



2006 RESULTS

February 15th, 2007



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.



FY 2006 Key Figures

Net Sales	➡	€ 14,073 M	+9.7% like-for-like +8.1% reported
Trading operating income	➡	€ 1,914 M	+10.1%
Trading operating margin	➡	13,60 %	+ 32 bp like-for-like + 25 bp reported
Underlying net income From continuing activities	➡	€ 1,194 M	Vs € 1,031 M FY '05 +15.8%
Underlying EPS (fully diluted) From continuing activities	➡	€ 4.88	Vs €4,14 FY '05 + 17.9%
Free Cash Flow ⁽¹⁾	➡	€ 1,516 M	Vs € 1,303 M FY '05 +16.4%

(1): Free Cash Flow: Cash flow from operations less capital expenditure (net of disposals) and change in working capital



FY 2006 performance: key take-aways

☒ Best ever top-line growth

- ☐ helped by an exceptionally strong Q4**
- ☐ with broad-based growth across geographies**

☒ Continued profitable growth despite unfavorable country mix and input cost headwinds

☒ Excellent cash generation allowing increased returns to shareholders

☒ An active acquisition policy which sets the foundations for future growth in fast growing markets.



Q4 & FY 2006 SALES

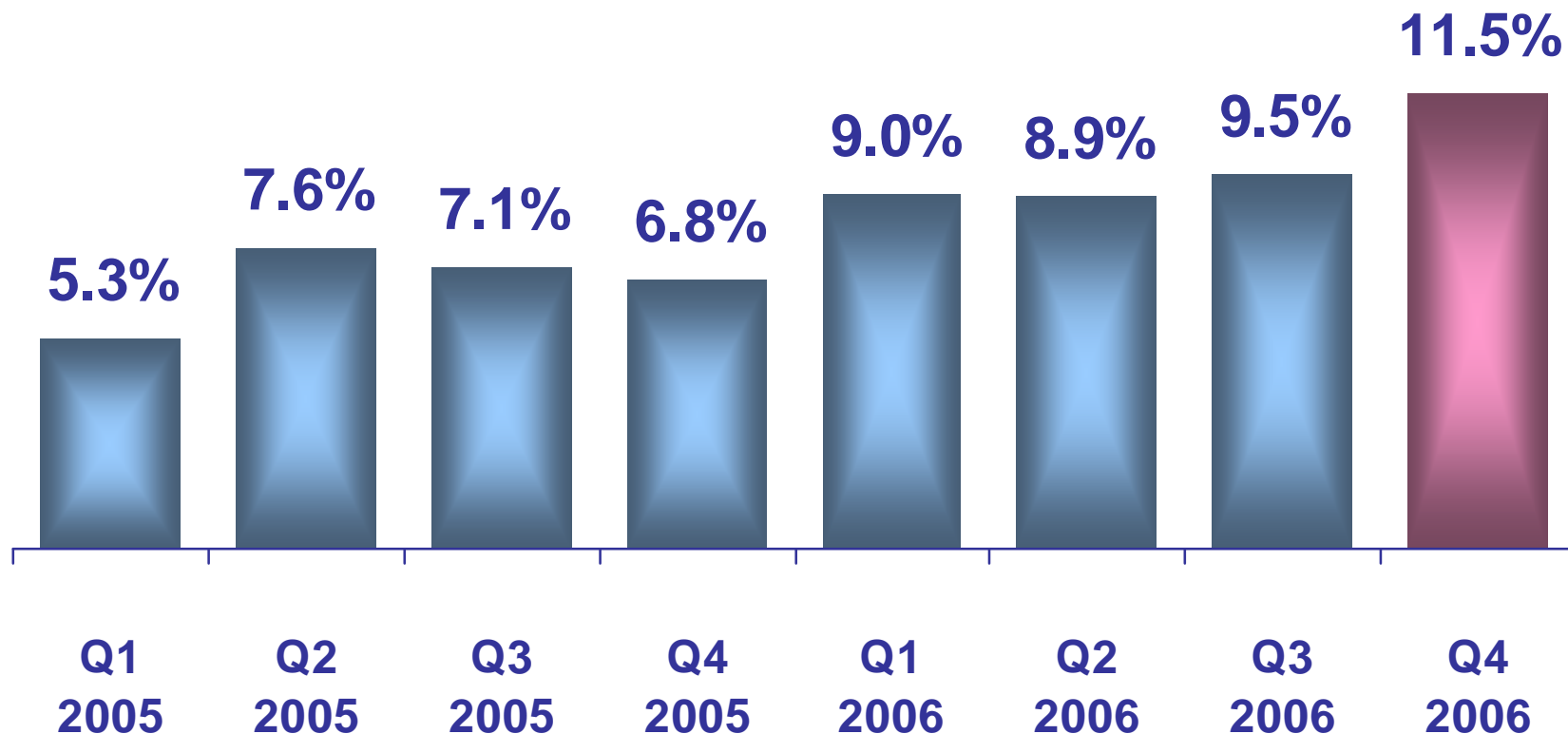


Top-line growth exceeding our targeted range in FY 2006



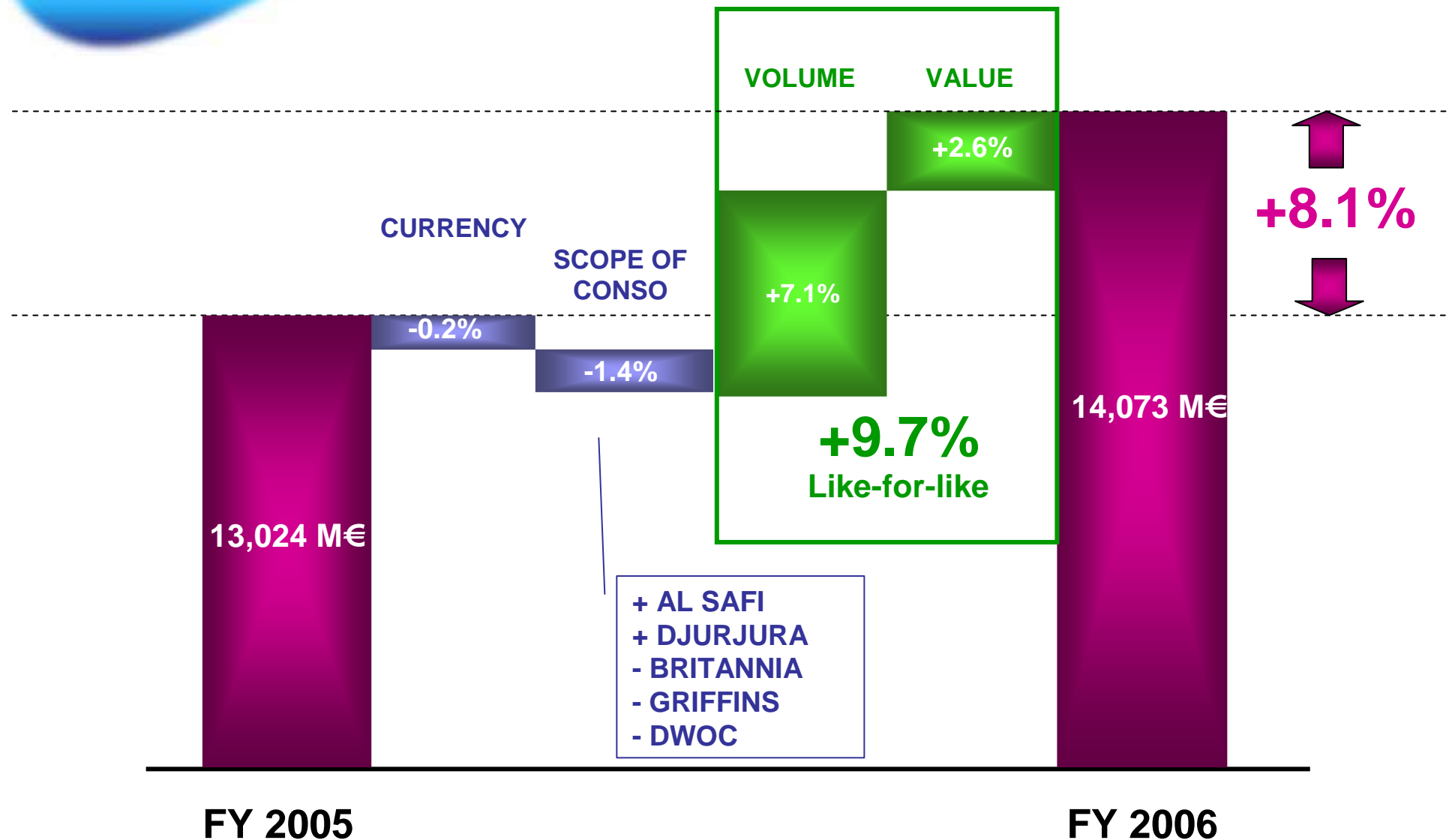


Exceptional Top-line growth in Q4 2006, exceeding our expectations





Analysis of FY 2006 Net Sales Growth





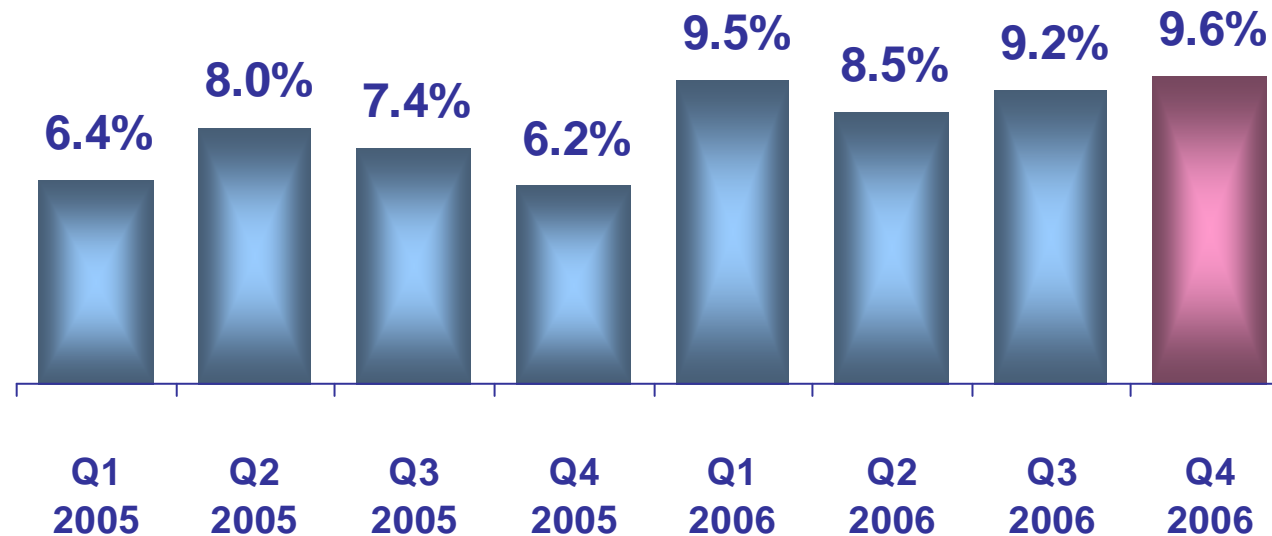
Very strong H2 like-for-like sales growth

	H1 2006	H2 2006	FY 2006
Reported Net Sales	+12.1%	+4.1%	+8.1%
Currency	+2.3%	-2.8%	-0.2%
Scope of consolidation	+0.8%	-3.5%	-1.4%
Like-for-like Net Sales	+9.0%	+10.4%	+9.7%



FRESH DAIRY PRODUCTS

Continued superior growth



- ⊗ Very good overall performance, in line with 9M
- ⊗ Top line growth is driven by Latin America (>+20%) North America (>+10%) and Eastern Europe (in the mid-teens)
- ⊗ France is back in positive territory
- ⊗ Blockbusters keep growing at >+15%, led by Activia



INNOVATIONS

FRESH DAIRY PRODUCTS



Digestive comfort
Activia roll-out (US)



Base yogurts
« 7 benefits »
(Russia, Czech Rep.,
Argentina, Italy)



Cholesterol control
Danacol Omega 3 (UK)



Weight Management
Taillefine Mousse
« Double 0% »
(France & Belgium)



Weight Management
Shape Satisfaction (UK)
Crave Control (US)
Vitalinea Saciactiv (Spain)



Soja benefits
Senja (Fr) - Savia (Spain)

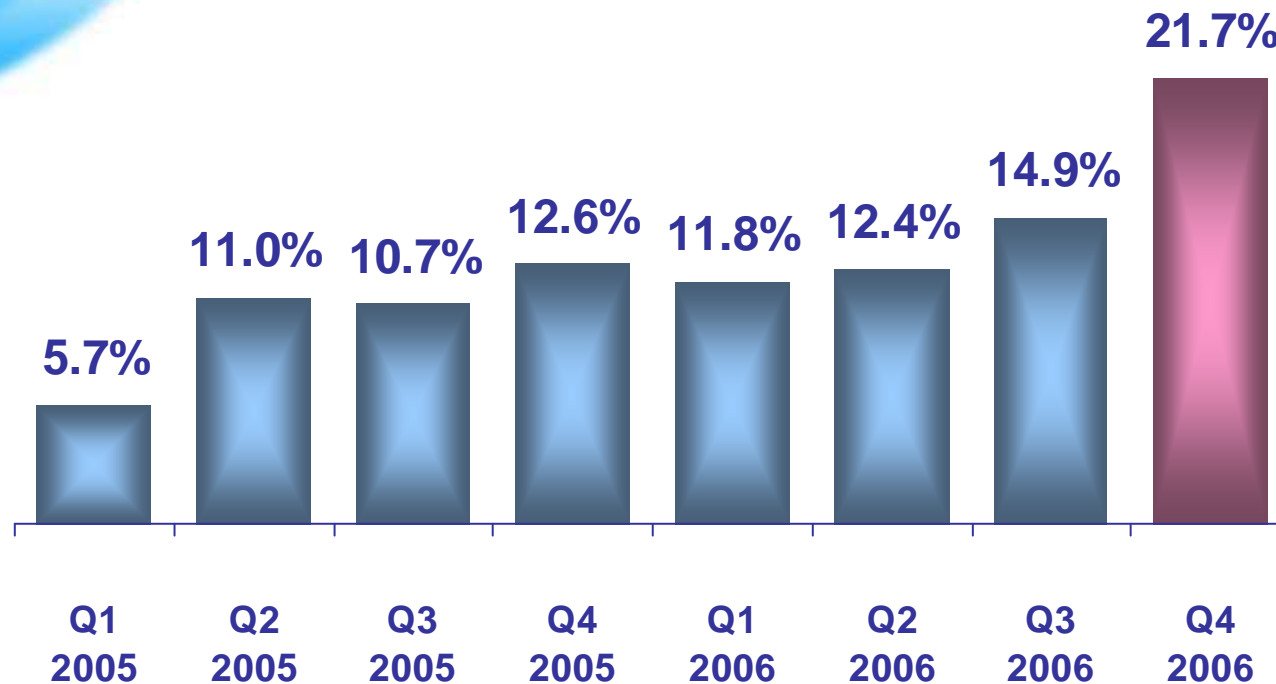


Les Deux Vaches
Organic segment



BEVERAGES

Very good year, boosted by Asia in Q4



- ⊗ Exceptional growth in Q4, driven by Asia and its innovations
- ⊗ Europe (exc. France) growing low double-digit
- ⊗ France, though still slightly negative, gaining shares in plain still water and benefiting from innovation in beverages
- ⊗ Sustained momentum in LATAM with growth exceeding +20%



INNOVATIONS BEVERAGES



Smoothie
Nutri-Express
(China)



Functional drinks
Taillefine Thé (France)



Functional drinks
Mizone (Indonesia)



Functional drinks
Vitalinea roll-out
(Spain & Mexico)



Plain water
New consumption occasions
Evian Mini-bar (France)



Functional drinks
V roll-out (Argentina)

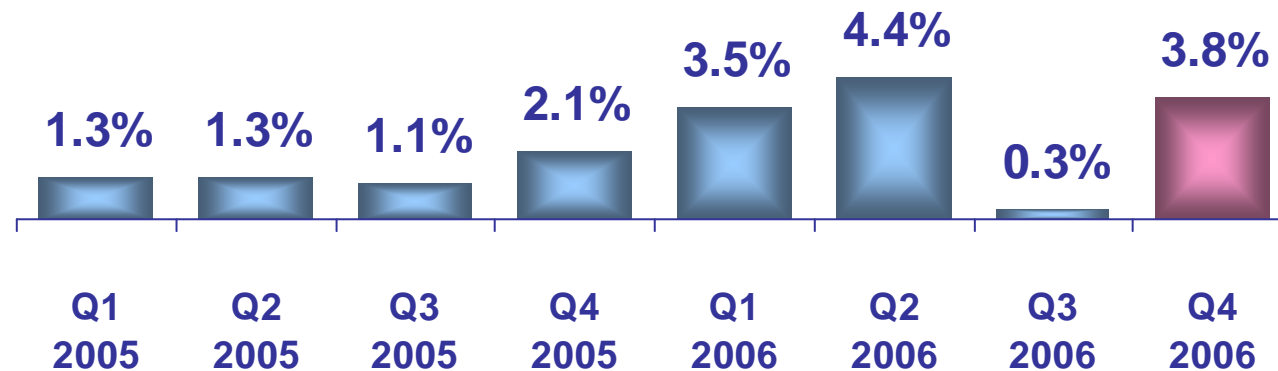


Aquadrinks
Sugarless flavoured water
(France, Mexico, Germany, UK)



BISCUITS & CEREAL PRODUCTS

Strong Q4 driven by mature markets



- ⊗ Healthy sales growth confirmed after a soft Q3 in France affected by delayed promotions and high temperatures in July
- ⊗ Improved performance in Europe led by France and Southern Europe, resulting in healthy share gains
- ⊗ Poland turn-around confirmed with strong double-digit growth
- ⊗ Asia growing in the low double-digits, demonstrating the relevance of our local strategies



INNOVATIONS BISCUITS



Indulgence
Paille D'Or Myrtille
(France)



Indulgence
Barquette new flavours
(France & Poland)



Long lasting energy
Petit déjeuner mini biscuits
(France)



Affordable nutrition
Jia Gai (China)



Savoury snack
Snacks (Italy)

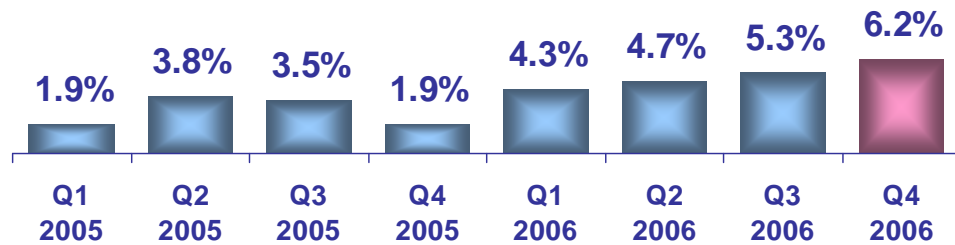


Indulgence without guilt
Mikado (France & Spain)

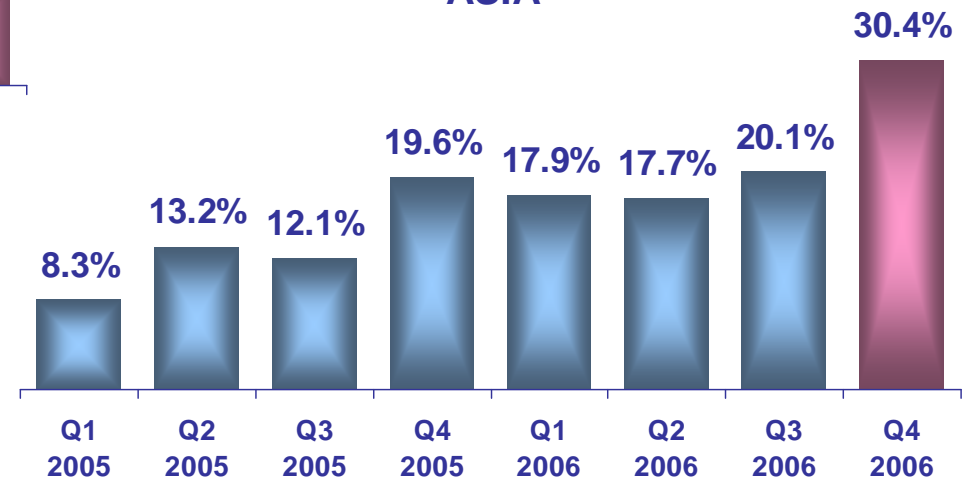


Broad-based geographic growth

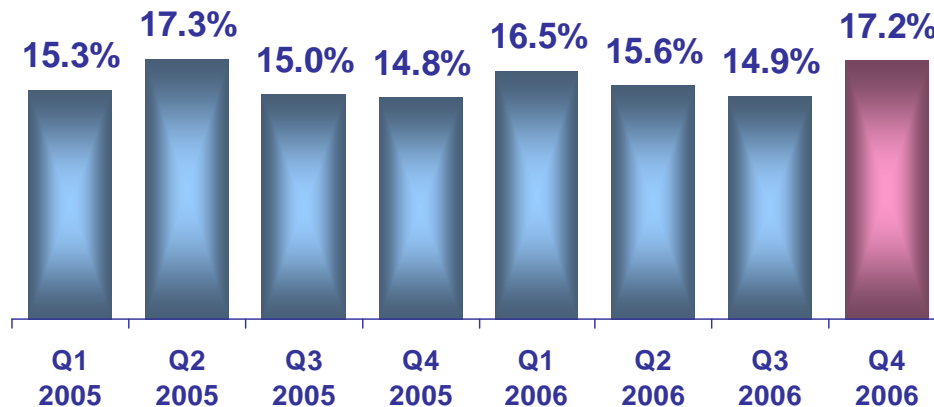
EUROPE



ASIA



REST OF WORLD





FRANCE FOCUS Q4 2006

⊗ Sales back to growth in the mid single-digits after a “flat” first 9M

⊗ With all businesses growing

⊗ *Fresh Dairy*

⊗ Fresh Dairy growing mid single-digits in Q4

⊗ Thanks to blockbusters, which are growing low double-digits

⊗ Gaining share of market

⊗ *Beverages*

⊗ Overall water category market share stabilized

⊗ Well targeted marketing initiatives on Evian and Volvic resulted in market share gain on the plain still water segment

⊗ Encouraging trends in the beverages categories



FRANCE FOCUS Q4 2006 (cont'd)

✧ Biscuits

- ✧ Is growing in Q4 at mid single-digits
- ✧ Gaining market share against all branded competitors
- ✧ Important contribution to growth coming from innovations and effective A&P investments

✧ Baby Food

- ✧ Bledina growing high single-digit in Q4
- ✧ With a continuing market share progression



FY 2006 FINANCIALS



A significant growth in trading operating income and margin

€ million

FY 2005

FY 2006

Trading operating income

1 738

1 914

+10.1%

Other operating items

(32)

(40)

Operating income

1 706

1 874

Trading operating margin

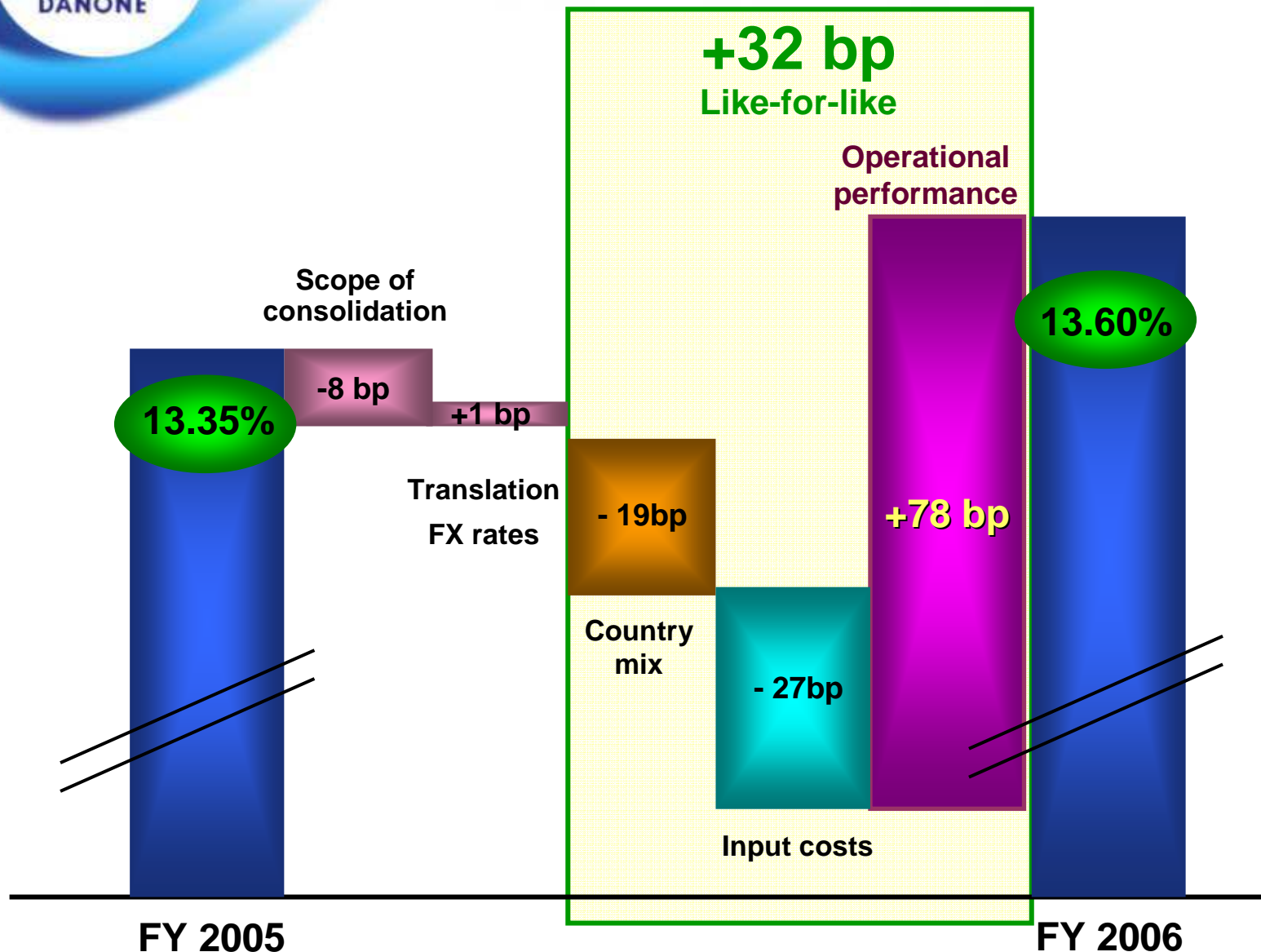
13.35%

13.60%

+25 bp



A healthy like-for-like margin progression in FY: +32 bp





Trading operating margin by business line & geographical area

	FY 05 restated*	FY 06 reported*	Like-for-like progression
Fresh Dairy Products	13.4%	14.0%	+ 68bp
Beverages	12.9%	12.8%	- 20bp
Biscuits & Cereal Products	13.7%	13.7%	-1bp
Europe	14.7%	15.1%	+ 33bp
Asia	10.7%	10.1%	- 15bp
Rest of World	11.3%	12.2%	+ 125bp
GROUP	13.35%	13.60%	+ 32bp

**Central costs fully allocated to business units*



From Operating income to Net income

€ million

FY 2005

FY 2006

Operating income	1 706	1 874
Cost of net debt	(101)	(37)
Other financial items	(9)	(31)
Income tax	(473)	(360)
Net income of consolidated companies	1 123	1 446
Net income (loss) of affiliates	44	(40)
Net income of discontinued activities	504	154
Net Income	1 671	1 560
Minority interests	(207)	(207)
Net Income attributable to the parent	1 464	1 353



Tax rate evolution

€ million

FY 2005

FY 2006

Current income tax

(478)

(520)

Effective tax rate

29.1%

28.1%

Non current income tax

5

160

Total income tax

(473)

(360)

Apparent tax rate

29.6%

19.9%



Underlying net income from continuing operations up 15.8%

€ million

FY 2005

FY 2006

Underlying net income from continuing operations	1 031	1 194
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+15.8%

Non current net income from continuing operations	(71)	11
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Net income from discontinued operations	504	148
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Net income attributable to the parent	1 464	1 353
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Underlying EPS from continuing activities up 17.9%

	FY 2005	FY 2006	
Underlying net income fully diluted from continuing activities	1,036.5	1,194	
Shares Fully diluted	250.3	244.7	
	↓	↓	
Underlying EPS fully diluted from continuing activities	€ 4.14	€ 4.88	+17.9%
Dividend Per Share	€ 1.70	€ 2.00*	+17.7%

* Proposed to shareholders at the AGM



Free Cash Flow from Operations up 16.4%

€ Million

FY 2005

FY 2006

Cash flow from operations	1,716	1,891
As a % of sales	13.2%	13.4%
Capital expenditure	(607)	(692)
As a % of sales	4.7%	4.9%
Assets Sales	63	39
Change in working capital	131	278
Free Cash Flow from Operations	1,303	1,516
As a % of sales	10%	10.8%



Cash flow statement

€ Million

FY 2005

FY 2006

Free Cash Flow from Operations	1,303	1,516
Investments in sub. & affiliates	(636)	(575)
Disposals & repayment of vendors loans	1,591	607
Dividends paid	(489)	(610)
Share buyback	(558)	(587)
Increase in capital	61	52
Others	(120)	145
Change in Net Financial Debt	1,152	548



Excellent financial ratios

€ Million	<u>2005</u> Dec 31	<u>2006</u> Dec 31
Equity incl. minorities	5,621	6,069
Net debt	3,572	2,902
<i>Of which minorities' puts</i>	2,626	2,504
ROIC (1)	14,3%	16,4%

(1) ROIC: (Underlying NOPAT from continuing activities + Group's share in underlying net income (loss) of affiliates) / average invested capital over the year.

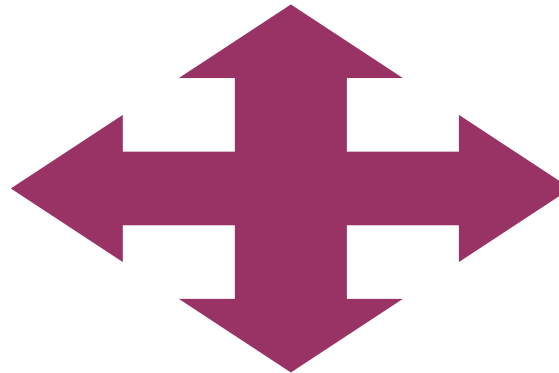


2007 Financial objectives

**Like-for-like sales
growth :
+6% to +8%**

**EBIT to grow faster
than sales:**

**Between +7% and +10%,
operating margin in
excess of +20 bp
(on a like-for-like basis)**



**EPS growth
>+10%**

Enhanced shareholder return:

Dividends to be proposed to Shareholders meeting: 2€ per share (+17.7%)

Active share buyback program in 2007



THE DANONE MODEL GOING FORWARD



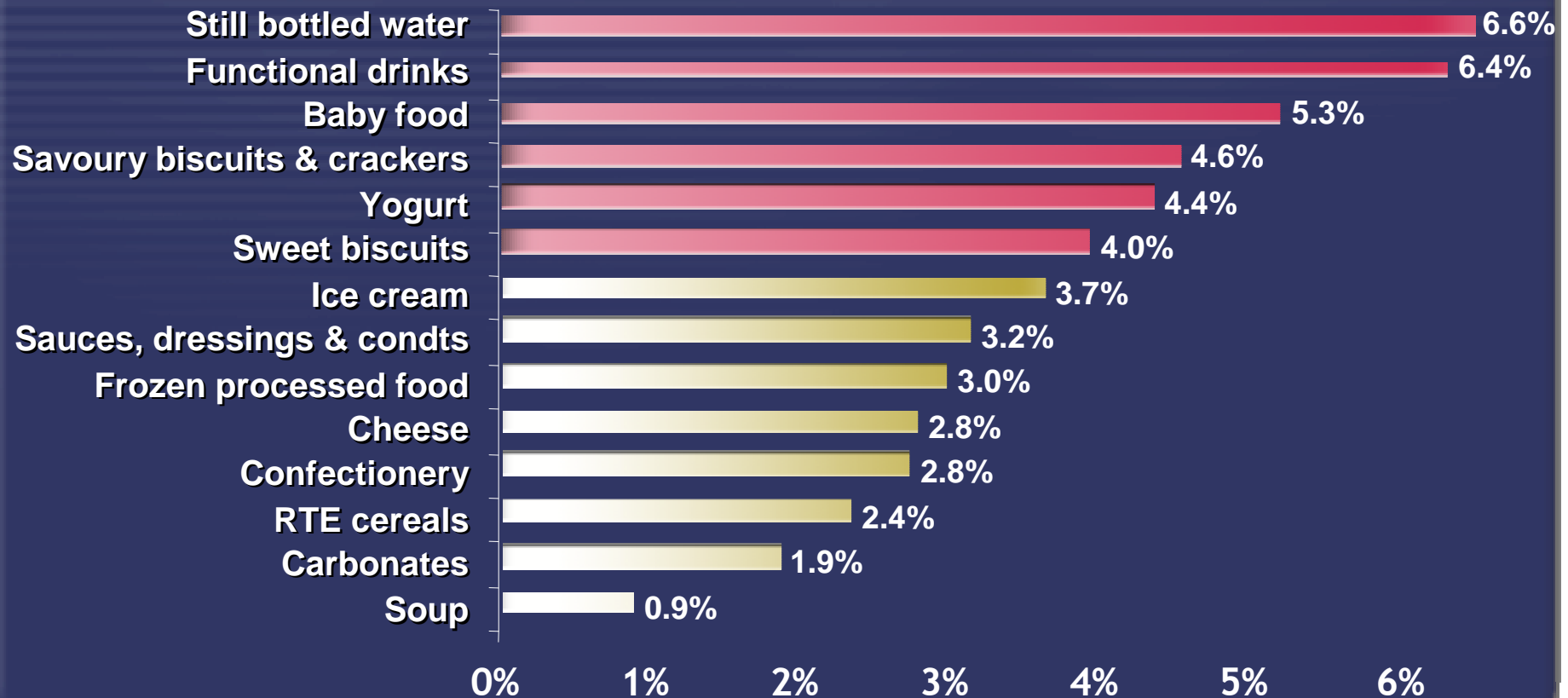
The DANONE model going forward

- ⊗ We have developed a solid and sustainable growth profile
- ⊗ Supported by unique innovation based on a health platform
- ⊗ Fuelled by strong geographic growth perspectives
- ⊗ Leading to a generation of steady margin improvement and superior returns to shareholders
- ⊗ While strengthening our societal agenda



We have focussed on the right categories

World Market CAGR 06-11 (volume)



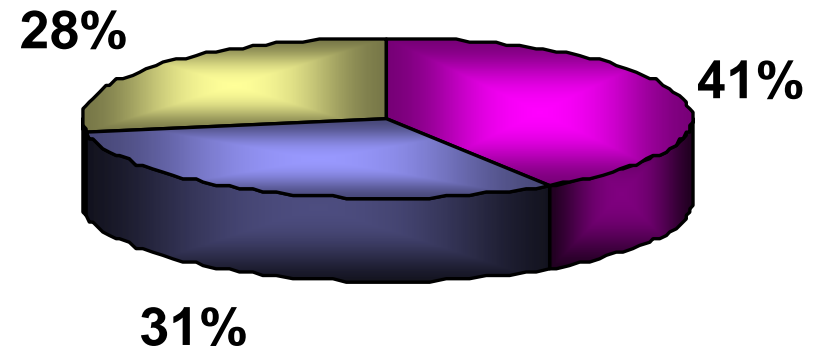
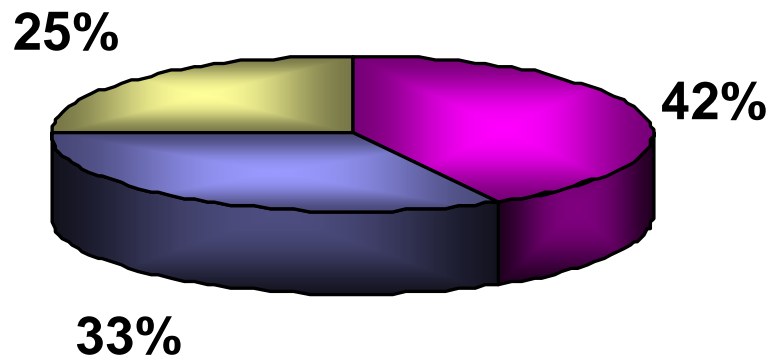


Broad-based country portfolio: not just relying on New Frontiers and “Mature Home Markets”

As percentage of Group Sales

2005

2006



Contributors

Mature

New Frontiers

	<u>Contributors</u>	<u>Mature Home Markets</u>	<u>New Frontiers</u>
2005	+8%	<0%	+18%
2006	+10%	+3%	+20%

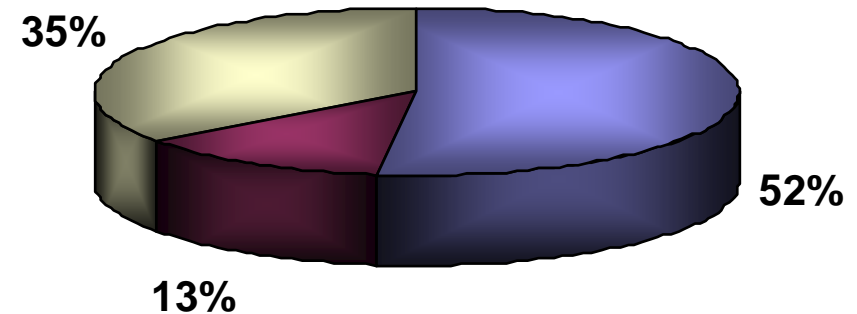
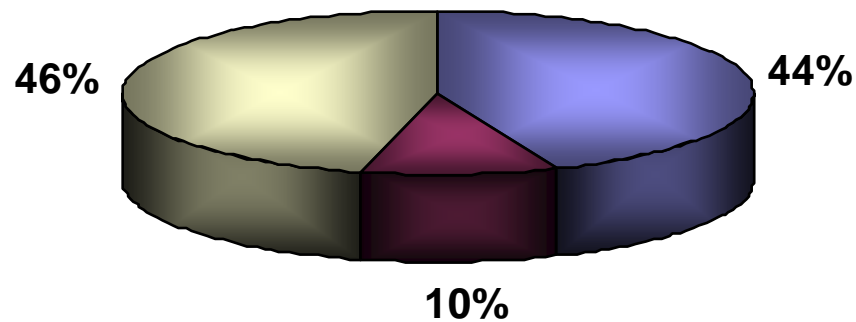


Broad-based growth: in 2006 over half of our total sales grew at more than +8%

As percentage of Group Sales

2005

2006



■ Above 8%

■ Between 4% and 8%

■ Below 4%

	<u>Above +8%</u>	<u>Between +4% & +8%</u>	<u>Below +4%</u>
2005	+20%	+6%	-3%
2006	+20%	+7%	0%



A unique brand portfolio dominated by global brands with a differentiated positioning

Actimel



Vitalinea



Activia



Danonino



Danette



Danissimo



Stonyfield



Danacol



Danio



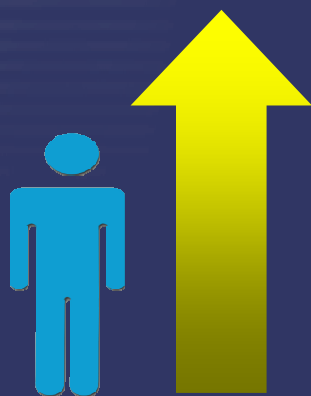
Core range





Our Blockbusters as drivers of growth

Growth



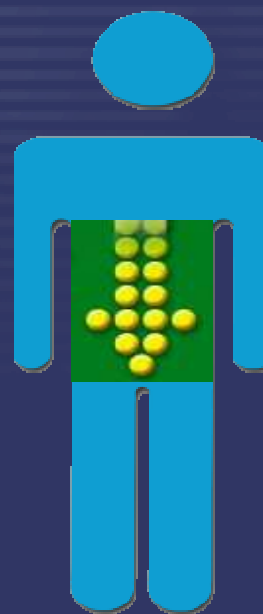
800 M€

Protection



1000 M€

Transit Digestion



1300 M€

Weight Management

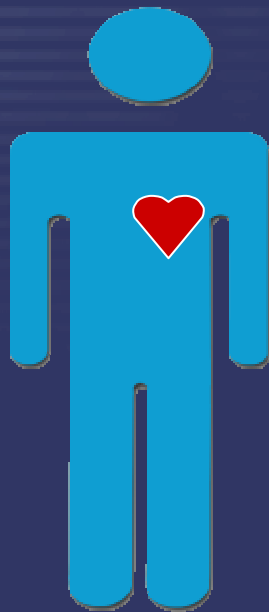


900 M€



Preparing Tomorrow's Diamonds

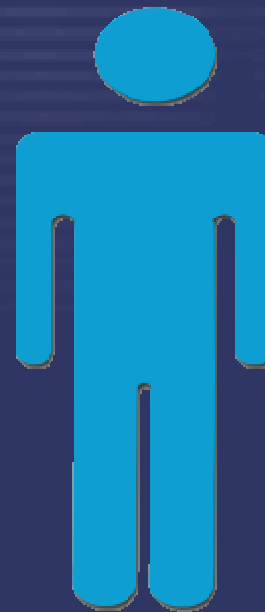
Cardio



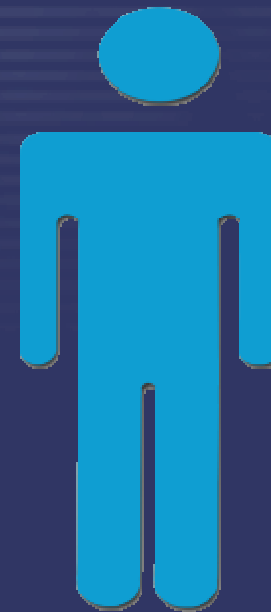
Beauty



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ESSENSIS: an illustration

Accelerated launches

France	February 1st
Italy	February 12th
Spain	February 21st
Belgium	March 19th

FRANCE

85 tons sold in week one!

Very positive reaction of the trade

Weighted distribution of 90% within 2 weeks

Extensive end-isle and secondary placements

Advertising starting by end of February





WATER AND BEVERAGES: **leveraging our strong water heritage**

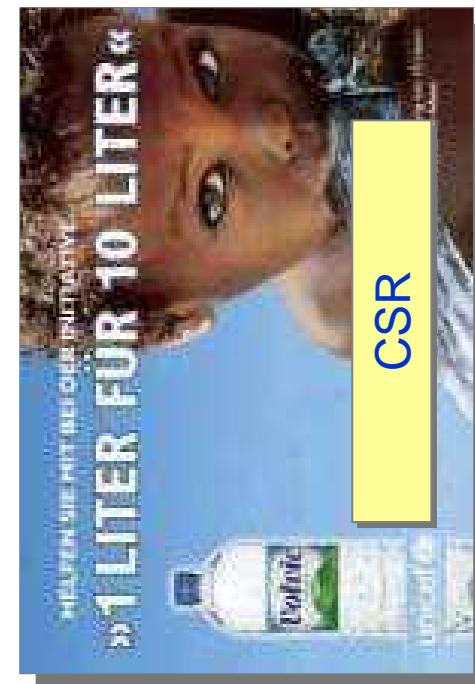
Healthy Hydration



WATER



BEVERAGES



CSR

Our Base:

The best Water brands:
Drinkability
Naturality
Hydration

Our Expansion:

New Beverages:
Drinkability, Naturality, Hydration
Combined with Fruit & Plants benefits

Our transversal Projects:

- Sustainable packagings
 - Source Mgmt.
- Social Responsibility
 - Programs



Boost Differentiation and Innovation based on health & nutrition

Harmonious growth

Fun energy



Light vitality



Healthy Savoury Snack



Indulge without guilt



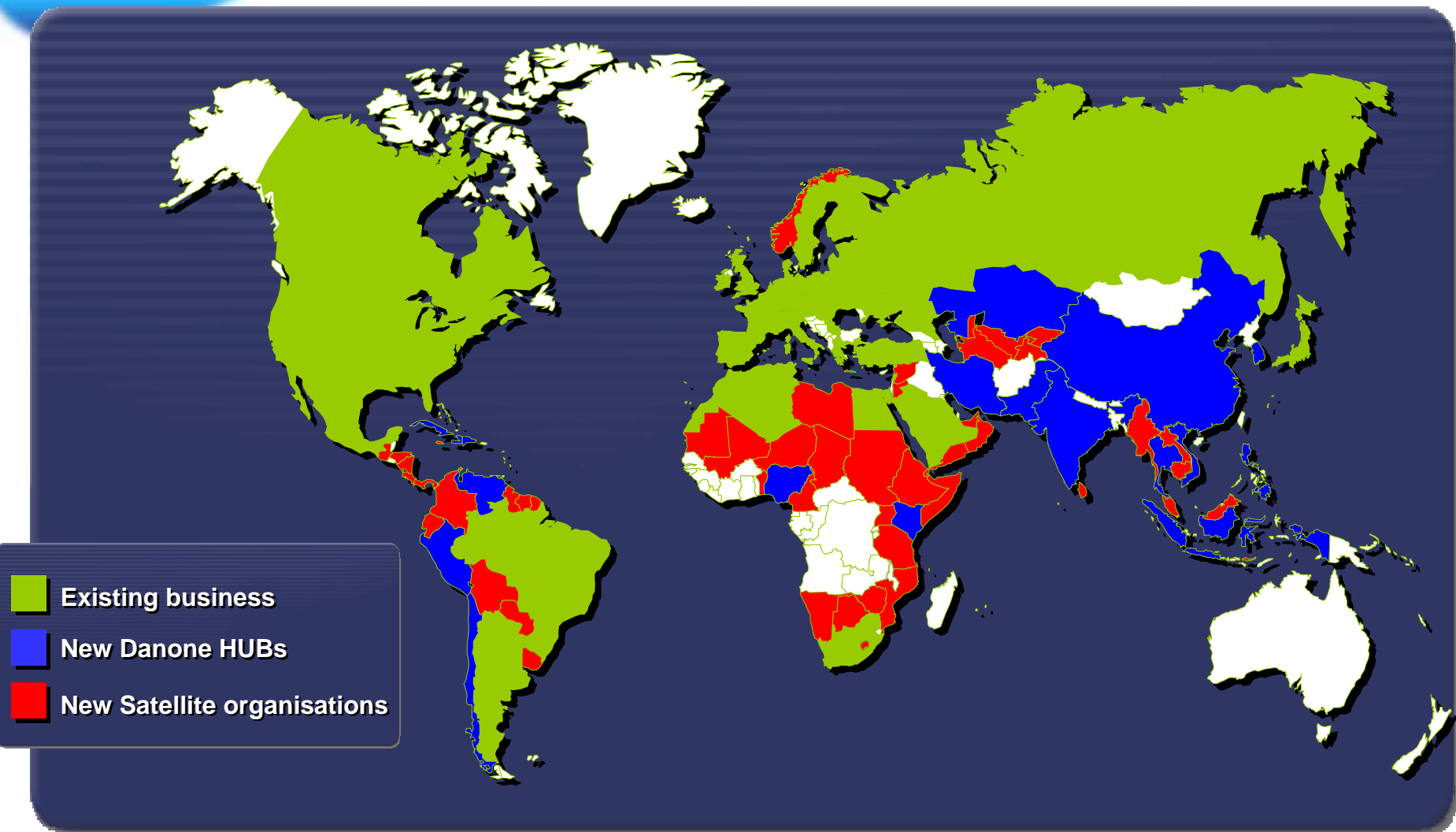
Long lasting energy



Our « Jewels »



Hub based expansion in Dairy





Recent entries into new markets



Egypt

Dairy
74 M inhabitants



Algeria

Dairy + Beverages + Biscuits
35 M inhabitants



Ukraine

Dairy
47 M inhabitants



Scandinavia

Beverages
24 M inhabitants



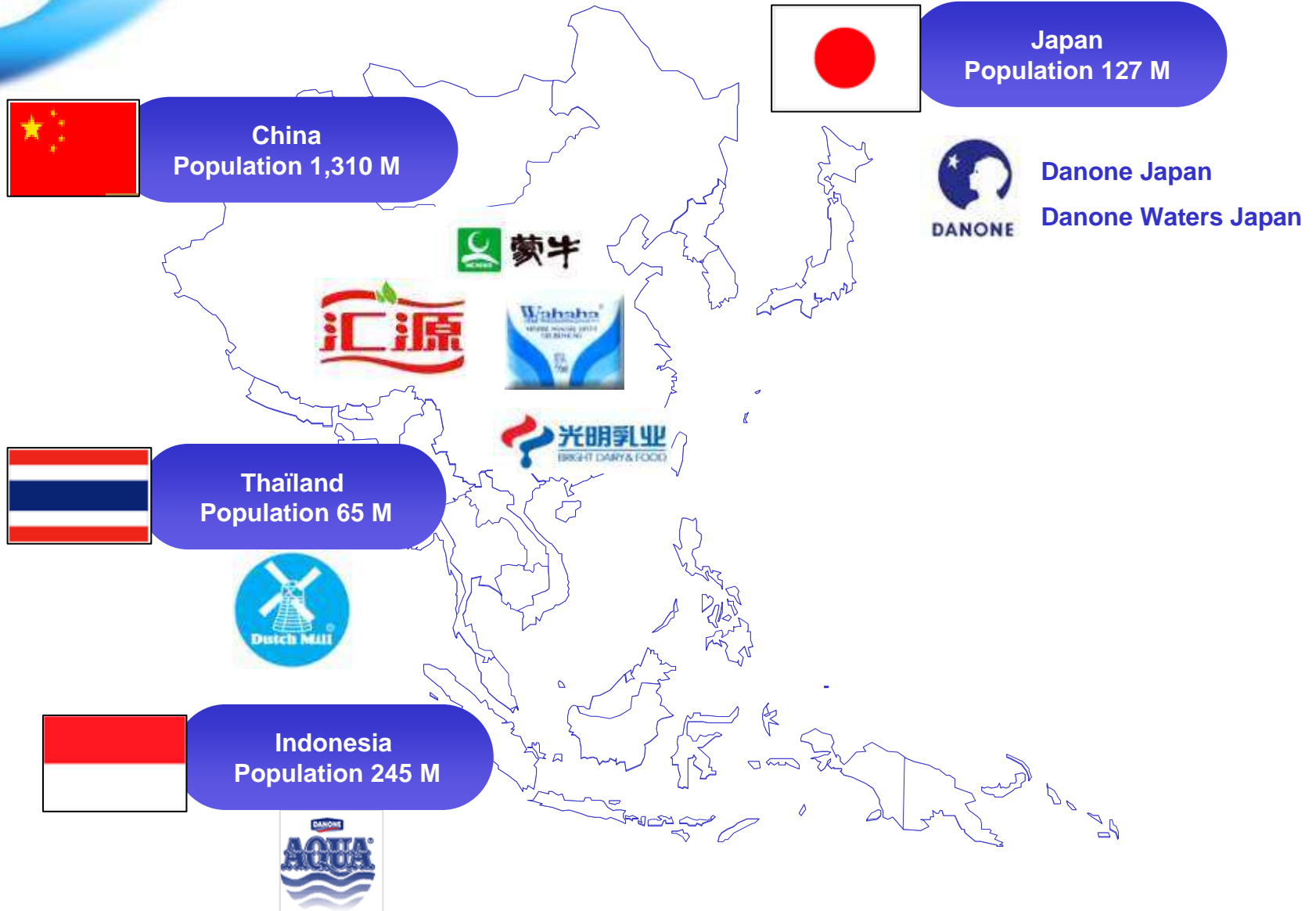
Bangladesh

Dairy
142 M inhabitants



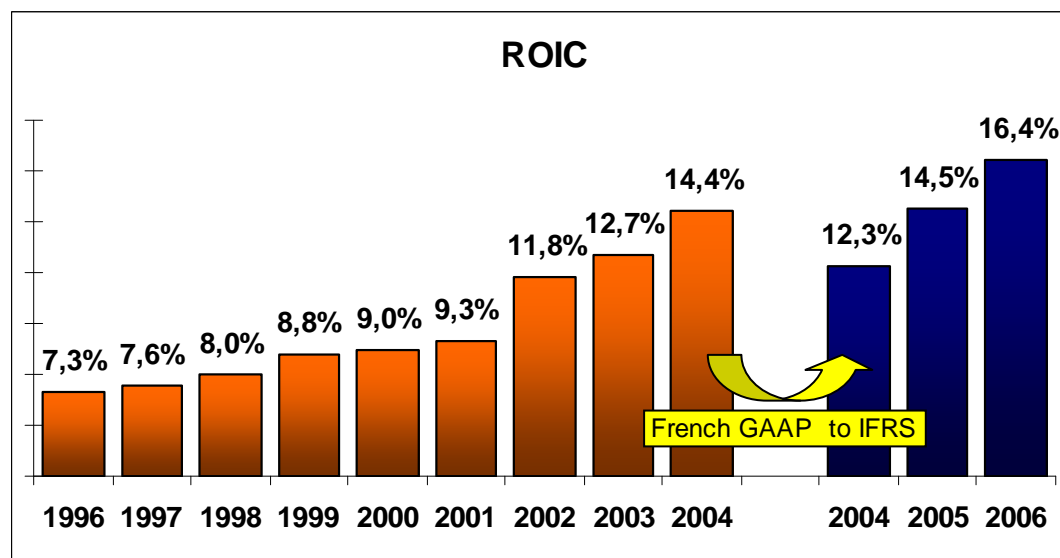
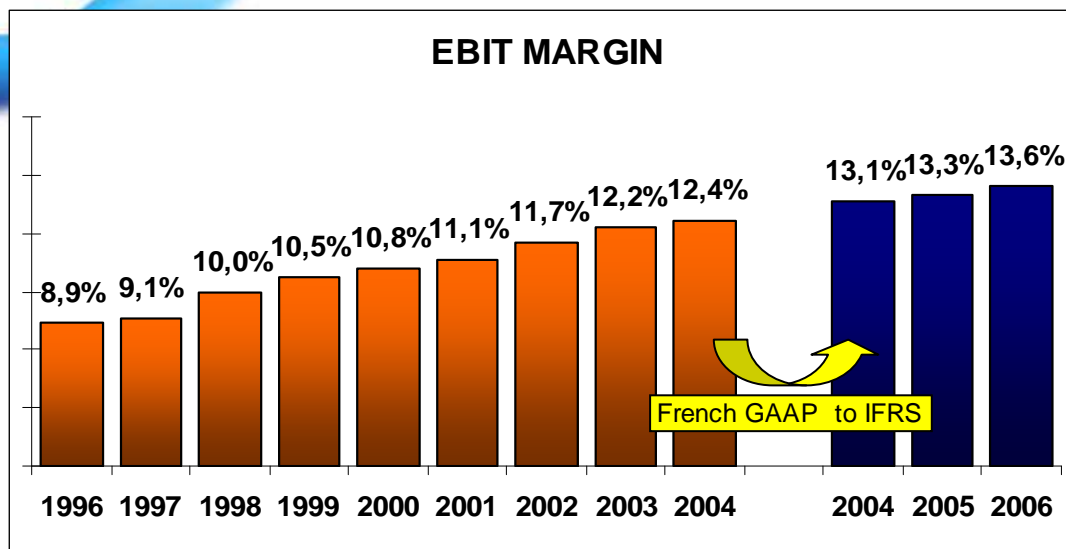
Ambitious external growth

Focus on Asia





Steady generation of margin improvement and EPS growth



Strong and steady EPS growth

Improved returns to shareholders



While strengthening our societal agenda as a competitive advantage



Strong
Economic
Results

danone.communities

Unique
Societal
Vision



Grameen
Danone Foods



Back-up



Major changes in exchange rates

48% of sales denominated in €

	% total FY sales	Q4 '06 vs Q4 '05 (avg)	FY '06 vs FY '05 (avg)
Chinese Yuan	11%	- 6%	+ 1%
US Dollar	7%	- 9%	- 2%
Mexican Peso	5%	- 10%	- 2%
Argentinian Peso	3%	- 11%	- 7%
Russian Rouble	3%	- 1%	+ 3%
Polish Zloty	3%	+ 2%	+ 3%
Pound Sterling	3%	+ 1%	+ 0%
Indonesian Rupee	2%	+ 0%	+ 5%
Canadian Dollar	2%	- 7%	+ 5%
Brazilian Real	2%	- 4%	+ 9%
Turkish Lira	2%	- 15%	- 8%
Indian Rupee	1%	- 7%	- 5%
South African Rand	1%	- 18%	- 9%
Saudi Ryial	1%	- 9%	- 2%
NZ Dollar	1%	- 11%	- 9%



Q4 Top line growth accelerating vs 9M

Like-for-like

9M 2006

Q4 2006

FY 2006

Fresh Dairy Products	+9.1%	+9.6%	+9.2%
Beverages	+13.1%	+21.7%	+14.8%
Biscuits & Cereal Products	+2.8%	+3.8%	+3.1%

Europe	+4.8%	+6.2%	+5.1%
Asia	+18.5%	+30.4%	+20.6%
Rest of World	+15.6%	+17.2%	+16.0%

GROUP	+9.1%	+11.5%	+9.7%
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Q4 2006 Net Sales by business & geographical area

€ million

Q4 2005

Q4 2006

Like-for-
like growth

Fresh Dairy Products	1,842	1,977	+9.6%
Beverages	735	830	+21.7%
Biscuits & Cereal Products	594	494	+3.8%
Europe	1,971	2,078	+6.2%
Asia	490	464	+30.4%
Rest of World	710	759	+17.2%
GROUP	3,171	3,301	+11.5%



FY 2006 Net Sales by business & geographical area

€ million

FY 2005

FY 2006

Like-for-like growth

Fresh Dairy Products	7,184	7,934	+9.2%
Beverages	3,473	3,942	+14.8%
Biscuits & Cereal Products	2,367	2,197	+3.1%

Europe	8,179	8,582	+5.1%
Asia	2,235	2,429	+20.6%
Rest of World	2,610	3,062	+16.0%

GROUP	13,024	14,073	+9.7%
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Q4 2006 like-for-like sales growth Breakdown volume/value

Like-for-like

Volume

Value

Total

Fresh Dairy Products

+7.6%

+2.0%

+9.6%

Beverages

+15.7%

+6.0%

+21.7%

Biscuits & Cereal Products

+3.2%

+0.6%

+3.8%

Europe

+4.9%

+1.3%

+6.2%

Asia

+20.0%

+10.4%

+30.4%

Rest of World

+14.2%

+3.0%

+17.2%

GROUP

+8.7%

+2.8%

+11.5%



FY 2006 like-for-like sales growth Breakdown volume/value

Like-for-like

Volume

Value

Total

Fresh Dairy Products

+7.7%

+1.5%

+9.2%

Beverages

+7.9%

+6.9%

+14.8%

Biscuits & Cereal Products

+3.8%

-0.7%

+3.1%

Europe

+4.5%

+0.6%

+5.1%

Asia

+11.5%

+9.1%

+20.6%

Rest of World

+12.2%

+3.8%

+16.0%

GROUP

+7.1%

+2.6%

+9.7%



€ million

Trading operating income by business & geographical area

	FY 2005	FY 2005*	FY 2006*
Fresh Dairy Products	1,019	965	1,109
Beverages	474	448	504
Biscuits & Cereal Products	343	325	301
<i>Unallocated items</i>	<i>-98</i>	<i>0</i>	<i>0</i>
GROUP	1,738	1,738	1,914
Europe	1,266	1,204	1,295
Asia	256	239	244
Rest of World	314	295	375
<i>Unallocated items</i>	<i>-98</i>	<i>0</i>	<i>0</i>

*Central costs fully allocated to business units



Margin progression accelerated in H2

	H1 2006	H2 2006	FY 2006
Operating margin 2005	13.31%	13.39%	13.35%
Operating margin 2006	13.46%	13.74%	13.60%
Margin progression			
Reported	+15 bp	+35 bp	+25 bp
Like-for-Like	+30 bp	+34 bp	+32 bp



Share buy-back program

FY 2006 Share buy-back

Number of Shares	7,073,266
in % of outstanding capital at 12/31/06	2.7%
Cost	€ 731 M*

Treasury Stock as of 12/31/2006

- 20,455,171 shares
- 7.84% of the outstanding capital**

* Net amount after stock option exercise: € 587 M

**Outstanding capital as of 31 Dec 2006: 260,864,746