DANONE

2013 Interim financial report

For the six-month period ended June 30, 2013

The English version of the 2013 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.

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Interim management report

Unless otherwise noted:

- all references herein to the "Company" refer to Danone the issuer;
- all references herein to the "Group" or "Danone" refer to the Company and its consolidated subsidiaries;
- all references herein to "Division" or "Divisions" refer to Fresh Dairy Products, Waters, Baby 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, 2013.

The Group 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;
- free cash-flow;
- free cash-flow excluding exceptional items;
- net financial debt.

1.1 H1 2013 business review and 2013 outlook

Business highlights

Key figures

In the first half of 2013, main characteristics of the Group's activity are:

- solid growth in H1 2013 sales, up +6.0% like-for-like and +5.6% as reported;
- second-quarter trends confirm the strong start to the year, with sales up +6.5% like-for-like and reported sales up +6.7%, reflecting the strongest growth in volume in the past eight quarters;
- sales growth held at over +10% in emerging markets/North America as a whole in Q2, while in Europe the decline was lower than in the previous quarter (-3.0%);
- Trading operating margin of 13.34% in H1 2013, with a decline similar to that observed in 2012 (-49 bps), in line with targets;
- Underlying fully diluted earnings per share at € 1.48, steady like-for-like, and down 2.4% from 2012 as reported
- Free cash-flow in H1 2013 at € 714 million excluding exceptional items.

The Group confirms its full-year targets for 2013: sales growth of at least +5% like-for-like, trading operating margin down by between -50 and -30 bps like-for-like, and free cash-flow of around € 2 billion excluding exceptional items.

	Six-month period ended June 30		
(in € millions, except per-share data in €)	**2012**	**2013**	**Change**
Net sales	10,475	11,058	+ 6,0%[(a)]
Free cash-flow excluding exceptional items [(c)]	890	714	- 19,8% [(b)]
Trading operating income [(c)]	1,451	1,475	+ 2,3 %[(a)]
Trading operating margin [(c)]	13.85%	13.34%	- 49 bps [(a)]
Underlying net income [(c)]	911	873	- 1,3 %[(a)]
Underlying fully diluted EPS[(c)]	1.51	1.48	- 2,4 %[(b)]

(a) Like-for-like.

(b) As reported.

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

Key financial transactions and events in H1 2013 (from press releases issued in the past six months)

- on February 19, 2013 Danone presented the organizational part of its plan for savings and adaptation of its organizations in Europe (see Note 19 of the Notes to the consolidated financial statements);
- on February 22, 2013 Danone announced the finalization of the increase in its interest in Centrale Laitière to 67.0% (see Note 4 of the Notes to the consolidated financial statements);
- on February 27, 2013 Danone announced the successful launch of a €750 million bond issue in euros maturing June 6, 2018;
- on April 26, 2013 Danone and Yakult agreed on a new cooperation framework to replace the existing strategic alliance. This new framework calls for existing collaborations to be continued, and envisages extending them into areas that are more operational in nature and that offer benefits for both parties. Given the relationship of trust built up over the years, this framework does not contain commitments or limitations regarding Danone's equity interest in Yakult (see Note 3 of the Notes to the consolidated financial statements);
- on May 6, 2013 Danone signed a partnership agreement with Sirma and strengthened its position in the water market in Turkey. With this partnership agreement, Danone acquired a 50.1% equity interest in Sirma, one of the leading players in the Turkish water market (see Note 3 of the Notes to the consolidated financial statements);
- on May 13, 2013 Danone acquired Happy Family, one of the fastest-growing premium organic baby food companies in the United States. The Group acquired an over 90% equity interest in Happy Family, the fourth largest contender in the US baby food market (see Note 3 of the Notes to the consolidated financial statements);
- on May 20, 2013 COFCO, Mengniu and Danone joined forces to accelerate the development of Fresh Dairy Products in China (see Note 3 of the Notes to the consolidated financial statements);
- on June 3, 2013, Danone announced the successful launch of a €650 million 6-year bond issue in euros;
- on June 21, 2013, Danone announced the successful launch of a €500 million 10-year bond issue in euros.

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

Consolidated net income

Net sales

Consolidated net sales

Consolidated sales increased +5.6% as reported in the first half of 2013 to total € 11,058 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +6.0%. This organic growth reflects a +3.5% increase in sales volume and a +2.5% increase due to the price/mix effect.

The -2.5% exchange-rate effect reflects unfavorable trends in currencies including the Argentine peso, the Brazilian real and the Indonesian rupee. Changes in the scope of consolidation led to a +2.1% rise in sales that primarily reflected the full consolidation of Centrale Laitière (Morocco) starting in March 2013.

Consolidated net sales by Division and by geographic area

(in € millions)	2012	2013	Change Like for Like	Volume growth Like for Like
	Six-month period ended June 30			
Net sales by Division				
Fresh Dairy Products	5,906	6,023	1.7%	2.1%
Waters	1,855	1,991	9.6%	5.9%
Baby Nutrition	2,090	2,383	15.2%	5.2%
Medical Nutrition	624	661	5.5%	4.9%
Net sales by geographic area				
Europe excl. CIS	4,350	4,160	(4.0%)	(2.7%)
CIS & North America [(a)]	2,201	2,360	9.3%	6.8%
ALMA [(b)]	3,924	4,538	15.9%	7.2%
Total	**10,475**	**11,058**	**6.0%**	**3.5%**

(a) North America: United States and Canada.

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

In the first six months of 2013, Fresh Dairy Products division sales were up +1.7% like-for-like, reflecting a +2.1% rise in volumes and a negative price/mix effect of -0.4%.

The Waters division maintained a solid growth trend and reported solid rise in sales, up +9.6% like-for-like in the first six months of 2013, driven by volumes up +5.9% and a positive price/mix effect of +3.7%.

The Baby Nutrition division reported excellent growth with sales up +15.2% like-for-like in the first six months of 2013. This sales growth notably comes from +5.2% growth in volumes.

Medical Nutrition sales increased by +5.5% like-for-like in the first six months of 2013, with volume growth of +4.9%.

Trading operating income and trading operating margin

(in percentages)	2012	2013	Change Like for Like
	Six-month period ended June 30		
	Trading operating margin		
Trading operating margin by Division			
Fresh Dairy Products	11.23%	9.91%	- 128 bps
Waters	13.67%	13.18%	- 57 bps
Baby Nutrition	19.97%	20.49%	+ 43 bps
Medical Nutrition	18.70%	19.31%	+ 65 bps
Trading operating margin by geographic area			
Europe excl. CIS	15.24%	14.28%	- 118 bps
CIS & North America [(a)]	8.86%	9.36%	+ 55 bps
ALMA [(b)]	15.10%	14.56%	- 28 bps
Total	**13.85%**	**13.34%**	**- 49 bps**

(a) North America: United States and Canada.

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

Danone's Trading operating margin stood at 13.34% in the first half of 2013, down -49 bps like-for-like. As in 2012, lower sales in Europe continued to cut significantly into Group profitability, while the profitability of business lines as a whole outside Europe continued to rise.

Raw material prices increased substantially once again, albeit more moderately than in the first half of 2012, with inflation on milk and dairy ingredients rising faster than anticipated. Negative exchange-rate fluctuations also came into play.

Ongoing cost-cutting measures once again helped generate robust productivity of €254 million, partly offsetting the rise in raw material, production and distribution costs.

A&P outlays increased slightly from the first half of 2012. Danone also continued to invest heavily in other growth drivers, beefing up its sales forces and spending on R&D. Outlays in these areas rose by around 10%.

Other operating income and expense

Other operating income and expense items stood at - € 291 million, impacted primarily by the portion of costs related to the Group's cost reduction and organizational adaptation plan in Europe booked in the first half of the year (- € 233 million).

Financial income and expense

Cost of net debt was up due to higher net financial debt in this half compared to the first half of 2012. Notable factors driving this rise are acquisitions made since July 1, 2012, in particular the buyout of some minority interests in Danone Spain and the increased interest in Centrale Laitière, as well as buybacks by the Group of 16.4 million (excluding purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary) of its own shares since that date. Together these transactions have a positive impact on net earnings per share.

The increase in Other financial income resulted primarily from capital gains (booked as non-current) on the sale of Danone Group's interest in SNI, as part of its increased shareholding in Centrale Laitière.

Tax rate

The underlying tax rate for the first half of 2013 was 30.3%, a steep rise of over 3 points on 2012 that reflects an overall increase in fiscal pressure, and particularly, in France, the ceiling on deductibility of financial interests, and the tax on dividends.

Share of profit of associates

The sharp increase in Share of profit of associates (representing € 226 million, booked as non-current) reflects the revaluation of Danone's historic 29.2% interest in Centrale Laitière. This was recognized as a result of the Group's takeover of this company, in accordance with IFRS.

Underlying net income and underlying fully diluted earnings per share

Underlying net income came to € 873 million in the first half of 2013, down -1.3% like-for-like and down -4.2% as reported when compared with 2012.

The transition from net income – Group share to underlying net income is shown in the following table:

	Year ended December 31			Six-month period ended June 30					
			2012			2012			2013
(in € millions except percentages)	Underlying	Non-current items	Total	Underlying	Non-current items	Total	Underlying	Non-current items	Total
Trading operating income	**2,958**		**2,958**	**1,451**		**1,451**	**1,475**		**1,475**
Other operating income (expense)		(211)	(211)		(40)	(40)		(291)	(291)
Operating income	**2,958**	**(211)**	**2,747**	**1,451**	**(40)**	**1,411**	**1,475**	**(291)**	**1,184**
Cost of net debt	(170)		(170)	(76)		(76)	(86)		(86)
Other financial income (expense)	(130)	(2)	(132)	(62)	(6)	(68)	(66)	52	(14)
Income before tax	**2,658**	**(213)**	**2,445**	**1,313**	**(46)**	**1,267**	**1,323**	**(239)**	**1,084**
Income tax expense	(735)	23	(712)	(351)	10	(341)	(402)	87	(315)
Effective tax rate	27.6%		29.1%	26.7%		26.9%	30.3%		29.0%
Net income from fully consolidated companies	**1,923**	**(190)**	**1,733**	**962**	**(36)**	**926**	**921**	**(152)**	**769**
Share of profit of associates	59	(5)	54	39		39	38	238	276
Net income	**1,982**	**(195)**	**1,787**	**1,001**	**(36)**	**965**	**959**	**86**	**1,045**
• Group share	1,818	(146)	1,672	911	(30)	881	873	99	972
• Non-controlling interests	164	(49)	115	90	(6)	84	86	(13)	73

Underlying fully diluted EPS totaled € 1.48, which is steady like-for-like and down -2.4% as reported compared with the first half of 2012.

The transition from net earnings – Group share, per share to underlying fully diluted earnings per share is shown in the following table:

	Year ended December 31		Six-month period ended June 30			
		2012		2012		2013
(in euros per share except for number of shares)	Underlying	Total	Underlying	Total	Underlying	Total
Net Income - Group share	1,818	1,672	911	881	873	972
Number of shares						
• Before dilution	600,477,145	600,477,145	600,877,199	600,877,199	589,927,117	589,927,117
• After dilution	603,105,304	603,105,304	603,149,367	603,149,367	592,145,734	592,145,734
Net Income - Group share, per share						
• Before dilution	3.03	2.78	1.52	1.47	1.48	1.65
• After dilution	3.01	2.77	1.51	1.46	1.48	1.64

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

Free cash-flow totaled € 675 million in H1 2013, hit by expenses of € 39 million linked to the Group's cost reduction and organizational adaptation plan in Europe.

Free cash-flow excluding exceptional items was € 714 million (6.5% of sales), down -19.8% from H1 2012. In addition to the impact of reduced trading operating margin, this decline reflects the unfavorable geographical mix effect of growth on the Group's working capital. Capital expenditure rose sharply, up +9.1% from the first half of 2012, to total € 454 million or 4.1% of sales.

The transition from operating cash flow to free cash-flow is presented in the table below:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2012**	**2012**	**2013**
Cash-flow from operating activities	**2,858**	**1,255**	**1,088**
Capital expenditure	(976)	(416)	(454)
Disposal of tangible assets	193	51	20
Transactions fees related to business combinations [a]	13	-	21
Free cash-flow	**2,088**	**890**	**675**
Cash-flows related to the plan for savings and adaptation of the Group's organizations in Europe	-	-	(39)
Free cash-flow excluding exceptional items	**2,088**	**890**	**714**

(a) These expenses previously classified as investment flows impact cash flow from operating activities as from January 1, 2010 pursuant to Revised IFRS 3 on Business Combinations.

Balance sheet

Simplified consolidated balance sheet

	As of December 31	As of June 30
(in € millions excepted percentages)	**2012**	**2013**
Non-current assets	22,614	23,465
Current assets	6,923	7,365
Total assets	**29,537**	**30,830**
Equity - Group share	**12,191**	**11,132**
Non-controlling interests	63	14
Net debt	6,292	8,238
Net financial debt	3,021	5,089
Gearing based on net debt	52%	74%
Gearing based on net financial debt	25%	46%

Net debt and financial net debt

As of June 30, 2013, the Group's net debt stood at € 8,238 million, including € 3,149 million in put options granted to minority shareholders.

The transition from net debt to financial debt is presented in the table below:

	As of December 31	As of June 30
(in € millions)	**2012**	**2013**
Non-current financial debt[(a)]	6,346	6,548
Current financial debt	3,176	4,543
Short term investments	(1,748)	(1,535)
Cash and cash equivalents	(1,269)	(1,174)
Derivatives - assets	(213)	(144)
Net debt	**6,292**	**8,238**
Liabilities related to put options granted to non-controlling interests - Non current	(1,881)	(822)
Liabilities related to put options granted to non-controlling interests - Current	(1,390)	(2,327)
Financial debt excluded from net financial debt	**(3,271)**	**(3,149)**
Net financial debt	**3,021**	**5,089**

(a) Including Derivatives - liabilities.

The value of these put options has declined since December 31, 2012, due primarily to Danone's purchase in early 2013 of 1,550,315 Danone Spain shares subject to put options (at June 30, 2013, the Group held 75.6% of this subsidiary's equity). The impact of these purchases was partially offset by booking the put options granted in the first half of the year on 26.75% of Centrale Laitière's capital.

Excluding the put options granted to minority shareholders, the Group's net financial debt stood at €5,089 million, up €2,068 million from December 31, 2012. This steep rise is linked for the most part to acquisitions made by Danone in 2013: in addition to buying out some minority interests in Danone Spain and raising its stake in Centrale Laitière, first-half transactions included the takeovers of Sirma in Turkey and Happy Family in the United States, and the acquisition of a strategic interest in Mengniu in China. Besides, since January 1, 2013 Danone has bought back 8.3 million of its own shares (excluding purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary).

Other information

Share buyback

As announced when results for the first quarter of 2013 were released, in April 2013 Danone bought back 2.3 million of its own shares (excluding purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary).

At its meeting on July 26, 2013, the Board of Directors decided to cancel 4.3 million treasury shares with immediate effect.

Following this decision, Danone's share capital totals €157,757,000 represented by 631,028,000 shares.

Governance

At its meeting on July 26, 2013, Danone's Board of Directors decided to appoint Mr. Richard Goblet d'Alviella as a member of the Nomination and Compensation Committee, to replace Mr. Yoshihiro Kawabata, who wished to step down from the Board. Mr. Franck Riboud thanked Mr. Kawabata warmly for his contributions to the Board and to the Nomination and Compensation Committee.

Outlook for 2013

2013 financial outlook

The Group assumes that trends in consumer demand will continue to show contrasts region to region, with overall trends negative in Europe—assuming, however, no major political or economic upheavals—and favorable in the rest of the world.

The Group also expects the cost of its major raw materials and packaging materials to remain high, with moderate growth.

This being the case, the Group will continue to adapt its model in Europe, stepping up the pace of updates to its product ranges to meet consumers' changing needs, and at the same time adapting its structures and costs to achieve €200 million in savings by the end of 2014.

In the rest of the world, Danone will continue to expand its product categories, build its brands and grow its market share in a profitable and lasting way.

Through these actions, Danone plans to get back on track to strong, profitable organic growth as of 2014.

For 2013, which will remain a year of transition, the Group has set the following targets:

- a like-for-like sales growth (see definition of this indicator in section Financial indictors not defined by IFRS) of at least +5%;
- a decline in trading operating margin, by between -50 bps and -30 bps like-for-like growth (see definition of this indicator in section Financial indictors not defined by IFRS);
- free cash-flow of around €2 billion, excluding exceptional items growth (see definition of this indicator in section Financial indictors not defined by IFRS).

These forecasts, outlooks, representations and other forward looking information included in this Interim financial report are based mainly on the data, assumptions and estimates detailed below, 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 above forecasts were prepared using accounting methods that are consistent with those applied by the Group for the preparation of historical information. They are based on a number of assumptions, including:

- the data was prepared based on projected exchange rates and interest rates determined at the Group level;
- current consumption trends in countries that are important to the Group (including both emerging and mature countries) will continue throughout the year and will not improve or deteriorate significantly;
- raw materials price increases will continue. The Group anticipates an inflation in its raw material costs which will not exceed 5% for the full-year;
- the Group's revenue growth will continue to be primarily driven by development of its product categories, continuing investment in countries with high growth potential;
- the Group will continue to pursue its policy of focusing on sustained productivity and using selective pricing in 2013, notably to offset in part raw materials cost inflation.

Subsequent events

Major events occurring after the end of the reporting period are detailed in Note 21 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 2013 are those specified in Section 2.7 *Risk factors* of the 2012 Registration Document and, including in particular deteriorated economic context in Europe as well as volatility in emerging countries.

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;
- 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, Danone has published a free cash-flow indicator excluding cash-flows related to initiatives deployed within the framework of this plan. In 2012, free cash-flow excluding exceptional items was equal to free cash-flow and totaled €2,088 million.

Calculation of financial indicators not defined in IFRS and used by the Group 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) essentially exclude the impact of: (i) changes in exchange rates, 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 Group for the current year), and (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope.

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

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

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

Underlying fully diluted EPS 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 excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised)).

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt 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

In the first six months of 2013, Danone's parent company's net revenues and income before tax amount to € 311 million and € 694 million respectively (€ 317 million and € 616 million, respectively in the first six months of 2012).

1.3 Related party transactions

Major related party transactions are detailed in Note 20 of the Notes to the consolidated financial statements.

Condensed interim consolidated financial statements

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	**2012**	**2012**	**2013**
Net sales		**20,869**	**10,475**	**11,058**
Cost of goods sold		(10,409)	(5,238)	(5,614)
Selling expense		(5,474)	(2,744)	(2,882)
General and administrative expense		(1,746)	(842)	(873)
Research and development expense		(257)	(125)	(139)
Other income (expense)		(25)	(75)	(75)
Trading operating income		**2,958**	**1,451**	**1,475**
Other operating income (expense)	7	(211)	(40)	(291)
Operating income		**2,747**	**1,411**	**1,184**
Interest income		75	44	38
Interest expense		(245)	(120)	(124)
Cost of net debt	8	(170)	(76)	(86)
Other financial income (expense)	8	(132)	(68)	(14)
Income before tax		**2,445**	**1,267**	**1,084**
Income tax expense		(712)	(341)	(315)
Net income from fully consolidated companies		**1,733**	**926**	**769**
Share of profit of associates	9	54	39	276
Net income		**1,787**	**965**	**1,045**
Non-controlling interests		(115)	(84)	(73)
Net income - Group share		**1,672**	**881**	**972**
Net income - Group share, per share	10	**2.78**	**1.47**	**1.65**
Net income - Group share, per share after dilution	10	**2.77**	**1.46**	**1.64**

Consolidated statement of comprehensive income

		Year ended December 31	Six-month period ended June 30	
(in € millions)	Notes	**2012**	**2012**	**2013**
Net income		**1,787**	**965**	**1,045**
Translation adjustments, net of tax		(101)	131	(548)
Actuarial gains and losses on retirement commitments		(139)	-	7
Tax effects		42	-	(3)
Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax		(97)	-	4
Revaluation of hedging derivatives		(59)	(12)	58
Tax effects		20	4	(16)
Revaluation of hedging derivatives, net of tax		(39)	(8)	42
Revaluation of available-for-sale financial assets		(2)	3	34
Amount recycled to profit or loss in the current year	4	-	-	(52)
Tax effects		-	(1)	(5)
Revaluation of available-for-sale financial assets, net of tax		(2)	2	(23)
Other comprehensive income		-	-	-
Tax effects		-	-	-
Other comprehensive income, net of tax		-	-	-
Total other comprehensive income [(a)]	13	**(239)**	**125**	**(525)**
Total comprehensive income		**1,548**	**1,090**	**520**
Non-controlling interests		(125)	(91)	(53)
Net income - Group share		**1,423**	**999**	**467**

(a) Including € (529) million of impacts in equity recycled as of June 30, 2013 (€ 125 million as of June 30, 2012 and € (142) million as of December 31, 2012).

Consolidated balance sheet

		As of December 31	As of June 30
(in € millions)	Notes	**2012**	**2013**
Assets			
Goodwill		11,361	12,011
Brands		4,543	4,457
Other intangible assets		361	352
Intangible assets	11	16,265	16,820
Property, plant and equipment		4,115	4,438
Investments in associates	12	973	842
Investments in other non-consolidated companies	12	107	248
Long-term loans and other long-term financial assets		247	252
Derivatives - assets		213	144
Deferred taxes		694	721
Non-current assets		**22,614**	**23,465**
Inventories		1,095	1,363
Trade receivables		1,902	2,291
Other receivables		854	938
Short-term loans		25	38
Short term investments		1,748	1,535
Cash and cash equivalents		1,269	1,174
Assets held for sale		30	26
Current assets		**6,923**	**7,365**
Total assets		**29,537**	**30,830**

		As of December 31	As of June 30
(in € millions)	Notes	**2012**	**2013**
Equity and liabilities			
Issued capital		161	159
Additional paid-in capital		3,487	3,127
Retained earnings		10,926	10,814
Cumulative translation adjustments		(136)	(664)
Accumulated other comprehensive income		(254)	(231)
Treasury shares and DANONE call options [a]		(1,993)	(2,073)
Equity attributable to owners of the Company	13	**12,191**	**11,132**
Non-controlling interests		63	14
Equity	13	**12,254**	**11,146**
Financing		4,442	5,710
Derivatives - liabilities		23	16
Liabilities related to put options granted to non-controlling interests		1,881	822
Non-current financial debt	14	6,346	6,548
Provisions for retirements and other long-term benefits		608	627
Deferred taxes		1,202	1,242
Other provisions and non-current liabilities	17	574	750
Non-current liabilities		**8,730**	**9,167**
Financing		1,777	2,205
Derivatives - liabilities		9	11
Liabilities related to put options granted to non-controlling interests		1,390	2,327
Current financial debt	14	3,176	4,543
Trade payables		2,941	3,466
Other current liabilities		2,436	2,508
Liabilities directly associated with assets classified as held for sale		-	-
Current liabilities		**8,553**	**10,517**
Total equity and liabilities		**29,537**	**30,830**

(a) DANONE call options purchased by the Company.

Consolidated statement of cash-flows

		Year ended December 31	Six-month period ended June 30	
(in € millions)	Notes	**2012**	**2012**	**2013**
Net income		**1,787**	**965**	**1,045**
Share of profits of associates		(54)	(39)	(276)
Dividends received from associates		35	13	11
Depreciation and amortization		670	337	345
Other components of net income with no cash impact	18	113	97	163
Other components of net income with a cash impact		(26)	(51)	(75)
Cash flows provided by operating activities, excluding changes in net working capital		**2,525**	**1,322**	**1,213**
(Increase) decrease in inventories		(52)	(66)	(244)
(Increase) decrease in trade receivables		49	(298)	(359)
Increase (decrease) in trade payables		274	362	431
Change in other receivables and payables		62	(65)	47
Change in working capital requirements		333	(67)	(125)
Cash flows provided by (used in) operating activities	18	**2,858**	**1,255**	**1,088**
Capital expenditure		(976)	(416)	(454)
Proceeds from disposal of property, plant and equipment		193	51	20
Net cash outflow on purchases of subsidiaries and financial investments		(291)	(21)	(937)
Net cash inflow on sales of subsidiaries and financial investments (a)		4	2	92
(Increase) decrease in long-term loans and other long-term assets		(1)	(43)	(22)
Cash flows provided by (used in) investing activities	18	**(1,071)**	**(427)**	**(1,301)**
Increase in issued capital and additional paid-in capital		35	35	37
Purchases of treasury shares (net of disposals) and of DANONE call options (b)	13	(701)	(4)	(799)
Dividends paid to Danone shareholders	13	(835)	(835)	(848)
Transactions with non-controlling interests	18	(339)	(200)	(179)
Net cash flows on hedging derivatives (c)	14	(70)	(38)	18
Bonds issued or raised during the period	14	1,530	685	1,921
Bonds repaid during the period	14	(173)	(173)	(193)
Increase (decrease) in other current and non-current financial debt		(100)	377	-
Increase (decrease) in short term investments		(831)	(555)	199
Cash flows provided by (used in) financing activities	18	**(1,484)**	**(708)**	**156**
Effect of exchange rate changes		(61)	(4)	(38)
Increase (decrease) in cash and cash equivalents		**242**	**116**	**(95)**
Cash and cash equivalents at beginning of period		**1,027**	**1,027**	**1,269**
Cash and cash equivalents at end of period		**1,269**	**1,143**	**1,174**
Supplemental disclosures				
Payments during the year of				
• net interest		170	101	110

(a) Including net debt as of transfer date.

(b) DANONE call options purchased by the Company.

(c) On net debt.

Consolidated statement of changes in equity

	Notes	Number of shares										*Equity (in € millions)*
		Issued	**Excluding treasury shares**	**Issued capital**	**Additional paid-in capital**	**Retained earnings**	**Cumulative translation adjustments**	**Accumulated other comprehensive income**	**Treasury shares**	**Group share**	**Non-controlling interests**	**Total equity**
As of January 1, 2012		**642,246,573**	**600,641,108**	**161**	**3,452**	**10,192**	**(23)**	**(118)**	**(1,564)**	**12,100**	**98**	**12,198**
Total comprehensive income						**881**	**124**	**(6)**		**999**	**91**	**1,090**
Increase in issued capital	13	915,427	915,427		35					**35**		**35**
Decrease in issued capital										**-**		**-**
Changes in treasury shares DANONE call options [(a)]	13		(138,103)						(4)	**(4)**		**(4)**
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]						10				**10**		**10**
Dividends paid to Danone shareholders	13					(838)				**(838)**	3	**(835)**
Other transactions with non-controlling interests	13					(66)				**(66)**	(135)	**(201)**
Other changes												
As of June 30, 2012		**643,162,000**	**601,418,432**	**161**	**3,487**	**10,179**	**101**	**(124)**	**(1,568)**	**12,236**	**57**	**12,293**

(a) DANONE call options purchased by the Company.

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

	Notes	Number of shares: Issued	Number of shares: Excluding treasury shares	Equity (in € millions): Issued capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Accumulated other comprehensive income	Treasury shares	Group share	Non-controlling interests	Total equity
As of January 1, 2013		**643,162,000**	**593,330,766**	**161**	**3,487**	**10,926**	**(136)**	**(254)**	**(1,993)**	**12,191**	**63**	**12,254**
Total comprehensive income						**972**	**(528)**	**23**		**467**	**53**	**520**
Increase in issued capital	13	918,000	918,000		37					**37**		**37**
Decrease in issued capital	13	(8,800,000)		(2)	(397)				399	**-**		**-**
Changes in treasury shares DANONE call options [(a)]	13		(8,155,671)						(479)	**(479)**		**(479)**
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]						11				**11**		**11**
Dividends paid to Danone shareholders	13					(850)				**(850)**	2	**(848)**
Other transactions with non-controlling interests	13					(241)				**(241)**	(104)	**(345)**
Other changes						(4)				**(4)**		**(4)**
As of June 30, 2013		**635,280,000**	**586,093,095**	**159**	**3,127**	**10,814**	**(664)**	**(231)**	**(2,073)**	**11,132**	**14**	**11,146**

(a) DANONE call options purchased by the Company.

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

2.2 Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of Danone (the "Company"), its subsidiaries and associates (the "Group") as of and for the six-month period ended June 30, 2013 (the "consolidated financial statements") were approved by Danone's Board of Directors on July 26, 2013.

General information: accounting principles, highlights of the period, changes in the scope of consolidation, operating segments

Consolidated income statement items

Consolidated balance sheet items - assets

Consolidated balance sheet items - equity and liabilities

Other information

Note 1. Accounting principles

The Group's consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) 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_fr.htm). The standards and interpretations applied in the preparation of these consolidated financial statements are also in accordance with IFRS as issued by the IASB (International Accounting Standards Board).

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2013 are presented and have been prepared in compliance with IAS 34, Interim Financial Reporting, the standard as adopted by the European Union regarding interim financial reporting information. The standard provides that condensed interim financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2012. The Group's activity related to six-month period ended June 30, 2013 shows no significant seasonal effect.

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, 2012 (see Note 1 of the Notes to the consolidated financial statements for the year ended December 31, 2012), except for standards, amendments and interpretations applicable for the first time as from January 1, 2013.

Standards, amendments and interpretations, whose application is mandatory as of January 1, 2013

- Amendment to IAS 1 on the presentation of other comprehensive income;
- IAS 19, *Employee benefits* particularly for defined benefit plans;
- IFRS 13, *Fair Value Measurement*;
- Amendment to IFRS 7 on financial assets and financial liabilities offsetting.

The application of these standards, amendments and interpretations to be applied as from January 1, 2013 did not have a material impact on the Group's condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2013.

Besides, the retrospective application of Revised IAS 19 has no significant impact neither on the valuation of the obligations as of December 31, 2012 nor on the net expense of the fiscal year 2012.

Standards, amendments and interpretations, whose application is not mandatory as of January 1, 2013 but which may be adopted earlier

- IFRS 10, *Consolidated financial statements*;
- IFRS 11, *Joint Arrangements*;
- IFRS 12, *Disclosure of interests in other entities*;
- Revised IAS 28, *Investments in associates and joint ventures*;
- Amendment to IAS 32 on offsetting Financial Assets and Financial Liabilities.

The Group did not exercise the option to adopt in advance these standards, amendments and interpretations in the condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2013, and does not expect that they would have a material impact on its results and financial position.

In addition, the IASB has published standards, amendments and interpretations that are applicable as of January 1, 2013, but not yet adopted by the European Union:

- IFRS 9, *Financial instruments*;
- Revised IAS 27, *Consolidated and Separate Financial Statements*;
- Amendment to IAS 36 on recoverable amount disclosures for non-financial assets.

The Group is currently assessing the impact of these standards on its results and financial position.

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. The draft interpretation published by IFRIC on May 31, 2012 specifies that all changes in the measurement of the financial liability, in respect of put options granted to non-controlling interests, must be recognized in profit or loss in accordance with IAS 39 and IFRS 9. The Group, in the absence of specific IFRS guidance, applies the AMF's recommendations issued in November 2009: the difference between the exercise price of the options granted and the carrying amount of the non-controlling interests is presented in equity, as a deduction from Retained earnings – Group Share.

Note 2. Highlights of the period

The highlights hereafter appeared in the main press releases issued in the first six months of 2013:

- on February 19, 2013 Danone presented the organizational part of its plan for savings and adaptation of its organizations in Europe (see Note 19 of the Notes to the consolidated financial statements);
- on February 22, 2013 Danone announced the finalization of the increase in its interest in Centrale Laitière to 67.0% (see Note 4 of the Notes to the consolidated financial statements);
- on April 26, 2013 Danone and Yakult agreed on a new cooperation framework to replace the existing strategic alliance. This new framework calls for existing collaborations to be continued, and envisages extending them into areas that are more operational in nature and that offer benefits for both parties. Given the relationship of trust built up over the years, this framework does not contain commitments or limitations regarding Danone's equity interest in Yakult (see Note 3 of the Notes to the consolidated financial statements);
- on May 6, 2013 Danone signed a partnership agreement with Sirma and strengthened its position in the water market in Turkey. With this partnership agreement, Danone acquired a 50.1% equity interest in Sirma, one of the leading players in the Turkish water market (see Note 3 of the Notes to the consolidated financial statements);
- on May 13, 2013 Danone acquired Happy Family, one of the fastest-growing premium organic baby food companies in the United States. The Group acquired an over 90% equity interest in Happy Family, the fourth largest contender in the US baby food market (see Note 3 of the Notes to the consolidated financial statements);
- on May 20, 2013 COFCO, Mengniu and Danone joined forces to accelerate the development of Fresh Dairy Products in China (see Note 3 of the Notes to the consolidated financial statements).

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

Note 3. Changes in the scope of consolidation and in the Group's equity interests in its subsidiaries

Acquisitions

Acquisitions resulting in control being obtained

In the first six months of 2013, the Group carried out the following acquisitions resulting in control being obtained:

- acquisition on February 20, 2013 of an additional stake in Centrale Laitière, increasing the Group's equity interest from 29.2% to 67.0% (Fresh Dairy Products – Morocco ; see Note 4 of the Notes to the consolidated financial statements);
- acquisition on June 13, 2013 of a 50.1% equity interest in Sirma (Waters – Turkey). Sirma is active in plain and flavored bottled waters, and in HOD (Home & Office Delivery), with reported sales of around € 100 million. Sirma is one of the market's fastest-moving brands;
- acquisition on June 27, 2013 of a 91.9% equity interest in Happy Family (Baby Nutrition – United States). Happy Family is one of the most innovative and dynamic companies in the US baby food sector. Specializing in products made with premium organic ingredients, its gross sales total more than $ 60 million.

In the first six months of 2012, the Group did not carry out any acquisition resulting in control being obtained.

Other acquisitions

In the first six months of 2013, the Group carried out acquisitions of non-controlling interests in several of its subsidiaries. The main acquisition relates to Danone Spain (Fresh Dairy Products – Spain), with an additional 10.0% stake purchased, raising the Group's equity interest in the company to 75.6% as of June 30, 2013 (see Note 15 of the Notes to the consolidated financial statements).

In the first six months of 2012, the Group carried out partial acquisitions of non-controlling interests mainly in Danone Canarias (Fresh Dairy Products – Spain) for a 10.9% stake increasing its ownership to 94.4% as of June 30, 2012.

Disposals

Partial disposals resulting in control being lost

In the first six months of 2013, the Group did not carry out any partial disposals resulting in control being lost.

In the first six months of 2012, the Group carried out the partial disposal of a 51% stake in the wholly-owned subsidiary Danone Thailand (Fresh Dairy Products – Thailand), resulting in a loss of control of the company and in a decrease of the Group's ownership in the company to 49%.

Other disposals

In the first six months of 2013, in connection with the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco, see Note 4 of the Notes to the consolidated financial statements), the Group carried out the disposal of its 2.61% equity stake in the company SNI.

In the first six months of 2012, the Group did not carry out any other significant disposals.

Other main transactions finalized or in progress

On April 26, 2013, Danone and Yakult (Fresh Dairy Products – Japan) agreed on a new cooperation framework to replace the existing strategic alliance signed in 2004, which aimed at strengthening their global leadership in probiotics and accelerating the growth of both companies in the functional food market, the first phase having ended in May 2012. This new framework calls for existing collaborations to be continued and envisages extending them into areas that are more operational in nature. This framework does not modify either Danone's equity interest in Yakult or its influence and does not have any impact on the Group's consolidated financial statements, as the company will continue to be accounted for as an associate.

On May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu to join forces to accelerate the development of Fresh Dairy Products in China. Main terms and conditions of these agreements are as follows:

- pursuant to the terms and conditions of the agreement signed with COFCO, Danone will become a strategic shareholder in Mengniu, owning an indirect interest of approximately 4% initially, with an aim to increase the interest in Mengniu based on market conditions in the future, COFCO continuing to be the single largest shareholder in Mengniu;
- a framework agreement was signed with Mengniu to establish a joint venture for the production and sale of chilled yogurt products in China. The joint venture will combine their respective assets in this category and will generate 2012 pro forma net sales of about €500 million, with an estimated market share of around 21%. Danone will own 20% and Mengniu 80% of the new joint venture in China;
- these agreements will be implemented gradually in 2013 and 2014;
- as of June 30, 2013, a first step consisting in the acquisition of a 4% indirect stake in Mengniu was carried out by the Group without providing Danone with significant influence in the company as a strategic shareholder as stipulated in the agreements with COFCO. As a consequence, as of June 30, 2013, the 4% stake in Mengniu held indirectly by the Group is accounted for as Investments in other non-consolidated companies and qualified as assets available for sale under the meaning of IAS 39 (see Note 12 of the Notes to the consolidated financial statements).

Note 4. Acquisition resulting in control being obtained of Centrale Laitière and accounting treatment of the transaction

Description of the transaction

On June 27, 2012, Danone announced that it was increasing its equity interest in Centrale Laitière from 29.2% to 67.0%. Centrale Laitière is Morocco's leading dairy products company with a market share of nearly 60%. The company generates sales of around € 600 million and markets products under the *Danone* brand such as *Yawmy*, *Moufid* and *Activia*.

The acquisition resulting in control being obtained was subject to approval by the relevant Moroccan authorities. It was finalized on February 20, 2013: the Group acquired an additional 37.8% equity interest and obtained control of the company for a € 543 million consideration.

Furthermore, (i) the increase in Danone's shareholding to 67.0% led to subsequent additional purchases of the company's shares in the Casablanca stock market, notably through a mandatory takeover bid and (ii) a 26.7% stake held by non-controlling interests is subject to a shareholders' agreement and put and call options with a fixed exercise price and exercise date in 2014 at subsequent periods. The transaction is not subject to a contingent payment (earn-out). Furthermore, in connection with this transaction, the Group carried out the disposal of its 2.61% equity stake in the company SNI, by exercising its put option.

In total, Danone acquired an additional 39.5% equity interest in Centrale Laitière for a total consideration of € 566 million. As of June 30, 2013, the Group holds 68.7% of the shares of the company, non-controlling interests holding 31.3%.

Accounting treatment of the transaction

The transaction was accounted for in the consolidated financial statements as follows:

Centrale Laitière has been fully consolidated since February 20, 2013, the remaining 31.3% not held by the Group being accounted for as a non-controlling interest, including a 26.7% stake, which is subject to a shareholders' agreement and put and call options. Pursuant to this agreement, non-controlling interests holding the 26.7% stake keep their voting rights and rights to receive dividends related to their stake, as well as two representatives on the company's board of directors.

In accordance with IFRS3 revised, the acquisition of an additional stake in Centrale Laitière resulting in the control of the company being obtained is analyzed as follows:

- remeasurement to fair value of the equity interest previously held by the Group, which resulted in a € 226 million profit recognized under the Share of profit of associates item of the consolidated income statement for the six-month period ended June 30, 2013 (see Note 9 and Note 12 of the Notes to the consolidated financial statements);
- acquisition resulting in the control being obtained, which requires a purchase price allocation, acquired assets and liabilities to be measured at fair value. As of June 30, 2013, this business combination has been accounted for on a provisional basis, based on historical financial statements of the company, and resulted in the recognition of a provisional goodwill totaling € 780 million. The amounts allocated to the acquired identifiable assets and liabilities and to goodwill may be adjusted during a period of one year from the date of this business combination;
- net assets acquired through this business combination are analyzed as follows:

	As of June 30
(in € millions)	**2013**
Net assets acquired (at 100%)	134
Net assets attributable to non-controlling interests [(a)]	(42)
Partial goodwill [(b)]	780
Fair value of the consideration paid to the seller [(c)]	**872**

(a) For each of the companies acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.

(b) Provisional goodwill.

(c) The fair value, at the acquisition date, of the consideration paid mainly include (i) € 566 million paid for the acquisition of an additional 39.5% equity interest and (ii) the fair value of the equity interest previously held by the Group for € 306 million.

- put options are accounted for as non-current financial debt for € 340 million as of June 2013 (see Note 14 of the Notes to the consolidated financial statements);

- transaction costs incurred totaled around € 20 million before taxes over the period, they have been recognized in the consolidated income statement under Other operating income (expense).

The disposal by Danone of its 2.61% equity interest in the company SNI, previously accounted for as assets available for sale in the consolidated financial statements, resulted in a € 52 million profit, recognized under the Financial result item of the consolidated income statement for the six-month period ended June 30, 2013 (see Note 8 and Note 12 of the Notes to the consolidated financial statements), fully recycled from equity to profit and loss.

Note 5. Accounting for acquisitions resulting in control being obtained in 2012 and 2013

Other acquisitions carried out in the first six months of 2013

The business combinations described in Note 3 and Note 4 of the Notes to the consolidated financial statements have been accounted for on a provisional basis since the amounts allocated to the acquired identifiable assets and liabilities and to goodwill may be adjusted during a period of one year from the respective date of each of these combinations.

The acquisitions resulting in control being obtained, other than Centrale Laitière, mainly concern Sirma (Waters – Turkey) and Happy Family (Baby Nutrition – United States).

The main characteristics of these acquisitions are as follows:

- they were paid for in cash;
- some of them are subject to a contingent payment (earn-out) totaling an estimated € 1 million as of June 30, 2013;
- put options were involved for a total of € 77 million as of June 30, 2013 (see Note 14 of the Notes to the consolidated financial statements);
- transaction costs incurred totaled € 4 million before taxes over the period, they have been expensed in the consolidated income statement under Other operating income (expense).

They did not have a material impact on the consolidated income statement for the period ended June 30, 2013.

Net assets acquired through these business combinations are analyzed as follows:

	As of June 30
(in € millions)	**2013**
Net assets acquired (at 100%)	22
Net assets attributable to non-controlling interests [(a)]	(2)
Partial goodwill [(b)]	207
Fair value of the consideration paid to the seller	**227**

(a) For each of the companies acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.

(b) Provisional goodwill.

Acquisitions carried out in the first six months of 2012

In the first six months of 2012, the Group did not carry out any acquisition resulting in control being obtained.

Note 6. Operating segments

The key indicators reviewed and used internally by the Group's primary operational decision-makers (Chairman and Chief Executive officer, Mr. Franck RIBOUD, the two Deputy Managing Directors, Messrs. Bernard HOURS and Emmanuel FABER, and the Chief Financial Officer, Mr. Pierre-André TERISSE) to assess operational performance are:

- Net sales;
- Trading operating income;
- Trading operating margin, which corresponds to the ratio of trading operating income to net sales;
- Free cash-flow, represents cash-flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations (since the application of Revised IFRS 3);
- Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt its organizations in Europe (See Note 19 of the Notes to the consolidated financial statements);
- 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.

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.

Information by Division

Net sales, Trading operating income and Trading operating margin are monitored in respect of the Group's four Divisions: Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition.

	Six-month period ended June 30					
(in € millions except percentage)	**Net Sales [a]**		**Trading operating income**		**Trading operating margin**	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
Fresh Dairy Products	5,906	6,023	663	597	11.2%	9.9%
Waters	1,855	1,991	254	262	13.7%	13.2%
Baby Nutrition	2,090	2,383	417	488	20.0%	20.5%
Medical Nutrition	624	661	117	128	18.7%	19.3%
Total business lines	10,475	11,058	1,451	1,475	13.8%	13.3%
Group total	**10,475**	**11,058**	**1,451**	**1,475**	**13.8%**	**13.3%**

(a) Net sales to third parties.

Information by geographic area

In order to adapt its reporting to the Group's evolutions, Danone will use a new geographical breakdown to track operations starting in 2013 and presented as follows:

	Six-month period ended June 30					
(in € millions except percentage)	**Net Sales [a] [b]**		**Trading operating income**		**Trading operating margin**	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
Europe excl. CIS [b]	4,350	4,160	663	594	15.2%	14.3%
CIS & North America [c]	2,201	2,360	195	221	8.9%	9.4%
ALMA [d]	3,924	4,538	593	660	15.1%	14.6%
Group total	**10,475**	**11,058**	**1,451**	**1,475**	**13.8%**	**13.3%**

(a) Net sales to third parties.

(b) Including € 1,049 million in France in the six-month period ended June 30, 2013 (€ 1,070 million in 2012).

(c) North America: United States and Canada.

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

The non-current assets shown in the table hereafter are property, plant and equipment and intangible assets:

	As of December 31	As of June 30
(in € millions)	**Tangible and intangible assets**	
	2012	**2013**
Europe excl. CIS [(a)]	10,429	10,321
CIS & North America [(b)]	3,226	3,273
ALMA [(c)]	6,725	7,664
Group total	**20,380**	**21,258**

(a) Including € 1,723 million in France as of June 30, 2013 (€ 1,715 million as of December 31, 2012).

(b) North America: United States and Canada.

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

Note 7. Other operating income (expense)

In the first six months of 2013, the Net other operating expense stood at € (291) million and consisted mainly of (i) expenses related to the plan for savings and adaptation of the Group's organizations in Europe (see Note 19 of the Notes to the consolidated financial statements), (ii) costs relating to acquisitions resulting in control being obtained carried out in the first six months of 2013 (see Note 3 and Note 4 of the Notes to the consolidated financial statements) and (iii) to the Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition.

In the first six months of 2012, the Net other operating expense amounted to € (40) million, which comprised notably Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition and costs related to a strategic external growth project led by the Group in the first half of 2012.

Note 8. Cost of net financial debt and other financial income and expense

For the first six months of 2013, Financial result breaks down as follows:

	Six-month period ended June 30	
(in € millions)	**2012**	**2013**
Interest income on cash, cash equivalents and short term investments	44	38
Interest expense on financial debt	(120)	(124)
Cost of net financial debt	**(76)**	**(86)**
Other financial income	13	53
Other financial expense	(81)	(67)
Other financial income or expense	**(68)**	**(14)**
Financial result	**(144)**	**(100)**

In the first six months of 2013, the Financial result improved by € 44 million compared to the first six months of 2012, and is analyzed as follows:

- Cost of net financial debt increased by € 10 million compared with the first half of 2012. This increase is attributable mainly to (i) the acquisitions made by the Group, notably the acquisition of the minority interests of Danone Spain and the increase in the equity interest in Centrale Laitière and (ii) repurchases of DANONE shares (see Note 13 of the Notes to the consolidated financial statements);
- Other financial income increased by € 40 million, mainly due to the disposal by Danone of its equity interest in the company SNI (Fresh Dairy Products – Morocco), resulting in a € 52 million profit (see Note 4 of the Notes to the consolidated financial statements).

Note 9. Share of profit of associates

The Share of profit of associates stood at € 276 million (€ 39 million of income as of June 30, 2012), mainly due to the remeasurement to fair value of the equity interest previously held by the Group, which resulted in a € 226 million profit recognized within the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco, see Note 4 of the Notes to the consolidated financial statements).

Note 10. Earnings per share

The basic and diluted Earnings per share – Group Share are as follows:

	Year ended December 31	Six-month period ended June 30	
(in euros per share except for number of shares)	**2012**	**2012**	**2013**
Net Income - Group share	1,672	881	972
Number of shares			
• Before dilution	600,477,145	600,877,199	589,927,117
• After dilution	603,105,304	603,149,367	592,145,734
Net Income - Group share, per share			
• Before dilution	2.78	1.47	1.65
• After dilution	2.77	1.46	1.64

The non-dilutive shares and options as of June 30, 2013 could become dilutive mainly depending on changes in the DANONE share price.

Note 11. Impairment review of intangible assets

As of June 30, 2013 Intangible assets totaled € 16,820 million (€ 16,265 million as of December 31, 2012), including goodwill totaling € 12,011 million, Brands totaling € 4,457 million and Other intangible assets totaling € 352 million. The main change in the first six months of 2013 relates to the € 780 million goodwill recognized (on a provisional basis) following the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco, see Note 4 of the Notes to the consolidated financial statements).

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 provision 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, 2013, the Group has reviewed impairment indicators liable to result in a reduction in the carrying value of goodwill and brands.

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

In the case of the Fresh Dairy Products and Waters CGUs, the indicators analyzed relate mainly to internal factors such as the revised annual forecast and performance to date compared with the budget. No indication of impairment has been identified.

Note 12. Impairment review of Investments in associates and Other investments in non-consolidated companies

Investments in associates

As of June 30, 2013, Investments in associates amount to € 842 million (€ 973 million as of December 31, 2012).

The decrease of € 141 million in the first six months of 2013 is mainly due to the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco, see Note 4 of the Notes to the consolidated financial statements).

Investments in associates are recognized in the consolidated balance sheet at their acquisition cost, adjusted for the Group's share of the changes in the company's net assets since its acquisition. The Group reviews the fair value of its investments in associates, when events or circumstances indicate, that impairment is likely to have occurred. An impairment provision is recognized within "Income (loss) from investments in 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.

In the first six months of 2013, no investment in associates was subject to impairment.

Other investments in non-consolidated companies

Other investments in non-consolidated companies amounts to € 248 million (€ 107 million as of December 31, 2012).

The increase of € 131 million in the first six months of 2013 is mainly due to the acquisition of a 4% indirect equity stake in Mengniu (Fresh Dairy Products – China, see Note 3 of the Notes to the consolidated financial statements), partially compensated by the disposal of its equity stake in the company SNI (Fresh Dairy Products – Morocco, see Note 4 of the Notes to the consolidated financial statements).

Note 13. Information on changes in consolidated equity

As of June 30, 2013, Shareholders' equity amounts to € 11,146 million (€ 12,254 million as of December 31, 2012), the Shareholders' equity - Group share amounts to € 11,132 million (€ 12,191 million as of December 31, 2012).

The changes in the Group share and consolidated shareholders' equity in the first six months of 2012 and 2013 are as follows:

		2012		2013
(in € millions)	**Group Share**	**Consolidated**	**Group Share**	**Consolidated**
As of January 1	**12,100**	**12,198**	**12,191**	**12,254**
Net income	881	965	972	1,045
Dividend paid for the previous fiscal year	(838)	(835)	(850)	(848)
Cumulative translation adjustments	124	131	(528)	(548)
Transactions involving DANONE shares	(4)	(4)	(479)	(479)
Transactions with non-controlling interests	(66)	(201)	(241)	(345)
Capital increase under the Company Savings Plan for the benefit of employees of French entities	35	35	37	37
Other comprehensive income	(6)	(6)	23	23
Counterpart entry to expense relating to Group performance shares and stock-options	10	10	11	11
Other elements	-	-	(4)	(4)
Decrease in issued capital by cancellation of DANONE shares	-	-	-	-
As of June 30	**12,236**	**12,293**	**11,132**	**11,146**

In the first six months of 2013, the Group carried out the following transactions involving DANONE shares:

- buy-back of 15.1 million shares for acquisition purposes for € 809 million (including 6.7 million shares in order to offset the dilution resulting from the use of 6,715,266 shares as payment, as described hereafter) carried out through investment service providers acting independently in the context of the Company's share buy-back program;
- payment of 6,715,266 DANONE treasury shares as consideration for a portion of the acquisition price of Danone Spain shares acquired from that subsidiary's non-controlling shareholders (see Note 15 and Note 18 of the Notes to the consolidated financial statements);
- payment of 0.2 million shares resulting from the exercise by their beneficiaries of stock-options granted to certain employees and executive directors and officers;
- cancellation of 8.8 million DANONE shares for € 399 million in the item Treasury shares without any impact on the amount of consolidated shareholders' equity.

In the first six months of 2013, changes in consolidated equity relating to transactions with non-controlling interests are as follows:

- favorable impact related to the price paid for the purchases of non-controlling interests of Danone Spain (see Note 15 of the Notes to the consolidated financial statements);
- recognition of the new put options granted during the period (see Note 4 and Note 5 of the Notes to the consolidated financial statements).

Note 14. Current and non-current financial debt and Net debt

Current and non-current financial debt break-down as of June 30, 2013 and their changes between December 31, 2012 and June 30, 2013 are analyzed hereafter:

		Movements during the period					
(in € millions)	As of December 31, 2012	Bond issue or net increase of other item	Bond repayment or net decrease of other item	Transfer to current portion	Translation adjustments	Other [e]	As of June 30, 2013
Bonds[a] [b]	*267*	-	*(193)*	*618*	*(74)*	-	***618***
Commercial paper [b]	*853*	*21*	-	-	-	-	***874***
Other financing and other debts [a] [c]	*657*	-	*(13)*	*74*	*(29)*	*24*	***713***
Financing [a]	1,777	21	(206)	692	(103)	24	**2,205**
Derivatives - liabilities [a]	9	-	-	-	2	-	**11**
Financing and derivatives - liabilities[a]	1,786	21	(206)	692	(101)	24	**2,216**
Liabilities related to put options granted to non-controlling interests [a]	1,390	-	-	1,423	-	(486)	**2,327**
Current financial debt	**3,176**	**21**	**(206)**	**2,115**	**(101)**	**(462)**	**4,543**
Bonds [b] [d]	*4,295*	*1,900*	-	*(618)*	*(47)*	*1*	***5,531***
Other financing and other debts [c] [d]	*147*	*13*	-	*(74)*	*(10)*	*103*	***179***
Financing[d]	4,442	1,913	-	(692)	(57)	104	**5,710**
Derivatives - liabilities [d]	23	-	-	-	(7)	-	**16**
Financing and derivatives - liabilities[d]	4,465	1,913	-	(692)	(64)	104	**5,726**
Liabilities related to put options granted to non-controlling interests [d]	1,881	-	-	(1,423)	-	364	**822**
Non-current financial debt	**6,346**	**1,913**	**-**	**(2,115)**	**(64)**	**468**	**6,548**
Financial debt	**9,522**	**1,934**	**(206)**	**-**	**(165)**	**6**	**11,091**

(a) Less than one year portion.

(b) Financing managed at the Company level.

(c) Subsidiaries' bank financing and other financing, debts related to finance lease.

(d) More than one year portion. The transfer of € 1,423 million from more than one-year portion to less than one year portion is mainly due to puts options granted to Unimilk former shareholders, which are contractually exercisable in full during a period that begins in 2014.

(e) Other movements correspond mainly to (i) the exercises of put options during the first six months of 2013 (see Note 15 of the Notes to the consolidated financial statements), (ii) the reevaluation of the liabilities related to put options granted to non-controlling interests (see Note 14 of the Notes to the consolidated financial statements) and (iii) the change in consolidation scope of the entities newly acquired.

Bonds

In order to diversify its sources of financing and extend the average maturity of its debt while taking advantage of favorable market conditions, the Group carried out the following main transactions in the first six months of 2013:

- Euro bond issue under its EMTN program on February 27, 2013 for a total nominal amount of € 750 million and maturing in 2018;
- Euro bond issue under its EMTN program on June 3, 2013 for a total nominal amount of € 650 million and maturing in 2019;
- Euro bond issue under its EMTN program on June 21, 2013 for a total nominal amount of € 500 million and maturing in 2023.

Also, three bonds matured in the first six months 2013, for an amount totaling € 193 million: two bonds with respective nominal amount of 814 million and 374 million Czech koruna and one bond with nominal amount of 23,900 million Japanese yen.

Liabilities related to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest. These put options are recognized in the consolidated balance sheet under financial debt classified as current or non-current based on terms and conditions of their exercise fixed contractually.

As of June 30, 2013, financial debt related to these options totaled € 3,149 million (€ 3,271 million as of December 31, 2012). A total of € 2,327 million is classified as current financial debt while € 822 million are classified as non-current financial debt:

- the main commitment pertains to Danone Spain for € 1,136 million as of June 30, 2013, of which € 799 million are classified as current financial debt (see Note 15 of the Notes to the consolidated financial statements). Contractually, these options are exercisable at any time. However, certain beneficiaries agreed to amended terms under which they accepted a one-year deferred settlement for both payment of the amount owed by Danone and the shares' ownership transfer (€ 337 million as of June 30, 3013). As a consequence, € 799 million are classified as current financial debt and € 337 million as non-current financial debt as of June 30, 2013. The formula used to calculate the amount of this commitment is fixed contractually, based on an average of the Spanish subsidiary's earnings over several years, to which a multiple is then applied;
- as part of the acquisition of the Unimilk group's companies, Danone granted put options to Unimilk's former shareholders. As of June 30, 2013, the commitment related to these put options totaled € 989 million (€ 976 million as of December 31, 2012). Contractually, these put options are exercisable in full during a period that begins in 2014 and expires on December 31, 2022. As a consequence, these options are fully classified as current financial debt as of June 30, 2013. They are valued mainly on the basis of an earnings multiple;
- the other put options granted to non-controlling interests totaled € 1,024 million as of June 30, 2013 (€ 601 million as of December 31, 2012). Contractually, they are exercisable (i) within 12 months following the closing date for an aggregate amount of € 539 million and (ii) beyond 12 months following the closing date, at different dates, for an aggregate amount of € 485 million. As a consequence, € 539 million are classified as current financial debt and € 485 million as non-current financial liabilities as of June 30, 2013.

Change in net debt

The Group's net debt increased by € 1,946 million between December 31, 2012 and June 30, 2013 to total € 8,238 million.

The structure of net debt as of June 30, 2013 and its changes between December 31, 2012 and June 30, 2013 are analyzed hereafter:

	As of December 31	As of June 30
(in € millions)	**2012**	**2013**
Non-current financial debt	6,346	6,548
Current financial debt	3,176	4,543
Short term investments	(1,748)	(1,535)
Cash and cash equivalents	(1,269)	(1,174)
Derivatives - assets	(213)	(144)
Net debt	**6,292**	**8,238**

Note 15. Current and non-current financial debt relating to the put options granted to non-controlling interests in Danone Spain

Since 2012, the Group began talks with Danone Spain minority shareholders concerning the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and its significant impact on Danone Spain.

During the first half of 2013, the Group has repurchased a total of 1,642,618 shares from several Danone Spain minority shareholders, raising its Danone Spain shareholding from 65.6% to 75.6%. Shares were acquired in exchange for cash payments totaling € 108 million and for 6,715,266 DANONE treasury shares (1.0% of Danone SA share capital). An equal number of DANONE shares has been purchased by the Group over the first six months, under its share buyback program to offset dilution resulting from this transaction.

After that share buyback, Danone Spain’s shares are held (i) for 75.6 % by the Group, (ii) for 22.1 % by non-controlling interests with put options (iii) for 1.0 % by non-controlling interests without put options and (iv) for 1.3 % by Danone Spain.

Minority shareholders, representing around 15% of Danone Spain’s share capital, have exercised their put options. The Group contested those exercises and invited the minority shareholders to continue the process of renegociation of their put options' terms and conditions. During the first six months of 2013, these minority 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 arbitral tribunal. The purchase price requested by the minority shareholders in these procedures is the value of these options as recorded in the financial statements as of June 30, 2013.

As of June 30, 2013, financial liabilities related to put options granted to non-controlling interests of Danone Spain amount to € 1,136 million (€ 1,695 million as of December 2012).

Based on these events, the share buyback, option exercise and procedures, the Group decided to maintain a portion of the remaining put options (€ 799 million related to the 15% of capital shares mentioned above) as short-term financial debt in its financial statements as of June 30, 2013. Put options amounting to € 337 million continue to be classified as long-term financial debt, as these options are subject to a one-year payment term.

The main impacts on consolidated financial statements related to the options repurchased in the first six months of 2013 are as follows:

- decrease by € 504 million of the Liabilities related to put options granted to non-controlling interests;
- favorable impact of € 80 million on consolidated equity and the Group net debt, the transaction price paid being lower than the carrying values of these commitments, for purchases by means of put options exercises;
- € 108 million cash-flows used in financing activities, corresponding to the portion paid in cash to non-controlling shareholders and presented in Transactions with non-controlling interests of the Consolidated statement of cash-flows.

The payment of 6.7 million of DANONE shares did not have any impact on the Consolidated statement of cash-flows. Nevertheless, as described above, an equal number of DANONE shares has been purchased by the Group over the first six months of 2013. Those purchases are presented in the item Purchases of treasury shares (net of disposals) and of DANONE call options in the Cash-flows used in financing activities of the Consolidated statement of cash-flows (see Note 13 of the Notes to the consolidated financial statements).

Note 16. Income tax

Effective tax rate

For the first six months of 2013, the effective income tax rate amounts to 29.0 %, (26.9 % for the first six months of 2012 and 29.1% in 2012). The difference between the effective tax rate and the statutory tax rate in France (34.4%) can be detailed as follows:

	Six-month period ended June 30	
(As a percentage of income before tax)	**2012**	**2013**
Statutory tax rate in France	**34.4%**	**34.4%**
Recognition of deferred tax asset in respect of loss carry forward	(1.6%)	0.0%
Differences between French and foreign tax rates	(7.5%)	(8.7%)
Tax on dividends	0.0%	2.3%
Other effects	1.6%	1.0%
Effective income tax rate	**26.9%**	**29.0%**

Other information

In France, the payment of the 3% tax on dividends distribution established by the France’s second 2012 Finance Act, is related to the shareholders’ meeting approving such distribution. This tax was entirely recognized at the date of the Shareholders’ Meeting for a total amount of € 26 million, in the Income tax expense item in the six-month period ended June 30, 2013.

Note 17. Other provisions and non-current liabilities and legal and arbitration proceedings

Other provisions and non-current liabilities

As of June 30, 2013 Other provisions and non-current liabilities are as follows:

(in € millions)	As of December 31, 2012	Movements during the year: Increase	Decrease (utilized)	Decrease (not utilized)	Translation adjustments	Other	As of June 30, 2013
Restructuring provisions	32	177	(8)	-	-	(1)	200
Other provisions for risks and charges	530	66	(43)	(25)	(8)	17	537
Investment subsidies	12	1	-	-	-	-	13
Total	**574**	**244**	**(51)**	**(25)**	**(8)**	**16**	**750**

As of June 30, 2013 Restructuring provisions include provisions relating to the plan for savings and adaptation of the Group's organizations in Europe for € 174 million (see Note 19 of the Notes to the consolidated financial statements).

Legal and arbitration proceedings

Across all the Group's geographies and in their normal course of business, the Company and certain of its subsidiaries are parties to a variety of legal proceedings. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

The infant nutrition business in China of several companies, including Danone, are being investigated by the Chinese National Development and Reform Commission. The proceedings are currently underway.

Furthermore, minorities shareholders of Danone Spain initiated proceedings before an arbitral tribunal in connection with their put options granted by the Group (see Note 15 of the Notes to the consolidated financial statements).

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 six months, a material impact on the Group's financial position or profitability.

Note 18. Information on consolidated cash-flows

The cash-flows described hereafter correspond to items presented in the consolidated balance sheet. However, these flows may differ from changes in assets and liabilities, mainly as a result of the rules for (i) translating transactions in currencies other than the functional currency (ii) translating the financial statements of companies with a functional currency other than the euro and (iii) changes in scope.

Cash-flows provided by (used in) operating activities

In the first six months of 2013, cash-flows provided by operating activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2012**	**2012**	**2013**
Net income	**1,787**	**965**	**1,045**
Share of profits of associates	(54)	(39)	(276)
Dividends received from associates	35	13	11
Depreciation and amortization	670	337	345
Other components of net income with no cash impact	113	97	163
Other components of net income with a cash impact	(26)	(51)	(75)
Cash-flows provided by operating activities, excluding changes in net working capital	**2,525**	**1,322**	**1,213**
(Increase) decrease in inventories	(52)	(66)	(244)
(Increase) decrease in trade receivables	49	(298)	(359)
Increase (decrease) in trade payables	274	362	431
Change in other receivables and payables	62	(65)	47
Change in working capital requirements	333	(67)	(125)
Cash-flows provided by (used in) operating activities	**2,858**	**1,255**	**1,088**

Cash-flows provided by (used in) operating activities mainly comprise (i) disbursements related to the Plan for savings and adaptation of the Group's organizations in Europe (see Note 19 of the Notes to the consolidated financial statements) and (ii) acquisition fees related to business combinations for respectively € (39) million and € (21) millions in the first six months of 2013.

Other components of net income with no cash impact are as follows:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2012**	**2012**	**2013**
(Gains) losses on disposal of non-current assets	(98)	(9)	(58)
Increase in (reversals of) provisions and deferred taxes	119	65	150
Expense relating to stock-options and Group performance shares	22	10	12
Interest expense not yet paid	15	24	48
Other [(a)]	55	7	11
Total	**113**	**97**	**163**

(a) Including goodwill impairment totaling €43 million as of December 31, 2012.

Other components of net income with a cash impact correspond mainly to the amount of accrued interests as of December 31 of the previous year and paid out during the current period. The amount of accrued interest as of December 31, 2012 and paid out in the first six months of 2013 totaled € (72) million (compared to € (26) million as of December 31, 2011 and paid out in the 2012 fiscal year).

Cash-flows provided by (used in) investing activities

In the first six months of 2013, cash-flows used in investing activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2012**	**2012**	**2013**
Capital expenditure	(976)	(416)	(454)
Proceeds from disposal of property, plant and equipment	193	51	20
Net cash outflow on purchases of subsidiaries and financial investments [a]	(291)	(21)	(937)
Net cash inflow on sales of subsidiaries and financial investments [a][b]	4	2	92
(Increase) decrease in long-term loans and other long-term assets	(1)	(43)	(22)
Cash-flows provided by (used in) investing activities	**(1,071)**	**(427)**	**(1,301)**

(a) Including € 566 million paid for the acquisition resulting in control being obtained of Centrale Laitière (see Note 3, Note 4 and Note 5 of the Notes to the consolidated financial statements).

(b) Including net debt as of transfer date.

Capital expenditure and proceeds from disposal of property, plant and equipment pertain to intangible assets and property, plant and equipment used for operations.

Capital expenditures amount to € 454 million in the first six months of 2013, compared with € 416 million in the first six months of 2012 and € 976 million in 2012 (representing 4.1 %, 4.0 % and 4.7 % of consolidated sales, respectively).

Cash-flows provided by (used in) financing activities

In the first six months of 2013, cash-flows provided by (used in) financing activities break down as follows:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2012**	**2012**	**2013**
Increase in issued capital and additional paid-in capital [a]	35	35	37
Purchases of treasury shares (net of disposals) and of DANONE call options [a][b]	(701)	(4)	(799)
Dividends paid to Danone shareholders [a]	(835)	(835)	(848)
Transactions with non-controlling interests	(339)	(200)	(179)
Net cash-flows on hedging derivatives	(70)	(38)	18
Bonds issued or raised during the period [c]	1,530	685	1,921
Bonds repaid during the period [c]	(173)	(173)	(193)
Increase (decrease) in other current and non-current financial debt [c]	(100)	377	-
Increase (decrease) in short term investments	(831)	(555)	199
Cash-flows provided by (used in) financing activities	**(1,484)**	**(708)**	**156**

(a) See Note 13 of the Notes to the consolidated financial statements.

(b) DANONE call options purchased by the Company.

(c) See Note 14 of the Notes to the consolidated financial statements.

In the first six months of 2013, purchases of treasury shares (net of disposals) and of DANONE call options are broken down as follows:

- buy-back of 15.1 million of DANONE treasury shares for acquisition purposes, in the context of the Company's share buy-back program, for € 809 million (see note 13 of the Notes to the consolidated financial statements), including 6.7 million shares in order to offset the dilution relating to the Danone Spain transaction (see Note 15 of the Notes to the consolidated financial statements);
- payment of 0.2 million shares resulting from the exercise by their beneficiaries of stock-options granted to certain employees and executive directors and officers.

In the first six months of 2013, transactions with non-controlling interests can be broken down as follows:

- payment of € 116 million relating to buy-outs of non-controlling interests (see Note 3 of the Notes to the consolidated financial statements): this amount includes the € 108 million paid in cash to non-controlling shareholders of Danone Spain (see Note 15 of the Notes to the consolidated financial statements);
- payments of dividends for € 63 million.

Note 19. Plan for savings and adaptation of the Group's organizations in Europe

Danone announced on December 13, 2012, 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.

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) tangible and intangible asset impairment losses and (iii) other reorganization costs (notably compensation for early termination of contracts, consulting fees etc.).

As this plan consists in a strategic restructuring, costs incurred directly in connection to the plan are accounted for as Other operating income or expense. 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 accounted for in the consolidated income statement for the first six months of 2013 consist in costs (i) paid (ii) incurred or (iii) provisioned. Provisions are recognized based on the Group's current best estimate of the costs to be incurred in connection with these measures, given elements currently available to the Group. These costs amount to € 233 million as of June 30, 2013, including € 174 million of provisions, and break down as follows:

- costs of employee-related measures for € 204 million;
- tangible and intangible asset impairment losses for € 6 million;
- other reorganization costs for € 23 million.

Cash-flows related to this plan amount to € 39 million for the first six months of 2013 (see Note 18 of the Notes to the consolidated financial statements).

Note 20. 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.

In the first six months of 2013, there were no significant changes in the types of related party transactions reported for the fiscal year ended 2012 (see Note 31 of the Notes to the consolidated financial statements for the year ended December 31, 2012).

The Shareholders' General Meeting of April 25, 2013 authorized the Board of Directors to grant in 2013 Group performance shares to certain employees (including the Executive Committee) and corporate officers. In the first six months of 2013, no Group performance shares were granted. The grant of Group performance shares authorized by 2013 Shareholders Meeting will be submitted to the approval of the Board of Directors on July 26, 2013.

Note 21. Subsequent events

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and July 26, 2013, the date on which the Board of Directors approved the 2013 interim consolidated financial statements.

Statutory Auditor’s review report on the 2013 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, 2013 to June 30th, 2013 ;
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that 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 consolidated 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 26, 2013

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

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, 2012 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 26, 2013

Franck RIBOUD

Chairman and Chief Executive Officer

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