



DANONE

Paris, February 14th, 2008

GROUPE DANONE 2007 Final Results

Excellent 2007 results in-line with ambitious targets
Growth outlook significantly enhanced for coming years

- **Excellent operational performance of the Group's three business lines in 2007: like-for-like sales up +7.2% and operating margin at 14%**
- **Published IFRS results above initial targets: like-for-like sales growth up +9.7%, trading operating margin up +45 basis points on a like-for-like basis, net income attributable to the parent : € 4,180 million**
- **Growth targets strengthened as of 2008 : like-for-like sales growth between +8% et +10%, like-for-like trading operating profit growth superior to sales growth**
- **Proposed dividend increased by 10% to €1.1 per share**

Franck Riboud, Chairman and CEO of Groupe DANONE, commented:

"2007 was a historic year for Danone; a year of strategic decisions that reinforce our leadership position in healthy food. It was also a year of remarkable profitable growth. Despite strong headwinds, Danone had again reached its ambitious targets thanks to the highest ever growth rate in the Fresh Dairy Division and a very strong fourth quarter in the Water division. The underlying strength of the business, coupled with the smooth integration of our Numico business, gives me particular confidence in the Group's ability to accelerate its growth profile even further. As a consequence, we are increasing our growth targets for 2008 and beyond."

For further information:

**Corporate Communication : + 33 1 44 35 20 75 – Investor Relations : +33 1 44 35 20 76
GROUPE DANONE : 17, Boulevard Haussmann, 75009 Paris – Fax +33 1 44 35 24 80**

One Year of radical transformation

In 2007, there were three important changes which will impact the way we report our results.

1. Announced at the beginning of the summer, the sale of the Biscuits and Cereal Products activities was finalized on November 30th, 2007. The Group therefore had operational management of these activities for 11 months.
2. The public offer for Numico, announced on July 9th, 2007 resulted in a change of control on October 31st, 2007. Danone acquired 29.6% of the Company's capital and carried the financing costs linked to this investment for 6 months. Danone currently owns 98.9% of Numico. The Group had the operational management of the Numico activities for the last two months of the year.
3. The situation in China with its partner in the Wahaha business has led the Danone board to decide to treat the activity under the equity accounting method as of July 1st 2007. Until June 30th, 2007, the activity was fully consolidated in the Group accounts. Recent developments are consistent with the intent to improve relations, and to leave several possible options open.

In order to account for these important changes of scope and to facilitate the reading and the analysis of the results, the Group has presented its accounts in three different formats:

The results at opening scope (historical scope) reflect the performance of the three business-lines as defined at the beginning of 2007 (Fresh Dairy division for 12 months, Water division including Wahaha for 12 months, Biscuits division for 11 months). This presentation serves best to evaluate the performance of the Group vs. its operational and financial targets announced for 2007.

The published accounts under IFRS include the Biscuits business-line treated as "discontinued activity" (as a result, the net income of this activity is included in the accounts, but neither the sales nor the operating margin are included), and include Numico in full consolidation for the two last months of 2007. Wahaha is fully consolidated only for the first 6 months of the year.

Finally, **pro forma accounts** (following regulatory requirements) include Wahaha for the first 6 months of the year (fully consolidated), exclude the Biscuits business-line entirely, and include Numico activities and the acquisition-related financing costs for the whole year 2007. This presentation of the results serves best to evaluate the financial fundamentals of the New Danone and its future growth profile

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1. The Group's results at opening scope, which represent the performance of the managed business-lines, reflect increased sales, margins and underlying earnings per share.

<i>€ million unless otherwise specified</i>	2006	2007	Growth Like-for-like ^[1]
Net Sales	14,073	14,579	+7.2%
Trading Operating Income	1,914	2,046	+11.9%
Trading Operating Margin	13.6%	14.0%	+59 bp
Underlying Net income attributable to the parent	1,194	1,302	
Underlying Earnings per Share (€)	2.44	2.71	+11.3%

[1] : At constant scope of consolidation and exchange rates

The Group's growth was strong in terms of both sales and margin progression, resulting in an underlying EPS growth of +11.3% to € 2.71 per share.

In a year strongly impacted by major strategic choices, by an exceptional situation in China, and by unprecedented input cost inflation, the Group has once again demonstrated its ability to generate profitable growth and reach its targets despite strong headwinds.

As a reminder, the Group results at opening scope include the performance of the Biscuits division. During the first 11 months of the year, the division's sales grew +6.5% on a like-for-like basis reaching a trading operating margin of 14.6%, thereby confirming the favorable impact of the operational choices made by the Group over the past three years.

2. The Group's published accounts also reflect a significant increase in sales and trading operating margin on a like-for-like basis, and include the costs linked to the Numico acquisition and the exceptional gain on the disposal of the biscuits activities.

<i>€ million unless otherwise specified</i>	2006	2007	Growth Like-for- like ^[1]
Net Sales	12,068	12,776	+9.7%
Trading Operating Income	1,597	1,696	+13.4%
Trading Operating Margin	13.24%	13.27%	+45 bp
Net income attributable to the parent	1,353	4,180	309%
Underlying Net income attributable to the parent	1,193	1,185	
Underlying Earnings per Share (€)	2.44	2.47	+1.2%

[1] : At constant scope of consolidation and exchange rates

2.1. Net Sales

On a reported basis, the net sales of the Group grew +5.9% and amounted to € 12, 776 mln. This includes two months of consolidated net sales of Numico for € 450 mln.

Excluding Numico, Group sales grew +9.7% on a like-for-like basis. Changes in scope of consolidation and exchange rate had negative impacts of -4.6% and -2.9% respectively.

All major geographies contributed to the growth of the Group. Europe grew a strong +7.4%, Asia grew +4.7% while the Rest of the World grew +17.4%.

In the Fresh Dairy division, the record growth of +12.2% came mainly from the strong contribution of the four blockbuster brands (Activia, Actimel, Taillefine/Vitalinéa and Petit Gervais/Danonino) which grew close to 20%.

This growth was supported by an improved product mix and by price increases resulting from significant increases in milk costs. Growth in France was in the mid-single-digits, while the rest of Europe's growth was in the teens. Eastern Europe, Latin America and North America also recorded strong growth.

The Water division growth of +4% is not fully representative of the performance of the underlying business. Indeed, Q3 was impacted by exceptionally poor weather in Western Europe, while the entire year's performance was unfavorably impacted by the shareholder dispute at Wahaha. In the remaining geographies, sales of mineral and spring water continue to benefit from their positioning as natural and healthy products. In Latin America and Asia (excluding China), the performance was very strong.

During the last two months of the year, the sales of **Numico** were impacted by the decision to align in-trade product stock-levels with Group practices. This decision has not affected the underlying growth trends of the business.

2.2. Trading Operating Margin and Net Income

The Group's **trading operating margin** improved by +45 bp on a like-for-like basis. The operating margin of the Fresh Dairy division (€ 1,229 mln) grew +62bp on a like-for-like basis, reaching a margin of 14.0% despite unprecedented milk input costs headwinds. The margin of the Water division (€ 480 mln) was stable (+1bp on a like-for-like basis), reaching 13.6%.

The **net income attributable to the parent** amounted to € 4,180 mln. This includes € 3,105 mln of gain on the disposal of the Biscuits and Cereal Products division.

The **underlying earnings per share** is impacted by the financing costs linked to the acquisition of 29.6% of Numico over 6 months (ie: € 102 mln of net after-tax financing costs). The contribution of Numico to the results of the Group's published accounts is slightly negative (€ -16mln) linked mainly to the acquisition-related IFRS stock-valuation adjustments.

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2.3. A solid financial position

The Group's Free Cash Flow from Operations which amounted to € 1,184 mln (including € 199 mln linked to the Free Cash Flow of the Biscuits division), is exceptionally impacted by the financing costs associated with the Numico acquisition and by the equity accounting of Wahaha in the second half of 2007.

Net equity at the end of 2007 (including minorities) amounted to € 9,100 mln (vs. € 6, 069 at December 31st, 2006) and the total net debt amounted to € 11,261 mln (vs. € 2,902 mln at December 31st, 2006).

The net financial debt (excluding put options) amounted to € 8,561 mln. It is the result of the year's significant changes in scope and is composed mainly of syndicated bank debt and market financing (fully covered by back-up facilities).

3. The Group's 2007 pro forma accounts are testimony to the strength and the profitability of its new portfolio of activities.

<i>€ million unless otherwise specified</i>	2007
Net Sales	15,044
Trading Operating Income	2,162
Operating Margin	14.4%
Underlying Net income attributable to the parent	1,142
Underlying EPS (€)	2.38

The pro forma net sales of the Group amount to slightly above € 15 bln and is split as follows: € 8,299 mln for the Fresh Dairy division, €3,535 mln for the Water division, € 2,417 mln for the Baby Food division, and € 793 for the Medical Nutrition division. The Group has positions of strong local market leadership in these activities, and intends to take advantage of the segments' growth.

4. Enhanced outlook for 2008 and beyond

The Group's Board of Directors which convened on February, 13th 2007 had decided to ask the shareholders to approve, at the Annual General Meeting of Shareholders which will be held on April 29th, 2008, a dividend of € 1.1 per share for 2007, representing an increase of +10% compared to the previous year. The dividend will be paid from May 14th 2008.

In addition, given the new growth profile of Groupe DANONE, and given the strong fundamentals of the categories in which the Group operates, the Group is raising its growth targets. Specifically:

- like-for-like sales growth between +8% and +10%
- like-for-like trading operating profit growth greater than like-for-like sales growth (and at least +30bp in 2008)
- underlying earnings per share growth above +15% vs. the Group's 2007 pro forma accounts

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*2008 First Quarter Sales will be published on April 24th, 2008
Shareholder's Annual Meeting will be held on April 29th, 2008*

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FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements concerning Groupe DANONE. Although Groupe DANONE believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please see the section "Risk Factors" in Groupe DANONE's Annual Report (which is available on www.danone.com).

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