S1 Good morning everyone. Xavier, thank you for this detailed introduction.

I think we are more than involved in baby and other things; we are very committed by the way and I have about 30 minutes or what's left for the good news now that you've got the bad news this morning which is that Danone is a fantastic company and I hope that you'll stay longer than for CAGE with us because at least that's my objective for this morning.

Let me start by refreshing briefly you about the year 2011 for us which has been another year of very strong performance. Briefly like for like sales growth has been at the very top of the range that we had given you as a guidance for last year. Our margin has improved exactly on the target that we had set for ourselves and shared with you about a year ago and our free cash flow has risen about 9% which is well on the milestone for our roadmap to the two billion mark that we have as a target for this year. The sales has been broadly based growth with Dairy bumpy but still 4.6% growth like for like last year which in the overall environment and food environment is not so bad. Waters 15% growth, baby 10%, medical 9%. Looking at geographies as you can see huge growth from Asia and rest of the world. Europe struggling in our model but still there 2.2%.

I would like to use this opportunity to flag the fact that we should not, or at least we are not expecting much improvement in the European situation for 2012. We see no signs of this going into the Q1 of this year and certainly Southern Europe and a bit of Eastern and Central Europe remain an area of both concern and focus for us in terms of our ability to continue to grow our franchises there, with a continued macroeconomic scenario which is not particularly brilliant.

In this context I'm talking first of dairy; we have basically three different regions. One is Europe I just spoke about and we have been able to stabilise the situation there despite this context I've just described. We have experienced in Latin America, in Africa, Middle East, very strong growth for our dairy business and we still have lot of work in progress in Russia and the US which are two key geographies for you to look very closely at in 2012.

If I start with Russia, we are successfully integrating Unimilk. Actually most of the integration programme from an organisation standpoint is done now already and we are delivering against our targets where gradually you will see more growth coming from Russia in 2012, quarter after quarter. We have delivered on the margin contribution of the Unimilk in the merger with Danone Russia business and that we continue to contribute to the extension of our margin in 2012. A good sign for us and probably the best of all is the fact that the key brands at Unimilk have started to grow again with Prostokvashino the largest brand of the Unimilk portfolio, growing about 10% last year already. So poised for growth in 2012.

In the US, work in progress on the Greek opportunity. As we speak we already have 15% market share in this segment coming from nowhere apart from our organic brand. So catching up quickly as much as we can we are adding more capacity this year and there will be more capacity added at Danone in the middle of the year. We expect, continue to expect to own our fair share of that segment. Our total fresh dairy share of the US market is more than 30% as you know. So there is still room to grow for us there.

Waters, restored to growth, that's the least we can say with the stellar performance of our water businesses last year. I think the only thing you might want to keep in mind is what's on the right side of this chart which is that three quarters of our water business is coming from the emerging countries which account for more than two thirds of our volumes with margins which are higher than in developed countries. So we have a very favourable geographical and brand portfolio in our water business to continue growing.

One shot which I think has some weight in the discussion is about our involvement in the nutrition activities. We have been growing steadily since the acquisition of Numico in 2007 and this is a sum up of basically where we are. As you can see on this chart since the acquisition we have grown this company by 50%, five zero, in terms of sales in four years. We have improved the margin by 200 business points and we have doubled the free cash flow of the company. So, and of our global baby and medical nutrition businesses. In a nutshell I can say that we have been growing significantly faster than the overall category. We are gaining share against a variety of competitors whether this is against Nestlé in Indonesia, Mead Johnson in China, Heinz here in the UK, Hero in Turkey. That's been across the last five years. So this is clearly a business which we feel fits extremely nicely both into our business and financial strategy.

One global element of course of last year was about inflation. That's certainly the point on which Danone is not a unique company; we have faced as much, many of our competitors significant price inflation, input price inflation, which we have resisted and fought against through a very strong productivity programme. We had a €500,000,000 productivity programme target that we shared with you last year and we achieved 528,000,000 last year productivity, poised to probably do about the same this year again, and that allowed us in particular in dairy where we were very focused as you know on not pricing against too much our brands to continue to have a competitive advantage there and we've been able to absorb much of the price input inflation in dairy through these productivity programmes last year and over the last two years basically.

If I look at 2012 and beyond there are three elements that I would like to share with you. The first starts with: we are building our emerging market footprint. We have started this 15 years ago consistently and we continue to do that today. The extent to where we are now is more than half of our sales is in emerging countries as you see from this chart. You will see the difference in overall growth in these regions compared to basically Western Europe which is where our developed market footprint is mostly and we continue to believe that despite maybe some slowdown here and there is macro environment for the emerging countries we continue to think that there will be a significant GDP growth differential and we are here to take advantage of this and continue to build our category strongly in emerging countries.

Among emerging countries and adding to that number as you know as we do that for our MICRUB countries, that includes the US, three quarters of our rapid growth came from six large geographies which we can see are emerging as far as we're concerned and they accounted for 60% of the total growth of Danone last year and you should expect that to continue until the point where new, new geographies will gather speed and momentum into the overall size to complement the growth that we get from these six large countries.

We have been building in 2011 and these are only a few examples of things that we've been doing last year to continue to build that platform. You can see we started the distribution of our baby food business in China in another 80 new cities in China. We've been, as you know, building this unique Russian company in the fresh dairy business where we have a 40% market share which is 15 points above the number two company in that market. We launched Dobrowianka in Poland, Bonafont in Polish, the launch of Greek yoghurt as we already mentioned in the US and a number of other activities as you can see in East and Southern Asia as well as India, Egypt, Latin America; we're paving the way operationally to build a platform there.

Beyond that we're also looking at breakthrough models, breakthrough in operations, with very small scale mobile and low CAPEX intensity models to continue to build our platforms in those geographies. That's been true in fresh dairy with micro factories but it's also true in water for instance with some examples that we have in Mexico and a couple of other countries.

On the top right of this chart you can see a few examples of the roll out of the Grameen Danone social business that we started in Bangladesh five years ago. These products that you see here are from India. In India we started a micro factory, same models than are in Bangladesh, we just launched, it's a very low cost high efficiency, a very low, sorry a very high nutrition and very low priced product where we have been able to engineer lentil protein instead of milk which is much cheaper, has a big advantage of being more local as well. Working with our upstream ecosystem, farmers' co-operatives is also part of the way Danone is looking at building or rebuilding I would say a synchronised food chain. We are a food company and we believe food will remain very much a local business in the future. So we, more than any of our large competitors are thinking local, are thinking about encoring our businesses into the culture, the traditions, the communities of the countries in which we operate. Those communities and the relevance of our business starts with health and nutrition. As you know this is what we are passionate about.

I'd like to spend one minute on a specific proprietary tool that we've developed called Nutriplanet. This is a tool that goes for epistemologic studies, food habits in now more than 30 countries. It's an unparalleled tool which essentially allows you to do the following thing: when you are a government and you have a problem with the diet of your citizens you know that what you need to do is to move and to get an impact on the change of diet as much as possible whether this is vitamin intake, calories, whatever, with the minimum change in the diet. Our model allows to run linear regressions algorithms that allow you to basically redesign the diet with exactly those constraints – how can I get as much impact as possible without changing the diet, or limiting the change in the diet – and we've been using this with governments and authorities now, increasingly so and we'll come back to that probably one day with you, because that's very strong, that gives us a very strong base, to discuss about how we position our categories in the diet; and you have some examples here of the fresh dairy category for instance on the left and how we've been able to convince authorities of introducing more or pushing more yoghurt consumption at various moments on various targets as they address some nutritional important issues for those given countries.

On the other side of this chart you see also that it has meant for us that we had to move the needle on the contents of our own products and we've been taking fat and sugar away of a number of our products just to make sure that we run this consistently in order to be relevant for the next 10 or 15 years in the countries where we operate. A good example of how that impacts the per capita consumption would be Egypt where for instance four years ago we started with the Head of the Minister of Health, the launch of a kid yoghurt. The source of business of that yoghurt was the not healthy, very fatty snacks that kids would buy out of school and the result is as you can see that the kids' yoghurt has accounted for 50% of the total per capita consumption growth over the last three or four years in Egypt. So this is a very concrete example of how this Nutriplanet tool allows us to concretely work on developing the category and hopefully working on the health and nutritional status of our consumers.

Water, the same story and as you know we have been through that with you several times because in water we've started that five years ago to restore the category growth as it is today. One very interesting example is Indonesia where after three years of work with nutritionists, universities, clinical studies, governments, we've been able to introduce water and hydration as part of the food pyramid, the official food pyramid and not at a fancy place; it's actually as you can see on this chart at the very base of the pyramid you have hydration now a part of what the government is recommending to Indonesians.

Of course, when we turn to babies and specialist nutrition this issue of health and nutrition is even more important and I have put here a few facts just to, you know, make sure that you share the same vision as the one we share with government authorities, key opinion leaders, paediatricians; babies are just not young adults, they are people that need extremely specific nutrition. They have diets that need to be absolutely specific and they need seven times more iron than we do in this room, each of us, four times more calcium, three more times essential fatty acids for their nervous system. So it means that we have to build consistently the relevance of our categories and one example of what we did in 2011 is what we did in Turkey where the epistemologic studies showed that the average milk intake for babies after six months was only 300ml per day. The WHO recommendation is 500 minimum of breast milk and/or follow-on formulas if breast milk is not available. We have designed that study and pushed for the education of key opinion leaders and paediatricians so that in only a matter of 24 months the penetration of milk, of baby milk, increased by six points to about 50% now but only

50% in Turkey. So still a lot to be done but six points added to the penetration thanks to this tool and our own market share has grown by three points as well.

If I turn to medical nutrition and closer maybe to where we are in this room, very broad effort has been led by the EU on how to create a healthy aging strategy for Europeans, for you and me in this room in ten years from now. The aim of that initiative is to add two more healthy years to the average life expectancy of European citizens.

We are the only but we are the nutrition company part of this initiative and it's very important for us because one of, and for Europeans, because one of the critical factors of lost opportunity is falls. When you are 80, when you reach 80 hopefully in good health you have lost 50% of your muscle strength. As a result of that there is a huge risk that you just fail and frailty is by far the largest factor of autonomy loss for elderly people. The result is that we have a nutritional programme on working with stakeholders at EU to ensure that people get the appropriate nutrition in order to prevent that from happening and of course that's directly related to something you've heard us talk about which is the OTX self-prescribed test that we have in Austria where FortiFit which is our anti-sarcopenia, which is the frailty issue, anti-sarcopenia product is getting into pharmacy channels now. The test is very promising, 10% market share already in the pharmacy channel in Austria and ready to gradually roll out in other countries.

On the other side of this chart, I've also mentioned Souvenaid; because it's part of what we are working with the EU as you know we have now some clinical evidence that we have a formula that can have a significant positive impact on early Alzheimer patients which we are working on how to finalise this formula and work on a gradual launch in the next 18 months/two years in a selected number of countries.

All of this would not be possible without the third point I wanted to share and last with you this morning which is engaging our people. We're talking about health but we are also very concerned and focused on the health of our own employees and this is very serious. You can see on this chart on the top part of the chart two health related initiatives that we took last year. One is that a number of our 100,000 employees in the world don't even have proper social security cover. We have designed and provided now a proper coverage for nearly a third of our total employees in only a matter of 24 months. I'm mentioning this not because we are just an NGO or philanthropists, this is not the case. We believe this is an absolute critical point for people to be fully engaged at what they do at work. They don't have to worry for how their family is covered or not.

In the same vein we've signed a global agreement on working conditions and stress at work with the global union for food and agriculture, UITA based in Geneva, we have a partnership with them for 10 years, and the same thing: we believe that engaging our unions on a worldwide basis on these issues is part of how we are making the Danone people more engaged at delivering against a mission.

None of this would be, I think, absolutely efficient if we didn't also walk the talk. What I mean by walk the talk is what you have on the bottom left here side of this chart which is for the top 1,500 managers of Danone they are all incentivised including the three of us here on this stage and we are incentivised on a three third system. One third is economy, one third is social and one third is management. This is how we incentivise our managers.

This is how we walk the talk or when we say we believe that investing in people, in their health, in nutrition, in environment is important; and the result of this is that the last Danone people survey that we made, we have a two year survey every two years, shows an 85% Danone, Danoner's engagement, 80,000 people have actually answered that survey which is a world record in our industry. I can tell you that this 85% number is vastly above whatever, wherever you're working in this room what we find. I can tell you it's well above the, even the best in class or the rest of the FMCG sector and it is close to what people like Apple and others would get from their employees.

This is how we are running the Danone mission every day and maybe the last chart; I'm not fascinated by this chart but I've been told you would be interested, is that we continue to progress in the DJSI sustainability index which we've now reached the best in class last year on this thanks to a number of the initiatives I've spoken about and many other that I won't have time to share with you today. I think that for a company that doesn't have 50 people employed in each CSR department it's not so bad and by the way, we have suppressed the CSR department four years ago because I want and we want everybody at Danone to be responsible for its own CSR so there is no excuse not to do the full mission if you are at Danone. I hope that I've been able to share a bit of our enthusiasm about what we build every day.

If I come back just one step shorter term we are happy to confirm, I'm happy to share with you that we are fully confident in our ability that everything that I describe for the medium and long term before will deliver and continue to deliver in 2012 with an organic sales growth of 5 to 7%, a flat margin that we have decided that we will manage flat because we want to continue to invest in the future that I just described and we will be there, we are two billion target cash flow. Thank you very much.

S2 Emmanuel said that he would take the questions so ask the questions whenever you want and don't be shy.

S1 So any questions?

S3 Can we have the mike? Can we have the mike yes?

Q1 Good morning, thank you for this long term presentation and the long term vision you have on Danone but if I may, I would like to, to come back on the more short term/medium term view. In comparison with what you said one month ago in term of guidance have you signs concerning US and Russia or otherwise on the dairy business in Europe to be as cautious as it was one month ago or more positive or more cautious? Could you elaborate on that please?

S1 Yes, well I think that we, there is no change. I'm not going to make any current trading statement but in a sense what we see in the markets in Western Europe and in particular in Southern Europe continues to be of concern, not more, not less but continues to be of concern to us and I think to many people around us, you know, Spain is a significant market for us, continues to be lukewarm. We've been negative recently in all our four categories in Spain. We see this as a real macro issue with Spain. Portugal is not easy. Italy is not easy either. France is holding very much in the vein of last year but none of what I'm sharing is different from what was shared with you a month ago and we, this is built in our current model.

What we have not built in the model that I, or the slide that I finished with which is our 2012 guidance is, you know, a complete disaster scenario on the Euro zone. That's not part of our guidance but we are in the passing band right now and the current issues in Western Europe are part of our scenario. Probably not dragging it into the higher side of the scenario but that's where we are and we still remain absolutely confident in our ability to deliver.

Turning to Russia and the US, I can't say much more than we have now 15% market share coming from a much, much lower share even a few months ago in the, the Greek segment. As I said again we won't have more industrial capacities before the middle of the year so it's gradually growing but I think H2 will be significantly different from H1 although H1 will already show good progress and the strength of our product and our brand is demonstrated every day. We are selling as much as we can produce basically at this point in time. In Russia as I said we expect Russia this year to deliver both in terms of top line and margin expansion well into the plan of, you remember a 400-500 basis point improvement in the midterm. If I go to shorter term it means the margin expansion in Russia should be more than 100 business points this year. So, you know, things are moving in the right direction as well and according to plan.

Q2 Can you tell me what's your thoughts about the baby nutrition market in China and how it is structured, pricing and so on, and tell us what your favorite geographical concerns would be for this business ?

S1 Baby nutrition?

Q2 If you are, if you are, yes, infant nutrition if you were to, if you were to expand that net of anything.

S1 Well I think our priorities for baby nutrition wouldn't change from what was dictated through our Numico acquisition. We think milk is definitely the priority in terms of category with growing up milk as part of the overall baby food portfolio. Next would be cereals and third would be the weaning food per se in terms of priorities of expansion. That's where the margin, that's where the growth is mostly.

Second, definitely emerging countries. That's where we're based already more than half of our sales in baby food is, are in emerging countries and we want to expand that. We are already strong in Asia and Asia basically we will continue to be an area where we focus significantly. You were mentioning China, we are in a, you know, we are in a situation where Indonesia for us is as important as China for instance and it's important that we continue to grow on a broad base of geographies. We don't want to become dependent on or too much dependent on one or two geographies. The second area is Africa/Middle East. We do have already a good presence in the western part of Africa, still more can be done in the eastern English speaking African and Middle East as well and third we are only starting to scratch the surface in Latin America. So that's also a geography in which we'd like to expand.

Q3 Thank you. Throughout the course of the conference we've heard several companies talk about, you know, this new reality in Western Europe where growth is constrained and obviously you're dealing with some of the same things and having to make some hard decisions on margins in the near term and several years ago you stepped up your productivity programme because frankly growth slowed. Do you think about your fixed overhead or your overhead base in Western Europe and is there an opportunity over time to address it even further if there is a structurally slower outlook and frankly the effect of deleveraging already running through some of your markets? Thank you.

S1 I don't say there is no opportunity but we are not a company that says everything goes well and one day we fire 5,000 or 10,000 or 8,300 people. So we are doing this on a day by day basis. We cannot get the engagement of all these people without making sure they have a job for the mid/long term and the toughest decision we're making is to hire people not to fire them. Obviously when there are downturns we have to live with situations which hopefully we hope will be transitory.

However we have an ongoing reorganisation productivity – including overheads, organisations, staff – which is embedded in the numbers that we share with you every year and that continues to be the case. Could that be upgraded for a couple of years because of this European situation? If it goes for a disaster, from a macro standpoint, yes quite likely. Again that's not our base scenario. In the base scenario there may be a slight inflation of restructuring, ongoing restructuring costs as part of this effort but, you know, Danone has only 450 people at our global headquarter. They are working hard and travel a lot. I don't think we have, you know, any sort of hefty safety cushion or whatever that we could say if things turn for the worse we can slash X% of our workforce.

Q4 You had an outstanding performance in water last year in terms of growth. What would you say for the next couple of years would be more a stable growth in this category?

S1 Well we had a conjunction of many factors obviously last year. Some of them may be or will continue, some others maybe not. If I leave aside things like Japan and the Fukushima aftermath, if I leave aside the weather issues, plus or minuses, I think there are a few solid reasons behind the growth of our water business. One is definitely its geographies and therefore we expect volumes to be resilient, not the kind of volume growth we had, maybe half of that for the future; and the question will be how does the mix play between the fact that aqua drinks should continue to expand as part of our global portfolio and therefore bringing a lot of positive mix but on the other side the fact that we're growing significantly faster in emerging countries is bringing a negative mix impact; not on the margin but on sales.

Overall, I think we could live well with 6 to 8% top line growth midterm for our water business which if I may just recap, if we have today a 5% top line growth midterm objective, last year we had 6 to 8, this year 5 to7, don't know yet what next year will be but in essence to drive a 6 to 8 or a 5 to 7% top line what we need is basically dairy around 5 or anywhere 4 to 6 but let's say 5, we need water beyond 5 and we need baby and medical nutrition to continue to deliver beyond the sort of 8% where they are delivering today. So that's where we are today and we feel comfortable with each of the individual assumptions that I've just mentioned to build our top line.

Q5 I have two questions on China if I may?

S1 Can you speak louder please?

Q5 Two questions on China. So first, have you seen any increase in the competitiveness of the baby food market, so more aggresivity from the Chinese player; and second on Mead Johnson, and we know that they've been focusing on the super premium segment and I think you might have lost some shares. What is your strategy there?

S1 Okay, we, there is no significant change in the competition from Chinese players. Unfortunately there have been another scandal which has arisen at the very back end of last year, after the melamine crisis of a couple of years ago which has again undermined the credibility of the Chinese brands as a whole or even though, that wasn't an industry issue but one of the players issue but it was a well known brand.

There is no sign that the Chinese models are shifting in any particular direction towards more Chinese brands. Personally I think that in the long term there has to be a more Chinese-anchored player in the Chinese industry for baby food because it is such a strategic issue that Chinese babies get appropriate nutrition that the government will make sure that, there is one way or the other a more Chinese coloured I would say, tainted manufacturer in place.

That, we don't see a concrete sign of local people being able to be one of these players today. In terms of Mead Johnson they've been indeed quite aggressive commercially, not only in China but in some others, some other Asian countries. They have recently gained share but we did gain share as well in the total premium and super premium segments. So one of the reasons we lost a bit of share not last year but the year before in the total business is that compared to other international competitors we also have a larger standard product range because we believe long term that to expand the per capita consumption of baby food we need to have a lower priced offer and we have developed that already three/four years ago which is different from most of or all of the international competitors and as you rightly say that part of the market is not developing as fast as the premium and super premium. So for the time being that drags our ability to grow as fast as the rest of the industry so we catch up with market share gains. So overall Mead Johnson is, you know, a respected and respectable competitor to us but no big change.

S2 And that will be the last one.

Q6 Two questions if I may? One, can you give us an update on where we are in terms of raw materials, milk and PET and if we perhaps could see some relief in back half if current trends persist or if oil is going to drag things higher and put further pressure on margins; and secondly you have a target of two billion in free cash flow. If generated, that should probably take you below your target net debt ratio. Can you remind us of your preferred uses of cash? Could we see more dividend? Is there a buy back or is it going to go into growth CAPEX or deals? Thank you.

S1 Okay, so on the first question we are at the stage where we see more or less stable market prices for input meaning that they've grown till H2 and they are now at the same level overall which means that we should have less input price inflation this year. Last year was about 10%, should be mid single digit this year, skewed towards H1 if our assumptions are right which means that we still have lot of headwinds in H1 as far as this is concerned.

Category by category probably the ones on which we've been, we're still facing issues is PET; huge 30% increase last year, some hedging but now we still are facing significant headwind on PET, sugar and a couple of other ingredients are also still significantly higher than a year ago for us today. In terms of milk which is our biggest input overall, we are going to have inflation on the first half of the year. We expect that we should be neutral at least on the second half of the year. That's our current overall expectation which means that there won't be price increases either this year compared to what happened last year. Most of the price increases that were needed were passed last year. We don't expect much from price increases overall for us.

In terms of our cash use, I think things will not change in the sense that we continue to see the reinvestment in the growth of Danone as being the first use of the cash flow we generate. We are committed to our A minus rating and we are using share buy backs as an adjustment balancing element to optimise with this in mind our overall financial structure. In terms of dividends the payout rate is 48% in the proposed dividend for the profit of 2011 to the next AGM next month which is very similar to what we offered since a couple of years and which overall for us is a good reflection of how we want to balance our overall financial strategy.

S3 Thank you.

S4 Sorry, thank you Emmanuel, thank you Pierre-André, thank you Antoine. We move on to the break out session for an extra 15 minutes of questions if you want. Thank you.