



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.

Final results

2003

February 11th, 2004

2003 Key Figures



Net Sales	➔	€ 13,131 M	-3.1% (+7.2% like-for-like)
Operating Income ⁽¹⁾	➔	€ 1,604 M	+0.9% vs FY 2002
Operating Margin ⁽¹⁾	➔	12.2%	Vs 11.7% FY 2002 + 48bp
Net Income	➔	€ 839 M	+1.3% ⁽²⁾
EPS fully diluted	➔	€ 6.45	Vs €6.11 FY 2002 +5.6% ⁽²⁾
Free Cash Flow	➔	€ 1,149 M	+13%

⁽¹⁾ Respectively Ebit & Ebit margin

⁽²⁾ excl. exceptional one-time items

Q4 & FY 2003 SALES

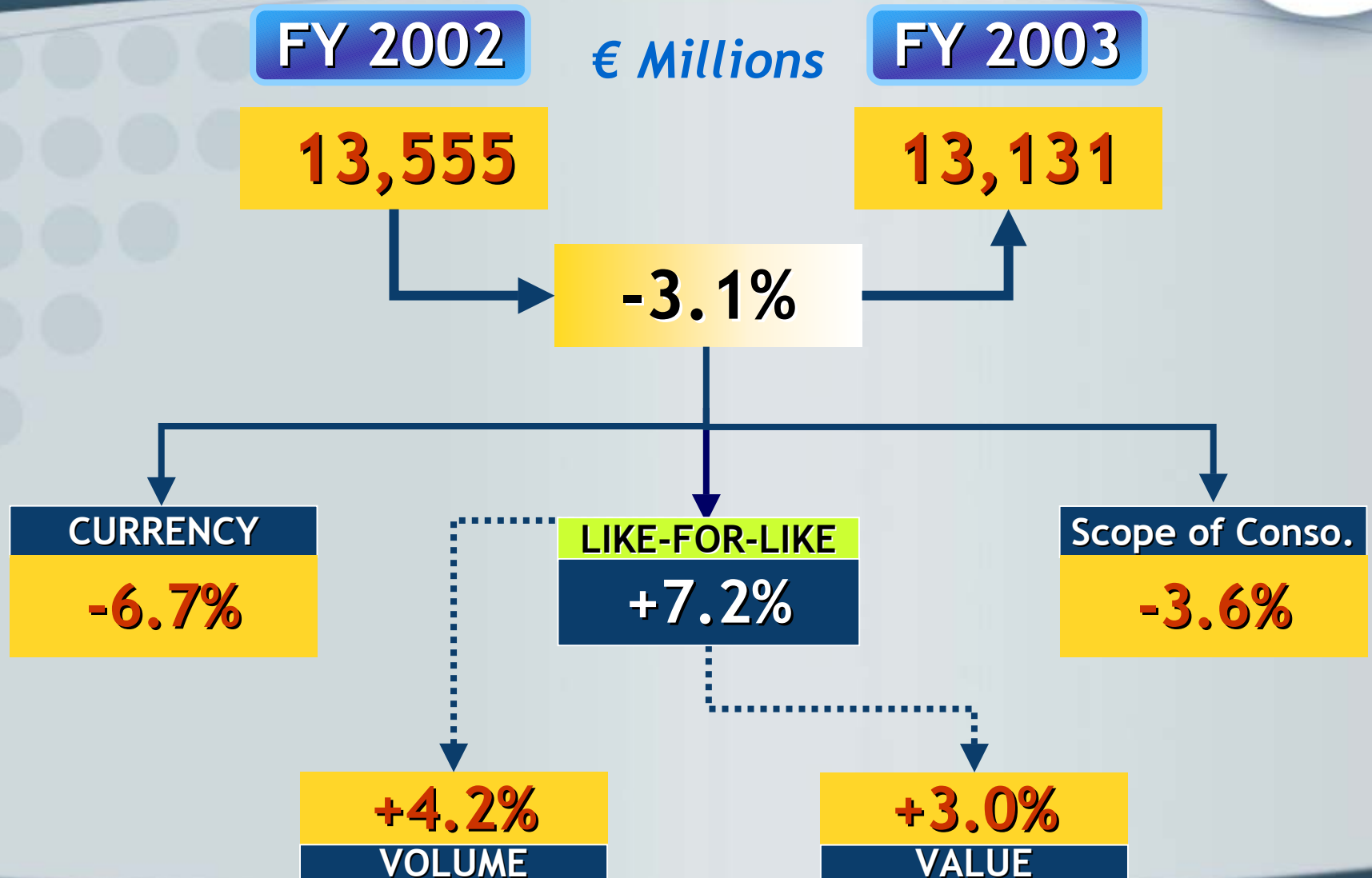
2003 : a very good vintage



CAGR 98-03= +6.2%



Net Sales Evolution



From Reported Sales to like-for-like Sales



	9M 2003	Q4 2003	FY 2003
Reported Net Sales	-3.4%	-2.1%	-3.1%
Currency	-7.2%	-5.1%	-6.7%
Scope of conso.	-4.2%	-1.7%	-3.6%
Like-for-like Net Sales	+8.0%	+4.7%	+7.2%



Major changes in exchange rates

	9M 03 vs 9M 02	Q4 03 vs Q4 02	FY 03 vs FY 02
US Dollar	-17 %	- 16 %	-17 %
Chinese Yuan	-17 %	- 16%	-17 %
Mexican Peso	-25 %	- 24 %	-25 %
Brazilian Real	-25 %	+ 4 %	-18 %
Pound sterling	-10 %	- 8 %	- 9 %

55% of total Group sales are denominated in Euro (FY 2003)

FY 2003: major changes in scope of consolidation *



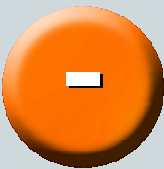
**Sparkling Spring
USA + Canada ⁽²⁾**

As of

January 2003

Shape

September 2002



Galbani

May 2002

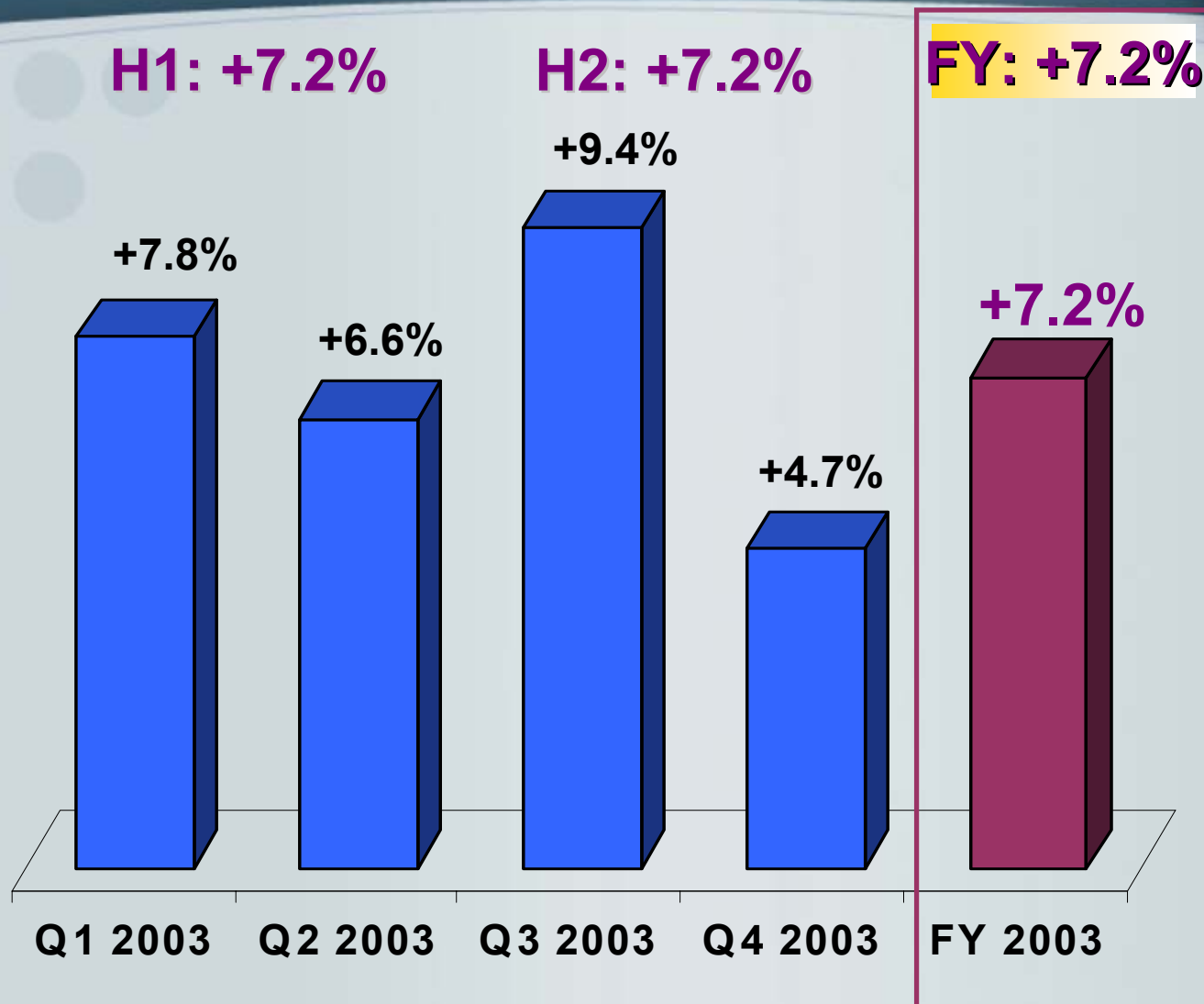
**Danone Water North
America USA Retail ⁽¹⁾**

July 2002

**Danone Water North
America USA HOD ⁽²⁾**

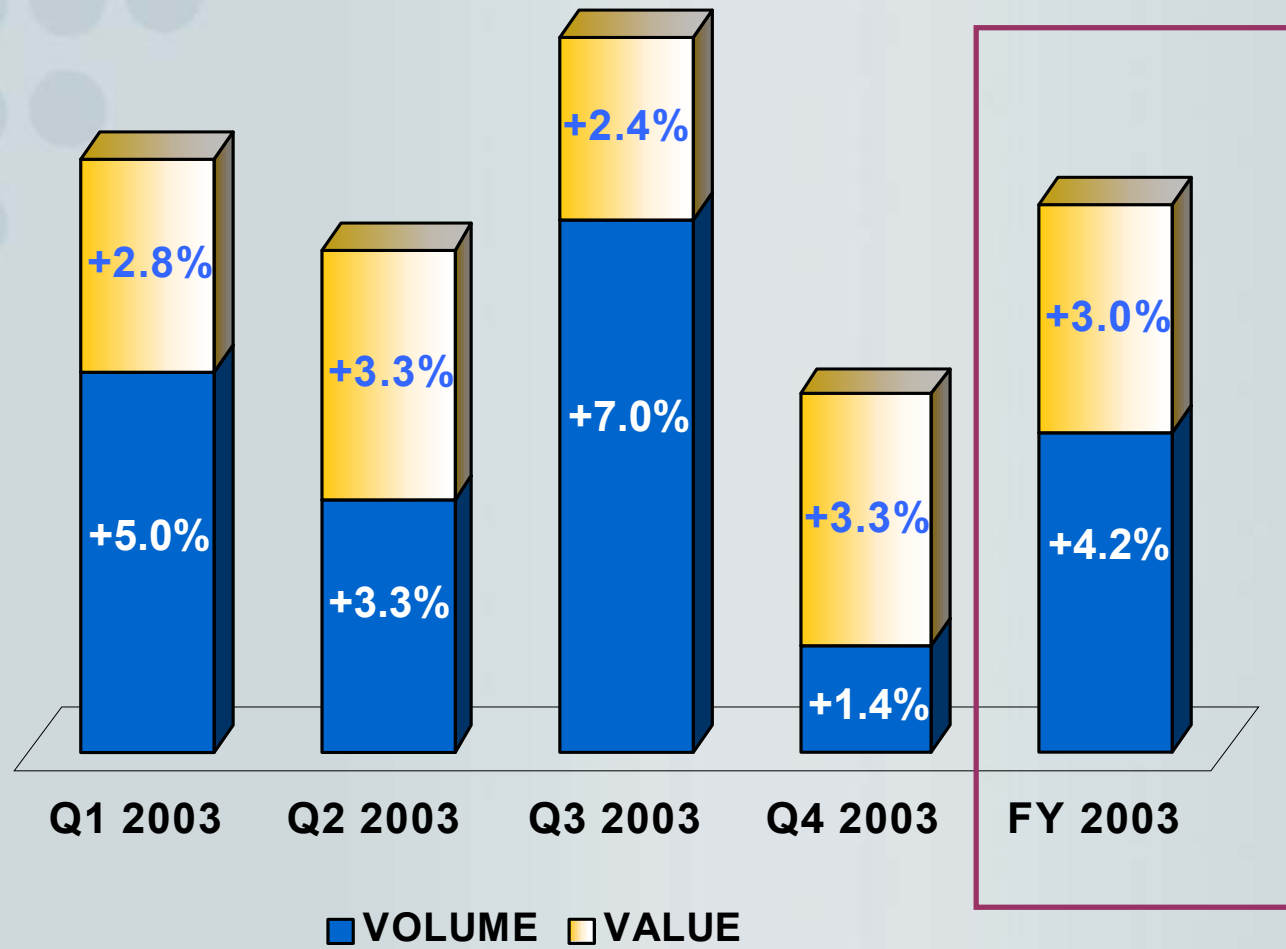
November 2003

2003 quarterly like-for-like sales growth



2003 quarterly sales growth like-for-like

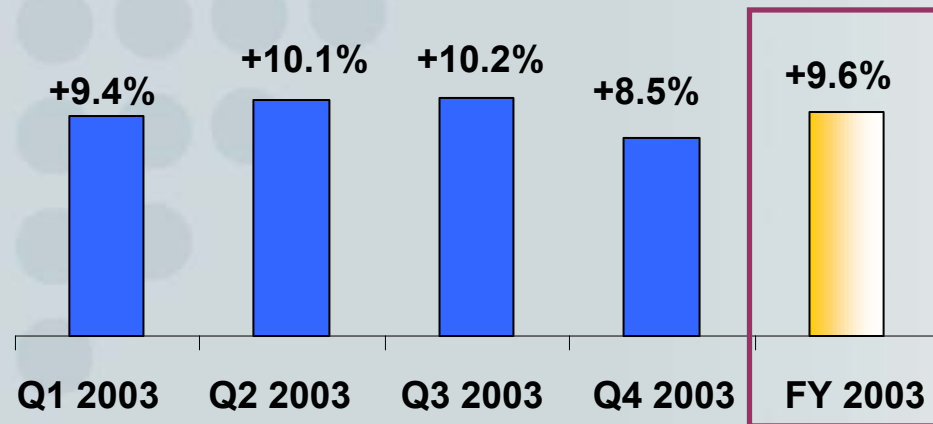
Breakdown volume/value



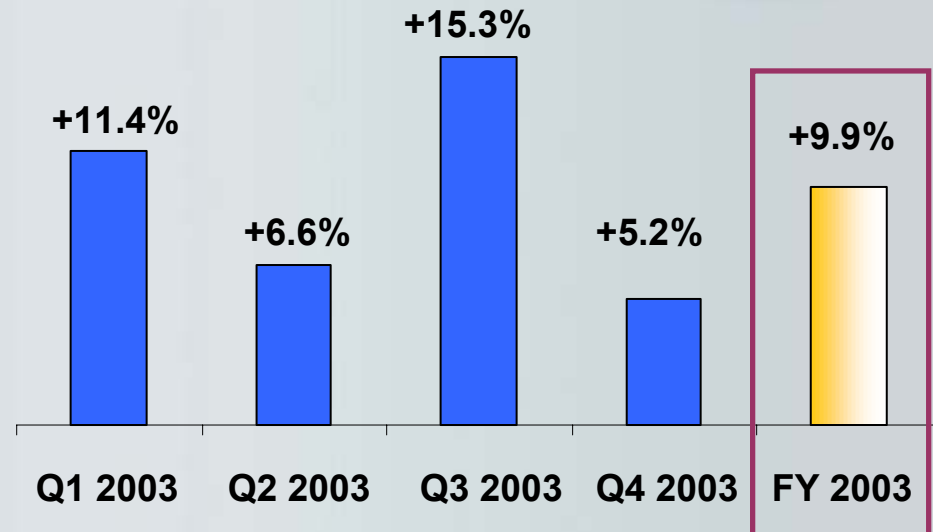
Quarterly like-for-like sales growth by business line



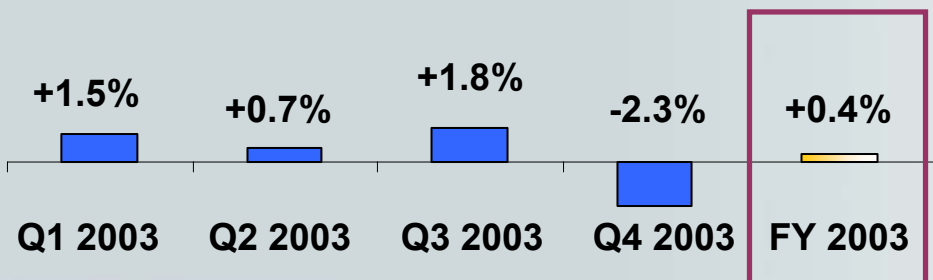
Fresh Dairy Products



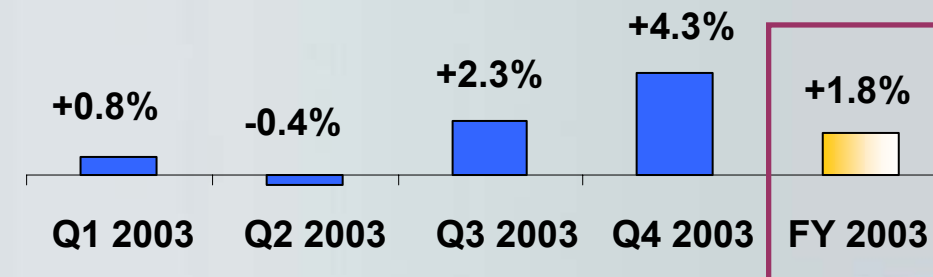
Beverages



Biscuits & Cereal Products



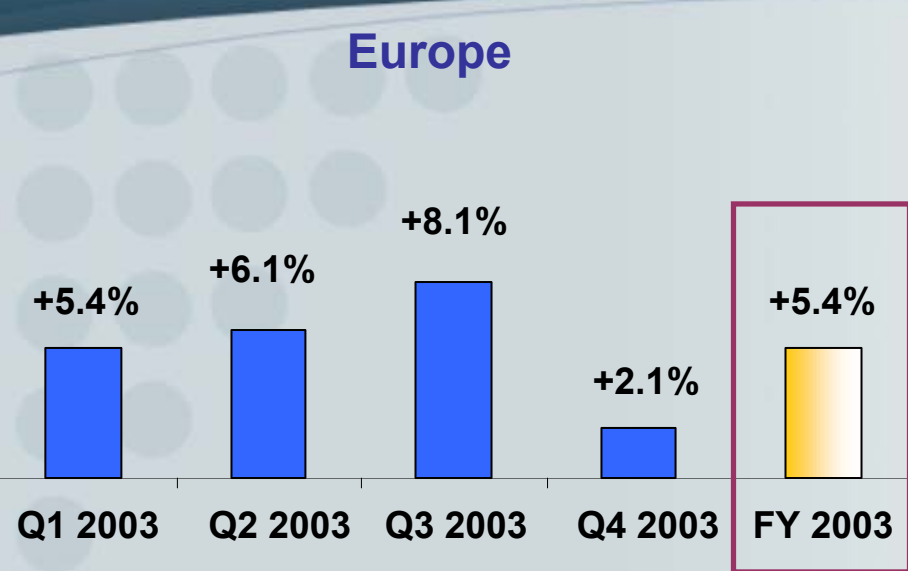
Other Food Business



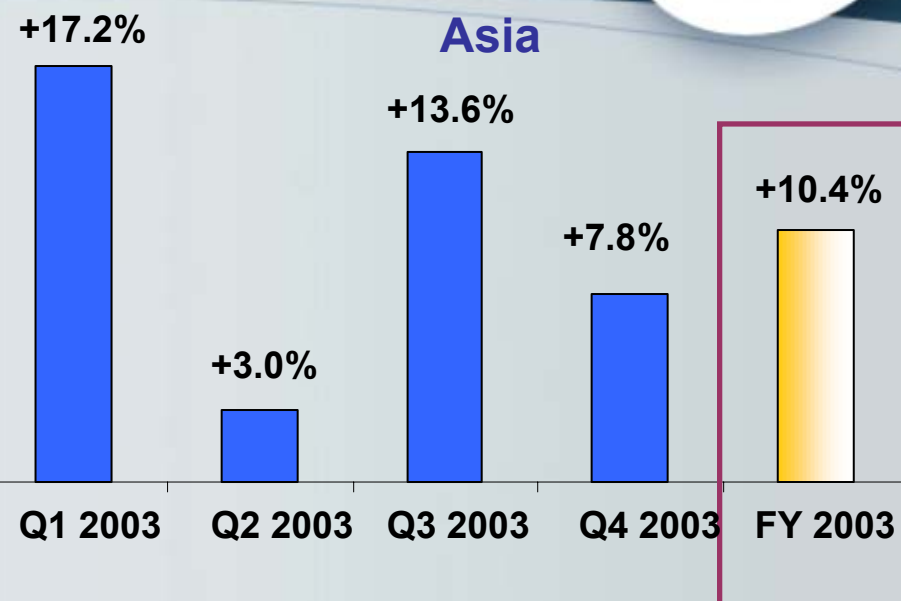
Quarterly like-for-like sales growth by geographical area



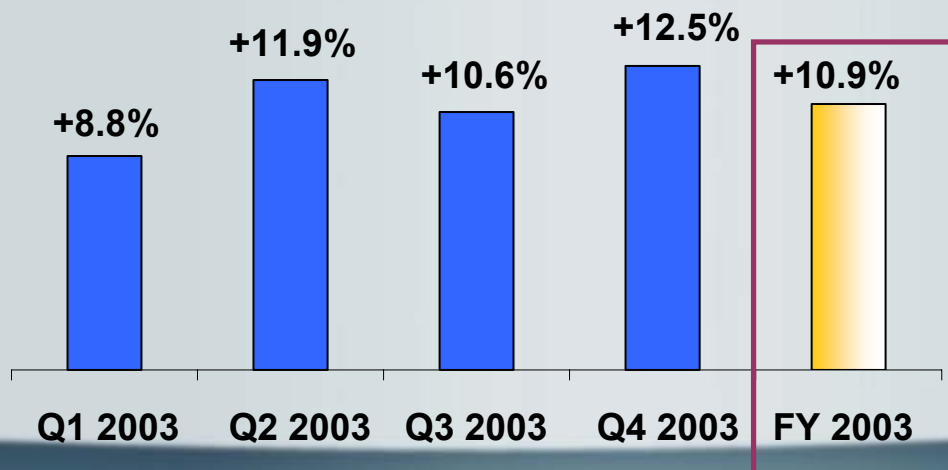
Europe



Asia



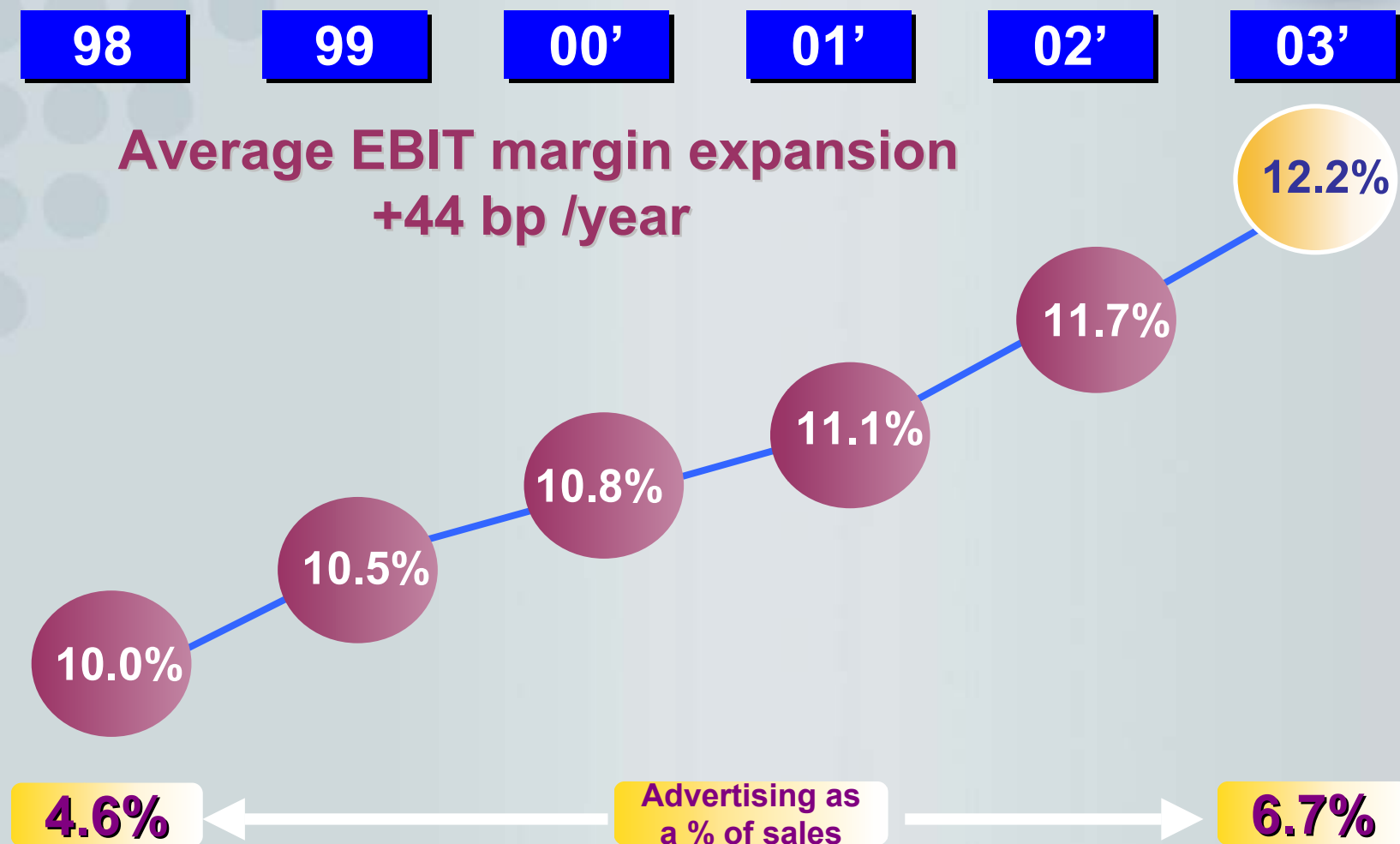
Rest of World



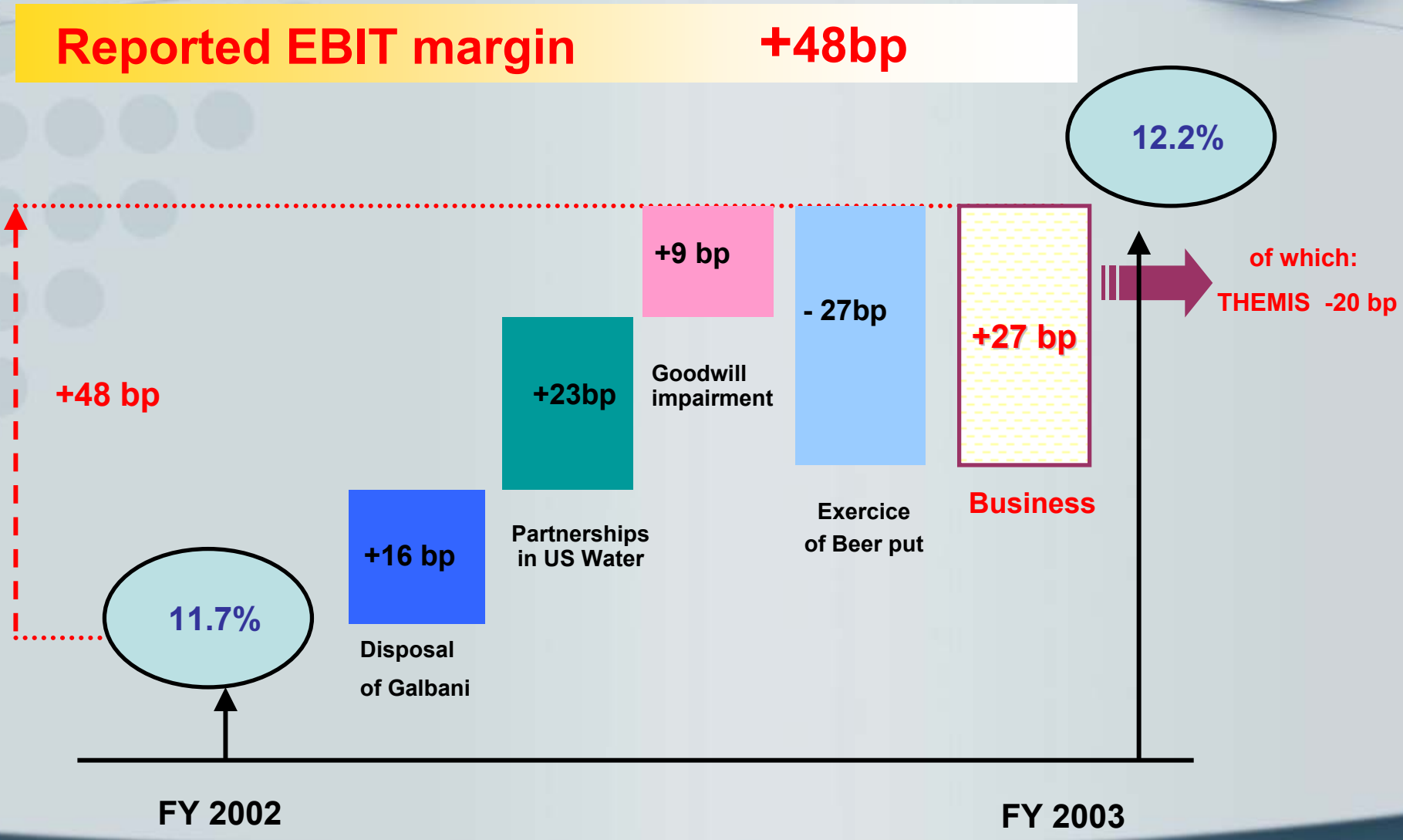
RESULTS

2003

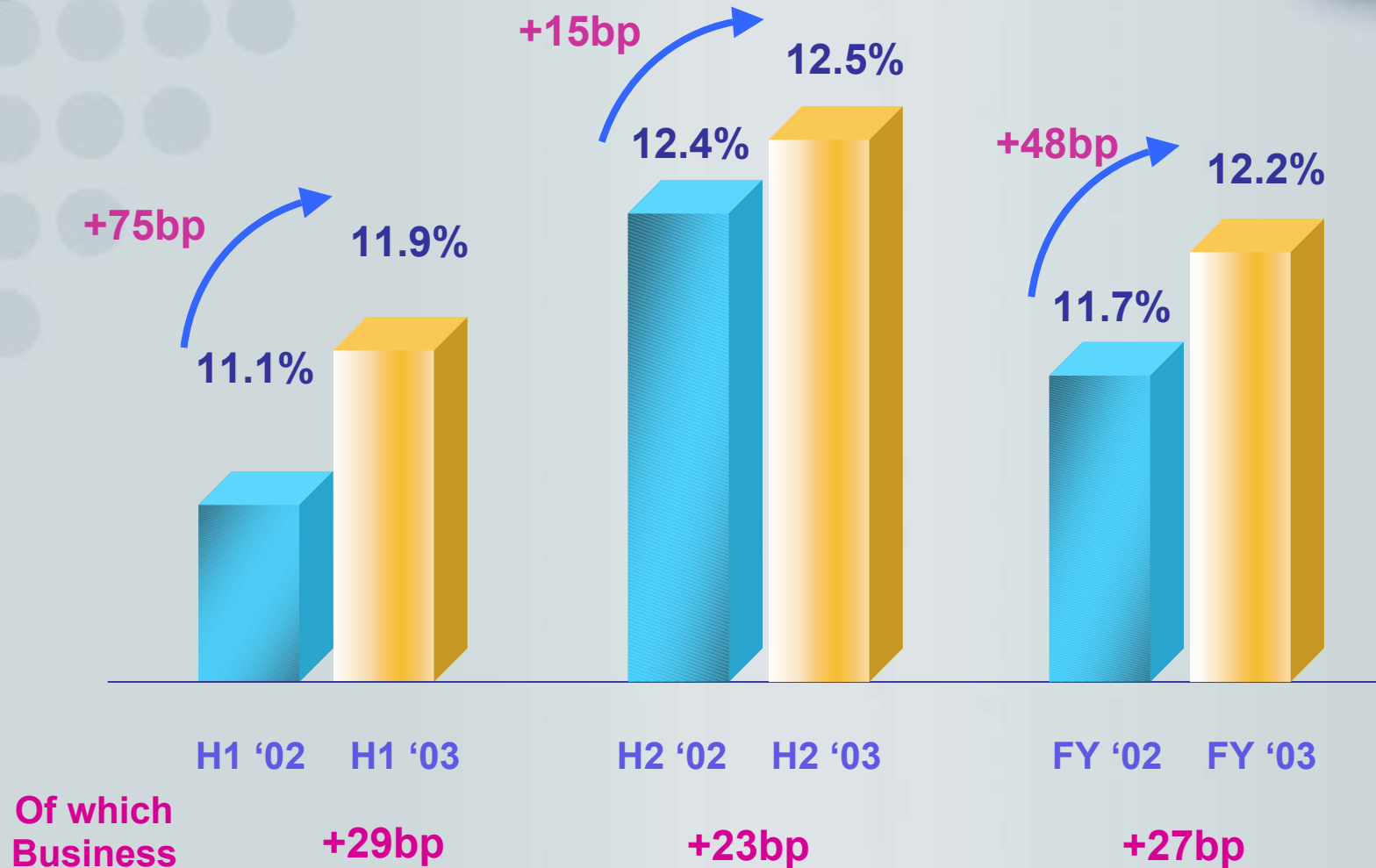
Ebit margin: a sustained margin expansion



EBIT margin expansion



EBIT margin change: H1/H2



EBIT by business & region



€ Millions

FY 2002

FY 2003

Fresh Dairy Products

802

845

Beverages

464

537

Biscuits & Cereal Products

317

280

Other Food Business

61

57

Unallocated items

-54

-115

GROUP

1,590

1,604

Europe

1,192

1,244

Asia

277

279

Rest of World

175

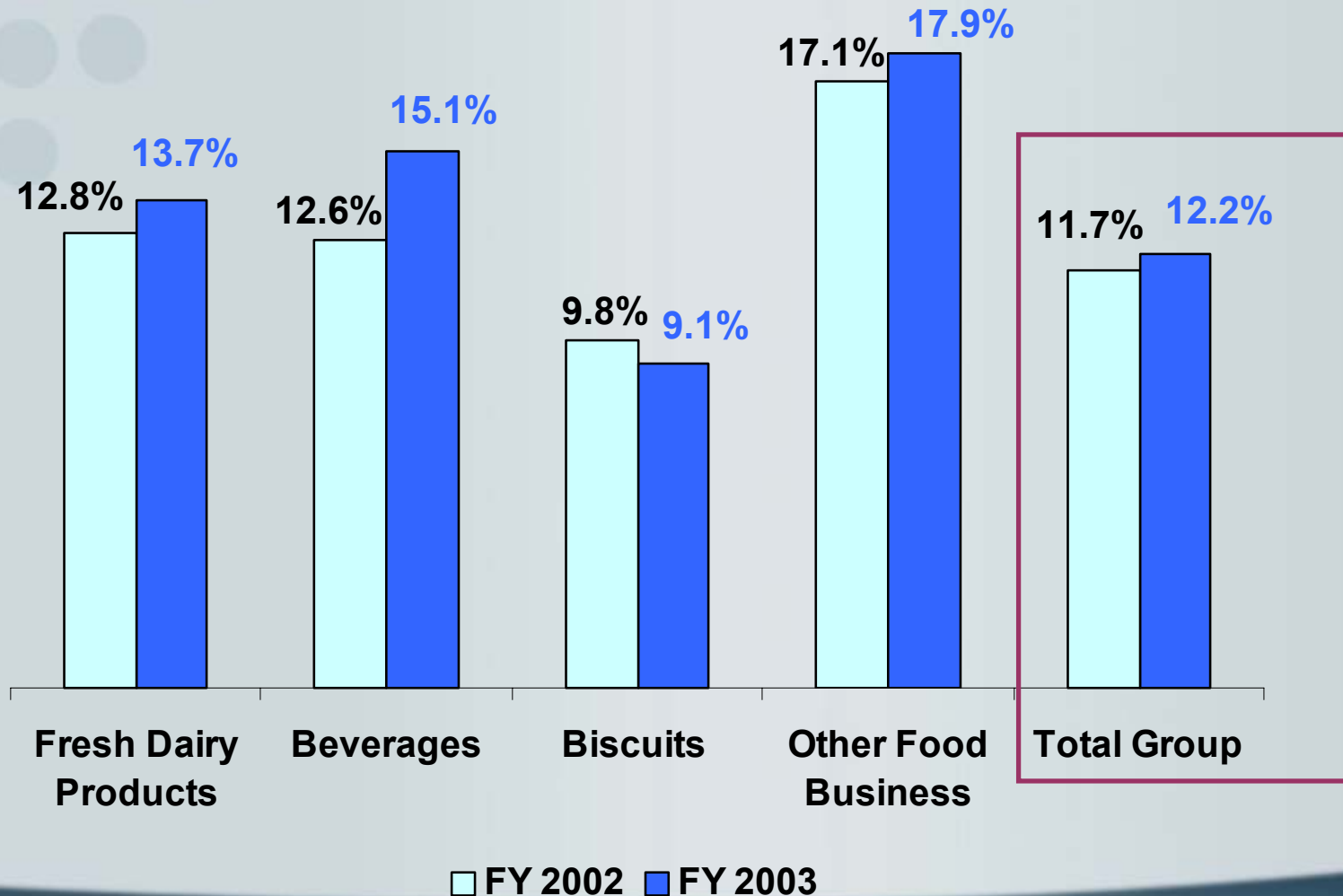
196

Unallocated items

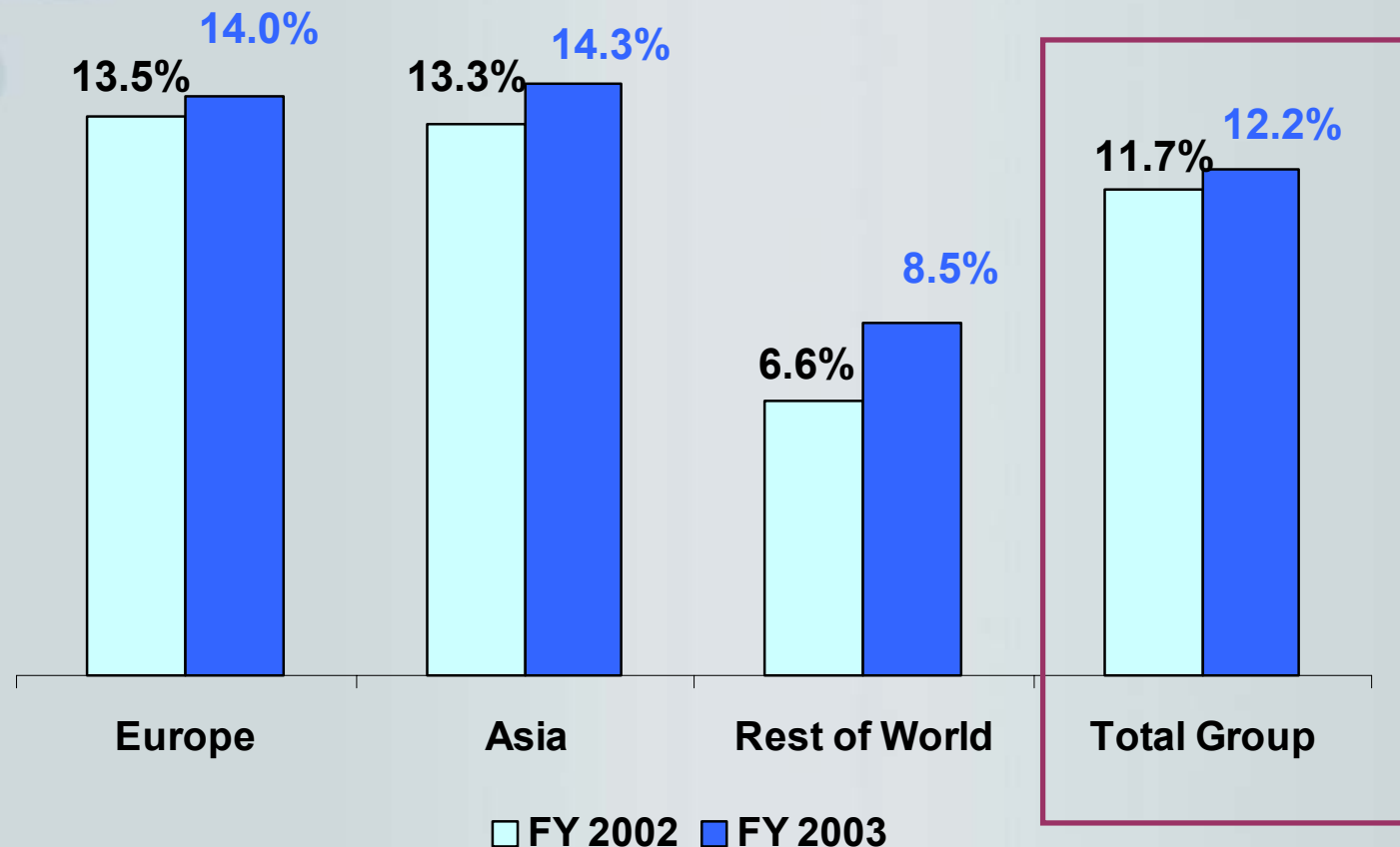
-54

-115

EBIT margin by business line



EBIT margin by geographical area



From EBITA to EBIT

€ Millions	FY 2002	FY 2003
EBITA	1,699	1,688
<i>EBITA margin</i>	12.5%	12.9%
Goodwill amortization	-109	-84
EBIT	1,590	1,604
<i>EBIT margin</i>	11.7%	12.2%

Advertising



FY 2001

FY 2002

FY 2003

% of Sales

5.5%

6.2%

6.7%

Growth in bp

+64bp

+49 bp

Growth in %

+4.3%

+4.5%

From EBIT to Net profit

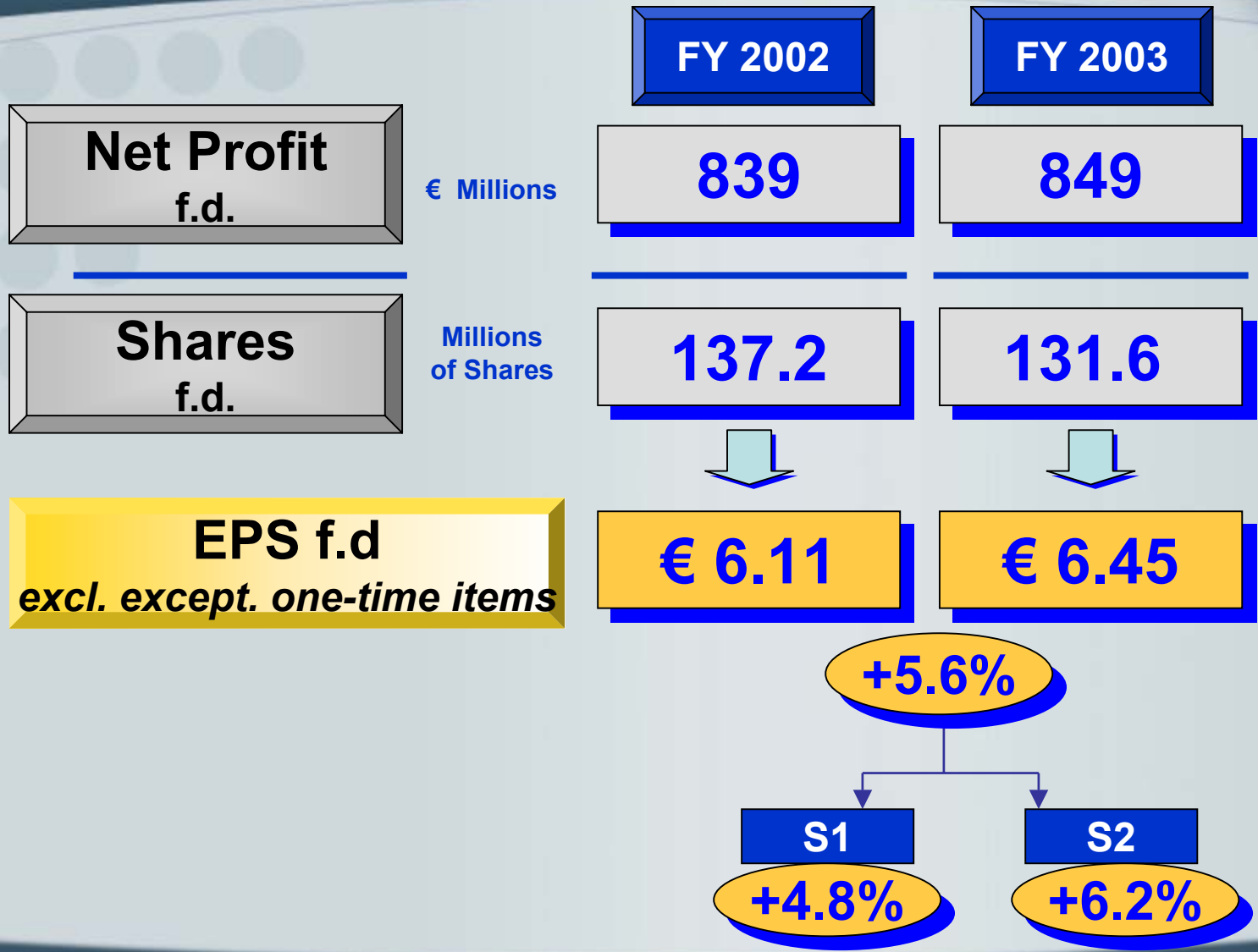
€ Millions	FY 2002	FY 2003
EBIT	1,590	1,604
Exceptional items	458	(60)
Net financial charges*	(110)	(70)
Taxes	(490)	(488)
Minority interests	(182)	(184)
Associates	17	37
Net profit	1,283	839
Of w. Net exceptional one-time items	455	0
Net profit	828	839
<i>Excl. exceptional one-time items</i>		

*inc. Dividends from S&N : €72 M in 2002, €6M in 2003



Earnings Per Share Fully Diluted

excluding exceptional one-time items



Impact of Beer disposal on EPS Growth



	H1 '03	H2 '03	FY '03
Business	+11.3%	+11%	+11.2%
Currency translation	-5.1%	-3.5%	-4.3%
Share buyback	+2.3%	+1.8%	+2.1%
2002 Disposals and goodwill impairment	+6.5%	na	+3.1%
Exercise of S&N Put	-10.2%	-3.1%	-6.5%
EPS Growth	+4.8%	+6.2%	+5.6%

Group balance sheet

€ Millions

2002

2003

Fixed assets (net)
Intangible assets (net)
Associates
Other assets
Stocks
Account receivable

2,992
4,227
1,066
1,434
592
820

2,734
3,666
2,073
1,471
571
798

Equity
Provisions
Accounts payable
Other
Net Debt

5,816
764
1,516
766
2,269

5,528
620
1,586
887
2,692

€ Millions	<u>2002</u> Dec. 31	<u>2003</u> Dec. 31
NET DEBT	2,269	2,692
EQUITY incl. minorities	5,816	5,528
	↓	↓
Gearing ratio ⁽¹⁾	39%	49%

⁽¹⁾ including securitization: 2002 = 51% / 2003 = 61%

	2001	2002	2003
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ROIC			
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	9.3%		
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		11.8%	
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			12.7%
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Cash flow statement

€ Millions

FY 2002

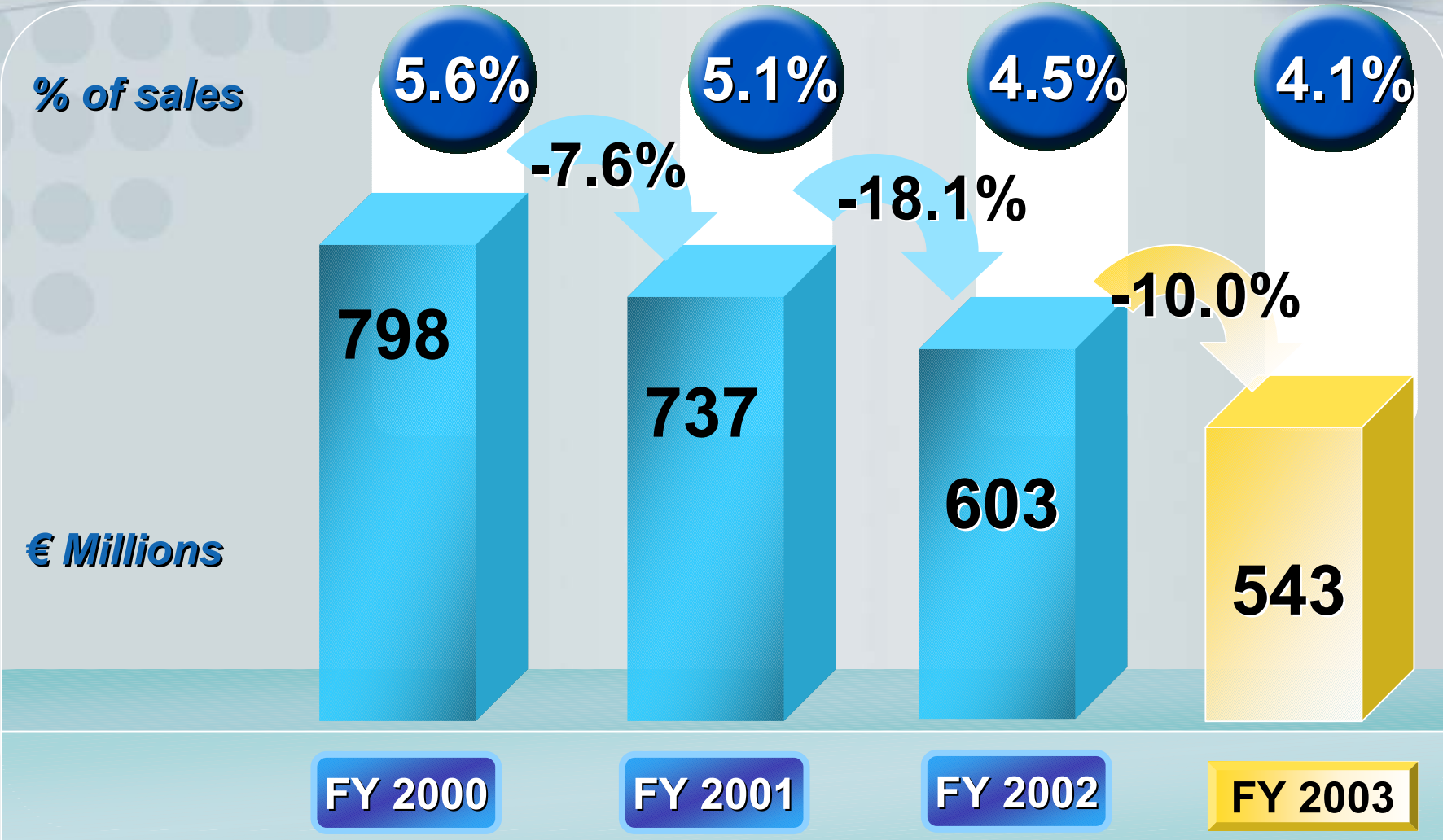
FY 2003

Cash flow from operations	1,578	1,460
Change in working capital	42	232
Capital expenditure	-603	-543
Free Cash Flow from Operations	1,017	1,149
Investments in sub. & associates	-495	-1,088
Disposals	3,410	216
Dividends paid	-404	-432
Share buyback	-786	-368
Increase in capital	47	32
Others*	-231	68
Change in Net Financial Debt	2,558	-423

**including securitization*



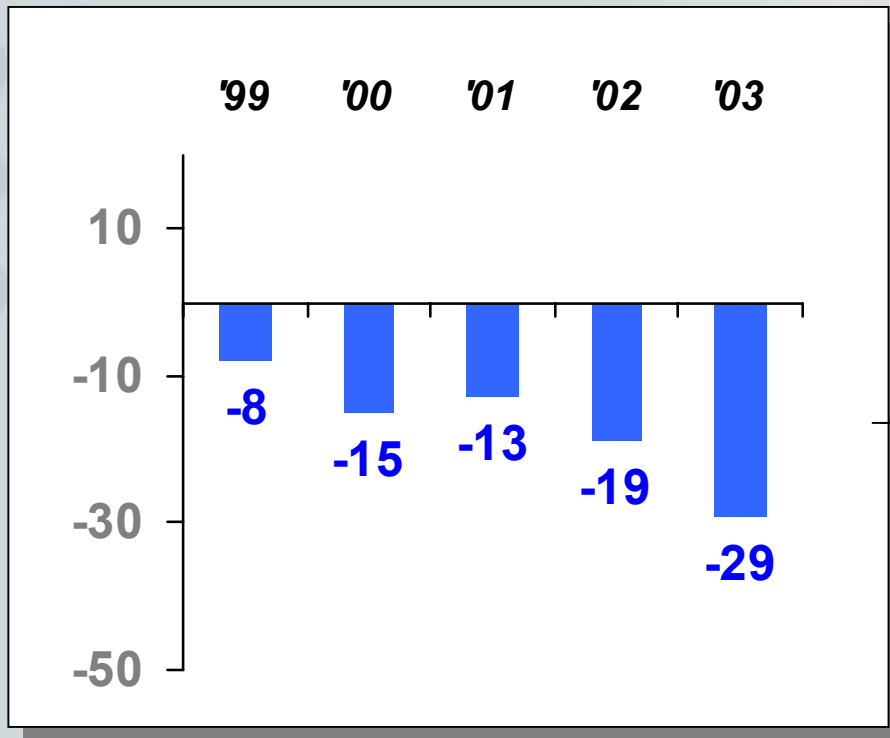
Capital expenditures



Our cash conversion cycle is a unique differentiator

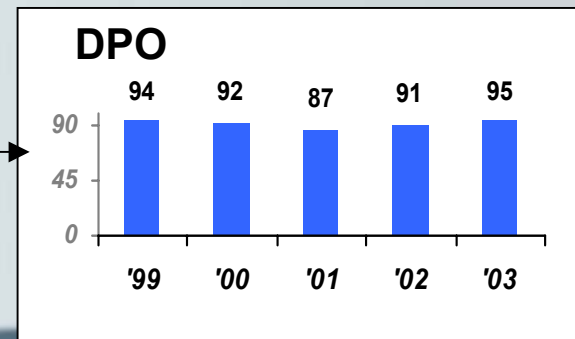
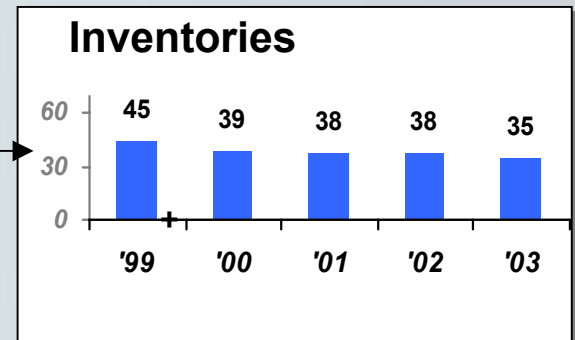
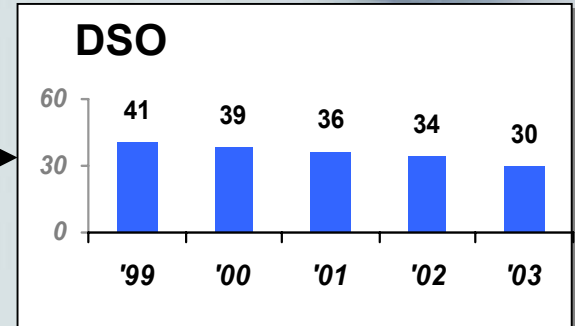


Total cash conversion cycle (nb of days)

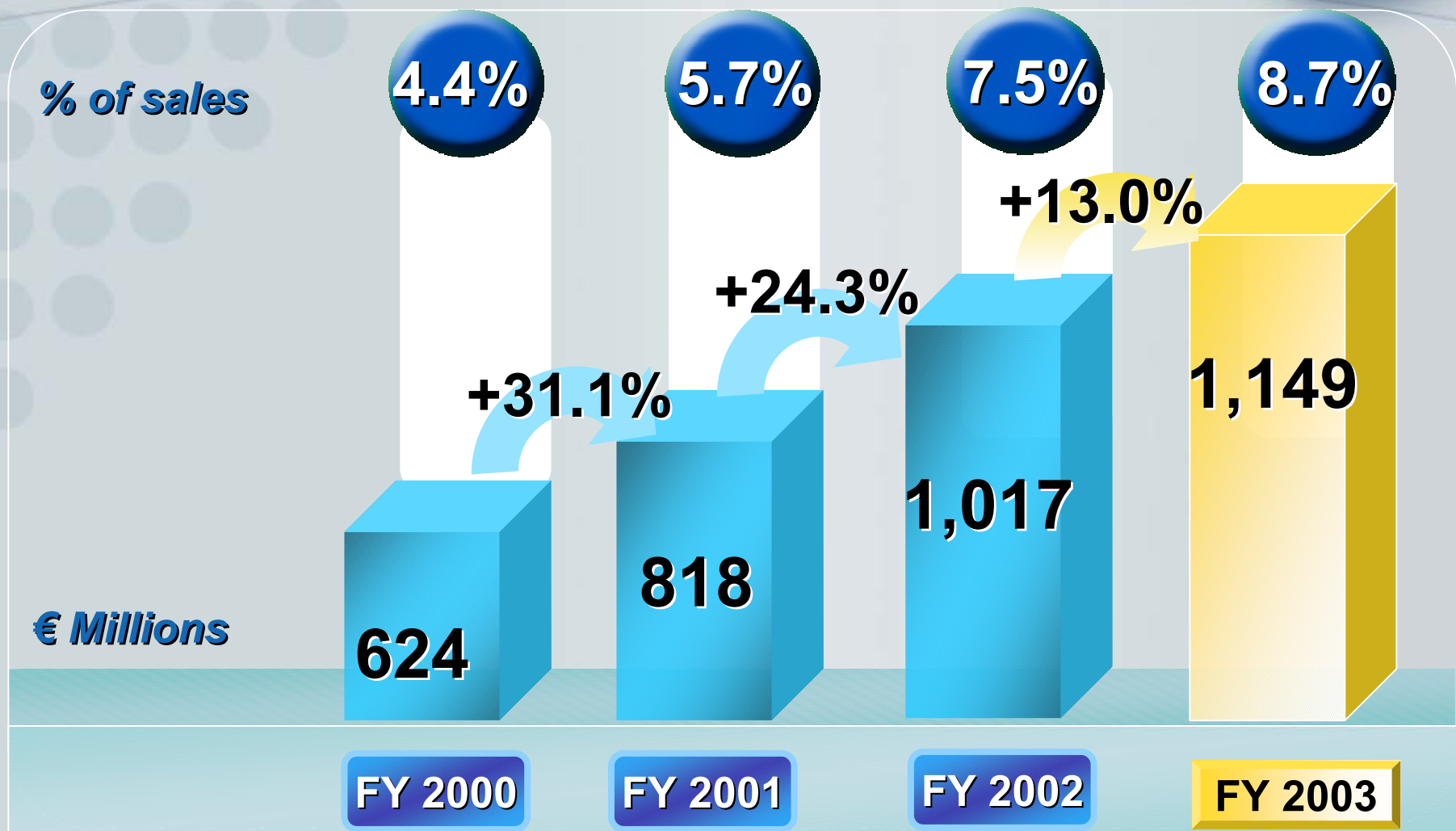


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Free cash flow from operations has nearly doubled since 00



**excluding securitization impact*

THEMIS

Key figures as of February 2004



- Perimeter deployed to date:
 - ⊠ 50 % of Group sales in Europe and North America
 - ⊠ 73 % of Dairy sales worldwide
- Business continuity guaranteed in all Go lives
- 2 Data Centers : France and Singapore
- ≈ 5000 users

Status by business : Dairy



- **Perimeter deployed to date:**

- ⊗ 73 % of Dairy sales worldwide

- ⊗ 85% of Dairy sales [Europe + North America]

- **Target 2004: gain momentum in Value Realization savings**

- **Planned in 2005: Mexico (\approx 60% of LATAM Dairy Sales) starting with APO (Supply Chain)**

Status by business : Beverages



■ Perimeter deployed to date:

- ⊗ 2 CBUs outside Asia: one as a Pilot / one as a « Themis light » Pilot
- ⊗ Asia: SAP-Themis fully implemented in Frucor

■ Target 2004:

- ⊗ 4 major countries are ready for Go live in 2004
- ⊗ Go live delayed to 2005 in order to further build on Dairy experience to refine Beverage Core model and strengthen transformational ambitions
- ⊗ Asia: all key Beverages CBUs live on SAP (except Wahaha)

■ Objective 2005: over 80% of Beverage sales under Themis environment (including Wahaha)

Status by business : Biscuits



■ Perimeter deployed to date:

⊗ Europe: 4 key countries live in 2003/2004 (UK, Poland, Czech Rep., Spain)

⊗ Asia: China (Themis), India & New Zealand (SAP)

■ Target 2004:

⊗ Stabilize European Themis countries and extract Value Realization

⊗ Start implementation in Indonesia

⊗ Hold on further geographical roll out until 2005 (focus on topline growth momentum)

2004 Key activities



- Gain momentum in Value Realization extraction
- Manage destaffing and drive project costs down
- Build Themis Knowledge and Competency Management within the business
- Design a specific Roll-out model for smaller CBUS (for implementation over the next 2/3 years)

Key Learnings

- Marginal costs = higher than anticipated (140 to 150 M€)
- Savings on OFCF = higher than anticipated

2004

- Costs slowdown will contribute +10 bp to margin expansion
- Value Realization will contribute another +10 bp to margin expansion
- Retention rate : 100% in 2004 - will decline over time
- Working capital gain (not planned initially) > 10 M€

Costs

- Marginal costs around 145 M€
- An average -20 bp impact on Ebit margin (instead of -15 bp) over 5 years

Savings on CBUs live or ready to go live

- Cumulated OFCF [2004-2006] \approx 100 M€ *
- of which
 - ⊗ live CBUs = 2/3
 - ⊗ ready-to-go live CBUs = 1/3
- of which
 - ⊗ 50% P&L savings
 - ⊗ 50% Working capital gains

Major savings areas



Ebit impact

- Expanding Purchasing scope coverage on Goods and Services
- Savings on logistic costs
- Reduction of Finished Goods losses

Working Capital impact

- Days of Sales outstanding overdue
- Raws & Packs Inventory days
- Finished Goods Inventory days

- A business focused approach in 2002-2003 (phase 1)
- Overall marginal costs higher than initially planned (+50 M€)
- Savings tend to flow in faster than anticipated in live CBUs
- OFCF targets will be exceeded in the short term
- High retention rate initially
- High level of confidence on ≈ 100 M€ of cumulated OFCF savings [2004-2006] on this focused scope
- Phase 2 deployment to be designed by end 2004 (Themis light for smaller CBUs)

2004 Targets



Sales like-for-like

+5% to +7%

EBIT margin

≈ +40 bp

EPS growth

≈ +10%

Assumption: average Euro/\$ < 1,25

BACK-UP

Sales by business & geographical area



€ Millions

Q4 2002

Q4 2003

Like-for-like growth

Fresh Dairy Products	1,456	1,511	+8.5%
Beverages	705	650	+5.2%
Biscuits & Cereal Products	838	778	-2.3%
Other Food Business	89	83	+4.3%
Europe	2,120	2,124	+2.1%
Asia	411	389	+7.8%
Rest of World	557	509	+12.5%
GROUP	3,088	3,022	+4.7%

2003 Q4 like-for-like Sales growth

Breakdown volume/value



Like-for-like

Volume

Value

Total

Fresh Dairy Products

+5.3%

+3.2%

+8.5%

Beverages

+3.2%

+2.0%

+5.2%

Biscuits & Cereal Products

-6.1%

+3.8%

-2.3%

Other Food Business

+8.5%

-4.2%

+4.3%

Europe

+0.2%

+1.9%

+2.1%

Asia

+5.1%

+2.7%

+7.8%

Rest of World

+3.1%

+9.4%

+12.5%

GROUP

+1.4%

+3.3%

+4.7%

Sales by business & geographical area



<i>€ Millions</i>	FY 2002	FY 2003	Like-for- like growth
Fresh Dairy Products	6,276	6,185	+9.6%
Beverages	3,691	3,557	+9.9%
Biscuits & Cereal Products	3,232	3,071	+0.4%
Other Food Business	356	318	+1.8%
Europe	8,841	8,876	+5.4%
Asia	2,080	1,957	+10.4%
Rest of World	2,634	2,298	+10.9%
GROUP	13,555	13,131	+7.2%

2003 FY Sales growth

Breakdown volume/value



Like-for-like

Volume

Value

Total

Fresh Dairy Products

+5.6%

+4.0%

+9.6%

Beverages

+9.2%

+0.7%

+9.9%

Biscuits & Cereal Products

-3.1%

+3.5%

+0.4%

Other Food Business

+1.8%

+0.0%

+1.8%

Europe

+2.8%

+2.6%

+5.4%

Asia

+11.0%

-0.6%

+10.4%

Rest of World

+3.9%

+7.0%

+10.9%

GROUP

+4.2%

+3.0%

+7.2%

EBIT margin expansion [detailed]



	H1 '03	H2 '03	FY '03
Business	+29bp	+23bp	+27bp
➤ of which: Themis	-20bp	-20bp	-20bp
Disposal of Galbani	+28bp	na	+16bp
Partnerships in US water	+38bp	+7	+23bp
Exercise of beer put	-38bp	-15bp	-27bp
Goodwill impairment	+18bp	na	+9bp
Reported EBIT margin	+75bp	+15bp	+48bp

Share buy back program

2003 Share Buyback

Number of Shares	3,161,575
in % of outstanding capital at 12/31/03	2.3%
Cost	€ 368 M

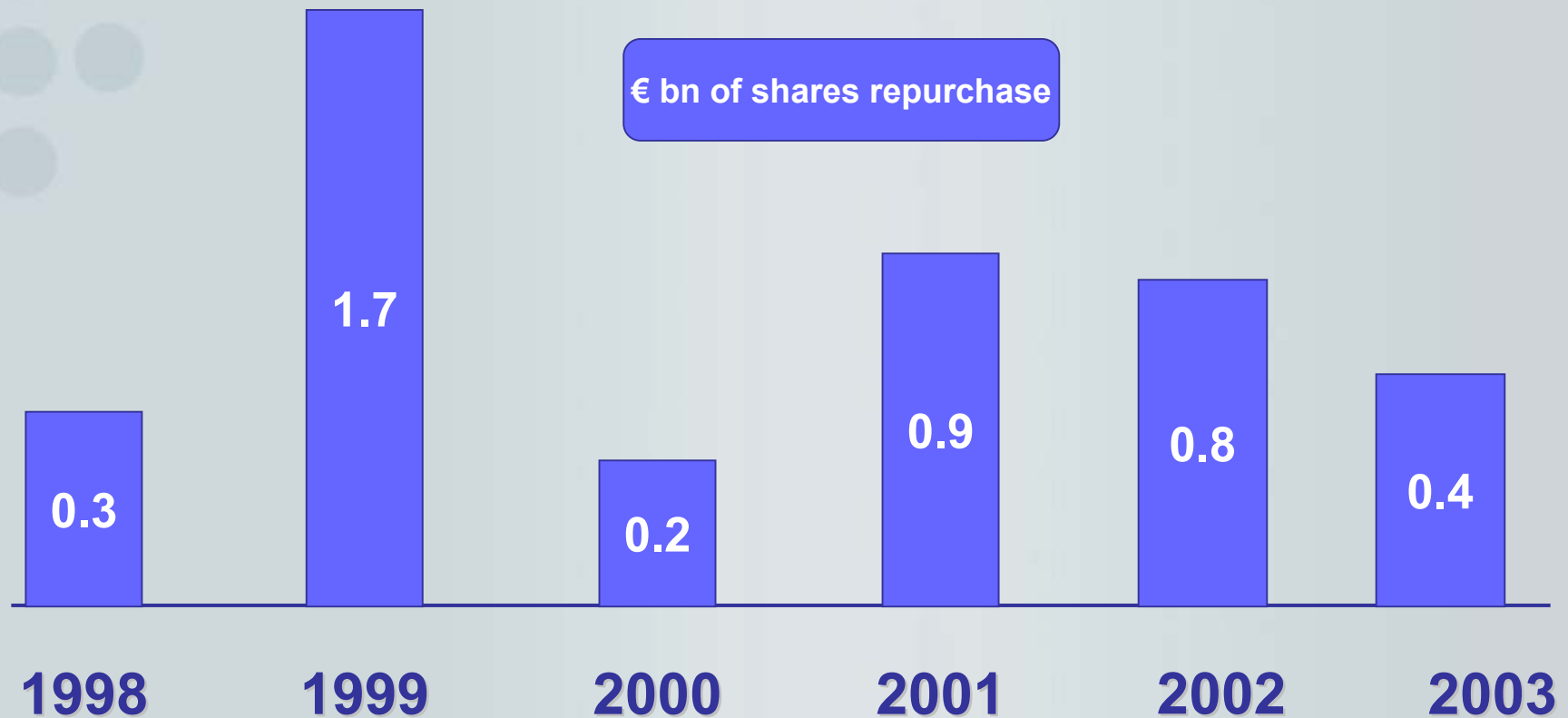
Treasury Stock at 12/31/2003

- **8,406,726 shares**
- After cancellation of 2.7 million shares
 - 1 million in July 2003
 - 1.7 million shares in December 2003
- **6.2% of the outstanding capital at 12/31/03**

Share buy back program



- € 4.4 bn from 1998 to 2003
- 34 mn shares
- $\approx 25\%$ of capital stock (12/31/03)



Off-balance sheet commitments as of Dec 31, 2003



Valuation of outstanding commitments resulting from Put options held by third party in certain Group companies (included assumed debt) :

⊗ as of Dec 31, 2003 = € 2,920 Millions (total)

⊗ of which

■ Danone Springs of Eden BV= € 245 Millions

■ DS Waters LP = € 675 Millions