



2006 FIRST HALF RESULTS

August 2nd 2006

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.



H1 2006 Key Figures

Net Sales



€7,217 M

+9% like-for-like
+12.1% reported

Trading operating income



€972 M

+13.4%

Trading operating margin



13.46 %

+ 30 bp like-for-like
+ 15 bp reported

Underlying net income
from continuing activities



€614 M

+22.3%

Underlying EPS (fully diluted)
from continuing activities



€2.50

+ 25.0%

Free Cash Flow ⁽¹⁾



€732 M

+43.8%



H1 2006 performance: key take-aways

⊗ Best ever half for top-line growth

- reflecting the relevance of the Group strategic choices in terms of geographies & product categories
- the combination of an improved performance in France and a continuing low double-digit growth outside France

⊗ A profitable growth which enables a strong EBIT and EPS progression.

⊗ Excellent return on capital employed: high growth fueled by low capital investment

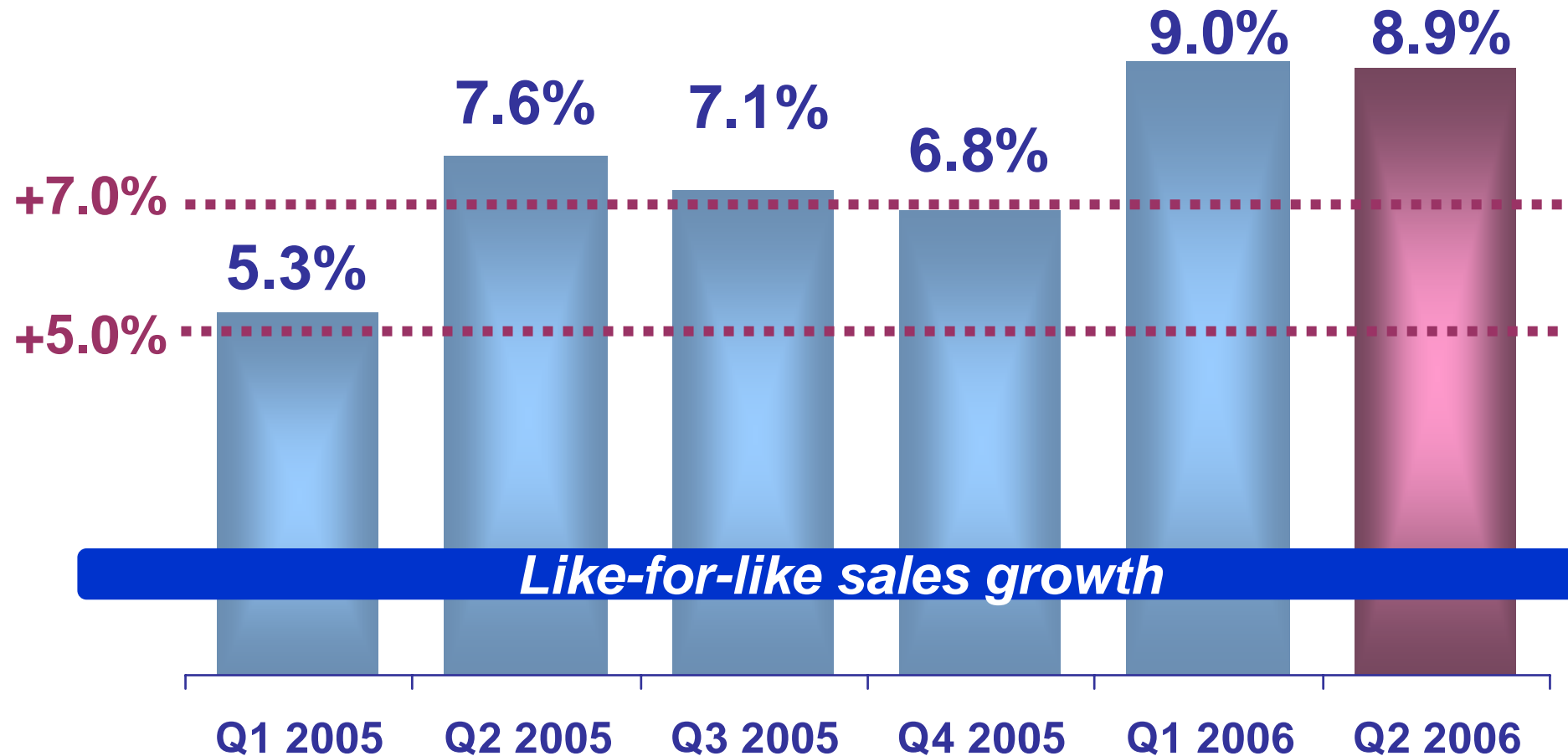
⊗ An active acquisition policy which sets the foundations for future growth in fast growing markets.



Q2 & H1 2006 SALES

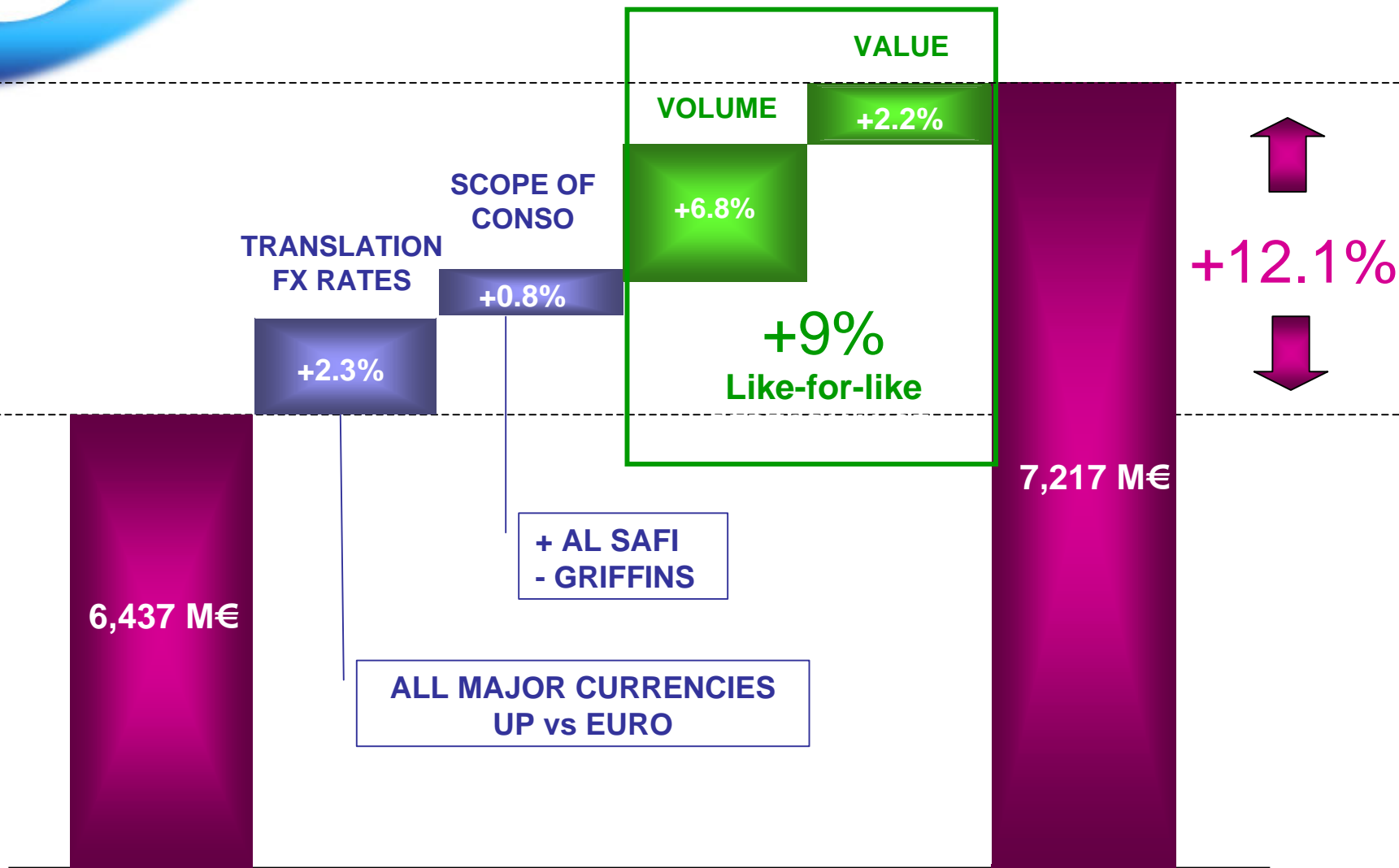


Top-line growth exceeding our targeted range again in Q2 06





Analysis of H1 2006 Net Sales Growth



H1 2005

H1 2006

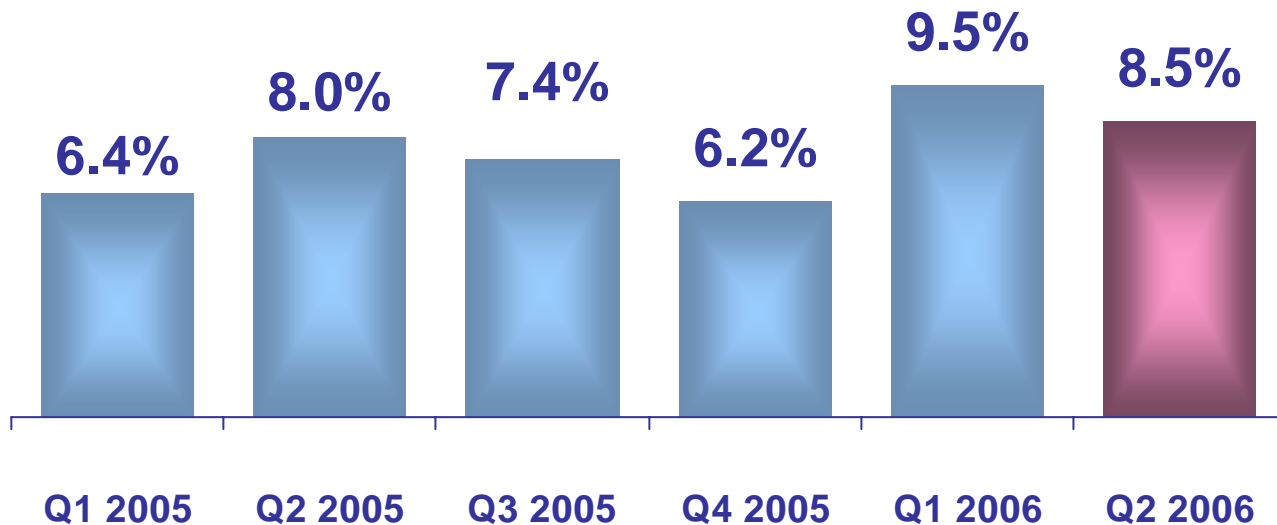


Impact of currency less favourable in Q2 than in Q1

	Q1 2006	Q2 2006	H1 2006
Reported Net Sales	+14.9%	+9.5%	+12.1%
Currency	+5.0%	-0.2%	+2.3%
Scope of consolidation	+0.9%	+0.8%	+0.8%
Like-for-like Net Sales	+9.0%	+8.9%	+9.0%



Quarterly like-for-like sales growth FRESH DAIRY PRODUCTS



- ⊗ Very good overall performance, in line with Q1
- ⊗ 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 in Q2
- ⊗ 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)

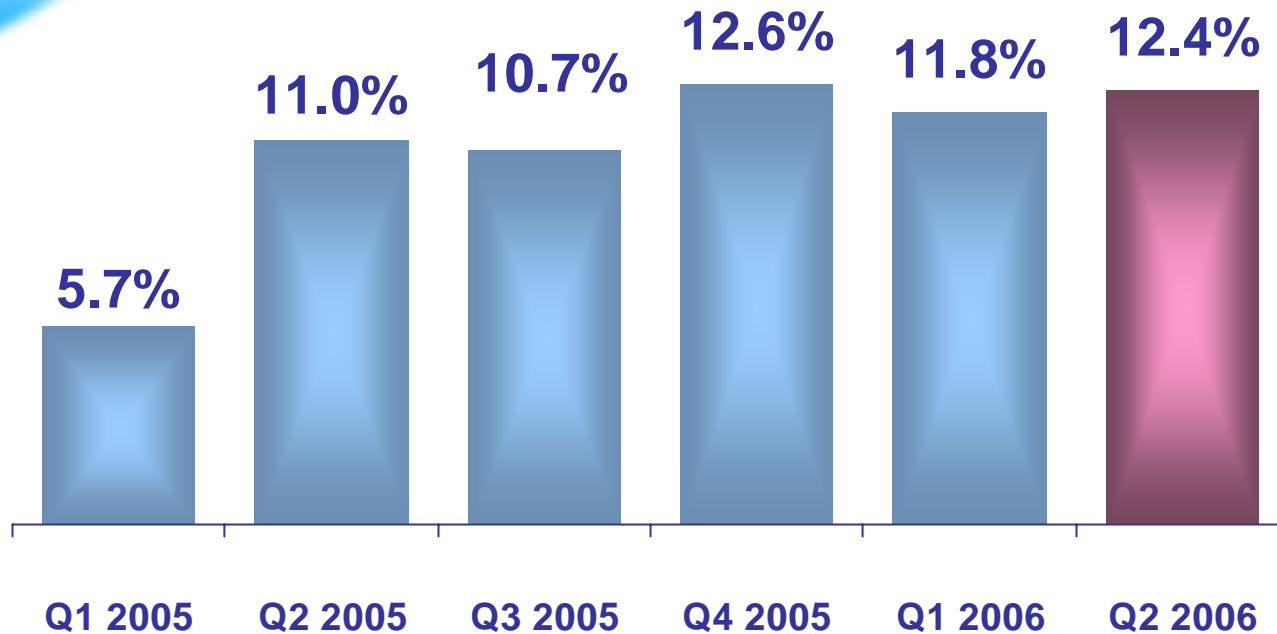


Soja benefits
Senjà (Fr) - Savia (Spain)



**PLUS further Activia & Actimel
roll-outs...**

Quarterly like-for-like sales growth BEVERAGES



⊗ High growth momentum maintained, driven by Asia and Latin America, both growing in the high-teens

⊗ Europe (exc. France) growing low double-digit

⊗ Improved market conditions in France, though still slightly negative

⊗ Innovation contributed strongly to growth, particularly in Asia.



INNOVATIONS BEVERAGES



Functional drinks
V roll-out (Argentina)



Smoothie
Nutri-Express
(China)



Functional drinks
Taillefine Thé (France)



Functional drinks
Vitalinea roll-out
(Spain & Mexico)



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

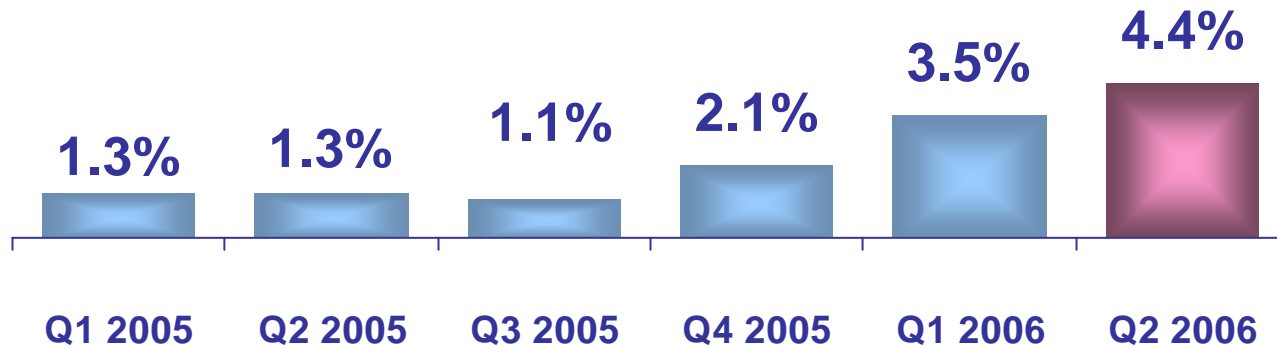


Functional drinks
Mizone (Indonesia)



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

Quarterly like-for-like sales growth BISCUITS & CEREAL PRODUCTS



⊗ Acceleration in top-line growth confirmed in Q2

⊗ Improved performance in Europe led by France, Southern Europe and Poland, reflecting the impact of the “differentiation through innovation” strategy

⊗ Asia growing in the mid-teens, demonstrating the relevance of the “affordable nutrition” strategy



INNOVATIONS BISCUITS



Indulgence
Paille D'Or Myrtille
(France)



Indulgence
Barquette new flavours
(France & Poland)



Long lasting energy
Petit déjeuner mini biscuits
(France)



Savoury snack
Snacks (Italy)



Indulgence without guilt
Mikado (France & Spain)

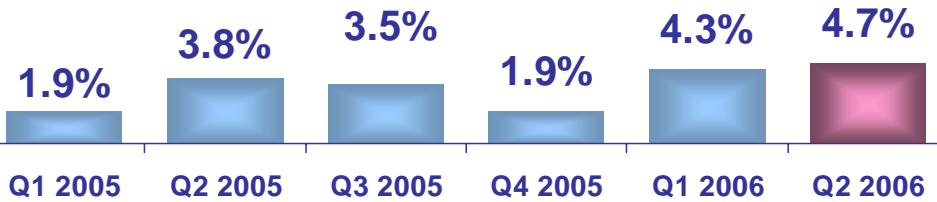


Affordable nutrition
Jia Gai (China)

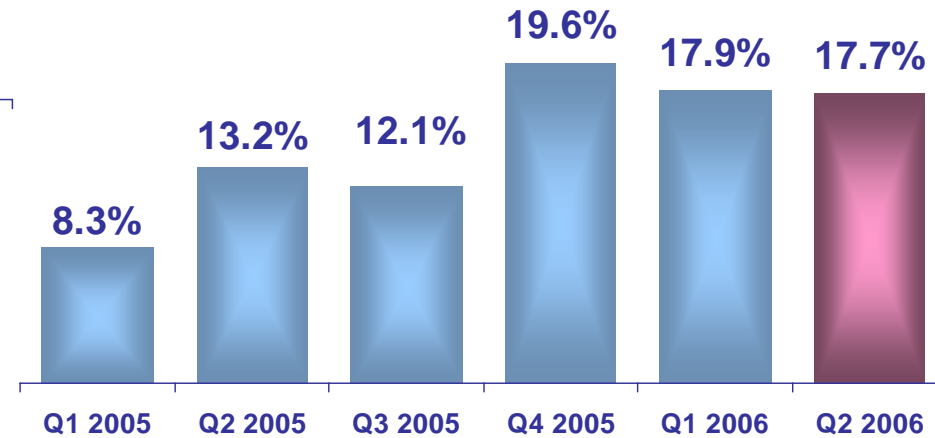


Quarterly like-for-like sales growth by geographical area

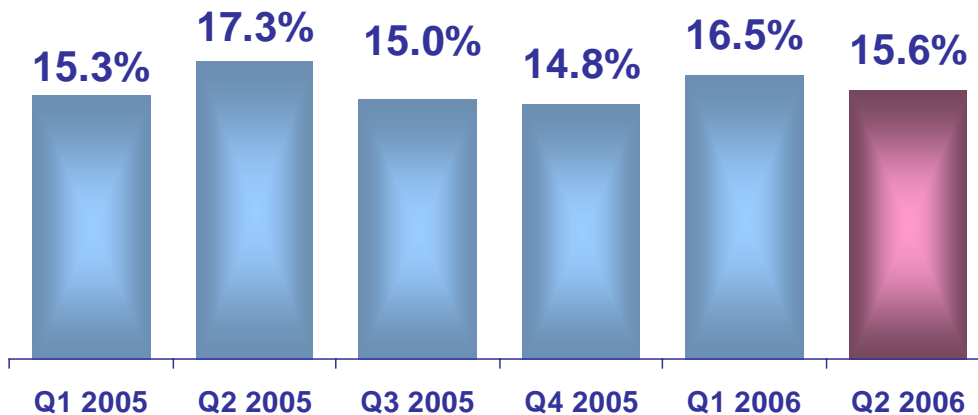
EUROPE



ASIA



REST OF WORLD





- ⊗ Stabilization in sales confirmed
- ⊗ Along with market share gains
- ⊗ *Fresh Dairy*
 - ⊗ Fresh Dairy has stabilized its sales
 - ⊗ Gaining share of market
 - ⊗ thanks to blockbusters, growing high single-digit
- ⊗ *Beverages*
 - ⊗ Erosion of total market share contained
 - ⊗ Well targeted marketing initiatives on Evian and Volvic resulted in market share gain on the plain still water segment
 - ⊗ Trade destocking observed in Q2



☒ *Biscuits*

- ☒ Is growing in Q2
- ☒ Gaining market share against all branded competitors
- ☒ Thanks to innovations and an effective A&P investment

☒ *Baby Food*

- ☒ Bledina growing mid single-digit
- ☒ with a continuing market share progression



RESULTS

H1 2006

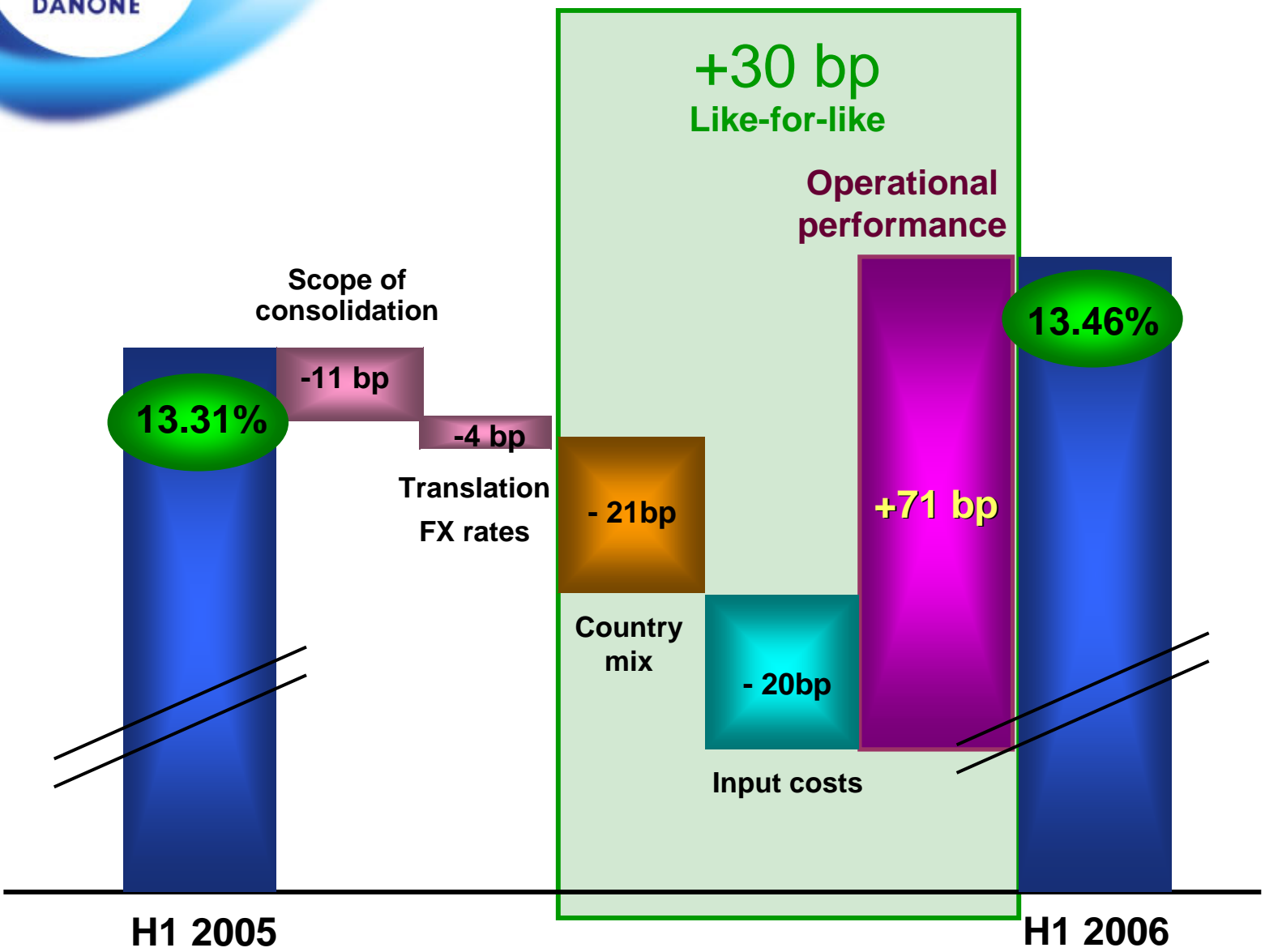


Trading operating income and margin

€million	H1 2005	H1 2006	
Trading operating income	857	972	+13.4%
Other operating items	0	16	
Operating income	857	988	
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Trading operating margin	13.31%	13.46%	



A healthy like-for-like margin progression in H1: + 30 bp





Trading operating margin by business line & geographical area

	H1 05 reported	H1 06 reported	Like-for-like progression
Fresh Dairy Products	14.5%	14.5%	+ 49bp
Beverages	13.7%	12.9%	- 31bp
Biscuits & Cereal Products	13.2%	13.5%	+ 49bp
Europe	15.5%	15.9%	+ 63bp
Asia	11.3%	9.7%	- 122bp
Rest of World	11.4%	11.7%	+ 115bp
GROUP	13.3%	13.5%	+ 30bp



From Operating income to Net income

€million

H1 2005

H1 2006

Operating income	857	988	+15.3%
Cost of net debt	(67)	(18)	
Other financial items	(17)	(11)	
Income tax	(219)	(245)	
Net income of consolidated companies	554	714	+28.9%
Net income (loss) of affiliates	(133)	(64)	
Net income of discontinued activities	23	157	
Net Income	444	807	+81.8%
<i>Attributable to the parent</i>	<i>346</i>	<i>704</i>	
<i>Attributable to minority interests</i>	<i>98</i>	<i>103</i>	



Underlying net income from continuing operations

€million

H1 2005

H1 2006

Underlying net income from continuing operations	502	614
		+22.3%
Non current net income from continuing operations	(179)	(67)
Net income from discontinued operations	23	157
Net income attributable to the parent	346	704



Underlying Earnings Per Share from continuing activities

	H1 2005	H1 2006	
Underlying net income fully diluted from continuing activities	508	614	€ Million
Shares Fully diluted	253.7	245.5	Millions of Shares
Underlying EPS fully diluted from continuing activities	€2.00	€2.50	+25%



Free Cash Flow from Operations

€ Million

H1 2005

H1 2006

Cash flow from operations	817	952
<i>As a % of sales</i>	<i>12.7%</i>	<i>13.2%</i>
Change in working capital	(104)	8
Capital expenditure	(228)	(246)
<i>As a % of sales</i>	<i>3.5%</i>	<i>3.4%</i>
Assets Sales	24	18
Free Cash Flow from Operations	509	732
<i>As a % of sales</i>	<i>7.9%</i>	<i>10.1%</i>



Cash flow statement

€ Million

H1 2005

H1 2006

Free Cash Flow from Operations	509	732
Investments in sub. & affiliates	(151)	(325)
Disposals & repayment of vendors loans	221	583
Dividends paid	(472)	(590)
Share buyback	(528)	(325)
Increase in capital	57	48
Others	(34)	(40)
Change in Net Financial Debt	(398)	83



An active strategic portfolio management

INVESTMENTS

GEOGRAPHICAL EXPANSION

- TESSALA (Water Algeria)
- DANONE DJURJURA (Dairy Algeria)

STRATEGIC PARTNERSHIP

- HUI YUAN (China Beverages)
- GLENISK (Dairy Ireland)

MINORITY BUY-OUT

- DANONE SPAIN (Dairy)
- DANONE RUMANIA

DIVESTITURES

- AMOY (Sauces)
- GRIFFINS (Biscuits New Zealand)
- HOD Canada



Financing

€ Million

2005
June 30

2005
Dec 31

2006
June 30

Net debt

4,830

3,572

3,411

*Of which Put options granted
to minority interests*

2,334

2,626

2,548

**Equity
incl. minorities**

4,273

5,621

5,455



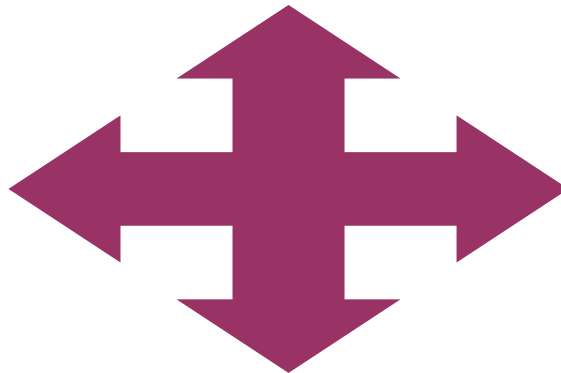
2006 Financial objectives

Continued margin progression:

+20 bp to +40 bp
on a like-for-like basis

Like-for-like sales
growth revised
upwards:

+7% to +8%



EPS growth in
the mid-teens

Enhanced shareholder return:

Share buyback '06: €600 to 800 million

€400 million bought to date



Back-up



Major changes in exchange rates

47% of sales denominated in €

	% total sales	Q1 '06 vs Q1 '05 (avg)	Q2 '06 vs Q2 '05 (avg)	H1 '06 vs H1 '05 (avg)
Chinese Yuan	11%	+ 12%	+ 1%	+ 6%
US Dollar	7%	+ 9%	- 2%	+ 3%
Mexican Peso	5%	+ 14%	- 5%	+ 4%
Argentinian Peso	3%	+ 4%	- 8%	- 2%
Russian Rouble	3%	+ 8%	+ 2%	+ 5%
Polish Zloty	3%	+ 4%	+ 5%	+ 4%
Pound Sterling	3%	+ 0%	- 2%	- 1%
Indonesian Rupee	2%	+ 10%	+ 3%	+ 7%
Canadian Dollar	2%	+ 16%	+ 10%	+ 13%
Indian Rupee	2%	+ 7%	- 7%	0%
Brazilian Real	2%	+ 32%	+ 8%	+ 20%
Turkish Pound	2%	+ 9%	- 10%	- 1%



Q2 Top line growth in line with Q1

Like-for-like

	Q1 2006	Q2 2006	H1 2006
Fresh Dairy Products	+9.5%	+8.5%	+9.0%
Beverages	+11.8%	+12.4%	+12.1%
Biscuits & Cereal Products	+3.5%	+4.4%	+3.9%
Europe	+4.3%	+4.7%	+4.5%
Asia	+17.9%	+17.7%	+17.8%
Rest of World	+16.5%	+15.6%	+16.0%
GROUP	+9.0%	+8.9%	+9.0%



H1 2006 Net Sales by business & geographical area

€ million

H1 2005

H1 2006

Like-for-like growth

Fresh Dairy Products

3,504

3,967

+9.0%

Beverages

1,772

2,045

+12.1%

Biscuits & Cereal Products

1,161

1,205

+3.9%

Europe

4,120

4,322

+4.5%

Asia

1,119

1,356

+17.8%

Rest of World

1,198

1,539

+16.0%

GROUP

6,437

7,217

+9.0%



Q2 2006 like-for-like sales growth Breakdown volume/value

Like-for-like

Volume

Value

Total

Fresh Dairy Products

+7.8%

+0.7%

+8.5%

Beverages

+3.8%

+8.6%

+12.4%

Biscuits & Cereal Products

+6.1%

-1.7%

+4.4%

Europe

+4.7%

+0.0%

+4.7%

Asia

+7.7%

+10.0%

+17.7%

Rest of World

+10.9%

+4.7%

+15.6%

GROUP

+6.4%

+2.5%

+8.9%



H1 2006 like-for-like sales growth Breakdown volume/value

Like-for-like

Volume

Value

Total

Fresh Dairy Products	+7.9%	+1.1%	+9.0%
Beverages	+5.3%	+6.8%	+12.1%
Biscuits & Cereal Products	+5.5%	-1.6%	+3.9%
Europe	+4.3%	+0.2%	+4.5%
Asia	+10.6%	+7.2%	+17.8%
Rest of World	+11.6%	+4.4%	+16.0%
GROUP	+6.8%	+2.2%	+9.0%



Trading operating income by business & geographical area

€ million

H1 2005

H1 2006

Fresh Dairy Products	507	573
Beverages	242	263
Biscuits & Cereal Products	153	162
<i>Unallocated items</i>	<i>-45</i>	<i>-26</i>

GROUP	857	972
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Europe	638	687
Asia	127	132
Rest of World	137	179
<i>Unallocated items</i>	<i>-45</i>	<i>-26</i>



Share buy-back program

H1 2006 Share buy-back

Number of Shares	4,127,763
in % of outstanding capital at 06/30/06	1.6%
Cost	€394 M*

Treasury Stock as of 06/30/2006

- **22,636,990 shares**
- **8.6% of the outstanding capital as of 06/30/05**

Outstanding capital as of 06/30/06: 264,864,746

** Net amount after stock option exercise: € 325 M*