2015 Interim financial report

For the six-month period ended June 30, 2015

The English version of the 2015 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

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, 2015;
- 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 net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income
- underlying fully diluted EPS or current net income – Group share, per share, after dilution;
- free cash flow;
- free cash-flow excluding exceptional items;
- net financial debt.

1.1 H1 2015 business review and 2015 outlook

Business highlights

2015 first-half results

Solid, profitable growth in H1 2015, shaped by favorable trends in currencies and commodities, and by a significant increase in investments:

- Sales up +4.6% like-for-like, and up +8.8% as reported;
- Trading operating margin at 12.12%, up +53 basis points like-for-like and up +85 basis points as reported;
- Underlying fully diluted earnings per share at €1.37, up +6.8% like-for-like and up +18.5% as reported;
- Free cash-flow excluding exceptional items at €576 million.
- Performance is in line with Danone's roadmap, laying a solid foundation for a model for profitable, sustainable growth.

In Europe, the company continued to adapt its Fresh Dairy Products portfolio, while benefiting from Chinese demand for international Infant Milk Formula (IMF) brands.

In China, following the accelerated structural changes in distribution dynamics for IMF, Danone has decided to reallocate its resources in this market and subsequently to revise downward long-term sales projections for Dumex, leading to an impairment of the brand.

Danone has reached a preliminary agreement with Mengniu and Yashili to merge Dumex in China with Yashili, building a strong local IMF brand platform, and to increase its shareholding in Mengniu.

2015 targets confirmed

2015 targets confirmed: organic sales growth of between +4% and +5% like-for-like, and a slight rise in trading operating margin like-for-like.

Emannuel FABER, CEO comments

"First-half growth of 4.6% and half a percentage point rise in margin are fully in line with our roadmap. With a still volatile overall context, we remain focused on our priorities: consolidating our model for profitable, sustainable growth and enhancing our brands and businesses' ability to serve our consumers' needs. In Europe, where margins rose significantly, we are executing an overhaul of our Fresh Dairy Products business and finalizing the conditions necessary for a return to growth. In China, we are strengthening our Early Life Nutrition business model, building on the success of our international brands and reinforcing our partnership with Mengniu and Yashili. In the CIS and in North America, we are guiding our operations carefully through the current transition, to get growth back on track while pursuing investments to develop the category. In each region, half-year results confirm the efficient execution of our plans and the excellent work done by our 100,000 employees. Building on our unique culture, brands, geographical platforms, talent of our teams and trust of our partners, we work every day to lay the foundations for sustainable, profitable growth and are moving to deploy our Danone 2020 transformation plan for economic and social value creation serving Danone's corporate mission."

Key figures

	Six-month period ended June 30			
(in € millions, except per-share data in €)	**2014**	**2015**	**Change**	
Net sales	10,467	11,392	4.6%	(a)
Free cash-flow excluding exceptional items (c)	286	576	101%	(b)
Trading operating income (c)	1,180	1,381	9.3%	(a)
Trading operating margin (c)	11.3%	12.1%	+53 bp	(a)
Underlying net income (c)	683	831	9.7%	(a)
Underlying fully diluted EPS (c)	1.16	1.37	6.8%	(a)

(a) Like-for-like.

(b) As reported.

(c) See definition section µFinancial indicators not defined by IFRSµµ.

Key financial transactions and events in H1 2015 (from press releases issued in the past six months)

- On January 7, 2015, Danone announced the successful launch of a €1.3 billion dual-tranche bond issue in euros. An integral part of financing for Danone and its development, this issue enables the group to extend the maturity of its debt in a market favorable to quality bond issues. The issue consists of two tranches: (i) a tranche of 5-year floating rate notes of €550 million (coupon of Euribor 3 months +33 basis points); and (ii) a tranche of 10-year fixed rate bonds of €750 million, priced at mid swap +48 basis points (coupon of 1.125%). It was widely subscribed by a diversified investor base. The bonds are on Euronext Paris. Danone is rated A-, negative outlook, by Standard & Poor's and Baa1, stable outlook, by Moody's.
- On March 16, 2015, Danone announced it had appointed Lorna DAVIS and Pascal DE PETRINI to two newly created roles in the Executive Committee to shape the "Danone 2020" initiative. Lorna DAVIS will join the Executive Committee on June 1, 2015. Her mandate will be to lead the innovative, broad co-creation and company-wide deployment process of "Danone 2020", a business transformation programme designed for a sustainable, collaborative and community-engaging future. As a core part of this roadmap to strengthening the economic and social impact of its growth, engaging Danone's 100,000 employees, Danone has decided to create a "Manifesto" to underpin the way the company intends to deliver its mission. As Chief Manifesto Catalyst, Lorna DAVIS will play a key role in supporting and coordinating the establishment of the Manifesto across Danone's teams, and local communities the world over, with a view to maximize the potential of this process to catalyze bottom-up innovation. Commenting on her appointment, Danone CEO Emmanuel FABER, said: "With a life-long experience in the food industry, living and working in seven countries on all five continents, Lorna's depth of knowledge and ability to engage people across cultures has allowed her to provide innovative and highly-effective business solutions, including during her 10 years at Danone. I am personally thrilled and we are all extremely pleased to welcome Lorna back to the Danone family." Pascal DE PETRINI will join the Executive Committee on June 15, 2015 as Executive Vice-President Strategic Resource Cycles. His mandate will be to lead the Strategic Resource Cycles team that will strengthen Danone's ability to protect and get the best and most appropriate value from its essential resources (milk, water and plastics). He will also manage global sourcing organizations. Commenting on his appointment, Danone CEO Emmanuel FABER said: "Pascal brings 30 years of passionate experience in the food industry, across Asia, the Middle East and Africa, and in the water, early life nutrition and dairy sectors. I am enthusiastic that we will be able to leverage the business expertise and very strong operations and process transformation capabilities he has gained throughout his long career, including during his previous tenure at Danone."
- On June 1, 2015, Danone announced the results of the option offered to shareholders to receive payment of their 2014 dividend in the form of DANONE shares. This option was approved by the Shareholders' Meeting held on April 29, 2015.
  The option period was open from Thursday, May 7, 2015 to Thursday, May 21, 2015 included. At the end of the option period, 65.95% of rights had been exercised in favor of the 2014 dividend payment in shares. For the purposes of the dividend payment in shares, 10,321,148 new shares were issued, representing 1.60% of Danone's share capital on the basis of share capital as of May 31, 2015. The settlement and delivery of the shares as well as their admission to trading on Euronext Paris took place on Wednesday, June 3, 2015. The shares carry dividend rights as from January 1, 2015 and are fully assimilated to existing shares already listed.

The full press releases are available at the web site http://finance.danone.com.

Consolidated net income review

Net sales

Consolidated net sales

Consolidated sales rose +8.8% as reported in the first half of 2015 to reach €11,392 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.6%. This organic growth reflects a +0.7% rise in sales volume and a +3.9% rise in value.

The +4.6% exchange-rate effect reflects favorable trends in currencies including the US dollar, the Chinese yuan, the Argentine peso, the British pound and the Indonesian rupiah.

The -0.4% impact of the change in scope of consolidation results in large part from the deconsolidation of various Fresh Dairy Products operations—in China from July 2014, and in Indonesia with the sale of the Fresh Dairy Products business effective December 2014.

Consolidated net sales by Division and by geographic area

	Six-month period ended June 30			
(in € millions except percentage)	**2014**	**2015**	**Like-for-like change**	**Volume growth like-for-like**
By Division				
Fresh Dairy Products	5,640	5,664	(0.4)%	(3.9)%
Waters	2,074	2,503	9.5%	6.0%
Early Life Nutrition	2,071	2,445	11.3%	5.9%
Medical Nutrition	682	780	8.1%	4.3%
By geographic area				
Europe	4,261	4,446	2.3%	0.5%
CIS & North America [(a)]	2,330	2,305	1.6%	4.6%
ALMA [(b)]	3,876	4,641	8.7%	3.8%
Total	**10,467**	**11,392**	**4.6%**	**0.7%**

(a) North America: United States and Canada.

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

Trading operating income and trading operating margin

Trading operating margin

Danone's H1 trading operating margin rose +85 basis points as reported, to total 12.12%. This reflects:

- a +53 bps like-for-like rise;
- a +13 bps rise due to changes in the scope of consolidation, resulting primarily from the deconsolidation of various Fresh Dairy Products operations in China and Indonesia; and
- +19 bps linked to fluctuations in exchange rates.

As expected, Danone continued to benefit from the lower prices of strategic raw materials, with milk in particular down from record highs in the first half of 2014. But the year-on-year improvement should dwindle over the next six months, since milk prices had already slid sharply in the second half of 2014.

The Company also benefited from successful moves to streamline Danone's Fresh Dairy Products portfolio in Europe and ongoing efforts to optimize costs across the regions where it operates.

In the first half, Danone built on these structural improvements and falling commodity prices to step up investment in its brands, products and structures to secure its equation of profitable growth.

After this reinvestment, and despite a negative impact from Dumex in China (including the deleverage and the costs associated with its adaptation plan), Danone increased margin +53 bps like-for-like.

Trading operating income and trading operating margin by Division and by geographic area

	Six-month period ended June 30				
	Trading operating income		Trading operating margin		
(in € millions except percentage and bp)	2014	2015	2014	2015	Like-for-like change
By Division					
Fresh Dairy Products	440	519	7.8%	9.2%	+50 bp
Waters	259	322	12.5%	12.9%	+10 bp
Early Life Nutrition	361	403	17.4%	16.5%	+20 bp
Medical Nutrition	120	137	17.6%	17.6%	+50 bp
By geographic area	–				
Europe	620	724	14.6%	16.3%	+182 bp
CIS & North America [(a)]	169	179	7.2%	7.8%	+1 bp
ALMA [(b)]	391	478	10.1%	10.3%	-53 bp
Total	**1,180**	**1,381**	**11.3%**	**12.1%**	**+53 bp**

(a) North America: United States and Canada.

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

Other operating income and expense

Other operating items stood at -€509 million, primarily due to a -€398 million impairment loss for the brand and for certain Dumex assets in China, as well as expenses related to cost-reduction and organizational adaptation plans rolled out by the Company, especially in Europe.

Financial income and expense

The decline in cost of net debt reflects in particular the impact of bond issues that allowed Danone to extend the average maturity of its debt at favorable market conditions.

Tax rate

The underlying tax rate for the first half of 2015 was 32.5%, higher than in the first half of 2014. This three-point rise from H1 2014 primarily reflects the amortization of tax credits previously booked on losses carried forward at *Dumex*.

Share of profit of associates

The rise in net income of affiliated companies is due in particular to a steep increase in net income for Mengniu in China and to consolidation of net income reflecting an equity interest in Yashili.

Underlying net income and underlying fully diluted earnings per share

Underlying net income came to €831 million in the first half, up +9.7% like-for-like and up +21.7% as reported from H1 2014. Underlying fully diluted EPS stood at €1.37, up +6.8% like-for-like and up +18.5% as reported in the first half of 2015.

Transition from Net income – Group share to Underlying net income

	Year ended December 31						Six-month period ended June 30		
			2014			2014			2015
(in € millions except percentage)	Underlying	Non-current items	Total	Underlying	Non-current items	Total	Underlying	Non-current items	Total
Trading operating income	**2,662**	**–**	**2,662**	**1,180**	**–**	**1,180**	**1,381**		**1,381**
Other operating income (expense)	–	(511)	(511)	–	(96)	(96)		(509)	(509)
Operating income	**2,662**	**(511)**	**2,151**	**1,180**	**(96)**	**1,084**	**1,381**	**(509)**	**872**
Cost of net debt	(179)	–	(179)	(95)	–	(95)	(86)		(86)
Other financial income (expense)	(129)	(3)	(133)	(61)	(3)	(64)	(69)	1	(68)
Income before tax	**2,353**	**(514)**	**1,839**	**1,024**	**(99)**	**925**	**1,226**	**(508)**	**718**
Income tax expense	(716)	117	(599)	(303)	19	(284)	(398)	99	(299)
Effective tax rate	30.5%		32.6%	29.6%		30.7%	32.5%		41.6%
Net income from fully-consolidated companies	**1,637**	**(397)**	**1,239**	**721**	**(80)**	**641**	**828**	**(409)**	**419**
Share of profit of associates	66	(52)	14	25	1	26	64	(8)	56
Net income	**1,703**	**(450)**	**1,253**	**746**	**(79)**	**666**	**892**	**(416)**	**475**
• Group share	**1,561**	**(442)**	**1,119**	**683**	**(75)**	**608**	**831**	**(414)**	**416**
• Non-controlling interests	142	(7)	134	63	(5)	59	61	(2)	59

Transition from Net income – Group share, per share to underlying fully diluted earnings per share

	Year ended December 31				Six-month period ended June 30	
		2014		2014		2015
(in € per share except number of shares)	Underlying	Total	Underlying	Total	Underlying	Total
Net Income - Group share	1,561	1,119	683	608	831	416
Number of shares						
• Before dilution	594,472,798	594,472,798	588,879,463	588,879,463	604,404,930	604,404,930
• After dilution	595,536,328	595,536,328	591,041,125	591,041,125	605,505,956	605,505,956
Net Income - Group share, per share						
• Before dilution	2.63	1.88	1.16	1.03	1.37	0.69
• After dilution	2.62	1.88	1.16	1.03	1.37	0.69

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

(in € million except percentage and bp)	**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*	
Net sales								
Year ended December 31, 2014	21,298	21,144	(0.7)%	0.1%	(5.5)%	*0.4%*	*(5.9)%*	4.7%
Six-month period ended June 30, 2014	11,058	10,467	(5.3)%	0.8%	(8.3)%	-	*(8.3)%*	2.2%
Six-month period ended June 30, 2015	10,467	11,392	8.8%	(0.4)%	4.6%	*0.5%*	*4.1%*	4.6%
Trading operating margin								
Year ended December 31, 2014	13.19%	12.59%	-60 bp	-20 bp	-28 bp	*-20 bp*	*-8 bp*	-12 bp
Six-month period ended June 30, 2014	13.34%	11.27%	-207 bp	-35 bp	-12 bp	-	*-12 bp*	-159 bp
Six-month period ended June 30, 2015	11.27%	12.12%	+85 bp	+13 bp	+19 bp	*1bp*	*+18 bp*	+53 bp
Underlying net income								
Year ended December 31, 2014	2.78	2.62	(5.8)%	(0.3)%	(7.8)%	*(1.7)%*	*(6.1)%*	2.5%
Six-month period ended June 30, 2014	1.48	1.16	(21.5)%	(2.1)%	(9.1)%	-	*(9.1)%*	(10.3)%
Six-month period ended June 30, 2015	1.16	1.37	18.5%	4.5%	7.2%	*0.7%*	*6.5%*	6.8%

Free cash-flow

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

Free cash-flow stood at €545 million in H1 2015 including €30 million in outlays linked to the Company's cost-reduction and organizational adaptation plan in Europe.

Free cash-flow excluding exceptional items came to €576 million (5.1% of sales), up a steep +101% on H1 2014, driven by growth in sales and margins. The increase also reflects the sequence of capital expenditure during the year, which got off to a slow start (H1 investment of €378 million, or 3.3% of sales), but is expected to rise in the second half.

In H1 2015, Danone paid dividends totaling €902 million, including €311 million in cash (excluding balancing paiements) and €591 million in DANONE shares. Over the same period, the Company also finalized a number of external acquisitions totaling €1,423 million, consisting primarily of the repurchase of 15.7% of Danone Spain equity and a 25% equity interest in Chinese infant milk company Yashili.

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

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2014**	**2014**	**2015**
Cash-flow from operating activities	**2,189**	**641**	**905**
Capital expenditure	(984)	(457)	(378)
Disposal of tangible assets	67	20	15
Transaction fees related to business combinations [(a)]	6	3	3
Free cash-flow	**1,278**	**207**	**545**
Cash-flows related to plan to generate savings and adapt organization in Europe [(c)]	123	79	30
Free cash-flow excluding exceptional elements	**1,401**	**286**	**576**

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

(b) Net of tax.

Balance sheet review

Simplified consolidated balance sheet

	As of December 31	As of June 30
(in € millions except percentage)	**2014**	**2015**
Non-current assets	24,299	25,458
Current assets	7,448	8,732
Total assets	**31,747**	**34,191**
Equity - Group share	**11,696**	**12,745**
Non-controlling interests	49	37
Net debt	7,764	8,148
Net financial debt	5,206	6,322
Gearing based on net debt	66%	64%
Gearing based on net financial debt	45%	50%

Net debt and financial net debt

Excluding put options to minority shareholders, Danone's net financial debt was up by €1,116 million from December 31, 2014 to stand at €6,322 million on June 30, 2015.

Including the €1,826 million in put options granted to minority shareholders, Danone's net debt stood at €8,148 million at June 30, 2015. Debt corresponding to those same put options for minority shareholders was down €732 million from December 31, 2014, reflecting Danone's increased equity interest in Danone Spain in which it now holds 91.49%.

Transition from Net debt to Net financial debt

	As of December 31	As of June 30
(In € millions)	**2014**	**2015**
Non-current financial debt [(a)]	6,598	7,576
Current financial debt [(a)]	4,544	4,571
Short term investments	(2,317)	(2,734)
Cash and cash equivalents	(880)	(1,018)
Derivatives - assets	(181)	(247)
Net debt	**7,764**	**8,148**
Liabilities related to put options granted to non-controlling interests - Non-current	(349)	(106)
Liabilities related to put options granted to non-controlling interests - Current	(2,209)	(1,720)
Financial debt excluded from net financial debt	**(2,558)**	**(1,826)**
Net financial debt	**5,206**	**6,322**

(a) Including Derivatives - liabilities.

Outlook for 2015

2015 financial outlook

Danone assumes that economic conditions will remain difficult and unstable 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.

In 2015, Danone also anticipates marked but varied trends in the cost of major strategic raw materials, particularly milk:

- lower prices in Europe and the United States in the first half, with a rebound likely in the second half of the year; and
- gradual price increases in emerging countries all year long.

Altogether, Danone anticipates a moderate rise in the cost of main raw materials and packaging in 2015.

Against this backdrop, Danone will focus on developing its product categories and winning market share. In Europe, Danone will continue to strengthen its competitive edge. In growth markets, it will focus on developing its product categories, in particular through strong local brands in the most attractive geographical markets.

After delivering profitable growth in the second half of 2014, Danone will seek to make this equation sustainable, generating organic growth in sales and in operating margin in 2015, while making the investments necessary to ensure this performance is lasting.

As a result, Danone's 2015 targets include:

- organic growth in sales of between +4% and +5% on a like-for-like basis (see definition of this indicator in section *Financial indicators not defined by IFRS*);
- slight growth in trading operating margin on a like-for-like basis (see definition of this indicator in section *Financial indicators not defined by IFRS*).

Lastly, Danone will continue to work towards lasting gains in free cash-flow (see definition of this indicator in section *Financial indicators not defined by IFRS*) without setting a short-term target

These forecasts, outlooks, representations and other forward-looking information included in this Interim management report are based mainly on the data, assumptions and estimates detailed hereafter, and which are deemed reasonable by the Group. They are not historical data and should not be interpreted as guarantees that actual results will be in line with said forecasts. By their very nature, such data, assumptions and estimates, as well as all other factors taken into account in the preparation of such forward-looking representations and information, may happen and are susceptible to change or be amended because of uncertainties notably related to the Group's economic, financial and competitive environment. In addition, the occurrence of certain risks described in section *Main risks and uncertainties* could have an impact on the Group's activities, financial position, earnings and outlook and on the achievements of its forecasts, outlooks, representations and forward-looking information provided above.

Main assumptions underlying the profit forecasts

The forecasts presented above were prepared using accounting methods consistent with those used by the Group to prepare the historical information. They are based on a number of assumptions, including:

- the data were prepared using projected exchange rates and interest rates determined at the Group level;
- the overall macroeconomic context will remain challenging and unstable, with fragile and in some cases deflationary consumption trends in Europe, adverse impacts of currency volatility on emerging markets and, lastly, specific contextual challenges in several key markets, notably the CIS region; and
- cost trends for the main strategic raw materials will be pronounced but not uniform, especially milk prices:
    - a decline in Europe and the United States in the first half before a likely rebound in the second, and
    - steady increases in the emerging countries throughout the year.

Subsequent events

Major events occurring after the end of the reporting period are detailed in Note 13 of the Notes to the consolidated financial statements.

Main risks and uncertainties

The main risks and uncertainties to which the Group may be exposed in the second half of 2015 are those specified in section 2.7 *Risk factors* of the 2014 Registration Document and listed hereafter, including in particular difficult and unstable economic conditions 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.

Operational risks related to the Group's activity

- Risks associated with price volatility and raw materials availability;
- Risks associated with the concentration of distribution and the default of a customer;
- Risks associated with competition;
- Risks associated with the geopolitical environment;
- Risks associated with economic conditions in the Group's principal markets;
- Risks associated with restructuring plans;
- Risks associated with the Group's image and reputation;
- Risks associated with weather conditions and seasonal cycles.

Operational risks specific to the Group's activity and organization

- Risks associated with the concentration of purchases of some products and services from a limited number of suppliers;
- Risks associated with the Group's position in certain markets;
- Risks associated with the Group's acquisitions and partnerships;
- Risks associated with an unfavorable change in business activity and business activity forecasts and their impact on impairment testing of intangible assets and investments in associates;
- Risks associated with the Group's products;
- Risks associated with human resources;
- Risks associated with information systems;
- Risks of an internal control failure;
- Risks of failure of insurance coverage.

Legal and regulatory risks

- Risks associated with intellectual property;
- Risks associated with regulations;
- Risks associated with changing tax regulations;
- Risks associated with changes in accounting standards.

Industrial and environmental risks

- Industrial risks;
- Risks associated with environmental regulations;
- Risks associated with consumers' choices, preferences or environmental considerations;
- Other environmental risks.

Market risks

- Currency risk;
- Financing and liquidity risk;
- Interest rate risk;
- Counterparty risk;
- Securities-related risk.

Insurance and risk coverage

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 net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income
- underlying fully diluted EPS or current net income – Group share, per share, after dilution;
- 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 is publishing 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 net sales, trading operating income, trading operating margin, current net income – Group Share (or underlying net income) and current net income – Group Share per share (or underlying net income per share) 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—had 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 had not reflected 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 starting with the release of 2014 full-year results, where it is applicable only to Argentina. With respect to 2014, adjustment for the full year had been recorded in the fourth quarter. 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 trading operating margin at its prior-year level ; this methodology has been applied to each division operating in Argentina.

Trading operating income is defined as Danone's operating income excluding Other operating income and expense. Other operating income and expense is defined under Recommendation 2013-03 of the French ANC (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 current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expense (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.

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

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

Underlying fully diluted EPS (or Current net income – Group Share, per share after dilution) is defined as the Underlying 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 of 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	
(In € millions)	**2014**	**2015**
Net revenues	228	278
Income before tax	493	334

1.3 Related party transactions

Major related party transactions are detailed in Note 12 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") for the period ended June 30, 2015 (the "consolidated financial statements") were approved by the July 23, 2015 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

		Year ended December 31	Six-month period ended June 30	
(in € millions except earnings per share in euros)	Notes	**2014**	**2014**	**2015**
Net sales		**21,144**	**10,467**	**11,392**
Cost of goods sold		(11,056)	(5,561)	(5,771)
Selling expense		(5,209)	(2,632)	(2,919)
General and administrative expense		(1,743)	(847)	(961)
Research and development expense		(272)	(133)	(141)
Other income (expense)		(202)	(114)	(220)
Trading operating income		**2,662**	**1,180**	**1,381**
Other operating income (expense)	6	(511)	(96)	(509)
Operating income		**2,151**	**1,084**	**872**
Interest income		94	38	89
Interest expense		(274)	(133)	(174)
Cost of net debt		(179)	(95)	(86)
Other financial income		5	3	2
Other financial expense		(137)	(67)	(70)
Income before tax		**1,839**	**925**	**718**
Income tax expense	7	(599)	(284)	(299)
Net income from fully consolidated companies		**1,239**	**641**	**419**
Share of profit of associates	4.4	14	26	56
Net income		**1,253**	**666**	**475**
Net income - Group share		**1,119**	**608**	**416**
Net income - Non-controlling interests		134	59	59
Net income - Group share, per share	10.1	**1.88**	**1.03**	**0.69**
Net income - Group share, per share after dilution	10.1	**1.88**	**1.03**	**0.69**

Consolidated statement of comprehensive income

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2014**	**2014**	**2015**
Net income – Group share	**1,119**	**608**	**416**
Translation adjustments	177	83	712
Cash-flow hedging derivatives			
Gross unrealized gains and losses	(120)	(54)	51
Tax effects	5	18	10
Available-for-sale financial assets			
Gross unrealized gains and losses	(71)	(83)	12
Amount recycled to profit or loss in the current year	–	–	–
Tax effects	(1)	2	–
Other comprehensive income, net of tax	3	–	–
Items that may be subsequently recycled to profit or loss	**(7)**	**(34)**	**784**
Actuarial gains and losses on retirement commitments			
Gross gains and losses	(203)	(56)	18
Tax effects	64	19	(6)
Items not subsequently recyclable to profit or loss	**(138)**	**(36)**	**12**
Total comprehensive income – Group share	**973**	**538**	**1,212**
Total comprehensive income – non-controlling interests	78	48	77
Total comprehensive income	**1,051**	**586**	**1,289**

Consolidated balance sheet

(in € millions)	Notes	As of December 31 **2014**	As of June 30 **2015**
Assets			
Goodwill		11,582	12,024
Brands		4,337	4,123
Other intangible assets		315	300
Intangible assets	5, 6.2, 8	16,234	16,446
Property, plant and equipment	5	4,582	4,688
Investments in associates	4	2,146	2,905
Investments in other non-consolidated companies		92	93
Long-term loans and other long-term financial assets		228	207
Other financial investments		320	300
Derivative - assets [(a)]	9	181	247
Deferred taxes		836	872
Non-current assets		**24,299**	**25,458**
Inventories		1,340	1,534
Trade receivables		1,900	2,360
Other receivables		974	1,031
Short-term loans		30	54
Short-term investments	9	2,317	2,734
Cash and cash equivalents	9	880	1,018
Assets held for sale		8	2
Current assets		**7,448**	**8,732**
Total assets		**31,747**	**34,191**

(a) Derivative instruments used to manage net debt.

(in € millions)	Notes	As of December 31 **2014**	As of June 30 **2015**
Equity and liabilities			
Issued capital		161	164
Additional paid-in capital		3,505	4,132
Retained earnings		11,817	11,025
Cumulative transaction adjustments		(1,501)	(537)
Accumulated other comprehensive income		(427)	(331)
Treasury shares and DANONE call options [(a)]		(1,859)	(1,709)
Equity attributable to owners of the Company		**11,696**	**12,745**
Non-controlling interests	3	49	37
Equity		**11,745**	**12,782**
Financing		6,238	7,470
Derivatives - liabilities [(b)]		11	–
Liabilities related to put options granted to non-controlling interests	3.2	349	106
Non-current financial debt	9	6,598	7,576
Provisions for retirements and other long-term benefits		818	825
Deferred taxes		1,225	1,191
Other provisions and non-current liabilities	11	737	809
Non-current liabilities		**9,377**	**10,401**
Financing		2,332	2,847
Derivatives - liabilities [(b)]		3	3
Liabilities related to put options granted to non-controlling interests	3.2	2,209	1,720
Current financial debt	9	4,544	4,571
Trade payables		3,334	3,524
Other current liabilities		2,741	2,913
Liabilities directly associated with assets classified as held for sale		6	–
Current liabilities		**10,625**	**11,007**
Total equity and liabilities		**31,747**	**34,191**

(a) DANONE call options acquired by the Company.

(b) Derivative instruments used to manage net debt.

Consolidated statement of cash-flows

(in € millions)	Notes	Year ended December 31 2014	Six-month period ended June 30 2014	Six-month period ended June 30 2015
Net income		1,253	666	475
Share of profit of associates	4.4	(14)	(26)	(56)
Dividends received from associates		18	5	18
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	6.2	956	340	777
Increases in (reversals of) provisions		43	7	89
Change in deferred taxes		(94)	29	(83)
(Gains) losses on disposal of property, plant and equipment and financial investments		(8)	2	13
Expense relating to stock-options and Group performance shares		19	10	17
Cost of net financial debt		179	95	86
Net interest paid		(212)	(133)	(95)
Net change in interest income (expense)		(33)	(38)	(9)
Other components with no cash impact		19	24	5
Other net cash outflows		(6)	(5)	(1)
Cash flows provided by operating activities, before changes in net working capital		**2,154**	**1,014**	**1,244**
(Increase) decrease in inventories		(105)	(159)	(163)
(Increase) decrease in trade receivables		(96)	(374)	(459)
Increase (decrease) in trade payables		184	272	197
Change in other receivables and payables		52	(114)	86
Change in working capital requirements		35	(374)	(339)
Cash flows provided by (used in) operating activities		**2,189**	**641**	**905**
Capital expenditure [(a)]		(984)	(457)	(378)
Proceeds from disposal of property, plant and equipment [(a)]		67	20	15
Net cash outflows on purchases of subsidiaries and financial investments [(b)]		(1,070)	(633)	(605)
Net cash inflows on disposal of subsidiaries and financial investments [(b)]		34	(8)	2
(Increase) decrease in long-term loans and other long-term financial assets		(14)	(10)	(20)
Cash flows provided by (used in) investment activities		**(1,966)**	**(1,088)**	**(986)**
Increase in issued capital and additional paid-in capital		33	33	39
Purchases (net of disposals) in financial markets		–	–	–
Stock-options exercised		13	11	170
Purchases of treasury shares (net of disposals) and of DANONE call options [(c)]		13	11	170
Dividends paid to Danone shareholders	10.2	(307)	(307)	(314)
Buyout of non-controlling interests	3.1	(363)	(62)	(818)
Dividends paid		(110)	(63)	(45)
Contribution from non-controlling interests to capital increases		1	1	2
Transactions with non-controlling interests		(471)	(124)	(861)
Net cash flows on hedging derivatives [(d)]		(4)	(5)	(4)
Bonds issued or raised during the period		150	150	1,300
Bonds repaid during the period		(618)	(618)	(603)
Increase (decrease) in other current and non-current financial debt		312	531	906
Increase (decrease) in short term investments		535	1,018	(423)
Cash flows provided by (used in) financing activities		**(357)**	**691**	**211**
Effect of exchange rate changes		45	5	8
Increase (decrease) in cash and cash equivalents		**(89)**	**248**	**138**
Cash and cash equivalents at beginning of period		**969**	**969**	**880**
Cash and cash equivalents at end of period		**880**	**1,217**	**1,018**

(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 net of financial liabilities as of the acquisition/disposal date.
(c) DANONE call options acquired by the Company.
(d) Derivative instruments used to manage net debt.

Consolidated statement of changes in equity

(in € millions)	As of January 1, 2014	Movements during the period									As of June 30, 2014
		Comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options [a]	Counterpart entry to expense relating to Group performance shares and stock-options [b]	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests	Other changes	
Share capital	158	–	–	–	–	–	3	–	–	–	161
Additional paid-in capital	2,930	–	33	–	–	–	541	–	–	–	3,505
Retained earnings	11,153	608	–	–	–	8	(544)	(307)	73	(12)	10,979
Cumulative translation adjustments	(1,553)	83	–	–	–	–	–	–	–	–	(1,471)
Unrealized gains and losses related to cash-flow hedging derivatives, net of tax	(29)	(35)	–	–	–	–	–	–	–	–	(64)
Unrealized gains and losses related to available-for-sale financial assets, net of tax	149	(81)	–	–	–	–	–	–	–	–	68
Other comprehensive income, net of tax	2	–	–	–	–	–	–	–	–	–	2
Actuarial gains and losses on retirement commitments, not recyclable to profit or loss, net of tax	(245)	(36)	–	–	–	–	–	–	–	–	(281)
Other comprehensive income	(123)	(153)	–	–	–	–	–	–	–	–	(276)
Treasury shares and DANONE call options	(1,871)	–	–	–	10	–	–	–	–	–	(1,861)
Equity – Group share	10,694	538	33	–	10	8	–	(307)	73	(12)	11,036
Non-controlling interests	35	48	–	–	–	–	–	(63)	12	–	33
Consolidated equity	10,729	586	33	–	10	8	–	(370)	85	(12)	11,069

(a) DANONE call options acquired by the Company.

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

(in € millions)	Notes	As of January 1, 2015	Movements during the period: Comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options (a)	Counterpart entry to expense relating to Group performance shares and stock-options (b)	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests	Other changes	As of June 30, 2015
Share capital		**161**	–	–	–	–	–	3	–	–	–	**164**
Additional paid-in capital	10	**3,505**	–	39	–	–	–	588	–	–	–	**4,132**
Retained earnings	10	**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**
Other comprehensive income, net of tax		**–**	–	–	–	–	–	–	–	–	–	**–**
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) 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

Note 1.1. Basis for preparation

The Group'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 web site of the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2015 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, 2014. The Group's activity related to six-month period ended June 30, 2015 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, 2014 (see Note 1 of the Notes to the consolidated financial statements for the year ended December 31, 2014, as well as the accounting principles detailed in each Note to the consolidated financial statements for the year ended December 31, 2014), except for standards, amendments and interpretations applicable for the first time as from January 1, 2015.

Main standards, amendments and interpretations whose application is mandatory as of January 1, 2015

- IFRIC 21, *Levies*

This interpretation does not have a material impact on the consolidated financial statements as of June 30, 2015.

Main standards, amendments and interpretations published by the IASB whose application is not mandatory as of January 1, 2015 in the European Union

The Group did not choose the early adoption of those standards, amendments and interpretations in the condensed interim consolidated financial statements as of June 30, 2015 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*.

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

Other standards

The Group is closely monitoring the economic conditions that could, by December 31, 2015, 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

The Group 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

Main changes during first half of 2015

	Division	Country	Transaction date [a]	Ownership percentage as of Decembre 31, 2014	Ownership percentage as of June 30, 2015
Main companies/activities consolidated for the first time during the period					
-	-	-	-	–	-
Main consolidated companies with change in ownership percentage					
Danone Spain [b]	Fresh Dairy Products	Spain	February/March	76.9%	92.5%
Main companies that are no longer fully consolidated as of June 30, 2015					
-	-	-	-	-	-

(a) Month of the fiscal year.

(b) See Note 3.1 of the Notes to the consolidated financial statements.

Main changes during first half of 2014

During first half of 2014, the Group did not carry out any material acquisitions or disposals resulting in control being respectively obtained or lost.

Note 3. Non-controlling interests and related liabilities

Note 3.1. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain)

Since 2012, the Group had discussed with Danone Spain's non-controlling shareholders the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and its significant impact on Danone Spain.

As a reminder, non-controlling shareholders representing around 15% of Danone Spain's share capital exercised their put options in 2013. The Group contested those exercises and invited the shareholders concerned to continue the process of renegotiation of their put options' terms and conditions. During the first six months of 2013, these non-controlling shareholders opted not to continue the discussion process and initiated proceedings against the Group for the purpose of execution of their put options before an arbitration tribunal.

Main transactions during first half of 2015

The arbitration panels petitioned by these holders of put options issued their rulings in December 2014 and February 2015. Following these decisions, in early 2015 the Group purchased in exchange for cash 2,581,030 shares in Danone Spain. For the shares subject to put options, the Group paid an amount below the carrying value as of December 31, 2014 of the related liabilities. The Group has also purchased shares that were not subject to put options. The shares purchased through these transactions represent approximately 15.7% of Danone Spain's share capital, thereby bringing the Group's overall equity interest in the company to 92,5%.

In addition, the payment conditions of the put options representing 7.3% of Danone Spain's share capital having been amended, the corresponding debt has been reclassified to current financial liabilities.

Accounting as of June 30, 2015

The financial liabilities related to put options granted to non-controlling interests of Danone Spain amounted to €238million as of June 30, 2015.

The main impacts on the consolidated financial statements related to the Danone Spain shares (subject or not to put options) repurchased during the first half of 2015 are as follows:

- €818 million cash flows used in financing activities, corresponding to the payment in cash (to holders of put options and other selling shareholders) and presented in Transactions with non-controlling interests in the Consolidated statement of cash flows;
- decrease by €789 million of the liabilities related to put options granted to non-controlling interests;
- debt relating to the put options, which payment conditions have been amended (€236 million), has been reclassified from non-current financial liabilities to current financial liabilities.

Note 3.2. Liabilities related to put options granted to non-controlling interests

Carrying amount and main characteristics

	As of December 31, 2014			As of June 30, 2015				
(in € millions)	Current	Non-current	**Total**	Current	Non-current	**Total**	**Start of exercise period**	**Price calculation formula**
Danone Spain	794	236	1,030	238	–	238	At any time	Average earnings multiple over several years
Danone CIS	912	–	912	946	–	946	2014	Earnings multiple
Other [(a)]	503	113	616	537	106	642	Since 2015	
Total	**2,209**	**349**	**2,558**	**1,720**	**106**	**1,826**		

(a) Several put options with an individual amount less than or equal to 10% of the total amount of put options granted by the Group to some non-controlling interests.

Change during the period

(in € millions)	**2014**	**2015**
As of January 1	3,244	2,558
Carrying amount of options exercised	(341)	(789)
Changes in the present value of the option strike price of outstanding options	(345)	57
As of December 31 / June 30	**2,558**	**1,826**

Note 4. Associates

Note 4.1. Main changes during the period

Main changes during the 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 [b]	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.

(b) See Note 4.2 to the consolidated financial statements.

Main changes during the first half of 2014

				Ownership percentage as of June 30	
	Division	Country	Transaction date [a]	2013	2014
Main companies accounted for using the equity method for the first time during the period ending June 30, 2014					
Mengniu [b]	Fresh Dairy Products	China	January	4.0%	9.9%
Main associates with change in ownership percentage					
Yakult [c]	Fresh Dairy Products	Japan	January	20.0%	21.3%
Main companies no longer accounted for using the equity method as of June 30, 2014					
-	**-**	**-**	**-**	**-**	**-**

(a) Month of the fiscal year.

(b) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD. This company was recognized within Investments in other non-consolidated companies in 2013.

(c) YAKULT HONSHA CO LTD. The Group's ownership percentage increased mechanically in 2014 due to the purchases of its own shares carried out by Yakult in 2013 and reflected in the Group's consolidated financial statements in 2014.

Note 4.2. Yashili (Early Life Nutrition, China)

Main characteristics of the investment

On October 31, 2014, Danone, Mengniu and Yashili announced the expansion of their strategic alliance into infant milk formula in China through the signing of an agreement allowing Danone to take part in a private placement by Yashili totaling around €437 million on that date, at a price of HKD 3.70 per share and corresponding to an equity stake of 25.0%.

On February 12, 2015, Danone took part in the private placement by Yashili. The price per share paid was the one fixed in the forementioned agreement, i.e. HKD 3.70 per share, which represents around €499 million on that date. Consequently, Danone helds an equity stake of 25.0% in Yashili, one of China's main infant milk companies. Danone becomes the second largest shareholder of Yashili, after Mengniu which has an equity stake of 51% in Yashili. Under the terms of the agreement, Danone recommended candidates to serve as Yashili's Chief Executive Officer.

Accounting treatment of the investment

Danone can exercise significant influence over the financial and operating policies of Yashili and take part in the governance. In particular, Danone nominated one member of the Board of Directors and recommended candidates to serve as Yashili's Chief Executive Officer. As such, this investment is recognized under Investments in associates.

Note 4.3. Measurement review of associates

Methodology

The Group 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 the Group.

Measurement review as of June 30, 2015

Yashili shares

The Group noted a high volatility of Yashili stock price since the signature of the agreement and in particular, a stock price as of June 30, 2015 lower than the shares acquisition price. However, the Group concluded that there was no indication of significant or prolonged fall in these shares price as of June 30, 2015, considering (i) the strategic premium paid by Danone (comprised in the recoverable value) in the context of its strategic alliance with Yashili and the reinforcement of its position in the early life nutrition segment in China, (ii) its stock volatility, (iii) the outlook for value of the shares as published by the main brokers, and (iv) qualitative information available on Yashil's performance.

Other investments in associates

In the first six months of 2015, no impairment has been recorded regarding the other investments in associates.

Note 4.4. Share of profit of associates

The rise in net income of affiliated companies is due in particular to a steep increase in Mengniu's net income and to the consolidation of the net income reflecting an equity interest in Yashili.

Note 5. Information concerning the Group's operating activities

Note 5.1. General principles

The key indicators reviewed and used internally by the Group's 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;
- trading operating income;
- trading operating margin, which is defined as the trading 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 by the Group 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 Group's primary operational decision-makers, only Net sales, Trading operating income and Trading 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 the Group has not carried out a reorganization of its operating segments.

Note 5.2. Operating segments

Information by Division

(in € millions except percentage)	Six-month period ended June 30					
	Net Sales [a]		Trading operating income		Trading operating margin	
	2014	2015	2014	2015	2014	2015
Fresh Dairy Products	5,640	5,664	440	519	7.8%	9.2%
Waters	2,074	2,503	259	322	12.5%	12.9%
Early Life Nutrition	2,071	2,445	361	403	17.4%	16.5%
Medical Nutrition	682	780	120	137	17.6%	17.6%
Group Total	**10,467**	**11,392**	**1,180**	**1,381**	**11.3%**	**12.1%**

(a) Net sales to third parties.

Information by geographic area

Net sales, Trading operating income and Trading operating margin

(in € millions except percentage)	Six-month period ended June 30					
	Net Sales [a] [b]		Trading operating income		Trading operating margin	
	2014	2015	2014	2015	2014	2015
Europe [b]	4,261	4,446	620	724	14.6%	16.3%
CIS & North America [c]	2,330	2,305	169	179	7.2%	7.8%
ALMA [d]	3,876	4,641	391	478	10.1%	10.3%
Group total	**10,467**	**11,392**	**1,180**	**1,381**	**11.3%**	**12.1%**

(a) Net sales to third parties.
(b) Including €1,114 million in France in the six-month period ended June 30, 2015 (€ 1,125 million in 2014).
(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

(in € millions)	As of December 31	As of June 30
	Tangible and intangible assets	
	2014	2015
Europe [a]	10,208	10,639
CIS & North America [b]	2,779	3,050
ALMA [c]	7,830	7,446
Group total	**20,816**	**21,134**

(a) Including €1,868 million in France as of June 30, 2015 (€1,857 million as of December 31, 2014).
(b) North America: United States and Canada.
(c) Asia-Pacific / Latin America / Middle East / Africa.

Note 6. Events and transactions outside of the Group's ordinary activities

Note 6.1. Other operating income (expense)

Other operating income (expense) of first half of 2015

In the first six months of 2015, the net Other operating expense of €(509) million consisted mainly of expenses, including (i) €(398) million relating to the impairment of the Dumex brand and of the main tangible assets of the company Dumex in China following the false safety alert issued by Fonterra in 2013 (See Note 6.2. of the Notes to the consolidated financial statements), (ii) €(45) million relating to the plan for savings and adaptation of the Group's organizations in Europe (See Note 6.3. of the Notes to the consolidated financial statements), (iii) €(23) million relating to the penalty received from the Spanish National Commission of Markets and Competition (See Note 6.4. of the Notes to the consolidated financial statements).

Other operating income (expense) of first half of 2014

In the first six months of 2014, the net Other operating expense of €(96) million consisted mainly of expenses, including mainly the expenses related to the savings and adaptation plan for the Group's organizations in Europe.

Note 6.2. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013

Following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with Clostridium botulinum bacteria, the Group recalled selected infant formula products from sale in eight markets (New Zealand, Singapore, Malaysia, China, Hong Kong, Vietnam, Cambodia and Thailand) of this region as a precautionary measure. The alert was lifted on August 28 when New Zealand's Ministry for Primary Industries (MPI) concluded after several weeks of tests that there was no Clostridium botulinum in any of the batches concerned.

None of the many tests conducted by the Group, both before and after this critical period, showed any contamination whatsoever of its products with Clostridium botulinum. Danone's food safety management system is among the most demanding and effective in the world and includes rigorous testing of all of its products. But because Danone makes consumer safety an absolute priority, its teams nonetheless quickly and efficiently deployed recall procedures.

On January 8, 2014, the Group also announced its decision to terminate its existing supply contract with Fonterra and make any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied to Danone.

Legal and arbitration proceedings

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.

Impact on Early Life Nutrition Division's sales, on the carrying amount of the *Dumex* brand and of the main assets of the company Dumex in China

Impact as of December 31, 2014

The Early Life Nutrition Division's sales, notably those under the Dumex brand, were seriously affected by these recalls. Action plans have been gradually deployed as from the second half of 2014 to restore sales in affected markets, via the relaunch of the Dumex brand and the introduction of innovative products.

As of December 31, 2014, the Group could determine the effects of these initiatives, which were as follows:

- in China, activity has gradually recovered but ended the year at a level significantly below pre-crisis levels;
- in the other countries concerned, which now generate more than 50% of the sales generated under the Dumex brand, the level of activity is equivalent to pre-crisis levels.

As of December 31, 2014, the review of the recoverable amount of the *Dumex* brand based on the principles described in Note 9.3 of the Notes to the consolidated financial statements as of December 31, 2014 resulted in a €249 million impairment provision in respect of the *Dumex* brand recorded in Other operating income (expense).

Impact as of June 30, 2015

At the beginning of the second quarter, the Group assessed that the situation of the *Dumex* brand in China had further deteriorated mainly due to the acceleration of (i) Internet sales as a substitute of retail distribution networks, which is the sole distribution channel of *Dumex* products and (ii) super premium imported products ranges which also benefit largely to Danone through the success of *Nutrilon* and *Aptamil* (blue house), but still at the expense of Dumex. At the beginning of May, the Group assesses definitely the non-achievement of the 2015 budget for Dumex China. However, Dumex sales in other countries resisted well.

These developments led the Group to review the recoverable value of Dumex assets as of June 30, 2015. The review (based on the principles described in Note 9.3 of the Notes to the consolidated financial statements for the year ended December 31, 2014 and on assumptions updated as of June 30, 2015) led to the recognition of an additional impairment of the *Dumex* brand and an impairment of Dumex China main tangible assets and deferred tax assets.

Impact on the brand

In particular, the key assumptions for the valuation model used by the Group have been updated taking into account the sales perspectives under the *Dumex* brand in China and the uncertainty on the capacity to generate positive cash flows in the future in China. As a consequence, an impairment of €365 million has been recognized as of June 30, 2015.

In future, changes in these assumptions could affect the result of this review. The Group would therefore be required to adjust the value of the brand downwards or upwards (whilst ensuring that its value does not exceed its historical value).

Impact on the other assets of Dumex China

The uncertainty on the capacity of Dumex China to generate positive cash flows in the future led the Group to depreciate:

- most of the tangible assets of the company Dumex in China, i.e. a depreciation of €33 million;
- all the deferred tax assets recognized by the company Dumex in China in previous years for €42 million.

Impact on the consolidated financial statements

	Year ended December 31		Six-month period ended June 30			
(in € millions)		**2014**		**2014**		**2015**
	Other operating income (expense) [(a)]	**Income tax**	**Other operating income (expense) [(a)]**	**Income tax**	**Other operating income (expense) [(a)]**	**Income tax**
Dumex brand depreciation	(249)	55	–	–	(365)	80
Tangible assets depreciation	–	–	–	–	(33)	–
Deferred tax assets depreciation [(b)]	–	–	–	–	–	(42)
Total	**(249)**	**55**	**–**	**–**	**(398)**	**38**

(a) Given this is a major crisis for Asia, affecting the Group's early life nutrition activity, the related costs are recognized under Other operating income (expense).

(b) Of which, €12 million are related to costs recorded in other operating income (expense).

Note 6.3. Savings and adaptation plan for the Group's organizations in Europe

Since 2010, the lasting downturn in the economy and consumer trends in Europe have resulted in a significant decrease in sales in this part of the world. Despite signs of a gradual increase in volumes, the Fresh Dairy Products Division in Europe has experienced a decrease in its global activity and overcapacity in the region.

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.

In addition to this project to reorganize its structure, in order to address the overcapacity in Europe, on June 11, 2014, Danone announced the planned closure of its sites in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary), these three countries having been particularly badly affected by the drop in sales. The planned closure of these three plants and the gradual reallocation of volumes to Belgium, Poland, Germany and France should enable the Fresh Dairy Products Division to improve the use of its production facilities and its competitiveness in Europe.

Costs relating to this plan mainly comprise (i) costs of employee-related measures (measures with respect to internal mobility, redundancy and support for departing employees), (ii) impairment losses in respect of property, plant and equipment and intangible assets, and (iii) other reorganization costs (notably compensation for early termination of contracts and consulting fees). As this plan consists in a strategic restructuring, costs incurred directly in connection to the plan are accounted for as Other operating income (expense). Costs recognized consist in costs (i) paid (ii) incurred or (iii) provisioned. Provisions are recognized based on the Group's best estimate as of the closing date of the costs to be incurred in connection with these measures, given the information then available to the Group.

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

Costs and cash flows related to this plan

	Year-ended December 31	Six-month period ended June 30	
(in € millions)	**2014**	**2014**	**2015**
Costs [(a)]			
Employee-related measures	75	57	11
Impairment of intangible assets and property, plant and equipment	11	13	6
Other reorganization costs	74	29	28
Total	**160**	**98**	**45**
Cash-flows net of taxes [(b)]	**123**	**79**	**30**

(a) The corresponding amounts accrued stand at €58 million as of December 31, 2014, €64 million as of June 30, 2014 and €42 million as of June 30, 2015.

(b) Including a tax savings calculated on the basis of the applicable tax rate in the respective countries.

Note 6.4. Decision of the Spanish National Commission of Markets and Competition

In Spain, the major stakeholders in the fresh dairy products sector have been fined by the Spanish National Commission of Markets and Competition (CNMC) for having shared information on prices and on business strategy. Danone is preparing the necessary documentation to appeal.

The full amount of the fine (€23 million) has been recognized in provisions and the related expense has been recorded in Other operating income (expense) in the consolidated financial statements for the six-month period ended June 30, 2015.

Note 7. 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	
(as a percentage of net income before tax)	**2014**	**2015**
Statutory tax rate in France	**34.4%**	**34.4%**
Differences between French and foreign tax rates [(a)]	(8.6)%	(8.4)%
Tax on dividends and royalties [(b)]	4.0%	3.9%
Tax adjustments and unallocated taxes [(c)]	1.4%	0.0%
Other differences	(0.5)%	(0.6)%
Effective income tax rate excluding the impacts of Dumex China related impairments	**30.7%**	**29.3%**
Impact of Dumex China related impairments [(d)]	-	12.2%
Effective income tax rate	**30.7%**	**41.6%**

(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, partially offset by changes in rates.

(d) Includes the impact between the various countries and the French the tax rate and the impact of the deferred taxes assets depreciation (see Note 6.2. of the Notes to the consolidated financial statements).

Note 8. Intangible assets: measurement review

Note 8.1 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, 2015, 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 8.2 Measurement review

Brands with indefinite useful life

Review of the *Dumex* brand

Refer to the Note 6.2. of the Notes to the consolidated financial statements.

Other brands with indefinite useful life

No impairment has been recorded as of June 30, 2015.

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 the revised annual forecast and performance to date compared with the budget.

Early Life Nutrition Asia CGU

The downturn in Dumex activities in China (see Note 6.2 of the Notes to the consolidated financial statements) does not significantly affect the business performance of the CGU Early Life Nutrition Asia. As a consequence and given the headroom as of December 31, 2014, no impairment test has been carried out at the CGU Early Life Nutrition Nutrition Asia level as of June 30, 2015.

CGUs and groups of CGUs of the Early Life Nutrition Rest of the World and Medical Nutrition Divisions

No triggering event has been identified as of June 30, 2015.

CGUs of the Fresh Dairy Products and Waters Divisions, and other CGUs of the Early Life Nutrition and Medical Nutrition Divisions

In the case of those CGUs, the indicators analyzed relate mainly to internal factors such as the revised annual forecast and performance to date compared with the budget. For the six-month ended June 30, 2015, the Group did not recognize any impairment charges.

Note 9. Financing and net debt

Note 9.1. Financing situation: carrying amount of financial debt and change during the period

		Movement during the period							
(in € millions)	As of December 31, 2014	Bond issue or net increase of other items	Bond repayment or net decrease of other items	Transfer to current portion	Translation adjustments [e]	New put options	Exercise or expiration of put options [f]	Other [g]	As of June 30, 2015
Bonds [a] [b]	*603*	*–*	*(603)*	*196*	*31*	*–*	*–*	*-*	***227***
Commercial paper [b]	*1,068*	*732*	*–*	*–*	*(5)*	*–*	*–*	*-*	***1,795***
Other financing and other debts [a] [c]	*661*	*168*	*–*	*33*	*(19)*	*–*	*–*	*(19)*	***825***
Financing [a]	2,332	900	(603)	230	7	–	–	(19)	**2,847**
Derivatives - liabilities [a] [b]	3	–	(4)	–	(25)	–	–	29	**3**
Financing and derivatives - liabilities [a]	2,336	900	(607)	230	(18)	–	–	10	**2,851**
Liabilities related to put options granted to non-controlling interests [a]	2,209	–	–	236	–	–	(789)	64	**1,720**
Current financial debt	**4,544**	**900**	**(607)**	**466**	**(18)**	**–**	**(789)**	**74**	**4,571**
Bonds [b] [d]	*6,087*	*1,300*	*–*	*(196)*	*77*	*–*	*–*	*–*	***7,269***
Other financing and other debts [c] [d]	*150*	*5*	*–*	*(33)*	*12*	*–*	*–*	*67*	***202***
Financing [d]	6,238	1,305	–	(230)	90	–	–	67	**7,470**
Derivatives - liabilities [b] [d]	11	–	–	–	(11)	–	–	–	**–**
Financing and derivatives - liabilities [d]	6,249	1,305	**–**	(230)	78	–	–	67	**7,470**
Liabilities related to put options granted to non-controlling interests [d]	349	–	–	(236)	–	–	–	(7)	**106**
Non-current financial debt	**6,598**	**1,305**	**–**	**(466)**	**78**	**–**	**–**	**60**	**7,576**
Financial debt	**11,143**	**2,205**	**(607)**	**–**	**60**	**–**	**(789)**	**134**	**12,147**

(a) Less than one year portion.

(b) Financing managed at the Company level.

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

(d) More than one year portion.

(e) Excluding translation adjustments relating to put options, which are presented in Other as for the other changes in fair value of those items.

(f) See Note 3.1 of the Notes to the consolidated financial statements.

(g) Corresponds mainly to (i) changes in fair value of puts options, and (ii) changes in scope of consolidation.

Note 9.2. Net debt

	As of December 31	As of June 30
(in € millions)	**2014**	**2015**
Non-current financial liabilities	6,598	7,576
Current financial liabilities	4,544	4,571
Short term investments	(2,317)	(2,734)
Cash and cash equivalents	(880)	(1,018)
Derivatives - assets - Non-current	(181)	(247)
Derivatives - assets - Current	–	–
Net debt	**7,764**	**8,148**

Note 10. Earnings per share, dividend

Note 10.1. Earnings per share

	Year ended December 31	Six-month period ended June 30	
(in € per share except for number of shares)	**2014**	**2014**	**2015**
Net income - Group share	1,119	608	416
Number of shares			
• Before dilution	594,472,798	588,879,463	604,404,930
• Dilutive impacts of			
Payment of dividend in shares	776,192	1,552,383	789,842
Stock-based compensation	287,338	609,279	311,184
• After dilution	595,536,328	591,041,125	605,505,956
Net Income - Group share, per share			
• Before dilution	1.88	1.03	0.69
• After dilution	1.88	1.03	0.69

Group performance shares and stock options, which were non-dilutive as of June 30, 2015, could become dilutive mainly depending on changes in the DANONE share price shares and the achievement of the performance conditions.

Note 10.2. Payment of the 2014 dividend, with the option of a payment in shares

The Shareholders' Meeting on April 29, 2015 in Paris approved the dividend proposed with respect to the 2014 fiscal year, i.e. €1.50 per share, and decided that each shareholder could decide to receive the dividend payment in cash or DANONE shares.

The option period was open from Thursday May 7, 2015 to Thursday May 21, 2015, inclusive. The issue price of new shares distributed as payment for the dividend was €57.26. It corresponds to 90% of the average opening price listed on Euronext during the 20 market trading days prior to the date of the Shareholders' Meeting, less the amount of the dividend and rounded to the next highest euro cent. The settlement and delivery of the shares and their admission to trading on Euronext occurred on June 3, 2015. These shares carry dividend rights as of January 1, 2015 and are fungible with existing shares.

A total of 65.95% of the rights were exercised in favor of the 2014 dividend payment in shares.

			Six-month period ended June 30, 2015
(in € millions except for the number of shares)	**Number of outstanding shares**	**Consolidated equity**	**Consolidated cash flow used in financing transactions**
Portion paid in newly issued shares [(a)]	10,321,148	–	–
Portion paid in cash	–	314	314
Total	**10,321,148**	**314**	**314**

(a) Or 1,60% of Danone's Share capital based on the capital as of May 31, 2015.

Note 11. Other provisions and non-current liabilities and legal and arbitration proceedings

Note 11.1 Other provisions and non-current liabilities

		Movements during the period					
(in € millions)	As of December 31, 2014	Increase	Decrease (utilized)	Decrease (not utilized)	Translation adjustments	Other	As of June 30, 2015
Restructuring provisions	71	6	(15)	(3)	1	–	60
Other provisions for risks and charges	652	129	(29)	(18)	4	(3)	734
Investment subsidies	14	1	–	–	–	–	15
Total	**737**	**137**	**(43)**	**(21)**	**4**	**(3)**	**809**

The Other provisions and non-current liabilities also comprise the portion due in less than one year considered as not material: it stands at €41 million as of June 30, 2015 (€45 million as of December 31, 2014).

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, 2015, 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 Group's normal course of business.

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

Note 11.2 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

Refer to the Note 6.2. of the Notes to the consolidated financial statements.

Proceeding in relation with the decision of the Spanish National Commission of Markets and Competition

Refer to the Note 6.4. of the Notes to the consolidated financial statements.

Other proceedings

To the best of the Group'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 the Group's financial position or profitability.

Note 12. 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 29, 2015 authorized the Board of Directors to grant Group performance shares in 2015 to Group employees and executive directors (including the Executive Committee) of the Company. In the first six months of 2015, no Group performance share was granted. The grant of Group performance shares under the 2015 authorization is subject to the approval of the Board of Directors on July 23, 2015.

Note 13. Subsequent events

Danone has reached a preliminary agreement with Mengniu and Yashili to merge Dumex in China with Yashili, building a strong local IMF brand platform, and to increase its shareholding in Mengniu.

To the best of the Company's knowledge, no other material event occurred between the end of the reporting period and July 23, 2015, the date on which the Board of Directors approved the 2015 interim condensed financial statements.

Statutory Auditor's review report on the 2015 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, 2015 ;
- 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 23, 2015

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		Ernst & Young et Autres	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	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, 2015 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 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 23, 2015

Emmanuel FABER

Chief Executive Officer

Danone – 15, rue du Helder – 75439 Paris Cedex 09
Visitors : 17, boulevard Haussmann – 75009 Paris – Tel. +33 (0)1 44 35 20 20
Investors Relations – Tel. + 33 (0)1 44 35 20 76
Free shareholders number: 0 800 320 323 (free from land lines in continental France) or +33 1 58 16 71 75 (from foreign countries)
Financial information : www.finance.danone.com et www.danone.com