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INTERIM
FINANCIAL
REPORT

"BRINGING HEALTH THROUGH FOOD
TO AS MANY PEOPLE AS POSSIBLE"

2016

INTERIM FINANCIAL REPORT

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

*The English version of the 2016 Interim financial report is a free translation from the original which was prepared in French.
The original French version of the document prevails over this translation.*

This Interim financial report is available on Danone's website : www.danone.com

Table of content

1. Interim management report	3
1.1 H1 2016 business review and 2016 outlook	3
Business highlights	3
Consolidated net income review	5
Free cash-flow	9
Balance sheet review	9
Outlook for 2016	10
Financial indicators not defined by IFRS	12
1.2 Financial information on the parent company Danone	13
1.3 Related party transactions	13
2. Condensed interim consolidated financial statements	14
2.1 Consolidated financial statements	14
Consolidated income statement and earnings per share	14
Consolidated statement of comprehensive income	15
Consolidated balance sheet	16
Consolidated statement of cash-flows	18
Consolidated statement of changes in equity	19
2.2 Notes to the condensed interim consolidated financial statements	21
Note 1. Accounting principles	22
Note 2. Fully consolidated companies	23
Note 3. Associates	25
Note 4. Information concerning operating activities	26
Note 5. Events and transactions outside of ordinary activities	28
Note 6. Income Tax	29
Note 7. Intangible assets: measurement review	29
Note 8. Financing and net debt	30
Note 9. Earnings per share	30
Note 10. Other provisions and non-current liabilities and legal and arbitration proceedings	31
Note 11. Related party transactions	31
Note 12. Subsequent events	32
Statutory Auditor's review report on the 2016 interim financial information	33
Statement by the person responsible for the condensed interim consolidated financial statements	34

1. Interim management report

Unless otherwise noted:

- all references herein to the “Company” refer to Danone the issuer or to the Group as the case may be;
- all references herein to the “Group” or “Danone” refer to the Company as issuer and its consolidated subsidiaries;
- all references herein to “Division” or “Divisions” refer to Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition Group businesses;
- all references herein to “consolidated financial statements” refer to condensed interim consolidated financial statements for the six-month period ended June 30, 2016;
- amounts are stated in millions of euros and rounded to the closest million. In general, amounts presented in the interim financial report are rounded to the nearest unit. As a result, the sum of rounded amounts may present immaterial discrepancies relative to the reported total. Also, ratios and differences are calculated on the basis of the underlying amounts as opposed to the rounded amounts.

Danone reports on financial indicators not defined by IFRS, internally (among indicators used by the chief operating decision makers) and externally. These indicators are defined in section *Financial indicators not defined by IFRS*:

- like-for-like changes in sales, recurring operating income, recurring operating margin, recurring net income and recurring EPS;
- recurring operating income (formerly known as trading operating income);
- recurring operating margin (formerly known as trading operating margin);
- recurring net income;
- recurring income tax rate;
- recurring EPS;
- free cash flow;
- free cash flow excluding exceptional items;
- net financial debt.

1.1 H1 2016 business review and 2016 outlook

Business highlights

2016 first-half results

Key progress in rebalancing Danone’s growth model:

- Solid sales growth like-for-like : +3.8% (+4.1% in Q2 2016)
- Very strong improvement in recurring operating margin (formerly trading operating margin) : 13.37% (+93 bps like-for-like)
- Strong recurring EPS growth like-for-like : +13.5% at €1.52

2016 targets confirmed

Organic sales growth of between +3% and +5% like-for-like and recurring operating margin target from in a range of +50bps to +60bps like-for-like confirmed.

Emmanuel FABER, CEO comments

“With organic sales growth above 4% in the second quarter and a very strong improvement in margin and EPS this semester, Danone demonstrated once again its capacity to successfully rebalancing its growth model and transforming its way to operate to deliver immediate key priorities while ensuring progress on its journey towards Strong, Sustainable and Profitable growth by 2020. We continue to implement our agenda to transform the company and increase the resilience of our business model. Our decision in June to upgrade the margin guidance for 2016 is further evidence of Danone’s attention to ensure that any decision of investment enables to reach short and long-term objectives in a disciplined manner. With fast-evolving dynamics in some emerging markets and an environment that remains complex, we are sticking to our priorities and the Q2 results reflect key steps in our journey, notably in Dairy with confirmed success in the US and sequential improvement in Europe. It is the case, as well, in Early Life Nutrition with significant progress in sustainable channels. I am truly grateful to everyone at Danone for working together in a way that has delivered important transforming achievements at a time the company adapts itself to take up challenges and opportunities for its future and, carry out its mission by actively encouraging healthier eating and drinking habits.”

Key figures

(in € millions, except per-share data in €)	Six-month period ended June 30			
	2015	2016	Change as reported	Change Like-for-Like
Sales	11,392	11,052	(3.0)%	3.8%
Recurring operating income ^(a)	1,381	1,478	7.0%	11.5%
Recurring operating margin ^(a)	12.12%	13.37%	+125 bps	+93 bps
Recurring net income - Group Share ^(a)	831	935	12.6%	15.5%
Net income - Group Share	416	880	111.5%	108.4%
Recurring EPS ^(a)	1.37	1.52	10.7%	13.5%
EPS	0.69	1.43	107.8%	-
Free cash-flow excluding exceptional items ^(a)	576	742	28.8%	-

(a) See definition section *Financial indicators not defined by IFRS*.

Key financial transactions and events in H1 2016 (from press releases issued in the past six months)

- On March 15, 2016, Danone announced the signature with the IUF (International Union of Food and Allied Workers) of a tenth agreement, dedicated specifically to sustainable employment. This agreement applies to all Danone subsidiaries around the world. It aims to promote sustainable employment above and beyond the legal framework of each country where Danone operates. In it, Danone and the IUF jointly commit to reducing precarious employment in any form through clear definitions, processes and methodology.
- On April 13, 2016, Danone announced the appointment of Bridgette Heller as Executive Vice President, Early Life Nutrition, and member of the Executive Committee with effect from July 1, 2016. On that date, she took over from Felix Martin Garcia, who led the development of this business for nearly six years.
- On June 7, 2016, Danone announced its inclusion in the FTSE4Good Index, a global responsible investment index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, with effect from June 20, 2016.
- On June 14, 2016, Danone adjusted its 2016 guidance. This involved upgrading its full-year guidance for recurring operating margin from “solid improvement” to a range of +50bps to +60bps like-for-like, while confirming its sales growth like-for-like guidance within a range of +3% to +5%. Danone’s 2020 targets remain unchanged: to generate strong, profitable and sustainable growth.
- On June 28, 2016, Danone announced that it had entered into exclusive negotiations to acquire a minority interest in Michel et Augustin. The deal is the first by *Danone Manifesto Ventures*, Danone’s newly created corporate venture capital unit based in New York, which will be fully operational in Autumn 2016. Danone plans to use this new structure to support the development of innovative companies with high growth potential that share its vision of *Alimentation*. Closing of the deal occurred on July 21, 2016.

Full press releases are available on the website www.danone.com.

Consolidated net income review

Net sales

Consolidated net sales

Consolidated sales stood at €11,052 million, up +3.8% like-for-like. This growth reflects a +0.9% rise in volume and a +2.9% rise in value.

Reported sales were down -3.0%, including changes in exchange rates (-7.4%) and in the scope of consolidation (+0.6%).

The exchange-rate effect reflects negative trends in currencies including the Argentine peso, the Russian ruble, the Mexican peso and the Brazilian real.

Changes in the scope of consolidation result primarily from full consolidation of Fan Milk Group companies since December 2015.

Consolidated net sales by Division and by geographical area

	Six-month period ended June 30			
<i>(in € millions except percentage)</i>	2015	2016	Like-for-like change	Volume growth like-for-like
By Division				
Fresh Dairy Products	5,664	5,377	2.6%	(2.1)%
Waters	2,503	2,393	3.2%	5.9%
Early Life Nutrition	2,445	2,495	6.0%	1.6%
Medical Nutrition	780	787	6.8%	4.7%
By geographical area				
Europe	4,446	4,368	(0.1)%	(0.3)%
CIS & North America ^(a)	2,305	2,216	5.0%	(2.6)%
ALMA ^(b)	4,641	4,467	7.2%	4.0%
Total	11,392	11,052	3.8%	0.9%

(a) North America: United States and Canada.

(b) Asia-Pacific / Latin America / Middle East / Africa.

Recurring operating income and recurring operating margin

Recurring operating margin

Danone's recurring operating margin stood at 13.37%, up +125 bps as reported, reflecting:

- a +93 bps rise like-for-like,
- a +14 bps rise due to changes in the scope of consolidation that included deconsolidation of Dumex in China and full consolidation of Fan Milk Group companies,
- a +18 bps rise due to trends in exchange rates (favorable geographical mix).

As part of its 2020 transformation plan and in an even more volatile and complex environment, Danone continued to strengthen its balanced growth model and anchor profitable growth in a sustainable manner in the first half of 2016.

The company's margin thus rose by +93 bps like-for-like, reflecting the positive contribution of all divisions except

Waters, where margin remained impacted by Mizone's ongoing inventory adjustments in China.

Relying on solid growth generated by all four of its divisions, and in an environment of favorable raw material costs, Danone pursued structural efforts to enhance the value of its brand portfolio (notably through mix management) and to optimize its cost base.

At the same time, Danone continued to step up investment in its brands to ensure future growth, while relying on disciplined resource allocation and funding short-, mid- and long-term initiatives appropriately. These investments will continue in the second half of the year, in particular with the relaunch of the Activia brand. Lastly, this good showing also includes the positive impact of a favorable basis for comparison in Early Life Nutrition. The first half of 2015 was hit by the costs associated with Dumex's adaptation plan and costs linked to a fire in a production plant in the Netherlands.

Recurring operating income and recurring operating margin by Division and by geographical area

<i>(in € millions except percentage and bp)</i>	Six-month period ended June 30				
	Recurring operating		Recurring operating margin		
	2015	2016	2015	2016	Like-for-like change
By Division					
Fresh Dairy Products	519	514	9.2%	9.6%	+56 bps
Waters	322	282	12.9%	11.8%	(121) bps
Early Life Nutrition	403	527	16.5%	21.1%	+353 bps
Medical Nutrition	137	155	17.6%	19.7%	+105 bps
By geographical area					
Europe	724	724	16.3%	16.6%	+30 bps
CIS & North America ^(a)	179	211	7.8%	9.5%	+177 bps
ALMA ^(b)	478	543	10.3%	12.2%	+135 bps
Total	1,381	1,478	12.1%	13.4%	+93 bps

(a) North America: United States and Canada.

(b) Asia-Pacific / Latin America / Middle East / Africa.

Other operating income and expense

Other operating income and expenses stood at €21 million. This amount includes, in particular, €91 million of income related to the disposal of Dumex China (mainly due to recycling of unrealized exchange differences as profit).

Financial income and expense

The cost of net debt declined despite a rise in the amount of net financial debt from H1 2015. This decline was due in particular to lower interest rates and the benefits of bond issuances that enabled Danone to extend the average maturity of its debt at favorable market conditions.

Tax rate

The recurring tax rate stood at 32.1% in H1 2016, down -0.4 point from H1 2015.

Share of profit of associates

Net income from associates was down at -€21 million due to non-recurring items, relating primarily to the €99 million impairment of Danone's 25% interest in Yashili. Excluding non-recurring items, net income from associates stood at €78 million in H1 2016, up +21.9% from H1 2015.

Recurring net income and recurring EPS

Recurring net income – Group Share stood at €935 million in H1 2016, up +15.5% like-for-like, and up +12.6% as reported compared with H1 2015.

Recurring EPS stood at €1.52, up +13.5% like-for-like and up +10.7% as reported compared with H1 2015. This came thanks to solid growth in sales and improved recurring operating margin following the rebalancing of the company's growth model.

EPS stood at €1.43, up +107.8% as reported.

Transition from Net income – Group share to Recurring net income – Group share

<i>(in € millions except percentage)</i>	Year ended December 31						Six-month period ended June 30		
	2015			2015			2016		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	2,892	–	2,892	1,381	–	1,381	1,478		1,478
Other operating income (expense)	–	(682)	(682)	–	(509)	(509)		21	21
Operating income	2,892	(682)	2,210	1,381	(509)	872	1,478	21	1,499
Cost of net debt	(152)	–	(152)	(86)	–	(86)	(74)		(74)
Other financial income (expense)	(129)	(4)	(133)	(69)	1	(68)	(62)	–	(62)
Income before tax	2,611	(686)	1,925	1,226	(508)	718	1,342	22	1,364
Income tax expense	(818)	193	(626)	(398)	99	(299)	(431)	23	(408)
Effective tax rate	31.3%		32.5%	32.5%		41.6%	32.1%		29.9%
Net income from fully-consolidated companies	1,792	(493)	1,299	828	(409)	419	912	44	956
Share of profit of associates	123	(25)	99	64	(8)	56	78	(99)	(21)
Net income	1,915	(518)	1,398	892	(416)	475	990	(55)	935
• Group share	1,791	(508)	1,282	831	(414)	416	935	(55)	880
• Non-controlling interests	125	(9)	115	61	(2)	59	55	–	55

Transition from EPS to Recurring EPS

<i>(in € per share except number of millions)</i>	Year ended December 31						Six-month period ended June 30	
	2015			2015			2016	
	Recurring	Total		Recurring	Total	Recurring	Total	
Net Income - Group share	1,791	1,282		831	416	935	880	
Average number of shares								
• Before dilution	609,647,527	609,647,527		604,404,930	604,404,930	615,906,712	615,906,712	
• After dilution	610,155,241	610,155,241		605,505,956	605,505,956	616,086,852	616,086,852	
EPS								
• Before dilution	2.94	2.10		1.37	0.69	1.52	1.43	
• After dilution	2.93	2.10		1.37	0.69	1.52	1.43	

Other information relating to consolidated net income: transition from reported to like-for-like data

<i>(in € million except percentage and bp)</i>	Previous period	Current period	Reported variation	Of which impact of changes in scope of consolidation	Of which Impact of changes in exchange rates			Like-for-like variation
					Total	Of which treatment of over-inflation	Of which other impact of changes in exchange rates	
Sales								
Year ended December 31, 2015	21,144	22,412	6.0%	(0.4)%	2.0%	0.3%	1.7%	4.4%
Six-month period ended June 30, 2015	10,467	11,392	8.8%	(0.4)%	4.6%	0.5%	4.1%	4.6%
Six-month period ended June 30, 2016	11,392	11,052	(3.0)%	0.6%	(7.4)%	0.1%	(7.5)%	3.8%
Recurring Operating Margin								
Year ended December 31, 2015	12.59%	12.91%	+32 bps	+6 bps	+9 bps	(1) bps	+10 bps	+17 bps
Six-month period ended June 30, 2015	11.27%	12.12%	+85 bps	+13 bps	+19 bps	+1 bps	+18 bps	+53 bps
Six-month period ended June 30, 2016	12.12%	13.37%	+125 bps	+14 bps	+18 bps	(18) bps	+36 bps	+93 bps
Recurring EPS								
Year ended December 31, 2015	2.62	2.93	12.0%	1.9%	3.5%	0.3%	3.2%	6.5%
Six-month period ended June 30, 2015	1.16	1.37	18.5%	4.5%	7.2%	0.7%	6.5%	6.8%
Six-month period ended June 30, 2016	1.37	1.52	10.7%	2.6%	(5.4)%	(1.4)%	(4.0)%	13.5%

Free cash-flow

Free cash-flow and Free cash-flow excluding exceptional items

Free cash-flow stood at €731 million in H1 2016, including €11 million net of tax in outlays related to the company's cost-reduction and organizational adaptation plan in Europe. These costs had been incurred or provisioned in 2015 and were paid during the first half of 2016.

Free cash-flow excluding exceptional items thus came to €742 million (6.7% of sales), up +28.8% from H1 2015, buoyed by the rise in sales and in recurring operating margin like-for-like, and by a sound control of working capital. This will fund Danone's roadmap for growth. Capital expenditure for H1 2016 thus came to €358 million, or 3.2% of sales.

Transition from operating cash flow to free cash-flow and free cash-flow excluding exceptional items

	Year ended December 31		Six-month period ended June 30
<i>(in € millions)</i>	2015	2015	2016
Cash-flow from operating activities	2,369	905	1,072
Capital expenditure	(937)	(378)	(358)
Disposal of tangible assets	31	15	15
Transaction fees related to business combinations ^(a)	5	3	2
Earn-outs related to business combinations ^(b)	-	-	-
Free cash-flow	1,468	545	731
Cash-flows related to plan to generate savings and adapt organization in Europe ^(c)	61	30	11
Free cash-flow excluding exceptional items	1,529	576	742

(a) Represents acquisition costs related to business combinations paid during the period.

(b) Represents earn-outs related to business combinations and paid subsequently to acquisition date and over the period.

Balance sheet review

Simplified consolidated balance sheet

	As of December 31		As of June 30
<i>(in € millions except percentage)</i>	2015	2015	2016
Non-current assets	24,715		24,591
Current assets	7,998		8,188
Total assets	32,712		32,779
Equity - Group share	12,606		11,911
Non-controlling interests	63		78
Net debt	7,799		8,296
Net financial debt	6,937		7,627
Gearing based on net debt	62%		70%
Gearing based on net financial debt	55%		64%

Net debt and financial net debt

Danone's net debt increased by €497 million from December 31, 2015 and stood at €8,296 million on June 30, 2016. This includes €669 million in put options granted to minority shareholders, down €193 million from December 31, 2015.

Transition from Net debt to Net financial debt

	As of December 31	As of June 30
<i>(In € millions)</i>	2015	2016
Non-current financial debt	8,087	8,084
Current financial debt	2,991	3,250
Short term investments	(2,514)	(2,203)
Cash and cash equivalents	(519)	(653)
Derivatives - assets - Non-current	(125)	(133)
Derivatives - assets - Current	(120)	(50)
Net debt	7,799	8,296
Liabilities related to put options granted to non-controlling interests - Non-current	(248)	(316)
Liabilities related to put options granted to non-controlling interests - Current	(614)	(353)
Net financial debt	6,937	7,627

Outlook for 2016

2016 financial outlook

After delivering profitable growth in 2015, Danone set clear priorities for 2016 and is pursuing its journey to meet its ambition for 2020, which calls for strong, profitable and sustainable growth.

Danone still assumes that economic conditions will remain volatile and uncertain overall, with fragile or even deflationary consumer trends in Europe, emerging markets undermined by volatile currencies, and difficulties specific to a few major markets, in particular the CIS, China and Brazil.

In this context, Danone continues to strengthen its balanced growth model and anchor profitable growth in a sustainable manner. To do so, it is relying more than ever on disciplined resource allocation, favoring solid execution of its growth plan

and appropriate and efficient funding of short-, mid- and long-term initiatives.

Last June, with fast evolving dynamics in some emerging markets, notably China, Danone adjusted the pace of topline refueling for 2016 in these specific geographies.

As a result, the company has raised its 2016 recurring operating margin target from "solid improvement" to a range of +50bps to +60bps like-for-like, while confirming its sales growth like-for-like guidance within a range of +3% to +5%.

Danone will also focus on increasing free cash-flow, without setting a short-term target.

Subsequent events

Major events occurring after the end of the reporting period are detailed in Note 12 of the Notes to the consolidated financial statements.

Main risks and uncertainties

The main risks and uncertainties to which Danone may be exposed in the second half of 2016 are those specified in section 2.7 *Risk factors* of the 2015 Registration Document and listed hereafter, including in particular volatile and uncertain economic conditions overall, with fragile or even deflationary consumer trends in Europe, emerging markets undermined by volatile currencies, and difficulties specific to a few major markets, in particular the CIS, China and Brazil.

Risks associated with Danone's image and reputation	Risks associated with product quality
	Risks associated with health and the positioning of certain products
	Other general risks associated with Danone's image and reputation
Operational risks associated with Danone's business sector	Raw materials: price volatility and availability
	Concentration of distribution, customer default
	Competition
	Geopolitical environment
	Economic situation in Danone's principal markets
	Weather conditions and seasonal trends
Operational risks specific to Danone's activity and organization	Concentration of purchases of certain products and services with a limited number of suppliers
	Danone's position in certain markets
	Innovation and consumer taste
	Human resources and staff
	Human resources and restructuring
	Information systems
	Internal control deficiency
	Insurance coverage deficiency
Risks associated with external growth	Company acquisitions
	Partnerships
	Unfavorable business performance and business forecasts and impact on intangible asset impairment tests and Investments in associates
Legal and regulatory risks	Intellectual property
	Ethical and non-compliance risks
	Environmental regulations
	Other regulations
Natural, industrial and environmental risks	Natural and industrial risks
	Environmental risks
	Consumer choices, preferences or environmental preferences
Financial market risks	Financial market risks
	Currency risk related to operating activities
	Currency risk related to financing activities
	Financial statements translation into euros
	Liquidity
	Interest rates
	Counterparty, credit
	Company shares
	Other companies' shares

Financial indicators not defined by IFRS

Information published by Danone uses the following financial indicators that are not defined by IFRS:

- like-for-like changes in sales, recurring operating income, recurring operating margin, recurring net income and recurring EPS;
- recurring operating income;
- recurring operating margin;
- recurring net income;
- recurring income tax rate;
- recurring EPS;
- free cash flow;
- free cash flow excluding exceptional items;
- net financial debt.

Given severe deterioration in consumer spending in Europe, Danone has set a target for savings and adaptation of its organization to regain its competitive edge. Starting in the first half of 2013, the Company has published a free cash flow indicator excluding cash flows related to initiatives deployed within the framework of this plan.

Calculation of financial indicators not defined in IFRS and used by Danone is as follows:

Like-for-like changes in Sales, Recurring operating income, Recurring operating margin, Recurring net income and recurring EPS reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates, (i) with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Company for the current year and applied to both previous and current year), and (ii) correcting differences caused by the exceptional volatility of inflation in countries that are structurally subject to hyperinflation, which would otherwise distort any interpretation of Danone's organic performance.

Since inflation in Argentina—already structurally high—accelerated further in 2014, in particular following the sharp, steep devaluation of the peso in January, using an identical exchange rate to compare 2014 figures with those for the prior year did not reflect Danone's organic performance in that country accurately. As a result, the Company fine-tuned the definition of like-for-like changes to include in its exchange-rate impact the differences caused by the exceptional volatility in structurally hyperinflationary countries. Danone is applying this methodology, which is applicable only to Argentina starting with the release of 2014 full-year results. More specifically, this methodology leads to (a) limit the inflation of price and cost of goods sold per kilo to their average level for the past three years and (b) cap Recurring operating margin at its prior-year level; this methodology has been applied to each division operating in Argentina. With respect to 2014, adjustment for the full year had been recorded in the fourth quarter of 2014.

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French CNC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Net sales ratio.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the Total Recurring net income. Total Recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include capital gains and losses on disposals and impairments of Investments in associates and in other non-fully-consolidated entities and tax income and expenses related to non-recurring income and expenses. Such income and expenses excluded from Net income are defined as Total Non-recurring net income and expenses.

Recurring income tax rate measures the income tax rate related to Danone's recurring performance and corresponds to the ratio Tax income and expenses related to recurring income and expenses over Total Recurring net income.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as Recurring net income over Diluted number of shares ratio.

Free cash flow represents cash flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash flow excluding exceptional items represents free cash flow before cash flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets.

1.2 Financial information on the parent company Danone

Danone's parent company's net revenues and income before tax

	Six-month period ended June 30	
<i>(In € millions)</i>	2015	2016
Net revenues	278	325
Income before tax	334	447

1.3 Related party transactions

Major related party transactions are detailed in Note 11 of the Notes to the consolidated financial statements..

2. Condensed interim consolidated financial statements

The condensed interim consolidated financial statements of Danone and its subsidiaries ("the Group" or "Danone") for the period ended June 30, 2016 (the "consolidated financial statements") were approved by the July 27, 2016 meeting of the Danone Board of Directors.

Unless otherwise mentioned, amounts are stated in millions of euros and rounded to the closest million. In general, amounts presented in the consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest unit. As a result, the sum of rounded amounts may present immaterial discrepancies relative to the reported total. Also, ratios and differences are calculated on the basis of the underlying amounts as opposed to the rounded amounts.

2.1 Consolidated financial statements

Consolidated income statement and earnings per share

<i>(in € millions except earnings per share in euros)</i>	Notes	Year ended December 31	Six-month period ended June 30	
		2015	2015	2016
Net sales	4	22,412	11,392	11,052
Cost of goods sold		(11,212)	(5,771)	(5,398)
Selling expense		(5,677)	(2,919)	(2,833)
General and administrative expense		(1,944)	(961)	(993)
Research and development expense		(307)	(141)	(155)
Other income (expense)		(380)	(220)	(195)
Recurring operating income	4	2,892	1,381	1,478
Other operating income (expense)	5	(682)	(509)	21
Operating income		2,210	872	1,499
Interest income		122	89	48
Interest expense		(274)	(174)	(121)
Cost of net debt		(152)	(86)	(74)
Other financial income		1	2	2
Other financial expense		(134)	(70)	(64)
Income before tax		1,925	718	1,364
Income tax expense	6	(626)	(299)	(408)
Net income from fully consolidated companies		1,299	419	956
Share of profit of associates	3	99	56	(21)
Net income		1,398	475	935
Net income - Group share		1,282	416	880
Net income - Non-controlling interests		115	59	55
Net income - Group share, per share	9	2.10	0.69	1.43
Net income - Group share, per share after dilution	9	2.10	0.69	1.43

Consolidated statement of comprehensive income

	Year ended December 31		Six-month period ended June 30
<i>(in € millions)</i>	2015	2015	2016
Net income – Group share	1,282	416	880
Translation adjustments	67	712	(409)
Cash-flow hedging derivatives			
Gross unrealized gains and losses	121	51	(15)
Tax effects	(13)	10	2
Available-for-sale financial assets			
Gross unrealized gains and losses	(10)	12	3
Amount recycled to profit or loss in the current year	–	–	–
Tax effects	8	–	1
Other comprehensive income, net of tax	173	784	(419)
Actuarial gains and losses on retirement commitments			
Gross gains and losses	58	18	(135)
Tax effects	(19)	(6)	46
Items not subsequently recyclable to profit or loss	40	12	(89)
Total comprehensive income – Group share	1,495	1,212	373
Total comprehensive income – non-controlling interests	91	77	44
Total comprehensive income	1,586	1,289	417

Consolidated balance sheet

<i>(in € millions)</i>	Notes	As of December 31	As of June 30
		2015	2016
Assets			
Goodwill		11,653	11,492
Brands		3,833	3,801
Other intangible assets		292	289
Intangible assets	4, 7	15,779	15,582
Property, plant and equipment	4	4,752	4,823
Investments in associates	3	2,882	2,787
Investments in other non-consolidated companies		70	64
Long-term loans and other long-term financial assets		204	214
Other financial investments		274	278
Derivative - assets ^(a)	8	125	133
Deferred taxes		902	988
Non-current assets		24,715	24,591
Inventories		1,374	1,482
Trade receivables		2,230	2,508
Other receivables		1,029	1,240
Short-term loans		40	52
Derivative - assets ^(a)		120	50
Short-term investments	8	2,514	2,203
Cash and cash equivalents	8	519	653
Assets held for sale		171	1
Current assets		7,998	8,188
Total assets		32,712	32,779

(a) Derivative instruments used to manage net debt.

		As of December 31	As of June 30
<i>(in € millions)</i>	Notes	2015	2016
Equity and liabilities			
Share capital		164	164
Additional paid-in capital		4,132	4,178
Retained earnings		11,454	11,202
Cumulative translation adjustments		(1,177)	(1,583)
Accumulated other comprehensive income		(260)	(359)
Treasury shares and DANONE call options ^(a)		(1,707)	(1,691)
Equity attributable to owners of the Company		12,606	11,911
Non-controlling interests	3	63	78
Equity		12,669	11,989
Financing	8	7,835	7,767
Derivatives - liabilities ^(b)		4	1
Liabilities related to put options granted to non-controlling interests	2.4	248	316
Non-current financial debt	8	8,087	8,084
Provisions for retirements obligations and other long-term benefits		793	940
Deferred taxes		1,126	1,117
Other non-current provisions and liabilities	10	834	867
Non-current liabilities		10,841	11,008
Financing	8	2,374	2,895
Derivatives - liabilities ^(b)		3	2
Liabilities related to put options granted to non-controlling interests	2.4	614	353
Current financial debt	8	2,991	3,250
Trade payables		3,334	3,598
Other current liabilities		2,859	2,933
Liabilities directly associated with assets held for sale		18	-
Current liabilities		9,202	9,781
Total equity and liabilities		32,712	32,779

(a) DANONE call options acquired by the Company.

(b) Derivative instruments used to manage net debt.

Consolidated statement of cash-flows

<i>(in € millions)</i>	Year ended December 31		Six-month period ended June 30	
	Notes	2015	2015	2016
Net income		1,398	475	935
Share of profit of associates net of dividends received		(58)	(38)	43
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		1,217	777	404
Increases in (reversals of) provisions		148	89	47
Change in deferred taxes		(179)	(83)	(44)
(Gains) losses on disposal of property, plant and equipment and financial investments		29	13	(114)
Expense relating to stock-options and Group performance shares		27	17	12
Cost of net financial debt		152	86	74
Net interest paid		(182)	(95)	(60)
Net change in interest income (expense)		(30)	(9)	14
Other components with no cash impact		1	5	2
Other net cash outflows		-	(1)	-
Cash flows provided by operating activities, before changes in net working capital		2,552	1,244	1,298
(Increase) decrease in inventories		(66)	(163)	(124)
(Increase) decrease in trade receivables		(418)	(459)	(292)
Increase (decrease) in trade payables		174	197	285
Change in other receivables and payables		128	86	(95)
Change in working capital requirements		(182)	(339)	(226)
Cash flows provided by (used in) operating activities		2,369	905	1,072
Capital expenditure ^(a)		(937)	(378)	(358)
Proceeds from disposal of property, plant and equipment ^(a)		31	15	15
Net cash outflows on purchases of subsidiaries and financial investments ^(b)		(596)	(605)	(29)
Net cash inflows on disposal of subsidiaries and financial investments ^(b)		2	2	135
(Increase) decrease in long-term loans and other long-term financial assets		(19)	(20)	(13)
Cash flows provided by (used in) investment activities		(1,519)	(986)	(251)
Increase in issued capital and additional paid-in capital		39	39	46
Purchases of treasury shares (net of disposals) and of DANONE call		198	170	32
Dividends paid to Danone shareholders		(314)	(314)	(985)
Buyout of non-controlling interests	2	(1,929)	(818)	(293)
Dividends paid		(97)	(45)	(45)
Contribution from non-controlling interests to capital increases		(3)	2	1
Transactions with non-controlling interests		(2,029)	(861)	(337)
Net cash flows on hedging derivatives ^(d)		22	(4)	-
Bonds issued or raised during the period		2,049	1,300	-
Bonds repaid during the period		(603)	(603)	(138)
Increase (decrease) in other current and non-current financial debt		(101)	906	417
Increase (decrease) in short term investments		(242)	(423)	309
Cash flows provided by (used in) financing activities		(982)	211	(658)
Effect of exchange rate changes and other changes ^(e)		(228)	8	(30)
Increase (decrease) in cash and cash equivalents		(361)	138	133
Cash and cash equivalents at beginning of period		880	880	519
Cash and cash equivalents at end of period		519	1,018	653

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.

(b) Acquisition/disposal of companies' shares. In the case of fully-consolidated companies, this comprises cash as of the acquisition/disposal date.

(c) DANONE call options acquired by the Company.

(d) Derivative instruments used to manage net debt.

(e) Effect of reclassification with no impact on net debt.

Consolidated statement of changes in equity

(in € millions)	Movements during the period									As of June 30, 2015	
	As of January 1, 2015	Comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options ^(a)	Counterpart to expenses relating to share based payment ^(b)	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests		Other changes
Share capital	161	-	-	-	-	-	3	-	-	-	164
Additional paid-in capital	3,505	416	39	-	-	-	588	-	-	-	4,132
Retained earnings	11,817	416	-	-	-	17	(591)	(317)	(46)	(271)	11,025
Cumulative translation adjustments	(1,501)	712	-	-	-	-	-	-	-	252	(537)
Unrealized gains and losses related to cash-flow hedging derivatives, net of tax	(109)	61	-	-	-	-	-	-	-	12	(36)
Unrealized gains and losses related to available-for-sale financial assets, net of tax	45	11	-	-	-	-	-	-	-	-	56
Actuarial gains and losses on retirement commitments, not recyclable to profit or loss, net of tax	(363)	12	-	-	-	-	-	-	-	-	(351)
Other comprehensive income	(427)	84	-	-	-	-	-	-	-	12	(331)
Treasury shares and DANONE call options	(1,859)	-	-	-	155	-	-	-	(5)	-	(1,709)
Equity – Group share	11,696	1,212	39	-	155	17	-	(317)	(52)	(7)	12,745
Non-controlling interests	49	77	2	-	-	-	-	(42)	(38)	(10)	37
Consolidated equity	11,745	1,289	41	-	155	17	-	(359)	(89)	(17)	12,782

(a) DANONE call options acquired by the Company.

(b) Mainly Group performance shares and stock-options granted to certain employees and corporate officers.

	Movements during the period									As of June 30, 2016	
	As of January 1, 2016	Comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options (e)	Counterpart to expenses relating to share based payment (b)	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests		Other changes
<i>(in € millions)</i>											
Share capital	164	-	-	-	-	-	-	-	-	164	
Additional paid-in capital	4,132	46	-	-	-	-	-	-	-	4,178	
Retained earnings	11,454	880	-	-	9	12	-	(987)	(122)	(44)	11,202
Cumulative translation adjustments	(1,177)	(409)	-	-	-	-	-	-	-	2	(1,583)
Unrealized gains and losses related to cash-flow hedging derivatives, net of tax	20	(13)	-	-	-	-	-	-	-	-	7
Unrealized gains and losses related to available-for-sale financial assets, net of tax	42	3	-	-	-	-	-	-	-	-	45
Actuarial gains and losses on retirement commitments, not recyclable to profit or loss, net of tax	(323)	(89)	-	-	-	-	-	-	-	-	(411)
Other comprehensive income	(260)	(98)	-	-	-	-	-	-	-	-	(359)
Treasury shares and DANONE call options	(1,707)	-	-	-	18	-	-	-	(2)	-	(1,691)
Equity – Group share	12,606	373	46	-	27	12	-	(987)	(124)	(42)	11,911
Non-controlling interests	63	44	-	-	-	-	-	(44)	25	(9)	78
Consolidated equity	12,669	417	46	-	27	12	-	(1,031)	(100)	(51)	11,989

(a) DANONE call options acquired by the Company.

(b) Mainly Group performance shares and stock-options granted to certain employees and corporate officers.

2.2 Notes to the condensed interim consolidated financial statements

Note 1. Accounting principles	22
Note 1.1. Basis for preparation	22
Note 1.2. Accounting framework applied	22
Note 2. Fully consolidated companies	23
Note 2.1. Main changes	23
Note 2.2. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain)	23
Note 2.3. Finalization of transactions relating to non-controlling interests under progress as of December 31, 2015	24
Note 2.4. Liabilities related to put options granted to non-controlling interests	24
Note 3. Associates	25
Note 3.1. Main changes	25
Note 3.2. Measurement review of associates	25
Note 4. Information concerning operating activities	26
Note 4.1. General principles	26
Note 4.2. Operating segments	27
Note 5. Events and transactions outside of ordinary activities	28
Note 5.1. Other operating income (expense)	28
Note 5.2. Danone 2020 transformational plan	28
Note 5.3. Savings and adaptation plan for the Group's organizations in Europe	28
Note 6. Income Tax	29
Note 7. Intangible assets: measurement review	29
Note 7.1 Accounting principles and methodology	29
Note 7.2 Measurement review	29
Note 8. Financing and net debt	30
Note 8.1. Carrying amount of financing and change during the period	30
Note 8.2. Net debt	30
Note 9. Earnings per share – Group share	30
Note 10. Other provisions and non-current liabilities and legal and arbitration proceedings	31
Note 10.1 Other provisions and non-current liabilities	31
Note 10.2 Legal and arbitration proceedings	31
Note 11. Related party transactions	31
Note 12. Subsequent events	32

Note 1. Accounting principles

Note 1.1. Basis for preparation

Danone's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which are available on the website of the European Commission (http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm).

Danone's condensed interim consolidated financial statements for the six-month period ended June 30, 2016 are presented and have been prepared in compliance with IAS 34, Interim

Financial Reporting, as adopted by the European Union regarding interim financial reporting information. This standard stipulates that condensed interim consolidated financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim consolidated financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2015. Danone's activity related to six-month period ended June 30, 2016 shows no significant seasonal effect.

Note 1.2. Accounting framework applied

The accounting principles used to prepare these condensed interim consolidated financial statements are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2015 (see Note 1 of the Notes to the consolidated financial statements for the year ended December 31, 2015, as well as the accounting principles detailed in each Note to the consolidated financial statements for the year ended December 31, 2015), except for standards, amendments and interpretations applicable for the first time as from January 1, 2016.

Main standards, amendments and interpretations whose application is mandatory as of January 1, 2016

No amendment or interpretation whose application is mandatory as of January 1, 2016 has a material impact on the consolidated financial statements as of June 30, 2016.

Main standards, amendments and interpretations published by the IASB whose application is not mandatory as of January 1, 2016 in the European Union

Danone did not choose the early adoption of those standards, amendments and interpretations in the condensed interim consolidated financial statements as of June 30, 2016 and considers that it should not have a material impact on its results and financial situation.

Main standards, amendments and interpretations published by the IASB not yet adopted by the European Union

- IFRS 15, *Revenue from Contracts with Customers*;
- IFRS 9, *Financial Instruments*;
- IFRS 16, *Leases*.

The impact of these standards on the Danone's results and financial situation is currently being evaluated.

Other standards

Danone is closely monitoring the economic conditions that could, by December 31, 2016, result in Argentina being qualified as a hyperinflationary economy, with the result that IAS 29 Financial Reporting in Hyperinflationary Economies would become applicable. This standard would require the balance sheets and net income of the subsidiaries concerned to be (i) restated to reflect the changes in the general purchasing power of the local currency by using official inflation rate indices applicable at the end of the reporting period, and (ii) translated into euros at the exchange rate ruling at the end of the reporting period.

Current IASB and IFRIC projects

Danone is also closely monitoring the work of the IASB and the IFRIC, which could lead to a revision of the treatment of put options granted to non-controlling interests.

Note 2. Fully consolidated companies

Note 2.1. Main changes

Main changes during first half of 2016

Notes	Division	Country	Transaction date ^(a)	Ownership percentage as of	
				December 31, 2015	June 30, 2016
Main companies/activities consolidated for the first time during the period					
	Fresh Dairy Products	Egypt	February	-	100.0%
Main consolidated companies with change in ownership percentage					
	Fresh Dairy Products	West Africa	January	49.0%	51.0%
	Fresh Dairy Products	Spain	March	92.4%	99.7%
2.2	Fresh Dairy Products	Spain	March	92.4%	99.7%
	Fresh Dairy Products	CIS	January	70.9%	92.9%
2.3	Fresh Dairy Products	CIS	January	70.9%	92.9%
	Fresh Dairy Products	Morocco	March	95.9%	99.7%
2.3	Fresh Dairy Products	Morocco	March	95.9%	99.7%
Main companies that are no longer fully consolidated as of June 30, 2016					
	Early Life Nutrition	China	May	100.0%	-
5.1	Early Life Nutrition	China	May	100.0%	-

(a) Month of the fiscal year.

(b) Danone exercised a call option on 2% of the share capital of Fan Milk in 2016.

(c) Dumex Baby Foods Co. Ltd.

Main changes during first half of 2015

Division	Country	Transaction date ^(a)	Ownership percentage as of		
			December 31, 2014	June 30, 2015	
Main companies/activities consolidated for the first time during the period					
-	-	-	-	-	
Main consolidated companies with change in ownership percentage					
	Fresh Dairy Products	Spain	February/March	76.9%	92.4%
	Fresh Dairy Products	Spain	February/March	76.9%	92.4%
Main companies that are no longer fully consolidated as of June 30, 2015					
-	-	-	-	-	

(a) Month of the fiscal year.

Note 2.2. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain)

Put options representing 7.3% of Danone Spain's share capital have been exercised during the first half of 2016. The relating debt was accounted in current financial liabilities for €234 million as of December 31, 2015 and corresponds to the amount paid in March 2016, without any impact on the consolidated equity. As a result, the ownership percentage of Danone in Danone Spain increased from 92.4% to 99.7%.

Note 2.3. Finalization of transactions relating to non-controlling interests under progress as of December 31, 2015

Danone-Unimilk group (Fresh Dairy Products, CIS)

Some minority shareholders in the Danone-Unimilk group had exercised their put option representing 42.0% of the company's share capital.

As of December 31, 2015, a part of the transaction concerning 22% of the share capital was still subject to the approval of the competition authorities and Danone held 70.9% of the share capital of the Danone-Unimilk group and had recognized a

liability of €284 million in current financial debt, corresponding to the amount that it had to pay to the minority shareholders if the acquisition, by Danone, of the remaining 22% interest was approved.

The transaction was approved and finalized in January 2016, with no impact on Danone consolidated equity. As of June 30, 2016, Danone owns 92.9% of the group.

Centrale Danone (Fresh Dairy Products, Morocco)

Minority shareholders holding a put option over their interest exercised their option in 2015, increasing Danone's interest to 95.9% as of December 31, 2015 and making mandatory the submission of a squeeze out proposal in respect of all of the shares making up Centrale Danone's free float, *i.e.* in respect of 4.1% of its share capital and voting rights.

As of December 31, 2015, the Group, since it was obliged to purchase the shares tendered by the minority shareholders to

the squeeze-out procedure, recognized a current debt of €43.5 million, presented under the heading Liabilities related to put options granted to non-controlling interests.

The public repurchase offer was held from February 8, 2016 to February 26, 2016. Danone has bought through this procedure 3.8% of Centrale Danone share capital for € 41 million, the difference with the amount recorded in debt as of December 31, 2015, being recorded in equity.

Note 2.4. Liabilities related to put options granted to non-controlling interests

Carrying amount and main characteristics

(in € millions)	As of December 31, 2015			As of June 30, 2016			Start of exercise period	Price calculation formula
	Current	Non-current	Total	Current	Non-current	Total		
Danone Spain	234	-	234	-	-	-	At any time	Average earnings multiple over several years
Other	380	248	628	353	316	669	Since 2015	
Total	614	248	862	353	316	669		

Change during the period

(in € millions)	2015	2016
As of January 1	2,558	862
New options and options recognized previously in accordance with IAS 39	207	-
Carrying amount of options exercised	(1,851)	(285)
Changes in the present value of the option strike price of outstanding options	(52)	91
As of December 31 / June 30	862	669

Note 3. Associates

Note 3.1. Main changes

Main changes during first half of 2016

In the first six months of 2016, Danone did not carry out any material acquisitions nor disposals of associates.

Main changes during first half of 2015

Ownership percentage as of June 30					
	Division	Country	Transaction date (a)	2014	2015
Main companies accounted for using the equity method for the first time during the period ending June 30, 2015					
Yashili	Early Life Nutrition	China	February	-	25.0%
Main associates with change in ownership percentage					
-	-	-	-	-	-
Main companies no longer accounted for using the equity method as of June 30, 2015					
-	-	-	-	-	-

(a) Month of the fiscal year.

Note 3.2. Measurement review of associates

Methodology

Danone reviews the measurement of its investments in associates when events or circumstances indicate that impairment is likely to have occurred. With regard to listed shares, a significant or prolonged fall in their stock price below their historical stock price constitutes an indication of impairment.

An impairment provision is recognized within Share of profit of associates when the recoverable amount of the investment falls below its carrying amount. This impairment provision may be reversed if the recoverable amount subsequently exceeds the carrying amount, up to the limit of the share of the equity held by Danone.

Measurement review as of June 30, 2016

Yashili (Early Life Nutrition, China)

As of December 31, 2015, the significant fall in Yashili's share price as compared with the average purchase price paid by the Danone for its shareholding had constituted an indication of impairment. Since the value in use calculated on these bases corresponded to the stake's carrying amount, no impairment loss was recognized.

The discount rate and long-term growth rate were 10.7% and 3.0% respectively.

The value in use calculated leads to recognize of a €99 million impairment loss, recorded in the share of profit of associates of the first half of 2016. Thus the carrying amount of Danone's stake in Yashili as of June 30, 2016 amounts to €362 million.

As of June 30, 2016, the share price and the profit warning published on July 3, 2016 constituting indications of impairment, the carrying amount of Danone's stake in Yashili (€461 million) was subject to an impairment test based on updated cash flow forecasts.

Finally, the sensitivity analysis on the key assumptions used in the calculation of this value in use, taken individually, gives the following results:

Assumptions	Indicators	Additional Impairment (in € millions)
(500) bps	Net sales growth (applied each year for 8 years)	80
(200) bps	Recurring operating margin (applied each year for 8 years)	60
(100) bps	Long-term growth rate	24
+100 bps	Discount rate	42

Mengniu (Dairy, China)

As of December 31, 2015, the significant fall in Mengniu's share price as compared with the average purchase price paid by Danone for its shareholding had constituted an indication of impairment. Since the value in use calculated on these bases was higher than the stake's carrying amount, no impairment provision was recognized as of December 31, 2015.

As of June 30, 2016, the share price remaining constituent of an indication of impairment, the carrying amount of the Danone's stake in the Mengniu Group (€800 million) was subject to an impairment test based on cash flow forecasts. The

assumptions used as regards the discount rate and long-term growth rate were 8.7% and 3.0% respectively.

Since the value in use calculated on these bases was higher than the stake's carrying amount, no impairment provision was recognized as of June 30, 2016. The sensitivity analysis on the key assumptions used in the calculation of this value in use, taken individually, gives the following results:

Assumptions	Indicators	Impairment (in € millions)
(200) bps	Net sales growth (applied each year for 5 years)	-
(100) bps	Recurring operating margin (applied each year for 5 years)	-
(100) bps	Long-term growth rate	-
+100 bps	Discount rate	-

Other investments in associates

In the first six months of 2016, no impairment has been recorded regarding the other investments in associates.

Note 4. Information concerning operating activities

Note 4.1. General principles

The key indicators reviewed and used internally by the primary operational decision-makers (the Chief Executive Officer, Mr. Emmanuel FABER, and the Chief Financial Officer, Ms. Cécile CABANIS) to assess operational performance are:

- Net Sales;
- Recurring operating income;
- Recurring operating margin, which is defined as the recurring operating income over net sales ratio;
- free cash-flow, which represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with Revised IFRS 3, excluding (i) acquisition costs related to business combinations, and (ii) cash-flows related to earn-outs related to business combinations and paid subsequently to acquisition date;
- free cash-flow excluding exceptional items, an indicator published by the Group since the first half

of 2013, in connection with its plan to generate savings and adapt its organizations in Europe corresponding to free cash-flow before cash-flows related to initiatives that may be taken in connection with the plan;

- Net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and Non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short term investments, Cash and cash equivalents and Derivatives – assets.

Among the key indicators reviewed and used internally by the primary operational decision-makers, only Net sales, Recurring operating income and Recurring operating margin are monitored by Division, the other indicators being monitored at the Group level. The primary operational decision-makers monitor the four Divisions listed below: it should be noted that Danone has not carried out a reorganization of its operating segments.

Note 4.2. Operating segments

Information by Division

<i>(in € millions except percentage)</i>	Six-month period ended June 30					
	Sales ^(a)		Recurring operating income		Recurring operating margin	
	2015	2016	2015	2016	2015	2016
Fresh Dairy Products	5,664	5,377	519	514	9.2%	9.6%
Waters	2,503	2,393	322	282	12.9%	11.8%
Early Life Nutrition	2,445	2,495	403	527	16.5%	21.1%
Medical Nutrition	780	787	137	155	17.6%	19.7%
Total	11,392	11,052	1,381	1,478	12.1%	13.4%

(a) Net sales to third parties.

Information by geographical area

Sales, Recurring operating income and Recurring operating margin

<i>(in € millions except percentage)</i>	Six-month period ended June 30					
	Sales ^{(a) (b)}		Recurring operating income		Recurring operating margin	
	2015	2016	2015	2016	2015	2016
Europe ^(b)	4,446	4,368	724	724	16.3%	16.6%
CIS & North America ^(c)	2,305	2,216	179	211	7.8%	9.5%
ALMA ^(d)	4,641	4,467	478	543	10.3%	12.2%
Total	11,392	11,052	1,381	1,478	12.1%	13.4%

(a) Net sales to third parties.

(b) Including €1,103 million Net Sales in France in the six-month period ended June 30, 2016 (€ 1,114 million in 2015).

(c) North America: United States and Canada.

(d) Asia-Pacific / Latin America / Middle East / Africa.

Non-current assets: Property, plant and equipment and Intangible assets

<i>(in € millions)</i>	As of December 31		As of June 30
	2015	2016	2016
Europe	10,621		10,406
Of which France's share	1,931		1,973
CIS & North America ^(a)	2,731		2,816
ALMA ^(b)	7,178		7,183
Total	20,531		20,405

(a) North America: United States and Canada.

(b) Asia-Pacific / Latin America / Middle East / Africa.

Note 5. Events and transactions outside of ordinary activities

Note 5.1. Other operating income (expense)

Other operating income (expense) of first half 2016

The net Other operating expense of €21 million of the first half 2016 consisted mainly of the following items:

Six-month period ended June 30, 2016

<i>(in € millions)</i>	Notes	Related profit/cost
Dumex China disposal result ^(a)		91
Danone 2020 transformational plan	5.2	(25)
Intangible assets impairment	7	(29)

(a) Dumex China disposal result is mainly due to the recycle to profit of the unrealized exchanges differences.

Other operating income (expense) of first half 2015

The net Other operating expense of €(509) million of the first half 2015 consisted mainly of expenses, including:

Six-month period ended June 30, 2015

<i>(in € millions)</i>	Notes	Related profit/cost
Impairment of the Dumex brand and its property, plant and equipment		(398)
Plan for savings and adaptation of the Group's organizations in Europe	5.3	(45)
Fine notified by the Spanish National Commission on Markets and Competition		(23)

Note 5.2. Danone 2020 transformational plan

In order to generate strong, profitable and sustainable growth between now and 2020, Danone has launched its "Danone 2020" transformation plan, which foundations were laid in 2015.

The expenses relating to this plan concerned mainly (i) the costs of employee-related measures (measures with respect to internal mobility, redundancy and support for departing employees) and (ii) other reorganization costs (notably compensation for the early termination of property leases and consulting fees).

As this plan consists in a strategic restructuring, costs incurred directly in connection with the plan are recognized as Other operating income (expense). Costs recognized consist of costs paid, incurred or provisioned.

Cash flows related to initiatives that may be taken by Danone to deploy this plan are presented in Cash flows provided by (used in) operating activities in the consolidated statement of cash flows.

Costs related to this plan

<i>(in € millions)</i>	Year ended December 31	Six-month period ended June 30	
	2015	2015	2016
Employee-related measures	(47)	-	(2)
Other reorganization costs	(30)	-	(24)
Total	(77)	-	(25)

Note 5.3. Savings and adaptation plan for the Group's organizations in Europe

On December 13, 2012, Danone announced the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the economy and the consumer trends in Europe. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

All the costs relating to this plan were incurred from 2013 to 2015.

During first half of 2016, Danone did not incur any other costs relating to this plan. The cash flows relating to this plan stands at €11 million, corresponding to costs incurred or provisioned as of December 31, 2015 and paid during first half of 2016.

Note 6. Income Tax

Effective income tax rate and difference between the effective tax rate and the statutory tax rate in France (34.4%)

	Six-month period ended June 30	
<i>(as a percentage of net income before tax)</i>	2015	2016
Statutory tax rate in France	34.4%	34.4%
Differences between French and foreign tax rates ^(a)	(8.4)%	(8.7)%
Tax on dividends and royalties ^(b)	3.9%	4.9%
Tax adjustments and unallocated taxes ^(c)	0.0%	1.5%
Other differences	(0.6)%	1.1%
Effective income tax rate excluding the impacts of Dumex China	29.3%	33.3%
Impact of Dumex China ^(d)	12.2%	(3.4)%
Effective income tax rate	41.6%	29.9%

(a) Various countries, none of which on their own generate a significant difference with the French tax rate.

(b) Includes the impact of the 3% dividends tax as well as the share of fees, expenses and withholding taxes on dividends and royalties.

(c) Corresponds mainly to tax adjustments, unallocated taxes and net changes in tax provisions.

(d) Includes the impact between the various countries and the French the tax rate and the impact of Dumex China disposal.

Note 7. Intangible assets: measurement review

Note 7.1 Accounting principles and methodology

The carrying amounts of goodwill and brands with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. An impairment charge is recognized when the recoverable value of an intangible asset becomes durably lower than its carrying amount.

The recoverable amount of the CGUs (Cash Generating Units) or groups of CGUs to which the tested assets belong is the

higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash-flows of the CGU or group of CGUs concerned.

As of June 30, 2016, the Group has reviewed impairment indicators that could result in a reduction in the carrying value of goodwill and brands with indefinite useful lives.

Note 7.2 Measurement review

Brands with indefinite useful life

No impairment has been recorded as of June 30, 2016.

Main CGUs and groups of CGUs of the Early Life Nutrition and Medical Nutrition Divisions

The indicators analyzed refer to external factors such as changes in the discount rate, market growth, changes in market share as well as internal factors such as performance to date

compared with the latest revised annual forecast. No triggering event has been identified as of June 30, 2016.

CGUs of the Fresh Dairy Products and Waters Divisions

In the case of those CGUs, the indicators analyzed relate mainly to internal factors such as performance to date compared with the latest revised annual forecast. For the six-month ended June 30, 2016, Danone recognized an impairment charge of €29 million concerning the Waters Division.

Note 8. Financing and net debt

Note 8.1. Carrying amount of financing and change during the period

<i>(in € millions)</i>	As of December 31, 2015	Bond issue or net increase of other items	Bond repayment or net decrease of other items	Translation adjustments	Transfer to current portion	As of June 30, 2016
Bonds ^(a)	7,551	-	-	65	(84)	7,532
Other financing and other debts ^(b)	284	86	(3)	(28)	(103)	235
Non-current portion	7,835	86	(3)	36	(187)	7,767
Bonds ^(a)	712	-	(138)	(61)	84	596
Commercial paper ^(a)	974	920	-	2	-	1,895
Other financing and other debts ^(b)	689	974	(1,469)	107	103	403
Current portion	2,374	1,894	(1,607)	48	187	2,895
TOTAL	10,209	1,979	(1,610)	84	-	10,662

(a) Financing managed at the company level.

(b) Subsidiaries' bank financing and other financing, liabilities related to finance leases.

Note 8.2. Net debt

<i>(in € millions)</i>	As of December 31 2015	As of June 30 2016
Non-current financial liabilities	8,087	8,084
Current financial liabilities	2,991	3,250
Short term investments	(2,514)	(2,203)
Cash and cash equivalents	(519)	(653)
Derivatives - assets - Non-current	(125)	(133)
Derivatives - assets - Current	(120)	(50)
Net debt	7,799	8,296

Note 9. Earnings per share – Group share

<i>(in € per share except for number of shares)</i>	Year ended December 31 2015	Six-month period ended June 31 2015	2016
Net income - Group share	1,282	416	880
Number of outstanding shares			
As of January 1	600,078,700	600,078,700	615,225,025
Effect of changes of the period	15,146,325	14,497,443	1,536,822
As of December 31/ June 30	615,225,025	614,576,143	616,761,847
Average number of shares			
• Before dilution	609,647,527	604,404,930	615,906,712
Dilutive impacts			
Dividends in shares	394,921	789,842	-
Group performance shares	112,794	311,184	180,140
Other capital increase	-	-	-
• After dilution	610,155,241	605,505,956	616,086,852
Net Income - Group share, per share			
• Before dilution	2.10	0.69	1.43
• After dilution	2.10	0.69	1.43

Group performance shares and stock options, which were non-dilutive as of June 30, 2016, could become dilutive mainly depending on changes in the DANONE share price shares and the achievement of the performance conditions.

Note 10. Other provisions and non-current liabilities and legal and arbitration proceedings

Note 10.1 Other provisions and non-current liabilities

(in € millions)	As of December 31, 2015	Movements during the period					As of June 30, 2016
		Increase	Decrease (utilized)	Decrease (not utilized)	Translation adjustments	Other	
Restructuring provisions	90	11	(15)	(13)	-	4	76
Tax provision	420	43	(2)	(4)	7	1	464
Commercial litigation and other provisions	310	36	(13)	(13)	(1)	(6)	313
Investment subsidies	14	(1)	-	-	-	-	14
Total ^(a)	834	89	(30)	(30)	6	(2)	867

(a) The portion due in less than one year totaled €45 million as of June 30, 2016 (€64 million as of December 31, 2015).

Changes to Other non-current provisions and liabilities during the period were as follows:

- increases result primarily from lawsuits against the Company and its subsidiaries in the normal course of business;
- decreases occur when corresponding payments are made or when the risk is considered extinguished. Unused decreases relate mainly to reassessments and situations where some risks, notably tax risks, cease to exist;
- other changes correspond primarily to reclassifications and changes in scope.

As of June 30, 2016, Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the normal course of business.

Also as of this date, Danone believes that it is not subject to risks that could, individually, have a material impact on its financial situation or profitability.

Note 10.2 Legal and arbitration proceedings

The Company and its subsidiaries are parties to legal proceedings arising in the normal course of business, in particular by competition authorities in certain countries. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

Proceedings in relation with the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013

Danone has reviewed its recourse and compensation options and decided to initiate proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring

all facts to light and to obtain compensation for the harm it has suffered. Proceedings are still in progress.

Other proceedings

To the best of the Danone's knowledge, no other governmental, court or arbitration proceedings are currently ongoing that are likely to have, or have had in the past 12 months, a material impact on Danone's financial position or profitability.

Note 11. Related party transactions

The main related parties are the associated companies, the members of the Executive Committee and the members of the Board of Directors.

The Shareholders' General Meeting of April 28, 2016 authorized the Board of Directors to grant Group performance

shares in 2016 to Group employees and executive directors (including the Executive Committee) of the Company. In the first six months of 2016, no Group performance share was granted. The grant of Group performance shares under the 2016 authorization is subject to the approval of the Board of Directors on July 27, 2016.

Note 12. Subsequent events

On July 7, 2016, Danone announced the signature of a merger agreement under which Danone will acquire WhiteWave (\$4 billion sales), Global Leader in Organic Foods, Plant-based Milks and related products for \$56.25 per share in an all-cash transaction, representing a total enterprise value of approximately \$12.5 billion, including debt and certain other WhiteWave liabilities. Its price represents a premium of approximately 24 percent over WhiteWave's 30-day average closing trading price (\$45.43). The transaction has been unanimously approved by the Board of Directors of both companies.

To the best of the Company's knowledge, no other material event occurred between the end of the reporting period and July 27, 2016, the date on which the Board of Directors approved the 2016 condensed interim consolidated financial statements.

The transaction, which is expected to close by the end of the year, is subject to WhiteWave shareholders approval, receipt of required regulatory approvals, including in the European Union and the United States and other customary closing conditions.

The acquisition of WhiteWave is expected to be fully financed with debt for which Danone has received commitments from its banks. Danone expects to maintain a strong investment grade rating.

This transaction does not have any impact on the consolidated financial statements as of June 30, 2016.

Statutory Auditor's review report on the 2016 interim financial information

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

To the shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Danone, for the six months period from January 1st to June 30th, 2016 ;
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 27, 2016

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit

Ernst & Young Audit

Anik CHAUMARTIN

François JAUMAIN

Jeanne BOILLET

Pierre-Henri PAGNON

Statement by the person responsible for the condensed interim consolidated financial statements

“We certify that, to our knowledge, the condensed financial statements for the half year ended June 30, 2016 have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, liabilities, financial position and results of the Company and of all companies within its scope of consolidation, and that the attached interim management report presents a faithful representation of the significant events which occurred in the first six months of the fiscal year, their impact on the interim financial statements, and the main related party transactions, as well as the major risks and uncertainties for the remaining six months of the year.”

Paris, July 27, 2016

Emmanuel FABER

Chief Executive Officer

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