



# Strategic journey to a 100% healthy food portfolio

**2008 Consumer Analyst Group of New York**

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**Boca Raton - Miami, Feb 20<sup>th</sup> 2008**



## Disclaimers

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# Danone at a glance

## 2007 at 2008 Scope

Sales

€ 14 468 M

EBIT Margin

14.6%

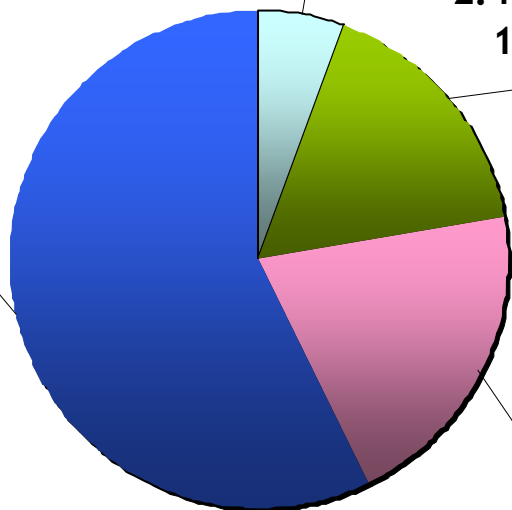
Medical  
Nutrition  
0.8 blnE

5%

Baby Food  
2.4 blnE  
17%

Fresh Dairy  
8.3 blnE  
57%

Beverages  
3 blnE  
21%



## 2007 Published Growth

Sales (lfl)

+9.7%

EBIT Margin  
Progression (lfl)

+45bp

## 2008 Guidance

Sales (lfl)

+8% to +10%

EBIT Margin  
Progression (lfl)

+30bp min



The unique capacity to be inspired  
by a powerful mission

To bring health through  
food to the largest  
number of people



## 10 Years of Shareholder Value Creation

**1997 - 2006: Total Shareholder Return<sup>(1)</sup> +17%  
exceeding our peer group<sup>(2)</sup> average of 10%**

**Business 1997-2006  
Yearly progression**

<b>Sales Growth CAGR<sup>(3)</sup></b>	<b>+6.2%</b>
<b>EBIT yearly average</b>	<b>+42 bp</b>
<b>FCF CAGR</b>	<b>+12%</b>
<b>ROIC yearly average</b>	<b>+115bp</b>

<sup>(1)</sup> Source Bloomberg, in local currency

<sup>(2)</sup> Nestlé, Unilever, Cadbury, General Mills, Pepsico, Coke, Kellogg, Danone

<sup>(3)</sup> On like-for-like basis



## 10 Years of Shareholder Value Creation

**1997 - 2006: Total Shareholder Return<sup>(1)</sup> +17%  
exceeding our peer group<sup>(2)</sup> average of 10%**

### Strategy 1997-2006

**Disposals +9.9 blnE**

**Dividends (3.6) blnE**

**Share Buy Back (5.8) blnE**

**Acquisitions (8.8) blnE**

**Net Financial Debt 2006 nil**

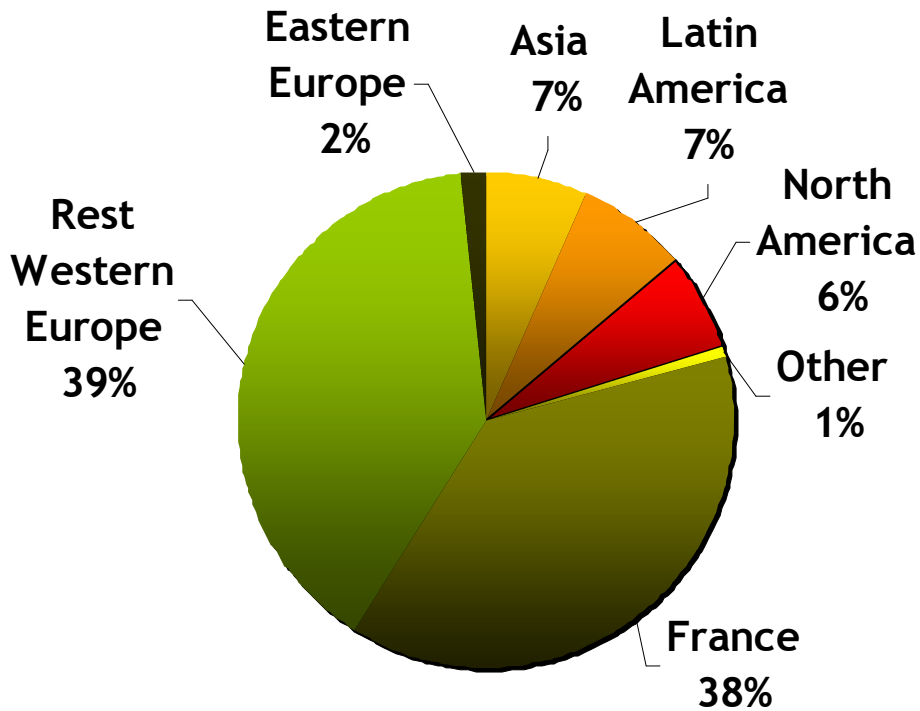
<sup>(1)</sup> Source Bloomberg

<sup>(2)</sup> Nestlé, Unilever, Cadbury, General Mills, Pepsico, Coke, Kellogg, Danone

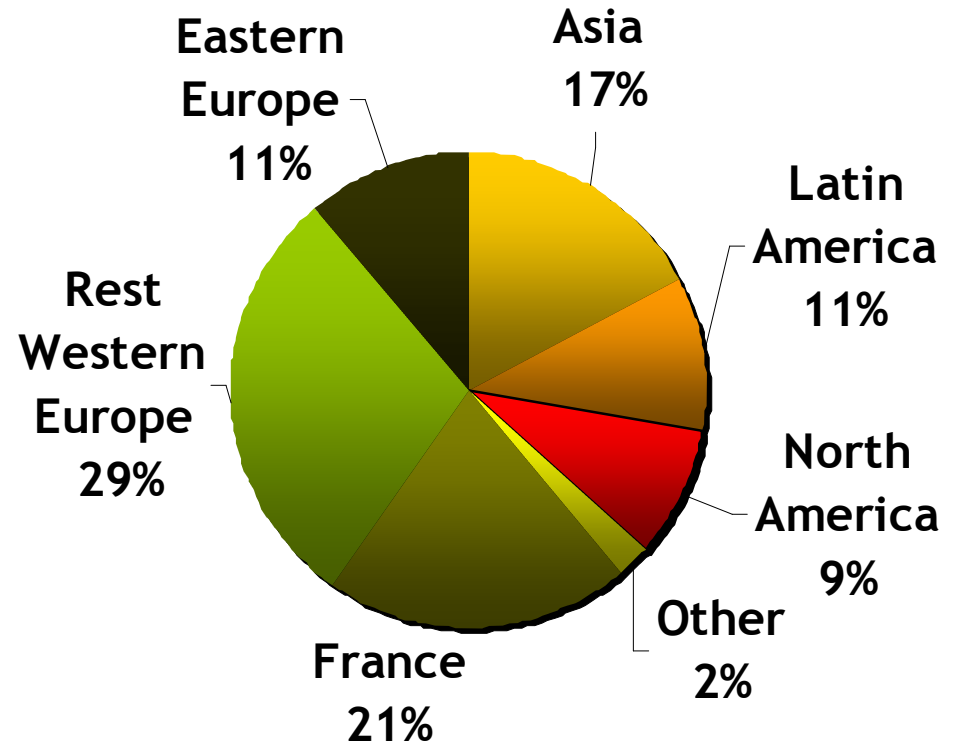


# A healthy geographic portfolio management

1996



2006

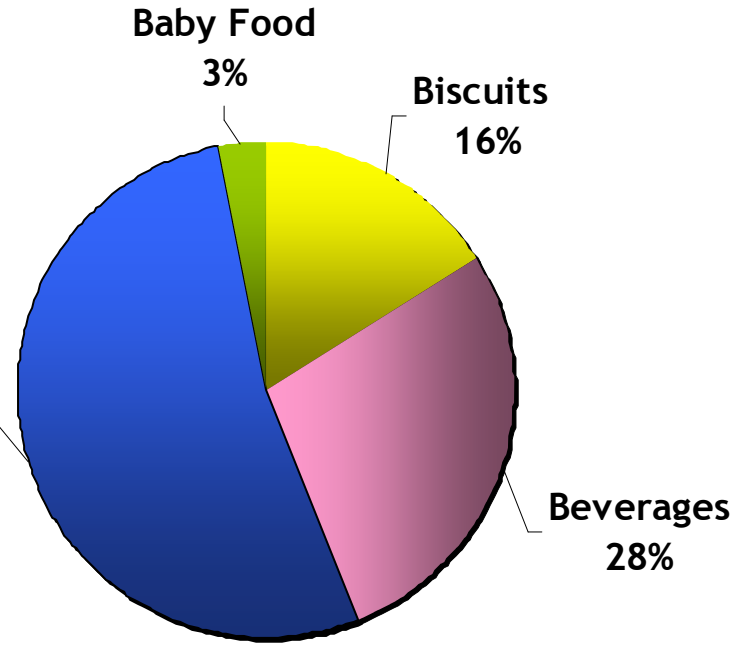
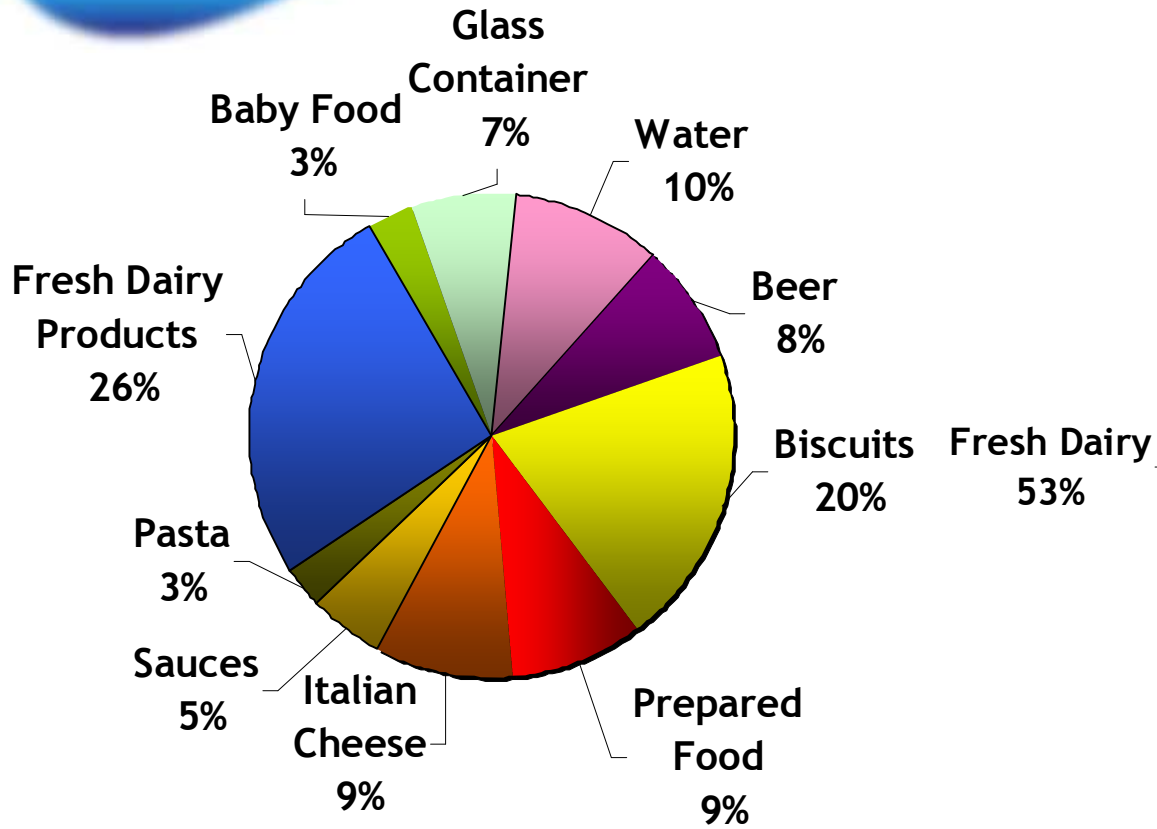




# A healthy business portfolio management

1996

2006



**Healthy Food**

39%



84%





Danone is the global expert in providing  
Health through Food



~1900M€

~1100M€

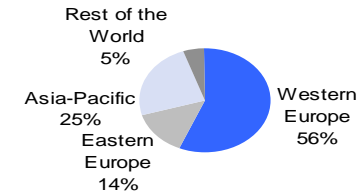
~500M€

~500M€



# Numico Overview

NUMICO	
Sales 2006:	€2,623m
EBITA 2006 <sup>(1)</sup> :	€483m
Margin (%):	18.4%
Employees:	12,888



## BABY FOOD 72%

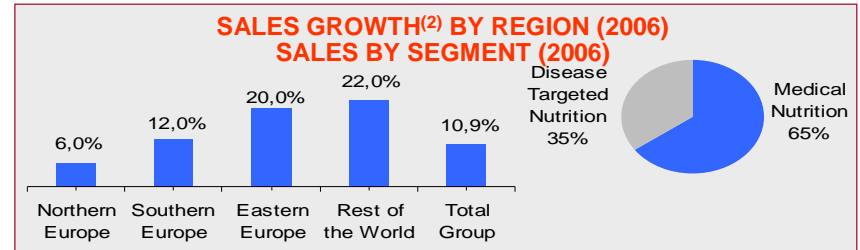
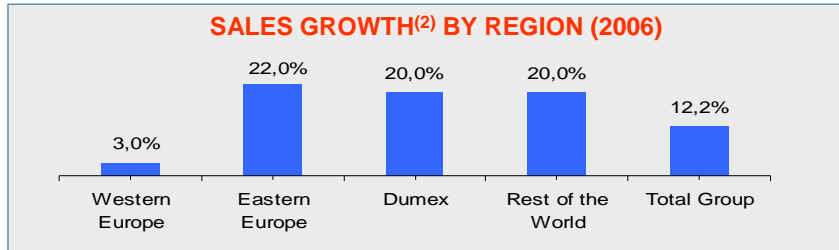
Sales 2006:	€1,880m
EBITA:	€340m
Margin:	18.1%

## CLINICAL NUTRITION 28%

Sales 2006:	€743m
EBITA:	€192m
Margin:	25.8%

KEY FINANCIALS

BREAKDOWN

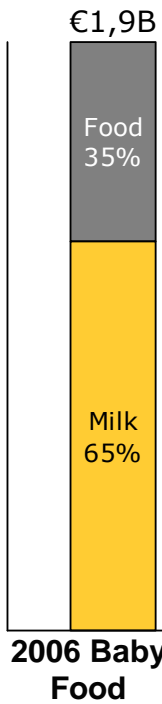


(1) Including central overheads / headquarter costs of (49)M€  
 (2) Excluding exceptional items and on a comparable basis

# Numico Overview



## Sales



Nutricia	Cow & Gate	Milupa	Mellin	Dumex
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### Main countries

- Netherlands
- France

- UK
- Ireland

- Germany
- Eastern Europe

- Italy

- China
- Thailand
- Malaysia

### Products:

#### Milk



#### Food



Source: Numico public information, Euromonitor



## The Danone - Numico Fit

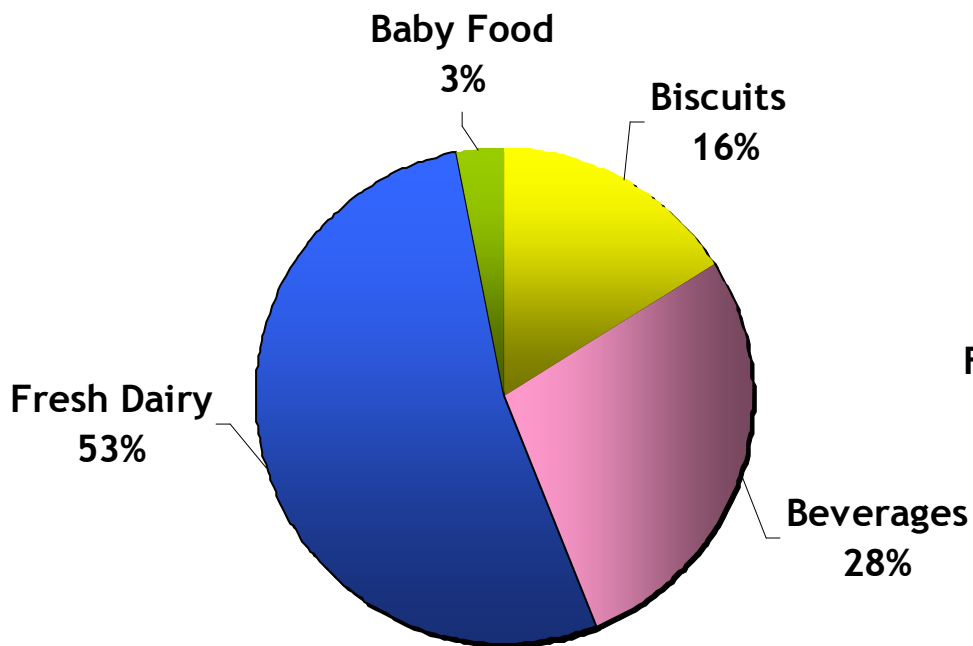
- Fully aligned with 100% health positioning
- Profitable growth
- Broad-based geographic presence
- Local Leadership positions



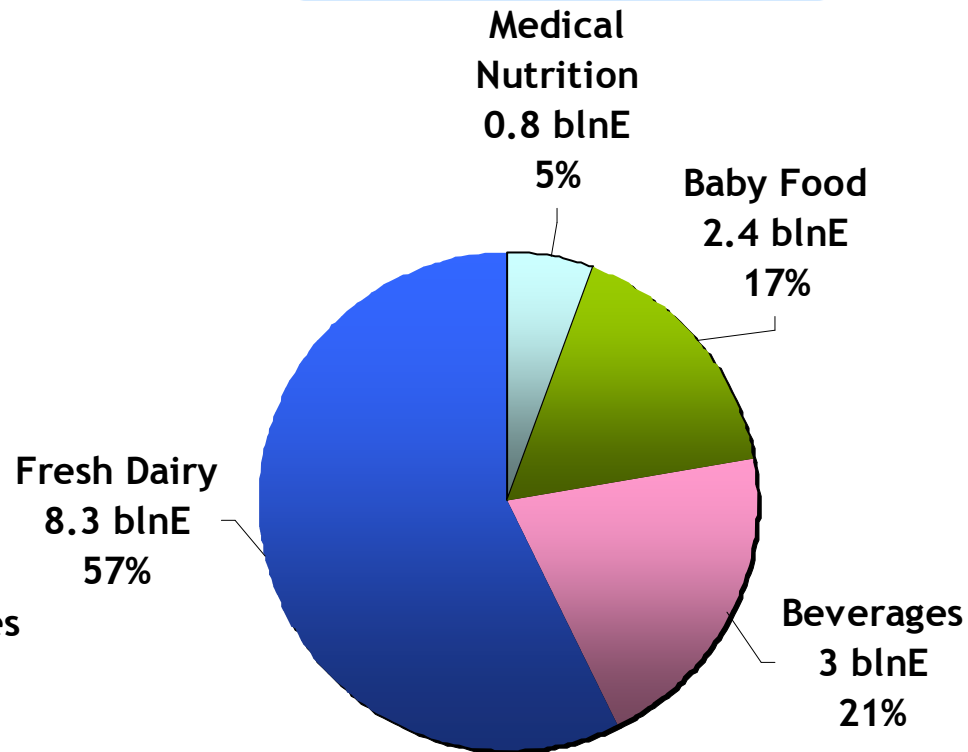


# Danone + Numico: 100% Health Story

2006



2007 at 2008 Scope



**Healthy Food**

84%

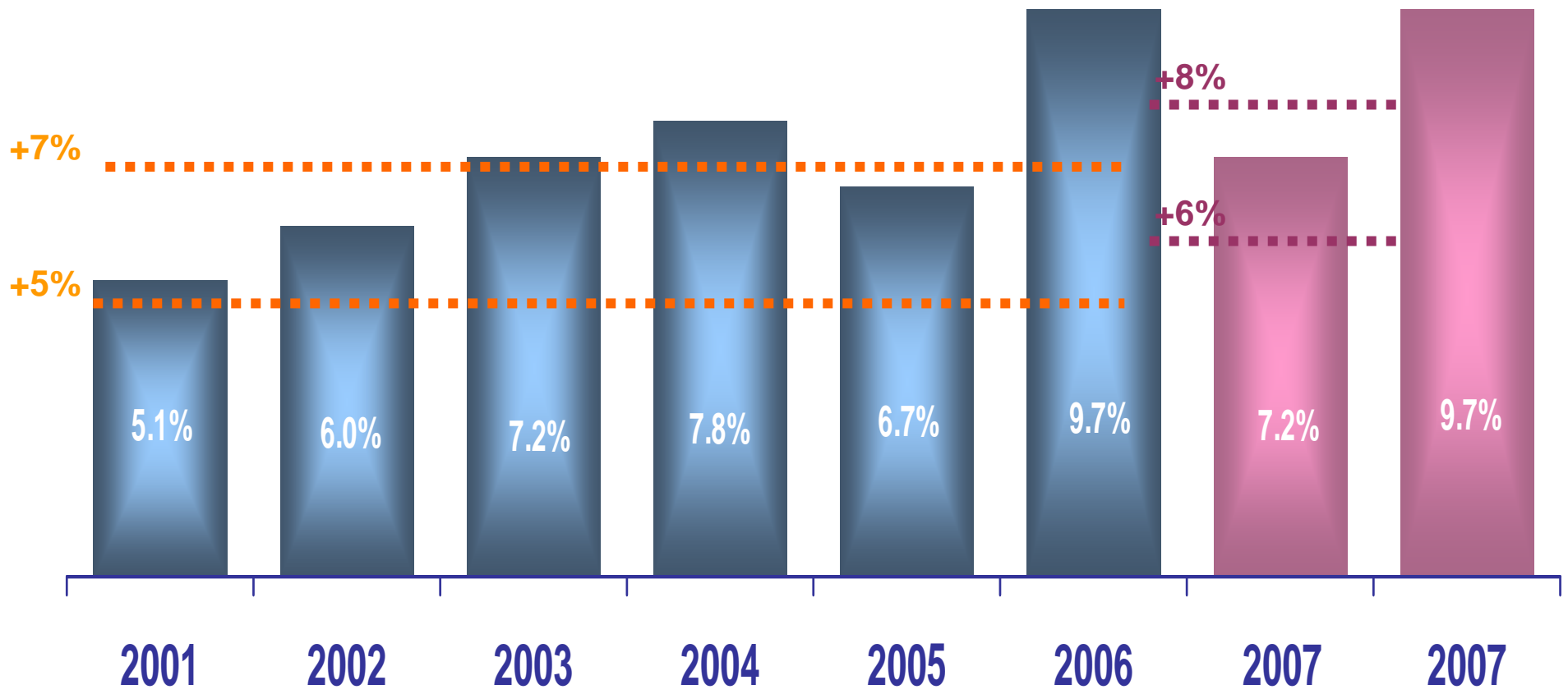


100%



# Top-line growth well within our targeted range in FY 2007

## Like-for-like sales growth



Opening Scope  
IFRS  
14



## 2007 Sales and Trading Operating Margin progression at high-end of our guidance

Like-for-like sales growth

	Q1	Q2	Q3	Q4	FY	Trading Operating Margin Progression
Published Scope	11.0%	7.5%	7.7%	13.1%	9.7%	+45bp
Opening Scope	10.1%	7.3%	3.9%	7.7%	7.2%	+59bp

- **Published Scope:** Dairy and Beverages (with Wahaha H1 only)
- **Opening Scope:** Dairy, Biscuits (11 months) and Beverages (with Wahaha FY)



# Fresh Dairy Division



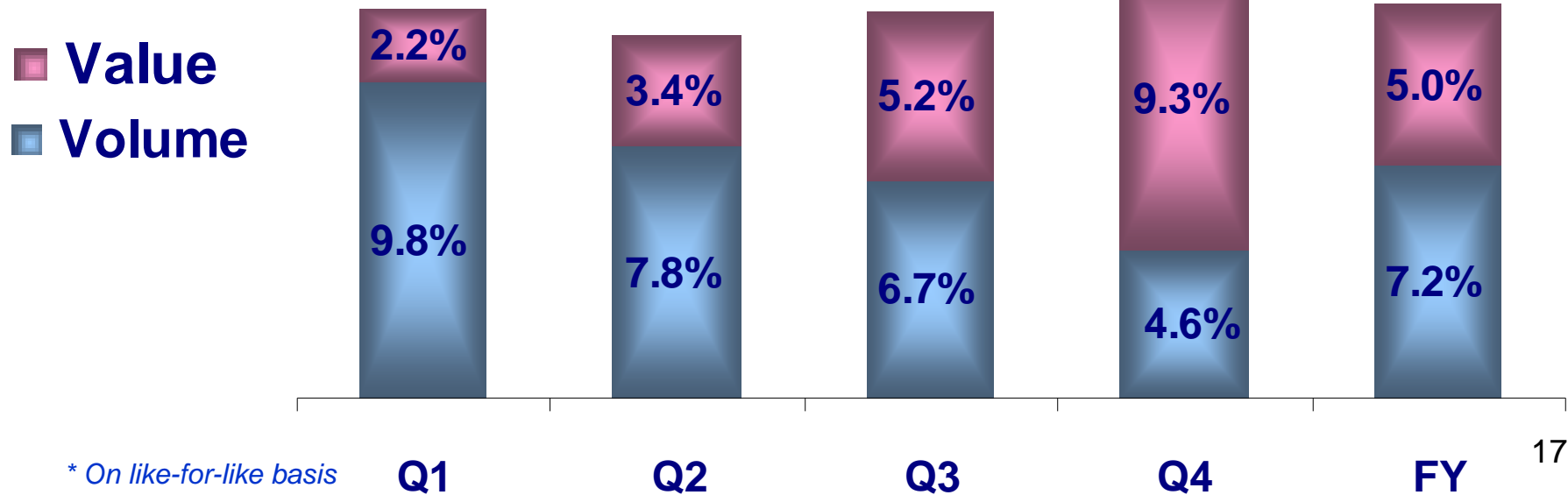




## Fresh Dairy - Key Figures

	2007	Vs. 2006*	2007 PF
Net Sales (m€)	8,791	+12.2%	8,299
Trading Operating Income (m€)	1,229	+62bp	1,133
Trading Operating Income margin	14.0%		13.6%

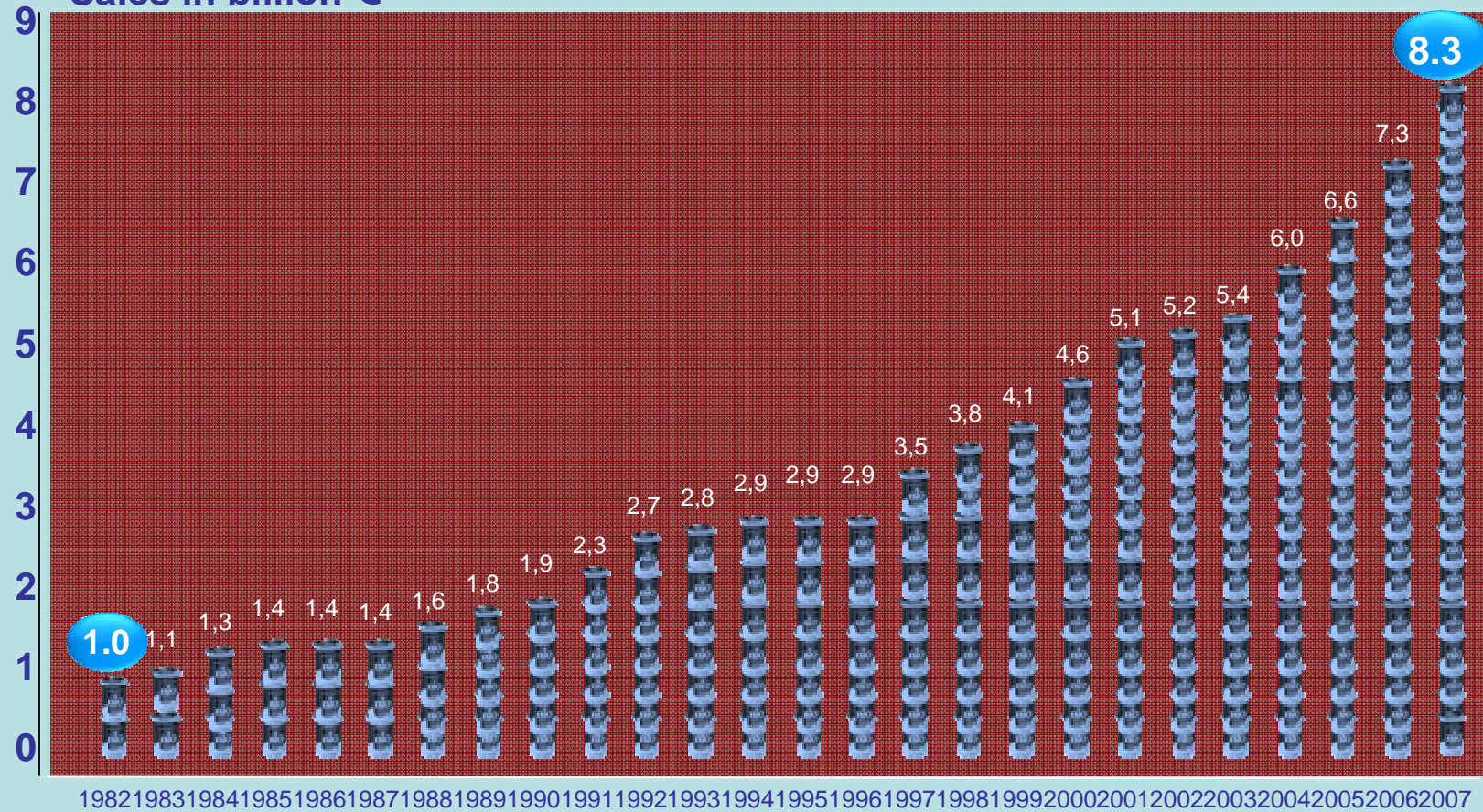
L-f-L Sales Growth





# Dairy Division Sales Growth

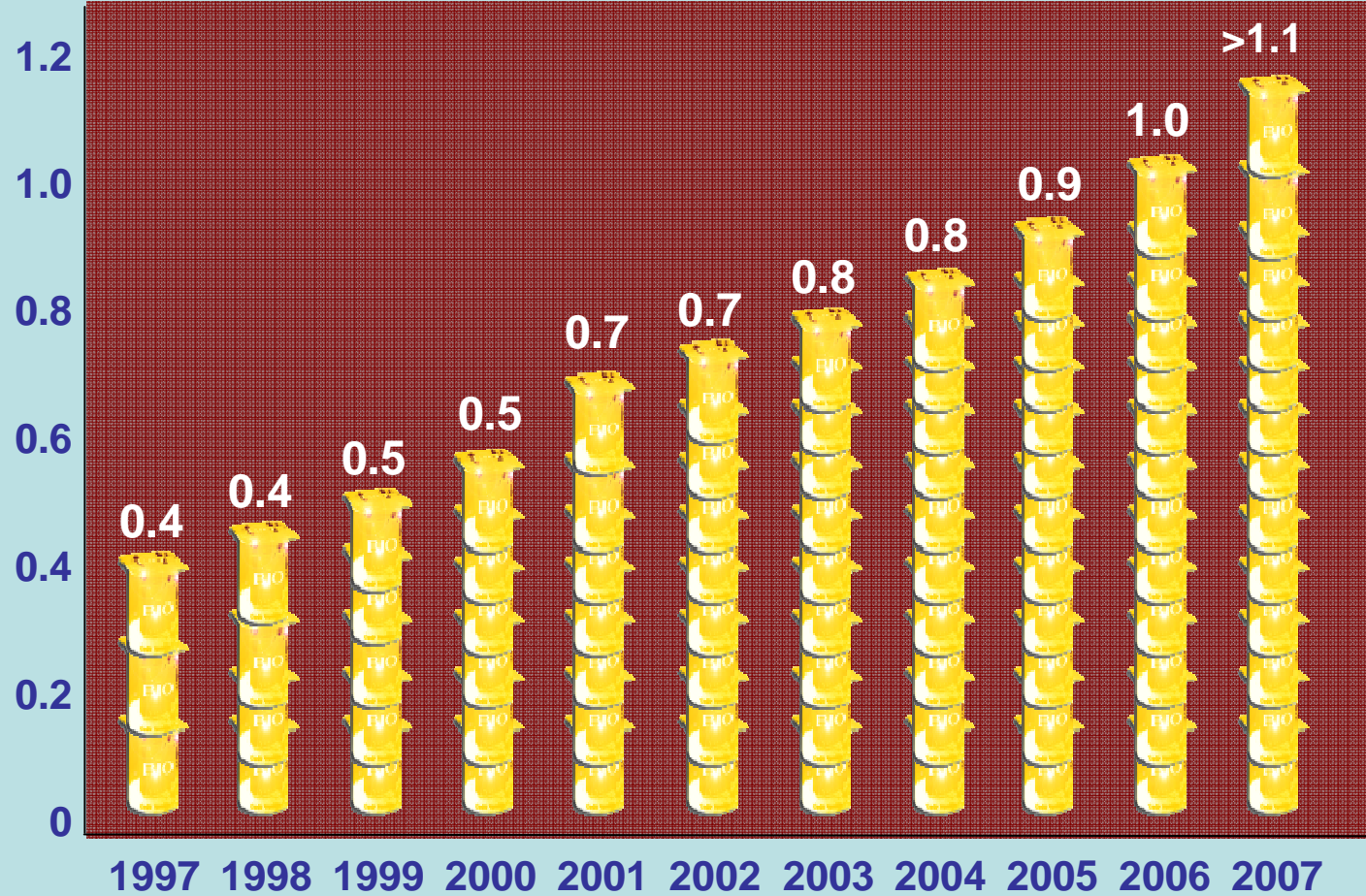
Sales in billion €





# Dairy Operating Margin Growth

Operating margin in billion €





# Activia Global Model

## GLOBAL = BACKBONE



Icons

Brand Name

Brand Block

Demo

Target:  
Women with digestive disorders

Insight:  
Stress and bad eating can create digestive disorders which have negative impact on our well being (bloated feeling, cave mentality)

Benefit:  
**Activia naturally regulates digestive disorders in 15 days**

RW:  
Acti-Regularis, Bifidus Regularis

Brand Personality:  
Reliable, confident & friend

Key Audio

- *Selling line:* "Regulates inside and it shows outside"

- *Music:* "Barcarola" by Offenbach

Advertising signature

Naturally regulates the digestive disorders caused by stress & bad eating  
(digestive disorder conso wording & relevant insights adapted to each country)



# Activia Global Model

**LOCAL = DRESS CODE**

POSITIONING CLUSTER

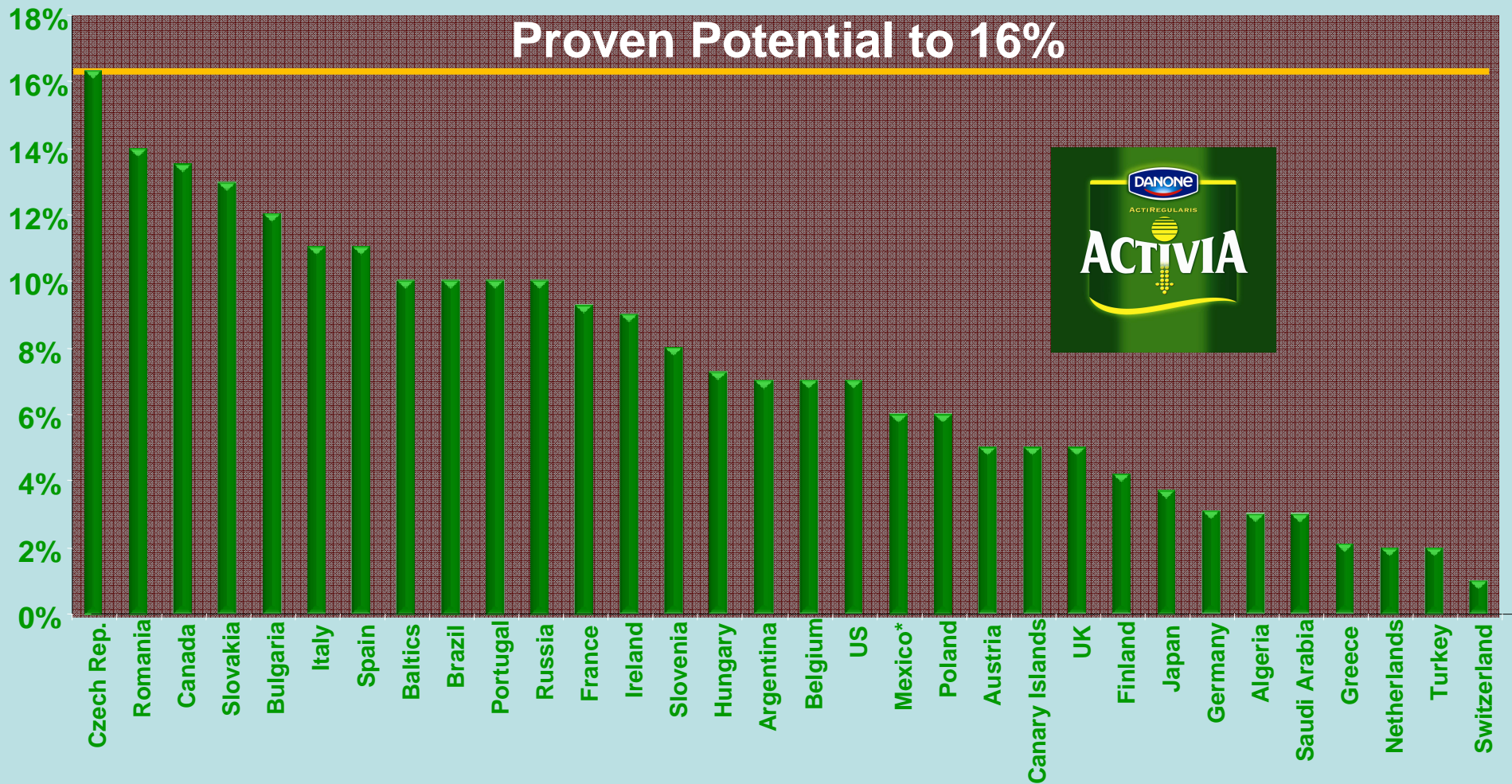
RANGE

COMMUNICATION INSIGHTS & SELLING IDEAS



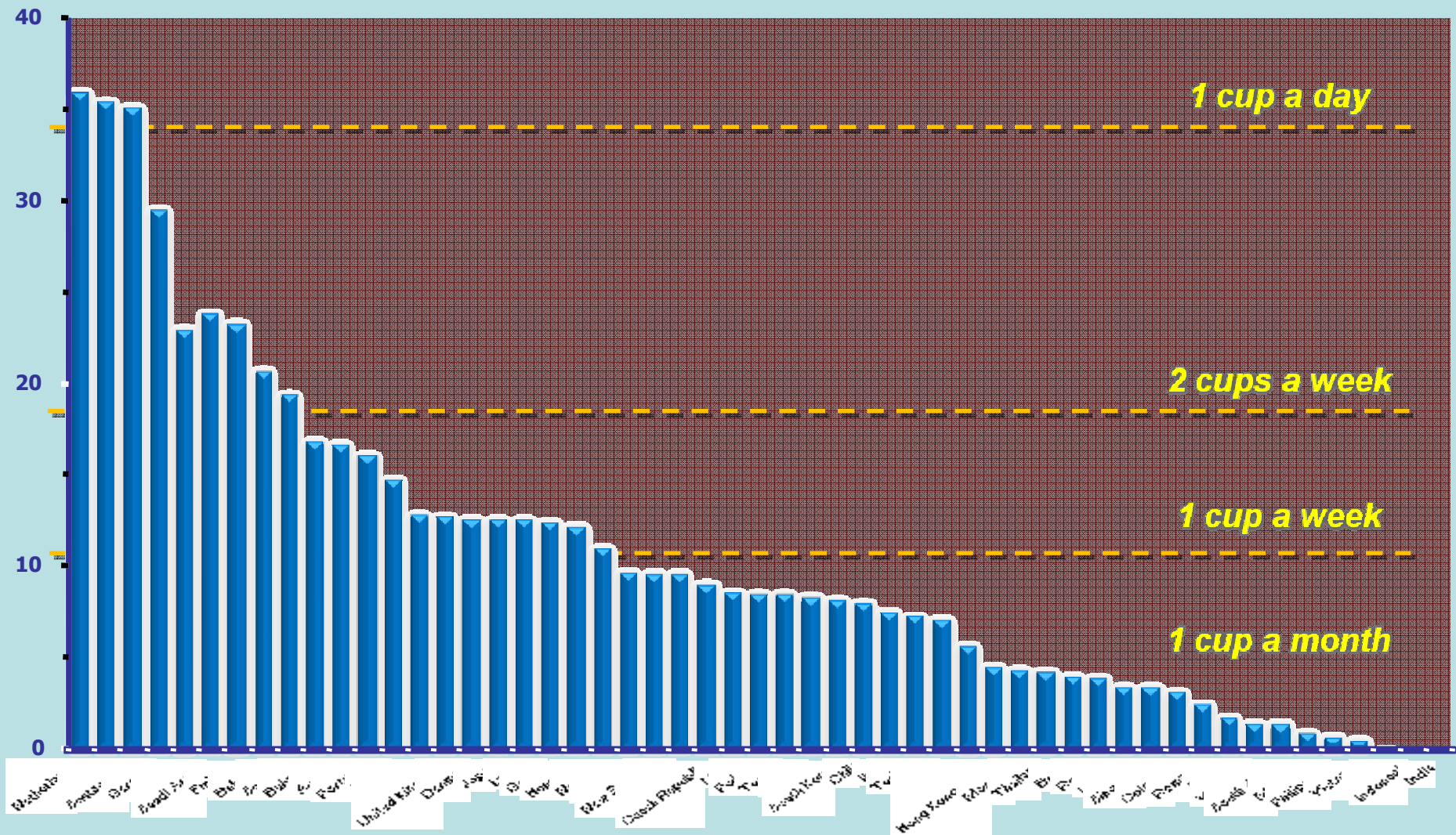


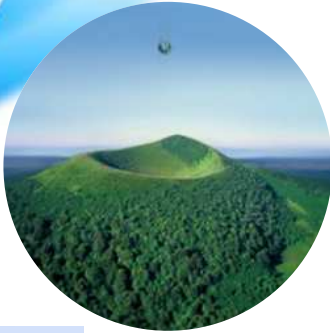
# Activia Value Market Share on Total Dairy Market



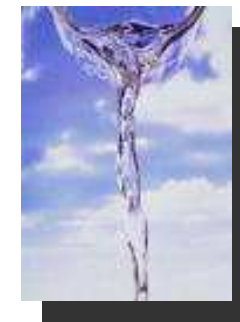
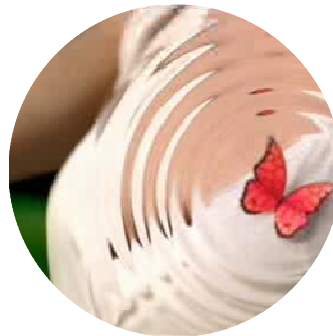
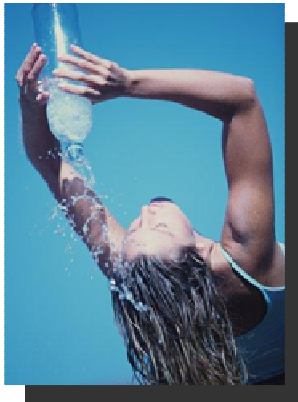


## Per capita consumption From 1 cup a month to one cup a week





# Waters Division

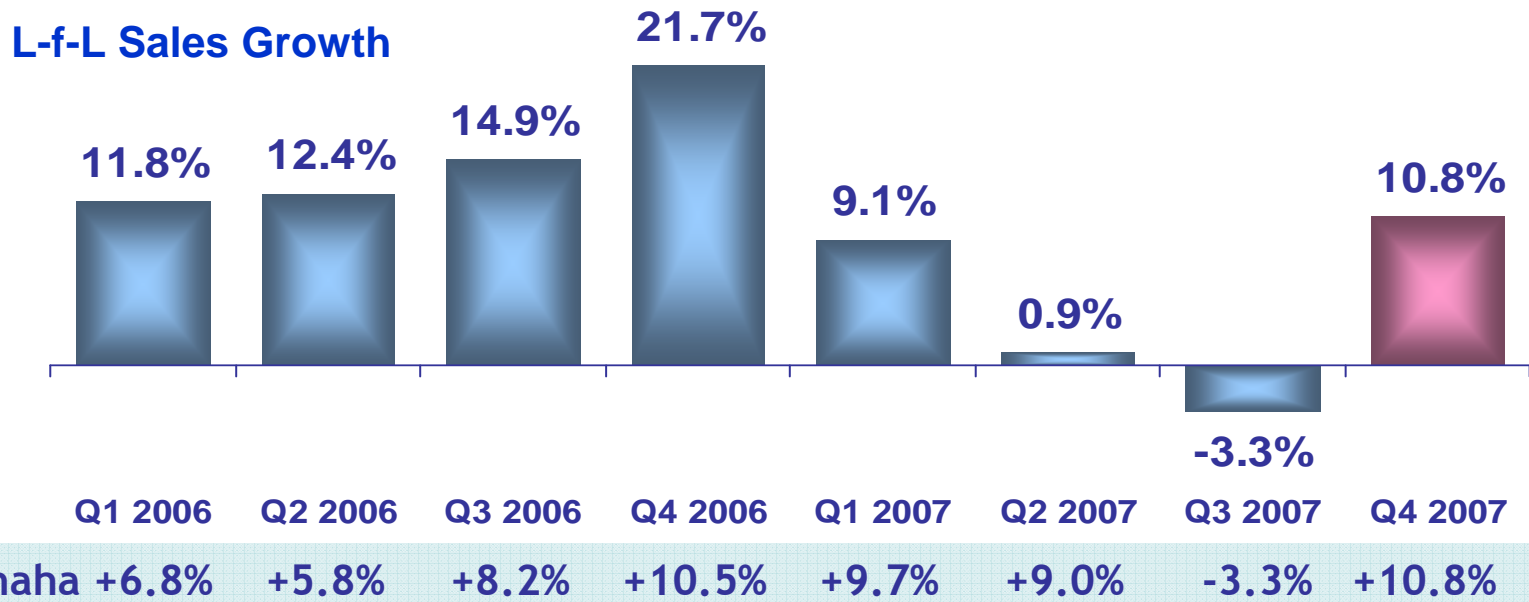






## Waters Division - Key Figures

	2007	vs. 2006*	2007 PF at 2008
Net Sales (m€)	3,535	+4%	2,958
Trading Operating Income (m€)	480	+1bp	425
Trading Operating Income margin	13.6%		14.4%



\* On like-for-like basis

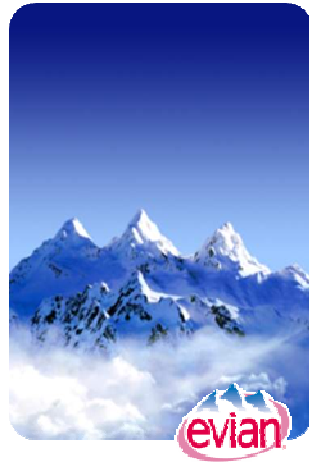


# Leading Water Brands





# Natural Springs bring competitiveness



# Vision - Mission



## ● Our Vision:

⊕ We are what we drink,  
as most of our body is water



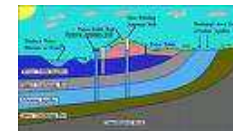
## ● Our Mission:

⊕ We bring natural healthy  
hydration to all drinking  
occasions



## ● Our added value:

⊕ Unique Springs



⊕ We create Spring Water  
Drinks





# Spring Water Focus: the Brand Platforms

Relevant rational benefit

Emotional

Strong emotional Benefit

Rational

Lightness/  
Elimination



Vitality / Deep  
Hydration



Youth/Body  
Renewal



Body  
Management





**D**rinkable



**N**atural



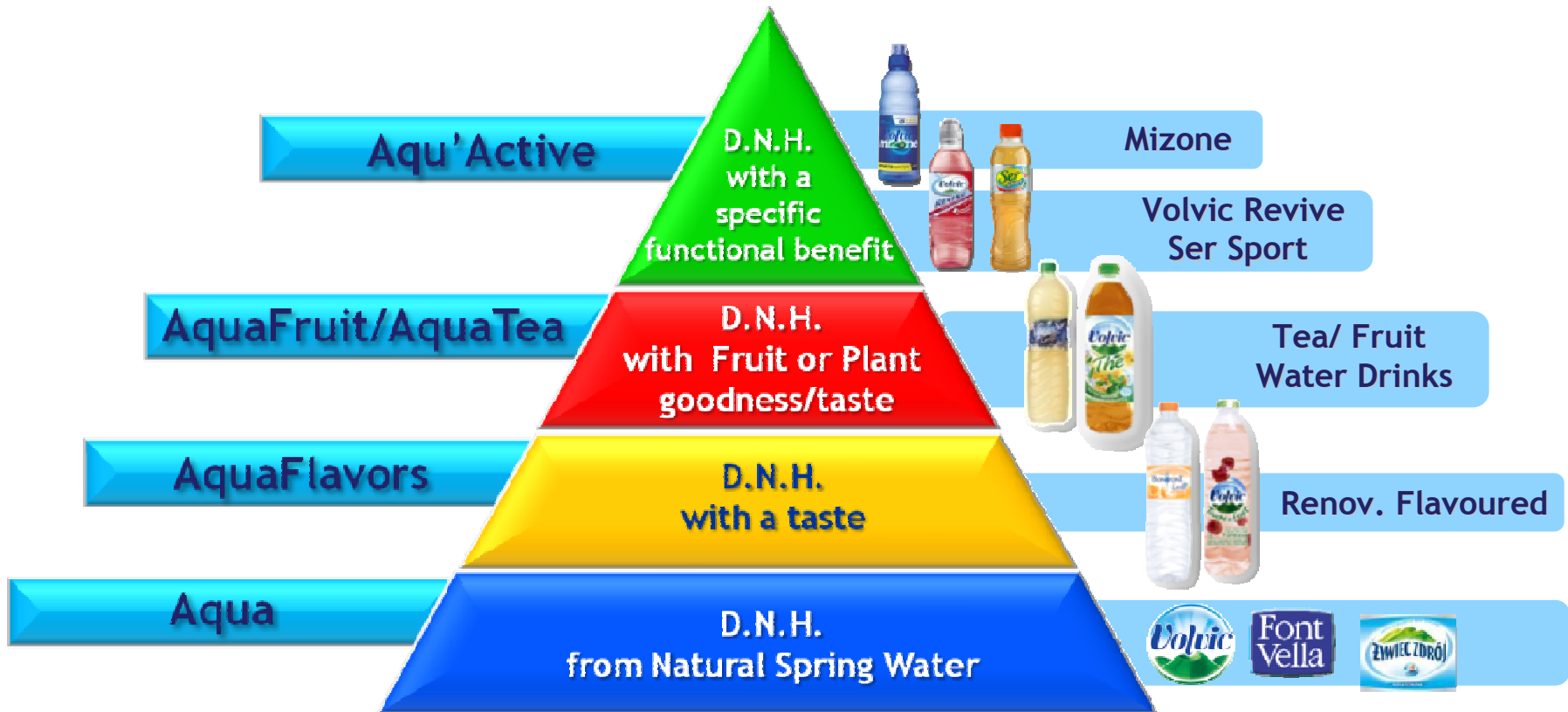
**H**ydrating





# The “D.N.H.” product identity: innovation on our core spring water brands

WATER BRANDS CAN COVER THE WHOLE PYRAMID





## Sustainable Development as part of our Water Business Model

- Further increase rail & boat transport
- Continue to further decrease PET weight / Bottle
- Reduce plastic waste
- Strong know-how on natural sources protection
- Engagement in local communities
- Use of our expertise for Social initiatives around Water







# Baby Food Division





# Baby Food - Key Figures

Net Sales (m€)

Trading Operating Income (m€)

Trading Operating Income margin

**2007 PF\***

2,417

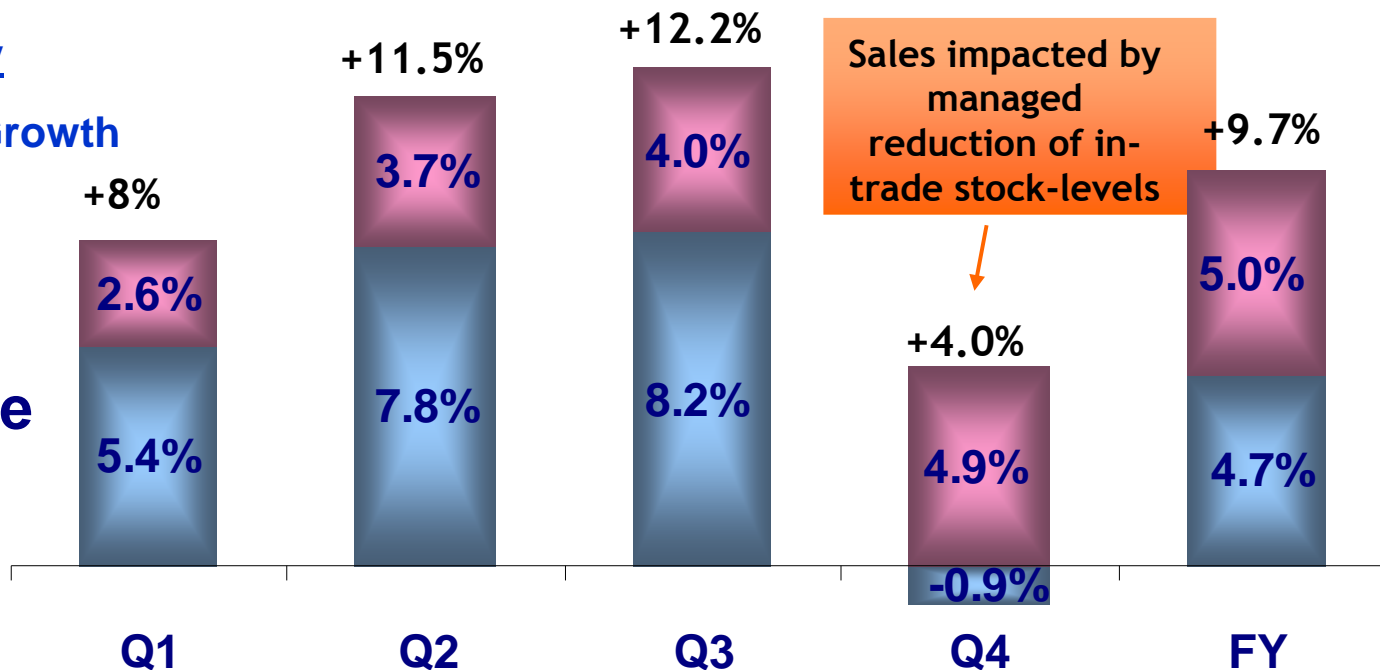
373

ca. 15.4%

## Numico Only

L-f-L Sales Growth

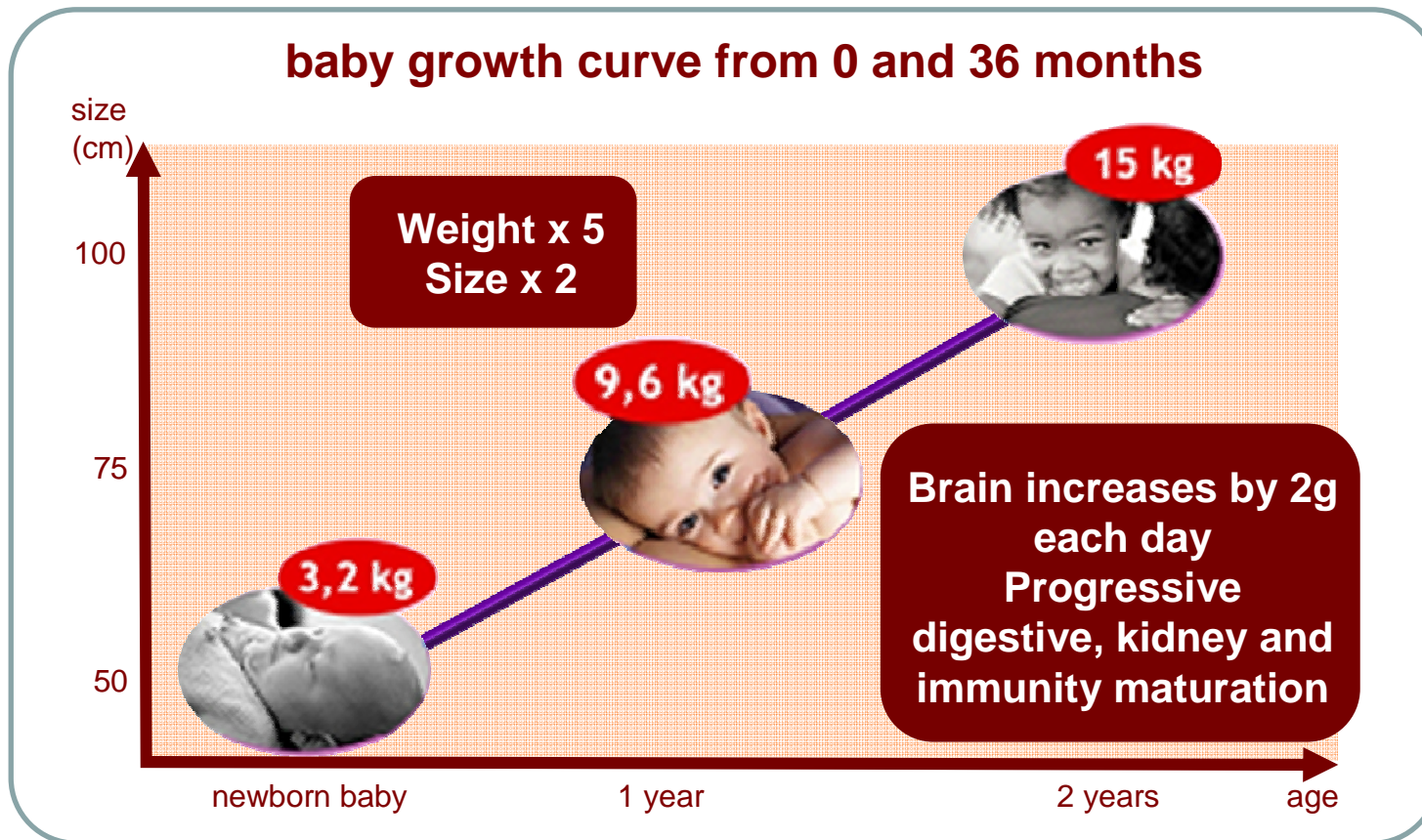
■ Value  
■ Volume



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

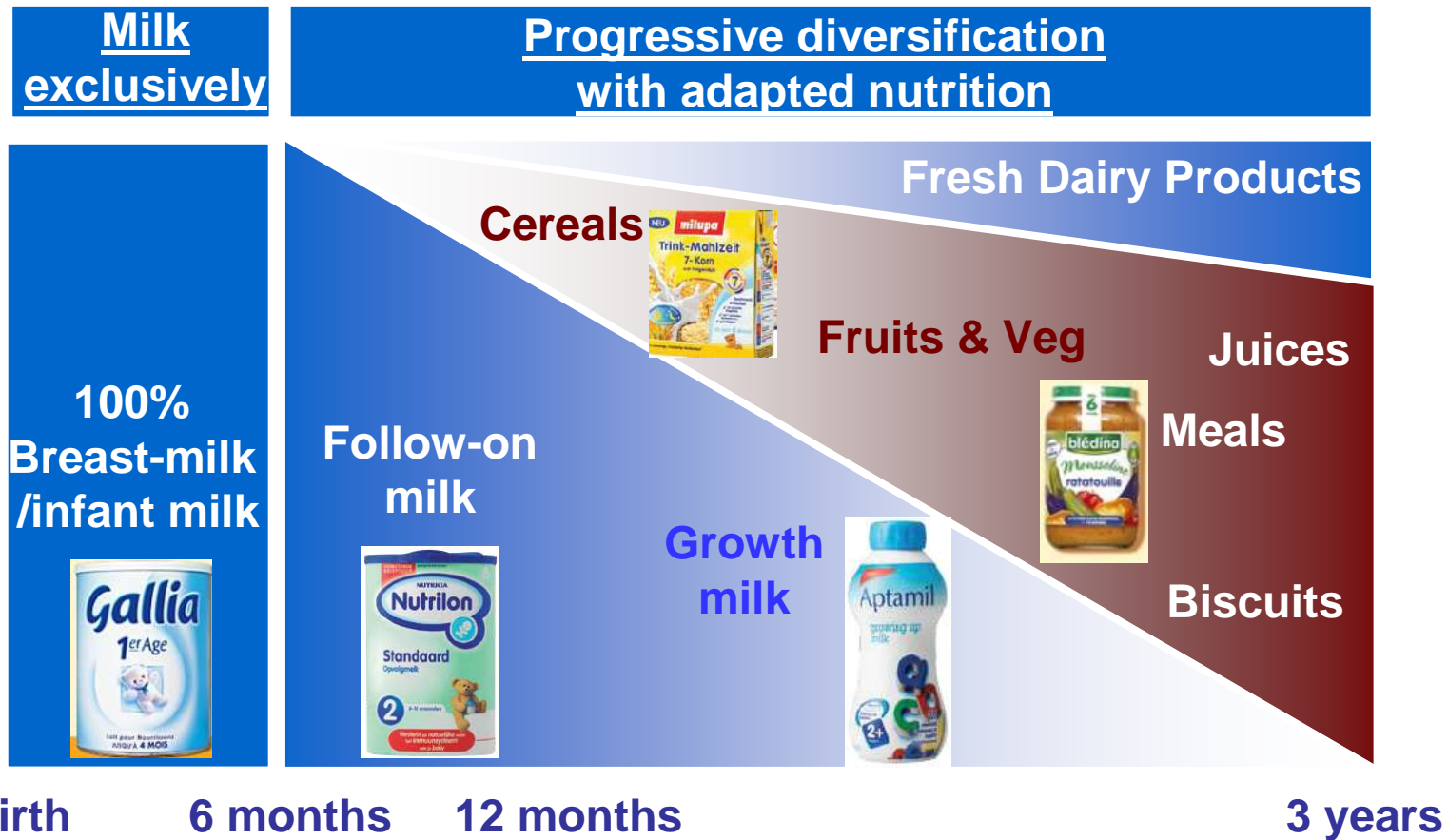


A crucial period: between 0 and 3 years, babies double their size and increase their weight fivefold





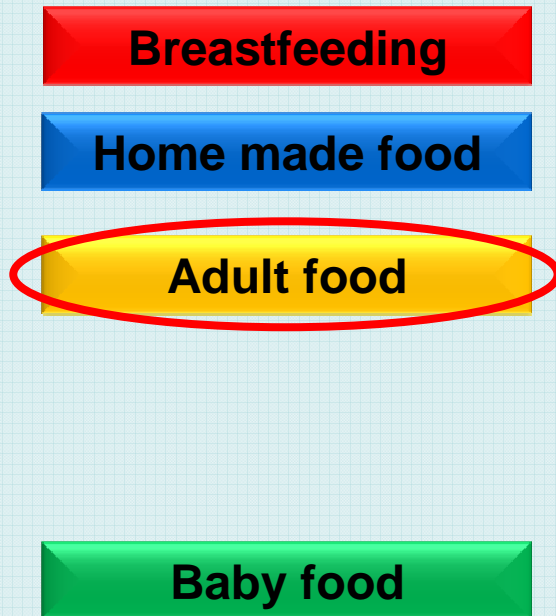
# Babies and toddlers need a specific and adapted diet



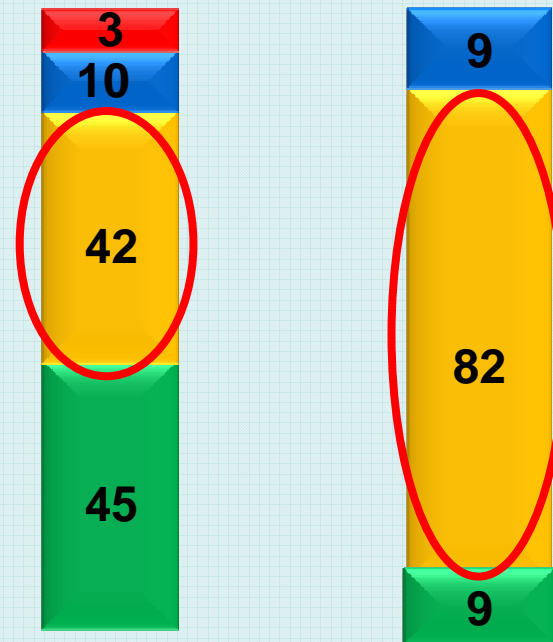


# Babies and toddlers nutrition today: a major growth opportunity

## French example



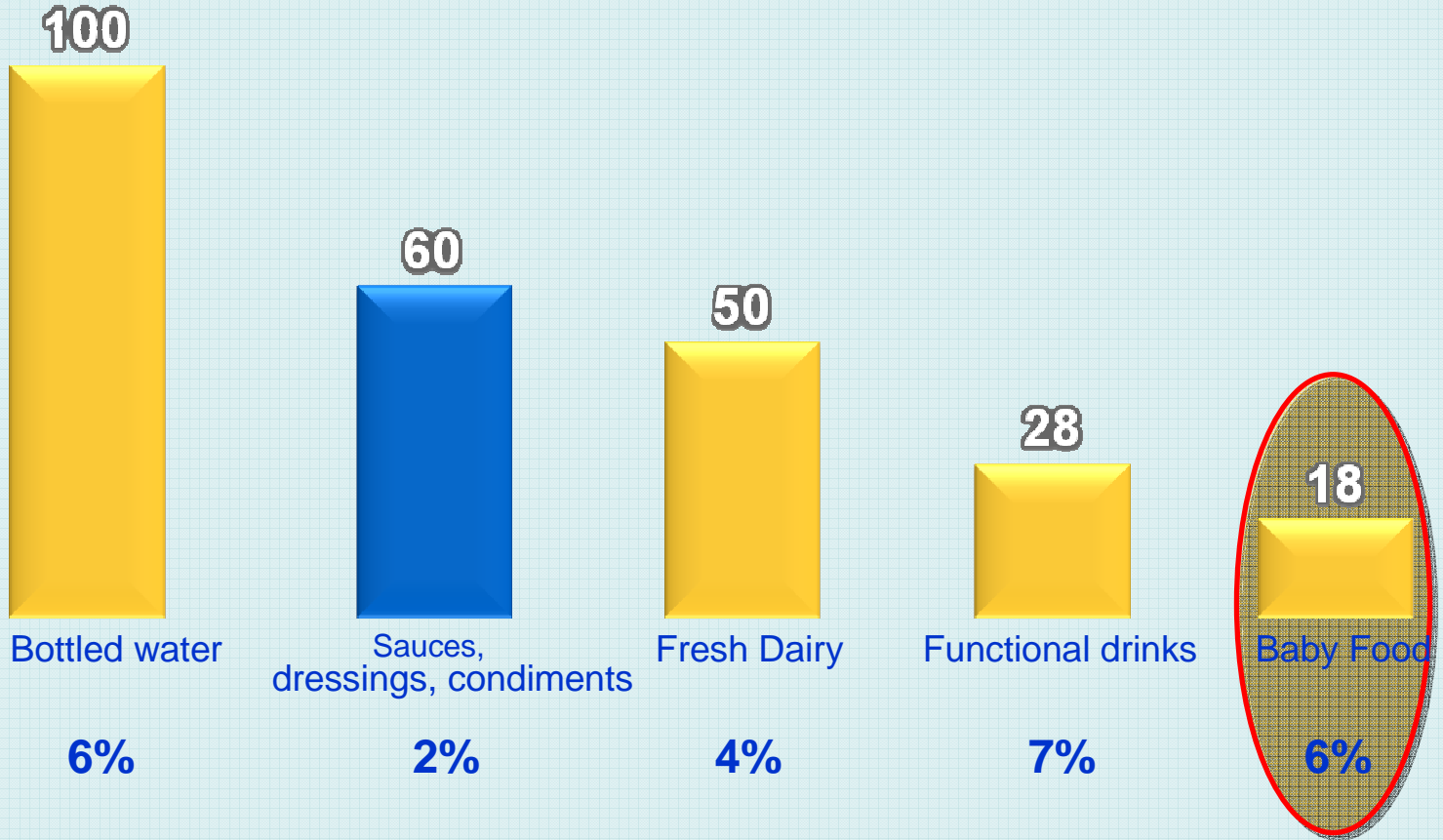
% of food intake  
6 - 15 Months      16 - 36 Months





# Baby Food: a €18B market

Market sizes (€B)



06-11  
growth

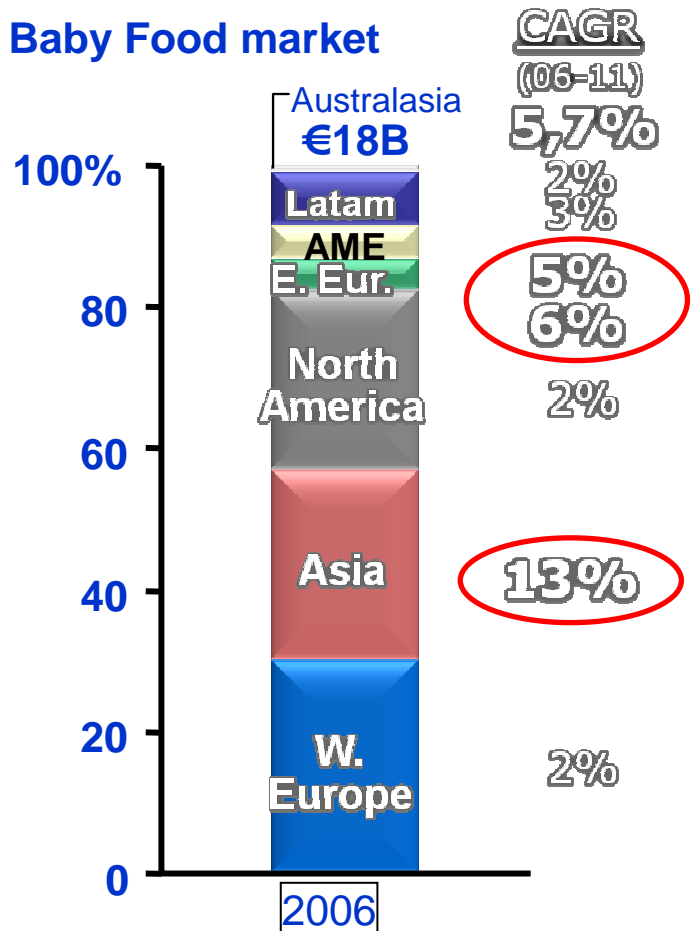


# A highly attractive business: significant growth rates...

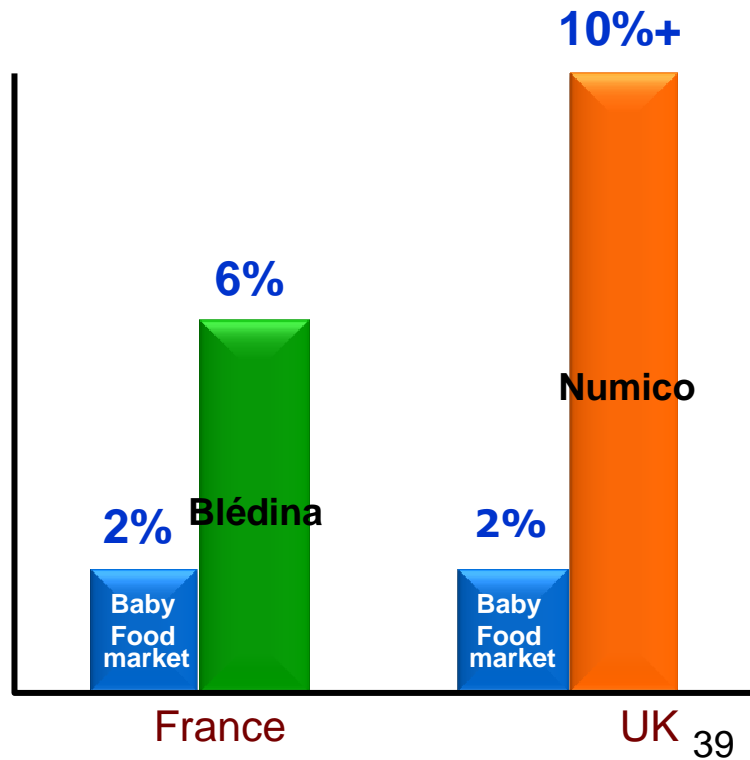
**Especially in Asia and Eastern Europe...**

**... With potential also in developed countries**

**Baby Food market**



**2006 Baby Food growth**



Source: Euromonitor, internal data, Baby Food players public information

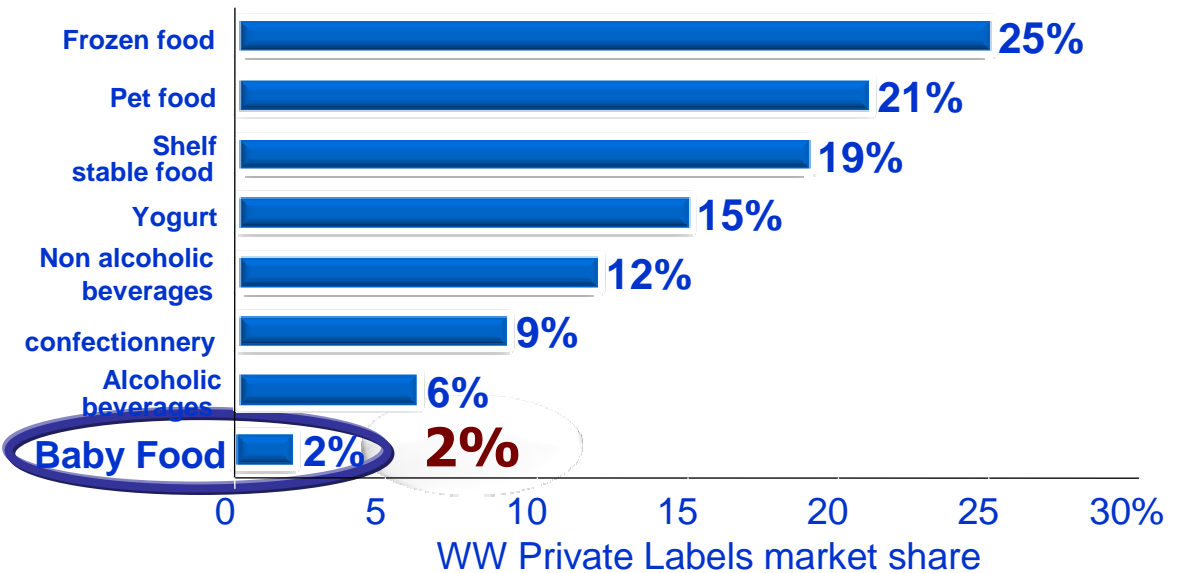
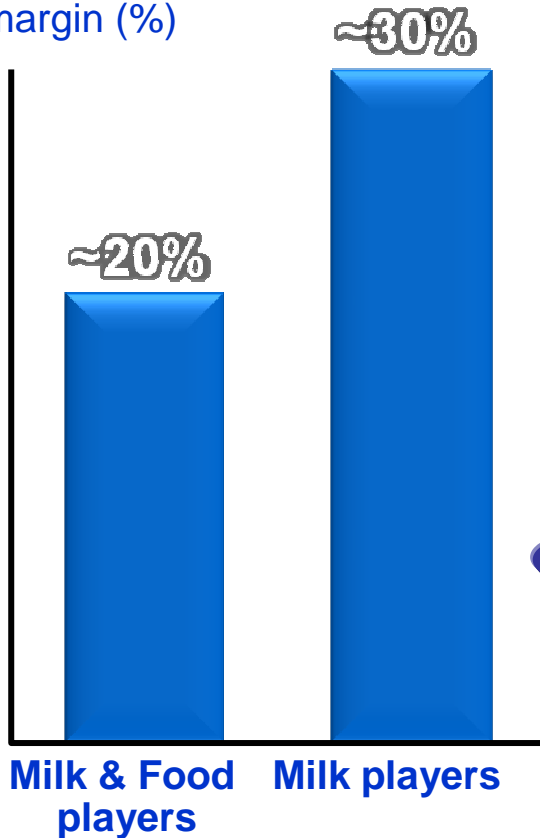


...Highly profitable and with high entry barriers...

High profitability

High entry barriers

Baby Food player margin (%)

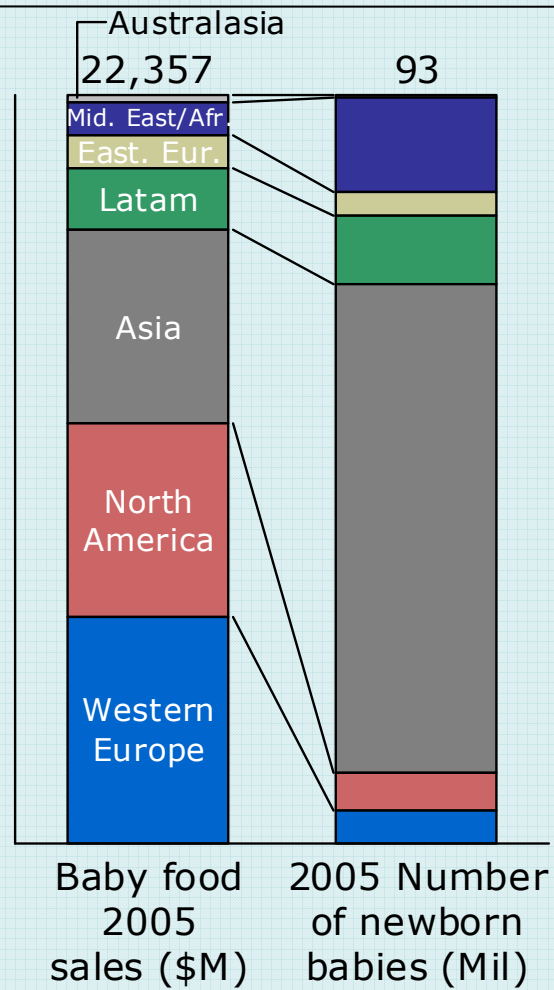






## ...A baby boom in Asia....

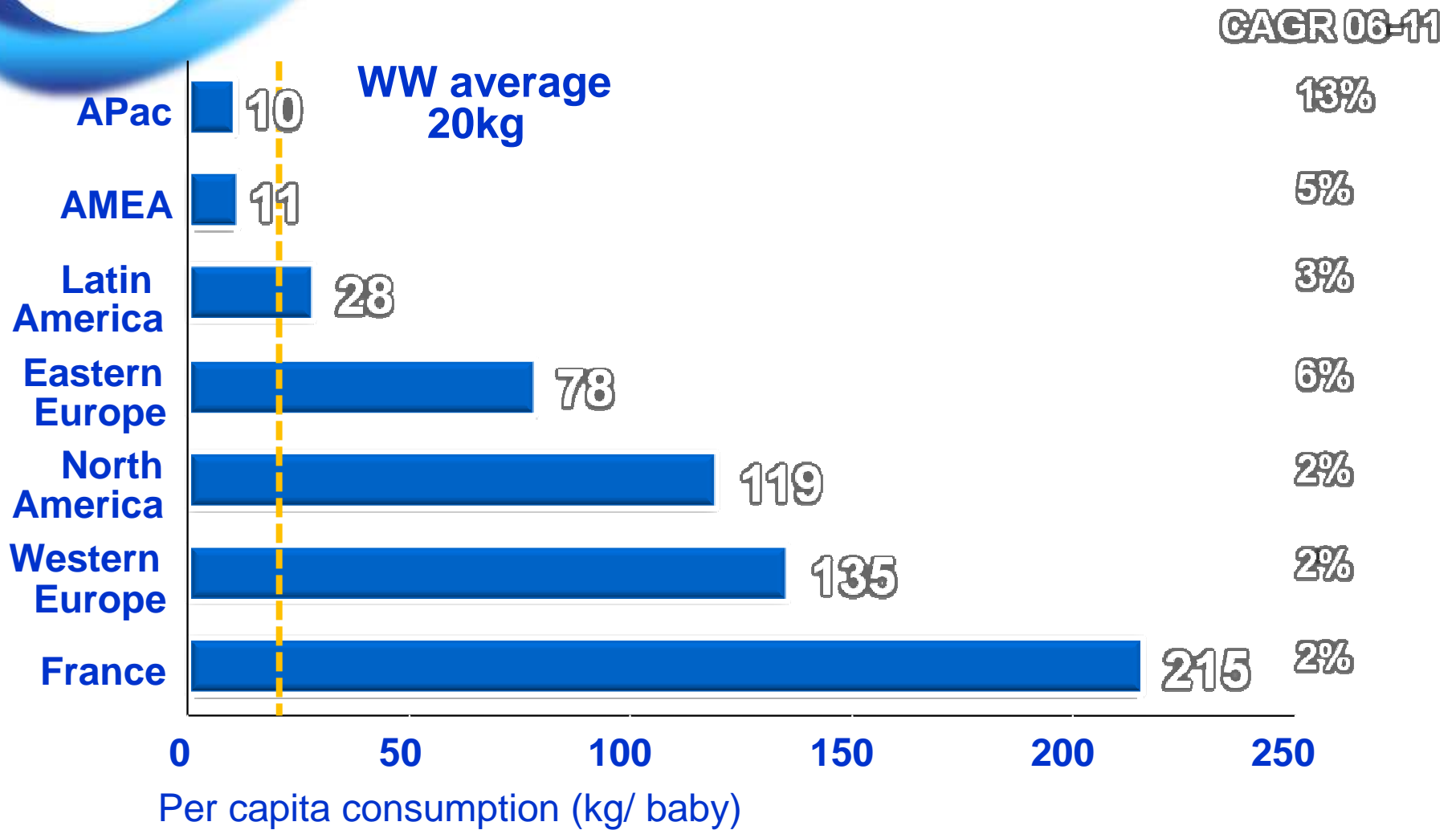
**Asia accounts for 65% of newborn babies while only 25% of baby food sales**



Note: 2005 fixed exchange rate and 2005 constant prices  
Source: Euromonitor data



...and with significant growth potential





# The New Danone Baby Food business: the 2<sup>nd</sup> global player with leading regional positions

**Numico + Blédina Baby Food positions**

**W. Europe**

**# 1**

**E. Europe**

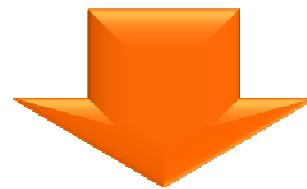
**# 1**

**Asia**

**# 2 exe**

**Africa Middle  
East**

**# 2**



**# 2exe Baby Food worldwide player**



# Medical Nutrition Division





# Medical Nutrition - Key Figures

**2007 PF\***

**Net Sales (m€)**

**793**

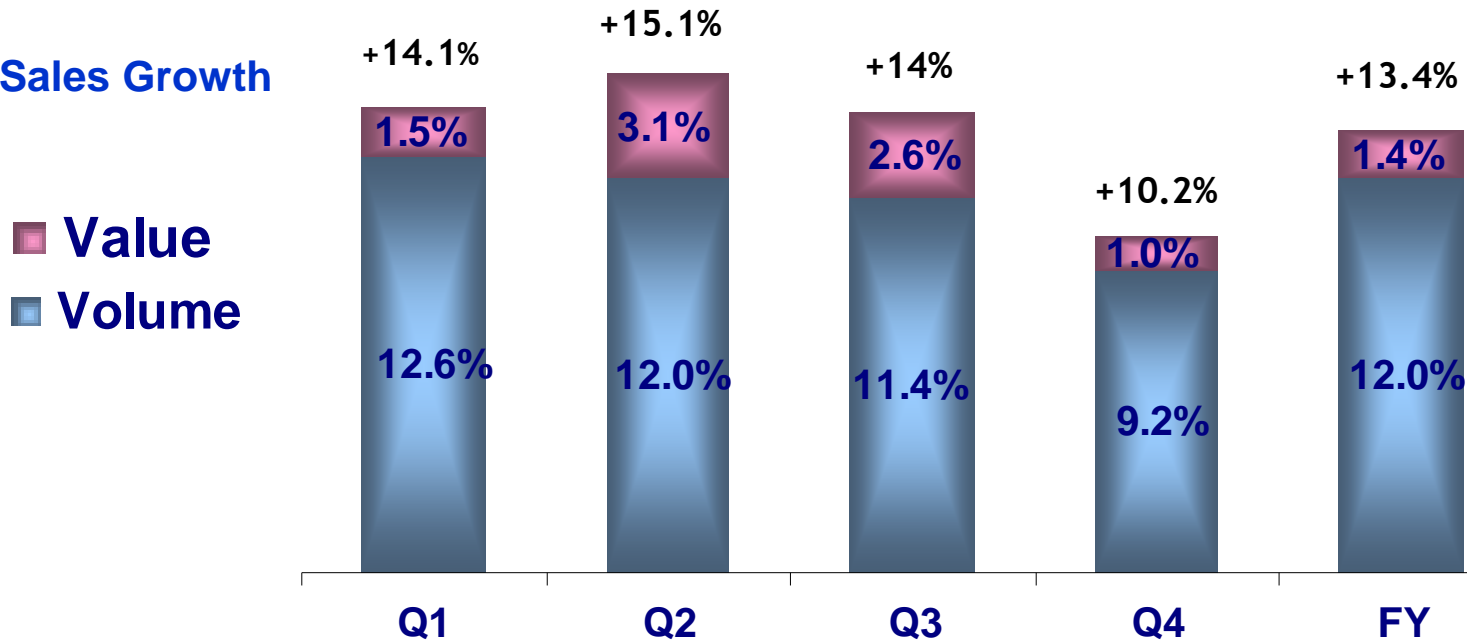
**Trading Operating Income (m€)**

**173**

**Trading Operating Income margin**

**ca. 21.8%**

**L-f-L Sales Growth**



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



# Strong Market Positions





## We Have 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**



# Medical Nutrition treats malnutrition for various conditions

● Dementia

● Inability to eat (stroke)

● Surgery

● Swallowing disorders

● Cancer

● Diabetes







# Disease Targeted Nutrition

- Severe Cow's Milk Allergies

- Metabolic Diseases

- Paediatrics

- Epilepsy

- Alzheimers ?

- HIV ?





## Key Channels for disease targeted nutrition

**Hospitals**



**Special Care Homes**



**Pharmacies**



**Home Care**



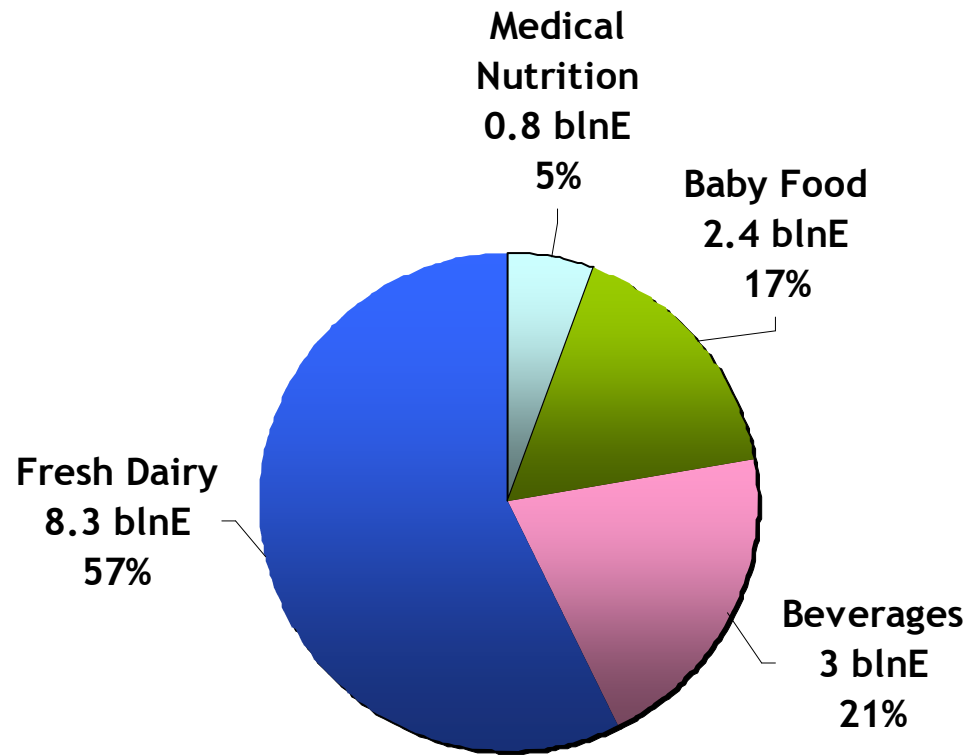


## A Critical Social Mission

- **Ageing population**
- **Lifestyle diseases exploding**
- **Growing role of Nutrition in disease management and prevention**
- **Industry in its infancy and growing at a fast rate**



# The New Danone



Sales

€ 14 468 M

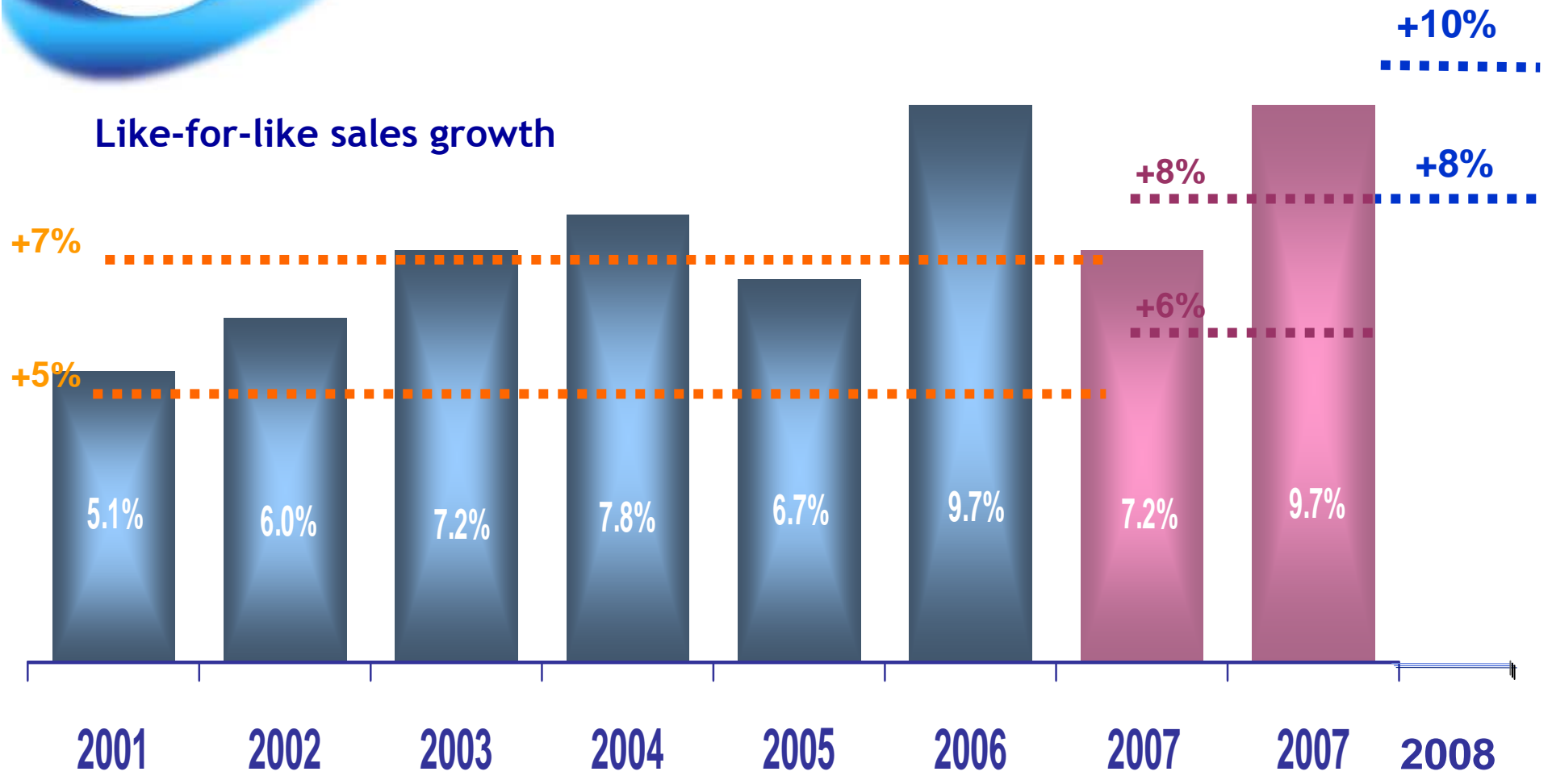
EBIT Margin

14.6%



# Accelerated Top-line Growth

Like-for-like sales growth



Opening Scope  
IFRS



## Enhanced mid-term financial performance objectives

	< 2006	+5% to +7%
Sales growth*	2007	+6% to + 8%
	2008+	+8% to +10%

\*: On like-for-like basis



## Enhanced mid-term financial performance objectives

Trading Operating Profit \*



To grow faster than like-for-like sales growth

Trading Operating Margin \*



To improve every year

**For 2008**

+30bp minimum

Underlying EPS Growth



**For 2008**

> +15%  
vs 2007 Pro forma

\*: On like-for-like basis



# Groupe Danone

Strategic journey to a  
100% healthy food portfolio



- **Film (60 sec)**