



**DANONE**

## **Third Quarter and Nine Month Sales 2008**

October 22<sup>nd</sup>, 2008

### **9.2% like-for-like sales growth in first nine months Full-year targets 2008 reconfirmed**

- **Danone sales increased 8.3%<sup>[1]</sup> in Q3 08**
- **Dairy delivered solid sales growth of 8.2%<sup>[1]</sup> in Q3 08; volume trends are improving**
- **Waters' sales growth of 3.7%<sup>[1]</sup> in Q3 08, reflecting challenging conditions in W-Europe**
- **Baby Nutrition sustains above-category growth at 12.7%<sup>[1]</sup> in Q3 08**
- **Medical Nutrition continues double-digit sales growth track record at 11.7%<sup>[1]</sup> in Q3 08**
- **Full-year targets 2008 reconfirmed**

#### **Chairman's comment**

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Commenting on the results in the third quarter of 2008, Franck Riboud, Chairman and CEO of Groupe DANONE said:

"With a sales growth of 8.3%, the performance of the Group in the third quarter was solid and satisfactory and allows us to confirm our targets for 2008. This performance again reflects the relevance of the business lines we have chosen to be in and the geographic priorities we have set. It also shows the ability of our teams to adapt quickly to changing consumption patterns and markets. Our financial strength, competitive advantages and our unique culture provide us confidence in our ability to cope with this phase of difficult economic circumstances that we have entered."

#### **Overview of sales performance**

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In the third quarter 2008, consolidated reported sales increased by 31.2% to € 3,846 million. Excluding the effects of changes in exchange rates (-2.3%) and in scope of consolidation (+25.2%), total sales increased by 8.3% on a like-for-like basis. This like-for-like sales growth was driven by a 2.6% rise in volume and a 5.7% rise in value.

In the first nine months of 2008, consolidated reported sales increased by 22.2% to € 11,537 million. Excluding the effects of changes in exchange rates (-3.8%) and in scope of consolidation (+16.8%), total sales increased by 9.2% on a like-for-like basis. This like-for-like sales growth was driven by a 2.5% rise in volume and a 6.7% rise in value.

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<sup>1</sup> Growth expressed at constant scope of consolidation and constant exchange rates

## Sales by business line and geographical area for the third quarter and first 9 months 2008

€ mln	Q3 07	Q3 08	Change L-f-L <sup>[2]</sup>	9M 07	9M 08	Change L-f-L <sup>[2]</sup>
<b>BY BUSINESS LINE</b>						
Fresh Dairy	2,076	2,205	8.2%	6,200	6,563	9.1%
Waters	729	733	3.7%	2,868	2,247	3.0%
Baby Nutrition	127	692	12.7%	372	2,092	15.8%
Medical Nutrition	-	216	11.7%	-	635	12.9%
<b>BY GEOGRAPHICAL AREA</b>						
Europe	1,818	2,368	4.9%	5,575	7,279	5.9%
Asia	256	477	13.8%	1,305	1,383	15.7%
Rest of World	858	1,001	14.3%	2,560	2,875	14.8%
<b>Group</b>	<b>2,932</b>	<b>3,846</b>	<b>8.3%</b>	<b>9,440</b>	<b>11,537</b>	<b>9.2%</b>

[2] : like-for-like is at constant scope of consolidation and constant exchange rates

## Sales performance by division

### Fresh Dairy

In the third quarter, the Fresh Dairy division continued to deliver high single-digit sales growth (+8.2%) despite the negative volume effect that resulted from price increases and the challenging market dynamics in a select number of markets. This quarter's organic growth consisted of -0.2% volume growth and +8.4% value growth. The blockbuster brands continued to drive the growth of the division, growing double-digit and with volume growth which is substantially better than the divisional average. The latter being a clear testimony to the health blockbuster strategy that delivers superior growth throughout the cycle.

The overall market conditions in France improved somewhat in the course of the third quarter. This, coupled with a variety of commercial initiatives Danone initiated in the quarter, reversed the downward volume and sales growth trend in France in Q3 08. The rest of Europe generated relatively resilient growth, with particularly strong performances coming from the UK and Turkey. Latin America continued to deliver double-digit growth, driven by Brazil.

### Waters

The performance of the Waters division reflects a number of factors that negatively impacted results in the third quarter of 2008. Sales grew by 3.7% on the back of a relatively easy comparable. This growth was driven by a solid volume growth of +5.7% which was offset by a negative value effect of -2.0%. This disappointing performance was mainly driven by the continued difficult overall market situation in France, Spain and the UK. This led to negative volume growth in Europe, thereby negatively impacting value growth. The markets outside Western Europe – which account for roughly 60% of the division's sales – held up well with continued mid- to high-teens sales growth in Asia and Latin America, respectively, driven by strong performance in Indonesia, Mexico and Argentina.

### Baby Nutrition

Baby Nutrition sustains its above-category sales growth with another strong quarter at +12.7% sales growth despite the significant price increases that were put through. Sales growth was driven by volume growth of 5.1% and value growth of 7.6%. All categories and regions continued to contribute to this performance. Western Europe continued its strong performance of the first half of the year which, in the third quarter, was specifically driven by the UK, Switzerland, Spain and Portugal.

Asia and Eastern Europe also continued their excellent performances, driven by strong growth in Indonesia, China, Poland and Russia. All of Danone's baby food products sold in China are based on milk ingredients that are imported from the ANZ region and have all been classified as safe to consume by the relevant Chinese authorities. Consequently, Danone's Baby Food performance in China has not been negatively impacted by the Melamine crisis.

### **Medical Nutrition**

Medical Nutrition continued its double-digit growth trajectory with a sales growth of +11.7% in the third quarter of 2008. This growth was entirely driven by a volume growth of +13.8% which was partly offset by a negative price and mix effect of -2.1%. Growth was supported by all regions with continued strong performance coming from Southern Europe. In addition, all product categories contributed to the growth with above-average growth coming from Gastro Intestinal Allergy and Pediatrics.

### **Outlook 2008**

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Based on the inherent strengths of its business model and the strong long-term potential of the markets in which it operates, the Group reconfirms its targets for 2008:

- like-for-like sales growth between +8% and +10%
- like-for-like improvement of the trading operating (EBIT) margin between +40 bps and +50 bps;
- underlying fully diluted earnings per share growth of at least 15% (vs pro forma EPS 2007 of € 2.38).

### **Financial position and results**

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#### **Changes in scope of consolidation**

Changes in scope of consolidation accounted for +25.2% and +16.8% of sales growth in the third quarter and first nine months of 2008, respectively. This effect was predominantly driven by the acquisition of Numico in November 2007.

#### **Currency effects**

Changes in exchange rates impacted sales growth by -2.3% and -3.8% in the third quarter and first nine months of 2008, respectively. These effects were mainly driven by the British pound, the US dollar, the Polish zloty and the Indonesian rupiah.

#### **Financing**

Danone has completed the refinancing of the bridge loan – related to the acquisition of Numico – in the first half of 2008.

In August 2008, Danone issued € 500 mln of euro bonds that mature in May 2011.

The next significant debt repayment is the first tranche of € 2.3 bn of the syndicated loan in December 2010.

## Significant transactions and events of the period

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### **Numico and Danone have appealed decisions by the Dutch Authority for Financial Markets**

On 8 September 2008, Danone announced that the Dutch Authority for Financial Markets (“AFM”, Autoriteit Financiële Markten) decided to impose a fine on Numico and Danone for not publishing financial information in a sufficiently timely manner during the day of July 9, 2007, in the context of the takeover bid launched by Danone. The fines on Numico and Danone are of an amount of €96,000 and €24,000, respectively. Danone and Numico strongly disagree with the AFM’s decisions and have therefore appealed these decisions.

### **Danone tenders its minority stake in the capital of China Huiyuan Juice Group Limited to The Coca-Cola Company**

On 3 September 2008, Danone announced that it has entered into an agreement whereby it has undertaken to tender all of its shares held in the capital of China Huiyuan Juice Group Limited, which is listed on the Hong Kong Stock Exchange, to the pre-conditional takeover bid to be launched by The Coca-Cola Company through its wholly-owned subsidiary, Atlantic Industries. The price per share offered by The Coca-Cola Company in connection with the takeover bid is HK\$12.20. The transaction is subject to various authorizations and steps required for the completion of the takeover bid, including in particular the approval of the Chinese antitrust authorities.

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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 refer to the section “Risk Factors” in Groupe DANONE’s Annual Report (which is available on [www.danone.com](http://www.danone.com)).*

€ mln	First Quarter		Second Quarter		Third Quarter		First 9 Months	
	2007	2008	2007	2008	2007	2008	2007	2008

#### BY BUSINESS LINE

Fresh Dairy	2,035	2,179	2,089	2,179	2,076	2,205	6,200	6,563
Waters	1,012	695	1,127	819	729	733	2,868	2,247
Baby Nutrition	120	683	125	717	127	692	372	2,092
Medical Nutrition	-	203	-	216	-	216	-	635

#### BY GEOGRAPHICAL AREA

Europe	1,797	2,394	1,960	2,517	1,818	2,368	5,575	7,279
Asia	537	445	512	461	256	477	1,305	1,383
Rest of World	833	921	869	953	858	1,001	2,560	2,875
<b>Group</b>	<b>3,167</b>	<b>3,760</b>	<b>3,341</b>	<b>3,931</b>	<b>2,932</b>	<b>3,846</b>	<b>9,440</b>	<b>11,537</b>

€ mln	First Quarter		Second Quarter		Third Quarter		First 9 Months	
	Reported Change	Like-for-like Change	Reported Change	Like-for-like Change	Reported Change	Like-for-like Change	Reported Change	Like-for-like Change

#### BY BUSINESS LINE

Fresh Dairy	7.1%	10.5%	4.3%	8.7%	6.2%	8.2%	5.8%	9.1%
Waters	(31.3)%	7.0%	(27.4)%	(0.8)%	0.6%	3.7%	(21.7)%	3.0%
Baby Nutrition	-	18.8%	-	16.2%	-	12.7%	-	15.8%
Medical Nutrition	-	14.6%	-	12.4%	-	11.7%	-	12.9%

#### BY GEOGRAPHICAL AREA

Europe	33.2%	8.5%	28.4%	4.5%	30.3%	4.9%	30.6%	5.9%
Asia	(17.0)%	18.5%	(10.1)%	14.9%	86.6%	13.8%	6.0%	15.7%
Rest of World	10.6%	15.8%	9.7%	14.1%	16.6%	14.3%	12.3%	14.8%
<b>Group</b>	<b>18.7%</b>	<b>11.4%</b>	<b>17.6%</b>	<b>8.0%</b>	<b>31.2%</b>	<b>8.3%</b>	<b>22.2%</b>	<b>9.2%</b>