DANONE

2014 Interim financial report

For the six-month period ended June 30, 2014

The English version of the 2014 Interim financial report is a free translation from the original which was prepared in French.
The original French version of the document prevails over this translation.

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

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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, Early Life Nutrition and Medical Nutrition Group businesses;
- all references herein to “consolidated financial statements” refer to condensed interim consolidated financial statements for the six-month period ended June 30, 2014;
- amounts are stated in millions of euros and rounded to the closest million. In general, amounts presented in the interim financial report are rounded to the nearest unit. As a result, the sum of rounded amounts may present immaterial discrepancies relative to the reported total. Also, ratios and differences are calculated on the basis of the underlying amounts as opposed to the rounded amounts.

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 2014 business review and 2014 outlook

Business highlights

Key figures

First half semester 2014 was penalized by high bases for year-on-year comparisons linked to Fonterra's false safety alert, record inflation in milk prices, and weak currency trends in emerging markets:

- Net sales up +2.2% like-for-like and down -5.3% as reported;
- Trading operating margin at 11.27%, down -159 basis points like-for-like;
- Underlying fully diluted earnings per share at €1.16, down -11.1% like-for-like and down -21.5% as reported;
- Free cash-flow excluding exceptional items at €286 million.

Performance is in line with the Group roadmap and confirms that Danone’s business is solid: sales have stabilized in Europe, where the Group continues to adapt its business portfolio and structures; emerging markets continue to report strong growth; and Early Life Nutrition sales in China are moving ahead.

2014 targets confirmed

Sales growth of between +4.5% and +5.5% like-for-like, trading operating margin stable within a range of -20 bps and +20 bps like-for-like, free cash-flow of around €1.5 billion excluding exceptional items.

	Six-month period ended June 30		
(in € millions, except per-share data in €)	**2013**	**2014**	**Change**
Net sales	11,058	10,467	+2.2% [a]
Free cash-flow excluding exceptional items [c]	714	286	(59.9)% [b]
Trading operating income [c]	1,475	1,180	(10.0)% [a]
Trading operating margin [c]	13.34%	11.27%	-159 bps [a]
Underlying net income [c]	873	683	(11.5)% [a]
Underlying fully diluted EPS [c]	1.48	1.16	(11.1)% [a]

(a) Like-for-like.

(b) As reported.

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

Key financial transactions and events in H1 2014 (from press releases issued in the past six months)

- on January 8, 2014, Danone announced its decision to terminate its existing supply contract with Fonterra and making any further collaboration contingent on a commitment by its supplier. Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore;
- on January 16, 2014, Danone announced the implementation of a liquidity contract;
- on February 12, 2014, Danone raised its stake in China's leading dairy company Mengniu;
- on May 28, 2014, Danone announced the result of the option to receive the 2013 dividend payment in shares;
- on June 11, 2014, Danone announced plan to close plants in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary).

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

Consolidated net income

Net sales

Consolidated net sales

Consolidated sales fell back -5.3% in the first half of 2014 to €10,467 million. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +2.2%. This organic growth reflects a -3.0% decline in sales volume and a +5.2% increase due to the price/mix effect.

The -8.3% exchange-rate effect reflects unfavorable trends in currencies including the Argentine peso, the Russian ruble and the Indonesian rupiah. The +0.8% impact of the change in scope of consolidation results in large part from full consolidation of Centrale Laitière (Morocco) starting in March 2013.

Consolidated net sales by Division and by geographic area

	Six-month period ended June 30			
(in € millions)	**2013**	**2014**	**Like-for-like change**	**Volume growth like-for-like**
Net sales by Division				
Fresh Dairy Products	6,023	5,640	3.1%	(5.7)%
Waters	1,991	2,074	11.2%	6.2%
Early Life Nutrition	2,383	2,071	(8.4)%	(6.4)%
Medical Nutrition	661	682	6.3%	5.3%
Net sales by geographic area				
Europe excl. CIS	4,160	4,261	0.3%	(1.4)%
CIS & North America [(a)]	2,360	2,330	7.4%	(6.4)%
ALMA [(b)]	4,538	3,876	1.3%	(3.2)%
Total	**11,058**	**10,467**	**2.2%**	**(3.0)%**

(a) North America: United States and Canada.

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

The Fresh Dairy Products Division sales were up +3.1% like-for-like in the first six months of 2014, reflecting a steep +8.8% rise in value offset by a -5.7% decline in sales volume

The Waters Division turned in an excellent performance in the first six months of 2014, with sales up +11.2% like-for-like compared with 2013. Growth is balanced with volumes up +6.2% and a prix/mix effect contributing +5.0%.

The Early Life Nutrition Division reported quarterly sales down -8.4% (-6.4% in volume), reflecting once again the unfavorable basis for comparison linked to the false safety alert triggered by Fonterra in August 2013.

The Medical Nutrition division reported in the first six months of 2014 growth of +6.3% like-for-like, driven by a +5.3% rise in sales volume.

Trading operating income and trading operating margin

	Six-month period ended June 30		
(in percentage)	**2013**	**2014**	**Like-for-like change**
Trading operating margin by Division			
Fresh Dairy Products	9.91%	7.81%	-168 bps
Waters	13.18%	12.50%	+38 bps
Early Life Nutrition	20.49%	17.42%	-270 bps
Medical Nutrition	19.31%	17.56%	-92 bps
Trading operating margin by geographic area			
Europe excl. CIS	14.28%	14.56%	+60 bps
CIS & North America [a]	9.36%	7.23%	-121 bps
ALMA [b]	14.56%	10.09%	-401 bps
Total	**13.34%**	**11.27%**	**-159 bps**

(a) North America: United States and Canada.

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

As anticipated, Danone's trading operating margin fell sharply in the first half, down -159 bps like-for-like to stand at 11.27%. This decline reflects comparison with the very high figure reported in the first half of 2013, before the Group was hit by the steep rise in milk prices and fallout from Fonterra's false safety alert.

Therefore, the first half of 2014 was adversely affected by strong inflation in milk prices observed since summer 2013 in all markets. This was particularly true in Russia, where inflation was especially strong, though in most regions prices headed down at the end of the first half. Part of this inflation was offset by price increases, notably in emerging countries and more specifically in Russia.

Ongoing efforts to optimize raw material, production and logistic costs led to continued productivity gains Group-wide, in line with past years. Moreover deployment of the Group's cost-cutting program in Europe continued, generating the expected savings.

The Group continued to invest in its growth drivers. Apart from its Chinese subsidiary Dumex, hit hard by Fonterra's false safety alert, the Group's H1 spending on marketing, sales and R&D altogether were identical like-for-like to those made last year.

Trading operating margin in H1 2014 was also hit by adverse exchange-rate trends (-12 bps) and the change in scope of consolidation (-35 bps), due in particular to the integration of Centrale Laitière in Morocco, Sirma in Turkey and YoCrunch in the United States.

Other operating income and expense

Other operating items stood at -€96 million, impacted primarily by the portion of costs related to the Group's cost-reduction and organizational adaptation plan in Europe that were booked in the first half of 2014 (-€98 million).

Financial income and expense

The change in other financial income and expense resulted primarily from the very high figure reported in the first half of 2013, which was linked to non-current items recorded over that period: in the first six months of 2013, Danone booked a capital gain on the sale of its interest in SNI in its move to increase its shareholding in Centrale Laitière.

Tax rate

The underlying tax rate for the first half of 2014 was 29.6%, very slightly lower than the rate projected for the full year.

Share of profit of associates

The sharp change in net income of affiliated companies resulted primarily from last year's very high figure, linked to non-current items recorded in the first half of 2013, when the value of Danone's historic 29.2% equity interest in Centrale Laitière was recognized at €226 million following the Group's acquisition of the company

Underlying net income and underlying fully diluted earnings per share

Underlying net income came to €683 million in the first half of 2014, down -11.5% like-for-like and down -21.9% as reported when compared with 2013.

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					
			2013			2013			2014
(in € millions except percentage)	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**
Trading operating income	**2,809**		**2,809**	**1,475**		**1,475**	**1,180**		**1,180**
Other operating income (expense)		(681)	(681)		(291)	(291)		(96)	(96)
Operating income	**2,809**	**(681)**	**2,128**	**1,475**	**(291)**	**1,184**	**1,180**	**(96)**	**1,084**
Cost of net debt	(193)		(193)	(86)		(86)	(95)		(95)
Other financial income (expense)	(118)	48	(70)	(66)	52	(14)	(61)	(3)	(64)
Income before tax	**2,498**	**(633)**	**1,865**	**1,323**	**(239)**	**1,084**	**1,024**	**(99)**	**925**
Income tax expense	(750)	146	(604)	(402)	87	(315)	(303)	19	(284)
Effective tax rate	30.0%		32.4%	30.3%		29.0%	29.6%		30.7%
Net income from fully consolidated companies	**1,748**	**(487)**	**1,261**	**921**	**(152)**	**769**	**721**	**(80)**	**641**
Share of profit of associates	50	239	289	38	238	276	25	1	26
Net income	**1,798**	**(248)**	**1,550**	**959**	**86**	**1,045**	**746**	**(79)**	**666**
• Group share	1,636	(214)	1,422	873	99	972	683	(75)	608
• Non-controlling interests	162	(34)	128	86	(13)	73	63	(5)	59

Underlying fully diluted EPS totaled €1.16, down -11.1% like-for-like and down -21.5% as reported compared with the first half of 2013.

The transition from Net income – 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			
		2013		2013		2014
(in € per share except number of shares)	**Underlying**	**Total**	**Underlying**	**Total**	**Underlying**	**Total**
Net Income - Group share	1,636	1,422	873	972	683	608
Number of shares						
• Before dilution	587,411,533	587,411,533	589,927,117	589,927,117	588,879,463	588,879,463
• After dilution	588,469,577	588,469,577	592,145,734	592,145,734	589,488,742	589,488,742
Net Income - Group share, per share						
• Before dilution	2.79	2.42	1.48	1.65	1.16	1.03
• After dilution	2.78	2.42	1.48	1.64	1.16	1.03

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

Free cash-flow stood at €207 million in the first six months of 2014, including €79 million in outlays linked to the Group's cost-reduction and organizational adaptation plan in Europe.

Free cash-flow excluding exceptional items came to €286 million, down a steep 60% or so from the first six months of 2013. In addition to the impact of reduced trading operating margin, this decline reflects a very unfavorable mix effect on the Group's working capital, resulting from the drop in business at Dumex, its Chinese subsidiary. Moreover, capital expenditure remained high in the first six months of 2014 at €457 million, or 4.4% of sales.

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

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2013**	**2013**	**2014**
Cash-flow from operating activities	**2,356**	**1,088**	**641**
Capital expenditure	(1,039)	(454)	(457)
Disposal of tangible assets	79	20	20
Transaction fees related to business combinations [a]	32	21	3
Earn-outs related to business combinations [b]	–	–	–
Free cash-flow	**1,428**	**675**	**207**
Cash-flows related to plan to generate savings and adapt organization in Europe [c]	121	39	79
Free cash-flow excluding exceptional elements	**1,549**	**714**	**286**

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

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

(c) Net of tax.

Balance sheet

Simplified consolidated balance sheet

	As of December 31	As of June 30
(in € millions except percentage)	**2013**	**2014**
Non-current assets	23,078	23,920
Current assets	7,850	7,559
Total assets	**30,928**	**31,479**
Equity - Group share	**10,694**	**11,036**
Non-controlling interests	35	33
Net debt	7,966	8,678
Net financial debt	4,722	5,580
Gearing based on net debt	74%	79%
Gearing based on net financial debt	44%	51%

Net debt and financial net debt

Including the €3,098 million in put options granted to minority shareholders, the Group's net financial debt stood at €8,678 million at June 30, 2014. Excluding these same put options, the Group's net financial debt was up €858 million to €5,580 million.

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

	As of December 31	As of June 30
(In € millions)	**2013**	**2014**
Non-current financial debt [(a)]	7,065	6,530
Current financial debt [(a)]	4,862	5,332
Short term investments	(2,862)	(1,857)
Cash and cash equivalents	(969)	(1,217)
Derivatives - assets	(130)	(110)
Net debt	**7,966**	**8,678**
Liabilities related to put options granted to non-controlling interests - Non-current	(477)	(371)
Liabilities related to put options granted to non-controlling interests - Current	(2,767)	(2,727)
Financial debt excluded from net financial debt	**(3,244)**	**(3,098)**
Net financial debt	**4,722**	**5,580**

(a) Includes derivatives instruments liabilities.

Other information

Dividends

In the first six months of 2014, Danone paid dividends totaling €851 million including €307 million in cash and €544 million in DANONE shares. Over the same period, the Group also finalized a number of external acquisitions totaling €704 million, including the move to increase its equity interest in the Chinese dairy company Mengniu to around 10%.

Outlook for 2014

2014 financial outlook

The Group assumes that consumer demand will remain similar to 2013, with sluggish trends in Europe, significant carry-over of milk price inflation and persistently high exchange-rate volatility in emerging markets, resulting in higher inflation in those countries.

In response, Danone will continue to deploy action plans already under way in Europe, updating its product portfolio and sharpening its competitive edge, with a view to stabilizing its performances in the region by the end of 2014. The Group will also build on its strong momentum in markets outside Europe to continue growth in emerging countries and North America, and to manage rising inflationary pressures as appropriate. Finally, the Group will focus on rebuilding its Early Life Nutrition positions in Asia, in particular through product launches and brand extensions, favoring solid, lasting growth over speed.

Due to this rebuilding effort and to 2013 bases for comparison, organic growth in sales and operating margin will vary widely from one half to the next in 2014. The Group thus anticipates a return to strong, sustainable, profitable growth beginning in the second half.

Danone has set the following targets for full-year 2014:

- like-for-like sales growth of between +4.5% and +5.5% (see definition of this indicator in section *Financial indictors not defined by IFRS*);
- trading operating margin stable within a range of -20 bps and +20 bps like-for-like (see definition of this indicator in section *Financial indictors not defined by IFRS*), reflecting the flexibility that the Group seeks to manage its operations, in particular for its Early Life Nutrition business in Asia;
- free cash-flow of around €1.5 billion excluding exceptional items (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 management 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 will continue throughout the year and will not improve or deteriorate significantly with an increased risk of inflation in emerging countries;
- raw materials cost will continue to increase;
- the Group's revenue growth will continue to be primarily driven by development of its product categories, in particular in emerging countries and in North America and by a product mix improving policy;
- the Group will continue to pursue its policy of focusing on sustained productivity and using selective pricing, in 2014, 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 2014 are those specified in section 2.7 *Risk factors* of the 2013 Registration Document and listed hereafter, including in particular deteriorated economic context in Europe as well as volatility in emerging countries.

Operational risks related to the Group's activity

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

Operational risks specific to the Group's activity and organization

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

Legal and regulatory risks

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

Industrial and environmental risks

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

Market risks

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

Insurance and risk coverage

Financial indicators not defined by IFRS

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

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

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

Calculation of financial indicators not defined in IFRS and used by 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), (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope, and (iii) changes in applicable accounting principles.

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 crisis and major litigations. Furthermore, in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Group also classifies in Other operating income and expense (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs related to business combinations and subsequent to acquisition date.

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

Underlying net income (or current net income – Group share) measures 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 (or current net income – Group share, per share after dilution) is defined as the underlying net income over diluted number of shares ratio.

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

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives 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 2014, Danone's parent company's net revenues and income before tax amount to €228 million and €493 million respectively (€311 million and €694 million, respectively in the first six months of 2013).

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

The condensed interim consolidated financial statements of Danone and its subsidiaries (“the Group”) for the period ended June 30, 2014 (the “consolidated financial statements”) were approved by the July 24, 2014 meeting of the Danone Board of Directors.

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

2.1 Consolidated financial statements

Consolidated income statement and earnings per share

		Year ended December 31	Six-month period ended June 30	
(in € millions except earnings per share in euros)	Notes	**2013**	**2013**	**2014**
Net sales		**21,298**	**11,058**	**10,467**
Cost of goods sold		(10,977)	(5,614)	(5,561)
Selling expense		(5,425)	(2,882)	(2,632)
General and administrative expense		(1,707)	(873)	(847)
Research and Development expense		(275)	(139)	(133)
Other income (expense)		(105)	(75)	(114)
Trading operating income		**2,809**	**1,475**	**1,180**
Other operating income (expense)	6	(681)	(291)	(96)
Operating income		**2,128**	**1,184**	**1,084**
Interest income		76	38	38
Interest expense		(269)	(124)	(133)
Cost of net debt	7	(193)	(86)	(95)
Other financial income (expense)	7	(70)	(14)	(64)
Income before tax		**1,865**	**1,084**	**925**
Income tax expense		(604)	(315)	(284)
Net income from fully consolidated companies		**1,261**	**769**	**641**
Share of profit of associates	8	289	276	26
Net income		**1,550**	**1,045**	**666**
Non-controlling interests		(128)	(73)	(59)
Net income - Group share		**1,422**	**972**	**608**
Net income - Group share, per share	9	**2.42**	**1.65**	**1.03**
Net income - Group share, per share after dilution	9	**2.42**	**1.64**	**1.03**

Consolidated statement of comprehensive income

		Year ended December 31	Six-month period ended June 30	
(in € millions)	Notes	**2013**	**2013**	**2014**
Net income		**1,550**	**1,045**	**666**
Translation adjustments, net of tax		(1,464)	(548)	73
Actuarial gains and losses on retirement commitments		15	7	(56)
Tax effects		(4)	(3)	19
Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax		11	4	(36)
Revaluation of hedging derivatives		89	58	(54)
Tax effects		(31)	(16)	18
Revaluation of hedging derivatives, net of tax		58	42	(35)
Revaluation of available-for-sale financial assets		119	34	(83)
Amount recycled to profit or loss in the current year		(52)	(52)	-
Tax effects		(3)	(5)	2
Revaluation of available-for-sale financial assets, net of tax		64	(23)	(81)
Other comprehensive income		–	–	-
Tax effects		–	–	-
Other comprehensive income, net of tax		–	–	-
Total other comprehensive income [(a)]	12	**(1,331)**	**(525)**	**(81)**
Total comprehensive income		**219**	**520**	**586**
Non-controlling interests		(83)	(53)	(48)
Net income - Group share		**136**	**467**	**538**

(a) Including € (44) million of impacts recycled to profit and loss for the six-month period ended June 30, 2014 (€(529) million for the first six-month period ended June 30, 2013 and €(1,342) million for the fiscal year 2013).

Consolidated balance sheet

		As of December 31	As of June 30
(in € millions)	Notes	**2013**	**2014**
Assets			
Goodwill		11,474	11,580
Brands		4,501	4,559
Other intangible assets		333	351
Intangible assets	10	16,308	16,490
Property, plant and equipment		4,334	4,411
Investments in associates	11	1,033	1,855
Investments in other non-consolidated companies	11	313	62
Long-term loans and other long-term financial assets		251	248
Derivative - assets		130	110
Deferred taxes		709	744
Non-current assets		**23,078**	**23,920**
		–	–
Inventories		1,252	1,404
Trade receivables		1,809	2,180
Other receivables		916	864
Short-term loans		23	18
Short-term investments		2,862	1,857
Cash and cash equivalents		969	1,217
Assets held for sale		19	18
Current assets		**7,850**	**7,559**
Total assets		**30,928**	**31,479**

(in € millions)	Notes	As of December 31 2013	As of June 30 2014
Equity and liabilities			
Issued capital		158	161
Additional paid-in capital		2,930	3,505
Retained earnings		11,153	10,979
Cumulative transaction adjustments		(1,553)	(1,471)
Accumulated other comprehensive income		(123)	(276)
Treasury shares and DANONE call options [(a)]		(1,871)	(1,861)
Equity attributable to owners of the Company	12	**10,694**	**11,036**
Non-controlling interests		35	33
Equity	12	**10,729**	**11,069**
Financing		6,576	6,157
Derivatives - liabilities		12	2
Liabilities related to put options granted to non-controlling interests		477	371
Non-current financial debt	13	7,065	6,530
Provisions for retirements and other long-term benefits		584	652
Deferred taxes		1,265	1,289
Other provisions and non-current liabilities	16	678	715
Non-current liabilities		**9,592**	**9,186**
Financing		2,095	2,604
Derivatives - liabilities		–	1
Liabilities related to put options granted to non-controlling interests		2,767	2,727
Current financial debt	13	4,862	5,332
Trade payables		3,248	3,497
Other current liabilities		2,497	2,394
Liabilities directly associated with assets classified as held for sale		–	-
Current liabilities		**10,607**	**11,224**
Total equity and liabilities		**30,928**	**31,479**

(a) DANONE call options acquired by the Company.

Consolidated statement of cash-flows

		Year ended December 31	Six-month period ended June 30	
(in € millions)	Notes	**2013**	**2013**	**2014**
Net income		**1,550**	**1,045**	**666**
Share of profit of associates		(289)	(276)	(26)
Dividends received from associates		27	11	5
Depreciation and amortization		710	345	340
Other components of net income with no cash impact	17	169	163	116
Other components of net income with a cash impact		(35)	(75)	(88)
Cash-flows provided by operating activities, including changes in net working capital		**2,132**	**1,213**	**1,014**
(Increase) decrease in inventories		(231)	(244)	(159)
(Increase) decrease in trade receivables		(15)	(359)	(374)
Increase (decrease) in trade payables		392	431	272
Change in other receivables and payables		78	47	(114)
Change in working capital requirements		224	(125)	(374)
Cash-flows provided by (used in) operating activities	17	**2,356**	**1,088**	**641**
Capital expenditure [a]		(1,039)	(454)	(457)
Proceeds from disposal of property, plant and equipment [a]		79	20	20
Net cash outflow on purchases of subsidiaries and financial investments		(1,246)	(937)	(633)
Net cash inflow on sales of subsidiaries and financial investments [b]		69	92	(8)
(Increase) decrease in long-term loans and other long-term assets		(19)	(22)	(10)
Cash-flows provided by (used in) investment activities	17	**(2,156)**	**(1,301)**	**(1,088)**
Increase in issued capital and additional paid-in capital		37	37	33
Purchases of treasury shares (net of disposals) and of DANONE call options [c]	12	(793)	(799)	11
Dividends paid to Danone shareholders	12	(848)	(848)	(307)
Transactions with non-controlling interests	17	(213)	(179)	(124)
Net cash-flows on hedging derivatives [d]	13	54	18	(5)
Bonds issued or raised during the period	13	2,900	1,921	150
Bonds repaid during the period	13	(193)	(193)	(618)
Increase (decrease) in other current and non-current financial debt		(111)	–	531
Increase (decrease) in short term investments		(1,176)	199	1,018
Cash-flows provided by (used in) financing activities	17	**(343)**	**156**	**691**
Effect of exchange rate changes		(157)	(38)	5
Increase (decrease) in cash and cash equivalents		**(300)**	**(95)**	**248**
Cash and cash equivalents at beginning of period		**1,269**	**1,269**	**969**
Cash and cash equivalents at end of period		**969**	**1,174**	**1,217**
Supplemental disclosures				
Payments during the period of				
• net interest		178	110	133

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Including net debt as of the disposal date.
(c) DANONE call options acquired by the Company.
(d) 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, 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	12	918,000	918,000		37					**37**		**37**
Decrease in issued capital	12	(8,800,000)		(2)	(397)				399	**–**		**–**
Changes in treasury shares DANONE call options [(a)]	12		(8,155,671)						(479)	**(479)**		**(479)**
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]	12					11				**11**		**11**
Dividends paid to Danone shareholders	12					(850)				**(850)**	2	**(848)**
Other transactions with non-controlling interests	12					(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 acquired by the Company.

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

	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, 2014		**631,028,000**	**586,419,586**	**158**	**2,930**	**11,153**	**(1,553)**	**(123)**	**(1,871)**	**10,694**	**35**	**10,729**
Total comprehensive income						**608**	**83**	**(153)**		**538**	**48**	**586**
Increase in issued capital	12	12,764,000	12,764,000	3	575					**578**		**578**
Decrease in issued capital	12											
Changes in treasury shares DANONE call options [a]	12		453,619						10	**10**		**10**
Counterpart entry to expense relating to Group performance shares and stock-options [b]						8				**8**		**8**
Dividends paid to Danone shareholders [c]	12					(851)				**(851)**		**(851)**
Other transactions with non-controlling interests	12					73				**73**	(51)	**22**
Other changes						(11)				**(11)**		**(11)**
As of June 30, 2014		**643,792,000**	**599,637,205**	**161**	**3,505**	**10,979**	**(1,471)**	**(276)**	**(1,861)**	**11,036**	**33**	**11,069**

(a) DANONE call options acquired by the Company.

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

(c) The dividend distributed by Danone corresponding to the previous fiscal year totaled €851 million, of which €307 million paid in cash and €544 million in new shares.

2.2 Notes to the condensed interim consolidated financial statements

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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which are available on the web site of the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm). The 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, 2014 are presented and have been prepared in compliance with IAS 34, Interim Financial Reporting, as adopted by the European Union regarding interim financial reporting information. This standard stipulates that condensed interim consolidated financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim consolidated financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2013. The Group's activity related to six-month period ended June 30, 2014 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, 2013 (see Note 1 of the Notes to the consolidated financial statements for the year ended December 31, 2013), except for standards, amendments and interpretations applicable for the first time as from January 1, 2014.

Standards, amendments and interpretations whose application is mandatory as of January 1, 2014

- IFRS 10, *Consolidated Financial Statements*;
- IFRS 11, *Joint Arrangements*;
- IFRS 12, *Disclosures of Interests in Other Entities*;
- Amendments to IFRS 10, IFRS 12 and IAS 27 related to investment entities;
- IAS 27 (Revised), *Separate Financial Statements*;
- IAS 28 (Revised), *Investments in Associates*;
- Amendment to IAS 32 related to offsetting financial assets and financial liabilities;
- Amendment to IAS 36 related to recoverable amount disclosures for non-financial assets;
- Amendment to IAS 39 related to Novation of derivatives and continuation of hedge accounting.

The standards, amendments and interpretations applied since January 1, 2014 did not have a material impact on the condensed interim consolidated financial statements as of June 30, 2014.

Standards, amendments and interpretations whose application is not mandatory as of January 1, 2014 but which may be adopted earlier

- IFRIC 21, *Levies*

The Group did not choose the early adoption of this interpretation in the condensed interim consolidated financial statements as of June 30, 2014 and considers that it should not have a material impact on its results and financial situation.

Standards, amendments and interpretations published by the IASB for which early adoption as of January 1, 2014 is possible but not yet adopted by the European Union:

- IFRS 9, *Financial Instruments*;
- IFRS 15, *Revenue from Contracts with Customers*;
- Amendments to IAS 16 related to Property, Plant and Equipment;
- Amendment to IAS 38 related to Intangible Assets.

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

Other standards

The Group is paying close attention to economic circumstances that could qualify Argentina as a hyperinflationary economy by December 31, 2014 and thereby justify the application of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. This standard requires that the balance sheets and net income of the corresponding subsidiaries be (i) restated to take into account changes in purchasing power of the local currency, using official inflation indices in effect as of the closing date, and (ii) translated into euros using the exchange rate applicable as of the closing date.

Other IASB and IFRIC work

The Group continues to pay attention to the work of the IASB and IFRIC that could result in a change in the accounting 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 financial liabilities in connection with put options granted to non-controlling interests must be shown through profit and loss, in accordance with IAS 39 and IFRS 9. In the absence of specific IFRS guidelines, the Group has applied the recommendations issued by the French Financial Markets Authority (AMF) in November 2009. Under these recommendations, the difference between the exercise price of the put options granted and the carried amount of the non-controlling interests is offset against Retained earnings – Group share in shareholders' equity.

Note 2. Highlights of the period

The highlights of the period are covered in the main press releases issued by the Group during the first six months of 2014.

- on January 8, 2014, Danone announced its decision to terminate its existing supply contract with Fonterra and made any further collaboration contingent upon a commitment by its supplier to full transparency. Danone also initiated proceedings in the New Zealand High Court as well as arbitration proceedings in Singapore (see Note 16 of the Notes to the consolidated financial statements);
- on January 16, 2014, Danone announced the implementation of a liquidity agreement;
- on February 12, 2014, Danone raised its stake in Mengniu, the Fresh Dairy Products market leader in China (see Note 3 of the Notes to the consolidated financial statements);
- on May 28, 2014, Danone announced the result of the option to receive the 2013 dividend in shares (see Note 18 of the Notes to the consolidated financial statements);
- on June 11, 2014, Danone announced the plan to close plants in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary) (see Note 19 of the Notes to the consolidated financial statements).

The complete press releases are available on the web site at http://finance.danone.fr.

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 2014, the Group did not make any material 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);
- acquisition on June 13, 2013 of a 50.1% equity interest in Sirma (Waters – Turkey);
- acquisition on June 27, 2013 of a 91.9% equity interest in Happy Family (Early Life Nutrition – United States).

Other acquisitions

In the first six months of 2014, the Group carried out the following principal acquisitions that did not result in control being obtained:

- increase in the Group's stake in Mengniu (Fresh Dairy Products – China, see hereafter);
- acquisition of non-controlling interests in several of its subsidiaries (see Note 17 of the Notes to the consolidated financial statements).

During the first six months of 2013, the Group carried out several acquisitions of non-controlling interests in various subsidiaries, the main one involving Danone Spain (Fresh Dairy Products – Spain). The acquisition of an additional 10.0% stake in this company raised the Group's overall ownership interest to 75.6% as of June 30, 2013.

Disposals

Partial disposals resulting in control being lost

In the first six months of 2014, the Group did not carry out any material disposals resulting in control being lost.

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

Other disposals

In the first six months of 2014, the Group did not carry out any other disposals.

In the first six months of 2013, as part of its acquisition resulting in control being obtained in Centrale Laitière, the Group sold its entire 2.61% stake in SNI.

Increase in the Group's stake in Mengniu

Description of the transaction

On May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu (Fresh Dairy Products – China: the company is listed in Hong Kong) 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;
- a framework agreement was signed with Mengniu to establish a joint-venture for the production and sale of fresh dairy 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 are being implemented gradually in 2013 and 2014:

- with respect to the fresh dairy products production and distribution joint venture in China, the approval obtained from Chinese antitrust authorities on January 8, 2014 enabled the joint venture to be launched through the operational integration of activities and asset contributions;
- on February 12, 2014, Danone announced the joint signature along with COFCO Dairy Investments of an agreement to subscribe a reserved rights issue by Mengniu. This transaction valued at €486 million, which increased Danone's stake in Mengniu from 4.0% to 9.9%, was completed on March 27, 2014;
- meanwhile, COFCO, Danone and Arla, the three reference shareholders in Mengniu, combined their respective equity interests (16.3%, 9.9% and 5.3%) in a joint venture, COFCO Dairy Investments, enabling the pooling of interests in Mengniu's governance and becoming the company's largest single shareholder with an equity interest of nearly 32%.

When these steps were completed, Danone was the second-largest shareholder in Mengniu behind COFCO, with a 9.9% indirect stake through its 31% ownership interest in COFCO Dairy Investments.

Accounting treatment of the transaction

As of December 31, 2013, the 4% indirect equity interest in Mengniu was recognized under Investments in other non-consolidated companies and classified as available-for-sale securities in accordance with IAS 39 (see Note 11 of the Notes to the consolidated financial statements).

Effective January 1, 2014, this investment was recognized under Investments in associates (see Note 11 of the Notes to the consolidated financial statements). Indeed, according to those elements above and notably following the Chinese antitrust authorities' approval of the joint venture, which endorsed the transaction, the Group considers that it can exercise its significant influence over the financial and operating policies in Mengniu as (i) a strategic shareholder in Mengniu pursuant to those agreements with COFCO, (ii) its participation in Mengniu's governance, and (iii) the Group's operating involvement to Mengniu's fresh dairy products activities and the joint operating activities involving Mengniu and Danone Dairy China, pursuant those agreements.

The Group chose to recognize as an investment in associates this equity interest acquired in 2013 at historical cost instead of at fair value as at the date it was able to exercise influence.

Note 4. Accounting for other acquisitions resulting in control being obtained in 2013 and 2014

Transactions carried out in the first six months of 2014

In the first six months of 2014, the Group did not carry out any material acquisitions resulting in control being obtained.

Finalization of acquisition accounting of transactions completed during the first six months of 2013

During the first six months of 2014, the Group finalized the acquisition accounting of companies acquired during the first six months of 2013. This action did not result in any significant adjustment to the acquisition price allocation in the interim condensed financial statements as of June 30, 2014 relative to the previous year's consolidated financial statements, ended December 31 2013.

Note 5. 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 is defined as the trading operating income over net sales ratio;
- Free cash-flow, which represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with of Revised IFRS 3, excluding (i) acquisition costs related to business combinations, and (ii) cash-flows related to earn-outs related to business combinations and paid subsequently to acquisition date;
- Free cash-flow excluding exceptional items, an indicator published by the Group since the first half of 2013, in connection with its plan to generate savings and adapt its organizations in Europe corresponding to free cash-flow before cash-flows related to initiatives that may be taken by the Group in connection with the plan;
- Net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and Non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short term investments, Cash and cash equivalents and Derivatives – assets.

Among the key indicators reviewed and used internally by the Group's primary operational decision-makers, only Net sales, Trading operating income and Trading operating margin are monitored by Division, the other indicators being monitored at the Group level.

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, Early Life Nutrition and Medical Nutrition:

	Six-month period ended June 30					
(in € millions except percentage)	Net Sales [a]		Trading operating income		Trading operating margin	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**
Fresh Dairy Products	6,023	5,640	597	440	9.9%	7.8%
Waters	1,991	2,074	262	259	13.2%	12.5%
Early Life Nutrition	2,383	2,071	488	361	20.5%	17.4%
Medical Nutrition	661	682	128	120	19.3%	17.6%
Group Total	**11,058**	**10,467**	**1,475**	**1,180**	**13.3%**	**11.3%**

(a) Net sales to third parties.

Information by geographic area

Net sales, Trading operating income and Trading operating margin are also monitored by geographic area:

	Six-month period ended June 30					
(in € millions except percentage)	Net Sales [a] [b]		Trading operating income		Trading operating margin	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**
Europe excl. CIS [b]	4,160	4,261	594	620	14.3%	14.6%
CIS & North America [b]	2,360	2,330	221	169	9.4%	7.2%
ALMA [c]	4,538	3,876	660	391	14.6%	10.1%
Group total	**11,058**	**10,467**	**1,475**	**1,180**	**13.3%**	**11.3%**

(a) Net sales to third parties.

(b) Including €1,125 million in France in the six-month period ended June 30, 2014 (€ 1,049 million in 2013).

(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
	Tangible and intangible assets	
(in € millions)	**2013**	**2014**
Europe excl. CIS [a]	10,268	10,378
CIS & North America [c]	3,341	3,321
ALMA [d]	7,033	7,202
Group total	**20,642**	**20,901**

(a) Including €1,801 million in France as of June 30, 2014 (€1,783 million as of December 31, 2013).

(b) North America: United States and Canada.

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

Note 6. Other operating income (expense)

In the first six months of 2014, Other operating income (expense) represented a net expense of €(96) million, corresponding mainly to expenses related to the savings and adaptation plan for the Group's organizations in Europe (see Note 19 of the Notes to the consolidated financial statements).

In the first six months of 2013, Other operating income (expense) represented a net expense of €(291) million, corresponding mainly to (i) expenses related to the plan for savings and adaptation of the Group's organizations in Europe, (ii) costs relating to acquisitions resulting in control being obtained carried out in the first six months of 2013 and (iii) the Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition.

Note 7. Cost of net financial debt and other financial income and expense

For the first six months of 2014, Financial result breaks down as follows:

	Six-month period ended June 30	
(in € millions)	**2013**	**2014**
Interest income on cash, cash equivalents and short term investments	38	38
Interest expense on financial debt	(124)	(133)
Cost of net financial debt	**(86)**	**(95)**
Other financial income	53	3
Other financial expense	(67)	(67)
Other financial income or expense	**(14)**	**(64)**
Net financial income (expense)	**(100)**	**(159)**

The change in Other financial income and expense for the first six months of 2014, of €(50) million, as compared to the first six months of 2013 resulted primarily from the very high figure reported in 2013, which was linked to exceptional items recorded over that period: during the first six months of 2013, Danone booked a capital gain on the sale of its interest in SNI in its move to increase its shareholding in Centrale Laitière (Fresh Dairy Products - Morocco).

Note 8. Share of profit of associates

The Share of profit of associates for the six months ended June 30, 2014 represents income of €26 million (compared with income of €276 million in the first six months of 2013), and consists of the following items:

	Six-month period ended June 30	
(in € millions)	**2013**	**2014**
Share of profits of associates before gains (losses) on disposal and impairment charges	36	36
Impairment charges	–	–
Gains (losses) on disposal and revaluation [a] and other	240	(10)
Total	**276**	**26**

(a) In 2013, corresponds mainly to the €226 revaluation surplus in connection with the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco).

Note 9. 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 € per share except for number of shares)	**2013**	**2013**	**2014**
Net income - Group share	1,422	972	608
Number of shares			
• Before dilution	587,411,533	589,927,117	588,879,463
Stock-based compensation	1,058,044	2,218,617	609,279
• After dilution	588,469,577	592,145,734	589,488,742
Net Income - Group share, per share			
• Before dilution	2.42	1.65	1.03
• After dilution	2.42	1.64	1.03

Group performance shares and stock options, which were non-dilutive as of June 30, 2014, could become dilutive mainly depending on changes in the DANONE share price.

Note 10. Impairment review of intangible assets

As of June 30, 2014, intangible assets totaled €16,490 million (€16,308 million as of December 31, 2013), including Goodwill totaling €11,580 million, Brands totaling €4,559 million and Other intangible assets totaling €351 million.

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

The recoverable amount of the CGUs (Cash Generating Units) or groups of CGUs to which the tested assets belong is the higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash-flows of the CGU or group of CGUs concerned.

As of June 30, 2014, the Group has reviewed impairment indicators that could result in a reduction in the carrying value of goodwill and brands with indefinite useful lives.

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

In the case of the CGUs or groups of CGUs of the Early Life Nutrition and Medical Nutrition Divisions, the indicators analyzed refer to external factors such as changes in the discount rate, market growth, changes in market share as well as internal factors such as the revised annual forecast and performance to date compared with the budget.

Concerning the brand *Dumex*, following the effects of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia, the Group implemented sales re-launch plans in the corresponding countries. No triggering event has been identified. Nevertheless, the Group remains attentive to the resumption of the activity in these countries in particular to the results of the re-launch plans.

For CGUs or groups of CGUs of the Early Life Nutrition and Medical Nutrition Divisions, no triggering event has been identified as of June 30, 2014.

CGUs of the Fresh Dairy Products and Waters Divisions

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. For the six-month ended June 30, 2014, the Group did not recognize any impairment charges.

Note 11. Impairment review of investments in associates and Other investments in non-consolidated companies

Investments in associates

As of June 30, 2014, investments in associates totaled €1,855 million (€1,033 million as of December 31, 2013).

The €822 million increase during the first six months of 2014 was largely due to Danone's investment in Mengniu (Fresh Dairy Products – China), with (i) the reclassification of the investment held as of December 31, 2013 in Investments in other non-consolidated companies to Investments in associates, and (ii) the additional equity interest acquired in the first six months of 2014 (see Note 3 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 whenever events or circumstances indicate that impairment is likely to have occurred. An impairment charge is recognized in Share of profits of associates when the recoverable amount of the investment falls below its carrying amount. This impairment charge may be reversed if the recoverable amount subsequently exceeds the carrying amount.

In the first six months of 2014, no investment in associates was subject to impairment.

Other investments in non-consolidated companies

Other investments in non-consolidated companies totaled €62 million (€313 million as of December 31, 2013).

The €251 million decrease during the first six months of 2014 was mainly due to the reclassification of Danone's investment in Mengniu (Fresh Dairy Products – China) as of December 31, 2013 from Investments in other non-consolidated companies to Investments in associates (see Note 3 of the Notes to the consolidated financial statements).

Note 12. Information on changes in consolidated equity

As of June 30, 2014, Consolidated shareholders' equity totaled €11,069 million (€10,729 million as of December 31, 2013), while Shareholders' equity – Group share totaled €11,036 million (€10,694 million as of December 31, 2013).

Changes in Consolidated shareholders' equity and Shareholders' equity – Group share in the first six months of 2013 and 2014 are as follows:

		2013		2014
(in € millions)	**Group Share**	**Consolidated**	**Group Share**	**Consolidated**
As of January 1	**12,191**	**12,254**	**10,694**	**10,729**
Net income	972	1,045	608	666
Dividend paid for the previous fiscal year [(a)]	(850)	(848)	(851)	(851)
Capital increase as part of the dividend payment in shares [(b)]	–	–	544	544
Capital increase under the Company Savings Plan for the benefit of employees of French entities	37	37	33	33
Capital increase	37	37	578	578
Cumulative translation adjustments	(528)	(548)	83	72
Transactions involving DANONE shares	(479)	(479)	10	10
Transactions with non-controlling interests	(241)	(345)	73	22
Other comprehensive income	23	23	(153)	(153)
Counterpart entry to expense relating to Group performance shares and stock-options	11	11	8	8
Other	(4)	(4)	(11)	(11)
Capital decrease through cancellation of DANONE shares	-	-	–	–
As of June 30	**11,132**	**11,146**	**11,036**	**11,069**

(a) The €851 million total dividend paid out by Danone and corresponding to the previous year's earnings consisted €307 million in cash (or €299 million excluding a balancing payment) and €544 in new shares.

(b) See Note 18 of the Notes to the consolidated financial statements.

Note 13. Current and non-current financial debt and Net debt

Current and non-current financial debt break-down as of June 30, 2014 and changes to these items between December 31, 2013 and June 30, 2014 are as follows:

		Movement during the period							
(in € millions)	As of December 31, 2013	Bond issue or net increase of other items	Bond repayment or net decrease of other items	Transfer to current portion	Translation adjustments	New put options	Exercise or expiration of put options	Other	As of June 30, 2014
Bonds [(a) (b)]	*618*	*-*	*(618)*	*603*	*–*	*–*	*–*	*–*	***603***
Commercial paper [(b)]	*737*	*416*	*-*	*–*	*–*	*–*	*–*	*–*	***1,153***
Other financing and other debts [(a) (c)]	*740*	*80*	*-*	*28*	*22*	*–*	*–*	*(21)*	***847***
Financing [(a)]	2,095	496	(618)	632	22	–	–	(21)	**2,604**
Derivatives - liabilities [(a) (b)]	–	-	(5)	-	6	–	–	–	**1**
Financing and derivatives - liabilities [(a)]	2,095	496	(623)	632	27	–	–	(21)	**2,605**
Liabilities related to put options granted to non-controlling interests [(a)]	2,767	–	–	–	–	–	(40)	–	**2,727**
Current financial debt	**4,862**	**496**	**(623)**	**632**	**27**	**–**	**(40)**	**(21)**	**5,332**
Bonds [(b) (d)]	*6,460*	*150*	*-*	*(603)*	*19*	*–*	*–*	*–*	***6,025***
Other financing and other debts [(c) (d)]	*116*	*33*	*-*	*(28)*	*2*	*–*	*–*	*9*	***132***
Financing [(d)]	6,576	183	–	(632)	21	–	–	9	**6,157**
Derivatives - liabilities [(b) (d)]	12	–	–	–	(10)	–	–	–	**2**
Financing and derivatives - liabilities [(d)]	6,588	183	–	(632)	12	–	–	9	**6,159**
Liabilities related to put options granted to non-controlling interests [(d)]	477	–	-	–	–	–	(106)	–	**371**
Non-current financial debt	**7,065**	**183**	**–**	**(632)**	**12**	**–**	**(106)**	**9**	**6,530**
Financial debt	**11,927**	**678**	**(623)**	**–**	**39**	**–**	**(146)**	**(12)**	**11,862**

(a) Less than one year portion.

(b) Financing managed at the Company level.

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

(d) More than one year portion.

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. The financial liabilities related to these options as of December 31, 2013 and June 30, 2014 are as follows:

	As of December 31	As of June 30		
(in € millions)	**2013**	**2014**	**Start of exercise period**	**Price calculation formula**
Danone Spain	1,136	1,036	At any time [(a)]	Average earnings multiple over several years
Danone CIS	1,079	1,082	2014	Earnings multiple
Other - non-current portion	140	135	After 2014	
Other - current portion	889	845	2014	
Other [(b)]	1,029	980		
Total	**3,244**	**3,098**		
• Of which, non-current financial liabilities	**477**	**371**		
• Of which, current financial liabilities	**2,767**	**2,727**		

(a) Contractually, these options may be exercised at any time. However, some beneficiaries signed a rider under the terms of which they accepted that the settlement of the amount owed by Danone and the transfer of ownership would be deferred by one year (€237 million as of June 30, 2014).

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

The €(146) million decrease in liabilities related to put options granted to non-controlling interests between December 31, 2013 and June 30, 2014 breaks down as follows:

(in € millions)	**2013**	**2014**
As of January 1	3,271	3,244
New put options granted to non-controlling interests as part of first-time consolidations [(a)]	403	–
Carrying amount of options exercised	(509)	(54)
Changes in the present value of the option strike price of outstanding options	79	(92)
As of December 31 / June 30	**3,244**	**3,098**

(a) Carrying amount as of December 31, 2013.

Change in net debt

The Group's net debt increased by €712 million between December 31, 2013 and June 30, 2014 to reach €8,678 million.

The structure of net debt as of June 30, 2014 and its changes between December 31, 2013 and June 30, 2014 are as follows:

	As of December 31	As of June 30
(in € millions)	**2013**	**2014**
Non-current financial liabilities	7,065	6,530
Current financial liabilities	4,862	5,332
Short term investments	(2,862)	(1,857)
Cash and cash equivalents	(969)	(1,217)
Derivatives - assets	(130)	(110)
Net debt	**7,966**	**8,678**

Note 14. Current and non-current financial liabilities relating to put options granted to non-controlling interests in Danone Spain

Since 2012, the Group had discussed 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 this subsidiary.

During the first half of 2013, the Group has repurchased a total of 1,642,618 shares from several Danone Spain minority shareholders (including 1,550,315 shares through the exercise of put options by their beneficiaries, and the remainder through direct purchases of Danone Spain shares from their holders), 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 renegotiation 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. As of December 31, 2013, with the arbitration proceedings still pending and in the absence of any new developments, the purchase price requested by the minority shareholders in these procedures is the value of these options as recorded in the financial statements on that date.

In the condensed interim consolidated financial statements as of June 30, 2014, financial liabilities related to put options granted to non-controlling interests of Danone Spain amount to €1,036 million (€1,136 million as of December 31, 2013).

Based on these share buybacks, option exercises and procedures, the Group decided to maintain a portion of the remaining put options (€799 million related to the 15% of Danone Spain's share capital mentioned above) as current financial debt in the condensed interim consolidated financial statements as of June 30, 2014. Put options amounting to €237 million continue to be classified as non-current financial debt, as these options are subject to a one-year payment term.

Note 15. Income Tax

In the first six months of 2014, the effective income tax rate was 30.7% (29.0% for the first six months of 2013 and 32.4% in 2013). The difference between the effective tax rate and the statutory tax rate in France (34.4%) for the first six months of 2014 can be detailed as follows:

	Six-month period ended June 30	
(as a percentage of income before tax)	**2013**	**2014**
Statutory tax rate in France	**34.4%**	**34.4%**
Differences between French and foreign tax rates (a)	(8.7)%	(8.6)%
Tax on dividends and royalties (b)	5.3%	4.0%
Tax adjustments and unallocated taxes (c)	0.4%	1.4%
Impact of capital gains and losses on disposal	(1.4)%	0.1%
Other differences	(1.0)%	(0.6)%
Effective income tax rate	**29.0%**	**30.7%**

(a) Various countries, none of which on their own generate a significant difference with the French tax rate.
(b) Includes the impact of the 3% dividends tax as well as the share of fees, expenses and withholding taxes on dividends and royalties.
(c) Corresponds mainly to tax adjustments, unallocated taxes and net changes in tax provisions, partially offset by changes in rates.

Note 16. Other provisions and non-current liabilities and legal and arbitration proceedings

Other provisions and non-current liabilities

As of June 30, 2014, Other provisions and non-current liabilities were as follows:

(in € millions)	As of December 31, 2013	Movements during the period Increase	Decrease (utilized)	Decrease (not utilized)	Translation adjustments	Other	As of June 30, 2014
Restructuring provisions	95	26	(38)	(6)	–	6	83
Other provisions for risks and charges	567	58	(23)	(17)	2	29	616
Investment subsidies	16	–	–	–	–	–	16
Total	**678**	**85**	**(61)**	**(23)**	**2**	**34**	**715**

Other provisions and non-current liabilities also include the short-term portion due in less than one year, since it is deemed immaterial. It totaled €59 million as of June 30, 2014 (€81 million as of December 31, 2013).

Changes to Other provisions and non-current liabilities during the first six months of 2014 are as follows:

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

As of June 30, 2014, Restructuring provisions include provisions related to the savings and adaptation plan for the Group's organizations in Europe and totaled €64 million (see Note 19 of the Notes to the consolidated financial statements), and Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the Group's normal course of business.

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

Legal and arbitration proceedings

Following the August 2, 2013 warning by the New Zealand government and Fonterra as to the possible botulism contamination of several lots of ingredients supplied by Fonterra to four Danone plants in the Asia/Pacific region, Danone is seeking indemnification and initiated proceedings in the New Zealand High Court as well as arbitration proceedings in Singapore in order to shed light on the facts and obtain compensation for damages incurred. The proceedings are pending.

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

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

Note 17. 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 transaction amounts denominated 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

This item includes cash-flows related to (i) the savings and adaptation plan for the Group's organizations in Europe (see Note 19 of the Notes to the consolidated financial statements), (ii) costs related to acquisitions when control is obtained and effectively paid out during the period, and (iii) contingent payments disbursed subsequent to control being obtained. These cash-flows used in operating activities totaled, respectively, €(79) million, €(3) million and €0 during the first six months of 2014.

Other net income components with an impact on net cash

Other net income components with an impact on cash correspond mainly to the amount of accrued interest as of December 31, 2013 and disbursed during the current period. The amount of accrued interest as of December 31, 2013 and paid out during the first six months of 2014 totaled €83 million, compared with €29 million as of December 31, 2012 and paid out in 2013.

Other net income components with no impact on cash

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

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2013**	**2013**	**2014**
(Gains) losses on disposal and impairment of property, plant and equipment [a]	(8)	(58)	(2)
Increase in (reversals of) provisions and deferred taxes	54	150	36
Expense relating to stock-options and Group performance shares	19	12	10
Interest expense not yet paid	43	48	44
Other [b]	61	11	28
Total	**169**	**163**	**116**

(a) Concerns intangible assets and property, plant and equipment used for operations.

(b) Of which €62 million of impairment of an indefinite useful life brand as of December 31, 2013.

Cash-flows provided by (used in) investing activities

In the first six months of 2014, capital expenditures totaled €457million, compared with €454 million in the first six months of 2013 and €1,039 million in the full year 2013 (representing 4.4%, 4.1% and 4.9%, respectively, of consolidated net sales).

Cash-flows provided by (used in) financing activities

Dividends paid to Danone shareholders

See Note 12 and Note 18 of the Notes to the consolidated financial statements.

Transactions with non-controlling interests

In the first six months of 2014, transactions with non-controlling interests consisted mainly of the following:

- €62 million payment in connection with the buyout of non-controlling interests (see Note 3 of the Notes to the consolidated financial statements);
- €63 million dividend payment.

Bond financings issued or subscribed during the first six months

See Note 13 of the Notes to the consolidated financial statements.

Note 18. Payment of the 2013 dividend, with the option of receiving the dividend payment in shares

The Shareholders' Meeting, held on April 29, 2014 in Paris, approved the proposed dividend of €1.45 per share in connection with 2013 earnings and decided to offer each shareholder the possibility to receive the dividend payment in cash or DANONE shares.

The option period was open from Wednesday May 7, 2014 to Wednesday May 21, 2014 included. At the end of the option period, 65.23% of rights were exercised in favor of the 2013 dividend payment in shares.

For the purposes of the dividend payment in shares, 11,932,014 new shares were issued, representing 1.89% of Danone's issued capital on the basis of the issued capital of April 30, 2014. As a reminder, the issuance price of the new shares issued as payment for the dividend was set at €45.62. It represents 90% of the average opening share price on Euronext during the 20 trading days preceding the date of the Shareholders' Meeting, less the amount of the dividend and rounded up to the nearest euro cent.

The settlement and delivery of the shares as well as their admission to trading on Euronext occurred on June 3, 2014. The shares carry dividend rights as of January 1, 2014 and will be fully assimilated to existing shares already listed.

The total cash dividend to be paid to the shareholders who chose not to receive the dividend payment in shares amounted to €299 million excluding balancing payments (see Note 17 of the Notes to the consolidated financial statements).

Note 19. Savings and adaptation plan for the Group's organizations in Europe

Since 2010, a lasting downturn in the European economy and consumer spending has led to a significant decline in sales in this region. While European sales volumes now show signs of gradual improvement, the Group's Fresh Dairy Products division in Europe has seen overall business fall back, with local cases of surplus capacity.

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

In addition to the organizational part, to deal with some situation of local overcapacity, on June 11, 2014, Danone also announced a plan to close its sites at Casale Cremasco (Italy), Hagenow (Germany), and Budapest (Hungary): all countries particularly hard hit by the fall in sales. The planned closure of these three plants and a gradual shift in production volumes to Belgium, Poland, Germany and France should allow the Fresh Dairy Products division to improve its production capacity and competitive edge in Europe

In this context, Danone today announced a plan to close its sites at Casale Cremasco, Italy; Hagenow, Germany; and Budapest, Hungary—all countries particularly hard hit by the fall in sales. The planned closure of these three plants and a gradual shift in production volumes to Belgium, Poland, Germany and France should allow the Fresh Dairy Products division to improve its production capacity and competitive edge in Europe

Costs relating to those various parts of 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 and consulting fees). As this plan consists in a strategic restructuring, costs incurred directly in connection to the plan are accounted for as Other operating income or expense. Costs recognized in the consolidated income statement consist in costs paid, incurred, or 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

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

Costs and cash-flows related to this plan for the six month periods ended June 30, 2013 and 2014 and the fiscal year ended December 31, 2013 are as follows:

	Year ended December 31	Six-month period ended June 30	
(in € millions)	**2013**	**2013**	**2014**
Costs			
Employee-related measures	185	204	57
Impairment of intangible assets and property, plant and equipment	30	6	13
Other reorganization costs	65	23	29
Total [a] [b]	**280**	**233**	**98**
Cash-flows net of taxes [c]	**121**	**39**	**79**

(a) Of which, €62 million in provisions as of December 31, 2013, €174 million as of June 2013 and €64 million as of June 2014.

(b) Of which, €46 million as of June 30, 2014, on all of these costs, involving the planned closing of the plants in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary).

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

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 2014, there were no significant changes in the types of related party transactions reported for the fiscal year ended 2013 (see Note 34 of the Notes to the consolidated financial statements for the year ended December 31, 2013).

The Shareholders' General Meeting of April 29, 2014 authorized the Board of Directors to grant Group performance shares in 2014 to Group employees (including the Executive Committee) and executive directors and officers of the Company. In the first six months of 2014, no Group performance share was granted. The grant of Group performance shares under the 2014 authorization is subject to the approval of the Board of Directors on July 24, 2014.

Note 21. Subsequent events

On July 18, 2014, Danone and Brookside announced that they had signed an agreement allowing Danone to acquire a 40% interest in Brookside's holding company. With 2013 revenues of around €130 million, Brookside is East Africa's leading Dairy Products group. Established in Kenya in 1993, Brookside operates a unique distribution platform that provides daily access to over 200,000 outlets. The company manages the largest milk collection network in East Africa, with 140,000 farmers in the region. By uniting Danone's international expertise in Fresh Dairy Products with Brookside's regional expertise and robust supply chain, the partnership will enable Brookside to accelerate its growth by expanding its product portfolio and strengthening its geographical presence in key markets in the East African region, including Uganda and Tanzania.

To the best of the Company's knowledge, no material events occurred between the end of the reporting period and July 24, 2014, the date on which the Board of Directors approved the 2014 interim condensed financial statements.

Statutory Auditor's review report on the 2014 interim financial information

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

To the shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Danone, for the six months period from January 1st to June 30th, 2014;
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

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

Neuilly-sur-Seine and Paris La Défense, July 24, 2014

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit — Anik CHAUMARTIN, Philippe VOGT

Ernst & Young et Autres — Gilles COHEN, Pierre-Henri PAGNON

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

"We certify that, to our knowledge, the condensed financial statements for the half year ended June 30, 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 24, 2014

Franck RIBOUD

Chairman and Chief Executive Officer

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