



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.

Analyst meeting

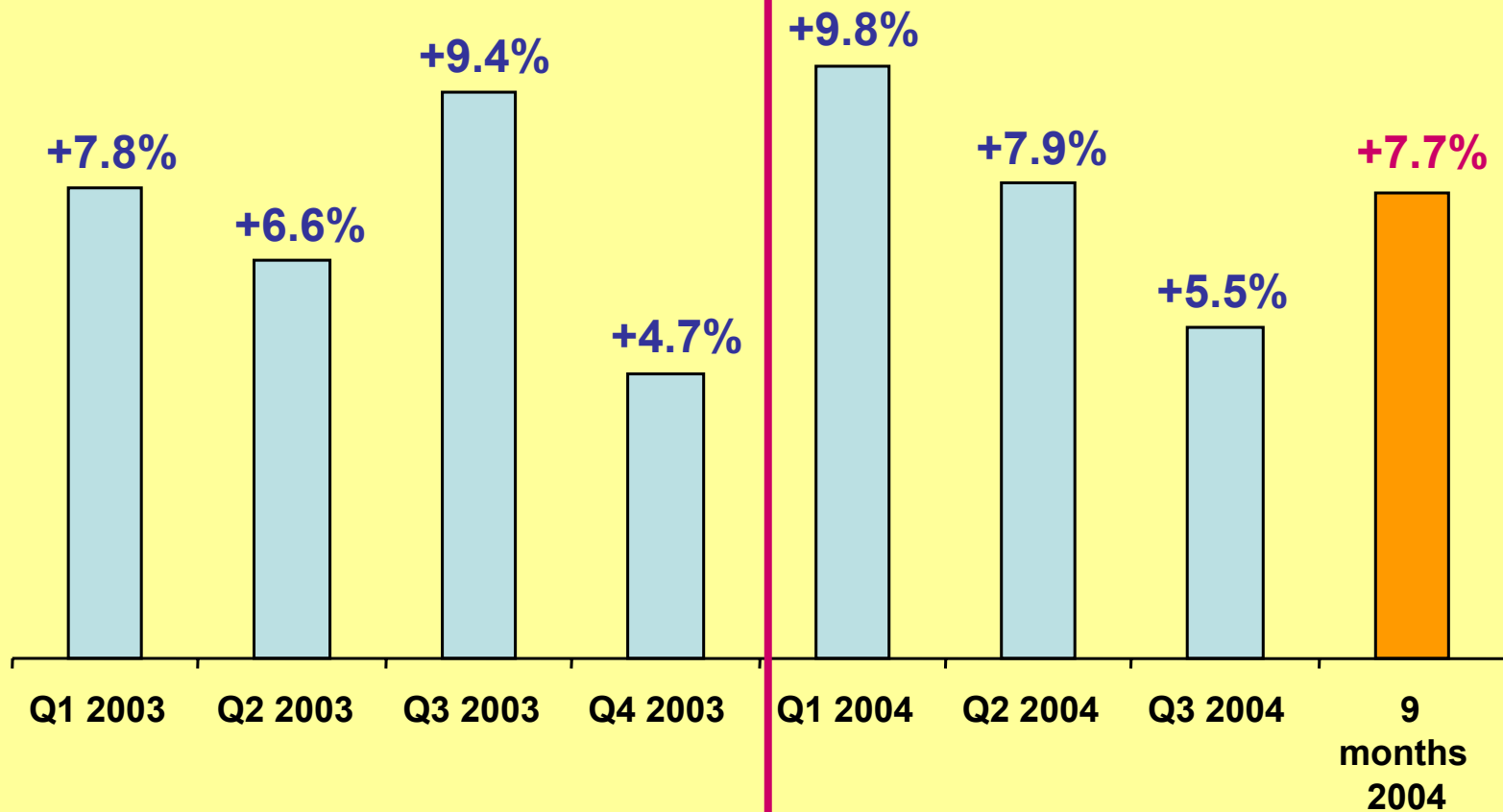
London

October 2004



Q3 2004 SALES

2004 Sales growth like-for-like





Q3 2004: Net Sales Evolution

Q3 2003

€ Millions

Q3 2004

3,487

3,566

+2.3%

CURRENCY

-2.0%

LIKE-FOR-LIKE

+5.5%

Scope of Conso.

-1.2%

+2.8%

VOLUME

+2.7%

VALUE



From reported sales growth to like-for-like sales growth

	H1 2004	Q3 2004	9M 2004
Like-for-like Net Sales	+8.8%	+5.5%	+7.7%
Currency	-2.5%	-2.0%	-2.3%
Scope of conso.	-0.7%	-1.2%	-0.9%
Reported Net Sales	+5.6%	+2.3%	+4.5%



Q3 2004: major changes in exchange rates

	H1 04 vs H1 03	Q3 04 vs Q3 03	9M 04 vs 9M 03
US Dollar	-8 %	-7 %	-8 %
Chinese Yuan	-8 %	-7 %	-8 %
Mexican Peso	-15 %	-12 %	-13 %
Brazilian Real	-3 %	-7 %	-4 %
Pound sterling	+3 %	+3 %	+3 %

56% of total Group sales = denominated in Euro (9 M 2004)



9M 2004: major changes in scope of consolidation*

As of

Stonyfield

January 2004

**Turkish operations
(Dairy & Beverages)**

January 2004

Aquarius

January 2004

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

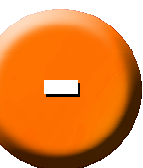
November 2003

Jacob's (biscuits in the UK)

September 2004 ⁽²⁾

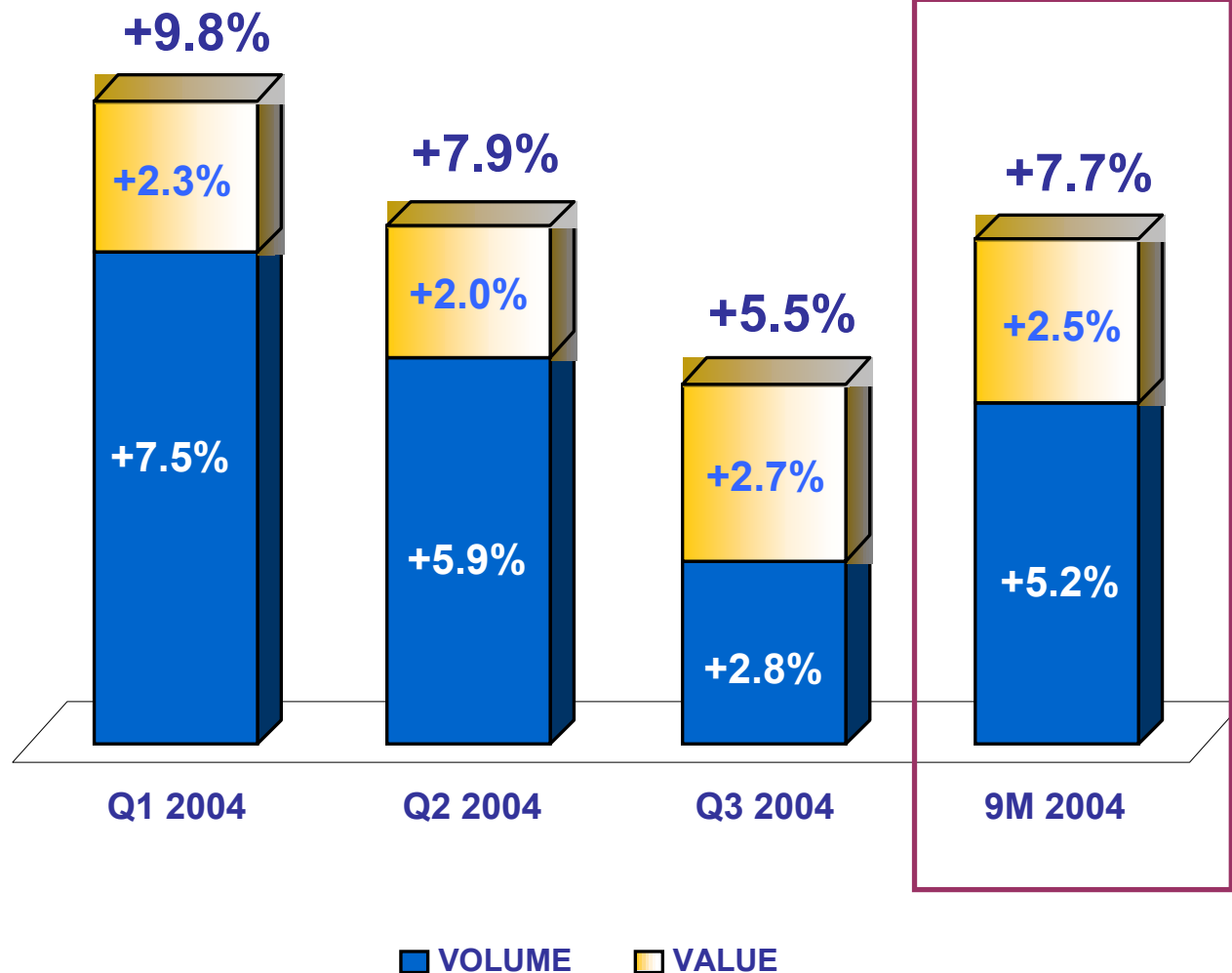
Irish Biscuits

August 2004 ⁽³⁾



2004 Sales growth like-for-like

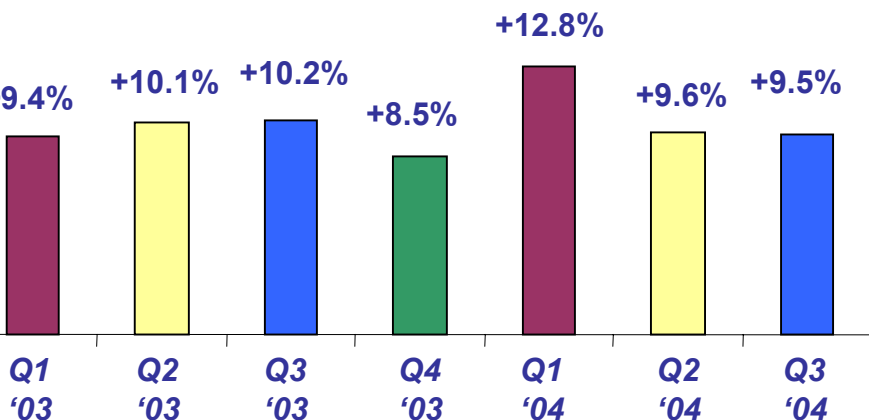
Breakdown volume/value



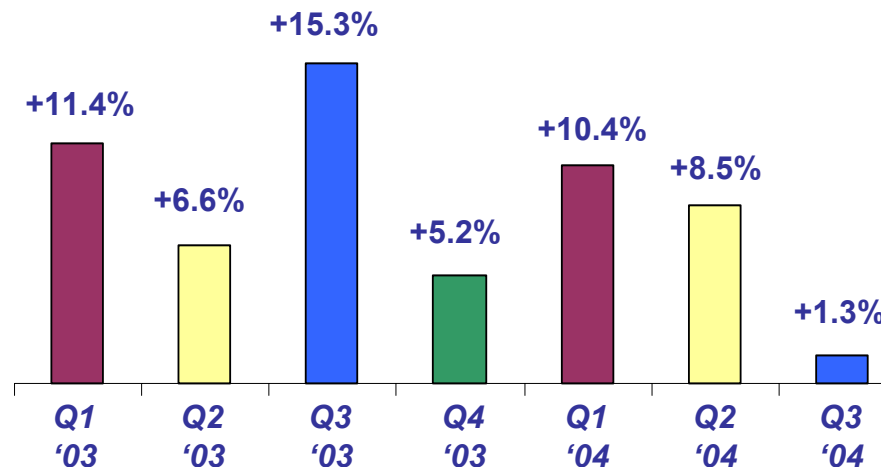


Quarterly like-for-like sales growth by business line

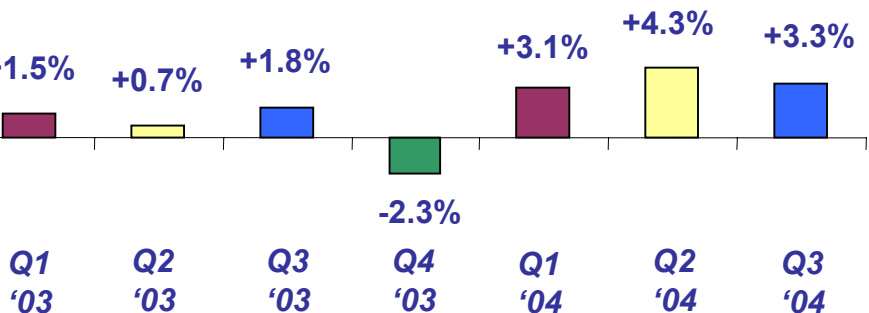
Fresh Dairy Products



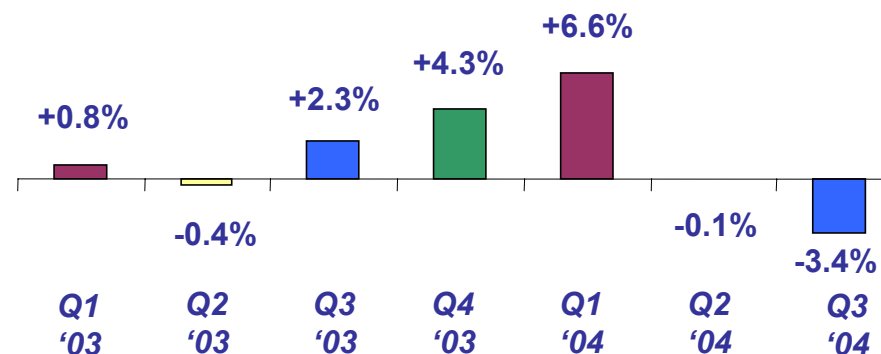
Beverages



Biscuits & Cereal Products



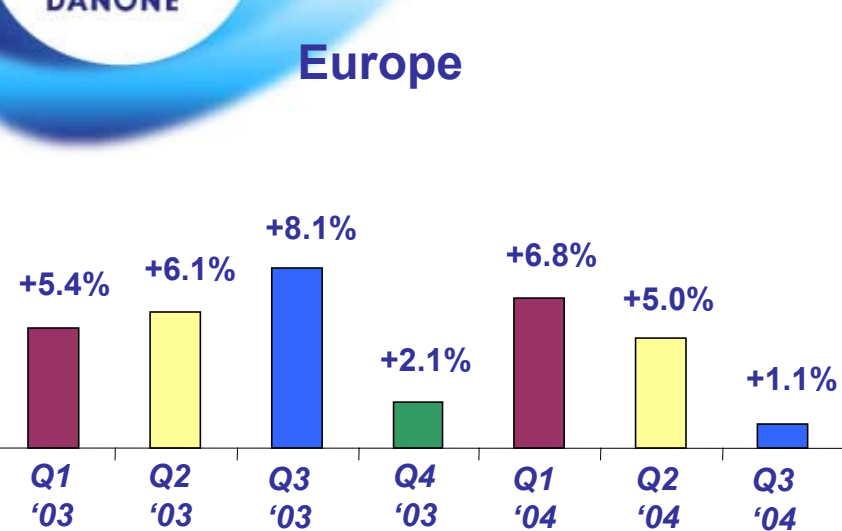
Other Food Business



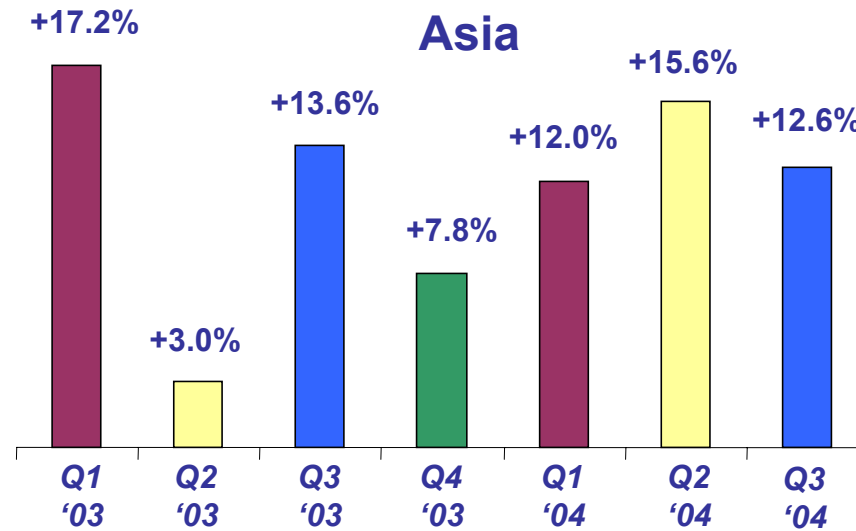


Quarterly like-for-like sales growth by geographical area

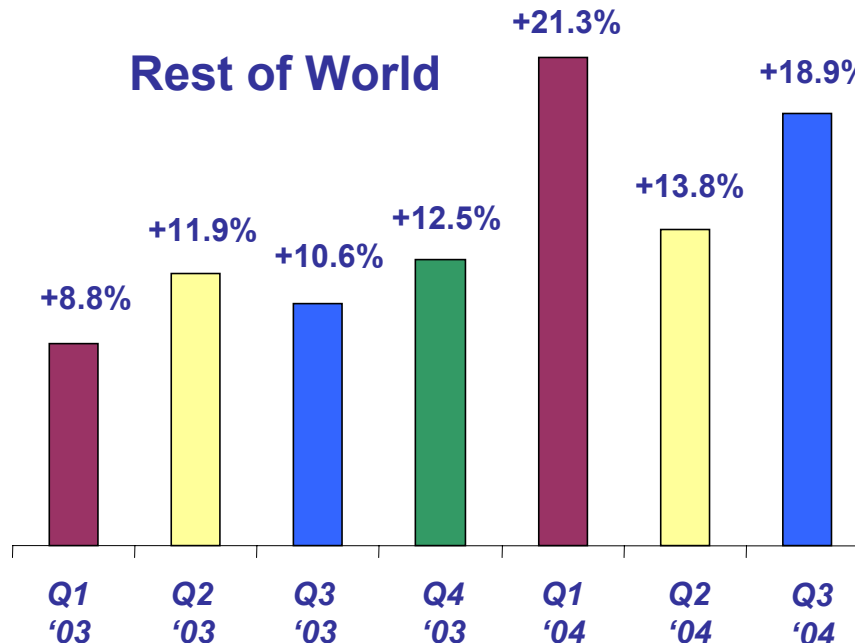
Europe



Asia



Rest of World





H1 EBIT margin change

- ⊗ **Reported Ebit margin up +46 bp to 12.3% despite:**
 - **Input costs, mainly PET in Asia**
 - **FX rates impact on Beverages export**
- ⊗ **Continuous increase in A&P ratio: +20 bp like-for-like**
- ⊗ **Impact of Themis as anticipated: +20 bp**
- ⊗ **Marginal impact of scope of consolidation and currency translation**



H2 impacts on Ebit margin



H1 impacts continuing in H2

- ☐ Input costs, mainly PET in Asia, with further upwards pressure
- ☐ FX rates impact on Beverages export



Additional impacts in H2

- ☐ Negative impact of agreement on retail price reduction in France
- ☐ Dilution from the disposal of Biscuits business in UK & Ireland
- ☐ Adverse impact on Beverages margin of poor weather conditions in Europe



A&P ratio should continue to increase at the same pace as in H1



No change on Themis : +20 bp as anticipated



H1 EPS growth

- ⊗ H1 EPS up: +10.4% despite:
 - Exceptional one-time items
 - Impact of JV's in HOD (associates)

- ⊗ Impact of currency translation almost offset by share buy back



2004 Landing

Sales like-for-like

≈ +7%

Operating Margin

≈ +20 bp

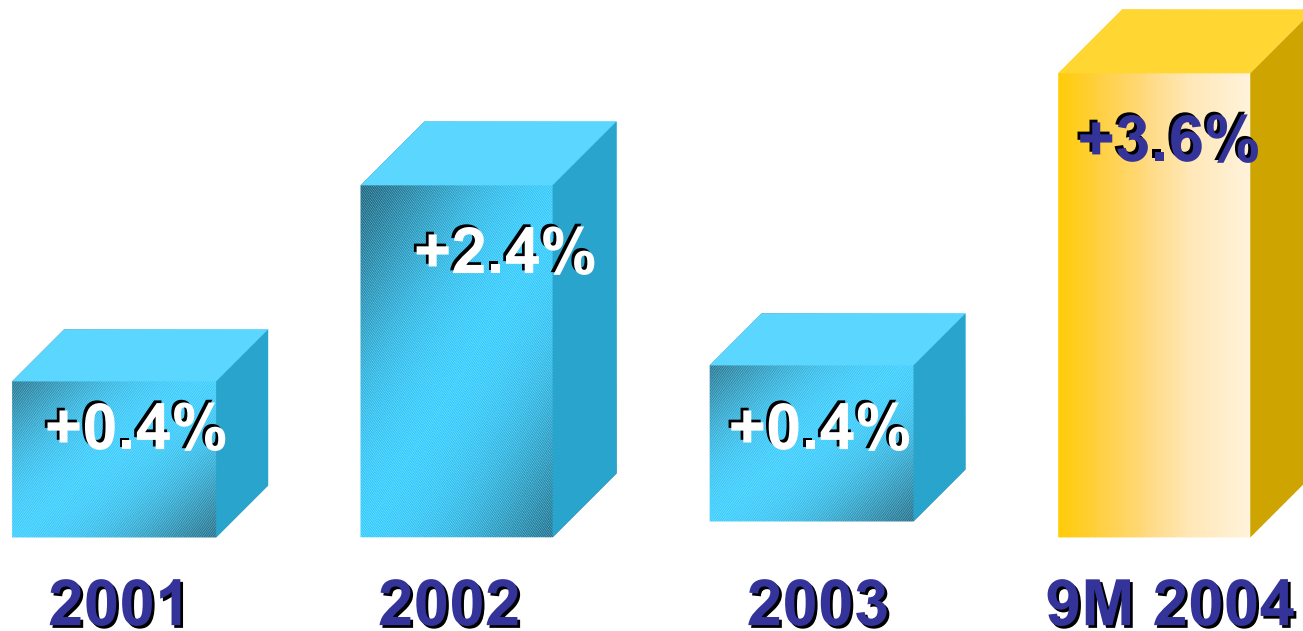
Current EPS growth

≈ +10%

Update on Biscuits



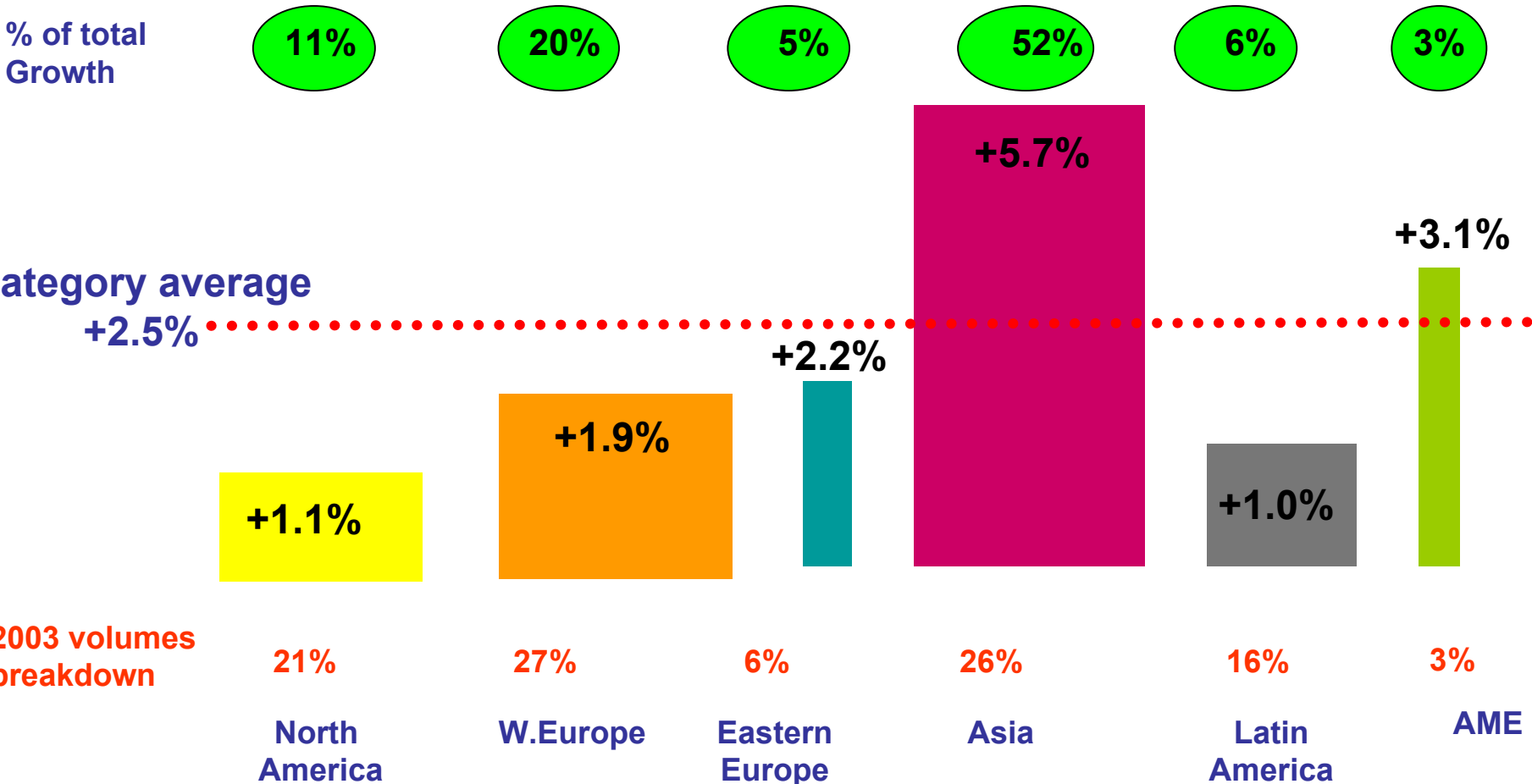
Biscuits top-line growth is showing signs of improvement





Biscuits market: growth by region

Volume CAGR 98-03





Biscuits: very strong local positions..

Western Europe (68% of our sales*)

n°1 in France, Belgium, Netherlands, Ireland, Greece, Finland
n°2 in the U.K., Spain
n°3 in Italy

Eastern Europe (9% of our sales*)

n°1 in Czech Republic, Poland, Russia, Hungary

Asia (18% of our sales*)

n°1 in India, New Zealand, Eastern China, Malaysia

Latin America (5% of our sales*)

n°2 in Argentina
n°3 in Brazil

Consolidated sales in 2003

74% of our sales achieved with n° 1 position



Reshaping our portfolio: Latin America

✓ April '04: signature of partnership agreement with ARCOR to create the leader in South American Biscuits market

- by combining Danone biscuits businesses in Argentina and Brazil
- with Arcor biscuits businesses in Argentina and Chile
- JV sales ⁽¹⁾ : c. €250 million - Capital structure: ARCOR 51%/ Danone 49%
- JV market positions : Argentina (#1), Brazil (#2), Chile (#3)

✓ This alliance will enhance the growth and profitability patterns of our businesses by

- strengthening market position in Argentina (from #2 to a distant #1)
- benefiting from Arcor extensive distribution system, both in Argentina and Brazil
- optimizing industrial asset utilization

✓ Impact on Group Financials

- Deconsolidation as from 1 January '05
- Accretive on '05 EBIT margin by c. +15 bp
- Neutral on '05 EPS growth



Reshaping our portfolio: UK & Ireland

✓ Summer 04: disposal of UK business to United Biscuits...

- Jacob's: flagship brands (inc. Jacob's cream crackers, TUC & Thai Bites) and the leading position on the savory biscuits segment
- but overall weak market position (co-#2 with 6.5% SOM)
- in a fairly consolidated and competitive market
- experiencing slow growth

✓ ... and Irish business to Fruitfield Foods Ltd...

- Irish biscuits: #1 biscuits player in Ireland with c. 30% SOM
- a business historically linked to the UK business

✓ Impact on Group Financials

- Irish business (sales: € 70 million) deconsolidated early August / UK business (sales: € 196 million) deconsolidated mid September
- Neutral on Ebit margin on a FY basis but dilutive in 2004 due to the seasonality of the business
- Dilutive on EPS growth: -2% on a FY basis (of w. -1.5% in 2004)
- Cash proceeds: c. € 375 million



DANONE

We have strengthened our position in Biscuits

Western Europe (67% of our sales*)

n°1 in France, Belgium, Netherlands, Ireland, Greece, Finland

n°2 in Spain

n°3 in Italy

Eastern Europe (11% of our sales*)

n°1 in Czech Republic, Poland, Russia, Hungary

Asia (22% of our sales*)

n°1 in India, New Zealand, Eastern China, Malaysia

pro-format consolidated sales in 2003 excl. Amlat and UK& Ireland

82% of our sales achieved with n° 1 position



Re-engineering our portfolio: Lu France

✓ A new organization by Business Units

➡ greater market focus + reactivity

✓ Innovation

➡ ✓ 37 new products launched in 2004 (1/3 of market NP)
✓ 10 innovations in the TOP 15 (sweet biscuits segment)

✓ Increasing Product superiority thru renovation

➡ Petit Beurre, Pepito Moelleux

✓ Accessibility

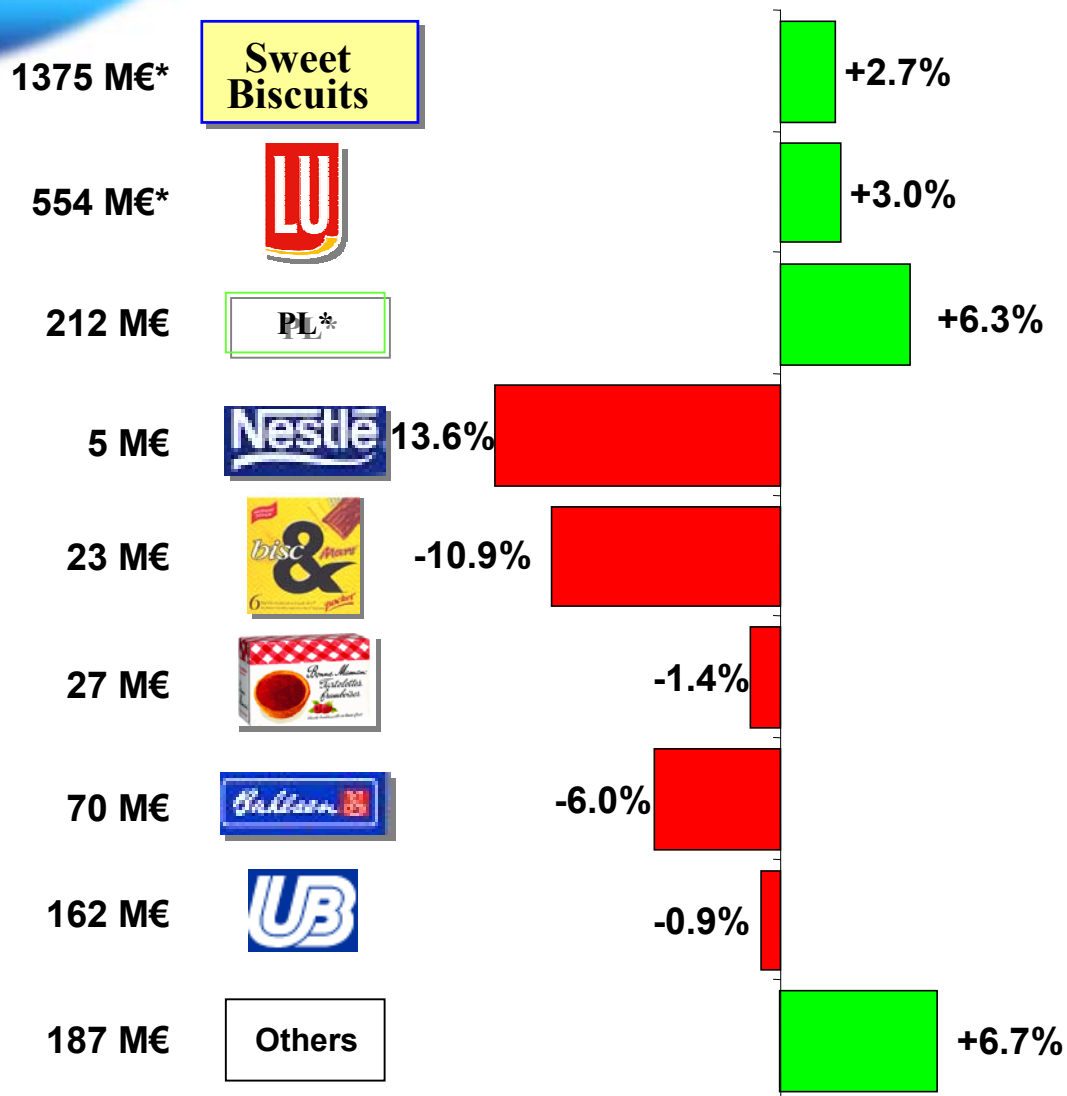
➡ agreement on price reduction : price reductions on 25% of SKU's –
average price cut: -7% to -8%

✓ Reinforcing Nutrition positioning of Biscuits



Clear signs of recovery : LU France only brand posting growth YTD 04

Sales growth (value) YTD 04 vs PY

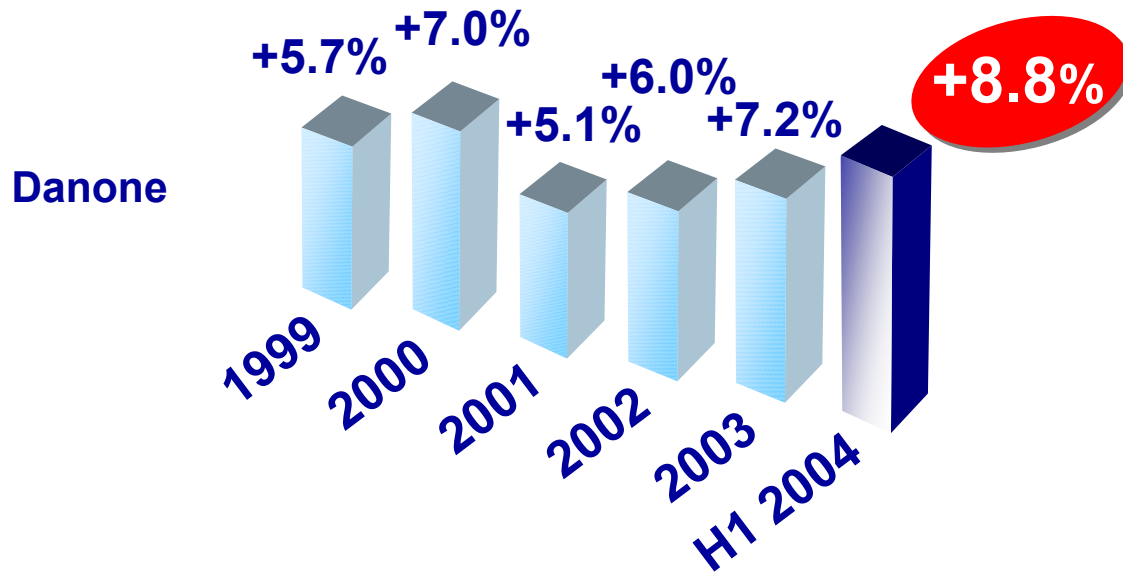




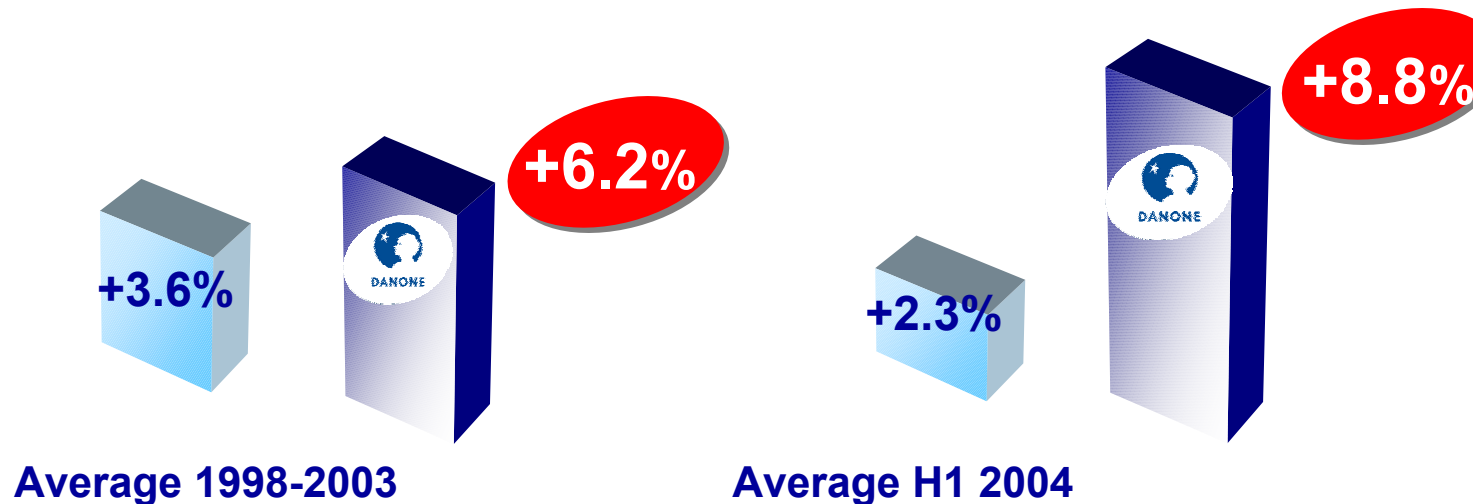
Danone Sustainable Growth Model



Danone: a track record of superior top line growth



**Main
European
competitors***

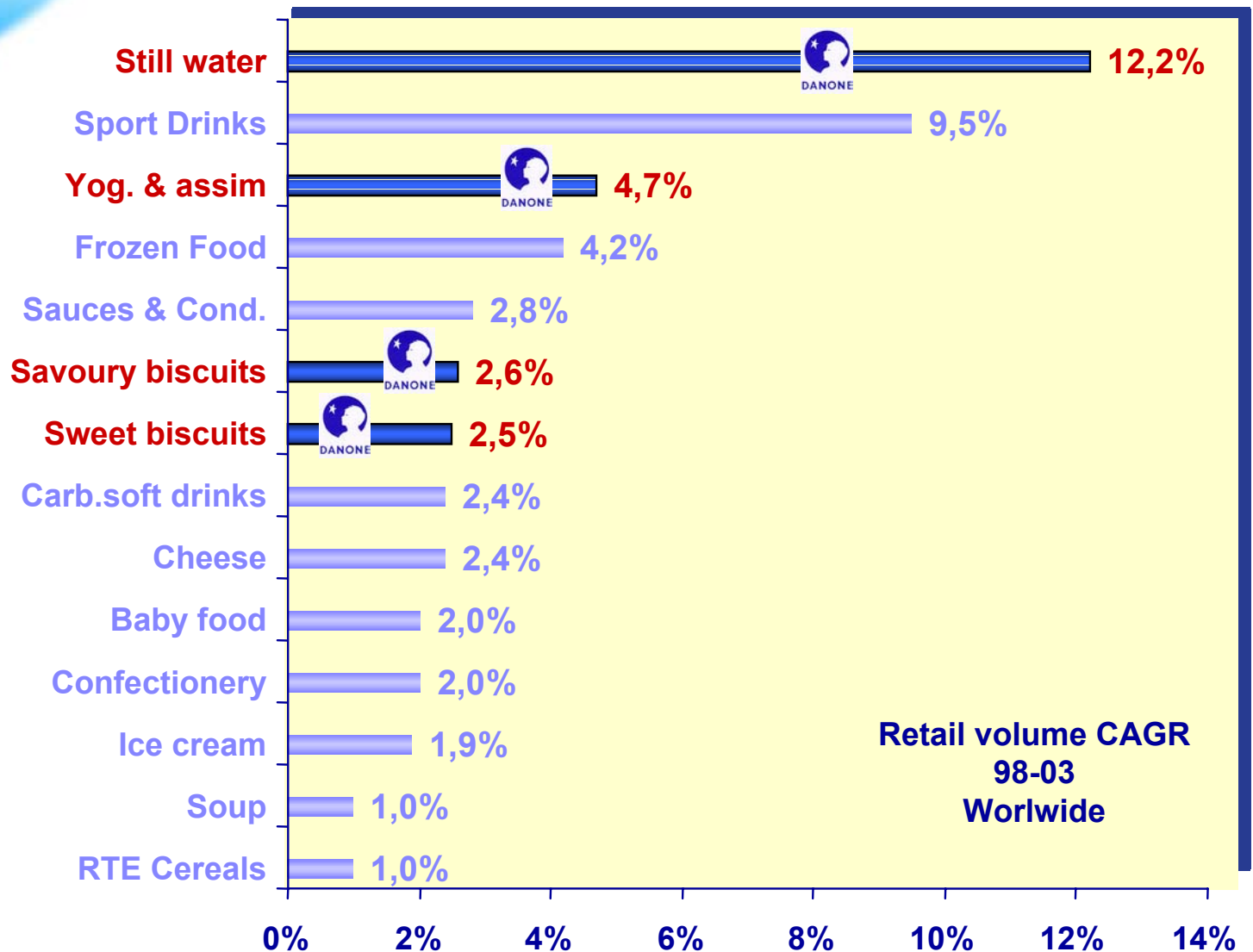




**Our Health positioning: a strong
pillar of our strategy**



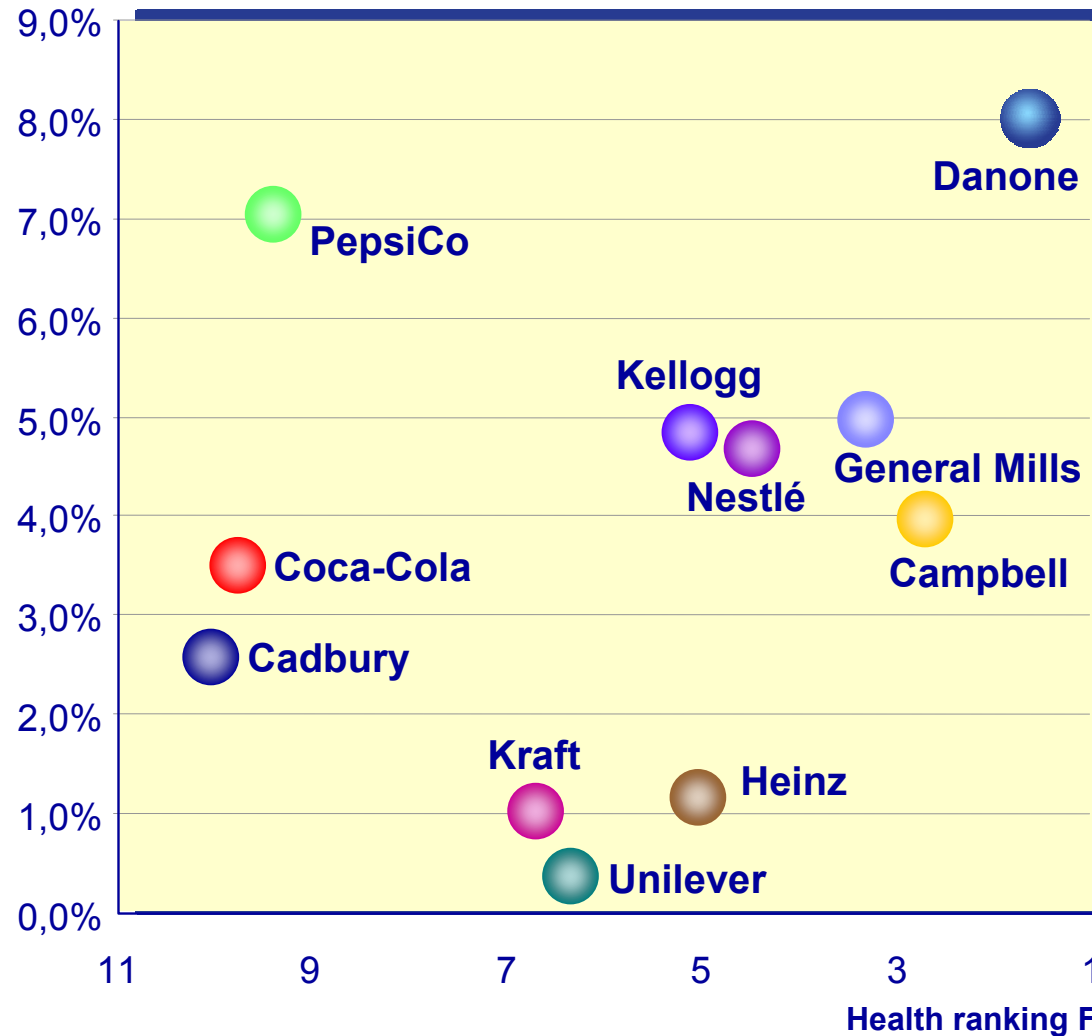
Our focus on three fast-growing food categories: one major driver of growth





Our health positioning: a key success factor for sustained superior top line growth

Like-for-like growth
CAGR 03-H1 04



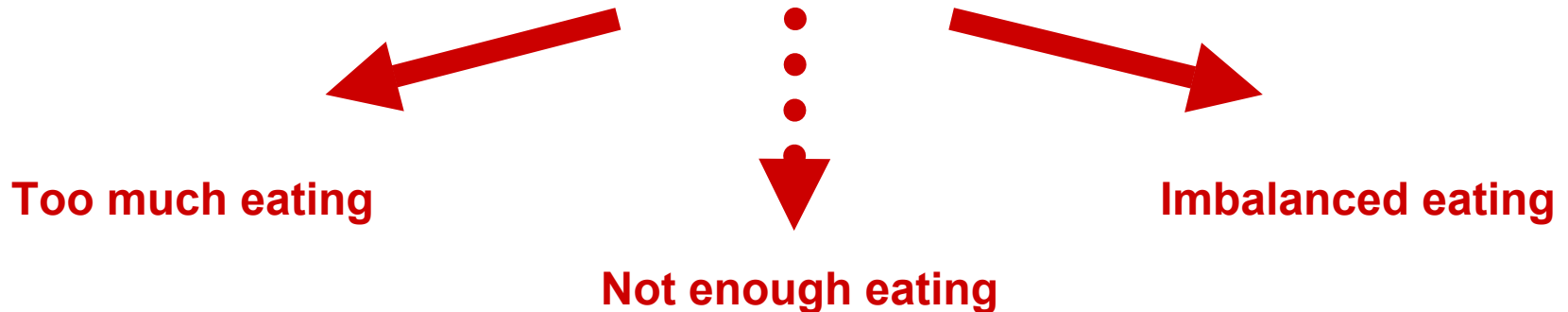
Like-for-like growth: CAGR 03-04 (H1)

Source: ID Market Analytics (H1 2004)



Obesity has become a matter of public health

- Obesity is rising to epidemic levels with 300 million people concerned around the world
- Obesity is also an issue for developing countries
- Obesity is a symptom: malnutrition is the issue



Health & Nutrition is part of Danone's roots



*Yoghourts sold
in pharmacy*



1919

Daniel Carasso was seeking for lactic ferments with health benefits, working with the Pasteur Institutes and Elie Metchnikoff.

*First 0 %
« fromage frais »*



1964

*Focus on three
product categories
associated with
Health and Nutrition*



1996

*Development of
« Active health »
products*



Today



DRAFT

Danone Health Fact Book

First release: at the latest Q1 2005



What does Health & Nutrition mean for Danone ?

- A **balanced diet** combined with **regular physical activity** is key to individual health.
- The first prerequisite for a healthy diet is **variety and diversity**.
- Eating is - and must remain- a **pleasure**.
- Individuals must be **free to choose** their own foods, rhythm and approach to eating.
- The **social and convivial** dimension of **meals** is an essential part of well-being.



This belief has led to 8 commitments...

- To develop the **healthiest possible products**
- To establish a **permanent relations with the scientific community**
- To prove **scientifically benefits**
- To support and to encourage **research in nutrition**
- To **share knowledge with scientists**
- To **collaborate with public entities**
- To respect **clear and transparent communication**
- To use **responsible advertising**

... which are set out in the Danone Health & Nutrition charter



- Shared by all Group companies
- Strongly contributing to our culture



Danone Vitapole, R&D International Center



● Danone Vitapole: the Group's worldwide R&D capabilities

- A community of 800 people worldwide
- R&D Budget: 1% of Group sales or 130 m€ per year

● Daniel Carasso: R&D centre in France (Palaiseau)

- Opened in May 2002
- 500 people, representing 60% of the Group's R&D resources
- 25 different nationalities in a multi-purpose building





Danone Vitapole: a catalyst for innovation

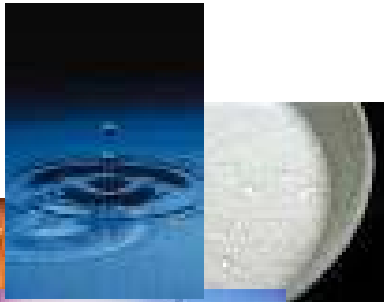
Generating knowledge applicable at
short and mid-term

**Tight collaboration
amongst Researchers
and Development
teams of the three
divisions: Fresh Dairy
products, Biscuits and
Beverages**

Building
innovative
concepts as
quickly as possible

Spreading innovations over
the three core businesses of
the Group

Rolling out in many
countries



Creating synergies by pooling skills and resources



SENSOVALUE

- Consumer preference
- Perception
- Flavour
- Texture
- Colour



NUTRIVALUE

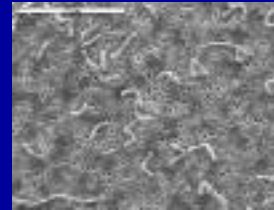
- Nutritional balance
- Health through a Healthy intestine
- Bone health
- Healthy growth



- Industrial Processes Research
- Process control
- Product engineering
- Technical pilots



TECHNOVALUE



- Dairy cultures
- Wheat, Flour
- Milk, Milk components
- Fruit, Cereals

VITAValue



Danone Institutes: promoting research, information and education on diet and nutrition



- **1991: first Danone Institutes created in France**

- **15 Danone Institutes across the world**

- **Belgium, Brazil, Canada, China, Czech Republic, France, Germany, Italy, Israel, Japan, Mexico, Poland, Spain, Russia and the USA**

- **Mission**

- **To promote research on nutrition**
 - **To inform and educate health and education professionals on all subjects related to diet and nutrition**
 - **To adapt scientific materials on food and nutrition for dissemination to the general public**



Danone Institutes promote research ...



- About 50 research projects are funded each year
- Since 1991, more than 60 books of renowned experts have been published covering mainly 3 topics:
 - Nutrition and child development
 - Feeding behaviors in humans
 - Food safety
- Danone International Prize for Nutrition:
 - Created 4 years ago
 - 120,000 € to reward achievement of prominent researchers



... and reach consumers via professionals



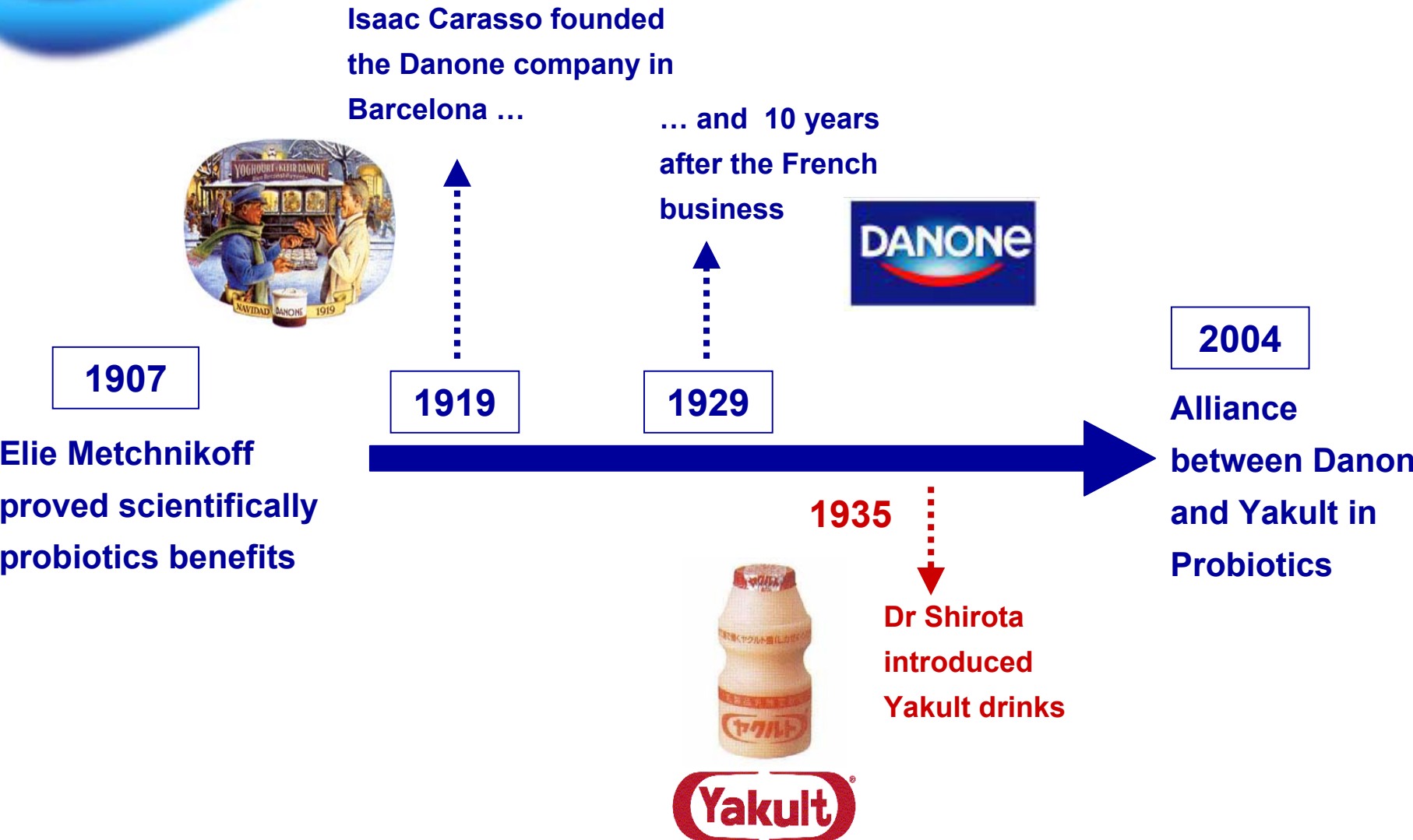
- **Participation to projects with public entities:**
 - **European Union childhood obesity program**
launched at the initiative of Danone during Spring 2002
- **Informing and educating consumers: over 40 programs reaching at least 5 million consumers in 12 countries**
 - **Belgium: Danone Chair at university**
Recent developments in the field of human nutrition
 - **France: Continuous training program towards health professionals**
Current topic: "Food behavior in adolescents: a risk period"
 - **USA: National Clinical Nutrition Internship program towards medical students**
How to prevent and manage disease with nutrition behavior change?



New Product Frontiers : Probiotics

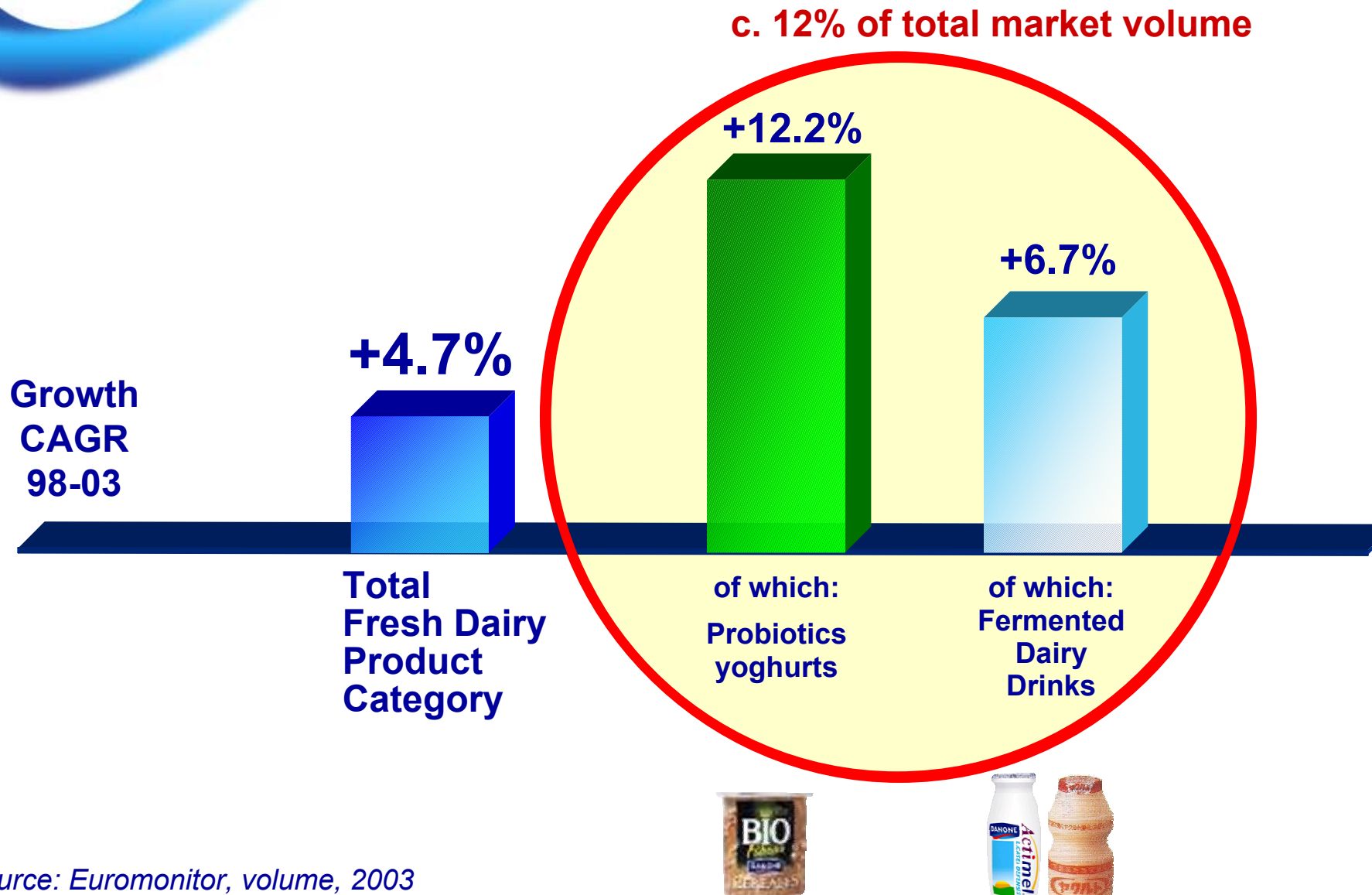


Daniel Carasso and Dr Shiota: 2 pioneers in the field of probiotics





Probiotics: one of the fastest growing segment within the Fresh Dairy category





Danone has built 2 major brands in Probiotics



Lactobacillus Casei Defensis

Actimel: c. € 620 m in 2003

Helps to strengthen your natural defenses



Bifidus Essensis

Activia: c.€ 500 m in 2003

Helps to regulate your transit in 15 days

c. 20% of Fresh Dairy Products* sales in 2003



Yakult & Danone: combining strengths to accelerate development on the probiotics segment

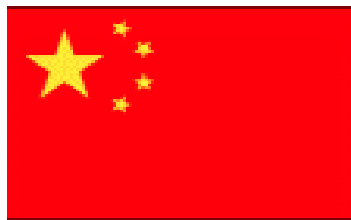
- **April 2004: strategic alliance between Yakult and Danone**
 - **In the Probiotics segment*, Yakult leads the market with 35% of worldwide market, followed by Danone at 20%**
- **Both parties exchanged board members**
- **A liaison office has been established:**
 - **To identify cooperation opportunities (R&D, entry into new markets...)**
 - **which creates value for both parties,**
 - **with priority given to the area of dairy probiotics outside Japan**
- **Creation of the Global Probiotics Council**
 - **To promote the cause of probiotics on a worldwide scale**



New geographical frontiers



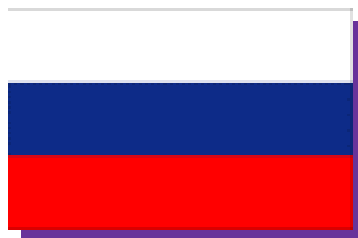
Key New Frontiers



China



Indonesia



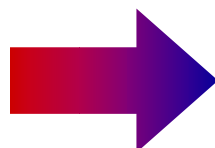
Russia



Mexico

1999

- 7% of group sales
- Below Group EBIT margin



2003

- 15% of group sales 2003
- In-line with Group EBIT margin



Strong positions and growth platform

Mexico

Dairy :

#1

Bottled Water :

#1

Biscuits :

-



Russia

#2

-

#1



Indonesia

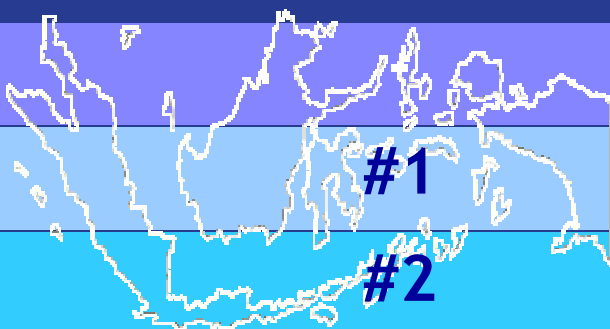
Dairy :

#1

Bottled Water :

#2

Biscuits :



China

-

#1

#2

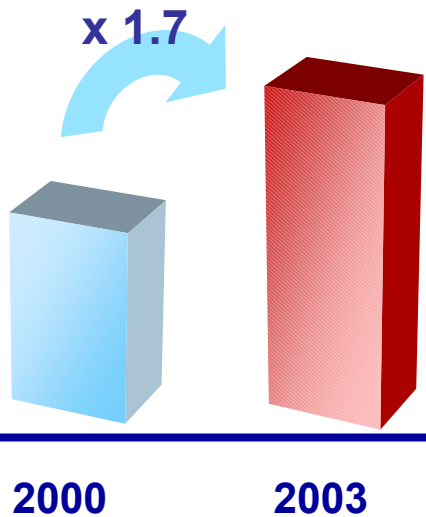




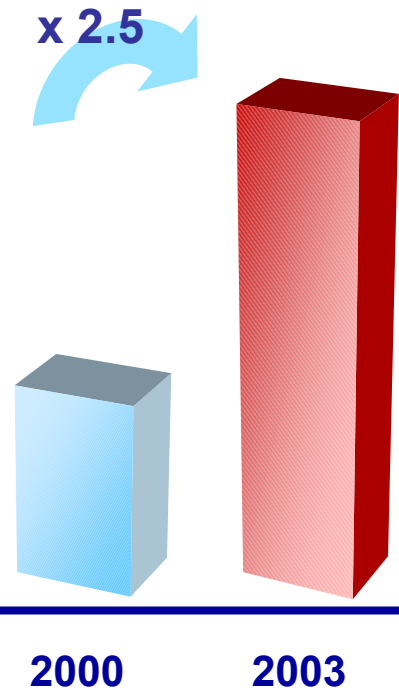
New Frontiers: Mexico

Water : Bonafont

Dairy: Danone de Mexico



EBIT index
basis 100 : 2000



Mexico profitability > average Group EBIT margin

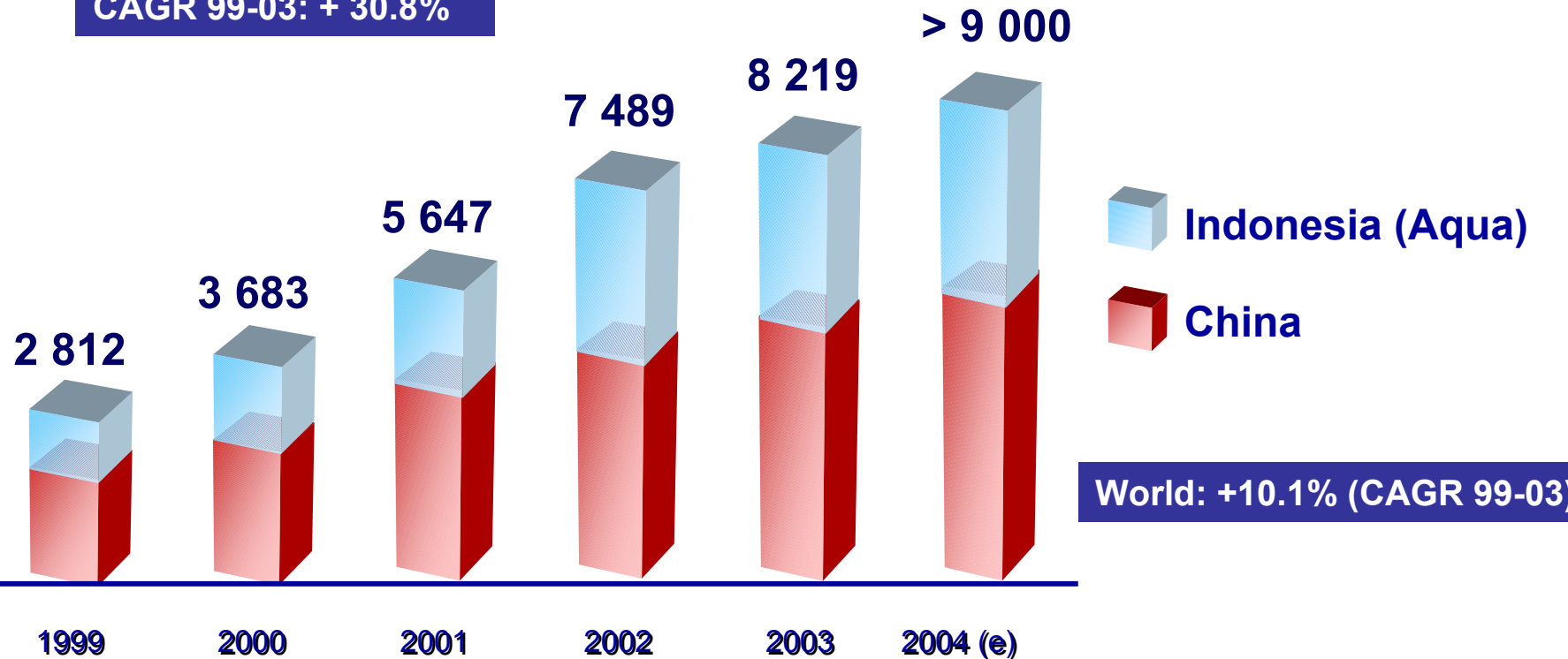




New Frontiers: China and Indonesia

● Beverage in Asia - Volumes (mn litres)

CAGR 99-03: + 30.8%

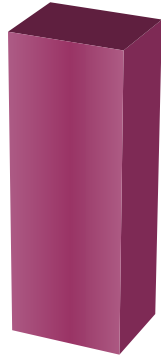




New Frontiers: China and Indonesia

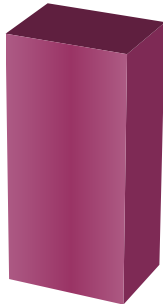
Biscuits in Asia: a strategy focused on delivering “nutrition” to consumers

2,752 kT



Western
Europe

2,040 kT



USA

300 kT
Indonesia



From nothing
to dominant
N° 1 in
P. Sweet



645 kT
India



#1 with
SOM > 40%



780 kT
China



From a
fortress in the East
to national





New Frontiers : Russia Dairy

Danone
index
volume

Danone
market
share in
value

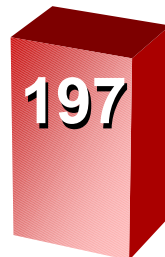
20.4%

6.2%

Opening of
Tchekov
factory



1999



2000



318

2001



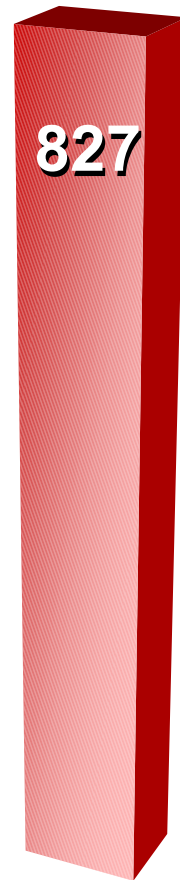
462

2002



582

2003



827

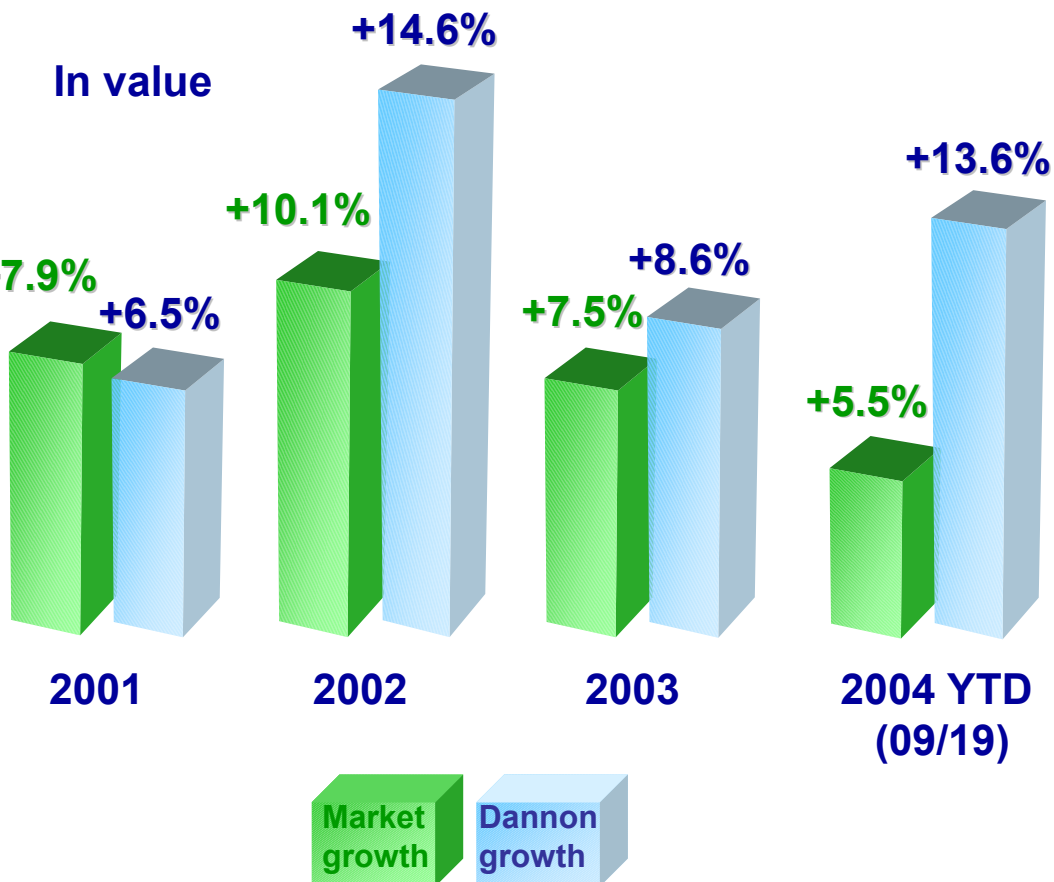
2004(e)

CAGR99-04(e) $\geq 50\%$

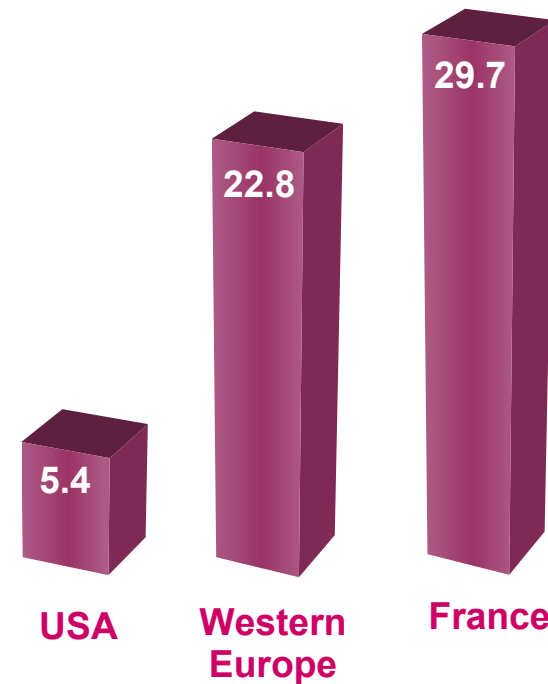


New Frontiers : US Dairy

In value



PCC/year in kg





Grasping opportunities...

Light' n Fit Carb Control

- Introduced in January 2004
- Low Carb segment : a fast growing segment....
 - Already 4.8% of the total fresh dairy market in value*
 - and 2.3% of the total fresh dairy market in volume*
- ... where Danone has clear leadership within this segment...
 - with 40.9% of the market in value
- ... mainly due to its first mover status





... and strengthening leadership in the dairy drink segment

- The adult drink segment accounts for over 8% of the yogurt category
- Danone has a clear leadership with > 60% market share *
 - with 2 key products: Frusion and Light' n Fit Smoothie



Young Adults/Men
Authentic Smoothie Taste



Women 25-54
80 Calories on the Go

New Frontiers : partnerships, as a long term lever



Africa Middle-East Dairy :
over € 1.1 billion sales / #1 position in every country

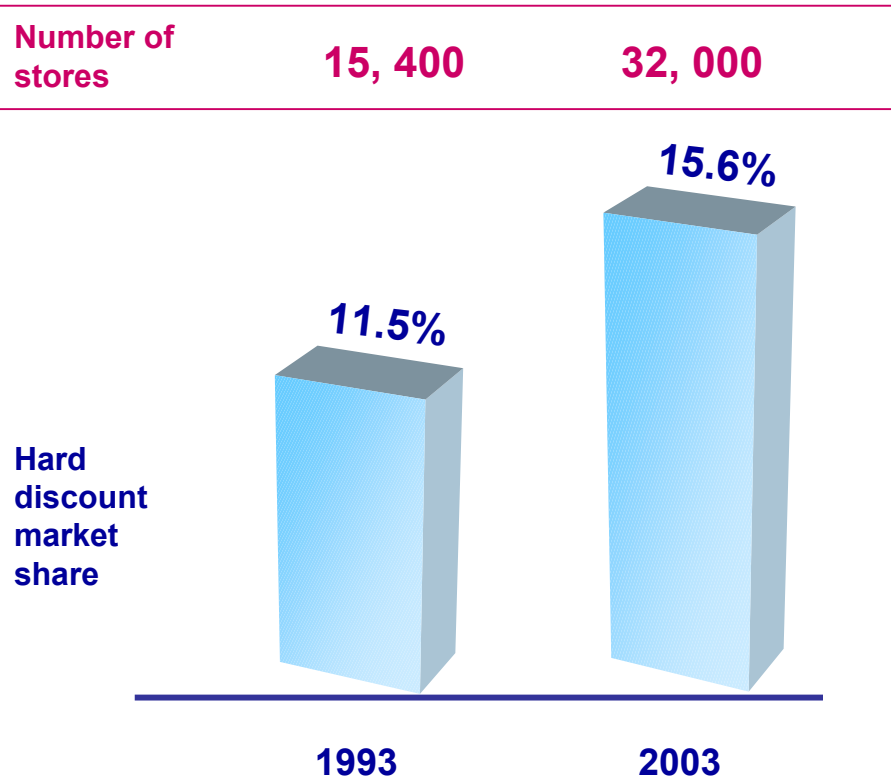


Re-inventing the European fortress



Hard discount has gained ground in Europe

Rapid expansion in stores opening has driven hard discounts' market share up



Shoppers' reasons for buying in Hard Discount

- Value for money
- Proximity
- Simplicity (very limited range)



We have strong market positions in Europe

● We have strong #1 positions...

- 77% of our sales are achieved through #1 positions
- Of which:
 - 86% for Fresh Dairy Products
 - 85% for Biscuits
 - 40% for Beverages

● ...with a significant gap with n° 2 branded player in most countries

- Danone weighted relative market share = 4.4 x n°2 branded player
- on average in our Top 20 European markets
- which account for c. 90% of European sales



Key success factors

- **Brand value**

- **Innovation/ renovation**
- **Product superiority**

- **Proximity to consumers**

- **Visibility** (media)
- **In-store presence**
(Category management, second placement, promotion)
- **New channels** (Away- From- Home, ...)

- **Leverage our health superiority**



To bring profitable growth to our client



BACK-UP



Sales by business & geographical area

€ Millions

Q3 2003

Q3 2004

Like-for-like growth

Fresh Dairy Products

1,572

1,749

+9.5%

Beverages

1,042

948

+1.3%

Biscuits & Cereal Products

796

794

+3.3%

Other Food Business

77

75

-3.4%

Europe

2,339

2,400

+1.1%

Asia

549

582

+12.6%

Rest of World

599

584

+18.9%

GROUP

3,487

3,566

+5.5%



2004 Q3 like-for-like Sales growth

Breakdown volume/value

<i>Like-for-like</i>	Volume	Value	Total
Fresh Dairy Products	+7.7%	+1.8%	+9.5%
Beverages	-2.9%	+4.2%	+1.3%
Biscuits & Cereal Products	+0.3%	+3.0%	+3.3%
Other Food Business	-4.3%	+0.9%	-3.4%
Europe	-1.1%	+2.2%	+1.1%
Asia	+8.0%	+4.6%	+12.6%
Rest of World	+16.9%	+2.0%	+18.9%
GROUP	+2.8%	+2.7%	+5.5%



2004 9M like-for-like Sales growth

Breakdown volume/value

<i>Like-for-like</i>	Volume	Value	Total
Fresh Dairy Products	+8.5%	+2.1%	+10.6%
Beverages	+3.2%	+3.2%	+6.4%
Biscuits & Cereal Products	+1.0%	+2.6%	+3.6%
Other Food Business	+2.2%	-1.2%	+1.0%
Europe	+2.2%	+2.0%	+4.2%
Asia	+10.7%	+2.7%	+13.4%
Rest of World	+14.6%	+3.3%	+17.9%
GROUP	+5.2%	+2.5%	+7.7%