DANONE

07 Registration Document

DANONE

GROUPE DANONE

DANONE

Registration Document **2007**

The French language version of this *Document de Référence* (Registration Document) was filed with the *Autorité des Marchés Financiers* on March 26, 2008, pursuant to article 212-13 of its General Regulations.

This Registration Document may be used in support of a financing transaction if supplemented by a *note d'opération* (or offering memorandum) approved by the *Autorité des Marchés Financiers*.

Copies of this Registration Document are available from Groupe Danone at

17, boulevard Haussmann 75009 Paris, France

and on Groupe Danone's website at: **www.danone.com**

as well as on the website of the *Autorité des Marchés Financiers* at: **www.amf-france.org**

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PERSONS RESPONSIBLE

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1.1 Person Responsible for The Registration Document

Mr. Franck RIBOUD

Chief Executive Officer

Groupe Danone

1.2 Statement by the Person Responsible for the Registration Document

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

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

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

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

The Chief Executive Officer,

Franck RIBOUD

STATUTORY AUDITORS

STATUTORY AUDITORS

MAZARS & GUÉRARD Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* 61, rue Henri-Regnault 92400 Courbevoie, France Represented by Thierry COLIN and Dominique MULLER	PRICEWATERHOUSECOOPERS AUDIT Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France Represented by Éric BULLE and Olivier LOTZ

START DATE OF FIRST TERM OF OFFICE

May 21, 1992	May 21, 1992

EXPIRATION DATE OF TERM OF OFFICE

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

SUBSTITUTE STATUTORY AUDITORS

Patrick de CAMBOURG 61, rue Henri-Regnault 92400 Courbevoie, France	Anne MONTEIL 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France

START DATE OF FIRST TERM OF OFFICE

April 15, 2004	April 15, 2004

EXPIRATION DATE OF TERM OF OFFICE

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

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SELECTED FINANCIAL INFORMATION

Preamble

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

- the consolidated financial statements and the statutory auditors' reports relative to the fiscal year ended on December 31, 2005 in pages 87 to 147 of the Registration Document for the 2005 fiscal year that was filed with the AMF on March 27, 2006;
- the statutory financial statements and the statutory auditors' reports relative to the fiscal year ended on December 31, 2005 in pages 160 to 174 of the Registration Document filed with the AMF on March 27, 2006;
- the consolidated financial statements and the statutory auditors' reports relative to the fiscal year ended on December 31, 2006 in pages 96 to 151 of the Registration Document for the 2006 fiscal year that was filed with the AMF on March 27, 2007;
- the statutory financial statements and the statutory auditors' reports relative to the fiscal year ended on December 31, 2006 in pages 170 to 182 of the Registration Document filed with the AMF on March 27, 2007;
- selected financial information, the operating and financial review and all of the non-financial information pertaining to the fiscal year ended on December 31, 2006 in pages 4, 21 to 23, 44 to 49, 55 to 60 of the Registration Document for the 2006 fiscal year that was filed with the AMF on March 27, 2007.

General Information

The Danone group (hereinafter referred to as "the Group" or "Danone") is a major player in the global food industry with sales of € 12.8 billion and an operating income of € 1.7 billion in 2007. Over the course of the past 10 years, the Group has refocused itself around business activities in the healthy food industry. On October 31, 2007, the acquisition of Royal Numico N.V. and its subsidiaries ("Numico"), a group specialized in baby food and medical nutrition, announced a new phase in its development by adding such business activities to its portfolio. The Group now operates on three markets corresponding to its three business lines (hereinafter referred to as the "business lines"): (i) Fresh Dairy Products, (ii) Waters and (iii) Baby Food and Medical Nutrition. Due to the short timelag between the acquisition of Numico and the end of the year 2007, Baby Food and Medical Nutrition activities are presented within the same business line and represent only two months of business activity. In addition, in 2007, the Group maintained the activities it commercializes under the *Blédina* brand within the Fresh Dairy Products business line. Starting in 2008, these activities will be integrated into the Baby Food business line, while the Medical Nutrition business line will be separated from the Baby Food business line.

The Group holds leadership positions in numerous countries where it has a strong presence.

The Group's international development strategy has lead to strong progress in sales outside of Western Europe. In 2007, these sales represented 51% of total sales from continuing operations, as compared with less than 15% in 1995.

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

The internal growth of the Group in recent years is based upon the Group's ability to sell quality products satisfying the demands of consumers in local markets by (i) improving the products sold by recently acquired companies, (ii) introducing products that are accessible to large numbers of consumers in emerging countries in order to develop mass consumption of brand-name packaged food products and ensure demand for the Group's brands for the future and (iii) taking advantage of the Group's marketing expertise to sell value-added products already sold in other countries, to accompany increases in purchasing power and developments in consumer trends.

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

Key Financial Information

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

	Fiscal year ended on December 31	
In € millions (except for result per share expressed in €)	**2006**	**2007**
Consolidated Income Statement Data		
Net sales	12,068	12,776
Trading operating income	1,597	1,696
Operating income	1,560	1,546
Net income from discontinued operations or held for sale	366	3,292
Net income — Attributable to the Group	1,353	4,180
Net income — Attributable to minority interests	207	158
Earnings per share attributable to the Group	2.79	8.77
Diluted earnings per share attributable to the Group	2.76	8.71
Underlying diluted earnings per share attributable to the Group	2.44	2.47
Consolidated Balance Sheet Data		
Current assets	6,154	4,394
Non-current assets	10,702	23,182
Total assets	16,856	27,576
Net debt (1)	2,902	11,261
Shareholders' equity — Attributable to the Group	5,823	9,018
Minority interests	246	82
Dividends per share	1.0 (3)	1.1 (2)
Cash Flow Statement Data		
Cash flow provided by operating activities, excluding changes in net working capital	1,647	1,430
Cash flow provided by operating activities	1,930	1,611
Cash flow used in investing activities	(263)	(8,098)
Cash flow provided by (used in) financing activities	(1,552)	6,396

(1) The net debt corresponds to the financial debt less cash and cash equivalents and marketable securities.
(2) Subject to the approval of the Shareholders' Meeting dated April 29, 2008.
(3) Adjusted to take into account the two-for-one stock split that occurred on June 1, 2007.

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RISK FACTORS

4.1 Risk Identification and Control Policy

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

Since 2002, the Group has implemented a global risk identification approach (with a specific initiative called "Vestalis") that maps major operational risks and allows the classification of problems in terms of the risks' frequency of occurrence and their financial impact on the Group. Vestalis has been deployed or is in the process of being deployed in 56 subsidiaries of the Group, which represent approximately 90% of the Group's consolidated net sales as of December 31, 2007. This chart allows the identification of risks and weaknesses of activities and processes of the subsidiaries within the scope, to group or prioritize them by country or business line and to define preventive and corrective actions, which may be local or global, as appropriate.

The most significant risks are reviewed once a year by the management teams of the business lines and geographical areas during specific meetings. A general review is regularly performed by the Group's management and the Audit Committee.

Numico has also implemented a risks identification procedure in place in its subsidiaries since 2006. Starting in 2008, the Vestalis risk mapping methodology will be gradually deployed in Numico's entities.

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

4.2 Risks Inherent to the Business Activity

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

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

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

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

RISKS ASSOCIATED WITH THE CONCENTRATION OF DISTRIBUTION LEADING TO A SMALLER NUMBER OF CUSTOMERS

While the final customers of Danone products are individual consumers, the Group sells its products mainly to major retail and grocery chains. Overall, the distribution market has become increasingly concentrated. In 2007, the Group's ten largest customers worldwide accounted for 24% of the Group's consolidated net sales. Six of those customers are French companies and the Group's largest client, Carrefour, represents approximately 7% of the Group's consolidated net sales. Continuation of the movement to concentrate distribution that would translate into a smaller number of customers could affect the Group's profit margins.

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

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

RISKS ASSOCIATED WITH COMPETITION

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

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

The Group's operations and its employees could be exposed to the risks and uncertainties involved in pursuing commercial and industrial activities in numerous countries which may experience, or may have recently experienced, economic or governmental instability, particularly in Latin America, Asia, Africa and the Middle East. Also, several countries in which the Group is present offer less developed and less protective legal environments (in particular with respect to intellectual property rights), maintain controls on the exchange or repatriation of profits and invested capital, impose taxes and other payments and put in place restrictions, sometimes retroactively, on the activities of international groups.

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

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

As a producer principally of food and beverage products, the Group's sales may be affected by the overall economic trends of its principal geographic markets. In periods of economic slowdown, consumer purchase decisions may be affected by specific consumer behaviors, in particular with respect to purchasing power, thus creating negative pressure on the evolution of the Group's sales.

RISKS ASSOCIATED WITH SEASONAL CYCLES AND WEATHER CONDITIONS

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

RISKS ASSOCIATED WITH THE PRODUCTS

The objective is to have control over the risks both within the Group but also originating from suppliers.

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

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

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

The Group's strategy rests on the development of new products with a strong nutrition / health component. In this context, the Group remains particularly vigilant, beyond the scientific elements that have been clearly identified and the regulatory context, in particular on the origin of ingredients used. In addition, the group is developing more and more complex products made from organic materials, especially probiotics.

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

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

RISKS ASSOCIATED WITH INFORMATION SYSTEMS

The Group is increasingly dependent upon common information technology application systems for conducting the whole of its business activities. The main risks are related to confidentiality, the integrity of data and the interruption of computer services. Indeed, any failure of these applications or communications networks and any absence in the securitization of data centers or networks may block or slow down production, delay or taint certain decisions and result in financial losses for the Group.

RISK OF AN INTERNAL CONTROL FAILURE

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

RISKS ASSOCIATED WITH THE CONSEQUENCES OF RESTRUCTURING PLANS

The Group has already undertaken restructuring plans in the past and, more recently has done so within the framework of the acquisition of Numico, and could continue doing so. Restructuring plans consist of, in particular, plant closing and headcount reductions in order to lower production costs, to improve efficiency of its production processes, to implement synergies and to adapt to the demands of a constantly evolving market. Restructuring could harm the Group's employee relations and result in labor disputes, including work stoppages, strikes and disruptions, which in turn could have an adverse impact on the Group's image, activities and results of operations.

RISKS ASSOCIATED WITH THE GROUP'S GROWTH STRATEGY

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

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

RISKS ASSOCIATED WITH THE INTEGRATION OF NUMICO

Following the acquisition of Numico, the Group set up an integration committee in charge of the implementation of an integration project intended to exploit the synergies in terms of sales and cost reduction. The Group cannot, however, guarantee that it will succeed within the expected timeframe and, should this be the case, its results of operations could be affected.

In addition, the uncertainties associated with the integration of Numico could lead to the departure of certain key individuals and slow down the recruitment of qualified employees. Should this be the case, it could have adverse effects on the Group's activities and results of operations.

RISKS ASSOCIATED WITH THE GROUP'S REPUTATION

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

4.3 Legal Risks

RISKS ASSOCIATED WITH BRAND NAMES AND INTELLECTUAL PROPERTY

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

RISKS ASSOCIATED WITH THE EVOLUTION OF REGULATIONS

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

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

4.4 Industrial Risks

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

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

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

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

In 2007, 110 loss prevention audits of the Group's industrial sites (excluding Numico) were conducted by independent entities which assigned a rating ranging from 1 to 5 to each audited industrial site. The average rating for the sites of 4.19 in 2006 (against 4.00 in 2005) marks an improvement in security conditions since the implementation of this prevention system. At the end of 2007, while taking into account the separate audits carried out by Numico of its own sites, the average rating for all of the Group's sites was 3.76. In addition, as of December 31, 2007, 33 sites had a rating of 5, enabling them to obtain an HPR certification (Highly Protected Risk).

Starting in 2008, specific measures will be taken in order to progressively improve the safety of Numico's industrial sites.

4.5 Risks Related to the Environment

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

The Group's activities are subject to numerous laws and regulations (which mainly relate to water, air, the use of natural resources, noise and waste). They are becoming more and more stringent and are constantly evolving. These activities are, in particular, subject to obtaining authorizations or making prior declarations, pursuant to French legislation concerning installations and classified as for the protection of the environment and pursuant to equivalent regulations in other countries.

Packaging is subject to specific regulations, in particular European Directive 94/62 (amended in 2004), relating to packaging and packaging waste, which integrates a reduction at source, reduction of the toxicity of hazardous substances and recycling and recovery. In addition, the Group's activities are subject to the European Directive of 2003 establishing an exchange system and quotas for greenhouse gas emissions and the transpositions of the National Allocation Plans for Quotas in the European Union. Four of the Group's sites in the European Union are subject to quotas in this way, while the other sites are below the minimum eligibility threshold.

The principal potential risks are water pollution (essentially organic and biodegradable pollution), risks related to refrigerating installations (ammonia and other refrigerating liquids), and risks related to the storage of raw materials or products for the cleaning and disinfection of the Group's plants (acid or basic products), especially when these installations are located in inhabited areas.

Consumers' perception can indirectly have an impact on the Group's business activities. As such, increased awareness with respect to environmental issues such as greenhouse gas emissions could impact consumers' purchasing decisions. Therefore, the Group makes a constant effort to reinforce its societal commitments and improve the management of its activities within this new context.

By analyzing life cycles, the Group has evaluated that given the nature of its activities, its direct environmental impact is relatively limited. With respect to the Fresh Dairy Products and Waters activities, the estimate of the emissions resulting from the Group's products in the world in 2007 represents a direct and indirect impact of 16 million tons of CO_2 (or 0.003% of worldwide emissions). Agricultural products used by the Group represent 44%.

ENVIRONMENTAL EXPENSE AND INVESTMENTS

In 2007, investments for the protection of the environment amounted to approximately € 17 million (excluding Numico), or approximately 2.3% of the Group's total industrial investments.

The four main categories of investments are distributed as follows: 37% were for waste (in particular improving collection, storage, sorting), 17% were for water (water treatment, purification stations, and economies of consumption), 16% were for the atmosphere (reduction of greenhouse gases, treatment of odors, smoke and noise), and 13% were for energy (economies of consumption, conversion to cleaner energy sources).

Expenses related to the environment amounted to approximately € 109 million in 2007. They included expenses of € 40 million for the management of water, energy, waste and environmental taxes other than packaging contributions. The latter amounted to € 68 million in 2007.

In addition, the fines, penalties and damages paid to third parties in connection with environmental issues were less than € 0.1 million in 2007. No significant provision for risks and expenses related to the environment is accrued for in the consolidated balance sheet as of December 31, 2007.

4.6 Financial Market Risks

The Group has implemented an organization enabling it to manage, in a centralized manner, all of its financial risks relating to liquidity, foreign exchange rates, interest rates and counterparty risk. A description of these risks is presented in paragraph 20.1 in Note 15 of the footnotes to the consolidated financial statements.

The Treasury Department, which is part of the Finance Department, has developed the expertise and implemented the tools required for this management (dealing room, front and back office software), allowing it to act on the different financial markets in accordance with the standards generally implemented in leading groups. Furthermore, the organization and applied procedures are evaluated by the management teams of the Internal Control and Internal Audit departments. In addition, certain activities of a banking nature are subject to the supervision of the French Banking Authority (*Commission bancaire*). Finally, a monthly report is prepared and communicated to the Group's Management which may confirm the orientations chosen within the framework of the management strategies that were originally authorized.

SECURITIES-RELATED RISK

Risks related to the Company's shares

As indicated in paragraph 21.1.3 — Treasury shares, as of February 29, 2008, the Company held 37,100,174 treasury shares and shares held by subsidiaries of the Company for a total value of € 1,260 million (37,395,559 treasury shares as of December 31, 2007 amounting to a total value of € 1,270 million). Treasury shares are presented as a reduction to equity at their historical cost.

Based on the closing price of the Company share on February 29, 2008 (or € 51.98), the market value of the treasury shares held as of this date (or 37,100,174 shares) amounted to € 1,928 million. An upward or downward variation of 10% in the price of the Company share would result in a variation of € 193 million in the market value of the treasury shares and of the shares held by subsidiaries of the Company.

Risks related to other securities

As of December 31, 2007, the investments in non-consolidated companies included listed securities, the market value of which, as reflected in the balance sheet, amounted to € 710 million. These securities are mainly comprised of the Group's equity interest in the Wimm Bill Dann and ONA companies (see Note 7 in the footnotes to the consolidated financial statements).

Other risks

Marketable securities mainly include commercial paper to which the Group is, by nature, not significantly exposed. The other financial assets include € 87 million of investments held as security for some damage and healthcare provisions.

The Group's plan assets, for which the fair value amounts to € 443 million as of December 31, 2007, are invested in shares for up to 29% of their amount, in accordance with the policy applied by the companies managing these funds.

4.7 Insurance and Risk Coverage

The Group has a global financial insurance coverage policy based on stringent technical evaluations that use the insurance products around the world according to their availability on the local markets and the local regulations in force in each country.

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

This policy is as follows:

- Traditional major risks (Property Damage, Business Interruption, Commercial General Liability): such programmes are negotiated at Group level for all subsidiaries with renowned international insurers. The coverage is provided in the form of "all risks" on the basis of the largest guarantees existing on the market, together with variable deductibles that are relatively low as compared with those granted to groups of comparable size in order to take into consideration and account for the management of each Business Unit. The guarantee limits are set on the basis of disaster scenarios estimated in accordance with insurance market rules. The coverage policies were renewed as of January 1, 2007 for a set period of three years. The total budget for these programs amounted to approximately € 20 million in 2007;

- special risks: they are potentially significant, and require specific management like the liability of the Group's corporate officers ("*mandataires sociaux*"), fraudulent acts, as well as various risks (taking products off the market, credit risk, environmental risk) that are covered according to market availability, on the basis of scenarios estimating the impact of these claims. The total budget for this category of coverage amounted to € 3 million in 2007;
- common lines of cover: these risks, which require local management, include the coverage for fleets of vehicles, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurances specific to some countries. These insurance policies are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. The budget for premiums amounted to approximately € 10 million in 2007.

The Group has decided to adapt the coverage of Numico in accordance with the same mechanisms. This integration will be effective during the year 2008.

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

5

COMPANY INFORMATION

5.1 Company History and Evolution

5.1.1 Corporate Name and Commercial Name

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

5.1.2 Registration Number with the French Trade and Companies Registry

The Company is registered with the French trade and companies registry under number 552 032 534 RCS Paris.

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

5.1.3 Date of Incorporation and Term of the Company

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

5.1.4 Registered Office, Legal Form, and Applicable Law

REGISTERED OFFICE

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

LEGAL FORM AND APPLICABLE LAW

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

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

HISTORY

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

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

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

In 1994, in order to consolidate its position as an international food and beverage group and to reinforce the marketing strength of its brand name, the BSN group decided to change its name to "Groupe Danone", as such adopting the name of the Group's best known international brand, namely Danone (at that time, BSN, the parent company of the Group, changed its name to Groupe Danone).

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

The 2007 year marks the end of a 10-year refocusing period during which the Group's activities were refocused in the area of health. In 2007, the Group sold its Biscuits and Cereal Products business on the one hand, and added Baby Food and Medical Nutrition to its portfolio on the other. The acquisition of Numico fully contributes to the Group's development model in terms of its positioning in health, its innovation and geographical expansion, and is in line with its mission of bringing health through food to the largest number of people.

Following these important changes, the Group is now positioned around three business lines:

- Fresh Dairy Products, which regroups mainly yogurts and desserts, representing approximately 69% of consolidated sales for 2007;
- Waters, representing approximately 28% of consolidated sales for 2007; and
- Baby Food and Medical Nutrition. Given that the Group's acquisition of Numico occurred so close to the end of the year 2007, Baby Food and Medical Nutrition activities are presented within the same business line and represent only two months of business activity, or approximately 3% of annual consolidated sales for the months of November and December 2007. In addition, in 2007, the Group maintained the activities it commercializes under the *Blédina* brand within the Fresh Dairy Products business line. Starting in 2008, these activities will be integrated within the Baby Food business line, and this business line will itself be separated from the Medical Nutrition business line.

KEY EVENTS IN 2007

The Group's total sales amounted to € 12,776 million, or an increase of 5.9% as compared with 2006. At constant currency foreign exchange rates (also referred to as constant exchange rates) and scope of consolidation, total sales grew 9.7%, an excellent performance in particular in the 4th quarter. The trading operating margin, increased for the thirteenth consecutive year, by 45 basis points despite a strong increase in the cost of transport and the price of certain raw material, in particular, milk. The trading operating margin was 13.27% in 2007 against 13.24% in 2006.

On October 31, 2007, following the approval of the transaction by the antitrust authorities, the Group gained control of Royal Numico N.V., a company listed on the Amsterdam stock exchange, which the Group owned at 29.57% since July 2007. As of December 31, 2007, the Group held 98.85% of the shares of the company, which the Group acquired for € 12,189 million. In addition, since December 28, 2007, this company is no longer listed. Through this transaction, the Group reinforces its presence in market business lines where the growth dynamic is promising, namely those concerning Baby Food and Medical Nutrition.

On November 30, 2007, the Group announced the completion of the sale of its Biscuits and Cereal Products business to Kraft Foods, with the exception of its holdings in Latin America (Bagley Latino America) and India (Britannia Industries Limited). This transaction marks a new milestone in the Group's history as it continues to refocus its efforts on activities related to health that have a strong growth potential.

In 2007, the Group undertook other transactions in sales and acquisitions (see the preamble of Chapter 9 and Note 2 of the footnotes to the consolidated financial statements) and pursued its organic growth strategy, in particular with respect to the Fresh Dairy Products business activity (see paragraph 6.2).

A certain number of procedures oppose the Group and its Chinese partner in the Wahaha subsidiaries. These procedures are described in paragraph 20.1 in Note 2.3 of the footnotes to the consolidated financial statements.

In 2007, the Group once again demonstrated its ability to innovate and extend the territory of its brands and blockbusters, as much in terms of both in geographic extent and range of products.

In the Fresh Dairy Products business activity, the Group has in particular (i) launched *DanActive* in the United States (local derivative of *Actimel*), (ii) extended the commercialization of the range of *Activia* products, with *Activia* Cheese and *Activia* Drink, and (iii) positioned itself as a leader in the market for ultra-fresh anti-cholesterol products with the launching of *Danacol* in Russia and Poland.

In the Waters business activity, the Group has in particular introduced new formats for its products and has continued to develop the flavored water business line in Spain, Poland, Argentina and France with *Volvic Fruits*.

In the Baby Food and Medical Nutrition activity, the Group estimates that the complementarity of the *Blédina* brands and Numico brands in terms of geographical reach will offer new opportunities for growth.

SUBSEQUENT EVENTS FOLLOWING THE 2007 FISCAL YEAR

In February 2008, the Group announced the creation of a joint venture with the American company Weight Watchers International, Inc, with the objective of creating a company specialized in weight management in China.

5.2 Investments

5.2.1 Principal Investments of the 2006 and 2007 Fiscal Years

INDUSTRIAL INVESTMENTS

Industrial investments reached € 726 million in 2007 against € 621 million in 2006 (representing 5.7% and 5.2% of consolidated sales, respectively). The controlled acceleration in investment expenditures demonstrates the increased needs for more production capacity which is necessary to accompany the strong growth in the Group's sales and its geographical expansion.

The amounts invested over the course of the 2007 fiscal year integrate, for up to 50% of the total amount, investments aimed at increasing production capacity in countries where sales are experiencing strong growth (Russia, China, Argentina, Mexico, Indonesia and the United States) and, for up to 5% of the total amount, investments to increase production capacity in countries where the Group's presence is recent, in particular in Egypt, Colombia and Chile.

Amounts invested over the course of the 2006 fiscal year integrated mainly the investments aimed at increasing production capacity for the Fresh Dairy Products activity in the United States, as well as in Latin America for the Fresh Dairy Products and Waters activities.

FINANCIAL INVESTMENTS

The financial investments totaled € 12,100 million (net of cash and cash equivalents accounted for in acquired companies) in 2007, against € 564 million in 2006. The financial investments for the 2007 fiscal year mainly include:

- the acquisition, for an amount of € 12,189 million, of 98.85% of Numico: the company and its subsidiaries have been fully consolidated since October 31, 2007;
- the acquisition of all of the shares of the Calpis Ajinomoto Danone joint venture, renamed Danone Japan (Fresh Dairy Products). This company, which was previously accounted for by the equity method, has been fully consolidated since the first half-year of 2007;
- the acquisition of an 80% interest in a joint venture with Caglar (Waters – Turkey). The company, named Danone Hayat Antalya, is fully consolidated;
- the acquisition of a 70% interest in a joint venture with Vialat (Fresh Dairy Products – Chile). The company, named Danone Chile, is fully consolidated;
- the acquisition of a 51% interest in a joint venture with Alqueria (Fresh Dairy Products – Colombia). The company, named Danone Alqueria, is fully consolidated;

- the acquisition of an additional interest in Danone Industria (Fresh Dairy Products – Russia), increasing the Group's interest ownership from 70% to 85%.

The financial investments of the 2006 fiscal year mainly related to the acquisition of additional shareholdings , increasing the interest ownership of the Group to 100% in Danone Asia Pte Ltd. (holding company), Danone Djurdjura Algeria (Fresh Dairy Products) and Danone Romania (Fresh Dairy Products), as well as the acquisition of 100% of the share capital of Rodich (Fresh Dairy Products – Ukraine), of 22.18% in Hui Yuan Juice (Waters – China) and of 49% in Aqua d'Or (Waters – Denmark).

In addition, repurchases of the Company's shares made through the programs authorized by the Shareholders' Meetings of the 2006 and 2007 fiscal years represented expenditures of € 508 million in 2007 against € 731 million in 2006.

5.2.2 Principal Investments in Progress

The principal investments currently in progress relate to production capacity extensions in emerging countries and countries with a strong growth potential, to European production capacity extensions for the *Actimel, Danacol* and *Activia* product line, as well as to the Waters activity to meet Japanese demand.

5.2.3 Principal Future Investments

INDUSTRIAL INVESTMENTS

Similar to 2007, the Group intends to continue its investment efforts in 2008 in emerging countries and in countries with a strong growth potential.

The Group estimates that industrial investments should amount to between 5.5% and 6% of its 2008 sales.

FINANCIAL INVESTMENTS

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

In addition, the Company and its subsidiaries concluded various agreements providing for the repurchase by the Group of interests held by third parties in certain companies in the event these third parties wish to sell their interests (see Note 15 of the footnotes to the consolidated financial statements). No significant financial investment is currently considered probable in the short term regarding these agreements.

Lastly, the Board of Directors submitted a draft resolution for approval to the Shareholders' Meeting of April 29, 2008 to repurchase treasury shares, representing a maximum amount of 10% of the Company's share capital at a maximum purchase price of € 80 per share. For information purposes only, and without taking into account the shares already held by the Company, or 51,285,146 shares as of December 31, 2007, the theoretical maximum purchase amount would be equal to € 4,102,811,680.

6

OVERVIEW OF BUSINESS ACTIVITIES

Unless otherwise noted:

- *All references herein to "markets" for particular products, or to market share, refer to markets for packaged products and exclude products which may be otherwise marketed or sold.*
- *Information pertaining to market shares or the Group's market positions are based on value sales.*
- *All references herein to market shares or to the Group's market positions are derived from internal evaluations which may be based on third-party market studies.*
- *All references herein to "Fresh Dairy Products" and the Fresh Dairy Products business or markets refer to processed dairy products and exclude milk, cream and butter.*
- *All references to "Packaged Water" refer to bottled water, water sold in large container (jugs), and water sold in small containers (cups).*

6.1 Principal Business Activities of the Group

Business Overview

The Group is a major player in the global food and beverages industry, with worldwide sales and operating income of approximately € 12.8 billion and € 1.7 billion, respectively, in 2007. The Group operates in three markets: (i) Fresh Dairy Products, (ii) Waters, and (iii) Baby Food and Medical Nutrition.

By volume, the Group is the world's leading producer of Fresh Dairy Products, the second largest producer of Packaged Water and the second largest producer of Baby Food.

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

In addition, with the acquisition of Numico in 2007, the Group is now the leader in the baby food market in Europe through its local brands (*e.g., Blédina* in France or *Mellin* in Italy) and international brands, such as *Nutricia* and *Milupa*.

The brand name Danone, used for Fresh Dairy Products, currently represents approximately 60% of the Group's net sales and experienced growth of close to 12% in 2007 at constant exchange rates and scope of consolidation. In addition, two of the Group's brands (Danone and *Evian*) represent approximately 65% of the Group's net sales. These two brands had a growth rate in net sales at constant exchange rates and scope of consolidation of 11% in 2007.

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

The Group's main product for export is bottled water, mainly under the brand names *Evian* and *Volvic*. *Evian* was exported to approximately 150 countries in 2007 and has strong market shares in the United Kingdom, Germany and Japan. *Volvic* is the leading still mineral water brand in Germany and the leading imported water in Japan.

Lastly, the Group has a strategy of internal and external growth aimed at establishing a geographic balance between developed and emerging countries. In this context, the Group develops its activities in countries that constitute areas of growth: Indonesia, Mexico, Brazil, Argentina, Russia and the United States in Fresh Dairy Products. These countries represented 28% of the Group's net sales in 2007.

The Purchase of Raw Materials

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

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

Purchasing of other food raw materials, mainly fruit mixtures, is managed through global or regional purchasing programs, allowing for synergies in terms of volumes.

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

The price of PET and plastics, which are among the most significant packaging raw materials purchased by the Group, varied widely in Europe and Asia until 2006, mainly due to the fluctuation in the price of oil.

In 2007, the main raw materials used for packaging, as well as cardboard, did not experience significant change in prices at the Group level.

Nutrition — Health

The Group considers that nutrition plays an important role in health and well-being. This conviction has been reaffirmed year after year and inspired Danone's Food, Health and Nutrition Charter, which was published in March 2005. This charter presents the Group's convictions and commitments with respect to nutrition and health. Among these commitments are the support of research programs on nutrition and health, dialogue with scientists, sharing of knowledge with the scientific world and health professionals and informing consumers (in particular through nutritional labeling of products).

The Group's strategy depends on the development of products with a strong nutrition and health component. In 2007, with the acquisition of Numico, a group specialized in baby food and medical nutrition, reflects this strategic choice.

Medical Nutrition allows for adapted and specialized nutrition for persons with specific nutritional needs due to food products with a modified texture, enriched for example in protein. The functional benefit is therefore of primary importance in this market.

Certain products in the Baby Food business give non breast-fed babies a nutritional solution that is adapted to their diet. In addition, specific clinically-tested preparations were also developed for babies suffering from intolerance to milk protein.

Customers, Distribution and Marketing

Customers. While end consumers of the Group's products are individual retail customers, the principal portion of the Group's sales are to major retail and grocery chains. The retail industry has become increasingly concentrated over the past several years. In many markets, the Group's three largest clients represent a significant portion of sales. This concentration, particularly advanced in Europe, is expected to increase in North America and in emerging countries. In 2007, the Group's 10 largest customers worldwide, of which six are French retail groups, accounted in the aggregate for approximately 24% of total consolidated net sales. Danone's largest client alone, Carrefour, accounted for approximately 7% of consolidated sales in 2007.

The Group has global partnership agreements with major retailers. These partnership agreements contain, in particular, provisions concerning logistical collaboration or management of food safety.

However, they typically exclude pricing terms, which remain within the responsibility of the Group's subsidiaries.

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

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

In addition, with the acquisition of Numico, the Group's client portfolio has expanded to include hospitals and pharmacies. In the Medical Nutrition market, the Group works closely with local and regional regulatory authorities, doctors, scientists, key opinion leaders, hospitals, clinics and pharmacies. In the Baby Food market, clients also include major retail or grocery chains, pharmacies, hospitals, and clinics.

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

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

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

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

In the Baby Food and Medical Nutrition markets, products are commercialized in hospitals, clinics and pharmacies. Medical visitors meet with general practitioners and specialists (e.g., pediatricians, nutritionists, etc.), as well as with pharmacists.

Marketing. The Group's advertising and promotional policies constitute a key element in the success of its overall strategy based on innovation, brand recognition and market leadership. The Group mobilizes significant resources in support of its strategy, and expects advertising costs, as a percentage of net sales, to remain stable in 2008.

For several years, the Group has been following a policy of resource optimization by focusing on a few brands in order to maximize efficiency. Accordingly, more and more products have been introduced under leading brand names such as *Danone* or *Taillefine/Vitalinea,* currently used for Fresh Dairy Products and Waters. In addition, the Fresh Dairy Products business line has developed four blockbuster product lines, the *Actimel*, *Activia, Danonino* and *Vitalinea* lines, which are progressively being marketed in all of the countries where the Group is present.

In the Medical Nutrition market, products are oriented primarily towards patients, babies, or the elderly, who consume these products out of necessity. Most products are administered by prescription and are reimbursed. Consequently, the Group communicates primarily with local and regional regulatory authorities, doctors, scientists, key opinion leaders, medical personnel in hospitals and clinics and pharmacists. In Medical Nutrition, the reputation of its brand is positive, in particular with regards to the *Nutricia* brand (which covers a broader portfolio of sub-brands commercialized in several countries), as well as the SHS brand (better known to respond to the specific needs of patients).

Danone's operating companies in each business line and geographic market are responsible for developing their own advertising, promotional and sales strategies adapted to local consumer patterns. The operating companies use shared and solid foundations for their strategies that are optimized across product lines and geographic areas by dedicated central organizations. In order to ensure (i) coherence of retailing strategies within the Group, (ii) a sharing of marketing know-how and (iii) an optimization of promotional costs, the Group has a Director in charge of coordinating commercial retail strategies and initiatives as well as a policy of ensuring that strategic principles and initiatives extend across product lines and geographic areas. In the case of Baby Food and Medical Nutrition, policy-making and marketing are centralized.

Lastly, direct marketing, which aims at creating direct contact with consumers, in France, is oriented around a centralized database, which contains approximately four million French households and which allows the Group to regularly communicate with its consumers through personalized mailing campaigns that are adapted to consumer profiles. In January 2006, this marketing initiative was renewed with the launch of "Danone et vous." This new communication method aims to supply consumers with more information, advice and transparence on their food products. This program includes, notably, an annual guide devoted to nutrition and health and a Danone et vous magazine focused on families with children, as well as a dedicated Internet site.

Competition

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

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

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

Local Economic Impact on Emerging Economies

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

The subsidiaries in developing countries benefit from training programs, technology transfer and modern industrial equipment. Know-how transfer is facilitated by the Danone Research Center, located in France, which works in collaboration with local teams. Emphasis is put on innovation with regards to products, quality control and production processes.

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

Danone and Local Communities

Involvement in the community is a strong founding principle of the Group's corporate culture and is consistent with its strategy. Danone and its subsidiaries offer support for public bodies, NGOs and local non-profit associations and communities.

With a view to efficiency, the Group concentrates its intervention in countries where it is present and on a limited number of themes, so that the actions of the Group's subsidiaries throughout the world are consistant: children's aid, nutritional research, as well as providing aid to communities and to emerging countries.

- Children's aid is supported via "Danone's Children's Day", during which employees are invited to volunteer for local children's aid projects. Similarly, the organization of the "Danone Nations Cup" and the support of a large number of local sports clubs demonstrate the importance of promoting sport for children.
- Nutritional research is supported by the Danone Institutes which have a triple mission: (i) to promote research, information and education on food products and nutrition, (ii) to connect scientists with professionals from the fields of health and education, and (iii) to disseminate scientific knowledge to the public. The Group's commitment to nutrition resulted in the publication, at the beginning of 2005, of Danone's Food, Nutrition and Health Charter.
- The Group also offers community aid and aid for emerging countries on an ad-hoc basis. For instance, the Group's Indonesian subsidiaries were able to assist local populations following the tsunami in South-East Asia in December 2004 by distributing bottles of water and dairy drinks.

Information Technology

The Group established an information systems organization several years ago which allows the optimization and rationalization of information technology investments while taking advantage of global synergies. At the end of 2007, an audit of the information systems in place by Numico was underway.

Project Themis. The Group continues the process of implementing an integrated information system (*Themis*) through an SAP framework. At the end of 2007, *Themis* was deployed in subsidiaries representing nearly 80% of sales in the Fresh Dairy Products and Waters business lines.

In 2007, *Themis* was deployed in Russia for the Fresh Dairy Products business line, as well as in Mexico and Spain for the Waters business line. Other implementation projects were carried out in certain smaller Group subsidiaries, with a simplified project methodology based on the *Themis* model (*Themis One*), notably in Ireland, Switzerland and the Netherlands for the Fresh Dairy Products business line.

With the continued deployment of *Themis*, new projects are being studied in other operational areas. In 2007, a pilot project for production planning, in particular, was successfully implemented in Mexico, and then implemented in Russia and Argentina. In addition, a management solution for industrial maintenance and spare parts was implemented in Germany for the Fresh Dairy Products business line and will be deployed in other Group industrial sites.

Finally, a quality index reporting project was deployed in the majority of industrial and commercial sites of the Fresh Dairy Products business line.

Research and Development. In research and development, the *Artemis* system offers in one device all of the nutritional and food safety information related to the ingredients used by Danone, as well as a tool to aid in product formulation. This system allows Research and Development teams to accelerate the phases of conception, their placement on the market and to ensure product launches. In 2007, it was deployed in the North American, Mexican and Southern European subsidiaries and will be deployed in 2008 in France for the Waters business line and in Russia and South America for the Fresh Dairy Products business line.

Supply Chain. For several years, the Group has been optimizing its purchases and supply chain, with the goal of improving upstream efficiency as well as collaboration with its suppliers. It offers to suppliers and industrials a range of technological solutions, such as electronic quotes and online bids (eSourcing) as well as a transactional platform for exchanging EDI messages for online transfer of documents, from ordering to invoicing (*eSupply Chain*). In 2007, more than 300 Supplier-Purchaser relations were established within this framework. Starting in 2008, this program will be extended to most of the Group's European subsidiaries, as well as to the subsidiaries in North America, representing over 50 industrial sites from now until 2010.

Sales and Marketing. In sales and marketing, various projects allowed the Group to develop its knowledge in order to ensure improved performance for its customers, in particular:

- the creation of Internet sites allowing the sharing of information about the Group's products;
- the creation of a marketing database allowing collaborative work among the agencies, the creators of the product and the marketing teams; and
- the deployment of a business control system at local points of sale in several major markets.

6.2 Principal Markets

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

Business Lines

The table below shows consolidated net sales and trading operating income by business line for the 2006 and 2007 fiscal years.

	Year ended December 31			
(In € millions, except percentages)	**2006**		**2007**	
Net sales (1)				
Fresh Dairy Products	7,933	65.7%	8,791	68.8%
Waters (2)	3,942	32.7%	3,535	27.7%
Baby Food and Medical Nutrition (3)	–	–	450	3.5%
Other items (4)	193	1.6%	–	–
TOTAL	**12,068**	**100.0%**	**12,776**	**100.0%**
Trading operating income (1)				
Fresh Dairy Products	1,089	68.2%	1,229	72.5%
Waters	494	30.9%	480	28.3%
Baby Food and Medical Nutrition (3)	–	–	(15)	(0.9)%
Other items (4)	14	0.9%	2	0.1%
TOTAL	**1,597**	**100.0%**	**1,696**	**100.0%**

(1) Net sales or trading operating income of Danone's subsidiaries after elimination of sales between companies belonging to the same business line and elimination of intra-group sales. Intra-group sales consist of sales of products between companies that are in different business lines. Intra-group sales were € 21 million in 2007 (€ 20 million in 2006) and correspond primarily to internal sales realized until the disposal of the Biscuit and Cereal Products at the end of November 2007.

(2) A portion of the Water business line in China, sold under the Wahaha brand, is no longer fully consolidated since July 1, 2007 (see Note 2.3 of the consolidated financial statements).

(3) The Baby Food and Medical Nutrition business line corresponds to 2 months of activity for Numico since it was acquired by the Group on October 31, 2007.

(4) The information pertaining to companies in the Biscuit and Cereal Products business line that were not sold are presented in Other items.

Geography

The table below shows consolidated net sales and trading operating income by geography (Europe, Asia, and the Rest of the World) for the 2006 and 2007 fiscal years.

			Year ended December 31	
(In € millions, except percentages)	**2006**		**2007**	
Net sales (1)				
Europe (2)	6,814	56.5%	7,370	57.7%
Asia	2,206	18.3%	1,539	12.1%
Rest of the World	3,048	25.2%	3,417	26.7%
Baby Food and Medical Nutrition (3)	–	–	450	3.5%
TOTAL	**12,068**	**100.0%**	**12,776**	**100.0%**
Trading operating income (1)				
Europe (2)	1,024	64.1%	1,122	66.2%
Asia	206	12.9%	177	10.4%
Rest of the World	367	23.0%	412	24.3%
Baby Food and Medical Nutrition (3)	–	–	(15)	(0.9)%
TOTAL	**1,597**	**100.0%**	**1,696**	**100.0%**

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

(2) France represented approximately 29% of net sales in Europe in 2007 (30% in 2006).

(3) The Baby Food and Medical Nutrition business line corresponds to 2 months of activity for Numico since it was acquired by the Group on October 31, 2007. The activities of the business line had not yet been allocated by geography as at December 31, 2007.

Fresh Dairy Products. With net sales of fresh dairy products in 2007 of over €8.8 billion, representing approximately 5 million tons, the Group is the leading producer of fresh dairy products worldwide, with approximately 22% of the world's market share and a weighted average market share of approximately 32% in the countries in which the Group is present. The Group's principal products in this business line are yogurts and similar products which, together, accounted for close to 95% of Danone's total net sales of fresh dairy products in 2007, with the remainder represented by baby food sold principally in France under the *Blédina* brand.

Principal markets. Sales in Europe accounted for 67% of net sales of fresh dairy products and sales in the Rest of the World accounted for 33%.

The Group's principal markets for fresh dairy products in Europe are France, Spain, Germany, Italy, the United Kingdom, the Benelux countries, Poland and Russia, which together accounted for slightly more than half of the Group's sales in the Fresh Dairy Products business line in 2007. In the Rest of the World, the Group's principal markets are the United States, Mexico, Argentina and Brazil. This business line is pursuing a strategy of geographic expansion at a rate of three to five new countries per year. This strategy is accompanied by a constant effort to make the main product lines affordable and with strong added value on functional benefits.

In 2007, in an environment affected by the significant price increase of milk, the Fresh Dairy Products business line continued to experience strong growth.

- In France, the Group is the market leader for fresh dairy products with over one-third of the total market. The Groups markets yogurts and similar products and other fresh dairy products principally under the Danone brand name. The Group is also the market leader in France for baby food with its brand *Blédina*. In 2007, the Group experienced a growth in France on this business line for the second consecutive year.
- In Spain, Danone has a 57.21% interest in Danone SA, Spain's leading producer of fresh dairy products with a share of the Spanish market of approximately 60%. The Group is also the leading producer of yogurt in Italy, with a market share of approximately 34%. In 2007, the performance of the Fresh Dairy Products business line on these two markets was greater as compared to neighboring countries.
- In the other Western European countries, in particular in Germany, growth was more moderate in 2007 and double-digit growth was recorded in other countries such as the Netherlands and Finland. The Group also markets its products in (i) Belgium and Portugal where it holds leading positions through locally established production subsidiaries and (ii) in The Netherlands, Denmark, Ireland, Austria, Switzerland, Finland, Sweden and Greece through marketing subsidiaries and franchises that sell Danone's product lines. In the United Kingdom, Danone is the second largest player in the fresh dairy product market and the third in low-fat products, due in particular to the brand *Shape*.
- In Eastern Europe, the Group is the leading producer of fresh dairy products in Russia, Poland, Hungary, the Czech Republic, Bulgaria, Romania and Turkey. In Russia, Poland, Romania and the Ukraine, the Fresh Dairy Products business line recorded

double-digit growth in 2007. The Group also has a commercial presence in Croatia and the Baltic countries.

- In Latin America, the Group is the leading producer of fresh dairy products in terms of both net sales and volumes. Danone is in a leading market position in Mexico, Argentina and Brazil. In these countries where significant sales have been achieved, a hub strategy has been developed which consists of developing business in the neighboring countries by first exporting to these countries and then producing locally. Moreover, the Group reinforced its presence in Chili in 2007 where it controls the Vialat company, and settled in Colombia through a joint venture with Alqueria.
- In North America, the Group occupies the leading position in Canada and the second position in the United States. The Fresh Dairy Products business line in the United States, which includes the Dannon Company and Stonyfield Farm, the leader in the market for organic products, is contributing strongly (along with Russia) to growth in sales in this business line. The United States experienced double-digit growth in 2007, particularly as a result of the renewed success of its *Activia* brand and the countrywide launch of *DanActive* in January 2007.
- In the North Africa and the Middle East region, the Group is the leading producer of fresh dairy products in Saudi Arabia. In countries where the Group has recently established a presence, including Algeria and Egypt, a dynamic approach has been confirmed through positive growth. The Group also has minority interests in major producers of fresh dairy products in Morocco, Tunisia and Israel, which all have leading positions in their respective countries. In addition, the Group is present in South Africa, with a majority interest in Danone Clover.
- In the Asia-Pacific region, the Group has reinforced its presence in Japan in 2007 with the acquisition of all of the shares of the joint venture Calpis Ajinomoto Danone, since renamed Danone Japan, and its sales have since increased significantly. In Japan, the Company also has a minority interest in the company Yakult, with which the Group entered into a partnership in the beginning of 2004 with the objective of further accelerating the growth of both companies in the functional food market and strengthening their market leadership in probiotics. This partnership led to the launch in India in 2007 of probiotic products within the context of the joint venture with Yakult.
- In China, taking into account the experience acquired through the partnerships and the positive reputation developed by its brands, the Group is maintaining its development strategy. In 2007, the Group developed industrial capacities in Indonesia and its presence in Thailand since the creation in January 2007 of a fresh dairy products company named Danone Dairy Thailand and the signing of a strategic partnership with Dutch Mill Co. In these countries, the Group is focusing on economic accessibility and added value by offering affordable products and products with strong added value on functional benefits.
- In Bangladesh, the Group partnered with the Grameen group in 2006 to build a company dedicated to the community called Grameen Danone Foods Limited. This initiative has the goal of offering healthy food to underprivileged populations suffering from nutritional deficiencies in Bangladesh and to contribute to the reduction of poverty by establishing a single business model of proximity and by creating jobs and initiatives in the local community.

Principal Brand Names. The Group has developed two lines of probiotic dairy products (known under the names *Actimel* and *Activia*), a line of low-fat products (known under the names *Taillefine*, *Vitalinea,* and *Ser*), and a line of *"fromage frais"* designed for children (known as *Danonino, Danimals* or *Petit Gervais*).

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

As such, *Actimel*, a probiotic dairy product that helps to strengthen the body's natural defenses within the framework of daily consumption, has been produced for over ten years and continues to exhibit strong growth in sales. Net sales at constant exchange rates and scope of consolidation increased by more than 13% in 2007, reaching over € 1 billion. Furthermore, the strong rates of growth recorded in 2007 in the United States, Russia and Poland confirm the potential of this type of product in/on these different markets.

Similarly, in the line of probiotic products, *Activia*, a fermented dairy product which, if consumed on a daily basis, helps to regulate slow transit as from 15 days, experienced very strong growth during the last years. Its net sales at constant exchange rates and scope of consolidation increased by 40% in 2007, reaching nearly €2 billion. The growth of *Activia* has strongly contributed to the Group's growth in sales in 2007, particularly in the United States, Spain, Germany, the United Kingdom, Russia, Mexico and Brazil. The product line is expected to be introduced in additional countries.

Petit Gervais, the *"fromage frais"* designed for children, is now consumed in 42 countries and the product line has different names from one country to another: *Danonino, Danimals, Petits Gervais*. The product line is based on permanent innovative strategy delivering essential nutrients such as calcium and vitamin D for strong bones. Its net sales at constant exchange rates and scope of consolidation increased by more than 7% in 2007, reaching nearly € 750 million.

New Products. The Group is continuously involved in the introduction of new products while trying to develop, as quickly and widely as possible, a worldwide market for high-potential products. At the same time, Danone is continuously reviewing or relaunching some of its key existing products to better meet consumer demand in terms of recipes, formats or packaging. The dynamism of the business line is strongly linked to its capacity to deploy, extend and adapt global concepts very rapidly in numerous countries with its varied product lines.

In 2007, several launches confirmed the ability of this business line to innovate and adapt global concepts to local markets:

- in the United States, the Group launched the *DanActive* product line countrywide;
- in Europe, the Group launched extensions of the *Activia* product line: the *Activia* Cheese and *Activia* Drink product line, a fromage blanc and its "drinkable" version;

- in Europe, the Group quickly positioned itself as a leader in the ultra-fresh anti-cholesterol market with the renewed success of *Danacol* and a launch in Russia and Poland;
- in Europe, the Group launched *Essensis*, a dairy product that nourishes the skin from within and helps to improve skin barrier function.

Market Trends. Overall, the market for Fresh Dairy Products on a worldwide basis has grown steadily over the past several years. This market has grown continually in Western Europe, driven by the innovative and dynamic nature of health-oriented products. The strongest growth has been recorded in Eastern Europe. In the United States, the fresh dairy products market has increased over the past few years, making this product line one of the most dynamic in the country's food industry. Emerging markets have generally enjoyed favorable conditions, particularly in Argentina, Mexico and Brazil.

The Group believes that the introduction of new products, particularly health-oriented product lines, products for children and drinkable versions, will allow the Group to continue improving its market position. In addition, the Group hopes that the development of new products with high added value will contribute to raising the total value of the market.

Waters. The Waters business line includes activities centered on natural or flavored mineral water, on fruit-flavored or tea Waters, with a positioning focused on health benefits. In 2007, net sales of Waters were €3.5 billion, of which 42% were in Europe, 41% in Asia and 17% in the Rest of the World.

The Group is the second leading producer of Packaged Water in the world based on volume, with two of the five leading brands of bottled water in the world (*Evian* and *Volvic*) as well as the leading brand of Packaged Water in the world (*Aqua* in Indonesia). With approximately 19.8 billion liters of Packaged Water sold in 2007, the Group has a market share of approximately 10%. The Group is also the second-leading producer of Packaged Water in Europe and a major actor of Packaged Water in Asia-Pacific and Latin America.

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

- The Group's principal market for bottled water is France, where the Group has more than 29% of the national market in terms of value, mainly through its *Evian, Volvic, Badoit,* and *La Salvetat* brands.
- The Group is also the leading producer of bottled water in Spain, with close to 33% of the Spanish market through its *Lanjarón*, *Font Vella* and *Fonter* brands.
- In the United Kingdom and in Ireland, where the still water market continues to experience strong growth, the Group has a leadership position with a market share of close to 39% thanks to its *Evian* and *Volvic* brands.
- In Germany, the Group has a market share of more than 20%. In Denmark, the Group acquired in 2006 a 49% interest in Aqua d'Or, the leader in bottled still water in this country.
- In Poland, the Group is the market leader through its subsidiary Zywiec Zdroj with a market share of 26%. The Group is present in Turkey through its subsidiary, Danone Hayat.
- In the North Africa and the Middle East region, the Group is present in Morocco, where it acquired in 2001, in collaboration with the Moroccan conglomerate ONA, a 30% interest in Sotherma, one of the leaders in the bottled water market in this country.
- In Latin America, the Group is the market leader in Packaged Water. The Group is the leader in the bottled water market in Mexico through its subsidiary *Bonafont* with a market share of 39% and holds a 50% interest in Aga Pureza, a major actor in the HOD water market. The Group reinforced its presence in the large container water market in Mexico by developing a global strategy under the *Bonafont* brand. Moreover, the Group has expanded its distribution surface by adding proximity sales points following the example of Argentina. In this country, the Group has a leading position in the bottled water market with the *Villa del Sur* and *Villavicencio* brands and is the market leader in Uruguay with the *Salus* brand.
- In North America, the Group is present in the United States in the premium bottled water market through its brand *Evian* which has been marketed by The Coca-Cola Company since July 2002. In Canada, the Group occupies a strong position in the bottled water market, with its *Naya* and *Evian* brand names. In 2006, the Group exited the HOD water market by selling its subsidiary Danone Waters of Canada.
- In the Asia-Pacific region, the Group is a major player in Packaged Water with a market share of approximately 20%. In Indonesia, the Group holds a 74% interest in *Aqua*, which is the by far the leader with more than 50% of the market. A significant part of its revenue is achieved through the sale of water in large containers. In 2007, the brand name *Aqua* had the leading position in the worldwide Packaged Water market with more than 5.6 billion liters of water sold.
- In China, the Group has a significant position with the *Robust* and *Health* brands. The Group is also present in this market through it subsidiaries Wahaha which have been accounted for by the equity method as of July 1, 2007. Moreover, the Group is present on the fruit juice market through its 22.98% interest in Hui Yuan Juice, the leader in China in fruit drinks.
- In Japan, in September 2002, the Group entered an agreement with the Mitsubishi and Kirin Beverage Corp. group, one of the leaders in the Japanese beverage market, with the aim of accelerating growth of the *Volvic* brand in Japan and participating in the growth of the domestic Water business line of the market. The Group is the leader by value in the bottled water market in Japan and has a dominant position in the "premium" business line with its imported water brands *Volvic* and *Evian*. In Australia and New Zealand, the Group is a major player in the energy drinks market through its subsidiary Frucor.

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

Therefore, the brands *Bonafont* in Mexico, *Font Vella* in Spain and *Villa del Sur* in Argentina focus their advertising on the elimination benefits of natural water.

The brands *Evian* in France, *Lanjarón* in Spain and *Villavicencio* in Argentina position themselves on a premium water market.

The brands *Volvic* in France, *Zywiec* in Poland and *Hayat* in Turkey have reinforced their position on the naturalness. In flavored water, the *Volvic* product line was renovated in 2007, pursuant to the Group's strategy, with the launch of *Volvic Touche de Fruits* in France, where the Group has approximately a 50% market share, and with the launch of *Volvic Fruit Kiss* in Japan. Furthermore, the launch of *Zywiec Thé* in Poland in 2007 marked an important step in the Group's development in the flavored water business line.

The market for diet Waters regroups the brands *Taillefine* in France and *Ser* in Argentina. The *Ser* product line grew in 2007 with its sports beverage, *Ser Sport,* reaffirming the Group's position as leader in the Argentinean market of diet Waters.

Similarly, in Asia, the Group accelerated the growth of the brand *Health*, spring water from southern China, and leader on the market, as well as the *Mizone* brand resuming growth in China.

Market Trends. Packaged Water is one of the most dynamic business lines of the world's food market due to consumption trends favoring safety and health. On the European market, the largest in the world, levels of per capita consumption are already relatively high. Outside Western Europe, the global trend in consumption of bottled water has shown a regular progression. Certain countries which already have a significant market, including China and Indonesia, are experiencing double-digit growth rates.

The Group will continue to implement its strategy focused on high value-added products, drinkable, natural, and hydrating and to concentrate on the large brands of natural water. Moreover, the Group expects to develop the flavored water business line in other countries to contribute to the success of this business line in Spain, Poland and Argentina.

Baby Food and Medical Nutrition. With net sales of approximately € 450 million in 2007 since the acquisition of Numico on October 31, 2007 (not including *Blédina* sales, which are consolidated with those of the Fresh Dairy Products business line), the Group is henceforth present on the entirety of the Baby Food and Medical Nutrition market. Given the short timelag between the acquisition date of Numico and the end of the year 2007, Baby Food and Medical Nutrition activities are presented within the same business line and represent only two months of activity. In addition, in 2007, the Group maintained the activities it commercializes under the *Blédina* brand within the Fresh Dairy Products business line. Starting in 2008, these activities will be integrated in the Baby Food business line, and the Medical Nutrition business line will be separated from the Baby Food business line.

The Group is the second producer worldwide in baby food market, sold primarily in Europe, Asia, and Latin America under the brand names *Blédina, Nutricia, Milupa, Mellin, Cow & Gate* and *Dumex*. Medical Nutrition develops nutritional products adapted to specific needs, namely those of hospitalized patients, in order to prevent malnutrition and to improve the consumers' daily life. The Group is a major actor in this market and occupies a leading position in a majority of European and Asian countries, with the brand names *Nutricia*, *Milupa* and *SHS*.

Principal Markets Brand Names.

- In Western Europe, the Group is a leader, notably in France, Belgium and in the United Kingdom. With the acquisition of Numico, the Group reinforces its presence in the Nordic countries, in particular in the Netherlands where the Group is a leader. In Italy, Spain, Germany and Ireland, the Group occupies either a number one or number two market position depending on the business activity.
- In Eastern European countries, the Group is by far the leading player in the region, holding the leading position in Poland, Hungary, the Czech Republic and Slovakia.
- In the Asia-Pacific region, the Group is the leader in the baby food market under the brand name *Dumex*.
- In Latin America, the Group is present in Brazil and Argentina.
- In North Africa and the Middle East region, the Group is primarily present in Morocco, Algeria and in Tunisia, solely in the Baby Food market.

New products. The Group's innovation strategy focuses on the nutritional quality of the products, and their contribution to the diversification of diets. At any stage in life, specific products, enriched for example in protein, prevent malnutrition in the elderly and reinforce the natural defenses of hospitalized patients.

Market Trends. The Group expects a continuation of growth in demand on the Baby Food market, which is in particular due to (i) new modes of living, (ii) the success of new lines of innovative products put on the market, and which combine practicality and nutritional benefits, and (iii) a more diverse supply of products that now targets children aged 18 to 36 months.

In addition, the Group believes that the complementarities of the *Blédina* and the Numico brand names in terms of geographic implantation will allow for new opportunities of growth, notably in Asia and in Eastern Europe.

Finally, the Group believes that the Medical Nutrition market has significant growth potential, in particular due to (i) the aging population, (ii) increased awareness with respect to nutrition, (iii) the onset of new illnesses or allergies. In addition, if current research aimed at providing efficient support in the treatment of certain illnesses or allergies was to lead to commercial successes, such successes could contribute to benefiting growth potential.

7

ORGANIZATIONAL CHART

7.1 Group Description

A presentation of the Group appears in paragraph 6.1 of the Registration Document. The Company is a holding company and, as such, receives the profits of its interests. It also performs the functions of management, assistance and advisor functions for the group companies and as such receives royalty payments. For more details, see paragraph 20.2 Corporate documents of the Registration Document.

7.2 Simplified Organizational Structure of The Group as of December 31, 2007

The percentages below are the direct or indirect interest percentages of the Company in each of the following companies as of December 31, 2007. The list of consolidated companies can also be found in paragraph 20.1 in Note 29 of the footnotes to the consolidated financial statements.

FRESH DAIRY PRODUCTS BUSINESS LINE

EUROPE

- AUSTRIA
  - Danone GesmbH 100%
- BELGIUM
  - N.V. Danone SA 100%
- BULGARIA
  - Danone Serdika 100%
- DENMARK
  - Danone A/S 100%
- CZECH REPUBLIC
  - Danone a.s. 98.30%
- FINLAND
  - Danone Finlande Oy 100%
- FRANCE
  - Blédina 100%
  - Danone 100%
- GERMANY
  - Danone GmbH 100%
- GREECE
  - Danone Grèce 100%
- HUNGARY
  - Danone Kft 100%
- ITALY
  - Danone S.p.A. 100%
- IRELAND
  - Danone Ltd. 100%
  - Glenisk 35.72%
- NETHERLANDS
  - Danone Nederland B.V. 100%
- POLAND
  - Danone Sp. z.o.o. 100%
- PORTUGAL
  - Danone Portugal S.A. 55.23%
- ROMANIA
  - Danone SRL 100%
- RUSSIA
  - Danone Industria 85%
  - Danone Volga 77.16%
- SLOVAKIA
  - Danone Spol s.ro 100%
- SLOVENIA
  - Danone 100%
- SPAIN
  - Danone SA 57.15%
  - Danone Canaries (Iltesa) 44.92%
- SWEDEN
  - Danone AB 100%
- TURKEY
  - Danone Tikvesli 100%
- UNITED KINGDOM
  - Danone Ltd. 100%
- UKRAINE
  - Danone 100%
  - Rodich 100%

THE AMERICAS

- ARGENTINA
  - Danone Argentina S.A. 99.45%
- BRAZIL
  - Danone Ltd.a. 100%
- CANADA
  - Danone Canada Delisle Inc. 100%
- CHILE
  - Danone Chile 70%
- COLOMBIA
  - Danone Alqueria 51%
- MEXICO
  - Danone de Mexico 100%
- UNITED STATES
  - The Dannon Co. 100%
  - Stonyfield Farm 83.99%

Simplified Organizational Structure of The Group as of December 31, 2007

AFRICA AND THE MIDDLE EAST

- ALGERIA
  - Danone Djurdjura Algérie 100%
- EGYPT
  - Danone Dairy Egypt 100%
- IRAN
  - Danone SAhar 70%
- ISRAEL
  - Strauss Dairy 20%
- MOROCCO
  - Centrale Laitière 29.22%
- SOUTH AFRICA
  - Danone Clover 55%
- SAUDI ARABIA
  - Alsafi Danone Company 50.10%
- TUNISIA
  - Stial-Socoges 50%

ASIA-PACIFIC

- BANGLADESH
  - Grameen Danone Foods 50%
- INDONESIA
  - Danone 100%
  - PT Danone Dairy Indonesia 70.30%
- INDIA
  - Yakult Danone India 50%
- JAPAN
  - Danone Japan 100%
  - Yakult Honsha 20.02%
- THAILAND
  - Danone Dairy Thailand 100%
- VIETNAM
  - Yakult Vietnam 20%

WATERS BUSINESS LINE

EUROPE

- BELGIUM
  - Danone Waters Beverages Belux 100%
- DENMARK
  - Aqua d'Or 49%
- GERMANY
  - Danone Waters Deutschland 100%
- FRANCE
  - Evian (SAEME) 100%
  - Société d'Exploitation des Activités Touristiques 99.89%
  - SMDA 100%
  - Volvic (SEV) 100%
  - Drinkco 100%
- POLAND
  - Polska Woda 50%
  - Zywiec Zdroj 100%
- SPAIN
  - Aguas Font Vella y Lanjarón 78.49%
  - Dasanbe Agua Mineral Natural 50%
- SWITZERLAND
  - Evian Volvic Suisse 100%
- TURKEY
  - Danone Hayat 100%
  - Danone Hayat Antalya 80%
- UNITED KINGDOM
  - Danone Waters UK & Ireland 100%

THE AMERICAS

- ARGENTINA
  - Aguas Danone de Argentina 100%
- CANADA
  - Danone Naya 100%
- MEXICO
  - Bonafont 100%
  - Aga Pureza 50%
  - Ultra Pura 100%
  - CGA 100%
- UNITED STATES
  - Great Brands of Europe 100%
- URUGUAY
  - Salus 58.61%

AFRICA AND THE MIDDLE EAST

- ALGERIA
  - Danone Tessala Boissons 100%
- MOROCCO
  - Sotherma 30%

ASIA-PACIFIC

- AUSTRALIA
  - Frucor Beverages 100%
- CHINA
  - Aquarius 50%
  - Wahaha 51%
  - Robust 92%
  - Shenzhen Health Drinks 100%
  - Hui Yuan Juice 22.98%
- INDONESIA
  - Aqua 74%
- JAPAN
  - Kirin MC Danone Waters 25%
- NEW ZEALAND
  - Frucor 100%

Simplified Organizational Structure of The Group as of December 31, 2007

BABY FOOD AND MEDICAL NUTRITION BUSINESS LINE

EUROPE

- AUSTRIA
  - Milupa GmbH 98.85%
  - Nutricia Nahrungsmittel GmbH 98.85%
- BELGIUM
  - N. V. Nutricia België 98.85%
  - N. V. Milupa 98.85%
- CZECH REPUBLIC
  - Nutricia a.s. 98.85%
  - Deva a.s. 98.85%
- DENMARK
  - Nutricia A/S 98.85%
- FINLAND
  - Nutricia Baby OY 98.85%
  - Nutricia Clinical OY Ltd. 98.85%
- FRANCE
  - Nutricia France S.A.S. 98.85%
  - Nutricia Nutrition Clinique S.A.S. 98.85%
- GERMANY
  - Pfrimmer Nutricia GmbH 98.85%
  - Milupa GmbH 98.85%
  - Nutricia Deutschland GmbH 98.85%
  - SHS Ges. Für Klinische Ernährung GmbH 98.85%
- GREECE
  - Numil Hellas S.A. 98.85%
- HUNGARY
  - Numil Hungary Tápszerkereskedelni Kft. 98.85%
- IRELAND
  - Nutricia Ireland Ltd. 98.85%
- ITALY
  - Nutricia Italia S.p.A. 98.85%
  - Mellin S.p.A. 98.85%
- LITHUANIA
  - UAB Nutricia Baltics 98.85%
- NETHERLANDS
  - N.V. Nutricia 98.85%
  - Nutricia Nederland B.V. 98.85%
  - Nutricia Cuijk B.V. 98.85%
- NORWAY
  - Nutricia Norway AS 98.85%
- POLAND
  - Nutricia Polska Sp. z.o.o. 49.41%
  - Nutricia Zaklady Produkcyne Sp. z.o.o. 49.43%
- PORTUGAL
  - Milupa Produção S.A. 98.85%
  - Milupa Comercial S.A. 98.85%
- ROMANIA
  - Milupa S.R.L. 98.85%
- RUSSIA
  - OAO Istra Nutricia 98.55%
  - Nutricia Russia LLC 98.75%
- SLOVAKIA
  - Nutricia Slovakia s.r.o. 98.85%
- SPAIN
  - Nutricia S.R.L. 98.85%
  - Numil Nutrición S.R.L. 98.85%
- SWEDEN
  - Nutricia Nordica AB 98.85%
- SWITZERLAND
  - Milupa S.A. 98.85%
  - Nutricia S.A. 98.85%
- TURKEY
  - Numil Gida Ürünleri Sanayi ve Ticaret A.S. 98.85%
- UKRAINE
  - Nutricia Ukraine LLC 98.85%%
- UNITED KINGDOM
  - Nutricia Ltd. 98.85%
  - SHS International Ltd. 98.85%

THE AMERICAS

- ARGENTINA
  - Kasdorf S.A. 98.85%
- BRAZIL
  - Support Produtos Nutricionais Ltd.a. 98.85%
- UNITED STATES
  - Nutricia North America Inc. 98.85%

ASIA-PACIFIC

- AUSTRALIA
  - Nutricia Australia Pty Ltd. 98.85%
- CHINA
  - Nutricia Pharmaceutical (Wuxi) Co. Ltd. 98.85%
  - Nutricia (Asia-Pacific) Ltd. 98.85%
- INDONESIA
  - PT Sari Husada Tbk 98.82%
  - PT Nutricia Indonesia Sejahtera 98.85%
- MALAYSIA
  - Dumex (Malaysia) Sdn. Bhd. 98.85%
- NEW ZEALAND
  - Nutricia Ltd. 98.85%
- THAILAND
  - Dumex Ltd. Thailand 97.76%
- VIETNAM
  - Vietnam Nutrition Joint Stock Co. 98.85%

8

PROPERTY, PLANT AND EQUIPMENTS

8.1 Main Production Sites

The Group operates production facilities located around the world in its principal markets. At December 31, 2007, Danone had 162 production sites, out of which (i) 60 are located in Europe, including 17 in France and 10 in Spain, (ii) 54 are in the Asia-Pacific region, including 6 in Indonesia, and (iii) 48 are located in the Rest of the World, including 7 in the United States and Canada, 27 in Argentina, Brazil, Mexico and countries in Central America and 14 in Africa and the Middle East.

The table below sets forth the total number of the Group's facilities at December 31, 2007 and total production by business line in 2007 for the fully consolidated companies.

Business Line	**Number of Plants**	**Total Production** *(in millions of tons or liters)*
Fresh Dairy Products	55	4.9
Waters	87	17,400
Baby Food and Medical Nutrition (1)	20	0.7

(1) Corresponds to 2 months of production since the acquisition of Numico on October 31, 2007.

The Group's general policy is to own its production facilities. Although the production facilities are numerous and widely dispersed, certain facilities are particularly important centers of production.

In 2007, the Group's five largest Fresh Dairy Products facilities were located in Argentina, Mexico, the United States, Saudi Arabia, and Russia, and accounted for approximately 29% of the Group's production for Fresh Dairy Products.

The Group's two largest facilities of bottled water, both located in France, accounted for 18% of the Group's total production capacity for Packaged Water in 2007, and the two most important sources of production of water in large containers, both located in Indonesia, accounted for close to 15% of the Group's total water production capacity. The Group's largest facility for baby food and medical nutrition is located in Germany.

The Group's central management conducts periodic reviews of its production sites to consider possibilities for improving efficiency, quality, protection of the environment and safety. On the basis of such reviews, management establishes plans for the expansion, specialization, upgrading and modernization or closing of specific sites.

8.2 Environment and Safety

The industrial and environmental regulations and risks are described in Chapter 4– Risk factors of this Registration Document.

9

OPERATING AND FINANCIAL REVIEW

Preamble

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

With the acquisition of Numico on October 31, 2007 (for a total consideration of € 12,189 million), the Group reached a key milestone in its project to build itself as the world leader in health through food, by reinforcing itself on the markets for baby food and medical nutrition. As such, the year 2007 marks the end of a 10-year period aimed at refocusing the Group on health-related activities.

At the same time, the Group has continued to strengthen its position in its strategic business lines while following a policy of increasing the profitability of its businesses. In this context, in 2004, the Group significantly reinforced its presence in Japan, with the acquisition of an additional equity interest in Yakult, the Asian leader in probiotics, in which the Group now holds an interest of 20%. A partnership agreement with Yakult was therefore entered into, its aim being particularly focused on the development of joint research and development projects and of probiotic products. This agreement led in particular to the launch in 2007 of probiotic products in India through the Yakult joint venture.

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

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

In 2007, the main acquisitions included:

- the acquisition, for an amount of € 12,189 million, of 98.85% of Numico: the company and its subsidiaries have been fully consolidated since October 31, 2007;
- the acquisition of all of the shares of the Calpis Ajinomoto Danone joint venture, renamed Danone Japan (Fresh Dairy Products). This company, which was previously accounted for by the equity method, has been fully consolidated since the first half-year of 2007;
- the acquisition of an 80% interest in a joint venture with Caglar (Waters – Turkey). The company, named Danone Hayat Antalya, is fully consolidated;
- the acquisition of a 70% interest in a joint venture with Vialat (Fresh Dairy Products – Chile). The company, named Danone Chile, is fully consolidated;
- the acquisition of a 51% interest in a joint venture with Alqueria (Fresh Dairy Products – Colombia). The company, named Danone Alqueria, is fully consolidated;
- the acquisition of an additional interest in Danone Industria (Fresh Dairy Products – Russia), increasing the Group's interest ownership from 70% to 85%.

The financial investments of the 2006 fiscal year mainly related to the acquisition of additional shareholding, increasing the interest ownership of the Group to 100% in Danone Asia Pte Ltd. (holding company), Danone Djurdjura Algeria (Fresh Dairy Products) and Danone Romania (Fresh Dairy Products), as well as the acquisition of 100% of this share capital of Rodich (Fresh Dairy Products – Ukraine), of 22.18% in Hui Yuan Juice (Waters – China) and of 49% in Aqua d'Or (Waters – Denmark).

The principal divestments for the 2007 fiscal year included:

- the Biscuits and Cereal Products businesses: the sale of these business activities, which occurred on November 30, 2007, generated a net capital gain of approximately € 3,105 million. Since the Group sold almost all of its Biscuit and Cereal Products activities, with the exception of its holdings in Latin America (Bagley Latino America) and India (Britannia Industries Limited), this capital gain appears in the item entitled "Net income from discontinued operations" of the consolidated income statement;
- the Danone Springs of Eden BV (HOD – Europe): the sale of this company, finalized in July 2007, generated a net capital loss of € 8 million, as it appears on the item entitled "Income from companies accounted for by the equity method".

The principal divestments in 2006 included the Sauces business activities in Asia, the Group's equity interest in Griffins (Biscuits – New Zealand), in Danone Waters of Canada (HOD – Canada) and in Bakoma (Fresh Dairy Products – Poland).

Foreign Exchange Rate Translation. A significant part of the Group's activities is located outside of France and is denominated in currencies other than the Euro. In 2007, the Group's sales were booked for up to 44% in Euros and 56% in other currencies, mainly the American Dollar, the Chinese Yuan, the Mexican Peso and the Russian Ruble. Approximately 46% of the Group's trading operating income was denominated in currencies other than the Euro. Consequently, foreign exchange rate fluctuations against the Euro could have a significant impact on the Group's income statement. These fluctuations also have an effect on the value of the consolidated balance sheet of assets and liabilities expressed in currencies other than the Euro.

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

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

Valuation of Assets. The Group performs a review of long-lived assets for impairment at least once a year. As described in Notes 1.4 and 1.5 of the footnotes to the consolidated financial statements, this review consists of comparing the recoverable value of the assets to their net carrying value. The recoverable value corresponds to the higher of value in use and fair value less costs to sell. In 2007, the Group recorded non-current charges of € 19 million related to goodwill of Danone Greece (Fresh Dairy Products) and € 8 million in relation to goodwill of Danone Tessala Boissons (Waters – Algeria).

Similarly, in 2006, as a result of this review, the Group recorded a non-current charge of € 130 million relating to its investment in the HOD water business in Europe and a non-current charge of € 40 million relating to goodwill on Robust (Waters – China).

These provisions and depreciations are described in Note 4 of the footnotes to the consolidated financial statements.

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

9.1 Financial Position

The tables below present (i) the principal components of the consolidated income statement in euro and as a percentage of net sales and (ii) the Group's net sales, trading operating income and trading operating margin by business line and geography for each of the years ended December 31, 2006 and 2007.

Consolidated Income Statement

	Fiscal year ended on December 31			
(In € millions, except for percentages)	**2006**		**2007**	
Net sales [(1)]	12,068	100.0%	12,776	100.0%
Cost of goods sold	(6,163)	51.1%	(6,380)	49.9%
Selling expenses	(3,170)	26.3%	(3,498)	27.4%
General and administrative expenses	(878)	7.3%	(943)	7.4%
Research and development expenses	(103)	0.9%	(121)	0.9%
Other (expense) income	(157)	1.3%	(138)	1.1%
Trading operating income	1,597	13.2%	1,696	13.3%
Other operating (expense) income	(37)	0.3%	(150)	1.2%
Operating income	1,560	12.9%	1,546	12.1%
Cost of net debt	(1)	–	(175)	1.4%
Other financial (expense) income	(29)	0.2%	(2)	–
Income before income taxes	1,530	12.7%	1,369	10.7%
Income taxes	(287)	2.4%	(410)	3.2%
Income from fully consolidated companies	1,243	10.3%	959	7.5%
Income (loss) from companies accounted for by the equity method	(49)	0.4%	87	0.7%
Net income before income from discontinued operations	1,194	9.9%	1,046	8.2%
Net income from discontinued operations [(2)]	366	3.0%	3,292	25.8%
Net income	1,560	12.9%	4,338	34.0%
-Attributable to the Group	1,353	11.2%	4,180	32.7%
-Attributable to minority interests	207	1.7%	158	1.2%

(1) Net sales are stated net of rebates and discounts, as well as trade support actions that are generally invoiced by customers.

(2) The information related to companies in the Biscuits and Cereal Products business line that were sold are included in the net income from discontinued operations for all periods presented.

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

	Net Sales		Trading Operating Income		Trading Operating Margin (1)	
	2006	**2007**	**2006**	**2007**	**2006**	**2007**
By Business line						
Fresh Dairy Products	7,933	8,791	1,089	1,229	13.7%	14.0%
Waters	3,942	3,535	494	480	12.5%	13.6%
Baby Food and Medical Nutrition (2)	–	450	–	(15)	–	(3.3)%
Other elements (3)	193	–	14	2	7.3%	–
Group	**12,068**	**12,776**	**1,597**	**1,696**	**13.2%**	**13.3%**
By Geographical area						
Europe (4)	6,814	7,370	1,024	1,122	15.0%	15.2%
Asia	2,206	1,539	206	177	9.4%	11.5%
Rest of the World	3,048	3,417	367	412	12.0%	12.1%
Baby Food and Medical Nutrition (2)	–	450	–	(15)	–	(3.3)%
Group	**12,068**	**12,776**	**1,597**	**1,696**	**13.2%**	**13.3%**

(1) Trading Operating Income as a percentage of net sales.
(2) The Baby Food and Medical Nutrition business line corresponds to 2 months of business for Numico, since its acquisition on October 31, 2007. The activities of this Business line have not yet been allocated by geography as of December 31, 2007.
(3) The information related to the companies in the Biscuits and Cereal Products business line that were not sold are presented in Other elements.
(4) France represents approximately 29% of net sales in zone Europe in 2007 (30% in 2006).

Net Sales. Net sales for the Group increased by 5.9%, from € 12,068 million in 2006 to € 12,776 million in 2007. This increase is the result of a growth of 9.7% at constant exchange rates and scope of consolidation, partially offset by a negative net effect of changes of the scope of consolidation (-4.7%) and currency exchange rates (-2.9%). The internal growth of 9.7% achieved in 2007 is the result of an increase in net sales volumes of approximately 5.5% and of an increase in price per unit of goods sold accounting for 4.2%. Increases in prices have enabled to compensate for the increase in the price of certain raw materials, in particular milk.

The effect of changes in the scope of consolidation primarily resulted from the accounting by the equity method, as of July 1, 2007, of the company Wahaha (see Note 2.3 of the footnotes to the consolidated financial statements).

Geographically, the growth at constant exchange rates and scope of consolidation achieved in 2007 was driven by the Rest of the World and Europe, which achieved growth of 17.4% and 7.4%, respectively. Growth in Asia amounted to 4.8% at constant exchange rates and scope of consolidation.

Cost of Goods Sold. Cost of goods sold corresponds to production costs, which essentially includes the cost of raw materials in food and packaging, industrial labor as well as the amortization of production machinery. The cost of goods sold increased by 3.5%, from € 6,163 million in 2006 to € 6,380 million in 2007. As a percentage of net sales, the cost of goods sold decreased from 51.1% in 2006 to 49.9% in 2007, or a decrease of 120 basis points. This decrease results from the Group's policy to optimize its use of ingredients and packaging, and to improve its productivity.

Selling Expenses. Selling expenses are comprised of advertising and promotional expenses, distribution costs and sale forces overheads costs. In absolute terms, selling expenses increased from € 3,170 million in 2006 to € 3,498 million in 2007, representing 26.3% and 27.4% of net sales in 2006 and 2007, respectively. This increase results from the Group's strategy consisting of extending its distribution area by multiplying its sales outlets while reinforcing the availability and accessibility of its products, in particular in emerging countries. In 2007, marketing expenses slightly increased as a percentage of net sales.

General and Administrative Expenses. General and administrative expenses slightly increased in 2007 to reach € 943 million as compared with € 878 million in 2006. They represent 7.4% of net sales in 2007 as compared with 7.3% of net sales in 2006.

Research and Development Expenses. Research and development expenses, representing approximately 1% of net sales, increased by € 18 million in 2007 and totaled € 121 million as compared with € 103 million in 2006.

Other Income and Expense. Other income and expense amounted to € 138 million in 2007 as compared with € 157 million in 2006. The breakdown is as follows:

(In € millions)	**2006**	**2007**
Employee profit-sharing	104	106
Stock options granted to Group employees	13	10
Other	40	22
TOTAL	**157**	**138**

The "Other" item mainly includes capital gains or losses from the sale of assets.

Trading Operating Income. Trading operating income increased by € 99 million, from € 1,597 million in 2006 to € 1,696 million in 2007.

Trading operating margin increased by 3 basis points, from 13.24% in 2006 to 13.27% in 2007. This increase, supported by innovations with strong added value, productivity, and by the optimization of fixed costs, occurred in spite of significant increases in raw material costs, essentially on milk, the impact of which was compensated by product price increases.

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

In 2006, the other operating expenses amounted to € 37 million and mainly included the € 38 million loss related to the sale of Danone Waters of Canada (HOD – Canada), as well as the € 40 million impairment charge relating to the goodwill of Robust (Waters – China), partially offset by the € 43 million gain recognized on the sale of Griffins (Biscuits – New Zealand).

Operating Income. The operating income decreased by € 14 million, from € 1,560 million in 2006 to € 1,546 million in 2007. The operating margin was reduced by 80 basis points, from 12.9% to 12.1%, mainly due to the non-recurring costs resulting from the acquisition of Numico in 2007.

Cost of Net Debt. The cost of net debt increased from € 1 million in 2006 to € 175 million in 2007. The breakdown is as follows:

(In € millions)	**2006**	**2007**
Interest expense	(179)	(307)
Interest income	178	132
TOTAL	**(1)**	**(175)**

In 2007, the increase in interest expense resulted from the increase of the Group's indebtedness following the acquisition of Numico (see paragraph 10.1 – Net debt). The decrease in interest income is mainly due to the decrease in the Group's excess cash which also occurred consecutively to the acquisition of Numico.

Other Financial Income and Expenses. The other financial expenses amounted to € 2 million in 2007 as compared with € 29 million in 2006. This decrease is mainly due to the capital gains resulting from the sale of equity investments that occurred in 2007.

Income Taxes. The Group's income taxes increased from € 287 million in 2006 to € 410 million in 2007. The increase in the effective tax rate, representing 29.9% in 2007 as compared with 18.8% in 2006, is mainly the result of the recognition in 2006 of a deferred tax asset to the full amount of tax losses generated by the entities of the U.S. tax consolidated group (see Note 23 of the footnotes to the consolidated financial statements). Excluding non-current items, the effective tax rate was 27.0% in 2007 as compared with 28.5% in 2006. A comparison between the statutory tax rate in France and the effective tax rate of the Group is detailed in Note 23 of the footnotes to the consolidated financial statements.

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

(In € millions)	**2006**	**2007**
Group's share in net income	52	91
Impairment charge	(130)	–
Gain on disposal and others	29	(4)
TOTAL	**(49)**	**87**

In 2007, the Group's share of net income from equity-accounted affiliates includes the income of the company Wahaha, accounted for under the equity method as of July 1, 2007 (see Note 2.3 of the footnotes to the consolidated financial statements). The item "Gain on disposal and other" mainly includes the capital loss from the sale of the Group's interest in The Danone Springs of Eden BV (HOD – Europe).

In 2006, the item "Impairment Charge" mainly included impairment charges related to the Group's interest in The Danone Springs of Eden BV. The item "Gain on disposal and other" included the capital gain from the sale of the minority interest in Bakoma (Fresh Dairy Products – Poland).

Net Income from Discontinued Operations. In 2007, this item included the net income of the Biscuits and Cereal Products activities during that period, as well as the net capital gain of € 3,105 million from the disposal of these activities. In 2006, this item included the gain from the disposal of the Sauces activities in Asia.

Net Income Attributable to the Group. The net income attributable to the Group amounted to € 4,180 million in 2007 as compared with € 1,353 million in 2006. The reconciliation of the net income attributable to the Group to the current net income attributable to the Group is presented in the table below:

(In € millions)	**2006**	**2007**
Net income attributable to the Group	**1,353**	**4,180**
- Non-current net income attributable to the Group	159	2,995
Current net income attributable to the Group	**1,194**	**1,185**

Non-current net income from operations primarily includes items reflected in "other operating (expense) income" (see above), as well as the net income from the Biscuits and Cereal Products activities.

Net Income per Share. The diluted net income per share attributable to the Group increased, from € 2.76 per share in 2006 to € 8.71 per share in 2007. Excluding non-current items recorded in 2006 and 2007, the underlying diluted net income attributable to the Group per share would have increased by approximately 1.2%, from € 2.44 per share in 2006 to € 2.47 per share in 2007.

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

Fresh Dairy Products. Net sales for the Fresh Dairy Products business line increased from € 7,933 million in 2006 to € 8,791 million in 2007, a 10.8% increase. At constant exchange rates and scope of consolidation, net sales increased by 12.2%. This internal growth, which was mainly driven by four blockbuster product lines *(Activia*, *Actimel, Vitalinea* and *Danonino)*, was reinforced by the positive effects associated with the consolidation of Danone Japan and Danone Djurdjura Algeria, companies on which the Group obtained control in April 2007 and July 2006, respectively. Variations in exchange rates had a negative impact (-2.5%) on growth of net sales in 2007. Net sales of yogurts and similar products, representing nearly 95% of the net sales of this business line, increased by 11% in 2007.

The performance achieved in 2007 once again demonstrates this business line's ability to innovate and expand the scope of its brands and blockbusters, whether geographically (in countries with strong growth) or by the introduction of new products. The probiotic line *Activia* continued to display growth rates in net sales of more than 40% at constant exchange rate and scope of consolidation and represented net sales of more than €1,877 million. Similarly, net sales of *Actimel* recorded a growth of more than 13% at constant exchange rate and scope of consolidation and represented net sales of more than one billion euros in 2007.

Trading operating income increased from € 1,089 million in 2006 to €1,229 million in 2007 and the trading operating margin increased from 13.7% to 14.0%. This increase is mainly the result of the growth in the volume of net sales, the increase in product prices carried out to compensate for the increase in the price of milk, and productivity gains.

Waters. Net sales for the Waters business line decreased from € 3,942 million in 2006 to € 3,535 million in 2007, a decrease of 10.3%. In 2007, this business line was affected by the bad summer season in Europe, which had a negative effect on the positive performances recorded over the course of the year, in particular during the 4th quarter, and by the change in consolidation method of Wahaha as of July 1st, 2007. At constant exchange rates and scope of consolidation, the net sales for this business line increased by 4% in 2007.

The trading operating income dropped by 2.8%, from € 494 million in 2006 to € 480 million in 2007, and the trading operating margin increased from 12.5% in 2006 to 13.6% in 2007. This increase in the trading operating margin mainly comes from the accounting of Wahaha under the equity method, the margin of which is smaller.

Baby Food and Medical Nutrition. Net sales for the Baby Food and Medical Nutrition business line amounted to € 450 million in 2007, corresponding to 2 months of activity since the acquisition of Numico on October 31, 2007. The 2007 performance of this business line does not include the business activities sold in France under the *Blédina* brand name, which were kept within the Fresh Dairy Products business line. Starting in 2008, these activities will be integrated within the Baby Food and Medical Nutrition business line, and the Medical Nutrition business line will be separated from the Baby Food business line.

The trading operating income of this business line is negative by € 15 million over the period covering November and December 2007 and the trading operating margin amounts to -3.3% in 2007. This loss is the result, on the one hand, of the Group's decision to align its practices with the storage policy it holds with distributors (which generated an unusually low net sales figure in the month of December 2007) and, on the other hand, the revaluation of the existing inventory at the acquisition date of Numico in accordance with IFRS standards.

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

At December 31, 2007, the activities of the Baby Food and Medical Nutrition business line, corresponding to 2 months of activity of Numico since October 31, 2007, have not yet been allocated by geography and are presented separately.

Europe. Net sales in Europe increased from € 6,814 million in 2006 to € 7,370 million in 2007, an increase of 8.2%. At constant exchange rates and scope of consolidation, net sales increased by 7.4%, and France, the contribution of which decreased in 2007, represented € 2,137 million, or 29% of the total for the region. In 2007, growth in Europe was primarily driven by the strong performances of Russia, Poland, Spain and Italy.

Trading operating income increased from € 1,024 million in 2006 to € 1,122 million in 2007 and trading operating margin increased from 15.0% to 15.2%. This increase can in particular be explained by the improvement of operating performances, the better absorption of fixed expenses associated with the volume effect and the increases in product prices carried out to compensate for the higher cost of certain raw materials, essentially for milk.

Asia. Net sales for this region decreased from € 2,206 million in 2006 to € 1,539 million in 2007, a drop of 30.2% mainly due to the accounting of Wahaha under the equity method. At constant exchange rates and scope of consolidation, net sales have increased by 4.7%, with a strong contribution of Japan following the repurchase in April 2007 of all the shares of the Calpis Ajinomoto Danone joint venture, renamed Danone Japan, and of Indonesia.

The trading operating income was € 206 million in 2006 as compared with € 177 million in 2007 and the trading operating margin increased from 9.4% to 11.5%. This increase mainly originates from the effect associated with the accounting of Wahaha under the equity method, the margin of which is smaller, as well as the strong growth recorded in Japan.

Rest of the World. Net sales, which mainly include the activities of the Group in the Americas (North and South) and in South Africa, increased from € 3,048 million in 2006 to € 3,417 million in 2007, or an increase of 12.1%. At constant exchange rates and scope of consolidation, net sales increased by 17.4%, with high growth in all of the countries of the area.

The trading operating income was € 367 million in 2006 as compared with € 412 million in 2007. The trading operating margin remains stable, from 12.0% to 12.1% in 2007.

9.2 Operating Income

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

LIQUIDITY AND CAPITAL RESOURCES

10.1 Net Debt

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

(In € millions)	As of December 31, 2006	Change for the year	Transfer to current portion	Translation adjustments	Other	As of December 31, 2007
Cash and cash equivalents	655	(161)	–	(16)	70	548
Marketable securities	2,564	(1,708)	–	(7)	(356)	493
Total cash, cash equivalents and marketable securities	**3,219**	**(1,869)**	**–**	**(23)**	**(286)**	**1,041**
Current financial liabilities	416	2,613	207	(7)	(782)	2,447
Non-current financial liabilities	5,705	3,069	(207)	(4)	1,292	9,855
Total financial liabilities	**6,121**	**5,682**	**–**	**(11)**	**510**	**12,302**
NET DEBT	**2,902**	**7,551**	**–**	**12**	**796**	**11,261**

The Group's consolidated net debt increased from € 2,902 million as of December 31, 2006 to € 11,261 million as of December 31, 2007, resulting in net indebtedness to total shareholders' equity ratio increasing from 47.8% in 2006 to 123.7% in 2007. Excluding the debt related to put options granted to minority interests, this ratio increased from 6.6% in 2006 to 94.1% in 2007.

The "Other" column mainly relates to changes in the scope of consolidation (in particular due to the acquisition of Numico), and to changes in the debt related to put options granted to minority shareholders (see Note 25 of the footnotes to the consolidated financial statements).

Cash, Cash Equivalents and Marketable Securities

Marketable securities (which are treated as trading), amounted to € 493 million (against € 2,564 million as of December 31, 2006) and are composed of (i) commercial paper (€ 473 million as of December 31, 2007 as compared with € 1,292 million as of December 31, 2006) and (ii) money market funds (€ 20 million as of December 31, 2007 as compared with € 1,272 million as of December 31, 2006). In 2007, the reduction in cash and cash equivalents and marketable securities mainly resulted from sales of those short term financial investments in order to contribute to the financing of the acquisition of Numico.

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

Financial Debt

The financial debt is composed of the following:

	As of December 31	
(In € millions)	**2006**	**2007**
Bank loans, other debt, and employee profit-sharing debt	3,617	9,602
Financial debt related to put options granted to minority shareholders	2,504	2,700
TOTAL	**6,121**	**12,302**
• Including short-term portion	416	2,447
• Including long-term portion	5,705	9,855

The line item "Bank loans, other debt, and employee profit-sharing debt" mainly includes (i) draw down amount on bank credit facilities of € 5,173 million, (ii) EMTN *(Euro Medium Term Notes)*, or bonds (denominated mainly in Euros) issued as part of the annual program established by the Company and its subsidiary Danone Finance to issue EMTN (refer to paragraph 10.3), in an amount of € 1,427 million, (iii) a private placement in the United States *(US Private Placement, "USPP")* issued by a Dutch financial subsidiary of the Group known as Numico Financial Center B.V., in an amount equivalent to € 433 million, as well as (iv) commercial paper, issued with the framework of the French commercial paper *(Billets de trésorerie)* program of Danone Finance and of the Numico's Belgian program (see paragraph 10.3), in an amount of € 1,762 million.

The line item entitled "Financial debt related to put options granted to minority shareholders" corresponds to the exercise price of the put options granted to minority stockholders in certain consolidated companies. The main commitment relates to Danone Spain for an amount of € 2,160 million. These options can be exercised at any time. No financial investment is currently being considered as probable in the short term with respect to these options.

10.2 Cash Flows

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

The table below presents a summary of the Group's consolidated cash flows for the fiscal years ended on December 31, 2006 and 2007.

	Fiscal year ended on December 31	
(In € millions)	**2006**	**2007**
Cash flows provided by operating activities	1,930	1,611
Capital expenditures (net of disposals)	(601)	(627)
"Free Cash Flow" (1)	1,329	984
Financial investments (net of disposals)	(174)	(7,500)
Increase (decrease) in long-term loans and other long-term assets	336	(142)
Changes in cash and cash equivalents from discontinued operations	176	171
Dividends distributed	(607)	(622)
Purchases of treasury stock (net of disposals)	(587)	(439)
Increase in capital and additional paid-in capital	50	66
NET FINANCING SURPLUS (REQUIREMENTS)	**523**	**7,482**

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

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

The decrease in cash flows provided by operating activities resulted from (i) a decrease of 13.2% in the cash generated from operating activities, excluding changes in net working capital, which decreased from € 1,647 million in 2006 to € 1,430 million in 2007, in particular due to the accounting of Wahaha under the equity method and (ii) a decrease in net working capital, the variation of which amounted to € 181 million in 2007 as compared with € 283 million in 2006.

Capital Expenditures (net of disposals). Capital expenditures amounted to € 726 million in 2007 as compared with € 621 million in 2006, representing 5.7% and 5.2% of net sales, respectively. These investments are described in paragraph 5.2.1 of this Registration Document. The disposals of industrial assets amounted to € 99 million in 2007 as compared with € 20 million in 2006.

Financial Investments (net of disposals). Acquisitions amounted to € 12,100 million in 2007 as compared with € 564 million in 2006. These investments are described in paragraph 5.2.1 of this Registration Document. In 2007, acquisitions mainly related to the acquisition of Numico. Proceeds from the sale of financial investments amounted to € 4,600 million in 2007 as compared with € 390 million in 2006. In 2007, proceeds from disposals mainly related to the sale of the Biscuits and Cereal Products activities.

Share Repurchase. In 2007, the Group repurchased 8,618,954 of its own shares for a total amount of € 508 million (adjusted for the two-for-one stock split which occurred on June 1, 2007) as compared with the repurchase of 7,073,266 shares in 2006 for a total amount of € 731 million. In addition, cash received upon the exercise of stock options by employees amounted to € 69 million in 2007 as compared with € 144 million in 2006.

Return on Invested Capital. The return on invested capital equals to the sum of the trading operating income after taxes and the current net income of equity-accounted affiliates attributable to the Group divided by the average invested capital. After seven years of increase, the return on invested capital of the Group decreased from 15.9% in 2006 to 9.1% in 2007 due to the change of the Group’s financing structure following the acquisition of Numico.

10.3 Financing Structure

The Group's objective is to control its cost of capital employed by raising funds in priority through debt financing, while maintaining reasonable levels of indebtedness to protect its financial flexibility.

The Group's policy consists of diversifying its financing sources. As detailed in paragraph 10.1, the Group's financing sources are mainly comprised of:

- bank debt:

  in 2007, in order to finance the acquisition of Numico, the Company successively entered into two credit facility agreements:

  - a bridge loan for a principal amount of initially € 11 billion entered into in July 2007 with a maximum maturity date of January 2009. The remaining principal amount of € 2.1 billion at December 31, 2007 was drawn for an amount of € 1.7 billion,
  - a syndicated revolving credit facility ("revolving facility") entered into in December 2007 for a principal amount of € 4 billion and consisting in two tranches: a first tranche, with a principal amount of € 2.3 billion and expiring in December 2010 (fully drawn as of December 31, 2007), and a second tranche for a principal amount of € 1.7 billion and expiring in December 2012 (€ 1.2 billion of which was drawn as of December 31, 2007)
- EMTN *(Euro Medium Term Notes)*: a funding program with a principal amount of € 7 billion (€ 1,427 million of which has already been used);
- USPP *(US Private Placement)*: a private placement in the United States issued for an amount equivalent to € 433 million;
- commercial paper: a French program with a principal amount of € 2.5 billion (€ 1.6 billion of which was used as of December 31, 2007), as well as a Belgian program with a principal amount of € 0.2 billion (fully used as of December 31, 2007);
- available committed revolving credit facilities: a portfolio of back-up facilities entered into with major credit institutions, with maturity dates between 1 and 4 years, amounting to € 3.1 billion in principal. At December 31, 2007 the Group has not drawn any amount under these credit lines. In addition, the Company's operational subsidiaries benefit from credit lines in the available amount of € 0.4 billion as of December 31, 2007. The total amount of confirmed and unused credit lines available to the Company as of December 31, 2007 is equal to € 4.4 billion;
- available cash and marketable securities: they amount to € 1,041 million as of December 31, 2007 (as compared with € 3,219 million as of December 31, 2006).

Both the bridge loan and the revolving facility entered into in 2007 as well as the EMTN program (as from its renewal date in 2007) include a change of control provision described in paragraph 20.2.1.

All of these financing sources are not subject to any covenants relative to maintaining financial ratios, with the exception of the USPP. As of December 31, 2007, these covenants were properly met (see Note 15 of the footnotes to the consolidated financial statements).

In addition, long-term debts incurred by the Company and its subsidiary Danone Finance are rated as A3/ Stable by Moody's and A-/ Stable by Standard & Poor's, with this latter agency delivering a short-term rating of A-2 with respect to issuances of French commercial paper.

10.4 Contractual Obligations and Off-Balance Sheet Commitments

Contractual Obligations

The following table sets forth the contractual obligations of the Group as of December 31, 2007:

						Payments due by period	
(In € millions)	**Total**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 and after**
Financial liabilities [1] [2]	13,019	3,514 [4]	2,327	2,635	200	1,429	2,914 [3]
Capital lease commitments	12	2	2	1	1	1	5
Operating lease commitments	367	121	112	39	28	17	50
Commitments to purchase goods, services, and investments	905	637	169	54	32	4	9

(1) Excluding financial liabilities on capital leases. See paragraph 20.1 at Note 15 of the footnotes to the consolidated financial statements.
(2) Including interest.
(3) Corresponds primarily to the financial debt related to put options granted to minority shareholders, the expiration date of which is undetermined and that can be exercised at any time (see paragraph 20.1 at Note 15 of the footnotes to the consolidated financial statements). The options granted to the minority shareholders of Danone Spain (for € 2,160 million) can also be exercised at any time and were granted for an initial contractual period of 25 years (expiring between November 2016 and February 2017) and may be automatically renewed for successive 5-year periods.
(4) Includes commercial paper renewed and secured by medium term credit lines confirmed as available, in the amount of € 1,763 million.

Other Commitments

The following table sets forth the other commitments of the Group as of December 31, 2007:

						Commitments by maturity date	
(In € millions)	**Total**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 and after**
Commitments granted							
Guarantees and pledges given	156	78	–	1	3	3	71
Other commitments given	65	48	8	2	1	–	6
Commitments received							
Credit lines	4,429	592	552	1,150	1,580	550	5
Guarantees and pledges received	59	54	–	–	–	–	5
Other commitments received	64	58	2	2	1	–	1

In addition, the Group granted a put option to its Indian partner in the holding companies that have control of Britannia Industries Limited, the exercise price of which is based on the market value (see Note 26 of the footnotes to the consolidated financial statements).

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

11

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Research and Development Policy

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

In 2007, the Group significantly revised its research and development policy to turn it into a major competitive advantage. To increase efficiency, speed and communication within the Group, the research and development teams have been grouped together in one global multidisciplinary center, the Daniel Carasso Research Center, servicing the Fresh Dairy Products and Waters business lines. This center, located in the Paris region, has been operational since mid-2002 and employs approximately 360 researchers, engineers and technicians.

In addition, the Group has implemented local research and development teams in order to develop products that are adapted to the tastes and eating habits of the different countries in which the Group operates.

The entire employee base of the Group's research and development department includes more than 880 people to which have been added, since October 2007, 320 people arriving from Numico's research department.

The Group has developed scientific expertise in the following areas:

- the research on ferments and probiotics, made possible due to a collection of strains of 3,500 lactic and vegetable bacteria and which confers to the Group a considerable potential with respect to product innovations. Research & development is fully invested in this endeavor, by in particular using recent techniques in genomics and robotics in order to identify and select the probiotic strains of tomorrow;
- the validation of health allegations, which rests on the implementation of clinical studies carried out with respect to finished products in accordance with standards equally as rigorous as those used in the pharmaceutical industry;
- consumer science, which is aimed at analyzing the consumer's behavior and to immerse oneself in these habits in order to develop innovative products. To establish a close relationship between consumers and researchers, a dedicated space was created in October 2006 within the Daniel Carasso Center.

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

In 2007, the Group's research & development teams have in particular carried out the following actions:

- the preparation and submission of scientifico-regulatory information for *Activia*, *Actimel* and *Essensis,* while respecting the new EFSA (European Food Safety Authority) directives published in July 2007;
- the launch in Argentina of the first clinical study on the *Danonino* product, aimed at measuring the bioavailability of different nutriments present in the product (zinc, iron, calcium and vitamin D);
- the position taken by the Group on the nutritional profiles within the framework of the European Regulation;
- the signing of a research partnership agreement with the Russian University of Moscow which is aimed at developing the biodiversity of the collection of strains of the Group's lactic acid bacteria;
- the signing of an agreement with the Yakult group in order to take advantage of a new analysis method of the intestinal flora in order to be able to quantify its bacteria at a high rate and in a specific and precise manner.

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

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

In 2007, the Group invested € 121 million on Research and Development activities, or approximately 1% of its net sales (€ 103 million in 2006).

Protection of Industrial and Intellectual Property Rights

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

The Group is also the owner of patents, licenses and proprietary recipes, as well as substantial know-how and technologies related to its products and the processes for their production, the packages used for its products and the design and exploitation of various processes and equipment, used in its business.

Such trademarks, brand names, models, copyrights, licenses, patents, and know-how which are held by the Company and several entities throughout the Group, represent major assets for the Group. Also, through a determined defense strategy, the Group is committed to taking all appropriate legal steps to protect and exploit such intellectual and industrial property at the international level.

Lastly, the Group has implemented licensing agreements with its subsidiaries and with the partners who benefit from intellectual property rights.

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TREND INFORMATION

Future Outlook

Danone considers that its new portfolio of activities (including Baby Food and Medical Nutrition and excluding Biscuits and Cereal Products) will enable it to continue recording growth rates that are higher than the world average as seen in the food and beverage industry, while benefiting from a favorable global dynamic with respect to health products, from a growing demography of emerging countries and from the aging population in western countries, as well as from the evolution in ways of living in terms of nutrition.

The Group will continue to develop a strategy that privileges the profitable growth of its different activities. This model for development ensures that the Group's values and specificities are upheld.

In 2008, Danone continues to pursue its growth strategy, which relies on (i) a portfolio of activities centered on highly dynamic categories with a position in health, (ii) a voluntarily limited number of powerful brands that benefit from important communication support, (iii) a significant presence on markets that present the best prospects for long term sustained growth, in particular Russia, Mexico, Argentina and Brazil, (iv) local leadership positions in each of its activities, (v) high-performance innovation centered on health benefits and (vi) the market growth potential in Baby Food and Medical Nutrition.

The growth of net sales (at constant exchange rates and scope of consolidation) should continue to represent an essential vehicle for the improvement of the Group's economic performances, by continuously bringing out products that generate a favorable mixed effect and by attaining critical size on numerous emerging markets.

In a difficult economic climate and in the absence of a major crisis, Danone's objective in 2008 is to reach:

- like-for-like sales growth between 8% and 10%;
- like-for-like trading operating profit growth greater than like-for-like sales growth and at least +30 basis points in 2008; and
- underlying earnings per share growth of at least 15% in 2008 relative to the "pro forma" underlying earnings per share (the notion of "pro forma" is defined in paragraph 20.1 at Note 2.2 of the footnotes to the consolidated financial statements).

The Group will continue to pursue its development strategy in order to consolidate its existing positions and pursue its geographical expansion, either through acquisitions, or through the development of new production units.

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

Financial Communication Calendar

The financial communication calendar for the year 2008 is as follows:

April 14, 2008	Net sales for the first quarter of 2008
April 29, 2008	Shareholders' Meeting (Carrousel du Louvre, Paris, FRANCE)
July 30, 2008	Net sales for the second quarter of 2008 and results for the first half-year of 2008
October 22, 2008	Net sales for the third quarter of 2008

PROFIT FORECASTS OR ESTIMATES

Not applicable.

14

ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

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

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

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

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

The Board of Directors followed the recommendations of the *Bouton* Report to assess the independent character of Directors. However, the Board of Directors decided to only progressively apply the recommendation of the *Bouton* Report to Directors who have served as such for more than twelve years and therefore to anticipate the evolution of the Board's composition accordingly.

The Board of Directors is composed of 13 members, including 7 independent members. The members of the Board of Directors are, as of February 29, 2008, the following:

Name	Age	Principal occupation (1)	Director since	Term expires (date of the Shareholders' Meeting)
Franck RIBOUD	52	Chairman and Chief Executive Officer of Groupe Danone	1992	2010
Jacques VINCENT	62	Vice-Chairman of the Board of Directors and Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	1997	2011 (2)
Emmanuel FABER	44	Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	2002	2010
Bernard HOURS	51	Deputy General Manager *(Directeur Général Délégué)* of Groupe Danone	2005	2011 (2)
Bruno BONNELL (3)	49	Chairman of Robopolis SAS	2002	2011 (2)
Michel DAVID-WEILL	75	Vice-Chairman of the Board of Directors of Groupe Danone and Chairman of the Supervisory Board of Eurazeo	1970	2011 (2)
Richard GOBLET D'ALVIELLA (3)	59	Deputy director of Sofina S.A.	2003	2009
Christian LAUBIE (3)	69	Member of the Haut Conseil du Commissariat aux Comptes	1985	2009 (5)
Jean LAURENT (3)	63	Chairman of the Pôle de Compétitivité "Finance Innovation"	2005	2009
Hakan MOGREN (3)	63	Deputy Chairman of Astra Zeneca	2003	2009
Jacques NAHMIAS (3)	60	Chairman and Chief Executive Officer of Pétrofrance Chimie	1981	2011 (2)
Benoît POTIER (3)	50	Chairman and Chief Executive Officer of Air Liquide	2003	2009
Naomasa TSURITANI (4)	64	Senior Managing Director of Yakult Honsha, Co. Ltd.	2007	2011 (2)

(1) The terms of office and duties performed in any company by each of the Directors are described in the appendix to this Registration Document.
(2) Subject to his term of office being renewed by the Shareholders' Meeting dated April 29, 2008.
(3) Independent director.
(4) Mr. Naomasa TSURITANI was co-opted by the Board of Directors meeting of February 14, 2007, as a replacement for Hirokatsu HIRANO, who resigned, and for the remaining duration of the latter's term of office, or until the Shareholders' Meeting convened to deliberate on the financial statements of the 2007 fiscal year.
(5) Since Mr. Christian LAUBIE will be reaching the age of 70 during the 2008 fiscal year, this date is provided subject to the April 29, 2008 Shareholders' Meeting's decision to keep his term of office in effect.

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

POWERS OF THE CHIEF EXECUTIVE OFFICER

The Board of Directors meeting dated April 25, 2002 decided not to split the duties of Chairman of the Board of Directors with those of Chief Executive Officer. Certain transactions that the Chief Executive Officer is responsible for are subject to the prior approval of the Board of Directors; these transactions are described in the Board of Directors' rules of procedure (see paragraph 21.2.2 – Rules of Procedure of the Board of Directors).

DIRECTORS' FEES (*JETONS DE PRÉSENCE*)

The Shareholders' Meeting of April 11, 2003 passed a resolution increasing the annual aggregate amount of Directors' fees to € 500,000 to be allocated by the Board of Directors amongst its members. Pursuant to the Group's code of business conduct *(Principes de Conduite des Affaires du Groupe)*, Directors who are also members of the Executive Committee do not receive Directors' fees. In 2007, the gross amount of Directors' fees effectively paid out amounted to € 382,000.

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

OTHER INFORMATION

To the best of the Company's knowledge, there exists no family relationship between the Company's executive officers.

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

Executive Committee

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

As of February 29, 2008, the members of the Executive Committee are the following:

Name (1)	**Age**	**Main occupation within the Group**	**In office since** (2)
Franck RIBOUD	52	Chairman and Chief Executive Officer *(Président Directeur Général)*	1996
Emmanuel FABER	44	Deputy General Manager *(Directeur Général Délégué)*	2000
Bernard HOURS	51	Deputy General Manager	2001
Thomas KUNZ	50	General Manager, Danone Waters	2004
Philippe-Loïc JACOB	43	General secretary *(Secrétaire Général)*	2005
Sven THORMAHLEN	51	General Manager, Danone Research	2005
Jordi CONSTANS	43	General Manager, Fresh Dairy Products for Western Europe	2008
Felix MARTIN GARCIA	47	General Manager *(Directeur Général)*, Fresh Dairy Products for Central Europe, Eastern Europe, Africa, the Middle East, Asia and Oceania	2008
Christian NEU	51	General Manager, Baby Food	2008
Dirk VAN DE PUT	47	General Manager, Fresh Dairy Products and Waters (the Americas)	2008

(1) As of March 3, 2008, Mrs. Muriel PÉNICAUD was appointed General Manager of the Group's Human Resources and member of the Executive Committee.

(2) Date of entry to the Executive Committee.

14.2 Conflicts of Interests

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

REMUNERATION AND BENEFITS

15.1 Remuneration paid out during the Fiscal Year

Remuneration Policy for Executive Officers

The Nomination and Compensation Committee met several times in 2007 to review the remuneration policy of corporate officers and members of the Executive Committee within a context of evolution of its members.

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

Top management's compensation includes a fixed and a variable portion representing between 40% and 60% of total compensation. The variable element is based on economic, social and individual objectives.

For all members of the Executive Committee, the variable element is based on an economic objective ("the variable economic portion"), to which is added a qualitative evaluation of the strategy developed over the course of the year.

For the Chairman of the Board, Franck RIBOUD, and the Vice-Chairman Deputy General Manager, Jacques VINCENT, the variable portion is computed with reference to Group objectives, in terms of net sales, trading operating margin, free cash flow and underlying earnings per share, as communicated to the financial markets.

For members of the Executive Committee who manage a business line, the variable portion is based on objectives set in the budget of the business line in terms of net sales, trading operating margin, and operating free cash flow.

For the other members of the Executive Committee, the variable portion is calculated based on the Group's objectives, as communicated to the financial markets, set in terms of trading operating margin and underlying earnings per share, and on the objectives set forth in the budget with respect to operating costs.

The compensation of the Chairman of the Board, Franck RIBOUD, and the Deputy General Manager, Jacques VINCENT, are determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee. The compensation policy for the other members of the Group's Executive Committee is annually presented to the Nomination and Compensation Committee.

Description of the Remunerations for the 2007 Fiscal Year

For the 2007 fiscal year, the gross aggregate amount of direct and indirect remunerations paid out to members of the Board of Directors and members of the Executive Committee amounted to € 12.4 million.

This amount includes (i) the compensation paid out to the members of the Executive Committee, or € 12 million (including € 6.6 million with respect to the variable portion) and (ii) 0.4 million of Directors' fees *(jetons de présence)*.

The aggregate amount of compensation paid out and benefits of any nature awarded over the course of the 2006 and 2007 fiscal years to the members of the Board of Directors is detailed as follows:

(In €)	Fixed compensation (1)		Variable compensation (2)		Benefits of any kind		Directors' fees (3)		Total	
Name	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
Franck RIBOUD	990,920	990,920	1,583,560	1,508,408	4,620	4,620	–	–	2,579,100	2,503,948
Jacques VINCENT	760,000	760,000	828,360	789,048	4,620	4,620	–	–	1,592,980	1,553,668
Emmanuel FABER	485,000	505,000	508,464	611,600	4,620	4,620	–	–	998,084	1,121,220
Bernard HOURS	550,000	572,000	809,550	777,000	4,620	4,620	–	–	1,364,170	1,353,620
Bruno BONNELL	–	–	–	–	–	–	16,000	30,000	16,000	30,000
Michel DAVID-WEILL	–	–	–	–	–	–	24,000	42,000	24,000	42,000
Richard GOBLET D'ALVIELLA	–	–	–	–	–	–	44,000	48,000	44,000	48,000
Hirokatsu HIRANO	–	–	–	–	–	–	16,000	3,250	16,000	3,250
Christian LAUBIE	–	–	–	–	–	–	44,000	44,000	44,000	44,000
Jean LAURENT	–	–	–	–	–	–	24,000	60,000	24,000	60,000
Hakan MOGREN	–	–	–	–	–	–	22,000	42,000	22,000	42,000
Jacques NAHMIAS	–	–	–	–	–	–	20,000	26,000	20,000	26,000
Benoît POTIER	–	–	–	–	–	–	68,000	68,000	68,000	68,000
Naomasa TSURITANI	–	–	–	–	–	–	–	18,750	–	18,750

(1) Gross amount paid out during the fiscal year.
(2) Gross amount paid out during the fiscal year with respect to the previous fiscal year.
(3) Gross amount paid out during the fiscal year.

Lastly, the conditions under which the four corporate officers of the Company are paid indemnities in certain cases of termination of their terms of office are described in paragraph 15.3 below. The other members of the Executive Committee benefit from similar commitments from the Company in certain cases of termination of their duties.

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

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

As of December 31, 2007, the members of the Executive Committee benefited from exercisable stock options for an aggregate number of 3,810,668 shares. Since 2007, all of the members of the Executive Committee are subject to an obligation to hold a portion of their shares resulting from the exercise of options as described in paragraph 20.2.1.

The other advantages granted to the members of the Executive Committee who are employees of the Group, including the Group Performance Units, are described in paragraph 17.2.

Lastly, the amounts accounted for with respect to the remuneration and other advantages intended for all Directors and members of the Executive Committee are detailed in paragraph 20.1 (in Note 24 of the footnotes to the consolidated financial statements) and in paragraph 20.3 (in Notes 10 and 14 of the footnotes to the consolidated financial statements).

15.2 Retirement Benefits

All Senior Managers of the Group who were under the French pension schemes as of December 31, 2003 are, under certain conditions, eligible to a defined benefit pension plan.

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

The amount accrued for under this plan represents the obligation of the Group as of December 31, 2007 for the payment of annuities calculated on the basis of life expectancies based on mortality tables.

As of December 31, 2007, the total amount of the Group's obligation towards the Company's corporate officers under this pension plan amounts to € 34.8 million.

The total amount paid out by the Company with respect to this pension plan for the benefit of the members of the Board of Directors (based on the duties they have completed within the Group) amounted to € 0.6 million in 2007.

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

Related Party Transactions (*conventions réglementées*)

The following three related party transactions, which the Company entered into during the last three fiscal years, continued to apply during the 2007 fiscal year:

- at its February 14, 2007 meeting, the Company's Board of Directors renewed its authorization allowing the Company to guarantee or to become a guarantor for different financial transactions completed by Danone Finance, one of the specialized financial companies of the Group, up to a limit of € 500 million. To this day, this guarantee has never been taken advantage of;
- at its July 21, 2004 meeting, the Board of Directors, pursuant to the Compensation Committee's proposal, updated the conditions under which the employee agreements of Franck RIBOUD and Jacques VINCENT would once again become enforceable (it being specified that such employee agreements were suspended on August 26, 1994 when they were nominated as corporate officers of the Company), assuming that their term of office was coming to an end, for whatever reason, and has established that:
  - the amount of time during which they have exercised their duties as corporate officers for the benefit of the Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement,
  - the Company undertakes to offer them a position involving duties comparable to the ones currently exercised by the members of the Company's Executive Committee,
  - the annual compensation that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement,
  - they will benefit from the Company's defined benefit pension plan based on their seniority as a corporate officer and their seniority under the employee agreement;
- at its October 19, 2007 meeting, the Board of Directors renewed its authorization allowing the Company to guarantee the full amount of the sums due by Danone Finance with respect to its bonds issuance program known as *Euro Medium Term Notes*, up to a principal amount limit of € 3 billion, as well as any additional amount (interest, fees) that may possibly be owed by this subsidiary under the program.

In addition, the Company entered into three new related party transactions during the 2007 fiscal year:

- at its February 14, 2007 meeting, the Board of Directors of the Company renewed its authorization allowing the Chief Executive Officer to provide a guarantee to Danone Finance, one of the Group's specialized financial companies, within the framework of the issuance of commercial paper *("Billets de Trésorerie")*, up to a limit of € 2.5 billion. In addition, the Board of Directors decided to increase the ceiling applicable to the guarantee in order to include, in addition to the € 2.5 billion, any interest, fees, disbursements and accessory payment in connection with this undertaking, as well as any additional amounts that may possibly be owed by this subsidiary within the framework of this *Billets de Trésorerie* program;

- at its April 26, 2007 meeting, the Board of Directors of the Company, within the framework of the danone.communities project, approved the signing of a cooperation agreement established between the Company, the danone.communities *Société d'Investissement à Capital Variable* (SICAV), the danone.communities *Fonds Commun de Placements à Risques* (FCPR, or French risk fund), and the companies of the Crédit Agricole Group (namely the companies Ideam and Crédit Agricole Private Equity, respective management companies for the SICAV and the FCPR, it being specified that as of the date of this meeting, Mr. Jean LAURENT, Director of the Company, was also the Chairman of the Board of Directors of Calyon, a subsidiary of the Crédit Agricole Group). This agreement governs the relations among the Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the SICAV (French mutual fund) by the Company for a maximum amount of € 20 million, as well as the annual financial contribution by the Company of a maximum amount of € 1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors of the Company;
- at its October 19, 2007 meeting, the Board of Directors authorized the Company to grant a collateral security to the benefit of its subsidiaries Danone Finance, Danone International, and for all other direct or indirect subsidiaries that would become additional borrowers to the credit line opened to the Company on December 7, 2007 with respect to all of their financial commitments in principal, interest, and accessory payments and, more generally, with respect to any payments due in their capacity as additional borrowers, and up to a limit of a maximum principal amount of € 4 billion. As of December 31, 2007, this guarantee has never been taken advantage of.

Lastly, the Company entered into three new related party transactions during the 2008 fiscal year:

- the Board of Directors meeting of February 13, 2008 authorized an amendment to the employment agreements concluded with Mr. Emmanuel FABER and Mr. Bernard HOURS, for the purpose of determining the conditions under which their respective employment agreements would once again become enforceable (it being specified that such employee agreements were suspended when they were nominated as corporate officers of the Company), assuming that their term of office was to come to an end, for whatever reason. This amendment provides both executives, in an identical way, with the assurance that:
  - the amount of time during which they have exercised their duties as corporate officers for the benefit of the Company will be entirely taken into account with respect to seniority and to the rights they are entitled from this seniority within the framework of their employee agreement,
  - the Company undertakes to offer them a position involving duties comparable to the ones currently exercised by the members of the Company's Executive Committee,
  - the annual remuneration that will be paid out to them cannot be less than the total annual average remuneration (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the last twelve months preceding the return to enforcing their employee agreement,
  - they will benefit from the Company's defined benefit pension plan based on their seniority as a corporate officer and their seniority under the employee agreement,
  - the contractual indemnity due in the event of a breach in the employee agreement will be cancelled;
- the Board of Directors meeting of February 13, 2008 has decided on the principle and the terms and conditions of a right to the payment of an indemnity to each of the four corporate officers of the Company in the event that (i) their respective duties as corporate officers, for whatever reason other than a *faute grave* or a *faute lourde* (serious misconduct or gross negligence), are not renewed, or (ii) they resign from their duties within twelve months following a change in control of the Company.

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

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

  Over the Reference Period:

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

  It being specified that:

  - the Reference Period corresponds to the five fiscal years ended preceding the end of the corporate officer's duties,
  - the CICA of the Group corresponds to the internal ("organic") growth of the sales of the Danone group during the Reference Period,
  - the CICA of the Panel corresponds to the internal ("organic") growth of the sales achieved by the members of the Panel during the Reference Period,

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

    For this purpose, an end was brought to the contractual indemnities authorized by the Board of Directors meeting dated July 21, 2004 with respect to the terms of corporate office of Mr. Franck RIBOUD and Mr. Jacques VINCENT, and under certain cases of breach of employee agreement for Mr. Emmanuel FABER and Mr. Bernard HOURS;

- the Board of Directors meeting of February 13, 2008 confirmed the commitment the Company undertook with respect to each of the four corporate officers relative to the payment of a retirement pension under the defined benefit pension plan in the form of an annuity (with a transfer option), calculated based on the following elements:
  - the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the past three years of activity within the Group. The seniority taken into account would include the period corresponding to the term of corporate office,
  - in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the officer retired and the age at which he would have received his full rate social security pension will be applied to this annuity,
  - the amount of the annuity that would be paid to Mr. Franck RIBOUD and Mr. Jacques VINCENT would correspond to 2% of this calculation basis per year of seniority (this amount will however be subject to a ceiling of 65% of this calculation basis), minus the full amount of pension rights that Mr. Franck RIBOUD and Mr. Jacques VINCENT are entitled to and have acquired over the course of their professional careers, including the pension plan fully funded by the Company,
  - the amount of the annuity that would be paid out to Mr. Emmanuel FABER and Mr. Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche located between 3 and 8 ceiling levels of French Social Security ("3 et 8 plafonds de la Sécurité Sociale"), and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche that is higher than these 8 ceiling levels (this amount will however be limited on the basis of a maximum seniority of 20 years) minus the full amount of pension rights that Mr. Emmanuel FABER and Mr. Bernard HOURS have acquired due to the implementation of the pension plan fully funded by the Company.

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

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

Other Transactions

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

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

16

ORGANIZATION OF THE ADMINISTRATIVE AND GOVERNING BODIES

16.1 Directors' Terms of Office

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

16.2 Service Contracts

As of the date of this Registration Document, no Director or corporate officer (mandataire social) has a service contract with the Company or one of its affiliates that provides the provision of any sort of advantages.

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

Audit Committee

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

The Audit Committee is responsible for:

- reviewing and commenting on the Company's statutory and consolidated financial statements prior to their approval by the Board of Directors and in particular, (i) ensuring that management has ensured the relevance and consistency of the Company's accounting policies, (ii) reviewing the accounting treatment of complex or unusual transactions, (iii) reviewing the scope of consolidation, (iv) verifying that the internal control procedures are sufficient to ensure the quality of financial information and (v) reviewing the principal financial information documents of the Group;
- conducting the selection process for the statutory auditors of the Company, making all proposals for their appointment, renewal and compensation, reviewing their audit plan as well as reviewing specific projects that may be assigned to them, and ensuring their independence; and
- ensuring the existence of the internal control and risk management procedures established by the Company, reviewing the report of the Chairman of the Board of Directors on internal control, approving the internal audit plan, following its execution and ensuring the level of quality and adequacy of resources allocated to internal controls.

In its meeting on July 30, 2007, the Board of Directors decided to amend the Audit Committee's charter in order to modify the distribution of its responsibilities with those of the Social Responsibility Committee. Following such amendment, the Audit

Committee is responsible for responding to the questions of the Social Responsibility Committee related to the Business Conduct Principles or ethics. Moreover, it will be provided information regarding the Group's principal environmental, corporate, and social risks that were presented to the Social Responsibility Committee.

In 2007, the Audit Committee met five times. It reviewed the annual and half-year financial statements and was in particular concerned with examining:

- the status of the work on internal control procedures,
- the procedures for risk assessment;
- the approval of audit plans and the review of the principal conclusions of the audits conducted during the year;
- the pre-approval policy for services of the statutory auditors (excluding audit-related engagements); and
- the accounting treatment of complex transaction, particularly the consolidation method of Wahaha.

The written minutes of the Audit Committee meetings were circulated to the Directors and commented on during the meetings of the Board of Directors.

As of February 29, 2008, the Audit Committee is comprised of the following Directors, who have all been declared as independent by the Board of Directors:

- Benoît POTIER, Chairman of the Committee and independent Director;
- Richard GOBLET D'ALVIELLA, independent Director;
- Christian LAUBIE, independent Director.

Mr. Christian LAUBIE is the "financial expert" of the Audit Committee. He participates in the organization that regulates statutory auditors in France and was the Chief Financial Officer of Danone from 1980 to 2000.

Nomination and Compensation Committee

In 2005, the Board of Directors decided to merge the Compensation Committee and the Nomination Committee into a single committee called the Nomination and Compensation Committee.

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

The Nomination and Compensation Committee is responsible for:

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

In 2007, the committee met four times and in particular reviewed in detail all of the compensation programs and benefits for the members of the Executive Committee. It also examined the nomination of new Directors, in particular:

- the cooptation to the Board of Directors of Mr. TSURITANI who replaced Mr. HIRANO;
- the nomination of members to the new Social Responsibility Committee;
- the composition of General Management with the nomination of Mr. Bernard HOURS and Mr. Emmanuel FABER as Deputy General Managers (Directeurs Généraux Délégués), effective January 1, 2008;
- the analysis of the commitment undertaken by the Company and related to the severance compensation for four of its corporate officers in certain cases (see chapter 20.2.1).

As of February 29, 2008, the Nomination and Compensation Committee was comprised of the following three Directors, two of which were recognized as independent by the Board of Directors:

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

Social Responsibility Committee

In its meeting on December 15, 2006, the Board of Directors decided to create a third governance body, the Social Responsibility Committee. In its meeting on February 14, 2007, the Board of Directors gave this Committee a charter which outlines its responsibilities and procedures.

The Social Responsibility Committee is responsible for:

- reviewing the principal risks and opportunities for the Group in environmental matters in relation to its objectives and activities;
- reviewing the social policies of the Group, its objectives and the results obtained;
- reviewing reporting, evaluation and control systems in order to allow the Group to produce reliable information in non-financial matters;
- reviewing the non-financial information published by the Group, in particular relating to social and environmental matters;
- reviewing once a year the ratings received by the Company and its subsidiaries by non-financial rating agencies; and
- ensuring the application of the ethical codes established by the Group.

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

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

In 2007, the committee met three times. At its first meeting, its examined the Group's objectives and policies in regards to social responsibility. At its next two meetings, the committee examined, in particular:

- the new sustainable development policy in regards to water;
- the impact of questions related to the Environment, Social or Governance (ESG) in the food sector and the review of the Group's performance in relation to other companies in this sector;
- the Group's ongoing projects in the societal domain. In particular, pursuant to the Governance Charter of danone.communities, the committee was consulted and issued a favorable opinion on the conformity of this charter with a planned financial investment of danone.communities. Furthermore, it issued a favorable opinion on the amount borne by the Company within the context of its financial contribution to danone.communities. See section 20.2.1 entitled "Information on the danone.communities fund".

As of February 29, 2008, the Social Responsibility Committee was comprised of the following three Directors, two of which were recognized as independent by the Board of Directors:

- Mr. Jean LAURENT, Chairman of the Committee and independent Director;
- Mr. Bruno BONNELL, independent Director;
- Mr. Emmanuel FABER.

16.4 Corporate Governance

The Company is in compliance with the corporate governance regime in force in France pursuant to the conditions set forth in Chapter 14.

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

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

Ongoing efforts to improve the efficiency of the Board of Directors' work continued in 2007.

The Board of Directors met nine times in 2007 and each meeting lasted on average two hours. Directors' attendance rate was 86% in 2007 (compared to 85% in 2006).

The Board of Directors examined and discussed the following ongoing issues: review of the Group's activity, presentation of the strategy plans and annual budgets, approval of the accounts, financial disclosure when the yearly and half-year financial statements are published, acquisitions and disposal of assets or interests, the financial situation and cash reserves, financial commitments (representations and warranties), share buy-backs or cancellations, capital increases reserved for employees, allocations of stock options, review of the Company's stock price as well as the reports from the three board committees regarding their work.

In particular, the following specific points were reviewed by the Board of Directors in 2007:

- disposal of the business line Biscuits and Cereal Products to Kraft Foods;
- acquisition of Numico;
- the financing and refinancing for the acquisition of Numico;
- two-for-one stock split of the Company's share;
- delisting of the Company's shares from the New York Stock Exchange and deregistration from the Securities and Exchange Commission;
- accounting treatment for complex transactions, in particular the consolidation method for Wahaha;
- modification of the Group General Management's structure.

In addition, to gain more in-depth knowledge of the Group's businesses and staff, the Directors participated in an *Evian* event which takes place each year in September and brings together all the Group's managers worldwide. The Directors also met the Managing Directors of each of the Group's Business Lines over a half a day in December 2007.

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

The principles and regulations approved by the Board of Directors to determine the compensation and benefits-in-kind granted to corporate officers are discussed in chapter 16.3 of this Registration Document.

All of the information on how the Board of Directors prepares and organizes it work is provided in:

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

This is incorporated by reference in this section.

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

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

General Organization of Internal Controls

OBJECTIVES OF THE INTERNAL CONTROLS AND REFERENTIAL USED

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

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

The Group applies an internal referential in compliance with the *Cadre de Référence* and *Guide d'Application* suggested by the French AMF (Authority of Financial Market). This Cadre de Référence was based on the Committee of Sponsoring Organisations (COSO)'s referential.

PERSONS RESPONSIBLE FOR INTERNAL CONTROLS

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

Reporting to the Chief Financial Officer, the Internal Control Department is made up of a central team of three people, supported by internal controllers of the subsidiaries. They all ensure that the subsidiaries correctly apply the procedures defined by the Group. Specifically, the Internal Audit Department establishes the Group's internal control referential, defines the methods used to document the procedures conducts analysis and puts in place action plans.

Reporting to the General Secretary, the Risk Management Department regroups the Internal Audit Department and the Risk Department. The Internal Audit Department, which uses the specialized teams of a large, international audit firm (KPMG), conducts audits regularly in the operating units as well as audits related to cross-business line and cross-business issues. This central structure is supported by internal auditors in subsidiaries or in the pooled service departments as well as by other central services (Quality, Safety, IT, Administration, etc.).

The Scope of the Group's Internal Controls

The internal control process is implemented in the subsidiaries in which the Group has a controlling interest. For Numico and its subsidiaries acquired in 2007, the Internal Control Department and the Risk Management Department have reviewed the organization, the risk management systems and the internal procedures. Numico's integration into the scope of the Group's internal control procedures is planned and will be done progressively over 2008.

The Group's Internal Control Procedures

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

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

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

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

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

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

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

The Group has put in place a risk identification system with a specific process called "Vestalis". This application allows the central and local departments to classify risks in terms of frequency of occurrence and their financial impact on the Group and to implement better-adapted action plans to limit or control them. Similarly, the existence of procedures (on competitive watch, trainings, prevention and protection) as well as the actions taken by the specialized departments, Environmental Management or the Food Safety and Quality Management, help identify and analyze the risks. Moreover, the reduced levels of hierarchy, short decision-making processes and the participation of all of the operating units in strategic decisions contribute to the identification risks. Meetings to which the Group's main executives attend address the major risks from which the Group must protect itself in the areas of food safety, investment policy, cash management, information systems and internal control.

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

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

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

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

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

36 internal audits were conducted in 2007 in the operating units and horizontal functions on the basis of a plan previously presented to the Audit Committee. Following each audit, an action plan is prepared by the subsidiary's management to amend any weakness revealed in the audit report and the execution of the action plans are systematically reviewed and followed up by the operating and functional managers under the supervision of the Internal Audit Department. In 2007, such supervision led to 19 short audits on the implementation of the action plans.

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

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

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

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

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

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

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

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

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

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

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

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

Once a year, the Managing Director and Finance Director of each operating unit confirms in writing that it has complied with the Group's procedures in regards to the quality of the financial information sent to the central teams.

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

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

Evaluation. The Audit Committee examined the report of the Chairman of the Board of Directors on the internal control procedures put in place by the Group. The procedures intended to control the accounting and financial information of the consolidated subsidiaries as well as the internal control procedures for preparing the consolidated accounts are adequate to provide reliable accounting and financial information.

16.7 Statutory Auditor’s Report

(Statutory Auditors’ Report prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board Of Directors of Groupe Danone on the internal control procedures relating to the preparation and processing of financial and accounting information)

In our capacity as statutory auditors of Groupe Danone, and in accordance with article L. 225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code for the year ended December 31, 2007.

It is the responsibility of the Chairman to set out in his report the conditions in which the work of the Board of Directors is prepared and organized, and the internal control procedures in place within the Company.

It is our responsibility to disclose to you any observations we may have on the information set out in the Chairman’s report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman’s report on the internal control procedures relating to the preparation and processing of financial and accounting information. In particular, these procedures include:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman’s report, as well as of existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of existing documentation;
- determining whether the significant deficiencies in the internal control procedures relating to the preparation and processing of financial and accounting information that we would have observed in the context of our mission are properly reported in the Chairman’s report.

On the basis of these procedures, we have no matters to report in connection with the information on the Company’s internal control procedures relating to the preparation and processing of financial and accounting information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 14, 2008

Statutory Auditors

MAZARS & GUÉRARD		PRICEWATERHOUSECOOPERS AUDIT	
Thierry COLIN	Dominique MULLER	Eric BULLE	Olivier LOTZ

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EMPLOYEES

17.1 Human Resources and Social Responsibility

As of December 31, 2007, the number of employees of the fully consolidated companies was 76,044. The table below shows the total number of employees at year-end and the percentage of such employees by geography and business line as of December 31, 2006 and 2007.

	As of December 31,	
	2006	**2007**
Total number of employees	88,124	76,044
By Geography		
France	13.3%	11.4%
Rest of Europe	23.5%	17.2%
China	23.6%	7.7%
Rest of Asia-Pacific	15.0%	15.3%
North and South America	20.3%	26.2%
Africa and The Middle East	4.3%	6.1%
Baby Food and Medical Nutrition (1)	–	16.1%
TOTAL	**100.0%**	**100.0%**
By Business Line		
Fresh Dairy Products	32.6%	40.7%
Waters	49.1%	41.5%
Baby Food and Medical Nutrition (1)	–	16.1%
Other Food Businesses (2)	16.7%	–
Corporate Functions	1.6%	1.7%
TOTAL	**100.0%**	**100.0%**

(1) The only employees in the Baby Food and Medical Nutrition business line are employees of Numico and its subsidiaries. They have not been allocated by geography at December 31, 2007 given the short timelag between the acquisition date of Numico and the end of the 2007 fiscal year. This allocation will be performed in 2008.

(2) Corresponds to the employees of the Biscuits and Cereal Products business activities, sold in November 2007.

General Policy

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

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

Social Policy

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

Safety and Working Conditions. Group policies regarding safety and working conditions apply to (i) all categories of employees (including interns, temporary staff and apprentices, who are all included in accident statistics), and (ii) to all Group companies, whether recently acquired or not. In 2008, Numico’s policies regarding safety and working conditions will be progressively brought into compliance with those of the Group.

Since 2003, the Group has committed to reinforcing its health and safety policy. Since 2005, objectives related to safety have been integrated into the variable compensation of certain managers and general managers of the consolidated companies and of business lines, with the goal of dividing by two, in three years, the number of accidents with subsequent sub-leave. In order to accomplish this, the Group employs the following recurring factors:

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

The Group’s Executive Committee receives the safety results from all of the sites every three months. All of this information is collected via a common Group indicator and by a “safety barometer”. A special communication effort has been made within the Group in order to make the issue of safety the top priority for everyone, notably at internal conferences and in exchanges of good practices (the “Networking” program). In the Fresh Dairy Products and Waters businesses, the decrease in the number of accidents was nearly 47% in 2007, ever since the objective was set in 2005.

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

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

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

Compensation. The Group’s objective is to be attractive in the countries in which it is present. Compensation is a key factor in the Group’s human resource policies which offer the continued acquisition of skills and career opportunities. The Group’s objective is to better attract and motivate employees, and the Group seeks to be competitive with comparable leading international companies in each country where it operates. Each subsidiary is encouraged to develop a formal compensation policy and to communicate it to management committees and managers.

In 2001, the Group introduced a worldwide classification system for all managers, enabling them to identify their precise ranking and related responsibilities. The individual contribution of each manager is evaluated in an annual interview or Development and Performance Review (RDP).

As regards manager compensation, the Group tries to communicate openly on the management of compensation, the link with performance and personal development. The Group gave its managers new tools to better manage information given to collaborators: compensation policy company by company, position of each manager with regard to compensation, objective criteria and motivators for the management of salary increases. The Group chose to position itself between the open market and the mass market, in order to be able to compete with leading international companies in each of the countries where the Group is present. Compensation is determined by the level of responsibility and contribution of each employee to the results. Compensation includes a fixed portion (base salary supplemented by social benefits) and a variable portion (individual bonus and employee profit-sharing), the amount of which increases in relation to the level of responsibility.

Compensation for non-managerial staff (salariés non cadres) is managed by each subsidiary. The Group seeks to be competitive with comparable leading international companies in each country where it operates.

In 2007, the Group's personnel expenses, including social expenses and excluding Biscuits and Cereal Products, amounted to € 1,612 million (compared with € 1,437 million in 2006). This increase is primarily due to Numico's personnel expenses. In addition, € 106 million was paid to the employees of the Group in 2007 as part of the incentive and profit sharing schemes, compared with € 104 million in 2006.

Dialogue with Unions. In 2004, the Group leads an investigation to study the characteristics of the dialogue with unions. This investigation revealed that workers' representatives exist in almost all of the Group's subsidiaries and that meetings are organized in order either to inform or consult with the personnel. The topics most often covered in collective bargaining agreements as negotiated with unions or workers' representatives are compensation, work hours and conditions and work safety.

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

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

- direct reporting of information by local unions to the IUF;
- the appointment in 2006 of a full-time IUF representative to the Group;
- a process of social reporting applied to Group companies following twenty social indicators defined jointly by the Group and the IUF;
- an IUF – Groupe Danone pilot committee that meets each trimester to review the successful application of these agreements.

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

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

Training

Training has for objective to develop professional and managerial skills, to share and transmit internal best practices and to promote Group culture.

The training portfolio regroups training by business (marketing, purchasing, logistics, quality, finance, research and development, human resources) designed and run by professionals from different Group subsidiaries, in the form of educational partnerships with universities and grandes écoles, management development programs, seminars and workshops, aimed at sharing best practices.

The Group created the "Danone Campus" many years ago, which is a form of company university which brings together, six times per year, 200 to 300 managers in order to have an exchange on cross-business line and cross-business themes and to share the Group's strategy with a member of the Executive Committee. These "Danone Campuses" are traveling: they are held in different regions around the world where the Group is present.

For managers and managerial staff (*cadres*), the "individual development plan" allows development objectives to be set each year with the means for achieving them also being defined.

Launched in 2004, the "Evolution" program has a double economic and corporate objective: to improve continually the organizations' efficiency and collective performance, by allowing employees to maintain and develop their employability. This program, at once international and local, is directed primarily towards non-managerial staff (*salariés non-cadres*).

Finally, the Group aims at training managers who motivate, develop professionalism and personal commitment, through the use of managerial practices that are consistent with Danone's values. In 2007, the Group, therefore, carried out three studies of internal opinion interviewing more than 30,000 collaborators: the 5th Manager Level, the 3rd Executives Level and, in 44 subsidiaries, a level of non-managers. These studies, which measure the expectations and the degree of satisfaction of collaborators as well as their commitment level, have become important tools for management and decision-making which lead to identifying action plans for each subsidiary.

Leading Social and Environmental Responsibility

In conducting business, the "Danone Way" is both a business conduct policy and a tool designed to assist the Group's subsidiaries in addressing the principal areas to which they are committed: human rights, human resources, the environment, governance and relationships with outside partners. The "Danone Way" has for objective to spread, share and enrich the values and culture of the Group in each country where it operates, to allow subsidiaries to perform self-evaluations with respect to observable and measurable criteria and to have available at the Group level a collection of effective practices.

The "Danone Way" was first introduced in 2000, tested in 2001 in approximately 10 subsidiaries and is being deployed worldwide. As of today, 98% of the Group's subsidiaries have implemented the "Danone Way" and independent reviews have been carried out by PricewaterhouseCoopers and Mazars to validate their self-evaluations. The audit results show that there are no significant anomalies in the self-evaluations with respect to the procedures defined by the Group. These results are the subject of a report that covers the published consolidated results, which is available on the Internet site of the Group under the heading "Sustainable Development."

In 2007, the Group launched a new approach, named the "Danone Way Ahead", which has already been deployed in 40 subsidiaries. The "Danone Way Ahead" has for objective to promote social innovation while at the same time protecting the reputation of the Group and its brands. In particular, this approach rests on two complementary principles:

- social responsibility practices, applicable to all subsidiaries and whose evaluation is integrated into the Group's internal controls procedures;
- support for social innovation projects implemented by the Group's subsidiaries. They are designed to encourage local initiatives, by developing tailored solutions with the assistance of outside partners, suppliers, clients, consumers or NGOs, while also being beneficial in terms of business and local community development.

Publications

In 2006, the Group decided to combine the Social and Environmental Responsibility Report, which presented the social and environmental impacts of the Group's activities, with the Business Report. In addition, the Group publishes a Sustainable Development Technical Report, which presents information corresponding to the reporting for Sustainable Development (Global Reporting Initiative, launched in 1997 in conjunction with CERES and the United Nations Environment Program) as well as the indicators required by law under the *Nouvelles Régulations Economiques* (NRE law). This report is available on the Internet site of the Group, under the heading Sustainable Development.

17.2 Profit Sharing and Stock Option Plans

Employee Profit Sharing

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

In addition, the subsidiaries generally have in place profit sharing plans for their employees based on their own results.

In 2007, the expenses relating to profit sharing plans amounted to € 106 million (€ 104 million in 2006).

Group Performance Units

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

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

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

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

In 2007, the disposal of the Biscuits and Cereal Products business activities resulted in the early payment of the GPU plans for 2005, 2006 and 2007 for the beneficiaries in this business line.

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

Employee Stock Option Plans

Options to purchase shares are granted on an annual basis to the members of the Executive Committee, and to the Managing Directors and their employees.

The options expire after eight years. The exercise price of the options equals to the average stock price over the last twenty trading days preceding the meeting of the Board of Directors that grants the options. In general, options vest after two or four years following their grant date. Nonetheless, the regulations applicable to options plans granted by the Board of Directors as from April 11, 2003 allow beneficiaries of these plans to early exercise all or part of the options that they would be granted in the event of a successful tender offer for shares of the Company (see section 20.2.1).

The following table sets out the principal information relating to the various stock option plans in place as of December 31, 2007. Data prior to June 2007 has been adjusted (following the two-for-one stock split that occurred in June 2000, June 2004 and June 2007). Each option grants the right to purchase one share of the Company.

Date of the Shareholders' Meeting	Number of Options Authorized by the Shareholders' Meeting	Date of Board of Directors' Meeting Granting Options	Number of Options Granted	Expiration Date	Exercise Price per Share	Number of Options Cancelled as of December 31, 2007	Number of Options Exercised as of December 31, 2007	Number of Exercisable Options as of December 31, 2007	Of which: Options Exercisable by Members of the Executive Committee	Of which: Number of Members of the Executive Committee concerned as of December 31, 2007
May 19, 1999	**8,000,000** [1]									
		06/15/1999	828,000	06/15/2007	32.10	150,800	677,200	–	–	
		09/14/1999	78,800	09/14/2007	30.08	–	78,800	–	–	
		01/26/2000	1,333,360	01/26/2008	29.05	35,200	1,254,760	43,400	–	
		03/15/2000	899,200	03/15/2008	25.77	76,800	689,820	132,580	3,200	1
		05/22/2000	166,400	05/22/2008	31.75	58,400	84,798	23,202	–	
		09/13/2000	482,800	09/13/2008	38.96	80,000	242,300	160,500	–	
		10/17/2000	9,600	10/17/2008	38.45	0	4,800	4,800	–	
		03/14/2001	2,977,000	03/14/2009	36.79	468,600	1,703,035	805,365	70,000	1
			6,775,160			**869,800**	**4,735,513**	**1,169,847**	**73,200**	
May 29, 2001	**8,000,000** [2]									
		10/08/2001	622,600	10/08/2009	35.41	89,000	310,260	223,340	–	
		04/25/2002	2,627,200	04/25/2010	34.70	185,200	1,375,116	1,066,884	195,400	4
		10/17/2002	469,200	10/17/2010	30.38	80,000	269,464	119,736	2,600	1
		04/11/2003	3,687,300	04/11/2011	29.54	407,200	1,366,501	1,913,599	538,600	7
			7,406,300			**761,400**	**3,321,341**	**3,323,559**	**736,600**	
April 11, 2003	**8,000,000** [3]									
		10/15/2003	122,400	10/15/2011	32.90	34,400	45,200	42,800	–	
		04/15/2004	3,751,360	04/15/2012	33.71	407,200	725,442	2,618,718	782,600	8
		10/13/2004	88,600	10/13/2012	32.03	8,000	5,500	75,100	40,000	1
		04/22/2005	2,275,456	04/22/2013	37.56	160,200	142,699	1,972,557	541,668	8
			6,237,816			**609,800**	**918,841**	**4,709,175**	**1,364,268**	
April 22, 2005	**6,000,000** [4]									
		07/20/2005 [5]	28,000	07/20/2013	41.29	–	–	28,000	28,000	1
		10/18/2005	25,600	10/18/2013	45.08	2,400	2,000	21,200	–	
		04/27/2006	1,930,050	04/26/2014	49.74	45,300	–	1,884,750	651,000	9
		10/16/2006	34,000	10/15/2014	55.54	–	–	34,000	–	
		04/26/2007	2,484,450	04/25/2015	60.99	1,600	–	2,482,850	957,600	9
			4,502,100			**49,300**	**2,000**	**4,450,800**	**1,636,600**	
April 26, 2007	**6,000,000** [6]									
		10/19/2007	26,800	10/18/2015	55.47	–	–	26,800	–	
		12/17/2007	308,565	12/16/2015	59.96	–	–	308,565	–	
			335,365			–	–	**335,365**	–	
TOTAL			**25,256,741**			**2,290,300**	**8,977,695**	**13,988,746**	**3,810,668**	

(1) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of May 1999, 1,224,840 options were not granted and expired on May 29, 2001.

(2) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of May 2001, 593,700 options were not granted and expired on April 11, 2003.

(3) Of a total of 8,000,000 options authorized by the Shareholders' Meeting of April 2003, 1,762,184 options were not granted and expired on April 22, 2005.

(4) Of a total of 6,000,000 options authorized by the Shareholders' Meeting of April 2005, 1,497,900 options were not granted and expired on April 26, 2007.

(5) On July 20, 2005, the Board of Directors authorized the grant of 28,000 options and this grant was made by delegation on August 5, 2005.

(6) Of a total of 6,000,000 options authorized by the Shareholders' Meeting of April 2007, to this day 5,664,635 options have not yet been granted.

Grants and Exercise of Stock Options

Pursuant to article L. 225-184 of the French Commercial Code (*Code de Commerce*), the grants and exercise of options to purchase Company shares during 2007 were as follows:

GRANTS AND EXERCISE OF OPTIONS BY CORPORATE OFFICERS

	Options Granted [(1)]			Options Exercised	
Corporate Officers	**Number of Options**	**Expiration Date**	**Exercise Price** *(in euros)*	**Number of Options**	**Exercise Price** *(in euros)*
Franck RIBOUD	400,000	04/25/2015	60.99	-	-
Jacques VINCENT	233,000	04/25/2015	60.99	21,339	29.54
				1,661	29.54
				15,000	29.54
Emmanuel FABER	53,000	04/25/2015	60.99	-	-
Bernard HOURS	53,000	04/25/2015	60.99	66,000	34.70

(1) Option Plan approved by the Board on April 26, 2007 (authorized by the Shareholders' Meeting of April 22, 2005).

GRANTS OF OPTIONS TO THE TEN EMPLOYEES OF THE GROUP (EXCLUDING CORPORATE OFFICERS) WHO ARE GRANTED THE GREATEST NUMBER OF OPTIONS

In 2007, in the context of the April 26, 2007 Plan, 351,600 options to purchase shares were granted at an average weighted exercise price of € 60.99 (of which 271,600 options to six members of the Executive Committee).

EXERCISE OF OPTIONS BY THE TEN EMPLOYEES OF THE GROUP (EXCLUDING CORPORATE OFFICERS) WHO PURCHASED THE GREATEST NUMBER OF SHARES

In 2007, 555,950 options were exercised at an average weighted exercise price of € 31.37 (of which 33,400 options by a member of the Executive Committee).

Transactions carried out during the 2007 Fiscal Year on the Company Shares by the Corporate Officers and the Members of the Executive Committee acting as of December 31, 2007

Name	Nature of the Transaction	Date of Transaction	Gross Unit Price *(in euros)* (1)	Number of Shares (1)	Total Gross Amount *(in euros)*
Franck RIBOUD			-	-	-
Jacques VINCENT	Exercise of options	12/17/2007	29.54	21,339	630,354.06
	Sale	12/17/2007	57.82	21,339	1,233,820.98
	Exercise of options	12/18/2007	29.54	1,661	49,065.94
	Sale	12/18/2007	58.36	1,661	96,935.96
	Exercise of options	12/18/2007	29.54	15,000	443,100.00
Emmanuel FABER			-	-	-
Bernard HOURS (2)	Acquisition	03/01/2007	59.46	600	35,673.51
	Acquisition	03/05/2007	58.29	400	23,314.55
	Exercise of options	04/03/2007	34.70	66,000	2,290,200.00
	Subscription to the FCPE "Fonds Groupe Danone"	05/02/2007	10.0318	1,993.66	20,000.00
Benoît POTIER	Acquisition	03/05/2007	59.13	590	34,886.70
	Acquisition	05/24/2007	58.28	700	40,792.50
Naomasa TSURITANI	Acquisition	03/22/2007	59.45	4,000	237,780.00
Antoine GISCARD D'ESTAING	Subscription to the FCPE "Fonds Groupe Danone"	05/02/2007	10.0318	2,498.13	25,060.71
Philippe-Loïc JACOB	Sale of "Fonds Groupe Danone" FCPE units	03/26/2007	81.7518	2,636.27	215,520.10
	Exercise of options	04/11/2007	25.77	8,000	206,120.00
	Subscription to the FCPE "Fonds Groupe Danone"	05/02/2007	10.0318	3,002.59	30,121.43
Thomas KUNZ	Sale	04/30/2007	60.58	24,000	1,453,800.00
Franck MOUGIN (3)	Subscription to the FCPE "Fonds Groupe Danone"	05/02/2007	10.0318	2,800.81	28,097.14
	Exercise of options	05/04/2007	30.38	9,400	285,572.00
	Sale	05/04/2007	61.21	9,400	575,374.00
	Exercise of options	05/07/2007	30.38	24,000	729,120.00
Sven THORMAHLEN	Exercise of options	12/17/2007	29.54	8,000	236,320.00

(1) Transactions carried out between January 1 and June 1, 2007 take into account the two-for-one stock split effective June 1, 2007.

(2) Three individuals related to Mr. Bernard HOURS sold 1,100 shares of the Company on April 26, 2007 at a unit price of € 59.99, sold 54 shares of the Company on May 4, 2007 at a unit price of € 61.05 and sold 20,846 shares of the Company on September 19, 2007 at a unit price of € 57.51.

(3) Four individuals related to Mr. Franck MOUGIN sold shares. Of these, two sold 2,760 shares on October 25, 2007 at a unit price of € 59.80 and the other two sold 3,515 shares on October 25, 2007 at a unit price of € 59.80.

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

17.3 Employee Share Ownership

Pursuant to the authorization granted by the Shareholders' Meeting on April 27, 2006, the Company proceeded with a capital increase in May 2007, reserved for employees of the Group who were members of a French Company Savings Plan (or a "*Plan d'Epargne Entreprise*"), via the "Fonds Groupe Danone" FCPE ("*Fonds Commun de Placement d'Entreprise*" or employee shareholding vehicle) for a nominal amount of € 280,492, representing the issuance of 1,121,968 new shares (after the two-for-one stock split effective on June 1, 2007).

On April 26, 2007, the Shareholders' Meeting renewed its authorization granted to the Board of Directors to proceed with capital increases reserved for employees who are members of a company savings plan, within the limit of a nominal amount of € 3 million. This authorization is valid until June 2009.

Pursuant to the authorization granted by the Shareholders' Meeting on April 26, 2007, the Board of Directors decided at their meeting of February 13, 2008 to issue shares for the benefit of Group employees who are members of a company savings plan for a maximum nominal subscription amount of € 65 million, representing a maximum of 1,492,537 shares. See the Statutory Auditors' additional report in appendix A.2.

PRINCIPAL SHAREHOLDERS

18.1 Company Shareholding as of December 31, 2007 and Significant Changes over the Last Three Fiscal Years

Shareholding as of December 31, 2007

A double voting right is granted to all fully paid-up shares held in registered form, and registered in the name of the same holder for a period of at least two years. The following table sets forth certain information with respect to the principal shareholders, as of December 31, 2007.

Shareholders	Number of Shares Beneficially Owned	Percentage of Share Capital	Number of Gross Voting Rights	Percentage of Gross Voting Rights (1)	Number of Net Voting Rights	Percentage of Net Voting Rights (2)
Eurazeo	27,951,990	5.5%	47,384,962	8.6%	47,384,962	9.2%
Caisse des Dépôts et Consignations	17,846,870	3.5%	17,846,870	3.2%	17,846,870	3.5%
Predica	9,140,212	1.8%	9,140,212	1.7%	9,140,212	1.8%
FCPE “Fonds Groupe Danone”	7,996,262	1.6%	15,158,056	2.7%	15,158,056	2.9%
Groupe Sofina et Henex (formerly Glaces de Moustier)	10,600,000	2.1%	13,600,000	2.5%	13,600,000	2.6%
Public	401,920,567	78.2%	413,348,716	74.5%	413,348,716	80.0%
The Company and its subsidiaries (3)	37,395,559	7.3%	37,395,559	6.8%	-	-
TOTAL	**512,851,460**	**100.0%**	**553,874,375**	**100.0%**	**516,478,816**	**100.0%**

(1) The percentage of gross voting rights includes the shares held by the Company and its subsidiaries, which have no right to vote.

(2) The number of net voting rights (or voting rights that are “exercisable in the Shareholders’ Meeting”) excludes the shares which have no right to vote.

(3) Including 5,764,120 shares (i.e., 1.1% of the capital) held by the Spanish subsidiary of the Company, Danone SA.

As of December 31, 2007, the total number of shares owned by the Company’s Directors and the members of the Executive Committee (18 persons) was 586,706 or 0.11% of the Company’s share capital (not including 27,951,990 shares held by Eurazeo, a company in which Mr. Michel DAVID-WEILL, a Director of the Company, has direct and/or indirect interests).

As of December 31, 2007, pursuant to authorizations granted by the Shareholders’ Meeting on April 26, 2007 or prior authorizations, the Group owned, directly and through its Spanish subsidiary, Danone SA, 37,395,559 Company shares, representing 7.3% of its share capital.

To the best of the Company’s knowledge, only Eurazeo holds more than 5% of the share capital of the Company and to the best of the Company’s knowledge there are no shareholders’ agreements. However, certain financial institutions, mutual funds, may manage funds that collectively hold more than 5% of the capital of the Company. There is no clause in the Company’s bylaws giving preferential rights for the acquisition or sale of Company shares. Furthermore, as of December 31, 2007, existing pledges on Company shares held in registered form on the books of the Company (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*), respectively, amounted to 1,576 shares held by two shareholders and 64,842 shares held by eight shareholders.

Significant Changes in Share Ownership over the Last Three Fiscal Years

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

	December 31, 2005		December 31, 2006		December 31, 2007	
Shareholders	**% of share capital**	**% of net voting rights (1)**	**% of share capital**	**% of net voting rights (1)**	**% of share capital**	**% of net voting rights (1)**
Eurazeo	3.7	7.3	5.4	9.1	5.5	9.2
Caisse des Dépôts et Consignations	3.5	3.4	3.6	3.6	3.5	3.5
Groupe Sofina et Henex (formerly Glaces de Moustier)	2.0	2.9	2.0	2.5	2.1	2.6
Predica	1.7	1.7	1.7	1.7	1.8	1.8
FCPE “Fonds Groupe Danone”	1.4	2.7	1.5	2.9	1.6	2.9
Public	80.2	82.0	78.0	80.2	78.2	80.0
The Company and its subsidiaries	7.5	–	7.8	–	7.3	–
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

On April 4, 2006, Eurazeo reported having exceeded the threshold of 5% of the Company’s share capital on that date and that it held 5.10% of the capital and 8.71% of the Company’s voting rights.

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

Survey of the Company’s Shareholders

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

On December 31, 2007, the Company conducted a survey, which revealed the following distribution of the Company’s shareholders:

	% of share capital
Treasury shares, shares held by its subsidiaries and FCPE “Fond Groupe Danone”	9.0%
Shareholders represented at the Board of Directors	7.6%
Institutional Investors	
- France	25.6%
- Rest of Europe	17.1%
- United States	18.6%
- Rest of the World	11.9%
Individual Shareholders	10.2%
TOTAL	**100.0%**

18.2 Voting Rights

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

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

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

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

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

18.3 Change in Corporate Control

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

18.4 Market for Company's Securities

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

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

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

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

Stock Exchange Prices and Trading Volumes

EURONEXT PARIS (SHARES) SHARE PRICES AND VOLUMES

	Volumes (1)			Price (1)		
	In Securities *(in securities)* (2)	**In Value** *(in € millions)*	**Daily Average** *(in securities)*	**Average Monthly Price** *(in €)*	**High** *(in €)*	**Low** *(in €)*
2007						
January	44,381,140	2,571.85	2,017,324	57.84	60.00	56.25
February	48,692,014	2,963.69	2,434,600	60.81	64.17	57.85
March	65,582,666	3,715.84	2,844,666	59.70	61.73	57.56
April	51,324,280	3,144.19	2,697,068	61.08	62.55	59.51
May	72,814,404	4,303.13	3,309,746	59.11	61.65	57.38
June	74,578,965	4,324.00	3,547,951	57.92	60.20	55.20
July	112,122,797	6,492.32	5,096,491	58.10	63.50	52.56
August	85,439,439	4,615.94	3,714,758	53.92	57.01	51.30
September	53,707,780	3,008.06	2,685,389	56.01	57.70	53.94
October	76,629,754	4,329.40	3,331,728	56.44	60.87	52.75
November	56,047,822	3,326.71	2,547,628	59.26	61.10	56.93
December	50,985,783	3,055.26	2,683,462	59.96	62.57	57.50
2008						
January	90,780,242	5,183.94	4,126,375	57.70	64.00	51.55
February	74,567,076	3,959.88	3,550,813	53.11	56.69	50.10

Source: Euronext Paris SA

(1) Adjusted to give effect to the two-for-one stock split of June 1, 2007.

(2) Including over-the-counter transactions.

18.5 Investments in Listed Companies

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

- with respect to the fully consolidated companies: the Aqua company (Waters – Indonesia) is listed on the Jakarta Stock Exchange;
- with respect to companies accounted for under the equity method: the companies known as Yakult Honsha (Fresh Dairy Products – Japan) and Centrale Laitière du Maroc (Fresh Dairy Products – Morocco) are listed on the Tokyo and Casablanca Stock Exchanges, respectively;
- with respect to non-consolidated equity holdings: the companies known as Britannia Industries Limited (Biscuits – India) and ONA (Morocco) are listed on the Bombay and Casablanca Stock Exchanges, respectively. In addition, the company Wimm Bill Dann (Fresh Dairy Products – Russia) is listed on the Moscow Stock Exchange, as well as in New York as American Depositary Shares ("ADSs").

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RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 24 of the consolidated financial statements.

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FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION, AND RESULTS OF THE COMPANY

CONTENTS

20.1 Consolidated Documents

20.1.1 Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31	
(In € millions)	Notes	**2006**	**2007**
Net sales		**12,068**	**12,776**
Cost of goods sold		(6,163)	(6,380)
Selling expenses		(3,170)	(3,498)
General and administrative expenses		(878)	(943)
Research and development expenses		(103)	(121)
Other (expense) income	20	(157)	(138)
Trading operating income		**1,597**	**1,696**
Other operating (expense) income	21	(37)	(150)
Operating income		**1,560**	**1,546**
Interest income		*178*	*132*
Interest expense		*(179)*	*(307)*
Cost of net debt	22	(1)	(175)
Other financial (expense) income	22	(29)	(2)
Income before tax		**1,530**	**1,369**
Income tax	23	(287)	(410)
Income from consolidated companies		**1,243**	**959**
Net income (loss) of equity-accounted affiliates	6	(49)	87
Net income from continuing operations		**1,194**	**1,046**
Net income from discontinued operations	3	366	3,292
Net income		**1,560**	**4,338**
- Attributable to the Group		**1,353**	**4,180**
- Attributable to minority interests		**207**	**158**

PER SHARE INFORMATION (see note 13)

(In euros, except for number of shares)	**2006**	**2007**
Number of shares used in calculating:		
- earnings per share	485,468,188	476,355,811
- diluted earnings per share	489,377,826	479,863,143
Earnings per share attributable to the Group		
- underlying	2.46	2.49
- total	2.79	8.77
Diluted earnings per share attributable to the Group		
- underlying	2.44	2.47
- total	2.76	8.71

The notes on pages 84 to 127 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In € millions)	Notes	As of December 31 2006	2007
ASSETS			
Brand names		962	3,961
Other intangible assets, net		175	401
Goodwill, net		4,145	12,869
Intangible assets, net	4	5,282	17,231
Property, plant and equipment, net	5	3,020	3,035
Investments accounted for under the equity method	6	1,093	1,263
Investments in non-consolidated companies	7	827	772
Long-term loans	8	22	67
Other long-term assets	9	115	205
Deferred taxes	23	343	609
Non-current assets		**10,702**	**23,182**
Inventories	10	628	861
Trade accounts and notes receivable	11	1,594	1,548
Other accounts receivable and prepaid expenses	11	601	763
Short-term loans		34	30
Marketable securities	12	2,564	493
Cash and cash equivalents		655	548
Assets held for sale	3	78	151
Current assets		**6,154**	**4,394**
TOTAL ASSETS		**16,856**	**27,576**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital stock		130	128
Additional paid-in capital		203	255
Retained earnings		6,460	9,594
Cumulative translation adjustments		34	(190)
Treasury stock		(1,414)	(1,270)
Net income recognized directly in equity		410	501
Shareholders' equity attributable to the Group		**5,823**	**9,018**
Minority interests		246	82
Shareholders' equity		**6,069**	**9,100**
Non-current financial liabilities	25	5,705	9,855
Pension liabilities	16	147	190
Deferred taxes	23	296	1,157
Other non-current liabilities	17	391	461
Shareholders' equity and non-current liabilities		**6,539**	**11,663**
Trade accounts and notes payable	18	1,861	2,306
Accrued expenses and other current liabilities	18	1,971	2,047
Current financial liabilities	25	416	2,447
Liabilities held for sale	3	–	13
Current liabilities		**4,248**	**6,813**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,856**	**27,576**

The notes on pages 84 to 127 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31	
(In € millions)	Notes	**2006**	**2007**
Net income attributable to the Group		1,353	4,180
Net income attributable to minority interests		207	158
Net income from discontinued operations		(366)	(3,292)
Net income (loss) of equity-accounted affiliates		49	(87)
Depreciation and amortization		421	420
Dividends received from equity-accounted affiliates		25	30
Other flows with impact on cash		(82)	–
Other flows with no impact on cash	25	40	21
Cash flows provided by operating activities, excluding changes in net working capital		**1,647**	**1,430**
(Increase) decrease in inventories		(24)	(51)
(Increase) decrease in trade accounts receivable		(78)	(39)
Increase (decrease) in trade accounts payable		128	244
Changes in other working capital items		257	27
Net change in current working capital		283	181
Cash flows provided by operating activities		**1,930**	**1,611**
Capital expenditures		(621)	(726)
Purchase of businesses and other investments net of cash and cash equivalents acquired	25	(564)	(12,100)
Proceeds from the sale of businesses and other investments (including debt of the disposed businesses at the time of sale)	25	410	4,699
(Increase) decrease in long-term loans and other long-term assets		336	(142)
Changes in cash and cash equivalents of discontinued operations		176	171
Cash flows provided by (used in) investing activities		**(263)**	**(8,098)**
Increase in capital and additional paid-in capital		50	66
Purchases of treasury stock (net of disposals)		(587)	(439)
Dividends		(607)	(622)
Increase (decrease) in non-current financial liabilities		28	3,069
Increase (decrease) in current financial liabilities		(235)	2,614
(Increase) decrease in marketable securities		(201)	1,708
Cash flows provided by (used in) financing activities		**(1,552)**	**6,396**
Effect of exchange rate changes on cash and cash equivalents		(36)	(16)
Increase (decrease) in cash and cash equivalents		**79**	**(107)**
Cash and cash equivalents at beginning of period		576	655
Cash and cash equivalents at end of period		655	548
Supplemental disclosures			
Cash paid during the year:			
- interest		209	252
- income tax		368	369

The notes on pages 84 to 127 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	*(Number of shares *)*										*(In € millions)*
	Issued	**Excluding treasury stock**	**Capital stock**	**Additional paid-in capital**	**Retained earnings**	**Cumulative translation adjustments**	**Treasury stock**	**Net income recognized directly in equity**	**Share-holders' equity - Group**	**Minority interests**	**Share-holders' equity**
As of January 1, 2006	**528,470,380**	**489,038,722**	**132**	**244**	**5,728**	**258**	**(1,149)**	**67**	**5,280**	**341**	**5,621**
Translation adjustments						(224)			(224)	(33)	(257)
Unrealized gain (loss) on available-for-sale securities					3			340	343		343
Cash flow hedges								2	2		2
Stock options					14			1	15		15
Net income recognized directly in equity					*17*	*(224)*		*343*	*136*	*(33)*	*103*
Net income for 2006					1,353				1,353	207	1,560
Total recognized income and expenses for 2006					*1,370*	*(224)*		*343*	*1,489*	*174*	*1,663*
Capital stock issues	1,259,112	1,259,112	0	45					45	7	52
Capital stock reduction	(8,000,000)	(8,000,000)	(2)	(86)	(225)				(313)		(313)
Changes in treasury stock		(1,478,684)			3		(265)		(262)		(262)
Dividends paid					(416)				(416)	(194)	(610)
Changes in the scope of consolidation										(80)	(80)
Put options granted to minority shareholders										(2)	(2)
As of December 31, 2006	**521,729,492**	**480,819,150**	**130**	**203**	**6,460**	**34**	**(1,414)**	**410**	**5,823**	**246**	**6,069**
Translation adjustments						(224)			(224)	(20)	(244)
Unrealized gain (loss) on available-for-sale securities								89	89		89
Cash flow hedges								2	2		2
Stock options					16				16		16
Net income recognized directly in equity					*16*	*(224)*		*91*	*(117)*	*(20)*	*(137)*
Net income for 2007					4,180				4,180	158	4,338
Total recognized income and expenses for 2007					*4,196*	*(224)*		*91*	*4,063*	*138*	*4,201*
Capital stock issues	1,121,968	1,121,968	1	52					53	13	66
Capital stock reduction	(10,000,000)		(3)		(580)				(583)		(583)
Change in treasury stock		(6,485,217)			(2)		144		142		142
Dividends paid					(480)				(480)	(143)	(623)
Changes in the scope of consolidation										(184)	(184)
Put options granted to minority shareholders										12	12
As of December 31, 2007	**512,851,460**	**475,455,901**	**128**	**255**	**9,594**	**(190)**	**(1,270)**	**501**	**9,018**	**82**	**9,100**

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

As of December 31, 2007, the number of treasury shares held by GROUPE DANONE and its subsidiaries amounted to 37,395,559 (40,910,342 as of December 31, 2006 and 39,431,658 as of December 31, 2005).

The notes on pages 84 to 127 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

TABLE OF THE NOTES

The consolidated financial statements of GROUPE DANONE and its subsidiaries (the "Group") as of and for the year ended December 31, 2007 were approved by GROUPE DANONE's Board of Directors on February 13, 2008 and will be submitted for approval to the Annual General Meeting on April 29, 2008.

NOTE 1 - Accounting Principles

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

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

1. FIRST APPLICATION OF NEW ACCOUNTING RULES

In August 2005, the IASB adopted standard IFRS 7, *Financial instruments*: disclosures and amendments to standard IAS 1, *Presentation of financial statements*, concerning additional information to be provided on the capital, effective for annual periods beginning on or after January 1, 2007. The Group applied standard IFRS 7 for the first time in its financial statements as of December 31, 2007 and is not concerned by the IAS 1 amendments.

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

In November 2006, the IASB adopted standard IFRS 8, *Operating segments*. This standard replaces IAS 14, *Segment reporting*. The standard, which relates to information to be provided with respect to operating segments, is effective for annual periods beginning on or after January 1, 2009, with earlier application encouraged. The Group has not opted for the earlier application of this standard as of December 31, 2007.

The Group does not expect that the interpretations adopted by the IFRIC in 2007 will have a significant impact on its consolidated income statement or financial position.

2. CONSOLIDATION PRINCIPLES

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

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

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

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

The scope of consolidation is presented in Note 29.

3. FOREIGN CURRENCY TRANSLATION

Transactions denominated in Foreign Currencies

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

Translation of Financial Statements of Foreign Operations

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

4. INTANGIBLE ASSETS

Goodwill

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

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

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

Brands and other Intangible Assets

Individualisable acquired brands with a substantial and long-term sustainable value that are supported by advertising expenses and that have an indefinite useful life are recorded under "Brand names" in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and earnings contribution. These brands, which are legally protected, are not amortized. Brand names that are deemed to have a finite life are recorded under "Other intangible assets, net" in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful life, which does not exceed forty years.

Acquired technologies, valued with the assistance of specialist consultants and amortized over the average duration of the patents, are recorded in the balance sheet under "Other intangible assets, net". Acquired research and development costs, meeting the criteria for the recognition of an intangible asset according to IAS 38 – *Intangible assets*, are recognized in the balance sheet. They are amortized as from the date on which the corresponding products are put on the market. Other acquired intangible assets are recorded at their acquisition cost under "Other intangible assets, net" in the consolidated balance sheet. They are amortized over their estimated economic life, which does not exceed forty years.

Impairment Reviews

Intangible assets (including goodwill) are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. A loss in value is recognized when the recoverable value of an intangible asset becomes durably lower than its carrying value. The recoverable value of an intangible asset corresponds to the higher of market value and value in use.

Value in use is assessed with reference to multiples of earnings or expected future discounted cash flows of the Cash Generating Unit ("CGU") to which the asset belongs. CGUs correspond to subsidiaries or groups of subsidiaries that are included in a same reportable segment and that generate cash flows largely independent from those generated by other CGUs.

Impairment tests on goodwill are performed at the level of the CGU or group of CGUs depending on the expected return on investment. The cash flows used to determine value in use are derived from the CGU's business plans, which cover a period of three years and are generally extended to a period of five years on the basis of the most recent forecasts. Future cash flows beyond that period are extrapolated using a perpetual growth rate that is specific to each CGU. Future cash flows are then discounted using a weighted average cost of capital that is specific to the countries where the CGU operates. Market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost of acquisition or at construction cost.

Leased assets are recorded as fixed assets in the consolidated balance sheet, when, in substance, the terms of the lease transfer to the Group the majority of the risks and rewards associated with the ownership of the asset. The asset is recorded for an amount that corresponds to the lower of fair value and the discounted value of future lease payments. The assessment of the level of risks transferred is based on an analysis of the lease agreement. The financial debt associated with the leased asset is recorded as a liability in the consolidated balance sheet.

Interest relating to funds borrowed to finance the cost of construction of property, plant and equipment during the period prior to their being put into operation is considered to be an integral part of the cost price of the property, plant and equipment.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- buildings: 15 to 40 years;
- machinery and equipment: 5 to 15 years;
- others: 3 to 10 years.

Property, Plant and Equipment Impairment Reviews

Property, plant and equipment is reviewed for impairment when events or circumstances indicate that the recoverable value of the asset (or group of assets to which it belongs) may be impaired. The recoverable value corresponds to the higher of value in use and market value. Value in use is estimated on the basis of the discounted cash flows that the asset (or group of assets to which it belongs) is expected to generate over its estimated useful life. Market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction.

A loss in value is recognized when the recoverable value of a tangible asset becomes durably lower than its carrying value.

Refundable Containers

Refundable containers are recorded at acquisition cost. They are depreciated on a straight-line basis, based on available statistics for each company, over the shortest of the following lengths of time:

- physical useful life, taking into account the internal and external breakage rates and wear and tear;
- commercial useful life, taking into account planned or likely modifications of containers.

Liabilities for deposits received are revalued when refundable rates per container change. Any loss arising from changes in refundable rates is charged to the income statement as incurred.

6. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies are treated as available-for-sale investments. They are stated at fair value, with unrealized gains and temporary unrealized losses recorded directly in shareholders' equity. Unrealized losses that are other than temporary are recorded directly in the income statement. For listed companies, fair value is assessed, according to a multi-criteria approach, including based on the stock price as of the end of the period. For non-listed companies, fair value is assessed based on recent transactions entered into with third parties, put and/or call options negotiated with third parties or external appraisals. When such elements do not exist, the fair value of investments in non-listed companies is deemed to be equivalent to the acquisition cost of the investments. Impairment charges and gain or loss on disposal of non-consolidated investments are recorded under the line item "other financial (expense) income" in the consolidated income statement.

7. LONG-TERM LOANS AND OTHER LONG-TERM ASSETS

Other long-term assets mainly comprise bond securities that are treated as available-for-sale. They are stated at fair value, with unrealized gains and temporary unrealized losses recorded directly in shareholders' equity. Unrealized losses that are other than temporary are recorded directly in the income statement. Long-term loans are measured at amortized cost using the effective interest rate method.

8. INVENTORIES

Inventories and work-in-progress are stated at the lower of cost or net realizable value. Cost is generally determined using the weighted average method.

9. MARKETABLE SECURITIES

Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash. They are treated as trading securities and are carried at their fair value, with changes in fair value recorded in the consolidated income statement in the line item "Interest income".

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at their fair value.

11. TREASURY STOCK

GROUPE DANONE's capital stock held by the Company and its fully consolidated subsidiaries is reflected as a reduction in total shareholders' equity under "Treasury stock". Treasury stock is measured at historical cost.

12. GRANTS AND SUBSIDIES

Investment subsidies are reflected in the balance sheet under "Other non-current liabilities". They are released to income (in the line item "Other (expense) income") on a straight-line basis over the estimated useful lives of the related fixed assets.

Other grants and subsidies are recorded in the line "Other (expense) income" of the income statement in the year during which these grants are earned.

13. DEFERRED TAXES

Deferred income taxes are recorded for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except those differences that relate to goodwill. Deferred taxes are calculated using the liability method, applying the last enacted income tax rates expected to be applicable when the temporary differences will reverse. Deferred income taxes relating to the subsidiaries' undistributed retained earnings are recorded when distribution of these retained earnings is expected in the foreseeable future.

Deferred tax assets and liabilities are offset when the entity has a legal right to offset.

Deferred tax assets are not recognized in the consolidated balance sheet when it is more likely than not that these taxes will not be recovered.

14. RETIREMENT INDEMNITIES, PENSION COSTS AND POST-RETIREMENT BENEFITS

Defined Contribution Plans

Contributions due under defined contribution plans are expensed as incurred. These expenses are allocated to different line items in the consolidated income statement.

Defined Benefit Plans

The Group's benefit obligations relating to retirement indemnities and defined benefit pension schemes are calculated using the projected unit credit method based on actuarial assumptions, including employee turnover, salary increases and employees' expected active life. The obligation is discounted using a discount rate that is specific to each country. These obligations are covered either through assets held in externally managed funds to which the Group contributes, or through provisions recorded in the balance sheet as and when the rights are acquired by the employees.

Gains and losses resulting from changes in the actuarial assumptions that are used to calculate the obligations and estimated return on the plan's assets are recognized only when they exceed 10% of the higher of the obligation and the plan assets. The fraction exceeding 10% is then spread over the average residual active life of the employees.

The net periodic pension cost in relation to defined benefit plans comprises the service cost for the year, the interest cost and the amortization of actuarial gains and losses, net of the return on plan assets.

15.PROVISIONS FOR RISKS AND LIABILITIES

Provisions for risks and liabilities are reflected in "Other non-current liabilities" in the consolidated balance sheet. Provisions for identified risks and liabilities of uncertain timing or amount are recorded when the Group has a present obligation to a third party as a result of a past event and it is certain or probable that this obligation will result in a net outflow of resources for the Group.

16.CONVERTIBLE BONDS

The nominal amount of convertible bonds is allocated at the issue date between its debt component and its equity component. The value of the equity component, which corresponds to the conversion option, is the difference between the nominal value of the convertible bonds and the value of the debt component. At the issue date, the value of the debt component corresponds to the market value of a debt instrument having the same characteristics, but without a conversion option. The debt component is subsequently measured at its amortized cost, using the effective interest rate method.

17.DERIVATIVE FINANCIAL INSTRUMENTS

The Group, mainly through specialized subsidiaries, uses derivative instruments listed on organized or OTC markets for the purpose of managing its exposure to currency fluctuations and interest rate risks. It is the Group's policy not to enter into speculative transactions on the financial markets.

The Group has been applying IAS 39, *Financial Instruments — Recognition and Measurement,* since January 1, 2004. In accordance with IAS 39, all derivative financial instruments must be recorded in the balance sheet at their fair value. When derivatives are designated as fair value hedges, changes in the fair value of both the derivatives and the hedged items are recognized in the income statement in the same period. When derivatives are designated as cash flow hedges, changes in the value of the effective portion of the derivative are recorded in shareholders' equity: this effective portion is recognized in the income statement when the hedged item affects earnings. Changes in the value of the ineffective portions of derivatives are directly recognized in the income statement. Changes in the fair value of derivative financial instruments that are not classified as hedging instruments are recorded directly in the income statement for the period.

18.PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In accordance with IAS 32 — *Financial instruments: Disclosure and Presentation*, when minority shareholders hold put options that enable them to sell their investment, the minority's share in the subsidiaries' net assets is reclassified from "Minority interests" to a financial liability in the consolidated balance sheet. This financial liability is measured at the exercise price of the option.

As the standards and existing interpretations currently stand, there remains some uncertainty regarding the treatment of the difference between the exercise price of the options and the historical value of the minority interests that have to be reclassified as financial liabilities. The Group has chosen to present such a difference as additional goodwill. This goodwill is adjusted at period end to reflect changes in the exercise price of the options and in the carrying value of the minority interests to which they relate. This treatment has no impact on the consolidated income statement.

19.NET SALES

The Group's net sales mainly comprise sales of finished products. They are recognized when title passes to the customers.

Net sales are stated net of trade discounts and customer allowances, as well as of the costs relating to agreements on contributions to advertising, listing or concerning occasional promotional actions invoiced by distributors.

Uncollectible accounts receivable are estimated and reserved for when payment is not reasonably assured. The method used for determining such reserves, based on historical analysis, has not changed over recent years.

20.ADVERTISING COSTS

Advertising costs are expensed as incurred.

21.RESEARCH AND DEVELOPMENT COSTS

Development costs are only recorded under assets in the balance sheet if all the recognition criteria set by IAS 38 are met before the products are launched on the market. Research and development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are marketed.

22. OTHER OPERATING (EXPENSE) INCOME

Other operating income and expense comprise significant items that, because of their unusual nature, cannot be viewed as inherent to the current activities of the Group. They mainly include capital gains and losses on disposals of consolidated operations, impairment charges in relation to intangible assets (including goodwill) relating to consolidated subsidiaries, as well as significant restructuring charges and integration costs relating to major acquisitions.

23. STOCK OPTIONS

Stock options granted to employees are measured at their grant date fair value. Fair value is determined using the Black-Scholes valuation model, based on assumptions determined by management. Fair value is expensed over the vesting period (from two to four years), with a corresponding increase in shareholders' equity. Prior period expenses recorded in relation to options that lapse before they vest are reversed in the income statement in the period during which they lapse.

24. EARNINGS PER SHARE

Earnings per share are calculated by dividing net earnings by the average number of shares outstanding during the year, after deducting the GROUPE DANONE treasury stock held by the Company and the fully consolidated entities.

Diluted earnings per share are calculated in a similar manner, except that the weighted average number of shares is increased to take into account shares that could potentially be issued following the exercise of share options by employees.

25. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are reflected in separate line items in the consolidated balance sheet of the period during which the decision to sell is made. Balance sheets of prior periods are not restated. In addition, net income and cash flows of discontinued operations are reflected in separate line items in the consolidated income statement and statement of cash flows, respectively, for all periods presented. IFRS 5 defines a discontinued operation as a component of an entity that (i) generates cash flows that are largely independent from cash flows generated by other components (ii) is held for sale or has been sold, and (iii) represents a separate major line of business or geographic area of operations. The Group has determined that, given the way it is organized, its segments and geographic areas presented in the segment information correspond to the definition of components stated under IFRS 5.

26. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements, especially regarding the valuation of intangible assets, investments accounted for under the equity method, deferred tax assets, financial liabilities relating to put options granted to minority shareholders, provisions for risks and liabilities, provisions for commercial agreements and pension liabilities. Those estimates and assumptions are detailed in the corresponding notes. Actual amounts could differ from those estimates.

27. RECLASSIFICATIONS

Certain amounts in prior-period financial statements may have been reclassified for comparability with the last period presented.

NOTE 2 - Changes in the Scope of Consolidation

1. SUMMARY

Acquisitions

In 2007, the main acquisitions were the following:

- acquisition, for an amount of € 12,189 million, of a 98.85% interest in Royal Numico N.V. ("Numico"): the company and its subsidiaries have been fully consolidated since October 31, 2007;
- acquisition of all the shares of the Calpis Ajinomoto Danone joint-venture, renamed Danone Japan (Fresh Dairy Products). This company, which was previously accounted for under the equity method, has been fully consolidated since the first half of 2007;
- acquisition of an 80% interest in a joint-venture with Caglar (Waters - Turkey). The company, named Danone Hayat Antalya, is fully consolidated;
- acquisition of a 70% interest in a joint-venture with Vialat (Fresh Dairy Products – Chile). The company, named Danone Chile, is fully consolidated;
- acquisition of a 51% interest in a joint-venture with Alqueria (Fresh Dairy Products – Colombia). The company, named Danone Colombia, is fully consolidated;
- acquisition of an additional interest in Danone Industria (Fresh Dairy Products – Russia), increasing the Group's interest ownership from 70% to 85%.

In 2006, the main acquisitions related to additional investments in Danone Asia Pte Ltd. (holding company), Danone Djurdjura Algeria (Fresh Dairy Products) and Danone Romania (Fresh Dairy Products), bringing the Group's shareholding in these companies to 100%, as well as the acquisition of a 100% shareholding in Rodich (Fresh Dairy Products – Ukraine), a 22.18% interest in Hui Yuan Juice Holdings Co (Waters – China) and a 49% interest in Aqua d'Or (Waters – Denmark).

Diposals

The principal disposals in 2007 included:

- the Biscuits and Cereal Products businesses: the sale of these business activities, which occurred in November 2007, generated a net capital gain of approximately € 3,105 million. As the Group has discontinued its activities, this gain is reflected under the line item "Net income from discontinued operations" (see Note 3);
- the disposal of this company, finalized in July 2007, generated a net capital loss of € 8 million, reflected under the line item "Net income (loss) of equity-accounted affiliates" (see Note 6).

In 2006, the main disposals related to the Sauces business activities in Asia, and the Group's equity interest in Griffins (Biscuits – New Zealand), in Danone Waters of Canada (HOD – Canada) and in Bakoma (Fresh Dairy Products – Poland).

Other Changes in the Scope of Consolidation

The company Wahaha, which was previously fully consolidated, has been accounted for under the equity method as from July 1, 2007 (see Note 2.3).

In 2006, the Group and its partner in Aga Pureza (Waters—Mexico) revised the shareholders' agreement in order to transfer the control of the entity to the Group. Aga Pureza, which was previously accounted for under the equity method, has therefore been fully consolidated since December 31, 2006.

Britannia Industries Limited and the holding companies that hold it directly or indirectly were deconsolidated on July 1, 2006. The Group's shareholding in these entities, which was previously presented in the line "Investments in non-consolidated companies", is presented in "Assets held for sale" as of December 31, 2007 (see Note 7).

2. ACQUISITION OF NUMICO

Acquisition of Numico

On July 9, 2007, the Group launched a bid for all of the shares of Royal Numico N.V. ("Numico"), a company listed on the Amsterdam stock exchange, specialized in baby food and medical nutrition, at a cash price of 55 euros per share. On October 31, 2007, following the competition authorities' approval of the operation, the Group gained control of Numico, in which it had held a 29.57% interest since July 2007. As of October 31, 2007 (the "acquisition date"), the Group held a 90.47% interest. Numico and its subsidiaries have been fully consolidated since the date on which the Group took control, i.e. October 31, 2007.

As of the acquisition date, the initial acquisition cost of € 9,718 million (including acquisition expenses amounting to € 48 million) was allocated to the identifiable assets and liabilities acquired for a net amount of € 2,419 million and to residual goodwill for € 7,530 million (excluding deduction of minority interests for € 231 million).

Numico's net assets acquired as of October 31, 2007 are detailed below:

(In € millions)	Net book value before acquisition	Fair value of net assets acquired as of October 31, 2007
Intangible assets	1,260	3,777
Property, plant and equipment	491	500
Other non-current assets	301	328
Non-current assets	**2,052**	**4,605**
Current assets	1,141	1,190
Assets held for sale	21	57
TOTAL ASSETS	**3,214**	**5,852**
Non-current liabilities	1,827	2,538
Current liabilities	884	887
Liabilities held for sale	-	8
TOTAL LIABILITIES	**2,711**	**3,433**
Net assets acquired	**503**	**2,419**
Goodwill	850	7,530
Excluding minority interests	3	231
Acquisition cost	**1,356**	**9,718**

As of the acquisition date, the initial acquisition cost of € 9,718 million was allocated to the identifiable assets and liabilities acquired after taking into account the following main fair value adjustments:

- the recognition of brands, developed technologies, in-process research and development costs at fair value for € 3,730 million and related eferred tax liabilities for € 1,008 million. The intangible assets were valued by an external independent expert;
- the recognition of contingent liabilities, relating to provisions for tax risks, for € 11 million;
- the recognition of an additional amount relating to the fair value adjustment of property, plant and equipment and inventories, for € 19 million and € 50 million, respectively;
- the fair value adjustment of certain assets held for sale, in particular the Baby Food activity in France that is to be sold on the request of the competition authorities;
- the recognition of goodwill for € 7,530 million.

Between October 31, 2007 and December 31, 2007, the Group acquired an additional interest in Numico, increasing its holding from 90.47% to 98.85%, which generated additional goodwill amounting to € 1,965 million.

Consequently, as of December 31, 2007, the total acquisition cost amounted to € 12,189 million including € 48 million of acquisition expenses, and goodwill represented € 9,495 million.

The goodwill mainly represents assembled workforce, expected synergies in terms of revenue and reduction of costs, market shares, entry barriers, a control premium, and a portfolio effect which it was not possible to identify separately.

This business combination has been recognized on a temporary basis, the amount allocated to identifiable assets and liabilities acquired subject to be changed within a period of one year as from October 31, 2007.

Pro forma Income Statement relating to the Acquisition of Numico

A pro forma income statement is presented below as if the Group had acquired Numico as of January 1, 2007.

The pro forma adjustments as of the acquisition date are explained as follows:

- the change in net sales is due to the reclassification of the Baby Food activity in France as held for sale;
- the change in trading operating income is essentially due to the cancellation of the stock options expense and the termination indemnities for certain executives, as well as the recognition of a depreciation and amortization expoense for newly identified tangible and intangible assets.

The cost of financing the acquisition of Numico, which is presented over 12 months in 2007 and amounts to € 204 million before tax, was estimated based on the financing to acquire Numico on January 1, 2007 less the cash received from the disposal of the Biscuits and Cereal Products business activities as if it had been collected in full as of January 1, 2007 (instead of November 30, 2007, date of the disposal of these activities - see Note 3).

This cost of financing is included in the "Other adjustments" and excludes the income from the discontinued Biscuits and Cereal Products business activities, which primarily includes the related gain on the disposal.

(In € millions)	Groupe Danone as of December 31, 2007	Numico 10 months as of October 31, 2007	Pro forma adjustments	Pro forma income statement as of December 31, 2007	Other adjustments	Adjusted income statement as of December 31, 2007
Net sales	**12,776**	**2,322**	**(54)**	**15,044**	–	**15,044**
Trading operating income	**1,696**	**339**	**127**	**2,162**	**–**	**2,162**
Other operating (expense) income	(150)	(48)	51	(147)	–	(147)
Operating income	**1,546**	**291**	**178**	**2,015**	**–**	**2,015**
Cost of net debt	**(175)**	**(60)**	**15**	**(220)**	**(204)**	**(424)**
Other financial (expense) income	(44)	(2)	–	(46)	–	(46)
Non-current financial income	42	–	–	42	–	42
Income before tax	**1,369**	**229**	**193**	**1,791**	**(204)**	**1,587**
Net income from continuing operations	**1,046**	**183**	**86**	**1,315**	**(134)**	**1,180**
Net income from discontinued operations	3,292	–	2	3,294	(3,292)	2
Net income	**4,338**	**183**	**87**	**4,608**	**(3,426)**	**1,182**
- Attributable to the Group	**4,180**	**183**	**87**	**4,450**	**(3,433)**	**1,017**
- Attributable to Minority Interests	158	–	–	158	7	165

3. DEVELOPMENTS IN THE RELATIONS WITH PARTNER OF THE GROUP IN ITS SUBSIDIARY WAHAHA IN CHINA

Wahaha (Waters – China) comprises a group of legal entities (the “Subsidiaries”). The Group holds 51% of the capital of the Subsidiaries, the remaining 49% being held by several minority shareholders. Until June 30, 2007, the Group had fully consolidated the Subsidiaries.

The Group considers that the minority shareholders, along with other persons connected to them, have constituted in an irregular manner, several companies producing and marketing similar or identical products to those marketed by the Subsidiaries, and using illegally the Subsidiaries brands, distributors and suppliers. In this context, the Group brought in the first semester of 2007 several legal actions against the minority shareholders and against third parties.

Legal Actions brought

In accordance with the joint-venture agreements and the services agreement entered into with Mr Zong Qinghou (*Executive Director* of the Subsidiaries), which all include an arbitration clause in case of dispute, the Group instituted various proceedings on May 9, 2007 before the Arbitration Court of Stockholm Chamber of Commerce, on the grounds of several breaches of each of these agreements.

Furthermore, on June 4, 2007, the Group instituted proceedings before the State of California Superior Court in Los Angeles (United States), against Ever Maple Trading Limited and Hangzhou Hongsheng Beverage Co. Ltd. as well as their legal representatives and/or their shareholders for activities exercised in the United States, looking for liabilities based on several grounds, as well as for illegal and unfair competition.

The Chairman of the Board of Directors of each of the Subsidiaries, Mr. Zong Qinghou, resigned his mandates on June 6, 2007.

On June 13, 2007, one of the minority shareholders initiated arbitration proceedings before the Arbitration Commission of Hangzhou requesting the nullity and/or termination of the brand transfer agreement which transferred ownership of all the Wahaha brands to the first Subsidiary (constituted in 1996).

During July 2007, certain minority shareholders of the Subsidiaries brought several legal actions, in the name of the Subsidiaries, against directors appointed by the Group in several Subsidiaries, on the grounds of alleged infringements of the law of the People’s Republic of China.

Recent Developments

The second semester of 2007 was mainly marked by the development of legal proceedings in China (actions brought by the trade union organizations against the Group and actions brought by the Group against Mr Zong Qinghou, in his capacity as corporate officer of the Subsidiaries). On December 8, 2007, the Arbitration Commission of Hangzhou considered the brand transfer agreement void. The Group decided to appeal this decision. The Group also decided to appeal two unfavorable decisions from the Chinese courts, in Guilin and Xianyang.

On December 21, 2007, the Group and the minority shareholders announced, in the presence of the French and the Chinese governments, their agreement to temporarily suspend all current legal proceedings and to stop hostile declarations, in order to create a favorable environment for their discussions aiming to put an end to their dispute. Since then, discussions have been conducted under the aegis of and in the presence of the French and the Chinese governments’ representatives.

Accounting Treatment

As a result of the development of the events since June 30, 2007, the continued restricted access to the financial information and the lack of any concrete development in the second half of 2007, the Group considers that it is no longer able to exercise its control over the Subsidiaries. Nevertheless, the Group considers that it exercises a significant influence over the Subsidiaries, notably due to its holding in the capital and its presence at the board meetings, and has therefore accounted for the holdings in the Subsidiaries under the equity method as from July 1, 2007.

As of December 31, 2007, the book value of the Wahaha shares accounted for under the equity method was € 334 million. This change in method of consolidation has no impact on the net income attributable to the Group.

NOTE 3 - Discontinued Operations, and Assets and Liabilities held for sale

Discontinued Operations

Discontinued operations relate to the “Biscuits and Cereal Products” business activities and, for 2006, to the “Sauces” activity.

On July 3, 2007, the Group announced the sale of its “Biscuits and Cereal Products” business activities to Kraft Foods. The sale was completed on November 30, 2007. This sale does not include the Group’s interests in South America (Bagley Latino America – accounted for under the equity method), India (Britannia Industries Limited – not consolidated) and Greece (Papadopoulos), the latter having been sold to the minority shareholder following the exercise of its stock option.

The net gain on the disposal of the “Biscuits and Cereal Products” business activities amounts to € 3,105 million. This amount does not take into account a possible additional € 257 million of income for the disposal of the Group’s interest in Generale Biscuit Glico France. Indeed, Glico, partner in the joint-venture, has the right to terminate the joint-venture agreement in the six months following the date of notification of the transaction, i.e. December 7, 2007.

In January 2006, the Group had finalized its withdrawal from the “Sauces” activity by proceeding with the disposal of the companies Amoy and Amoy Foods in Asia, resulting in a gain of € 152 million, recorded in the income statement under “Other operating (expense) income” as shown below.The income statement for the discontinued operations below includes the “Biscuits and Cereal Products” business activities over 12 months in 2006 and 11 months in 2007:

	Year ended December 31	
(In € millions)	**2006**	**2007**
Net sales	**2,005**	**1,929**
Cost of goods sold	(1,051)	(1,021)
Selling expenses	(435)	(416)
General and administrative expenses	(169)	(152)
Research and development expenses	(23)	(21)
Other (expense) income	(11)	(15)
Trading operating income	**316**	**304**
Other operating (expense) income (*)	152	3,249
Operating income	**468**	**3,553**
Interest income	4	3
Interest expense	(40)	(30)
Cost of net debt	(36)	(27)
Other financial (expense) income	(2)	(1)
Income before tax	**430**	**3,525**
Income tax	(73)	(224)
Income from consolidated companies	**357**	**3,301**
Net income (loss) of equity-accounted affiliates	9	(9)
Net income from continuing operations	**366**	**3,292**
attributable to the Group	*354*	*3,299*
attributable to minority interests	*12*	*(7)*

(*) Includes the gains or losses on disposals of activities.

The contribution of the “Biscuits and Cereal Products” and “Sauces” business activities to changes in the Group’s cash flow before financing operations is presented below:

	Year ended December 31	
(In € millions)	**2006**	**2007**
Net income	**357**	**3,301**
Depreciation and amortization	70	63
Other changes	(182)	(3,125)
Cash flows provided by operating activities, excluding changes in net working capital	**245**	**239**
(Increase) decrease in inventories	(3)	(25)
(Increase) decrease in trade accounts receivable	(54)	(75)
Increase (decrease) in trade accounts payable	33	58
Changes in other working capital items	19	34
Net change in current working capital	(5)	(8)
Cash flows provided by operating activities	**240**	**231**
Capital expenditure	(71)	(46)
Financial investments	(11)	(28)
Disposals and realization of assets (including debt of companies sold at date of disposal)	19	14
Cash flows used by investing activities	**(63)**	**(60)**
Exchange differences	(1)	-
Contribution to increase in cash and cash equivalents	**176**	**171**

Other Assets and Liabilities held for sale

As of December 31, 2007, the Group was in the process of disposing of its minority, indirect shareholding in Britannia Industries Limited (Biscuits – India), see Note 7. The shares of this company were reclassified from the line item “Investments in non-consolidated companies” to the line item “Assets held for sale”.

Other assets held for sale mainly concern the interest in SMDA (Sources du Mont Dore en Auvergne, Waters – France) for € 26 million and certain assets of Numico, including the Baby Food activity in France.

As of December 31, 2006, the line “Assets held for sale” included the shares in Griesson (Biscuits – Germany) for the amount of € 78 million, the disposal of which was finalized in May 2007.

NOTE 4 - Intangible Assets

Changes in the Carrying Amount of Intangible Assets

Changes in the net book value of intangible assets can be detailed as follows:

		Goodwill	Total	Brands	Others	Total
Gross amounts *(In € millions)*	Consolidated interests	Put options granted to minority shareholders				
As of January 1, 2006	**1,941**	**2,179**	**4,120**	**967**	**392**	**5,479**
Capital expenditure	65	–	65	–	21	86
Disposals	(26)	–	(26)	–	(5)	(31)
Impairment charge	(43)	–	(43)	–	–	(43)
Changes in the scope of consolidation	62	(185)	(123)	–	(31)	(154)
Translation adjustments	(54)	–	(54)	(5)	(15)	(74)
Goodwill linked to options granted to minority shareholders (revaluation or exercise)	108	75	183	–	–	183
Others	23	–	23	–	30	53
As of December 31, 2006	**2,076**	**2,069**	**4,145**	**962**	**392**	**5,499**
Depreciation						
As of January 1, 2006	–	–	–	–	(198)	(198)
Charge for the year (net of disposals)	–	–	–	–	(27)	(27)
Disposals	–	–	–	–	3	3
Changes in the scope of consolidation	–	–	–	–	4	4
Translation adjustments	–	–	–	–	4	4
Others	–	–	–	–	(3)	(3)
As of December 31, 2006	**–**	**–**	**–**	**–**	**(217)**	**(217)**

	Goodwill		Total	Brands	Others	Total
Gross amounts	Consolidated interests	Put options granted to minority shareholders				
As of January 1, 2007	**2,076**	**2,069**	**4,145**	**962**	**392**	**5,499**
Capital expenditure	46	–	46	–	26	72
Disposals	–	–	–	–	(13)	(13)
Impairment charge	(25)	–	(25)	–	(2)	(27)
Changes in the scope of consolidation: Numico	9,409	86	9,495	3,449	359	13,303
Changes in the scope of consolidation: Biscuits and other activities	(841)	(33)	(874)	(488)	(53)	(1,415)
Change in consolidation method (Wahaha)	(112)	–	(112)		(9)	(121)
Translation adjustments	(45)	–	(45)	(62)	(4)	(111)
Reclassification as assets held for sale	(15)	–	(15)	–	–	(15)
Goodwill linked to options granted to minority shareholders (revaluation or exercise)	72	182	254	–	–	254
Others	–	–	–	100	(82)	18
As of December 31, 2007	**10,565**	**2,304**	**12,869**	**3,961**	**614**	**17,444**
Depreciation						
As of January 1, 2007	–	–	–	–	(217)	(217)
Charge for the year (net of disposals)	–	–	–	–	(28)	(28)
Disposals	–	–	–	–	5	5
Changes in the scope of consolidation	–	–	–	–	19	19
Translation adjustments	–	–	–	–	2	2
Others	–	–	–	–	6	6
As of December 31, 2007	**–**	**–**	**–**	**–**	**(213)**	**(213)**

The amortization expense of other intangible assets amounted to € 28 million in 2007 (€ 27 million in 2006). It is allocated to different line items in the income statement consistently with the nature and utilization of the underlying assets.

Goodwill

Goodwill resulting from changes in the scope of consolidation and changes in the consolidation method

In 2007, goodwill resulting from changes in the scope of consolidation and changes in the consolidation method was mainly due to:

- the acquisition of Numico for € 9,495 million, including goodwill of € 86 million related to the valuation of the option granted to the minority shareholders of the Polish subsidiary (see Note 2.2);
- the disposal of the “Biscuits and Cereal Products” business activities for the amount of € 832 million;
- the reclassification of the Wahaha goodwill for € 112 million in the line item “Investments accounted for under the equity method” following the change in method of consolidation (see Note 2.3).

In 2006, the main changes related to the acquisition of additional interests in Danone Asia and Danone Djurdjura Algeria, partly offset by the € 40 million impairment charge related to the acquisition of Robust.

Goodwill relating to put options granted to minority shareholders

The Group is committed to acquiring the minority shareholdings owned by third parties in some of the less than 100% owned subsidiaries, should these third parties wish to exercise their put options. These shareholders may be “historic” shareholders of the entities, private investors or international organizations, such as the European Bank for Reconstruction and Development. The exercise prices of these put options are usually based on the profitability and the financial position of the entity as of the exercise date. The exercise of these options would increase the Group’s shareholding in the related entities. As indicated in Note 1.18, under IAS 32, the minority’s shareholdings in the entities must be reflected as financial liabilities in the balance sheet, with the liabilities being measured at the exercise price of the options (see Note 15). In addition, the difference between the exercise price of the options and the historic value of the minority interests is reflected as goodwill in the consolidated balance sheet.

As of December 31, 2007, goodwill related to these put options amounted to € 2,304 million (€ 2,069 million as of December 31, 2006). The main goodwill, amounting to € 1,862 million, related to the option on Danone Spain, revalued for an amount of € 142 million during the year.

In 2006, the € 110 million decrease mainly derived from the deconsolidation of Britannia Industries Limited and from the reallocation to "Goodwill – consolidated investments" following the exercise of some options during the year.

Brands

The brand names in the consolidated balance sheet mainly consists of brands acquired in purchased business combinations. Brand names include, among others, the brand name *Volvic*, the Danone brand in Spain and the main brands identified in connection with the acquisition of Numico.

In 2007, changes in brands mainly resulted from the brands identified in connection with the acquisition of Numico, and from the disposal of the LU and *Saiwa* brands.

In 2006, changes mainly resulted from translation adjustments.

Other Intangible Assets

Changes in the scope of consolidation in 2007 mainly included developed technologies and in-process research and development identified in connection with the acquisition of Numico.

Impairment Reviews

The net book value of goodwill, brands and other intangible assets is reviewed annually and when certain events or circumstances indicate that their value may be impaired. These events or circumstances are linked to significant, unfavorable and durable changes that have an impact on the economic environment, the assumptions or targets set at the time of acquisition. An impairment charge is recorded when the recoverable value of the assets tested becomes durably lower than their net book value. Recoverable value is determined as detailed in Note 1.4.

As of December 31, 2007, the Group reviewed the carrying value of all its intangible assets with indefinite useful lives. As stated in Note 1.4, the CGU's value in use is determined based on multiples of earnings or on expected discounted cash flows.

As of December 31, 2007, the CGUs for which the book value of the goodwill or intangible assets with indefinite useful lives is significant are as follows:

	Net book value of goodwill and brands with indefinite useful life		Multiples of operating income before depreciation and amortization of the sector
(In € millions)	**2006**	**2007**	
Fresh Dairy Products:			
- CGU Southern Europe	2,125	2,273	
- Other CGUs (*)	626	639	
TOTAL FRESH DAIRY PRODUCTS	**2,751**	**2,912**	**9 on average**
Waters:			
- Danone Eaux France	433	428	
- Wahaha	113	–	
- Other CGUs (*)	475	594	
TOTAL BEVERAGES	**1,021**	**1,022**	**12 on average**
Biscuits and Cereal Products:			
- CGU Europe	1,283	–	
- Other CGUs (*)	53	–	
TOTAL BISCUITS AND CEREAL PRODUCTS	**1,336**	**–**	

(*) The "Fresh Dairy Products" and "Waters" business lines include about 20 other CGUs; the "Biscuits and Cereal Products" business activities included approximately 10.

The table above does not include the goodwill or intangible assets with indefinite useful life identified in connection with the acquisition of Numico, whose allocation to CGUs was in progress as of December 31, 2007 (see Note 2.2).

In addition, when value in use is determined based on expected discounted cash flows, the perpetual growth rate and discount rate vary depending on the geographical area where the CGU operates, and in particular on the maturity of the markets.

Following this review, the Group recorded a € 27 million impairment charge, relating to the goodwill of Danone Greece for € 19 million (Fresh Dairy Products) and of Danone Tessala Boissons for € 8 million (Waters – Algeria). This impairment charge was determined by reference to the value in use of each CGU, based on expected discounted cash-flows. The perpetual growth rate used amounted to 1%; the discount rates used for Greece and Algeria amounted to 8% and 14% respectively.

As of December 31, 2006, the Group had reviewed the value of the goodwill relating to Robust (Waters – China) and recorded an impairment charge of € 40 million.

NOTE 5 - Property, Plant and Equipment

Changes in the carrying amount of property, plant and equipment can be detailed as follows:

(In € millions)	**Land**	**Buildings**	**Machinery and equipment**	**Refundable containers**	**Others**	**Capital assets in progress**	**Total**
Gross amounts							
As of January 1, 2006	**214**	**1,508**	**4,425**	**187**	**483**	**314**	**7,131**
Capital expenditure (*)	6	28	118	26	26	474	678
Disposals	(7)	(43)	(214)	(19)	(34)	–	(317)
Changes in the scope of consolidation	10	4	2	(18)	25	8	31
Translation adjustments	(6)	(36)	(131)	(5)	(23)	(18)	(219)
Others	1	88	259	3	30	(388)	(7)
As of December 31, 2006	**218**	**1,549**	**4,459**	**174**	**507**	**390**	**7,297**
Depreciation							
As of January 1, 2006	**(27)**	**(733)**	**(2,990)**	**(113)**	**(321)**	**(3)**	**(4,187)**
Charge for the year	(2)	(67)	(312)	(23)	(60)	–	(464)
Disposals	1	33	196	18	29	–	277
Changes in the scope of consolidation	–	(2)	6	9	(15)	–	(2)
Translation adjustments	–	9	67	3	13	–	92
Others	–	8	(3)	(1)	3	–	7
As of December 31, 2006	**(28)**	**(752)**	**(3,036)**	**(107)**	**(351)**	**(3)**	**(4,277)**

(*) Including assets acquired under capital leases.

(In € millions)	Land	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amounts							
As of January 1, 2007	**218**	**1,549**	**4,459**	**174**	**507**	**390**	**7,297**
Capital expenditure (*)	5	24	98	28	28	521	704
Disposals	(7)	(30)	(136)	(18)	(26)	(2)	(219)
Changes in scope of consolidation: Numico	37	162	182	–	48	71	500
Changes in scope of consolidation: Biscuits and other activities	(18)	(308)	(866)	–	(42)	(28)	(1,262)
Change in consolidation method (Wahaha)	(10)	(95)	(359)	–	(26)	(19)	(509)
Translation adjustments	(5)	(22)	(73)	(12)	(19)	(25)	(156)
Reclassification as assets held for sale	(1)	(4)	(17)	–	(1)	–	(23)
Others	9	28	268	1	32	(372)	(34)
As of December 31, 2007	**228**	**1,304**	**3,556**	**173**	**501**	**536**	**6,298**
Depreciation							
As of January 1, 2007	**(28)**	**(752)**	**(3,036)**	**(107)**	**(351)**	**(3)**	**(4,277)**
Charge for the year	(2)	(57)	(254)	(23)	(55)	(1)	(392)
Disposals	–	18	116	16	23	–	173
Changes in scope of consolidation: Biscuits and other business activities	1	196	663	–	34	2	896
Change in consolidation method (Wahaha)	3	17	211	–	21	–	252
Translation adjustments	–	7	35	7	11	–	60
Reclassification as assets held for sale	–	2	13	–	1	–	16
Others	(2)	(3)	10	1	2	1	9
As of December 31, 2007	**(28)**	**(572)**	**(2,242)**	**(106)**	**(314)**	**(1)**	**(3,263)**

(*) Including assets acquired under capital leases.

Gross and net amounts of assets acquired under capital leases amounted to € 8 million and € 2 million, respectively, as of December 31, 2007 (€ 27 million and € 20 million as of December 31, 2006).

The depreciation charge for property, plant and equipment amounted to € 392 million in 2007 (€ 464 million in 2006). It is allocated to different lines in the income statement consistently with the nature and utilization of the underlying assets.

NOTE 6 - Investments accounted for under the Equity Method

The net book value of investments accounted for under the equity method is as follows:

(In € millions)	Goodwill, net	Group's share in the net assets of entities accounted for under the equity method	Total
As of January 1, 2006	**393**	**863**	**1,256**
Acquisitions	89	13	102
Disposals and other changes in the scope of consolidation	(60)	–	(60)
Group's share in net income	–	62	62
Impairment charge	–	(100)	(100)
Dividends paid	–	(38)	(38)
Other changes	–	(69)	(69)
Translation adjustments	(29)	(31)	(60)
As of December 31, 2006	**393**	**700**	**1,093**
Acquisitions	55	57	112
Disposal of the Biscuits businesses and other changes in the scope of consolidation	(70)	(211)	(281)
Change in method of consolidation of Wahaha	114	210	324
Group's share in net income	–	97	97
Dividends paid	–	(30)	(30)
Other changes	–	(5)	(5)
Translation adjustments	(22)	(25)	(47)
As of December 31, 2007	**470**	**793**	**1,263**

As of December 31, 2007, investments accounted for under the equity method mainly comprised Wahaha, Yakult and Hui Yuan Juice Holdings Co. Net assets of entities accounted for under the equity method include the identifiable intangible assets and residual goodwill resulting from the consolidation of their own subsidiaries.

In 2007, the increase in the net book value of investments accounted for under the equity method mainly resulted from the change in method of consolidation of Wahaha, which, until June 30, 2007, was fully consolidated (see Note 2.3), and from the increase in the investment in Hui Yuan Juice Holdings Co following the initial public offering of this company.

Disposals included the investment in The Danone Springs of Eden BV as well as the "Biscuits and Cereal Products" companies.

In 2006, the impairment charge related to The Danone Springs of Eden BV. Other changes were due to the reclassification of Griesson as "Assets held for sale".

Net Income (Loss) of Equity-accounted Affiliates

The line item "Net income (loss) of equity-accounted affiliates" can be detailed as follows:

(In € millions)	2006	2007
Group's share in net income (1)	62	97
Income from discontinued operations (2)	(10)	(6)
Group's share in net income of equity-accounted affiliates (1) – (2)	52	91
Impairment charge	(130)	–
Gain on disposal and other	29	(4)
TOTAL NET INCOME (LOSS) OF EQUITY-ACCOUNTED AFFILIATES	**(49)**	**87**

In 2006, the line item "Gain on disposal and other" mainly included the net gain on the disposal of the investment in Bakoma and the line item "Impairment charge" related to the Group's investment in The Danone Springs of Eden BV.

Impairment Reviews

The Group reviews the carrying value of its investments accounted for under the equity method whenever events or circumstances indicate that they may be impaired. An impairment charge is recorded when their recoverable value becomes durably lower than their net book value.

No depreciation has been recorded during the fiscal year.

Significant Financial Information

Significant financial information, as it relates to the main entities accounted for under the equity method as of December 31, 2007, excluding Wahaha due to the special situation described in Note 2.3, is as follows (100%):

(In € millions)			2006			2007
Company	**Net sales**	**Net income**	**Shareholders' equity**	**Net sales**	**Net income**	**Stockholder's equity**
Yakult (Japanese GAAP)	1,845	100	1,659	908	70	1,651
Hui Yuan Juice Holdings Co (IFRS)	206	22	151	133	33	402

As Yakult and Hui Yuan Juice Holdings Co are both listed companies, the amounts shown in the table above correspond to the last results published (2006: annual financial statements; 2007: half-year financial statements).

Fair Value of Investments accounted for under the Equity Method

The fair value of investments accounted for under the equity method amounted to € 1,410 million as of December 31, 2007 (€ 1,441 million as of December 31, 2006). It was determined as follows:

- for listed companies, by reference to stock prices as of December 31;
- for non-listed companies, by reference, as the case may be, to the value resulting from recent transactions entered into with third parties or put and/or call options negotiated with third parties and/or external appraisals. When such elements do not exist, the market value is determined to be equivalent to the carrying value, which is the case for Wahaha in view of the particular context described in Note 2.3.

NOTE 7 - Investments in Non-Consolidated Companies

NET BOOK VALUE AND CHANGES IN INVESTMENTS IN NON-CONSOLIDATED COMPANIES

The net book value of the main investments in non-consolidated companies can be detailed as follows:

(In € millions)	**% of interest in 2006**	**2006**	**% of interest in 2007**	**2007**
Britannia Industries Limited	25.5%	114	25.5%	–
Wimm Bill Dann	13.7%	290	18.3%	614
ONA	2.7%	66	2.7%	67
Shanghai Bright Dairy	20.0%	129	–	–
Others	–	228	–	91
TOTAL		**827**		**772**

In 2007, the decrease in non-consolidated investments mainly resulted from the disposal of the shares in Shanghai Bright Dairy and the reclassification of the shares in Britannia Industries Limited ("Britannia") as "Assets held for sale". This reduction is partially offset by an additional investment of 4.6% in Wimm Bill Dann and an increase in the fair value of these shares.

As indicated in Note 1.6, investments in non-consolidated companies are treated as available-for-sale investments. They are stated at fair value, with unrealized gains and temporary unrealized losses recorded directly in shareholders' equity. Unrealized losses that are other than temporary are directly recorded in the income statement. As of December 31, 2007, the unrealized gains recorded under "Net income recognized directly in equity" amounted to € 476 million before tax (€ 426 million as of December 31, 2006). The unrealized gains that were recorded under "Net income recognized directly in equity" as of December 31, 2006 and that were transferred to income in 2007 were not significant.

Britannia Industries Limited

The Company owns a 25.5% indirect interest in the Britannia company (Biscuits – India).

As the Group no longer has the IFRS financial information that enables it to consolidate Britannia, it had decided to deconsolidate its indirect investment in this company (and in the holding companies holding it, including ABIH) as from July 1, 2006, with a revaluation of the non-consolidated shares at market value through equity. As of December 31, 2006, the fair value of the Group's investment in Britannia, determined based on the price of the Britannia shares on the Bombay stock exchange, amounted to € 114 million. The impact on the consolidated shareholders' equity due to the revaluation of the investment in Britannia amounted to € 77 million before tax. This impact had been measured by reference to Britannia's € 37 million contribution to the consolidated equity at the deconsolidation date.

As of December 31, 2007, the Group is negotiating with its partner in the holding companies controlling the Britannia company with a view to selling its indirect investment to the partner.

In light of the ongoing negotiations, the Britannia shares were reclassified to "Assets held for sale" for a value equal to the estimated selling price.

NOTE 8 - Long-term Loans

As of December 31, 2007, long-term loans amounted to € 67 million, compared to € 22 million as of December 31, 2006. The increase is mainly due to the vendor loan granted to the acquirer of the Group's interest in The Danone Springs of Eden BV.

The fair value of long-term loans is considered to be equivalent to their book value, based on their expected future cash flows.

NOTE 9 - Other Long-term Assets

As of December 31, 2007, other long-term assets amounted to € 205 million, compared to € 115 million as of December 31, 2006. The most significant amounts corresponded to:

- investments held as security for some damage and healthcare provisions, for a total amount of € 87 million. These investments are treated as available-for-sale and are measured at their period-end fair value;
- a receivable of € 81 million from Kraft Foods in connection with the disposal of the "Biscuits and Cereal Products" business activities (see Note 3).

NOTE 10 - Inventories

Inventories can be detailed as follows:

(In € millions)	**2006**	**2007**
Goods purchased for resale	68	68
Raw materials and supplies	295	332
Semi-finished goods and work in progress	33	59
Finished products	238	416
Non-refundable containers	28	21
Less allowances	(34)	(35)
Inventories, net	**628**	**861**

In 2007, the increase in inventories was mainly due to the changes in the scope of consolidation related to the addition of Numico (an increase of € 390 million) and the exit of the "Biscuits and Cereal Products" business activities (a reduction of € 140 million).

NOTE 11 - Trade Accounts Receivable – Other Accounts Receivable and Prepaid Expenses

TRADE ACCOUNTS RECEIVABLE

(In € millions)	**2006**	**2007**
Trade accounts receivable	1,529	1,531
Notes receivable	134	75
Less allowances for doubtful receivables	(69)	(58)
Trade accounts receivable, net	**1,594**	**1,548**

In 2007, the reduction in trade accounts receivable was due in particular to the changes in the scope of consolidation related to the addition of Numico (an increase of € 362 million) and the exit of the “Biscuits and Cereal Products” business activities (a reduction of € 553 million).

Changes in the allowance for doubtful receivables are as follows:

(In € millions)	**2006**	**2007**
As of January 1	73	69
Charge (net of reversal) for the year	8	(3)
Utilization	(10)	(9)
Translation adjustments and other changes	(2)	1
As of December 31	**69**	**58**

The Group believes its exposure to concentration of credit risk is limited due to the number of customers located in diverse geographic areas and the fact that its main customers are major retail and grocery chains. In addition, the Group is not dependent on one single customer. In 2007, net sales with the Group’s largest client represented approximately 7% of the Group’s net sales (8% in 2006).

The fair value of trade accounts receivable is considered to be equivalent to their net book value due to their short-term maturity.

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

(In € millions)	**2006**	**2007**
State and local authorities	322	400
Social securities and non-operating receivables	171	227
Prepaid expenses	47	53
Others	61	83
TOTAL	**601**	**763**

As of December 31, 2007, the increase in the line item “State and local authorities” was mainly linked to the VAT receivable.

The fair value of other accounts receivable and prepaid expenses is considered to be equivalent to their net book value due to their short-term maturity.

NOTE 12 - Marketable Securities

Marketable securities, which are treated as trading securities, can be detailed as follows:

(In € millions)	**2006**	**2007**
Negotiable debt instruments	1,292	473
Monetary MARKET FUNDS	1,272	20
TOTAL	**2,564**	**493**

Marketable securities are usually bought from major financial institutions.

The reduction compared to 2006 resulted from disposals made to finance the acquisition of Numico (see Note 2.2).

NOTE 13 - Earnings per Share

The subsidiaries' and affiliates' distributable earnings can differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their local accounts and (ii) the laws that are applicable in the country where these entities operate.

In accordance with French law, dividends cannot exceed the sum of the Company's net income for the year and accumulated distributable earnings. As of December 31, 2007, tax-free distributable earnings amounted to € 198 million.

The reconciliation between basic and diluted earnings per share attributable to the Group is as follows:

	Underlying net income attributable to the Group *(In € millions)*	**Net income attributable to the Group** *(In € millions)*	**Weighted average number of shares outstanding**	**Earnings per share attributable to the Group** *(in euros)*	**Including: Earnings per share from continuing operations** *(in euros)*	**Including: Earnings per share of discontinued operations attributable to the Group** *(in euros)*
2007						
Before dilution	1,185	2,995	476,355,811	8.77	1.85	6.92
Stock-based compensation			3,507,332	(0.06)	(0.02)	(0.04)
After dilution	**1,185**	**2,995**	**479,863,143**	**8.71**	**1.83**	**6.88**
2006						
Before dilution	1,194	159	485,468,188	2.79	2.06	0.73
Stock-based compensation			3,909,638	(0.03)	(0.02)	(0.01)
After dilution	**1,194**	**159**	**489,377,826**	**2.76**	**2.04**	**0.72**

NOTE 14 - Stock-based Compensation

STOCK OPTION PLANS

Plan Characteristics

The board of directors can grant to some executives options to purchase existing shares of the Company's common stock. These options are granted at an exercise price that cannot be lower than the minimum value authorized under French law. They vest after two to four years and expire no later than eight years from the grant date.

The main characteristics of the option plans are as follows (after taking into account the two-for-one stock splits that occurred in June 2000, June 2004 and June 2007):

Date of shareholders' meeting	Number of authorized options	Number of options granted	Exercise price *(in euros)*	Number of options cancelled or forfeited at December 31, 2007	Number of options exercised at December 31, 2007	Number of outstanding options at December 31, 2007
May 14, 1997	6,196,680	5,360,080	16.7 — 31.0	682,000	4,678,080	-
May 19, 1999	8,000,000	6,775,160	25.8 — 39.0	869,800	4,735,513	1,169,847
May 29, 2001	8,000,000	7,406,300	29.5 — 35.4	761,400	3,321,341	3,323,559
April 11, 2003	8,000,000	6,237,816	32.0 — 37.6	609,800	918,841	4,709,175
April 22, 2005	6,000,000	4,502,100	41.3 — 61.0	49,300	2,000	4,450,800
April 26, 2007	6,000,000	335,365	55.5 — 60.0	-	-	335,365

As of December 31, 2007, 5,664,635 options could still be granted under the authorization given by the Shareholders' General Meeting of April 26, 2007.

As of December 31, 2007, outstanding options can be detailed as follows:

	Outstanding			Exercisable	
Range of exercise price	**Number of options**	**Average remaining life** *(number of years)*	**Weighted average exercise price** *(in euros)*	**Number of options**	**Weighted average exercise price** *(in euros)*
From € 16 to € 26	132,580	0.2	25.8	132,580	25.8
From € 27 to € 32	2,099,937	3.2	29.6	2,099,937	29.6
From € 33 to € 39	6,970,064	3.8	35.5	6,970,064	35.5
From € 40 to € 48	49,200	5.7	42.9	49,200	42.9
From € 49 to € 58	1,945,550	6.4	49.9	–	–
From € 59 to € 61	2,791,415	7.4	60.9	–	–
	13,988,746			**9,251,781**	

Changes in Outstanding Options

Changes in outstanding options were as follows (after taking into account the two-for-one stock split of June 1, 2007):

(Number of options)	2006	2007
Balance as of January 1	16,486,764	13,438,068
Granted	1,964,050	2,819,815
Exercised	(4,382,646)	(2,133,737)
Forfeited/cancelled	(630,100)	(135,400)
Balance as of December 31	**13,438,068**	**13,988,746**

In 2007, the average price of GROUPE DANONE stock was € 58.29.

Valuation of Stock Options

As indicated in Note 1.23, stock options granted to employees are measured at their grant date fair value, based on assumptions determined by management. Options granted in 2006 and 2007 were measured based on the following assumptions:

	2006	2007
Risk-free interest rate	3.96%	4.39%
Expected life	5 years	5 years
Expected volatility	20.9%	25.1%
Expected dividend yield	1.8%	1.8%

The expected volatility was determined based on an observation of the historical volatility over a period identical to the expected life of the options.

The risk-free interest rate was determined based on the risk-free interest rate of State bonds.

The weighted average value of options granted in 2006 and 2007 was € 10.5 (after taking into account the two-for-one stock split of June 1, 2007) and € 14.2 per option, respectively.

In 2007, the stock-based compensation expense amounted to € 10 million (€ 13 million in 2006). This expense is reflected as "Other (expense) income" in the consolidated income statement against "Retained earnings" in the consolidated balance sheet.

As of December 31, 2007, the unrecognized stock-based compensation expense amounts to approximately € 50 million.

EMPLOYEE SHARE OWNERSHIP PLAN

Employees of the Group's French entities can, on an annual basis, purchase new shares of the Company as part of a share ownership plan. The purchase price of the shares corresponds to 80% of the average stock price over the last 20 days preceding the meeting of the board of Directors that approves the plan. The benefit granted to the employees is calculated based on the grant date fair value of the shares, taking into account the restriction on these shares over a 5-year period and the market parameters that are applicable to employees, in particular the borrowing rate. The grant date corresponds to the date on which the plan is announced to the employees. In 2007, the fair value of the shares was calculated based on a Company's stock price of € 55.03, a 4.06% risk-free interest rate and a 7.16% employees' 5-year borrowing rate. This accounting treatment is compliant with the communication made by the CNC on December 21, 2004 in relation to share ownership plans.

NOTE 15 - Financial Assets and Liabilities

FOREIGN EXCHANGE RISK

Foreign Exchange Exposure

Revenues and operating expenses of the Group's subsidiaries are mainly denominated in the local currency of each subsidiary's country, with the exception of imports and exports which may be denominated in another currency and which are subject to a hedging policy. The Group hedges its operating transactions that are highly probable and denominated in foreign currencies, mainly over a 15-month period. For that purpose, the Group uses forward contracts and plain vanilla options, the main currencies concerned being the U.S. dollar, the British pound, the Japanese yen and the Mexican peso. Consequently, the Group's residual foreign exchange exposure after hedging risk on its operating transactions was not significant over a given fiscal year. As of December 31, 2007 and 2006, the majority of these financial foreign exchange transactions were qualified as cash flow hedge, the others not qualifying for hedge accounting according to standard IAS 39.

The following table shows the Group's exposure to foreign exchange risk induced by these financial foreign exchange transactions as at the end of 2006 and 2007 respectively and set-up to hedge highly probable operating transactions.

								Year ended December 31
(In € millions)				**2006**				**2007**
(Sales) / Purchases of currencies	**USD**	**GBP**	**JPY**	**MXN**	**USD**	**GBP**	**JPY**	**MXN**
Net Forward contracts [1]	78	(308)	(24)	(116)	176	(202)	1	(147)
Currency options, net	(47)	(87)	(112)	–	(36)	(93)	(356)	–
TOTAL	**31**	**(395)**	**(136)**	**(116)**	**140**	**(295)**	**(355)**	**(147)**

(1) Spot rates at closing date.

Borrowings and loans denominated in foreign currencies, related to intercompany financing and set-up by Group entities whose functional currency is the euro, are hedged through cross currency swaps. As of December 31, 2007 and 2006, these foreign exchange transactions did not qualify for hedge accounting under IAS 39.

Sensitivity Analysis

A foreign exhange risk sensitivity analysis is performed for the financial instruments for which a change in the closing foreign exchange rates would have an impact on the Group's shareholders' equity and net income. These instruments correspond to currency derivatives qualifyied as cash flow hedge as well as derivative instruments not qualifying for hedge accounting.

Currently, the Group does not hold any derivative instruments qualifying as fair value hedge. The only impacts recognized in profit or loss relate to the time value and swaps points changes when they are excluded from the hedging relation, as well as to transactions for which hedge accounting is not applied.

A change of 10% in the euro against the following currencies, at the closing date, applied to foreign exchange transactions qualifying as cash flow hedge and to those not qualifying for hedge accounting, would have resulted in an increase (decrease) in equity and net income of the Group by the following amounts (at a constant volatility and interest rate):

	Equity		Profit and loss	
(In € millions)	**10% increase in euro**	**10% decrease in euro**	**10% increase in euro**	**10% decrease in euro**
As of December 31, 2007				
USD	1	2	3	(4)
GBP	17	(20)	2	(1)
JPY	25	(22)	2	3
MXN	1	(2)	2	(2)
As of December 31, 2006				
USD	3	(2)	1	(1)
GBP	27	(30)	5	(4)
JPY	10	(10)	3	–
MXN	2	(2)	2	(2)

INTEREST RATE RISK

Interest Rate Exposure

The interest rate risk is notably induced by the Group's interest-bearing debt. It is mainly denominated in euro and is managed centrally. The Group uses financial instruments to reduce its exposure to short-term interest fluctuations. These financial instruments are interest rate swaps and plain vanilla caps. The interest rate risk management policy is defined by the Management of the Group depending on both financial indicators and the interest rate context. As of December 31, 2006, no interest rate-related financial instruments qualified for hedge accounting, unlike those as of December 31, 2007 for which cash flow hedge accounting was applied.

Interest Rate Derivatives Sensitivity Analysis

An interest rate sensitivity analysis is performed for all the interest rate financial instruments for which a change in the short-term interest rates at closing date would have an impact on the Group's equity and net income. These instruments correspond to derivatives (interest rate swaps and plain vanilla caps) whether or not they qualify for headge accounting. The impacts recognized in equity relate to the effective portion of the instruments qualifying as hedges, as well as to the impact of changes in the fair value of the instruments not qualifying for hedge accounting.

For these interest rate instruments, a change of 100 basis points in the short-term interest rates at the closing date applied to outstanding transactions as of December 31, 2007 would have resulted in an increase (decrease) in equity and net income by the following amounts (at a constant exchange rate and volatility):

	Equity		Profit and loss	
(In € millions)	**Increase of 100 bp**	**Decrease of 100 bp**	**Increase of 100 bp**	**Decrease of 100 bp**
As of December 31, 2007				
Caps	–	–	36	(4)
Interest rate swaps	123	(127)	(2)	2
Sensitivity to cash flows – net	**123**	**(127)**	**(34)**	**(2)**

As of December 31, 2006, the fluctuation in short-term interest rates would not have had a significant impact on the Group's equity or net income, as the outstanding amounts of both net debt and interest rate instruments of the Group were not significant.

Net Debt Sensitivity Analysis

The Group's interest rates exposure on its net debt is shown in the following table:

	Profit and loss	
(In € millions)	**Increase of 100 bp**	**Decrease of 100 bp**
As of December 31, 2007		
Net debt [(1)] indexed on floating rates	(25)	45
Sensitivity of net debt	**(25)**	**45**

(1) The net debt used to measure the Group's interest rates exposure corresponds to the financial debt net of marketable securities and cash and cash equivalents. It excludes financial liabilities related to the put options granted to minority shareholders as these liabilities do not bear interest.

As of December 31, 2006, the fluctuation in short-term interest rates would not have had a significant impact on the Group's net debt, as the outstanding amounts of both net debt and interest rate instruments of the Group were not significant.

NET FOREIGN INVESTMENTS

The net equity of certain subsidiaries whose functional currency is not the euro is also hedged through cross currency swaps. As of December 31, 2007 and 2006, these currency transactions qualified as net investment hedges.

For the financial instruments hedging net foreign assets, a change of 100 basis points in short-term interest rates at the balance sheet date does not have a significant impact on the Group's equity or net income (at constant foreign exchange rates, changes in the fair market value of such financial instruments are offset by changes in the net foreign investments value).

LIQUIDITY RISK

The Group's liquidity risk not related to its operating activities is mainly induced by its maturing financial debts (i) bearing interest (bonds, bank facilities, etc.) and (ii) not bearing interest (liabilities related to the put options granted to minority shareholders), as well as by payment relating to the financial instruments. To reduce its exposure to liquidity risk, the Group maintains back-up available credit lines. These credit lines are presented in Note 26 on commitments and contingencies.

Scheduled cash outflows related to the contractual repayment of principal amounts and contractual payment of interests in connexion with the financial assets and liabilities, including premiums to be paid on derivative liabilities, recorded in the Group's balance sheet as of December 31, 2007, are presented below with their contractual maturity date and based on the assumption of non-renewal:

(In € millions)	**Book value in balance sheet at December 31, 2007**	**Contractual cash flows 2008**	**Contractual cash flows 2009**	**Contractual cash flows 2010**	**Contractual cash flows 2011**	**Contractual cash flows 2012 and after**
Bank credit facility (amounts drawn) (1)	5,199	(254)	(1,900)	(2,470)	(57)	(1,207)
Bonds (2)	1,860	(1,105)	(303)	(175)	(98)	(433)
Bank loans	640	(437)	(154)	–	(47)	(2)
Debts related to capital leases	12	(2)	(1)	(1)	(1)	(7)
Derivative instruments	41	45	30	10	2	(1)

(1) Current amounts drawn as of December 31, 2007 are presumed to be rolled over until the contractual maturity of the financing lines.
(2) Includes a private investment (US Private Placement) set up by a Dutch financial subsidiary of the Group, called Numico Financial Center B.V.

Numico Financial Center B.V., a Dutch subsidiary of the Group, had set up a private placement in the United States (US Private Placement) before its acquisition by the Group. As of December 31, 2007, the Dutch subsidiary complies with the financial covenants under this Private Placement.

The scheduled cash outflows relating to commercial papers and to debt related to the put options granted to minority shareholders, recorded in the Group's balance sheet as of December 31, 2007, are presented below:

(In € millions)	**Book value in balance sheet at December 31, 2007**	**Contractual cash flows 2008**	**Contractual cash flows 2009**	**Contractual cash flows 2010**	**Contractual cash flows 2011**	**Contractual cash flows 2012 and after**
Commercial paper (3)	1,762	(1,763)	–	–	–	–
Debt related to put options granted to minority shareholders (4)	2,700	–	–	–	–	(2,700)

(3) The commercial paper is rolled over and backed-up by available commited credit facilities. See Note 26 on commitments and contingencies.
(4) The majority of these options can be exercised at any time. No significant financial investment is currently considered probable in the short term regarding these options.

COUNTERPARTY RISK

Financial instruments, including cross-currency swaps, set-up by the Group to manage its interest rate exposure are negotiated with major counterparties. The breakdown of fair values of financial instruments by counterparty as of December 31, 2007 and 2006 is as follows:

(As a percentage of total fair values as of December 31, 2007 and 2006)	**2006**	**2007**
Counterparties' rating (according to Standard & Poor's)		
AAA	0%	15%
AA	92%	82%
A	8%	3%

Financial instruments set-up by the Group to manage its foreign exchange risk are all negotiated with counterparties rated A1/P1.

The major portion of the Group's financial instruments are negotiated with counterparties located in geographic areas where political and financial risks are limited.

CREDIT RISK

The credit risk represents the risk of financial loss for the Group should a customer or counterparty fail to meet its contractual payment obligations. The day sales outstanding generally represent 30 days and the main customers are essentially major retail and grocery chains where the credit risk is low. As of December 31, 2006 and 2007, the amount of trade receivables that were overdue and not yet depreciated was not significant.

RECONCILIATION BY CLASS AND ACCOUNTING CATEGORY

(In € millions)	Assets recorded at fair value through P&L	Assets held to maturity	Assets available for sale	Loans and financial assets	Liabilities at amortized cost	Book value in balance sheet	Fair value
As of December 31, 2007							
Cash	548	–	–	–	–	548	548
Marketable securities	493	–	–	–	–	493	493
Short-term loans	–	–	–	30	–	30	30
Long-term loans	–	–	–	67	–	67	67
Derivative instruments	(6)	–	–	–	–	(6)	(6)
Trade accounts and notes receivable (1)	–	–	–	1,548	–	1,548	1,548
Trade accounts and notes payable (1)	–	–	–	–	2,306	2,306	2,306
Book value of categories	**1,035**	–	–	**1,645**	**2,306**	**4,986**	**4,986**
As of December 31, 2006							
Cash	655	–	–	–	–	655	655
Marketable securities	2,564	–	–	–	–	2,564	2,564
Short-term loans	–	–	–	34	–	34	34
Long-term loans	–	–	–	22	–	22	22
Derivative instruments	6	–	–	–	–	6	6
Trade accounts and notes receivable (1)	–	–	–	1,594	–	1,594	1,594
Trade accounts and notes payable (1)	–	–	–	–	1,861	1,861	1,861
Book value of categories	**3,225**	–	–	**1,650**	**1,861**	**6,736**	**6,736**

(1) The Group considers that the book value of trade receivables and trade payables corresponds to the fair value.

FINANCIAL INCOME AND EXPENSE

Financial income and expense before tax recognized in profit or loss statement were as follows:

	Year end December 31	
(In € millions)	**2006**	**2007**
Interest (expense) (excluding cash flow hedge)	(179)	(298)
Interest income (excluding cash flow hedge)	171	127
Dividends	5	4
TOTAL	**(3)**	**(167)**

The amount recorded in profit or loss statement relating to the recognition of the fair value of derivative instruments can be broken down as follows:

	Year ended December 31	
(In € millions)	**2006**	**2007**
Ineffective portion of change in fair value of instruments qualifying as cash flow hedges between opening and closing date	(4)	–
Effective portion of instruments qualifying as current cash flow hedges at the opening date and maturing before closing date	9	16
TOTAL	**5**	**16**

FINANCIAL LIABILITIES RELATED TO PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

As stated in Note 1.18, the exercise price of the put options granted to minority shareholders is reflected as a financial liability in the consolidated balance sheet. As of December 31, 2007, the financial liabilities relating to these options amounted to € 2,700 million (€ 2,504 million as of December 31, 2006). These financial liabilities do not bear interest.

The main commitment relates to Danone Spain for € 2,160 million. In addition, the majority of the options can be exercised at any time. No significant financial investment is currently considered probable in the short term regarding these options.

NOTE 16 - Retirement Indemnities, Pensions and Post-retirement Healthcare Benefits

The Group contributes to retirement benefit schemes in conformity with the laws and usual practices of countries where the subsidiaries operate. As a result of contributions paid under such schemes to private or state sponsored pension funds, the Group has no actuarial liability.

The Group is also responsible for supplementary retirement schemes, contractual commitments for termination indemnities and post-retirement healthcare. The related actuarial obligations are taken into account either through the payment of contributions to externally managed funds or through provisions.

ACTUARIAL ASSUMPTIONS

To perform the actuarial valuations, basic assumptions were determined for each country and assumptions specific to the entities were also taken into account, in particular relating to the employees turnover. The main actuarial assumptions used to calculate the obligation are as follows:

	Europe		Asia-Pacific		Rest of the World	
	2006	**2007**	**2006**	**2007**	**2006**	**2007**
Discount rate	3.75% - 6.5%	5% - 11%	6.5% - 11%	10%	5% - 9%	5.5% - 8.5%
Expected return of plan assets (1)	3.55% - 5.5%	3.55% - 6.3%	-	-	8.25% - 9.75%	8.25% - 9.25%
Salary growth rate	2% - 10%	2% - 10%	6% - 10%	9% - 10%	4.25% - 4.5%	4% - 4.5%
Retirement age	56 - 65 years	57 - 65 years	55 - 60 years	55 - 60 years	60 - 65 years	60 - 65 years

(1) The expected rate of return of plan assets is determined according to the historical rates of return for the investment portfolio.

The following table reconciles the funded status of the companies' plans with the provision recorded in the consolidated balance sheet as of December 31, 2007and 2006. The commitments relating to the French subsidiaries are presented separately from the foreign subsidiaries due to their materiality.

	2006		2007	
(In € millions)	**France**	**Other countries**	**France**	**Other countries**
Defined benefit obligation (DBO)	326	226	294	390
Fair value of plan assets	(240)	(99)	(231)	(212)
Defined benefit obligation in excess of plan assets	**86**	**127**	**63**	**178**
Actuarial differences and past service costs	(42)	(24)	(37)	(14)
Net accrued pension cost	**44**	**103**	**26**	**164**

As of December 31, 2007, the DBO relating to partially or fully funded plans amounted to € 621 million (€ 457 million as of December 31, 2006). For France, the DBO included in 2007 the impact of social charges on retirements at 65 years of age, in accordance with the provisions of the *Loi de Financement de la Sécurité Sociale* 2008 (LFSS) (2008 Social Security Funding Act). This impact was treated as a change in actuarial assumptions.

Changes in provisions for retirement indemnities and pensions can be detailed as follows:

(In € millions)	**Defined benefit obligation**	**Fair value of plan assets**	**Actuarial gains and losses and past service cost**	**Net accrued pension cost**
As of January 1, 2006	**558**	**(150)**	**(84)**	**324**
Net periodic pension cost:				
- Service cost	24			24
- Interest cost	23			23
- Return on plan assets		(13)		(13)
- Amortization of actuarial gains and losses and past service cost			6	6
Payments made to retirees	(33)	14		(19)
Contributions to plan assets		(193)		(193)
Actuarial gains and losses	(12)	1	11	–
Translation adjustments	(6)	2	1	(3)
Others	(2)			(2)
As of December 31, 2006	**552**	**(339)**	**(66)**	**147**

(In € millions)	**Defined benefit obligation**	**Fair value of plan assets**	**Actuarial gains and losses and past service cost**	**Net accrued pension cost**
As of January 1, 2007	**552**	**(339)**	**(66)**	**147**
Net periodic pension cost:				0
- Service cost	20			20
- Interest cost	25			25
- Return on plan assets		(18)		(18)
- Amortization of actuarial gains and losses and past service cost			2	2
Payments made to retirees	(34)	13		(21)
Contributions to plan assets		(9)		(9)
Actuarial gains and losses	(29)	10	15	(4)
Translation adjustments	(7)	2	1	(4)
Change in scope of consolidation: Numico	224	(144)	–	80
Change in scope of consolidation: Biscuits and other activities	(52)	26	(4)	(30)
Others	(15)	16	1	2
As of December 31, 2007	**684**	**(443)**	**(51)**	**190**

In 2006, the line "Contributions to plan assets" mainly comprised the € 180 million contribution made to insurance companies in order to finance the pension plan that benefits to some executives of the Group who were under the French pension system as of December 31, 2003.

The Group's investment policy in plan assets depends, for each company, upon the employees' age structure and the expected return on the different categories of assets. As of December 31, 2007, the plan assets comprised approximately 60% of debt securities and 29% of equity securities. The plan assets do not comprise any financial instruments issued by the Group. In addition, the actual average return on plan assets in France was 4.70% in 2007.

Benefits expected to be paid to the employees over the next 10 years (excluding Numico) are estimated to be € 4 million in 2008, € 3 million in 2009, € 6 million in 2010, € 6 million in 2011, € 5 million in 2012 and € 50 million for the years 2013 to 2018.

Total contributions to be made to plan assets in 2008 (excluding Numico) are estimated at € 4 million.

Total contributions paid in relation to defined contribution plans amounted to € 20 million in 2007 (€ 17 million in 2006).

NOTE 17 - Other Non-current Liabilities

(In € millions)	2006	Increase	Decrease (cash payments)	Non-cash charges	Others	Change in scope	Translation adjustment	2007
Restructuring	23	71	(6)	(3)	–	(14)	–	71
Other provisions for risks and charges	357	57	(18)	(24)	8	3	(3)	380
Capital investment grants	11	2	(2)		–	(1)	–	10
TOTAL	**391**	**130**	**(26)**	**(27)**	**8**	**(12)**	**(3)**	**461**

The changes in scope mainly correspond to the disposal of the Biscuits and Cereal Products business activities. As of December 31, 2007, provisions relating to Numico amounted to € 64 million.

Other provisions for risks and charges can be detailed as follows:

As of December 31, 2007, the short-term portion of non-current liabilities amounted to € 58 million (€ 14 million as of December 31, 2006).

(In € millions)	2006	2007
Commercial liabilities	3	3
Financial and tax liabilities	294	317
Damage and healthcare liabilities	60	60
TOTAL	**357**	**380**

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

NOTE 18 - Trade Accounts Payable – Accrued Expenses and other Current Liabilities

TRADE ACCOUNTS AND NOTES PAYABLE

(In € millions)	2006	2007
Trade accounts payable	1,806	2,220
Notes payable	55	86
TOTAL	**1,861**	**2,306**

The increase in trade accounts payable is mainly due to the following:

- changes of the period for € 382 million;
- a net impact of € 40 million related to changes in the scope of consolidation, which is essentially comprised of a € 477 million increase resulting from the addition of Numico and a € 421 million decrease resulting from the disposal of the "Biscuits and Cereal Products" business activities.

The fair value of trade accounts payable is considered equivalent to their net book value given their short-term maturities.

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(In € millions)	2006	2007
Personnel (including social charges)	382	391
Year-end rebates payable to customers	808	750
State and local authorities	143	190
Refundable containers	83	72
Taxes payable	167	149
Prepayments from customers	116	17
Others	272	478
TOTAL	**1,971**	**2,047**

The increase in the line item "Others" is mainly due to taxes payable in connection with the disposal of the "Biscuits and Cereal Products" business activities and the integration costs for Numico.

The fair value of accrued expenses and other current liabilities is considered to be equivalent to their net book value given their short-term maturities.

NOTE 19 - Personnel and Compensation

The personnel costs of the Group (including payroll taxes and related charges) amounted to € 1,612 million in 2007 (€ 1,437 million in 2006). These amounts do not include the personnel costs relating to the "Biscuits and Cereal Products" business activities which are included in the line "Net income of discontinued operations".

As of December 31, 2007 and 2006, the Group's number of employees was broken down as follows:

	2006	2007
Europe	32,384	22,602
Asia	34,023	17,473
Rest of the World	21,717	23,718
Baby Food and Medical Nutrition [(1)]	–	12,251
TOTAL	**88,124**	**76,044**

(1) Corresponds to the employees of Numico and its subsidiaries, not yet allocated by geography.

Excluding the "Biscuits and Cereal Products" business activites, the Group's number of employees would have been 76,044 as of December 31, 2007 and 72,763 as of December 31, 2006.

NOTE 20 - Other Income and Expense

Other expense can be detailed as follows:

(In € millions)	2006	2007
Employee profit-sharing	104	106
Stock-based compensation	13	10
Others	40	22
TOTAL	**157**	**138**

The line "Others" mainly comprises restructuring costs and gains and losses on disposal of assets.

NOTE 21 - Other Operating Expense and Income

In 2007, the other operating expense and income mainly comprised the € 88 million of restructuring and integration costs in connection with the acquisition of Numico and € 27 million relating to the impairment charge recorded on the goodwill of Danone Greece and Danone Tessala Beverages (see Note 4).

In 2006, the other operating expense and income mainly comprised the loss of € 38 million as a result of the disposal of Danone Waters of Canada, the € 40 million impairment charge recorded on the goodwill of Robust (see Note 4), net of the € 43 million profit recorded upon the disposal of Griffins.

NOTE 22 - Interest Expense, Net

Interest expense, net can be detailed as follows:

(In € millions)	2006	2007
Cost of net debt	(1)	(175)
Other financial income	17	4
Other financial expense	(46)	(6)
TOTAL	**(30)**	**(177)**

The increase in the cost of net debt mainly relates to the debt contracted to finance the acquisition of Numico (see Note 2.2).

The net amount of interest paid in 2007 was € 152 million (including € 2 million relating to the Biscuits and Cereal Products business activities) compared to € 39 million in 2006 (including € 2 million relating to the Biscuits and Cereal Products activities).

NOTE 23 - Income Taxes

INCOME TAX EXPENSE

Income before tax and the income tax expense can be detailed as follows:

(In € millions)	2006	2007
Income before tax:		
- French companies	244	(59)
- Foreign companies	1,286	1,428
TOTAL	**1,530**	**1,369**
Income tax (expense) income:		
Current income taxes:		
- French companies	152	21
- Foreign companies	(377)	(482)
	(225)	**(461)**
Deferred taxes:		
- French companies	(205)	(38)
- Foreign companies	143	89
	(62)	**51**
TOTAL	**(287)**	**(410)**

The Company forms a tax consolidated group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital. Some of the subsidiaries that elected to participate in the French tax group have signed a tax consolidated agreement with the Company, in conformity with the rules set by the French tax authority. In addition, similar consolidated tax schemes exist in other countries, in particular in the United States, in the United Kingdom and in Germany.

Cash payments in relation to income taxes amounted to approximately € 369 million in 2007 and € 368 million in 2006.

EFFECTIVE INCOME TAX RATE

The effective income tax rate was 29.91% in 2007 (18.75% in 2006). The difference between the effective tax rate and the statutory tax rate in France (34.43% in 2007 and 2006) can be detailed as follows:

(As a percentage of income before tax)	2006	2007
Statutory tax rate in France	34.43%	34.43%
Effect of foreign tax rate differential	(5.11)%	(8.72)%
Effect of gains/losses on disposal and impairment charges	(0.98)%	4.60%
Recognition of deferred taxes on losses carried forward in the United States	(9.49)%	–
Effect of other differences	(0.10)%	(0.40)%
Effective income tax rate	**18.75%**	**29.91%**

DEFERRED TAXES

As explained in Note 1.13, deferred taxes mainly arise from the differences between the book and tax basis of assets and liabilities. The significant components of deferred tax assets and liabilities are as follows:

(In € millions)	**2006**	**2007**
Pension liabilities	33	30
Employee profit-sharing provision	16	13
Restructuring provision	7	24
Tax losses carried forward	314	268
Fixed assets	(349)	(939)
Others	26	55
Net deferred taxes	**47**	**(549)**
Deferred tax assets	343	608
Deferred tax liabilities	(296)	(1,157)
Net deferred taxes	**47**	**(549)**
Including short-term portion	76	228
Including long-term portion	(29)	(777)

As of December 31, 2007, the deferred taxes recorded based on differences between the book and tax basis of fixed assets mainly included (i) deferred tax liabilities on identifiable intangible assets acquired in connection with the acquisition of Numico, and (ii) deferred tax assets, recognized by Numico prior to its acquisition, relating to the amortization of goodwill, Numico having signed an agreement with the Dutch tax authorities concerning its tax treatment.

As of December 31, 2006, the deferred taxes recorded based on differences between the book and tax basis of fixed assets related to brands in the “Biscuits and Cereal Products” business activities.

TAX LOSSES CARRIED FORWARD

As of December 31, 2007, tax losses carried forward amounted to € 1,678 million (€ 1,674 million as of December 31, 2006) and the corresponding deferred tax assets would have amounted to € 552 million (€ 565 million as of December 31, 2006), had they been fully recognized. They mainly result from the tax deductibility of the amortization of goodwill in certain countries, as well as from operating losses and losses on disposal.

The Group reviews the unutilized tax losses and the recognized deferred tax assets at each balance sheet date.

As of December 31, 2007, based on the expected taxable income of the entities and tax consolidated groups that have generated tax losses, the Group believes that it is more likely than not that € 834 million (€ 800 million as of December 31, 2006), will not be used. Consequently, the Group recognized deferred tax assets amounting to € 268 million corresponding to € 844 million of tax losses carried forward.

NOTE 24 - Related Party Transactions

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

AFFILIATED COMPANIES

Affiliated companies are those companies in which the Group exercises a significant influence and that are accounted for under the equity method. They are listed in Note 29.

Transactions with affiliated companies, which are usually performed at arm’s length, are detailed as follows:

(In € millions)	**2006**	**2007**
Operating income	16	137
Operating expense	(1)	(1)
Financial income	–	–

Receivables and payables with affiliated companies are detailed as follows:

(In € millions)	**2006**	**2007**
Long and short-term loans	–	2
Operating receivables	27	28
Operating payables	–	1

MEMBERS OF THE EXECUTIVE COMMITTEE AND OF THE BOARD OF DIRECTORS

Compensation paid to the members of the Executive Committee amounted to € 12 million in 2007 (€ 11.1 million in 2006). In addition, as of December 31, 2007, the number of stock options exercisable granted to the members of the Executive Committee amounted to 3,810,668.

As of December 31, 2007, the amount of pension provisions relating to the members of the Executive Committee amounted to € 46 million (€ 49 million as of December 31, 2006).

In addition, on July 21, 2004, the Board of Directors set the indemnification conditions of the members of the Executive Committee in certain cases where they terminate their duties. The indemnity would correspond to twice the annual gross remuneration (fixed, variable and in-kind) they received over the last 12 months before they terminate their duties.

On February 13, 2008, the Board of Directors decided to put an end to the existing indemnities applicable to the four corporate officers of the Company. The Board of Directors also decided to grant these four corporate officers new indemnities, leaving the amounts and the conditions under which they become payable unchanged, but subordinating the payment of these indemnities to performance conditions. In accordance with the provisions of the French Commercial Code, the conditions for the indemnification of the four corporate officers will be submitted for approval at the next General Meeting.

Finally, the gross amount of the directors' fees paid to the members of the Board of Directors amounted to € 382,000 in 2007 (€ 278,000 in 2006).

NOTE 25 - Information on the Cash Flow Statement

CASH FLOW FROM OPERATING ACTIVITIES

The table below shows the detail of the items that have no impact on cash:

(In € millions)	**2006**	**2007**
Impairment charge	40	33
(Gains) and losses on disposal of assets	(45)	(102)
Increase (reversal) of provisions	77	76
Stock-based compensation	14	10
Others	(46)	4
TOTAL	**40**	**21**

In 2007, the line "Others" includes the cancellation of the impacts of derivative instruments (€ 4 million) on the cash flows provided by operating activities excluding changes in net working capital.

CASH FLOW PROVIDED BY INVESTING ACTIVITIES

In 2007, financial investments mainly included the acquisition of Numico for € 11,720 million (€ 12,141 million including the transaction costs paid and less cash acquired for € 429 million), as well as additional investments in Wimm Bill Dann for € 115 million, in Hui Yuan Holdings Co. for € 91 million and in Danone Industria for € 82 million.

In 2007, proceeds from the disposal of businesses and other investments mainly resulted from the sale of the "Biscuits and Cereal Products" business activities for € 4,516 million (€ 4,653 million less cash disposed of for € 137 million), the interest in Shanghai Bright Dairy for € 67 million and disposals of tangible assets for € 99 million).

CHANGES IN NET DEBT

Changes in net debt are as follows:

(In € millions)	**As of December 31, 2006**	**Changes for the year**	**Transfer to current portion**	**Translation adjustments**	**Others**	**As of December 31, 2007**
Cash and cash equivalents	655	(161)	–	(16)	70	548
Marketable securities	2,564	(1,708)	–	(7)	(356)	493
Total	***3,219***	***(1,869)***	**–**	***(23)***	***(286)***	***1,041***
Current financial liabilities	416	2,613	207	(7)	(782)	2,447
Non-current financial liabilities	5,705	3,069	(207)	(4)	1,292	9,855
Total	***6,121***	***5,682***	**–**	***(11)***	***510***	***12,302***
Net debt	**2,902**	**7,551**	**–**	**12**	**796**	**11,261**

In the context of the financing of the acquisition of Numico and its refinancing, the Group signed a bridge loan in July 2007 for a principal amount of € 11 billion, with a maximum maturity of January 2009. In December 2007, this debt was partially refinanced by a syndicated revolving credit facility for a principal amount of € 4 billion with a maturity of December 2010 and 2012. As of December 31, 2007, the amounts drawn on the bridge loan and the syndicated loan were € 1.7 billion and € 3.5 billion, respectively.

The other changes mainly corresponded to:

- the acquisition of Numico for € 814 million;
- the exit of the Biscuits and other business activities for – € 453 million;
- the change in the consolidation method of Wahaha for € 219 million;
- the revaluation and the exercice of the put options granted to minority shareholders for € 164 million.

NOTE 26 - Commitments and Contingencies

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

As of December 31, 2007, the contractual obligations are as follows:

		Commitments by maturity date					
(In € millions)	**Total**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 and after**
On balance sheet							
Financial liabilities							
Including bank loans, other borrowings and profit-sharing debt [(1)]	*10,319*	*3,514*	*2,327*	*2,635*	*200*	*1,429*	*214*
Including financial debt related to options granted to minority shareholders [(2)]	*2,700*	–	–	–	–	–	*2,700*
Including capital leases	*12*	*2*	*2*	*1*	*1*	*1*	*5*
TOTAL	**13,031**	**3,516**	**2,329**	**2,636**	**201**	**1,430**	**2,919**
Off-balance sheet							
Operating lease commitments	367	121	112	39	28	17	50
Unconditional purchase obligation of goods and services	845	579	167	54	32	4	9
Capital expenditure commitments	60	58	2	–	–	–	–
Guarantees and pledges given	156	78	–	1	3	3	71
Others	65	48	8	2	1	–	6
Total	**1,493**	**884**	**289**	**96**	**64**	**24**	**136**
Commitments received							
Credit lines [(3)]	4,429	592	552	1,150	1,580	550	5
Guarantees and pledges received	59	54	–	–	–	–	5
Others	64	58	2	2	1	–	1
TOTAL	**4,552**	**704**	**554**	**1,152**	**1,581**	**550**	**11**

(1) Including interest expense of € 831 million. See detail in Note 15.
(2) As indicated in Note 15, the majority of these options can be exercised at any time.
(3) Total unused as of December 31, 2007.

In addition, the Group has granted an option to its Indian partner in the holding companies controlling the company Britannia Industries Limited, the exercise price being based on the market value.

Finally, the Company and its subsidiaries are parties to a variety of legal proceedings arising out of the normal course of business. In some cases, damages are sought and liabilities are accrued for when a loss is probable and can be reasonably estimated.

NOTE 27 - Information by Business Line

Following changes to the consolidation scope in 2007, the Group is organized around three business lines (Fresh Dairy Products, Waters, and Baby Food and Medical Nutrition), which are managed separately and the risks and profitability are distinct for each segment.The Baby Food and Medical Nutrition business lines were grouped together in one segment in 2007 in view of the recent date of the acquisition of Numico. *Blédina* was still included in Fresh Dairy Products in 2007.

2007

(In € millions)	Fresh Dairy Products	Waters	Baby Food and Medical Nutrition (1)	Total Segments	Other items (2)	Total Group
Net segment sales	8,812	3,535	450	12,797	–	12,797
Sales between segments	(21)	–	–	(21)	–	(21)
Net sales outside the Group	8,791	3,535	450	12,776	–	12,776
Trading operating income	1,229	480	(15)	1,694	2	1,696
Operating income	1,201	442	(95)	1,548	(2)	1,546
Net income (loss) of affiliates	46	34	–	80	7	87
Impairment charge	(19)	(8)	–	(27)	–	(27)
Investments accounted for under the equity method	597	588	–	1,185	78	1,263
Capital expenditure	465	200	42	707	19	726
Financial investments	273	103	11,721	12,097	3	12,100
Depreciation and amortization expense	245	144	15	404	16	420
Cash flows provided by operating activities, excluding changes in net working capital	1,090	492	(58)	1,524	(94)	1,430
Total assets	7,527	3,376	14,750	25,653	1,923	27,576
Total liabilities (3)	1,343	813	1,973	4,129	14,347	18,476

(1) Numico has been consolidated since October 31, 2007 (see Note 2).
(2) The assets and liabilities reflected in the column "Other items" include those that are held for sale, the current and deferred tax assets and liabilities and the net debt items. The income and expense reflected in the column "unallocated items" correspond to those that cannot be directly allocated to the business lines.
(3) Excluding shareholders' equity.

2006

(In € millions)	Fresh Dairy Products	Waters	Total Segments	Other items (1)	Total Group
Net segment sales	7,953	3,942	11,895	193	12,088
Sales between segments	(20)	–	(20)	–	(20)
Net sales outside the Group	7,933	3,942	11,875	193	12,068
Trading operating income	1,089	494	1,583	14	1,597
Operating income	1,089	416	1,505	55	1,560
Net income (loss) of affiliates	49	(108)	(59)	10	(49)
Impairment charge	–	(140)	(140)	–	(140)
Investments accounted for under the equity method	588	332	920	173	1,093
Capital expenditure	394	204	598	23	621
Financial investments	247	232	479	85	564
Depreciation and amortization expense	231	164	395	26	421
Cash flows provided by operating activities, excluding changes in net working capital	1,019	549	1,568	79	1,647
Total assets	6,844	3,866	10,710	6,146	16,856
Total liabilities (2)	1,007	1,107	2,114	8,673	10,787

(1) Other items include the net income of the "Biscuits and Cereal Products" companies that were not disposed of and all the income and expense that cannot be directly allocated to divisions. The assets and liabilities reflected in the column "Other items" include those of the "Biscuits and Cereal Products" companies, those held for sale, the current and deferred tax assets and liabilities and the net debt items.
(2) Excluding shareholders' equity.

NOTE 28 - Activities by Geographic Area

The Group operates in three geographic areas: Europe (which includes Western Europe, Central and Eastern Europe), Asia (which includes The Pacific Area, i.e. New-Zealand and Australia) and the Rest of the World (which includes America, Africa and the Middle East).

The Baby Food and Medical Nutrition business line has not yet been allocated by geographic area as of December 31, 2007, in view of the recent date of the acquisition of Numico.

					2007
(In € millions)	**Europe**	**Asia**	**Rest of the World**	**Baby Food and Medical Nutrition**	**Total**
Net sales outside the Group	7,370	1,539	3,417	450	12,776
Trading operating income	1,122	177	412	(15)	1,696
Operating income	1,081	162	398	(95)	1,546
Net income (loss) of affiliates	1	57	29	–	87
Capital expenditure	291	90	284	42	707
Cash flows provided by operations	1,020	168	394	(58)	1,524
Total assets	6,860	1,923	2,120	14,750	25,653

				2006
(In € millions)	**Europe**	**Asia**	**Rest of the World**	**Total**
Net sales outside the Group	6,814	2,206	3,048	12,068
Trading operating income	1,024	206	367	1,597
Operating income	1,027	209	324	1,560
Net income (loss) of affiliates	(114)	17	48	(49)
Capital expenditure	256	88	254	598
Cash flows provided by operations	958	240	370	1,568
Total assets	6,421	2,426	1,863	10,710

NOTE 29 - Scope of Consolidation as of December 31, 2007

In 2007, 256 entities were included in the scope of consolidation (169 in 2006), of which 238 were fully consolidated (145 in 2006) and 18 were accounted for under the equity method (24 in 2006).

MAIN ENTITIES CONSOLIDATED FOR THE FIRST TIME IN 2007

- Numico and its subsidiaries
- Danone Chile
- Danone Alqueria (Colombia)
- Danone Dairy Thailand
- Danone Indonesia
- Danone Japan (ex Calpis Ajimonoto Danone), accounted for under the equity method until April 1, 2007
- Danone Tessala Boissons
- Danone Hayat Antalya

ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD FOR THE FIRST TIME IN 2007

- Wahaha, fully consolidated until June 30, 2007 (see Note 2.3)

ENTITIES THAT WERE EXCLUDED FROM THE CONSOLIDATION SCOPE IN 2007

- The companies included in the “Biscuits and Cereal Products” business activities
- Clover Danone Beverages LTD, sold
- Société des Eaux de Mont Roucous, sold
- The Danone Springs of Eden, sold
- Ingetec, merged with Groupe Danone SA
- Bialim, merged with Groupe Danone SA
- Finalim III, merged with Produits Laitiers Frais Nord Europe
- Lodahlim BV, in a process of being liquidated

CONSOLIDATED ENTITIES

		Percentage	
Entities	**Country**	**Group's control**	**Interests**
GROUPE DANONE	France	Parent company	
FRESH DAIRY PRODUCTS			
BLEDINA	France	100.00	100.00
DANONE	France	100.00	100.00
DANONE	Germany	100.00	100.00
DANONE	Austria	100.00	100.00
DANONE	Belgium	100.00	100.00
DANONE SERDIKA	Bulgaria	100.00	100.00
DANONE	Spain	57.21	57.21
DANONE CANARIES (ILTESA)	Spain	78.51	44.92
DANONE FINLAND	Finland	100.00	100.00
DANONE	Greece	100.00	100.00
DANONE	Hungary	100.00	100.00
DANONE	Ireland	100.00	100.00
DANONE	Italy	100.00	100.00
DANONE NEDERLAND	Netherlands	100.00	100.00
DANONE	Poland	100.00	100.00
DANONE PORTUGAL	Portugal	97.51	55.23
DANONE	Czech Republic	98.30	98.30
DANONE	Romania	100.00	100.00
DANONE	United Kingdom	100.00	100.00
DANONE INDUSTRIA	Russia	85.00	85.00
DANONE VOLGA	Russia	90.78	77.16
DANONE	Slovakia	100.00	100.00
DANONE	Slovenia	100.00	100.00
DANONE	Sweden	100.00	100.00
DANONE TIKVESLI	Turkey	100.00	100.00
DANONE	Ukraine	100.00	100.00
RODICH	Ukraine	100.00	100.00
DANONE — CLOVER	South Africa	55.00	55.00
DANONE DJURDJURA ALGERIE	Algeria	100.00	100.00
ALSAFI DANONE COMPANY	Saudi Arabia	50.10	50.10
DANONE ARGENTINA	Argentina (2)	99.45	99.45
DANONE	Brazil	100.00	100.00
DANONE CANADA DELISLE	Canada	100.00	100.00
DANONE CHILE	Chile	70.00	70.00
DANONE ALQUERIA	Colombia	51.00	51.00
DANONE DAIRY EGYPT	Egypt	100.00	100.00
DANNON COMPANY	United States	100.00	100.00
STONYFIELD FARM	United States	83.99	83.99
DANONE SAHAR	Iran	70.00	70.00
DANONE DE MEXICO	Mexico	100.00	100.00
PT DANONE DAIRY INDONESIA	Indonesia	100.00	70.30
DANONE	Indonesia	100.00	100.00
DANONE DAIRY THAILAND	Thailand	100.00	100.00
DANONE JAPAN (Ex CALPIS AJINOMOTO DANONE)	Japan	100.00	100.00

(2) Belongs to the same entity.

		Percentage	
Entities	**Country**	**Group's control**	**Interests**
WATERS			
DRINKCO	France	100.00	100.00
SA DES EAUX MINÉRALES D'ÉVIAN	France	100.00	100.00
SEAT (Société d'Exploitation d'Activités Touristiques) (3)	France	99.89	99.89
SMDA — SOURCES DU MONT DORE EN AUVERGNE	France	100.00	100.00
VOLVIC	France	100.00	100.00
DANONE WATERS DEUTSCHLAND	Germany	100.00	100.00
DANONE WATER BEVERAGE BENELUX	Belgium	100.00	100.00
AGUAS FONT VELLA Y LANJARON	Spain	95.00	78.49
ZYWIEC ZDROJ	Poland	100.00	100.00
DANONE WATERS (UK & IRELAND)	United Kingdom	100.00	100.00
EVIAN VOLVIC SUISSE	Switzerland	100.00	100.00
DANONE HAYAT	Turkey	100.00	100.00
DANONE HAYAT ANTALYA	Turkey	80.00	80.00
DANONE TESSALA BOISSONS	Algeria	100.00	100.00
AGUAS DANONE DE ARGENTINA	Argentina	100.00	100.00
DANONE ARGENTINA (2)	Argentina	99.45	99.45
DANONE NAYA	Canada	100.00	100.00
GREAT BRANDS OF EUROPE	United States	100.00	100.00
BONAFONT	Mexico	100.00	100.00
AGA PUREZA (1)	Mexico	50.00	50.00
ULTRA PURA	Mexico	100.00	100.00
CGA	Mexico	100.00	100.00
SALUS	Uruguay	58.61	58.61
FRUCOR BEVERAGES	Australia	100.00	100.00
AQUARIUS	China	50.00	50.00
ROBUST DRINKING WATER (1)	China	92.00	92.00
ROBUST (1)	China	92.00	92.00
SHENZHEN HEALTH DRINKS (1)	China	100.00	100.00
AQUA (PT TIRTA INVESTAMA) (1)	Indonesia	74.00	74.00
FRUCOR	New Zealand	100.00	100.00

(1) Group of legal entities comprising the consolidated company.
(2) Belongs to the same entity.
(3) SEAT operates the Evian casino. It is subject to the authority of the French Ministry of the Interior and the regulations applicable to gaming activities in casinos.

		Percentage	
Principal entities	**Country**	**Group's control**	**Interests**
BABY FOOD AND MEDICAL NUTRITION			
MILUPA GMBH	Austria	100.00	98.85
NUTRICIA NAHRUNGSMITTEL GMBH & CO AG	Austria	100.00	98.85
N.V. NUTRICIA BELGIË	Belgium	100.00	98.85
N.V. MILUPA	Belgium	100.00	98.85
NUTRICIA A/S	Denmark	100.00	98.85
NUTRICIA BABY OY	Finland	100.00	98.85
NUTRICIA CLINICAL OY LTD.	Finland	100.00	98.85
NUTRICIA FRANCE S.A.	France	100.00	98.85
NUTRICIA NUTRITION CLINIQUE S.A.S.	France	100.00	98.85
PFRIMMER NUTRICIA GMBH	Germany	100.00	98.85
MILUPA GMBH	Germany	100.00	98.85
NUTRICIA DEUTSCHLAND GMBH	Germany	100.00	98.85
SHS GES. FÜR KLINISCHE ERNÄHRUNG MBH	Germany	100.00	98.85
NUTRICIA IRELAND LTD.	Ireland	100.00	98.85
NUTRICIA ITALIA S.P.A.	Italy	100.00	98.85
MELLIN S.P.A.	Italy	100.00	98.85
N.V. NUTRICIA	Netherlands	100.00	98.85
NUTRICIA NEDERLAND B.V.	Netherlands	100.00	98.85
NUTRICIA CUIJK B.V.	Netherlands	100.00	98.85
NUTRICIA EXPORT B.V.	Netherlands	100.00	98.85
NUTRICIA NORGE AS	Norway	100.00	98.85
MILUPA PRODUÇÃO S.A.	Portugal	100.00	98.85
MILUPA COMERCIAL S.A.	Portugal	100.00	98.85
NUTRICIA S.R.L.	Spain	100.00	98.85
NUMIL NUTRICIÓN S.R.L.	Spain	100.00	98.85
NUTRICIA NORDICA AB	Sweden	100.00	98.85
MILUPA S.A.	Switzerland	100.00	98.85
NUTRICIA S.A.	Switzerland	100.00	98.85
NUTRICIA LTD.	United Kingdom	100.00	98.85
SHS INTERNATIONAL LTD.	United Kingdom	100.00	98.85
NUTRICIA A.S.	Czech Republic	100.00	98.85
DEVA A.S.	Czech Republic	100.00	98.85
NUMIL HELLAS S.A.	Greece	100.00	98.85
NUMIL HUNGARY TÁPSZERKERESKEDELNI KFT.	Hungary	100.00	98.85
UAB NUTRICIA BALTICS	Lithuania	100.00	98.85
SIA AMAIJA	Latvia	100.00	98.85
NUTRICIA POLSKA SP. Z.O.O.	Poland	100.00	49.41
NUTRICIA ZAKLADY PRODUKCYNE SP. Z.O.O.	Poland	100.00	49.43
MILUPA S.R.L.	Romania	100.00	98.85
OAO ISTRA NUTRICIA	Russia	100.00	98.55
LLC NUTRICIA RUSSIA	Russia	100.00	98.75
NUTRICIA SLOVAKIA S.R.O.	Slovakia	100.00	98.85
NUMIL GIDA ÜRÜNLERI SANAYI VE TICARET A.Ş.	Turkey	100.00	98.85
NUTRICIA UKRAINE LLC	Ukraine	100.00	98.85
NUTRICIA AUSTRALIA PTY LTD.	Australia	100.00	98.85
NUTRICIA PHARMACEUTICAL (WUXI) CO. LTD.	China	100.00	98.85
NUTRICIA (ASIA-PACIFIC) LTD.	China	100.00	98.85
INTERNATIONAL NUTRITION CO. LTD.	China	100.00	98.85

		Percentage	
Principal entities	**Country**	**Group's control**	**Interests**
PT SARI HUSADA TBK	Indonesia	100.00	98.82
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia	100.00	98.85
DUMEX (MALAYSIA) SDN. BHD.	Malaysia	100.00	98.85
NUTRICIA LTD. (NEW ZEALAND)	New Zealand	100.00	98.85
DUMEX LTD. THAILAND	Thailand	100.00	97.76
VIETNAM NUTRITION JOINT STOCK CO.	Vietnam	100.00	98.85
KASDORF S.A.	Argentina	100.00	98.85
SUPPORT PRODUTOS NUTRICIONAIS LTDA.	Brazil	100.00	98.85
NUTRICIA NORTH AMERICA INC.	United States	100.00	98.85

		Percentage	
Entities	**Country**	**Group's control**	**Interests**
HOLDING COMPANIES			
ALFABANQUE	France	100.00	100.00
BLANRIM	France	100.00	100.00
Cie GERVAIS DANONE	France	100.00	100.00
DANONE FINANCE	France	100.00	100.00
DANONE RESEARCH	France	100.00	100.00
PRODUITS LAITIERS FRAIS AMÉRIQUE DU NORD	France	100.00	100.00
HOLDING EUROPÉENNE DE BOISSONS	France	100.00	100.00
LODAHLIM FRANCE	France	100.00	100.00
PRODUITS LAITIERS FRAIS ASIE	France	100.00	100.00
PRODUITS LAITIERS FRAIS EST EUROPE	France	100.00	100.00
PRODUITS LAITIERS FRAIS NORD EUROPE	France	100.00	100.00
PRODUITS LAITIERS FRAIS SUD EUROPE	France	100.00	100.00
DANONE HOLDING	Germany	100.00	100.00
DANONE PENSIONS MANAGEMENT	Germany	100.00	100.00
BIALIM BELGIQUE	Belgium	100.00	100.00
DANONE SERVICE BENELUX	Belgium	100.00	100.00
DANONE FINANCE INTERNATIONAL	Belgium	100.00	100.00
DANONE DANEMARK	Denmark	100.00	100.00
TRICAMP LACTEOS	Spain	100.00	100.00
DANONE FINANCE IRLANDE	Ireland	100.00	100.00
STONYFIELD EUROPE	Ireland	100.00	96.80
RONCEVAUX	Italy	100.00	100.00
DANONE RE	Luxembourg	100.00	100.00
DANONE FINANCE NETHERLANDS	Netherlands	100.00	100.00
DANONE HOLDINGS UK	United Kingdom	100.00	100.00
ONTARIO	Canada	100.00	100.00
DANONE FOODS	United States	100.00	100.00
DANONE HOLDINGS	United States	100.00	100.00
DANONE WATERS HOLDINGS Inc.	United States	100.00	100.00
DS WATERS LP	United States	100.00	100.00
DANONE HOLDING DE MEXICO	Mexico	100.00	100.00
ASIA HOST	China	100.00	100.00
DANONE ASIA PACIFIC MANAGEMENT	China	100.00	100.00
BHPL	Singapore	100.00	100.00
CALVON	Singapore	100.00	100.00

Consolidated Documents

*Notes to the Consolidated Financial Statements - **NOTE 29***

		Percentage	
Entities	**Country**	**Group's control**	**Interests**
HOLDING COMPANIES			
DANONE ASIA	Singapore	100.00	100.00
DANONE ASIA HOLDINGS	Singapore	100.00	100.00
DANONE DAIRY INVESTMENTS INDONESIA	Singapore	70.00	70.00
DANONE PROBIOTICS	Singapore	100.00	100.00
FEDDIAN	Singapore	100.00	100.00
FESTINE	Singapore	100.00	100.00
JINJA INVESTMENTS	Singapore	100.00	100.00
KING SILVER	Singapore	100.00	100.00
MYEN	Singapore	100.00	100.00
NOVALC	Singapore	100.00	100.00
DANONE HOLDING NEW ZEALAND	New Zealand	100.00	100.00
INTERNATIONAL NUTRITION CO. LTD. A/S	Denmark	100.00	98.85
INC SHANGHAI (HOLDING) LTD. A/S	Denmark	100.00	98.85
DUMEX NUTRITION LTD. A/S	Denmark	100.00	98.85
NUMICO FINANCIAL CENTER B.V.	Netherlands	100.00	98.85
NUMICO BEHEER B.V.	Netherlands	100.00	98.85
NUMICO NEDERLAND B.V.	Netherlands	100.00	98.85
NUTRICIA INTERNATIONAL B.V.	Netherlands	100.00	98.85
NUTRICIA POLAND B.V.	Netherlands	100.00	49.43
PTSH HOLDING SINGAPORE PTE LTD.	Singapore	100.00	98.85
PTNIS HOLDING SINGAPORE PTE LTD.	Singapore	100.00	98.85
UK HOLDINGS CAP LTD.	United Kingdom	100.00	98.85
NUTRICIA GRUNDSTÜCKSVERWALTUNGS GMBH	Germany	100.00	98.85
NUMICO INFANT NUTRITION GROUP LTD.	Ireland	100.00	98.85
NUTRICIA FINANCIAL SERVICES LTD.	Ireland	100.00	98.85
NUTRICIA (COW & GATE, MILUPA) HOLDINGS LTD.	United Kingdom	100.00	98.85
NUMICO ASIA-PACIFIC HOLDINGS PTE LTD.	Singapore	100.00	98.85
NUMICO ASIA PACIFIC MANUFACTURING PTE	Singapore	100.00	98.85
NUMICO RESEARCH AUSTRALIA PTY LTD.	Australia	100.00	98.85
CENTRAL LABORATORIES FRIEDRICHSDORF GMBH	Germany	100.00	98.85
NUMICO TRADING B.V.	Netherlands	100.00	98.85
NUMICO RESEARCH B.V.	Netherlands	100.00	98.85
NUTRICIA INFANT NUTRITION LTD.	Ireland	100.00	98.85

ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD

		Percentage	
Entities	**Country**	**Group's control**	**Interests**
FRESH DAIRY PRODUCTS			
GLENISK	Ireland	35.72	35.72
STRAUSS DAIRY	Israel	20.00	20.00
CENTRALE LAITIÈRE	Morocco	29.22	29.22
STIAL / SOCOGES	Tunisia	50.00	50.00
GRAMEEN DANONE FOODS	Bangladesh	50.00	50.00
YAKULT DANONE INDIA	India	50.00	50.00
YAKULT HONSHA	Japan	20.02	20.02
YAKULT VIETNAM	Vietnam	20.00	20.00
WATERS			
FERMINVEST	France	57.00	57.00
AQUA D'OR	Denmark	49.00	49.00
DASANBE AGUA MINERAL NATURAL	Spain	50.00	50.00
MAGYARVIZ	Hungary	50.00	50.00
POLSKA WODA	Poland	50.00	50.00
SOTHERMA	Morocco	30.00	30.00
CHINA HUIYUAN JUICE	China	22.98	22.98
WAHAHA (1) (4)	China	51.00	51.00
KIRIN MC DANONE WATERS	Japan	25.00	25.00
BISCUITS			
BAGLEY LATINO AMERICA	Spain	49.00	49.00

(1) Group of legal entities comprising the consolidated company.
(4) See Note 2.3.

BISCUITS AND CEREAL PRODUCTS BUSINESS ACTIVITIES, SOLD

Consolidated entities	**Country**	**Consolidated entities**	**Country**
LU ANTILLES GUYANE CARÏBES	France	CHOCK AND ROLLS	Russia
LU OCEAN INDIEN	France	DANONE BISCUITS ALGERIE	Algeria
GENERALE BISCUIT GLICO FRANCE	France	DANONE MASHREQ	Egypt
LU FRANCE	France	DANONE FOODS TRADING CHINA	China
LU SNACK FOODS	Germany	JIANGMEN DANONE BISCUITS	China
BELGIE (GP BELGIE)	Belgium	SHANGAI DANONE BISCUITS FOODS	China
LU BISCUITS	Spain	SUZHOU CO LTD	China
LU SUOMI	Finland	DANONE BISCUITS INDONESIA	Indonesia
PAPADOPOULOS	Greece	DANONE BISCUITS MANUFACTURING	Malaysia
LU GYORI (GYORI KEKSZ)	Hungary	DANONE MARKETING (MALAYSIA)	Malaysia
SAIWA	Italy	DANONE SNACKS MANUFACTURING	Malaysia
LU NEDERLAND (GP NEDERLAND)	Netherlands	GENERALE BISCUIT	France
LU POLSKA	Poland	SELBA NEDERLAND	Netherlands
OPAVIA-LU	Czech Republic	KUAN/ BRITANNIA BRANDS KUAN	Singapore
BOLSHEVIK	Russia	DANONE MARKETING SINGAPORE	Singapore

Entities accounted for under the equity method	**Country**	**Entities accounted for under the equity method**	**Country**
GRIESSON DE BEUKELAER	Germany	SOTUBI	Tunisia
BIMO	Morocco	CONTINENTAL BISCUITS PAKISTAN	Pakistan

20.1.2 Statutory Auditors’ Report on the Consolidated Financial Statements

In compliance with the assignment entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of GROUPE DANONE for the year ended December 31, 2007.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with the International Financial Reporting Standards as adopted in the European Union.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- as of the date of acquisition of Numico and as indicated in Note 2.2 to the consolidated financial statements, your company, assisted by an external valuation expert, determined the fair values of the identifiable assets acquired, according to Numico’s position as of October 31, 2007. We reviewed the methods and assumptions adopted to calculate these fair values, and in particular the report issued by the external valuation expert;
- your company performed an impairment test, as of the balance sheet date, on goodwill and assets with an indefinite useful life, and also assessed whether there was any indication of impairment of other long-term assets according to the conditions described in Notes 1.4 and 1.5 to the consolidated financial statements. We reviewed the conditions of implementation of this impairment test and of indication of impaired value, and verified that Note 4 to the consolidated financial statements gave the appropriate information;
- your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. Note 1.18 to the consolidated financial statements describes the accounting treatment adopted for the options granted to the shareholders of certain consolidated subsidiaries in the absence of any specific provision under IFRS as adopted by the European Union on this subject. We verified that the accounting treatment applied did not contravene the general principles of these standards and that Notes 1.18 and 4 to the consolidated financial statements gave the appropriate information on the options and assumptions used by your company.

  We also reviewed the methods adopted by your company for the valuation of the debt and goodwill recorded in connection with the put options granted to the shareholders of certain consolidated subsidiaries, as well as for the valuation of the fair value of the financial commitments relating to the put options granted to the shareholders of certain companies accounted for under the equity method, on the basis of the information available to date. We assessed the reasonable nature of the assumptions adopted and of the resulting valuations;
- Note 1.25 to the consolidated financial statements describes the accounting methods and disclosure relating to discontinued operations. As part of our assessment of the accounting principles implemented by your company, we verified that the above-mentioned accounting methods and the disclosure provided in Note 3 to the consolidated financial statements were appropriate, and we made sure that they were applied correctly;
- Note 2.3 to the consolidated financial statements describes the developments in the relations with a partner of the Group in the Wahaha entities (Waters – China). As stated in the Note, this singular situation led your company to change the method of consolidation of Wahaha and to account for it under the equity method as from July 1, 2007. As part of our assessment of the accounting principles adopted by your company, we reviewed the accounting treatment implemented, as well as the information provided in the notes to the consolidated financial statements, and made sure that they were appropriate.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 14, 2008

The Statutory Auditors

MAZARS & GUÉRARD		**PRICEWATERHOUSECOOPERS AUDIT**	
French original signed by:		*French original signed by:*	
Thierry COLIN	Dominique MULLER	Eric BULLE	Olivier LOTZ

20.1.3 Fees paid by the Group to the Statutory Auditors and Members of their Networks

The table below details the fees paid to the Group's Statutory Auditors for the services performed in 2006 and 2007:

	2006				2007			
	Pricewaterhouse Coopers		**Mazars & Guérard**		**Pricewaterhouse Coopers**		**Mazars & Guérard**	
(In € millions, except %)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Audit:								
Statutory Audit, certification, review of the individual and consolidated financial statements	**7.5**	**75.0**	**3.2**	**100.0**	**5.2**	**65.0**	**3.0**	**100.0**
Issuer	*2.0*	*20.0*	*0.7*	*21.9*	*1.0*	*12.5*	*0.8*	*26.7*
Fully consolidated subsidiaries	*5.5*	*55.0*	*2.5*	*78.1*	*4.2*	*52.5*	*2.2*	*73.3*
Other procedures and services directly related to the Statutory Audit engagement	**1.5**	**15.0**	**-**	**-**	**2.0**	**25.0**	**-**	**-**
Issuer	*1.1*	*11.0*	-	-	*1.6*	*20.0*	-	-
Fully consolidated subsidiaries	*0.4*	*4.0*	-	-	*0.4*	*5.0*	-	-
Other services provided by the networks to the fully consolidated subsidiaries	**1.0**	**10.0**	-	-	**0.8**	**10.0**	-	-
Tax	*1.0*	*10.0*	-	-	*0.8*	*10.0*	-	-
Total fees	**10.0**	**100.0**	**3.2**	**100.0**	**8.0**	**100.0**	**3.0**	**100.0**

20.2 Corporate Documents

20.2.1 Excerpt from the Report of the Board of Directors presented at the Shareholders' Meeting

Groupe Danone (hereinafter referred to as "the Company"), parent company of groupe Danone (hereinafter referred to as the "Group"), is a holding company that does not perform any commercial or industrial activities.

In addition to its activity as a holding company, it provides management, assistance, and advice services for the Group's companies.

The Company's balance sheet is essentially comprised of:

- in the assets, interests in the share capital of its direct subsidiaries;
- in the liabilities, debts incurred for the purposes of the Group's financing activities.

The Company is also the head of the tax group of the French companies of the Group that are more than 95% owned.

COMMENTS ON THE COMPANY'S BUSINESS DURING THE 2007 FISCAL YEAR

Significant events of the fiscal year

Over the course of the 2007 fiscal year, the Company has undertaken the following transactions:

- on October 31, 2007, following the approval of the transaction by antitrust authorities, the Company took control of Royal Numico N.V. (or "Numico"), listed on the Amsterdam stock exchange and of which the Group held a 29.57% interest ownership since July 2007. As of December 31, 2007, the Group held a 98.85% interest ownership of the company, which is no longer listed. Through this transaction, the Group reinforces its presence in the Baby Food and Medical Nutrition market segments;
- on November 30, 2007, the Group sold its Biscuits and Cereal Products business activities to Kraft Foods, mostly through the sale of its holdings in Generale Biscuit.

Analysis of the income statement

Net sales, which mainly represents the re-invoicing to Group companies of services provided by the Company, amount to € 290 million in 2007 as compared with € 228 million in 2006.

Operating expenses amounted to € 549 million in 2007 as compared with € 590 million in 2006.

Income derived from interests held in the subsidiaries of the Group amounted to € 1,627 million in 2007 as compared with € 391 million in 2006. The increase in the 2007 fiscal year is mainly the result of a dividend received from the company Compagnie Gervais Danone in the amount of € 602 million, as well as dividends to be received from the companies Danone Asia Pte Limited and Britannia Holdings Pte Limited (BHPL) accounted for in the amount of € 826 million within the framework of the disposal of the Biscuits business activity in Asia.

The exceptional income recorded during the 2007 fiscal year of € 2,627 million mainly included the capital gain from the sale of the Biscuits and Cereal Products business activities.

COMMENTS ON THE COMPANY'S FINANCIAL POSITION AS OF DECEMBER 31, 2007

As of December 31, 2007 the net debt of the Company, which totaled approximately € 10 billion, mainly included:

- a bridge loan for a principal amount of initially € 11 billion entered into in July 2007 for the financing of the acquisition of Numico (€ 1.7 billion of which was drawn as of December 31, 2007);
- a syndicated revolving credit facility ("revolving facility") entered into in December 2007 for a principal amount of € 4 billion for the refinancing this bridge loan (€ 3.5 billion of which was drawn as of December 31, 2007);
- a current account with Danone Financial International, one of the financial companies of the Group, indirect subsidiary of the Company, in the amount of € 4.4 billion.

INFORMATION RELATING TO DEDUCTIBLE EXPENSES

In accordance with the provisions of article 39.4 of the French General Tax Code, an amount of € 407,698 was reintegrated into the taxable base for the 2007 fiscal year with respect to amortization and rent amounts for non-professional vehicles.

The application of article 39.5 of the French General Tax Code did not led to any amounts being reintegrated into taxable profits.

MAIN KNOWN SHAREHOLDERS

Pursuant to article L. 233-13 of the French Commercial Code, it is hereby specified that as of December 31, 2007:

- the company Eurazeo holds 5.5% of the share capital and 9.2% of the net voting rights;
- the Caisse des Dépôts et Consignations holds 3.5% of the share capital and 3.5% of the net voting rights;
- the *Fonds Commun de Placement* "Fonds Groupe Danone" holds 1.6% of the share capital and 2.9% of the net voting rights;
- Groupe Sofina et Henex (previously Glaces de Moustier) hold 2.1% of the share capital and 2.6% of the net voting rights;
- Predica holds 1.8% of the share capital and 1.8% of the net voting rights;
- the Company holds 6.2% of the share capital and its subsidiary Danone SA (Spain) holds 1.1% of the share capital.

The voting rights percentages indicated above were calculated on the basis of all of the shares to which are attached rights, with the exception of the shares held by the Company and its Spanish subsidiary Danone SA, that are deprived of voting rights.

SHAREHOLDERS' VOTING RIGHTS

A double voting right is attributed to all fully paid up shares held in registered form in the name of the same holder for at least two years.

It is reminded that, since 1992, the Company's bylaws limit the voting rights of shareholders during shareholders' meetings (see paragraph 18.2 – Voting right, of this Registration Document). Regarding the application of these provisions, one should refer back to the Company's bylaws, which can be obtained by simple request from the Company's registered offices.

OPTIONS ON COMPANY SHARES

During this past fiscal year, the Board of Directors of the Company granted, at prices corresponding to 100% of the average of the first listed prices on the twenty stock market trading days preceding the day on which the options were granted:

- with respect to the April 2007 plan, 2,484,450 stock options to 1,006 beneficiaries, at an exercise price of € 60.99;
- with respect to the October 2007 plan, 26,800 stock options to 22 beneficiaries, at a price of € 55.47;
- with respect to the December 2007 plan, 308,565 stock options to 70 beneficiaries, at a price of € 59.96.

The main characteristics of the stock option plans implemented by the Company are described in paragraph 17.2 of this Registration Document.

AUTHORIZATION GRANTED TO THE COMPANY TO OPERATE ON THE STOCK MARKET TO REPURCHASE ITS OWN SHARES

Within the framework of the authorizations granted by the Shareholders' Meetings dated April 27, 2006 and April 26, 2007, the Company repurchased, in 2007, 8,618,954 of its own shares at the average price of € 58.9.

The detail of the repurchases carried out by the Company during the 2007 fiscal year is mentioned in paragraph 21.1.3 of this Registration Document.

As of December 31, 2007 the Company held 31,631,439 of its own shares, or 6.2% of its share capital.

EMPLOYEE PARTICIPATION IN THE COMPANY'S SHARE CAPITAL

The number of Company shares held by its employees and by employees of companies related to it and that are subject to collective management or to lock-up conditions, either within the framework of a French *Plan d'Épargne Entreprise* (company savings plan), or via a French *Fonds Commun de Placement* (the "Fonds Groupe Danone" FCPE and the FCPEs of other subsidiaries of the Group), amounted to 8,029,101, or 1.6% of the Company's share capital.

COMMITMENT TO HOLDING SHARES RESULTING FROM THE EXERCISE OF OPTIONS

Pursuant to article L. 225-185 of the French Commercial Code introduced by the new law of December 30, 2006, the Chairman and Chief Executive Officer and the Deputy General Manager must hold (in registered form) a certain number shares resulting from the exercise of options allocated within the framework of each options allocation plan decided from January 1, 2007 onward. These options must be held until these individuals no longer perform their duties. The Board of Directors meeting dated April 26, 2007 decided that this commitment to hold the shares would apply to a number of shares corresponding to 35% of the capital gain upon acquisition, net of taxes and social security charges, that was achieved with respect to all of the shares resulting from an exercise of options carried out by the executive concerned under this plan. The Board of Directors decided to subject all of the other members of the Executive Committee to this commitment to hold shares, which is applicable under the same conditions.

INFORMATION ON THE WAY IN WHICH THE COMPANY TAKES INTO ACCOUNT THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS BUSINESS ACTIVITY

As of December 31, 2007 the Company had 692 employees (673 employees as of December 31, 2006), of which approximately 75% are managers. The gross compensation of these employees and the associated social security charges totaled € 186 million in

2007 (€ 149 million in 2006), of which € 5.4 million relate to profit-sharing agreements (€ 5 million in 2006).

The large majority of Company employees are hired to work under indefinite term employment contracts.

Following a company agreement signed with workers' union organizations, in 2004 the Company implemented an additional pension plan with set contributions for certain managers.

Agreements on the organization and reduction of the work week concluded in 1999 reduced the number of days worked in a single year to 210 for managers who are not executives. Following the implementation, in 2004, of the day of solidarity, the number of days worked was increased to 211. For employees, technicians and supervisors, the number of hours worked per year was increased from 1,589 to 1,596.

A large number of training programs, internal or external, are available at the request of employees. In 2007, 12,843 hours of training were given to 66% of employees.

The Company's implication in civil society is very strongly anchored in its culture. As an example, the integration of the youth is favored through qualifications and apprenticeship contracts which represent approximately 3% of payroll. The "Coup de Pouce" network provides aid to associations selected by employees that play an active role in educational support, professional and social integration, as well as in the creation of businesses. In addition, in 2007 the Group undertook actions with respect to disabled workers to provide them with information, to recruit them, and to help them maintain their job, following an agreement on disabled individuals signed in 2006 with its corporate partners.

The Company's impact on the environment is very low. However, certain actions aimed at remaining informed with respect to the protection of the environment were implemented, such as collecting paper and used batteries or distributing the "office environmental guide".

The table below presents several numerical indicators related to the impact of the business activity of the Company's subsidiaries in the Fresh Dairy Products and Waters business lines on the environment:

	Units	2007
Energy		
Thermal energy (1)	GWh (2)	1,914
Electrical energy	GWh (2)	1,614
Total energy	GWh (2)	3,528
Waste		
Total waste (3)	Thousands of tons	209
Valuated waste (4)	Thousands of tons	172
Valuation rate	%	83
Water		
Consumption (5)	millions of m^3	38
Net DCO discharge (6)	Tons	4,657
Number of significant accidental discharges (chemical products and hydrocarbon)		2
Gas contributing to the greenhouse effect (direct) (11)	Thousands of tons equivalent CO_2 (7)	**429**
Gas contributing to the atmospheric acidification		
Sulfur oxide	Tons equivalent SO_2 (8)	2,052
Nitrogen oxide	Tons equivalent NO_2 (9)	988
Gas that has an impact on the ozone layer (12)	kg equivalent CFC (10)	**794**

(1) Energy consumed by factories, resulting from gas, oil, coal or other sources of thermal energy.

(2) Gig watts per hour.

(3) Waste generated by factories.

(4) Waste is valued via the recycling of matter or via incineration with energy recuperation.

(5) Water consumed by factories, excluding water inserted in containers.

(6) DCO (Chemical Demand in Oxygen) measures the amount of water pollution. Net DCO discharges are measured after the waters used have been treated.

(7) Carbon dioxide (CO_2) essentially originates from the combustion of matter. Only primary CO_2 emissions are indicated.

(8) SO_2: sulfur dioxide.

(9) NO_2: nitrogen oxide.

(10) CFC: chlorofluorocarbons.

(11) Include: CO_2, CH4, N2O, CFC, HCFC, HFC and Halons (according to IPCC 2001).

(12) Include: CFC, HCFC and Halons (according to Protocole de Montréal).

For a description of the social and environmental consequences of the Company and its subsidiaries business activity, see Chapter 17 – Employees and paragraph 4.5 – Risks related to the environment, of this Registration Document.

INFORMATION ON danone.communities

During the Company's Combined Shareholders' Meeting dated April 26, 2007, a very large majority of the shareholders approved the implementation of a socially and economically innovative project called danone.communities.

Since that date, the danone.communities project has been effectively completed. Within this framework, the danone.communities SICAV (French mutual fund) was created, the danone.communities FCPR (French risk fund) was also created, and the Company subscribed to the capital of the danone.communities SICAV in an amount of € 20 million, corresponding to an amount equal to the ceiling set forth in the resolution.

Similarly, and in accordance with the commitments undertaken by the Company and referred to in the Board of Directors' report in 2007, the total amount of financial contributions that the Company made to danone.communities has reached the amount of € 1.2 million, or an amount that is lower than the ceiling amount mentioned in this report equal to € 1.5 million. The amount of this ceiling applicable to contributions was set at € 2.5 million for the 2008 fiscal year. This amount will be revised every year by the Company's Board of Directors in order to take into account the development of danone.communities.

In that context, an initial investment of the FCPR in the company Grameen Danone Foods in Bangladesh is in the process of being completed: it represents a combined investment from the FCPR and other entities of the Grameen group taking the form of a subscription to a capital increase of the Grameen Danone Foods company for an aggregate amount of 100 million Takas (approximately € 1 million), it being specified that the FCPR subscribes to the capital increase in an amount of up to 50%, or 50 million Takas (approximately € 500,000). This financing will, in particular, enable the construction of a yogurt factory in Dhaka (Bangladesh) in 2008. In accordance with the Governance Charter of danone.communities, Social Responsibility Committee of the Company's Board of Directors was consulted and issued a favorable opinion on the compliance between the charter and this equity investment.

ELEMENTS THAT COULD POSSIBLY HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

Pursuant to article L. 225-100-3 of the French Commercial Code resulting from law 2006-387 dated March 31, 2006, the elements that could possibly have an impact in the event of a tender offer are exposed below:

(i) Structure of the Company's share capital

A table describing the structure of the Company's capital is presented in paragraph 18.1 of this Registration Document.

(ii) Statutory restrictions to the exercise of voting rights

The Company's bylaws provide for a system of capping voting rights. This mechanism is described in paragraph 18.2 of this Registration Document.

(iii) Direct or indirect holdings in the Company share capital of which it is aware

On April 5, 2006 the company Eurazeo reported having exceeded the 5% threshold of the Company's voting rights. As of December 31, 2007, Eurazeo held 5.5% of the capital and 9.2% of the net voting rights, calculated on the basis of all voting rights, excluding the voting rights attached to the shares held by the Company or its subsidiaries.

Detailed information on the Company's shareholding is provided in paragraph 18.1 of this Registration Document.

(iv) Holders of securities who are entitled to special rights of access over the Company, and description of such rights

None.

(v) Control mechanisms set forth by a possible employee shareholding system, when such control rights are not exercised by employees

Only the Supervisory Board of the "Fonds Groupe Danone" FCPE, which as of December 31, 2007 held 1.6% of the share capital and 2.9% of the net voting rights, has the necessary authority to decide on how to answer a possible tender offer. As an exception to this principle, a procedure involving consulting with employees could be implemented in the event that the Supervisory Board experiences a split vote.

(vi) Agreements between shareholders that the Company is aware of and that may lead to restrictions on the transfer of shares and to the exercise of voting rights

To the best of the Company's knowledge, there is no agreement between shareholders in existence that could lead to restrictions on the transfer of shares and to the exercise of the Company's voting rights.

(vii) Rules applicable to the nomination and replacement of the members of the Company's Board of Directors.

Pursuant to an agreement concluded between the Company and Yakult Honsha on March 4, 2004, the Company undertook to make every effort to ensure that the candidate proposed by Yakult Honsha be nominated as director on the Company's Board of Directors by the Shareholders' Meeting, insofar as two Company representatives sit on the Board of Directors of Yakult Honsha.

(viii) Powers of the Board of Directors in the event of a tender offer

The Shareholders' Meeting of April 26, 2007 authorized the Board of Directors to continue to carry out the Company share repurchase program at the time of a tender offer, subject to applicable legal and regulatory provisions. At the April 29, 2008 Shareholders' Meeting, the Board will propose a new authorization relative to this share repurchase program. This authorization will no longer provide the Board of Directors with the option of carrying out the repurchase program at the time of a tender offer.

(ix) Agreements signed by the Company that are modified or reach their term in the event of a change in control of the Company

- The Group granted put options that may be exercised at any moment and, in particular, during a tender offer, to minority shareholders of its Spanish subsidiary Danone SA. The description and amount of such options is presented in Chapter 22 of this Registration Document and in Note 15 of the footnotes to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing the relations between the Group and Arcor within the joint venture named Bagley Latino America, a leader in biscuits in Latin America, in which the Company holds an equity interest of 49%. In the event of a change in control of the Company, the Arcor group will have the right to repurchase interest in Bagley Latino America held by the Company, for an amount equal to its fair value.
- Within the framework of contracts related to the use of mineral water sources, in particular *Volvic* and *Evian* in France, the Group has very old and privileged relations with local councils where these sources are located. It is difficult for the Company to value with much certainty the impact of a possible change in its control over these contracts.
- Certain stock option plans as well as *Group Performance Units* plans that were put in place by the Company for the benefit of its corporate officers and certain of its employees include particular provisions in the event of a change in control of Company resulting from a tender offer on the Company's securities, described in paragraph 17.2 of this Registration Document.
- As part of the financing of the acquisition of the Numico group and of its refinancing, the Company signed two bank credit facility agreements in July and December of 2007 (described in paragraph 10.1) with banking institutions, both of which included a change in control clause:

(i) a bridge loan (for a principal amount of initially € 11 billion entered into in July 2007) offers its creditors the right to an early repayment in the event of a change in control of the Company;

(ii) a revolving facility (entered into in December 2007 for a principal amount of € 4 billion) offers its creditors the right to an early repayment in the event of a change in control of the Company, if such change in control results in a sub investment grade as given by rating agencies.

The Group's EMTN program, which was renewed last November, now also features a similar mechanism to the one appearing in the second bank credit facility agreement.

(x) Agreements providing for indemnities to be paid out to employees and executives of the Company, in the event that they resign or are laid off in the absence of a real and serious cause or if their employment expires due to a tender offer

Indemnities paid out to the Company's corporate officers under certain circumstances are described in paragraph 15.3 of this Registration Document.

COMMENTS ON THE RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING

Approval of the corporate and consolidated financial statements for the 2007 fiscal year (1st and 2nd resolutions)

We request that you approve the corporate financial statements and consolidated financial statements for the fiscal year ended on December 31, 2007.

Allocation of income (3rd resolution)

We propose that you:

• note that the profits for the 2007 fiscal year amount to	€ 4,046,112,118.85
• note that the amount carried over is of	€ 2,142,651,098.23
• in other words corresponding to an available amount for the distribution of income equal to	€ 6,188,763,217.08
• decide to split the total thus calculated between:	
- dividends in an amount of	€ 564,136,606.00
- ordinary reserves in an amount of	€ 2,000,000,000.00
- the balance to the amount carried over in an amount of	€ 3,624,626,611.08

The sum of € 564,136,606 distributed among shareholders will be eligible for the 40% tax reduction set forth in article 158-3 paragraph 2 of the French General Tax Code and allows for the payment of a dividend of € 1.1 per share. The dividend coupon for the 2007 fiscal year will be detached from the share on May 9, 2008 and shall be payable in cash beginning on May 14, 2008 to this shareholders recorded as such at the end of the trading day on May 13, 2008.

In accordance with article L. 225-210 of the French Commercial Code, the dividend with respect to existing treasury shares of the Company as of the dividend payment date will be allocated to the amount carried over.

Dividends distributed with respect to the last three fiscal years

Fiscal Year (1)	Number of shares	Dividend distributed
2004	536,191,040	0.675 (2)
2005	528,470,380	0.85 (3)
2006	521,729,492	1 (3)

(1) The data for the 2004, 2005 and 2006 fiscal years were adjusted to take into account the two-for-one stock splits of the shares that occurred in 2004 and 2007.

(2) Distribution fully eligible for the 50% tax reduction.

(3) Distribution fully eligible for the 40% tax reduction.

Approval of the agreements discussed in the Statutory Auditors' special report (4th resolution)

We request that you approve the agreements discussed in the Statutory Auditors' special report relative to the related party transactions defined in article L. 225-38 of the French Commercial Code, it being specified that the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the duties of the four corporate officers of the Company are subject to your approval in the form of separate resolutions.

Renewal of Directors' terms of office (5th, 6th, 7th, 8th, 9th, 10th, and 11th resolutions)

We request that you renew, for the statutory period of three years, the terms of office as Directors of Mr. Bruno BONNELL, Mr. Bernard HOURS, Mr. Jacques NAHMIAS, Mr. Naomasa TSURITANI, Mr. Jacques VINCENT, and Mr. Michel DAVID-WEILL.

With respect to Mr. Michel DAVID-WEILL, your approval for the renewal of his term of office would be granted under the terms of article 15.2 of the Company's by-laws. This article sets forth that the age limit of 70 years for Company Directors does not preclude the renewal of their term of office by the Shareholders' Meeting, on the condition that the number of Directors concerned by this age limit does not exceed one quarter of the active Directors. This ceiling is respected, since only Mr. DAVID-WEILL and Mr. LAUBIE (out of the total 13 Directors on your Board of Directors) have reached or will reach the age of 70 in 2008.

Concerning Mr. Christian LAUBIE, the by-laws set forth that the term of office of a Director is understood as ending in full right following the Shareholders' Meeting held in the year during which this Director will reach the age of 70, which is the case for this Director.

However, article 15.2 of the Company's by-laws sets forth that this age limit does not apply should the Shareholders' Meeting decide to maintain the term of office of the Director in question (subject to the aforementioned stipulation that the one quarter threshold of Directors concerned by the age limit not be exceeded).

We therefore request that you keep Mr. Christian LAUBIE in the performance of his duties as Director until the end of his term of office, or more specifically until the Ordinary Shareholders' Meeting convened to deliberate on the financial statements of the 2008 fiscal year.

Approval of the commitments described in article L. 225-42-1 relative to the terms and conditions applicable to the payment of indemnities to the four corporate officers in certain cases of termination of their duties (12th, 13th, 14th and 15th resolutions)

In accordance with the provisions of article L. 225-42-1 of the French Commercial Code introduced by the law of August 21, 2007 in favor of work, employment, and purchasing power (known as the "TEPA" law), the indemnities paid out to executives of listed companies that would become due because of the termination of their duties must now be subject to performance conditions.

This new law also provides for the fact that these indemnities must be subject to the approval of the Shareholders' Meeting, in the form of an individual resolution for each executive concerned.

Your Board of Directors has therefore put an end to the existing indemnities applicable to the four corporate officers of the Company, and has granted new indemnities to them that are subject to your approval through these four resolutions. The amount of these new indemnities remains identical to that provided for existing indemnities, while the conditions under which they become payable also remain unchanged. However, the payment of these indemnities becomes subject to the satisfaction of performance conditions. These conditions are identical for each of the four corporate officers and are based on the comparison of the organic growth of the Group's sales with the organic growth of a panel of international reference groups in the food and beverages sector over the course of five years.

The commitments made by the Company relative to these terms and conditions applicable to the payment of indemnities are described in the Statutory Auditors' special report.

Acquisition by the Company of its own shares (16th resolution)

It seems appropriate that your Board benefits from the necessary powers to purchase Company's shares.

We therefore ask you to authorize your Board to purchase, hold, or transfer Company's shares within the framework of a repurchase program subject to the provisions of article L. 225-209 et seq. of the French Commercial Code as well as to the European regulations # 2273/2003 dated December 22, 2003 taken in application of the European directive # 2003/6/EC of January 28, 2003.

The Company's repurchase of its own shares will lead to the following actions:

- the grant of stock options to employees and corporate officers of the Group;
- the grant of shares free of charge to employees and corporate officers;
- the distribution of shares at the time of exercise of the rights attached to securities granting access to the Company's share capital;
- the sale of shares to employees (either directly or via an employee savings FCPE) within the framework of employee shareholding plans or company savings plans;
- the conservation and distribution of shares as payment or exchange with respect to acquisitions; or
- the cancellation of shares within the maximum legal limit.

These transactions could be carried out at any moment. However, your Board of Directors has decided to eliminate the option to complete such repurchases at the time of a tender offer, which is an option that was present in previous authorizations. Therefore, the repurchase of shares carried out at the time of a tender offer is no longer authorized.

The maximum number of shares that can be acquired would represent 10% of the share capital (or, for information purposes only, and without taking into account the shares already held by the Company, or 51,285,146 shares as of December 31, 2007, representing a theoretical maximum purchase amount equal to € 4,102,811,680) at a maximum purchase price of € 80, subject to adjustments associated with possible transactions on the Company's share capital.

This authorization is granted for a period of eighteen months from the date of this Shareholders' Meeting.

20.2.2 Financial Statements of Groupe Danone

INCOME STATEMENT

(In € millions)	Notes	**2006**	**2007**
Net sales		228	290
Other income		1	4
Total operating income	**8**	**229**	**294**
Personnel costs	9	(149)	(186)
Other operating expense		(441)	(363)
Total operating expense	**10**	**(590)**	**(549)**
Net operating (expense) income		**(361)**	**(255)**
Income from investments		391	1627
Interest and similar income		4	4
Interest and similar charges		(26)	(176)
Other financial (expense) income		30	(12)
Net financial (expense) income	11	**399**	**1,443**
Income before non-recurring items and tax		**38**	**1,188**
Non-recurring (expense) income	12	**610**	**2,627**
Income tax	13	226	231
Net income		**874**	**4,046**

BALANCE SHEET

Assets

(In € millions)	Notes	2006 Net	2007 Gross	2007 Depreciation and provisions	2007 Net
Intangible assets		5	28	(21)	7
Property, plant and equipment		8	22	(14)	8
Equity interests		4,911	17,517	(1,263)	16,254
Other financial assets		1,398	1,227	–	1,227
Financial assets	***2***	***6,309***	***18,744***	***(1,263)***	***17,481***
Fixed assets		**6,322**	**18,794**	**(1,298)**	**17,496**
Receivables	3	147	924	–	924
Marketable securities	4	–	133	–	133
Cash and cash equivalents		3	1	–	1
Current assets		**150**	**1,058**	**–**	**1,058**
Deferrals and prepaid expenses		30	17	–	17
TOTAL ASSETS		**6,502**	**19,869**	**(1,298)**	**18,571**

Liabilities

(In € millions)	Notes	2006 (after distribution)	2007 (before distribution)	2007 (after distribution)
Capital stock		130	128	128
Additional paid-in capital		–	52	52
Revaluation reserve		4	4	4
Reserves		2,374	1,794	3,794
Retained earnings		2,104	2,143	3,625
Profit (loss) for the year		–	4,046	–
Regulated provisions		–	2	2
Shareholders' equity	**5**	**4,612**	**8,169**	**7,605**
Financial liabilities	6	–	5,688	5,688
Other liabilities	7	1,890	4,714	5,278
TOTAL LIABILITIES		**6,502**	**18,571**	**18,571**

Notes To the Individual Financial Statements of the Parent Company

TABLE OF THE NOTES

NOTE 1 - Accounting Principles

The Company's financial statements are prepared according to French statutory and regulatory provisions and to generally accepted accounting principles.

The main methods used are as follows:

INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are valued at their acquisition cost (including acquisition-related costs) and are depreciated on a straight-line basis according to estimated useful lives as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 10 years
Other tangible assets	4 to 10 years
Software	1 year

FINANCIAL ASSETS

These are comprised of equity interests, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the latter to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classed as other financial assets.

Equity interests are recognized at the lower of their acquisition cost and their value in use. Acquisition-related costs are included in the cost of acquisition of equity interests acquired since January 1, 2007 and amortized over 5 years as from the date of acquisition. The tax-deduction of these costs is secured by the recognition of additional depreciation in excess of that economically required. The value in use is determined on the basis of various criteria, including market value, expected profitability and revalued shareholders' equity. An impairment provision is recorded when the recoverable value of equity interests becomes durably lower than their carrying value.

Depreciation charges and provision write-backs are booked to financial (expense) income, with the exception of provision write-backs performed in connection with investment disposals, which are recorded as non-recurring items.

The GROUPE DANONE shares held as a result of the authorizations given by the General Meeting are valued at their purchase price. A provision for depreciation is booked, if necessary, for shares that are not to be cancelled when their inventory value (assessed at the average rate for the last month of the financial year or on the basis of the allocation prices in the case of stock options granted) becomes lower than their carrying value.

RECEIVABLES

Receivables are valued at their nominal value. A provision for depreciation is recorded when the inventory value is less than the carrying value.

TRANSACTIONS IN FOREIGN CURRENCIES

Expenses and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction. Liabilities, receivables and cash in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The difference resulting from the conversion of foreign currency liabilities and receivables at this latter rate are recorded in the balance sheet in the line item "Deferrals and prepaid expenses". A provision for risk is recognized for non-hedged unrealized exchange losses.

MARKETABLE SECURITIES

The gross value corresponds to the acquisition cost excluding acquisition-related costs. Marketable securities are valued, for each category of securities of the same nature, at the lower of their acquisition cost and their market value. This item includes treasury shares acquired in connection with stock options plans and allocated immediately. If the option exercise price per the plan is lower than the price of the acquisition of the share by Groupe Danone, a provision for depreciation is recognized at year-end to cover the expense related to the probable exercise of the options.

PROVISIONS FOR RISKS AND CHARGES

Provisions are booked for clearly identified risks and charges of uncertain timing or amount, when the company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the company.

NOTE 2 - Financial Assets

(In € millions)	2006	2007
Equity interests	4,911	16,254
Other financial assets	1,398	1,227
TOTAL	**6,309**	**17,481**

EQUITY INTERESTS

The main movements for the year include:

- the acquisition of 98.85% of the capital of Royal Numico N.V. ("Numico") for € 12,189 million, including € 48 million of acquisition-related costs;
- the disposal, in connection with the sale of the "Biscuits and Cereal Products" business activity to Kraft Foods, of the shares in the Generale Biscuit company for the net amount of € 672 million and the shares in Opavia for the net amount of € 71 million;
- the disposal of the holding in Société des Eaux de Mont Roucous for the net amount of € 10 million;
- the sale to Produits Laitiers Frais Sud Europe of the holding in Danone Spain, for the net amount of € 43 million;
- the cancellation of the Bialim shares with a net value of € 16 million in connection with the complete transfer of Bialim's assets and operations to the Company.

OTHER FINANCIAL ASSETS

Other financial assets include loans, deposits, long-term investments other than equity interests, and GROUPE DANONE treasury stock.

The change in the Company's treasury stock can be broken down as follows:

- 17,573,111 treasury shares were created following the two-for-one stock split of June 1, 2007;
- 6,755,454 treasury shares were purchased in connection with the authorizations given by the Shareholders' General Meetings of April 27, 2006 and April 26, 2007;
- 10,000,000 treasury shares were cancelled on July 3, 2007;
- 2,133,737 treasury shares were transferred to employees following the exercise of stock options.

After these operations, as of December 31, 2007, this item therefore comprised 29,767,939 treasury shares.

NOTE 3 - Receivables

This item mainly comprises receivables from the Company's subsidiaries and equity interests amounting to € 878 million, including € 826 million corresponding to dividends to be received from Danone Asia for € 666 million and Britannia Holdings Pte Limited for € 160 million. The majority of the receivables have a maturity of less than one year.

NOTE 4 - Marketable Securities

This item includes € 113 million of treasury stock acquired in connection with the stock options plans and allocated immediately, and investments made by the Company in the danone.communities fund in 2007.

Danone.communities is a mutual fund, the aim of which is to finance certain social projects through an investment medium with a return that is very close to the money-market rate.

NOTE 5 - Capital and Additional Paid-in Capital

		Capital	Additional paid-in capital
(In € millions)	**Number of shares**	**Amount**	**Amount**
As of December 31, 2006	**260,864,746**	**130**	**–**
Increase in capital reserved for Employee Share Ownership Plan	560,984	—	52
Two-for-one stock split	261,425,730		
Reduction of capital by cancellation of shares	(10,000,000)	(2)	
As of December 31, 2007	**512,851,460**	**128**	**52**

NOTE 6 - Financial Liabilities

In connection with the financing of the acquisition of Numico and its refinancing, the Company entered into two bank credit facility agreements, a bridge loan for € 11 billion in July 2007 and a syndicated revolving credit facility for € 4 billion in December 2007.

As of December 31, 2007, this item mainly comprised the amounts of € 1.7 billion and € 3.5 billion relating to the bridge loan and the syndicated revolving credit facility respectively, as well as a medium-term loan of € 0.5 billion from its affiliate Danone Finance International.

NOTE 7 - Other Liabilities

As of December 31, 2007, this item mainly comprised the Company's debts towards subsidiaries and equity interests, including a current account with Danone Finance Ireland for the amount of € 4,412 million. In the balance sheet after distribution, this item also includes the dividend to be paid for 2007 fiscal year for the amount of €564 million. The majority of other liabilities have a maturity of less than one year.

NOTE 8 - Operating Income

Operating income mainly comprises the billing of Group companies for services rendered by the Company on their behalf.

NOTE 9 - Operating Expense

Operating expense mainly includes personnel costs, rental charges and fees for external service-providers. In 2006, these expenses included the amount of € 185 million to finance the senior managers' pension plan.

NOTE 10 - Personnel and Remuneration

REMUNERATION OF SENIOR MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS

The senior managers' remuneration amounted to € 12 million in 2007 (€ 11.1 million in 2006).

The attendance fees paid to directors in 2007 amounted to € 0.4 million (€ 0.3 million in 2006) and are recorded in the line item "Other operating expenses".

AVERAGE NUMBER OF EMPLOYEES

	2006	2007
Executives	520	536
Supervisors and technicians	123	123
Clerical staff	30	33
TOTAL	**673**	**692**

NOTE 11 - Financial Income (Expense)

Financial income mainly comprises the dividends received from the Company's equity interests. In 2007, these dividends amounted to € 1,627 million compared to € 391 million in 2006. The increase was due to a dividend received from Compagnie Gervais Danone amounting to € 602 million, as well as dividends to be received from Danone Asia and BHPL recognized for the amount of € 826 million in the 2007 fiscal year.

Financial expenses mainly included € 95 million of interest paid on the current account and the medium-term loan granted by Danone Finance International, as well as € 76 million of interest on the bridge loan and the syndicated revolving credit facility entered into to finance the acquisition of Numico. The increase in financial expenses is directly linked to the level of the Company's debt (see Notes 5 and 6).

NOTE 12 - Non-recurring (Expense) Income

In 2007, non-recurring items mainly included the capital gain of € 2,631 million on the disposal of shares held by the Company in Générale Biscuit and Opavia. In 2006, non-recurring items mainly comprised the capital gain of € 591 million on the sale to Danone Finance of the sahres held by the Company in Danone Finance International.

NOTE 13 - Income Tax

TAX CONSOLIDATED GROUP

GROUPE DANONE forms a tax consolidated group with the French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital. The Company has signed an agreement relating to the conditions of application of the tax consolidation, in compliance with the rules set by the French tax administration, with some of the companies that have opted for this regime. This agreement does not provide for the repayment by Groupe Danone to its consolidated subsidiaries of tax savings made as a result of the subsidiaries' tax losses, if the latter should subsequently make a taxable profit or leave the tax group.

The tax profit recorded in the income statement in 2007 mainly resulted from the excess tax paid by the profit-making subsidiaries in relation to the tax charge resulting from the tax consolidation, for € 172 million, and any regularization of the tax charge from prior years.

The companies belonging to the tax consolidated group in 2007 were as follows:

Alfabanque	Groupe Danone
Arcil	Holding Européenne de Boissons
Blanrim	Menervag
Blédina	Produits Laitiers Frais Amérique du Nord
C.C.M.A.	Produits Laitiers Frais Est Europe
Celaco	Produits Laitiers Frais Nord Europe
Compagnie Gervais Danone	Produits Laitiers Frais Sud Europe
Danone	Société Anonyme des Eaux Minérales d'Evian
Danone Dairy Asia	Société des Eaux de Volvic
Danone Finance	Sources du Mont Dore en Auvergne
Danone Research	Step St Just
Drinkco	
Et Votre Corps Sourit	

As of December 31, 2006, tax loss carry-forwards generated within the tax group in France amounted to € 684 million. As of December 31, 2007, these tax loss carry-forwards amounted to € 570 million. This decrease is mainly due to the recognition of a receivable arising from the carry-back of losses on the basis of € 153 million.

Procedures are in progress to ensure that all of these losses are utilized in the future.

NOTE 14 - Off-balance-sheet Commitments

The Company or its subsidiaries have committed to acquire the shares held by third-party shareholders in certain companies in which the Company has a direct or indirect stake, should such shareholders wish to exercise their put option. The acquisition price is generally based on the profitability and financial position of the company concerned at the date of exercise of the put option. As of December 31, 2007, these financial commitments were estimated at approximately € 2.7 billion for the Group as a whole, and no significant financial investment is currently considered probable with repect to these options.

As of December 31, 2007, endorsements, deposits and other guarantees given amounted to € 2,996 million and concerned guarantees given to Danone Finance. At that same date, rent obligations amounted to approximately € 45 million and obligations relating to purchases of services amounted to approximately € 20 million.

Obligations relating to guaranteed pension supplements, valued according to the retrospective actuarial method, amounted to € 19 million as of December 31, 2007 after taking into account the amounts available in the funds. As regards the pension plan reserved for senior managers, the Company's obligation and the plan assets available in the fund amounted to € 193 million and € 185 million respectively as of December 31, 2007 compared to € 215 million and € 191 million respectively as of December 31, 2006.

In addition, as of December 31, 2007, the total amount of the Company's obligation relating to corporate officers' pensions amounted to € 34.8 million.

In addition, on July 21, 2004, the Board of Directors set the conditions of indemnification of the members of the Executive Committee in certain cases where they terminate their duties. On February 13, 2008, the Board of Directors decided to put an end to these indemnities applicable to the four corporate officers of the Company. The Board of Directors also decided to grant these four corporate officers new terms of indemnification, leaving the amounts and conditions under which they become payable unchanged, but subordinating the payment of these indemnities to performance conditions. In accordance with the provisions of the French Commercial Code, the conditions for the indemnification of the four corporate officers will be submitted for approval at the next General Meeting.

The indemnity paid to each of the members of the Executive Committee concerned would correspond to an amount equal to twice the gross remuneration (fixed, variable and in-kind) that they received over the last 12 months before they cease their functions.

Credit lines, authorized but not used, amounted to € 1.3 billion for the medium-term bank loans, € 550 million for the syndicated revolving credit facility and € 400 million for the bridge loan.

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

NOTE 15 - Related Party Transactions

	As of December 31	
(In € millions)	**2006**	**2007**
Other receivables	117	878
Other liabilities	1,201	4,445
Financial liabilities	-	500
Operating income	198	259
Financial income	394	1,630
Total Income	**592**	**1,889**
Operating expense	(39)	(54)
Financial expense	(26)	(97)
Total Expense	**(65)**	**(151)**

SECURITIES HELD IN PORTFOLIO AS OF DECEMBER 31, 2007

		Number of shares
(In € millions)	**Number of shares**	**Net book value as of December 31, 2007**
1. French holdings		
Alfabanque	249,994	31
Blédina	735,026	15
Compagnie Gervais Danone	33,440,080	536
Danone Finance	53,900,740	876
Holding Européenne de Boissons	57,835,571	1,178
Sources du Mont Dore en Auvergne	249,267	25
Total French holdings		**2,661**
2. Foreign holdings		
BHPL	144,830,596	159
Danone Asia	701,114,726	651
Danone Services Benelux	72,464	400
Danone Finance Netherlands	800,000	63
Roncevaux S.p.A.	96,404,750	131
Numico BV	220,880,391	12,189
Total foreign holdings		**13,593**
Total holdings		**16,254**
3. Long-term investments and other financial assets		
Treasury stock	31,631,439	1,252
Total long-term investments and other financial assets		**1,252**
GRAND TOTAL		**17,506**

COMPANY'S FINANCIAL RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2003	2004 (1)	2005	2006	2007 (2)
Capital at balance sheet date					
Share capital (*in euros)*	134,975,493	134,047,760	132,117,595	130,432,373	128,212,865
Number of shares issued	134,975,493	268,095,520	264,235,190	260,864,746	512,851,460
Number of convertible bonds:					
Nominal value: € 197	3,169,831	3,166,081	353,887	–	–
Operations and results for the year *(in € millions)*					
Sales excluding taxes	110	140	132	228	290
Profit before taxes, depreciation and provisions	134	448	885	394	3,843
Income tax (profit)	111	92	196	226	230
Profit after taxes, depreciation and provisions	191	423	810	874	4,046
Distributed profits	328	362	449	522	564
Earnings per share *(in euros)*					
Profit after taxes, but before depreciation and provisions	1.82	2.01	4.09	2.38	7.94
Profit after taxes, depreciation and provisions	1.42	1.58	3.07	3.5	7.89
Dividend paid to each share	2.45	1.35	1.70	2.00	1.1
Personnel					
Average number of employees for the year	720	711	713	673	692
Personnel expenses *(in € millions)*	96	100	98	99	131
Benefits paid (social security, social benefit schemes, etc.) *(in € millions)*	36	44	46	50	55

(1) The par-value of the share underwent a two-for-one split in June 2004.
(2) The par-value of the share underwent a two-for-one split in June 2007.

SUBSIDIARIES AND AFFILIATES AS OF DECEMBER 31, 2007

(In € millions)	**Capital** [(1)]	**Other shareholders' equity** [(1) (3)]	**Percentage of capital held (as %)**	Book value of shares held		**Guarantees and endorsements given by the Company**	**Sales for previous fiscal year** [(2)]	**Profit or (loss) for previous fiscal year** [(2)]	**Dividends received by the Company during**
				Gross	**Net**				
SUBSIDIARIES (at least 50% of capital held by the Company)									
FRENCH ENTITIES									
ALFABANQUE	5	57	83	31	31		–	2	2
BLEDINA	20	81	55	15	15		695	94	51
CIE GERVAIS DANONE	843	599	100	536	536		–	752	602
DANONE FINANCE	862	43	100	876	876	2,996	–	(104)	–
HOLDING EUROPÉENNE DE BOISSONS	1,157	(58)	100	1,178	1,178		–	137	–
SOURCES DU MONT DORE EN AUVERGNE	1		100	25	25		25	2	3
FOREIGN ENTITIES									
BHPL	177	(253)	61	159	159		–	273	160
DANONE ASIA	600	(901)	69	651	651		–	1,045	666
DANONE SERVICES BENELUX	181	233	100	400	400		–	16	–
DANONE FINANCE NETHERLANDS	8	34	100	94	63		–	1	–
RONCEVAUX SPA	123	40	100	1,364	131		–	4	26
NUMICO BV	56	1,430	99	12,189	12,189		–	160	–
AFFILIATES (at least 10 to 50% of capital held by the Company)									
Néant									

(1) The amounts relating to foreign companies are converted at the year-end rate.
(2) The amounts relating to foreign companies are converted at the average rate for the year.
(3) Excluding income for the year.

20.2.3 Statutory Auditors' General Report on the Annual Financial Statements

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying annual financial statements of GROUPE DANONE SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2007 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- equity interests are recorded in the assets in your company's balance sheet for a net value of € 16,254 million. Note 1 to the financial statements describes the methods adopted for accounting for these shares as well as the methods used to calculate the provision for depreciation. We performed sample tests to confirm that these methods were applied correctly and we reviewed the methods used to determine the amount of the provisions. We carried out the assessment of the reasonableness of these estimates;
- as stated in Note 14 to the financial statements, your company and/or its subsidiaries are committed to acquiring the shares held by third-party shareholders in certain companies in which your company and/or its subsidiaries hold majority or minority interests, should these companies wish to exercise their put options. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. Within the framework of the justification of our assessments, we made sure of the reasonableness of the methods adopted and the resulting valuations.

The assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France. We have no matters to report regarding:

- the fair presentation and the conformity with the financial statements of the information given in the Directors' Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;

- the fair presentation of the information given in the Directors' Report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders (and holders of the voting rights) has been properly disclosed in the Directors' Report.

Courbevoie and Neuilly-sur-Seine, March 14, 2008

The Statutory Auditors

MAZARS & GUÉRARD		**PRICEWATERHOUSECOOPERS AUDIT**	
French original signed by:		*French original signed by:*	
Thierry COLIN	Dominique MULLER	Eric BULLE	Olivier LOTZ

20.2.4 Statutory Auditors' Special Report on Related Party Transactions

In our capacity as Statutory Auditors of your company, we present you with our report on the regulated party transactions.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE FISCAL YEAR

Pursuant to article L. 225-40 of the French Commercial Code, we have been informed of the agreements and commitments that were subject to a prior authorization on behalf of your Board of Directors.

Our duty is not to research the possible existence of other agreements and commitments but instead to inform you, on the basis of the information that have been provided to us, of the essential characteristics and terms and conditions of those agreements and commitments presented to us, without having to provide an opinion on whether or not they are useful or well-founded. It is your duty, in accordance with the terms of article R. 225-31 of the French Commercial Code, to pass judgment on the reasons associated with the conclusion of these agreements and commitments in light of their approval.

We have completed our work in accordance with the professional standards applicable in France: these standards require that we carry out the audits intended to check the consistency of the information given to us relative to the documents they are taken from.

Guarantees and securities granted

- Companies concerned: Groupe Danone, Danone Finance

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital

The Board of Directors meeting of February 14, 2007 authorized the Chief Executive Officer to grant a guarantee with respect to the treasury notes issued by Danone Finance, up to a limit of € 2.5 billion, including any interest, fees, disbursements and accessory payment in connection with this outstanding credit amount, as well as any additional amounts that may become due by this subsidiary within the framework of this treasury notes program.

(In € thousands)	
Average outstanding credit amount used in 2007	1,352,708
Interest income	1,352

- Companies concerned: Groupe Danone, Danone Finance, Danone Finance International, and any other subsidiary, whether direct or indirect.

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital, Danone Finance International is a wholly-owned subsidiary of Danone Finance.

The Board of Directors meeting of October 19, 2007 authorized your company to grant a collateral security to the benefit of its subsidiaries Danone Finance, Danone Finance International, and for all other direct or indirect subsidiaries that would become additional borrowers to the credit line opened to the Company on December 7, 2007 with respect to all of their financial commitments in principal, interest, and accessory payments and, more generally, with respect to any payments due in their capacity as additional borrowers, and up to a limit of a maximum principal amount of € 4 billion.

As of December 31, 2007 this guarantee has never been taken advantage of.

Cooperation agreement

- Companies concerned: Groupe Danone, danone.communities SICAV, danone.communities FCPR, companies of the Groupe Crédit Agricole

Director concerned: Mr. Jean LAURENT, director of groupe Danone SA and as of April 26, 2007, Chairman of the Board of Directors of CALYON, a subsidiary of Groupe Crédit Agricole.

The Board of Directors meeting of April 26, 2007, within the framework of the danone.communities project, approved the signing of a cooperation agreement established among your company, the danone.communities Société d'Investissement à Capital Variable (SICAV, or French mutual fund), the danone.communities Fonds Commun de Placements à Risques (FCPR, or French risk fund), and the companies of the Crédit Agricole Group (namely the companies Ideam and Crédit Agricole Private Equity, respective management companies for the SICAV and the FCPR). This agreement governs the relations among the Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the SICAV by the Company for a maximum amount of

€ 20 million, as well as the annual financial contribution by the Company of a maximum amount of € 1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors of the Company.

Your Company subscribed shares of the SICAV for an amount of € 20 million during the 2007 fiscal year.

The financial contribution amounted to € 1.2 million during the 2007 fiscal year.

Agreement relative to the conditions under which the employment agreements of Mr. Emmanuel FABER and Mr. Bernard HOURS will be again become enforceable

- Company concerned: Groupe Danone

Directors concerned: Mr. Emmanuel FABER and Mr. Bernard HOURS

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

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

Approval of commitments made by the Company with respect to Mr. Emmanuel FABER, Mr. Bernard HOURS, Mr. Franck RIBOUD and Mr. Jacques VINCENT relative to the conditions applicable to indemnities paid to them in certain cases of termination of their respective terms of corporate office

- Company concerned: Groupe Danone

Directors concerned: Mr. Emmanuel FABER, Mr. Bernard HOURS, Mr. Franck RIBOUD and Mr. Jacques VINCENT

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

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

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

The payment of this indemnity will be dependent on:

- the internal growth ("organic") of the sales of the Danone group ("the CICA of the Group") over the course of the five full fiscal years preceding the termination of the corporate office duties of the executive concerned ("the Reference Period");
- the internal growth ("organic") of the sales achieved by the members of the Panel ("the CICAs of the Panel"), over the course of the Reference Period,

It being specified that:

- the CICA of the Group and the CICA of the Panel are to be understood while keeping both scope of consolidation and constant exchange rates; and
- Panel corresponds to: seven international reference groups in the food and beverages sector, or Kellogg Company, Unilever, Nestlé, Kraft Foods Inc., Pepsi Co Inc., The Coca-Cola Company and Cadbury Schweppes PLC.

In addition, to ensure the comparability of the CICAs retained, it is hereby specified that:

- in the event of the absence or delayed publication of audited accounting or financial data for one of the members of the Panel, the Board of Directors will, on an exceptional basis, have the option of excluding this member from the Panel;
- in the event of the absence or delayed publication of audited accounting or financial data for several of the members of the Panel, the Board of Directors will deliberate on the basis of the last audited financial statements published by the members of the Panel and by the groupe Danone company over the course of the last five full fiscal years for which financial statements will have been published, for all of the members of the Panel and for the groupe Danone company.

In addition, the Board of Directors will have the option of excluding a member of the Panel in the event of the repurchase, consolidation, dissolution, merger, or change of business activity of any of the companies on the Panel, subject to preserving the overall coherence of the sample.

The Board of Directors will determine, over the Reference Period, the median of the CICAs of the Panel (or the central value of the CICAs of the Panel, thereby dividing the CICAs of the Panel into two entities of equal size), as well as the value corresponding to the first quartile of the CICAs of the Panel (or the value below which are located 25% of the CICAs of the Panel).

Therefore, over the Reference Period:

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

For this purpose, an end was brought to the contractual indemnities authorized by the Board of Directors meeting dated July 21, 2004 with respect to the terms of corporate office of Mr. Franck RIBOUD and Mr. Jacques VINCENT, respectively, and of the employee agreements of Mr. Emmanuel FABER and Mr. Bernard HOURS.

COMPLIANCE OF ONGOING COMMITMENTS WITH SET BENEFIT PENSION PLANS (*RETRAITES À PRESTATIONS DÉFINIES*) OF CORPORATE OFFICERS

- Company concerned: Groupe Danone

Directors concerned: Mr. Emmanuel FABER, Mr. Bernard HOURS, Mr. Franck RIBOUD and Mr. Jacques VINCENT

The Board of Directors meeting of February 13, 2008 confirmed the commitment of your Company undertook with respect to each of the four corporate officers relative to the payment of a retirement pension with set benefits in the form of an annuity (with a transfer option), calculated on the basis of the following elements:

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

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

AGREEMENTS AND COMMITMENTS APPROVED DURING PAST FISCAL YEARS AND THAT CONTINUED TO APPLY DURING THIS FISCAL YEAR.

In addition, in compliance with the French Commercial Code, we have been informed of the fact that the following agreements and commitments approved during past fiscal years continued to apply during the last fiscal year:

Guarantees and securities granted

- Companies concerned: Groupe Danone, Danone Finance

Director concerned and capital relationship: Groupe Danone SA is a director of Danone Finance and holds 99.99% of its share capital

The Board of Directors' meeting of February 14, 2007 renewed its authorization allowing your company to guarantee or to become a guarantor of Danone Finance when this company operates on financial markets within the framework of financial risk management transactions, up to a limit of € 500 million.

As of December 31, 2007 this guarantee has not yet been taken advantage of.

The Board of Directors' meeting of October 19, 2007 renewed its authorization allowing your company to guarantee the full amount of the sums due by Danone Finance with respect to its issuance program known as *Euro Medium Term Notes*, up to a principal amount limit of € 3 billion, as well as any additional amount (interest, fees) that would come to be owed by this subsidiary under this program.

(In € thousands)	
Average outstanding credit amount used in 2007	1,643,121
Interest income	1,643

Agreements concluded with two corporate officers relative to the conditions under which their employee agreements would again become enforceable following the expiration of their terms of corporate office

- Company concerned: Groupe Danone

Directors concerned: Mr. Franck RIBOUD and Mr. Jacques VINCENT

At its July 21, 2004 meeting, the Board of Directors, pursuant to the Compensation Committee's proposition, updated the conditions under which the employee agreements of Franck RIBOUD and Jacques VINCENT would once again become enforceable (it being specified that such employee agreements were suspended on August 26, 1994 when they were nominated as corporate officers of your Company), under the assumption that, for whatever reason, their term of office was coming to an end, and has established that:

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

Courbevoie and Neuilly-sur-Seine, France, on March 14, 2008

The Statutory Auditors

MAZARS & GUÉRARD		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Eric BULLE	Olivier LOTZ

20.3 Dividend Distribution Policy

The following is withheld from profits (from which, if applicable, have already been deducted past losses): (i) first, at least 5% for the creation of the legal reserve fund, a deduction that shall cease to be mandatory when the said fund will have reached one tenth of the share capital, but that will apply again if, for any reason whatsoever, this amount is no longer reached, and (ii) any sums to be allocated to reserves in accordance with the law.

The balance, to which are added accumulated profits, represents the distributable benefit from which is withheld the necessary amount to allocate to shareholders, with respect to a first dividend payment, an interest payment of 6% per annum based on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year profits are not sufficient enough to carry out this payment, a withholding from the results of future fiscal years cannot be made.

The surplus is available to the annual Shareholders' Meeting to be allocated, in accordance with the Board of Directors' proposition, to shares as dividends or to be distributed, in full or in part, to any reserves accounts or to be carried forward.

The reserves that are available to the Shareholders' Meeting can be used, should it so decide, to finance a dividend payment on the shares. In this case, the decision shall expressly state the items from which the withholdings will be taken.

A dividend payment of € 1.1 will be proposed at the Shareholders' Meeting of April 29, 2008 with respect to the shares for which the benefit date (date de jouissance) is January 1, 2007. If this dividend is approved, the corresponding dividend coupon will be detached from the share on May 9, 2008 and payable in cash as from May 14, 2008, to the shareholders recorded as such at the end of the trading day on May 13, 2008. After the data for the period prior to June 2007 has been reprocessed, following the two-for-one stock splits that occurred in June 2004 and June 2007, the dividends distributed with respect to the three preceding fiscal years were the following:

Dividend for the year	Dividend per share	Dividend approved (1) *(In € millions)*	Dividend paid (1) *(In € millions)*
2004	0.675	362	336
2005	0.85	449	418
2006	1	522	483

(1) The shares held directly by the Company do not grant the right to the payment of the dividend. However, the shares held by the Company's subsidiaries grant the right to the payment of this dividend.

The payment of the dividend is carried out by Euroclear France.

The net future dividends will depend on the Company's ability to generate a profit, on its financial position, and on any other factor that the Board of Directors shall consider pertinent.

Dividends that have not been claimed are prescribed to the French State following a five-year period.

20.4 Legal and Arbitration Proceedings

In January 2008, two class actions were filed in the United States in the United States District Court of the State of California and in the United States District Court of the State of Ohio against The Dannon Company Inc., one of the Company's subsidiaries. The plaintiffs brought forth allegations with respect to false advertising on the health benefits of the *Activia* and *DanActive* ("*Actimel*") products. Due to the recent nature of these legal actions, the amount of damages that could be requested by the plaintiffs is not yet known. The American subsidiary, The Dannon Company Inc., intends to contest this claim vigorously as it considers that the health benefits communicated on the products concerned are based in particular on clinical studies that legitimize such benefits.

The Group is not presently party to litigation or arbitration that could have or has had, in the recent past, a significant effect on its financial condition, activities or results.

The Company and its subsidiaries are parties to a variety of legal proceedings arising out of the normal course of business. Liabilities are accrued for when a loss is probable and can be reasonably estimated (see Note 17 of the footnotes to the consolidated financial statements).

20.5 Significant Change in the Financial or Commercial Position

The Company and its subsidiaries have not experienced any significant changes in their financial or commercial position since the end of the 2007 fiscal year.

ADDITIONAL INFORMATION

21.1 Share Capital

21.1.1 Share Capital as of February 29, 2008

As of February 29, 2008, the Company's share capital amounted to € 128,212,865, fully paid, and divided into 512,851,460 outstanding common shares of the same class with a nominal value of € 0.25 per share. Each share gives a right to ownership of a share of the company's assets, of a share of the profits and of the liquidation surplus, in proportion to the percentage of the share capital that it represents.

The comparison between the number of outstanding shares as of December 31, 2006 and the number of outstanding shares as of December 31, 2007 is detailed in the table included in section 21.1.7 – Table of evolution of share capital over the last five fiscal years.

21.1.2 Shares not representing Share Capital

The Company has not issued shares not representing share capital.

21.1.3 Treasury Shares

PURCHASE BY THE COMPANY OF ITS OWN SHARES

The Board of Directors may, pursuant to legal regulations, purchase the Company's shares on the market.

The Shareholders' Meeting of April 27, 2006 authorized, for an eighteen-month period, the Board of Directors to repurchase, in accordance with the legal regulations applicable at the time of the repurchase, Company shares of up to a maximum of 18,000,000 shares at a maximum purchase price of € 120.

This authorization was replaced by a new authorization valid for eighteen months granted by the Shareholders' Meeting of April 26, 2007 to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of € 160 per share (or € 80 per share after the two-for-one stock split effective on June 1, 2007).

Pursuant to the authorizations granted by the Shareholders' Meeting on April 27, 2006 and April 26, 2007, the Company purchased treasury shares in volumes and at the average prices indicated in the following table as of February 29, 2008.

Month	Number of repurchased shares (1)	Average price per share *(in euros)* (1)
January 2007	1,356,860	52.28
February 2007	–	–
March 2007	508,494	58.79
April 2007	1,039,500	60.01
May 2007	5,714,100	59.13
June 2007	–	–
July 2007	–	–
August 2007	–	–
September 2007	–	–
October 2007	–	–
November 2007	–	–
December 2007	–	–
January 2008	–	–
February 2008	–	–
TOTAL	**8,618,954**	**58.93**

(1) Adjusted to give effect to the two-for-one stock split effective on June 1, 2007

The following table details the distribution of treasury shares purchased up until February 29, 2008 pursuant to the authorizations granted by the Shareholders' Meetings (all of these repurchases were made before the two-for-one stock split effective on June 1, 2007):

Date of Shareholders' Meeting authorizing the share repurchase program	Result of repurchase	Number of repurchased shares	Total value of repurchased shares
April 27, 2006	Cancellation of shares	4,156,173	€ 469,118,405
	Stock option plans	155,186	€ 18,036,537
	Acquisitions	1,814,037	€ 171,067,712
April 26, 2007	Cancellation of shares	2,467,050	€ 290,228,560
	Stock option plans	806,564	€ 97,744,110
	Acquisitions	–	–

The nominal value of shares repurchased in 2007 is € 2,154,738. The amount of fees related to these purchases is € 383,034. The shares were repurchased in cash on a regulated market and did not require the use of derivative financial instruments. As of the date of this Registration Document, the Company does not have an open position with regards to the share repurchase program authorized by the Shareholders' Meeting of April 26, 2007.

During the 2007 fiscal year, the Company effected the following transactions on its previously repurchased shares:

- 10,000,000 shares were cancelled on July 9, 2007 (see below);
- 2,133,737 shares were transferred to employees following the exercise of stock options.

In addition, the Board of Directors will submit to the next Shareholders' Meeting, which will be held on April 29, 2008, a resolution valid for eighteen months, which will cancel and replace the authorization granted by the Shareholders' Meeting of April 26, 2007, to authorize the Company's Board of Directors to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company (for purposes of illustration and without taking into account treasury shares, 51,285,146 shares at December 31, 2007 representing a maximum aggregate purchase price of € 4,102,811,680) at a maximum purchase price of € 80 per share. The purposes of the share repurchase program are the following:

- the grant of stock options to the employees and corporate officers of the Company as well as employees and corporate officers of companies or legal entities in which the Company holds, directly or indirectly, at least 10% of the share capital or voting rights;
- the grant of shares free of charge to employees and/or officers;
- the sale of shares to employees (either directly or via an employee savings FCPE) within the framework of employee shareholding plans or company savings plans;

- the delivery of shares upon the exercise of rights attached to securities giving right to the Company's share capital;
- the holding and later delivery of shares for payment or exchange notably in regards to acquisitions; and
- the cancellation of shares up to the maximum legal amount.

Pursuant to applicable regulations, shares may be purchased, sold, exchanged or transferred, by any available means, on the market or over-the-counter, including the purchase of blocks of shares. These means include the use of any derivative financial instrument, traded on a regulated market or over-the-counter and the implementation of strategies involving futures (in particular, the purchase and sale of stock options and any combination thereof), pursuant to the regulations of the French *Autorité des Marchés Financiers*.

These transactions may be carried out at any time, in accordance with applicable regulation. Nevertheless, the option to carry out the share repurchase program at the time of a tender offer has been eliminated.

CANCELLATION OF SHARES AND CAPITAL DECREASES FOLLOWING SHARE REPURCHASES

The Shareholders' Meeting of April 26, 2007 granted an authorization to the Board of Directors for twenty-four months to cancel shares repurchased in the context of a share repurchase program subject to a limit of 10% of the existing share capital on the day of the meeting.

Pursuant to this authorization, 10,000,000 shares were cancelled on July 9, 2007, which reduced the share capital by a par value amount of € 2.5 million.

TREASURY SHARES

As of February 29, 2008, the Company held, directly or indirectly, 37,100,174 shares (37,395,559 as of December 31, 2007), of which:

- 13,475,044 were for stock option plans and equity securities granting access to the Company's share capital;
- 1,844,442 were held for cancellation; and
- 16,016,568 were held to be used in connection with acquisitions.

21.1.4 Capital authorized but not issued, Capital Increase Commitments

The Shareholders' Meeting regularly authorizes the Board of Directors to carry out a capital increase through the issuance of ordinary shares or other securities giving access to the Company's share capital.

- The maximum par value amount for the issuance of securities with preferential subscription rights is € 45 million following its renewal by the Shareholders' Meeting of April 26, 2007, representing a maximum of 180 million new shares to be issued.
- The maximum par value amount for the issuance of securities without preferential subscription rights (but with the obligation for the Board of Directors to grant a priority right to Company shareholders) is € 33 million, representing a maximum of 132 million new shares to be issued.

These authorizations were not implemented in 2007, with the exception of the capital increase reserved for employees who are members of a company savings plan within the framework of the authorization granted by the April 2006 Shareholders' Meeting, and described in section 17.3.

The existing authorizations for the issuance of securities, with or without preferential subscription rights, approved by the Shareholders' Meeting of April 26, 2007, are included in the following table.

		Authorization Date	Expiration Date (2)	Authorized Limits: Ordinary Shares (nominal amount of issuance)	Authorized Limits: Securities giving access to share capital
Non-dilutive issuances (with shareholders' preferential subscription rights)		April 26, 2007 (26 months)	June 26, 2009	*€ 45 million (34% of the share capital) (1)*	€ 2 billion
Dilutive issuances (without shareholders' preferential subscription rights)		April 26, 2007 (26 months)	June 26, 2009	Sub-limit of € 33 million (25% of the share capital) (1) for the dilutive issuances added to the € 45 million limit	
Capital increase effected by capitalization of reserves, profits or share premiums		April 26, 2007 (26 months)	June 26, 2009	€ 33 million (25% of the share capital)	–
Authorization for the benefit of Grupe employees and/or officers	Capital increase reserved for members of the Company savings plan	April 26, 2007 (26 months)	June 26, 2009	€ 3 million	
	Grant of stock options	April 26, 2007 (26 months)	June 26, 2009	6 million existing shares (2)	
	Grant of shares free of charge	April 26, 2007 (26 months)		2 million new or existing shares (2)	–

(1) For issuances resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued by a maximum of 15% of the initial issuances and at the same price as for these issuances.

(2) Number of shares taking into account the two-for-one stock split effective on June 2007.

21.1.5 Securities not representing Share Capital

As of this date, the Company has not issued securities not representing share capital.

The Shareholders' Meeting of April 27, 2006 authorized the Board of Directors to issue ordinary bonds or subordinated debt for a fixed or indefinite term, for a maximum nominal amount of € 4 billion or the equivalent value in any other currency. As of this date, this authorization was not implemented and is valid until April 27, 2011.

21.1.6 Other Securities granting Access to Share Capital

STOCK OPTION PLANS

The Shareholders' Meeting authorized the Board of Directors on various occasions to grant, once or multiple times over a maximum period of 26 months, stock options for up to 1% of the Company's share capital for the plan approved by the Shareholders' Meeting in May 1997, 8 million shares for the plan approved by the Shareholders' Meetings of May 1999, May 2001, and April 2003, and 6 million shares for the plan approved by the Shareholders' Meeting of April 2005 and April 2007 (after taking into account the stock-splits in 2000, 2004, and 2007).

Pursuant to these authorizations, the Board of Directors granted to the Company's senior management stock options to acquire a total of 25,256,741 stock purchase options.

At December 31, 2007, 13,988,746 of these options could still be exercised by their beneficiaries.

In addition, as of December 31, 2007, the Board of Directors had the authority to grant 5,664,635 stock purchase options out of a total amount of 6 million shares authorized by the Shareholders' Meeting of April 26, 2007 (please refer to section 17.2 of this Registration Document).

The authorization granted by the Shareholders' Meeting of April 26, 2007 was for a period of 26 months and will not be submitted for renewal at the Shareholders' Meeting to be held on April 29, 2008.

PLAN FOR THE GRANT OF SHARES FREE OF CHARGE

The Shareholders' Meeting of April 26, 2007 authorized the Board of Directors to grant, once or multiple times, over a maximum period of 26 months, up to two million existing ordinary shares or newly-issued shares of the Company to be issued free of charge. This authorization has not yet been used. The authorization was granted by the Shareholders' Meeting of April 26, 2007 for a period of 26 month and will therefore not be submitted for renewal at the Shareholders' Meeting to be held on April 29, 2008.

21.1.7 Table of Evolution of Share Capital over the Last Five Fiscal Years

Observation Date	Number of shares issued or cancelled *(in shares)*	Type of Transaction	Share Capital Variation		Share Capital Amount *(in euros)*	Total Number of Shares *(in shares)*
			Par Value *(in euros)*	Issuance Premium *(in euros)*		
January 17, 2002	105,275	Exercise of options	105,275	5,432,231.50	141,033,427	141,033,427
May 3, 2002	357,945	Capital increase reserved for employees who are members of a company savings plan	357,945	37,161,865.92	141,391,372	141,391,372
October 17, 2002	(2,800,000)	Decrease in share capital through share cancellations	(2,800,000)	(364,945,421)	138,591,372	138,591,372
December 20, 2002	(1,400,000)	Decrease in share capital through share cancellations	(1,400,000)	(180,782,108.26)	137,191,372	137,191,372
January 17, 2003	143,750	Exercise of options	143,750	7,586,252.60	137,335,122	137,335,122
April 24, 2003	332,861	Capital increase reserved for employees who are members of a company savings plan	332,861	31,042,616.86	137,667,983	137,667,983
July 22, 2003	(1,000,000)	Decrease in share capital through share cancellations	(1,000,000)	(128,529,669.74)	136,667,983	136,667,983
December 22, 2003	(1,700,000)	Decrease in share capital through share cancellations	(1,700,000)	(216,882,782.43)	134,967,983	134,967,983
January 20, 2004	7,510	Exercise of options	7,510	473,881.00	134,975,493	134,975,493
February 10, 2004	(1,300,000)	Decrease in share capital through share cancellations	(1,300,000)	(155,926,934.77)	133,675,493	133,675,493
April 26, 2004	352,232	Capital increase reserved for employees who are members of a company savings plan	352,232	37,572,587.44	134,027,725	134,027,725
June 15, 2004	2,265	Exercise of options	2,265	142,921.50	134,029,990	134,029,990
June 15, 2004	134,029,990	Two-for-one stock split	–	–	134,029,990	268,059,980
January 20, 2005	35,540	Exercise of options	17,770	1,121,287.00	134,047,760	268,095,520
April 22, 2005	(4,600,000)	Decrease in share capital through share cancellations	(2,300,000)	(56,206,484.93)	131,747,760	263,495,520
May 2, 2005	704,730	Capital increase reserved for employees who are members of a company savings plan	352,365	39,246,413.70	132,100,125	264,200,250
January 23, 2006	34,940	Exercise of options	17,470	1,102,357.00	132,117,595	264,235,190
May 3, 2006	629,556	Capital increase reserved for employees who are members of a company savings plan	314,778	44,345,924.64	132,432,373	264,864,746
August 1, 2006	(1,400,000)	Decrease in share capital through share cancellations	(700,000)	(84,694,695.30)	131,732,373	263,464,746
December 15, 2006	(2,600,000)	Decrease in share capital through share cancellations	(1,300,000)	–	130,432,373	260,864,746
May 2, 2007	560,984	Capital increase reserved for employees who are members of a Company Savings Plan	280,492	52,177,121.84	130,712,865	261,425,730
June 1, 2007	261,425,730	Two-for-one stock split	–	–	130,712,865	522,851,460
July 3, 2007	(10,000,000)	Decrease in share capital through share cancellations	(2,500,000)	(580,397,463.00)	128,212,865	512,851,460

21.2 Incorporation Documents and Bylaws

21.2.1 Corporate Purpose

In accordance with article 2 of Groupe Danone's bylaws, the purpose of the Company, whether directly or indirectly in France and in any country, shall be:

- industry and trade relating to all food products;
- the performance of all and any financial transactions and the management of all and any property rights and securities, listed or unlisted, French or foreign, the acquisition and the management of all and any real estate properties and rights.

The company shall, in general terms, be entitled to effect all and any property, real estate, industrial, commercial and financial transactions relating directly or indirectly or possibly relevant in any connection whatsoever to the company in the fulfillment of its corporate purpose.

It shall be entitled to act directly or indirectly, effect all the aforementioned transactions, on its own behalf or on behalf of third parties whether alone or in a joint venture, association, group or company involving any other individuals or companies and perform and execute the same in any form whatsoever.

It shall also be entitled to acquire all and any interests and holdings in all French and foreign companies and businesses, regardless of the purpose thereof, by forming special companies, by asset transfers or share issues, by the acquisition of shares, bonds or other securities and of all and any company rights and, in general term, by any means whatsoever.

21.2.2 Charter of the Board of Directors

The Company has implemented a charter, which outlines the rights and responsibilities of Directors and the principles governing the conduct of its executive officers. These guidelines were adopted at the Directors' meeting held on April 25, 2002. In 2003, following the Bouton Report, a report issued in France to promote better corporate governance practices for listed companies, the Board of Directors evaluated its operating practices and decided to modify the charter of the Board of Directors. Following its evaluation in 2007, a new charter was adopted by the Board of Directors at its meeting on July 30, 2007.

The main provisions of the Board of Directors are summarized below.

Responsibilities of the Board of Directors. The Board of Directors is a collective board where all the Directors have the same powers and responsibilities and where all decisions are made collectively. It has a responsibility toward all of the shareholders and meets at least five times per year. It determines the rules according to which it operates and those of its different committees.

The Board of Directors determines the orientation of the company's activity and oversees its implementation. It makes decisions regarding the Company's strategic, economic, social, financial and technological direction. It ensures the relevancy, comparability, reliability, and accuracy of the information provided to shareholders and to the financial market in accordance with applicable accounting standards.

At each session, the Chairman discusses the transactions concluded since the previous meeting as well as the main projects that may be concluded prior to the next meeting. Each year, the Board of Directors examines the essential points in the management report as well as the proposals submitted to the Shareholders' Meeting.

The Board of Directors approves strategic investment plans and any transactions, particularly acquisitions or disposals, that may significantly impact the Group's financial results, balance sheet or risk profile. In particular, the Chairman and Chief Executive Officer must obtain the prior approval of the Board of Directors for the following transactions:

Type of transaction	Authorization limit
Purchases and sales of securities and/or assets, partnerships or joint ventures (in cash or through a contribution of assets, realized once or multiple times)	Limit of € 250 million applicable to: • For acquisitions, partnerships and joint ventures: per investment that are attributable to the Group • For disposals: compensation received by the Group
Any off-balance sheet commitment given by the Group	Limit of € 100 million for the Group's portion
Other investments	Any significant overrun of the amount set in the annual budget
Internal reorganizations	Any reorganization where the global cost for the Group's portion exceeds € 50 million

The Directors receive between Board meetings any useful information on any significant events or transactions for the Group. More generally, they may receive from the Chairman at any time any information and documents that they deem useful in carrying out their responsibilities.

Meetings of the Board of Directors. In accordance with legal and regulatory provisions and the board's charter, the Directors who participate at Board meeting by videoconference or any other means of telecommunication are deemed present in calculating quorum and majority. However, this means of attendance is not permitted when the Board of Directors meets to approve the Company's corporate accounts and the consolidated financial statements and to prepare the management report including the Group's management report.

Committees of the Board of Directors. The Board of Directors may form one or several special committees whose composition and powers it determines. These committees shall not interfere in the Group's management or reduce or limit the powers of the Chairman and Chief Executive Officer, the Deputy General Managers or the Board of Directors. In its field of competence, each committee submits proposals, recommendations and opinions and gives a summary of its duties to the Board of Directors.

The members of the committees are all Directors. They are elected by the Board of Directors upon the proposal of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not have someone else represent them. The Chairman of the committees is appointed by the Board of Directors upon the proposal of the Nomination and Compensation Committee.

Compensation of the members of the Board of Directors. The Shareholders' Meeting sets the maximum global amount of Directors' fees *(jetons de présence)* to be distributed among the Directors. Directors who are members of the Executive Committee do not receive Directors' fees.

Code of ethics applicable to members of the Board of Directors. The Directors are bound by a general rule of confidentiality in regards to the discussions and deliberations of the Board and its committees as well as to confidential information. The Directors must comply with the Group's Code of Business Conduct, which sets forth rules in regards to privileged and confidential information.

Each Director acts in the interest and on behalf of all of the shareholders. In carrying out his responsibilities, each Director must make decisions independently of any interest other than the corporate interest of the Danone group and its shareholders.

Each Director must constantly ensure that his personal situation does not create a conflict of interests with the Group. Any Director who has a conflict of interests must (i) inform the Board of Directors so that it may make a decision regarding his particular case and (ii) refrain from participating in the vote for the deliberation concerned.

Transactions on the Company's securities. Securities include the Company's shares as well as any financial instrument related to these shares.

In a general manner, the members of the Board of Directors are bound by a duty of care as well as a specific precautionary obligation in regards to any personal transaction involving the Company's securities.

In particular, the Director must not conduct any speculative or short-term transactions on the Company's securities or conduct transactions on the Company's securities in the following cases:

- when they have information that when published will affect the price of these securities;
- during the periods explicitly noted by the Company; in particular, the month preceding the preliminary announcement of the Company's annual and half-yearly financial results and two weeks preceding the publication of the Company's quarterly financial releases.

All of these rules are applicable to any transactions carried out by individuals to whom the Directors are related.

Performance evaluation of the Board of Directors. The board's performance shall be evaluated every two years either through a self evaluation or an evaluation by the Nomination and Compensation Committee or a third party.

21.2.3 Shareholders' Meetings

The Board of Directors convenes the Shareholders' Meeting in accordance with French law.

Meetings shall be held in the town in which the registered office is situated or in any other locality, depending on the decision made in this connection by the person calling the Meeting, and at the venue specified in the notice of meeting.

The Shareholders' Meeting is made up of all shareholders, regardless of the number of shares held, subject to the loss of rights incurred under any applicable regulatory.

Regularly convened and constituted, the General Meeting shall represent all the shareholders. Its resolutions shall be binding on all, even dissenting, incapable and absent shareholders.

Any shareholder may be represented by his spouse or by another shareholder by virtue of a power of attorney, whose form shall be determined by the Board of Directors.

Minors and the incapable shall be represented by their legal guardians and trustees without the need for the latter to be shareholders in person. A corporate body shall be legitimately represented by any duly entitled legally recognized representative or by a person specially empowered for the said purpose.

The right to attend meetings may be made conditional (i) in the case of registered shareholders, upon entry of the said shares in the owners' accounts kept by the company or by the agent appointed by the company, or (ii) in the case of bearer shareholders, upon submission to the head office or any other location specified by the notice of meeting of certificates recording the entry in an account of the said shares by any approved financial agent three days' prior to the meeting.

21.2.4 Threshold Crossings

In addition to legal provisions, the bylaws provide that any individual or entity acting alone or indirectly or in concert who becomes the owner of a fraction equivalent to 0.5% or any multiple thereof of the voting rights outstanding or whose holding falls below this limit, within the meaning of articles L. 233-7 et seq. of Book II of the French Commercial Code, at any time must, within five trading days of reaching such threshold, notify the Company of the total number of shares or securities giving access to the capital and the total number of voting rights that he or she holds thereof by registered letter. For threshold crossings resulting from a purchase or sale on the market, the period of five trading days begins as from the date of the trade and not the date of delivery.

In the event of the failure to comply with this notification requirement, and upon the request of any holder or holders of 5% or more of the voting rights, such non-complying shareholder will be deprived of its voting rights in excess of the fraction which should have been declared for a period of two years following its compliance with the notification requirements.

21.2.5 Change in the Share Capital and in the Rights associated with the Shares

Any modifications to the share capital or the rights attached to the securities comprising the share capital are subject to the applicable legal provisions as the bylaws do not contain any specific provisions.

IMPORTANT CONTRACTS

The contracts signed between the Company and its subsidiaries in the normal course of business operations do not appear below.

The Group has committed itself to acquiring the holdings owned by third parties, shareholders in certain companies that are fully consolidated or accounted for under the equity method, in the event that such shareholders wish to exercise their put option. The exercise price of these options is generally based on the profitability and the entity related financial position at the exercise date of the option. As of December 31, 2007, the amount of these commitments totaled approximately € 2.7 billion, of which € 2.7 billion are reflected in the Group's financial debt. The main commitment, in the amount of € 2.2 billion, relates to Danone Spain. See Note 15 of the footnotes to the consolidated financial statements.

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INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT DECLARATIONS AND DECLARATIONS OF INTEREST

Not applicable.

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DOCUMENTS AVAILABLE TO THE PUBLIC

The bylaws, minutes of the shareholders' meeting, reports of the independent auditor and other corporate documents may be consulted at the Company's registered office. Moreover, historical financial information and certain information on the organization and businesses of the Company and its subsidiaries are available on the Group's website in the section entitled Regulated Information.

The table below provides detail on all of the information published or made public between January 1, 2007 and February 19, 2008:

Subject	Date	Place of consultation
Disclosure of Trading in Treasury Shares	01/15/2007	AMF (1)
Disclosure of Trading in Treasury Shares	01/23/2007	AMF
Groupe Danone enters the Thailand's fresh dairy market and partners with Dutch Mill Co.	01/23/2007	www.danone.com
Disclosure of Trading in Treasury Shares	01/29/2007	AMF
Groupe Danone buys out its partners in Japanese joint venture Calpis Ajinomoto Danone	01/31/2007	www.danone.com
Groupe Danone: 2006 Final Results	02/15/2007	www.danone.com
Consolidated sales per business line: Cumulative total as at December 31, 2006	02/16/2007	BALO (2)
Groupe Danone supports Hui Yuan IPO with further investment	02/23/2007	www.danone.com
Groupe Danone teams up with Alqueria to enter the Columbian fresh dairy market	02/26/2007	www.danone.com
Preliminary Notice to the 2007 Shareholders' Meeting	03/07/2007	BALO
Disclosure of Trading in Treasury Shares	03/06/2007	www.danone.com
Disclosure of Trading in Treasury Shares	03/19/2007	AMF
Disclosure of Trading in Treasury Shares	03/26/2007	AMF
Disclosure of Trading in Treasury Shares	04/03/2007	AMF
Outstanding Shares and Voting Rights Statement (March 2007)	04/05/2007	www.danone.com
Notice to the 2007 Shareholders' Meeting	04/06/2007	BALO
Provisional Social Accounts and Consolidated Financial Statements	04/09/2007	BALO
Groupe Danone confirms being in negotiations with its Chinese partner in Waters, Mr. Zong	04/10/2007	www.danone.com
Disclosure of Trading in Treasury Shares	04/24/2007	AMF
First Quarter 2007: Excellent like-for-like sales growth: +10.1%	04/24/2007	www.danone.com
Consolidated sales per business line, first quarter 2007	04/25/2007	BALO
Groupe Danone intends to delist its American Depositary Receipts (ADRs*) from the New York Stock Ex*change (NYSE) and to deregister under the US Securities Exchange Act of 1934	04/26/2007	www.danone.com
General Meeting of Shareholders – 26 April 2007	04/26/2007	www.danone.com
Disclosure of Trading in Treasury Shares	05/02/2007	AMF
Outstanding Shares and Voting Rights Statement (April 2007)	05/04/2007	www.danone.com
Disclosure of Trading in Treasury Shares	05/07/2007	AMF
Danone announcement on the Wahaha Dispute	05/09/2007	www.danone.com
Groupe Danone and Yakult Honsha Co. Ltd. reinforce their strategic and scientific cooperation	05/15/2007	www.danone.com
Groupe Danone strengthens presence in Chile with the acquisition of 70% of the fresh dairy business of Vialat	05/16/2007	www.danone.com
Disclosure of Trading in Treasury Shares	05/21/2007	AMF
Financial Statements for the year ended December 31, 2006	05/30/2007	BALO
Groupe Danone: two-for-one share split	05/31/2007	www.danone.com

Subject	Date	Place of consultation
Publication of legal notice	06/04/2007	BALO
Danone Files Law Suit Against Illegal Competition	06/05/2007	AMF
Disclosure of Trading in Treasury Shares	06/06/2007	AMF
Groupe Danone: Media statement about Wahaha	06/07/2007	AMF
Danone Files Law Suit Against Illegal Competition	06/05/2007	www.danone.com
Groupe Danone would like to make the following statements regarding the current developments regarding Wahaha dispute	06/12/2007	AMF
Groupe Danone filing to delist its ADSs and expects to file shortly to deregister under the U.S. Securities laws	06/25/2007	AMF
Groupe Danone in exclusive discussions with Kraft Foods over the sale of its biscuits and cereal products business	07/03/2007	www.danone.com
Outstanding Shares and Voting Rights Statement (June 2007)	07/03/2007	www.danone.com
Groupe Danone cancels 10,000,000 treasury shares	07/03/2007	AMF
Groupe Danone SA intends to make a cash offer of €55.00 per ordinary share for Royal Numico N.V.	07/09/2007	www.danone.com
Publication of legal notice – Supplement	07/13/2007	BALO
Publication of legal notice – Correction	07/20/2007	BALO
Groupe Danone: 2007 first-half Results	07/30/2007	www.danone.com
Notification of availability of the half-year financial report of Groupe Danone for the semester ended June 30, 2007	07/30/2007	www.danone.com
Groupe Danone reorganizes its management structure	07/31/2007	www.danone.com
Consolidated sales per business line, second quarter 2007	08/01/2007	BALO
Outstanding Shares and Voting Rights Statement (July 2007)	08/03/2007	www.danone.com
Good progress on the preparation for the public offer for Numico	08/08/2007	www.danone.com
Recommended cash offer € 55.00 per share of Numico offer memorandum available	08/20/2007	www.danone.com
Consolidated Financial Statements as at June 30, 2007	07/30/2007	www.danone.com
	09/07/2007	BALO
Outstanding Shares and Voting Rights Statement (August 2007)	09/10/2007	www.danone.com
Outstanding Shares and Voting Rights Statement (September 2007)	10/02/2007	www.danone.com
Proposed new composition Executive Board Numico	10/05/2007	www.danone.com
Like-for-like sales growth in first 9 months of +7%. Confirmation of full-year targets	10/17/2007	www.danone.com
Consolidated sales per business line (third quarter 2007)	10/19/2007	BALO
Groupe Danone signs agreements with Kraft Foods for disposal of the Biscuits and Cereal Products business activities	10/29/2007	www.danone.com
Outstanding Shares and Voting Rights Statement (October 2007)	11/12/2007	www.danone.com
Danone controls 98.4% of the ordinary shares in Numico	11/26/2007	www.danone.com
Danone completes the sale of its Biscuits and Cereal Products business activities to Kraft Foods	11/30/2007	www.danone.com
Outstanding Shares and Voting Rights Statement (November 2007)	12/05/2007	www.danone.com
Groupe Danone's Media Statement on Hangzhou Arbitration	12/10/2007	www.danone.com
Food and drink companies pledge to change advertising to children	12/11/2007	www.danone.com
Groupe Danone Media Statement concerning the dispute over confirmation of effectiveness of the arbitration clauses in Hangzhou	12/12/2007	www.danone.com
Groupe Danone exits Joint Venture with Mengniu in China	12/18/2007	www.danone.com
Joint statement between Hangzhou Wahaha Group and Groupe Danone	12/21/2007	www.danone.com
In 2007, Groupe Danone signed exclusive cooperation agreements with 10 suppliers	01/10/2008	www.danone.com
Groupe Danone categorically refutes allegations made against its US subsidiary regarding misleading claims	01/25/2008	www.danone.com
Weight Watchers and Groupe Danone establish weight management joint venture for China	02/05/2008	www.danone.com
Groupe Danone 2007: Final Results	02/14/2008	www.danone.com
Resignation of Antoine Giscard d'Estaing and appointment of Pierre-André Terisse as CFO	02/14/2008	www.danone.com
Muriel Pénicaud is appointed Executive Vice President, Human Resources for Groupe Danone replacing Franck Mougin	02/19/2008	www.danone.com

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INFORMATION REGARDING COMPANY EQUITY INTERESTS

The subsidiaries and equity interests are listed in Note 29 to the consolidated financial statements.

A

APPENDICES TO THE ORDINARY SHAREHOLDERS MEETING OF APRIL 29, 2008

CONTENTS

A.1 Draft of Resolutions presented at the Ordinary Shareholders' Meeting of April 29, 2008

First Resolution

(Approval of the corporate financial statements for the fiscal year ended on December 31, 2007)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the reports of the Board of Directors and the Statutory Auditors, approves the corporate financial statements of the Company for the fiscal year ended on December 31, 2007, including the balance sheet, the income statement and the appendix as these documents were presented at the meeting, as well as the transactions translated in these statements and summarized in these reports.

Second Resolution

(Approval of the consolidated financial statements for the fiscal year ended on December 31, 2007)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the reports of the Board of Directors and the Statutory Auditors on the consolidated financial statements, approves the consolidated financial statements of the Company for the fiscal year ended on December 31, 2007, as these documents were presented at the meeting, as well as the transactions translated in these statements and summarized in these reports.

Third Resolution

(Distribution of the income from the fiscal year ended on December 31, 2007 and setting of the dividend at € 1.1 per share)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the reports of the Board of Directors and the Statutory Auditors:

- notes that profits for the 2007 fiscal year amount to € 4,046,112,118.85;
- notes that the balance to be carried forward is of € 2,142,651,098.23;

  Totaling an amount available for income distribution that is equal to € 6,188,763,217.08;
- decides to distribute the total obtained between:
  - dividends for an amount of € 564,136,606.00;
  - ordinary reserves for an amount of € 2,000,000,000.00;
  - the balance to be carried forward for an amount of € 3,624,626,611.08.

The Shareholders' Meeting consequently decides payment of a dividend of € 1.1 per share on May 14, 2008. The sum allocated in this way among shareholders will be eligible in full for the 40% reduction provided for in article 158-3.2 of the French General Tax Code, for those shareholders who can benefit from it, with the exception of the option of a flat-rate withholding in discharge of other taxes provided for in *Article 117 quater*, of the French General Tax Code.

The Shareholders' Meeting decides that, in accordance with the provisions of article L. 225-210 of the French Commercial Code, the amount of the dividend corresponding to the shares that the Company may come to hold on the payment date will be allocated toward the "Balance Carried Forward" account.

It is hereby reminded that the dividends distributed with respect to the three preceding fiscal years were the following:

Fiscal Year (1)	Number of shares	Dividend distributed per share
2004	536,191,040	0.675 (2)
2005	528,470,380	0.85 (3)
2006	521,729,492	1 (3)

(1) The data for the 2004, 2005 and 2006 fiscal years were reprocessed in order to take into account the 2-for-1 splits of the par value of the shares which occurred in 2004 and in 2007.

(2) Allocation eligible in full for the 50% tax reduction.

(3) Allocation eligible in full for the 40% tax reduction.

Fourth Resolution

(Approval of the agreements discussed in the Statutory Auditors' special report)

The shareholders' meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the Statutory Auditors' special report on the agreements discussed in article L. 225-38 of the French Commercial Code, acknowledges the conclusions of this report, approves the agreements presented in this report, and acknowledges the continuation, insofar as necessary, and over the course of this fiscal year, of the application of agreements previously authorized.

Fifth Resolution

(Renewal of the term of office of Mr. Bruno BONNELL in his capacity as Director)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Bruno BONNELL as Director for the statutory term of three years.

Mr. Bruno BONNELL's term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Sixth Resolution

(Renewal of the term of office of Mr. Michel DAVID-WEILL in his capacity as Director, in accordance with article 15-II of the by-laws)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Michel DAVID-WEILL as Director for the statutory term of three years, in accordance with article 15-II of the bylaws.

Mr. Michel DAVID-WEILL's term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Seventh Resolution

(Renewal of the term of office of Mr. Bernard HOURS in his capacity as Director)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Bernard HOURS as Director for the statutory term of three years.

Mr. Bernard HOURS' term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Eighth Resolution

(Renewal of the term of office of Mr. Jacques Nahmias in his capacity as Director)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Jacques Nahmias as Director for the statutory term of three years.

Mr. Jacques Nahmias' term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Ninth Resolution

(Renewal of the term of office of Mr. Naomasa TSURITANI in his capacity as Director)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Naomasa TSURITANI as Director for the statutory term of three years.

Mr. Naomasa TSURITANI's term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Tenth Resolution

(Renewal of the term of office of Mr. Jacques VINCENT in his capacity as Director)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, renews the term of office of Mr. Jacques VINCENT as Director for the statutory term of three years.

Mr. Jacques VINCENT's term of office as Director shall end following the Ordinary Shareholders' Meeting convened to deliberate on the financial statements for the 2010 fiscal year.

Eleventh Resolution

(Preserving the term of office of Mr. Christian LAUBIE in his capacity as Director, in accordance with article 15-II of the by-laws)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, in accordance with the provisions of article 15-II, last paragraph, of the bylaws keeps Mr. Christian LAUBIE in the performance of his duties as Director until the end of the Shareholders' Meeting convened to deliberate on the financial statements for the 2008 fiscal year.

Twelfth Resolution

(Approval of the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Franck RIBOUD)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the statutory auditors' special report, acknowledges the conclusions of this report and approves the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Franck RIBOUD, as discussed in this report.

Thirteenth Resolution

(Approval of the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Jacques VINCENT)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the statutory auditors' special report, acknowledges the conclusions of this report and approves the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Jacques VINCENT, as discussed in this report.

Fourteenth Resolution

(Approval of the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Emmanuel FABER)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the statutory auditors' special report, acknowledges the conclusions of this report and approves the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Emmanuel FABER, as discussed in this report.

Fifteenth Resolution

(Approval of the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Bernard HOURS)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the statutory auditors' special report, acknowledges the conclusions of this report and approves the commitments discussed in article L. 225-42-1 of the French Commercial Code relative to severance payments in certain cases of termination of the corporate term of office of Mr. Bernard HOURS, as discussed in this report.

Sixteenth Resolution

(Authorization to confer the act of purchasing, holding, or transferring Company shares to the Board of Directors)

The Shareholders' Meeting, deliberating under the quorum and majority conditions required at ordinary shareholders' meetings, after having read the Board of Directors' report, authorizes the Board of Directors to purchase, hold, or transfer Company shares within the framework of a share repurchase program subject to the provisions of articles L. 225-209 et seq. of the French Commercial Code as well as of the European regulations # 2273/2003 dated December 22, 2003 derived from the application of European directive # 2003/6/EC dated January 28, 2003.

The Company's repurchase of its own shares will result in:

- either the allocation of stock options to employees and corporate officers of the Company as well as to employees and corporate officers of the companies or economic interest groups for which at least 10% of the share capital or voting rights are held, directly or indirectly, by the Company;
- or the free allocation of shares to employees and corporate officers;
- or the sale of shares to employees (either directly, or via an employee savings *Fonds Commun de Placement d'Entreprise*, or French employee shareholding vehicle) within the framework of employee shareholding plans or company savings plans;
- or the allocation of shares at the time the rights attached to the securities granting access to the Company's capital are exercised;
- or the holding of the shares and their allocation at a later date as a payment or an exchange within the framework of acquisitions;
- or the cancellation of shares within the maximum legal limit.

Within the limits allowed by regulations currently in force, the shares can be acquired, exchanged, or transferred by any means, either on the market or by mutual agreement, including through the acquisition of blocks of shares. These methods include the use of any financial derivative, traded on a regulated market or by mutual agreement, and the implementation of strategies involving futures (in particular the purchase and sale of put or call options and all combinations thereof), pursuant to the regulations of the *Autorité des Marchés Financiers*.

These transactions may be carried out at any moment, within the limits allowed by applicable regulations.

The maximum purchase price cannot be higher than € 80 per share.

In the event of a capital increase by incorporation of reserves and allocation of free shares as well as in the event of a splitting or regrouping of securities, the price indicated above will be adjusted by a multiplication coefficient equal to the ratio between the number of securities comprising the share capital before the transaction and this same number after the transaction.

The maximum number of shares that can be purchased by way of this authorization cannot at any time exceed 10% of the total number of shares comprising the share capital (or, for information purposes only and without taking into account the shares already held by the Company, 51,285,146 shares as of December 31, 2007, representing a maximum theoretical purchase amount of € 4,102,811,680), it being specified that this limit applies to an amount of Company share capital that will, if applicable, be adjusted in order to take into account the transactions that affect the share capital and carried out after this Shareholders' Meeting has taken place, the acquisitions completed by the Company which may in no way result in it holding, either directly or indirectly via subsidiaries, more than 10% of its share capital.

Notwithstanding the above, the number of shares acquired by the Company for the purposes of being held and paid out at a later date or of an exchange within the framework of an acquisition cannot exceed 5% of its share capital.

For the purposes of carrying out this authorization, all powers are delegated to the Board of Directors, with the ability to sub-delegate, in order to:

- complete all orders on or off the market;
- sign all agreements, in particular for the purposes of managing registries for the purchase and sale of shares;
- releasing all statements and completing all formalities with the *Autorité des Marchés Financiers* and any other body;
- fulfill any other formalities and, generally speaking, do all that is necessary.

The Board of Directors must inform the Shareholders' Meeting of any transactions carried out pursuant to this resolution.

This resolution cancels and takes the place of the authorization granted by the Combined Shareholders' Meeting dated April 26, 2007 in its 8th resolution and is granted for the duration of 18 months starting on the date of this meeting.

Seventeenth Resolution

(Powers for completing formalities)

The Shareholders' Meeting grants all powers to the holder of an original, a copy, or an excerpt of the minutes of this meeting for the purposes of completing all legal or administrative formalities and carrying out all filings and advertising provided by legislation currently in force.

A.2 Statutory Auditors' Supplemental Report presented at the Shareholders' Meeting of April 29, 2008

In our capacity as statutory auditors of your company and pursuant to the provisions of article R. 225-116 of the French Commercial Code, we present you with an additional report that complements our special report dated March 23, 2007 on the issuance of shares with cancellation of the preferential subscription right, and authorized by your Extraordinary Shareholders' Meeting dated April 26, 2007.

This meeting had delegated all powers to your Board of Directors to decide on such a transaction within a time period of 26 months and for a maximum amount of € 3 million.

Taking advantage of this delegation of powers, your Board of Directors decided, during its meeting dated February 13, 2008, to carry out the following capital increase, reserved for the *Fonds Commun de Placement* (French collective investment vehicle) "Fonds Groupe Danone Relais 2008":

- amount of the capital increase and related bonus: € 60 million, which can be brought to € 65 million if employees' subscriptions so require it to;
- subscription period: from March 17, 2008 to April 4, 2008;
- benefit date *(jouissance)* of the new shares: January 1, 2008;
- subscription price of the shares: € 43.55 corresponding to the average of the 20 first stock market prices preceding the date of the Meeting, minus a 20% discount.

The *Fonds Commun de Placement* "Fonds Groupe Danone Relais 2008" subscribes to the capital increase using sums collected from employees of Groupe Danone and from employees of the companies related to it in the meaning of article L. 225 – 180 I 1st paragraph of the French Commercial Code. The amount of the capital increase will have the option of being reduced to the amount effectively received by the *Fonds Commun de Placement* "Fonds Groupe Danone Relais 2008" in the event that the subscription is not sufficient enough.

It is your Board of Directors' responsibility to establish an additional report in accordance with articles R. 225-115 and R. 225-116 of the French Commercial Code. It is our responsibility to provide our opinion on the exactness of the numerical information taken from the financial statements, on the proposition to cancel the preferential subscription right and on certain other information concerning the issuance provided in this report.

We have performed the due diligence work we believe to be necessary with respect to the professional doctrine of the *Compagnie nationale des commissaires aux comptes*, pertaining to this mission. This diligence work consisted in verifying:

- the exactness of the numerical information provided in the Board of Directors' additional report and taken from the consolidated financial statements finalized by the Board of Directors. These statements were subject to an audit that we performed in accordance with the professional standards applicable in France;
- the conformity of the terms and conditions of the delegation of powers granted by the Extraordinary Shareholders' Meeting dated April 26, 2007 and the exactness of the information provided in the Board of Directors' additional report on the choice of elements for the calculation of the issuance price and on its amount.

We have no observation to make with respect to:

- the exactness of the numerical information taken from the company's financial statements and provided in the Board of Directors' additional report, it being specified that the consolidated financial statements have not yet been approved by the Shareholders' Meeting;
- the conformity of the terms and conditions of the delegation of powers granted by the Extraordinary Shareholders' Meeting dated April 26, 2007 and the indications provided to this meeting;
- the proposition to cancel the preferential subscription right with respect to which you have already deliberated, the choice of elements for the calculation of the issuance price, and its final amount;
- the presentation of the impact of the issuance on the financial position of holders of capital securities and securities granting access to the share capital, valued on the basis of shareholders' equity and the stock market value of the share.

In Courbevoie and Neuilly-sur-Seine, France, on March 14, 2008

The Statutory Auditors

MAZARS & GUÉRARD		**PRICEWATERHOUSECOOPERS AUDIT**	
Thierry COLIN	Dominique MULLER	Eric BULLE	Olivier LOTZ

A.3 Positions and Responsibilities of the Directors and the Nominees to the Board Of Directors

(Article R. 225-83 of the French Commercial Code)

Information related to the Directors and the nominees to the Board of Directors

I — RENEWAL OF TERM OF OFFICE

Bruno BONNELL

Michel DAVID-WEILL

Bernard HOURS

Jacques-Alexandre NAHMIAS

Naomasa TSURITANI

Jacques VINCENT

II — CONFIRMATION OF TERM OF OFFICE

Christian LAUBIE

III — CURRENT DIRECTORS

Emmanuel FABER

Richard GOBLET D'ALVIELLA

Jean LAURENT

Hakan MOGREN

Benoît POTIER

Franck RIBOUD

A.3.1 Renewal of Functions

Mr. Bruno BONNELL

Born on October 6, 1958 – Age: 49
Professional address: 15 rue Réaumur – 75003 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 4,000
Independent Director
French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman	SOROBOT SAS	France
	ROBOPOLIS SAS	France
	I-VOLUTION SAS	France
Member of the Supervisory Board	EURAZEO SA	France
	PATHE SAS	France
Director (since February 18, 2002-Term 2008 (1))	GROUPE DANONE SA	France
Member of the Committee of Social Responsibility of the Board of Directors of Danone SA (since February 14, 2007)		
Director	LZ PUBLICATIONS SA	France

(1) Date of the shareholders' meeting convened to approve the renewal of the director's term of office.

Responsibilities and positions during last five years

Position	Company	Country
Chairman of the Board of Directors	IDRS	France
	INFOGRAMES ENTERTAINMENT SA	France
Chairman	INFOGRAMES INTERACTIVE SA	France
	I-VOLUTION SA	France
Chairman of the Board and Chief Executive Officer	ATARI, INC	United States
	CALIFORNIA U.S. HOLDINGS, INC	United States
Director	ATARI INTERACTIVE, INC	United States
Director	CALIFORNIA US HOLDINGS, INC.	United States
	INFOGRAMES FRANCE SA	France
	INFOGRAMES EUROPE SA	France
	INFOSOURCES	France
	INTERACTIVE-PARTNERS	France
	IXO SA	France
	OLYMPIQUE LYONNAIS SA	France
Permanent Representative of Infogrames Entertainment SA	ATARI EUROPE SAS	France
	EDEN STUDIO SAS	France
Permanent Representative of Atari Europe SAS	ATARI FRANCE SAS	France

Mr. Michel DAVID-WEILL

Born on November 23, 1932 – Age: 75
Professional address: 32 rue de Monceau – 75008 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 161,872
French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman of the Supervisory Board	EURAZEO SA	France
Manager	PARTEMAN SNC	France
Director (since June 26, 1970-Term 2008 (1)) Chairman of the Nomination and Compensation Committee of the Board of Directors of Groupe Danone SA (since April 22, 2005) And Vice-Chairman of the Board of Directors (since July 10, 1987)	GROUPE DANONE SA	France
Director	BANCA LEONARDO GROUP SpA	Italy
Supervisory Board Member	PUBLICIS GROUPE SA	France

(1) Date of the Shareholders' Meeting convened to approve the renewal of the Director's term of office.

Responsibilities and positions during last five years

Position	Company	Country
Chairman	MAISON LAZARD SAS	France
	SOCIETE MALESHERBES	France
Chairman and CEO	LAZARD FRERES BANQUE	France
Managing Director	LAZARD FRERES & CO, LLC	United States
Managing Partner	LAZARD FRERES SAS	France
General Partner and Manager	PARTENA	France
Director	LAZARD FRERES BANQUE	France
	FONDS PARTENAIRES-GESTION	France
	RUE IMPERIALE	France
Manager	BCNA SNC	France
	PARTEMIEL SNC	France
	PARTEGER SNC	France
Liquidator	BCNA	France
	PARTEMIEL SNC	France
Chairman	LAZARD LLC	United States
Supervisory Board Member	EURAZEO SA	France
Audit Committee member	PUBLICIS	France

Mr. Bernard HOURS

Born on May 5, 1956 – Age: 51
Professional Address: 17 boulevard Haussmann – 75009 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 5,000
French Nationality

Current responsibilities and positions

Position	Company	Country
Deputy General Manager (since January 1st, 2008) Director (since April 22, 2005-Term 2008 (1)) and Member of the Executive Committee (since November 1st, 2001)	GROUPE DANONE SA	France
Chairman of the Supervisory Board	DANONE GmbH *	Germany
	DANONE HOLDING AG *	Germany
	NUMICO B.V. *	The Netherlands
	NUMICO NEDERLAND B.V. *	The Netherlands
Director	COLOMBUS CAFE SA	France
	FLAM'S SA	France
	GRUPO LANDON	Spain
	STONYFIELD FARM, INC *	United States
	THE DANNON COMPANY *	United States
Permanent Representative of Groupe Danone within the Board of Directors and within the Executive Commission	DANONE SA *	Spain

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.
** Companies consolidated by Groupe Danone SA.*

Responsibilities and positions during last five years

Position	Company	Country
Vice-Chairman and Director	DANONESA TIKVESLI SÜT ÜRÜNLERI SANAYI VE TICARET A.S.	Turkey
Director	FRANCESCA	France
Manager	DANONE GmbH	Germany

Mr. Jacques-Alexandre NAHMIAS

Born on September 23, 1947 – Age: 60
Professional Address: 42 avenue Raymond Poincaré – 75116 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 4,536
Independent Director
French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman	CASAS ALTAS S.A.	Spain
	PETROFRANCE CHIMIE SA	France
	TERMINALES PORTUARIAS S.L.	Spain
Vice-Chairman	MERCURY OIL & SHIPPING	United States
	CORPORATION	United States
	PETROFRANCE INC.	United States
CEO and Director	PETROFRANCE SA	France
	PETROFRANCE CHIMIE SA	France
Director (since June 12, 1981-Term 2008 [(1)])	GROUPE DANONE SA	France
Director	DANONE SA	Spain
	PETROREP SA	France
	PETROPEP ITALIANA Spa	Italy
	TERMINALES PORTUARIAS S.L.	Spain

(1) Date of the shareholders' meeting convened to approve renewal of the director's term of office.

Responsibilities and positions during last five years

Position	Company	State
N/A		

Mr. Naomasa TSURITANI

Born on January 28, 1944 – Age: 64
Professional address: 1-19, Higashi-Shinbashi, 1-Chome, Minato-Ku, Tokyo, 105-8660 Japon
Number of shares GROUPE DANONE held as of December 31, 2007: 4,000
Japanese Nationality

Current responsibilities and positions

Position	Company	Country
Chairman	YAKULT FUKUYAMA KOHSAN CO.,Ltd.	Japan
Director (since February 14, 2007 – Term 2008 (1))	GROUPE DANONE SA	France
Chairman of the Audit Committee	P.T. YAKULT INDONESIA PERSADA	Indonesia
Chairman	CORPORACION VERMEX, S.A. DE C.V.	Mexico
	GUANGZHOU YAKULT CO., Ltd.	China
	HONG KONG YAKULT CO., Ltd.	China
	SHANGHAI YAKULT CO., Ltd.	China
	YAKULT (CHINA) CO., Ltd.	China
	YAKULT (MALAYSIA) SDN. BHD.	Malaysia
	YAKULT (SINGAPORE) PTE. Ltd.	Singapore
	YAKULT DEUTSCHLAND GMBH	Germany
	YAKULT EUROPE B.V.	The Netherlands
	YAKULT U.S.A. INC.	United States
	YAKULT OESTERREICH GMBH	Austria
	YAKULT PHILIPPINS, INC.	Philippines
	YAKULT S.A. DE C.V.	Mexico
	YAKULT UK Ltd.	Great Britain
Vice Chairman	KOREA YAKULT CO., Ltd.	Korea
Councilor	YAKULT BIO-SCIENCE FOUNDATION	Japan
Senior Managing Director	YAKULT HONSHA CO., Ltd.	Japan
Director	BOUNDY JAPAN CO., Ltd.	Japan
	FAIR TRADE COUNCIL OF FERMENTED MILKS AND FERMENTED MILK DRINKS	Japan
	YAKULT ARGENTINA S.A.	Argentina
	YAKULT AUSTRALIA PTY. Ltd.	Australia
	YAKULT BELGIUM S.A./N.V.	Belgium
	YAKULT CO., Ltd.	Taiwan
	YAKULT DANONE INDIA PVT. Ltd.	India
	YAKULT ESPANA, S.A.	Spain
	YAKULT HEALTH INSURANCE SOCIETY	Japan
	YAKULT ITALIA S.R.L.	Italy
	YAKULT KYUDAN CO., Ltd.	Japan
	YAKULT NEDERLAND B.V.	The Netherlands
	YAKULT VIETNAM CO., Ltd.	Vietnam
Standing Director	JAPANESE ASSOCIATION OF FERMENTED MILKS AND FERMENTED MILK DRINKS	Japan
Appointed Representative	YAKULT CORPORATE PENSION FUND	Japan

(1) Date of the shareholders' meeting convened to approve renewal of the director's term of office.

Responsibilities and positions during last five years

Position	Company	Country
Chairman	HONG KONG YAKULT CO., Ltd.	China
	YAKULT INTERNATIONAL (USA) INC	United States
	YAKULT SAPPORO KOHSAN CO., Ltd.	Japan
Managing Director	YAKULT HONSHA CO., Ltd.	Japan
Director	YAKULT AICHI PLANT CO., Ltd.	Japan
	YAKULT CHIBA PLANT CO., Ltd.	Japan
	YAKULT FUKUOKA PLANT CO., Ltd.	Japan
	YAKULT HOKURIKU PLANT CO., Ltd.	Japan
	YAKULT IWATE PLANT CO., Ltd.	Japan
	YAKULT KOBE CO., Ltd.	Japan
	YAKULT MATERIALS CO., Ltd.	Japan
	YAKULT NAGASAKI PLANT CO., Ltd.	Japan
	YAKULT OKAYAMA PLANT CO., Ltd.	Japan
	YAKULT OSAKA PLANT CO., Ltd.	Japan

Mr. Jacques VINCENT

Born on April 9, 1946 – Age: 62
Professional Address: 17 Boulevard Haussmann – 75009 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 4,000
French Nationality

Current responsibilities and positions

Position	Company	Country
Director (since March 17, 1997-Term 2008 (1))	GROUPE DANONE SA	France
Deputy General Manager (since May 2, 1996)		
and Vice-Chairman of the Board of Directors (since September 15, 1998)		
Chairman	DANONE RESEARCH SAS *	France
Director	DASANBE AGUA MINERAL	Spain
	NATURAL SA *	
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE SA *	France
Director and member of the Executive Commission	DANONE SA *	Spain
Director	CEREPLAST	United States
	SYNGENTA	Switzerland
	WIMM BILL DANN FOODS OJSC	Russia
	YAKULT HONSHA *	Japan
Chairman of the Board of Directors	ECOLE NORMALE SUPERIEURE DE LYON (E.N.S.)	France
Supervisory Board member	NUMICO B.V. *	The Netherlands
	NUMICO NEDERLAND B.V. *	The Netherlands

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.
** Companies consolidated by Groupe Danone SA.*

Responsibilities and positions during last five years

Position	Company	Country
Chairman CEO	N.V. DANONE SA	Belgium
Chairman	DANONE HOLDINGS, INC	United States
CEO	COMPAGNIE GERVAIS DANONE SA	France
Vice CEO	GENERALE BISCUIT SA	France
Permanent representative of the Director Groupe Danone SA		
Director	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	ASSOCIATED BISCUITS LIMITED (ABIL)	Great Britain
	CENTRALE LAITIERE	Morocco
	CPGMARKET.COM	Switzerland
	DANONE WATERS OF CANADA INC	Canada
	MAHOU	Spain
	P.T. TIRTA INVESTAMA	Indonesia
	THE DANONE SPRINGS OF EDEN BV	The Netherlands
Board representative	DS WATER GENERAL PARTNER, LLP	United States
Permanent representative of Groupe Danone	DANONE FINANCE SA	France
Executive Committee member	GROUPE DANONE SA	France

A.3.2 Confirmation of Term of Office

Mr. Christian LAUBIE

Born on August 19, 1938 – Age: 69
Professional Address: 8 rue Guynemer - 75006 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 188,768
Independent Director
French Nationality

Current responsibilities and positions

Position	Company	Country
Director (since December 19, 1985-Term 2009 [(1)])	GROUPE DANONE SA	France
Member of the Audit Committee of the Board of Directors of Groupe Danone SA (since January 30, 2001)		
Member	HAUT CONSEIL DU COMMISSARIAT AUX COMPTES	France

(1) The Shareholders' meeting of April 29, 2008 will vote on the confirmation of term of office of Mr. LAUBIE until the annual Shareholders' meeting to be held in 2009.

Responsibilities and positions during last five years

Position	Company	Country
Chairman CEO	ALFABANQUE SA	France
Director	ALFABANQUE SA	France
	BSN GLASSPACK	France

A.3.3 Current Directors

Mr. Emmanuel FABER

Born on January 22, 1964 – Age: 44
Professional Address: 17 Boulevard Haussmann – 75009 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 12,000
French Nationality

Current responsibilities and positions

Position	Company	Country
Deputy General Manager (since January 1st , 2008)	GROUPE DANONE SA	France
Director (since April 25, 2002-Term 2010 (1))		
Member of the Social Responsibility Committee of the Board of Directors of Groupe Danone SA (since February 14, 2007)		
and Member of the Executive Committee (since January 1st, 2000)		
Vice-Chairman and Director	PARTNERSHIP COMPANIES WAHAHA/DANONE *	China
Director	GRAMEEN DANONE FOODS LIMITED *	Bangladesh
	WADIA BSN INDIA LIMITED	India
	YAKULT HONSHA Co, Ltd. *	Japan
	RYANAIR HOLDINGS PLC	Ireland
	danone.communities (SICAV)	France
Supervisory Board member	LEGRIS INDUSTRIES SA	France
	NUMICO B.V.*	The Netherlands

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.
** Companies consolidated by Groupe Danone SA.*

Responsibilities and positions during last five years

Position	Company	Country
Chairman	BLEDINA SA	France
	LODAHLIM FRANCE SAS	France
	MECANIVER	Belgium
Chairman CEO	BLEDINA S.A.	France
Chairman of the Board of Directors	DANONE FINANCE SA	France
	MECANIVER SA	Belgium
Chairman and Chief Executive Officer, Director	DANONE WATER HOLDINGS, INC	United States
President Commissioner	PT DANONE BISCUITS INDONESIA	Indonesia
	PT DANONE DAIRY INDONESIA	Indonesia
Managing Director – Director	DANONE ASIA Pte Ltd.	Singapore
	JINJA INVESTMENTS Pte Ltd.	Singapore
Chairman	PARTNERSHIP COMPANIES WAHAHA/DANONE	China
Director CEO	COMPAGNIE GERVAIS DANONE SA	France
	GENERALE BISCUIT SA	France
Director	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	ASSOCIATED BISCUITS LIMITED (ABIL)	Great Britain
	BAGLEY LATINOAMERICA, S.A.	Spain
	BRITANNIA INDUSTRIES LIMITED (BIL)	India
	BSN GLASSPACK	France
	CONTINENTAL BISCUITS LIMITED	Pakistan

Position	Company	Country
Director	DANONE ASIA PRIVATE LIMITED	Singapore
	FESTINE Pte Ltd.	Singapore
	LODAHLIM BV	The Netherlands
	MYEN Pte Ltd.	Singapore
	NOVALC Pte Ltd.	Singapore
	YAKULT DANONE INDIA PVT Ltd.	India
Board representative of Danone Waters Holdings, Inc (Chairperson)	DS WATERS GENERAL PARTNER, LLC	United States
President Board of Commissioner	PT TIRTA INVESTAMA	Indonesia
Commissioner	PT TIRTA INVESTAMA	Indonesia
Supervisory Board member	DANONE HOLDING A.G.	Germany
Permanent Representative of Groupe Danone	ALFABANQUE (SA)	France

Mr. Richard GOBLET D'ALVIELLA

Born on July 6, 1948 – Age: 59
Professional Address: rue de l'Industrie 31 – 1040 Bruxelles - Belgium
Number of shares GROUPE DANONE held as of December 31, 2007: 4,000
Independent Director
Belgian Nationality

Current responsibilities and positions

Position	Company	Country
Vice Director	SOFINA SA	Belgium
	UNION FINANCIERE BOEL SA	Belgium
Director (since April 11, 2003-Term 2009 (1))	GROUPE DANONE SA	France
Member of the Audit Committee of the Board of Directors of Groupe Danone SA (since April 11, 2003)		
Director and Compensation Committee member	DELHAIZE GROUP	Belgium
Director and Audit Committee member	SUEZ SA	France
	SUEZ-TRACTEBEL	Belgium
Director	CALEDONIA INVESTMENTS	Great Britain
	FINASUCRE SA	Belgium
	HENEX SA	Belgium
	SOCIETE DE PARTICIPATIONS INDUSTRIELLES SA	Belgium
Supervisory Board member and Audit Committee member	EURAZEO SA	France

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.

Responsibilities and positions during last five years

Position	Company	Country
Chairman	SIDRO SA	Belgium
Director	ADSB TELECOMMUNICATIONS-BELGACOM	The Netherlands
	DANONE ASIA Pte Ltd.	Singapore
	GLACES DE MOUSTIER SUR SAMBRE	Belgium
	SES GLOBAL	Luxemburg
	TRACTEBEL	Belgium

Mr. Jean LAURENT

Born on July 31, 1944 – Age: 63
Professional Address: 9 quai du Président Paul Doumer – 92920 Paris La Défense cedex – France
Number of shares GROUPE DANONE held as of December 31, 2007: 5,000
Independent Director
French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman of the Board of Directors	INSTITUT EUROPLACE DE FINANCE (Foundation)	France
Chairman of Steering Committee	Pôle de Compétitivité “Finance Innovation”	France
Director (since February 10, 2005-Term 2009 [1]), Member of the Nomination and Compensation Committee of the Board of Directors of Groupe Danone SA (since April 22, 2005) Chairman Social Responsibility Committee of the Board of Directors of Groupe Danone SA (since February 14, 2007)	GROUPE DANONE SA	France
Director	CREDIT AGRICOLE EGYPT SAE	Egypt
Supervisory Board member Financial Committee member	EURAZEO SA	France
Board of Directors member	M6 SA	France

(1) Date of the shareholder’s meeting convened to approve renewal of the director’s term of office.

Functions and positions during last five years

Position	Company	Country
Chairman of the Board of Directors	CREDIT LYONNAIS SA	France
	CALYON	France
Vice Chairman	BANCA INTESA SpA	Italy
	BANCO ESPIRITO SANTO SGPS	Portugal
CEO, Chairman of the Executive Committee	CREDIT AGRICOLE SA	France
Director	BANCA INTESA SpA	Italy
	RUE IMPERIALE	France
Member of the Board	ASSOCIATION FRANCAISE DES BANQUES	
	CONSEIL NATIONAL DU CREDIT ET DU TITRE	France
	PARIS EUROPLACE	France
Member of the bureau	A.F.E.C.E.I.	France

Mr. Hakan MOGREN

Born on September 17, 1944 – Age: 63
Professional Address: Investor AB, Arsenalsgatan 8 C, SE-103 32 Stockholm - Sweden
Number of shares GROUPE DANONE held as of December 31, 2007: 4,000
Independent Director
Swedish Nationality

Current responsibilities and positions

Position	Company	Country
Director (since April 11, 2003-Term 2009 (1)) Member of the Nomination and Compensation Committee of the Board of Directors of Groupe Danone SA (since April 22, 2005)	GROUPE DANONE SA	France
Director	MARIANNE AND MARCUS WALLENBERG FOUNDATION	Sweden
	INVESTOR AB	Sweden
Deputy Chairman	ASTRA ZENECA PLC	Great Britain
Academy Member	THE ROYAL SWEDISH ACADEMY OF ENGINEERING SCIENCES (IVA)	Sweden
	GASTRONOMIC ACADEMY	Sweden

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.

Responsibilities and positions held during last five years

Position	Company	Country
Chairman	RECKITT BENCKISER plc	Great Britain
	THE RESEARCH INSTITUTE OF INDUSTRIAL ECONOMICS (IUI)	Sweden
	AFFIBODY AB	Sweden
Director	NORSK HYDRO ASA	Norway
	REMY COINTREAU SA	France
	SWEDEN AMERICA FOUNDATION	Sweden
Vice Chairman	GAMBRO AB	Sweden

Mr. Benoît POTIER

Born on September 3, 1957 – Age: 50
Professional Address: 75 quai d'Orsay – 75007 Paris - France
Number of shares GROUPE DANONE held as of December 31, 2007: 6,622
Independent Director
French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman and CEO	AIR LIQUIDE SA	France
	AIR LIQUIDE INTERNATIONAL	France
Chairman & Chief Executive Officer	AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC)	United States
	AMERICAN AIR LIQUIDE INC (AAL)	United States
Chairman	AMERICAN AIR LIQUIDE HOLDINGS, INC	United States
Director (since April 11, 2003-Term 2009 (1))	GROUPE DANONE SA	France
Chairman of the Audit Committee of the Board of Directors of Groupe Danone SA (since April 22, 2005)		
Director	ECOLE CENTRALE	France
Member of the Board France	INSEAD	France
Supervisory Board member	MICHELIN	France
Board member	ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES (AFEP)	France
	ASSOCIATINO NATIONALE DES SOCIÉTÉS PAR ACTIONS (ANSA)	France

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.

Responsibilities and positions held during last five years

Position	Company	Country
Chairman of the Executive Board	AIR LIQUIDE SA	France
Director	AIR LIQUIDE AMERICA HOLDINGS	United States
	AIR LIQUIDE ASIA PTE	Asia
	AIR LIQUIDE CANADA	Canada
	AIR LIQUIDE ESPANA SA	Spain
	AIR LIQUIDE ITALIA S.R.L.	Italy
	AIR LIQUIDE JAPAN Ltd.	Japan
	SOAEO	France
	SECHILIENNE-SIDEC	France
Advisory Board member	SIEMENS FRANCE	France

Mr. Franck RIBOUD

Born on November 7, 1955 – Age: 52

Professional Address: 17 Boulevard Haussmann – 75009 Paris – France

Number of shares GROUPE DANONE held as of December 31, 2007: 174,908

French Nationality

Current responsibilities and positions

Position	Company	Country
Chairman and CEO (since May 2, 1996-Term 2010 [1]) Director (since September 30, 1992) and Executive Committee Chairman (since July 4, 1997)	GROUPE DANONE SA	France
Director Chairman of the Compensation Committee	RENAULT SA	France
Chairman of the Board of Directors	danone.communities (SICAV)	France
Director	BAGLEY LATINOAMERICA, SA *	Spain
	DANONE SA *	Spain
	LACOSTE FRANCE SA	France
	ONA	Morocco
	RENAULT SAS	France
	WADIA BSN INDIA LIMITED	India
Supervisory Board member	ACCOR SA	France
Representative member of Groupe Danone	CONSEIL NATIONAL DU DEVELOPPEMENT DURABLE	France
Director (Associations or Foundations)	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France
	INTERNATIONAL ADVISORY BOARD HEC	France
	FONDATION GAIN (GLOBAL ALLIANCE FOR IMPROVED NUTRITION)	Switzerland

(1) Date of the shareholder's meeting convened to approve renewal of the director's term of office.
** Companies consolidated by Groupe Danone SA.*

Responsibilities and positions during last five years

Position	Company	Country
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE SA	France
	GENERALE BISCUIT SA	France
Chairman and Director	DANONE ASIA PTE LIMITED	Singapore
Director	ASSOCIATED BISCUITS INTERNATIONAL Ltd. (ABIL)	Great Britain
	ANSA	France
	L'OREAL SA	France
	QUIKSILVER	United States
	SCOTTISH & NEWCASTLE Plc	United Kingdom
	ABI HOLDINGS LIMITED (ABIH)	Great Britain
	DANONE FINANCE SA	France
	SOFINA	Belgium
Consultative Committee member	BANQUE DE FRANCE	France
Supervisory Board member	EURAZEO SA	France
Permanent Representative of the Director Generale Biscuit	LU FRANCE SA	France
Commissioner	P.T. TIRTA INVESTAMA	Indonesia

RECONCILIATION TABLE

In order to facilitate the reading of this document, the reconciliation table, hereafter, allows to identify in this Registration Document, the information which constitutes the annual financial report having to be published by the listed companies in accordance with article L. 451-1-2 of the French Monetary and Financial Code and article 222-3 of the AMF's General Regulations.

ANNUAL FINANCIAL REPORT	REGISTRATION DOCUMENT
1. COMPANY ANNUAL FINANCIAL STATEMENTS	Chapter 20.2.2
2. CONSOLIDATED FINANCIAL STATEMENTS	Chapter 20.1.1
3. MANAGEMENT REPORT (WITHIN THE MEANING OF THE FRENCH MONETARY AND FINANCIAL CODE)	
3.1 IINFORMATION WITHIN ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE	
• Analysis of the business development	Chapter 6
• Analysis of the results	Chapters 9 and 20.2.1
• Analysis of the financial position	Chapters 9 and 10
• Main risks and uncertainties	Chapter 4
• A summary table of the powers granted to the Board of Directors by the general meeting of shareholders in connection with capital increases	Chapter 21.1.4
3.2. INFORMATION WITHIN ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE	
• Elements that may have a significant impact in the event of a public offer	Chapter 20.2.1
3.3. INFORMATION WITHIN ARTICLE L. 225-211 OF THE FRENCH COMMERCIAL CODE	
• Repurchases by the company of its own shares	Chapters 5.2, 20.2.1 and 21.1.3
4. STATEMENT OF THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT	Chapter 1.2
5. STATUTORY AUDITORS' REPORTS ON THE COMPANY'S ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS	Chapters 20.2.3 and 20.1.2
6. COMMUNICATION RELATING TO THE FEES OF THE STATUTORY AUDITORS	Chapter 20.1.3
7. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES	Chapter 16.6
8. STATUTORY AUDITORS' REPORT ON REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES	Chapter 16.7

Conception et réalisation : Labrador 01 53 06 30 80

DANONE

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