

# DANONE2003

AT A GLANCE



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EXECUTIVE  
COMMITTEE

**Franck Riboud**  
Chairman and Chief Executive  
Officer

**Jacques Vincent**  
Vice-Chairman and  
Chief Operating Officer

**Jean-René Buisson**  
General Secretary

**Georges Casala**  
Executive Vice-President  
Biscuits and Cereal  
Products

**Emmanuel Faber**  
Executive Vice-President  
Finance, Strategy and  
Information Systems

**Bernard Hours**  
Executive Vice-President  
Fresh Dairy Products

**Simon Israel**  
Executive Vice-President  
Asia-Pacific

**Franck Mougin**  
Executive Vice-President  
Human Resources

Our three businesses  
hold enormous  
potential”

→ *How would you sum up  
business in 2003?*

**FRANCK RIBOUD:** It was a very good year, with organic growth reaching 7.2%—our highest in ten years. We also posted the strongest growth in our sector for the fifth year running, which I think shows the long-term effectiveness of a business model founded on three principles:

- a focus on the three most dynamic product categories in the food industry—water, fresh dairy products and biscuits.
- a balanced geographical portfolio with a greater presence than our

competitors in high-growth emerging markets.

• local leadership in nearly every national market where we operate, which means we have the resources we need to build our future in each.

→ *What do you think  
about growth prospects  
for the years ahead?*

**F R:** The development potential of our three businesses is enormous. Per capita consumption varies considerably from one market to another, which means there is plenty of room for growth in many countries, including the developed world.

We have also chosen to focus on product categories associated with nutrition and health, enabling us to benefit from the continuing shift in consumer preferences to this type of product in mature markets.

And of course we have also expanded our businesses in terms of products and geography. The fresh growth potential that results is already beginning to yield benefits. To take geographical expansion alone, in the space of just a few years we have developed a significant presence in three new regions, each of which now contributes around €1 billion to consolidated sales. These regions are Central and Eastern Europe including Russia, where performance has been excellent; China, where we now have nearly 23,000 employees and growth has been between 10% and 15% in recent years; and, finally, regions around the Mediterranean, where we now hold leading positions in all countries.

→ *Do you plan to move  
ahead with acquisitions  
and partnerships?*

**F R:** Over the past five years we have been involved in more than 50 transactions, representing a total of over €7 billion. Often narrowly targeted and sometimes very small, these transactions were undertaken to round out our product portfolio and extend our geographical reach.

Within our core businesses, 70% of entities are still independent companies, often family-owned. It is only natural for us to be the prime mover for consolidation in these sectors.



→ **HOD: expansion in Europe...**

**JULY 2003** DANONE and Eden Springs announce plans to set up a joint venture bringing together their home and office delivery (HOD) operations in Europe. Leader in eleven of the most dynamic countries in the market, this new business already holds around 20% of the total European market.

→ **... and creation of the leading player in the US**

**SEPTEMBER 2003** DANONE and Suntory Limited agree to set up a joint venture bringing together their HOD businesses in the States.

**NOVEMBER 2003** Creation of DS Waters LP, leader in the American HOD market with sales of over \$800 million.



**DANONE, number-one shareholder of Yakult in Japan**

**APRIL 2003** DANONE raises its stake in Yakult to 20%. Yakult has been a pioneer in the development of probiotics, a field where it is now world leader. With this unopposed move, DANONE becomes the largest shareholder of the leader in dairy products for the Asia-Pacific region, present in over 20 countries.

→ **Tapping new potential in Egypt**

**OCTOBER 2003** With local partner Rachid, DANONE opens its first biscuit factory in Egypt. Located at Borg El Arab, the new site will help make the most of the Egyptian market's potential. Five products have already been launched under the LU Tiger and Prince brands.



→ **Children of the world**

**SEPTEMBER 2003** South Africa wins the fourth annual DANONE Nations Cup, a soccer tournament in which 2.5 million children from 32 countries took part. The final in Paris drew 25,000 spectators and was presided over by soccer great Zinedine Zidane, the Cup's sponsor.

**Bolstering the Groupe DANONE's presence in Turkey...**

**DECEMBER 2003** DANONE acquires Nestlé's dairy business in Turkey, doubling its local sales to become leader of a market where dairy products are very much in demand.

**... and in the US, too**

**DECEMBER 2003** DANONE raises its stake in Stonyfield Farm, the US leader for natural and organic dairy products, to 80%. DANONE first took an interest of 40% in the company in 2001. This latest move reflects the success of cooperation between the businesses.

Employees  
in Fresh Dairy  
Products  
21,266

# Fresh Dairy Products

Unrivalled expertise,  
undisputed leadership



In 2003 the Fresh Dairy Products division, which now represents 47% of Groupe sales, continued its drive to dominate the world market through strong brands, a universal association with healthy eating, international roll-out skills and local strategy.

**Both mature and emerging markets buoyant**

With sales up 9.6% in a world market that expanded 4%, DANONE increased its market share and confirmed the strength of its development model with an operating margin of 13.7%. Both mature (Western Europe and North America) and emerging markets have contributed to these excellent results, with particularly robust

growth in Russia, Mexico, Argentina, North Africa and the Middle East.

**Adapting global concepts to local markets**

Strong growth in the Fresh Dairy Products business line is closely linked to our ability to adapt and roll out global concepts rapidly across a large number of countries. Which in turn reflects lean and flexible structures that spot good practices, formalize these and circulate them around the globe.

Distributing products through networks of small retailers is another plus, ensuring that our products are available everywhere, in all types of store.



# Beverages

New consumer markets



Organic growth in Beverages (27% of DANONE sales) was buoyant at nearly 10% in 2003, driven by very strong regional rankings (No.1 in Asia and Latin America, and No.2 in Western Europe). Equally important were strong brands—DANONE now owns 3 of the world's 5 most successful bottled water brands—and expansion into new consumer markets. Operating margin was a high 15.1%.

**Robust pace in Europe, Asia and Latin America**

Sales in Europe, where DANONE has traditionally been strong, grew 11%, driven by the key French, Spanish and UK markets. During the year China and New Zealand spearheaded a steep rise in Asia. Yet the most

spectacular growth came in Latin America (+40%), driven by the recovery in Argentina and, above all, our success in Mexico.

**Innovation pays off**

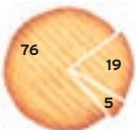
At the heart of this growth is product innovation illustrated by the success of flavored water—a concept first launched in France that is gradually spreading worldwide. Another example is HOD (Home and Office Delivery), with DANONE now world leader in this market.

Employees  
in Beverages  
39,126

# Biscuits

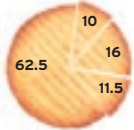
Uneven performance

→ Sales by region



Europe **76%**  
Asia-Pacific **19%**  
Rest of World **5%**

→ Sales by segment



Sweet biscuits **62.5%**  
Savory biscuits and products **10%**  
Crispbreads and crackers **16%**  
Packaged cakes **11.5%**

→ Sales by country as % of regional sales



China **59%**  
Malaysia-Indonesia **14%**  
India **14%**  
Australia-New Zealand **13%**

Excludes Evian-Volvic exports to Japan

# Asia-Pacific

A new model for profitable growth

→ Sales by segment as % of regional sales



Water (l) **68%**  
Biscuits and Cereal Products **28%**  
Heat-and-serve dishes/sauces **4%**  
(l) including non-alcoholic beverages

→ Sales growth\*



\*like for like

→ Operating margin



In a fairly lackluster market, our Biscuits and Cereal Products division (23% of Groupe DANONE sales) saw 2003 revenues rise only 0.4% at constant structure and exchange rates. Yet aggregate figures mask wide variations from one country and market to the next, with demand for biscuits shaped by local preferences, consumer habits and cultural traditions.

### Highs and lows

In some countries—among them Belgium, Spain, Greece, Finland and Russia—DANONE has experienced firm growth, while sales have fallen in France and the United Kingdom.

### Strong growth potential

Yet the Biscuits business retains strong potential, with demand in some markets outstripping growth in other segments of the food industry. An example is the Asia-Pacific region, where division sales jumped 10.5%, driven by impressive growth in China, India and Indonesia. DANONE is now pursuing an active strategy of targeted investment, establishing new production units and making acquisitions.

Employees in Asia-Pacific

40,960

→ Sales growth\*



\*like for like

→ Operating margin



2003 confirmed the success of Groupe DANONE's drive into Asia. Not only was sales growth a strong 10.4%, but at 14.3% operating margin was higher than the Groupe average (12.2%) for the second year running. All of the countries in this region have contributed to these excellent results, particularly big priority markets—China, India and Indonesia.

### China a growth driver

In China, Groupe DANONE achieved sales of over €1 billion in 2003, thanks to innovation and a host of successful product launches. DANONE is the country's market leader in bottled water, with beverages and biscuits dual drivers of growth.

### India, Indonesia and New Zealand

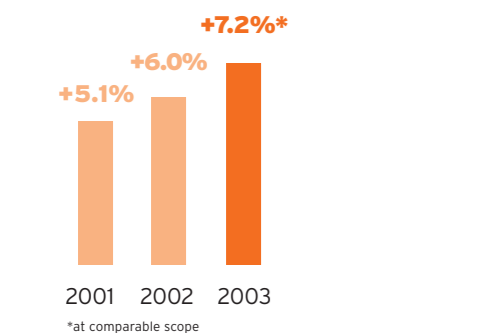
Our Beverages and Biscuits divisions have experienced growth both in India, where Britannia is the leading biscuits brand, and in Indonesia, with Aqua, the leading packaged water brand in volume terms. Mastering distribution also holds one key to DANONE's success in New Zealand.

Employees in Biscuits

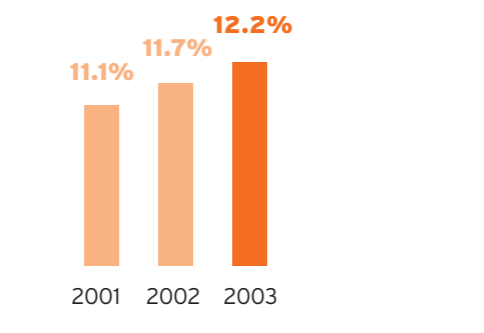
23,996

# Key figures

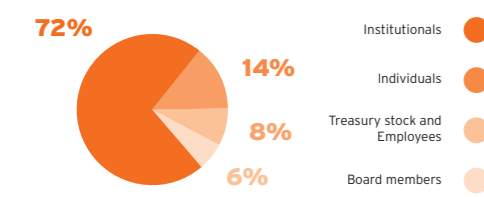
➡ Organic growth in sales over the last 3 years\*



➡ Operating margin over the last 3 years



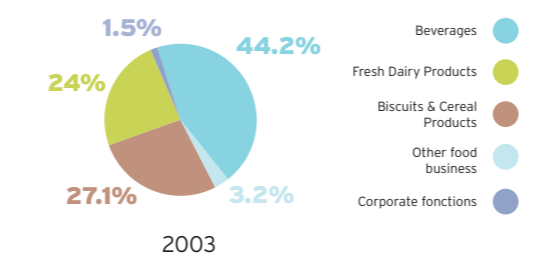
➡ Share ownership (at December 31, 2003)



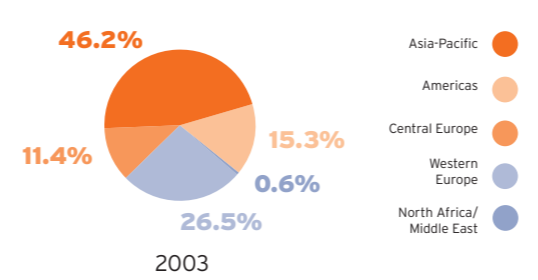
Market capitalization at December 31, 2003 (€ millions)  
**17,466**

Groupe DANONE sales at December 31, 2003 (€ millions)  
**13,131**

➡ Employees by business line



➡ Employees by region



No.1

WORLDWIDE FOR FRESH DAIRY PRODUCTS

No.1

WORLDWIDE FOR BOTTLED WATER (BY VOLUME)

No.2

WORLDWIDE FOR BISCUITS AND CEREAL PRODUCTS

**Organic growth in sales of 7.2%**  
Consolidated sales came to €13,131 billion in 2003, down 3.1% on €13,555 billion in 2002. Changes in the scope of consolidation cut revenues by 3.6% and exchange-rate movements also had an adverse impact, with falls in the US dollar, Chinese yuan, Mexican peso, Brazilian real and UK pound trimming another 6.7% from the total. At constant structure and exchange rates, sales rose 7.2%—the strongest growth DANONE has experienced in the past ten years.

**Steady growth in operating margin**  
Operating profit reached €1,604 billion during the year, up from €1,590 billion in 2002. Operating margin thus increased for the ninth consecutive year, rising by 48 basis points to 12.2%.

**Close to consumers around the world**  
With brands in 120 countries, Groupe DANONE has expanded its international presence at a rate nothing short of spectacular over the past ten years. Today 70% of our workforce is based outside Western Europe.

# FOR MORE INFORMATION...



**DANONE 2003  
THE YEAR IN REVIEW**



**SOCIAL AND  
ENVIRONMENTAL  
RESPONSIBILITY REPORT**



**FORM 20-F**



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**Groupe DANONE** • 15, rue du Helder • 75439 Paris cedex 09 • Visitors: 17, bd Haussmann • 75009 Paris • Tel: +33 (0) 1 44 35 20 20 • **Corporate Communications** • Tel: +33 (0) 1 44 35 20 71 / 20 75 • **Investor Relations** • Tel: +33 (0) 1 44 35 20 76 • Toll-free number for shareholders: 0800 320 323 (free from fixed lines in continental France) • **Financial Information** • [www.finance.danone.com](http://www.finance.danone.com) • [www.danone.com](http://www.danone.com)