



**DANONE**

# FORWARD LOOKING STATEMENTS



**This presentation contains forward-looking statements that reflect Danone's current views and estimates. These statements are based on many factors and assumptions. Changes in such factors or assumptions could produce significantly different results.**



# 1st HALF RESULTS

**Estimated figures**

July 2003

# H1 2003 Key Figures



**Net Sales**



**€ 6,622 M**

**-7,4%**  
**(+7,2% like-for-like)**

**Operating Income\***



**€ 787 M**

**-1.1%**

**Operating Margin\***



**11.9 %**

**Vs 11.1% H1 2002**  
**+ 75 bp**

**Net Income**  
**excl. exceptional one-time items**



**€ 402 M**

**+0 %**

**EPS fully diluted**  
**excl. exceptional one-time items**

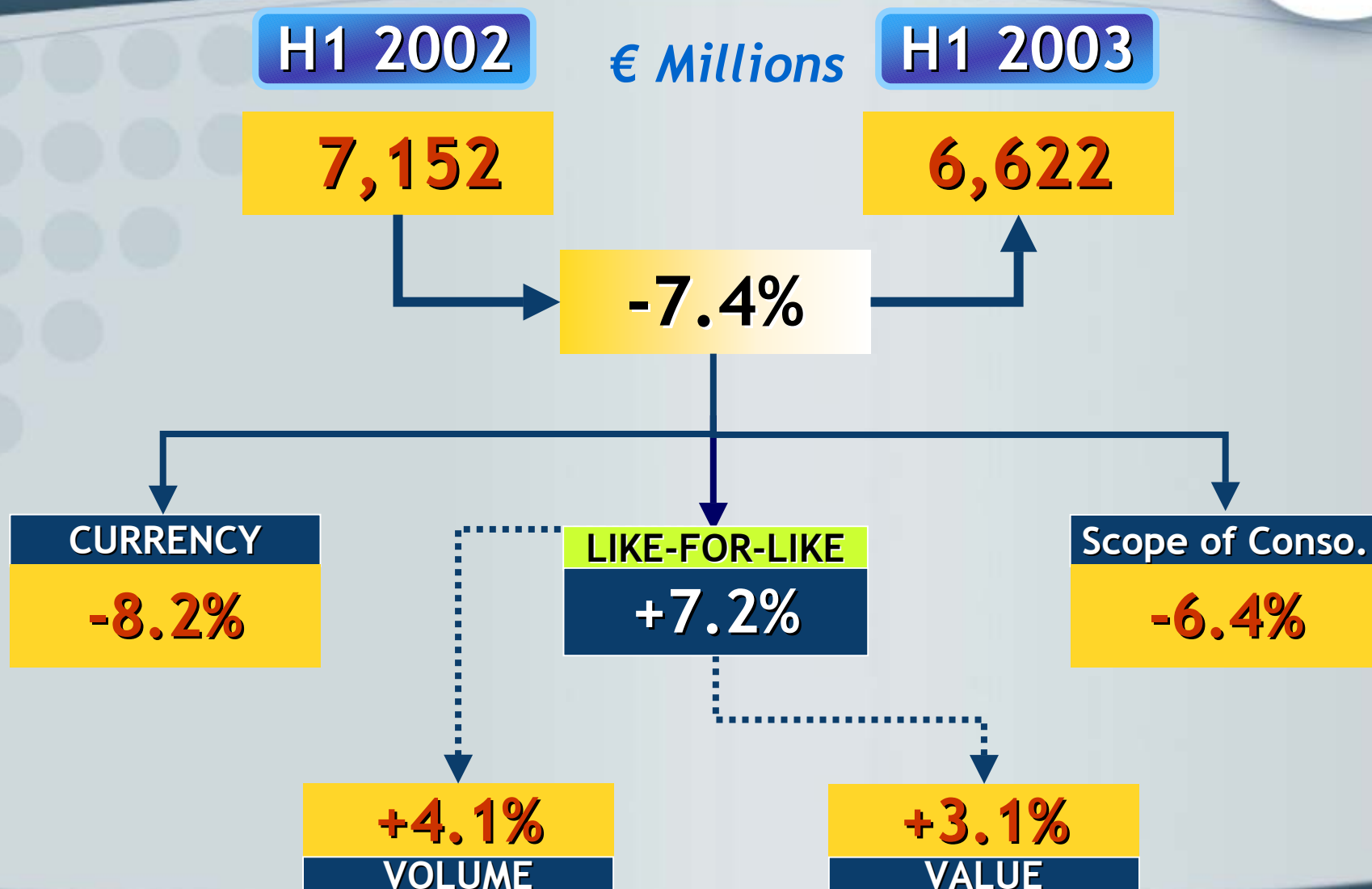


**€ 3.08**

**Vs 2.94 H1 2002**  
**+ 4.8%**

*\* Respectively Ebit & Ebit margin*

# H1 2003: Net Sales Evolution



# From Reported Net Sales to Like-For-Like Net Sales



	Q1 2003	Q2 2003	H1 2003
Reported Net Sales	-10.0%	-4.8%	-7.4%
Currency	-9.1%	-7.3%	-8.2%
Scope of conso.	-8.7%	-4.1%	-6.4%
Like-for-like Net Sales	+7.8%	+6.6%	+7.2%

# H1 2003: major changes in exchange rates



	Q1 03 vs Q1 02	Q2 03 vs Q2 02	H1 03 vs H1 02
US Dollar	-19 %	-18 %	-18 %
Chinese Yuan	-19 %	-18 %	-18 %
Mexican Peso	-33 %	-23 %	-28 %
Brazilian Real	-46 %	-27 %	-37 %
Pound sterling	-10 %	-9 %	-10 %

**56% of total Group sales = denominated in Euro**

# H1 2003: major changes in scope of consolidation



H1 2002

H1 2003

Number of months

**Galbani**

4 m



0 m

**US domestic bottled water business**

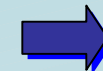
6 m



0 m

**Shape**

0 m



6 m

**Sparkling Spring North America**

0 m



6 m





# 2003 H1 Net Sales by business & region



<i>€ million</i>	H1 2002	H1 2003	Like-for-like growth
Fresh Dairy Products	3,353	3,102	+9.8%
Beverages	2,039	1,865	+8.8%
Biscuits & Cereal Products	1,578	1,497	+1.1%
Other Food Business	182	158	+0.2%
Europe	4,555	4,431	+5.7%
Asia	1,127	1,019	+9.7%
Rest of World	1,470	1,172	+10.4%
<b>GROUP</b>	<b>7,152</b>	<b>6,622</b>	<b>+7.2%</b>

# 2003 H1 like-for-like Net Sales growth by quarter



*Like-for-like*

**Q1 2003**

**Q2 2003**

**H1 2003**

**Fresh Dairy Products**

**+9.4%**

**+10.1%**

**+9.8%**

**Beverages**

**+11.4%**

**+6.6%**

**+8.8%**

**Biscuits & Cereal Products**

**+1.5%**

**+0.7%**

**+1.1%**

**Other Food Business**

**+0.8%**

**-0.4%**

**+0.2%**

**Europe**

**+5.4%**

**+6.1%**

**+5.7%**

**Asia**

**+17.2%**

**+3.0%**

**+9.7%**

**Rest of World**

**+8.8%**

**+11.9%**

**+10.4%**

**GROUP**

**+7.8%**

**+6.6%**

**+7.2%**

# 2003 Q2 Sales growth

## Breakdown volume/value



*Like-for-like*

**Volume**

**Value**

**Total**

**Fresh Dairy Products**

**+5.7%**

**+4.4%**

**+10.1%**

**Beverages**

**+5.3%**

**+1.3%**

**+6.6%**

**Biscuits & Cereal Products**

**-2.8%**

**+3.5%**

**+0.7%**

**Other Food Business**

**-1.6%**

**+1.2%**

**-0.4%**

**Europe**

**+3.4%**

**+2.7%**

**+6.1%**

**Asia**

**+2.5%**

**+0.5%**

**+3.0%**

**Rest of World**

**+3.7%**

**+8.2%**

**+11.9%**

**GROUP**

**+3.3%**

**+3.3%**

**+6.6%**

# EBIT margin change



**H1 2002  
Reported**

**11.1 %**



**H1 2003  
Reported**

**11.9 %**



**+ 75 bp**

# EBIT margin change



<b>Reported EBIT margin</b>	<b>+75bp</b>
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✓ Disposal of Galbani	+28bp
✓ Disposal of US retail water business	+38bp
✓ Exercise of beer put	-38bp
✓ Goodwill impairment	+18bp
✓ Business	+29bp
➤ of which: Themis	-20bp

# EBIT by business & region



€ million

H1 2002

H1 2003

Fresh Dairy Products

413

425

Beverages

238

270

Biscuits & Cereal Products

129

124

Other Food Business

30

26

Unallocated items

-14

-58

**GROUP**

**796**

**787**

Europe

582

608

Asia

149

140

Rest of World

79

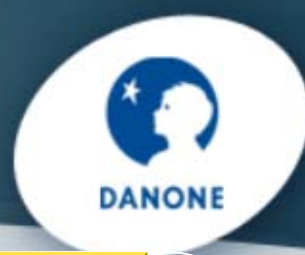
97

Unallocated items

-14

-58

# EBIT margin by business & region



**H1 2002**

**H1 2003**

**Fresh Dairy Products**

**12.3%**

**13.7%**

**Beverages**

**11.7%**

**14.5%**

**Biscuits & Cereal Products**

**8.2%**

**8.3%**

**Other Food Business**

**16.5%**

**16.5%**

**GROUP**

**11.1%**

**11.9%**

**Europe**

**12.8%**

**13.7%**

**Asia**

**13.2%**

**13.7%**

**Rest of World**

**5.4%**

**8.3%**



# From EBITA to EBIT



€ million

H1 2002

H1 2003

EBITA

860

831

*EBITA margin*

12.0%

12.5%

Goodwill amortization

- 64

- 44

EBIT

796

787

*EBIT margin*

11.1%

11.9%



# EBITA margin by business & region



	H1 2002	H1 2003
Fresh Dairy Products	12.5%	13.8%
Beverages	13.1%	15.6%
Biscuits & Cereal Products	9.6%	9.6%
Other Food Business	18.9%	17.3%
	▲	▲
<b>GROUP</b>	<b>12.0%</b>	<b>12.5%</b>
	▼	▼
Europe	13.4%	14.3%
Asia	14.0%	14.3%
Rest of World	7.4%	9.4%

# Advertising



H1 2001

H1 2002

H1 2003

H1 2003  
*like-for-like*

% of Sales

6.0%

6.4%

7.3%

Growth in bp

+30 bp

+90 bp

+60 bp

Growth in %

+3.9%

+5.9%

+16%

# From EBIT to Net profit



<i>€ million</i>	H1 2002	H1 2003
EBIT	796	787
Exceptional items	(1039)	(29)
Net financial charges	(66)	(41)
Taxes	(240)	(244)
Minority interests	(103)	(93)
Associates	22	22
Net result	(630)	402
Net exceptional one-time items	(1032)	-
Net result <i>excl one-time exceptional items</i>	402	402

# Earnings Per Share Fully Diluted excluding exceptional one-time items



		H1 2002	H1 2003	
<b>Net Profit</b> f.d.	€ Millions	408	408	
<b>Shares</b> f.d.	Millions of Shares	138.7	132.7	
		↓	↓	
<b>EPS f.d</b> <i>excl. except. one-time items</i>		€ 2.94	€ 3.08	+4.8%
<b>EPS f.d</b> <i>beia*</i>		€ 3.45	€ 3.45	+0%

*\*before one time exceptional items and goodwill amortization*

# Impact of Beer disposal on H1 EPS Growth



<b>Exercise of S&amp;N Put</b>	<b>-10.2%</b>
<b>Currency translation</b>	<b>-5.1%</b>
<b>Disposals and goodwill impairment</b>	<b>+6.5%</b>
<b>Share buyback</b>	<b>+2.3%</b>
<b>Business</b>	<b>+11.3%</b>
<b>H1 EPS Growth</b>	<b>+4.8%</b>

# Financing



€ Million

**NET DEBT**

**2002**  
Dec. 31

**2,269**

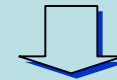
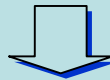
**2003**  
June 30

**3,150**

**EQUITY**  
incl. minorities

**5,816**

**5,397**

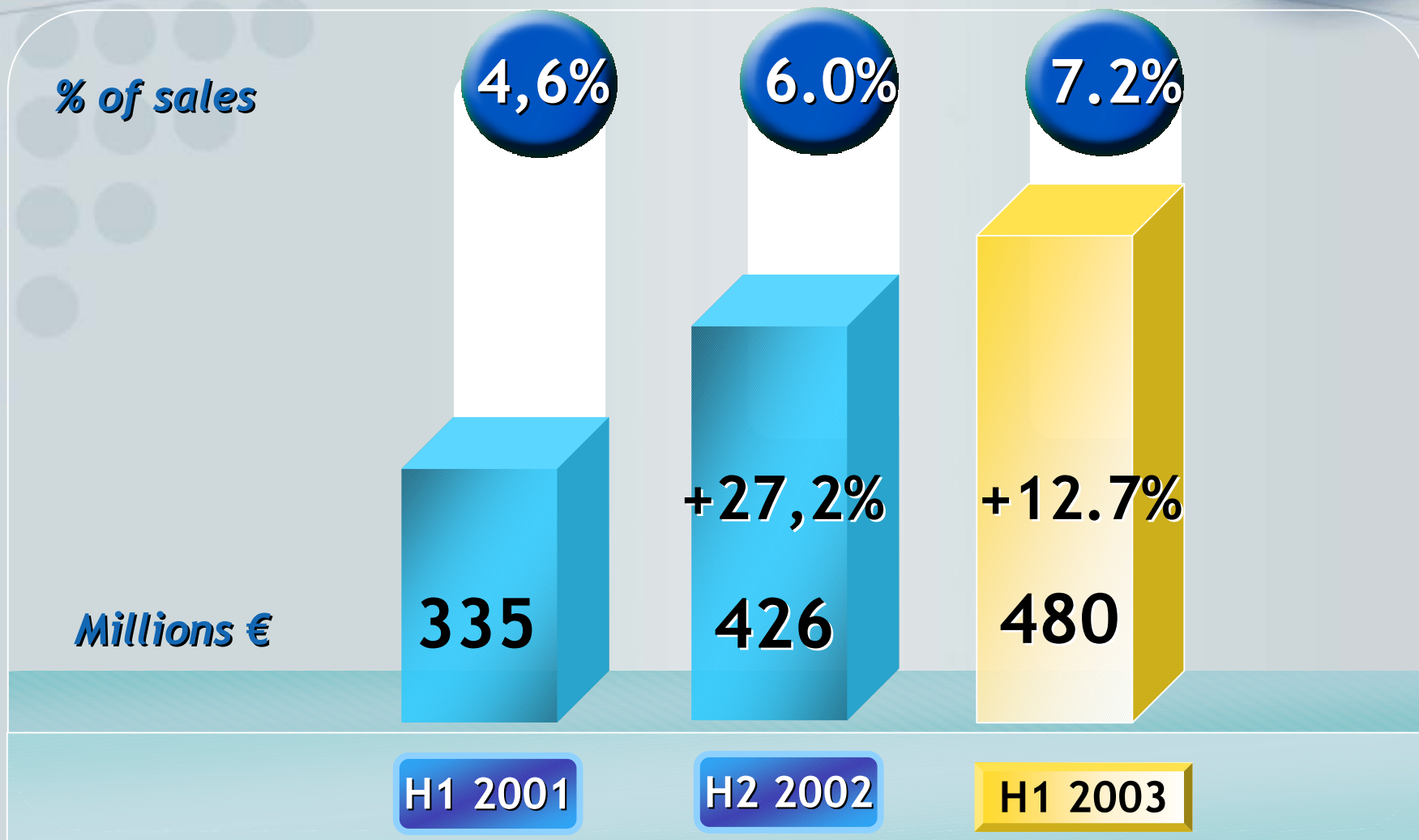


**Gearing ratio**

**39%**

**58%**

# Operating free cash flow



# Capital expenditures



€ Millions

	H1 2001	H1 2002	H1 2003
Capex	290	253	243
%vs Y-1		(12.8%)	(4%)
in % of sales	4 %	3.5%	3.7%



# Cash flow statement



**€ Millions**

**H1 2002**

**H1 2003**

Cash flow from operations (incl. change in working capital)	679	723
Capital expenditure	-253	-243
<b>Free Cash Flow from Operations</b>	<b>426</b>	<b>480</b>
Dividends paid	-390	-414
Investments in sub. & affiliates	-341	-817
Share buyback	-306	-298
Disposals	1106	97
Other Financial Flows	-191	-13
Securitization	-	29
Increase in capital	44	36
<b>Change in Net Financial Debt</b>	<b>348</b>	<b>-900</b>
Impact of Translation rates, acquisitions and disposals	+23	+19
<b>Change in Net Financial Debt as shown in balance sheet</b>	<b>+ 371</b>	<b>-881</b>

# Share buyback program



## NUMBER OF SHARES ISSUED

As of 2002/12/31

**137.3 M**

Increase in capital (net)

**+ 0.4 M**

As of 2003/30/6

**137.7 M**

## NUMBER OF TREASURY STOCKS

As of 2002/12/31

**8.04 M**

Shares purchased

**+ 2.56 M**

€ 298 M

Exercise of Stock Options

**- 0.06 M**

As of 2003/06/30

**10.54 M**

**7,65% of  
outstanding  
capital**

# 2003 Targets



**Sales like-for-like**

**+5% to +7%**

**EBIT margin**

**+20 to +40 bp**

**EPS growth**

**mid single digit**