



DANONE

Pierre-André Terisse



Autumn Conference

September 29th, 2010

Disclaimer

This document contains certain forward-looking statements concerning DANONE. Although 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 section “Risk Factors” in DANONE’s Annual Report (which is available on www.danone.com). 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.

H1 2010 Results

Confirming FY 2010 Guidance

Growth momentum across ALL our businesses

Like-for-like sales growth

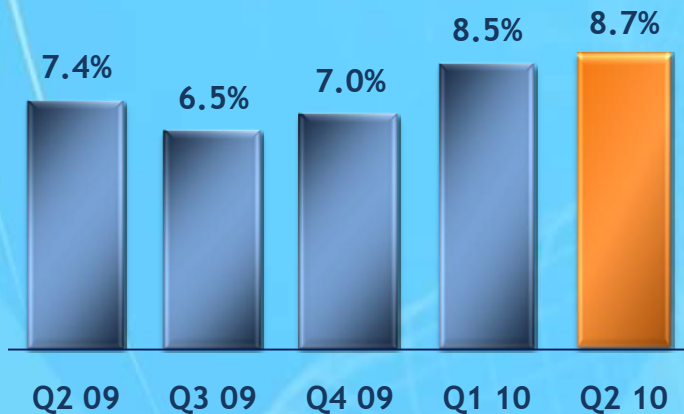
Fresh Dairy Products



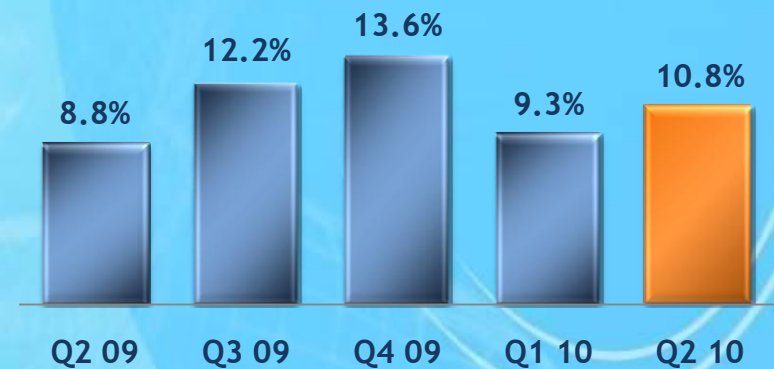
Waters



Baby Nutrition



Medical Nutrition



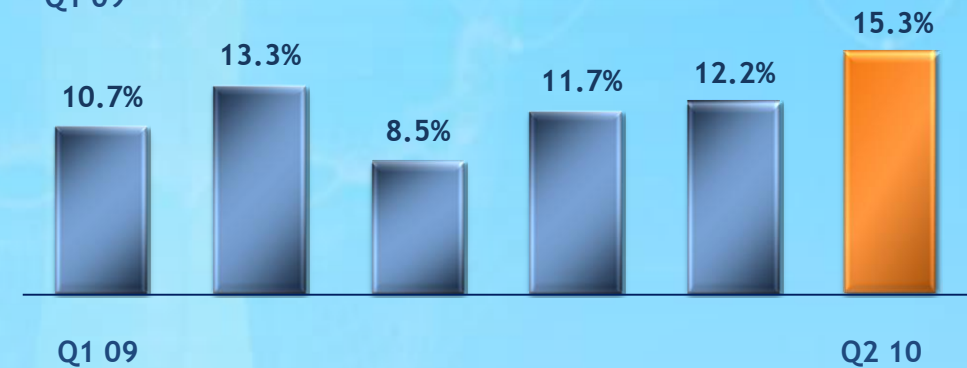
Growth momentum across ALL our geographies

Like-for-like sales growth

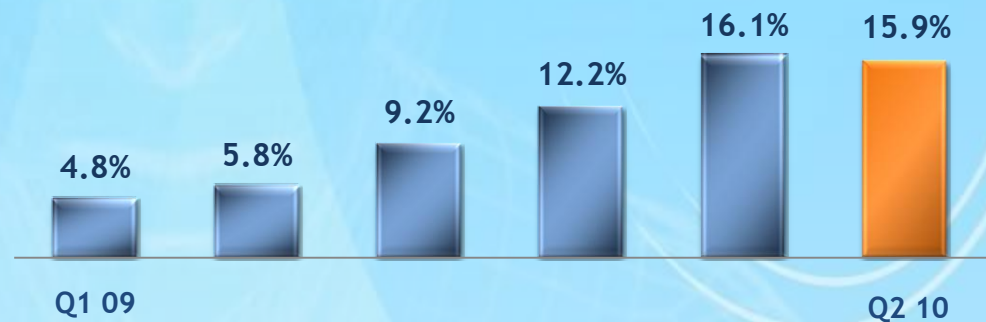
Europe



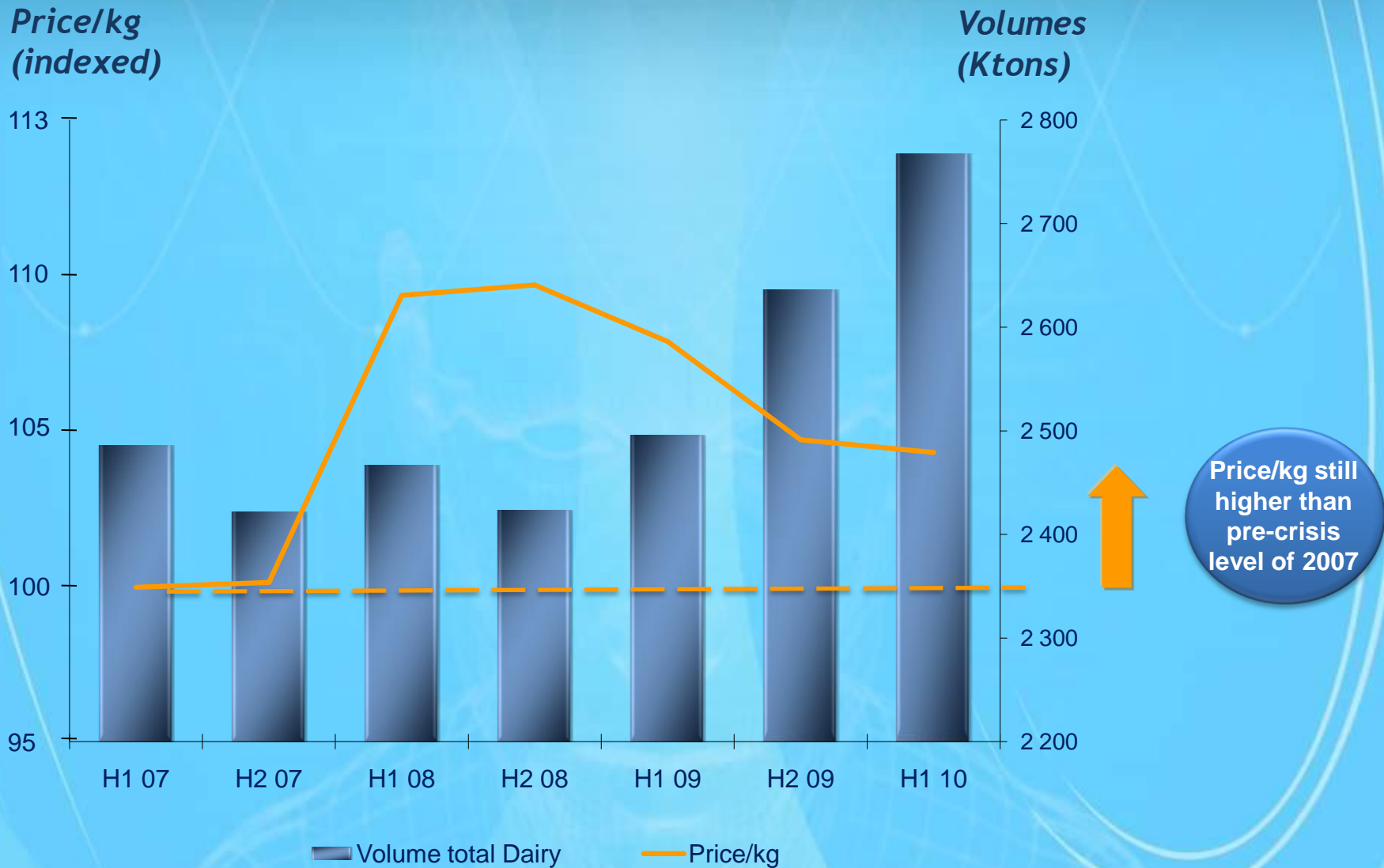
Asia



Rest of the world

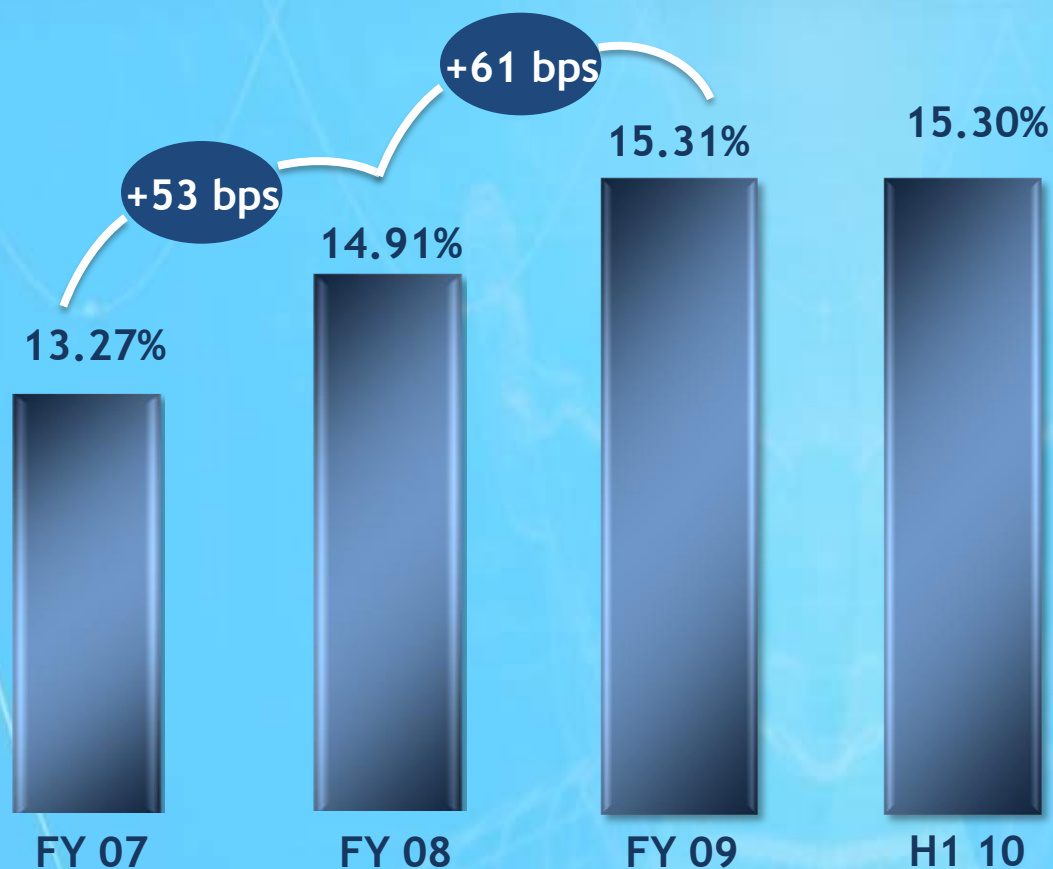


Dairy : volume and pricing show business resilience



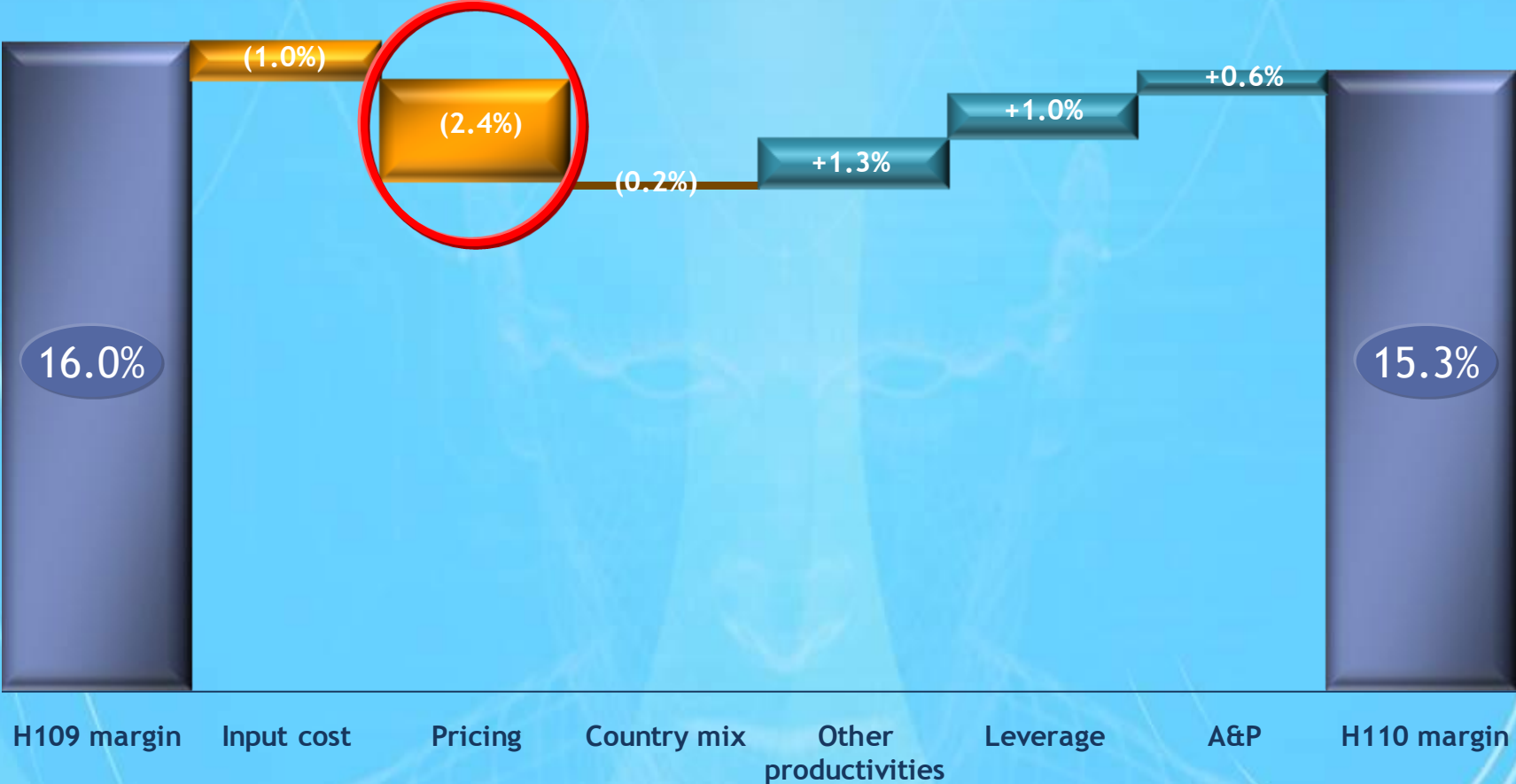
Strong margin uplift over the same period

Reported margins and like-for-like growth



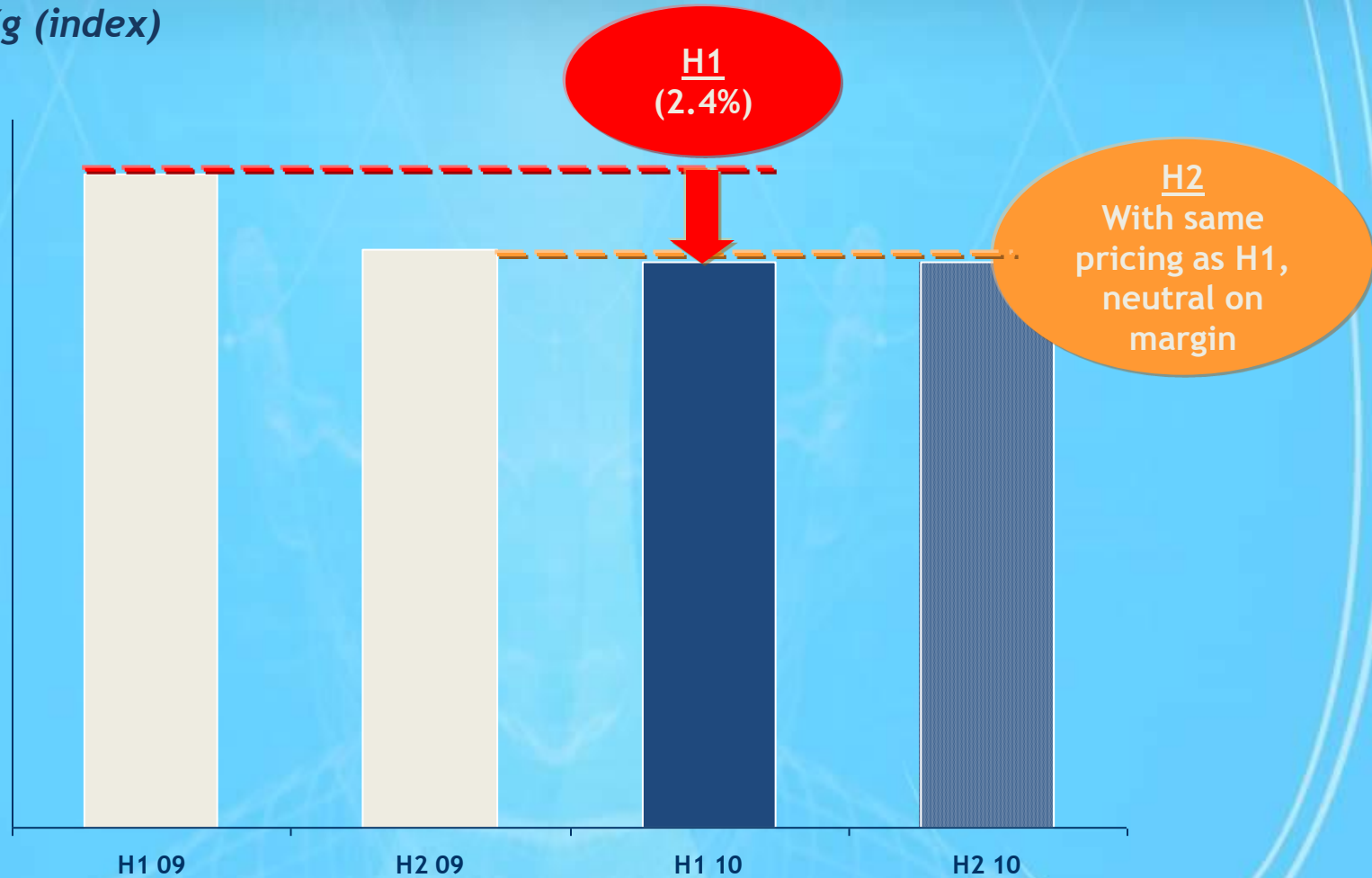
**+ 38 bps
average
increase
per year
over
2007-10**

H1 margins evolution driven by pricing and cost



Pricing H2 essentially a factor of comparison

Price / Kg (index)

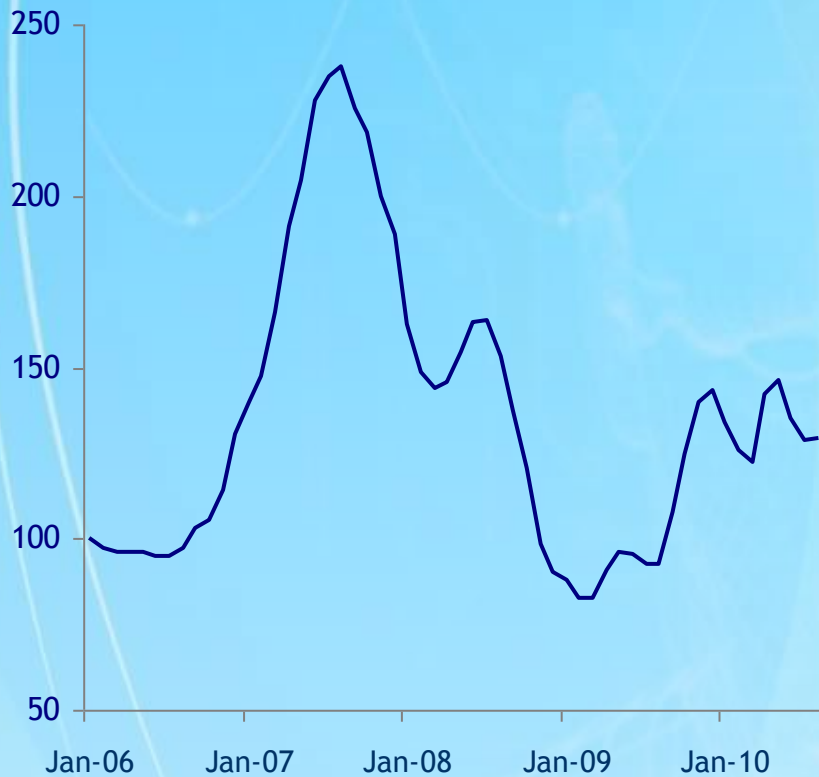


Pricing comps to drive positive margin dynamics in H2

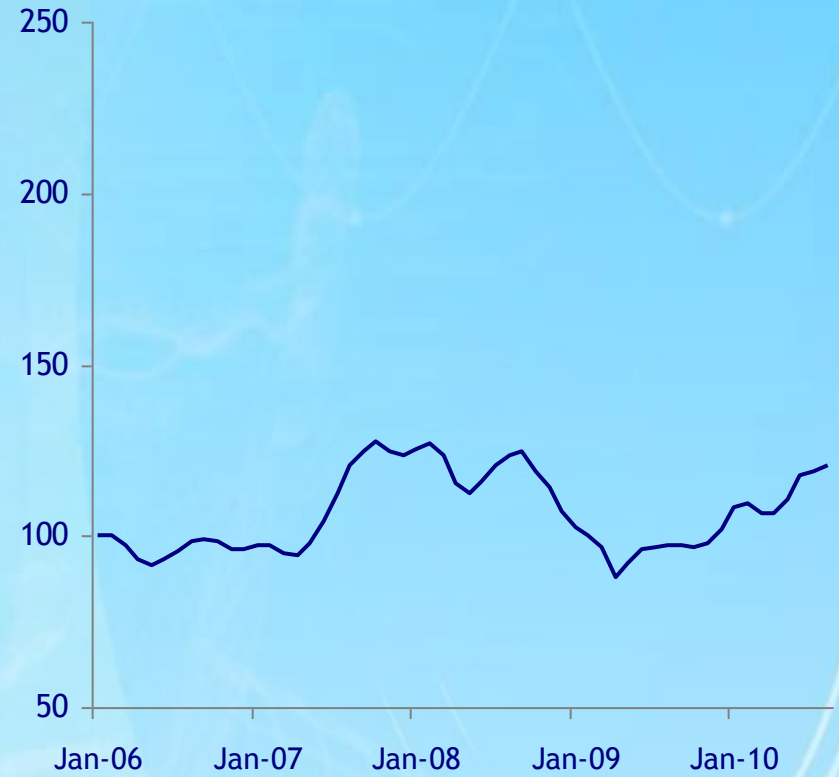
H1 2010		H2 2010
Pricing	- 2,4	Comps → positive
Input cost	- 1,0	Higher headwinds
Country mix	- 0,2	Similar trend
Productivity	+ 1,3	Similar trend
A&P	+ 0,6	In line with 2009
Leverage	+ 1,0	Positive
TOTAL-0,7		POSITIVE

Danone's milk cost inflation expected to be around 10%

*Development of worldwide SMP price,
January 2006 to August 2010,
(USD/kg indexed)*



*Development of average farm gate price,
January 2006 to August 2010,
(price/ton indexed)*



Estimated FY input costs inflation: 8-10%

Productivity in media investment allows for increased pressure

2010: strong productivity in media ...

- **10-15% visibility increase** across 4 divisions
- Stable media investment

... achieved through negotiation and optimisation of media cost drivers

- Media pitch in 20 countries representing 70% of media expenses



Confirming our FY Targets

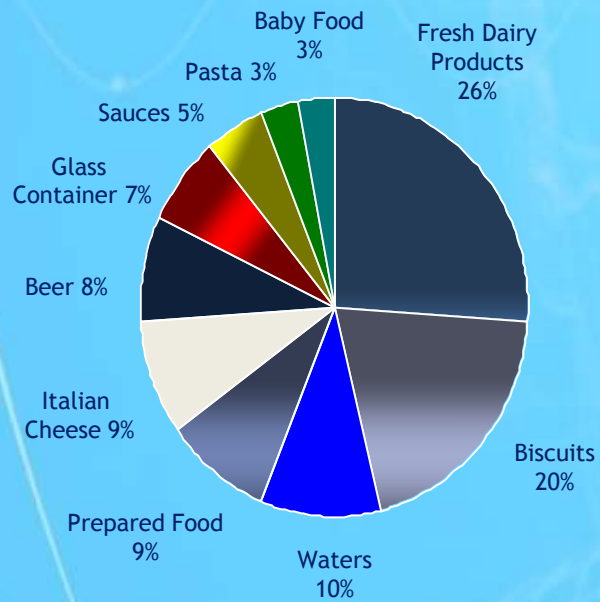
	H1 2010	FY 2010
Sales growth ¹	7% ✓	> 6%
EBIT margin ¹	15.30% ✓	Stable
Free cash flow	+35% ✓	> + 10%

¹ Based on constant scope of consolidation and constant exchange rates

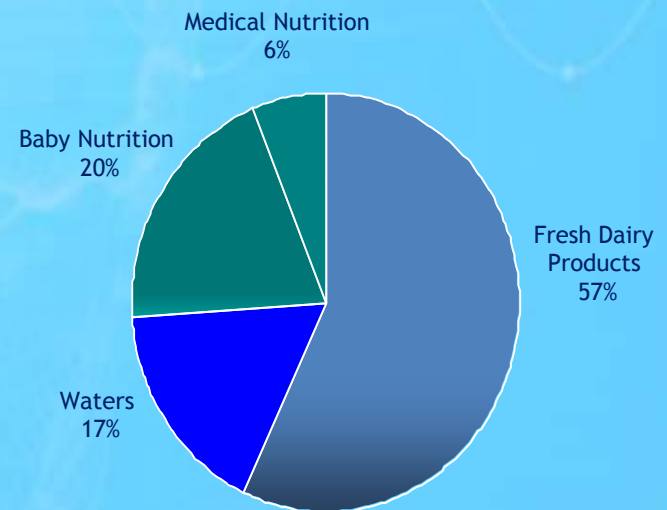
Focusing on... our new frontiers

1996 - 2009: reshaping the group businesses

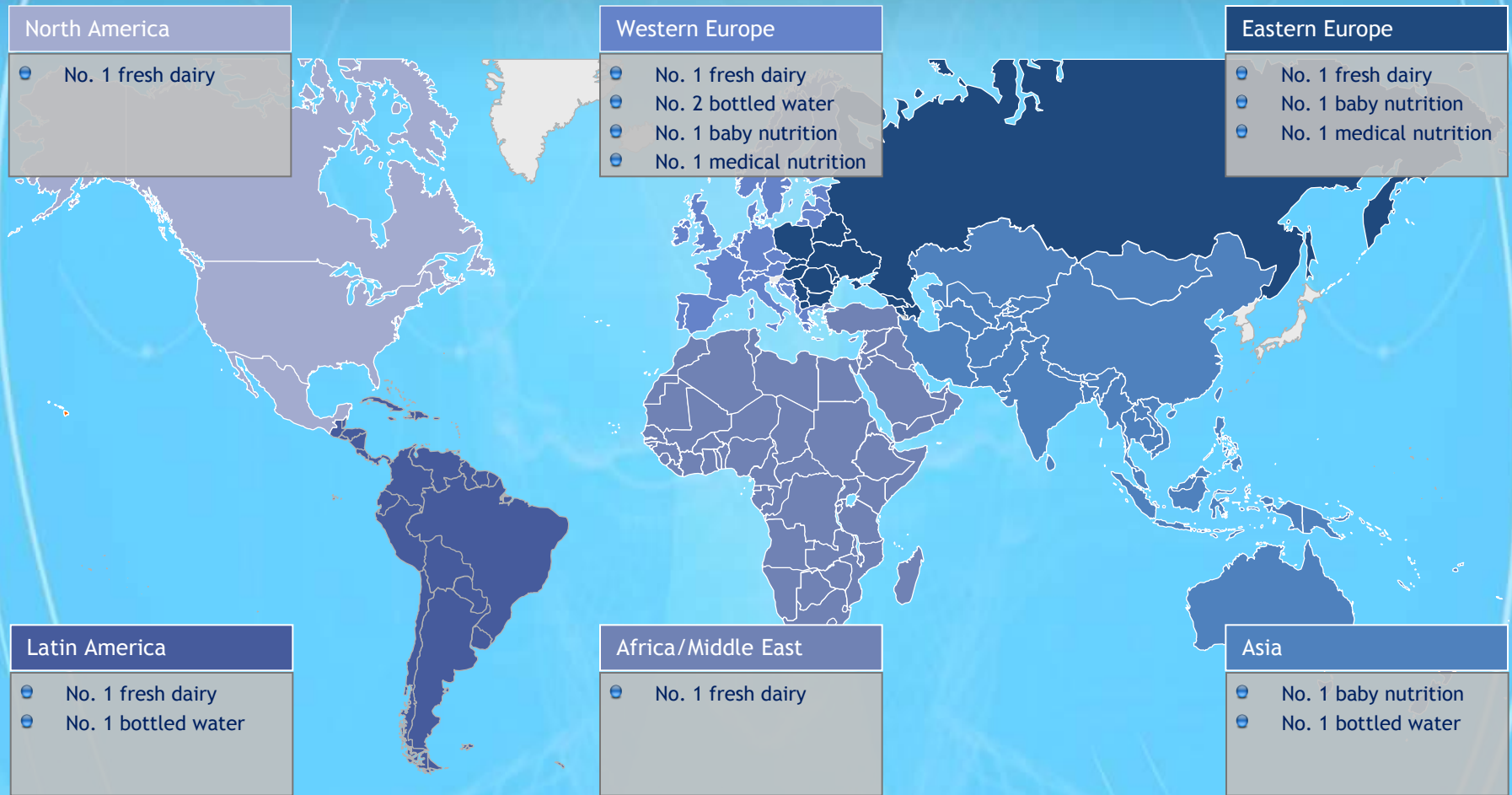
Sales breakdown in 1996



Sales breakdown in 2009



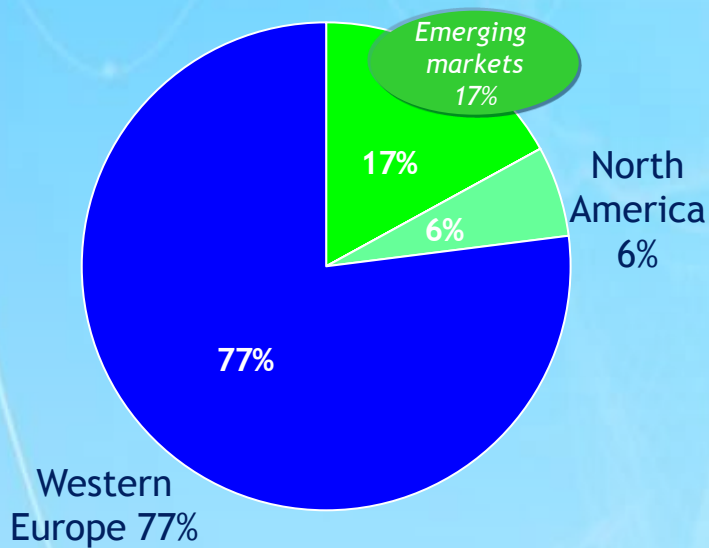
...creating a high quality platform



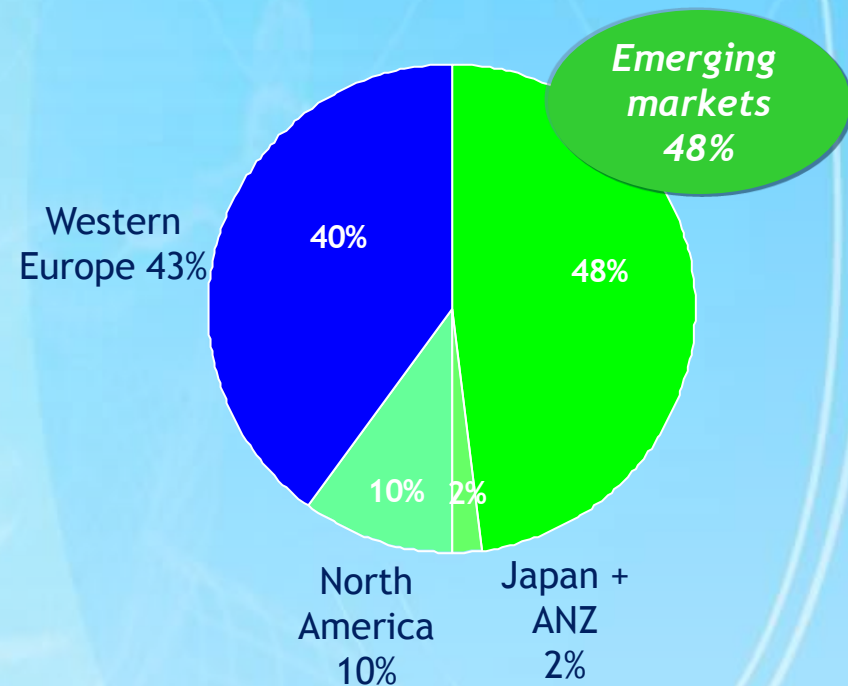
To bring health through food to the largest number of people

1996-2010 : reshaping the Group presence

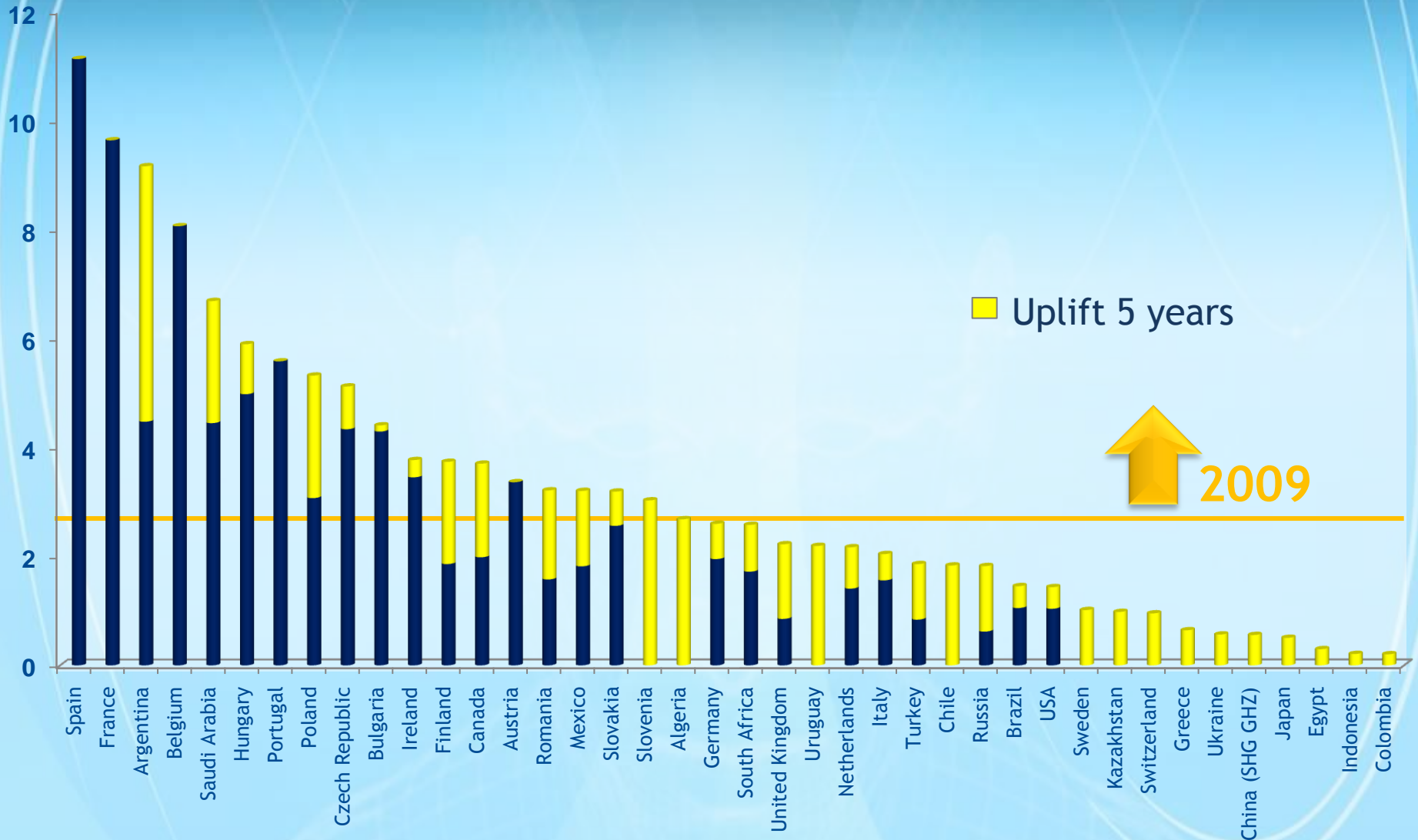
1996



2010 H1 (pro-forma Unimilk)

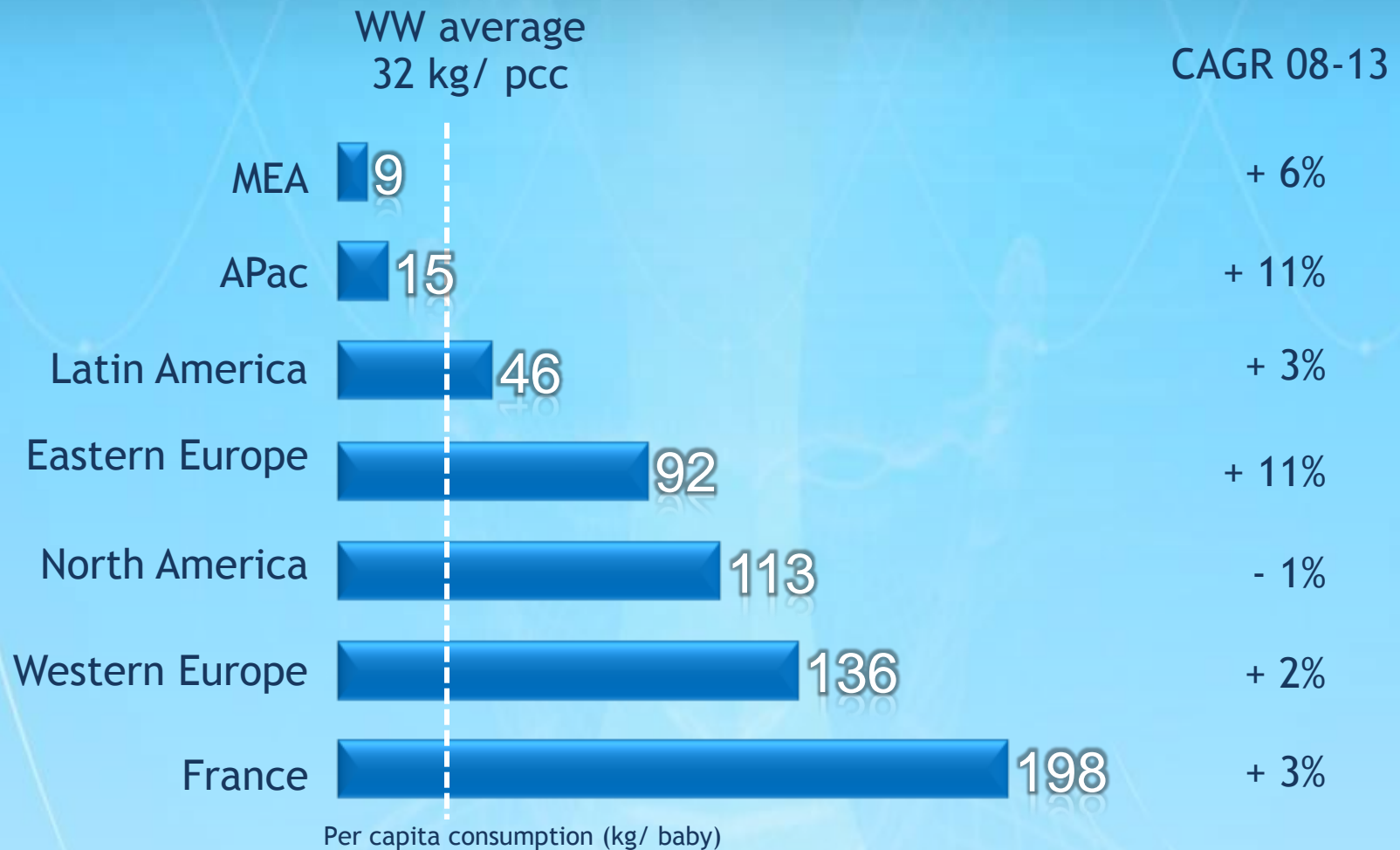


Dairy : a story of category development



Danone Per Capita Consumption (kg/yr)

Baby : the same opportunity



This has led to sizeable EM platforms

Top 10 countries 2000

<i>% total sales</i>		
1	France	24%
2	Italy	11%
3	USA	11%
4	Spain	8%
5	China	8%
6	UK	6%
7	Argentina	5%
8	Benelux	3%
9	Mexico	3%
10	Germany	3%

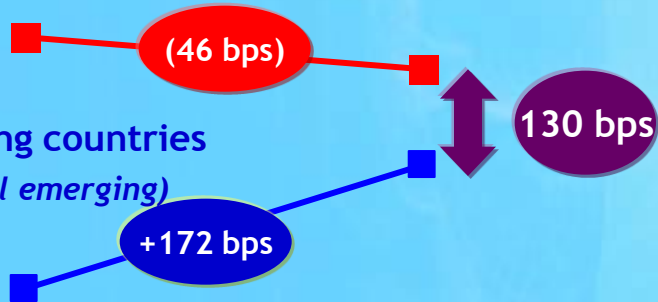
Top 10 countries H1 2010 (pro-forma Unimilk)

<i>% total sales</i>		
1	France	12%
2	Russia pro-forma	10%
3	Spain	8%
4	USA	8%
5	Mexico	5%
6	Germany	5%
7	Indonesia	5%
8	UK	5%
9	China	5%
10	Argentina	4%

With converging margin levels

2 years margin evolution
GROUP TOP 8 mature
vs top 8 emerging countries

Top 8 mature countries
(88% sales total mature)

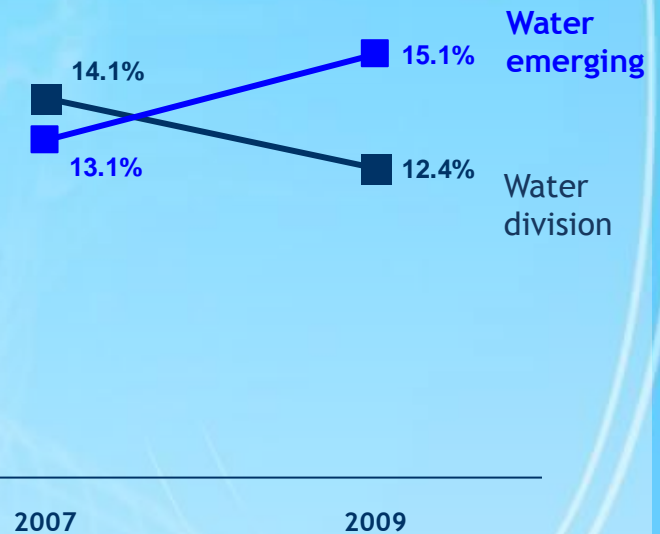


Top 8 emerging countries
(74% sales total emerging)

2007

2009

Example: WATERS
Margin emerging countries vs average



4 large EM businesses for tomorrows growth

Dairy



Baby Nutrition





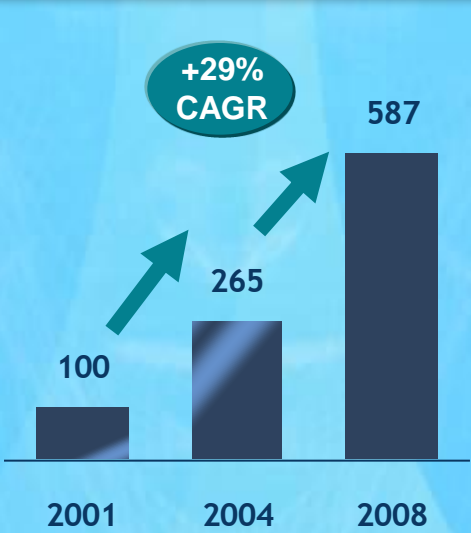
1998-2008 : creating a large profitable platform

- Danone entered Russia in 1993
- Construction of a state-of-the-art factory initiated in 1998
- Growth driven by focus on health benefit products as well as on distribution and consumer coverage
- € 164 mln invested from '99 to '05

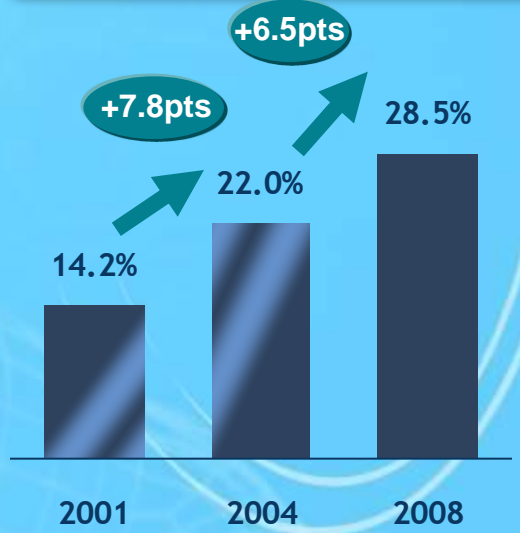
Distribution & consumer developments

	2000	2004	2008
Active clients	11,250	40,600	83,751
Routes	190	680	1,068
# of consumers (mln)	52	85	115

Volume growth development (indexed)



Value market share development





CIS remains a major growth area for Danone dairy

Average consumption of Fresh Dairy Products



* GDP growth PPP 2010-2015 (source EIU)



Unimilk : Prostokvashino & other brands



Traditional Dairy

Prostokvashino




Letniy den'




Modern Dairy

Bio Balance




Actual




Baby Food

Tëma




Smeshariki

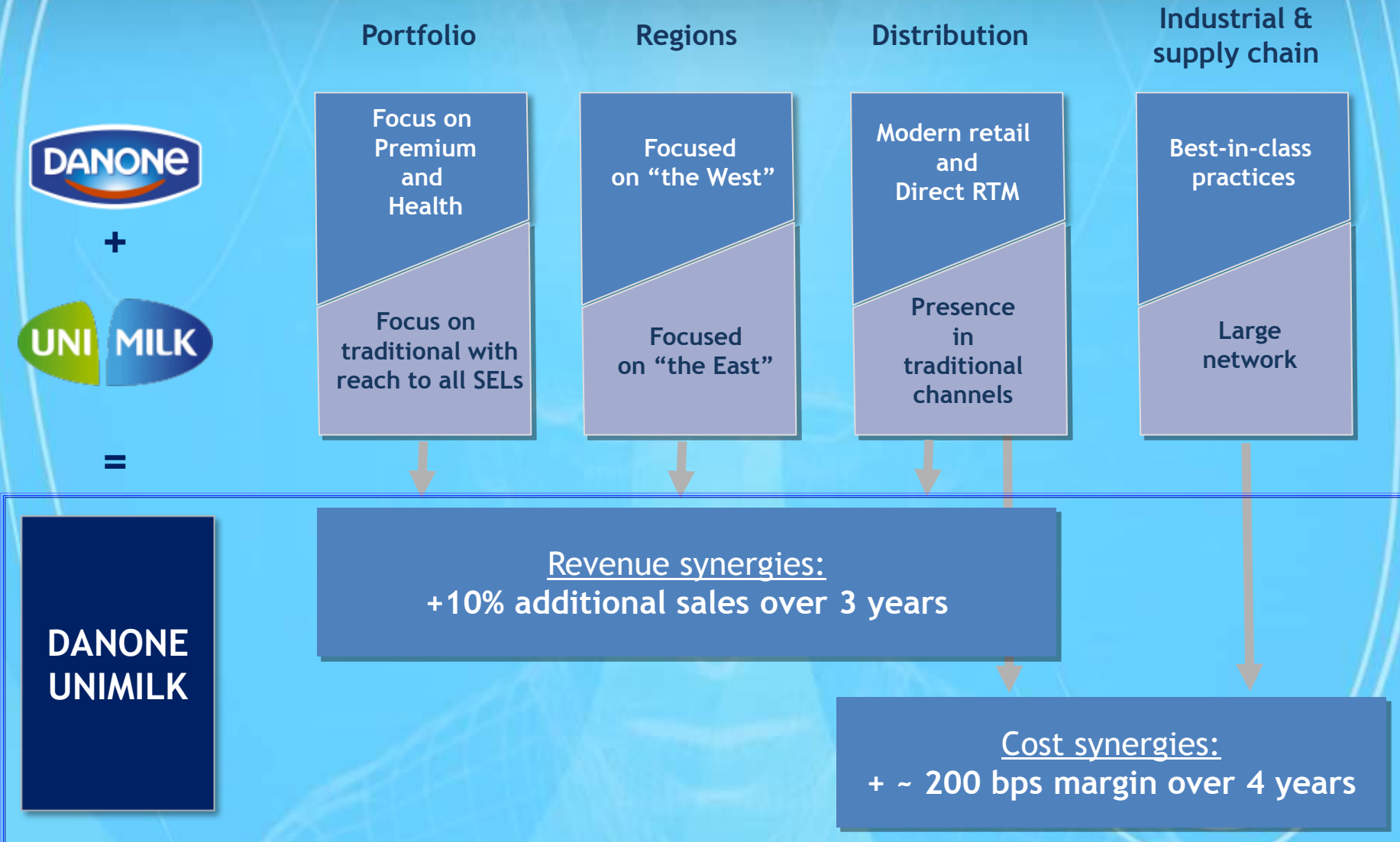



Rapid consolidation of local dairies under national brands

Product and packaging innovations : Bifidus, Whey-based, Tëma, Yoghurt, ...



Danone-Unimilk: complementarity drive synergies





Danone + Unimilk : A strategic alliance

DANONE-UNIMILK A STRONG #1

- € 1.5 bn sales proforma 2009
- 21% of the Russian total dairy market
- Categories: all dairy products *

IN A HIGH POTENTIAL CIS DAIRY MARKET

- Geographies : Russia, Ukraine, Kazakhstan, Belarus
- Access to **significant white space**

LEVERAGING ON HIGH COMPLEMENTARITIES

- Brands, products, geographies and distribution
- **Significant revenues and cost synergies**



Dannon US : business x 2 in 8 years

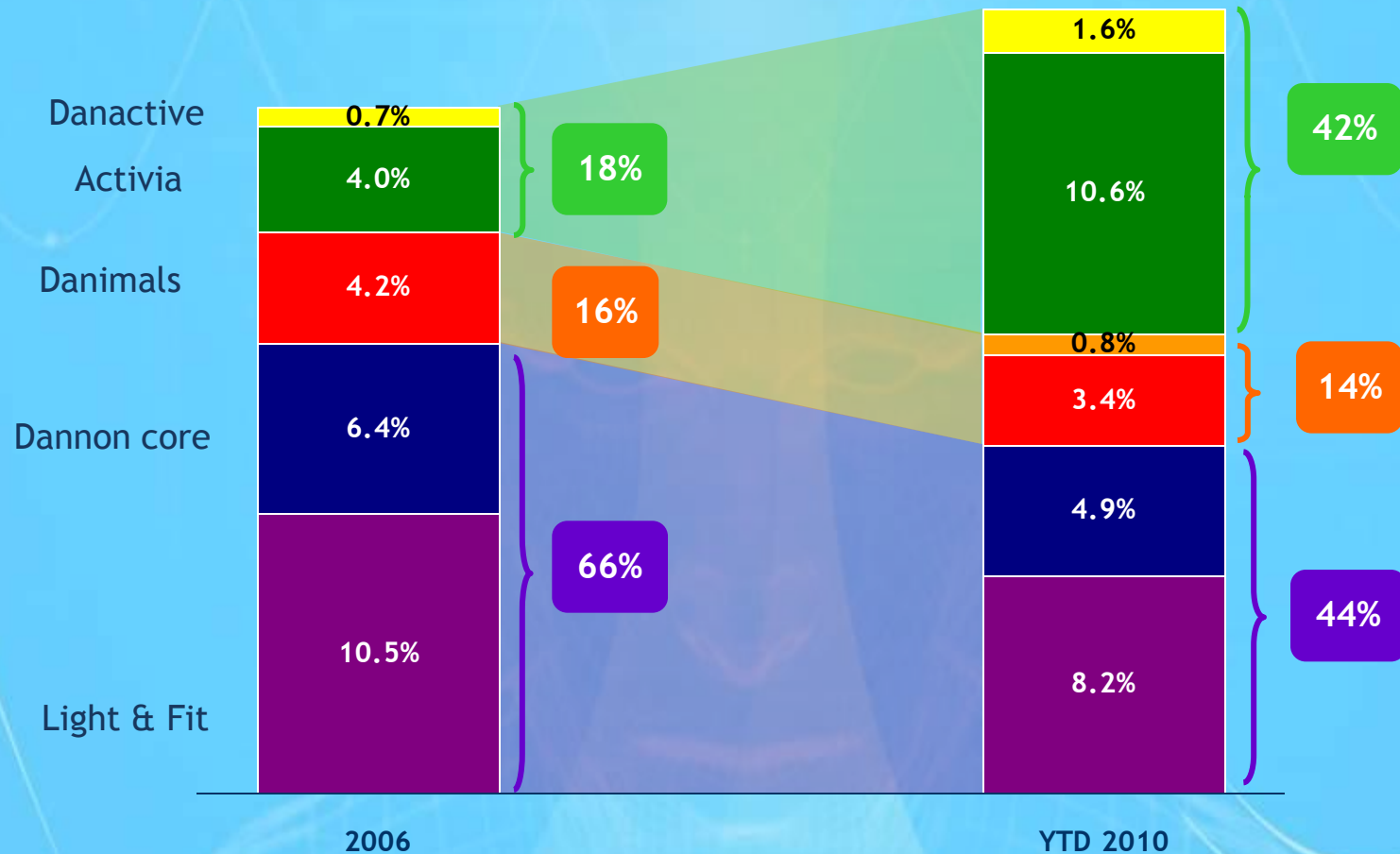
Net sales Dannon US (USD)





Portfolio has been significantly reshaped for growth

Market share by brand





Strategic growth axes

To The Limit



PH New brands



Multi-packs revolution



Core for Growth



Greek

Kids Domination

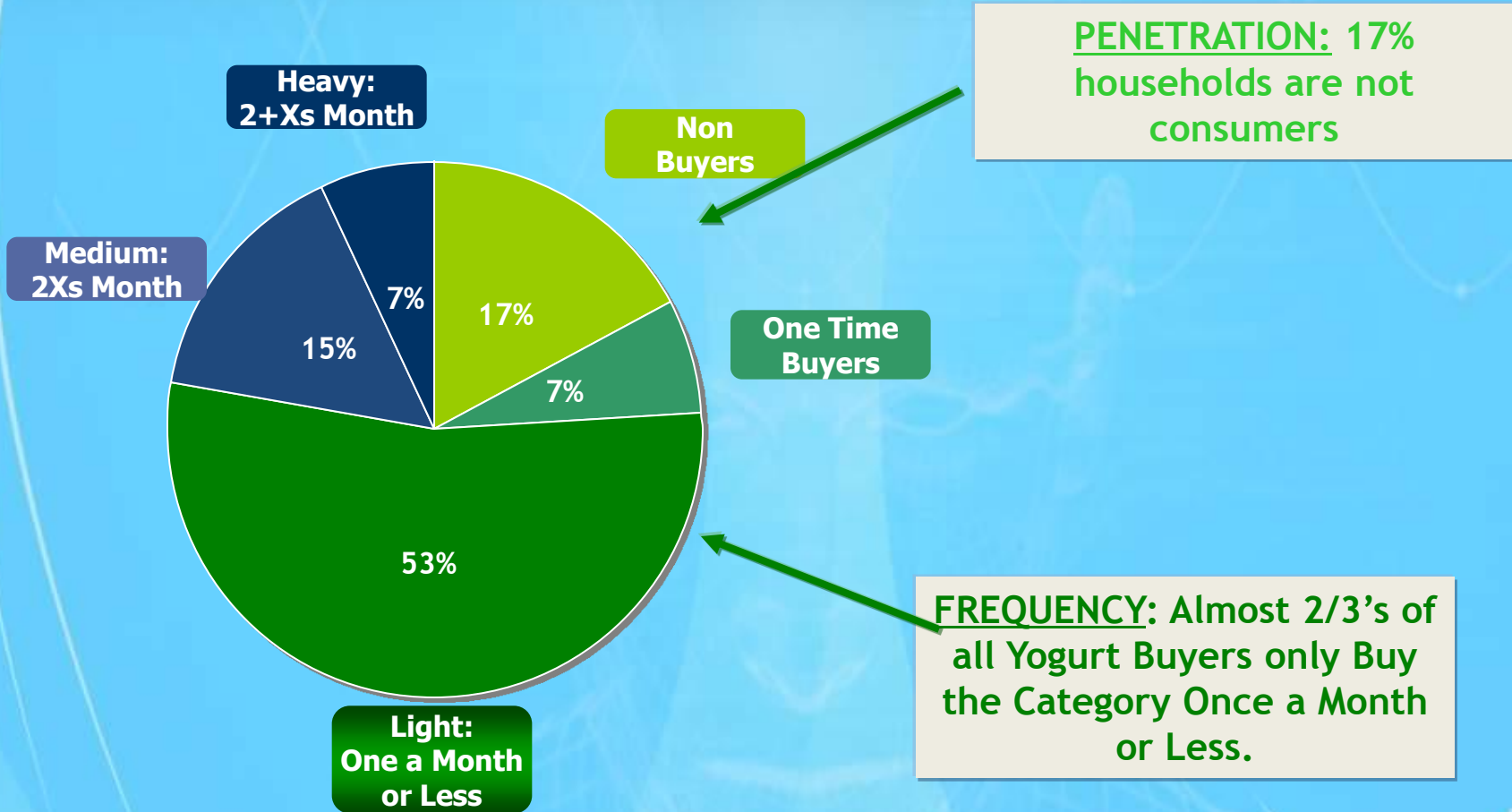


Tactical Private Labels





We will grow the category through both penetration and frequency





Vision:

10 mln new American households to eat yogurt

	2010	Target
Households penetration	83%	91%
Frequency	12.6	14.5
Volume per act (Lbs)	2.6	3.4
Per capita consumption (Lbs)	12	20



Pcc +66%



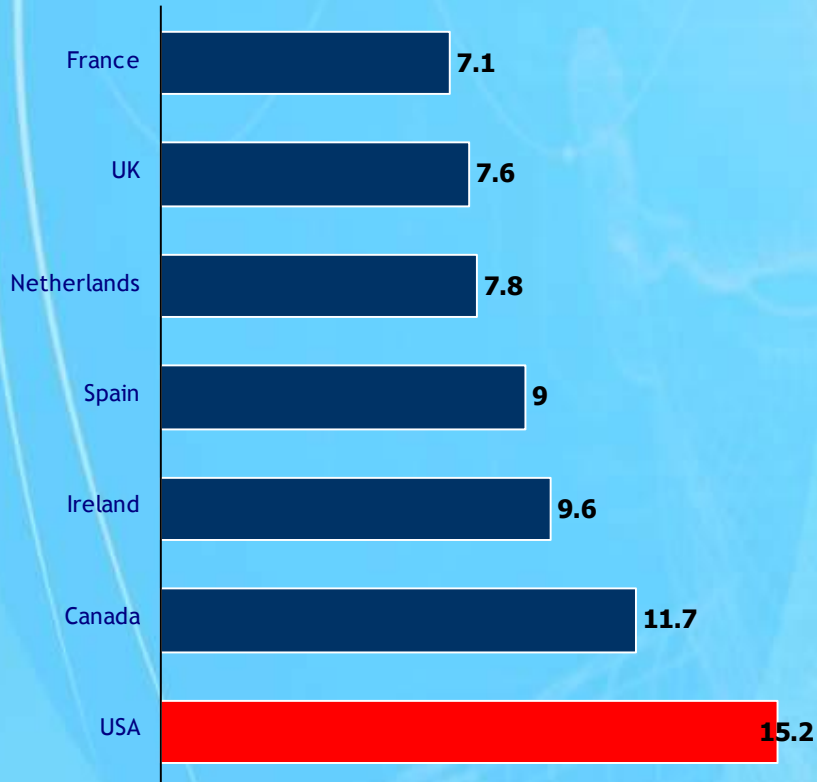


Retailers : change the SHOPPER experience

Under-developed shelf space

Small shelf space in a crowded aisle
Poorly organized, confusing set

Number of SKUs per foot of shelf :



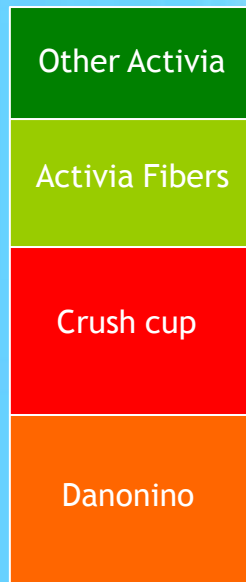


Successful Innovation

Sales from innovation
(\$mln)

~13% total sales

+50%



2009

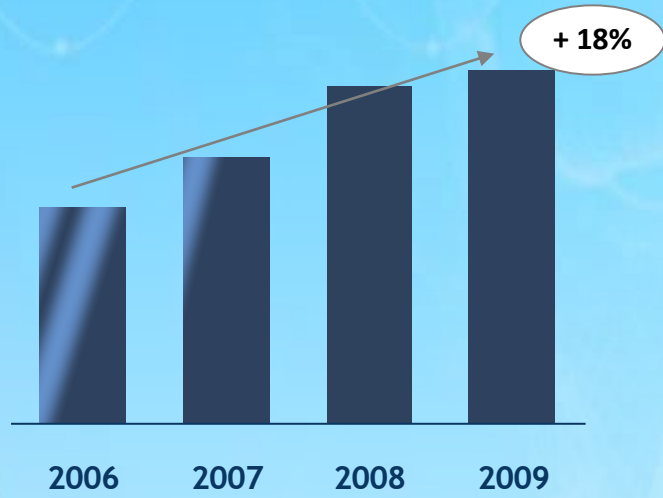
2010



China: a fast growing market

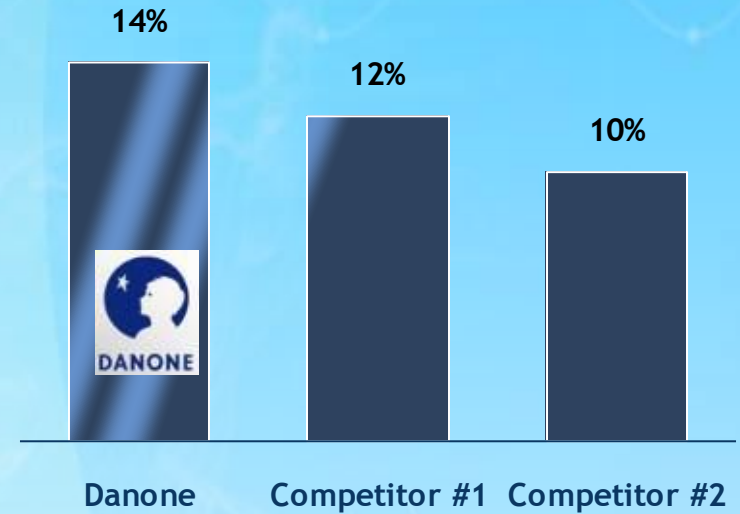
Fast growing baby food market

Market value:



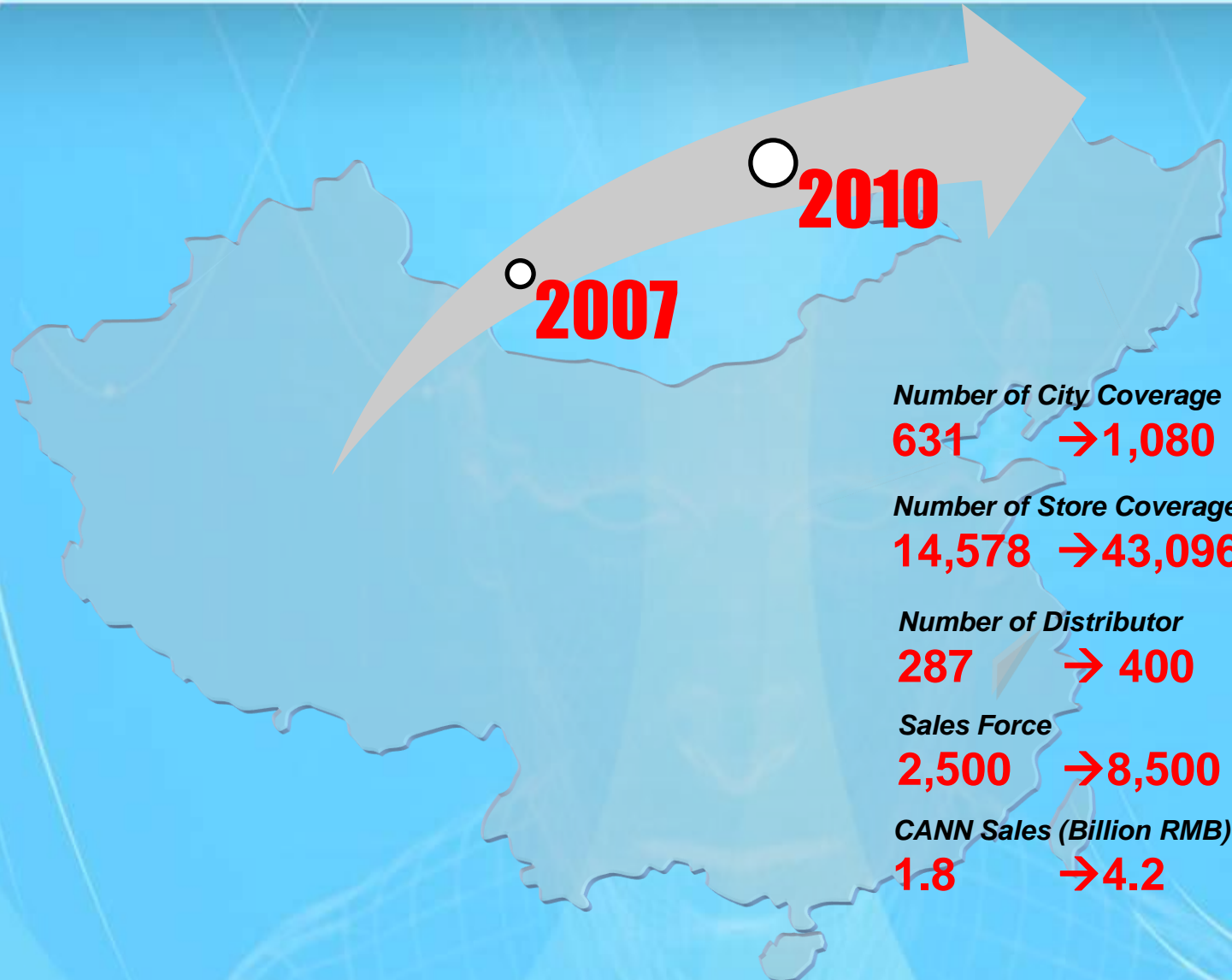
Danone is leading the baby food market

Market share in Value - Total Milks - MAT May 2010





Significant step up in regional distribution since 2007

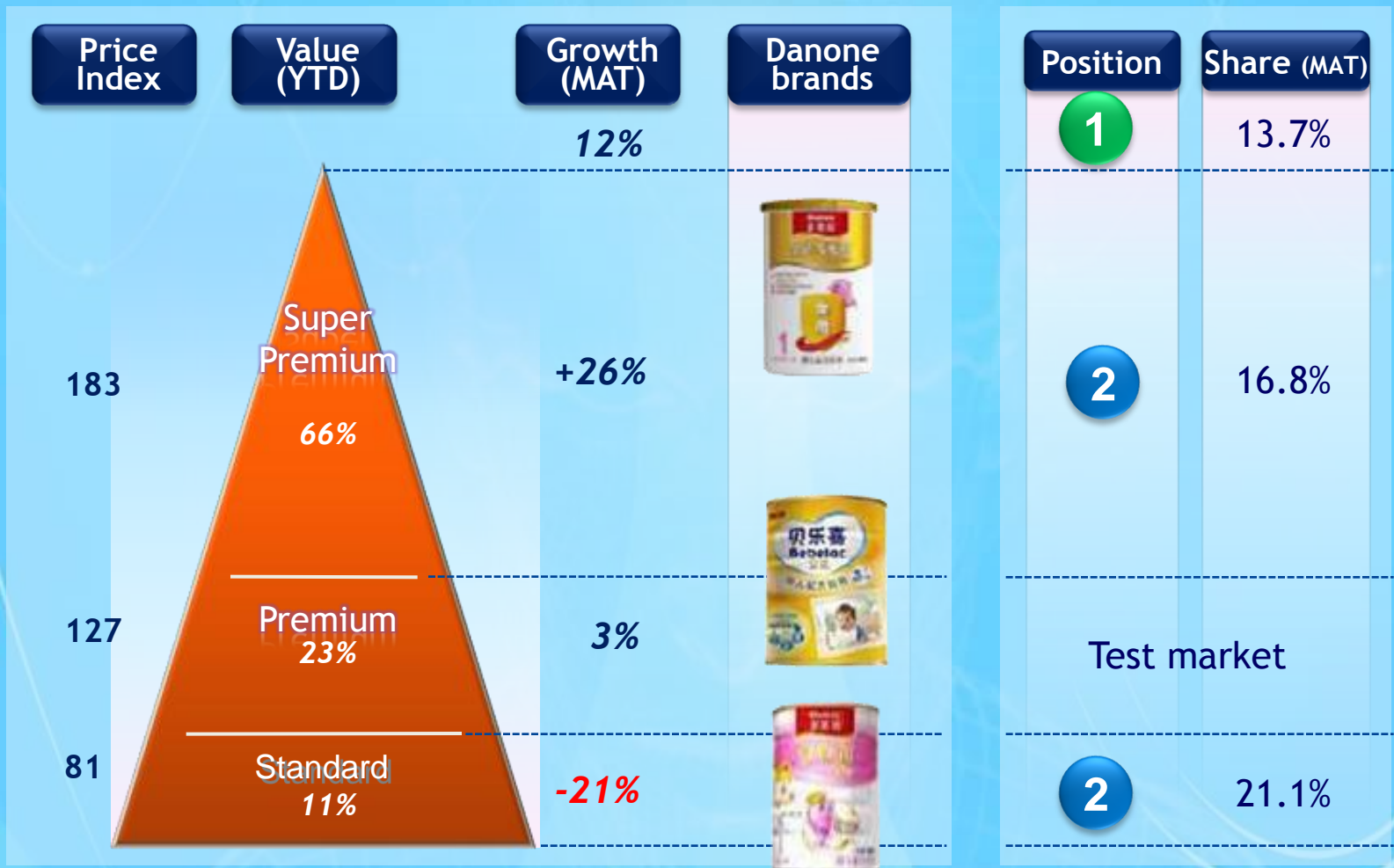




Danone maintains leading position with brands across the key segments

Chinese market profile Value and growth

Danone



Source: Nielsen MAT July'10 (Moving Annual target June09 to July10) and internal sales data (YTD Aug10)

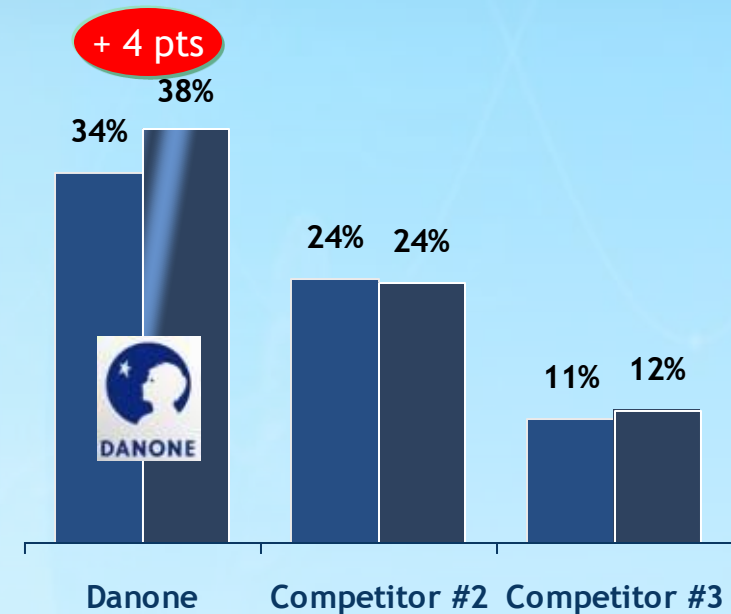


Indonesia: a fast growing market

Market value in USD mln



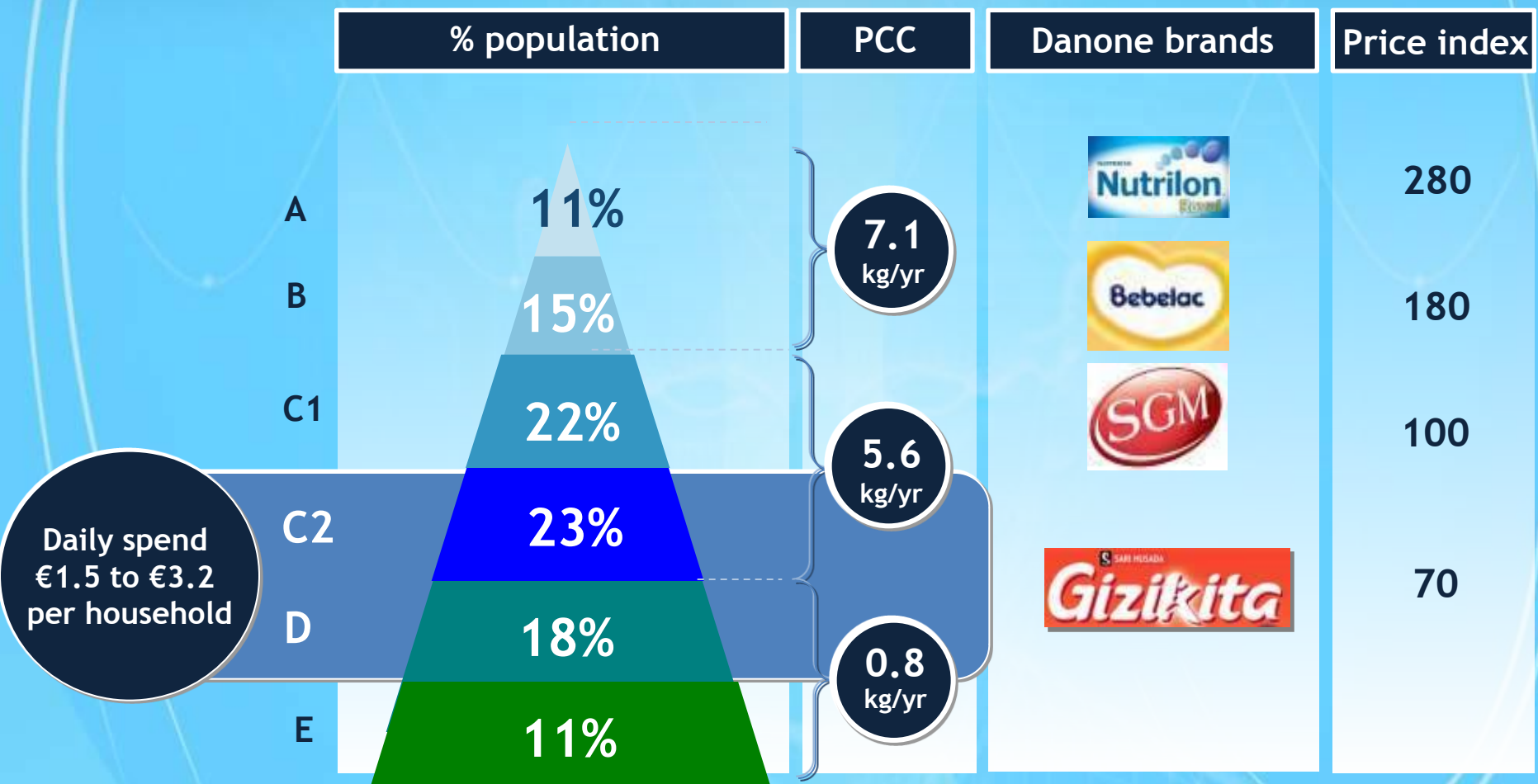
Market share in Value - YTD Jul 2010 vs LY



- 4th most populated country (230 mln), 6th country by number of births
- **4 mln babies born every year : as many birth as in Europe !**
- High needs in nutrition
- Lack of education about nutrition
- Healthy economy



Adapted offer across the pyramid



4 large EM businesses for tomorrows growth

Dairy



Baby Nutrition



Questions ?



DANONE