

Danone Model in Motion

September, 2011





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.



Danone Model in Motion

DANONE

A unique model

Growing our categories and brands

Productivities and cash efficiency



DANONE

A unique mission, a unique portfolio

Fresh dairy Products

Developing a well being category worldwide



Waters

Hydration and elimination



Bring health through food to the largest number of people

Baby nutrition

Supporting growing children every step of the way



Medical nutrition

Nutritional support for persons in fragile health



Danone worldwide position

#1 Fresh Dairy Products

#2 Packaged water

#2 Baby Nutrition

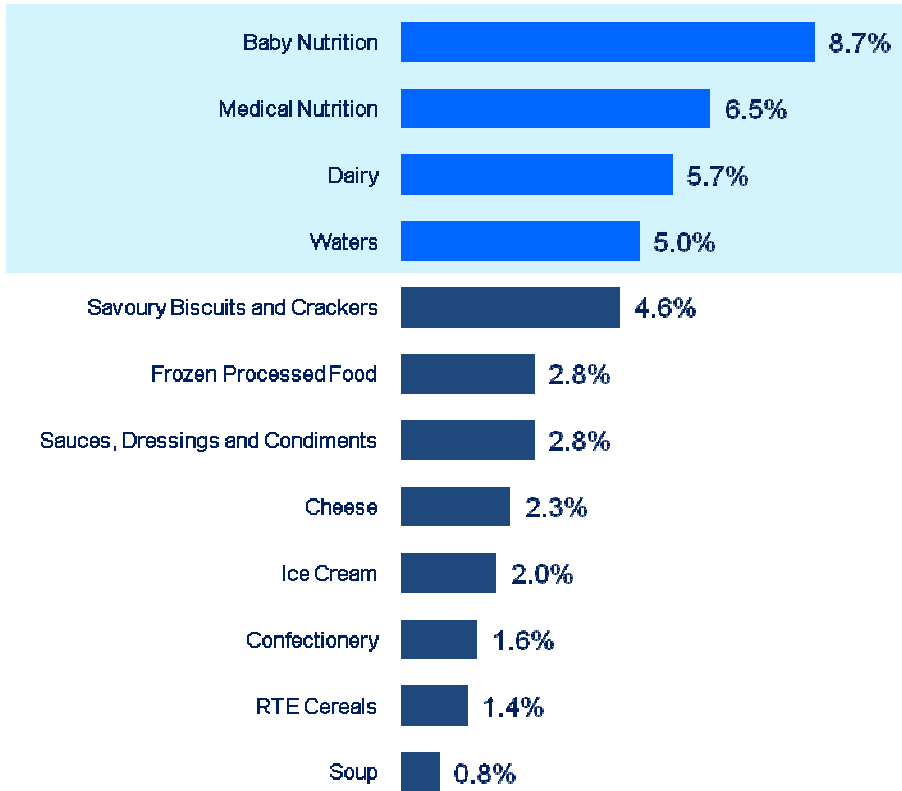
#3 Medical Nutrition



Best positioned in fastest growing categories & geographies

Fastest growing categories

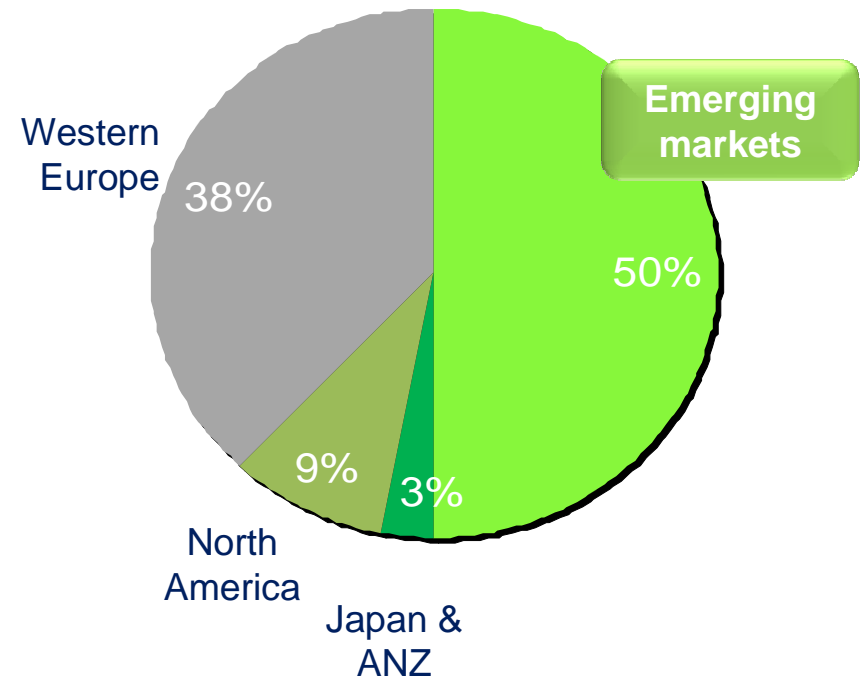
2010 volume growth by category



Source : Euromonitor & Internal estimate

~50% sales in emerging markets

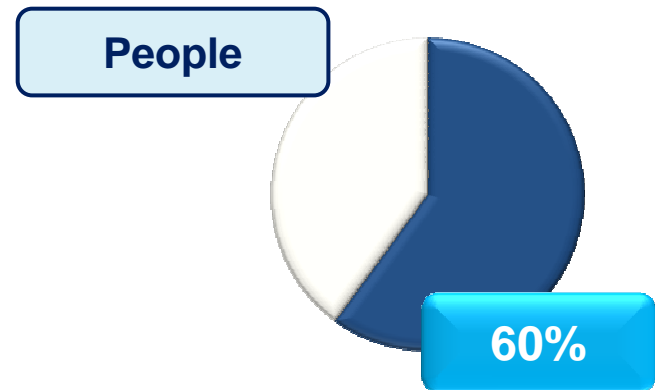
H1 2011 sales breakdown





MICRUB: strongholds in emerging markets

| Sales | 2006 | 2010 proforma Unimilk | |
|---------------------|---------------|-----------------------|---------------|
| | % group sales | €mln | % group sales |
| MEXICO | 5% | 1.0 | 5% |
| INDONESIA | 2% | 0.9 | 5% |
| CHINA | 11% | 0.8 | 4% |
| RUSSIA | 3% | 2.0 | 11% |
| USA | 7% | 1.4 | 8% |
| BRAZIL | 2% | 0.7 | 4% |
| Total MICRUB | 30% | | 37% |





A strong H1

| | Objectives | Results |
|-----------------------------|-------------------------------|------------------------|
| Sales growth ⁽¹⁾ | 6-8% | 8.7% |
| Trading operating margin | around -30 bps ⁽¹⁾ | -23 bps ⁽¹⁾ |
| FCF ⁽²⁾ | | +8% |

(1) Like-for-like : Based on constant scope of consolidation (including 12 months Unimilk) and constant exchange rates

(2) Free Cash Flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees



Danone Model in Motion

A unique model

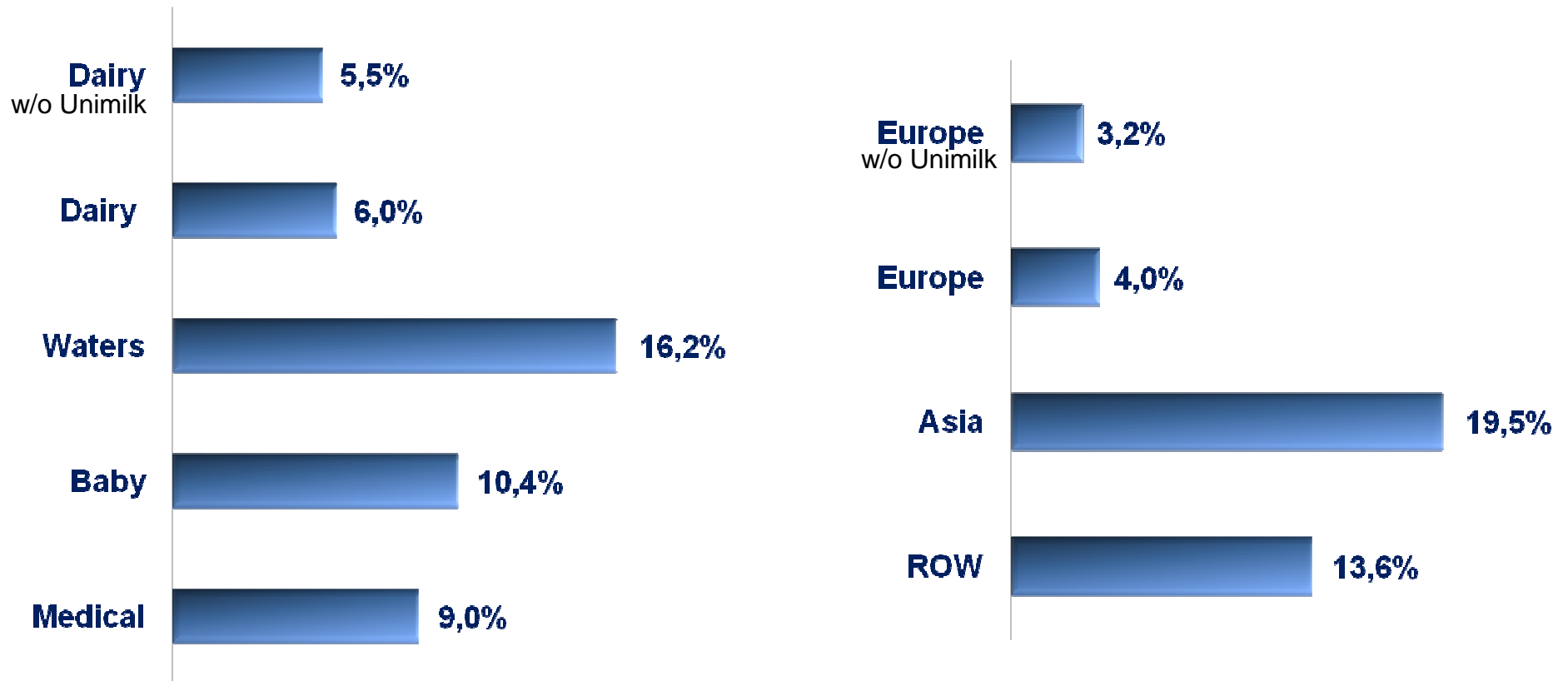
Growing our categories and brands

Productivities and cash efficiency



Broad based growth across ALL our businesses and geographies

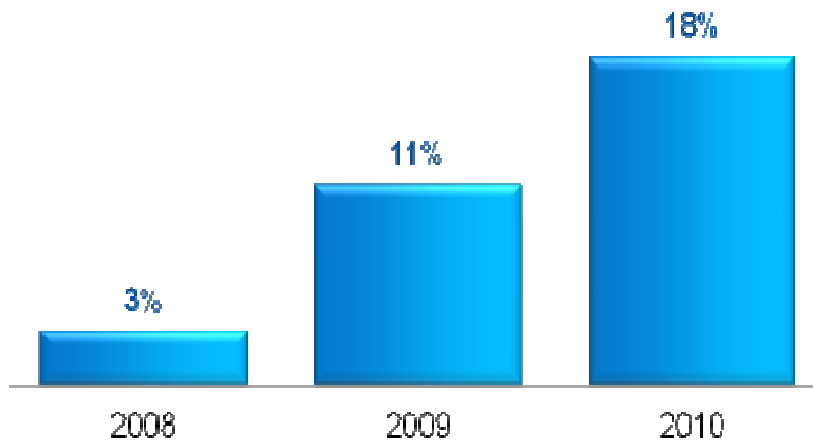
Like-for-like sales growth – H1 2011



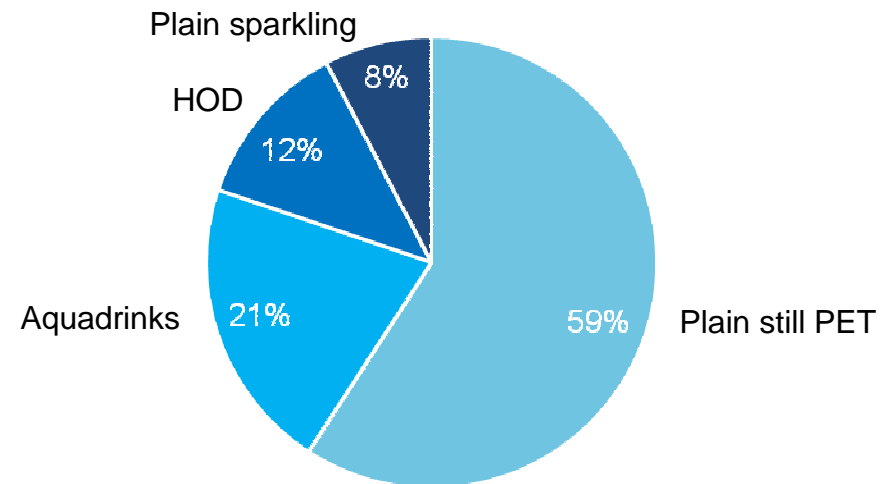


Growing our categories and brands - WATERS

Aquadrinks - Growth vs year ago



Segment weight (2010, value)



2011 launches :

Volvic Muscat (Japan)



Bonafont hibiscus (Mexico)



Mizone « Mango kweni (Indonesia)



Badoit « Fruit bubble » (France)





Growing our categories and brands – BABY NUTRITION



Supporting pregnant & lactating women

Addressing the special needs of babies

Building superiority over non specific food

2011 launches :





Growing our categories and brands – MEDICAL NUTRITION

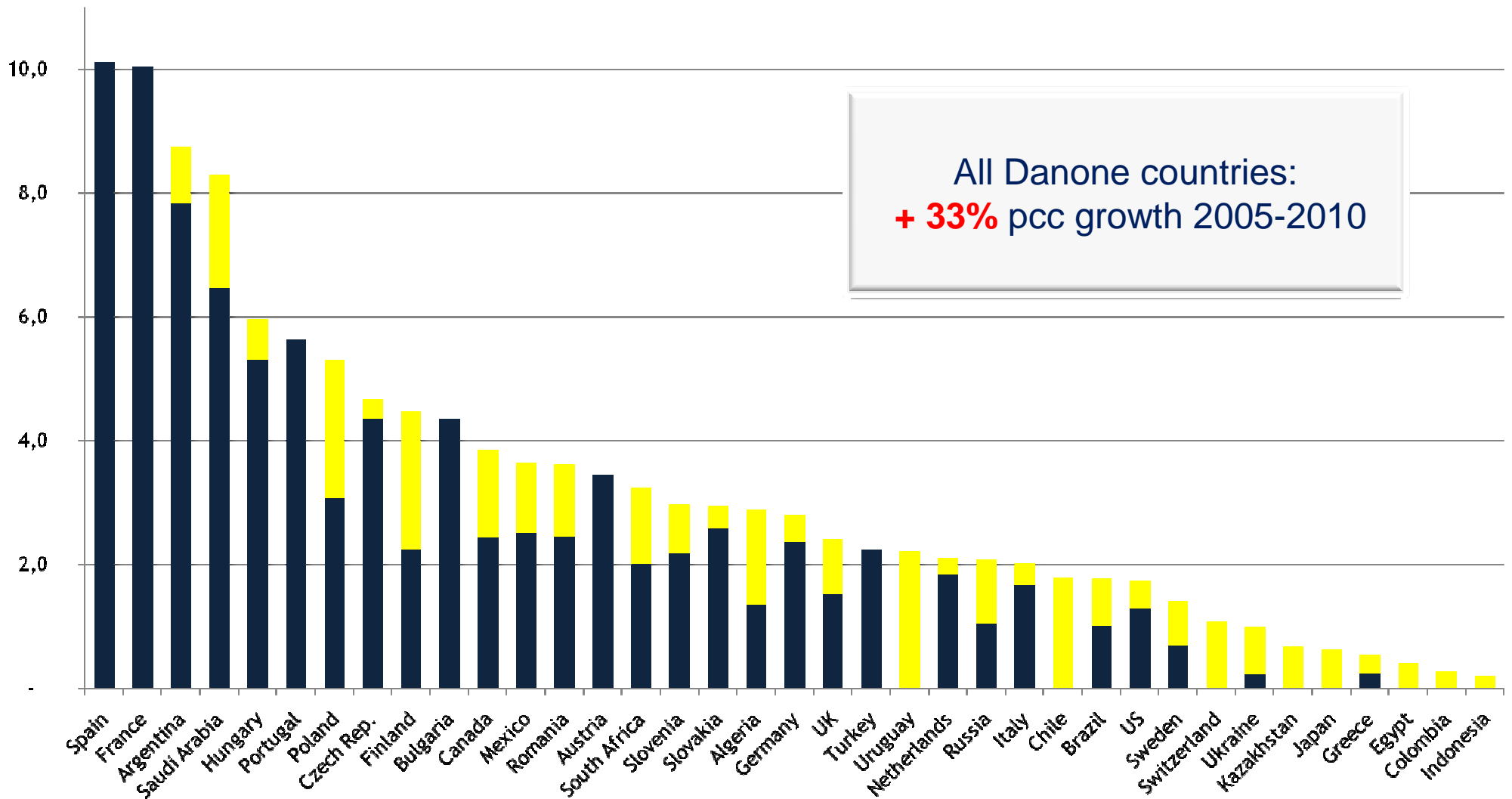
2011
launches :





Growing our categories and brands – FRESH DAIRY PRODUCTS

Danone Per Capita Consumption (kg/yr) & 2005-2010 increases





Growing our categories and brands – FRESH DAIRY PRODUCTS

Packaging



New channels



New benefits



New segments



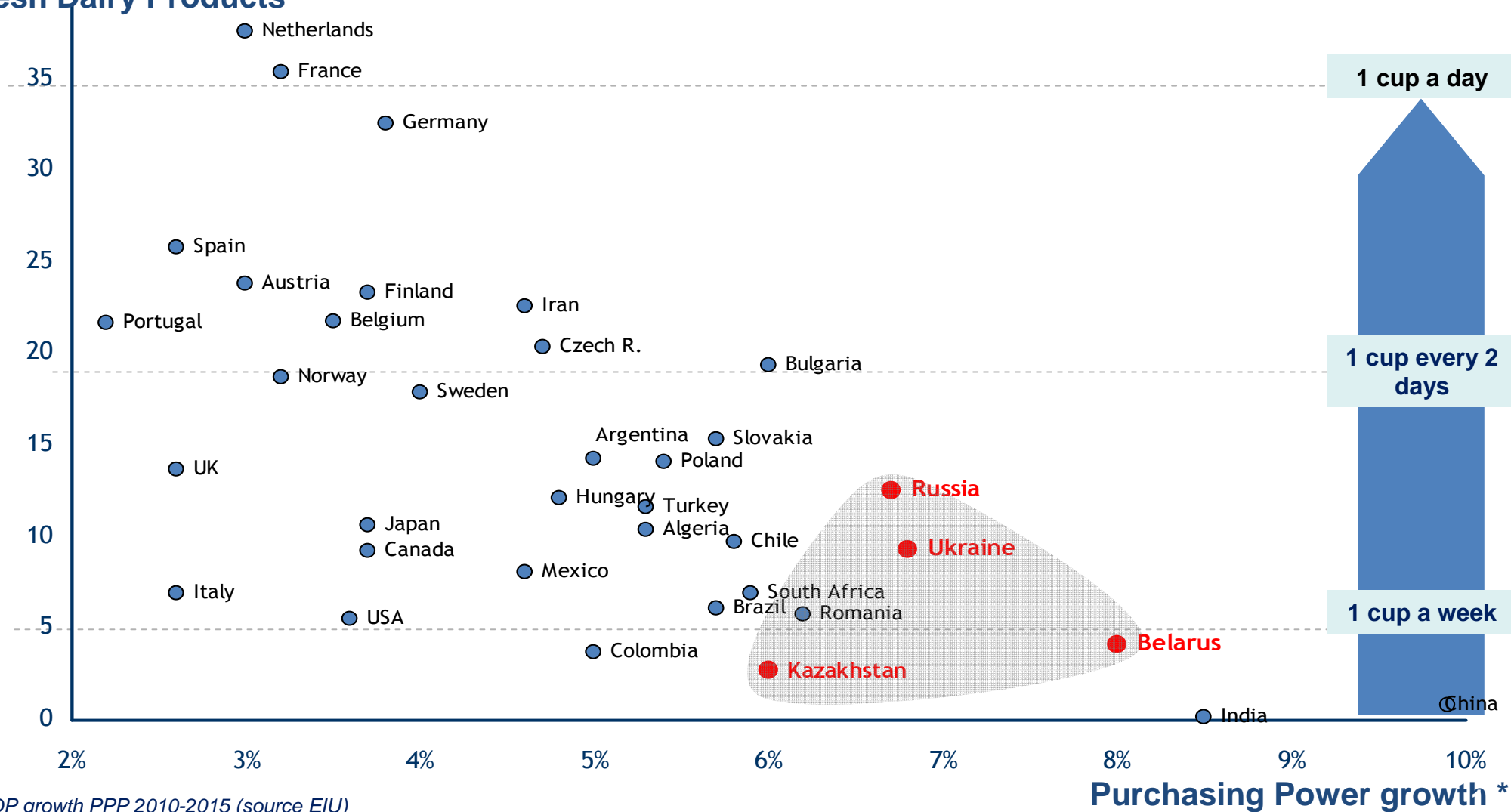
YOCREAM





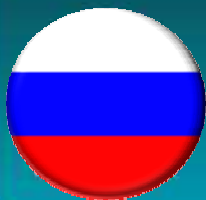
Fresh Dairy Products in Russia : major growth area in volume & value

Average consumption of Fresh Dairy Products



* GDP growth PPP 2010-2015 (source EIU)

Purchasing Power growth *



Danone-Unimilk integration creating a national leader



+



Portfolio

Focus on Premium and Health

Focus on traditional with reach to all SELs

Regions

Focused on "the West"

Focused on "the East"

Distribution

Modern retail and Direct RTM

Presence in traditional channels

Industrial & supply chain

Best-in-class practices

Large network





Danone-Unimilk integration creating a national leader

Phase 1. Collaboration

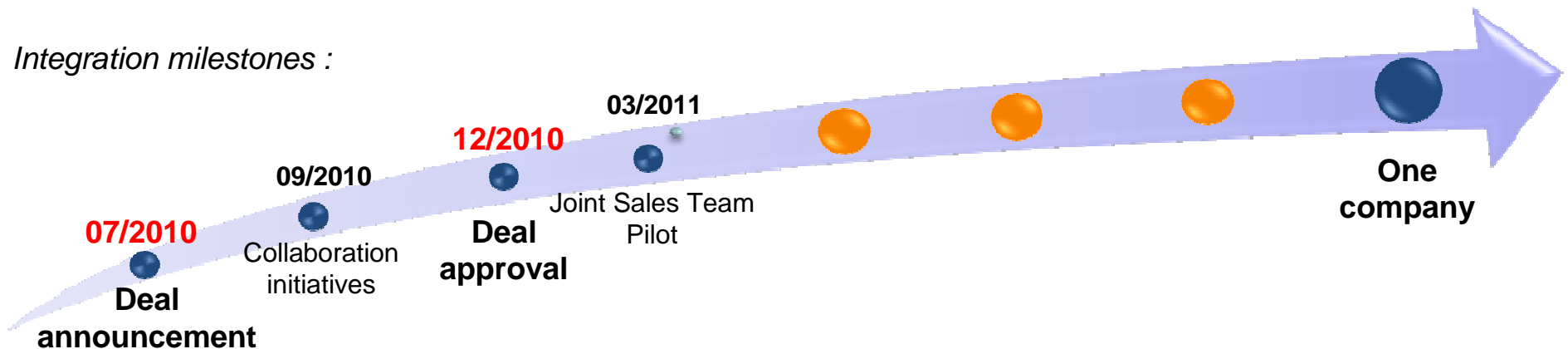
- 7 selected collaboration project in key business areas
- Identification of most potential areas of Danone and Unimilk best practices implementation



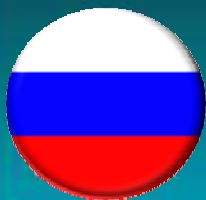
Phase 2. Integration

- Building organization with focus on:
 - Growth
 - Profitability
 - Sustainability
- Full scope integration

Integration milestones :



Building one company by 2012



Unimilk : focusing on mix & profitability improvement

Clear short term priorities

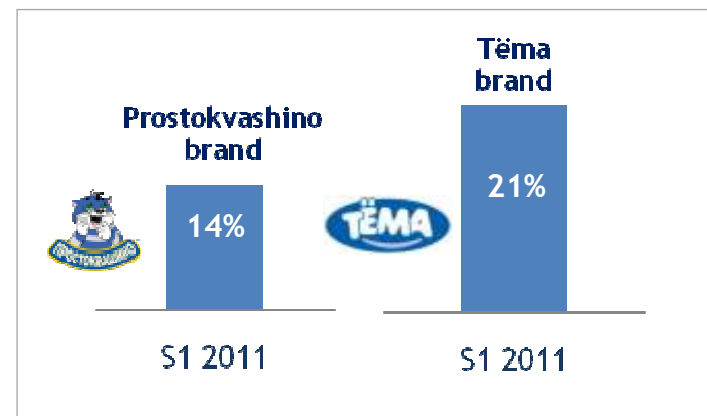
▶ FOCUS ON THE RIGHT KPIs

Segmenting the portfolio

PRODUCT MIX



S1 like-for-like sales growth

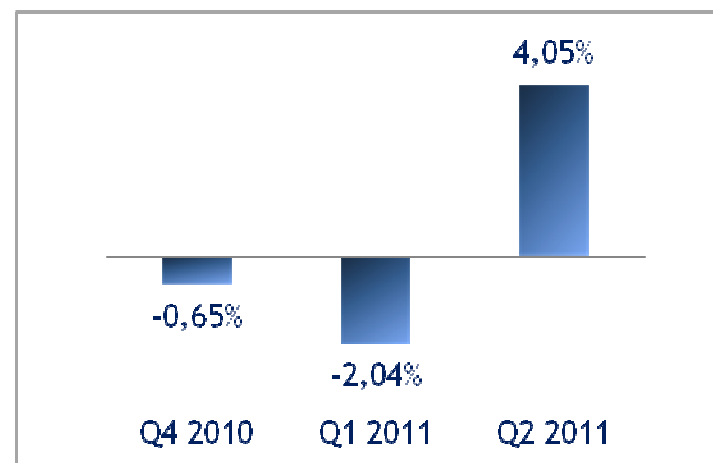


Drive efficiency to invest behind brands

GROSS MARGIN



Trading operating margin



Integration

SYNERGIES





Unimilk : focusing on mix & profitability improvement

Brand portfolio dynamics

| H1 2011 | Volume | | Sales | Price index |
|--|---------|-------------|-------------|-------------|
| | %Weight | %Growth | %Growth | |
|  Baby & Kids | 5% | +44% | +45% | 188 |
|  Modern brands | 54% | -4% | +11% | 104 |
|  Traditional & local brands | 40% | -15% | 0% | 82 |
| UNIMILK | 100% | -8% | +10% | 100 |

Portfolio simplification

Example of sku rationalization :



Portfolio optimization

Focus on Golden SKUs

example of Golden SKU :

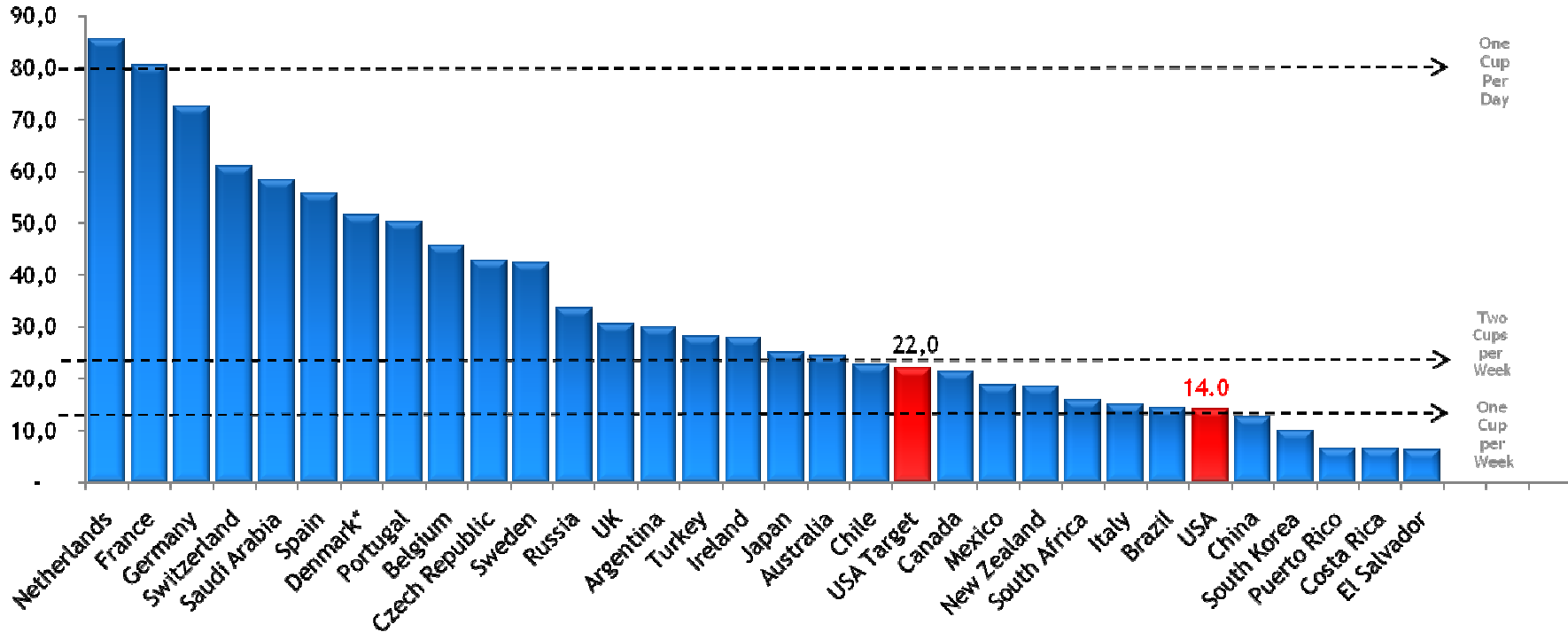




Fresh Dairy Products in US : Danone catching the opportunity

2010 PCC in LB

Potential : Doubling consumption



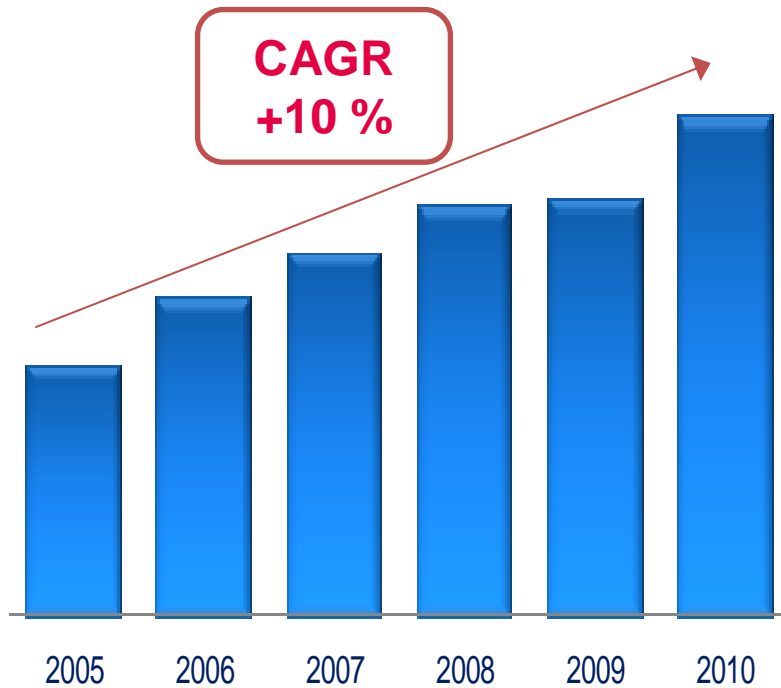
Almost 2/3's of all Yogurt Buyers only Buy the Category Once a Month or Less.



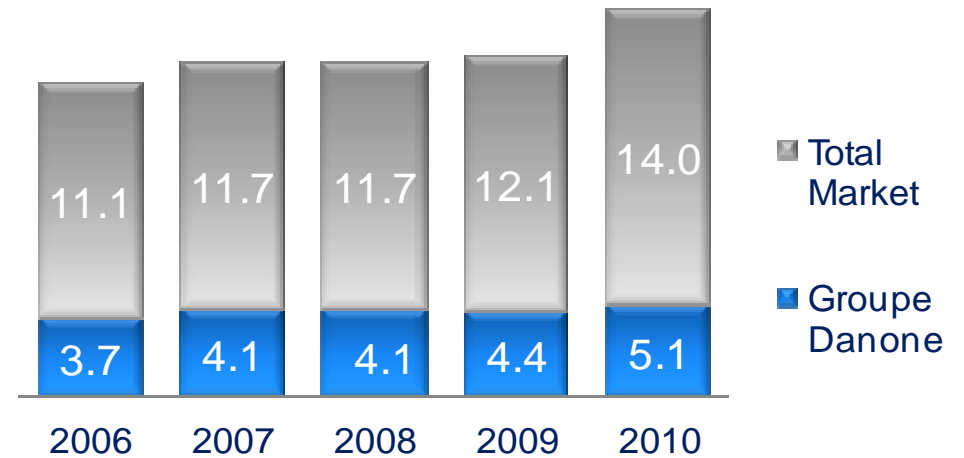


Danone performance in US

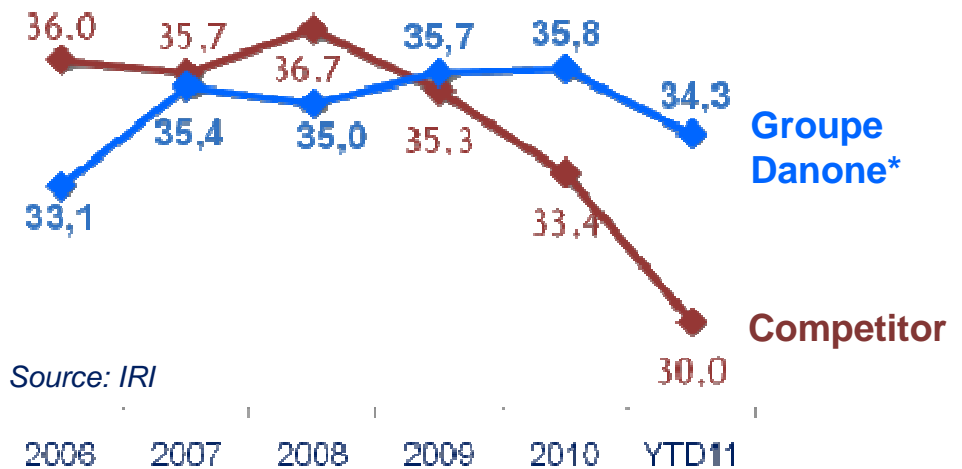
Sales – Danone Fresh Dairy Products*



Danone* contribution to PCC evolution



Danone* market share (value)



Source: IRI

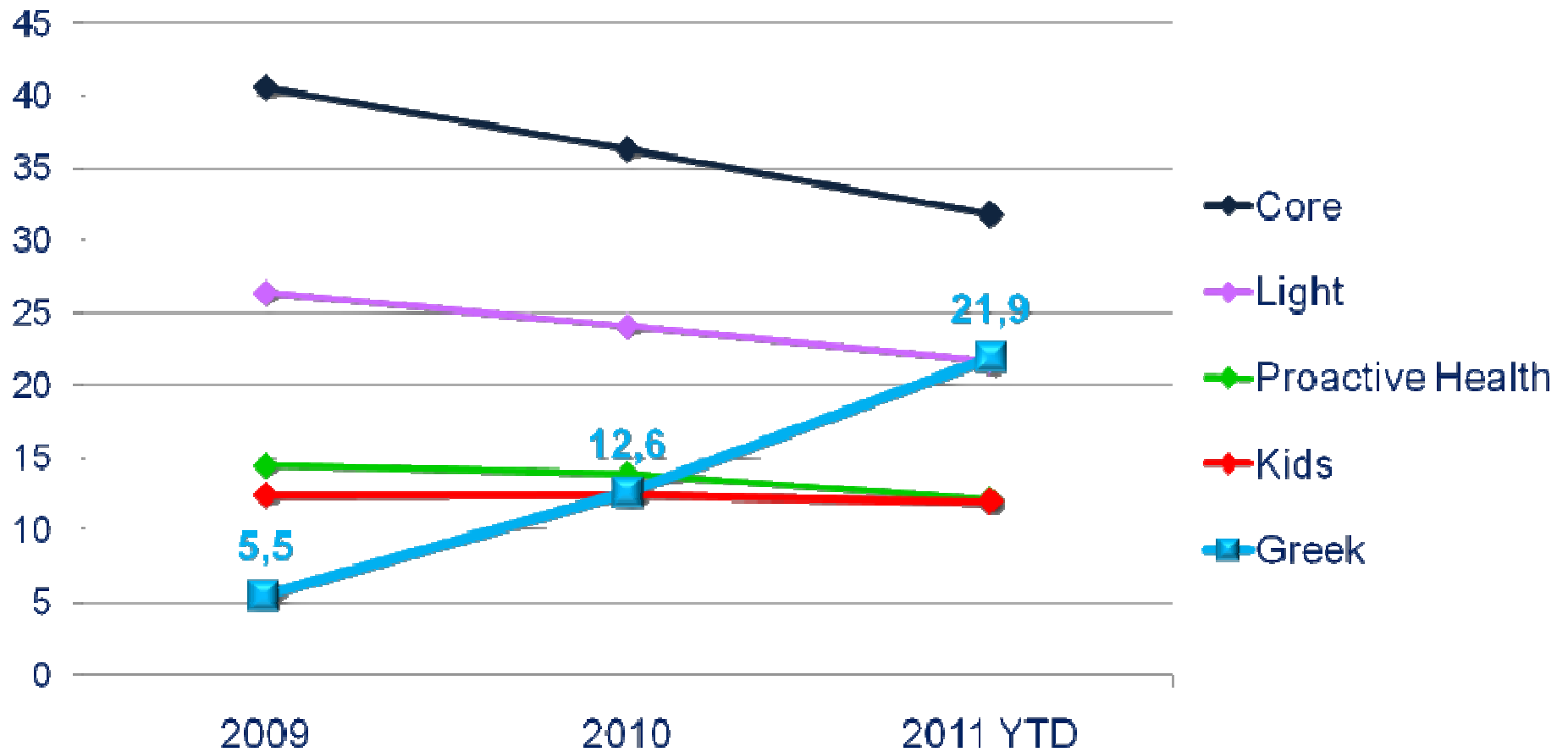
*Includes Danone US [Ex-Frusion & LaCreme] & Stonyfield





The Greek Phenomenon

US Fresh Dairy Products - Market Share by Segment





Danone's Greek relaunch – July 2011

Coming Soon!

The advertisement shows two tubs of Dannon Oikos Greek yogurt. The tub on the left is labeled 'DANNON GREEK BLUEBERRY Fruit on the Bottom'. The tub on the right is labeled 'DANNON OIKOS Fruit on the Bottom'. A spoon is shown scooping yogurt from the right tub, topped with blueberries. The background is a scenic view of a mountain range under a blue sky with clouds. A yellow banner in the top left corner says 'Coming Soon!'. Below the tubs, the text reads 'Dannon Greek becomes Dannon Oikos'. At the bottom, there is a small copyright notice: '©2011 The Danone Company, Inc. OIKOS is a registered trademark of Stonyfield Farm, Inc. used under license by The Danone Company, Inc.'





Activia innovations

New Tastes & Formats

GREEK STYLE



Thick and Creamy

PARFAIT



Crunchy and Creamy

FRENCH STYLE



Silky and Fruity



Fruit Bites on the Bottom

Entering new distribution channel

1oz Crunchy Granola



5oz Creamy Vanilla Yogurt



2oz Real Strawberries





Danone Model in Motion

A unique model

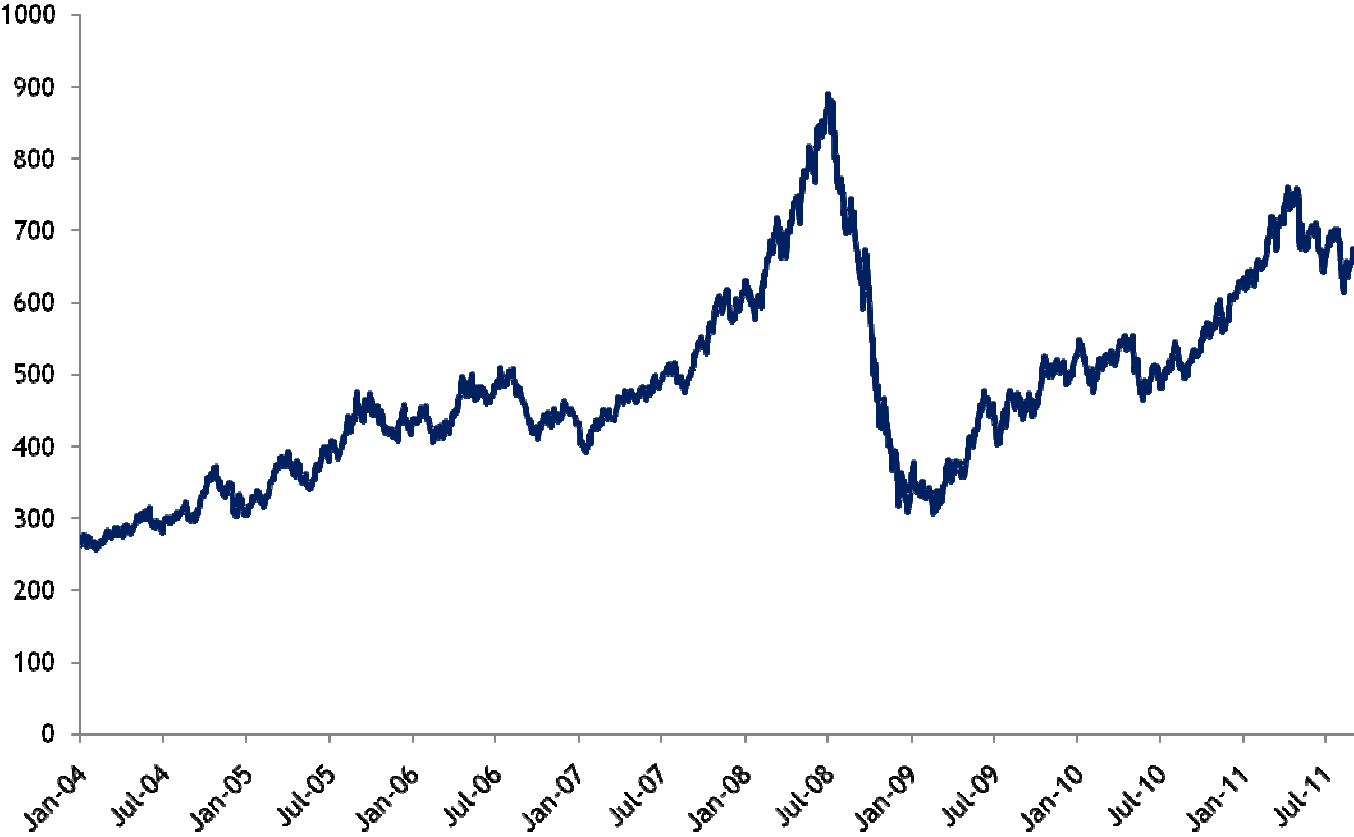
Growing our categories and brands

Productivities and cash efficiency



Input cost at high level and volatile

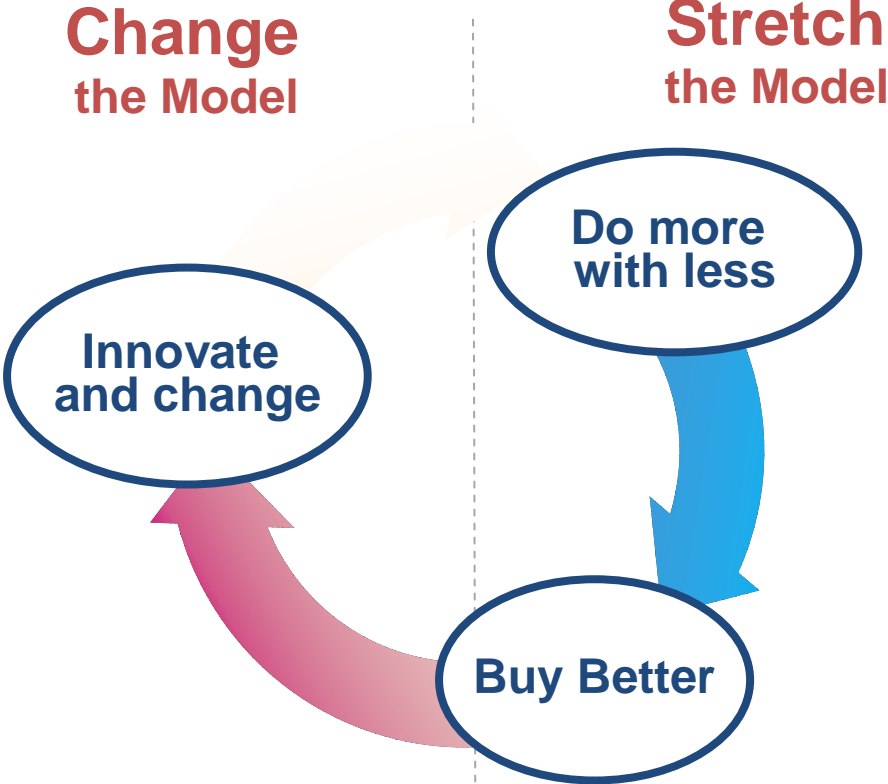
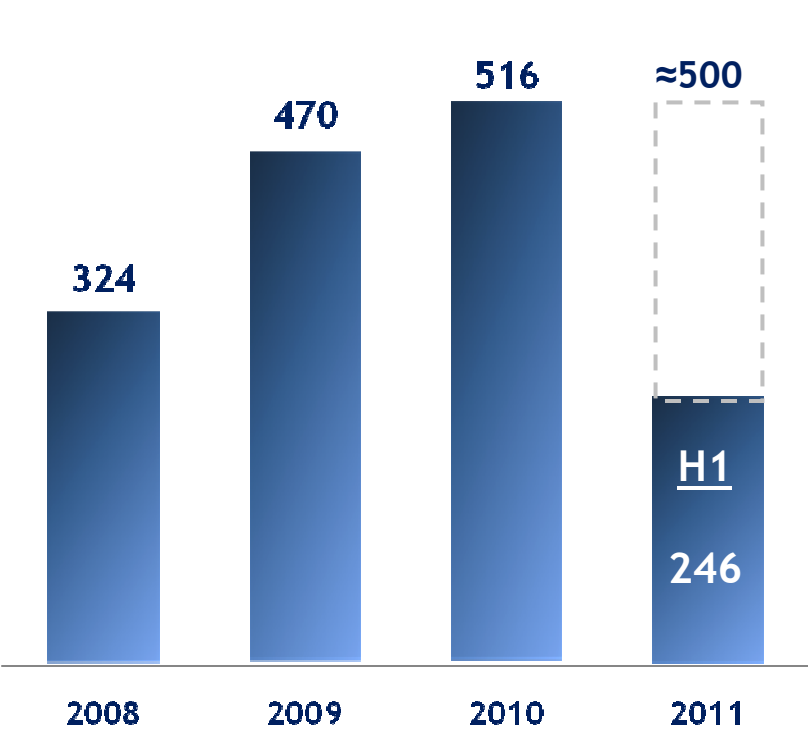
S&P GSCI Commodity Index





Strong productivities the first lever to manage input costs

Productivity⁽¹⁾ 2007-2011 (€ mln)



(1) Perimeter = COGS including logistic costs



Strong productivities the first lever to manage input costs

2011

Recipe - Danette 360° renovation

Saudi Arabia



Better product

- Product recipe score beat current (9.5) vs. (9.0) in consumer test

Cheaper recipe

- Business opportunities to fuel brand growth



Better nutrition

- Meet Nutritional requirements
- Fat and Energy reduction achieved
- No new ingredient excepted milk solids

Less CO2

- 17% CO₂
- 56 M litres of milk saved
- 21% water saving

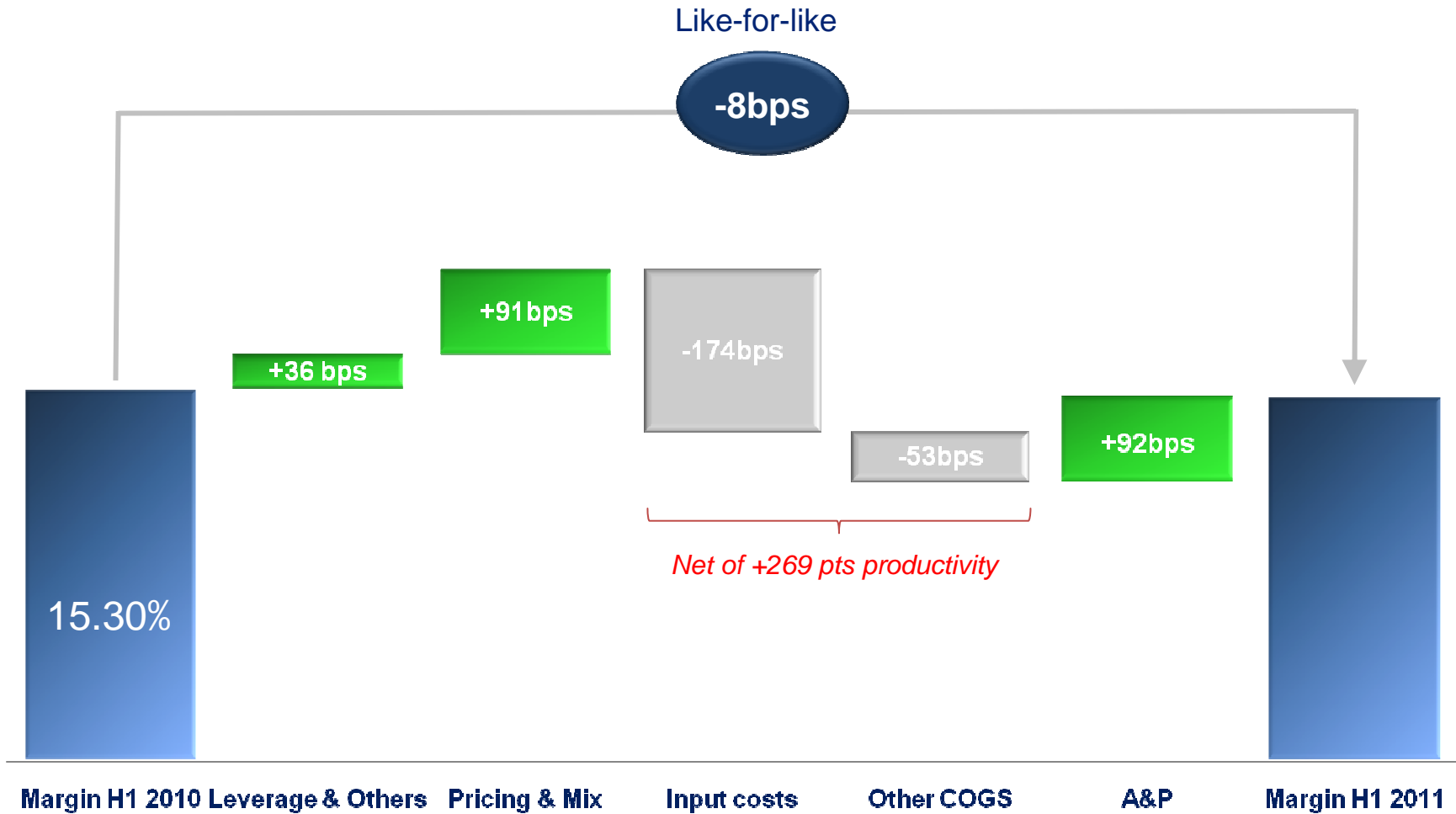


DANONE

Strong productivities the first lever to manage input costs

Danone stand-alone before Unimilk

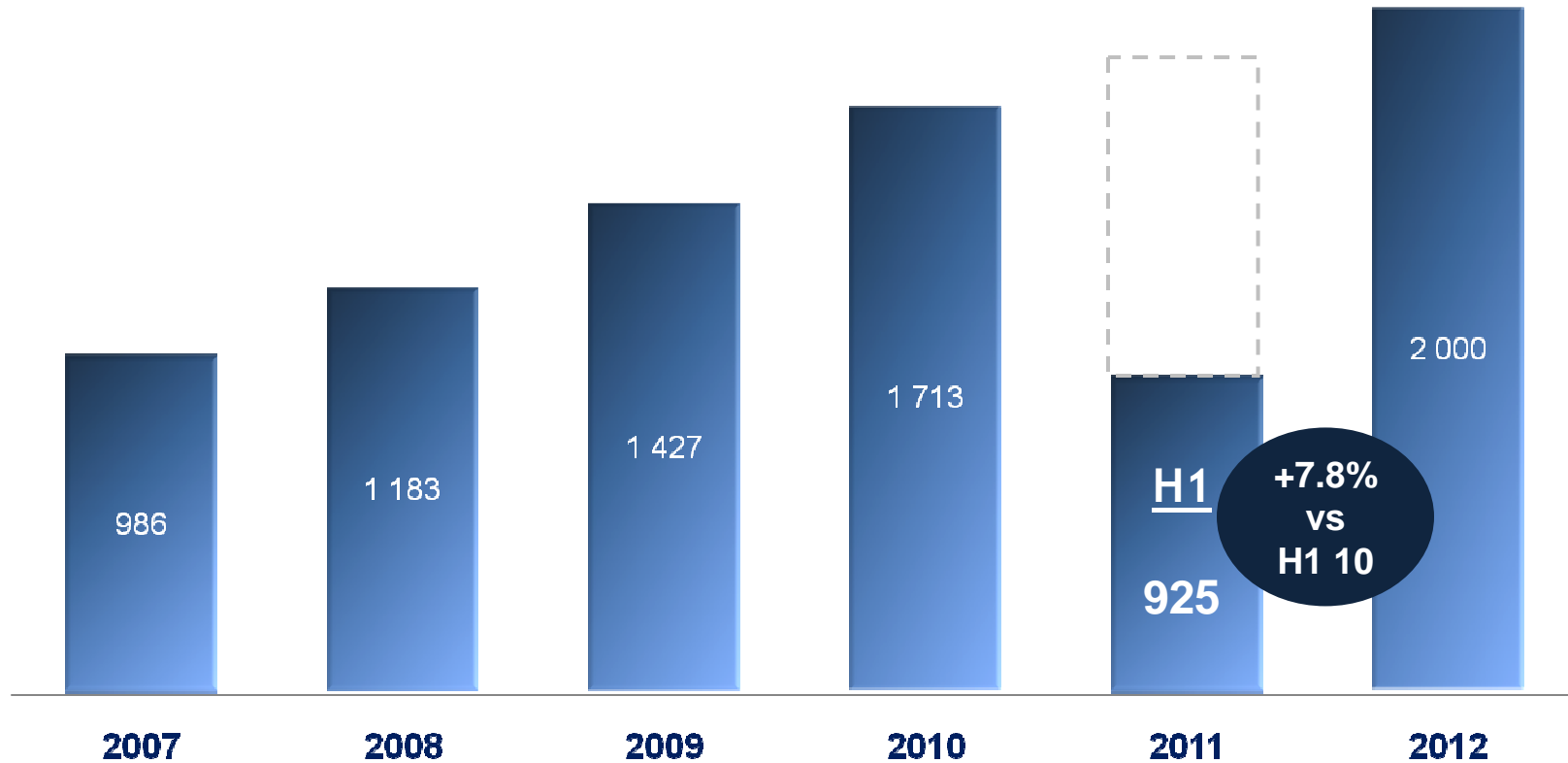
Trading operating margin growth





FCF: virtuous model and strong performance

Free-Cash-Flow⁽¹⁾



(1) Free cash flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees



DANONE

Looking forward with confidence



2011 target confirmed

| | H1 2011 | Objectives FY 2011 |
|-----------------------------|------------------------|--------------------------------|
| Sales growth ⁽¹⁾ | 8.7% | 6-8% |
| Trading operating margin | -23 bps ⁽¹⁾ | around +20 bps ⁽¹⁾ |
| FCF ⁽²⁾ | +8% | on track for € 2 bn in 2012 |

(1) Like-for-like : Based on constant scope of consolidation (including 12 months Unimilk) and constant exchange rates

(2) Free Cash Flow: Cash flow from operations less capital expenditure (net of disposals) and excluding business combinations fees