



The "New Danone":
A unique food company



Back to School Conference
Lehman Brothers
September 3rd, 2008



Disclaimer

This document contains certain forward-looking statements concerning Groupe DANONE. Although Groupe DANONE believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the sections “Risks Factors” in Groupe DANONE’s Annual Report (which is available on www.danone.com). Groupe DANONE undertakes no obligation to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy, Danone shares



A powerful mission for sustainable, profitable
long-term growth

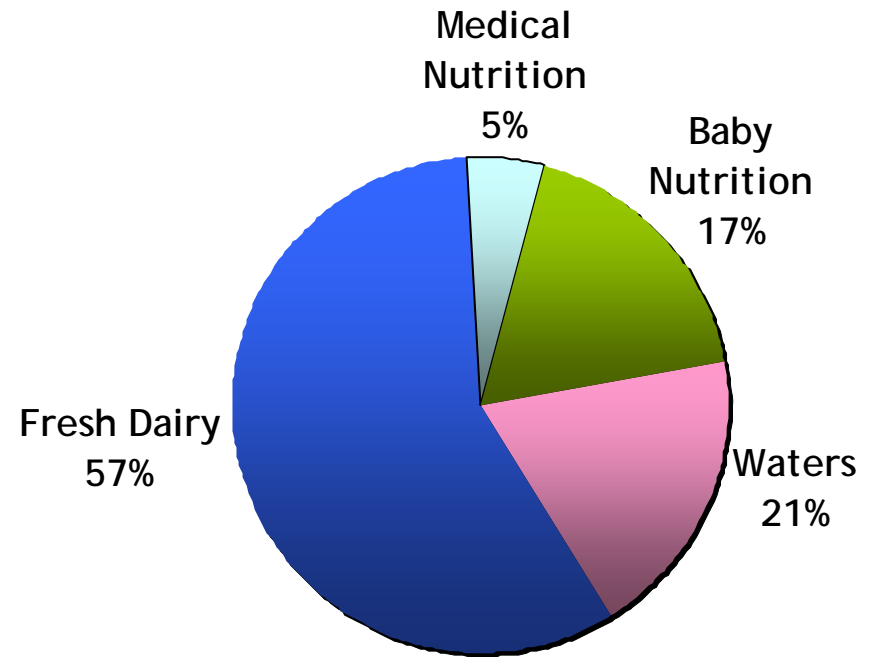
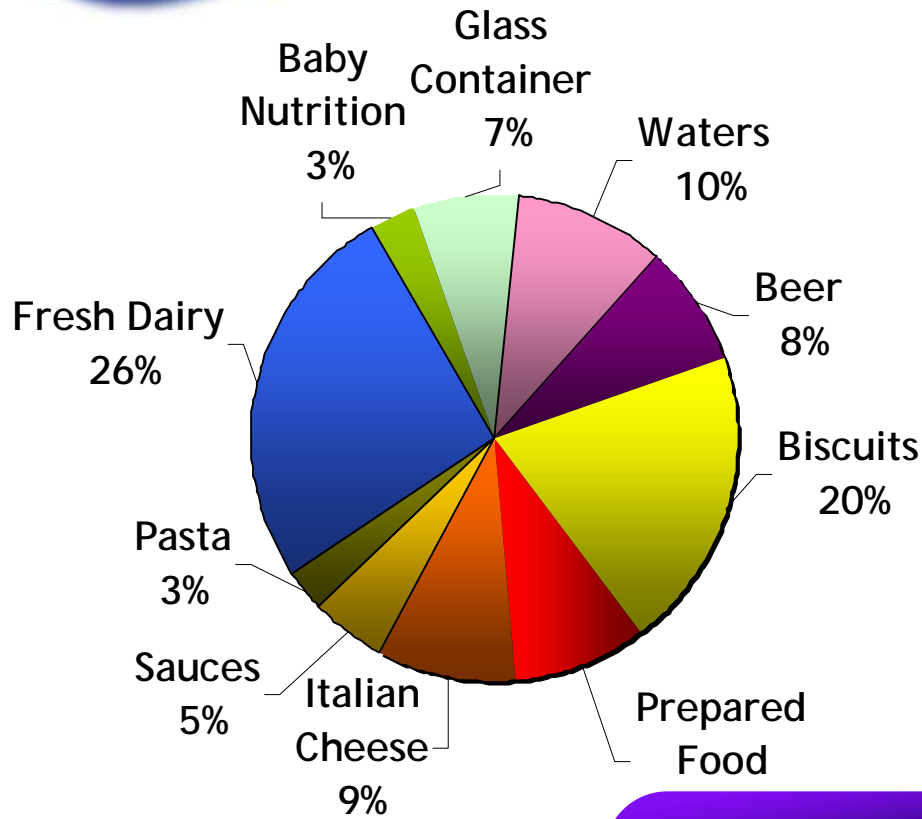
**To bring health through
food to the largest
number of people**



Danone transformed in a 100% health company

1996

2008



Healthy Food

39%

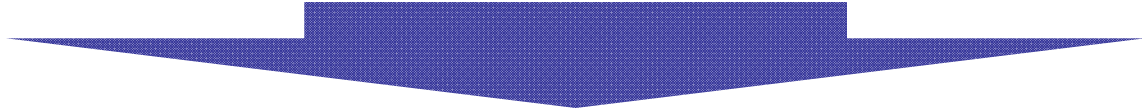


100%



Major M&A activity has created the «New Danone»

- Biscuit division “swapped” for Numico
- Creation of a unique company - 100% focus on healthy, value-adding nutrition
- 4 distinct divisions:
 - Commanding leadership positions through distinct business models
 - Offering clear visibility on future growth and margin potential
 - Delivering above average growth and margins
 - Supported by a state-of-art R&D platform



A sustainable business model to continue
to deliver LT profitable growth at high margins

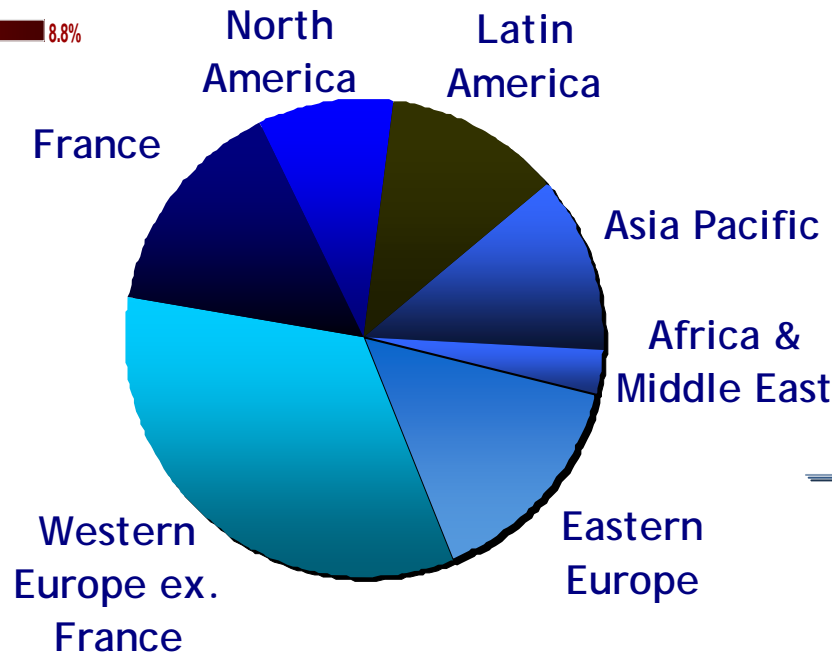
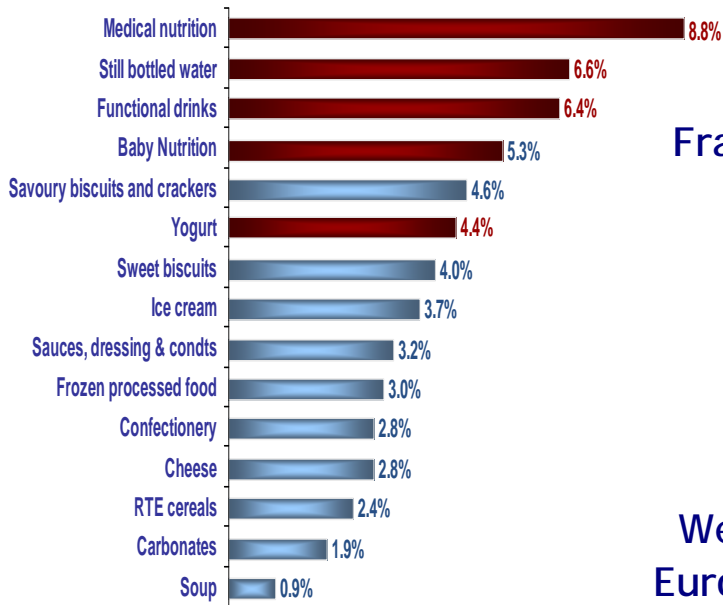


A fast-growing and well-diversified portfolio

FASTER GROWING CATEGORIES

DIVERSIFIED GEOGRAPHICAL PORTFOLIO

SELECTED GROWTH MARKETS



Sales growth

Mexico	+10%
Russia	+27%
Indonesia	+30%
China	+19%
U.S	+10%
Argentina	+28%
Brazil	+25%

Source : euromonitor

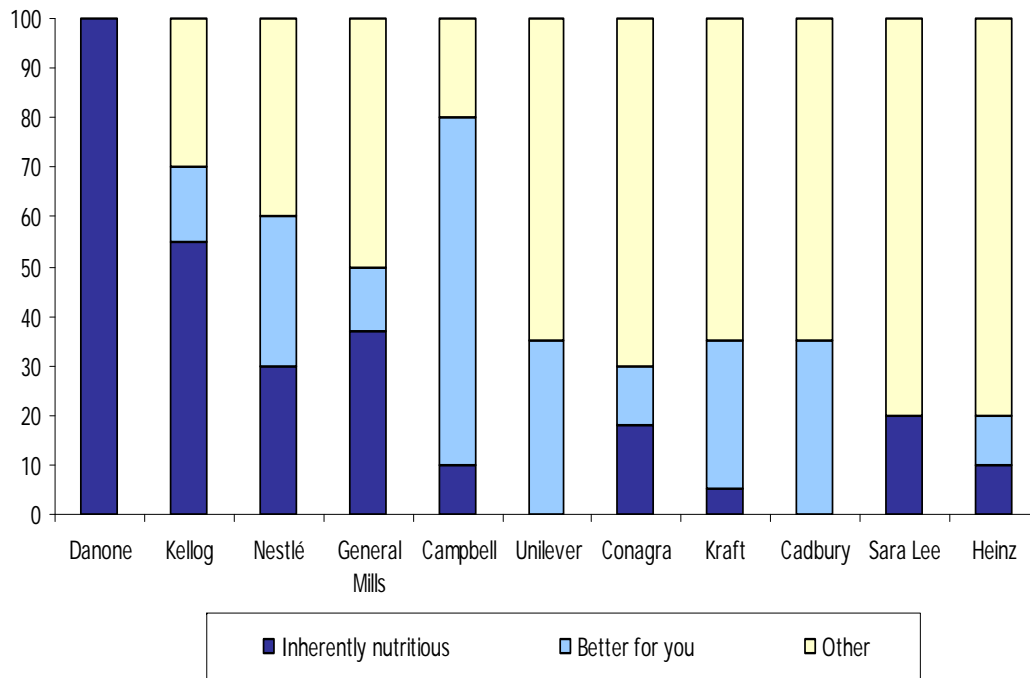
While geographically diversified, Danone is exposed to faster growing categories and regions



Addressing consumer trends - healthy food

A 100% HEALTH PORTFOLIO

A HEALTHIER COMPANY



« Danone not only has the « healthiest » portfolio, the management is focused on capitalizing on consumer trends and addressing obesity and related health issues »

RANKED #1 FOOD COMPANY - Insight/JP Morgan - April 2008

Source : Crédit Suisse

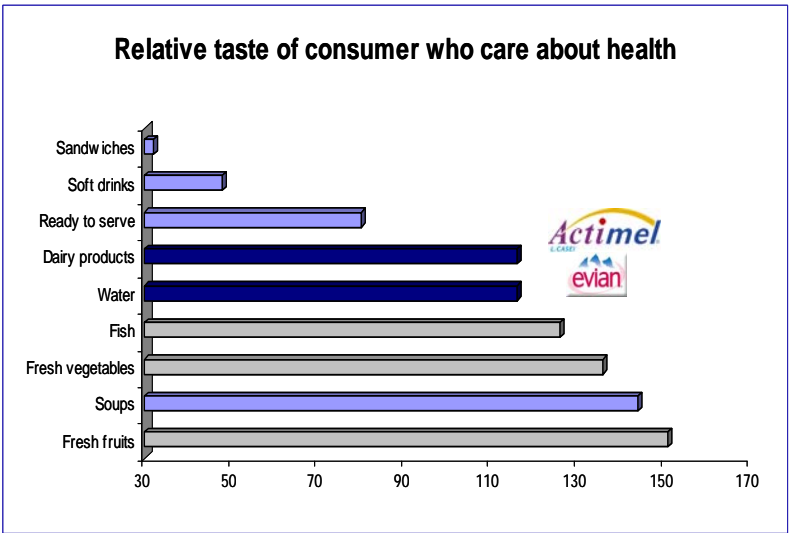


Addressing consumer trends - healthy food

CONSUMERS AND HEALTHY FOOD

85% of consumers consider food has an impact on health

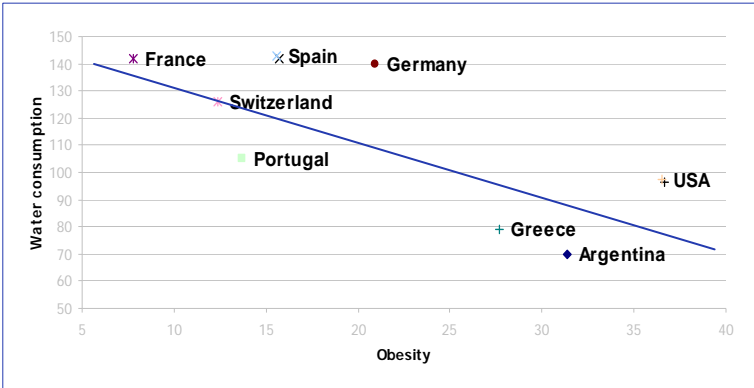
Consumers who care about health go to different categories



Source : credoc

OBESITY IS A GROWING CONCERN

« The rise of obesity makes improving the diets and physical activity levels a TOP PRIORITY for the EU in the years ahead »
 EU Health Commissioner Kyprianou



Source : WHO & Estimates



We command leadership positions





Key features of our business model

- All divisions command leadership positions
- Through well-known brands and value-adding products
- Our brands have superior pricing power
- Growth is fuelled through
 - Innovation
 - Roll-out
 - Geographic expansion
- Strong productivity gains are generated on fixed and overhead costs



Sales and EPS target reconfirmed EBIT margin target raised to +40 bps to +50 bps

Target 2008

Sales growth*

+8% to +10%

EBIT margin*

+40 bps to +50 bps

Underlying EPS
growth**

>+15%

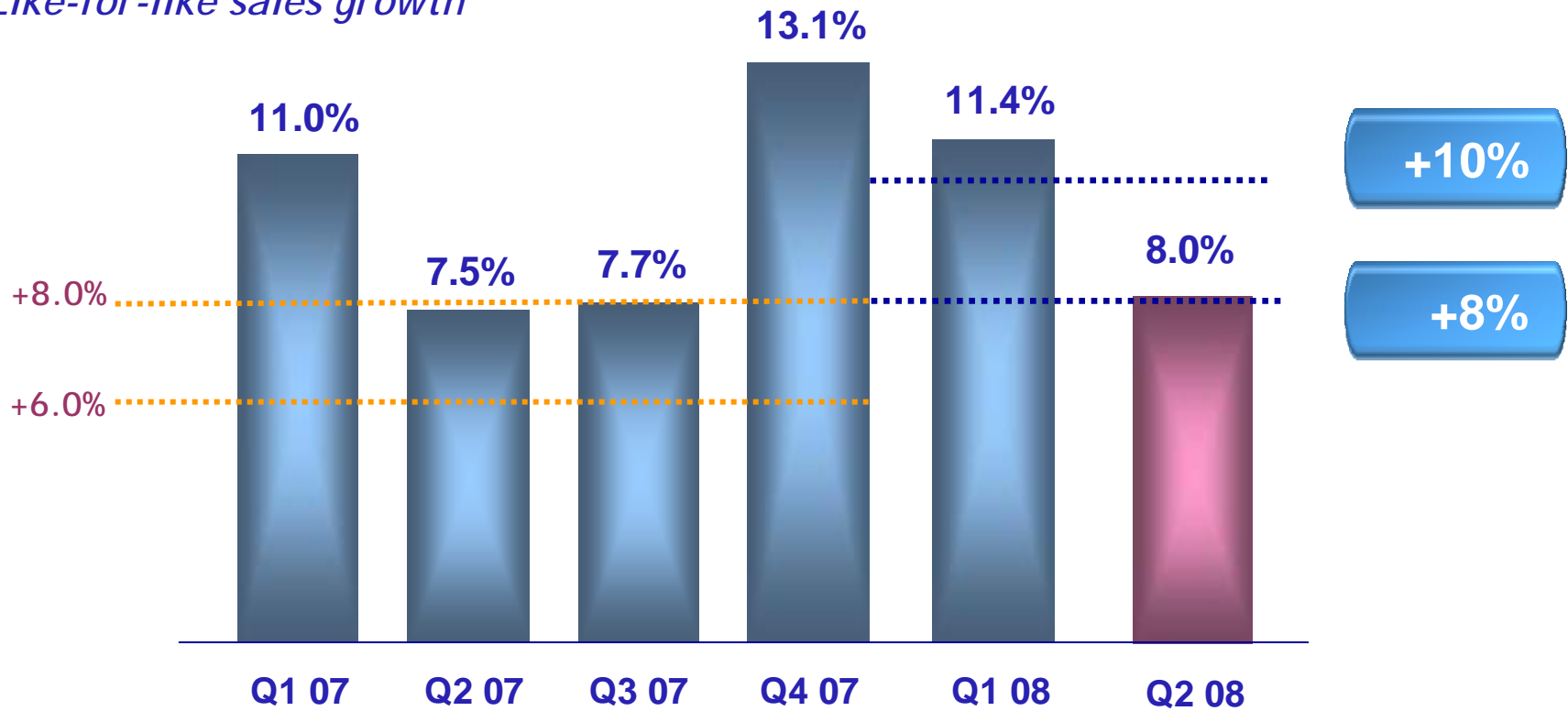
* On a like-for-like basis

** versus pro forma



Well on track to reach top-line target

Like-for-like sales growth





H1 2008 KEY FIGURES

Net sales	➔	€ 7,691 M	+9.6% like-for-like +18.2% reported*
Trading operating income	➔	€ 1,177 M	+12.3% like-for-like +32.2% reported*
Trading operating margin	➔	15.30%	+35 bp like-for-like +163 bp reported*
Underlying net income from continuing activities	➔	€ 701 M	vs € 663 M H1 07 +15.8% (<i>vs pro forma</i>)
Underlying EPS (fully diluted) from continuing activities	➔	€ 1.47	vs € 1.38 H1 07 +16.6% (<i>vs pro forma</i>)
Free cash flow ⁽¹⁾	➔	€ 550 M	vs € 571 M H1 07*

* Excluding the performance of the Biscuits Division

(1) Free Cash Flow: Cash flow from operations less capital expenditure (net of disposals)

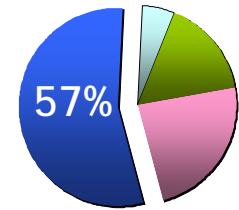


Fresh Dairy Division





Fresh Dairy - key figures



	2007 PF	H1 2008	Vs H1 2007*
Net Sales (€ mln)	8,299	4,358	+9.6%
Trading Operating Income (€ mln)	1,133	604	
Trading Operating Income margin	13.6%	13.86%	+57 bps

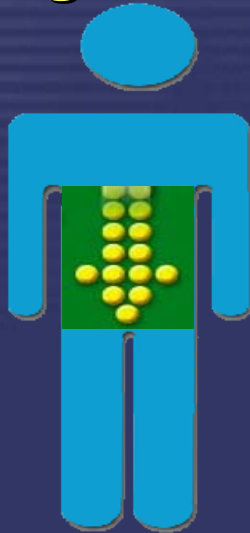


* On like-for-like basis



Blockbusters fuel growth and margin

Transit Digestion



€ 1,900 mln

Protection



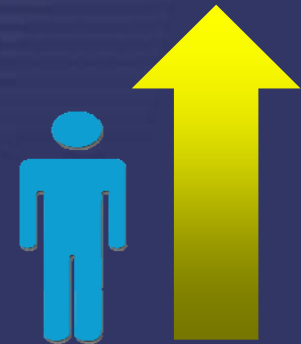
€ 1,100 mln

Weight Management



€ 900 mln

Growth



€ 800 mln



Health benefits strategy is confirmed

- We have strong brands
- These brands are supported by specific health benefits
- Combination of strong brands & health benefits leads to lower price elasticity

	Q2 08	Benefit
	Value growth	
Activia	+26%	Transit
Actimel	+8%	Immunity
Danonino	+6%	Bones
Vitalinea	-4%	Weight
Danacol	+33%	Cardio



Activia continues to be the major engine behind growth

	Volume	Sales
● Activia sales growth in Q2 2008:	+13%	+26%
● Activia growth in France in Q2 08:	+0.3%	+10%
● Volume growth in selected countries in Q2 08:		
Europe:	Country A: +10%	} 50% of Activia sales
	Country B: +26%	
	Country C: +16%	
	Country D: +14%	
	Country E: +60%	
Rest of the World:	Country F: +30%	
	Country G: +45%	
	Country H: +8%	
	Country I: +56%	

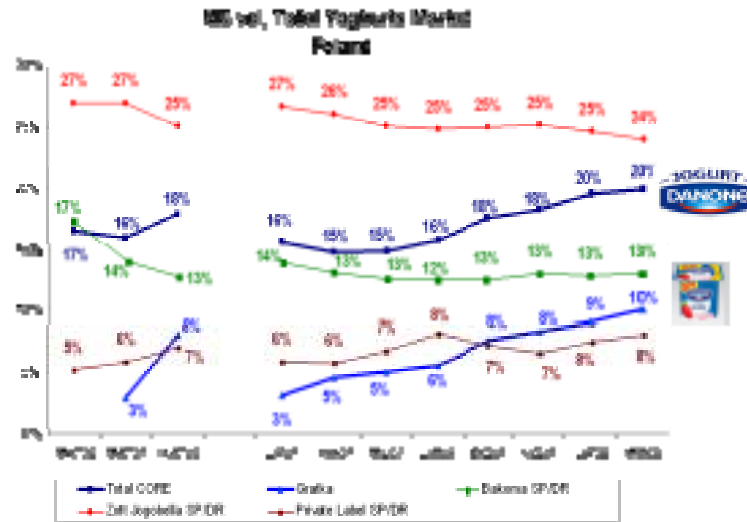


France has been impacted by a combination of various factors

- REGULATION
 - Regulations have weighted on retail consumption over last years
 - New law addresses the MT issues, but requires adjustment ST
- RETAIL
 - Smaller retail formats are gaining market shares to Hyper
 - We are rapidly gaining market share in smaller formats but are still predominantly in Hyper
 - Promos pushed to H2
- Core range and “Big Packs” make up a relatively large part of the portfolio and are more vulnerable to price increases
- This has led to a decline in sales and volume growth in France of -6.4% and -15.1% respectively in Q2 08



Launch of « €COPACK »



**Roll-out the success of Gratka in Poland in other countries
 → The quality of Danone at a low price**



- 6 x 115 gr.
- 0.99€/pack
- Nature, sucré, vanilla & s'berries



A large part of the Dairy markets shows resilience and success

- When isolating the specific situation in France, the volume growth of the rest of the division improves to +0.7% in Q2 08
- Eastern Europe, Latin America and Asia continue to have single-digit volume growth, despite a softening in selected markets
- Certain countries are witnessing a rebound in volumes
 - Brazil, Stonyfield, Saudi Arabia, Italy
- Market shares have remained relatively stable or improved in the majority of our Dairy markets
 - 16 countries improved their market shares
 - 4 markets in W-Eur lost more than 1%pt ms
 - 3 markets in RoW lost more than 1%pt ms



We continue to successfully enter into new geographies

Egypt

Launch: Market entry 2005, Activia launched in May 2008
Sales growth : +71% in H1 08
MS improvement: +7.8 pts to 25.9% YTD

Chile

Launch : Market entry June 07, Activia Sept 2007
Sales growth : +24% in H1 08
MS improvement: 9.0 pts to 19.1% in LTM

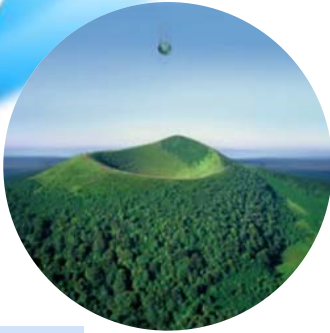


New sources of growth identified for 2009 and beyond

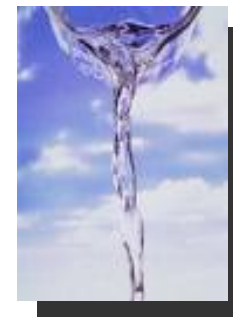
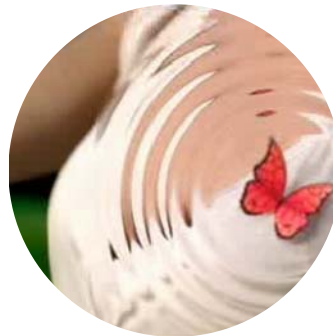
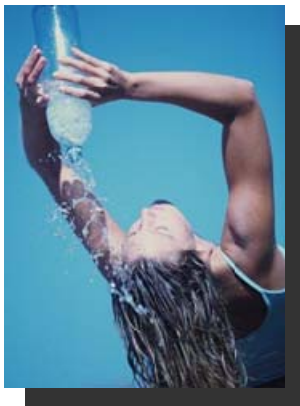
- Modern trade
 - New consumer targets
 - Non-dairy based products
 - New formats

- Away from home
 - Probiotics, high value

- Deep Affordvaluity:
 - Powders
 - Non-dairy proteins

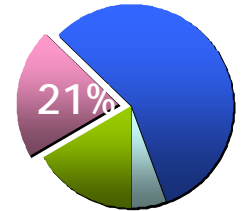


Waters Division

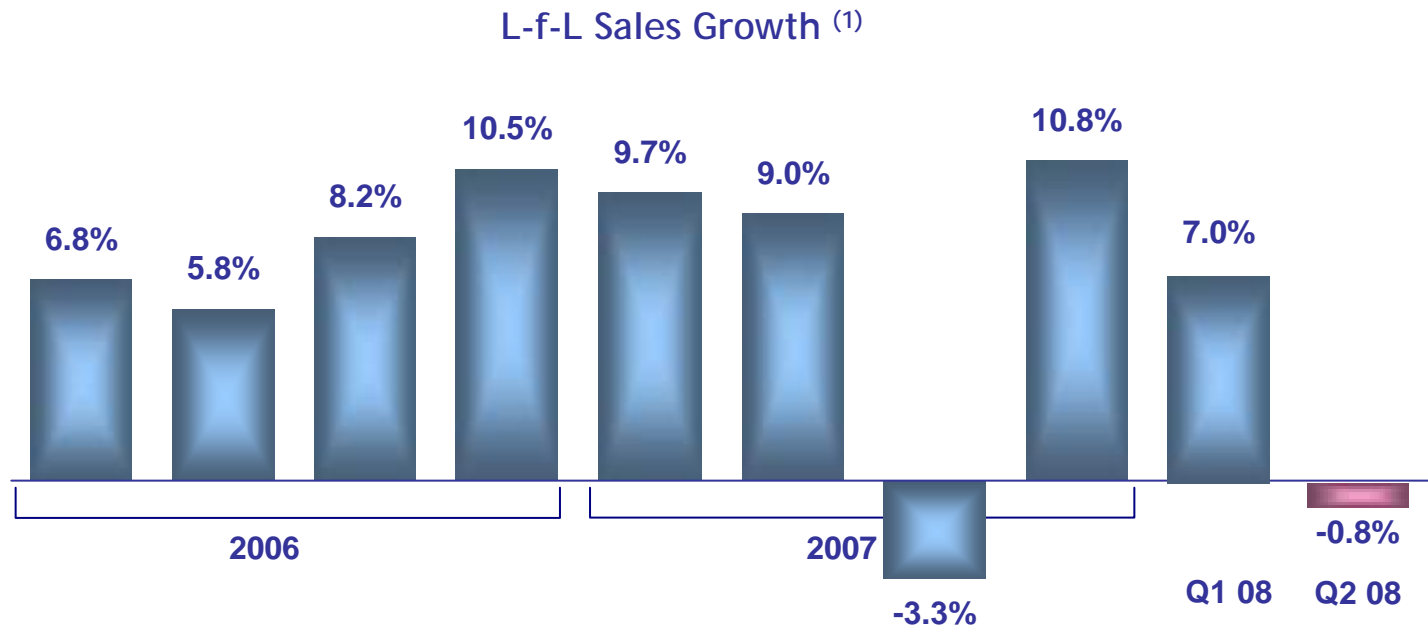




Waters division - key figures



	2007 PF	H1 2008	Vs H1 2007*
Net Sales (€ mln)	2,958	1,514	+2.6%
Trading Operating Income (€ mln)	425	220	
Trading Operating Income margin	14.4%	14.53%	-111 bps



⁽¹⁾ excl. Wahaha

* On like-for-like basis



Leading water brands throughout the world

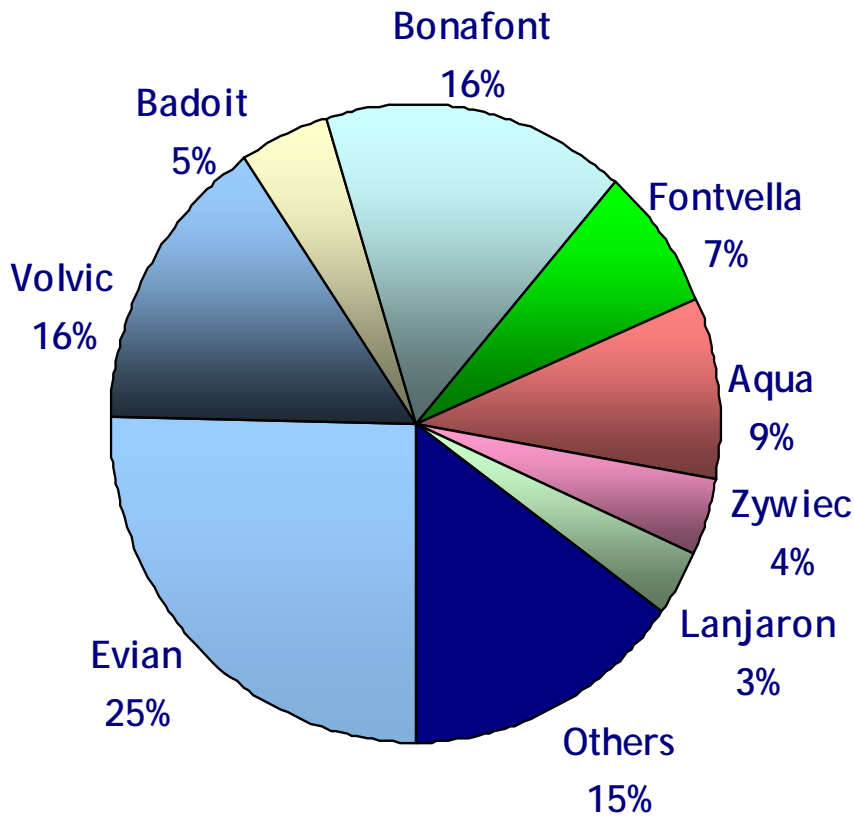




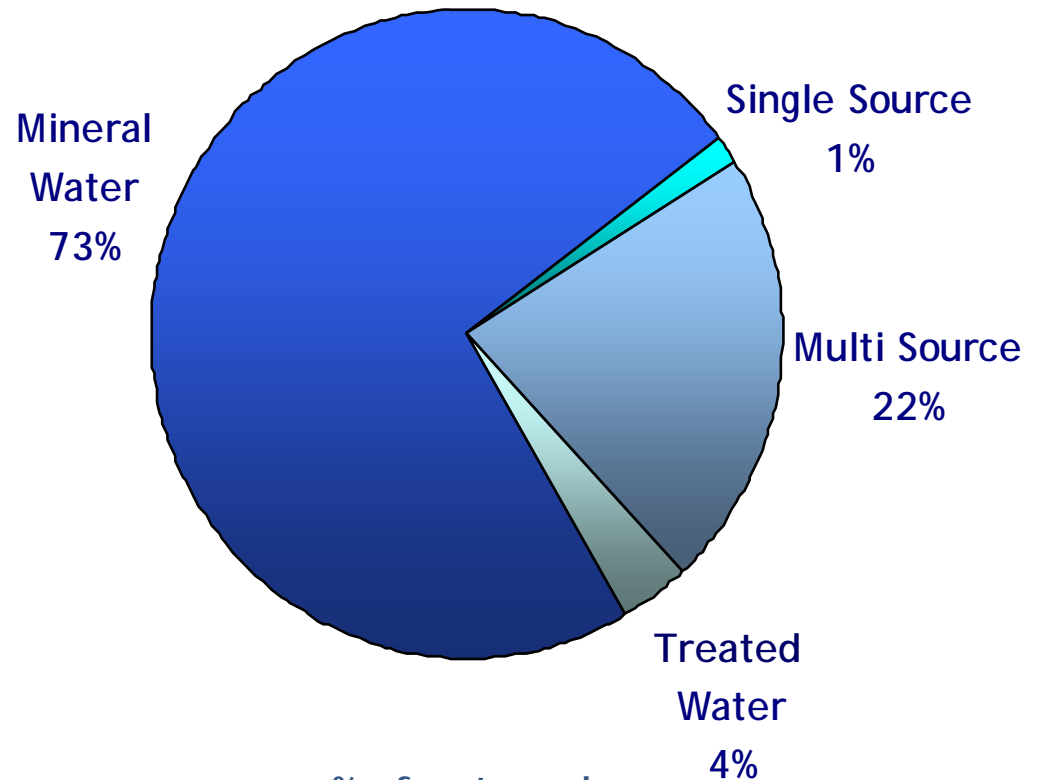
We have strong, well-known, high-quality brands

We have a portfolio of strong brands...

...based on high-quality sources



as a % of water sales



as a % of water sales



Our Waters strategy is centered around quality, sustainability and durability

- Evian water : 22 years of filtration in the French Alps
- Evian source is protected within a perimeter of 35 sq km and Volvic 38sq km
- Over 300 analyses per day for both brands
- Evian and Volvic can be consumed by everyone, including babies, at all times

- Evian and Volvic were the first brands to introduce RPET in France in May 2008 (25% of RPET in 1,5L and 1L formats)
- PET weight reduction of 20% over the past 10 years

- Transportation : 70% of Evian transported by train
- Diesel train carbon emission is 1/20th of a truck



We focus on Health, Naturality and the Environment

Reason for bottle:

- naturality (42%)
- health (28%)

Lever to drink more:

- lower price (71%)

- more specific on health (63%)
- environment (36%)

It is imperative to continue to explain and build upon our strengths :

Health & naturality

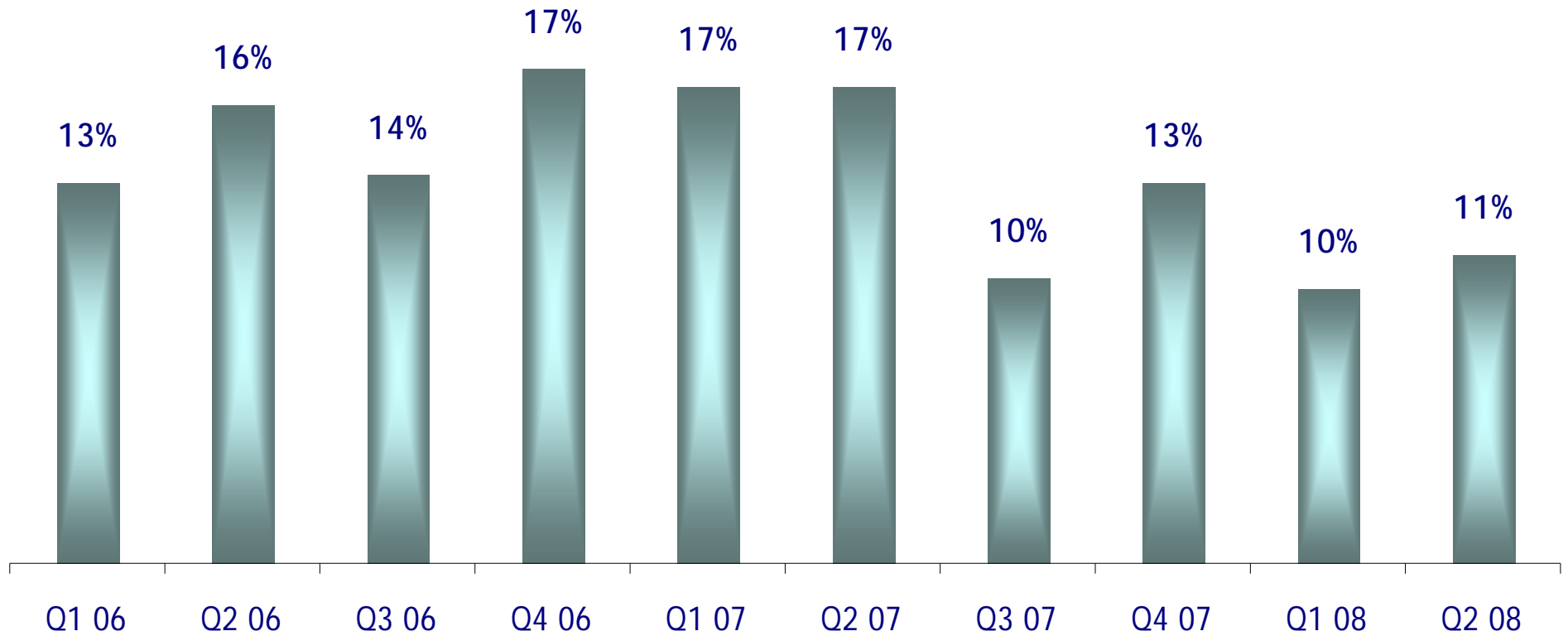
And bring answers to a growing concern :

Environmental responsibility





Countries outside Western Europe continue to deliver double-digit volume growth



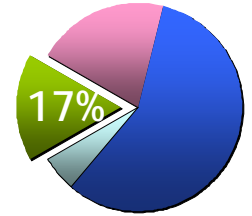


Baby Nutrition Division

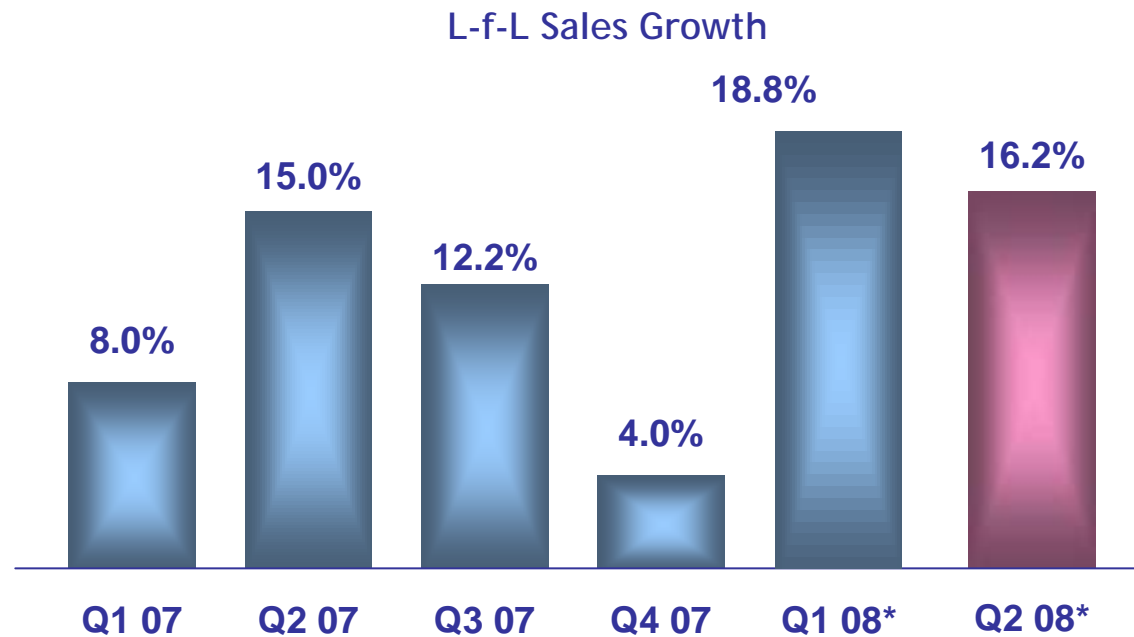




Baby Nutrition - key figures



	2007 PF ¹	H1 2008	Vs H1 2007 ²
Net Sales (€ mln)	2,417	1,400	+17.4%
Trading Operating Income (€ mln)	373	254	
Trading Operating Income margin	ca. 15.4%	18.14%	+84 bp



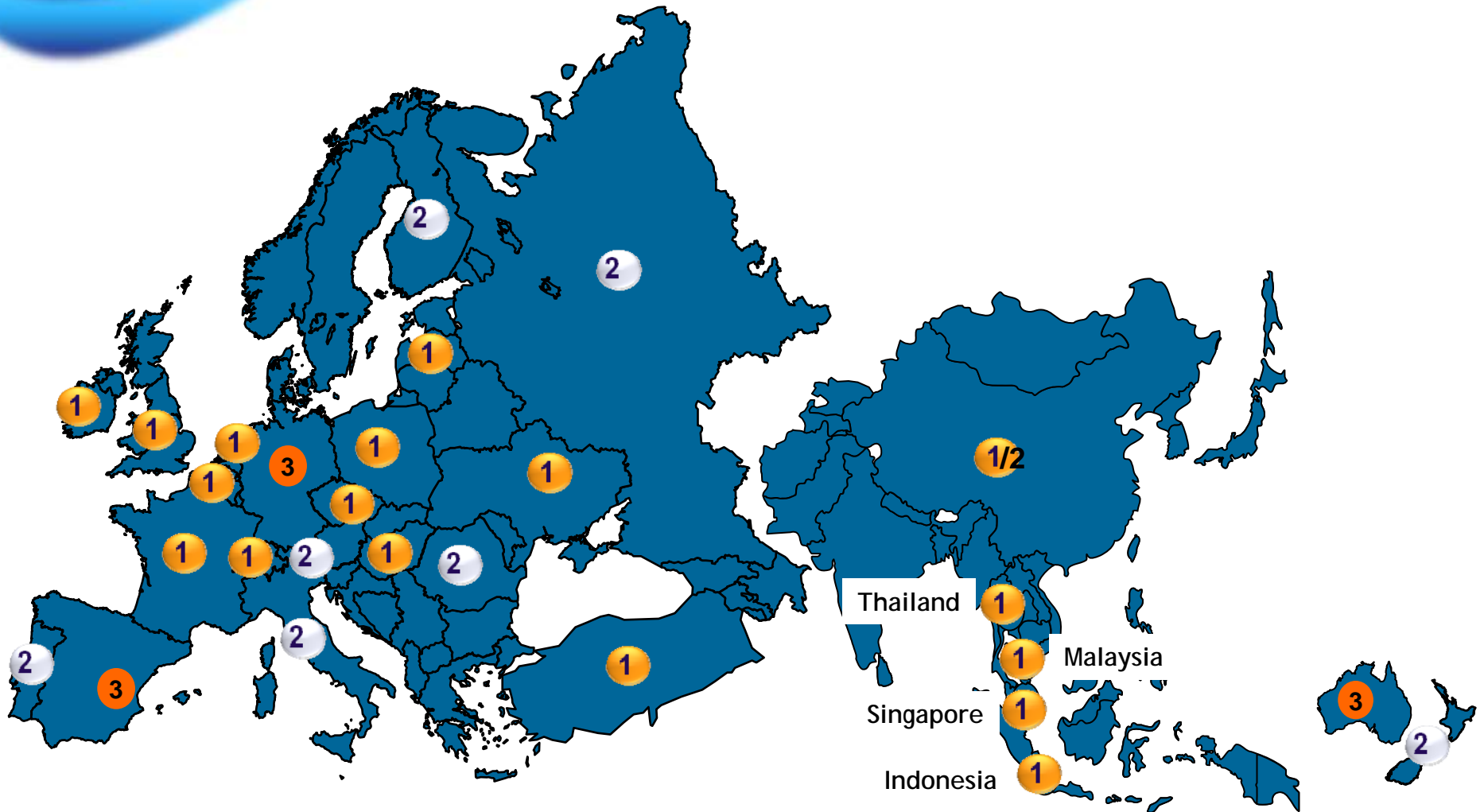
* including Blédina

¹ Central costs allocation is estimated (based on historical keys)

² On like-for-like basis



Leading market positions in Europe and Asia





Numico's Baby Nutrition portfolio is highly complementary to Danone's product lines

NUTRICIA

Cow & Gate

milupa

Mellin
Crescere oggi.

Dumex

Main countries

Netherlands
France

UK
Ireland

Germany
Eastern Europe

Italy

China
Thailand
Malaysia

Products:

Milk

(75% of sale)

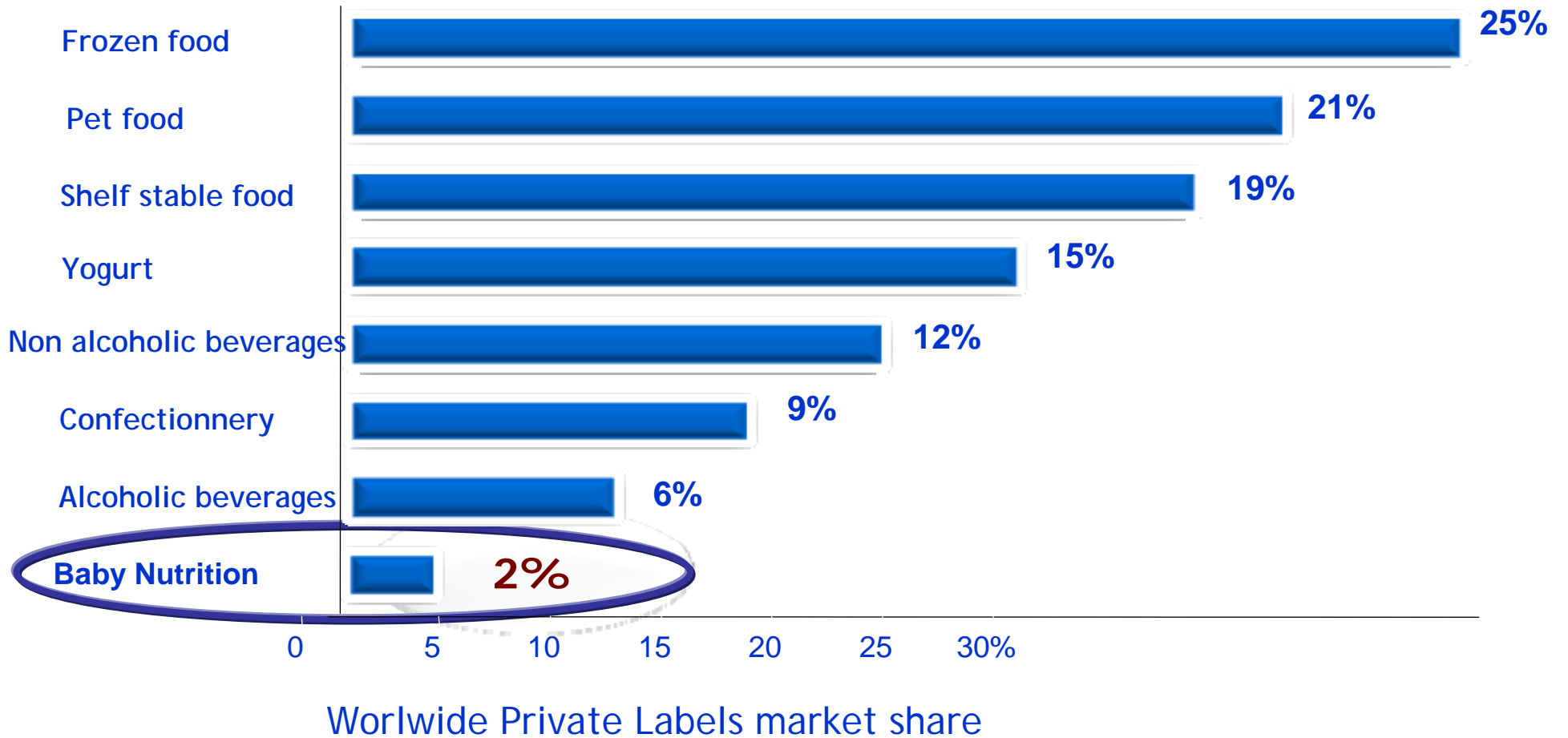
Food

(25% of sale)



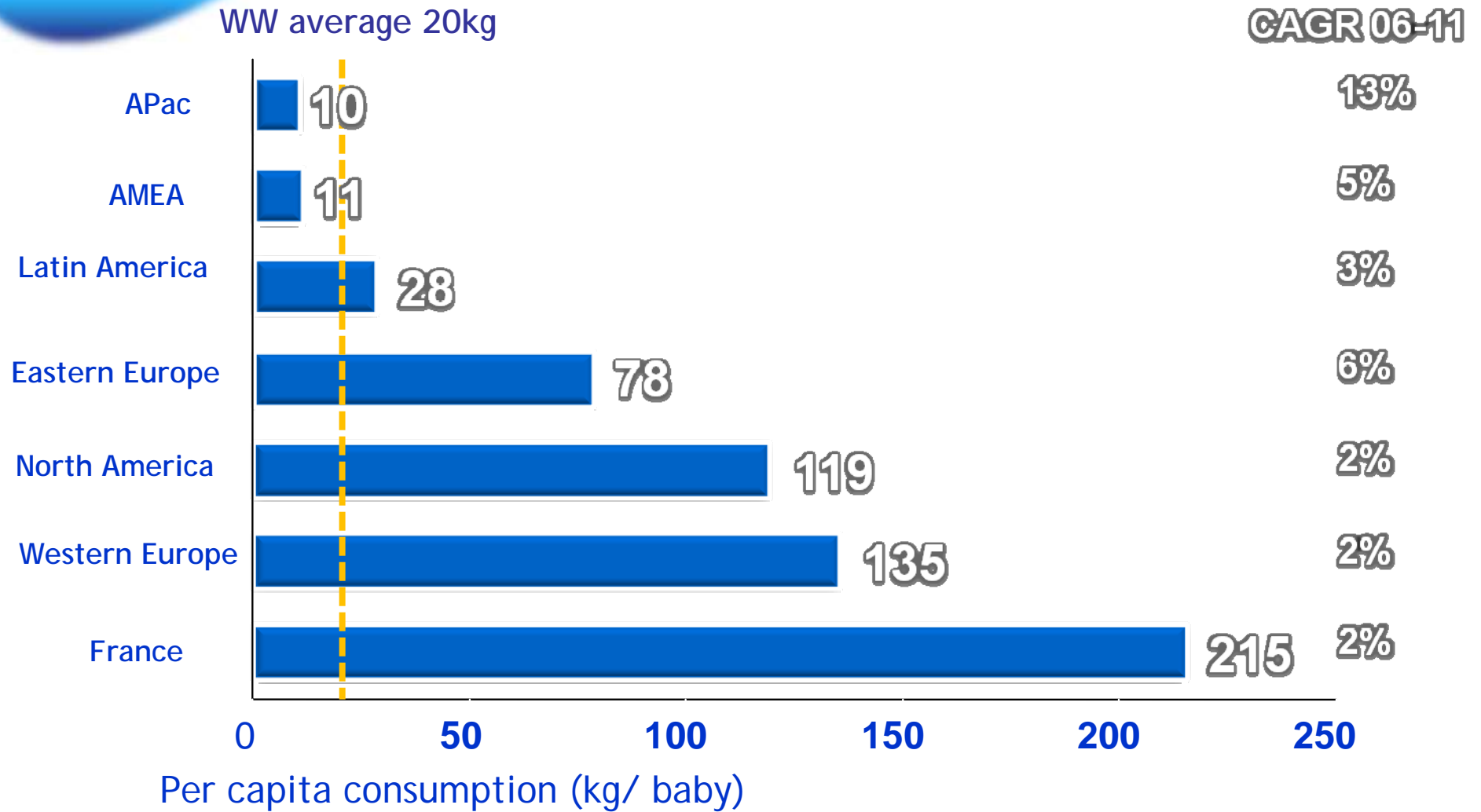


The barriers to entry are high....





...and the category offers significant growth potential



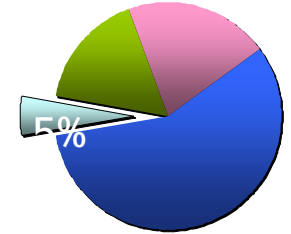


Medical Nutrition Division

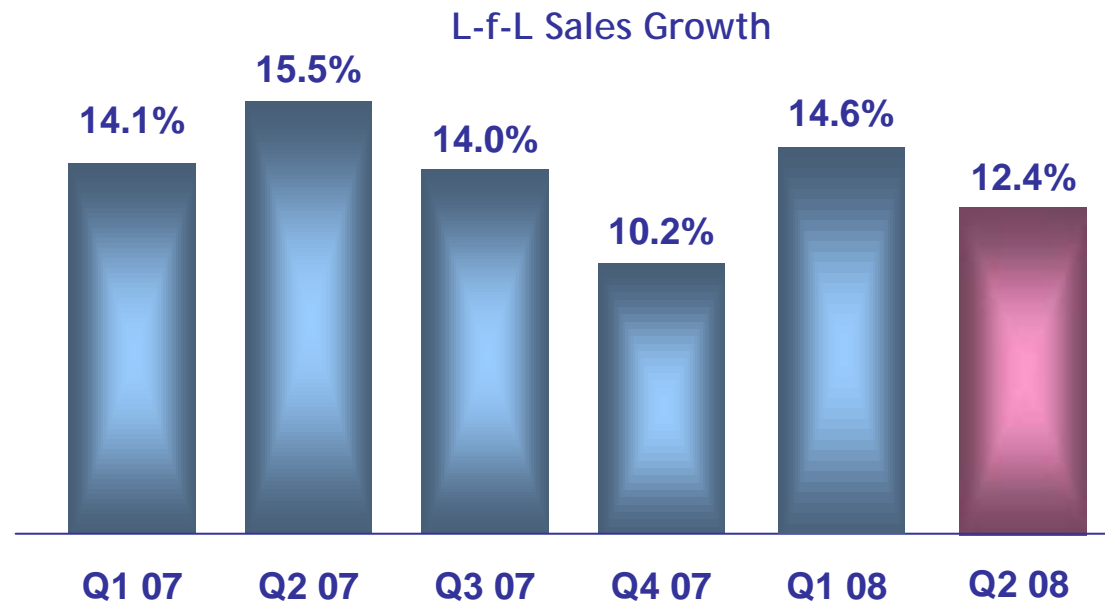




Medical Nutrition - key figures



	2007 PF*	H1 2008	Vs H1 2007 ¹
Net Sales (€ mln)	793	419	+13.5%
Trading Operating Income (€ mln)	173	99	
Trading Operating Income margin	ca. 21.8%	23.63%	+113 bp



* Central costs allocation is estimated (based on historical keys)

¹ On like-for-like basis



Medical Nutrition - Leading market player in every market where we are present





Medical Nutrition consists of two distinct businesses...

**Medical
Nutrition**

**Nutrition for people who
cannot eat or are sick**

**Disease
Targeted
Nutrition**

**Nutrition to alleviate disease
Symptoms or delay
the progression of a disease**



The New Danone

**A unique food company
focused 100% on Health**



Notes



Notes



Notes



Notes