



**DANONE**

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**Sanford Bernstein Conference**

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**AB**  
SANFORD C. BERNSTEIN LIMITED

# 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](http://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

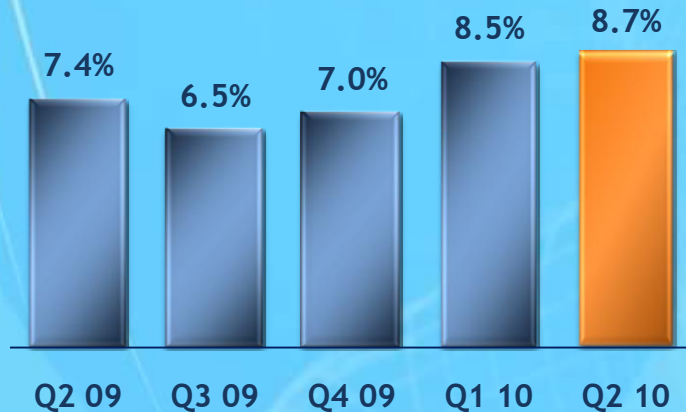
## Fresh Dairy Products



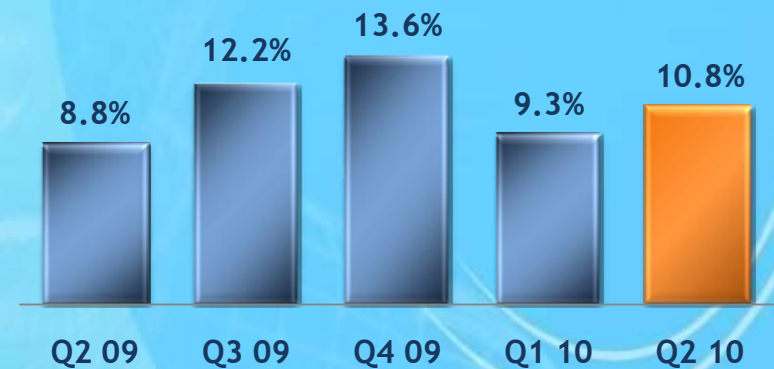
## Waters



## Baby Nutrition



## Medical Nutrition



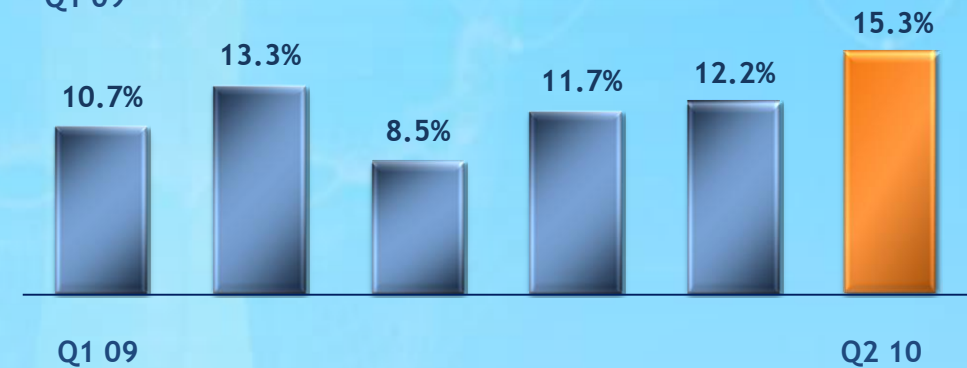
# Growth momentum across ALL our geographies

Like-for-like sales growth

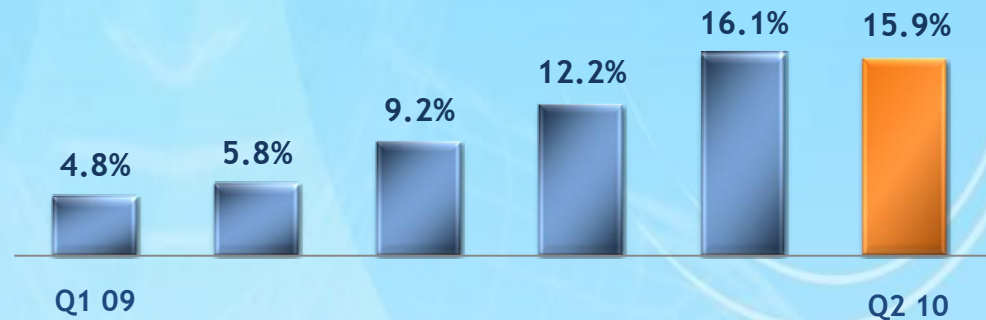
Europe



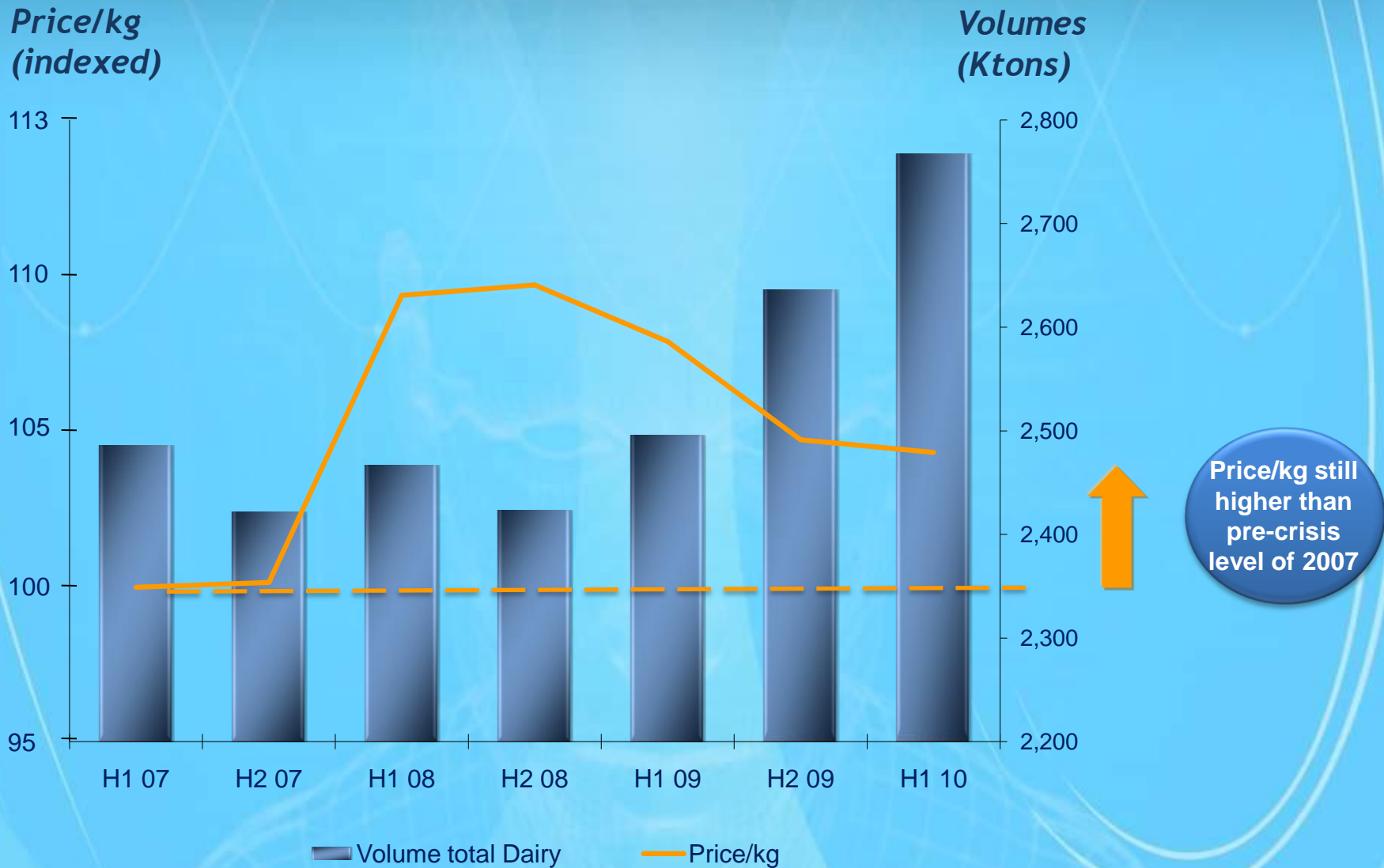
Asia



Rest of the world

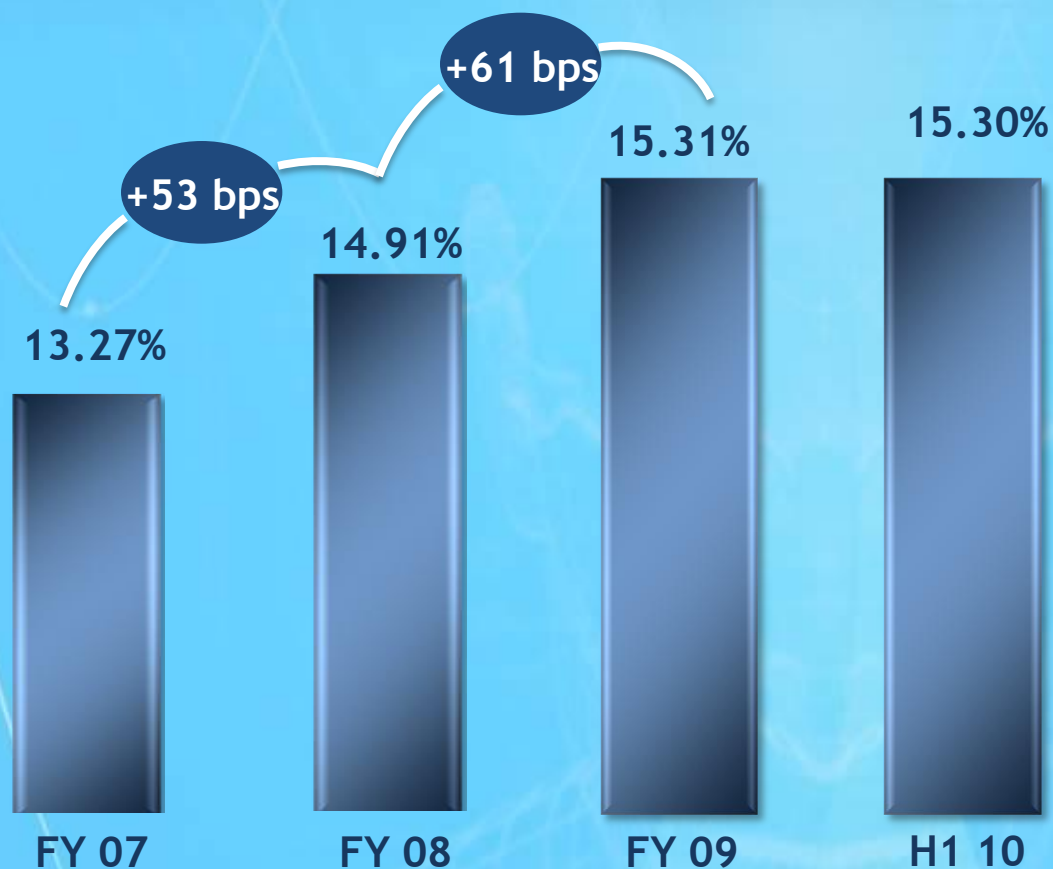


# Dairy : volume and pricing show business resilience



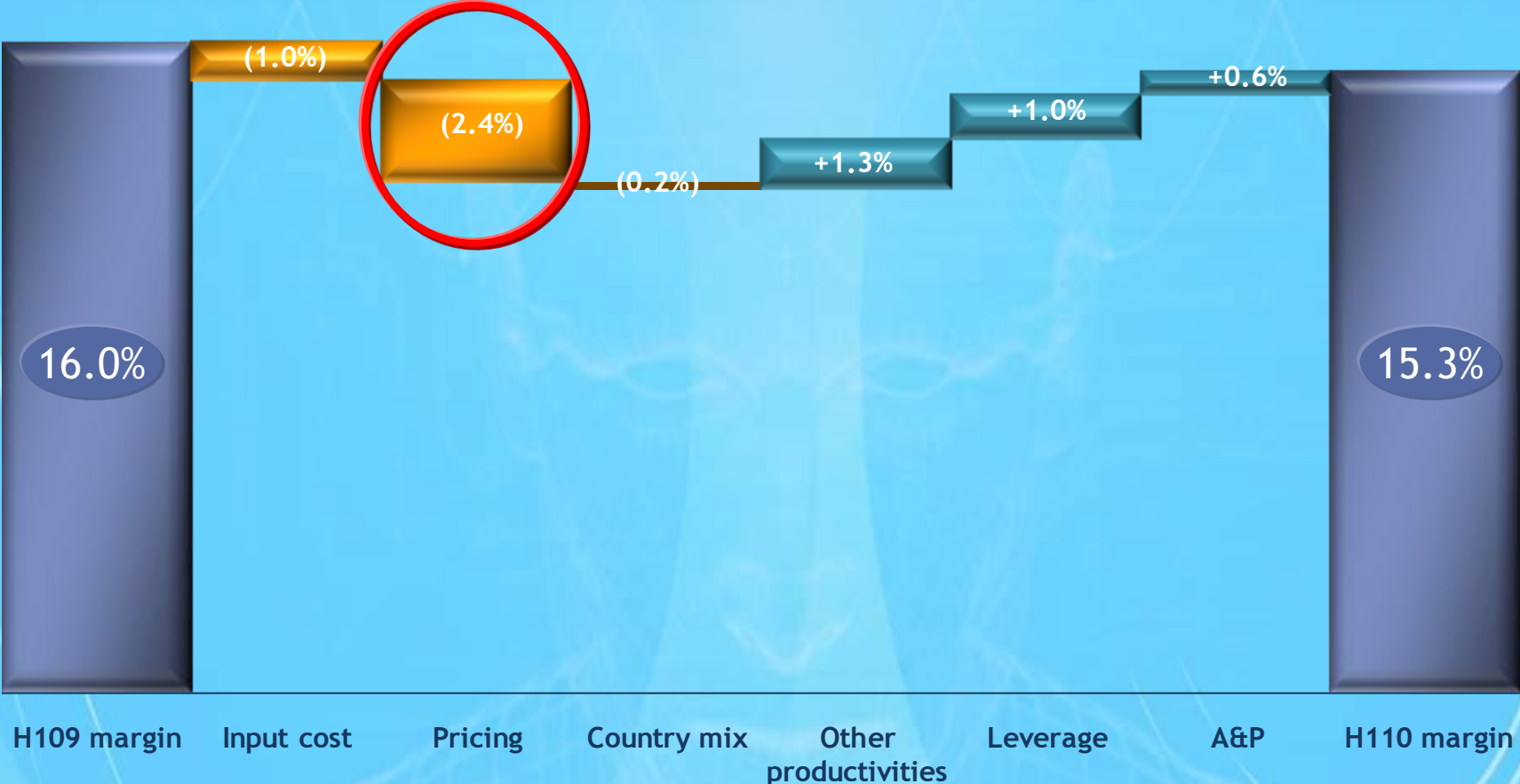
# Strong margin uplift over the same period

*Reported margins and like-for-like growth*



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

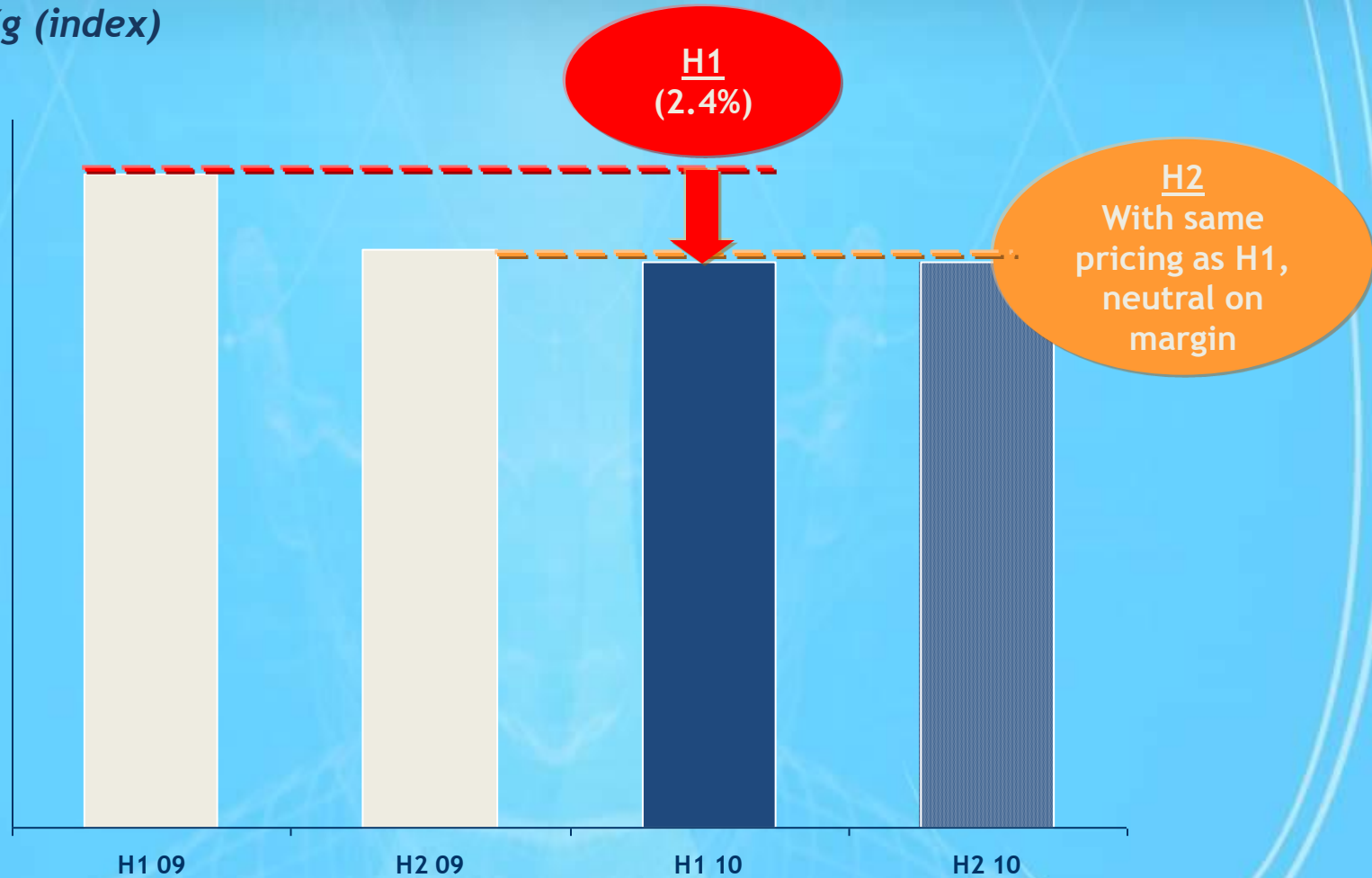
# H1 margins evolution driven by pricing and cost





# Pricing H2 essentially a factor of comparison

Price / Kg (index)

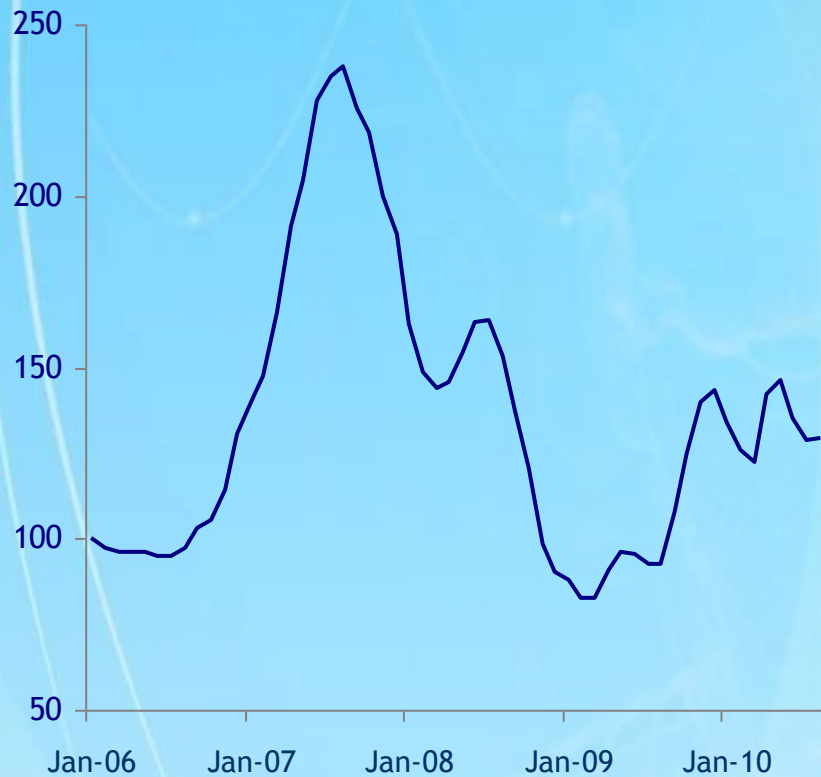


# Pricing comps to drive positive margin dynamics in H2

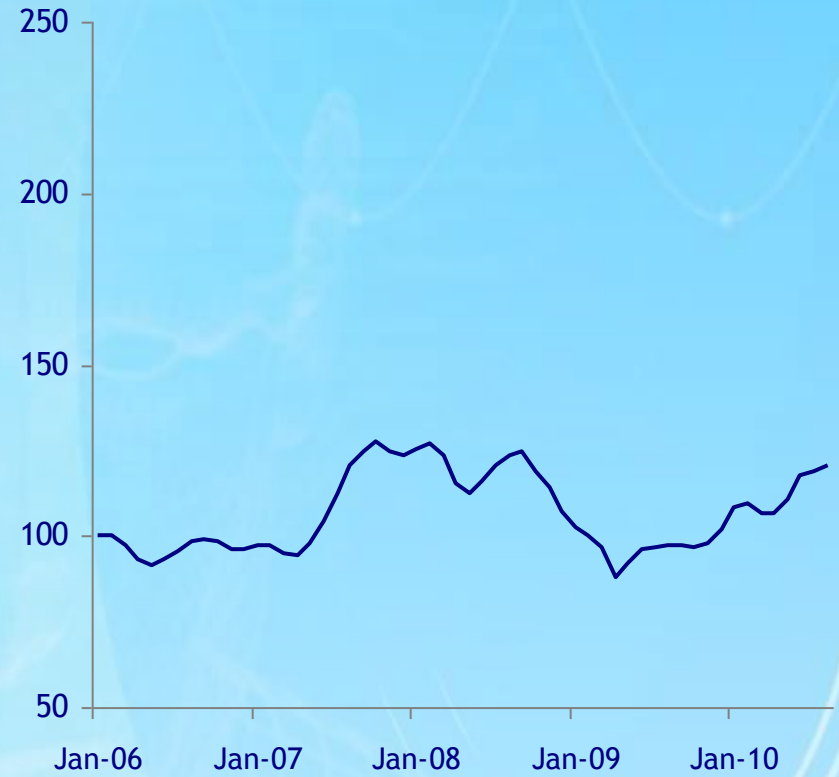
H1 2010		H2 2010
Pricing	- 2,4	Comps → positive
Input cost	- 1,0	Higher headwinds
Country mix	- 0,2	Similar trend
Productivity	+ 1,3	Similar trend
A&P	+ 0,6	In line with 2009
Leverage	+ 1,0	Positive
<b>TOTAL</b>	<b>-0,7</b>	<b>POSITIVE</b>

# 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

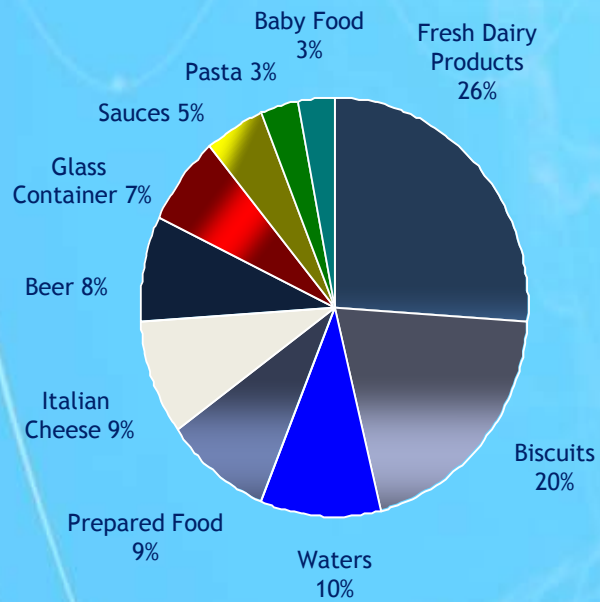
	H1 2010	FY 2010
Sales growth <sup>1</sup>	7% ✓	> 6%
EBIT margin <sup>1</sup>	15.30% ✓	Stable
Free cash flow	+35% ✓	> + 10%

<sup>1</sup> Based on constant scope of consolidation and constant exchange rates

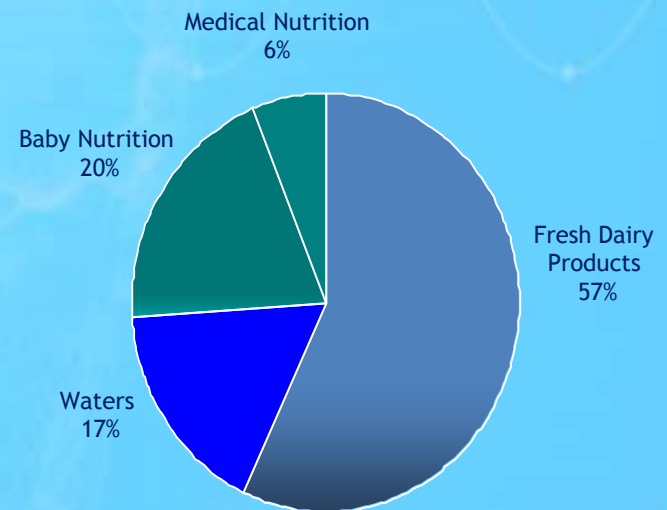
**Focusing on... our new frontiers**

# 1996 - 2009: reshaping the group businesses

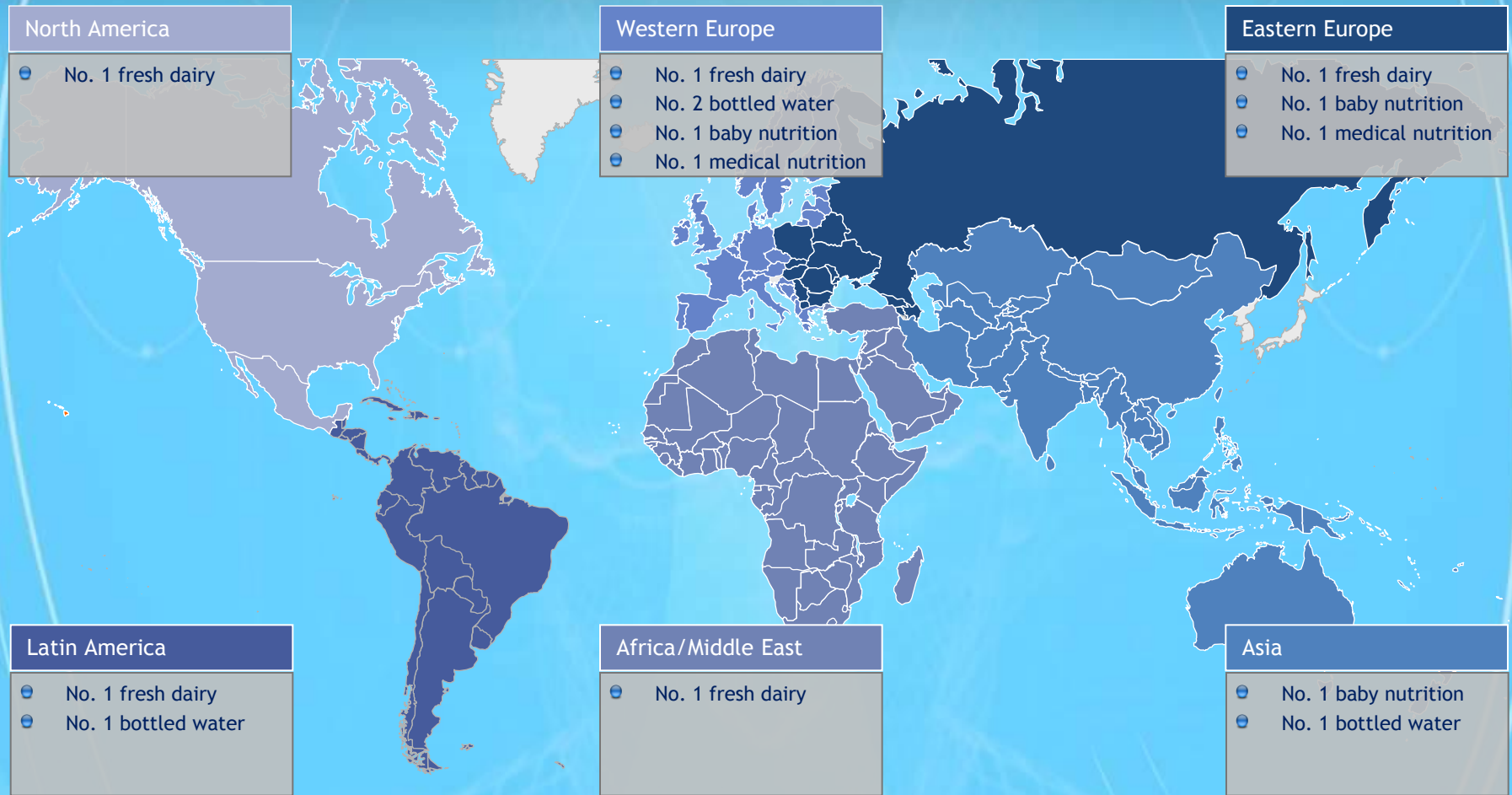
*Sales breakdown in 1996*



*Sales breakdown in 2009*



# ...creating a high quality platform

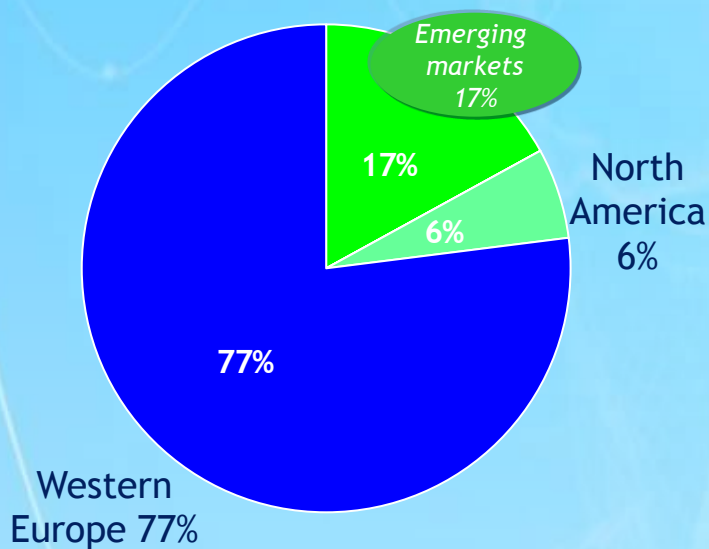


To bring health through food to the largest number of people

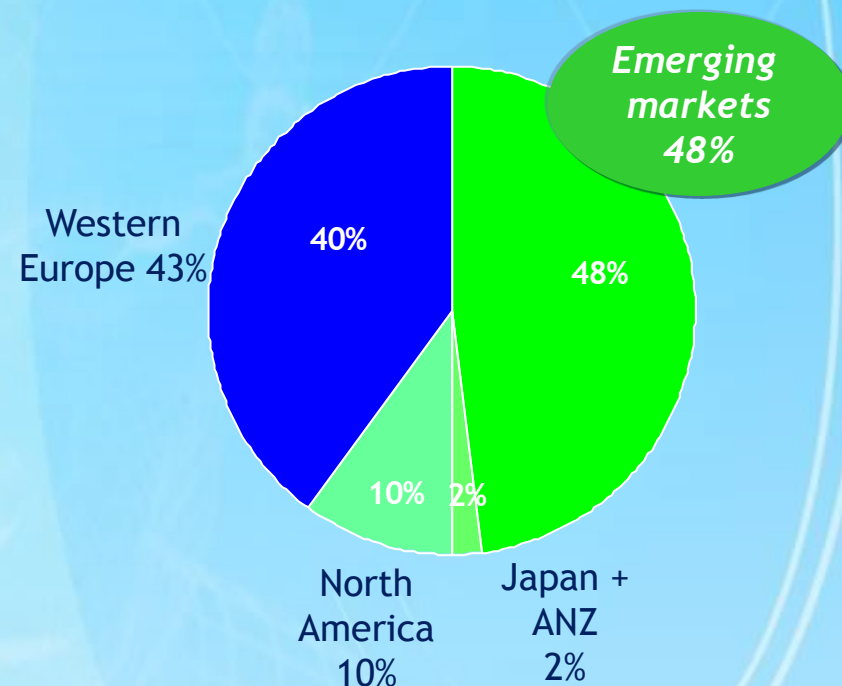


# 1996-2010 : reshaping the Group presence

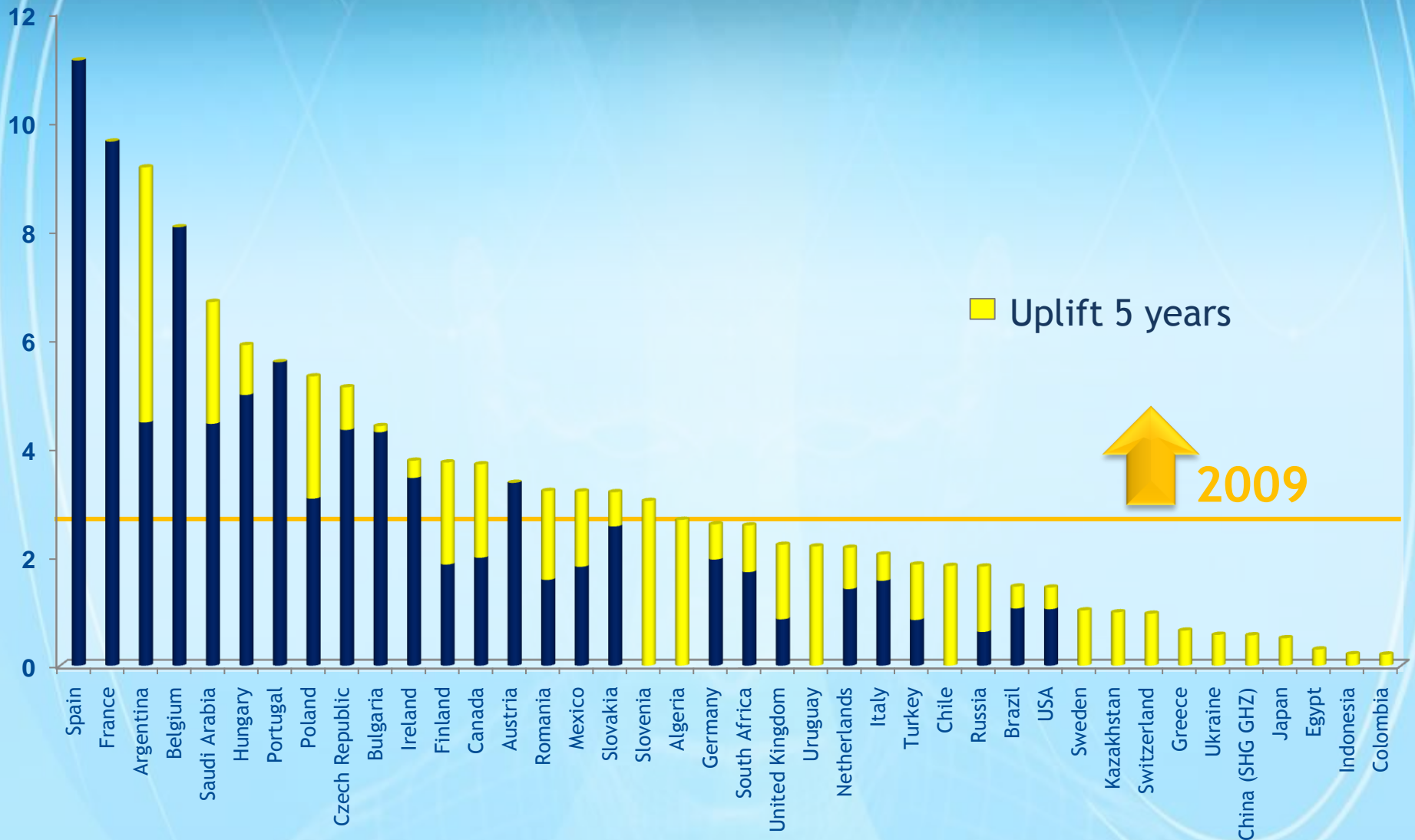
1996



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%
<b>3</b>	<b>USA</b>	11%
4	Spain	8%
<b>5</b>	<b>China</b>	8%
6	UK	6%
<b>7</b>	<b>Argentina</b>	5%
8	Benelux	3%
<b>9</b>	<b>Mexico</b>	3%
10	Germany	3%

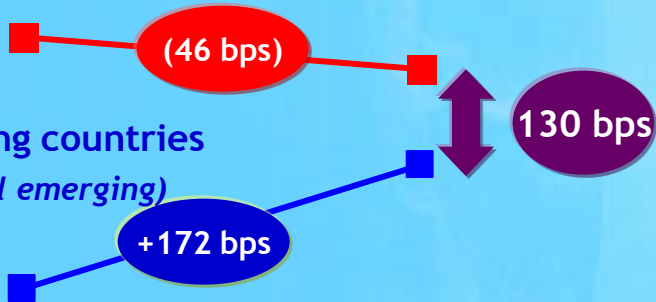
## Top 10 countries H1 2010 (pro-forma Unimilk)

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

# With converging margin levels

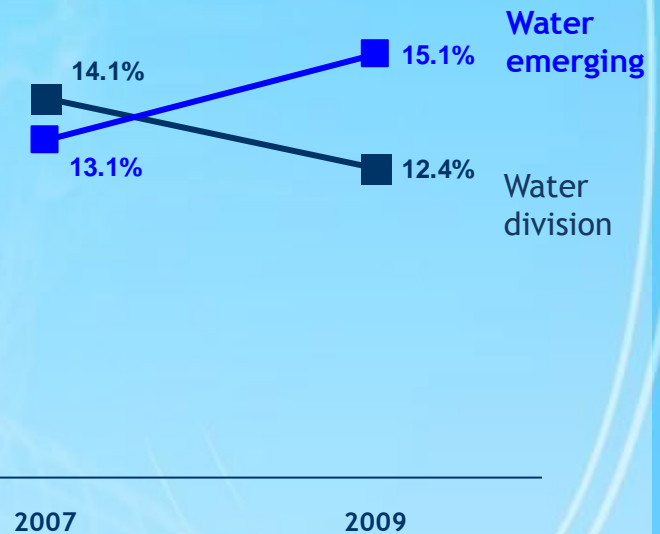
2 years margin evolution  
**GROUP TOP 8 mature**  
vs top 8 emerging countries

**Top 8 mature countries**  
(88% sales total mature)



**Top 8 emerging countries**  
(74% sales total emerging)

*Example: WATERS*  
Margin emerging countries vs average



2007

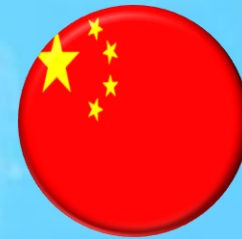
2009

# 4 large EM businesses for tomorrows growth

Dairy



Baby Nutrition





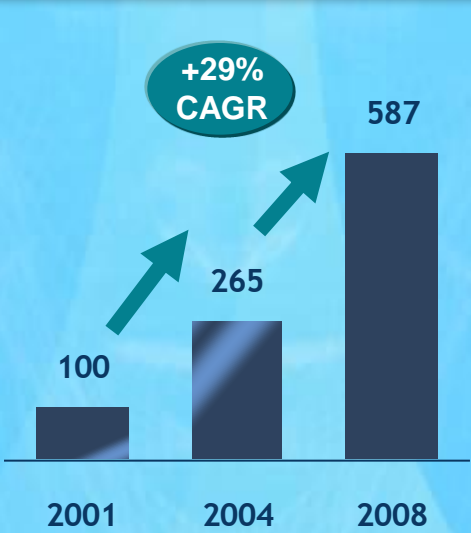
# 1998-2008 : creating a large profitable platform

- 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

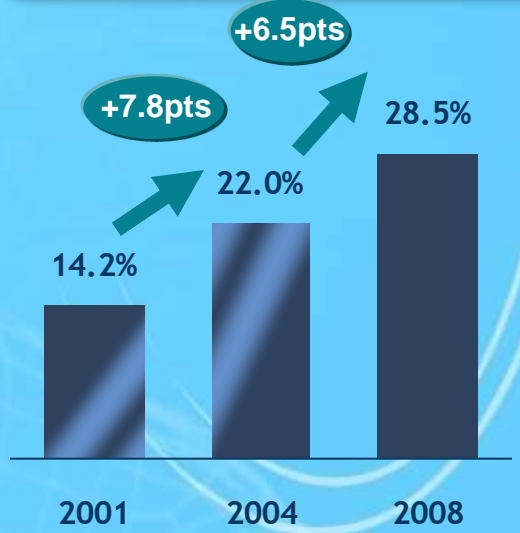
### Distribution & consumer developments

	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*

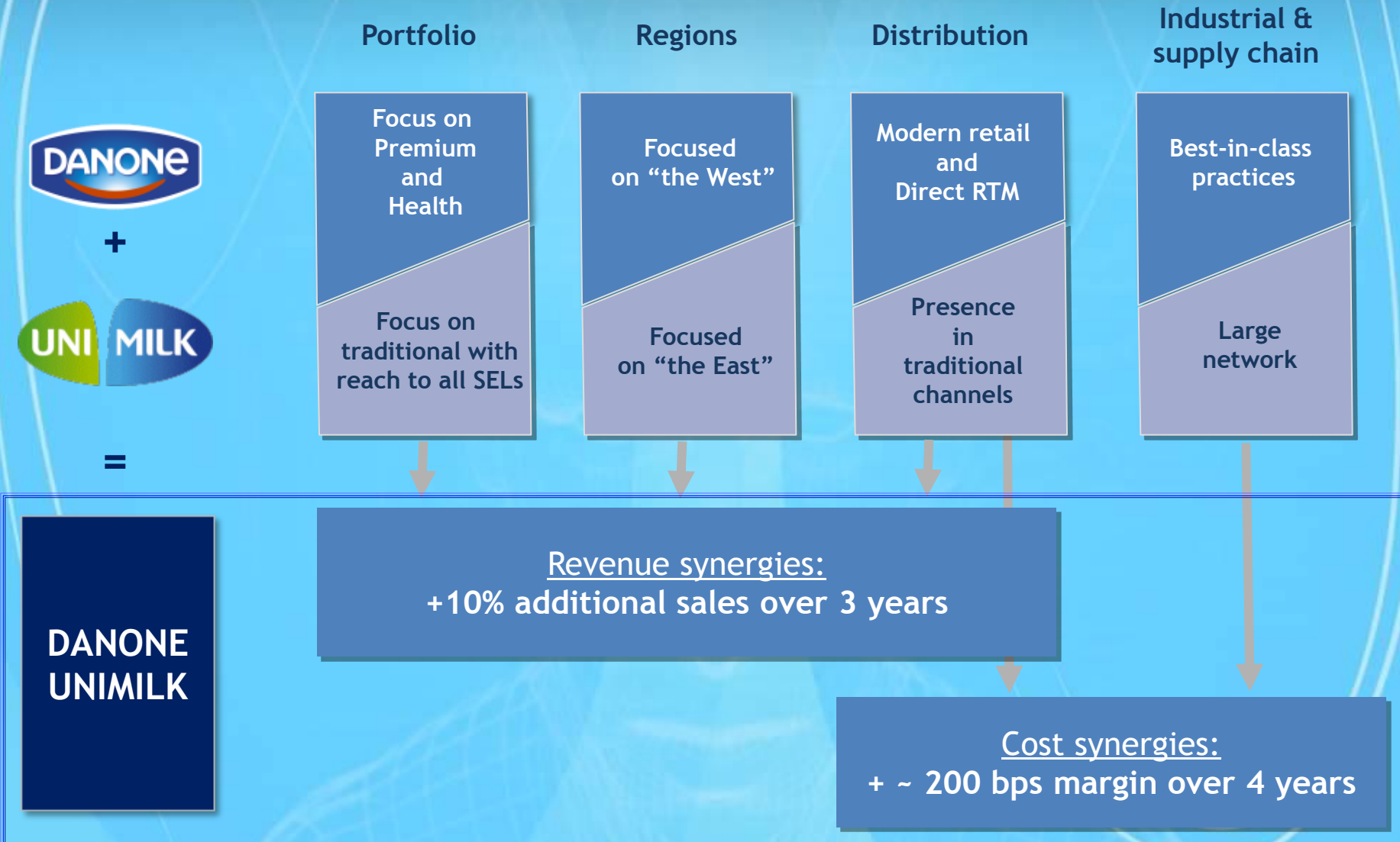



Rapid consolidation of local dairies under national brands

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

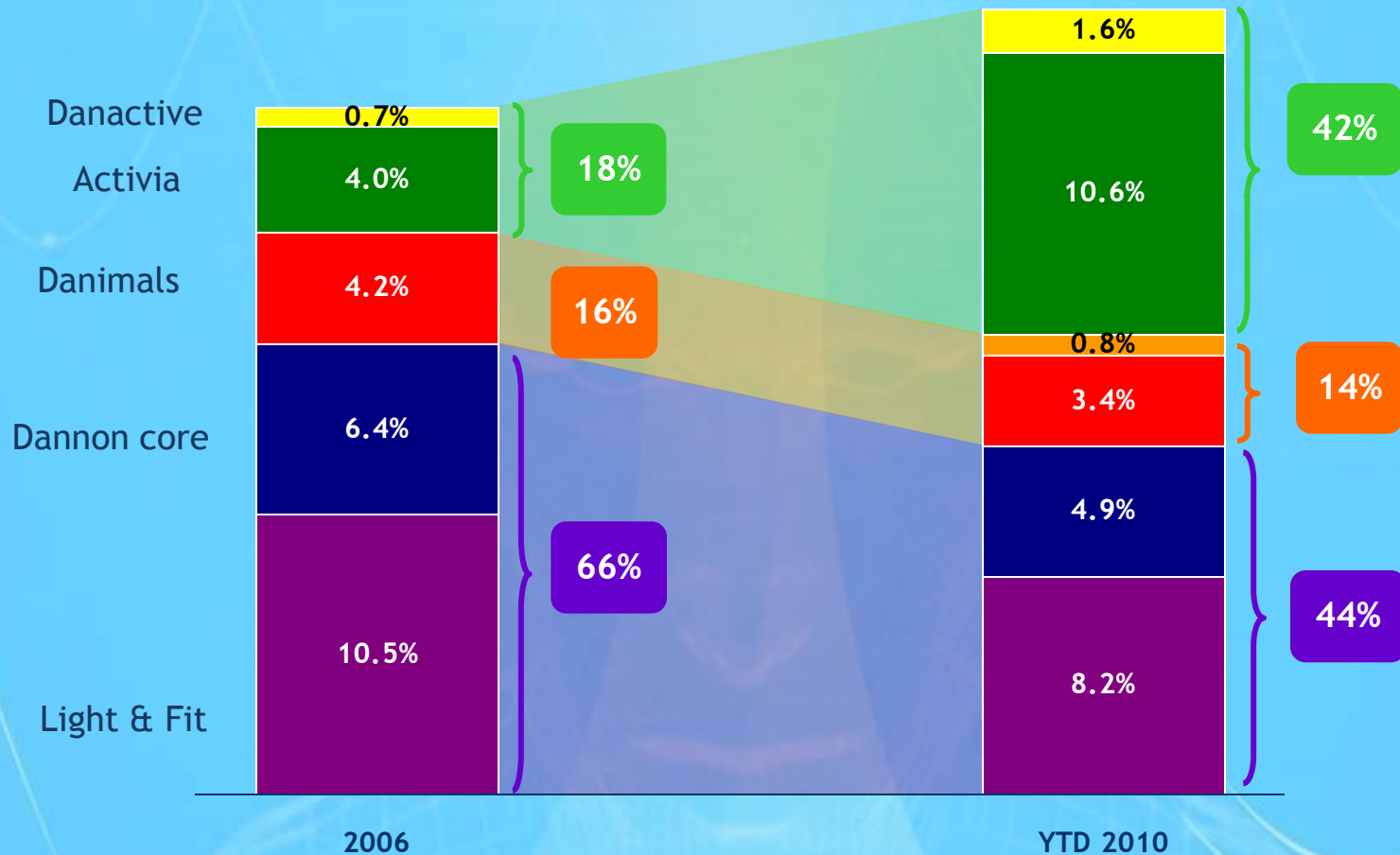
Net sales Dannon US (USD)





# 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

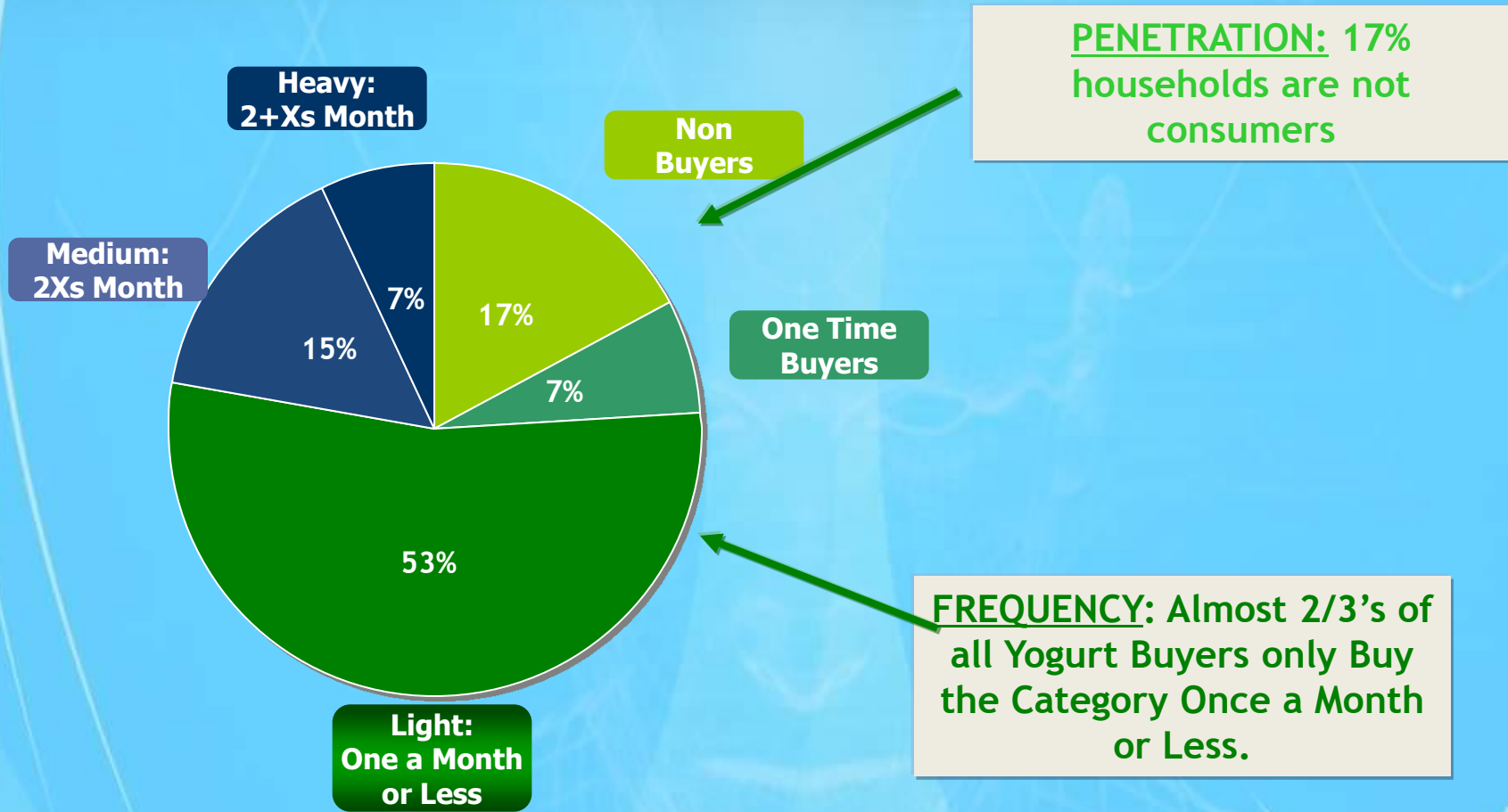


Tactical Private Labels





# 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%





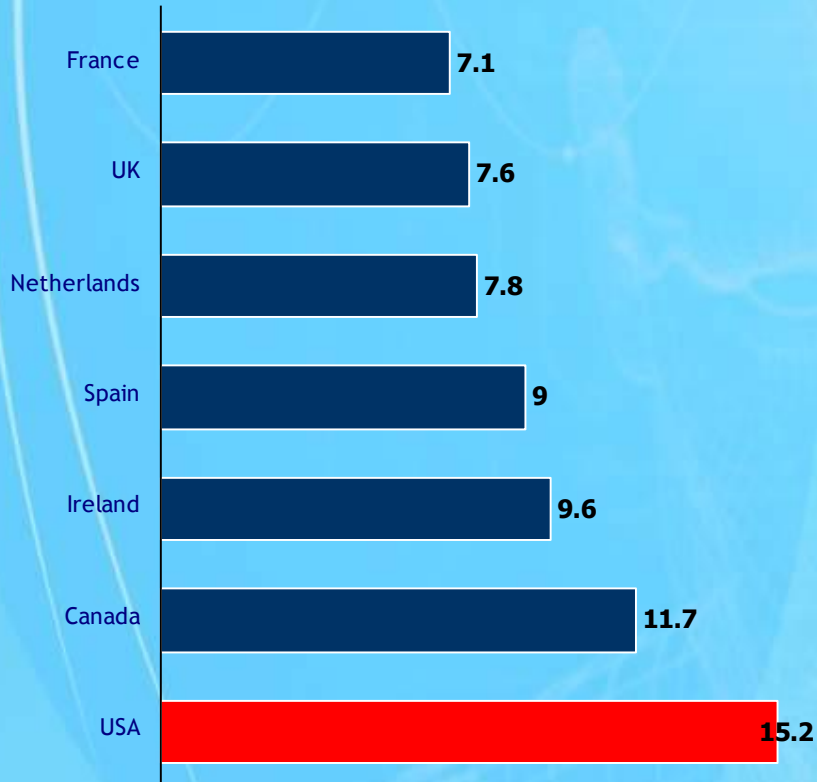


# Retailers : change the SHOPPER experience

## Under-developed shelf space

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

Number of SKUs per foot of shelf :



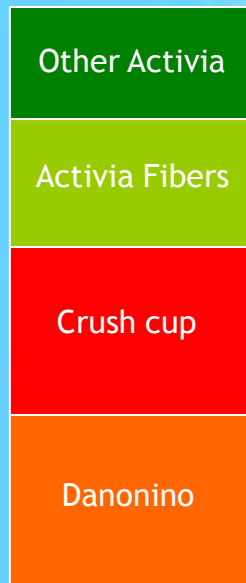


# Successful Innovation

Sales from innovation  
(\$mln)

~13% total sales

+50%



2009

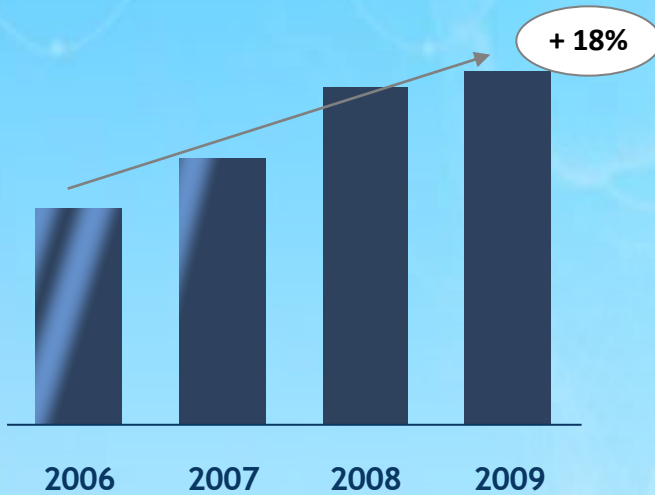
2010



# China: a fast growing market

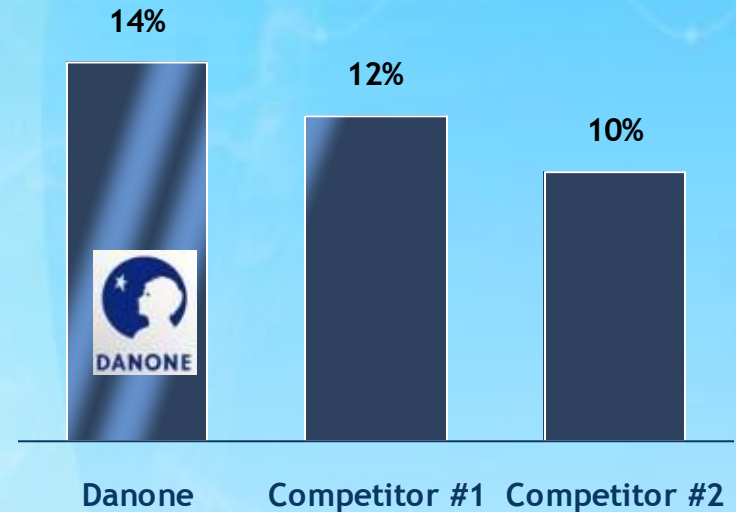
## Fast growing baby food market

Market value:



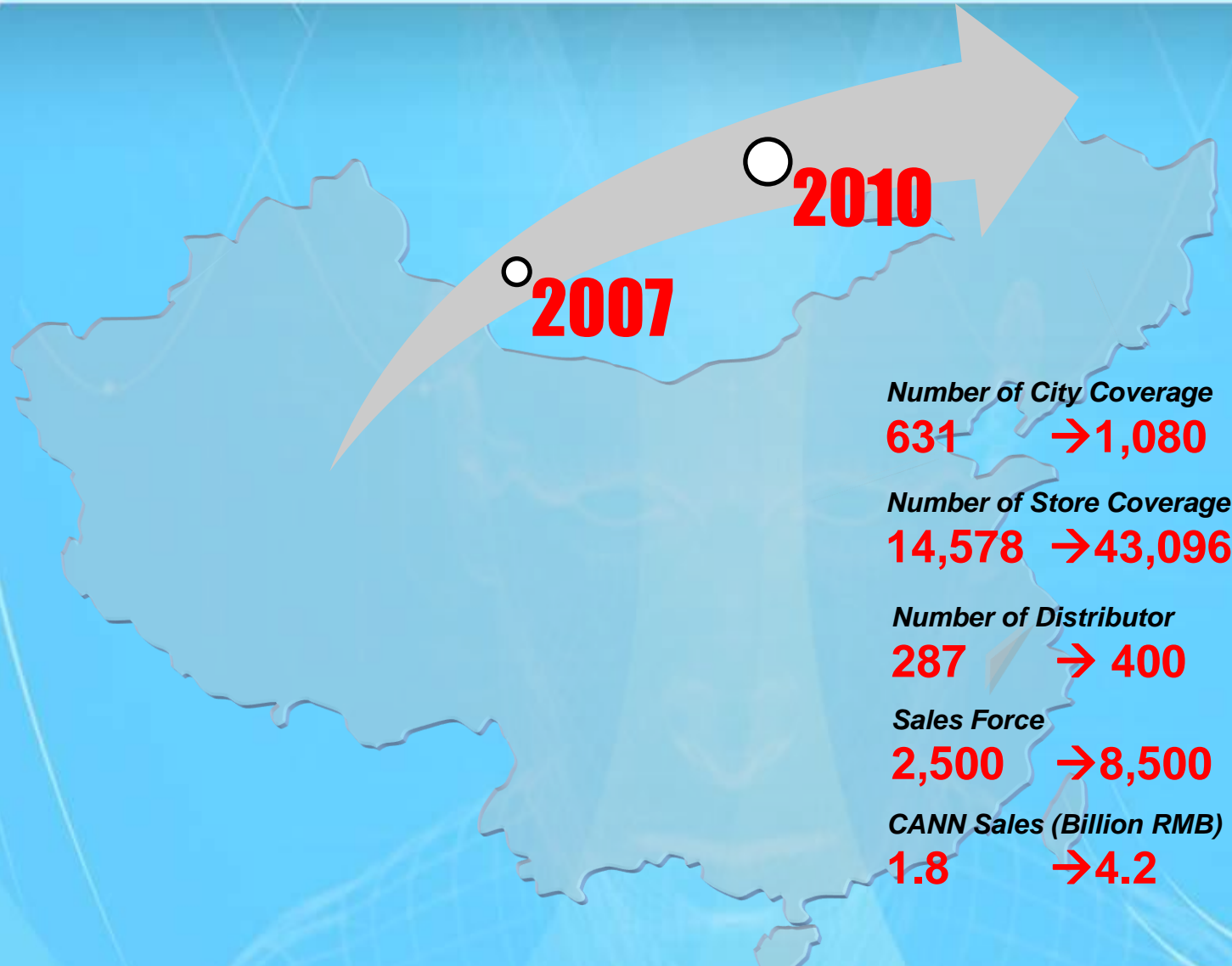
## Danone is leading the baby food market

Market share in Value - Total Milks - MAT May 2010





# Significant step up in regional distribution since 2007

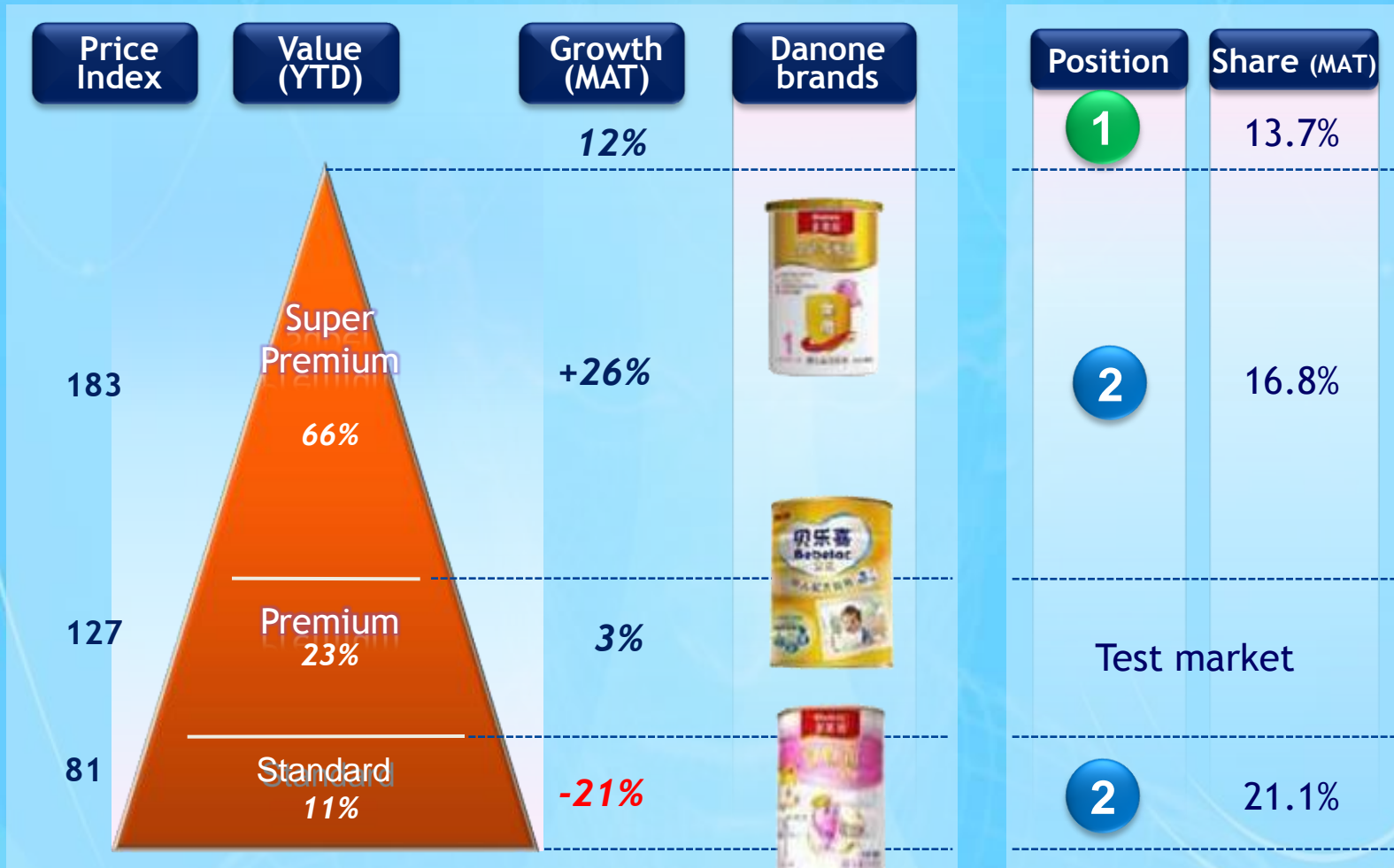




# Danone maintains leading position with brands across the key segments

## Chinese market profile Value and growth

## Danone



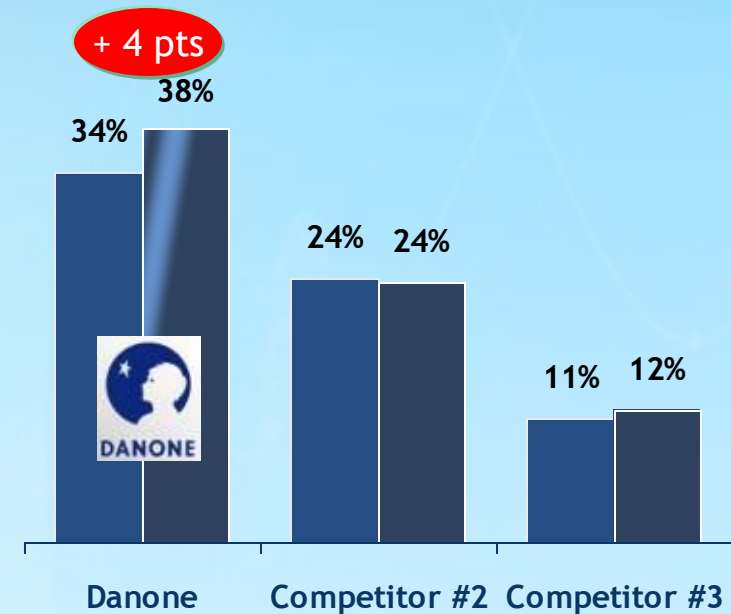


# Indonesia: a fast growing market

Market value in USD mln



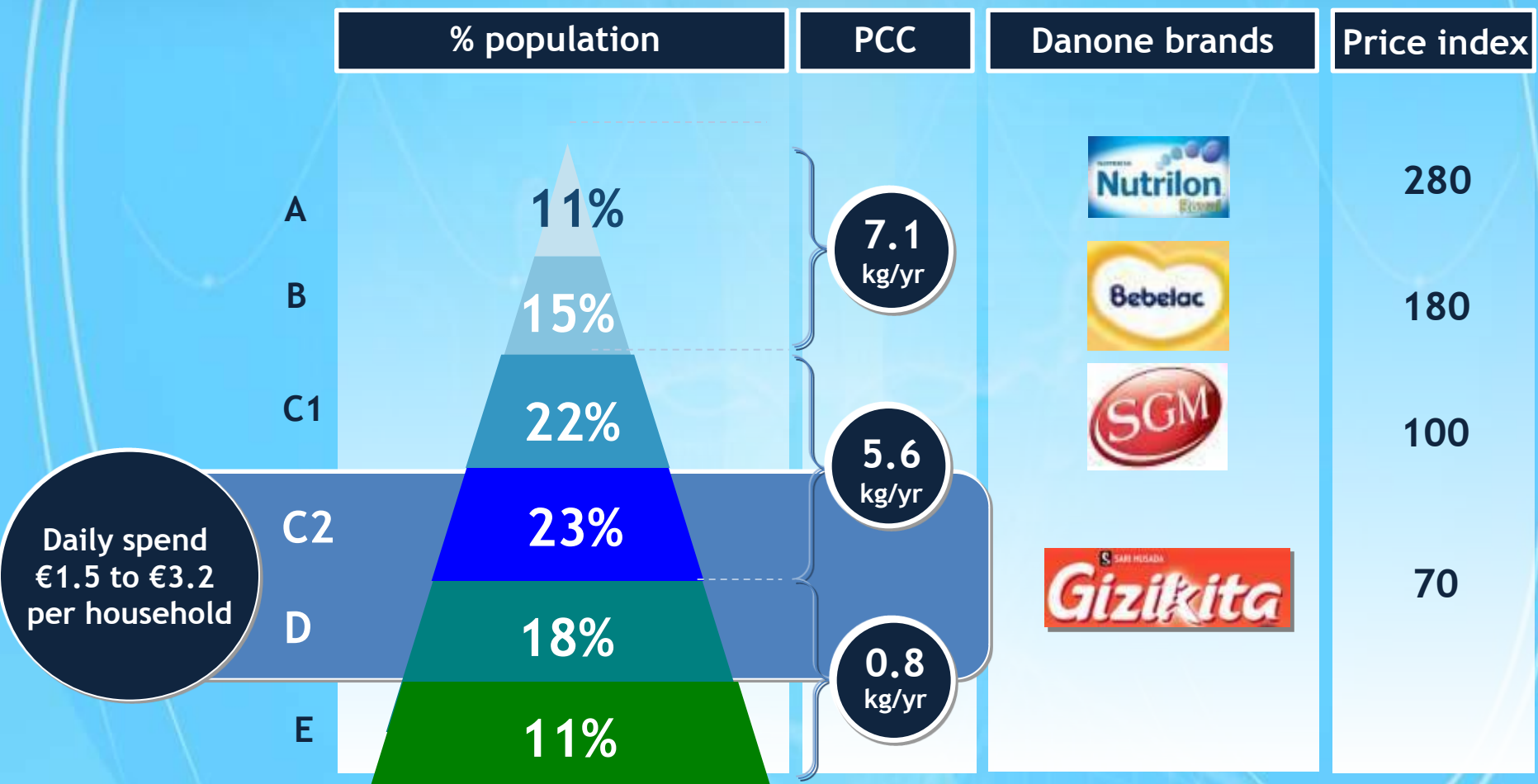
Market share in Value - YTD Jul 2010 vs LY



- 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

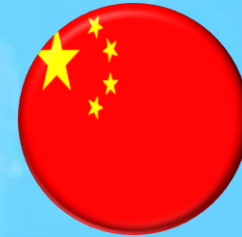


# 4 large EM businesses for tomorrows growth

Dairy



Baby Nutrition





Questions ?



**DANONE**