, except for number of shares)	**2007**	**2008**
Number of shares used in calculating:		
- earnings per share	476,355,811	477,111,224
- diluted earnings per share	479,863,143	478,563,494
Earnings per share attributable to the Group		
- underlying	2.49	2.75
- total	8.77	2.75
Diluted earnings per share attributable to the Group		
- underlying	2.47	2.74
- total	8.71	2.74

The notes on pages 92 to 139 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

		As of December 31	
(In € millions)	Notes	**2007**	**2008**
ASSETS			
Brand names		3,961	3,846
Other intangible assets, net		401	380
Goodwill, net		12,869	12,320
Intangible assets, net	4,5	17,231	16,546
Property, plant and equipment, net	6	3,035	3,083
Investments accounted for under the equity method	7	1,263	1,267
Investments in non-consolidated companies	8	772	237
Long-term loans	9	67	73
Other long-term assets	10	205	137
Deferred taxes	24	609	639
Non-current assets		**23,182**	**21,982**
Inventories	11	861	795
Trade accounts and notes receivable	12	1,548	1,534
Other accounts receivable and prepaid expenses	12	763	950
Short-term loans		30	26
Marketable securities	13	493	441
Cash and cash equivalents		548	591
Assets held for sale	3	151	546
Current assets		**4,394**	**4,883**
TOTAL ASSETS		**27,576**	**26,865**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital stock		128	128
Additional paid-in capital		255	297
Retained earnings		9,594	10,399
Cumulative translation adjustments		(190)	(1,121)
Treasury stock		(1,270)	(1,225)
Net income recognized directly in equity		501	166
Shareholders' equity attributable to the Group		**9,018**	**8,644**
Minority interests		82	56
Shareholders' equity		**9,100**	**8,700**
Non-current financial liabilities	26	9,855	11,435
Pension liabilities	17	190	208
Deferred taxes	24	1,157	1,109
Other non-current liabilities	18	461	515
Non-current liabilities		**11,663**	**13,267**
Trade accounts and notes payable	19	2,306	2,189
Accrued expenses and other current liabilities	19	2,047	2,024
Current financial liabilities	26	2,447	652
Liabilities held for sale	3	13	33
Current liabilities		**6,813**	**4,898**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**27,576**	**26,865**

The notes on pages 92 to 139 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31	
(In € millions)	Notes	**2007**	**2008**
Net income attributable to the Group		4,180	1,313
Net income attributable to minority interests		158	178
Net income from discontinued operations		(3,292)	(269)
Net income of equity-accounted affiliates		(87)	(62)
Depreciation and amortization		420	525
Dividends received from equity-accounted affiliates		30	29
Other flows with impact on cash	26	-	(113)
Other flows with no impact on cash	26	21	98
Cash flows provided by operating activities, excluding changes in net working capital		**1,430**	**1,699**
(Increase) decrease in inventories		(51)	3
(Increase) decrease in trade accounts receivable		(39)	(74)
Increase (decrease) in trade accounts payable		244	36
Changes in other working capital items		27	90
Net change in current working capital		181	55
Cash flows provided by (used in) operating activities		**1,611**	**1,754**
Capital expenditures		(726)	(706)
Purchase of businesses and other investments net of cash and cash equivalents acquired	26	(12,100)	(259)
Proceeds from the sale of businesses and other investments net of cash and cash equivalents disposed of	26	4,699	329
(Increase) decrease in long-term loans and other long-term assets		(142)	67
Changes in cash and cash equivalents of discontinued operations		171	-
Cash flows provided by (used in) investing activities		**(8,098)**	**(569)**
Increase in capital and additional paid-in capital		66	48
Purchases of treasury stock (net of disposals)		(439)	46
Dividends		(622)	(705)
Increase (decrease) in non-current financial liabilities		3,069	1,338
Increase (decrease) in current financial liabilities		2,614	(1,901)
(Increase) decrease in marketable securities		1,708	63
Cash flows provided by (used in) financing activities		**6,396**	**(1,111)**
Effect of exchange rate changes on cash and cash equivalents		(16)	(31)
Increase (decrease) in cash and cash equivalents		**(107)**	**43**
Cash and cash equivalents at beginning of period		655	548
Cash and cash equivalents at end of period		548	591
Supplemental disclosures			
Cash paid during the year:			
- net interests [1]		152	433
- income tax		369	221

(1) In 2007, net interests corresponded to interest expense on net debt ("interest ") for € 252 million net of interest income on net debt for € 100 million.

The notes on pages 92 to 139 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'S EQUITY

(Number of shares (*)) *(In € millions)*

	Issued	Excluding treasury stock	Capital stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Treasury stock	Net income recognized directly in equity	Shareholders' equity – Group	Minority interests	Shareholders' equity
As of January 1, 2007	**521,729,492**	**480,819,150**	**130**	**203**	**6,460**	**34**	**(1,414)**	**410**	**5,823**	**246**	**6,069**
Translation adjustments						(224)			(224)	(20)	(244)
Unrealized gain (loss) on available-for-sale securities								89	89		89
Cash flow hedges								2	2		2
Stock options					16				16		16
Net income recognized directly in equity					*16*	*(224)*		*91*	*(117)*	*(20)*	*(137)*
Net income for 2007					4,180				4,180	158	4,338
Total recognized income and expenses for 2007					*4,196*	*(224)*		*91*	*4,063*	*138*	*4,201*
Capital stock issues	1,121,968	1,121,968	1	52					53	13	66
Capital stock reduction	(10,000,000)		(3)		(580)				(583)		(583)
Changes in treasury stock		(6,485,217)			(2)		144		142		142
Dividends paid					(480)				(480)	(143)	(623)
Changes in the scope of consolidation										(184)	(184)
Put options granted to minority shareholders										12	12
As of December 31, 2007	**512,851,460**	**475,455,901**	**128**	**255**	**9,594**	**(190)**	**(1,270)**	**501**	**9,018**	**82**	**9,100**
Translation adjustments						(931)			(931)	1	(930)
Unrealized gain (loss) on available-for-sale securities								(379)	(379)		(379)
Cash flow hedges								44	44		44
Stock options					19				19		19
Net income recognized directly in equity					*19*	*(931)*		*(335)*	*(1,247)*	*1*	*(1,246)*
Net income for 2008					1,313				1,313	178	1,491
Total recognized income and expenses for 2008					*1,332*	*(931)*		*(335)*	*66*	*179*	*245*
Capital stock issues	950,684	950,684		42					42	6	48
Change in treasury stock		1,401,031					45		45		45
Dividends paid					(527)				(527)	(178)	(705)
Changes in the scope of consolidation										(33)	(33)
Put options granted to minority shareholders											
As of December 31, 2008	**513,802,144**	**477,807,616**	**128**	**297**	**10,399**	**(1,121)**	**(1,225)**	**166**	**8,644**	**56**	**8,700**

(*) After taking into account the two-for-one share split that occurred on June 1, 2007.

As of December 31, 2008, the number of treasury shares held by Groupe Danone and its subsidiaries amounted to 35,994,528 (37,395,559 as of December 31, 2007 and 40,910,342 as of December 31, 2006).

The notes on pages 92 to 139 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

TABLE OF THE NOTES

The consolidated financial statements of Groupe Danone, its subsidiaries and affiliates (together, the "Group") as of and for the year ended December 31, 2008 were approved by Groupe Danone's Board of Directors on February 10, 2009 and will be submitted for approval to the Annual General Meeting on April 23, 2009.

NOTE 1 - Accounting Principles

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

The accounting principles applied by the Group comply with the IFRS recommendations of the IASB *(International Accounting Standards Board)* not adopted at European level.

1. FIRST APPLICATION OF NEW ACCOUNTING RULES

In November 2006, the IASB adopted standard IFRS 8, *Operating segments*. This standard replaces IAS 14, *Segment reporting*. The standard, which concerns information to be provided with respect to operating segments, is effective for annual periods beginning on or after January 1, 2009, with earlier application encouraged. The Group has not opted for the earlier application of this standard as of December 31, 2008. The Group is currently assessing the impact of this new standard on the operating segments as determined by the Group.

In March 2007, the IASB published an amendment to standard IAS 23 concerning borrowing costs. According to this amendment, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets must be capitalized, and the option of recognizing them as an expense in the period in which they are incurred is cancelled. This amendment is effective for annual periods beginning on or after January 1, 2009, with earlier application encouraged. The Group is not affected by this amendment.

In September 2007, the IASB published amendments to standard IAS 1, *Presentation of financial statements*. These amendments, which concern a revised presentation of the financial statements, are effective for annual periods beginning on or after January 1, 2009, with earlier application encouraged. The Group has not opted for the earlier application of this standard as of December 31, 2008.

In October 2008, the IASB published amendments to standards IAS 39, *Financial instruments: recognition and measurement*, and standard IFRS 7 *Financial instruments: disclosures*. These amendments authorize the reclassification of financial assets in certain accounting categories and are applicable for annual periods beginning on or after July 1, 2008. The Group is not affected by this amendment.

In January 2008, the IASB published amendments to standard IFRS 2, *Share-based payment*. These amendments, concerning vesting conditions and cancellations of stock options, are effective for annual periods beginning on or after January 1, 2009, with earlier application encouraged. The Group is not affected by this amendment.

The Group does not expect that the interpretations as adopted by the IFRIC during the 2008 fiscal year and applicable as from 2009 will have a significant impact on its consolidated income statement or financial position (mainly IFRIC 13 – *Customer Loyalty Programs,* IFRIC 14 – *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* and IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation).*

2. CONSOLIDATION PRINCIPLES

All subsidiaries in which the Group holds, directly or indirectly, a controlling interest are fully consolidated. Control over an entity exists when the Group has the capacity to govern the operating and financial policies of such entity, regardless of the percentage of its interest in the entity. All assets, liabilities and income statement items relating to the companies concerned are reflected in the Group's consolidated financial statements, the portion of the net income and shareholders' income attributable to the Group ("Group share") being distinguished from the portion relating to other shareholders' interests ("Minority interests"). All significant intercompany balances and transactions between consolidated entities (including dividends) are eliminated in the consolidated financial statements.

All companies in which the Group exercises, directly or indirectly, a significant influence or joint control are accounted for using the equity method. Under this method, the Group accounts for its proportionate share in the company's net income and net assets.

Investments in companies that meet the above-mentioned criteria but are not included in the scope of consolidation are reflected as investments in non-consolidated companies. The inclusion of such companies in the scope of consolidation would not have a significant impact on the consolidated financial statements.

Net income of companies acquired or disposed of during the year is included in the consolidated income statement as from the acquisition date or up until the disposal date.

The scope of consolidation is presented in Note 32.

3. FOREIGN CURRENCY TRANSLATION

Transactions Denominated in Foreign Currencies

Transactions denominated in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. At period-end, accounts receivable and accounts payable denominated in foreign currencies are translated using period-end exchange rates. Foreign exchange gains and losses arising from transactions in foreign currencies are recorded under the line item "Other (expense) income" in the consolidated income statement, except those arising from (i) transactions representing long-term investments in Group companies and (ii) financial liabilities denominated in foreign currencies that are used to hedge long-term investments denominated in the same currencies. Such unrealized gains and losses are reflected in consolidated shareholders' equity, under the heading "Cumulative translation adjustments".

Translation of Financial Statements of Foreign Operations

The balance sheets of companies whose functional currency is not the euro are translated into euros using period-end exchange rates, and their income statements are translated using the average exchange rate for the period. The resulting exchange differences are included in consolidated shareholders' equity under the heading "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated.

4. INTANGIBLE ASSETS

Goodwill

Upon acquisition of a subsidiary or an affiliate, the acquisition cost is allocated on a fair value basis to the identifiable assets and liabilities acquired. The difference between the cost of acquisition and the Group's share in the fair value of the assets and liabilities acquired represents the goodwill. It is recorded on the assets side of the consolidated balance sheet, under the heading "Goodwill, net" for fully consolidated entities and under the heading "Investments accounted for under the equity method" for equity-accounted affiliates.

Goodwill is not amortized but is tested for impairment at least annually (see below).

Goodwill arising from the acquisition of a foreign entity is recorded in the functional currency of the entity acquired.

Brands and Other Intangible Assets

Acquired brands with a substantial and long-term sustainable value that are supported by advertising expenses and that have an indefinite useful life are recorded under the heading "Brand names" in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and earnings contribution. These brands, which are legally protected, are not amortized. Brand names that are deemed to have a finite life are recorded under the heading "Other intangible assets, net" in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful life, which does not exceed forty years.

Acquired technologies, valued with the assistance of specialist consultants and amortized over the average duration of the patents, are recorded in the balance sheet under the heading "Other intangible assets, net". Acquired research and development costs, meeting the criteria for the recognition of an intangible asset according to IAS 38 – *Intangible assets*, are recognized in the balance sheet. They are amortized as from the date on which the corresponding products are put on the market. Other acquired intangible assets are recorded at their acquisition cost under the heading "Other intangible assets, net" in the consolidated balance sheet. They are amortized over their estimated economic life, which does not exceed forty years.

Impairment Reviews

Intangible assets are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. An impairment is recognized when the recoverable value of an intangible asset becomes durably lower than its carrying value. The recoverable value of an intangible asset corresponds to the higher of market value and value in use. Value in use is assessed with reference to expected future discounted cash flows of the Cash Generating Unit ("CGU") to which the asset belongs. The CGUs or groups of CGUs correspond to subsidiaries or groups of subsidiaries that are included in a same reportable segment and that generate cash flows largely independent from those generated by other CGUs or groups of CGUs.

Impairment tests on goodwill are performed at the level of the CGU or group of CGUs depending on the expected return on investment. The cash flows used to determine value in use are derived from the business plans of the CGUs or groups of CGUs, which cover a period of three years and are generally extended to a five-year period on the basis of the most recent forecasts. Then future cash flows beyond that period are extrapolated using a perpetual growth rate that is specific to each CGU or group of CGUs. Future cash flows are then discounted using a weighted average cost of capital that is specific to the countries where the CGU operates. Market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction or based on multiples of earnings.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost of acquisition or at construction cost.

Leased assets are recorded as fixed assets in the consolidated balance sheet, when, in substance, the terms of the lease transfer to the Group the majority of the risks and rewards associated with the ownership of the asset. The asset is recorded for an amount that corresponds to the lower of fair value and the discounted value of future lease payments. The assessment of the level of risks transferred is based on an analysis of the lease agreement. The financial debt associated with the leased asset is recorded as a liability in the consolidated balance sheet.

Interest relating to funds borrowed to finance the cost of construction of property, plant and equipment during the period prior to their being put into operation is considered to be an integral part of the cost price of the property, plant and equipment.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- buildings: 15 to 40 years;
- machinery and equipment: 5 to 15 years;
- others: 3 to 10 years.

Property, Plant and Equipment Impairment Reviews

Property, plant and equipment is reviewed for impairment when events or circumstances indicate that the recoverable value of the asset (or group of assets to which it belongs) may be impaired. The recoverable value corresponds to the higher of value in use and market value. Value in use is estimated on the basis of the discounted cash flows that the asset (or group of assets to which it belongs) is expected to generate over its estimated useful life. Market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction. A loss in value is recognized when the recoverable value of a tangible asset becomes durably lower than its carrying value.

Refundable Containers

Refundable containers are recorded at acquisition cost. They are depreciated on a straight-line basis, based on available statistics for each company, over the shortest of the following lengths of time:

- physical useful life, taking into account the internal and external breakage rates and wear and tear;
- commercial useful life, taking into account planned or likely modifications of containers.

Liabilities for deposits received are revalued when refundable rates per container change. Any loss arising from changes in refundable rates is charged to the income statement as incurred.

6. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies are treated as available-for-sale investments. They are accounted for at fair value in the consolidated balance sheet, with fair value variations recorded directly in shareholders' equity as "Net income recognized directly in equity", except for unrealized losses that are considered to be significant and/or prolonged which are recorded directly in the income statement. For listed companies, fair value is assessed according to a multi-criteria approach, including based on the stock price as of the end of the period. For non-listed companies, fair value is assessed based on recent transactions entered into with third parties, put and/or call options negotiated with third parties or external appraisals. When such elements do not exist, the fair value of investments in non-listed companies is deemed to be equivalent to the acquisition cost of the investments. Impairment charges and gain or loss on disposal of non-consolidated investments are recorded under the line item "Other financial (expense) income" in the consolidated income statement.

7. LONG-TERM LOANS AND OTHER LONG-TERM ASSETS

Other long-term assets mainly comprise bond securities that are treated as available-for-sale. They are stated at fair value in the consolidated balance sheet, with fair value variations recorded directly in shareholders' equity as "Net income recognized directly in equity", except for unrealized losses that are considered to be sustainable which are recorded directly in the income statement. Long-term loans are measured at amortized cost using the effective interest rate method.

8. INVENTORIES

Inventories and work-in-progress are stated at the lower of cost or net realizable value. Cost is generally determined using the weighted average method.

9. MARKETABLE SECURITIES

Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash. They are treated as trading securities and are carried at their fair value, with changes in fair value recorded in the consolidated income statement in the line item "Interest income".

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at their fair value.

11. TREASURY STOCK

Groupe Danone's capital stock held by the Company and its subsidiaries is reflected as a reduction in total shareholders' equity, under the heading "Treasury stock". Treasury stock is measured at historical cost.

12. GRANTS AND SUBSIDIES

Investment subsidies are reflected in the balance sheet under the heading "Other non-current liabilities". They are released to income (in the line item "Other (expense) income") on a straight-line basis over the estimated useful lives of the related fixed assets.

Other grants and subsidies are recorded in the line "Other (expense) income" of the income statement in the year during which these grants are earned.

13. DEFERRED TAXES

Deferred taxes are recorded for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except those differences that relate to goodwill. Deferred taxes are calculated using the liability method, applying the last enacted income tax rates expected to be applicable when the temporary differences will reverse. Deferred taxes relating to the subsidiaries' undistributed retained earnings are recorded when distribution of these retained earnings is expected in the foreseeable future.

Deferred tax assets and liabilities are offset when the entity has a legal right to offset.

Deferred tax assets are not recognized in the consolidated balance sheet when it is more likely than not that these taxes will not be recovered.

14. RETIREMENT INDEMNITIES, PENSION COSTS AND POST-RETIREMENT HEALTHCARE BENEFITS

Defined Contribution Plans

Contributions due under defined contribution plans are expensed as incurred. These expenses are allocated to different line items in the consolidated income statement.

Defined Benefit Plans

The Group's benefit obligations relating to retirement indemnities and defined benefit pension schemes are calculated using the projected unit credit method based on actuarial assumptions, including employee turnover, salary increases and employees' expected active life. The obligation is discounted using a discount rate that is specific to each country. These obligations are covered either through assets held in externally managed funds to which the Group contributes, or through provisions recorded in the balance sheet as and when the rights are acquired by the employees.

Gains and losses resulting from changes in the actuarial assumptions that are used to calculate the obligations and estimated return on the plan's assets are recognized only when they exceed 10% of the higher of the obligation and the plan assets. The fraction exceeding 10% is then spread over the average residual active life of the employees.

The net periodic pension cost in relation to defined benefit plans comprises the service cost for the year, the interest cost and the amortization of actuarial gains and losses, net of the return on plan assets.

15. PROVISIONS FOR RISKS AND LIABILITIES

Provisions for risks and liabilities are reflected in the line "Other non-current liabilities" in the consolidated balance sheet. Provisions for identified risks and liabilities of uncertain timing or amount are recorded when the Group has a present obligation to a third party as a result of a past event and it is certain or probable that this obligation will result in a net outflow of resources for the Group.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has been applying IAS 39, *Financial Instruments – Recognition and Measurement*, since January 1, 2004. In accordance with IAS 39, all derivative financial instruments must be recorded in the balance sheet at their fair value. When derivatives are designated as fair value hedges, changes in the fair value of both the derivatives and the hedged items are recognized in the income statement in the same period. When derivatives are designated as cash flow hedges, changes in the value of the effective portion of the derivative are recorded in shareholders' equity: this effective portion is recognized in the income statement when the hedged item affects earnings. Changes in the value of the ineffective portions of derivatives are directly recognized in the income statement. Changes in the fair value of derivative financial instruments that are not classified as hedging instruments are recorded directly in the income statement for the period.

17. PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In accordance with IAS 32 – *Financial instruments: Disclosure and Presentation*, when minority shareholders hold put options that enable them to sell their investment, the minority's share in the subsidiaries' net assets is reclassified from "Minority interests" to a financial liability in the consolidated balance sheet. This financial liability is measured at the exercise price of the option.

As the standards and existing interpretations currently stand, there remains some uncertainty regarding the treatment of the difference between the exercise price of the options and the historical value of the minority interests that have to be reclassified as financial liabilities. The Group has chosen to present such a difference as additional goodwill. This goodwill is adjusted at period end to reflect changes in the exercise price of the options and in the carrying value of the minority interests to which they relate. This treatment has no impact on the consolidated income statement.

18. NET SALES

The Group's net sales mainly comprise sales of finished products. They are recognized when title passes to the customers.

Net sales are stated net of trade discounts and customer allowances, as well as of the costs relating to agreements on contributions to advertising, listing or concerning occasional promotional actions invoiced by distributors.

Uncollectible accounts receivable are estimated and reserved for when payment is not reasonably assured. The method used for determining such reserves, based on historical analysis, has not changed over recent years.

19. ADVERTISING COSTS

Advertising costs are expensed as incurred.

20. RESEARCH AND DEVELOPMENT COSTS

Development costs are only recorded under assets in the balance sheet if all the recognition criteria set by IAS 38 are met before the products are launched on the market. Research and development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are marketed.

21. OTHER OPERATING (EXPENSE) INCOME

Other operating income and expense comprise significant items that, because of their unusual nature, cannot be viewed as inherent to the current activities of the Group. They mainly include capital gains and losses on disposals of consolidated businesses, impairment charges on goodwill, restructuring charges and significant integration costs relating to major acquisitions, and (estimated or incurred) costs linked to major litigations.

22. STOCK OPTIONS

Stock options granted to employees are measured at their grant date fair value. Fair value is determined using the Black and Scholes valuation model, based on assumptions determined by management. Fair value is accounted for on the "Other operating (expense) income" line of the income statements and expensed over the vesting period (from two to four years), with a corresponding increase in shareholders' equity. Prior period expenses recorded in relation to options that are cancelled before they vest are reversed in the income statement in the period during which they are cancelled.

23. EARNINGS PER SHARE

Earnings per share are calculated by dividing net earnings by the average number of shares outstanding during the year, after deducting the Groupe Danone treasury stock held by the Company and the fully consolidated entities.

Diluted earnings per share are calculated in a similar manner, except that the weighted average number of shares is increased to take into account shares that could potentially be issued following the exercise of share options by employees.

24. DISCONTINUED OPERATIONS, AND ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are reflected in separate line items in the consolidated balance sheet of the period during which the decision to sell is made. Balance sheets of prior periods are not restated. In addition, net income and cash flows of discontinued operations are reflected in separate line items in the consolidated income statement and statement of cash flows, respectively, for all periods presented. IFRS 5 defines a discontinued operation as a component of an entity that (i) generates cash flows that are largely independent from cash flows generated by other components (ii) is held for sale or has been sold, and (iii) represents a separate major line of business or geographic area of operations. The Group has determined that, given the way it is organized, its segments and geographic areas presented in the segment information correspond to the definition of components given in IFRS 5.

25. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements, especially regarding the valuation of intangible assets, investments accounted for under the equity method, deferred tax assets, financial liabilities relating to put options granted to minority shareholders, provisions for risks and liabilities, provisions for commercial agreements and pension liabilities. Those estimates and assumptions, assessed based on current situation as of the end of the financial period presented, are detailed in the corresponding notes. Actual amounts could differ from those estimates, including in a context of economic and financial crisis.

26. RECLASSIFICATIONS

Certain amounts in prior-period financial statements may have been reclassified for comparability with the last period presented.

NOTE 2 - Changes in the Scope of Consolidation

1. SUMMARY

ACQUISITIONS

In 2008, the main acquisitions were the following:

Fresh Dairy Products

- takeover of Mayo (South Africa) by Danone Clover, the Group's South African subsidiary held 55% by the Group, pursuant to the acquisition of a 70% interest. The company, named Mayo Dairy (Proprietary) Ltd, is consequently held 38.5% and has been fully consolidated since the first half of 2008;
- acquisition of a 49% interest in the joint venture Toeca International Company (Netherlands). The company has been accounted for under the equity method since the second half of 2008;
- acquisition of a 49% interest in a joint venture with Weight Watchers (China). The company has been accounted for under the equity method since the second half of 2008;

Waters

- acquisition of all shares in Icoara (Brazil). The company, named Danone Water Brazill, has been fully consolidated since the first half of 2008;
- acquisition of an additional interest in Salus (Uruguay), thereby increasing the Group's shareholding from 58.61% to 94.11%. The company, named Salus S.A., is fully consolidated;
- acquisition of an additional interest in Danone Hayat Antalya (Turkey), thereby increasing the Group's shareholding from 80% to 100%. The company is fully consolidated.

Baby Nutrition

- takeover of Mashhad Milk Powder (Iran) pursuant to the acquisition of a 60% interest. The company has been fully consolidated since the second half of 2008.

Baby Nutrition and Medical Nutrition

- the repurchase, for € 143 million, of the remaining 1.15% of the shares of Royal Numico N.V., a company in which the Group had held 98.85% of the shares since December 31, 2007. This purchase was authorized by the Court of Appeals of Amsterdam on October 28, 2008 following a squeeze-out procedure undertaken by the Group in 2007.

In 2007, the main acquisitions concerned the acquisition of a 98.85% interest in Royal Numico, an 80% interest in Danone Hayat Antalya (Waters – Turkey), a 70% interest in Danone Chile (Fresh Dairy Products), a 51% interest in Danone Colombia (Fresh Dairy Products), all of the shares of the joint-venture Calpis Ajinomoto, renamed Danone Japan (Fresh Dairy Products), as well as additional interests increasing the Group's shareholding in Danone Industria (Fresh Dairy Products – Russia) to 85% and in Hui Yuan Juice Holdings Co (Waters – China) to 22.98%.

DISPOSALS

In 2008, the main disposals were the following:

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

In 2007, the main disposals concerned the Biscuits and Cereal Products activities, with the exception of the interests in Latin America (Bagley Latino America) and in India (Britannia Industries Limited), and the Group's interest in The Danone Springs of Eden BV (HOD-Europe).

Other Changes in the Scope of Consolidation

In September 2008, the Group took control of Aqua d'Or (Waters – Denmark) in accordance with a clause of the shareholders' agreement which gave it the possibility of exercising its option to purchase the shares held by the partner in the joint venture. Aqua d'Or, in which the Group holds 49%, was previously accounted for under the equity method and is fully consolidated as of December 31, 2008.

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

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

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

Legal Proceedings

In accordance with the different partnership agreements and with a services contract, all of which contain an arbitration clause in the event of a conflict, the Group initiated on May 9, 2007, various arbitration proceedings based on multiple violations of partnership agreements, as well as an arbitration proceeding before the Arbitration Court of the Chamber of Commerce in Stockholm against Mr. Zong Qinghou (Executive Director of the Subsidiaries), based on multiple cases of non performance of his services agreement.

In addition, on June 4, 2007, the Group sued Ever Maple Trading Limited and Hangzhou Hongsheng Beverage Co. Ltd., as well as their legal representatives and/or shareholders, before the Superior Court of the State of California in Los Angeles (United States) for activities carried out in the United States, seeking to have them held liable on multiple grounds, as well as for illegal and unfair competition.

The Chairman of the Board of Directors of each of the Subsidiaries, Mr. Zong Qinghou, resigned from his positions on June 6, 2007.

On June 13, 2007, one of the minority shareholders initiated an arbitration proceeding before the Arbitration Commission of Hangzhou, requesting the invalidation and/or cancellation of the trademark transfer agreement that transferred ownership of all of the Wahaha trademarks to the first of the Subsidiaries (organized in 1996).

During the month of July 2007, a number of minority shareholders of the Subsidiaries initiated, in the name of these Subsidiaries, several legal proceedings against the directors appointed by the Group in several Subsidiaries, on the grounds of alleged violations of the law of the People's Republic of China.

The second half of 2007 was impacted primarily by the progress of the legal proceedings (action brought by organizations representing the employees against the Group and actions brought by the Group against Mr. Zong Qinghou in his capacity as authorized agent (*mandataire social*) of the Subsidiaries).

In November 2007, the Group obtained orders from the courts of the British Virgin Island and Kingdom of Samoa, appointing receivers with the mandate to identify the ultimate shareholders of the off-shore entities of the parallel network and to preserve their assets pending determination of the claim.

On December 8, 2007, the arbitration commission of Hangzhou held that the trademark transfer agreement had become null and void and the Group decided to file an appeal of this decision. The Group also decided to file an appeal of two unfavorable decisions rendered by the Chinese Courts in Guilin and Xianyang.

On December 21, 2007, under the aegis of the French and Chinese governments, the Group and the minority shareholders announced their decision to suspend temporarily all of the on-going legal proceedings and to cease further publications of hostile statements in order to create an environment favorable to an out-of-court settlement of the dispute.

Following two successive extensions, the suspension period ended on April 11, 2008 with no agreement having been reached, and the legal proceedings thus were resumed. The parties have not, however, terminated their discussions seeking to find an out-of-court settlement of their dispute.

On June 25, 2008, a new trial court ruling was rendered in China (Shenyang Court) against the Group. The Group has filed an appeal.

On July 11, 2008, the Arbitration Court of the Chamber of Commerce in Stockholm rendered an interim order whereby it granted several of interim requests filed by the Group and rejected others, essentialy on the grounds that the latter requests could not be granted without resolving the basis of the dispute, which were examined during the hearings on the merits in January 2009.

Recent Developments

On July 31, 2008, the Court of Appeal of Hangzhou confirmed the decision against the Group that had been rendered in December 2007 by the Arbitration Commission of Hangzhou stating that the assignment agreement transferring the Wahaha brands to the joint ventures is void.

During the second half of 2008, several actions brought by the Group against Mr Zong Qinghou for breach of his fiduciary obligations were dismissed by the Chinese courts. Conversely, several decisions were rendered against the directors of the joint ventures appointed by the Group. Several other decisions are to be rendered in China in the first half of 2009.

In December 2008:

- the courts of the Seychelles and Anguilla granted the request made by the Group to obtain information on the shareholders and, in particular, the shareholders registers, of two off-shore companies controlling the "non JVs";
- the decision rendered in November 2007 by the Court of the British Virgin Islands was dismissed by the High Court; the Group filed an appeal against this decision, this appeal having a suspensive effect (freezing order and receivership appointment are still effective until the appeal is complete);
- on December 19, 2008, Hangzhou Wahaha Group filed a claim before the CIETAC (China International Economic and Trade Arbitration Commission) against the joint-venture holding the exclusive license for the Wahaha brands, to declare such Trademark License Agreement invalid.

The hearings before the Arbitration Court of the Chamber of Commerce of Stockholm were held from January 5 to 20, 2009. The first decision on liability should be rendered within the next six months.

Finally, as regards the American proceedings, hearings were held before the Superior Court of the State of California in Los Angeles (United States) on February 3, 2009, to settle the questions of forum convenience and jurisdiction.

Accounting Treatment

The shares held in Wahaha have been accounted for under the equity method since July 1, 2007. As there have been no significant new developments in the 2008 fiscal year, the Group continues to account for these shares under the equity method.

As of December 31, 2008, the carrying value of the Wahaha shares was € 416 million.

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

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

NOTE 3 - Discontinued Operations, and Assets and Liabilities Held for Sale

ASSETS AND LIABILITIES HELD FOR SALE

On September 3, 2008, the Group announced its intention to tender its minority equity stake of 22.98% in China Huiyuan Juice Group Limited (a company listed on the Hong Kong stock exchange and a leader in the fruit drinks), to the tender offer launched by The Coca-Cola Company. The price of this transaction amounts to approximately € 300 million for the interest held by the Group. As of December 31, 2008, the transaction was still subject to the various authorizations and steps required for the completion of the takeover bid, including in particular the approval of the Chinese antitrust authorities. The shares of this company are recorded in "Assets held for sale" for € 234 million.

On October 23, 2008, the Group announced the sale of its subsidiary Frucor (a major player in the non-alcoholic drinks business in New Zealand and Australia), to Suntory Ltd at a price of over € 600 million. The assets (net of liabilities) to be sold amount to € 182 million.

As of December 31, 2008, the Group was engaged in a process for the sale of its subsidiary Danone Naya Waters (Waters – Canada), leader in bottled water in Quebec. As of that date the assets (net of liabilities) to be sold amounted to € 14 million.

In addition, as of December 31, 2008, the Group was still engaged in a divestment process with its partner concerning its minority, indirect shareholding in Britannia Industries Limited (Biscuits – India). This company's shares continue to be recorded in "Assets held for sale", as their estimated selling price, as the Group is still considering the divestment as highly probable in the next 12 months.

In 2007, the line item "Assets held for sale" mainly included the holding in SMDA (Waters – France) for € 26 million, as well as some of Numico's assets, including the Baby Nutrition activity in France.

DISCONTINUED OPERATIONS

In 2007, the Group had announced the sale of its "Biscuits and Cereal Products" activities to Kraft Foods. The sale was completed on November 30, 2007. This sale did not include the Group's Biscuits activities interests in Latin America (Bagley Latino America – accounted for under the equity method), India (Britannia Industries Limited – non consolidated) and Greece (Papadopoulos), the latter having been sold to the minority shareholder following the exercise of its purchase option.

The net gain on the disposal of the "Biscuits and Cereal Products" activities amounted to € 3,105 million. This amount did not take into account a possible additional € 257 million of income for the disposal of the Group's interest in Generale Biscuit Glico France.

In the first half of 2008, as Glico, partner in the joint venture, had not exercised its right to terminate the joint venture agreement, an additional € 257 million of income was received in June 2008. This income, plus accrued interest, was recorded in "Net income from discontinued operations" for a net amount of € 269 million as of December 31, 2008.

The income statement for the discontinued operations, presented below, includes the "Biscuits and Cereal Products" activities over 11 months in 2007:

	Year ended December 31	
(In € millions)	**2007**	**2008**
Net sales	**1,929**	**-**
Cost of goods sold	(1,021)	-
Selling expenses	(416)	-
General and administrative expenses	(152)	-
Research and development expenses	(21)	-
Other (expense) income	(15)	-
Trading operating income	**304**	**-**
Other operating (expense) income [1]	3,249	257
Operating income	**3,553**	**257**
Interest income	3	6
Interest expense	(30)	-
Cost of net debt	(27)	-
Other financial (expense) income	(1)	-
Income before tax	**3,525**	**263**
Income tax	(224)	6
Income from consolidated companies	**3,301**	**269**
Net income (loss) of equity-accounted affiliates	(9)	-
Net income from continuing operations	**3,292**	**269**
attributable to the Group	*3,299*	*269*
attributable to minority interests	*(7)*	-

(1) Includes the capital gains or losses on disposals of activities.

The contribution of the "Biscuits and Cereal Products" activities to changes in the Group's cash flow before financing operations is presented below:

	Year ended December 31	
(In € millions)	**2007**	**2008**
Net income	**3,301**	**269**
Depreciation and amortization	63	-
Other changes	(3,125)	(269)
Cash flows provided by operating activities, excluding changes in net working capital	**239**	**-**
(Increase) decrease in inventories	(25)	-
(Increase) decrease in trade accounts receivable	(75)	-
(Increase) decrease in trade accounts payable	58	-
Changes in other working capital items	34	-
Net change in current working capital	(8)	-
Cash flows provided by operating activities	**231**	**-**
Capital expenditure	(46)	-
Financial investments	(28)	-
Disposals and realization of assets (including debt of companies sold at date of disposal)	14	-
Cash flows used by investing activities	**(60)**	**-**
Exchange differences	-	-
Contribution to increase in cash and cash equivalents	**171**	**-**

NOTE 4 - Numico Goodwill

On October 30, 2008, 12 months after the acquisition of Numico, the Group finalized the allocation of the acquisition by recording non-material adjustments during the fiscal year, including provisions for litigation and intangible assets.

In addition, on November 25, 2008, the Group repurchased all of the remaining shares of Royal Numico N.V., in which it had held 98.85% of the shares since December 31, 2007. The repurchase of the remaining 1.15%, for € 143 million and a price per share identical to that of the 2007 transaction, resulted in an additional goodwill of € 109 million.

The final amount of the Numico goodwill represents € 9,615 million (€ 9,495 million as of December 31, 2007).

Allocation of Goodwill

The Group allocated the goodwill to three groups of cash generating units (CGUs), corresponding to the level of reporting at which the goodwill is managed internally: Baby Nutrition Asia, Baby Nutrition Rest of the World and Medical Nutrition.

The goodwill was allocated on October 31, 2007 with the assistance of valuation experts for each of the three groups of CGUs as the difference between the business enterprise values and the invested capital.

The amounts allocated to each of the groups of CGUs are shown in the table below:

(in € millions)	**Book value of goodwill**
Baby Nutrition Asia	1,663
Baby Nutrition Rest of the World	4,548
Medical Nutrition	3,344

NOTE 5 - Intangible Assets

CHANGES IN THE NET BOOK VALUE OF INTANGIBLE ASSETS

Changes in the net book value of intangible assets can be detailed as follows:

	Goodwill		Total	Brands	Others	Total
(In € millions)	Consolidated interests	Put options granted to minority shareholders				
Gross amounts						
As of January 1, 2007	**2,076**	**2,069**	**4,145**	**962**	**392**	**5,499**
Capital expenditure	46	-	46	-	26	72
Disposals	-	-	-	-	(13)	(13)
Impairment charge	(25)	-	(25)	-	(2)	(27)
Changes in scope of consolidation: Numico	9,409	86	9,495	3,449	359	13,303
Changes in scope of consolidation: Biscuits and other activities	(841)	(33)	(874)	(488)	(53)	(1,415)
Change in consolidation method (Wahaha)	(112)	-	(112)	-	(9)	(121)
Translation adjustments	(45)	-	(45)	(62)	(4)	(111)
Reclassification of assets held for sale	(15)	-	(15)	-	-	(15)
Revaluation of goodwill linked to put options granted to minority shareholders	72	182	254	-	-	254
Others	-	-	-	100	(82)	18
As of December 31, 2007	**10,565**	**2,304**	**12,869**	**3,961**	**614**	**17,444**
Depreciation						
As of January 1, 2007			-	-	(217)	(217)
Charge for the year (net of disposals)			-	-	(28)	(28)
Disposals			-	-	5	5
Changes in scope of consolidation			-	-	19	19
Translation adjustments			-	-	2	2
Others			-	-	6	6
As of December 31, 2007			**-**	**-**	**(213)**	**(213)**

Consolidated Documents

*Notes to the Consolidated Financial Statements - **NOTE 5***

(In € millions)	Goodwill Consolidated interests	Put options granted to minority shareholders	Total	Brands	Others	Total
Gross amounts						
As of January 1, 2008	**10,565**	**2,304**	**12,869**	**3,961**	**614**	**17,444**
Capital expenditure	64	-	64	-	43	107
Disposals	-	-	-	-	(7)	(7)
Changes in scope of consolidation	-	-	-	-	3	3
Change in consolidation method	14	-	14	-	-	14
Translation adjustments	(799)	-	(799)	(83)	(13)	(895)
Reclassification of assets held for sale	(78)	-	(78)	(68)	(3)	(149)
Revaluation of goodwill linked to put options granted to minority shareholders	-	130	130	-	-	130
Adjustment of Numico goodwill	120	-	120	36	(11)	145
Others					14	14
As of December 31, 2008	**9,886**	**2,434**	**12,320**	**3,846**	**640**	**16,806**
Depreciation						
As of January 1, 2008			-	-	(213)	(213)
Charge for the year (net of disposals)			-	-	(62)	(62)
Translation adjustments			-	-	7	7
Others			-	-	8	8
As of December 31, 2008			**-**	**-**	**(260)**	**(260)**

The amortization charge for other intangible assets amounted to € 62 million in 2008 (€ 28 million in 2007). It is allocated to different line items in the income statement consistently with the nature and utilization of the underlying assets.

Goodwill

Goodwill Relating to Consolidated Interests

In 2008, the change in goodwill relating to consolidated interests was mainly due to:

- exchange differences on the Numico goodwill for the negative amount of € 757 million;
- the repurchase of the remaining 1.15% of Royal Numico N.V. shares, for € 109 million;
- adjustments to the Numico goodwill booked during the twelve-month allocation period, for € 11 million;
- the acquisition of Mashhad Milk Powder (Baby Nutrition – Iran) for € 42 million;
- the reclassification of the goodwill relating to Frucor in "Assets held for sale" for € 78 million.

In 2007, the main changes related to:

- the acquisition of Numico for € 9,495 million, including goodwill of € 86 million linked to the valuation of the put option granted to the minority shareholders on the Polish subsidiary;
- the disposal of the "Biscuits and Cereal Products" activities for the amount of € 832 million;
- the reclassification of the goodwill related to Wahaha for € 112 million due to the change of the consolidation method (from full consolidation to equity method accounting).

Goodwill Relating to Put Options Granted to Minority Shareholders

The Group is committed to acquiring the minority shareholdings owned by third parties who are shareholders in certain consolidated companies, should these third parties wish to exercise their put options. These shareholders may be "historic" shareholders of the entities, private investors or international organizations, such as the European Bank for Reconstruction and Development. The exercise prices of these put options are usually based on the profitability and the financial position of the entity as of the exercise date. The exercise of these options would increase the Group's shareholding in the related entities. As indicated in

Note 1.17, under IAS 32, the minority's interest in the entities must be reclassified from "minority interest" to financial liabilities in the balance sheet, with the liabilities being measured at the exercise price of the options (see Note 16). In addition, the difference between the exercise price of the options and the historic value of the minority interests is reflected as "Goodwill, net" in the consolidated balance sheet.

As of December 31, 2008, goodwill linked to these put options amounted to € 2,434 million (€ 2,304 million as of December 31, 2007). The main goodwill, amounting to € 1,994 million, related to the put option on Danone Spain, which was revalued for an amount of € 132 million during the fiscal year.

Brands

This heading corresponds to non-amortized brands recognized in connection with business combinations performed since 1989. Brand names include, among others, *Nutricia*, *Milupa*, *Dumex, Cow&Gate*, *Mellin*, *SHS*, *Volvic* and *Danone* in Spain.

In 2008, changes in brands mainly resulted from an adjustment to the value of the *Mellin* brand, translation adjustments booked on the brands acquired from Numico, and reclassifications to "Assets held for sale".

In 2007, changes mainly resulted from the brands identified within the framework of the acquisition of Numico, and from the disposal of the *LU* and *Saiwa* brands.

Other Intangible Assets

Capital expenditure amounted to € 43 million and is broken down between Baby Nutrition for € 21 million, Fresh Dairy Products for € 12 million and other Business Lines for € 11 million.

Impairment Reviews

The net book value of goodwill, brands and other intangible assets is reviewed at least annually and when certain events or circumstances indicate that their value may be impaired. These events or circumstances are linked to significant, unfavorable and durable changes that have an impact on the economic environment, the assumptions or targets set at the time of acquisition.

An impairment charge is recorded when the recoverable value of the assets tested becomes durably lower than their net book value. Recoverable value is determined as detailed in Note 1.4.

As of December 31, 2008, the Group reviewed the carrying value of all its intangible assets with indefinite useful lives. As stated in Note 1.4, the CGU's or groups of CGUs' value in use is determined based on multiples of earnings, if need be on expected discounted cash flows for Fresh Dairy Products and Waters. For Baby Nutrition and Medical Nutrition, the value in use of the groups of CGUs is determined on the basis of expected discounted cash flows.

As of December 31, 2008, the CGUs or groups of CGUs for which the book value of the goodwill or intangible assets with indefinite useful lives is significant are as follows:

(In € millions)	Net book value of goodwill and brands with indefinite useful life		Multiples of operating earnings before sector depreciation	Perpetual growth rate	Discount rate
	2007	**2008**			
Fresh Dairy Products:					
- Southern Europe CGU	2,273	2,469			
- Other CGUs (1)	639	631			
TOTAL FRESH DAIRY PRODUCTS	**2,912**	**3,100**	**14 ON AVERAGE**		
Waters:					
- Danone Eaux France	428	428			
- Other CGUs (1)	594	434			
TOTAL WATERS	**1,022**	**862**	**14 ON AVERAGE**		
Baby Nutrition					
- Baby Nutrition Asia	2,597	2,646		2.5%	8.9%
- Baby Nutrition Rest of the World	6,076	5,662		2.5%	8.0%
TOTAL BABY NUTRITION	**8,673**	**8,308**			
TOTAL MEDICAL NUTRITION	**4,223**	**3,897**		2.5%	7.2%

(1) Fresh Dairy Products and Waters include around 20 other CGUs.

When value in use is determined based on expected discounted cash flows, the perpetual growth rate and discount rate vary depending on the geographical area where the CGU or groups of CGUs operate, and in particular on the maturity of the markets. Following this review, the Group did not record any impairment charge.

On December 31, 2008, a sensitivity analysis of the value in use within the three groups of CGUs (Baby Nutrition Asia, Baby Nutrition Rest of the World and Medical Nutrition) shows the following impacts:

- a 0.5% increase in the discount rate would have a negative impact of € 1.4 billion;
- a 0.5% decrease in the long-term growth rate would have a negative impact of € 1.1 billion;
- a reduction in the margin of 100 basis points would have a negative impact of € 0.8 billion.

In 2007, the Group recorded an impairment charge of 27 million euros related to the goodwill of Danone Greece (Fresh Dairy Products), and of Danone Tessala Boisson (Waters - Algeria).

NOTE 6 - Property, Plant and Equipment

Changes in the net book value of property, plant and equipment can be detailed as follows:

(In € millions)	Land	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amounts							
As of January 1, 2007	**218**	**1,549**	**4,459**	**174**	**507**	**390**	**7,297**
Capital expenditure (1)	5	24	98	28	28	521	704
Disposals	(7)	(30)	(136)	(18)	(26)	(2)	(219)
Changes in scope of consolidation (2)	9	(241)	(1,043)	-	(20)	24	(1,271)
Translation adjustments	(5)	(22)	(73)	(12)	(19)	(25)	(156)
Reclassification of assets held for sale	(1)	(4)	(17)	-	(1)	-	(23)
Others	9	28	268	1	32	(372)	(34)
As of December 31, 2007	**228**	**1,304**	**3,556**	**173**	**501**	**536**	**6,298**
Depreciation							
As of January 1, 2007	**(28)**	**(752)**	**(3,036)**	**(107)**	**(351)**	**(3)**	**(4,277)**
Charge for the year	(2)	(57)	(254)	(23)	(55)	(1)	(392)
Disposals	-	18	116	16	23	-	173
Changes in scope of consolidation	4	213	874	-	55	2	1,148
Translation adjustments	-	7	35	7	11	-	60
Reclassification of assets held for sale	-	2	13	-	1	-	16
Others	(2)	(3)	10	1	2	1	9
As of December 31, 2007	**(28)**	**(572)**	**(2,242)**	**(106)**	**(314)**	**(1)**	**(3,263)**

(1) Including assets acquired under capital leases.

(2) Including the entry of Numico, the exit of the "Biscuits and Cereal Products" activities and the change in method of consolidation of Wahaha.

(In € millions)	Land	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amounts							
As of January 1, 2008	**228**	**1,304**	**3,556**	**173**	**501**	**536**	**6,298**
Capital expenditure (1)	8	33	141	26	50	428	686
Disposals	(7)	(23)	(116)	(18)	(40)	(8)	(212)
Changes in scope of consolidation	4	4	2	-	29	2	41
Translation adjustments	(2)	(35)	(114)	(7)	(41)	(26)	(225)
Reclassification of assets held for sale	2	(2)	(21)	-	(4)	(2)	(27)
Others	4	113	369	1	16	(526)	(23)
As of December 31, 2008	**237**	**1,394**	**3,817**	**175**	**511**	**404**	**6,538**
Depreciation							
As of January 1, 2008	**(28)**	**(572)**	**(2,242)**	**(106)**	**(314)**	**(1)**	**(3,263)**
Charge for the year	(3)	(69)	(282)	(23)	(74)	(13)	(464)
Disposals	1	17	90	16	35	-	159
Changes in scope of consolidation	-	2	9	-	(9)	-	2
Translation adjustments	-	9	51	4	26	-	90
Reclassification of assets held for sale	-	(3)	2	-	6	-	5
Others	1	(2)	(7)	(1)	13	12	16
As of December 31, 2008	**(29)**	**(618)**	**(2,379)**	**(110)**	**(317)**	**(2)**	**(3,455)**

(1) Including assets acquired under capital leases.

As of December 31, 2008, gross and net amounts of assets acquired under capital leases amounted to 21 and € 11 million, respectively (8 and € 2 million as of December 31, 2007).

The depreciation charge for property, plant and equipment amounted to € 464 million in 2008 (€ 392 million in 2007). It is allocated to different lines in the income statement consistently with the nature and utilization of the underlying assets.

NOTE 7 - Investments Accounted for under the Equity Method

The net book value of investments accounted for under the equity method is as follows:

(In € millions)	Goodwill, net	Group's share in net assets of entities accounted for under the equity method	Total
As of January 1, 2007	**393**	**700**	**1,093**
Acquisitions	55	57	112
Disposal of Biscuits activity and other changes in the scope of consolidation	(70)	(211)	(281)
Change in method of consolidation of Wahaha	114	210	324
Group's share in net income	-	97	97
Dividends paid	-	(30)	(30)
Other changes	-	(5)	(5)
Translation adjustments	(22)	(25)	(47)
As of December 31, 2007	**470**	**793**	**1,263**
Acquisitions	3	-	3
Disposals and other changes in the scope of consolidation	(14)	-	(14)
Reclassification of assets held for sale: China Hui Yuan	(121)	(113)	(234)
Group's share in net income	-	91	91
Dividends paid	-	(31)	(31)
Other changes	-	(6)	(6)
Translation adjustments	75	120	195
As of December 31, 2008	**413**	**854**	**1,267**

As of December 31, 2008, investments accounted for under the equity method mainly comprised the holdings in Wahaha and Yakult. Net assets of entities accounted for under the equity method include the identifiable intangible assets and residual goodwill resulting from the consolidation of their own subsidiaries.

In 2008, the value of investments accounted for under the equity method remained unchanged as a result of the positive impact of the translation adjustments (mainly relating to Wahaha and Yakult) for € 195 million, partially offset by the reclassification of the holding in China Huiyuan Juice Group Limited for a total of € 234 million.

The changes in the scope of consolidation correspond to the change in the method of consolidation of Aqua d'Or (Waters – Denmark), originally accounted for under the equity method and fully consolidated since the second half of 2008.

In 2007, the increase in the net book value of investments accounted for under the equity method mainly resulted from the change in method of consolidation of Wahaha, which, until June 30, 2007, was fully consolidated (see Note 2.2), and from the increase in the investment in China Huiyuan Juice Group Limited following the floatation of this company.

Net Income of Equity-Accounted Affiliates

The line item "Net income of equity-accounted affiliates" can be detailed as follows:

(In € millions)	2007	2008
Group's share in net income from continuing operations	97	91
Income from discontinued operations	(6)	-
Group's share in net income	**91**	**91**
Impairment charge	-	-
Gain on disposal	(4)	(29)
TOTAL	**87**	**62**

Significant Financial Information

Significant financial information, as it relates to the main entities accounted for under the equity method as of December 31, 2008, except for Wahaha in view of the particular context described in Note 2.2, is as follows (100% and for a full year):

(In € millions)			2007			2008
Company	**Net sales**	**Net income**	**Shareholders' equity**	**Net sales**	**Net income**	**Shareholders' equity**
Yakult [(1)]	908	70	1,651	945	50	1,542

(1) Data according to Japanese GAAP.

As Yakult is a listed company, the amounts shown in the table above correspond to the last financial statements published (2007: annual financial statements; 2008: half-yearly financial statements).

Impairment Reviews

The Group reviews the carrying value of its investments accounted for under the equity method whenever events or circumstances indicate that they may be impaired. An impairment charge is recorded when their recoverable value becomes durably lower than their net book value.

The fair value of investments accounted for under the equity method amounted to € 1,311 million as of December 31, 2008 (€ 1,410 million as of December 31, 2007). It was determined as follows:

- for listed companies, according to a multi-criteria approach based on the stock price as of December 31, the financial health of the company and analysts' notes;
- for non-listed companies, by reference to the value resulting from recent transactions entered into with third parties or put and/or call options negotiated with third parties and/or external appraisals. When such elements do not exist, the fair value is determined to be equivalent to the carrying value, which is the case for Wahaha in view of the particular context described in Note 2.2.

Concerning the holding in Yakult, the Group considers that the reduction in the stock price at the end of the year is neither significant nor sustained at December 31, 2008.

Therefore, no depreciation has been recorded for the year.

NOTE 8 - Investments in Non-Consolidated Companies

NET BOOK VALUE AND CHANGES IN NON-CONSOLIDATED COMPANIES

The net book value of the main investments in non-consolidated companies can be detailed as follows:

(In € millions)	% of interest in 2007	2007	% of interest in 2008	2008
Wimm-Bill-Dann	18.3%	614	18.3%	118
ONA	27%	67	2.7%	59
Others	-	91	-	60
TOTAL		**772**		**237**

As indicated in Note 1.6, investments in non-consolidated companies are treated as available-for-sale investments. They are accounted for at fair value, with fair value variations recorded directly in shareholders' equity as "Net income recognized directly in equity", except for unrealized losses that are considered to be significant and/or prolonged, which are recorded directly in the income statement.

In 2008, the decrease in non-consolidated investments mainly resulted from the decrease in the stock price of the Wimm-Bill-Dann shares, the stock price as of December 31, 2008 having been deemed to be representative of the fair value of these shares.

At closing date, their fair value was less than half of their historical value of € 249 million and the reduction in the stock price continued throughout the 2008 fiscal year. Consequently, as a result of the significant and/or prolonged nature of the reduction in the stock price, an impairment charge was booked for € 131 million.

As of December 31, 2008, the unrealized gains recorded under the heading "Net income recognized directly in equity" amounted to € 98 million (€ 476 million as of December 31, 2007). The unrealized gains that were recorded under the heading "Net income recognized directly in equity" as of December 31, 2007 and that were transferred to income in 2008 were not significant.

NOTE 9 - Long-Term Loans

As of December 31, 2008, long-term loans amounted to € 73 million, compared to € 67 million as of December 31, 2007.

The increase is mainly due to the capitalization of the interests from the vendor loan granted to the acquirer of the Group's investment in The Danone Springs of Eden BV.

The fair value of long-term loans is considered to be equivalent to their net book value.

NOTE 10 - Other Long-Term Assets

As of December 31, 2008, other long-term assets amounted to € 137 million, compared to € 205 million as of December 31, 2007. The change in this item was mainly due to the payment of the receivable from Kraft Foods in connection with the disposal of the "Biscuits and Cereal Products" activities, *i.e.* the amount of € 81 million.

The balance as of December 31, 2008 includes € 91 million of investments held as security for certain "damage and healthcare" provisions. These investments are treated as available-for-sale and are measured at their period-end fair value.

NOTE 11 - Inventories

Inventories can be detailed as follows:

(In € millions)	2007	2008
Goods purchased for resale	68	52
Raw materials and supplies	332	359
Semi-finished goods and work in progress	59	56
Finished products	416	381
Non-refundable containers	21	29
Provision for inventory depreciation	(35)	(82)
Inventories, net	**861**	**795**

NOTE 12 - Trade Accounts Receivable – Other Accounts Receivable and Prepaid Expenses

TRADE ACCOUNTS RECEIVABLE

(In € millions)	2007	2008
Trade accounts receivable	1,531	1,516
Notes receivable	75	77
Provision for doubtful receivables	(58)	(59)
Trade accounts receivable, net	**1,548**	**1,534**

Changes in the provision for doubtful receivables are as follows:

(In € millions)	2007	2008
As of January 1	69	58
Charge (net of reversal) for the year	(3)	20
Utilization	(9)	(12)
Translation adjustments and other changes	1	(7)
As of December 31	**58**	**59**

The Group believes its exposure to concentration of credit risk is limited due to the number of customers located in diverse geographic areas, the fact that its main customers are in the mass retail sector, and given the current economic environment. In addition, the Group is not dependent on one single customer.

In 2008, net sales with the Group's major customer represented approximately 7% of the Group's net sales (7% in 2007).

The fair value of trade accounts receivable is considered to be equivalent to their net book value due to their short-term maturity.

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

(In € millions)	**2007**	**2008**
State and local authorities	400	430
Social securities and non-operating receivables	227	215
Prepaid expenses	53	39
Financial instruments	21	188
Others	62	78
TOTAL	**763**	**950**

The line item "Financial instruments" is mainly linked to currency hedging for € 136 million.

The fair value of other accounts receivable is considered to be identical to their net book value due to the high degree of liquidity of these items.

NOTE 13 - Marketable Securities

Marketable securities can be detailed as follows:

(In € millions)	**2007**	**2008**
Negotiable debt instruments and other short-term investments	473	421
Monetary market funds	20	20
TOTAL	**493**	**441**

Marketable securities are usually bought from financial institutions.

NOTE 14 - Earnings per Share

The subsidiaries' and affiliates' distributable earnings can differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their local accounts and (ii) the laws that are applicable in the country where these entities operate.

In accordance with French law, dividends can only be paid out of the net income for the year and accumulated distributable earnings of the parent company. As of December 31, 2008, tax-free distributable earnings amounted to € 1,711 million.

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

	Net income from operating activities attributable to the Group *(in € millions)*	**Non-current net income attributable to the Group** *(in € millions)*	**Weighted average number of shares outstanding**	**Earnings per share attributable to the Group** *(in euros)*	**Including Net income from continuing operations** *(in euros)*	**Including Net income from discontinued operations** *(in euros)*
2008						
Before dilution	1,313	-	477,111,224	2.75	2.19	0.56
Stock-based compensation			1,452,270	(0.01)	(0.01)	-
After dilution	**1,313**	**-**	**478,563,494**	**2.74**	**2.18**	**0.56**
2007						
Before dilution	1,185	2,995	476,355,811	8.77	1.85	6.92
Stock-based compensation			3,507,332	(0.06)	(0.02)	(0.04)
After dilution	**1,185**	**2,995**	**479,863,143**	**8.71**	**1.83**	**6.88**

NOTE 15 - Stock-Based Compensation

STOCK PURCHASE PLANS

Plan Characteristics

The Board of Directors can grant senior managers options to purchase existing shares of Groupe Danone's common stock. These options are granted at an exercise price that cannot be lower than the minimum value authorized under French law. They vest after two to four years and expire no later than eight years from the grant date.

The main characteristics of the option plans are as follows (after taking into account the two-for-one stock splits that occurred in June 2000, June 2004 and June 2007):

Date of shareholders' meeting	**Number of authorized options**	**Number of options granted**	**Exercise price** *(in euros)*	**Number of options lapsed or forfeited at December 31, 2008**	**Number of options exercised at December 31, 2008**	**Number of outstanding options at December 31, 2008**
May 19, 1999	8,000,000	6,775,160	25.8 – 39.0	970,602	5,159,528	645,030
May 29, 2001	8,000,000	7,406,300	29.5 – 35.4	762,200	3,846,401	2,797,699
April 11, 2003	8,000,000	6,237,816	32.9 – 37.6	610,600	1,372,597	4,254,619
April 22, 2005	6,000,000	4,502,100	41.3 – 61.0	194,400	2,000	4,305,700
April 26, 2007	6,000,000	2,971,538	46.3 – 60.0	35,388	-	2,936,150

As of December 31, 2008, 3,028,462 options could still be granted under the April 26, 2007 plan.

As of December 31, 2008, outstanding options can be detailed as follows:

	Outstanding			Exercisable	
Range of exercise price	**Number of options**	**Average remaining life** *(number of years)*	**Weighted average exercise price** *(in euros)*	**Number of options**	**Weighted average exercise price** *(in euros)*
From 27 to 32 euros	1,617,361	2.2	29.6	1,617,361	29.6
From 33 to 39 euros	6,079,987	2.9	35.4	6,079,987	35.4
From 40 to 48 euros	78,533	5.9	44.2	48,400	42.9
From 49 to 58 euros	4,475,491	6.5	54.1	-	-
From 59 to 78 euros	2,687,826	6.4	60.9	-	-
	14,939,198			**7,745,748**	

Changes in Outstanding Options

Changes in outstanding options were as follows:

(Number of options)	**2007**	**2008**
Balance as of January 1	13,438,067	13,988,745
Granted	2,819,815	2,636,174
Exercised	(2,133,737)	(1,402,831)
Forfeited/lapsed	(135,400)	(282,890)
Balance as of December 31	**13,988,745**	**14,939,198**

In 2008, the average price of GROUPE DANONE stock was € 50.04.

Valuation of Stock Options

As indicated in Note 1.22, stock options granted to employees are measured at their grant date fair value, based on assumptions determined by management. Options granted in 2007 and 2008 were measured based on the following assumptions:

	2007	**2008**
Risk-free interest rate	4.39%	4.39%
Expected life	5 years	5 years
Expected liability	25.1%	27.4%
Expected dividend yield	1.8%	1.9%

The expected volatility was determined based on an observation of the historical volatility of the GROUPE DANONE stock over a period identical to the expected life of the options.

The risk-free interest rate was determined based on the interest rate of State bonds.

The weighted average value of options granted in 2007 and 2008 was 14.2 euros and 15.7 euros per option, respectively.

In 2008, the expense relating to stock options amounted to € 21 million (€ 10 million in 2007). This expense is reflected as "Other (expense) income" in the consolidated income statement and as "Retained earnings" in the consolidated balance sheet.

EMPLOYEE SHARE OWNERSHIP PLAN

Employees of the Group's French entities can, on an annual basis, purchase new shares of the Company as part of a share ownership plan. The purchase price of the shares corresponds to 80% of the average stock price over the last 20 days preceding the meeting of the Board of Directors that approves the plan. The benefit granted to the employees is calculated based on the grant date fair value of the shares, taking into account the restriction on these shares over a 5-year period and the market parameters that are applicable to employees, in particular the borrowing rate. The grant date corresponds to the date on which the plan is announced to the employees. In 2008, the fair value of the shares was calculated based on a GROUPE DANONE stock price of € 38.54, a 2.86% risk-free interest rate and a 7.40% employees' 5-year borrowing rate. This accounting treatment is compliant with the communication made by the *Conseil National de la Comptabilité* on December 21, 2004 in relation to share ownership plans.

NOTE 16 - Financial Market Risks and Derivatives

In its business activities, the Group is more or less exposed to exchange risks, financing and liquidity risks, interest rate risks, risks on shares, as well as counterpart and credit risks (the nature of the impact of these risks is described in the Management Report). The Group has set up a management risk policy on these risks (refer to the Management Report) for which the implementation is described below.

FOREIGN EXCHANGE RISK

Exposure Related to Operations

Revenues and operating expenses of the Group's subsidiaries are mainly denominated in the local currency of each subsidiary's country. However, some imports, notably raw materials and finished goods, and some exports may be denominated in another currency and are subject to heding. The Group's policy consists in hedging its operating transactions that are highly probable and denominated in foreign currencies, mainly over a fiscal year.

To hedge this foreign exchange risk related to operations, the Group uses forward contracts and *plain vanilla* options, the main currencies concerned being the American Dollar, the British Pound , the Japanese Yen, the Mexican Peso, the Russian Ruble and the Chinese Yuan.

The Group's residual exposure after hedging the foreign exchange risk on its highly probable operating transactions is not significant over a given fiscal year.

Portfolio of Foreign Exchange Derivative Instruments Related to Operations

The following table shows the net notional amount of the derivative instruments set up to manage the foreign exchange risk related to operations, for the Group's main currencies, outstanding as of the end of 2008 and 2007. As of December 31, 2008 and 2007, the majority of these instruments were qualified as cash flow hedge according to standard IAS 39.

	Year ended December 31											
(In € millions)						2007						2008
(Sales)/Purchases of currencies	**USD (3)**	**GBP**	**JPY**	**MXN (3)**	**RUB (3)**	**CNY (3)**	**USD (3)**	**GBP**	**JPY**	**MXN (3)**	**RUB (3)**	**CNY (3)**
Net forward contracts (1)	176	(202)	1	(147)	(73)	(12)	340	(253)	(4)	(123)	(137)	(117)
Foreign exchange options, net (2)	(36)	(93)	(356)	-	-	-	(27)	(89)	(708)	-	-	-
TOTAL	**140**	**(295)**	**(355)**	**(147)**	**(73)**	**(12)**	**313**	**(342)**	**(712)**	**(123)**	**(137)**	**(117)**

(1) Spot rates as at closing rate.
(2) Notional amount based on the strike price, includes in- and out-of-the-money options.
(3) Transactions denominated in euro or in other currencies.

Sensitivity of Shareholders' Equity and Net Income Related to Changes in the Fair Value of Derivative Instruments Related to Operations

A change in the fair value of the derivative instruments hedging the operating foreign exchange risk, induced by a change in foreign exchange rates, could impact the Group's shareholders' equity and net income: the impacts recognized in profit or loss relate to the time value and swap points variations when they are excluded from the hedging relation, as well as to transactions to which hedge accounting is not applied.

A 10% fluctuation in the euro against the following currencies, at as closing date, applied to outstanding transactions, would have resulted in an increase (decrease) in shareholders' equity and net income of the Group by the following amounts (at a constant volatility and interest rate):

	Equity		Profit and loss	
(In € millions)	**10% increase in euro**	**10% decrease in euro**	**10% increase in euro**	**10% decrease in euro**
As of December 31, 2008				
USD (1) (2)	10	(10)	(2)	1
GBP	30	(36)	-	1
JPY	39	(50)	8	(7)
MXN (1) (2)	(1)	1	-	-
RUB (1) (2)	7	(8)	(1)	1
CNY (1) (2)	2	(3)	-	-
As of December 31, 2007				
USD (1) (2)	1	2	3	(4)
GBP	17	(20)	2	(1)
JPY	25	(22)	2	3
MXN (1) (2)	1	(2)	2	(2)

(1) In the case of transactions denominated in currencies other than the euro, the increase or decrease in the euro is applied simultaneously to the base currency and the secondary currency.

(2) Transactions denominated in euro or in other currencies.

Exposure Related to Financing

The Group's policy consists in managing the debt or excess cash of Groupe Danone and its subsidiaries in their functional currency. Furthermore, in compliance with its policy which consists in managing risks in a centralized manner, the Group may manage multi-currency debts and excess cash. Loans denominated in foreign currencies are thus hedged through cross currency swaps.

As of December 31, 2008 and 2007, the notional amount of these instruments amounted to € 641 million and € 150 million respectively, the majority of them qualified as fair value hedge under IAS 39.

A change in the fair value of the derivative instruments hedging the foreign exchange risk related to financings, induced by a change in foreign exchange rates, would not have a significant impact on the Group's shareholders' equity or net income (changes in the fair value of such financial instruments are offset by changes in the fair value of the loans hedged).

Exposure to Foreign Exchange Risk Related to Translation Effect and on Assets

Foreign Exchange Risk Related to Translation Effect on Assets

The Group's policy consists in hedging the net equity of certain subsidiaries whose functional currency is not the euro. The Group hedges in priority through borrowings set-up locally but also through cross currency swaps. The main currencies are the Japanese Yyen, the Chinese Yuan and the Indonesian Rupiah.

The total nominal amount outstanding as of December 31, 2008 and 2007, was € 654 million and € 548 million respectively. These outstanding transactions qualified as net foreign investment hedge under IAS 39.

A change in the fair value of the derivative instruments hedging the net foreign investments, induced by a change in foreign exchange rates at the closing date, would not have a significant impact on the Group's shareholders' equity or net income (changes in the fair value of such financial instruments are offset by changes in the fair value of the net foreign investments hedged).

Foreign Exchange Risk on Asset Disposal

In connection with the agreements signed at the end of 2008 for the respective disposal of Frucor and China Huiyuan Juice Group Limited, the Group has set up foreign exchange hedging transactions through forward contracts and plain vanilla options.

As of December 31, 2008, the nominal amount of these derivatives amounted to € 941 million and did not qualify for hedge accounting under IAS 39.

INTEREST RATE RISK

Interest Rate Exposure

The interest rate risk is notably induced by the Group's interest-bearing debt. It is mainly denominated in the euro and is managed centrally. The interest rate risk management policy is determined by the Group's Management based on indicators and interest rate context, with the aim of minimizing volatility of the Group's financial result. The Group uses derivative instruments in addition to fixed rate loans to reduce its exposure to short-term interest rate fluctuations. These derivatives are mainly interest rate swaps, plain vanilla caps and collars.

Sensitivity of Net Income Related to Changes in the Cost of Net Debt Resulting from Changes in Short-Term interest Rates

As of December 31, 2008, 48% of the Group's net debt [(1)], after taking into account the interest rate hedges outstanding and active [(2)] at that date, is protected against an increase in the short-term interest rates. The impact on the cost of debt, calculated over a full year, of a change in the short-term interest rate applied to the net debt [(2)] at year-end, after taking into account the interest rate hedges at that date, is presented in the table below:

	Profit and loss	
(In € millions)	**Increase of 100 bp**	**Decrease of 100 bp**
As of December 31, 2008	**(45)**	**42**
As of December 31, 2007	**(25)**	**45**

(1) The net debt used to measure the Group's exposure to changes in interest rates corresponds to financial debt net of marketable securities and cash and cash equivalents. It excludes financial debt linked to options granted to minority shareholders as these liabilities do not bear interest.
(2) An option is considered to be active when it is in the money if the increase in the short-term rates does not exceed 100 bp compared to interest rate as at year-end.

Sensitivity of Shareholders' Equity and Net Income Related to Changes in the Fair Value of the Interest Rate Derivatives

As of December 31, 2008 and 2007, interest rate derivatives either do or do not qualify as hedge under IAS 39.

A change in the fair value of these instruments induced by a change in the interest rate curve taken into account at closing, would have an impact on the Group's shareholders' equity and net income:

- impacts recognized in shareholders' equity relate to the effective portion of the instruments qualifying as hedges;
- impacts recognized in income relate to the ineffective portion of the instruments qualifying as hedges, as well as to the impact of the change in fair value of the instruments not qualifying as hedges.

A change of 100 basis points in the interest rates applied to the full interest rate curve as of balance sheet date and applied to outstanding transactions as of December 31, 2007 and December 31, 2008 would have resulted in shareholders' equity and net income increase (decrease) by the following amounts (at a constant foreign exchange rate and volatility):

	Shareholders' equity		Profit and loss	
(In € millions)	**Increase of 100 bp**	**Decrease of 100 bp**	**Increase of 100 bp**	**Decrease of 100 bp**
As of December 31, 2008				
Interest rate options [(1)]	6	(8)	2	0
Interest rate swaps [(2)], others	-	-	(1)	(2)
Sensitivity to cash flows – net	**6**	**(8)**	**1**	**(2)**

(1) Caps and collars.
(2) Fixed-rate payer and receiver swaps.

Consolidated Documents

*Notes to the Consolidated Financial Statements - **NOTE 16***

	Shareholders' equity		Profit and loss	
(In € millions)	**Increase of 100 bp**	**Increase of 100 bp**	**Increase of 100 bp**	**Reduction of 100 bp**
As of December 31, 2007				
Interest rate options [(1)]	-	-	36	(4)
Interest rate swaps [(2)]	123	(127)	(2)	2
Sensitivity to cash flows – net	**123**	**(127)**	**34**	**(2)**

(1) Caps and collars.
(2) Payer and receiver swaps.

LIQUIDITY RISK

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

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

Forecasted cash outflows linked to the contractual repayment of the principal amount and contractual payment of interest on the financial assets and liabilities, including premiums to be paid on derivative liabilities, booked in the Group's balance sheet as of December 31, 2008, are presented below with their contractual maturity date and based on the assumption of non-renewal:

(In € millions)	**Book value in balance sheet at December 31, 2008**	**Contractual cash flows 2009**	**Contractual cash flows 2010**	**Contractual cash flows 2011**	**Contractual cash flows 2012**	**Contractual cash flows 2013 and after**
Bank Facilities (amounts drawn) [(1)] [(2)]	2,490	-	(1,320)	-	(1,170)	-
Bonds [(1)]	4,286	(270)	(108)	(1,404)	(173)	(2,331)
Accrued interest, others	188	(188)	-	-	-	-
Bank financing – subsidiaries [(4)]	649	(649)	-	-	-	-
Debts linked to capital leases [(4)]	16	(5)	(2)	(1)	(2)	(6)
Derivative instruments [(3)] [(5)]	40	(40)	-	-	-	-
Commercial papers [(4)] [(6)]	1,563	(1,563)	-	-	-	-
Debts linked to options granted to minority shareholders [(7)]	2,855	-	-	-	-	(2,855)
TOTAL DEBT (NOMINAL BEFORE INTEREST)	**12,087**	**(2,715)**	**(1,430)**	**(1,405)**	**(1,345)**	**(5,192)**
Interest on above-mentioned financing [(3)]	–	(65)	(277)	(238)	(166)	(314)
Flows on derivative instruments [(3)] [(5)]	–	228	(37)	(41)	(25)	4
TOTAL DEBT INCLUDING INTEREST	**12,087**	**(2,552)**	**(1,744)**	**(1,684)**	**(1,536)**	**(5,502)**

(1) Contractuals nominal flow.
(2) Nominal flows occur in December of the financial year, current amounts drawn as of December 31, 2008 are presumed to be renewed until the contractual maturity of the financing lines.
(3) The floating interest rate is calculated on the basis of the rates applicable as of December 31, 2008.
(4) Contractuals flow of nominal and interest.
(5) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at year-end.
(6) The commercial papers are renewed and secured by back-up credit lines. See table below.
(7) The majority of these options can be exercised at any time. No significant financial investment is currently considered as probable in the short term with respect to these options.

The sources of financing available at any time set up by the Group are mainly composed of back-up facilities. Changes in the amount available on the basis of outstanding transactions as of December 31, 2008 are shown in the table below:

(In € millions)	**Amount available as of December 31, 2008**	**Amount available as of December 31, 2009**	**Amount available as of December 31, 2010**	**Amount available as of December 31, 2011**	**Amount available as of December 31, 2012**	**Amount available as of December 31, 2013 and after**
Bank financing lines (1)	5,363	3,963	2,083	530	-	-
Other bank financing lines (2)	433	415	4	4	-	-

(1) Nominal amount of the portion of the syndicated loan and credit lines not drawn as of December 31, 2008.
(2) Nominal amount of the portion not drawn as of December 31, 2008.

COUNTERPARTY AND CREDIT RISK

Exposure to Counterparty Risk

The policy which consists in managing risks in a centralized manner and the tools put in place by the Group, as well as the policy which consists in minimizing excess cash significantly reduces the Group's overall exposure.

The Group's banking policy aims to give greater importance to its counterparties' credit rating quality by concentrating its transactions on (i) first class counterparties: their credit rating as of December 31, 2008 and 2007 was at least in the Single A category (ii) possessing international networks and (iii) providing financing. Nevertheless, in certain countries, the Group may be obliged to conduct hedging transactions with local banks with lower credit ratings, the amount concerned not being significant in terms of the Group's limits.

The Group's exposure with regard to its bank counterparties and induced by the interest rate derivatives (net exposure, for each of the banks, in relation to the interest rate derivatives) as of December 31, 2008 can be broken down by credit rating category as follows:

(As a percentage of total fair values as of December 31, 2008) (1)	**2008**
Counterparties' rating (according to Standard & Poor's)	
AAA	-
AA	13%
A	87%

(1) Net amount when positive, of the positive and negative fair values by counterparty, of the outstanding interest rate derivatives as of December 31, 2008.

The Group's exposure with regard to its bank counterparties and induced by the exchange rate derivatives (1) (net exposure, for each of the banks, in relation to the exchange rate derivatives) as of December 31, 2008 can be broken down by credit rating category as follows:

(As a percentage of total fair values as of December 31, 2008) (1)	**2008**
Counterparties' rating (according to Standard & Poor's)	
AAA	-
AA	28%
A	71%
BBB	1%

(1) Net amount when positive, of the positive and negative fair values by counterparty, of the outstanding foreign exchange rate derivatives as of December 31, 2008.

Exposure to Credit Risk

The credit risk represents the risk of financial loss for the Group if a customer or counterparty should fail to meet its contractual payment obligations. The customer payment time is generally 30 days and the main customers are essentially in the mass retail sector where the credit risk is low. As of December 31, 2007 and 2008, the amount of trade receivables that were overdue and not yet depreciated was not significant.

RISK ON SHARES

Risks on the Treasury Shares

As of December 31, 2008, the Company held 35,994,528 treasury shares for a total value of € 1,225 million. The treasury shares are shown as a deduction from consolidated shareholders' equity for the amount of their cost price.

Risks on Other Shares

As of December 31, 2008, equity interests included listed shares with a market value, reflected in the balance sheet, of € 237 million. These shares mainly include the Group's holdings in Wimm-Bill-Dann and ONA (see Note 8 to the consolidated financial statements). They qualify as assets available for sale under IAS 39.

RECONCILIATION OF THE BALANCE SHEET BY CLASS AND ACCOUNTING CATEGORY

(In € millions)	Assets booked at fair value	Assets held for sale	Loans and financial assets	Liabilities booked at fair value	Liabilities at amortized cost	Book value in balance sheet	Fair value
As of December 31, 2008							
Cash and cash equivalents	591	-	-	-	-	591	591
Marketable securities	441	-	-	-	-	441	441
Equity interests	-	237	-	-	-	237	237
Short-term loans	-	-	26	-	-	26	26
Long-term loans	-	-	73	-	-	73	73
Derivative instruments, net	-	-	-	40	-	40	40
Trade accounts receivable (1)	-	-	1,534	-	-	1,534	1,534
Financial liabilities	-	-	-	-	9,004	9,004	9,004
Debts linked to put options granted to minority interests	-	-	-	2,855	-	2,855	2,855
Trade accounts payable (1)	-	-	-	-	2,189	2,189	2,189
Book value of the categories	**1,032**	**237**	**1,633**	**2,895**	**11,193**	**16,990**	**16,990**
As of December 31, 2007							
Cash and cash equivalents	548	-	-	-	-	548	548
Marketable securities	493	-	-	-	-	493	493
Short-term loans	-	-	30	-	-	30	30
Long-term loans	-	–	67	-	-	67	67
Derivative instruments	(6)	-	-	-	-	(6)	(6)
Trade accounts receivable (1)	-	-	1,548	-	-	1,548	1,548
Financial liabilities	-	-	-	-	9,473	9,473	9,473
Debts linked to put options granted to minority interests	-	-	-	2,700	-	2,700	2,700
Trade accounts payable (1)	-	-	-	-	2,306	2,306	2,306
Book value of the categories	**1,035**	**-**	**1,645**	**2,700**	**11,779**	**17,159**	**17,159**

(1) The Group considers that the book value of trade accounts receivable and trade accounts payable corresponds to the fair value.

INCOME AND EXPENSE RELATING TO DERIVATIVE INSTRUMENTS AND FUTURE CASH FLOWS

The recognition of the fair value of derivative instruments qualifying as future cash flow hedges impacts the Group's profit or loss as follows:

	Year ended December 31	
(In € millions)	**2007**	**2008**
Ineffective portion, over the financial year, of change in fair value of instruments qualifying as future cash flow hedges (1) (2)	-	23
Effective portion, deferred in shareholders' equity in the previous year, of instruments qualifying as future cash flow hedges and recycled to income in the current year (3) (4)	16	26

(1) Impacts the financial profit or loss.
(2) Includes in particular (i) changes in the time value of the exchange and interest rate options and (ii) forward/backward variations in foreign exchange swaps when they are excluded from the hedging relation.
(3) Impacts the operating profit or loss or the financial profit or loss.
(4) Includes in particular (i) the effective portion of the forward exchange transactions and the interest rate hedges and (ii) the intrinsic value of the exchange and interest rate options.

FINANCIAL LIABILITIES LINKED TO PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

As stated in Note 1.17, the exercise price of the put options granted to minority shareholders is reflected as a financial liability in the consolidated balance sheet. As of December 31, 2008, the financial liabilities relating to these options amounted to € 2,855 million (€ 2,700 million as of December 31, 2007). These financial liabilities do not bear interest.

The main commitment concerns Danone Spain, for € 2,295 million. In addition, the majority of the options can be exercised at any time. No financial investment is currently being considered as probable in the short term with respect to these options.

NOTE 17 - Retirement Indemnities, Pensions and Post-Retirement Healthcare Benefits

The Group contributes to retirement benefit schemes in conformity with the laws and usual practices of countries where the subsidiaries operate. As a result of contributions paid under such schemes to private or state sponsored pension funds, the Group has no actuarial liability.

The Group is also responsible for supplementary retirement schemes, contractual commitments for termination indemnities and post-retirement healthcare. The related actuarial commitments are taken into account either through the payment of contributions to externally managed funds or through provisions.

ACTUARIAL ASSUMPTIONS

To make the actuarial estimates, basic assumptions have been determined for each country and assumptions specific to the entities have been taken into account, in particular relating to staff turnover. The main actuarial assumptions adopted for the calculation of the commitments are as follows:

	Europe		Asia-Pacific		Rest of the World	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**
Discount rate	5% - 11%	4.5% - 12%	10%	3.9% - 13%	5.5% - 8.5%	6.15% - 9%
Expected return of plan assets (1)	3.55% - 6.3%	3% - 7%	-	9%	8.25% - 9.25%	8.25% - 10%
Salary growth rate	2% - 10%	2.18% - 15%	9% - 10%	9% - 10%	4% - 4.5%	4% - 4.5%
Retirement age	57 - 65 years	54 - 66 years	55 - 60 years	55 - 60 years	60 - 65 years	60 - 65 years

(1) The expected rate of return of plan assets is determined according to the historical rates of return for the investment portfolio.

For the subsidiaries located in the Euro zone, the 2008 discount rate was determined by reference to the iBoxx Euro zone index, adjusted for the differential in rate observed in 2008 between the financial companies and the non-financial companies, in a context of financial crisis. The iBoxx index used represents 6.16% and 6.24% for long-term and short-term commitments, respectively, after adjustment on the basis of the September 2008 rates.

As the impact of the variation in the iBoxx index between September 30 and December 31, 2008 was not significant, the Group did not review its actuarial calculations. A 0.50% decrease in the discount rate would increase the Group's gross commitment by approximately € 47 million and the charge for the year by approximately € 3 million. Conversely, a 0.50% increase in the discount rate would reduce the Group's gross commitment by approximately € 42 million and the charge for the year by approximately € 3 million.

The following table reconciles the funded status of the companies' plans with the provision recorded in the consolidated balance sheet as of December 31, 2008 and 2007. The commitments relating to the French subsidiaries are presented separately from the foreign subsidiaries due to their materiality.

		2007		2008
(In € millions)	**France**	**Other countries**	**France**	**Other countries**
Defined benefit obligation (DB0)	294	390	269	366
Fair value of plan assets	(231)	(212)	(228)	(176)
Defined benefit obligation in excess of plan assets	**63**	**178**	**41**	**190**
Actuarial differences and past service costs	(37)	(14)	(8)	(15)
Net accrued pension cost	**26**	**164**	**33**	**175**

As of December 31, 2008, the defined benefit obligation relating to partially or fully funded plans amounted to € 502 million (€ 621 million as of December 31, 2007). For France, in 2007 the defined benefit obligation took into account the impact of social charges on retirements at 65 years of age, in accordance with the provisions of the *Loi de Financement de la Sécurité Sociale 2008* (LFSS) (2008 Social Security Funding Act). This impact was treated as a change in actuarial assumptions. The *Loi de Financement de la Sécurité Sociale 2009* (LFSS) (2009 Social Security Funding Act) did not have a significant impact on the determination of the defined benefit obligation.

Changes in provisions for retirement indemnities and pensions can be detailed as follows:

(In € millions)	**Defined benefit obligation**	**Fair value of plan assets**	**Actuarial gains and losses and past service cost**	**Net accrued pension cost**
As of January 1, 2007	**552**	**(339)**	**(66)**	**147**
Net periodic pension cost				
• Service cost	20			20
• Interest cost	25			25
• Return on plan assets		(18)		(18)
• Amortization of actuarial gains and losses and past service cost			2	2
Payments made to retirees	(34)	13		(21)
Contributions to plan assets		(9)		(9)
Actuarial gains and losses	(29)	10	15	(4)
Translation adjustments	(7)	2	1	(4)
Change in scope: Numico	224	(144)	-	80
Change in scope: Biscuits and other activities	(52)	26	(4)	(30)
Others	(15)	16	1	2
As of December 31, 2007	**684**	**(443)**	**(51)**	**190**

(In € millions)	Defined benefit obligation	Fair value of plan assets	Actuarial gains and losses and past service cost	Net accrued pension cost
As of January 1, 2008	**684**	**(443)**	**(51)**	**190**
Net periodic pension cost [(1)]:				
• Service cost	20			20
• Interest cost	36			36
• Return on plan assets		(23)		(23)
• Amortization of actuarial gains and losses and past service cost			-	-
Payments made to retirees	(35)	18		(17)
Contributions to plan assets	-	(13)		(13)
Actuarial gains and losses	(49)	40	28	20
Translation adjustments	(14)	10	-	(4)
Others	(7)	8	-	1
As of December 31, 2008	**635**	**(404)**	**(23)**	**208**

(1) The net periodic pension cost is recorded under "Other (expense) income".

The Group's investment policy in plan assets depends, for each company, upon the employees' age structure and the expected return on the different categories of assets. As of December 31, 2008, the plan assets comprised approximately 61% of debt securities and 26% of equity securities. The plan assets do not comprise any financial instruments issued by the Group. In addition, the actual average return on plan assets in France was 2.82% in 2008.

Benefits expected to be paid to the employees over the next years are estimated to be € 11 million in 2009, € 10 million in 2010, € 10 million in 2011, € 12 million in 2012, € 13 million in 2013 and € 83 million for the years 2014 to 2019.

Total contributions to be made to plan assets in 2009 are estimated at approximately € 10.5 million.

Total contributions paid in relation to defined contribution plans amounted to € 23 million in 2008 (€ 20 million in 2007).

NOTE 18 - Other Non-Current Liabilities

(In € millions)	2007	Increase	Decrease (cash payments)	Non-cash charges	Others	Translation adjustment	2008
Provisions for restructuring	71	8	(40)	(3)	20	(2)	54
Other provisions for risks and charges	380	93	(24)	(54)	64	(7)	452
Investment subsidies	10	1	(2)	-	-	-	9
TOTAL	**461**	**102**	**(66)**	**(57)**	**84**	**(9)**	**515**

In 2008, changes mainly correspond to:

- provisions for litigation for 47 million euros as well as financial and tax liabilities for 10 million euros;
- reversal of provisions for restructuring in connection with costs incurred for the acquisition of Numico for 33 million euros;
- financial and tax liabilities recognized during the allocation of the acquisition price of Numico. These liabilities include, in particular, a provision for the VEB litigation with the Dutch Association of Shareholders. An agreement was signed at the beginning of 2009 (refer to Note 30).

As of December 31, 2008, the short-term portion of non-current liabilities amounted to 31 million euros (58 million euros as of December 31, 2007).

Alt December 31, 2007 and 2008, other provisions for risks and charges mainly include financial and tax liabilities, as well as provisions for certain "damage and healthcare".

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business. Liabilities are accrued for when a loss is probable and can be reasonably estimated.

NOTE 19 - Trade accounts payable – Accrued expenses and other current liabilities

TRADE ACCOUNTS AND NOTES PAYABLE

(In € millions)	**2007**	**2008**
Trade accounts payable	2,220	2,124
Notes payable	86	65
TOTAL	**2,306**	**2,189**

The fair value of trade accounts payable is considered to be close to their net book value given their short-term maturities.

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(In € millions)	**2007**	**2008**
Personnel (including social charges)	391	374
Year-end rebates payable to customers	750	805
State and local authorities	190	146
Refundable containers	72	71
Taxes payable	149	214
Prepayments from customers	17	10
Others	478	404
TOTAL	**2,047**	**2,024**

The fair value of accrued expenses and other current liabilities is considered to be equivalent to their net book value given their short-term maturities.

NOTE 20 - Personnel and Compensation

Group personnel costs (including payroll taxes and related charges) amounted to € 2,135 million in 2008 (€ 1,612 million in 2007).

As of December 31, 2008 and 2007, the number of employees of the consolidated entities could be broken down as follows:

	2007	2008
Europe	30,284	30,560
Asia	21,592	22,516
Rest of the World	24,168	27,067
TOTAL GROUP	**76,044**	**80,143**

NOTE 21 - Other Expense and Income

Other expense and income can be broken down as follows:

(In € millions)	2007	2008
Employee profit-sharing	(106)	(99)
Stock-based compensation	(10)	(21)
Capital gains on disposal of tangible and intangible assets	72	99
Restructuring costs	(55)	(39)
Others	(39)	(26)
TOTAL	**(138)**	**(86)**

Capital gains on disposal of tangible and intangible assets mainly resulted from the sale of real estate or non-strategic brands.

The line “Others” mainly comprises the scrapping of tangible assets, translation differences and other non-significant items.

NOTE 22 - Other Operating Expense and Income

In 2008, the other operating expense and income included costs incurred in connection with the acquisition of Numico for € 32 million, the reversal of a provision for litigation (recorded upon the acquisition of Numico) as a result of the agreement entered into with the Dutch Shareholders Association (“VEB”) in February 2009, as well as provisions for various litigations.

In 2007, the other operating expense and income mainly comprised the € 88 million of restructuring and integration costs linked to the acquisition of Numico and € 27 million relating to the impairment charge recorded for the goodwill of Danone Greece (Fresh Dairy Products) and Danone Tessala Boissons (Water - Algeria) .

NOTE 23 - Interest Expense, Net

Interest expense, net can be detailed as follows:

(In € millions)	**2007**	**2008**
Cost of net debt	(175)	(439)
Other financial income	4	46
Other financial expense	(6)	(191)
TOTAL	**(177)**	**(584)**

The deterioration in the net financial result is mainly due to the financing of the acquisition of Numico, as well as to the impairment charge on the non-consolidated investment in Wimm-Bill-Dann (refer to Note 8).

The net amount of interest paid in 2008 was € 433 million compared to € 152 million in 2007.

NOTE 24 - Income Taxes

INCOME TAX EXPENSE

Income before tax and the income tax expense can be detailed as follows:

(In € millions)	**2007**	**2008**
Income before tax:		
French companies	(59)	(482)
Foreign companies	1,428	2,085
Subtotal	**1,369**	**1,603**
Income tax expense (income):		
Current income taxes:		
– French companies	21	-
– Foreign companies	(482)	(491)
Subtotal	**(461)**	**(491)**
Deferred taxes:		
– French companies	(38)	172
– Foreign companies	89	(124)
Subtotal	**51**	**48**
TOTAL	**(410)**	**(443)**

The Company forms a tax group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital. Some of the subsidiaries that elected to participate in the French tax group have signed a tax sharing agreement with the Company, in conformity with French regulations. Similar consolidated tax schemes exist in other countries, in particular in the United States, in Holland and in Germany.

Cash payments in relation to income taxes amounted to € 221 million in 2008 and € 369 million in 2007.

The tax income linked to discontinued activities amounted to € 6 million in 2008, compared to a tax charge of € 130 million in 2007 in connection with the disposal of the "Biscuits and Cereal Products" activities.

EFFECTIVE INCOME TAX RATE

The effective income tax rate was 27.62% in 2008 (29.91% in 2007). The difference between the effective tax rate and the statutory tax rate in France (34.43% in 2008 and 2007) can be detailed as follows:

(As a percentage of income before tax)	2007	2008
Statutory tax rate in France	34.43%	34.43%
Effect of foreign tax rate differential	(8.72)%	(11.92)%
Effect of gains/losses on disposal and impairment charges	4.60%	5.30%
Effect of other differences	(0.40)%	(0.19)%
Effective income tax rate	**29.91%**	**27.62%**

DEFERRED TAXES

As explained in Note 1.13, deferred taxes mainly arise from the differences between the book and tax bases of assets and liabilities. The significant components of deferred tax assets and liabilities are as follows:

(In € millions)	2007	2008
Pension liabilities	30	35
Employee profit-sharing provision	13	13
Restructuring provision	24	11
Tax losses carried forward	268	355
Fixed assets	(939)	(950)
Others	55	66
Net deferred taxes	**(549)**	**(470)**
Deferred tax assets	608	639
Deferred tax liabilities	(1,157)	(1,109)
Net deferred taxes	**(549)**	**(470)**

As of December 31, 2008, the deferred taxes recorded in respect of the tax losses mainly relate to France and to the United States.

The change in net deferred taxes recorded in the balance sheet can be detailed as follows:

(In € millions)	2007	2008
As of January 1	**47**	**(549)**
Changes recognized in shareholders' equity	(40)	30
Changes recognized in profit or loss	51	48
Effect of changes in scope	(610)	-
Translation adjustments and other movements	(3)	1
TOTAL	**(549)**	**(470)**

At December 31, 2007, the main variation resulted from the recognition of deferred taxes related to the change in the consolidation scope following the acquisition of Numico (735 million euros) and to the disposal of the Biscuits and Cereal Products activities.

TAX LOSSES CARRIED FORWARD

As of December 31, 2008, tax losses carried forward amounted to € 1,905 million (€ 1,678 million as of December 31, 2007) and the corresponding deferred tax assets amounted to € 628 million (€ 552 million as of December 31, 2007). They mainly resulted from the tax deductibility of the amortization of goodwill in certain countries, operating losses, losses on disposal, and the tax losses of the consolidated tax group in France.

As of December 31, 2008, based on the expected taxable income of the entities and tax consolidated groups that have generated tax losses, the Group believes that it is more likely than not that € 804 million (€ 834 million as of December 31, 2007), will not be used. The Group reviews the unutilized tax losses and the recognized deferred tax assets at each balance sheet date.

NOTE 25 - Related Party Transactions

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

Affiliated companies are those companies in which the Group exercises a significant influence and that are accounted for under the equity method.

Transactions with affiliated companies are usually performed at arm's length.

The table below gives the breakdown of the amount of the transactions conducted with affiliated companies in 2007 and 2008:

(In € millions)	**2007**	**2008**
Operating income	137	165
Operating expense	(1)	-

The table below gives the breakdown of the amount of receivables and payables with affiliated companies as of December 31, 2007 and 2008:

(In € millions)	**2007**	**2008**
Long and short-term loans	2	1
Operating receivables	28	20
Operating payables	1	-

MEMBERS OF THE EXECUTIVE COMMITTEE AND OF THE BOARD OF DIRECTORS

Total compensation paid to the members of the Executive Committee amounted to € 17.5 million in 2008 (€ 12 million in 2007). In addition, as of December 31, 2008, the number of stock options granted to members of the Executive Committee amounted to 3,602,966.

As of December 31, 2008, the amount of pension provisions relating to the members of the Executive Committee amounted to € 41.6 million (€ 46 million as of December 31, 2007).

In addition, on July 21, 2004, the Board of Directors set the indemnification conditions of the members of the Executive Committee in certain cases where they cease their mandates or functions. The indemnity would correspond to twice the annual gross compensation (fixed, variable and in-kind) they received over the last 12 months before they cease their functions. On February 13, 2008, the Board of Directors decided to terminate those for the indemnities that were due to the Company's four corporate officers. The General Meeting of April 29, 2008 authorized the granting to these four corporate officers of new terms of indemnification, leaving the amounts and cases of payability unchanged, but subordinating the payment of these indemnities to conditions of performance.

The Board of Directors also decided to grant new terms of indemnification for these four corporate officers, leaving the amounts and cases of payability unchanged, but subordinating the payment of these indemnities to conditions of performance. In accordance with the provisions of the French Commercial Code (*Code de commerce*), the terms of indemnification of the four corporate officers will be subject to the approval of the next General Meeting. Finally, the directors' fees paid to the members of the Board of Directors amounted to 388,000 euros in 2008 (382,000 euros in 2007).

NOTE 26 - Information on the cash flow statement

CASH FLOW FROM OPERATING ACTIVITIES

The other flows with an impact on cash, which amount to (113) million euros in 2008, relate to accrued interests at December 31, 2007 and paid in 2008.

The line item "Other flows with no impact on cash" can be detailed as follows:

(In € millions)	**2007**	**2008**
Impairment charge	33	-
(Gains) and losses on disposal of assets	(102)	(53)
Increase (reversal) of provisions and deferred tax	76	40
Stock-based compensation	10	21
Others	4	90
TOTAL	**21**	**98**

In 2008, the line "Others" included the neutralization of the impact of derivative instruments and interest not yet paid on the cash flows provided by operating activities excluding changes in net working capital, for a negative amount of € 28 million and a positive amount of € 117 million respectively.

CASH FLOW PROVIDED BY INVESTING ACTIVITIES

In 2008, financial investments mainly included the payment of costs relating to the acquisition of Numico in 2007 for € 34 million and the takeover of Numico's minority interests for € 143 million.

In 2008, disposals corresponded mainly to the price supplement on the disposal of the Biscuit activities for € 262 million less disposal costs for € 25 million and the related tax effect of € 67 million, and to the disposal of the Baby Nutrition France activity for € 44 million.

CHANGES IN NET DEBT

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

(In € millions)	**As of December 31, 2007**	**Changes for the year**	**Transfer to current portion**	**Translation adjustments**	**Others**	**As of December 31, 2008**
Cash and cash equivalents	548	62	-	(10)	(9)	591
Marketable securities	493	(63)	-	4	7	441
Total cash and marketable securities	***1,041***	***(1)***	***-***	***(6)***	***(2)***	***1,032***
Current financial liabilities	2,447	(1,901)	109	(25)	22	652
Non-current financial liabilities	9,855	1,338	(109)	53	298	11,435
Total	***12,302***	***(563)***	***-***	***28***	***320***	***12,087***
Net debt	**11,261**	**(562)**	**-**	**34**	**322**	**11,055**

In 2008, the Group refinanced the balance of the debt contracted upon the acquisition of Numico by issuing debenture loans in the amount of € 3.8 billion. As of December 31, 2008, the Group's total consolidated net debt, excluding commitments to purchase minority interests for € 2,855 million, decreased by € 361 million mainly corresponding to:

- net repayments for € 563 million;
- financial instruments for € 60 million;
- changes in scope for € 50 million;
- translation differences for € 34 million.

The other changes in net debt include the revaluation and exercise of the put options granted to minority shareholders for € 154 million.

NOTE 27 - Commitments and Contingencies

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

As of December 31, 2008, the Group's contractual obligations are as follows:

		Amount of commitment expiration per period					
	Total	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and after**
On balance sheet							
Financial liabilities	**9,028**	2,522	1,428	1,404	1,343	193	2,138
Accrued interests	**188**	188	-	-	-	-	-
Liabilities linked to put options granted to minority shareholders (1)	**2,855**	-	-	-	-	-	2,855
Liabilities linked to capital leases	**16**	5	2	1	2	6	-
TOTAL	**12,087**	**2,715**	**1,430**	**1,405**	**1,345**	**199**	**4,993**
Off-balance sheet							
Operating lease commitments	**358**	116	77	61	45	26	33
Unconditional purchase obligation of goods and services	**962**	706	127	85	30	6	8
Capital expenditure commitments	**47**	47	-	-	-	-	-
Guarantees and pledges given	**132**	88	2	1	2	25	14
Others	**102**	52	14	11	10	1	14
TOTAL	**1,601**	**1,009**	**220**	**158**	**87**	**58**	**69**

		Amount of commitment over the period					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and after**
Commitments received							
Credit lines (2)	5,363	3,963	2,083	530	-	-	-
Other credit lines (3)	433	415	4	4	-	-	-
Guarantees and pledges received	54	36	3	2	1	-	8
Others	58	28	3	3	-	-	-
TOTAL	**5,908**	**4,442**	**2,093**	**539**	**1**	**-**	**8**

(1) As explained in Note 16, the majority of these options can be exercised at any time. No financial investment is currently being considered as probable in the short term with respect to these options.

(2) Nominal amount of the portion of the syndicated loan and credit lines not drawn as of December 31, 2008.

(3) Nominal amount of the portion not drawn as of December 31, 2008.

In addition, the Group has granted an option to its Indian partner in the holding companies controlling Britannia Industries Limited, the exercise price being based on the market value.

Finally, the Company and its subsidiaries are parties to a variety of legal proceedings arising out of the normal course of business, notably following guarantees given on disposals between 1997 and 2008. In some cases, damages are sought and liabilities are accrued for when a loss is probable and can be reasonably estimated.

NOTE 28 - Segment Information

Following the changes made to the scope of consolidation in 2008, the Group has implemented a structure consisting of four business lines (Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition). These business lines are managed separately and the risks and profitability are distinct for each business line.

The comparative information for the 2007 fiscal year has been modified so as to allocate the commercial activities under the *Blédina* brand to the Baby Nutrition business line.

2008

(In € millions)	Fresh Dairy Products	Waters	Baby Nutrition	Medical Nutrition	Total Business Lines	Unallocated items (1)	Total Group
Net sales	8,697	2,874	2,795	854	15,220	-	15,220
Trading operating income	1,224	368	489	189	2,270	-	2,270
Operating income	1187	323	462	217	2,189	(2)	2,187
Net income (loss) of affiliates	15	36	-	-	51	11	62
Impairment charge	136	-	-	-	136	-	136
Capital expenditure	368	179	115	28	690	16	706
Financial investments	19	20	160	60	259	-	259
Depreciation and amortization expense	247	131	95	35	508	17	525
Cash flows provided by operating activities, excluding changes in net working capital	1,035	398	405	157	1,995	(296)	1,699
Investments accounted for under the equity method	726	452	-	-	1,178	89	1,267
Total assets	7,145	3,426	9,999	4,450	25,020	1,845	26,865
Total liabilities (2)	1,272	774	1,386	473	3,905	14,260	18,165

(1) The assets and liabilities reflected in the column "Unallocated items" include those that are held for sale, the current and deferred tax assets and liabilities and the net debt items. The income and expense reflected in the column "unallocated items" correspond to those that cannot be directly allocated to divisions.

(2) Excluding shareholders' equity.

2007

(In € millions)	Fresh Dairy Products	Waters	Baby Nutrition	Medical Nutrition	Total Business Lines	Unallocated items (1)	Total Group
Net sales	8,299	3,535	809	133	12,776	-	12,776
Trading operating income	1,133	480	74	7	1,694	2	1,696
Operating income	1,113	442	(7)		1,548	(2)	1,546
Net income (loss) of affiliates	46	34	-	-	80	7	87
Impairment charge	(19)	(8)	-	-	(27)	-	(27)
Capital expenditure	451	200	46	10	707	19	726
Financial investments	273	103	7,939	3,782	12,097	3	12,100
Depreciation and amortization expense	230	144	25	5	404	16	420
Cash flows provided by operating activities, excluding changes in net working capital	1,006	492	45	(19)	1,524	(94)	1,430
Investments accounted for under the equity method	597	588	-	-	1,185	78	1,263
Total assets	7,250	3,376	10,267	4,760	25,653	1,923	27,576
Total liabilities (2)	1,292	813	1,461	563	4,129	14,347	18,476

(1) The assets and liabilities reflected in the column "Unallocated items" include those that are held for sale, the current and deferred tax assets and liabilities and the net debt items. The income and expense reflected in the column "unallocated items" correspond to those that cannot be directly allocated to divisions.

(2) Excluding shareholders' equity.

NOTE 29 - Activities by Geographic Area

The Group operates in three geographic areas: Europe (which includes Western Europe, Central and Eastern Europe), Asia (which includes The Pacific Area, *i.e.* New-Zealand and Australia) and the Rest of the World (which includes America, Africa and the Middle East).

The Baby Nutrition and Medical Nutrition operations were allocated by geographic area as of December 31, 2007.

	2008			
(In € millions)	**Europe**	**Asia**	**Rest of the World**	**Total**
Net sales	9,524	1,854	3,842	15,220
Trading operating income	1,496	313	461	2,270
Operating income	1,522	275	390	2,187
Net income (loss) of affiliates	-	30	32	62
Capital expenditure	370	117	203	690
Cash flows provided by operating activities, excluding changes in net working capital	1,320	286	389	1,995
Total assets	16,041	5,345	3,634	25,020

	2007			
(In € millions)	**Europe**	**Asia**	**Rest of the World**	**Total**
Net sales	7,670	1,643	3,463	12,776
Trading operating income	1,107	177	412	1,696
Operating income	986	162	398	1,546
Net income (loss) of affiliates	1	57	29	87
Capital expenditure	321	101	285	707
Cash flows provided by operating activities, excluding changes in net working capital	986	149	389	1,524
Total assets	16,990	5,031	3,632	25,653

NOTE 30 - Subsequent Events

In February 2009, the Group announced the completion of the sale by Danone Asia Pte Ltd of, on the one hand, its subsidiary Frucor, one of the leaders in non-alcoholic beverages in New Zealand and Australia and, on the other hand, its international brands, *V* and *Mizone*, with the exception of its presence in China and Indonesia. These assets were sold to Suntory Limited for an amount of over € 600 million. This sum was effectively paid by Suntory Limited in February 2009.

In February 2009, the Group announced the signing of an agreement between its Dutch subsidiary known as Danone Baby and Medical Nutrition B.V. (previously a listed holding of the Numico group) and the Dutch Association of Shareholders ("VEB") on the principle of and additional payment for the benefit of all persons who have sold their Numico shares during the morning of Monday, July 9, 2007, the date on which Danone and Numico jointly announced the Danone's public offer for Numico. The total cost for Numico is estimated at about € 17 million and led to a provision in the Group's consolidated financial statements for the fiscal year ended on December 31, 2008 (see Note 18 of the appendix to the consolidated financial statements).

NOTE 31 - Legal and Arbitration Proceedings

Since January 2008, several class actions were filed in the United States, in particular with the United States District Court of the State of California and in the United States District Court of the State of Ohio against The Dannon Company Inc., one of the Company's subsidiaries. The plaintiffs brought forth allegations with respect to false advertising on the health benefits of the *Activia* and *DanActive* ("*Actimel*") products. The American subsidiary, The Dannon Company Inc., contests this claim vigorously as it considers that the health benefits communicated on the products concerned are based in particular on clinical studies that legitimize such benefits.

The Company and its subsidiaries are parties to a variety of other legal proceedings arising out of the normal course of business.

Liabilities are accrued for when the payment of an indemnity seems probable and can be reasonably estimated (see Note 18 of the appendix to the consolidated financial statements).

NOTE 32 - Scope of Consolidation as of December 31, 2008

In 2008, 251 entities were included in the scope of consolidation (256 in 2007), of which 231 were fully consolidated (238 in 2007) and 20 were accounted for under the equity method (18 in 2007).

MAIN ENTITIES CONSOLIDATED FOR THE FIRST TIME IN 2008

- Danone India
- Mayo (South Africa)
- Danone Suisse
- Danone Korea
- Danone China
- Danone Adriatic (Serbia)
- Stonyfield France
- Danone Guatemala
- Danone Kazakhstan
- Danone Croatia
- Danone Uruguay (Fort Massis)
- Danone Water Brazil (Icoara)
- Danone Premium Brands Trading (China)
- Mashhad Milk Powder (Iran)

ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD FOR THE FIRST TIME IN 2008

- Toeca International Company (Netherlands)
- Weight Watchers (China)

ENTITIES THAT WERE EXCLUDED FROM THE SCOPE OF CONSOLIDATION IN 2008

- SMDA sold in January, 2008
- PLF North America: merger with Danone Dairy Americas (formerly Lodahlim France) finalized in August, 2008
- International Nutritional Foods (Shanghai) Baby liquidated in November, 2008
- Dumex (Thailand) Baby liquidated in December, 2008
- Milupa Nutricia France sold in June, 2008
- Numico Beheer Athens Branch: merger with Danone Beheer in 2008

CONSOLIDATED ENTITIES

		Percentages	
Entities	**Country**	**Group's control**	**Interests**
GROUPE DANONE	France		Parent company
FRESH DAIRY PRODUCTS			
DANONE	France	100.00	100.00
STONYFIELD FRANCE	France	100.00	100.00
DANONE GMBH	Germany	100.00	100.00
DANONE GESMBH	Austria	100.00	100.00
N.V DANONE SA	Belgium	100.00	100.00
DANONE SERDIKA	Bulgaria	100.00	100.00
DANONE	Croatia	100.00	100.00
DANONE SA	Spain	57.21	57.21
DANONE CANARIES (ILTESA)	Spain	78.51	44.92
DANONE FINLAND	Finland	100.00	100.00
DANONE GREECE	Greece	100.00	100.00
DANONE KFT	Hungary	100.00	100.00
DANONE LTD.	Ireland	100.00	100.00
DANONE S.P.A.	Italy	100.00	100.00
DANONE	Kazakhstan	100.00	100.00
DANONE NEDERLAND B.V.	Netherlands	100.00	100.00
DANONE SP. Z.O.O.	Poland	100.00	100.00
DANONE PORTUGAL S.A.	Portugal	97.51	55.23
DANONE A.S	Czech Republic	100.00	100.00

			Percentages
Entities	**Country**	**Group's control**	**Interests**
DANONE SRL	Romania	100.00	100.00
DANONE LTD.	United Kingdom	100.00	100.00
DANONE INDUSTRIA	Russia	85.00	85.00
DANONE VOLGA	Russia	90.78	77.16
DANONE ADRIATIC	Serbia	100.00	100.00
DANONE SPOL S.RO	Slovakia	100.00	100.00
DANONE	Slovenia	100.00	100.00
DANONE AB	Sweden	100.00	100.00
DANONE	Switzerland	100.00	100.00
DANONE TIKVESLI	Turkey	100.00	100.00
DANONE	Ukraine	100.00	100.00
DANONE DNIPRO (EX RODICH)	Ukraine	100.00	100.00
DANONE CLOVER	South Africa	55.00	55.00
MAYO	South Africa	70.00	38.50
DANONE DJURDJURA ALGÉRIE	Algeria	100.00	100.00
ALSAFI DANONE COMPANY	Saudi Arabia	50.10	50.10
DANONE ARGENTINA (1)	Argentina	99.45	99.45
DANONE LTDA.	Brazil	100.00	100.00
DANONE CANADA DELISLE	Canada	100.00	100.00
DANONE CHILE	Chile	70.00	70.00
DANONE ALQUERIA	Colombia	61.00	61.00
DANONE DAIRY EGYPT	Egypt	100.00	100.00
DANNON COMPANY	United States	100.00	100.00
STONYFIELD FARM	United States	84.23	84.23
DANONE GUATEMALA	Guatemala	100.00	100.00
DANONE SAHAR	Iran	70.00	70.00
DANONE DE MEXICO	Mexico	100.00	100.00
DANONE (FORT MASSIS)	Uruguay	100.00	100.00
DANONE CHINA	China	100.00	100.00
DANONE KOREA	Korea	100.00	100.00
DANONE INDIA	India	100.00	100.00
PT DANONE DAIRY INDONESIA	Indonesia	100.00	70.30
DANONE	Indonesia	100.00	100.00
DANONE DAIRY THAILAND	Thailand	100.00	100.00
DANONE JAPAN (ex CALPIS AJINOMOTO DANONE)	Japan	100.00	100.00

(1) Belong to the same legal entity in Argentina.

		Percentages	
Entities	**Country**	**Group's control**	**Interests**
WATERS			
DRINKCO	France	100.00	100.00
SA DES EAUX MINÉRALES D'EVIAN	France	100.00	100.00
SEAT (Société d'Exploitation des Activités Touristiques) (3)	France	99.91	99.91
VOLVIC	France	100.00	100.00
DANONE WATERS DEUTSCHLAND	Germany	100.00	100.00
DANONE WATER BEVERAGES BENELUX	Belgium	100.00	100.00
AQUA D'OR	Denmark	60.00	49.00
AGUAS FONT VELLA Y LANJARÓN	Spain	95.00	78.49
ZYWIEC ZDROJ	Poland	100.00	100.00
DANONE WATERS (UK & IRELAND)	United Kingdom	100.00	100.00
EVIAN VOLVIC SUISSE	Switzerland	100.00	100.00
DANONE HAYAT	Turkey	100.00	100.00
DANONE HAYAT ANTALYA	Turkey	100.00	100.00
DANONE TESSALA BOISSONS	Algeria	100.00	100.00
AGUAS DANONE DE ARGENTINA	Argentina	100.00	100.00
DANONE ARGENTINA (2)	Argentina	99.45	99.45
DANONE NAYA	Canada	100.00	100.00
DANONE WATERS OF AMERICA	United States	100.00	100.00
DANONE WATER BRESIL (ex Icoara)	Brazil	100.00	100.00
BONAFONT	Mexico	100.00	100.00
AGA PUREZA (2)	Mexico	50.00	50.00
ULTRA PURA	Mexico	100.00	100.00
CGA	Mexico	100.00	100.00
SALUS	Uruguay	94.11	94.11
FRUCOR BEVERAGES	Australia	100.00	100.00
AQUARIUS	China	50.00	50.00
DANONE PREMIUM BRANDS	China	100.00	100.00
ROBUST DRINKING WATER (2)	China	92.00	92.00
ROBUST (2)	China	92.00	92.00
SHENZHEN HEALTH DRINKS (2)	China	100.00	100.00
AQUA (PT TIRTA INVESTAMA) (2)	Indonesia	74.00	74.00
FRUCOR	New Zealand	100.00	100.00

(1) Belong to the same legal entity in Argentina.
(2) Several legal entities comprise the consolidated company.
(3) SEAT operates the Evian casino. It is subject to the authority of the French Ministry of the Interior and the regulations applicable to gaming activities in casinos.

Consolidated Documents

*Notes to the Consolidated Financial Statements - **NOTE 32***

			Percentages
Entities	**Country**	**Group's control**	**Interests**
BABY NUTRITION			
MILUPA GMBH [(1)]	Germany	100.00	100.00
NUTRICIA GRUNDSTUCKSVERWALTUNGS GMBH	Germany	100.00	100.00
CENTRAL LABORATORIES FRIEDRICHSDORF GMBH	Germany	100.00	100.00
MILUPA GMBH	Austria	100.00	100.00
N.V. NUTRICIA BELGIË [(1)]	Belgium	100.00	100.00
MILUPA BELGIUM	Belgium	100.00	100.00
NUMIL NUTRICIÓN S.R.L.	Spain	100.00	100.00
NUTRICIA BABY OY LTD.	Finland	100.00	100.00
BLEDINA	France	100.00	100.00
NUMIL HELLAS S.A. [(1)]	Greece	100.00	100.00
NUMIL HUNGARY TAPSZERKERESKEDELNI KFT. [(1)]	Hungary	100.00	100.00
NUTRICIA IRELAND LTD. [(1)]	Ireland	100.00	100.00
NUTRICIA ITALIA S.P.A. [(1)]	Italy	100.00	100.00
MELLIN S.P.A.	Italy	100.00	100.00
NUTRICIA KAZAKHSTAN LLP	Kazakhstan	100.00	100.00
NUTRITIA SIA AMAIJA LATVIA [(1)]	Latvia	100.00	100.00
UAB NUTRICIA BALTICS [(1)]	Lithuania	100.00	100.00
NUTRICIA NEDERLAND B.V. [(1)]	Netherlands	100.00	100.00
NUTRICIA CUIJK B.V.	Netherlands	100.00	100.00
NUTRICIA EXPORT B.V.	Netherlands	100.00	100.00
DANONE BEHEER BV [(1)]	Netherlands	100.00	100.00
DANONE RESEARCH BV [(1)]	Netherlands	100.00	100.00
DANONE TRADING BV [(1)]	Netherlands	100.00	100.00
NUTRICIA POLSKA SP. Z.O.O. [(1)]	Poland	100.00	50.00
NUTRICIA ZAKLADY PRODUKCYNE SP. Z.O.O.	Poland	99.96	49.98
MILUPA PRODUÇÃO S.A.	Portugal	100.00	100.00
MILUPA COMERCIAL S.A. [(1)]	Portugal	100.00	100.00
NUTRICIA DEVA A.S.	Czech Republic	100.00	100.00
NUTRICIA A.S. [(1)]	Czech Republic	100.00	100.00
MILUPA S.R.L.	Romania	100.00	100.00
NUTRICIA LTD. [(1)]	United Kingdom	100.00	100.00
OJSC ISTRA NUTRICIA BABY FOOD	Russia	99.69	99.69
LLC NUTRICIA RUSSIA [(1)]	Russia	100.00	99.91
MILUPA S.A.	Switzerland	100.00	100.00
NUTRICIA SLOVAKIA S.R.O. [(1)]	Slovakia	100.00	100.00
NUMIL TURKEY TRY [(1)]	Turkey	100.00	100.00
NUTRICIA UKRAINE LLC	Ukraine	100.00	100.00
KASDORF S.A.	Argentina	100.00	100.00
NUTRICIA BAGO SA [(1)]	Argentina	51.00	51.00
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [(1)]	Brazil	100.00	100.00
MASHHAD MILK POWDER INDUSTRIES COMPAGNY	Iran	60.00	60.00
NUTRICIA AUSTRALIA PTY LTD. [(1)]	Australia	100.00	100.00
NUTRICIA LTD. (NEW ZEALAND) [(1)]	New Zealand	100.00	100.00
INTERNATIONAL NUTRITION CO. LTD. SHANGHAI	China	100.00	100.00
PT SARI HUSADA TBK	Indonesia	99.97	99.97
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia	100.00	100.00
PT SUGIZINDO	Indonesia	99.85	99.82
DUMEX (MALAYSIA) SDN. BHD.	Malaysia	100.00	100.00

(1) Belong to the Baby Nutrition and Medical Nutrition divisions.

		Percentages	
Entities	**Country**	**Group's control**	**Interests**
DUMEX LTD. THAILAND	Thailand	98,91	98.91
VIETNAM NUTRITION JOINT STOCK CO.	Vietnam	100.00	100.00
MEDICAL NUTRITION			
PFRIMMER NUTRICIA GMBH	Germany	100.00	100.00
SHS GES. FÜR KLINISCHE ERNÄHRUNG MBH	Germany	100.00	100.00
NUTRICIA NAHRUNGSMITTEL GMBH & CO AG	Austria	100.00	100.00
NUTRICIA A/S	Denmark	100.00	100.00
NUTRICIA S.R.L.	Spain	100.00	100.00
NUTRICIA CLINICAL OY LTD.	Finland	100.00	100.00
NUTRICIA NUTRITION CLINIQUE S.A.S.	France	100.00	100.00
NUTRICIA NORGE AS	Norway	100.00	100.00
NV NUTRICIA	Netherlands	100.00	100.00
SCIENTIFIC HOSPITAL SUPPLIES INTERNATIONAL LTD.	United Kingdom	100.00	100.00
NUTRICIA NORDICA AB	Sweden	100.00	100.00
NUTRICIA S.A.	Switzerland	100.00	100.00
NUTRITCIA PHARMACEUTICAL COMPAGNY WUXI	China	100.00	100.00
NUTRICIA NORTH AMERICA INC.	United States	100.00	100.00

(1) Belong to the Baby Nutrition and Medical Nutrition divisions.

		Percentages	
Entities	**Country**	**Group's control**	**Interests**
HOLDINGS AND FINANCIAL COMPANIES			
ALFABANQUE	France	100.00	100.00
BLANRIM	France	100.00	100.00
Cie GERVAIS DANONE	France	100.00	100.00
DANONE FINANCE	France	100.00	100.00
DANONE RESEARCH	France	100.00	100.00
HOLDING EUROPÉENNE DE BOISSONS	France	100.00	100.00
DANONE DAIRY AMERICAS	France	100.00	100.00
DANONE DAIRY ASIA	France	100.00	100.00
PRODUITS LAITIERS FRAIS EST EUROPE	France	100.00	100.00
PRODUITS LAITIERS FRAIS NORD EUROPE	France	100.00	100.00
PRODUITS LAITIERS FRAIS SUD EUROPE	France	100.00	100.00
DANONE HOLDING	Germany	100.00	100.00
DANONE PENSIONS MANAGEMENT	Germany	100.00	100.00
BIALIM Belgium	Belgium	100.00	100.00
DANONE SERVICES BENELUX	Belgium	100.00	100.00
DANONE FINANCE INTERNATIONAL	Belgium	100.00	100.00
DANONE DANEMARK	Denmark	100.00	100.00
TRICAMP LACTEOS	Spain	100.00	100.00
DANONE FINANCE IRLANDE	Ireland	100.00	100.00
STONYFIELD EUROPE	Ireland	100.00	96.85
RONCEVAUX	Italy	100.00	100.00
DANONE RE	Luxembourg	100.00	100.00
DANONE HOLDINGS UK	United Kingdom	100.00	100.00
ONTARIO	Canada	100.00	100.00
DANONE FOODS	United States	100.00	100.00
DANONE HOLDINGS	United States	100.00	100.00
DANONE WATERS HOLDINGS Inc.	United States	100.00	100.00

Percentages

Entities	Country	Group's control	Interests
DS WATERS LP	United States	100.00	100.00
DANONE HOLDING DE MEXICO	Mexico	100.00	100.00
ASIA HOST	China	100.00	100.00
DANONE ASIA PACIFIC MANAGEMENT	China	100.00	100.00
DANONE SINGAPORE HOLDINGS	Singapore	100.00	100.00
CALVON	Singapore	100.00	100.00
DANONE ASIA	Singapore	100.00	100.00
DANONE ASIA HOLDINGS (EX FEDDIAN)	Singapore	100.00	100.00
DANONE DAIRY INVESTMENTS INDONESIA	Singapore	70.00	70.00
DANONE PROBIOTICS	Singapore	100.00	100.00
FESTINE	Singapore	100.00	100.00
JINJA INVESTMENTS	Singapore	100.00	100.00
KING SILVER	Singapore	100.00	100.00
MYEN	Singapore	100.00	100.00
NOVALC	Singapore	100.00	100.00
DANONE HOLDING NEW ZEALAND	New Zealand	100.00	100.00
NUTRICIA DEUTSCHLAND GMBH	Germany	100.00	100.00
INTERNATIONAL NUTRITION CO. LTD. A/S	Denmark	100.00	100.00
INC SHANGHAI (HOLDING) LTD. A/S COPENHAGEN	Denmark	100.00	100.00
DUMEX NUTRITION LTD. A/S	Denmark	100.00	100.00
NUTRICIA INFANT NUTRITION LTD.	Ireland	100.00	100.00
NUTRICIA INTERNATIONAL B.V.	Netherlands	100.00	100.00
NUTRICIA POLAND B.V.	Netherlands	50.00	50.00
DANONE BABY AND MEDICAL NUTRITION BV	Netherlands	100.00	100.00
UK HOLDINGS CAP LTD.	United Kingdom	100.00	100.00
NUTRICIA (COW & GATE, MILUPA) HOLDINGS LTD.	United Kingdom	100.00	100.00
INTERNATIONAL NUTRITION CO PTE. LTD.	Singapore	100.00	100.00

ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Percentages

Entities	Country	Group's control	Interests
FRESH DAIRY PRODUCTS			
GLENISK	Ireland	36.90	35.74
TOECA International Company	Netherlands	49.00	49.00
STRAUSS DAIRY	Israel	20.00	20.00
CENTRALE LAITIÈRE	Morocco	29.22	29.22
STIAL/SOCOGES	Tunisia	50.00	50.00
GRAMEEN DANONE FOODS	Bangladesh	21.43	21.43
WEIGHT WATCHERS JV	China	49.00	49.00
YAKULT DANONE INDIA	India	50.00	50.00
YAKULT HONSHA	Japan	20.02	20.02
YAKULT VIETNAM	Vietnam	20.00	20.00
WATERS			
FERMINVEST	France	57.00	57.00
DASANBE AGUA MINERAL NATURAL	Spain	50.00	50.00
MAGYARVIZ	Hungary	50.00	50.00
POLSKA WODA	Poland	50.00	50.00
DAMAVAND	Iran	69.98	39.89
SOTHERMA	Morocco	29.99	29.99
CHINA HUIYUAN JUICE	China	22.98	22.98
WAHAHA (1) (2)	China	51.00	51.00
KIRIN MC DANONE WATERS	Japan	25.00	25.00
BISCUITS			
BAGLEY LATINO AMERICA	Spain	49.00	49.00

(1) Group of legal entities comprising the consolidated company.
(2) See Note 2.2.

20.1.2 Statutory Auditors' Report on the Consolidated Financial Statements

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you for the year ended December 31, 2008:

- the audit of the accompanying consolidated financial statements of Groupe Danone;
- the justification of our assessments;
- the specific verifications and information required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropiate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- as indicated in Note 4 to the consolidated financial statements and following the acquisition of Numico, your company, assisted by an external valuation expert, determined the cash generating units in relation to Numico, determined the levels of impairment tests for depreciating goodwill and unamortized trade marks and determined the corresponding values. We have reviewed the methods and assumptions adopted to calculate these fair values, and in particular the report issued by the external valuation expert. We obtained assurance of the appropriate nature of the adopted principles as well as the information provided in Note 4 to the consolidated financial statements;
- your company performed at the closing date an impairment test on goodwill and assets with an indefinite useful life, with the assistance of an external valuation expert for values in relation to Numico, and also assessed whether there was any indication of impairment of other long-term assets according to the conditions described in Notes 1.4 and 1.5 to the consolidated financial statements. We reviewed the conditions of implementation of this impairment test and of indication of impaired value, and verified that Note 5 and 6 to the appendices to the consolidated financial statements gave the appropriate information, in particular in relation to the values obtained through assumed principles.

  As indicated in Note 1.25 to the consolidated financial statements, this impairment test is based on estimates that are by nature uncertain by nature, and the realization of which is likely to postpone, possibly in a significant way, forward-looking data that is used, in particular due to the current economical and financial context;
- your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. Note 1.17 to the consolidated financial statements describes the accounting treatment adopted for the options granted to the shareholders of certain consolidated subsidiaries in the absence of any specific provision under IFRS as adopted by the European Union on this subject. We verified that the accounting treatment applied did not contravene the general principles of these standards and that Notes 1.17 and 5 to the consolidated financial statements gave the appropriate information on the options and assumptions used by your company.

  We also reviewed the methods adopted by your company for the valuation of the debt and goodwill recorded in connection with the put options granted to the shareholders of certain consolidated subsidiaries on the basis of the information available to date.

- your company examined, at the end of the fiscal year, any losses in the value of any equity interests accounted for under the equity method and of any non-consolidated interests as described respectively in Notes 7 and 8 to the consolidated financial statements. We assessed the approach held by your company for the evaluation of such interests, in particular with respect to current economic and financial conditions, and have verified that Notes 7 and 8 to the consolidated financial statements contain adequate information;
- Note 2 to the consolidated financial statements describes the developments in the relations with a partner of the Group in the Wahaha entities (Waters – China). As stated in the Note, this situation led your company to keep the Wahaha consolidated under the equity method. As part of our assessment of the accounting principles adopted by your company, we reviewed the accounting treatment implemented, as well as the information provided in the notes to the consolidated financial statements, and made sure that they were appropriate.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

MAZARS **FRENCH ORIGINAL SIGNED BY:**		**PRICEWATERHOUSECOOPERS AUDIT** **FRENCH ORIGINAL SIGNED BY:**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

20.1.3 Fees of the Statutory Auditors and of the Members of Their Networks Paid by the Group

The table below shows the Group's Statutory Auditors' fees corresponding to services rendered in 2007 and 2008:

	2007				2008			
	PricewaterhouseCoopers		**Mazars**		**PricewaterhouseCoopers**		**Mazars**	
(In € millions, except %)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Audit:								
Audit Office, certification, review of individual and consolidated financial statements	**5.2**	**65.0**	**3.0**	**100.0**	**5.4**	**55.0**	**3.0**	**100.0**
Issuer	*1.0*	*12.5*	*0.8*	*26.7*	*1.0*	*10.0*	*0.6*	*20.0*
Fully consolidated subsidiaries	*4.2*	*52.5*	*2.2*	*73.3*	*4.4*	*45.0*	*2.4*	*80.0*
Other diligences and services directly related to the Statutory Auditors' mission	**2.0**	**25.0**	**-**	**-**	**1.9**	**19.0**	**-**	**-**
Issuer	*1.6*	*20.0*	-	-	*1.5*	*15.0*	-	-
Fully consolidated subsidiaries	*0.4*	*5.0*	-	-	*0.4*	*4.0*		-
Other due diligence and services rendered by the networks to fully consolidated subsidiaries	**0.8**	**10.0**	**-**	**-**	**2.6** (1)	**26.0**	**-**	**-**
Tax	*0.8*	*10.0*	-	-	*2.6*	*26.0*	-	-
Total fees	**8.0**	**100.0**	**3.0**	**100.0**	**9.9**	**100.0**	**3.0**	**100.0**

(1) These tax services carried out in 2008 relate primarily to the foreign Numico entities. They were approved first by the Audit Committee (see paragraph 16.3 – Audit Committee) and comply with the independence rules applicable in France and specific to the Group. Finally, these services were transferred for the majority to other service providers during the 2008 fiscal year.

20.2 Corporate Documents

20.2.1 Excerpt from the Board of Directors' Report presented at the General Shareholders' Meeting

Groupe Danone (hereinafter referred to as the "Company"), the parent company of the Danone group (hereinafter referred to as the "Group"), is a holding company that does not exercise any commercial or industrial activity.

In addition to the activities it exercises in its capacity as a holding company, Groupe Danone exercises management, assistance, and advisory duties for the Group's companies.

The Company's balance sheet is, for the most part:

- composed, with respect to its assets, of the equity interests it holds in its direct subsidiaries, and;
- composed, with respect to its liabilities, of debt taken on to respond to the Group's financing needs.

The Company is also the central entity with respect to the fiscal integration of the French companies in which the Group holds equity interest that is higher than 95%.

COMMENTS ON THE COMPANY'S ACTIVITY OVER THE COURSE OF THE 2008 FISCAL YEAR

Main Events of the Fiscal Year

Over the course of the 2008 fiscal year, the Company undertook the following transactions:

- on November 25, 2008, the Company finalized the buy-back of all Royal Numico N.V. securities, a company in which it held 98.85% of all securities since December 31, 2007. The buy-back of the remaining 1.15% of securities in the amount of € 143 million was authorized by the Court of Appeals of Amsterdam on October 28, 2008 following a squeeze-out procedure initiated by the Company in 2007;
- the 100% equity interest in the *Sources du Mont-Dore en Auvergne* company, known as SMDA (Waters-France), was sold in January 2008 for an amount of € 15 million;
- the 100% equity interest in the *Roncevaux* company was sold to the *Compagnie Gervais Danone* for an net amount of € 131 million;
- the Company undertook new financing measures to (i) refinance the balance of its bridge loan, (ii) preserve its debt structure over time by lengthening its average maturity and spreading out maturity dates, and (iii) secure the Group's future financing needs. As such, these transactions consisted of the issuance of bonds in euros in the total amount of € 2.3 billion with initial maturities ranging from 3 to 7 years.

Analysis of the Income Statement

Net sales, which are mainly comprised of amounts re-invoiced to the Group's companies for services rendered by the Company, amount to € 304 million in 2008, as compared with € 290 million in 2007.

Operating expenses amount to € 457 million in 2008 as compared with € 549 million in 2007.

Income from equity interests amount to € 1,021 million in 2008 as compared with € 1,627 million in 2007. The decrease relative to the 2007 fiscal year results mainly from an extraordinary dividend payment received in 2007, which was not renewed in 2008.

The extraordinary profit/loss recorded in the 2008 fiscal year, which amounts to € 260 million, mainly includes additional income amount received with respect to the disposal of the Company's equity interest in *Générale Biscuit Glico France*.

COMMENTS ON THE COMPANY'S FINANCIAL POSITION AS OF DECEMBER 31, 2008

As of December 31, 2008, the net debt of the Company, which totaled approximately € 9 billion, mainly included:

- the syndicated revolving credit facility ("revolving facility") entered into in December 2007 for a principal amount of € 4 billion for the refinancing of the bridge loan (of which a maximum amount of € 1.7 billion was drawn as of December 31, 2008);
- bonds in euros for a total amount of € 2.3 billion with maturities ranging from 3 to 7 years;
- a current account with *Danone Finance International*, one of the Group's financial companies and a direct subsidiary of the Company, in the amount of € 3.2 billion.

INFORMATION RELATING TO DEDUCTIBLE EXPENSES

In accordance with the provisions of Article 39.4 of the French General Tax Code, an amount of € 453,574 was reintegrated into the taxable base of 2008 fiscal year with respect to amortization and rental payments for non-professional vehicles.

The application of Article 39.5 of the French General Tax Code did not lead to any amount being reintegrated into taxable profits.

MAIN KNOWN SHAREHOLDERS

Pursuant to Article L. 233-13 of the French Commercial Code, it is hereby specified that as of December 31, 2008:

- Eurazeo group holds 5.1% of the share capital and 5.2% of the net voting rights;

- the *Caisse des Dépôts et Consignations* holds 3.9% of the share capital and 4.0% of the net voting rights;
- the Fonds Commun de Placement "Fonds Groupe Danone" holds 1.6% of the share capital and 3.1% of the net voting rights;
- *Groupe Sofina* holds 2.1% of the share capital and 3.2% of the net voting rights;
- *Predica* holds 1.4% of the share capital and 1.4% of the net voting rights;
- the Company holds 5.9% of the share capital and its subsidiary Danone SA (Spain) holds 1.1% of the share capital.

The voting rights percentages indicated above were calculated on the basis of all of the shares that hold voting rights, with the exception of the shares held by the Company and its Spanish subsidiary Danone SA, which are deprived of voting rights.

SHAREHOLDERS' VOTING RIGHTS

A double voting right is attributed to all fully paid shares held in registered form in the name of the same holder for at least two years.

It is reminded that, since 1992, the Company's by-laws limit the voting rights of shareholders during Shareholders' Meetings (see paragraph 18.2 – Voting right, of the Registration Document). Regarding the application of these provisions, one should refer back to the Company's by-laws, which can be obtained upon request from the Company's registered offices.

OPTIONS ON COMPANY SHARES

During 2008, the Board of Directors of the Company granted the following amount of options, at prices corresponding to 100% of the average of the first listed prices during the twenty stock market trading days preceding the day on which the options were granted:

- with respect to the April 2008 plan, 2,606,041 stock options to 1,177 beneficiaries, at an exercise price of € 57.13;
- with respect to the October 2008 plan, 30,133 stock options to 26 beneficiaries, at a price of € 46.33;

The main characteristics of the stock option plans implemented by the Company are described in paragraph 17.2 of the Registration Document.

AUTHORIZATION GRANTED TO THE COMPANY TO OPERATE ON THE STOCK MARKET FOR THE BUY-BACK OF ITS OWN SHARES

Within the framework of authorizations granted by the General Shareholders' Meetings dated April 26, 2007, and April 29, 2008, the Company did not undertake the buy-back of any of its own shares in 2008.

As of December 31, 2008, the Company held 30,230,408 treasury shares, representing 5.9% of its share capital.

Refer to paragraph 21.1.3.

EMPLOYEE PARTICIPATION IN THE COMPANY'S SHARE CAPITAL

The number of Company shares held by its employees and by employees of companies related to it and which are notably subject to collective management or lock-up conditions, either within the framework of a French *Plan d'Épargne Entreprise* (company savings plan), or via a French *Fonds Commun de Placement* (the "Fonds Groupe Danone" FCPE and the FCPEs of other subsidiaries of the Group), amounted to 8,465,980 shares, or 1.6% of the Company's share capital.

COMMITMENT TO HOLDING SHARES RESULTING FROM THE EXERCISE OF OPTIONS

Pursuant to article L. 225-185 of the French Commercial Code introduced by the new law of December 30, 2006, the Chairman and Chief Executive Officer and the Deputy General Managers must hold (in registered form) a certain number shares resulting from the exercise of options allocated within the framework of each option allocation plan decided on from January 1, 2007 onward. These options must be held until these individuals no longer perform their duties.

The Board of Directors Meeting dated April 29, 2008 confirmed the previous year's decision dated April 26, 2007, which stipulated that the commitment to hold the shares would apply to a number of shares corresponding to 35% of the capital gain upon acquisition, net of taxes and social security charges, that was achieved with respect to all of the shares resulting from an exercise of options carried out by the executive concerned under this plan.

The Board of Directors also decided to subject all other members of the Executive Committee to this commitment to hold shares, which is applicable under the same conditions.

INFORMATION ON THE WAY IN WHICH THE COMPANY TAKES INTO ACCOUNT THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS BUSINESS ACTIVITY

On December 31, 2008, the Company had 661 employees (692 employees on December 31, 2007), of which approximately 75% are managers. The gross compensation of these employees and the associated social security charges totaled € 168 million in 2008 (€ 186 million in 2007), of which € 6.2 million relate to profit-sharing agreements (€ 5.4 million in 2007).

The large majority of Company's employees are hired to work under indefinite term employment contracts.

Following a company agreement signed with workers' union organizations, in 2004 the Company implemented an additional pension plan with set contributions for certain managers.

Pursuant to agreements regarding the organization and reduction in the length of the workweek concluded in 1999, and the implementation, in 2004, of the day of solidarity, the number of workdays in a single year was established at 210 for executives who are not managers. For employees, technicians and supervisors, the number of hours worked per year was increased to 1,589.

A large number of training programs, internal or external, are available at the employees' request. In 2008, 14,395 hours of training were allocated to 64% of employees.

The Company's implication in civil society is very strongly anchored in its culture. As an example, the integration of the youth is favored through qualifications and apprenticeship contracts, which represent approximately 3% of the payroll. The "*Coup de Pouce*" abilities network provides aid to associations, selected by employees, which play an active role in educational support, professional and social integration, as well as in the creation of businesses. In addition, the Group undertook actions in 2008 to provide disabled workers with information, recruit them, and help them maintain their job, following an agreement regarding disabled individuals signed in 2006 with its corporate partners.

In addition, the Company also offers its employees the option of taking humanitarian leaves of absence (or *congés solidaires*) to work with the "Planète Urgence" association.

Due to the nature of its business activities, the Company's impact on the environment is very low. However, certain actions aimed at remaining informed regarding the protection of the environment were undertaken in 2008 and carbon emission reduction programs were implemented. These measures were mainly related to the Company's travelling policy by limiting the number of air trips taken by way of airplanes, the recycling of raw materials (aluminum, plastic, glass), the collecting of paper, used batteries, or ink cartridges for printers, as well as the use of supplies that are made from partially or totally recycled materials.

The table below presents several numerical indicators associated with the impact on the environment of the activities exercised by the Company's subsidiaries in all four business lines:

	Units	2008
Energy		
Thermal energy (1)	*GWh (2)*	2,439
Electrical energy	*GWh (2)*	1,744
Total energy	*GWh (2)*	4,183
Waste		
Total waste (3)	*Thousands of tons*	229
Valued waste (4)	*Thousands of tons*	188
Valuation rate	*%*	82
Water		
Consumption (5)	*millions de m^3*	38
Net DCO discharge (6)	*Tons*	4,305
Number of significant accidental discharges (chemical products and hydrocarbon)		3
Gas contributing to the greenhouse gas effect (direct) (11)	*Thousands of tons equivalent CO_2 (7)*	**564**
Gas contributing to the atmospheric acidification		
Sulfur oxide	*Tons equivalent SO_2 (8)*	3,324
Nitrogen oxide	*Tons equivalent NO_2 (9)*	1,349
Gas that has an impact on the ozone layer (12)	*kg equivalent CFC (10)*	**600**

(1) Energy consumed by factories, resulting from gas, oil, coal or other sources of thermal energy.
(2) Gig watts per hour.
(3) Waste generated by factories.
(4) Waste is valued via the recycling of matter or via incineration with energy recuperation.
(5) Water consumed by factories, excluding water inserted in containers.
(6) DCO (Chemical Demand in Oxygen) measures the amount of water pollution. Net DCO discharges are measured after the waters used have been treated.
(7) Carbon dioxide (CO_2) essentially originates from the combustion of matter. Only primary CO_2 emissions are indicated.
(8) SO_2: sulfur dioxide.
(9) NO_2: nitrogen oxide.
(10) CFC: chlorofluorocarbons.
(11) Include: CO_2, CH_4, N_2O, CFC, HCFC, HFC and Halons (according to IPCC 2001).
(12) Include: CFC, HCFC and Halons (according to the Montreal Protocol).

For a more complete description of the way in which the Company and its subsidiaries account for the social and environmental consequences of their business activities, please refer to Chapter 17 "Employees" and paragraph 4.5 "Risks related to the Environment" of the Registration Document.

INFORMATION ON DANONE.COMMUNITIES

During the Company's Combined Shareholders' Meeting dated April 26, 2007, a substantial majority of the shareholders approved the implementation of a socially and economically innovative project called danone.communities.

Pursuant to the creation of the danone.communities SICAV (*Société d'Investissement à Capital Variable*, or French mutual fund) and the establishment of the danone.communities FCPR (*Fonds Commun de Placement à Risques*, or French risk fund), the Company had subscribed € 20 million in this SICAV.

Launched in May 2007, the danone.communities SICAV reached, as of the end of January 2009, a total value of approximately € 66 million through its five compartments.

Its investment strategy consists in investing at least 90% of its assets in a selection of rate instruments in the euro zone, while favoring a "Socially Responsible Investment" approach (*Investissement Socialement Responsable*, or "ISR"), and at most 10% of its assets in the danone.communities FCPR. The compartments are differentiated according to their investment term and their risk ratio/return.

Offered since 2008, through an FCPE (*Fonds Commun de Placement d'Entreprise*, or French employee shareholding vehicle) created for the Groupe French employees within the framework of the PEG (*Plan d'Épargne Groupe*, or French group savings plan) as one of the investment options for employee equity holding or profit-sharing, more than 15% of employees in France subscribed in the first year and more than 40% of the employees working at the head office in headquarters or at the research center.

To this day, three investments have been made by the FCPR in three different regions and sectors. They are as follows:

1. Grameen Danone Foods, Bangladesh

The FCPR's first investment was made in Grameen Danone Foods, a company located in Bangladesh. This financing seeks, in particular, to enable the construction of a factory for manufacturing yogurts fortified with micronutrients to be sold in Dhaka, Bangladesh. Sold at a very affordable price by Grameen ladies and small retail stores, it will help fight against children's nutritional deficiencies.

It represents a combined investment from the FCPR and other entities of the Grameen group taking the form of a subscription to a capital increase of the Grameen Danone Foods company for an aggregate amount of 100 million takas (approximately € 1 million). The FCPR subscribes to the capital increase in an amount of up to 50 million Takas.

2. 1001 Fountains, Cambodia

1001 Fountains makes it possible for isolated villages in Cambodia to access clean drinking water, in order to prevent their inhabitants from drinking the water found in ponds (which is the cause of a high infant mortality rate and diarrheal illnesses). 1001 Fountains uses an ultraviolet treatment process powered by solar energy to purify the water in these ponds. Danone.communities supports this project through an investment in the UV+Solaire company. This investment has taken the form of a capital increase subscription in the maximum amount of 33%, or € 51,000, and a current account credit amounting to € 99,000.

3. La Laiterie du Berger, Senegal

The Senegalese company known as "Laiterie du Berger" is a dairy producing company that processes and redistributes fresh milk produced by Fula farmers (and not the imported milk, which accounts for the larger portion of consumption in Senegal, while a significant amount of the population survives through farming). Quality products made from this milk are sold at competitive prices on the Senegalese market. The investment made by the FCPR, in the form of a capital increase subscription, amounts to 341 million FCFAs (approximately € 520,000).

In accordance with the Governance Charter of danone.communities, the Social Responsibility Committee of the Company's Board of Directors was consulted and issued a favorable opinion on the compliance between the Charter and each of these three equity investments.

Finally, in accordance with the commitments undertaken by the Board of Directors, the level of financial contributions that the Company made to danone.communities projects in 2008 amounted to the amount of € 2.2 million, which is lower than the € 2.5 million ceiling amount set by Groupe Danone's Board of Directors. The amount of this ceiling will remain unchanged in 2009. It will be revised every year by the Company's Board of Directors in order to take into account the development of danone.communities.

ELEMENTS THAT COULD POSSIBLY HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

Pursuant to article L. 225-100-3 of the French Commercial Code resulting from law 2006-387 dated March 31, 2006, the elements that could possibly have an impact in the event of a tender offer are exposed below:

(i) Structure of the Company's share capital

A table describing the structure of the Company's capital is presented in paragraph 18.1 of the Registration Document.

(ii) Statutory restrictions to the exercise of voting rights

The Company's by-laws provide for a system of capping voting rights. This mechanism is described in paragraph 18.2 of the Registration Document.

(iii) Direct or indirect holdings in the Company share capital of which it is aware

On April 5, 2006, Eurazeo group reported having exceeded the 5% threshold of the Company's voting rights. As of December 31, 2008, Eurazeo group held 5.1% of the capital and 5.2% of the net voting rights, calculated on the basis of all voting rights, excluding the voting rights attached to the shares held by the Company or its subsidiaries.

Detailed information on the Company's shareholding is provided in paragraph 18.1 of the Registration Document.

(iv) Holders of securities who are entitled to special rights of access over the Company, and description of such rights

None.

(v) Control mechanisms set forth by a possible employee shareholding system, when such control rights are not exercised by employees

Only the Supervisory Board of the "Fonds Groupe Danone" FCPE, which on December 31, 2008, held 1.6% of the share capital and 3.1% of the net voting rights, has the necessary authority to decide how to respond to a possible tender offer. As an exception to this principle, a procedure involving consulting with employees could be implemented in the event that the Supervisory Board experiences a split vote.

(vi) Agreements between shareholders that the Company is aware of and that may lead to restrictions on the transfer of shares and to the exercise of voting rights

To the best of the Company's knowledge, there is no agreement between shareholders in existence that could lead to restrictions on the transfer of shares and to the exercise of the Company's voting rights.

(vii) Rules applicable to the nomination and replacement of the members of the Company's Board of Directors.

Pursuant to an agreement concluded between the Company and Yakult Honsha on March 4, 2004, the Company undertook to make every effort to ensure that the candidate proposed by Yakult Honsha be nominated as Director on the Company's Board of Directors by the Shareholders' Meeting, insofar as two Company representatives sit on the Board of Directors of Yakult Honsha.

(viii) Powers of the Board of Directors in the event of a tender offer

The Shareholders' Meeting of April 29, 2008, ended the authorization granted to the Board of Directors to carry out the Company share repurchase program at the time of a tender offer. The resolution proposed at the General Shareholders' Meeting dated April 23, 2009, will explicitly confirm that share repurchases are no longer possible at the time of a tender offer.

(ix) Agreements signed by the Company that are modified or reach their term in the event of a change in control of the Company

- The Group granted put options that may be exercised at any moment and, in particular, during a tender offer, to minority shareholders of its Spanish subsidiary Danone SA. The description and amount of such options is presented in Chapter 22 of the Registration Document and in Note 16 of the appendices to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing the relations between the Group and Arcor within the joint venture named Bagley Latino America, a leader in biscuits in Latin America, in which the Company holds an equity interest of 49%. In the event of a change in control of the Company, the Arcor group will have the right to the repurchase interest in Bagley Latino America held by the Company, for an amount equal to its fair value.
- Within the framework of contracts related to the use of mineral water sources, in particular *Volvic* and *Evian* in France, the Group has very old and privileged relations with local councils where these sources are located. It is difficult for the Company to value with much certainty the impact of a possible change in its control over these contracts.
- Certain stock option plans as well as *Group Performance Units* plans that were put in place by the Company for the benefit of its directors and officers (*mandataires sociaux*) and certain employees include particular provisions in the event of a change in control of Company resulting from a tender offer on the Company's securities, described in paragraph 17.2 of the Registration Document.
- In December 2007, as part of the financing of the acquisition of the Numico group and of its refinancing, the Company signed a contract to benefit from a revolving facility (described in paragraph 10.3), which included a change in control clause. This revolving facility (representing a principal amount of € 4 billion) offers its creditors the right to an early repayment in the event of a change in control of the Company, if such change in control results in a sub investment grade as given by rating agencies.

The Group's EMTN program and certain lines of bank credit also include a similar feature in the event of a change in control of the Company (please refer to paragraph 10.1).

(x) Agreements providing for indemnities to be paid out to employees and executives of the Company, in the event that they resign or are laid off in the absence of a real and serious cause or if their employment expires due to a tender offer

Indemnities paid out to the Company's directors and officers (*mandataires sociaux*) under certain circumstances are described in paragraph 15.3 of the Registration Document.

COMMENTS ON THE RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING

Approval of the corporate and consolidated financial statements for the 2008 fiscal year (1st and 2nd resolutions)

We request that you approve the corporate financial statements and consolidated financial statements for the fiscal year ended on December 31, 2008.

Allocation of income (3rd resolution)

We propose that you:

• note that the profits for the 2008 fiscal year amount to	€ 848,609,898.69
• note that the amount carried over is of	€ 3 658,342,267.78
• therefore corresponding to an available amount for the distribution of income equal to	€ 4 506,952,166.47
• decide to split the total thus calculated between:	
dividends in an amount of	€ 616,562,572.80
the amount carried over in an amount of	€ 3 890,389,593.67

The sum of € 616,562,572.8 distributed as such amount to shareholders will be eligible for the 40% tax reduction set forth in Article 158-3 paragraph 2 of the French General Tax Code, provided shareholders have the right to benefit from such reduction, with the exception of the mandatory fixed withholding provided for in Article 117 quarter of the French General Tax Code.

The coupon relative to the dividend to be distributed will be detached from the share on April 30, 2009 and will become due as of May 27, 2009.

In accordance with the provisions of Article L 225-210 of the French Commercial Code, the amount of the dividend paid with respect to shares that the Company may hold as of the dividend payment date will be allocated to the "Amount Carried Over" account.

Dividends distributed with respect to the last three fiscal years

Fiscal Year	Number of shares (1)	Dividend distributed (2)
2005	528,470,380	0.85
2006	521,729,492	1.00
2007	512,851,460	1.10

(1) The data for the 2005 and 2006 fiscal years were adjusted to take into account the two-for-one stock split of the shares that occurred in 2007.
(2) Distribution fully eligible for the 40% tax reduction.

We offer you the possibility to choose between payment of the dividend in cash or in new shares.

The issuance price of these new shares is set at 90% of the average of the Company share's first listed prices on the Euronext market, during the twenty trading days preceding the day of this Shareholders' Meeting minus the amount of the dividend paid. This issuance price will be rounded up to the nearest Eurocent.

The new shares will be entitled to dividends as of January 1, 2009, and will carry all of the same rights as other Company shares.

If the amount of dividends to which the shareholder is entitled does not correspond to a whole number of shares, he or she may receive:

- either the number of shares immediately below their amount owed, plus the payment of the difference in cash;
- or the number of shares immediately above said amount owed, provided an additional cash payment is made.

The option to select a dividend payment in shares will be available as of April 30, 2009 until May 18, 2009. If the shareholder has not exercised this option within this timeframe, he or she shall receive a cash payment for the full amount of dividends owed to him or her.

The date of the detachment of the corresponding dividend coupon from the share and the ex-dividend negotiation date are set at April 30, 2009.

The date of the cash payment or delivery of shares is set at May 27, 2009.

Approval of the agreements referred to in the special report of the Statutory Auditors (5th resolution)

It is requested that you approve the two agreements referred to in the special report of the Statutory Auditors concerning the agreements referred to in Articles L. 225-38 *et seq.* of the French Commercial Code.

Specifically, this relates to two intra-group guarantees granted by your Company to its financial subsidiaries (Danone Finance and Alfabanque), in an amount of € 3 billion (instead of an amount of € 2.5 billion which was previously approved and which relates to the Group's French commercial paper *(Billets de trésorerie)* program of Danone Finance) and of € 500 million (relating to a committed credit facility from which both companies benefit), respectively.

The Statutory auditors' special report on related party transactions (paragraph 20.2.4 of the Registration Document) provides detailed information concerning these two transactions.

Renewal of the tenures of Directors (6th, 7th, 8th, 9th and 10th resolutions)

It is requested that you renew for the period of three years as set in the by-laws the tenures of Messieurs Richard GOBLET D'ALVIELLA, Christian LAUBIE, Jean LAURENT, Hakan MOGREN and Benoît POTIER. Their term of office will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the 2011 fiscal year.

The Board of Directors, following the opinion of its Nomination and Compensation Committee, examined the situation of each of these directors with regard to the Group's corporate governance code (AFEP-MEDEF) and concluded that all of them should be considered as "Independent Directors".

With regard to Mr. LAUBIE, your agreement for the renewal of his tenure would be given pursuant to Article 15-II of the Company by-laws. This Article provides that surpassing the age limit of seventy years does not preclude the renewal of the tenure of the Company Directors in question by the General Shareholders' Meeting, subject to the condition that the number of Directors concerned by this age limit does not exceed one quarter of the current Directors. This limit is well respected, as only Messieurs DAVID-WEILL and LAUBIE (out of a total of 13 Directors comprising your Board) have reached or surpassed the age of seventy as of this date.

Appointment of a Director (11th resolution)

It is requested that you appoint for the period of three years as set in the by-laws Mrs. Guylaine SAUCIER as Director. Her term of office will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the 2011 fiscal year.

The Board of Directors, following the opinion of its Nomination and Compensation Committee, examined Mrs. Guylaine SAUCIER's situation with regard to the Group's corporate governance code (AFEP-MEDEF Code) and concluded that Mrs. Guylaine SAUCIER should be considered as an "Independent Director".

The list of responsibilities and positions exercised by Mrs. Guylaine SAUCIER as at December 31, 2008, as well as during the last five years, are included in appendix A.3 - Positions and responsibilities of the Directors.

Setting of Directors' attendance fees (12th resolution)

We propose that you increase the maximum amount of attendance fees (*jetons de présence*) from € 500,000 to € 600,000 per fiscal year. We remind you that this € 500,000 amount was decided by the General Shareholders' Meeting of 2003.

This increase would notably allow for, on the one hand, the proposed appointment of the new director and, on the other hand, the increase in the amount of attendance fees for the Board to be taken into account (this increase is itself due to the creation of the Social Responsibility Committee in 2007 and the increase in the number of Board and Committee Meetings).

The allocation of attendance fees for your Board is comprised of a fixed and variable portion, based on lump-sum amounts per meeting, which allow for the effective participation of each Director in the work of the Board and its Committees to be taken into account.

The Board recalls that pursuant to the Board's Charter, the four Directors who are also directors and officers (*mandataires sociaux*) do not receive attendance fees.

A detailed presentation of the attendance fees received in 2008 by each Director as well as the rules provided for the allocation are mentioned in chapters 14 and 15 of the Registration Document.

Authorization granted to the Board of Directors to purchase, retain or transfer the company's shares (13th resolution)

It appears to be appropriate for your Board to continue to have the powers necessary to purchase Company shares.

We ask therefore that you authorize your Board to purchase, retain or transfer the Company's shares, within the context of a share repurchase program, pursuant to the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and European Regulation n°2273/2003 of December 22, 2003 implementing European Directive n°2003/6/CE of January 28, 2003.

The purchase of the Company's shares may be executed for the purpose of:

- the allocation of options to purchase shares to employees and directors and officers (*mandataires sociaux*) of the Group;
- the free allocation of shares to employees and directors and officers (*mandataires sociaux*);
- the sale of shares to employees (either directly or through an employee savings plan (an "FCPE")) within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the retention or ultimate delivery for payment or exchange particularly with regards to external growth transactions; or
- the cancellation of shares, within the maximum legal limit.

These transactions may be executed at any time. However, your Board decided to confirm its decision to prohibit these share repurchases during the period of a public tender offer for the Company's securities.

The maximum number of shares that may be acquired would represent 10% of the share capital, i.e., 51,380,214 shares as at December 31, 2008, at a maximum purchase price of € 65, representing a maximum theoretical amount that may be purchased of € 3,339,713,910. This last amount is mentioned only by way of illustration, as it does not take into account shares already held by the Company.

This authorization is granted for an 18-month period from the date of this Shareholders' Meeting.

Creation of the Danone Eco-system Fund (14th resolution)

It is requested that you approve the implementation of the Danone Eco-System Fund.

Your Company has always believed that the development of companies was connected to the economic and social development in their respective environments: suppliers, sub-contractors, distributors, business parks, and consumer and living areas (their "Eco-system"), and this conviction is one of the founding principles of your Company's dual economic and social project. In addition, the interdependence between companies and their immediate economic environment has become more and more important in recent years. In this context, the Company wishes to formalize its responsible commitment to the development of its Eco-system.

In the continuity of its dual economic and social project, your Company wishes to create one or more innovative organizations, that are not-for-profit and dedicated to implementing projects for the general interest, in order to strengthen its Eco-system in

France and abroad (the "Danone Eco-system Fund" project) of which the main operating principles are the following:

- the Danone Eco-system Fund will be an equity capital fund (fonds de dotation) (as defined in Article 140 of law n°2008-776 of August 4, 2008 on the modernization of the Economy and by decree n°2009-158 of February 11, 2009 relating to equity capital funds) and/or any not-for-profit organization in France and/or abroad;
- the Danone Eco-system Fund will concentrate on the creation and strengthening of economic activities and the development of expertise in the regions where it is active;
- the Company will allocate, as a free and irrevocable allocation, the sum of one hundred million euros (€ 100,000,000), paid in one installment (the "Capital Allocation"), the revenues of which, or all or part of the Capital Allocation itself, will be dedicated to implementing projects for the general interest as defined above;
- as a supplement to the Capital Allocation, the Company and its subsidiaries may each year, and for a duration of five (5) years as from the 2009 fiscal year, allot a maximum total amount representing up to 1% of consolidated current net profits of the Danone group for the Danone Eco-system Fund or for any other selected organization, notably via addtional donations. (the "Additional Annual Donations"). These annual additional donations will be recorded as a trading operating expense in the accounts of the Group.

In order to remain transparent and to verify that the interests of the shareholders of your Company are protected, the abovementioned additional donations will be:

- examined by the Social Responsibility Committee of the Board of Directors of your Company;
- the subject of a report by your Board in each of its reports to the General Shareholders' Meetings.

For the above-mentioned reasons, it is requested that you approve, on the one hand, the implementation of the Danone Eco-System Fund, and, on the other hand, the payment by the Company of the Capital Allocation and of the Additional Annual Donations.

* * *

MODIFICATIONS OF THE BY-LAWS OF THE COMPANY

It is requested that you approve the following statutory modifications (resolutions 15 to 22)

Modification of Article 3 of the by-laws relating to the corporate name (15th Resolution)

The modification proposed to you by the fifteenth resolution relates to Article 3 of the Company's by-laws relating to the corporate name.

We propose to modify the Company's corporate name (currently "Groupe Danone") and adopt "Danone" as the new corporate name.

The choice of a simple, less institutional, name will give the Group a more international character and will make the Company's legal name converge with its common usage outside of the Group. In addition, this choice, henceforth centered on one of the Group's flagship brands, will allow it to adhere more closely to the nearly general practice of major listed groups.

Harmonization of Article 7.I paragraph 3 of the by-laws with regard to the share capital increase procedure (16th resolution)

The modification proposed to you by the sixteenth resolution relates to Article 7.I paragraph 3 of the Company's by-laws relating to the share capital increase procedure.

Since the ordonnance of June 24, 2004 reforming the rules governing securities issued by trading companies, Article L. 225-129 of the French Commercial Code provides that capital increases also may be carried out via a delegation of authority granted to the Board of Directors, and not only via the delegation of powers.

It is therefore proposed to make paragraph 3 of Article 7.I of the Company's by-laws conform to this compulsory legal provision.

Harmonization of Article 10.VII of the by-laws with regard to the procedure for identifying holders of bearer shares (17th resolution)

The seventeenth resolution proposes to modify Article 10.VII of the by-laws in order to update it in accordance with the new procedure for identifying shareholders introduced by the law of August 1, 2003 on financial security and by the ordonnance of June 24, 2004 reforming the rules governing securities issued by trading companies.

Article L. 228-2 of the French Commercial Code provides that the Company must henceforth begin the procedure for identifying holders of bearer shares with "the central custodian administering its securities", and no longer with "the body in charge of compensation."

As this provision is mandatory, any reference to the "the body in charge of compensation" can be deleted from the Company's by-laws.

Modification of Article 18.IV paragraph 2 of the by-laws relating to the holding of Board of Directors' Meetings by all means of telecommunication (18th resolution)

The eighteenth resolution proposes to complete Article 18.IV of the by-laws by providing for the possibility, for the Directors, to participate in meetings of the Board of Directors via telephone and no longer only by a videoconferencing system. Your Board of Directors will thus benefit from the flexibility introduced by Article L. 225-37 of the French Commercial Code as modified by the law of July 26, 2005 for the confidence and modernization of the economy and by the decree of December 11, 2006.

Harmonization of Article 22.III of the by-laws relating to the registration of company shares on the register for participation in a Company General Shareholders' Meeting (19th resolution)

The modifications proposed to you by the nineteenth resolution relate to Article 22.III of the by-laws and result from the provisions of the decree of December 11, 2006.

It is a matter of conforming to the new provisions relating to the terms and conditions for the immobilization of shares in order to participate in General Shareholders' Meetings, by a record date system.

In this regard, as from January 1, 2007, participation in General Shareholders' Meetings is subject to a registration or the recording of an entry, either in the owners' accounts kept by the company or in bearer shares accounts. This registration is acknowledged by a "participation declaration" delivered to the shareholder.

For companies whose securities are admitted to trading on a regulated market, the registration or recording in an account must be effective at the latest on the 3rd business day before the meeting, at midnight, Paris time.

It is therefore proposed to update Article 22.III of the Company's by-laws so as to conform to this mandatory provision.

Modification of Article 26.III paragraphs 2 and 4 of the by-laws relating to taking into account the rules applying to electronic signatures in the case of a vote at the General Shareholders' Meeting by means of telecommunication (20th resolution)

The modifications that will be introduced by the twentieth resolution relating to means of telecommunication that may be used by shareholders for voting (i) before the General Shareholders' Meetings and (ii) during the before the General Shareholders' Meetings.

The abovementioned modifications both refer to the terms and conditions of the use by shareholders of means of telecommunication for voting at the General Shareholders' Meetings and imply the modification of the same Article of the Company's by-laws, i.e., Article 26.III. It is therefore proposed that you vote on these in the context of one sole resolution.

(i) For the vote prior to the General Shareholders' Meetings:

The decree of December 11, 2006 clarifies the rules governing the electronic signature that accompanies the remote data transmission to the company of the correspondence ballot papers or proxy forms. It is specified that this signature can be in the form of either a "secure electronic signature"; or, if the by-laws provide for it, which would be the case henceforth for the Company – in the form of another procedure that complies with the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, relating to *"[…] the use of a reliable identification procedure guaranteeing its connection with the act to which [the signature] is attached".*

It is thus proposed to modify the second paragraph of Article 26. III of the by-laws in order to facilitate the implementation of an electronic vote for your Company.

(ii) For the vote during the General Shareholders' Meetings:

The Company's by-laws provide that it is the Board of Directors' responsibility to decide whether the vote cast during a General Shareholders' Meeting may be expressed by remote data transmission.

Since the law of May 15, 2001 on the new economic regulations, the shareholders can, if the by-laws so allow, participate in debates or vote at the meeting from a distance by using means of telecommunication. The shareholders are thus considered present at the meeting for the calculation of quorum and majority.

The decree of December 11, 2006 specified that the procedures used must transmit at least the participant's voice and satisfy technical characteristics allowing for the uninterrupted and simultaneous retransmission of the deliberations. It is therefore proposed to update Article 26.III of the by-laws.

Modification of Article 27.I of the by-laws in order to grant the Board of Directors the authority to decide or authorize a bond issuance (21st resolution)

The twenty-first resolution proposes to modify Article 27.I, last paragraph, of the Company's by-laws in order to transfer to the Board of Directors the authority to decide or to authorize the issue of bonds as allowed for in the first paragraph of Article L. 228-40 of the French Commercial Code that provides that the Board of Directors is "*empowered to decide or authorize the issue of bonds unless the by-laws reserve such power for the General Meeting, and if the Ggeneral Meeting does not decide to exercise it itself*".

In order to allow the Board of Directors of the Company to decide or to authorize the issue of bonds, Article 27.I.9°of the Company's by-laws, which reserves the authority in this regard for the General Shareholders' Meeting, should be removed.

The choice to grant to the Board of Directors the responsibility to decide on the issue of bonds has been made by the vast majority of the major French listed groups.

In addition, this statutory modification will provide the Board of Directors with greater flexibility to better ensure the Company's financing.

Finally, this statutory modification will allow the Board of Directors to grant the Managing Director (*Directeur Général*) the right to sub-delegate, the authority to carry out a bond issue (such right to sub-delegate is necessary in order to decide very quickly to carry out an issue as soon as the market conditions appear favorable). For legal reasons, such right of subdelegation is not offered to companies that continue to maintain the authority of the Shareholders' Meeting to authorize on the issue of bonds.

Finally, if this modification is adopted, the authorization given to the Board of Directors to issue bonds in a principal amount of € 4 billion until 2011, that was granted by the General Shareholders' Meeting of April 27, 2006, would become null and void, as provided for in the eleventh resolution of said General Shareholders' Meeting.

Harmonization of Articles 27. III and 28. II of the by-laws relating to the conditions of quorum Required for the Ordinary and Extraordinary Shareholders' Meetings (22nd Resolution)

The twenty-second resolution proposes to modify Article 27.III and 28.II of the Company's by-laws in order to comply with new quorums required for Ordinary General Shareholders' Meetings and Extraordinary General Shareholders' Meetings, which were reduced by the new Articles L. 225-98, paragraph 2 and L. 225-96, paragraph 2 of the French Commercial Code, as modified by the law of July 26, 2005 on the confidence and modernization of the economy.

Pursuant to the new Article L. 225-98, paragraph 2 of the French Commercial Code, for Ordinary General Shareholders' Meetings, the quorums required were reduced to one fifth for the first notice of meeting and quorum is no longer required for the second notice of meeting. For Extraordinary General Shareholders' Meetings, the quorums required pursuant to new Article L.225-96, paragraph 2 of the French Commercial Code, were reduced to one fourth for the first notice of meeting and to one fifth for the second notice of meeting.

As these provisions are mandatory, any reference to former quorums in the Company's by-laws should be removed.

* * *

It is requested that you approve the following financial authorization (**as summarized in paragraph 21.1.4** - Capital authorized but not issued, capital increase commitments):

Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the company's share capital, with preferential subscription right of the shareholders (23rd resolution)

It is requested that you renew the delegation of authority to your Board of Directors, for a 26-month period, to decide on the issuance of, **with preferential subscription right of the shareholders**, ordinary shares of the Company or securities giving access, immediately and/or in the future, to the Company's share capital.

In comparison with the preceding authorization which had been granted by the General Shareholders' Meeting in 2007 and that is arriving at expiration, the maximum total amount of this new authorization is:

(i) for the maximum nominal amount of the ordinary Company shares to be issued: **maintained at € 45 million** (or, approximately **35% of the share capital**), it being specified that the nominal amount of ordinary shares issued under the 24th (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period), 25th (authorization to increase the number of securities to be issued), 26th (dilutive issuance in the event of a public exchange offer) and 27th (dilutive issuance in consideration for contributions in kind) resolutions will be applied to this maximum amount; and

(ii) for securities giving access to the Company's share capital: maintained at € 2 billion (maximum amount shared with the 24th, 25th, 26th, and 27th resolutions).

No amount was used for the preceding authorization of 2007.

This new authorization voids and replaces the 10th resolution voted by the General Shareholders' Meeting of April 26, 2007.

Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, without preferential subscription right of the shareholders, but with the obligation to grant a priority period (24th resolution)

It is requested that you renew as well the delegation of authority to the Board of Directors, for a 26-month period, in order to issue ordinary shares of the Company or securities giving access, immediately and/or in the future, to the Company's share capital, **without preferential subscription right of the shareholders**, and by public offering, both in France and outside of France. When using this authorization, **a right of priority to the totality of the issuance must be granted to existing shareholders** (this right of priority will not create negociable rights).

In comparison with the preceding authorization which had been granted by the General Shareholders' Meeting in 2007 and that is arriving at expiration, the maximum total amount of this new authorization is:

(i) for the maximum nominal amount of the ordinary Company shares to be issued: lowered to € 30 million (or, approximately 23.36% of the share capital instead of 25.30%), it being specified (i) that the nominal amount of ordinary shares issued under the 25th (authorization to increase the number of securities to be issued), 26th (dilutive issuance in the event of a public exchange offer) and 27th (dilutive issuance in consideration for contributions in kind) resolutions will be applied to this maximum amount; and (ii) that this maximum amount will be applied to the total maximum amount of € 45 million provided for in the 23rd resolution (non dilutive issuances with preferential subscription right of the shareholders); and

(ii) for securities giving access to the Company's share capital: maintained at € 2 billion (maximum amount shared with the 24th, 25th, 26th, and 27th resolutions).

Pursuant to the applicable legal and regulatory provisions, the issuance price of the ordinary shares and securities giving access to the Company's share capital shall be at least equal to the weighted average price of the last three trading sessions of the Company share on Euronext preceding the fixing of the issuance price, possibly subject to a 5% reduction.

No amount was used for the preceding delegation authorized by your Shareholders' Meeting in 2007.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 10th resolution.

Authorization granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription right of the shareholders (25th resolution)

Due to the volatile current market conditions, it appeared advisable for your Board to renew, for a 26-month period, the authorization granted to the Board of Directors to increase the number of securities to be issued, for each of the issuances decided in application of the preceding 23rd (non dilutive issuances with preferential subscription right of the shareholders) and 24th (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period) resolutions, in accordance with the conditions set in Article L. 225-135-1 of the French Commercial Code, and within a limit of 15% of the initial issuance and at the same price as that used for this issuance. Please note that this authorization will not result in the increase of the respective maximum amounts provided for in these two resolutions.

No amount was used for the preceding delegation granted by your Shareholders' Meeting in 2007.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 12th resolution.

Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital in the event of a public exchange offer initiated by the Company (26th resolution)

It is requested that you renew the delegation of authority to your Board of Directors, for a 26-month period, in order to issue ordinary shares or securities giving access to the Company's share capital, in the event of a public exchange offer initiated by the Company for another company's securities which are listed on a regulated market.

Maintaining this authorization is necessary for your Board as it allows your Company to maintain its capacity to acquire medium-sized holdings in companies listed on a regulated market and to finance these acquisitions in shares (rather than through indebtedness).

The issuance of ordinary shares or corresponding securities would be carried out without preferential subscription right of the shareholders.

In comparison with the preceding authorization which had been granted by the General Shareholders' Meeting in 2007 and that is arriving at expiration, the maximum total amount of this new authorization is:

- **(i)** for the maximum nominal amount of the ordinary Company shares to be issued: lowered to € 25 million (or, approximately 19.46% of the share capital instead of 25.30%), it being specified that the issuances that may be carried out as a result of this delegation must comply with the limits provided for in the 24th resolution (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period, i.e., 23.36%); and
- **(ii)** for securities giving access to the Company's share capital: maintained at € 2 billion (maximum amount shared with the 23rd (non dilutive issuances with preferential subscription right of the shareholders), 24th (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period), 25th (authorization to increase the number of securities to be issued), 26th (dilutive issuance in the event of a public exchange offer) and 27th (dilutive issuance in consideration for contributions in kind) resolutions).

Your Board of Directors will be responsible for determining, for each offer, the nature and characteristics of the securities to be issued, the amount of the capital increase depending on the result of the offer and of the number of securities of the target company presented to the exchange, taking into consideration the fixed rates of exchange and the shares or securities giving access to the issued share capital.

No amount was used for the preceding delegation authorized by your Shareholders' Meeting in 2007.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 13th resolution.

Delegation of powers to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital (27th resolution)

It is proposed to your General Shareholders' Meeting to renew, for a 26-month period, the delegation of powers to the Board of Directors to decide on the issuance of ordinary shares or securities giving access to the Company's share capital, within the limit of 10% of the Company's share capital, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital.

Maintaining this authorization is necessary for your Board as it allows your Company to maintain its capacity to acquire holdings in non listed companies and to finance these acquisitions in shares (rather than through indebtedness).

The issuance of ordinary shares or securities giving access to the Company's share capital would be carried out without preferential subscription right of the shareholders.

In addition to the legal limit of **10% of the share capital, the issuances carried out by virtue of this delegation should comply with the limits set forth in the 24th resolution** (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period, i.e., 23.36%).

No amount was used for the preceding delegation granted by your Shareholders' Meeting in 2007.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 14th resolution.

Delegation of authority to the Board of Directors to increase the company's share capital through incorporation of reserves, profits, premiums or any other amounts that may be capitalized (28th resolution).

It is proposed to your General Shareholders' Meeting to delegate, for a 26-month period, to the Board of Directors the authority to decide to increase the share capital, on one or more occasions, at the times and under the conditions that it deems favorable, through the incorporation of reserves, profits, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares and/or the increase of the nominal value of the existing ordinary shares.

In relation to the previous delegation that had been granted by the General Shareholders' Meeting in 2007 and which is reaching expiration, the maximum nominal amount for the issuance of securities within this delegation is **maintained at € 33 million**, representing approximately **25.69% of the share capital**, it being specified that this maximum amount is independent of the limits provided for in the preceding 23rd (non dilutive issuances with preferential subscription right of the shareholders), 24th (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period), 25th (authorization to increase the number of securities to be issued), 26th (dilutive issuance in the event of a public exchange offer) and 27th (dilutive issuance in consideration for contributions in kind) resolutions.

No amount was used for the preceding delegation granted by your Shareholders' Meeting in 2007.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 15th resolution.

Delegation of authority to the Board of Directors to increase the share capital in favor of employees who are members of a Company's savings plan and/or to carry out reserved sales of securities (29th resolution).

It is requested that you renew the delegation of authority granted to the Board of Directors, for a 26-month period, to decide to increase the Company's share capital through the issuance of ordinary shares, or securities giving access to ordinary shares, of your company and reserved for the members subscribing to a company savings plan of the Company or of companies, French or foreign, related to the Company according to Articles L. 225-180 of the French Commercial Code and L. 3344-1 of the French Labor Code.

In relation to the previous delegation that had been granted by the General Shareholders' Meeting in 2007 and which is reaching expiration, the maximum nominal amount of the increase of the Company's share capital that may be achieved pursuant to this resolution is **maintained at the amount of € 3 million**. **This limit represents approximately 2.3% of the share capital as at December 31, 2008**, it being specified that this limit is set independently of and distinct from the limits set in the previous resolutions. Furthermore, as of December 31, 2008, employees held 8,465,980 shares, in particular via the "Groupe Danone FCPE", representing approximately 1.65% of the Company's share capital.

The issuance of ordinary shares would be carried out without shareholder preferential subscription rights.

The discount offered within the framework of the company's savings plan would be set at 20% of the average of the opening prices of the Groupe Danone share listed on Euronext during the twenty trading sessions preceding the date of the decision setting the opening date for subscription. It is specified that, while this delegation is being implemented, the Board of Directors may decrease the amount of the discount on a case-by-case basis for reasons of legal, tax or social constraints that may be applicable outside of France, in any of the countries in which the Group's entities who employ the employees participating in the share capital increases are located. The Board of Directors may also decide to substitute the discount with a grant of shares free of charge for subscribers of new shares.

Pursuant to applicable legal provisions, the transactions planned in this resolution may also take the form of the selling of shares to members of a company savings plan.

With the delegation authorized by your General Shareholders' Meeting in 2007, an amount of € 237,671 was used as at December 31, 2008 (corresponding to approximately 8% of the authorized total), i.e., an available balance of € 2,762,329 as at December 31, 2008.

This delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 16th resolution.

Authorization granted to the Board of Directors to grant options giving the right to subscribe and/or purchase shares (30th resolution)

It is requested that you renew, for a 26-month period, the authorization granted to your Board of Directors to grant, on one or more occasions, options to purchase existing shares and/or options to subscribe to new shares of the Company, for the benefit of personnel and of eligible directors and officers (*mandataires sociaux*) of the Company and of companies or economic interest groups related, directly or indirectly, to the Company according to Article L. 225-180 of the French Commercial Code.

The total number of shares that may be acquired through the exercise of options will be maintained (compared to the previous delegation that had been granted by the General Shareholders' Meeting in 2007 which is reaching expiration) and will not exceed six million Company shares, representing, approximately 1.17% of the share capital as at December 31, 2008. The options will have a maximum exercise period of ten years.

Subject to applicable legal provisions, the exercise price of the options to subscribe and/or purchase will be set without a discount by the Board of Directors, it being specified that this price may not be less than 100% of the average of the opening prices of the Groupe Danone share listed on Euronext during the twenty trading sessions preceding the date of the decision by the Board of Directors to grant the options.

Your Board of Directors draws your attention to the following characteristics of its policy toward the grant of options to purchase shares:

- the options are granted regularly (once per year and at fixed dates) to directors and officers (*mandataires sociaux*) and to other beneficiaries of the option;
- the exercise price of options does not include a discount;
- the options are exercisable at the end of a four-year period following their grant and the duration of the plans is eight years, unless exception.
- in the event of voluntary departure, the options granted are cancelled;

Your Board does not anticipate any modifications to this policy concerning the grants which would be made as a result of this resolution.

Further, the Board of Directors recalls that it takes into account the achievement of the objectives and of the performance of the Group to decide the allocation of stock options.

As regards the allocation to the directors and officers (*mandataires sociaux*), the Board will decide, further to the recommendation of the Nomination and Compensation Committee, specific performance conditions with respect to the stock options programs which would be decided under this resolution. In accordance with the practice of the Group, such conditions will be aimed at closely relating the compensation with the performance of the Group on short and medium terms.

In addition, it is reminded that since 2007, the Board has decided that all corporate officers must hold a certain number of shares corresponding to 35% of the capital gain upon acquisition, net of taxes and social security charges, that was achieved with respect to all of the shares resulting from an exercise of options carried out by the executive concerned under this plan.The Board of Directors also decided to subject all of the other members of the Executive Committee to this commitment to hold shares, which is applicable under the same conditions. The Board of Directors will maintain this obligation with respect to all shares resulting from an exercise of options that would be granted to all corporate officers as well as to all other members of the Executive Committee pursuant to the present resolution.

Furthermore, the Board of Directors recalls that the Group policy regarding authorizations to allocate stock options and shares free of charge has a limited impact in terms of shareholding/dilution of the share capital:

- the balance of options not exercised as of December 31, 2008 is equal to € 14,939,198 shares, being 2.91% of the share capital;
- the number of shares that may be issued as a result of the options granted within this resolution is equal to six million shares, being approximately 1.17% of the share capital;
- the number of shares that may be issued as a result of the free grant of options is equal to two million shares, being approximately 0.39% of the share capital;

This represents a maximum total of approximately 4.47% of the share capital.

Every year, the Board of Directors shall inform the General Shareholders' Meeting, in accordance with legal requirements, in particular Article L. 225-184 of the French Commercial Code, of the operations carried out pursuant to this resolution.

Within the present delegation authorized by your General Shareholders' Meeting in 2007, an amount of 2,971,538 options were granted as at December 31, 2008, being an available balance of 3,028,462 options as at December 31, 2008.

This new delegation voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 this resolution.

Authorization granted to the Board of Directors to allocate ordinary shares of the company free of charge (31st resolution)

The present authorization has as its purpose to authorize the Board of Directors, for a 26-month period beginning from this General Shareholders' Meeting, to allocate ordinary shares of the Company, existing or to be issued, free of charge for the benefit of personnel or certain categories of personnel that it shall select from among the employees and the eligible directors and officers (*mandataires sociaux*) of the Company and the companies related to the Company according to Articles L. 225-197-2 of the French Commercial Code;

These allocations may not affect a number of free or existing shares greater than 2 million shares, representing approximately 0.39% of the share capital as at December 31, 2008 (amount unchanged compared to the precious delegation that had been granted by the General Shareholders' Meeting of 2007 and which is reaching expiration).

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, the Board of Directors will report annually to the Shareholder Meeting on transactions carried out as a result of this resolution via a special report.

Further, the Board of Directors recalls that it takes into account the achievement of the objectives and of the performance of the Group to decide the allocation of free shares.

As regards the allocation to the directors and officers (mandataires sociaux), the Board will decide, further to the recommendation of the Nomination and Compensation Committee, specific performance conditions with respect to the free shares programs which would be decided under this resolution. In accordance with the practice of the Group, such conditions will be aimed at closely relating the compensation with the performance of the Group on short and medium terms.

Furthermore, the Board of Directors recalls that the Group policy regarding authorizations to allocate stock options and Company shares free of charge has a limited impact in terms of shareholding/ dilution of the share capital:

- the balance of non exercised options as at December 31, 2008 amounted to 14,939,198 options, i.e., 2.91% of the share capital;
- the number of shares that may be issued from options allocated as a result of this resolution amounts to six million shares, i.e., approximately 1.17% of the share capital;

- the number of shares that may be issued from allocations of shares free of charge amounts to two million shares, i.e., 0.39% of the share capital.

This represents a maximum total of approximately 4.47% of the share capital.

Every year, the Board of Directors shall inform the General Shareholders' Meeting, in accordance with legal requirements, in particular Article L. 225-197-4 of the French Commercial Code, of the operations carried out pursuant to this resolution.

With regard to the preceding delegation granted by your Shareholders' Meeting in 2007, the Company carried out no allocations of shares free of charge at December 31, 2008.

This new delegation voids and replaces the 18th resolution voted by the General Shareholders' Meeting of April 26, 2007.

Authorization granted to the Board of Directors to reduce the share capital by cancelling shares (32nd resolution)

It is requested that you renew the delegation of authority to your Board of Directors, for a 24-month period, in order to reduce the share capital by cancelling, on one or more occasions, within the limit of **10% of the share capital** and by 24-month periods, all or part of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the General Shareholders' Meeting.

With regard to the preceding delegation granted by your Shareholders' Meeting in 2007, the Company proceeded with the cancellation of **10 million shares** and with the subsequent reduction in the share capital by an amount of € 2.5 million.

This new delegation voids and replaces the 19th resolution voted by the General Shareholders' Meeting of April 26, 2007.

20.2.2 Statutory financial statements of the parent company Groupe Danone

INCOME STATEMENT

(In € millions)	Notes	**2007**	**2008**
Net sales		290	304
Other income		4	-
Total operating income	8	**294**	**304**
Personnel costs	9	(186)	(168)
Other operating expense		(363)	(289)
Total operating expense	10	**(549)**	**(457)**
Net operating (expense) income		**(255)**	**(153)**
Income from investments		1 627	1 021
Interest and similar income		4	5
Interest and similar charges		(176)	(425)
Other financial (expense) income		(12)	10
Net financial (expense) income	11	**1,443**	**611**
Income before non-recurring items and tax		**1,188**	**458**
Non-recurring (expense) income	12	**2,627**	**260**
Income tax	13	231	131
Net income		**4,046**	**849**

BALANCE SHEET

Assets

		2007			2008
(In € millions)	Notes	Net	Gross	Depreciation and provisions	Net
Intangible assets		7	34	(23)	11
Tangible assets		8	22	(15)	7
Equity interests		16,254	16,264	(30)	16,234
Other financial assets		1,227	1,104		1,104
Financial assets	2	***17,481***	***17,368***	***(30)***	***17,338***
Fixed assets		**17,496**	**17,424**	**(68)**	**17,356**
Receivables	3	924	120	(2)	118
Marketable securities	4	133	133		133
Cash and cash equivalents		1	1		1
Current assets		**1,058**	**254**	**(2)**	**252**
Deferrals and prepaid expenses		17	21		21
TOTAL ASSETS		**18,571**	**17,699**	**(70)**	**17,629**

Liabilities

		2007		2008
(In € millions)	Notes	(after distribution)	(before distribution)	(after distribution)
Capital stock		128	128	128
Additional paid-in capital		52	93	93
Revaluation reserve		4	4	4
Reserves		3,794	3,794	3,890
Retained earnings		3,625	3,658	3,942
Profit (loss) for the year		-	849	
Regulated provisions		2	10	10
Shareholders' equity	5	**7,605**	**8,536**	**7919**
Provisions for risks and liabilities			6	6
Debenture loans	6	-	2,329	2,329
Financial liabilities	6	5,688	3,266	3,266
Other liabilities	7	5,278	3,492	4,109
TOTAL LIABILITIES		**18,571**	**17,629**	**17,629**

Notes to the Individual Financial Statements of the Parent Company

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

NOTE 1 - Accounting Principles

The Company's financial statements are prepared according to French statutory and regulatory provisions and to generally accepted accounting principles.

The main methods used are as follows:

INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are valued at their acquisition cost (including acquisition-related costs) and are depreciated on a straight-line basis according to estimated useful lives as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 10 years
Other tangible assets	4 to 10 years
Software	1 year

FINANCIAL ASSETS

These are comprised of equity interests, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the latter to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classed as other financial assets.

Equity interests are recognized at the lower of their acquisition cost and their value in use. Acquisition-related costs are included in the cost of acquisition of equity interests acquired since January 1, 2007 and amortized over 5 years as from the date of acquisition. The tax-deduction of these costs is secured by the recognition of additional depreciation in excess of that economically required. The value in use is determined on the basis of various criteria, including market value, expected profitability and revalued shareholders' equity. An impairment provision is recorded when the recoverable value of equity interests becomes durably lower than their carrying value.

Depreciation charges and provision write-backs are booked to financial (expense) income, with the exception of provision write-backs performed in connection with investment disposals, which are recorded as non-recurring items. The results of disposals of equity interests are accounted for in non-recurring (expense) income.

The Groupe Danone shares held as a result of the authorizations given by the General Meeting are valued at their purchase price. An impairment provision is booked, if necessary, for shares that are not to be cancelled when their inventory value (assessed at the average rate for the last month of the financial year or on the basis of the allocation prices in the case of stock options granted) becomes lower than their carrying value.

RECEIVABLES

Receivables are valued at their nominal value. An impairment provision is recorded when the inventory value is less than the carrying value.

TRANSACTIONS IN FOREIGN CURRENCIES

Expenses and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction. Liabilities, receivables and cash in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The difference resulting from the conversion of foreign currency liabilities and receivables at this latter rate are recorded in the balance sheet in the line item "Deferrals and prepaid expenses". A provision for risk is recognized for non-hedged unrealized exchange losses.

MARKETABLE SECURITIES

The gross value corresponds to the acquisition cost excluding acquisition-related costs. Marketable securities are valued, for each category of securities of the same nature, at the lower of their acquisition cost and their market value. This item includes treasury shares acquired in connection with the setting-up of stock options and allocated immediately. If the option exercise price fixed in the plan is lower than the price of the acquisition of the share by Groupe Danone, a provision for depreciation is recognized at year-end to cover the expense linked to the probable exercise of the options.

PROVISIONS FOR RISKS AND LIABILITIES

Provisions are booked for clearly identified risks and liabilities of uncertain timing or amount, when the company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the company.

NOTE 2 - Financial Assets

(In € millions)	**2007**	**2008**
Equity interests	16,254	16,234
Other financial assets	1,227	1,104
TOTAL	**17,481**	**17,338**

EQUITY INTERESTS

The main movements for the year concern:

- the purchase of the remaining 1.15% of Royal Numico N.V. shares for € 143 million; following this operation, Groupe Danone holds 100% of the capital of Royal Numico N.V.;
- the disposal of the holding in Sources du Mont-Dore en Auvergne, referred to as SMDA (Waters – France), for the net amount of € 25 million;
- the sale of the holding in Roncevaux to Compagnie Gervais Danone for the net amount of € 131 million.

OTHER FINANCIAL ASSETS

The other financial assets include loans, deposits, long-term investments other than equity interests, and Groupe Danone treasury stock.

The change in the Company's treasury stock and included in this item corresponds to the delivery to the employees of 1,401,031 treasury shares following the exercise of stock options.

As of December 31, 2008, after these operations, this item comprised 28,366,908 treasury shares.

NOTE 3 - Receivables

This item mainly comprises receivables from the Company's subsidiaries and equity interests amounting to € 59 million. The majority of the receivables have a maturity date of less than one year.

NOTE 4 - Marketable Securities

This item comprises € 113 million of treasury stock acquired in connection with the setting-up of stock options and allocated immediately, and investments made by the Company in the danone.communities fund in 2007. Danone.communities is a mutual fund, the aim of which is to finance certain social projects through an investment medium with a return that is very close to the money-market rate.

NOTE 5 - Capital and Additional Paid-in Capital

		Capital	Additional paid-in capital
(In € millions)	**Number of shares**	**Amount**	**Amount**
As of December 31, 2007	**512,851,460**	**128**	**52**
Increase in capital reserved for Employee Share Ownership Plan	950,684	-	41
As of December 31, 2008	**513,802,144**	**128**	**93**

NOTE 6 - Financial Liabilities

In connection with the refinancing of its existing debt, the Company set up new financing instruments in 2008:

- issue of debenture loans denominated in euros for a total of € 2.25 billion falling due in 2011 and 2015;
- medium-term loan of € 1 billion from its subsidiary, Danone Finance.

As of December 31, 2008, this item mainly comprised draw downs on a syndicated loan amounting to € 1.75 billion, debenture loans for € 2.25 billion and medium-term loans for € 1.5 billion taken out with financial subsidiaries.

NOTE 7 - Other Liabilities

As of December 31, 2008, this item mainly comprised the Company's debts towards subsidiaries and equity interests, including a current account with Danone Finance International for the amount of € 3.2 billion. In the balance sheet after distribution, this item also includes the dividend to be paid for financial year 2008 for the amount of € 617 million. The majority of other liabilities have a maturity of less than one year.

NOTE 8 - Operating Income

Operating income mainly comprises the billing of Group companies for services rendered by the Company on their behalf.

NOTE 9 - Operating Expense

Operating expense mainly includes personnel costs, rental charges and fees for external service-providers.

NOTE 10 - Personnel and Compensation

COMPENSATION OF SENIOR MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS

The senior managers' compensation amounted to € 17.5 million in 2008 (€ 12 million in 2007).

The attendance fees paid to Directors in 2008 amounted to 0.4 million euros (0.4 million euros in 2007) and are recorded in the line item "Other operating expenses".

AVERAGE NUMBER OF EMPLOYEES

	2007	2008
Executives	536	510
Supervisors and technicians	123	115
Clerical staff	33	36
TOTAL	**692**	**661**

NOTE 11 - Financial Income (Expense)

Financial income mainly comprises the dividends received from the Company's equity interests. In 2008, these dividends amounted to 1,€021 million compared to 1,€ 627 million in 2007. The reduction was due to dividends to be received from Danone Asia and BHPL recognized for the amount of € 826 million in financial year 2007.

Financial expenses mainly included € 177 million of interest paid on the current account and the medium-term loans granted by Danone Finance International and Danone Finance, as well as € 174 million of interest on the bridging loan and the syndicated loan and € 72 million of debenture loans. The increase in financial expenses is directly linked to the level of the Company's debt (see Notes 5 and 6).

NOTE 12 - Non-recurring (Expense) Income

In 2008, non-recurring items mainly included € 257 million of additional income received in respect of the disposal of stock held by the Company in Générale Biscuit Glico France. In 2007, non-recurring items included the capital gain of 2,€ 631 million on the disposal of the stock held in Générale Biscuit and Opavia.

NOTE 13 - Income Tax

TAX GROUP

Groupe Danone forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%. The Company has signed an agreement relating to the conditions of application of the tax consolidation, in compliance with the rules set by the French tax administration, with some of the companies that have opted for this regime. This agreement does not provide for the repayment by Groupe Danone to its consolidated subsidiaries of tax savings made as a result of the subsidiaries' tax losses, if the latter should subsequently make a taxable profit or leave the tax group.

The tax profit recorded in the income statement in 2008 mainly resulted from the excess tax paid by the profit-making subsidiaries in relation to the tax charge resulting from the tax consolidation, for € 131 million, and any adjustments of the tax charge from prior years.

The companies belonging to the tax group in 2008 were as follows:

Alfabanque	Groupe Danone
Arcil	Holding Européenne de Boissons
Blanrim	Menervag
Blédina	Heldinvest 1
C C M A	Heldinvest 3
Celaco	Produits Laitiers Frais Est Europe
Compagnie Gervais Danone	Produits Laitiers Frais Nord Europe
Danone	Produits Laitiers Frais Sud Europe
Danone Dairy Asia	Société Anonyme des Eaux Minérales d'Evian
Danone Finance	Société des Eaux de Volvic
Danone Research	Step St Just
Drinkco	Stonyfield France
Et Votre Corps Sourit	
Dansource	

As of December 31, 2007, tax loss carry-forwards generated within the tax group in France amounted to € 570 million. As of December 31, 2008, these tax loss carry-forwards amounted to € 938 million. Procedures are in progress to ensure that all of these losses are utilized in the future.

NOTE 14 - Off-balance-sheet Commitments

The Company or its subsidiaries have undertaken to acquire the shares held by third-party shareholders in certain companies in which the Company has a direct or indirect stake, should such shareholders wish to exercise their put option. The acquisition price is generally based on the profitability and financial position of the company concerned at the date of exercise of the put option. As of December 31, 2008, these financial commitments were estimated at € 2.9 billion for the Group as a whole, and at present significant financial investment in this respect is not considered probable in the short term.

As of December 31, 2008, endorsements, deposits and other guarantees given amounted to € 11 billion and concerned guarantees given to Danone Finance. At that same date, rent obligations amounted to approximately € 68 million and obligations relating to purchases of services amounted to approximately € 26 million. The Company has also committed € 16 million to the Fondation Danone.

Obligations relating to guaranteed pension supplements, valued according to the retrospective actuarial method, amounted to approximately € 1.0 million as of December 31, 2008 after taking into account the amounts available in the funds. As regards the pension plan reserved for certain senior managers, the Company's obligation and the value of the assets available in the fund amounted to € 180 million and € 184 million respectively as of December 31, 2008 compared to € 193 million and € 185 million respectively as of December 31, 2007.

In addition, as of December 31, 2008, the total amount of the Company's obligation relating to corporate officers' pensions amounted to € 32.1 million.

In addition, on July 21, 2004, the Board of Directors set the indemnification conditions of the members of the Executive Committee in certain cases where they cease their terms of office or functions. The indemnity corresponds to twice the annual gross compensation (fixed, variable and in-kind) they received over the last 12 months before they cease their functions. On February 13, 2008, the Board of Directors decided to terminate these indemnities due to the Company's four corporate officers. The General Meeting of April 29, 2008 authorized the granting to these four corporate officers of new terms of indemnification, leaving the amounts and cases of payability unchanged, but subordinating the payment of these indemnities to conditions of performance.

The indemnity paid to each of the members of the Executive Committee concerned would correspond to an amount equal to twice the gross compensation (fixed, variable and in-kind) that they received over the last 12 months before they cease their functions.

Credit lines, authorized but not used, amount to € 3.7 billion.

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business. Some of these proceedings involve claims for damages, and liabilities are accrued for when a loss is probable and can be reasonably estimated.

NOTE 15 - Related Party Transactions

	As of December 31	
(In € millions)	**2007**	**2008**
Other receivables	878	59
Other liabilities	4,445	3,228
Financial liabilities	500	1,506
Operating income	259	282
Financial income	1,630	1,024
Total Income	**1,889**	**1,306**
Operating expense	(54)	(66)
Financial expense	(97)	(177)
Total Expense	**(151)**	**(243)**

SECURITIES HELD IN PORTFOLIO AS OF DECEMBER 31, 2008

		As of December 31
(In € millions)	**Number of shares**	**Net book value as of December 31, 2008**
1 French holdings		
Alfabanque	249,994	31
Blédina	735,026	15
Compagnie Gervais Danone	33,440,080	536
Danone Finance	53,900,740	876
Holding Européenne de Boissons	57,835,571	1,178
Total French holdings		**2,636**
2 Foreign holdings		
Danone Singapore Holdings	144,830,596	159
Danone Asia	701,114,726	651
Danone Services Benelux	72,464	400
Danone Finance Netherlands	800,000	63
Danone Baby and Medical Nutrition BV	223,444,608	12,325
Total foreign holdings		**13,598**
Total holdings		**16,234**
3 Long-term investments and other financial assets		
Treasury stock	28,366,908	1,098
Total long-term investments and other financial assets		**1,098**
GENERAL TOTAL		**17,332**

COMPANY'S FINANCIAL RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2004 (1)	**2005**	**2006**	**2007** (2)	**2008**
Capital at balance sheet date					
Share capital *(in euros)*	134,047,760	132,117,595	130,432,373	128,212,865	128,450,536
Number of shares issued	268,095,520	264,235,190	260,864,746	512,851,460	513,802,144
Number of convertible bonds:					
Nominal value: 197 euros	3,166,081	353,887	-	–	–
Operations and results for the year *(in € millions)*					
Sales excluding taxes	140	132	228	290	305
Profit before taxes, depreciation and provisions	448	885	394	3,843	(501)
Income tax (profit)	92	196	226	230	131
Profit after taxes, depreciation and provisions	423	810	874	4,046	850
Distributed profits	362	449	522	564	617
Earnings per share *(in euros)*					
Profit after taxes, but before depreciation and provisions	2.01	4.09	2.38	7.94	0.83
Profit after taxes, depreciation and provisions	1.58	3.07	3.35	7.89	1.65
Dividend paid to each share	1.35	1.70	2.00	1.10	1.20
Personnel					
Average number of employees for the year	711	713	673	692	661
Wage bill *(in € millions)*	100	98	99	131	114
Benefits paid (social security, social benefit schemes, etc.) *(in € millions)*	44	46	50	55	54

(1) The stock underwent a two-for-one split in June 2004.
(2) The stock underwent a two-for-one split in June 2007.

Corporate Documents

Notes to the Individual Financial Statements of the Parent Company - NOTE 15

SUBSIDIARIES AND AFFILIATES AS OF DECEMBER 31, 2008

(In € millions)	Capital [1]	Other shareholders' équité [1] [3]	Percentage of capital held (as %)	Book value of shares held: Gross	Book value of shares held: Net	Guarantees and endorsements given by the Company	Sales for last financial year [2]	Profit or (loss) for last financial year [2]	Dividends received by the Company during the year
SUBSIDIARIES (at least 50% of capital held by the Company)									
FRENCH ENTITIES									
ALFABANQUE	5	57	83	31	31			3	2
BLÉDINA	20	82	55	15	15		763	70	51
CIE GERVAIS DANONE	843	552	100	536	536			415	799
DANONE FINANCE	862	(62)	100	876	876	3 120		(144)	
HOLDING EUROPÉENNE DE BOISSONS	1,157	27	100	1,178	1,178			164	52
FOREIGN ENTITIES									
DANONE SINGAPORE HOLDINGS	187	(12)	61	159	159			33	20
DANONE ASIA	634	37	71	651	651			93	83
DANONE SERVICES BENELUX	181	249	100	400	400			18	
DANONE FINANCE NETHERLANDS	8	35	100	94	63			1	
DANONE BABY AND MEDICAL NUTRITION BV	56	12,369	100	12,325	12,325			23	
AFFILIATES (at least 10 to 50% of capital held by the Company)									
None									

(1) The amounts relating to foreign companies are converted at the year-end rate.
(2) The amounts relating to foreign companies are converted at the average rate for the year.
(3) Excluding results for the year.

20.2.3 Statutory Auditors' General Report on the Annual Financial Statements

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2008 on:

- the audit of the accompanying annual financial statements of Groupe Danone:
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France: those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities of Company, as of December 31, 2008, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- equity interests are recorded in the assets in your company's balance sheet for a book value of € 16,234 million. Note 1 to the financial statements describes the methods adopted for accounting for these shares as well as the methods used to calculate the provision for depreciation. We performed sample tests to confirm that these methods were applied correctly and we reviewed the methods used to determine the amount of the provisions. We have assessed the data and assumptions on which these estimates are based, that are uncertain by nature, and the realization of which is likely to postpone, possibly in a significant way, forward-looking date that are used, in particular due to the current economical and financial context;
- as stated in Note 14 to the financial statements, your company and/or its subsidiaries are committed to acquiring the shares held by third-party shareholders in certain companies in which your company and/or its subsidiaries hold majority or minority interests, should these companies wish to exercise their put options. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. We have assessed the data and assumptions on which these estimates are based and the resulting valuations.

The assessments were thus made in the context of our audit of the financial statements taken as a whole and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by French law. We have no matters to report regarding:

- the fair presentation and the conformity with the financial statements of the information given in the Directors' Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Directors' Report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders (and holders of the voting rights) has been properly disclosed in the Directors' Report.

Courbevoie and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
French original signed by:		*French original signed by:*	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

20.2.4 Statutory Auditors' Special Report on Related Party Transactions

In our capacity as Statutory Auditors of your company, we present you with our report on the regulated party transactions.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE FISCAL YEAR AND UNTIL THE APPROVAL OF THE FINANCIAL STATEMENTS

Pursuant to article L. 225-40 of the French Commercial Code, we have been informed of the agreements and commitments that were subject to a prior authorization of your Board of Directors.

Our duty is not to research the possible existence of other agreements and commitments but instead to inform you, on the basis of the information that has been provided to us, of the essential characteristics and terms and conditions of those agreements and commitments presented to us, without having to provide an opinion on whether or not they are useful or well-founded. It is your duty, in accordance with the terms of article R. 225-31 of the French Commercial Code, to pass judgment on the reasons associated with the conclusion of these agreements and commitments in light of their approval.

We have completed our work in accordance with the professional standards of the Compagnie nationale des commissaires aux comptes (National Association of Statutory Auditors) with regard to this mission. This work consisted in verifying the consistency of the information given to us relative to the documents they are taken from.

Guarantees and securities granted

- Companies concerned: Groupe Danone, Danone Finance

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital.

The Board of Directors' Meeting of April 29, 2008 modified the preceding agreement authorized by the Board of Directors on February 14, 2007 that allowed the Chief Executive Officer of your company to grant a guarantee with respect to the treasury notes issued by Danone Finance, up to a limit of € 3 billion, including any interest, fees, disbursements and accessory payment in connection with this outstanding credit amount, as well as any additional amounts that may become due by this subsidiary within the framework of this treasury notes program.

(In € thousands)	
Average outstanding credit amount used in 2008	2,130,892
Interest income	2,131

- Companies concerned: Groupe Danone, Danone Finance, Alfabanque

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital. Groupe Danone SA is a director of Alfabanque and holds 83.33% of its share capital.

The Board of Directors' Meeting of December 18, 2008 authorized your company to guarantee all of the commitments of its subsidiaries Danone Finance and Alfabanque that would become additional borrowers to the committed credit facility to the Company with respect to all of their financial obligations in principal, interest, fees, commissions and accessory payments and, more generally, with respect to any payments due to their capacity as additional borrowers, in the context of this credit facility line, and up to a limit of a maximum principal amount of € 500 million.

As of December 31, 2008 this guarantee has never been taken advantage of.

AGREEMENTS AND COMMITMENTS APPROVED DURING PAST FISCAL YEARS AND THAT CONTINUED TO APPLY DURING THIS FISCAL YEAR

In addition, in compliance with the French Commercial Code, we have been informed of the fact that the following agreements and commitments approved during past fiscal years continued to apply during the last fiscal year.

Guarantees and securities granted

- Companies concerned: Groupe Danone, Danone Finance

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital.

The Board of Directors' Meeting of February 13, 2008 renewed its authorization allowing your company to guarantee or to become a guarantor of Danone Finance when this company operates on financial markets within the framework of financial risk management transactions, up to a limit of € 500 million.

As of December 31, 2007 this guarantee has not yet been taken advantage of.

The Board of Directors' Meeting of October 19, 2007 renewed its authorization allowing your company to guarantee the full amount of the sums due by Danone Finance with respect to its issuance program known as Euro Medium Term Notes, up to a principal amount limit of € 3 billion, as well as any additional amount of interest, fees, disbursements and accessory payments in connection with this outstanding credit amount, as well as any additional amounts that would come to be owed by this subsidiary under this program.

(In € thousands)	
Average outstanding credit amount used in 2008	1,143,407
Interest income	1,143

- Companies concerned: Groupe Danone, Danone Finance, Danone Finance International

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital, Danone Finance International is a wholly-owned subsidiary of Danone Finance.

The Board of Directors' Meeting of October 19, 2007 authorized your company to grant a collateral security for the benefit of its subsidiaries Danone Finance and Danone Finance International to the credit line opened to the Company on December 7, 2007 with respect to all of their financial commitments in principal, interest, and accessory payments and, more generally, with respect to any payments due in their capacity as additional borrowers in the context of this facility, and up to a limit of a maximum principal amount of € 4 billion.

(In € thousands)	
Average outstanding credit amount used in 2008	257,767
Interest income (billing in 2009)	258

Cooperation Agreement

- Companies concerned: Groupe Danone, danone.communities SICAV, danone.communities FCPR, companies of the Groupe Crédit Agricole

Director concerned: Mr. Jean LAURENT, Director of Groupe Danone SA and as of April 26, 2007, Chairman of the Board of Directors of Calyon, a subsidiary of Groupe Crédit Agricole.

The Board of Directors' Meeting of April 26, 2007, within the framework of the danone.communities project, approved the signing of a cooperation agreement established within your company, the danone.communities *Société d'Investissement à Capital Variable* (SICAV, or French mutual fund), the danone.communities *Fonds Commun de Placements à Risques* (FCPR, or French risk fund), and the companies of Groupe Crédit Agricole (namely the companies Ideam and Crédit Agricole Private Equity, management companies for the SICAV and the FCPR, respectively), it being specified that at the date of this meeting, Mr. Jean LAURENT was Chairman of the Board of Directors of Calyon, a subsidiary of Groupe Crédit Agricole. This agreement governs the relations among the Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription by the Company for a maximum amount of € 20 million and the annual financial contribution by the Company of a maximum amount of € 1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors.

The Board of Directors' Meeting of February 13, 2008, increased the annual financial contribution of your company to the FCPR to a maximum of € 2.5 million for the second fiscal year of danone.communities. Messieurs Franck RIBOUD and Emmanuel FABER, Directors of Groupe Danone, did not participate in the vote of this decision, as both were called to exercise the responsibility of director within the danone.communities SICAV.

The financial contribution amounted to € 2.2 million during the 2008 fiscal year.

Agreements concluded with four directors and officers (mandataires sociaux) relative to the conditions under which their employee agreements would again become enforceable following the expiration of their terms of corporate office

- Company concerned: Groupe Danone

1. Directors concerned: Mr. Franck RIBOUD and Mr. Jacques VINCENT

At its July 21, 2004 meeting, the Board of Directors, pursuant to the Compensation Committee's proposition, updated the conditions under which the employee agreements of Franck RIBOUD and Jacques VINCENT would once again become enforceable (it being specified that such employee agreements were suspended on August 26, 1994 when they were nominated as Directors and officers (*mandataires sociaux*) of your Company), under the assumption that, for whatever reason, their term of office was coming to an end, and has established that:

- the amount of time during which they have exercised their duties as directors and officers (*mandataires sociaux*) for the benefit of your Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement;
- the Company undertakes to offer them a position involving duties that are comparable to the ones currently exercised by the members of your Company's Executive Committee;
- the annual compensation that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement;
- they will benefit from the Company's pension plan with set benefits (*prestations définies*) on the basis of their seniority as directors and officers (*mandataires sociaux*) and their seniority under their employee agreement.

2. Directors concerned: Mr. Emmanuel FABER and Mr. Bernard HOURS

The Board of Directors' Meeting of February 13, 2008 authorized the signing of an amendment to the employment agreements concluded with Mr. Emmanuel FABER and Mr. Bernard HOURS, for the purposes of determining the conditions under which their respective employment agreements would once again become enforceable (it being specified that such employee agreements were suspended when they were nominated as directors and officers (*mandataires sociaux*) of the Company), assuming that their term of office was to come to an end, for whatever reason. This amendment provides both executives, in an identical way, with the assurance that:

- the amount of time during which they have exercised their duties as directors and officers (*mandataires sociaux*) for the benefit of your Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement;
- the Company undertakes to offer them a position involving duties that are comparable to the ones currently exercised by the members of your Company's Executive Committee;
- the annual remuneration that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement;
- they will benefit from your Company's pension plan with set benefits (*prestations définies*) on the basis of their seniority as a corporate officer and their seniority under the employee agreement;
- the contractual indemnity that is due in the event of a breach in the employee agreement will be eliminated.

Approval of commitments made by the Company with respect to four directors and officers (*mandataires sociaux*) relative to the conditions applicable to indemnities paid to them in certain cases of termination of their respective terms of corporate office

- Company concerned: Groupe Danone

Directors concerned: Mr. Emmanuel FABER, Mr. Bernard HOURS, Mr. Franck RIBOUD and Mr. Jacques VINCENT

The Board of Directors' Meeting of February 13, 2008 decided on the principle and terms and conditions of a right to the payment of an indemnity to each of the four directors and officers (*mandataires sociaux*) of the Company in the event that (i) their respective duties as directors and officers (*mandataires sociaux*), for whatever reason other than a *faute grave* or a *faute lourde* (serious misconduct or gross negligence), are not renewed, or (ii) they resign from their duties within the timeframe of twelve months following a change in control of the Company.

In these cases, the corporate officer concerned shall receive, as an indemnity, an amount equal to two times his or her gross annual remuneration (including his or her fixed and variable remuneration and benefits in kind) received with respect to the performance of his or her duties during the twelve months preceding the expiration date of his or her duties as corporate officer.

The payment of this indemnity will be dependent on satisfying performance conditions that are identical for each of the four directors and officers (*mandataires sociaux*), and based on the comparison of the growth in the Danone group's sales with that of a panel of international reference groups in the food and beverages sector over a five-year period.

The payment of this indemnity will be dependent on:

- the internal growth ("organic") of the sales of Groupe Danone ("the CICA of the Group") over the course of the five full fiscal years preceding the termination of the duties as corporate officer of the executive in question ("the Reference Period");
- the internal growth ("organic") of the sales achieved by the members of the Panel ("the CICAs of the Panel"), over the course of the Reference Period;

It being specified that:

- the CICA of the Group and the CICA of the Panel are to be understood while keeping both scope of consolidation and constant exchange rates; and
- Panel corresponds to seven international reference groups in the food and beverages sector, i.e., Kellogg Company, Unilever, Nestlé, Kraft Foods Inc., Pepsi Co Inc., The Coca-Cola Company and Cadbury Schweppes PLC.

In addition, to ensure the comparability of the CICAs retained, it is hereby specified that:

- in the event of the absence or delayed publication of audited accounting or financial data for one of the members of the Panel, the Board of Directors will, on an exceptional basis, have the option of excluding this member from the Panel;
- in the event of the absence or delayed publication of audited accounting or financial data for several of the members of the Panel, the Board of Directors will deliberate on the basis of the last audited financial statements published by the members of the Panel and by the groupe Danone company over the course of the last five full fiscal years for which financial statements will have been published, for all of the members of the Panel and for Groupe Danone.

In addition, the Board of Directors will have the option of excluding a member of the Panel in the event of the repurchase, consolidation, dissolution, merger, or change of business activity of any of the companies on the Panel, subject to preserving the overall coherence of the sample.

The Board of Directors will determine, over the Reference Period, the median of the CICAs of the Panel (i.e., the central value of the CICAs of the Panel, thereby dividing the CICAs of the Panel into two entities of equal size), as well as the value corresponding to the first quartile of the CICAs of the Panel (i.e., the value below which are located 25% of the CICAs of the Panel).

Therefore, over the Reference Period:

- if the Group's CICA is equal to or greater than the median CICA of the Panel, the corporate officer concerned will be allocated 100% of the amount of the indemnity;
- if the Group's CICA is greater than or equal to the first quartile and lower than the median of the CICAs of the Panel, the corporate officer concerned will be allocated 50% of the amount of the indemnity;
- if the Group's CICA is lower than the first quartile of the CICAs of the Panel, no indemnity will be paid out to the corporate officer concerned.

For this purpose, an end was brought to the contractual indemnities authorized by the Board of Directors' Meeting of July 21, 2004 with respect to the terms of corporate office of Mr. Franck RIBOUD and Mr. Jacques VINCENT, respectively, and of certain cases in which the employee agreements of Mr. Emmanuel FABER and Mr. Bernard HOURS would be terminated.

Compliance of Ongoing Commitments with Set Benefit Pension Plans *(retraites à prestations définies)* of Directors and Officers *(mandataires sociaux)*

- Company concerned: Groupe Danone

Directors concerned: Mr. Emmanuel FABER, Mr. Bernard HOURS, Mr. Franck RIBOUD and Mr. Jacques VINCENT

The Board of Directors' Meeting of February 13, 2008 confirmed the commitment that the Company undertook with respect to each of the four directors and officers (*mandataires sociaux*) relative to the payment of a retirement pension with set benefits in the form of an annuity (with a transfer option), calculated on the basis of the following elements:

- the basis of calculation for the retirement guarantee corresponds to the average of the annual base salaries and bonuses for the past three full years of activity with the Group. Seniority that is taken into account would include the period corresponding to the term of corporate office;
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the officer retired and the age at which he would have received his full time social security pension will be applied to this annuity;
- the amount of the life annuity that would be paid to Mr. Franck RIBOUD and Mr. Jacques VINCENT would correspond to 2% of this basis of calculation per year of seniority (this amount however will be subject to a ceiling of 65% of this basis of calculation), minus the full

amount of pension rights that Mr. Franck RIBOUD and Mr. Jacques VINCENT are entitled to and have acquired over the course of their professional careers, including the additional pension plan paid for in full by your Company;

- the amount of the life annuity that would be paid out to Mr. Emmanuel FABER and Mr. Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche located between 3 and 8 ceiling levels of French Social Security, and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this basis of calculation, for the tranche that is higher than these 8 ceiling levels (this amount however will be limited on the basis of a maximum seniority of 20 years) minus the full amount of pension rights that Mr. Emmanuel FABER and Mr. Bernard HOURS have acquired due to the implementation of the additional pension plan paid for in full by your Company.

The officer concerned is eligible to this pension plan only if he has performed his or duties within the Group at the time he retires (it being specified that in the event the officer leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan is preserved, on the condition that the officer never again holds a salaried position).

Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

20.3 Dividend Distribution Policy

The following is withheld from profits (from which, if applicable, have already been deducted past losses): (i) first, at least 5% for the creation of the legal reserve fund, a deduction that shall cease to be mandatory when the said fund will have reached one tenth of the share capital, but that will apply again if, for any reason whatsoever, this amount is no longer reached, and (ii) any sums to be allocated to reserves in accordance with the law.

The balance, to which are added accumulated profits, represents the distributable benefit from which is withheld the necessary amount to allocate to shareholders, with respect to a first dividend payment, an interest payment of 6% per annum based on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year profits are not sufficient enough to carry out this payment, a withholding from the results of future fiscal years cannot be made.

The surplus is available to the annual Shareholders' Meeting to be allocated, in accordance with the Board of Directors' proposition, to shares as dividends or to be distributed, in full or in part, to any reserves accounts or to be carried forward.

The reserves that are available to the Shareholders' Meeting can be used, should it so decide, to finance a dividend payment on the shares. In this case, the decision shall expressly state the items from which the withholdings will be taken.

A dividend payment of € 1.2 will be proposed at the Shareholders' Meeting of April 23, 2009 with respect to the shares for which the benefit date (*date de jouissance*) is January 1, 2008.

If this dividend is approved, the corresponding dividend coupon will be detached from the share on April 30, 2009 and will become payable as from May 27, 2009.

In addition, the General Shareholders' Meeting dated April 23, 2009 will give each shareholder the option to select a payment in the form of new Company shares bearing on the full amount of the dividend payable with respect to the amount of securities he or she owns.

The benefit date of the new shares will be January 1, 2009, and will carry all of the same rights as other Company shares.

The issuance price of these new shares is set at 90% of the average of the Company share's first listed prices on the Euronext market, during the twenty trading days preceding the day of this Shareholders' Meeting minus the amount of the dividend paid out. This issuance price will be rounded up to the nearest Eurocent.

If the amount of dividends to which the shareholder is entitled does not correspond to a whole number of shares, he or she may receive:

- either the number of shares immediately below their amount owed, plus the payment of the difference in cash;
- or the number of shares immediately above said amount owed, provided an additional cash payment is made.

The option to select a dividend payment in shares will be available as of April 30, 2009 until May 18, 2009. If the shareholder has not exercised this option within this timeframe, he or she shall receive a cash payment for the full amount of dividends owed to him or her.

After the data for the period prior to June 2007 has been reprocessed, following the two-for-one stock split that occurred in June 2007, the dividends distributed with respect to the three preceding fiscal years were the following:

Dividend for the year	Dividend per share	Dividend approved (1) *(in € millions)*	Dividend paid (1) *(in € millions)*
2005	0.85	449	418
2006	1.00	522	483
2007	1.10	564	530

(1) The shares held directly by the Company do not grant the right to the payment of the dividend. However, the shares held by the Company's subsidiaries grant the right to the payment of this dividend.

The payment of the dividend is carried out by Euroclear France.

The net future dividends will depend on the Company's ability to generate a profit, on its financial position, and on any other factor that the Board of Directors shall consider pertinent.

Dividends that have not been claimed are prescribed to the French State following a five-year period.

20.4 Legal and Arbitration Proceedings

Since January 2008, several class actions were filed in the United States, in particular with the United States District Court of the State of California and in the United States District Court of the State of Ohio against The Dannon Company Inc., one of the Company's subsidiaries. The plaintiffs brought forth allegations with respect to false advertising on the health benefits of the *Activia* and *DanActive* ("*Actimel*") products. The American subsidiary, The Dannon Company Inc., contests this claim vigorously as it considers that the health benefits communicated on the products concerned are based in particular on clinical studies that legitimize such benefits.

The Company and its subsidiaries are parties to a variety of other legal proceedings arising out of the normal course of business. Liabilities are accrued for when the payment of an indemnity seems probable and can be reasonably estimated (see Note 18 of the appendices to the consolidated financial statements).

The Group is not presently party to litigation or arbitration that could have or has had, in the recent past, a significant effect on its financial condition, activities or results.

20.5 Significant Change in the Financial or Commercial Position

The Company and its subsidiaries have not experienced any significant changes in their financial or commercial position since the end of the 2008 fiscal year.

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ADDITIONAL INFORMATION

21.1 Share Capital

21.1.1 Share Capital as of February 28, 2009

As of February 28, 2009, the Company's share capital amounted to € 128,450,536, fully paid, and divided into 513,802,144 outstanding common shares of the same class with a nominal value of € 0.25 per share. Each share gives a right to ownership of a share of the company's assets, of a share of the profits and of the liquidation surplus, in proportion to the quantity of share capital that it represents.

The comparison between the number of outstanding shares as of December 31, 2007 and the number of outstanding shares as of December 31, 2008, is detailed in the table included in section 21.1.7 – Table of evolution of share capital over the last five fiscal years.

21.1.2 Shares Not Representing Share Capital

The Company has not issued shares not representing share capital.

21.1.3 Treasury Shares

PURCHASE BY THE COMPANY OF ITS OWN SHARES

The Board of Directors may, pursuant to legal regulations, purchase the Company's shares on the market.

The General Shareholders' Meeting dated April 26, 2007, authorized the Board of Directors, for an eighteen-month period, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of € 80 per share.

In addition, the General Shareholders' Meeting dated April 29, 2008, authorized the Board of Directors, for an eighteen-month period, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of € 80 per share. This authorization cancels and replaces the authorization previously granted at the General Shareholders' Meeting dated April 27, 2007.

Over the course of 2008 and up until February 28, 2009, the Company has not undertaken any repurchases of treasury shares.

The following table details the distribution of treasury shares repurchased up until May 2007 pursuant to the authorizations granted by the Shareholders' Meetings, it being specified that since that date the Company has not undertaken any repurchases of its own shares:

Date of Shareholders' Meeting authorizing the share repurchase program	Result of repurchase	Number of repurchased shares	Total value of repurchased shares
April 27, 2006	Cancellation of shares	4,156,173	€ 469,118,405
	Stock option plans	155,186	€ 18,036,537
	Acquisitions	1,814,037	€ 171,067,712
April 26, 2007	Cancellation of shares (1)	2,467,050	€ 290,228,560
	Stock option plans	806,564	€ 97,744,110
	Acquisitions	-	-

(1) An amount equal to 1,844,442 securities will be cancelled at the latest in May 2009.

During 2008, the Company carried out the following transactions on its previously repurchased shares:

- 1,401,031 shares were transferred to employees following the exercise of stock options;
- 2,606,041 shares were re-alocated from acquisitions to the coverage of the stock options granted by the Board of Directors held on April 29, 2008;
- no repurchase of the Company's own shares was undertaken.

In addition, the Board of Directors will submit at the next Shareholders' Meeting to be held on April 23, 2009, a resolution valid for eighteen months, which will cancel and replace the authorization granted by the Shareholders' Meeting of April 29, 2008, to authorize the Company's Board of Directors to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company (for purposes of illustration and without taking into account treasury shares, 51,380,214 shares at December 31, 2008, representing a maximum aggregate purchase price of € 3,339,713,910) at a maximum purchase price of € 65 per share. The purpose of the share repurchase program is the following:

- the allocation of shares deriving from the exercise of stock options by the Compagny's employees, directors and officers (*mandataires sociaux*) as well as by employees and directors and officers (*mandataires sociaux*) of companies or legal entities in which the Company holds, directly or indirectly, at least 10% of the share capital or voting rights;
- the implementation of any plan for the free allocation of shares to eligible employees and directors and officers (*mandataires sociaux*), or to certain ones among them;
- the sale of shares to employees (either directly or through an employee savings plan) within the framework of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving right to the Company's share capital;
- the retention or enventual delivery of shares for payment or exchange particularly with regard to acquisitions; and
- the cancellation of shares up to the maximum legal limit.

Pursuant to applicable regulations, shares may be purchased, sold, exchanged or transferred, by any available means, on all markets, including multilateral trading systems, or over-the-counter, including the purchase or sale of blocks of shares. These means include the use of any financial contract, under the conditions authorized by the French *Autorité des marchés financiers*.

These transactions may be carried out for a duration of 18 months as from April 23, 2009, and such at any time, with the exception of periods during which a tender offer for the Company's securities has been undertaken, in compliance with the thresholds indicated in applicable regulations.

CANCELLATION OF SHARES AND CAPITAL DECREASES FOLLOWING SHARE REPURCHASES

The Shareholders' Meeting of April 26, 2007, granted an authorization to the Board of Directors for twenty-four months to cancel shares repurchased in the context of a share repurchase program subject to a limit of 10% of the existing share capital on the day of the meeting.

Pursuant to this authorization, 10,000,000 shares were cancelled on July 9, 2007, which reduced the share capital by a par value amount of € 2.5 million.

TREASURY SHARES

On February 28, 2009, the Company held, directly or indirectly, 35,931,728 shares representing a total value of € 1,223 million (35,994,528 as of December 31, 2008, representing a total value of € 1,225), of which:

- 14,912,639 were for stock option plans and equity securities giving access to the Company's share capital;
- 1,844,442 were held for cancellation; and
- 13,410,527 were held to be used in connection with acquisitions.

Based on the closing prices of the Company's share on Friday 27 February, 2009 (i.e., € 37.85), the market value of treasury shares held as of the present date (i.e., 35,931,728 shares) amounted to € 1,360 million. A positive or negative variation of 10% in the price of the Company's share would result in a variation of € 136 million in the market value of treasury shares and shares held by subsidiaries.

21.1.4 Capital Authorized but Not Issued, Capital Increase Commitments

VALID AUTHORIZATIONS TO ISSUE SHARES AND OTHER SECURITIES AS OF DECEMBER 31, 2008

The Shareholders' Meeting regularly authorizes the Board of Directors to carry out a capital increase through the issuance of ordinary shares or other securities giving access to the Company's share capital.

- The maximum par value amount for the issuance of ordinary shares and securities giving access to the share capital with preferential subscription rights is € 45 million following its renewal by the Shareholders' Meeting of April 26, 2007, representing a maximum of 180 million new shares to be issued.
- The maximum par value amount for the issuance of ordinary shares and securities giving access to the share capital without preferential subscription rights (but with the obligation for the Board of Directors to grant a priority right to Company shareholders) is € 33 million, representing a maximum of 132 million new shares to be issued.

These two authorizations were not implemented in 2008.

The existing authorizations for the issuance of ordinary shares and securities giving access to the share capital, with or without preferential subscription rights, approved by the Shareholders' Meeting of April 26, 2007, are summarized in the following table:

			Authorized Limits				
	Authorization Date	Expiration Date	**Ordinary Shares (par value amount of the issuance)**	**Securities giving access to the share capital**	Used in 2007	Used in 2008	Available balance as of 12/31/2008
Non-dilutive issuances (with shareholders' preferential subscription rights)	04/26/07 (26 months)	06/26/09	€ 45 million [1] (34.5% of the share capital)		-	-	€ 45 million
Dilutive issuances (without shareholders' preferential subscription rights, but with the obligation to grant a priority period)	04/26/07 (26 months)	06/26/09	€ 33 million [1] (25.3% of the share capital),to be applied to the € 45 million threshold for non-dilutive issuances above		-	-	€ 33 million
Dilutive issuance (public exchange offer initiated by the Company)	04/26/07 (26 months)	06/26/09	€ 33 million (25.3% of the share capital), to be applied to the € 33 million threshold common to the dilutive issuances above	Common threshold of € 2 billion	-	-	€ 33 million
Dilutive issuance (contributions-in-kind made to the Company)	04/26/07 (26 months)	06/26/09	10% of the share capital, to be applied to the € 33 million threshold common to the dilutive issuances above		-	-	10% of the share capital
Capital increase carried out by capitalization of reserves, profits, or share premiums	04/26/07 (26 months)	06/26/09	€ 33 million (25.3% of the share capital)	-	-	-	€ 33 million
Authorization for the benefit of employees and/or officers of the Group: Capital increase reserved for members of a French company savings plan	04/26/07 (26 months)	06/26/09	€ 3 million	-	-	€ 237,671	€ 2,762,329 [2]
Authorization for the benefit of employees and/or officers of the Group: Grant of stock options	04/26/07 (26 months)	06/26/09	6 million existing shares	-	335,364 options granted	2,636,174 options granted	3,028,462 options
Authorization for the benefit of employees and/or officers of the Group: Free shares allocation	04/26/07 (26 months)	06/26/09	2 million new or existing shares	-	-	-	2 million shares

(1) *For issuances resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued by a maximum of 15% of the initial issuances and at the same price as for these issuances. The issuances that may be carried out as a result of this delegation must comply with the limits provided in these two resolutions.*

(2) *In connection with the authorization granted by the General Shareholders' Meeting dated 26 April 2007, the Board of Directors of 10 February 2009 decided to issue shares on behalf of the employees under the French Company Savings Plan for a maximum amount of subscription of €65 million, representing a maximum of 1,960,784 shares based on the discounted price of Groupe Danone shares of €33.15. The exact amount of the subscription will be determined in May 2009.*

NEW FINANCIAL AUTHORIZATIONS

The General Shareholders' Meeting dated April 23, 2009, will be responsible for renewing the issuance authorizations for the ordinary shares and securities giving access to the share capital with no preferential subscription right, under the conditions set forth in the table below:

			Authorized Limits	
	Authorization Date	Expiration Date	**Ordinary Shares (par value amount of the issuance)**	**Securities giving access to the share capital**
Non-dilutive issuances (with shareholders' preferential subscription rights)	04/23/09 (26 months)	06/23/11	€ 45 million [(1)] (35% of the share capital)	Common threshold of € 2 billion
Dilutive issuances (without shareholders' preferential subscription rights, but with the obligation to grant a priority period)	04/23/09 (26 months)	06/23/11	€ 30 million [(1)] (23.4% of the share capital), to be applied to the € 45 million threshold for non-dilutive issuances above	
Dilutive issuance (public exchange offer initiated by the Company)	04/23/09 (26 months)	06/23/11	€ 25 million (19.5% of the share capital), to be applied to the € 33 million threshold common to the dilutive issuances above	
Dilutive issuance (contributions-in-kind made to the Company)	04/23/09 (26 months)	06/23/11	10% of the share capital, to be applied to the € 33 million threshold common to the dilutive issuances above	
Capital increase carried out by capitalization of reserves, profits, or share premiums	04/23/09 (26 months)	06/23/11	€ 33 million (25.7% of the share capital)	-
Authorization for the benefit of employees and/or officers of the Group: Capital increase reserved for members of a French company savings plan and/or reserved securities sales	04/23/09 (26 months)	06/23/11	€ 3 million	-
Authorization for the benefit of employees and/or officers of the Group: Grant of stock purchase and/or subscription options	04/23/09 (26 months)	06/23/11	6 million new or existing shares	-
Authorization for the benefit of employees and/or officers of the Group: Free shares allocation	04/23/09 (26 months)	06/23/11	2 million new or existing shares	–

(1) For issuances resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued by a maximum of 15% of the initial issuances and at the same price as for these issuances. The issuances that may be carried out as a result of this delegation must comply with the limits provided in these two resolutions.

21.1.5 Securities Not Representing Share Capital

As of this date, the Company has not issued securities not representing share capital.

The Shareholders' Meeting of April 27, 2006 authorized the Board of Directors to issue ordinary bonds or subordinated debt for a fixed or indefinite term, for a maximum nominal amount of € 4 billion or the equivalent value in any other currency. This authorization was used over the course of 2008 up to a limit of € 2.3 billion, and remains valid until April 27, 2011.

It will be proposed to the shareholders, at the General Shareholders' Meeting of April 23, 2009, to remove Article 27.1.9° of the Company's by laws, which reserves the authority in this respect to the General Shareholders' Meeting, in order to recognize the authority in principle of the Board of Directors to decide or authorize the issuance of bonds pursuant to the first paragraph of Article L. 228-40 of the French Commercial Code. If this modification is adopted, the authorization granted by the General Shareholders' Meeting of April 27, 2006, would become null and void, as provided for in the eleventh resolution of said General Shareholders' Meeting.

21.1.6 Other Securities Granting Access to Share Capital

STOCK OPTION PLANS

The Shareholders' Meeting authorized the Board of Directors on various occasions to grant, once or multiple times over a maximum period of 26 months, stock options for up to 1% of the Company's share capital for the plan approved by the Shareholders' Meeting in May 1997, 8 million shares for the plan approved by the Shareholders' Meetings of May 1999, May 2001, and April 2003, and 6 million shares for the plan approved by the Shareholders' Meeting of April 2005 and April 2007 (after taking into account the stock-splits in 2000, 2004, and 2007).

Pursuant to these authorizations, the Board of Directors granted to the Company's senior management stock options to acquire a total of 27,892,914 stock purchase options.

At December 31, 2008, 14,939,198 of these options could still be exercised by their beneficiaries.

In addition, as of December 31, 2008, the Board of Directors had the authority to grant 3,028,462 stock purchase options out of a total amount of 6 million shares authorized by the Shareholders' Meeting of April 26, 2007 (please refer to section 17.2 of the Registration Document).

The authorization granted by the Shareholders' Meeting of April 26, 2007, was for a period of 26 months and, reaching expiration, will be submitted for renewal at the Shareholders' Meeting to be held on April 23, 2009.

PLAN FOR THE GRANT OF SHARES FREE OF CHARGE

The Shareholders' Meeting of April 26, 2007 authorized the Board of Directors to grant, once or multiple times, over a maximum period of 26 months, up to two million existing ordinary shares or newly-issued shares of the Company to be issued free of charge. This authorization has not yet been used. The authorization will be submitted for renewal at the Shareholders' Meeting to be held on April 23, 2009 for the same amount of 2 millions shares.

21.1.7 Table of Evolution of Share Capital over the Last Five Fiscal Years

Observation Date	Number of shares issued or cancelled *(in shares)*	Type of Transaction	Share Capital Variation: Par Value *(in euros)*	Share Capital Variation: Issuance Premium *(in euros)*	Share Capital Amount *(in euros)*	Total Number of Shares *(in shares)*
January 17, 2002	105,275	Exercise of options	105,275	5,432,231.50	141,033,427	141,033,427
May 3, 2002	357,945	Capital increase reserved for employees who are members of a company savings plan	357,945	37,161,865.92	141,391,372	141,391,372
October 17, 2002	(2,800,000)	Decrease in share capital through share cancellations	(2,800,000)	(364,945,421)	138,591,372	138,591,372
December 20, 2002	(1,400,000)	Decrease in share capital through share cancellations	(1,400,000)	(180,782,108.26)	137,191,372	137,191,372
January 17, 2003	143,750	Exercise of options	143,750	7,586,252.60	137,335,122	137,335,122
April 24, 2003	332,861	Capital increase reserved for employees who are members of a company savings plan	332,861	31,042,616.86	137,667,983	137,667,983
July 22, 2003	(1,000,000)	Decrease in share capital through share cancellations	(1,000,000)	(128,529,669.74)	136,667,983	136,667,983
December 22, 2003	(1,700,000)	Decrease in share capital through share cancellations	(1,700,000)	(216,882,782.43)	134,967,983	134,967,983
January 20, 2004	7,510	Exercise of options	7,510	473,881.00	134,975,493	134,975,493
February 10, 2004	(1,300,000)	Decrease in share capital through share cancellations	(1,300,000)	(155,926,934.77)	133,675,493	133,675,493
April 26, 2004	352,232	Capital increase reserved for employees who are members of a company savings plan	352,232	37,572,587.44	134,027,725	134,027,725
June 15, 2004	2,265	Exercise of options	2,265	142,921.50	134,029,990	134,029,990
June 15, 2004	134,029,990	Two-for-one stock split	-	-	134,029,990	268,059,980
January 20, 2005	35,540	Exercise of options	17,770	1,121,287.00	134,047,760	268,095,520
April 22, 2005	(4,600,000)	Decrease in share capital through share cancellations	(2,300,000)	(56,206,484.93)	131,747,760	263,495,520
May 2, 2005	704,730	Capital increase reserved for employees who are members of a company savings plan	352,365	39,246,413.70	132,100,125	264,200,250
January 23, 2006	34,940	Exercise of options	17,470	1,102,357.00	132,117,595	264,235,190
May 3, 2006	629,556	Capital increase reserved for employees who are members of a company savings plan	314,778	44,345,924.64	132,432,373	264,864,746
August 1, 2006	(1,400,000)	Decrease in share capital through share cancellations	(700,000)	(84,694,695.30)	131,732,373	263,464,746
December 15, 2006	(2,600,000)	Decrease in share capital through share cancellations	(1,300,000)	-	130,432,373	260,864,746
May 2, 2007	560,984	Capital increase reserved for employees who are members of a Company Savings Plan	280,492	52,177,121.84	130,712,865	261,425,730
June 1, 2007	261,425,730	Two-for-one stock split	-	-	130,712,865	522,851,460
July 3, 2007	(10,000,000)	Decrease in share capital through share cancellations	(2,500,000)	(580,397,463.00)	128,212,865	512,851,460
May 5, 2008	950,684	Capital increase reserved for employee members of a PEE	237,671	41,164,617.20	128,450,536	513,802,144

21.2 Incorporation Documents and By-Laws

21.2.1 Corporate Purpose

In accordance with Article 2 of Groupe Danone's by-laws, the purpose of the Company, whether directly or indirectly in France and in any country, shall be:

- industry and trade relating to all food products;
- the performance of all and any financial transactions and the management of all and any property rights and securities, listed or unlisted, French or foreign, the acquisition and the management of all and any real estate properties and rights.

The company shall, in general terms, be entitled to effect all and any property, real estate, industrial, commercial and financial transactions relating directly or indirectly or possibly relevant in any connection whatsoever to the company in the fulfilment of its corporate purpose.

It shall be entitled to act directly or indirectly, effect all the aforementioned transactions, on its own behalf or on behalf of third parties whether alone or in a joint venture, association, group or company involving any other individuals or companies, and perform and execute the same in any form whatsoever.

It shall also be entitled to acquire all and any interests and holdings in all French and foreign companies and businesses, regardless of the purpose thereof, by forming special companies, by asset contribution or subscription, by the acquisition of shares, bonds or other securities and of all and any company rights and, in general term, by any means whatsoever.

21.2.2 Charter of the Board of Directors

The Company has implemented a charter, which outlines the rights and obligations of Directors and the principles governing the conduct of its executive officers. These guidelines were adopted at the Directors' Meeting held on April 25, 2002. In 2003, following the Bouton Report, a report issued in France to promote better corporate governance practices for listed companies, the Board of Directors evaluated its operating practices and decided to modify the charter of the Board of Directors. Following its evaluation in 2007, a new charter was adopted by the Board of Directors at its meeting on July 30, 2007. During the second half of 2008, a new Board self-evaluation was conducted, the results of which will be reviewed by the Directors during 2009. The Board of Directors, without waiting, in its meeting of February 10, 2009, decided to modify its Board of Directors Charter (see paragraph 16.5).

The main provisions of the Board of Directors are summarized below.

Responsibilities of the Board of Directors. The Board of Directors is a collective board where all the Directors have the same powers and responsibilities and where all decisions are made collectively. It has a responsibility toward all of the shareholders and meets at least five times per year. It determines the rules according to which it operates and those of its different committees.

The Board of Directors determines the orientation of the company's activity and oversees its implementation. It makes decisions regarding the Company's strategic, economic, social, financial and technological direction. It ensures the relevancy, comparability, reliability, and accuracy of the information provided to shareholders and to the financial market in accordance with applicable accounting standards.

At each session, the Chairman discusses the transactions concluded since the previous meeting as well as the main projects that may be concluded prior to the next meeting. Each year, the Board of Directors examines the essential points in the management report as well as the resolution submitted to the Shareholders' Meeting. In addition, General Management informs the Board of Directors at least once per half-year about the financial situation, the cash and cash equivalents situation, and the commitments of the Company.

The Board of Directors approves strategic investment plans and any transactions, particularly acquisitions or disposals, which may significantly impact the Group's financial results, balance sheet or risk profile. In particular, the Chairman and Chief Executive Officer must obtain the prior approval of the Board of Directors for the following transactions:

Type of transaction	Authorization limit
Purchases and sales of securities and/or assets, partnerships or joint ventures (in cash or through a contribution of assets, realized once or multiple times)	Limit of € 250 million applicable to: • acquisitions, partnerships and joint ventures: per investment that are attributable to the Group • disposals: compensation received by the Group
Any off-balance sheet commitment given by the Group	Limit of € 100 million for the Group's portion
Other investments	Any significant overrun of the amount set in the annual budget
Internal reorganizations	Any reorganization where the global cost for the Group's portion exceeds € 50 million

Directors receive, in between Board Meetings, any useful information on any significant event or transaction for the Group. More generally, they may receive from the Chairman at any time any information and documents that they deem useful in carrying out their responsibilities.

Meetings of the Board of Directors. In accordance with legal and regulatory provisions and the Board's charter, the Directors who attend Board Meeting by videoconference or any other means of telecommunication, are deemed present for calculating quorum and majority. However, this means of attendance is not permitted when the Board of Directors meets to approve the Company's corporate accounts and the consolidated financial statements and to prepare the management report including the Group's management report.

Committees of the Board of Directors. The Board of Directors may form one or several special committees whose composition and powers it determines and which acts under the responsibility of the Board. These committees shall not interfere in the Group's management or reduce or limit the powers of the Chairman and Chief Executive Officer, the Deputy General Managers or the Board of Directors. In its field of competence, each committee submits proposals, recommendations and opinions, and reports to the Board of Directors.

The members of the committees are all Directors. They are elected by the Board of Directors upon the recommendations of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not have someone else represent them. The Chairman of the committees is appointed by the Board of Directors upon the recommendations of the Nomination and Compensation Committee.

Compensation of the Members of the Board of Directors. The Shareholders' Meeting sets the maximum global amount of Directors' fees *(jetons de présence)* to be distributed among the Directors. Directors who are members of the Executive Committee do not receive Directors' fees.

Code of Ethics Applicable to Members of the Board of Directors. The Directors are bound by a general rule of confidentiality with regard to the discussions and deliberations of the Board and its committees as well as to confidential information. Each Director acts in the interest and on behalf of all of the shareholders. In carrying out his responsibilities, each Director must make decisions independently of any interest other than the corporate interest of the Danone group and its shareholders. Each Director must constantly ensure that his personal situation does not create a conflict of interests with the Group. Any Director who has a conflict of interests must (i) inform the Board of Directors so that it may make a decision regarding his particular case and (ii) refrain from participating in the vote for the deliberation concerned.

Transactions on the Company's Securities. Securities include the Company's shares as well as any financial instrument related to these shares.

In a general manner, the members of the Board of Directors are bound by a duty of care as well as a specific precautionary obligation with regard to any personal transaction involving the Company's securities.

As particular, the Director must not conduct any speculative or short-term transactions on the Company's securities or conduct transactions on the Company's securities in the following cases:

- when they have information that, when published, will affect the price of these securities;
- during the periods explicitly noted by the Company; in particular, the month preceding the preliminary announcement of the Company's annual and half-yearly financial results and two weeks preceding the publication of the Company's quarterly financial releases.

In addition, the members of the Board of Directors must refrain from using any insurance coverage or hedging instruments with respect to all Danone shares and all financial income related to the Danone shares (in particular stock purchase options or entitlements to Danone shares allocated for free).

All of these rules are applicable to any transactions carried out by individuals to whom the Directors are related.

Performance Evaluation of the Board of Directors. The board's performance shall be evaluated every two years either through a self evaluation or an evaluation by the Nomination and Compensation Committee or a third party.

21.2.3 Shareholders' Meetings

The Board of Directors convenes the Shareholders' Meeting in accordance with French law.

Meetings shall be held in the town in which the registered office is located or in any other locality, depending on the decision made in such regard by the person calling the Meeting, and at the venue specified in the notice of meeting.

The Shareholders' Meeting is made up of all shareholders, regardless of the number of shares held, subject to the loss of rights incurred under any applicable regulations.

Regularly convened and constituted, the General Meeting shall represent all the shareholders. Its resolutions shall be binding on all, even dissenting, incapacitated ("*incapables*") and absent shareholders.

Any shareholder may be represented by his spouse or by another shareholder by virtue of a power of attorney, whose form shall be determined by the Board of Directors.

Minors and the incapacitated persons shall be represented by their legal guardians and trustees without the need for the latter to be shareholders in person. A corporate body shall be legitimately represented by any duly entitled legally recognized representative or by a person specially empowered for the said purpose.

The right to attend meetings may be made conditional (i) in the case of registered shareholders, upon entry of the said shares in the owners' accounts kept by the company or by the agent appointed by the company, or (ii) in the case of bearer shareholders, upon submission to the head office or any other location specified by the notice of meeting of certificates recording the entry in an account of the said shares by any approved financial agent three days' prior to the meeting.

21.2.4 Threshold Crossings

In addition to legal provisions, the by-laws provide that any individual or entity acting alone, or indirectly or in concert, who becomes the owner of a fraction equivalent to 0.5% or any multiple thereof of the outstanding voting rights or whose holding falls below this limit, within the meaning of articles L. 233-7 et seq. of Book II of the French Commercial Code, at any time must, within five trading days of reaching such threshold, notify the Company of the total number of shares or securities giving access to the capital and the total number of voting rights that he or she holds thereof by registered letter. For threshold crossings resulting from a purchase or sale on the market, the period of five trading days begins as from the date of the trade and not the date of delivery.

In the event of the failure to comply with this notification requirement, and upon the request of any holder or holders of 5% or more of the voting rights, such non-complying shareholder will be deprived of its voting rights in excess of the fraction which should have been declared for a period of two years following its compliance with the notification requirements.

21.2.5 Change in the Share Capital and in the Rights Associated with the Shares

Any modifications to the share capital or the rights attached to the securities comprising the share capital are subject to applicable legal provisions as the by-laws do not contain any specific provisions related thereto.

IMPORTANT CONTRACTS

The contracts signed between the Company and its subsidiaries in the normal course of business operations do not appear below.

The Group has committed itself to acquiring the holdings owned by third parties, shareholders in certain companies that are fully consolidated or accounted for under the equity method, in the event that such shareholders wish to exercise their put option. The exercise price of these options is generally based on the entity's profitability related financial position at the exercise date of the option. As of December 31, 2008, the amount of these commitments totaled approximately € 2.9 billion, of which € 2.9 billion are reflected in the Group's financial debt. The main commitment, for an amount of € 2.3 billion, relates to Danone Spain. See Note 16 of the appendices to the consolidated financial statements.

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INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT DECLARATIONS AND DECLARATIONS OF INTEREST

NOT APPLICABLE

DOCUMENTS AVAILABLE TO THE PUBLIC

The by-laws, the minutes of Shareholders' Meetings, reports of the independent auditor and other corporate documents may be consulted at the Company's registered office. Moreover, historical financial information and certain information on the organization and businesses of the Company and its subsidiaries are available on the Group's website in the section entitled Regulated Information.

The table below provides detail on all of the information published or made public between January 1, 2008 and February 28, 2009:

Subject	Date	Place of Consultation
December 2007 Voting Rights Declaration	01/08/2008	www.danone.com AMF
Groupe Danone categorically refutes allegations made against its US subsidiary regarding misleading claims	01/24/2008	www.danone.com AMF
Weight Watchers and Groupe Danone establish weight management joint venture for China	02/05/2008	www.danone.com AMF
January 2008 Voting Rights Declaration	02/05/2008	www.danone.com AMF
Groupe Danone 2007 Final Results	02/14/2008	www.danone.com AMF
Resignation of Antoine Giscard d'Estaing and appointment of Pierre-André Terisse as CFO	02/14/2008	www.danone.com AMF
Muriel Pénicaud is appointed Executive Vice President, Human Resources for Group Danone replacing Franck Mougin	02/19/2008	www.danone.com AMF
February 2008 Voting Rights Declaration	03/03/2008	www.danone.com AMF
Groupe Danone publishes Annual Report 2007	03/27/2008	www.danone.com AMF
March 2008 Voting Rights Declaration	04/09/2008	www.danone.com AMF
Ordinary Shareholders' Meeting dated April 29, 2008: publication of preparatory documents	04/11/2008	www.danone.com AMF
Appointment of Pierre-André Terisse, Chief Financial Officer, as part of the Executive Committee of Groupe Danone	04/14/2008	www.danone.com AMF
First quarter sales 2008	04/14/2008	www.danone.com AMF
Groupe Danone successfully launches a € 1.75 bn bond issue	04/23/2008	www.danone.com AMF
Groupe Danone shareholders vote in favor of all resolutions at the Annual General Meeting 2008	04/29/2008	www.danone.com AMF
Groupe Danone signs agreements to divest certain infant nutrition activities to fulfill European Commission requirements	05/06/2008	www.danone.com AMF
April 2008 Voting Rights Declaration	05/26/2008	www.danone.com AMF
May 2008 Voting Rights Declaration	06/09/2008	www.danone.com AMF
Information relative to the number of voting rights and shares (month of June 2008)	07/16/2008	www.danone.com AMF
First Half Results 2008	07/25/2008	www.danone.com AMF
Notification of availability of the half-year financial report of Groupe Danone for the semester ended June 30, 2008	07/25/2008	www.danone.com AMF

Subject	Date	Place of Consultation
Danone – Frucor	08/29/2008	www.danone.com AMF
Danone tenders its minority stake in the capital of China Huiyuan Juice Group Limited to The Coca-Cola Company	09/03/2008	www.danone.com AMF
Numico and Danone have appealed decisions by the Dutch Authority for Financial Markets	09/08/2008	www.danone.com AMF
Third Quarter and Nine Month Sales 2008	10/22/2008	www.danone.com AMF
Danone sells Frucor to Suntory	10/23/2008	www.danone.com AMF
Dutch Court confirms squeeze-out of Numico shareholders at initial offer price of € 55 per share	10/29/2008	www.danone.com AMF
Investor seminar on November 5th and 6th in Paris 2008 objectives reconfirmed Medium term objectives reaffirmed 2009 objectives: profitable growth that is higher than the sector's growth	11/06/2008	www.danone.com AMF
Danone reiterates its sound and continuously improving financial position	11/07/2008	www.danone.com AMF
Danone successfully launches a € 1 bn bond issue	11/25/2008	www.danone.com AMF
Information relative to the number of voting rights and shares (month of November 2008, October 2008, September 2008, August 2008 and July 2008)	12/03/2008	www.danone.com AMF
Remuneration of executive officers	12/19/2008	www.danone.com AMF
Information relative to the number of voting rights and shares (month of December 2008)	01/08/2009	www.danone.com AMF
Danone successfully completes the sale of Frucor to Suntory	02/02/2009	www.danone.com AMF
Information relative to the number of voting rights and shares (month of January 2009)	02/03/2009	www.danone.com AMF
Full Year Results 2008	02/11/2009	www.danone.com AMF

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INFORMATION REGARDING COMPANY EQUITY INTERESTS

The subsidiaries and equity interests are listed in Note 32 to the consolidated financial statements.

A

APPENDICES TO THE COMBINED SHAREHOLDERS MEETING OF APRIL 23, 2009

CONTENTS

A.1 Draft of Resolutions presented at the Combined Shareholders' Meeting of April 23, 2009

A.1.1 Resolutions within the authority of the Ordinary Shareholders' Meeting

First Resolution

(Approval of the statutory financial statements for the fiscal year ended December 31, 2008)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the reports of the Board of Directors and of the statutory auditors on the statutory financial statements, hereby approves the statutory financial statements of the Company for the fiscal year ended December 31, 2008, which include the balance sheet, the income statement and the notes, as presented, as well as the transactions reflected in the statutory financial statements and summarized in the reports.

Second Resolution

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2008)

The shareholders' meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the reports of the Board of Directors and of the statutory auditors on the consolidated financial statements, hereby approves the consolidated financial statements of the Company for the fiscal year ended December 31, 2008, as presented, as well as the transactions reflected in the consolidated financial statements and summarized in the reports.

Third Resolution

(Allocation of the earnings for the fiscal year ended December 31, 2008 and setting of the dividend at € 1.20 per share)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the reports of the Board of Directors and of the statutory auditors:

- acknowledges that the earnings for the fiscal year 2008 amount to € 848,609,898.69;
- acknowledges that unappropriated earnings amount to € 3,658,342,267.78;
- or an amount of earnings available for allocation of € 4,506,952,166.47;
- decides to allocate the total earnings as follows:
  - to dividends in the amount of € 616,562,572.80;
  - to unappropriated earnings in the amount of € 3,890,389,593.67.

The Shareholders' Meeting therefore decides to distribute a dividend of € 1.20 per share. The amount distributed among the shareholders is fully eligible in its entirety for the 40% allowance provided for in Article 158-3.2° of the French Tax Code (*Code général des impôts*) for those shareholders who may benefit from it, except should they opt for the flat-rate withholding tax provided for in Article 117 *quater* of the French Tax Code.

The dividend to be distributed will be detached from the share on April 30, 2009 and will be payable as from May 27, 2009.

In accordance with the provisions of Article L. 225-210 of the French Commercial Code (*Code de commerce*), the Shareholders' Meeting decides that the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to the "unappropriated earnings" account.

The dividends distributed for the three previous fiscal years were as follows:

Fiscal year	Number of shares (1)	Dividend distributed per share (2)
2005	528,470,380	0.85
2006	521,729,492	1
2007	512,851,460	1.1

(1) The figures for 2005 and 2006 were recalculated to take into account the two-for-one stock splits in 2007.
(2) Distribution eligible in its entirety for the 40% allowance.

Fourth Resolution

(Option for the payment of the dividend in shares)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, upon the proposal of the board of directors and pursuant to Articles L. 232-18 *et seq.* of the French Commercial Code and Articles 27.I and 34.I of the Company's by-laws, decides to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement.

The new shares will bear rights as from January 1, 2009 and will be immediately fungible with the Company's existing shares.

The issue price of these new shares is set at 90% of the average of the opening Company share prices on Euronext over the twenty trading days preceding the date of this Shareholders' Meeting less the amount of the dividend. This issue price will be rounded up to the nearest euro cent.

If the amount of the dividends to which the shareholder has a right does not correspond to a whole number of shares, the shareholder will be able to obtain:

- the number of shares immediately below accompanied by a payment of the balance in cash; or;
- the number of shares immediately above by paying the difference in cash.

Shareholders may opt for the payment of a dividend in shares between April 30, 2009 and May 18, 2009. Failure to exercise this option within this timeframe will result in the dividend being paid in cash only.

All powers are given to the Board of Directors, with the ability to sub-delegate, to execute this decision, to carry out all operations related or consecutive to the exercise of the option, to acknowledge the resulting share capital increase and to make all necessary amendments to Article 6 of the Company's by-laws in respect of the share capital.

Fifth Resolution

(Approval of the agreements referred to in the special report of the statutory auditors)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary General Shareholders' Meetings, having reviewed the special report of the statutory auditors concerning the agreements referred to in Article L. 225-38 *et seq.* of the French Commercial Code, acknowledges the conclusions of this report and approves the agreements described referred thereto.

Sixth Resolution

(Renewal of the tenure of Mr. Richard GOBLET D'ALVIELLA as director)

The shareholders' meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, renews the tenure of Mr. GOBLET D'ALVIELLA as a director for the period of three years as set in the by-laws.

Mr. GOBLET D'ALVIELLA's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Seventh Resolution

(Renewal of the tenure of Mr. Christian LAUBIE as director in accordance with Article 15-II of the by-laws)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, renews the tenure of Mr. LAUBIE as a director for the period of three years, as set in the by-laws, in accordance with Article 15-II, last paragraph, of the by-laws.

Mr. LAUBIE's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Eighth Resolution

(Renewal of the tenure of Mr. Jean LAURENT as director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, renews the tenure of Mr. LAURENT as a director for the period of three years as set in the by-laws.

Mr. LAURENT's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Ninth Resolution

(Renewal of the tenure of Mr. Hakan MOGREN as director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, renews the tenure of Mr. MOGREN as a director for the period of three years as set in the by-laws.

Mr. MOGREN's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Tenth Resolution

(Renewal of the tenure of Mr. Benoît POTIER as director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, renews the tenure of Mr. POTIER as a director for the period of three years as set in the by-laws.

Mr. POTIER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Eleventh Resolution

(Appointment of Mrs. Guylaine SAUCIER as director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, appoints Mrs. Guylaine SAUCIER as director for the period of three years as set in the by-laws.

Mrs. Guylaine SAUCIER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2011.

Twelfth Resolution

(Setting of directors' attendance fees)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings:

- set, as from the 2009 fiscal year, at € 600,000 the maximum annual amount to be paid to the Board of Directors in attendance fees and thus until the General Shareholders' Meeting decides otherwise;
- leaves the power to set the allocation and the payment date of the attendance fees to the Board of Directors.

Thirteenth Resolution

(Authorization granted to the Board of Directors to purchase, retain or transfer the Company's shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the report of the Board of Directors and the description of the program established in accordance with Articles 241-1 *et seq.* of the General Regulations of the French *Autorité des marchés financiers*, hereby authorizes the Board of Directors to purchase, retain or transfer the Company's shares, within the context of a share repurchase program, pursuant to the provisions of Articles L. 225-209 *et seq*. of the French Commercial Code and European Regulation n° 2273/2003 of December 22, 2003 implementing European Directive n°2003/6/CE of January 28, 2003.

The purchase of the Company's shares may be executed for the purpose of:

- the allocation of shares with respect to the exercise of stock options by the Company's employees and directors and officers (*mandataires sociaux*) as well as by employees and directors and officers (*mandataires sociaux*) of companies or economic interest groups (*groupements d'intérêt économique*) in which the Company holds, directly or indirectly, at least 10% of the share capital or voting rights;
- the implementation of any free allocation of shares plan to eligible employees and directors and officers (*mandataires sociaux*), or to some of them;
- the sale of shares to employees (either directly or through an employee savings plan (in French, an "FCPE") within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the retaining and the later delivery of shares for payment or exchange in the context of external growth transactions; or
- the cancellation of shares, within the maximum legal limit.

Within the limits permitted by the regulation in force, the shares may be acquired, sold, exchanged or transferred by any means on any stock market, including multilateral trading systems, or over-the-counter, including by acquisition or disposal of blocks of shares. These means may include the use of any financial contract, provided that the means so used are pursuant to the conditions authorized by the French *Autorité des marchés financiers*.

These transactions may be executed at any time, except during the period of a public tender offer for the Company's securities, within the limits allowed by applicable regulations.

The maximum purchase price may not be greater than € 65 per share.

In the event of a capital increase achieved by incorporating reserves and allocating free shares or through a stock split or a reverse stock split, the price indicated above will be adjusted by a coefficient equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares existing after the transaction.

The maximum number of shares that may be purchased under this authorization may not, at any time, exceed 10% of the total number of shares comprising the share capital (*i.e.*, 51,380,214 shares as of December 31, 2008, representing a maximum theoretical purchase amount of € 3,339,713,910, excluding the shares already held by the Company), it being specified that this limit applies to an amount of the Company's capital that will be, if necessary, adjusted to take into account the operations affecting the share capital following this meeting. The acquisitions made by the Company may not, under no circumstances, result in the Company holding more than 10% of its share capital, either directly or indirectly through subsidiaries.

Notwithstanding the above, the number of shares acquired by the Company to be retained and later delivered for payment or exchange in the context of an external growth transaction may not exceed 5% of its share capital.

In order to implement this authorization, full powers are granted to the Board of Directors, with the right to sub-delegate, to:

- place all orders on any market or carry out any operation off the market;
- conclude all agreements, for purposes of, among other things, the maintenance of the share purchase and sale registries;

- file all the necessary declarations and formalities with the French *Autorité des marchés financiers* or any other authority;
- carry out all other formalities and, generally, take any necessary measures.

The Board of Directors shall notify the General Shareholders' Meeting of the transactions carried out in application of this resolution.

This resolution voids and replaces the authorization granted by the Combined Shareholders' Meeting of April 29, 2008 in its sixteenth resolution and is granted for an 18-month period as from the date of this Shareholders' Meeting.

Fourteenth Resolution

(Creation of the Danone Eco-system Fund)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the report of the Board of Directors of the Company, considering the fact that (i) the Company has always believed that the development of companies was connected to the economic and social development in their respective environments: suppliers, sub-contractors, distributors, business parks, and consumer and living areas (their "Eco-system"), (ii) this conviction is one of the founding principles of Danone's dual economic and social project, (iii) the interdependence between companies and their immediate economic environment has become more and more important in recent years, and (iv) in this context, the Company wishes to formalize its responsible commitment to the development of its Eco-system:

- takes note that, in the continuity of its dual economic and social project, the Company wishes to create one or more innovative organizations, that are not-for-profit and dedicated to implementing projects for the general interest, in order to strengthen its Eco-system in France and abroad (the "Danone Eco-system Fund" project) of which the main operating principles are the following:

(i) the Danone Eco-system Fund will be an equity capital fund (fonds de dotation) (as defined in Article 140 of law n°2008-776 of August 4, 2008 on the modernization of the Economy and by decree n°2009-158 of February 11, 2009 relating to equity capital funds) and/or any not-for-profit organization in France and/or abroad,

(ii) the Danone Eco-system Fund will concentrate on the creation and strengthening of economic activities and the development of expertise in the regions where it is active,

(iii) the Company will allocate, as a free and irrevocable allocation, the sum of one hundred million euros (€ 100,000,000), paid in one installment (the "Capital Allocation"), the revenues of which, or all or part of the Capital Allocation itself, will be dedicated to implementing projects for the general interest as defined above; as a supplement to the Capital Allocation, the Company and its subsidiaries may each year, and for a duration of five (5) years as from the 2009 fiscal year, allot a maximum total amount representing up to 1% of consolidated current net profits of the Danone group for the Danone Eco-system Fund or for any other selected organization, notably via additional donations (the "Additional Annual Donations");

- approves the implementation of the Danone Eco-system Fund project by the Company;
- approves the payment by the Company of (i) the Capital Allocation and (ii) the Additional Annual Donations.

A.1.2 Resolutions within the authority of the Extraordinary Shareholders' Meeting

Fifteenth Resolution

(Modification of Article 3 of the by-laws relating to the corporate name)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 3 of the Company's by-laws as follows:

Previous wording	New wording
Article 3 – Company name	Article 3 – Company name
The name of the Company shall be: Groupe Danone	The name of the Company shall be: **Danone**

Sixteenth Resolution

(Harmonization of Article 7.I paragraph 3 of the by-laws with regard to the share capital increase procedure)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 7.I paragraph 3 of the Company's by-laws as follows:

Previous wording	New wording
Article 7 – Capital increase	Article 7 – Capital increase
I - The share capital may be increased either by issuing new shares, even shares of a category other than that of the existing shares, or by increasing the nominal value of the existing shares.	I - The share capital may be increased either by issuing new shares, even shares of a category other than that of the existing shares, or by increasing the nominal value of the existing shares.
The new shares shall be paid for either in cash or through compensation with debts in liquid funds due and payable by the Company or through incorporation of reserves, profits or share issue premiums or with assets in kind or through bond conversion.	The new shares shall be paid for either in cash or through compensation with debts in liquid funds due and payable by the Company or through incorporation of reserves, profits or share issue premiums or with assets in kind or through bond conversion.
The Extraordinary General Meeting shall alone be competent to decide, on the basis of the report from the Board of Directors, whether to increase the share capital, the sole exception hereto being the circumstances set forth in Paragraph II hereinafter. It shall be entitled to delegate to the Board of Directors the necessary powers for effecting the capital increase in one or more stages within the time allowed by law, for fixing the modalities thereof, for formally recording the performance thereof and for amending the articles of association accordingly.	The Extraordinary General Meeting shall alone be competent to decide, on the basis of the report from the Board of Directors, whether to increase the share capital, the sole exception hereto being the circumstances set forth in Paragraph II hereinafter. **It shall be entitled to delegate its authority and/or powers to the Board of Directors under the conditions provided for by law.**
It may be decided to limit the capital increase for cash to the amount of the applications for shares under the conditions provided for by law.	It may be decided to limit the capital increase for cash to the amount of the applications for shares under the conditions provided for by law.
In the case of capital increases through the issue of shares for cash, preferential rights shall, in accordance with legal provisions, be given on the taking up of the said shares to the owners of previously issued shares. Notwithstanding, shareholders may waive their preferential rights on an individual basis and the General Meeting which will decide on the capital increase shall be entitled to cancel the said preferential rights in compliance with the provisions laid down by law.	In the case of capital increases through the issue of shares for cash, preferential rights shall, in accordance with legal provisions, be given on the taking up of the said shares to the owners of previously issued shares. Notwithstanding, shareholders may waive their preferential rights on an individual basis and the General Meeting which will decide on the capital increase shall be entitled to cancel the said preferential rights in compliance with the provisions laid down by law.
Those shareholders who do not have enough old shares to obtain a whole number of new shares shall come to an agreement with others if they wish to exercise their rights but such agreement shall not result in joint applications for shares.	Those shareholders who do not have enough old shares to obtain a whole number of new shares shall come to an agreement with others if they wish to exercise their rights but such agreement shall not result in joint applications for shares.

Seventeenth Resolution

(Harmonization of Article 10.VII of the by-laws with regard to the procedure for identifying holders of bearer shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 10.VII of the Company's by-laws as follows:

Previous wording	New wording
Article 10 – Nature of shares	Article 10 – Nature of shares
VII - The Company shall, in accordance with regulatory provisions, be entitled at all times to require the body responsible for clearing securities to supply the names or company names, nationalities and addresses of holders of securities conferring immediate or eventual voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, the restrictions relating to the said securities. At the Company's request, the above information may be limited to persons holding such numbers of shares as shall be determined by the Company.	**VII – The Company may request for the communication of information relating to the composition of its shareholders under the conditions provided for by law.**

Eighteenth Resolution

(Modification of Article 18.IV paragraph 2 of the by-laws relating to the holding of Board of Directors' meetings by all means of telecommunication)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 18.IV paragraph 2 of the Company's by-laws as follows:

Previous wording	New wording
Article 18 – Board Officers - Resolutions	Article 18 – Board Officers - Resolutions
IV - The actual presence of at least half the serving Directors shall be a necessary and sufficient condition for the Board's resolutions to be valid. A register shall be kept of members present, and Directors taking part in Board meetings shall sign it.	IV - The actual presence of at least half the serving Directors shall be a necessary and sufficient condition for the Board's resolutions to be valid. A register shall be kept of members present, and Directors taking part in Board meetings shall sign it.
Decisions can be taken by the Board of Directors by means of videoconferencing. The conditions for using this procedure are fixed by the internal regulations of the Board of Directors. In this case, decisions are taken with a majority of the votes of the members participating or represented.	**Decisions can be taken by the Board of Directors by means of videoconferencing or telecommunication under the conditions provided for in the regulations in force and in the internal regulations of the Board of Directors.** In this case, decisions are taken with a majority of the votes of the members participating or represented.
In the event of a tied result, the Chairman shall have a casting vote.	In the event of a tied result, the Chairman shall have a casting vote.

Nineteenth Resolution

(Harmonization of Article 22.III of the by-laws relating to the registration of Company shares on the register for participation in a Company General Shareholders' Meeting)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 22.III of the Company's by-laws as follows:

Previous wording	New wording
Article 22 – Composition of Meetings III - The right to attend Meetings may be made conditional: • in the case of registered shareholders, upon entry of the said shares in the owners' accounts kept by the Company or by the agent appointed by the Company, or • in the case of bearer shareholders, upon submission to the head office or any other location specified by the notice of meeting of certificates recording the entry in an account and immobilization of the said shares by any approved financial agent. The said formalities shall be carried out prior to a date fixed by the notice of meeting and which may be no earlier than five days before the date of the Meeting. Any shareholder who votes by correspondence or by proxy presenting a certificate issued by the share depositary attesting may nevertheless transfer all or part of the shares with which it has voted by correspondence or for which it has appointed a proxy, on condition it provides the Company's authorized agent with details enabling it to cancel its vote or its proxy and change the number of shares and corresponding votes no later than the day before the Meeting.	Article 22 – Composition of Meetings **III – Attendance at General Shareholders' Meetings, no matter the means, is made conditional to a registration or recording of the shares in accordance with the terms and conditions and within the time periods provided for in the regulations in force.**

Twentieth Resolution

(Modification of Article 26.III paragraphs 2 and 4 of the by-laws relating to taking into account the rules applying to electronic signatures in case of a vote at the General Shareholders' Meeting by means of telecommunication)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Article 26.II paragraphs 2 and 4 of the Company's by-laws as follows:

Previous wording	New wording
Article 26 – Attendance sheet - Vote	Article 26 – Attendance sheet - Vote
III – Votes shall be cast by any means, unless one or more shareholders representing one-tenth of the capital represented at the Meeting request a secret ballot.	III – Votes shall be cast by any means, unless one or more shareholders representing one-tenth of the capital represented at the Meeting request a secret ballot.
Shareholders may vote by correspondence or by proxy, voting or giving their proxy by any means, including by remote data transmission to the Company of the correspondence ballot papers or proxy forms in accordance with the applicable laws and regulations.	Shareholders may vote by correspondence or by proxy, voting or giving their proxy by any means, including by remote data transmission to the Company of the correspondence ballot papers or proxy forms **in accordance with the applicable laws and regulations. Notably, the shareholders may send proxy forms and correspondence ballot papers to the Company by remote data transmission or electronically before the Meeting under the conditions provided for by law. When used, the electronic signature for the proxy forms and correspondence ballot papers may take the form of a process that complies with the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code.**
The final deadline for receipt of correspondence ballot papers and proxies shall be set by the Board of Directors and indicated in the notice of the meeting published in the Bulletin des Annonces Légales Obligatoires [France's official journal of statutory notices].	The final deadline for receipt of correspondence ballot papers and proxies shall be set by the Board of Directors and indicated in the notice of the Meeting published in the Bulletin des Annonces Légales Obligatoires [France's official journal of statutory notices].
The Board of Directors may decide that any votes cast during a General Meeting may be expressed by remote data transmission methods, in accordance with the terms fixed by regulations.	The Board of Directors may decide that any votes cast during a General Meeting may be expressed by **videoconference or by any means of telecommunication allowing for the identification of the Shareholders,** in accordance with the terms fixed by regulations.

Twenty-first Resolution

(Modification of Article 27.I of the by-laws in order to grant the Board of Directors the authority to decide or authorize a bond issuance)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to delete the second to last bullet point in Article 27.I of the Company's by-laws that reads as follows:

"**- decide on or authorize issues of bonds or other transferable securities that are negotiable on the stock exchange, are not convertible or able to be exchanged for shares, and the constitution of particular guarantees to back the said issues;**"

The rest of Article 27.I remains unchanged.

Twenty-second Resolution

(Modification of Articles 27.III and 28.II of the by-laws relating to the conditions of quorum required for the Ordinary and Extraordinary Shareholders' Meetings)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, decides to modify Articles 27.III and 28.II of the Company's by-laws as follows:

Previous wording	New wording
Article 27 – Ordinary Meeting	Article 27 – Ordinary Meeting
III - The Ordinary Meeting shall be regularly constituted and its resolutions shall be valid when it brings together at least a quarter of the shares with voting rights. If the said quorum is not achieved, a new meeting shall be called for no earlier than fifteen days after the first and notice thereof shall be given at least six days prior thereto. The resolutions passed at the second meeting shall be valid regardless of the portion of share capital represented but shall only relate to items put on the agenda for the first meeting. Resolutions of the Ordinary Meeting shall be passed if they achieve a majority of the votes enjoyed by the attending shareholders, postal voting and represented shareholders.	**III – The Ordinary Meeting deliberates under the conditions of quorum and majority required by law.**
Article 28 – Extraordinary Meeting	Article 28 – Extraordinary Meeting
II - The meetings convened to vote on issues covered in this article shall be valid only if shareholders attending or represented at the meeting held following the first notice of meeting possess at least a third, and, following the second notice of meeting, a quarter of the shares with voting rights. Should the latter quorum not be achieved, the second meeting may be postponed to a date no later than two months after the date at which it was called. These meetings shall be passed if they achieve a two-third majority of the votes enjoyed by attending shareholders, postal voting and represented shareholders. Resolutions passed by meetings called upon to decide on or authorize a capital increase exclusively by incorporation of reserves, profits or share issue premiums shall be subject to the quorum and majority conditions laid down by Article 27 aforementioned.	**II - The Extraordinary Meeting deliberates under the conditions of quorum and majority required by law.**

Twenty-third Resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, with preferential subscription right of the shareholders)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings having reviewed the Board of Directors' report and the special report of the statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code, delegates to the Board of Directors the authority to decide on the issuance of, on one or more occasions, in the proportions and periods that it deems favorable, in France and abroad, either in euros or any foreign currency, and with preferential subscription right of the shareholders, (i) ordinary shares of the Company and (ii) securities giving access by any means, immediately and/or in the future, to the Company's share capital. The Board of Directors may, within legal limits, delegate to the Managing Director (*Directeur Général*), or with his approval, to one or more Deputy Managing Directors (*Directeurs Généraux Délégués*), the authority to carry out or to postpone the share capital increase. The securities giving access to the Company's share capital thereby issued may consist of debt securities or be combined with the issuance of such securities or allow their issuance as intermediate securities. They may take on the form of subordinated or unsubordinated securities, with or without a fixed term, and issued in either euros or a foreign currency.

a. The maximum nominal amount of the increase in the Company's share capital resulting from all issuances realized either immediately and/or in the future pursuant to this delegation is fixed at an amount of € 45 million, it being specified that the nominal amount of ordinary shares issued under the 24th, 25th, 26th and 27th resolutions of this meeting will be applied to this maximum amount.

It is noted that the limit indicated in paragraph (a) above is determined without having taken into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to protect the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory provisions and contractual stipulations. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b. All of the issuances of securities representing debt giving access to the Company's share capital carried out by virtue of this delegation shall not exceed a limit of € 2 billion in nominal value (or the exchange value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is the same for all of the issuances of securities representing debt giving access to the Company's share capital, which may be carried out by virtue of the delegations granted in the 24th, 25th, 26th and 27th resolutions submitted to this General Shareholders' Meeting.

In calculating the limit set forth in paragraph (b) above, the exchange value in euros of the nominal value of securities representing debt giving access to the Company's share capital issued in foreign currencies shall be determined on the date of the issuance.

Shareholders may exercise, in accordance with the provisions provided for by law, their preferential subscription right on a pro rata basis (*droit préférentiel de souscription à titre irréductible*). The Board of Directors may furthermore grant to shareholders the right to subscribe to securities in addition to those to which they are entitled as a matter of law (*droit préférentiel de souscription à titre réductible*), in proportion to their subscription rights and, in any case, limited to the number of securities requested.

According to Article L. 225-134 of the French Commercial Code, if the amount of subscriptions exercised as a matter of law on a pro rata basis and, if applicable, by request as described above, does not attain the amount of the entire issuance of ordinary shares or of securities giving access to the Company's share capital, the Board of Directors may use, at its option and in the order it finds most favorable, one or more of the following options:

- limit the issuance to the amount of subscriptions received, provided this amounts to at least three quarters of the approved issuance;
- allocate at its discretion all or part of the non subscribed securities;
- offer to the public, on the French or international market, all or part of the non subscribed securities.

The General Shareholders' Meeting acknowledges that this delegation entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares, to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital and issued by virtue of this delegation.

The Board of Directors shall have the necessary powers to carry out this resolution, determine the conditions of the issuance, and in particular, the form and characteristics of the securities to be created, to acknowledge the resulting increases in share capital, and to proceed with, as necessary, any adjustments to take into account the impact of the transactions on the Company's share capital, determine the terms and conditions according to which the preservation of the rights of the holders of securities giving access to the Company's share capital shall be ensured, in accordance with applicable legal, regulatory and contractual provisions, amend the by-laws accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures.

In the event of an issuance of bonds, the Board of Directors shall have all powers to decide whether or not they are subordinated, to set their interest rate, duration, the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions and the conditions according to which these securities shall give access to the Company's share capital.

The Shareholders' Meeting decides that in the case of an issuance of ordinary Company warrants (*bons de souscription d'actions*), included in the maximum limit mentioned in paragraph (a) above, the issuance may take place either by cash subscription according to the conditions provided for below, or by a free allocation to the holder of existing shares.

The Board of Directors will set the issuance price of the ordinary shares or securities giving access to the Company's share capital. The sum received immediately by the Company, increased, if applicable, by the sum that may be received at a later date by the Company, shall be at least equal to the nominal value for each ordinary share issued.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 10th resolution.

Twenty-fourth Resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, without preferential subscription right of the shareholders, but with the obligation to grant a priority period)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 228-91 and L. 228-92 of the French Commercial Code, delegates to the Board of Directors the authority to decide on the issuance, on one or more occasions, in the proportions and periods that it deems favorable, in France and abroad, either in euros or any foreign currency, through a public offering of (i) ordinary shares of the Company and (ii) securities giving access by any means, immediately and/or in the future, to the Company's share capital.

The General Shareholders' Meeting decides to waive the preferential subscription right of the shareholders to these ordinary shares and securities giving access to the Company's share capital to be issued with the understanding that the Board of Directors will be required to grant shareholders a right of priority to the totality of the issuance, depending on the timing and under the conditions fixed by the Board of Directors pursuant to the legal and regulatory provisions. This subscription priority will not create negotiable rights but may be exercised, either with irreducible rights to subscribe or with pro rata rights to subscribe, if the Board of Directors decides that it is opportune.

The securities giving access to the Company's share capital so issued may consist of debt securities or be combined with the issuance of such securities or allow their issuance as intermediate securities. They may take on the form of subordinated or unsubordinated securities, with or without a fixed term, and issued in either euros or a foreign currency.

The Board of Directors may, in accordance with legal limits, delegate to the Managing Director (*Directeur Général*), or with his approval, to one or more Deputy Managing Directors (*Drecteurs Généraux Délégués*), the authority that is delegated to it pursuant to this resolution.

a. The maximum nominal amount of the increase in the Company's share capital resulting from all issuances realized either immediately and/or in the future pursuant to this delegation is fixed at € 30 million; this limit is the same for the capital increases by virtue of the delegations granted in the 25th, 26th and 27th resolutions submitted to this General Shareholders' Meeting and which will be applied to the global maximum amount mentioned in paragraph (a) of the 23rd resolution of this meeting.

It is noted that the limit indicated in paragraph (a) above is determined without having taken into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to preserve the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory provisions and contractual stipulations. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b. All of the issuances of securities representing debt giving access to the Company's share capital carried out by virtue of this delegation shall not exceed a limit of € 2 billion in nominal value (or the exchange value of this amount for an issuance in a foreign currency or monetary unit determined by a reference of several currencies); this limit is the same for all of the issuances of securities representing debt giving access to the Company's share capital, which may be carried out by virtue of the delegations granted in the 23rd, 25th, 26th and 27th resolutions submitted to this General Shareholders' Meeting.

In calculating the limit set forth in paragraph (b) above, the exchange value in euros of the nominal value of the securities representing debt giving access to the Company's share capital issued in foreign currencies shall be determined on the date of the issuance.

According to Article L. 225-134 of the French Commercial Code, if the amount of subscriptions does not attain the entire amount of the issuance of ordinary shares or securities giving access to the Company's capital, the Board of Directors may use, at its option and in the order it finds most favorable, one or more of the following options:

- limit the amount of the issuance to the amount of the subscriptions received, provided this reaches at least three-quarters of the approved issuance;
- allocate at its discretion all or part of the non subscribed securities.

The General Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares, to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital, and issued by virtue of this delegation.

The Board of Directors shall have the necessary powers to implement this resolution, determine the conditions of the issuance, and in particular, the form and characteristics of the securities to be created, acknowledge the resulting increases in share capital, amend the by-laws accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures. It is specified that:

- the issuance price of the ordinary shares shall be at least equal to the minimum value provided in the applicable legal and regulatory provisions at the time that this delegation is implemented, after adjustment of this amount, if necessary, to take into account the difference in the date from which the shares carry rights to the dividend. At this date, the minimum price corresponds to the weighted average price of the last three trading sessions on Euronext preceding the fixing of the subscription price and possibly subject to a 5% reduction;

- the issuance price of the securities giving access to the Company's share capital shall be such that the sum received immediately by the Company increased, if applicable, by the sum that may be received at a later date by the Company for each ordinary share issued as a result of the issuance of securities shall be at least equal to the amount set forth in the preceding paragraph after adjustment, if necessary, of this amount to take into account the difference in the date from which the shares carry rights to dividends.

In the event of an issuance of bonds, the Board of Directors shall have all powers to decide whether or not they are subordinated, to set their interest rate, duration, the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions and the conditions according to which these securities shall give access to the Company's share capital.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 11th resolution.

Twenty-fifth Resolution

(Authorization granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription right of the shareholders)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the statutory auditors, and acting in accordance with Article L. 225 135-1 of the French Commercial Code, authorizes the Board of Directors to decide to increase the number of securities to be issued, for any issuance approved by virtue of the above 23rd and 24th resolutions, and for the same price, in accordance with the conditions of the abovementioned Article L. 225-135-1 and in compliance with the limits provided in the aforementioned resolutions.

The Board of Directors may delegate, in accordance with legal provisions, the power granted to it pursuant to this resolution to the Managing Director (*Directeur Général*) or, with his approval, to one or more Deputy Managing Directors (*Directeurs Généraux Délégués*).

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 12th resolution.

Twenty-sixth Resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital in the event of a public exchange offer initiated by the Company)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the statutory auditors, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92 of the French Commercial Code, delegates to the Board of Directors the authority to decide on the issuance of the Company's ordinary shares or securities giving access, by any means, immediately and/or in the future, to existing ordinary shares or shares to be issued by the Company, in consideration for securities tendered in a public exchange offer initiated by the Company in France or outside of France, according to local law, for another company's securities which are listed on one of the regulated markets provided in the abovementioned Article L. 225-148, and decides, to the extent necessary, to waive the shareholders' preferential subscription right to the ordinary shares and securities to be issued for the benefit of the holders of these securities. The Board of Directors may, within legal limits, delegate to the Managing Director (*Directeur Général*), or with his approval, to one or more Deputy Managing Directors (*Directeurs Généraux Délégués*), the authority to carry out or to postpone the share capital increase.

The General Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription rights to the Company's ordinary shares, to which the securities that will be issued pursuant to this delegation may give right, for the benefit of the holders of securities giving access to the Company's share capital issued by virtue of this delegation.

a. The maximum nominal amount of the increase in the Company's share capital resulting from all issuances realized either immediately and/or in the future pursuant to this delegation is fixed at an amount of € 25 million, it being specified that the share capital increases that may be carried out as a result of this delegation must comply with the limits provided for in the 24th resolution submitted to this General Shareholders' Meeting.

b. All of the issuances of securities representing debt giving access to the Company's share capital carried out by virtue of this delegation shall not exceed a limit of € 2 billion in nominal value (or the exchange value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is the same for all of the issuances of securities representing debt giving access to the Company's share capital, which may be carried out by virtue of the delegations granted in the 23rd, 24th, 25th, and 27th resolutions submitted to this General Shareholders' Meeting.

The General Shareholders' Meeting grants to the Board of Directors all necessary powers to carry out the issuances of ordinary shares and/or securities in consideration for the tendered shares pursuant to the abovementioned public exchange offers, in particular for:

- in the case of an issuance of securities as consideration for securities in an exchange offer (*offre publique d'échange* (OPE), determine the list of securities to be exchanged, determine the conditions of the issuance, the exchange parity as well as, if applicable, the amount of cash and determine the terms of the issuance in the context of an exchange offer, or an alternative tender or exchange offer, either a single tender or exchange offer for securities in exchange for shares and cash, or a principal public tender offer or exchange offer, together with a subsidiary exchange offer or tender offer, or an exchange offer carried out in France or outside of France according to local law (for example, in connection with a reverse merger in the United States) relating to securities meeting the conditions provided for in Article L. 225-148 of the French Commercial Code, or any other form of public offer in conformity with the laws and regulations applicable to the such public offer;
- determine the dates, conditions of issuance, notably the price and dividend entitlement date of new ordinary shares or, if need be, of securities giving access to the Company's capital;
- record as liabilities in the balance sheet in a "transfer premium" account, in which all shareholders' rights shall be specified, the difference between the issue price of new ordinary shares and their nominal value;
- charge, if the need arises, all expenses and rights incurred by such transaction to the "transfer premium" account.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 13th resolution.

Twenty-seventh Resolution

(Delegation of powers to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the Board of Directors' report and the special report of the statutory auditors, and acting in accordance with Articles L. 225-147 of the French Commercial Code, delegates to the Board of Directors the powers necessary to decide on, within the limit of 10% of the Company's share capital, according to the report of the special auditor(s) as provided in the 1st and 2nd paragraphs of the abovementioned Article L. 225-147, the issuance of the Company's ordinary shares or securities giving access to the Company's share capital, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable, and decides, to the extent necessary, to waive, for the benefit of the holders of these securities, the object of these contributions-in-kind, the shareholders' preferential subscription right to the ordinary shares and securities to be issued.

The General Shareholders' Meeting acknowledges that this delegation entails *ipso jure* the waiver by the shareholders of their preferential subscription rights to the Company's ordinary shares, to which the securities that will be issued pursuant to this delegation may give right, for the benefit of the holders of securities giving access to the Company's share capital issued by virtue of this delegation.

In addition to the legal limit of 10% of the Company's share capital provided in Article L. 225-147 of the French Commercial Code, the issuances carried out by virtue of this delegation should comply with the limits set forth in paragraphs (a) and (b) of the 24th resolution submitted for approval to this General Shareholders' Meeting.

The Board of Directors shall have full power, with the ability to subdelegate in accordance with legal provisions, to implement this resolution, in particular:

- to examine the report of the special auditor(s) as described in the 1st and 2nd paragraphs of the abovementioned Article L. 225-147 on his or their assessment of the contributions and the grant of certain advantages and their values;

- to acknowledge the completion of the capital increases carried out by virtue of this delegation, amend the by-laws accordingly, carry out all necessary formalities and request all authorizations for the realization of these contributions, and to take generally all necessary measures.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 14th resolution.

Twenty-eighth Resolution

(Delegation of authority to the Board of Directors to increase the Company's share capital through incorporation of reserves, profits, premiums or any other amounts that may be capitalized)

The Extraordinary General Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, having reviewed the Board of Directors' report, and acting in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the French Commercial Code, delegates to the Board of Directors the authority to decide on increasing the share capital, on one or more occasions, at the times and under the conditions that it deems favorable, through the incorporation of reserves, profits, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares or the increase of the nominal value of the existing ordinary shares, or any combination of these two methods.

The Board of Directors may delegate, in accordance with legal provisions, the authority granted to it pursuant to this resolution to the Managing Director (*Directeur Général*) or, with his approval, to one or more Deputy Managing Directors (*Directeurs Généraux Délégués*), to decide to issue shares and to allocate shares free of charge, as well as to postpone such action.

The General Shareholders' Meeting decides that rights corresponding to fractional shares may neither be negotiable nor transferable and that the corresponding shares shall be sold. The amounts from the sale shall be distributed to the holders of the rights within the applicable legal time period.

The maximum nominal amount of the increase of share capital that may be achieved, immediately or in the future, pursuant to this resolution is fixed at € 33 million. This limit is set (i) without taking into account the nominal value of the Company's ordinary shares to be issued, if applicable, in relation to the adjustments carried out in order to protect the interests of holders of rights attached to the securities that shall be issued on the basis of this delegation, in accordance with legal and regulatory requirements as well as applicable contractual provisions and (ii) independently from the limits on the share capital increases resulting from the issuances of the ordinary shares or securities giving access to the Company's share capital as authorized in the 23rd, 24th, 25th, 26th and 27th abovementioned resolutions.

The Board of Directors shall have full power in implementing this resolution, particularly regarding:

- determining the terms and conditions of the authorized transactions and particularly deciding on the amount and the nature of the reserves and premiums to incorporate into the share capital, determining the number of new shares to issue or the amount to which the nominal value of the existing shares comprising the share capital will be increased, deciding on the date (even retroactive) from which the new shares will carry right to dividends or the date on which the increase in their nominal value will take effect;
- taking all necessary measures to protect the rights of the holders of securities giving access to the Company's share capital on the day of the capital increase;
- acknowledging the capital increase resulting from the issuance of shares; amending the by-laws accordingly and carrying out all necessary publicity formalities;
- and generally taking all measures and completing all formalities required to ensure the success of each capital increase.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 15th resolution.

Twenty-ninth Resolution

(Delegation of authority to the Board of Directors to increase the share capital in favor of employees who are members of a company's savings plan and/or to carry out reserved sales of securities)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors as well as the special report from the statutory auditors, and acting in accordance with Articles L. 225-129-2, L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-1 *et seq.* of the French Labor Code (*Code du travail*), delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, at the times and under the conditions that it deems favorable, through the issuance of ordinary shares reserved for the members subscribing to a company savings plan of the Company or of companies, French or foreign, related to the Company according to Articles L. 225-180 of the French Commercial Code and L. 3344-1 of the French Labor Code.

The maximum nominal amount of the increase of the Company's share capital that may be achieved pursuant to this resolution may not exceed the nominal amount of € 3 million. This limit is set independently of and distinct from the limits set in the previous resolutions.

In the context of this delegation, the General Shareholders' Meeting decides to waive in favor of the beneficiaries, as defined above, the shareholders' preferential subscription right to the ordinary shares or securities giving access to ordinary shares to be issued according to this resolution and to waive any right to the shares or other securities allocated free of charge on the basis of this delegation.

The General Shareholders' Meeting decides to set the discount offered under the company's savings plan at 20% of the average of the Company's opening share prices listed on Euronext during the twenty trading sessions preceding the date of the decision setting the opening date for subscription. While this delegation is being implemented, the Board of Directors may decrease the amount of the discount on a case-by-case basis only for reasons of legal, tax or social constraints that may be applicable outside of France, in any of the countries in which the Group's entities who employ the employees participating in the share capital increases are located. The Board of Directors may also decide to substitute the discount with a grant of shares free of charge for subscribers of new shares.

The General Shareholders' Meeting grants the Board of Directors full power in implementing this resolution, particularly in regards to:

- determining the characteristics, the amount and terms of each issuance of shares;
- determining if the subscriptions may be made directly by the beneficiaries or through a collective investment undertaking, and in particular through an employee savings plan (an "FCPE");
- determining the terms and conditions of paying up the issued securities;
- setting the date from which the shares will carry rights to dividends;
- setting the opening and closing dates of the subscriptions, and deciding in general on all other conditions of each issuance;
- at its sole discretion and if it deems necessary, charging the expenses of capital increases to the amount of the premiums associated to these increases, and deducting from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase;
- acknowledging one or more share capital increases through the issuance of ordinary shares up to the amount of ordinary shares that shall be subscribed, taking all measures necessary to carry out such increases, completing the subsequent formalities, in particular those related to the listing of the securities created, amending the by-laws accordingly, and generally taking all necessary measures.

The Board of Directors may delegate, in accordance with legal provisions, the authority granted to it pursuant to this resolution to the Managing Director or, with his approval, to one or more Deputy Managing Directors.

Pursuant to applicable legal provisions, the transactions planned in this resolution may also take the form of the selling of shares to members of a company savings plan.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 16th resolution.

Thirtieth Resolution

(Authorization granted to the Board of Directors to grant options giving the right to subscribe and/or purchase shares)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors as well as the special report of the statutory auditors, in accordance with Articles L. 225-177 *et seq.* of the French Commercial Code:

- authorizes the Board of Directors to grant options giving the right to subscribe or purchase shares for the benefit of personnel and of eligible directors or officers (*mandataires sociaux*) of the Company and of companies or economic interest groups related, directly or indirectly, to the Company according to Article L. 225-180 of the French Commercial Code;
- authorizes the Board of Directors to determine the categories of the beneficiaries and/or proceed with the nominative allocations of options to purchase existing shares and/or options to purchase new shares of the Company;
- sets at 26 months, as from the date of this General Shareholders' Meeting, the period of validity of this authorization which may be used one or more times;
- decides that the total number of options thus granted by the Board of Directors may not give the right to subscribe or

purchase a total number of shares representing more than 6 million new or existing Company shares; this amount is determined without having taken into account the adjustments that may be made in order to protect the rights of the holders of securities or other rights giving access to the share capital, in accordance with applicable legal and regulatory provisions and contractual stipulations providing for other cases of adjustment. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately;

- decides that the exercise price of the options to subscribe and/or purchase for the beneficiaries will be determined on the date that these options are granted by the Board of Directors within the limits and pursuant to the conditions set by law, it being specified, on the one hand, that the Board of Directors will not be able to apply a discount, and, on the other hand, that this price may not be less than the average of the opening Company share prices listed on Euronext during the twenty trading sessions preceding the date on which the options are allocated;
- decides that the options shall have a maximum exercise period of ten years as from the date on which they are granted;
- decides that if the Company carries out, after the grant of the options, financial operations, in particular on the share capital, the Board of Directors will take all necessary measures to protect the interests of the beneficiaries of the options in accordance with legal and regulatory provisions;
- acknowledges that this authorization waives, in favor of the beneficiaries of the options to subscribe shares, the shareholders' preferential subscription right to the shares to be issued as the options are exercised;
- delegates full power to the Board of Directors, with the ability to subdelegate in accordance with legal and regulatory provisions, to set the other conditions and methods for the grant and exercise of the options, and in particular to:
  - set the date(s) or the exercise periods,
  - provide for clauses, if any, that prohibit the immediate resale of all or part of the shares acquired by the exercise of options in accordance with applicable law and regulations,
  - provide for the ability to temporarily postpone the exercise of options or the sale of the shares acquired by the exercise of options, in the event of financial operations or operations in securities,
  - if applicable, restrict or prohibit the exercise of options or sale of shares acquired from the exercise of options during certain periods or as from certain events,
  - if it deems necessary, charge the expenses of capital increases to the amount of the premiums associated to these increases, and deducting from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase, and,
- delegate full powers to the Board of Directors to implement this authorization, with the ability to subdelegate in accordance with legal and regulatory provisions, and in particular to acknowledge the share capital increases resulting from the exercise of options, amend the by-laws accordingly, complete or have completed all acts or formalities, and, generally, take all necessary measures.

This delegation is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 17th resolution.

Thirty-first Resolution

(Authorization granted to the Board of Directors to allocate ordinary shares of the Company free of charge)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors as well as the special report from the statutory auditors, in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code:

- authorizes the Board of Directors to allocate, on one or more occasions, ordinary shares of the Company, existing or to be issued, free of charge for the benefit of personnel or certain categories of personnel that it shall select from among the employees and the eligible directors or officers (*mandataires sociaux*) of the Company and the companies related to the Company according to Articles L. 225-197-2 of the French Commercial Code;
- decides that the Board of Directors will proceed with the allocations and with determining the identity of the beneficiaries of such allocations as well as the conditions and, if applicable, the criteria of the allocation of the shares;
- decides that the allocation of shares free of charge, in accordance with this authorization, may not affect a number of existing or new shares greater than 2 million shares; this amount is determined without having taken into account the adjustments that may be made in order to protect the rights of the holders of securities or other rights giving access to the share capital, in accordance with applicable legal and regulatory provisions and contractual stipulations providing for other cases of adjustment. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately;
- decides that the allocation of shares to their beneficiaries will become final after the vesting period whose duration will be set by the Board of Directors. This vesting period shall not be less

than the minimum period of two years and the beneficiaries must hold the said shares for a duration set by the Board of Directors, it being specified that the holding period may not be less than two years as from the final allocation of such shares. However, if the vesting period for all or a part of one or several allocations is a minimum of four years, the General Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares considered. As necessary, it is recalled that the Board of Directors may make the duration of the vesting period and of the holding period longer than the minimum duration aforementioned;

- decides, moreover, in the case of the invalidity of the beneficiary corresponding to the classification in the second or third categories provided in Article L. 341-4 of the French Social Security Code (*Code de la sécurité sociale*), the shares will be definitively attributed to the beneficiary before the end of the remaining acquisition period. The said shares will be freely transferable on delivery;
- acknowledges that this authorization entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the shares that would be issued as a result of this resolution for the benefit of the beneficiaries;
- grants full power to the Board of Directors, with the ability to subdelegate in accordance with legal and regulatory provisions, in implementing this resolution, within the limits set forth above and within the limits authorized by the texts in force, in particular to determine, if applicable, the terms and conditions of the issuances that will be carried out as a result of this authorization as well as the dividend entitlement dates of the new shares, acknowledge the share capital increases, amend the by-laws accordingly, and more generally carry out all formalities necessary for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary measures in accordance with the laws and regulations in force.

Every year, the Board of Directors shall inform the Ordinary General Shareholders' Meeting, in accordance with legal requirements, in particular Article L. 225-197-4 of the French Commercial Code, of the operations carried out pursuant to this resolution.

This authorization is granted for a 26-month period as from the date of this General Shareholders' Meeting and voids and replaces the delegation granted by the General Shareholders' Meeting of April 26, 2007 in its 18th resolution.

Thirty-second Resolution

(Authorization granted to the Board of Directors to reduce the share capital by canceling shares)

The General Shareholders' Meeting, acting under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors as well as the special report of the statutory auditors, and acting in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code:

- authorizes the Board of Directors to reduce the Company's share capital by canceling, on one or more occasions, within the limit of 10% of the Company's share capital on the date of this General Shareholders' Meeting and by 24-month periods, all or part of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the General Shareholders' Meeting;
- decides that the excess of the repurchase price of the shares over their par value shall be charged to the "Issue Premium" account or to any other available reserve account, including the legal reserve, within the limit of 10% of the reduction of share capital achieved; and
- delegates full power to the Board of Directors, with the ability to subdelegate in accordance with legal provisions, to carry out, on its sole decision, the cancellation of shares thus acquired, to proceed with the resulting reduction of share capital, and the aforementioned deduction, as well as to modify Article 6 of the by-laws accordingly.

This authorization is granted for a 24-month period as from the date of this General Shareholders' Meeting and voids and replaces any previous authorization granted by the General shareholders' Meeting of April 26, 2007 in its 19th resolution.

Thirty-third Resolution

(Powers to effect formalities)

The General Shareholders' Meeting gives full power to any bearer of an original, a copy or an excerpt of these minutes to make all legal and administrative formalities and carry out all filings and any publicity required by law.

A.2 Statutory Auditors' Special Reports presented at the Shareholders' Meeting of April 23, 2009

STATUTORY AUDITORS' SPECIAL REPORT ON THE AUTHORIZATIONS TO ISSUE SHARES AND/OR SECURITIES WITH OR WITHOUT WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS

Extraordinary General Shareholders' Meeting of April 23, 2009

(23rd, 24th, 25th, 26th and 27th resolutions)

In our capacity as Statutory Auditors of Groupe Danone, and in execution of our assignment pursuant to Articles L. 225-135, L. 225-136 and L. 228-93 of the French Commercial Code, we present our report on the proposals to delegate to the Board of Directors different issuances of ordinary shares and securities, as presented in the 23rd, 24th, 25th, 26th and 27th resolutions, transactions on which you will be asked to vote.

Your Board of Directors requests, on the basis of its report:

- that you delegate to it, for a 26-month period, the authority to carry out these transactions and set the terms and conditions of these issuances; and, it also proposes, if applicable, that you waive your preferential subscription rights:
  - issuance of ordinary shares and securities giving access to the share capital, and/or giving right to the allocation of debt securities, with preferential subscription right of the shareholders (23rd resolution),
  - issuance of ordinary shares and securities giving access to the share capital, and/or giving right to the allocation of debt securities, without preferential subscription right of the shareholders, but with the obligation to grant a priority period (24th resolution),
  - issuance of ordinary shares and securities giving access to ordinary shares in the event of a public exchange offer initiated by your Company (26th resolution);
- that you delegate to it, for a 26-month period, the powers to set the terms and conditions of an issuance of ordinary shares and securities giving access to the share capital, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to the share capital (27th resolution), within the limit of 10% of the share capital.

The maximum nominal amount of the share capital increases that may be carried out either immediately and/or in the future may not exceed € 30 million, pursuant to the 24th, 25th, 26th and 27th resolutions, it being specified that this limit will be applied to the total maximum amount of € 45 million pursuant to the 23rd resolution. The total nominal amount of securities representing debt that may be issued shall not exceed € 2 billion for the 23rd, 24th, 25th, 26th and 27th resolutions.

These limits taken into account the additional number of securities to be created in the context of the implementation of the authorizations referred to in the 23rd and 24th resolutions, in the conditions provided for in Article L. 225-135-1, if you adopt the 25th resolution.

Your Board of Directors must establish a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to provide our opinion on the fair presentation of the quantitative information drawn from the financial statements, on the proposal that you waive preferential subscription rights, and certain other information concerning these transactions, provided in this report.

We have carried out the procedures we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French society of auditors) relative to this assignment. These practices require that we verify the content of the Board of Directors' report relative to these transactions and the procedures for determining the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of the issuances that would be decided, we have no observations concerning the procedures for determining the price of the securities to be issued, as provided in the Board of Directors' report pursuant to the 24th resolution.

In addition, as this report does not specify the procedures for setting the issuance price of the securities to be issued in the context of the implementation of the 23rd, 24th, 25th, 26th and 27th resolutions, we cannot express an opinion on the choice of elements used for the calculation of the issuance price.

As the issue price of the securities to be issued has not been set, we do not express an opinion on the definitive terms under which the issuances will be carried out nor, consequently, on the proposal to waive preferential subscription rights with the obligation to grant a priority period that is presented to you in the 24th resolution.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare a supplemental report, as necessary, when your Board of Directors use these authorizations in the case of issuances of ordinary shares without preferential subscription right of the shareholders and issuances of securities giving access to the share capital and/or giving right to the allocation of debt securities.

In Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		PRICEWATERHOUSECOOPERS AUDIT	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

STATUTORY AUDITORS' REPORT ON THE INCREASE IN CAPITAL WITH WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF A COMPANY SAVINGS PLAN

Extraordinary General Shareholders' Meeting of April 23, 2009

(29th resolution)

In our capacity as Statutory Auditors' of Groupe Danone, and in execution of our assignment pursuant to Articles L.225-135 *et seq.* of the French Commercial Code, we hereby submit our report on the proposal to delegate to the Board of Directors the authority to decide on one (or more) share capital increase(s) by issuing securities, with waiver of preferential subscription rights, up to a maximum amount of € 3 million, reserved for members of a company savings plan of Groupe Danone or companies, French or foreign, related to Groupe Danone according to Article L. 225-180 of the French Commercial Code, a transaction on which you will be asked to vote.

This capital increase is submitted for your approval in accordance with the provisions of Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 of the French Labor Code.

Your Board of Directors proposes, on the basis of its report, that you delegate to it, for a 26-month period, the authority to carry out one (or more) share capital increase(s) and to waive your preferential subscription rights to the securities to be issued. If applicable, it will be the board's responsibility to set the definitive terms of the issuance.

Your Board of Directors must prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantitative information drawn from the financial statements, on the proposal to waive preferential subscription rights and on certain other information concerning such issuance, provided in this report.

We have carried out the procedures we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French society of auditors) relative to this assignment. These procedures consisted in verifying the content of the Board of Directors' report relative to this transaction, and the procedures for determining the price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of the capital increase(s) that may be decided, we have no observations to make concerning the procedures for determining the issue price of securities to be issued provided in the Board of Director's report.

As the issue price has not been set, we do not express an opinion on the definitive terms under which this (these) capital increase(s) may be carried out, nor, consequently, on the proposal made to you to waive the preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare a supplemental report, as necessary, when your Board of Directors uses this authorization.

In Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		PRICEWATERHOUSECOOPERS AUDIT	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUANCE OF EXISTING OPTIONS TO PURCHASE SHARES AND/OR NEW OPTIONS TO SUBSCRIBE SHARES FOR THE BENEFIT OF PERSONNEL

Extraordinary General Shareholders' Meeting of April 23, 2009

(30th resolution)

In our capacity as Statutory Auditors' of Groupe Danone, and in execution of our assignment pursuant to Article L. 225-177 and R. 225-144 of the French Commercial Code, we have prepared this report on the opening of existing options to purchase shares and/or new options to subscribe shares for the benefit of personnel and of directors and officers (*mandataires sociaux*) of the Company and of companies or economic interest groups related, directly or indirectly, to the Company according to Article L. 225-180 of the French Commercial Code.

It is the responsibility of the Board of Directors to submit a report on the reasons behind the creation of the existing options to purchase shares and/or new options to subscribe shares as well as on the methods proposed for setting the purchase and/or subscription price. Our role is to express an opinion on the methods proposed for setting the purchase and/or subscription price.

We have carried out the procedures we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French society of auditors) relative to this assignment. These procedures required us to verify that the methods proposed for setting the purchase and/or subscription price were disclosed in the Board of Directors' report, and that they comply with legal provisions, so as to be informative for shareholders and they are not obviously inappropriate.

We have no observations to make on the methods proposed.

In Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

STATUTORY AUDITORS' SPECIAL REPORT ON THE ALLOCATION OF SHARES, EXISTING OR TO BE ISSUED, FREE OF CHARGE FOR THE BENEFIT OF PERSONNEL OR CERTAIN CATEGORIES OF PERSONNEL

Extraordinary General Shareholders' Meeting of April 23, 2009

(31st resolution)

In our capacity as Statutory Auditors' of Groupe Danone, and in execution of our assignment pursuant to Article L. 225-197-1 of the French Commercial Code, we have prepared this report on the proposed allocation of ordinary shares, existing or to be issued, free of charge for the benefit of personnel or certain categories of personnel from among the employees and the eligible directors and officers (*mandataires sociaux*) of Groupe Danone or of the companies related to Groupe Danone according to Articles L. 225-197-2 of the French Commercial Code.

Your Board of Directors proposes that you authorize it to allocate shares, existing or to be issued, free of charge. It is the responsibility of the Board of Directors to submit a report on this transaction that it wishes to carry out. Our role is to report to you, if applicable, our observations on the information thus provided to you on the proposed transaction.

We have carried out the procedures we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French society of auditors) relative to this assignment. These procedures required us to verify that the methods proposed and provided in the Board of Directors' report comply with provisions provided for by law.

We have no observations to report regarding the information provided in the Board of Directors' report on the planned free allocation of shares.

In Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

STATUTORY AUDITORS' SPECIAL REPORT ON THE DECREASE IN SHARE CAPITAL BY THE CANCELLATION OF SHARES PURCHASED

Extraordinary General Shareholders' Meeting of April 23, 2009

(32nd resolution)

In our capacity as Statutory Auditors' of Groupe Danone, and in execution of our assignment pursuant to Article L. 225-209, paragraph 7, of the French Commercial Code on the decrease in share capital by the cancellation of purchased shares, we hereby report on our assessment of the reasons and conditions of the proposed decrease in share capital.

We have carried out the procedures we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French society of auditors) relative to this assignment. These procedures requirCd us to verify the fairness of the reasons and conditions of the proposed capital decrease.

This transaction is part of the purchase by your Company of its own shares, within a limit of 10% of its share capital, in accordance with Article L. 225-209 of the French Commercial Code. Furthermore, this purchase authorization is proposed for approval at your General Shareholders' Meeting and would be effective for an 18-month period.

Your Board of Directors requests that you delegate to it, for a two-year period, in order to implement the authorization for your Company to purchase its own shares, all powers to cancel the shares thus purchased, within the limit of 10% of your Company's share capital and by 24-month periods.

We have no observations to report regarding the reasons and conditions of the proposed decrease in share capital, it being recalled that such a decrease may be carried out only with the prior approval by your Shareholders' Meetingof the purchase by your Company of its own shares, as proposed to you in the 13th resolution of this shareholders' meeting.

In Courbevoie and Neuilly-sur-Seine, France, on March 11, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

A.2 bis Statutory Auditors' Supplemental Report presented at the Shareholders' Meeting of April 23, 2009

STATUTORY AUDITOR'S SUPPLEMENTAL REPORT ON THE SHARE CAPITAL INCREASE

Extraordinary General Shareholders' Meeting of April 23, 2009

In our capacity as Statutory Auditor of your Company and pursuant to the provisions of article L.225-116 of the French Commercial Code *(Code de commerce),* we hereby present our additional report to our special report dated March 23, 2007 on the issuance of shares with cancellation of preferential subscription rights, and authorized by your Extraordinary General Shareholder's Meeting dated April 26, 2007.

This meeting had delegated all powers to your Board of Directors to decide such a transaction within a time period of 26 months and for a maximum amount of € 3 million.

Taking advantage of this delegation of power, your Board of Directors decided, during its meeting dated February 10, 2009, to carry out the following share capital increase, reserved for the *Fonds Commun de Placement* (French collective investment vehicle) "Fonds Groupe Danone Relais 2009":

- Amount of the capital increase an related bonus : € 60 million, which can be brought to € 65 million if employees' subscription so require it to,
- Subscription period : March 16, 2009 to April 1, 2009,
- Benefit date *(jouissance)* of the new shares : January 1, 2009,
- Subscription price of the shares: € 33.15 corresponding to the average first stock market prices preceding the date of the meeting, minus a 20% discount.

The *Fonds Commun de Placement* "Fonds Groupe Danone Relais 2009" will subscribe to the capital increase using sums collected from employees of Groupe Danone and from employees from companies related to it in the meaning of the article 225-180 I 1st paragraph of the French Commercial Code. The amount of the capital increase will have the option of being reduced to the amount effectively received by the *Fonds Commun de Placement* "Fonds Groupe Danone Relais 2009" in the event of the subscription being not sufficient enough.

It is the role of the Board of Directors to prepare a further report in accordance with articles R.225-115 and R.225-116 of the French Commercial Code. It is our role to issue a conclusion on the true and fair nature of financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning the issue presented in this report.

We have performed the procedures deemed necessary with regard to French professional standards. Those procedures consisted in verifying:

- the true and fair nature of the financial information provided in the Board of Directors additional report and extracted from the consolidated financial statements approved by the Board of Directors. We have performed an audit of these consolidated financial statements in accordance with the French professional standards.
- The conformity in respect of the terms and conditions of the delegation of powers provided by the Shareholder's Meeting and the true and fair information provided in the Board of Directors additional report on the choice of elements for determining the share issue price and on its amount.

We have nothing to report on:

- the true and fair nature of the financial information provided in the Board of Directors additional report and extracted from the consolidated financial statements approved by the Board of Directors,
- The conformity in respect of the terms and conditions of the delegation of powers provided by the Shareholder's Meeting dated April 26, 2007, and the indications provided to this meeting,
- The proposition to cancel the preferential share subscription rights with respect to which you have already deliberated, the choice of elements for determining the share issue price and its final amount,
- The presentation of the impact of the issuance on the financial position and of holders of capital securities and securities granting access to the share capital, valued on the basis of shareholders' equity and the stock market value of the share.

In Courbevoie and Neuilly-sur-Seine, France, on February 20, 2009

The Statutory Auditors

MAZARS		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Étienne BORIS	Olivier LOTZ

A.3 Positions and responsibilities of the directors and the nominees to the Board of Directors

(Article R 225-83 of the French Commercial Code)

Information related to the Directors and nominees to the Board of Directors

1 – NOMINATION

Guylaine SAUCIER

2 – RENEWAL OF TERMS OF OFFICE

Richard GOBLET d'ALVIELLA

Christian LAUBIE

Jean LAURENT

Hakan MOGREN

Benoît POTIER

3 – CURRENT DIRECTORS

Bruno BONNELL

Michel DAVID-WEILL

Emmanuel FABER

Bernard HOURS

Jacques Alexandre NAHMIAS

Franck RIBOUD

Naomasa TSURITANI

Jacques VINCENT

A.3.1 Nomination

Ms Guylaine SAUCIER

Born on June 10, 1946 – Age: 62

Professional address: 1000 Rue de la Gauchetière Ouest – Bureau 2500 – Montréal QC H3B 0A2 - Canada

Number of GROUPE DANONE shares held as of December 31, 2008 : 390

Nominee recognized as independent by the Board of Directors

Canadian Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Member of the Supervisory Board Chairman of the Audit Committee	GROUPE AREVA (1)	France
Member of the Board of Directors Member of the Verification Committee Member of the Risk Management Committee	BANQUE DE MONTREAL (1)	Canada
Member of the Board of Directors Chairman of the Corporate Governance Committee Member of the Management Nomination and Remuneration Committee	PETRO-CANADA (1)	Canada
Member of the Board of Directors Member of the Verification Committee	AXA ASSURANCES INC.	Canada
Chairman	2158-4933 QUEBEC INC.	Canada
Chairman	9155-4676 QUEBEC INC.	Canada
Position	**Associations/Foundations/Other**	**Country**
Member of the Board of Directors	FONDATION DU MUSÉE DES BEAUX-ARTS DE MONTRÉAL	Canada
	FONDS PIERRE BEIQUE, LE FONDS DE DOTATION DE L'ORCHESTRE SYMPHONIQUE DE MONTRÉAL	Canada
	INSTITUT SUR LA GOUVERNANCE D'ORGANISATIONS PRIVEES ET PUBLIQUES	Canada
	INSTITUT DES ADMINISTRATEURS DE SOCIETES	Canada

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Member of the Board of Directors Member of the Verification Committee	CHC HELICOPTER CORPORATION	Canada
Member of the Supervisory Board Chairman of the Verification Committee Member of the Remuneration Committee	ALTRAN TECHNOLOGIES	France
Member of the Board of Directors Member of the Verification Committee Member of the Pensions Committee	NORTEL NETWORKS CORPORATION	Canada
Member of the Board of Directors	TEMBEC INC.	Canada
Position	**Associations/Foundations/Other**	**Country**
Member of the Board of Directors	FONDATION DE CANARDS ILLIMITÉS-QUÉBEC	Canada
Member of the Board of Directors	FONDATION DU MUSÉE D’ARCHÉOLOGIE ET D’HISTOIRE DE MONTRÉAL POINTE-A-CALLIÈRE	Canada
Member of the Board of Directors	FORUM DES POLITIQUES PUBLIQUES	Canada

A.3.2 Renewal of Terms of Office

Mr. Richard GOBLET D'ALVIELLA

Born on July 6, 1948 – Age: 60

Professional Address: rue de l'Industrie 31 – 1040 Bruxelles - Belgium

Number of GROUPE DANONE shares held as of December 31, 2008: 4,000

Independent Director

Belgian Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since April 11, 2003 and term expiring at the Shareholders' Meeting approving the 2008 financial statements) Member of the Audit Committee (since April 11, 2003)	GROUPE DANONE SA (1)	France
Vice-Chairman, Deputy Director	SOFINA SA (1)	Belgium
Deputy Director	UNION FINANCIERE BOEL SA	Belgium
Director, Member of the Remuneration Committee	DELHAIZE GROUP (1)	Belgium
Director, Member of the Audit Committee	CALEDONIA INVESTMENTS (1)	Great Britain
Director	FINASUCRE SA	Belgium
	HENEX SA (1)	Belgium
	SOCIETE DE PARTICIPATIONS INDUSTRIELLES SA	Belgium
	SUEZ-TRACTEBEL	Belgium
Member of the Supervisory Board Member of the Accounts Committee Member of the Remuneration Committee	EURAZEO SA (1)	France
Advisor of the Board of Directors	GDF/SUEZ (1)	France

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman	SIDRO SA	Belgium
Director	ADSB TELECOMMUNICATIONS-BELGACOM	Netherlands
	DANONE ASIA Pte Ltd	Singapore
	GLACES DE MOUSTIER-SUR-SAMBRE	Belgium
	SES GLOBAL	Luxembourg
Director and Member of the Audit Committee	SUEZ SA	France

Mr. Christian LAUBIE

Born on August 19, 1938 – Age: 70

Professional Address: 8 rue Guynemer - 75006 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 188,768

Independent Director

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since December 19, 1985 and term expiring at the Shareholders' Meeting approving the 2008 financial statements) Member of the Audit Committee (since January 30, 2001)	GROUPE DANONE SA (1)	France

Position	Associations/Foundations/Other	Country
Member	HAUT CONSEIL DU COMMISSARIAT AUX COMPTES	France

(1) Listed company.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman and Chief Executive Officer Director	ALFABANQUE SA	France

Mr. Jean LAURENT

Born on July 31, 1944 – Age: 64

Professional Address: 9 Quai du Président Paul Doumer – 92920 Paris La Défense cedex – France

Number of GROUPE DANONE shares held as of December 31, 2008: 5,000

Independent Director

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since February 10, 2005 and term expiring at the Shareholders' Meeting approving the 2008 financial statements) Member of the Nomination and Remuneration Committee (since April 22, 2005) Chairman of the Social Responsibility Committee (since February 14, 2007)	GROUPE DANONE SA (1)	France
Director	CREDIT AGRICOLE EGYPT SAE	Egypt
	UNIGRAINS SA	France
Member of the Supervisory Board, Member of the Financial Committee	EURAZEO SA (1)	France
Member of the Board of Directors	M6 SA (1)	France
Position	**Associations/Foundations/Other**	**Country**
Chairman	PÔLE DE COMPÉTITIVITÉ "FINANCE INNOVATION" (ASSOCIATION)	France
Chairman of the Board of Directors	INSTITUT EUROPLACE DE FINANCE (FONDATION)	France

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company/Associations/Foundations / Other	Country
Chairman of the Board of Directors	CRÉDIT LYONNAIS SA	France
	CALYON	France
Vice-Chairman	BANCA INTESA SpA	Italy
	BANCO ESPIRITO SANTO SGPS	Portugal
Chief Executive Officer, Chairman of the Executive Committee	CRÉDIT AGRICOLE SA	France
Director	BANCA INTESA SpA	Italy
Member of the Board	ASSOCIATION FRANCAISE DES BANQUES	France
	CONSEIL NATIONAL DU CRÉDIT ET DU TITRE	France
	PARIS EUROPLACE	France
Member of the Board	A.F.E.C.E.I.	France

Mr. Hakan MOGREN

Born on September 17, 1944 – Age: 64

Professional Address: Investor AB, Arsenalsgatan 8 C, SE-103 32 Stockholm - Sweden

Number of GROUPE DANONE shares held as of December 31, 2008: 4,000

Independent Director

Swedish Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since April 11, 2003 and term expiring at the Shareholders' approving the 2008 financial statements) Member of the Nomination and Remuneration Committee (since April 22, 2005)	GROUPE DANONE SA (1)	France
Deputy Chairman	ASTRAZENECA PLC (1)	Great Britain
Director	INVESTOR AB (1)	Sweden
Position	**Associations/Foundations/Other**	**Country**
Director	MARIANNE AND MARCUS WALLENBERG FOUNDATION	Sweden
Academy Member	THE ROYAL SWEDISH ACADEMY OF ENGINEERING SCIENCES (IVA) (ASSOCIATION)	Sweden
	GASTRONOMIC ACADEMY (ASSOCIATION)	Sweden

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company/Associations/Foundations/Other	Country
Chairman	AFFIBODY AB	Sweden
Director	NORSK HYDRO ASA	Norway
	REMY COINTREAU SA	France
	SWEDEN AMERICA FOUNDATION	Sweden
Vice-Chairman	GAMBRO AB	Sweden

Mr. Benoît POTIER

Born on September 3, 1957 – Age: 51

Professional Address: 75 quai d'Orsay – 75007 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 6,622

Independent Director

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since April 11, 2003 and term expiring at the Shareholders' Meeting approving the 2008 financial statements) Chairman of the Audit Committee (since April 22, 2005)	GROUPE DANONE SA (1)	France
Chairman and Chief Executive Officer	AIR LIQUIDE SA (1)	France
	AIR LIQUIDE INTERNATIONAL	France
Chairman, Chairman & Chief Executive Officer	AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC)	United States
	AMERICAN AIR LIQUIDE INC (AAL)	United States
Chairman	AMERICAN AIR LIQUIDE HOLDINGS, INC	United States
Member of the Supervisory Board, Member of Audit Committee	MICHELIN (1)	France
Position	**Associations/Foundations/Other**	**Country**
Chairman	FONDATION D'ENTREPRISE AIR LIQUIDE	France
Director	ÉCOLE CENTRALE	France
	ASSOCIATION NATIONALE DES SOCIETES PAR ACTIONS (ANSA)	France
	CERCLE DE L'INDUSTRIE	France
Member of the Board (France)	INSEAD	France
Member of the Board	ASSOCIATION FRANCAISE DES ENTREPRISES PRIVÉES (AFEP)	France

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman of the Management Board	AIR LIQUIDE SA	France
Director	AIR LIQUIDE ASIA PTE	Asia
	AIR LIQUIDE CANADA	Canada
	AIR LIQUIDE ESPAÑA SA	Spain
	AIR LIQUIDE ITALIA S.R.L.	Italy
	AIR LIQUIDE JAPAN LTD	Japan
	SOAEO	France

A.3.3 Current directors

Mr. Bruno BONNELL

Born on October 6, 1958 – Age: 50

Professional address: 11 Avenue Albert Einstein - 69100 Villeurbanne - France

Number of GROUPE DANONE shares held as of December 31, 2008: 4,000

Independent Director

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since February 18, 2002 and term expiring at the Shareholders' Meeting approving the 2010 financial statements) Member of the Social Responsibility Committee (since February 14, 2007)	GROUPE DANONE SA (1)	France
Chairman	ROBOPOLIS SAS	France
	I-VOLUTION SA	France
	SOROBOT SAS	France
Member of the Supervisory Board	ANF SA (1)	France
	ZSLIDE SA	France
Member of the Management Committee	PATHE SAS	France

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman of the Board of Directors	IDRS	France
	INFOGRAMES ENTERTAINMENT SA	France
Chairman	INFOGRAMES INTERACTIVE SA	France
	I-VOLUTION SA	France
Chairman of the Board and Chief Executive Officer	ATARI, INC	United States
	CALIFORNIA U.S. HOLDINGS, INC	United States
Director	ATARI INTERACTIVE, INC	United States
Director	CALIFORNIA US HOLDINGS, INC.	United States
	INFOGRAMES FRANCE SA	France
	INFOGRAMES EUROPE SA	France
	INFOSOURCES	France
	INTERACTIVE-PARTNERS	France
	IXO SA	France
	LZ PUBLICATIONS SA	France
	OLYMPIQUE LYONNAIS SA	France
Member of the Supervisory Board	EURAZEO SA	France
Permanent representative of Infogrames Entertainment SA	ATARI EUROPE SAS	France
	EDEN STUDIO SAS	France
Permanent representative of Atari Europe SAS	ATARI FRANCE SAS	France

Mr. Michel DAVID-WEILL

Born on November 23, 1932 – Age: 76

Professional address: 32 rue de Monceau – 75008 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 161,872

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since June 26, 1970 and term expiring at the Shareholders' Meeting approving the 2010 financial statements) Vice-Chairman of the Board of Directors (since July 10, 1987) Chairman of the Nomination and Remuneration Committee (since April 22, 2005)	GROUPE DANONE SA (1)	France
Chairman of the Supervisory Board	EURAZEO SA (1)	France
Manager	PARTEMAN SNC	France
Director	BANCA LEONARDO GROUP SpA	Italy

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman	MAISON LAZARD SAS	France
	SOCIÉTÉ MALESHERBES	France
Chairman and Chief Executive Officer	LAZARD FRÈRES BANQUE	France
Managing Director	LAZARD FRÈRES & CO, LLC	United States
Managing Partner	LAZARD FRÈRES SAS	France
General Partner and Manager	PARTENA	France
Director	LAZARD FRERES BANQUE	France
	FONDS PARTENAIRES-GESTION	France
	RUE IMPERIALE	France
Manager	BCNA SNC	France
	PARTEMIEL SNC	France
	PARTEGER SNC	France
Liquidator	BCNA	France
	PARTEMIEL SNC	France
Chairman	LAZARD LLC	United States
Member of the Audit Committee	PUBLICIS	France
Member of the Supervisory Board	PUBLICIS GROUPE SA	France

Mr. Emmanuel FABER

Born on January 22, 1964 – Age: 45

Professional Address: 17 Boulevard Haussmann – 75009 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 12,000

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Deputy General Manager (in office since January 1, 2008) Director (in office since April 25, 2002 and term expiring at the Shareholders' Meeting approving the 2009 financial statements) Member of the Social Responsibility Committee (since February 14, 2007) Member of the Executive Committee (since January 1, 2000)	GROUPE DANONE SA (1)	France
Vice-Chairman and Director	PARTNERSHIP COMPANIES WAHAHA/DANONE	China
Director	GRAMEEN DANONE FOODS LIMITED *	Bangladesh
	YAKULT HONSHA Co, LTD * (1)	Japan
	RYANAIR HOLDINGS Plc (1)	Ireland
	RYANAIR LIMITED	Ireland
	danone.communities (SICAV)	France
Member of the Supervisory Board	LEGRIS INDUSTRIES SA (1)	France
	DANONE BABY AND MEDICAL NUTRITION B.V. (ex Royal Numico) *	Netherlands

(1) Listed companies
* *Companies consolidated by Groupe Danone.*

Responsibilities and positions during the last five years

Position	Company	Country
Chairman	BLÉDINA SAS	France
Chairman and Chief Executive Officer	BLÉDINA S.A.	France
Chairman of the Board of Directors	MECANIVER SA	Belgium
Chairman and Chief Executive Officer, Director	DANONE WATER HOLDINGS, INC	United States
President Commissioner	PT DANONE BISCUITS INDONESIA	Indonesia
	PT DANONE DAIRY INDONESIA	Indonesia
Managing Director – Director	DANONE ASIA Pte Ltd	Singapore
	JINJA INVESTMENTS Pte Ltd	Singapore
Chairman	PARTNERSHIP COMPANIES WAHAHA/DANONE	China
Director-Deputy General Manager	COMPAGNIE GERVAIS DANONE SA	France
	GÉNÉRALE BISCUIT SA	France
Director	ABI HOLDINGS LIMITED (ABIH)	United Kingdom
	ASSOCIATED BISCUITS LIMITED (ABIL)	United Kingdom
	BAGLEY LATINOAMERICA, S.A	Spain
	BRITANNIA INDUSTRIES LIMITED (BIL)	India
	CONTINENTAL BISCUITS LIMITED	Pakistan
	DANONE ASIA PRIVATE LIMITED	Singapore
	FESTINE Pte Ltd	Singapore
	MYEN Pte Ltd	Singapore
	NOVALC Pte Ltd	Singapore
	WADIA BSN INDIA LIMITED	India
	YAKULT DANONE INDIA PVT LTD	India
Board representative of Danone Waters Holdings, Inc (Chairperson)	DS WATERS GENERAL PARTNER, LLC	United States
President Board of Commissioner	PT TIRTA INVESTAMA	Indonesia
Commissioner	PT TIRTA INVESTAMA	Indonesia
Permanent representative of Groupe Danone on the Board of Directors	ALFABANQUE (SA)	France

Mr. Bernard HOURS

Born on May 5, 1956 – Age: 52

Professional Address: 17 boulevard Haussmann – 75009 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 5,002

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Deputy General Manager (in office since January 1, 2008) Director (in office since April 22, 2005 and term expiring at the Shareholders' Meeting approving the 2010 financial statements) Member of the Executive Committee (Since November 1, 2001)	GROUPE DANONE SA (1)	France
Member of the Supervisory Board	CEPRODI	France
Director	FLAM'S	France
	STONYFIELD FARM, INC *	United States
Permanent Representative of Groupe Danone on the Board of Directors and the Executive Commission	DANONE S.A. *	Spain
Chairman of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION B.V. (ex Royal Numico) *	Netherlands
	DANONE BABY AND MEDICAL NUTRITION NEDERLAND B.V. (ex Numico Nederland B.V.) *	Netherlands
Position	**Associations/Foundations/Other**	**Country**
Director	FONDATION D'ENTREPRISE DANONE	France

(1) Listed company.
(*) Companies consolidated by Groupe Danone.

Responsibilities and positions during the last five years

Position	Company	Country
Vice-Chairman and Director	DANONESA TIKVESLI SÜT ÜRÜNLERI SANAYI VE TICARET A.S.	Turkey
Chairman of the Supervisory Board	DANONE GmbH	Germany
	DANONE HOLDING AG	Germany
Director	COLOMBUS CAFÉ	France
	FRANCESCA	France
	GRUPO LANDON	Spain
	THE DANNON COMPANY	United States

Mr. Jacques Alexandre NAHMIAS

Born on September 23, 1947 – Age: 61

Professional Address: 42 avenue Raymond Poincaré – 75116 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 4,536

Independent Director

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since June 12, 1981 and term expiring at the Shareholders' Meeting approving the 2010 financial statements)	GROUPE DANONE SA (1)	France
Chief Executive Officer and Director	PETROFRANCE SA	France
	PETROFRANCE CHIMIE SA	France
Chairman	CASAS ALTAS S.A.	Spain
	PETROFRANCE CHIMIE SA	France
	TERMINALES PORTUARIAS S.L.	Spain
Vice-Chairman	MERCURY OIL & SHIPPING CORPORATION	United States
	PETROFRANCE INC.	United States
Director	DANONE SA	Spain
	PETROREP SA	France
	PETROPEP ITALIANA SpA	Italy
	TERMINALES PORTUARIAS S.L.	Spain

(1) Listed company.

Responsibilities and positions during the last five years

Position	Company	Country
NONE		

Mr. Franck RIBOUD

Born on November 7, 1955 – Age: 53

Professional Address: 17 Boulevard Haussmann – 75009 Paris – France

Number of GROUPE DANONE shares held as of December 31, 2008: 174,908

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Chairman and Chief Executive Officer (in office since May 2, 1996 and term expiring at the Shareholders' Meeting approving the 2009 financial statements) Director (since September 30, 1992) Chairman of the Executive Committee (since July 4, 2001)	GROUPE DANONE SA (1)	France
Director Chairman of the Remunaration Committee	RENAULT SA (1)	France
Chairman of the Board of Directors	danone.communities (SICAV)	France
Director	ACCOR SA (1)	France
	BAGLEY LATINOAMERICA, SA *	Spain
	DANONE SA *	Spain
	LACOSTE FRANCE SA	France
	ONA (1)	Morocco
	RENAULT SAS	France
	WADIA BSN INDIA LIMITED	India
Position	**Associations/Foundations/Other**	**Country**
Member, representative of the company Groupe Danone	CONSEIL NATIONAL DU DÉVELOPPEMENT DURABLE (ASSOCIATION)	France
Director	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France
	INTERNATIONAL ADVISORY BOARD HEC	France
	FONDATION GAIN (GLOBAL ALLIANCE FOR IMPROVED NUTRITION)	Switzerland

(1) Listed companies.
** Companies consolidated by Groupe Danone*

Responsibilities and positions during the last five years

Position	Company	Country
Chairman of the Board of Director	COMPAGNIE GERVAIS DANONE SA	France
	GÉNÉRALE BISCUIT SA	France
Chairman and Director	DANONE ASIA PTE LIMITED	Singapore
Director	ASSOCIATED BISCUITS INTERNATIONAL Ltd (ABIL)	Great Britain
	L'ORÉAL SA	France
	QUIKSILVER	United States
	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	DANONE FINANCE SA	France
	SOFINA	Belgium
Member of the Supervisory Board	ACCOR	France
	EURAZEO SA	France
Permanent representative of Groupe Danone on the Board of Directors	LU FRANCE SA	France
Commissioner	P.T. TIRTA INVESTAMA	Indonesia
Director	ASSOCIATION NATIONALE DES SOCIÉTÉS PAR ACTIONS (ANSA)	France
Member of the Consultative Committee	BANQUE DE FRANCE	France

Mr. Naomasa TSURITANI

Born on January 28, 1944 – Age: 65

Professional address: 1-19, Higashi-Shinbashi, 1-Chome, Minato-Ku, Tokyo, 105-8660 Japan

Number of GROUPE DANONE shares held as of December 31, 2008: 4,000

Japanese Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since February 14, 2007 and term expiring at the Shareholders' Meeting approving the 2010 financial statements)	GROUPE DANONE SA (1)	France
Senior Managing Director	YAKULT HONSHA CO., LTD (1)	Japan
Chairman of the Audit Committee	P.T. YAKULT INDONESIA PERSADA	Indonesia
Chairman	CORPORACION VERMEX S.A. DE C.V.	Mexico
	GUANGZHOU YAKULT CO., LTD.	China
	HONG KONG YAKULT CO., LTD	China
	SHANGHAI YAKULT CO., LTD.	China
	YAKULT (CHINA) CORPORATION	China
	YAKULT (MALAYSIA) SDN. BHD.	Malaysia
	YAKULT (SINGAPORE) PTE. LTD.	Singapore
	YAKULT DEUTSCHLAND GMBH	Germany
	YAKULT EUROPE B.V.	Netherlands
	YAKULT U.S.A. INC.	United States
	YAKULT OESTERREICH GMBH	Austria
	YAKULT PHILIPPINES, INC.	Philippines
	YAKULT S.A. DE C.V.	Mexico
	YAKULT UK LTD.	Great Britain
Vice-President	KOREA YAKULT CO., LTD	Korea
Director	BOUNDY JAPAN CO., LTD	Japan
	KAGAWA TOBU KOHSAN CO., LTD	Japan
	TOKYO YAKULT KOHSAN CO.,LTD.	Japan
	YAKULT ARGENTINA S.A.	Argentina
	YAKULT AUSTRALIA PTY. LTD.	Australia
	YAKULT BELGIUM S.A./N.V.	Belgium
	YAKULT CO., LTD	Taiwan
	YAKULT ESPAÑA S.A.	Spain
	YAKULT ITALIA S.R.L.	Italy
	YAKULT NEDERLAND B.V.	Netherlands
	YAKULT VIETNAM CO., LTD	Vietnam

Position	Associations/Foundations/Other	Country
Standing Director	JAPANESE ASSOCIATION OF FERMENTED MILKS AND FERMENTED MILK DRINKS	Japan
Appointed Representative	YAKULT CORPORATE PENSION FUND	Japan
Councillor	YAKULT BIO-SCIENCE FOUNDATION	Japan
Director	FAIR TRADE COUNCIL OF FERMENTED MILKS AND FERMENTED MILK DRINKS	Japan
	YAKULT HEALTH INSURANCE SOCIETY	Japan

(1) Listed companies.

Responsibilities and positions during the last five years

Position	Company	Country
Chairman	HONG KONG YAKULT CO., LTD	China
	KAGAWA TOBU KOHSAN CO., LTD	Japan
	YAKULT FUKUYAMA KOHSAN CO.,LTD	Japan
	YAKULT INTERNATIONAL (USA) INC	United States
	YAKULT SAPPORO KOHSAN CO., LTD	Japan
Managing Director	YAKULT HONSHA CO., LTD	Japan
Director	YAKULT AICHI PLANT CO., LTD	Japan
	YAKULT CHIBA PLANT CO., LTD	Japan
	YAKULT DANONE INDIA PVT. LTD	India
	YAKULT FUKUOKA PLANT CO., LTD	Japan
	YAKULT HOKURIKU PLANT CO., LTD	Japan
	YAKULT IWATE PLANT CO., LTD	Japan
	YAKULT KOBE CO., LTD	Japan
	YAKULT KYUDAN CO., LTD	Japan
	YAKULT MATERIALS CO., LTD	Japan
	YAKULT NAGASAKI PLANT CO., LTD	Japan
	YAKULT OKAYAMA PLANT CO., LTD	Japan
	YAKULT OSAKA PLANT CO., LTD	Japan

Mr. Jacques VINCENT

Born on April 9, 1946 – Age: 63

Professional Address: 17 Boulevard Haussmann – 75009 Paris - France

Number of GROUPE DANONE shares held as of December 31, 2008: 4,000

French Nationality

Responsibilities and positions as of 12/31/2008

Position	Company	Country
Director (in office since March 17, 1997 and term expiring at the Shareholders' Meeting approving the 2010 financial statements) Deputy General Manager (in office since May 2, 1996) Vice-Chairman of the Board of Directors (in office since September 15, 1998)	GROUPE DANONE SA (1)	France
Chairman	DANONE RESEARCH SAS *	France
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE SA *	France
Director and Member of the Executive Commission	DANONE S.A. *	Spain
Director	CEREPLAST, INC (1)	United States
	DASANBE AGUA MINERAL NATURAL SA *	Spain
	INSTITUT BIOPHYTIS SAS	France
	MEDIAPERFORMANCES PUBLIC'AD	France
	SYNGENTA AG (1)	Switzerland
	WEIGHT WATCHERS DANONE CHINA LIMITED *	China
	WIMM BILL DANN FOODS OJSC (1)	Russia
	YAKULT HONSHA * (1)	Japan
Member of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION B.V. (ex Royal Numico) *	Netherlands
	DANONE BABY AND NUTRITION NEDERLAND B.V. (ex Numico Nederland B.V.) *	Netherlands

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	ÉCOLE NORMALE SUPÉRIEURE DE LYON (E.N.S.)	France

(1) Listed companies.

* *Companies consolidated by Groupe Danone*

Responsibilities and positions during the last five years

Position	Company	Country
Chairman	DANONE HOLDINGS, INC	United States
General Manager	COMPAGNIE GERVAIS DANONE SA	France
Deputy General Manager Permanent representative of Groupe Danone on the Board of Directors	GÉNÉRALE BISCUIT SA	France
Director	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	ASSOCIATED BISCUITS LIMITED (ABIL)	Great Britain
	CENTRALE LAITIERE	Morocco
	CPGMARKET.COM	Switzerland
	DANONE WATERS OF CANADA INC	Canada
	MAHOU	Spain
	P.T. TIRTA INVESTAMA	Indonesia
	THE DANONE SPRINGS OF EDEN BV	Netherlands
Board representative	DS WATER GENERAL PARTNER, LLP	United States
Permanent representative of Groupe Danone on the Board of Directors	DANONE FINANCE SA	France
Member of the Executive Committee	GROUPE DANONE SA	France

RECONCILIATION TABLE

In order to facilitate the reading of this document, the reconciliation table, hereafter, allows to identify in this Registration Document, the information that constitutes the annual financial report having to be published by the listed companies in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

ANNUAL FINANCIAL REPORT	REGISTRATION DOCUMENT
1. COMPANY ANNUAL FINANCIAL STATEMENTS	Chapter 20.2.2
2. CONSOLIDATED FINANCIAL STATEMENTS	Chapter 20.1.1
3. MANAGEMENT REPORT (WITHIN THE MEANING OF THE FRENCH MONETARY AND FINANCIAL CODE)	
3.1 INFORMATION WITHIN ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE	
• Analysis of the business development	Chapter 6
• Analysis of the results	Chapters 9 and 20.2.1
• Analysis of the financial position	Chapters 9 and 10
• Main risks and uncertainties	Chapter 4
• A summary table of the powers granted to the Board of Directors by the general meeting of shareholders in connection with capital increases	Chapter 21.1.4
3.2. INFORMATION WITHIN ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE	
• Elements that may have a significant impact in the event of a public offer	Chapter 20.2.1
3.3. INFORMATION WITHIN ARTICLE L. 225-211 OF THE FRENCH COMMERCIAL CODE	
• Repurchases by the company of its own shares	Chapters 5.2, 20.2.1 and 21.1.3
4. STATEMENT OF THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT	Chapter 1.2
5. STATUTORY AUDITORS' REPORTS ON THE COMPANY'S ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS	Chapters 20.2.3 and 20.1.2
6. COMMUNICATION RELATING TO THE FEES OF THE STATUTORY AUDITORS	Chapter 20.1.3
7. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES	Chapters 16.4, 16.5 and 16.6
8. STATUTORY AUDITORS' REPORT ON REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES	Chapter 16.7

Design and Production: Labrador 00 33 1 53 06 30 80

DANONE

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