

BRINGING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE

DANONE 10

Danone essentials in 2010

Growth first
by **Franck Riboud**

2010 RESULTS
INNOVATING
AND EXPANDING
IN EMERGING
ECONOMIES

STRATEGIC PRIORITIES
Nature, affordability
& availability, health,
people: performance
and challenges

FOR MORE INFORMATION & PHOTOS
www.danone10.danone.com

2010 at a glance

Danone's sales rose 6.9%*, with growth in all four business lines and in all parts of the world demonstrating the strength of our model.

*like-for-like

DANONE RANKINGS

- No. 1 WORLDWIDE in fresh dairy products
- No. 2 WORLDWIDE in baby nutrition
- No. 2 WORLDWIDE in bottled waters
- No. 1 IN EUROPE in medical nutrition



EUROPE*
46,072 employees
80 plants
**includes Unimilk*

ASIA-PACIFIC
24,638 employees
49 plants

REST OF THE WORLD
30,285 employees
55 plants

EMPLOYEES & PLANTS

North America
No. 1 in fresh dairy products

Latin America
No. 1 in fresh dairy products
No. 1 in bottled waters

Western Europe
No. 1 in fresh dairy products
No. 1 in baby nutrition
No. 1 in medical nutrition
No. 2 in bottled waters

Central Europe
No. 1 in fresh dairy products
No. 1 in medical nutrition
No. 1 in baby nutrition

Africa and Middle East
No. 1 in fresh dairy products
No. 2 in baby nutrition

Asia-Pacific
No. 1 in bottled waters
No. 2 in baby nutrition



Visit us at danone10.danone.com for a comprehensive review of business and social data for 2010.

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In a diverse world market, shaped by different expectations and economic realities, we are working to make Danone products accessible to the largest possible number of people.

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Close-up of key financial, social and environmental results for 2010.



Photographer: Ben Bloom for Getty

DANONE10



Landmark events in the year started with the launch of the Danone-Unimilk joint venture in Russia, a symbol of Danone's move into the economy of the future: emerging markets now account for 49% of our total sales and are home to two-thirds of our employees.

This new balance changes the shape of our group and brings new challenges, in particular in the field of human resources — starting with recruitment, training, and the deployment of Danone's fundamental principles among more than 100,000 staff members.

Danone in 2010 is also about far-reaching environmental and societal commitments, illustrated by the 20 projects backed by our Danone Ecosystem Fund and the five programs supported by the danone.communities fund. We were proud to announce a 22% reduction in our carbon footprint compared with 2008.

Access to information is changing and, in recognition of this, Danone is this year presenting a summary annual report in print, backed up an online version that goes into more detail — with more text, more pictures, more video and sound. Updates, comments, analysis and personal reports are accessible on the web and available in smartphone and iPad versions. To learn more, visit www.danone10.danone.com.

2010: GROWTH FIRST

With sales up 6.9% like-for-like — one of the best performances in the food industry — Danone got back on course for strong growth in 2010, harnessing new strategic markets with huge growth potential.

How do you account for Danone's healthy results in the troubled context of the past year?

Franck Riboud: I don't want to sound presumptuous, but I am convinced that Danone has the right business model. We have four business lines perfectly attuned to needs and long-term trends in consumer demand, we have robust brands backed by quality R&D and effective advertising, and our products are made with extreme care to ensure better taste and nutritional content. And then there is our geographical reach: with our worldwide presence, we can make the most of growth momentum anywhere. Not to mention our culture, which emphasizes pragmatism, adaptability and local decisions — what I have called being “quick on your feet.” In testing times, when you need to take a fresh look at things, that is a huge advantage.

Have all your business lines contributed to this growth?

FR: We have held to our strategic course for all our business lines, although we have not hesitated to change our ways in response to much tougher conditions. And that is what I think has enabled Danone to return to the sort of growth we had been used to — putting us consistently ahead of others in the food industry.

Figures show that all our businesses are growing. Without exception. Fresh Dairy Products scored a very sound 6.5% rise, which is particularly important because the division accounts for nearly 60% of our sales. Medical Nutrition and Baby Nutrition again posted gains of close to 10%, thanks in part to our geographical expansion. And our Waters division, which was hit hard by the economic downturn on mature markets, showed renewed pace with rises of 5.2% in value and 7.3% in volume. Its growth was always impressive in new economies, but sales in the developed world, particularly in Europe, had flagged. Our brand teams made really remarkable efforts to inject new life into the French and German markets and restore the appeal of natural waters — beverages that offer consistently high quality, that are stored naturally and are naturally good for health, and that are environmentally sound. In 2010 their work began to pay off.

As regards geography, 2010 appears to have been something of a watershed.

FR: I think that's right. In a way, you could say that Danone moved into the economy of the future, at least symbolically. It was the last year that the developed world accounted

for a higher proportion of our sales than new economies. In 2000, these economies contributed under 30%, but that was up to 49% in 2010, and it will automatically pass the 50% mark in 2011. In the near term, Russian will move ahead of France and Spain — where we have our roots and launched our bid for world leadership — and an emerging economy will thus become our largest market.

Because of your acquisition of Unimilk at the end of 2010?

FR: Unimilk is a young company that already held third place on its market and is posting robust growth with a brand portfolio and a geographical presence in sales and production that are perfect complements for Danone Russia, the subsidiary we set up some 20 years ago. The reasoning behind the tie-up between these two regional champions is very simple: it will give us the base we need to reach the whole of the Russian market, which counts more than 140 million people and is growing fast. Combining Unimilk's broad ranges and strong momentum with Danone's advanced expertise and operational know-how opens very promising prospects. Now it's up to us to realize that potential by getting the integration process →



+
**WITH
264 MILLION
PEOPLE**
CIS* REPRESENTS
HIGH POTENTIAL
GROWTH

* COMMONWEALTH OF INDEPENDENT STATES

+
**GROWTH
IN SALES:
6.9%***
CONFIRMS
THE RELEVANCE
OF OUR STRATEGY

* LIKE-FOR-LIKE

+
49%
OF DANONE'S TOTAL
BUSINESS IS IN
**EMERGING
ECONOMIES**

→

right. That is a top priority, and we are giving it all the energy and care it needs.

What are your priorities from the global perspective?

FR: We will be sticking to our strategy of focused efforts, investing first and foremost in markets with high growth potential and rapid returns. At Danone, and this may seem an unlikely combination, we call them the MICRUB countries — for Mexico, Indonesia, China, Russia, the US and Brazil. We have been in all these countries for a number of years now, patiently laying a solid foundation that is now rewarding us for our efforts. Our businesses there are posting double-digit growth and they are now big enough to drive the whole group ahead.

You call the US an emerging market. Isn't that a bit strange for the world's largest economy?

FR: It certainly is if you are talking about GDP per capita. But we are perfectly serious about this. When you look at our markets, particularly for fresh dairy products, you can see that the US really is an emerging market: it is a country with a big population, where per capita consumption of our products is low — only a sixth or a seventh of what it is in France and Spain — but growing fast, making for enormous potential. There is real demand for healthier foods among US consumers, and we are responding to that.

Isn't exposure to emerging economies a source of risk?

FR: It might be if we didn't have the balanced presence we do. If, for



example, one country accounted for 30% of our sales. But our model is the opposite of that. No single country accounts for more than 12%. And on top of that, our main markets are now in countries with very different profiles — as you can see when you compare Russia, France, the US, Spain, Indonesia and Mexico. As I said, our presence is soundly balanced. And the biggest risk for any business is getting stuck in its comfort zone — there is no such thing as industrial innovation or growth without risk. Of course you also have to keep control of it, measure it and manage it. And our strategy for managing our geographical expansion does precisely that.

Are you turning your back on your historic bases like France and Spain?

FR: It is true that they show less overall pace. But given their size and the strength of the brands we deploy there, it would be a serious

mistake to neglect them. It is vital to keep growth in Europe on a positive track. That is just what enables us to make the most of growth in emerging markets. If that growth was only there to make up for slackening in Europe, we would be playing a zero-sum game. The challenge for our European businesses is to regain momentum with new business models to boost growth rates, basis point by basis point. An interesting aspect of that is the way our emerging market operations are becoming a major source of inspiration, especially as regards innovation.

Does that mean that emerging markets are now the drivers for innovation?

FR: To a large extent, yes. And that is one of my objectives. Until recently we assumed that the richest countries would be the main source of innovation. As I see it, it's the countries with strong growth that should inspire us. Especially

“Our people engagement is unmistakable. It is the real source of Danone’s strength.”



as we are having to deal with an economic downturn, resource shortages and a squeeze on consumer purchasing power. The strength of emerging-economy businesses is that they have faced that sort of thing for a long time and have come up with simple, economical and very inventive solutions. Building a micro dairy-product plant in Bangladesh with the sort of budget you’d have for a house in France forced us to adopt radically new solutions, some of which can be applied perfectly well in our big traditional plants without compromising quality. You can find similar examples for product design, marketing and distribution.

You sound fairly optimistic about Danone this year.

FR: I don’t know whether “optimistic” is really the right word. But I am confident. Business conditions are still tough, but that is true for everyone, and Danone stands fully prepared, fully armed and ready to

meet our growth targets and achieve our priority objectives. That is what makes me feel confident — the knowledge that our group is fully mobilized behind a clearly defined strategy, and our mission of bringing health through food to as many people as possible.

And there is another reason: our people, their energy and engagement. I travel a lot — in tough times, I think it is my duty to show direct support for our teams everywhere. Their engagement is unmistakable, and the results of our in-house surveys are objective proof of it. I want to do everything I can to preserve that, because it is the real source of Danone’s strength.

To sustain that engagement, our work has to have meaning. In that, we are lucky to be in the food business, since our work and our mission are meaningful in themselves. The same applies to the approach we have adopted to societal issues, as illustrated by our decision to reduce our carbon footprint by 30% between 2008 and 2012, and by our unstinting commitment to support our economic and social environment through our €100 million Ecosystem fund. In all these ways, we lend meaning to our action. And that is enormously powerful, renewing our capacity to build and grow, now and in the future.



Watch a video interview with Franck Riboud at www.danone10.danone.com.

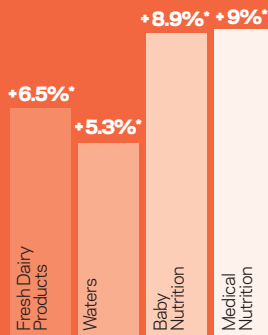
Key figures

Danone division rankings

- No. 1 worldwide in fresh dairy products**
- No. 2 worldwide in baby nutrition**
- No. 2 worldwide in bottled waters**
- No. 1 in Europe in medical nutrition**

2010 growth

Danone sales increased 6.9%*, fueled by all four divisions



*like-for-like

- 22%

Danone cut its carbon footprint by 22% from 2008 to 2010, based on emissions under Danone’s direct responsibility (packaging, industrial activities, logistics and end of life). The group is maintaining its 30% reduction target for 2012, i.e., over a five-year period.

ENERGY FROM INNOVATION

Sales of Fresh Dairy Products grew 6.5% in 2010, like-for-like, driven by three factors: inroads into new markets, effective innovation and transformation of our relationship with consumers.

Fresh Dairy Products grew steadily in 2010, posting strong results that reflect the division's new geographic range. Like our Waters division, Fresh Dairy Products is now almost equally divided between mature and emerging markets, where pace was accelerated by the renewed focus on volume sales that began with our Reset program in 2009.

REDRAWING THE MAP IN 2010

Danone has its roots in Europe, and yogurt remains a favorite in France, Belgium, Germany and Spain, where per capita consumption tops 20 kilograms a year (rising to 30 kilograms in France). In these mature markets, Danone expects moderate growth. We have also made markets with strong economic and/or demographic growth major targets for investment, laying the foundation for long-term development. Business in these countries — which are “emerging” markets for Danone — grew solidly in 2010, with sales rising 20% in Russia, the United States and Brazil. In Russia, Danone's dairy product business merged with Unimilk on December 1, 2010, uniting the market's largest and third-largest players, giving us new access to the 142 million consumers

9.7^{bn}

Our Fresh Dairy Products division posted like-for-like sales growth of 6.5%. Volumes rose 7.5%.

throughout the country, and opening up new growth potential. To strengthen supply lines across Brazil, with its 8.5 million square kilometers (3.3 million square miles), we opened a second plant in the northeastern town of Maracanaú. And in the United States, where yogurt consumption is one-sixth that of France, three of Danone's five plants increased production capacity to keep pace with rising sales.

Other countries that have contributed to the new geographical shape of Danone include Mexico, Argentina, South Africa, Saudi Arabia and also China, where sales more than doubled in 2010.

Fantasia

Since September, refrigerated cases at points of sale in France have featured Fantasia, a two-part yogurt product that combines a dairy treat with a chocolate or fruit toppings. Consumers can create their own desserts, choosing from a range of fruit purées or different types of chocolate — and the two compartments can be mixed or enjoyed separately. By late 2010, Fantasia sales had exceeded projections by 30%.

Danone is now the world's top producer of fresh dairy products: in 2011 we expect Russia and the United States to become our top two markets, edging ahead of France and Spain, where our business began.

LOCAL INNOVATION FUELS GLOBAL GROWTH

Product innovation generated 50% of the division's growth in 2010, and Danone relies increasingly on the creativity of local teams in countries as different as Algeria, Japan, Chile, Scandinavia, Russia and the United States. Because we are highly decentralized, our business units are free to offer innovative products that fit into local cultures and preferences for taste and texture. This local creativity can then be harnessed to feed the globally structured innovation strategy for our flagship brands. At Danone, good ideas have



For more news from our Fresh Dairy Product division, visit www.danone10.danone.com click on News and listen to the interview with Dr. Olivier Goulet on probiotics and intestinal microbiota.



legs. Illustrating this, we now sell a Brazilian version of an Activia drink from Russia, while Activia Pouring Yogurt, sold in cartons for breakfast and originally launched in Scandinavia, is currently available in Ireland, the United Kingdom and France. In another example, Portuguese consumers can enjoy a version of Activia Breakfast — yogurt with a cereal topping in a separate compartment — developed in Bulgaria. And the small-size bottle of Actimel inspired a single-serving Activia Flora drink in Mexico, where consumption of takeaway and breakfast yogurts is on the rise.

Momentum from innovation is critical in setting Danone apart from retailer brands and local competitors, and is also benefiting other dairy brands including Actimel itself, our traditional Danone ranges, Danette, and Danonino, our *fromage fraise* line for children. Frozen Danonino is now sold in Spain; a yogurt version of the product is available in Bulgaria, Russia, Ukraine and Romania; and a spoonless treat created in the United States has become a favorite with Mexican children.

New product launches are naturally part of the innovation process. Consumers in the United States, Poland, Hungary, Portugal and Spain can now enjoy thick, creamy Greek-style yogurts, while our new Fantasia range, sold with portions of grains, fruit, and bits of chocolate and biscuit to add to the yogurt itself, is on the market in France and five other countries.

Densia

Designed for women aged 45 and older, Densia yogurts are rich in the calcium and vitamin D needed for healthy bones. Vitamin D helps the body absorb calcium and phosphorus, and maintains blood calcium levels. Densia is present in four countries.



50%

Product innovation generated 50% growth for the Fresh Dairy Products division in 2010.

FRESH DAIRY PRODUCTS

“We need to learn new ways to talk to consumers. They want to talk to us, and we can learn a lot from listening. In many countries, we have launched **programs that allow us to interact with consumers** via the Internet and other digital media. Our web-based Danacol program in Italy was as effective as a traditional TV commercial.”

Jordi Constans,
Executive Vice President, Danone Fresh Dairy Products





➔ **EXPLORING
NEW OPPORTUNITIES**

Danone developed a number of new vegetable- and fruit-based offerings in 2010. Savia, a new range of soy-based milk and yogurts, made its debut in southern Europe last year, and in France Taillefine, the brand that invented light dairy products, launched a new line of fruit desserts in partnership with Andros, a leading fruit processor.

The group also teamed up with Chiquita, taking a 51% interest in a joint venture selling fruit-based beverages in Europe: C-optima, a drink with 200 mg of natural vitamin C from three varieties of acerola, is now on sale in Belgium. Finally, Danone acquired a controlling stake in ProViva, a Swedish business that specializes in fruit juices and fruit yogurts containing the beneficial *Lactobacillus plantarum*, expanding the health-promoting products that have been Danone's trademark since our founding.

**CLOSE TIES
TO CONSUMERS**

Fresh Dairy Products is exploring two strategies to enhance its dialog with consumers: inventing new times and places to enjoy our products, and creating imaginative new channels of communication. Following the success of Casa Danone in Barcelona in 2009, last year we opened the first Danone Yogurterias in Spanish airports, and we will soon export the concept to other countries at points of sale and in kiosks

28%

In 2010 Danone's share of its 43 leading markets reached 28%.

in supermarkets as well as institutional and corporate catering facilities. This new concept gives consumers a wide choice of yogurts — with optional fruit, grains or chocolate — that they can take away or enjoy on the spot. In France, the Danette brand celebrated its 40th anniversary with the launch of *Maison Danette*. And in late 2010 Danone acquired YoCream, the frozen yogurt leader in the United States, giving us a presence in a fast-growing segment that draws consumers to specialized points of sale.

**72
countries**

Activia, the division's leading brand, is sold in 72 countries in an ever-increasing range of sizes and product variations designed to reach as many consumers as possible.

In 2010 the division adjusted its strategy to enhance communication and forge closer ties with consumers. In Japan, Italy, Argentina, the United States and France, Fresh Dairy Products developed brand-reinforcing digital applications that provide nutritional coaching and other services, show the inner workings of a dairy plant, and even invite consumers to participate in product development — by voting on Danette's next new flavor, for example. In addition to encouraging dialog with consumers, these communication channels publicize the division's efforts to reduce its environmental impact and enhance milk quality — delivering a message attuned to growing awareness of such issues. (Learn more on page 20, *Nature*.)



UNIMILK, A POWERFUL LEVER FOR GROWTH

Unimilk gives Danone a base to develop a comprehensive portfolio of products to meet the full range of Russian consumer demand.

Two leaders

Judging from a 3.8% rise in GDP, Russia has put the economic downturn behind it. Last year

Danone Fresh Dairy Products returned to the double-digit growth that drove its twentyfold increase in regional sales over the last decade for Russia, Belarus and Kazakhstan combined. Buoyed by the success of Activia, Actimel, Danissimo, Danacor and Rastishka, Danone CIS* commanded 26% market share, the highest sales in the fresh dairy products segment, even before its merger with Unimilk in late November. Unimilk posted 24%

growth in 2010 and owns seven powerful brands, including Prostokvashino, the volume leader in the fresh dairy products market, putting the new venture in a strong leadership position. With combined regional sales of nearly €2 billion a year, Danone is now ideally positioned to grow in the market's two main segments: traditional dairy products such as kefir and *crème fraîche*, and more innovative, high-growth dairy products. Although the CIS counts 264 million people — 142 million in Russia alone — per capita consumption of fresh dairy products is only 12 kilos a year compared with 20 in Europe.

force in the east and south. And whereas Danone is well established in supermarkets, Unimilk's strength is in small local outlets. In addition, Unimilk has 26 modern plants and an efficient distribution network. Danone — which previously had two plants near Moscow (Togliatti and Chekhov) — will be able to use this infrastructure to make Activia and other products, opening new markets and cutting distribution costs at the same time. And as Danone know-how boosts Unimilk's margins, there will be significant potential for increased profitability. By streamlining product ranges, improving product productivity, pooling sales and purchasing, and integrating in other areas, the Danone-Unimilk partnership holds promise of new pace for growth and innovation.

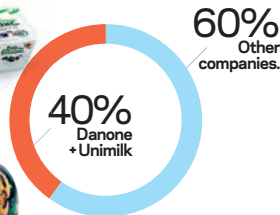
*CIS: Commonwealth of Independent States

Number 1

Multiple synergies

The new Danone-Unimilk will benefit from numerous synergies between the two companies in many areas. While Danone is present primarily in western Russia, Unimilk has been a powerful

Russia's dairy products market



For more information on the Danone-Unimilk joint venture, visit www.danone10.danone.com and click Webdocumentary.

REBOUND ON ALL MARKETS

With a 5.3% like-for-like increase in sales, the Waters Division had a very strong year: double-digit growth continued in emerging countries and it increased market share in mature economies in Europe.

After several challenging years for bottled water, the turnaround that began in 2009 continued in 2010, with robust results in all markets bearing out Danone's strategy of promoting water as the ultimate beverage — and the only one essential to life.

INDONESIA AND MEXICO TAKE THE LEAD

Buoyed by double-digit growth, Indonesia and Mexico are now the Waters Division's top two markets as measured by sales.

In Indonesia, Aqua Lestari posted annual growth of nearly 15% to capture 60% of the market with Aqua and Mizone, its two flagship brands. In this nation of over 240 million, Aqua's expansion depends primarily on its ability to find new water resources quickly. To succeed, it must win the trust and involvement of communities near these resources — not just by improving water delivery infrastructure, but also by raising awareness of responsible water use and preserving water resources in the long term. Thanks to this highly participatory approach, Danone was able to begin building three new plants in Indonesia during the year.

2.8bn

The Waters division reported like-for-like sales growth of 5.3%. Volumes rose 7.8%.



In Mexico, Bonafont boosted its market share by two points, consolidating its position as market leader. Rising 12.9% in a sector that grew only 3-4%, the brand now holds 40% of the market for all water products combined.

In 2008, Bonafont expanded into the Brazilian state of São Paulo: in barely two years, the brand conquered 30% of the market and is now number one in bottled water. In late 2010, Danone acquired a home and office delivery company in São Paulo to meet strong demand for affordable six-liter family and economy sizes in this emerging market, as in many others.

Launched in Turkey under the Hayat brand and in Poland as Dobrowianka, the Bonafont concept owes its success to the three factors: combining multiple product sizes, a presence at all points of sale, and marketing that benefits both the brand and the market.

MATURE MARKETS REBOUND

In mature countries, the turnaround that began in the second half of 2009 continued in 2010. The upturn was particularly dramatic in Germany, where double-digit sales growth and momentum from market leader Volvic put Danone in the lead. The Waters division also had a very good year in France, where we regained market share. In both countries, our success was due in large measure to consumer awareness campaigns that emphasized the unique qualities of mineral water.



For more news from our Waters division, visit www.danone10.danone.com click on News, and **listen to the interview with Dr. François Péronnet** on the importance of hydration..



INNOVATION WINS NEW CONSUMERS

For the Waters Division, the challenge is to attract new consumers who perceive natural water as bland and prefer sodas and other sweetened beverages. Fruit-flavored waters are seen as a healthy, natural alternative, and are driving much of the segment's growth in Mexico. In 2010 Bonafont scored a hit with consumers by introducing new beverages made with stevia, a natural sweetener that reduced the sugar in the popular Levité and Bonafont con Jugo ranges by 33-39%.

In China, Mizone reported 40% growth for the third year in a row. Now present throughout the country, the brand leads the Chinese market for flavored and vitamin-fortified waters. Mizone's success in China was repeated in Indonesia, building on the country's very dense network of small neighborhood shops — the main distribution vector in both national markets. Overall, flavored waters and aquadrinks generated 20% of division sales in 2010.

GREEN AND AFFORDABLE PACKAGING

Using non-fossil materials is a priority for the group's packaging innovation strategy, which seeks to reduce Danone's carbon footprint. After creating the first 100%-recycled/100%-recyclable PET bottle in 2009, Mexico-based Bonafont launched a new four-liter container, also made entirely of recycled PET, in 2010. Meanwhile, Volvic introduced the first bottle

2 L/day

To maintain health and well-being, the human body needs a minimum of two liters of water a day. Even mild dehydration can reduce concentration, impair mood and cause headaches. Learn more at: www.h4hinitiative.com



WATERS

"Our growth is powered by progress in five strategic areas: health, sustainable development, the consumer-brand relationship, productivity gains, and a **distribution system that responds specifically to local water challenges worldwide.**"

Thomas Kunz,
Executive Vice President, Waters



Beauty meets innovation in limited edition designer bottles developed by Evian with Issey Miyake (photo), Paul Smith and Jean-Paul Gaultier.



➔ incorporating plant-based PET in France, the United Kingdom and Germany. Made from sugar-cane waste, this innovative material was initially used in half-liter bottles and is now being used in a 1.5-liter size in France. Our next goal is to manufacture a bottle made exclusively from bioplastics. We plan to do this in the near future.

Waters is also investing to develop ultra-light bottles, as well as large containers that require less plastic, cutting packaging costs and making natural waters more affordable.

A HEALTH STRATEGY BASED ON THE BENEFITS OF HYDRATION

Over the past few years, Danone Research has focused on the universal health benefits of optimal hydration. Working with recognized experts, our teams have spent the past four years laying the foundations of hydration science, with the ultimate goal of enabling each consumer to assess and manage his or her own hydration level. Research is producing new insights into water's role in eating habits.

As part of this strategy, our Żywiec Zdrój brand in Poland has launched a campaign geared around the slogan "Mamo, Tato, wole wodę" (Mom, Dad, I prefer water) to encourage children and teens to choose water as their primary beverage. A companion website for mothers now ranks as the second most visited by its target group.

TOP BRANDS

Danone's main international brands include Evian and Volvic (in France, Germany, the UK and Japan), Bonafont (in Mexico and Brazil) and Mizone (in China and Indonesia). Our main local brands include Fontvella and Lanjarón (in Spain), Villavicencio and Villa del Sur (in Argentina), Aqua (in Indonesia), and Żywiec Zdrój (in Poland).



150 MILLION

Evian's Roller Babies video has become an Internet phenomenon, scoring more than 150 million views and winning several prizes. Among them was the 2010 EFFIE, a french award that recognizes advertising campaigns for measurable, proven effectiveness. Evian sales surged 7% after the video was released on the Internet. A catalyst for Evian's new positioning and the brand's worldwide "Live Young" campaign, the Roller Babies video also reflects a new marketing model that hinges on intensive interaction with consumers.



ASIA DRIVES GROWTH

The Baby Nutrition division made a robust showing in 2010. Powered by double-digit growth in the Asia-Pacific region, sales rose 8,9% like-for-like, to top the €1 billion mark.

Growth reached 24% in China and 30% in Indonesia, making these markets the top two contributors to division business, while in Europe the United Kingdom, the Netherlands and Poland also performed extremely well. The division opened up new markets too, launching operations in Colombia, Mexico, Pakistan and Nigeria.

At just over €3.35 billion, the Baby Nutrition division accounts for 20% of group sales and is built on two main product families: specialized formula for infants and very young children as a complement to breast milk, and weaning or solid food, which represents one-quarter of sales. The latter has grown fastest in Europe, home of the company's historic brands, including traditional favorites such as Blédina in France, Cow & Gate in the United Kingdom and Mellin in Italy.

All brands combined, Danone ranks second worldwide in the baby nutrition market. In 2010 the division had an average 27% share of its 33 main country markets.

€3,355^M

In 2010, Baby Nutrition sales were up 8.9% like for like, while the volume rise was 7.6%. Infant formula sales and business in Asia were the main sources of momentum.



CO₂

The Baby Nutrition plant in Wexford, Ireland, is investing €50 million to reduce its carbon footprint to near nil.



STRONG GAINS FOR GROWING-UP MILKS

Infant formula accounts for three-quarters of Baby Nutrition sales, with a particular focus on growing-up milks for ages one to three and older, where sales rose nearly 20% in 2010. The division is continuing to expand in this area, in full compliance with the WHO code and local legislation — Danone naturally recognizes that breastfeeding is the best solution for babies.

Out in the field, our Baby Nutrition teams continue to build close relationships with healthcare authorities and medical professionals, emphasizing the importance of understanding that the special nutritional requirements of babies are different from those of adults. For example, before age 3, toddlers should not switch directly from breastfeeding to cow's milk, which is both too high in proteins and too low in vitamins and minerals to meet their needs.

ENHANCING NUTRITIONAL QUALITY

Another priority for our baby nutrition teams is improving the range of diversified food products available. In this, we draw on nutritional surveys, of which 16 conducted in Europe, Africa, the Mideast and Asia have generated data on eating habits, nutritional levels and deficiencies in each country.

At the same time, Danone continues to enhance the nutritional value of its products to provide the best possible diet for toddlers. Division ➤



For more news from our Baby Nutrition division, visit www.danone10.danone.com click on News and **listen to the interview with Dr. Dennis Bier** on the critical role of nutrition for infants.



➔ priorities include reducing sugar and salt content and fortifying products with iron, calcium, vitamin D and other micronutrients essential to healthy child development.

Research also covers the nutritional needs of mothers during pregnancy and breastfeeding.

MOVING SCIENCE FORWARD

Prenatal nutrition and diet in the first three years of life have a decisive influence on adult health. This is when the body builds up its health resources — programming metabolism, building the immune system and bone density, developing cognitive capacities and more.

Our Baby Nutrition division thus devotes much of its research to the effects of diet and nutrition at the earliest age, focusing on key issues:

- For mothers who cannot or do not want to breastfeed, or whose living conditions or health make it impossible, Danone is developing infant formula structured after breast milk — by definition the ideal food for newborns and babies.
- To understand the infant immune system, we are studying intestinal microbiota and the influence of prebiotics and certain bacteria.
- Finally, there is epigenetics, which examines the impact of diet and other environmental factors on gene expression from the very first days of life.

1ST

China became Baby Nutrition's largest market in 2010, with sales rising 24% from the previous year. Our Dumex brand leads the Chinese market for revenues and volumes in infant formula.



This, along with maternal health during pregnancy and breastfeeding, is the prime focus of Singapore's new research center at the Biopolis Research Park. Areas covered include early nutrition, microbiology, immunology and clinical research, conducted within easy reach of what is now a strategic area for Danone. Today the Asia-Pacific region accounts for one-third of sales and is home to more than half the world's population — over 4 billion people in all.

Alongside these initiatives, Danone has launched a major groundbreaking program to better understand how in utero conditions can have a lifelong impact on human beings, determining health from the immediate post-natal period on.

WAKING UP TO A NEW WORLD OF TASTE AND FLAVOR

Helping children to grow up healthy is a natural part of Danone's mission. To achieve that, we work in close cooperation with scientists and

Age 0 to 3

The first three years of life are a period of rapid change and growth, which means that babies and toddlers need nearly six times the normal adult requirement for micronutrients per kilo of body weight. This makes nutrition critically important for infants, with good or bad effects that can last a lifetime: a poor diet in early life can increase the risks of obesity and allergies in adulthood.



experts to design products that match youngsters' needs, combining taste pleasure with an initiation to a healthy diet. Recognizing that taste appeal provides the essential motivation for embracing a varied diet, Blédina has brought master chefs onto its R&D teams, enabling them to take into account all regulatory requirements and nutritional needs from the start, while factoring in a taste experience that preserves natural flavors.

The challenge is to start with traditional recipes and adapt these to infants' requirements as regards, for example, salt content and texture. Blédina also aims to help toddlers discover the world of taste by incorporating flavors often considered "difficult" — bitterness with broccoli, artichokes and peppers; and acidity with apricots, raspberries and oranges. These tastes play a significant part in the different cultures that define Danone's environment.



Innovation in growing-up milk

A new growing-up milk developed by the division's R&D team and containing scGOS/lcFOS prebiotics associated with *Bifidobacterium breve*, a probiotic, that was launched in Thailand under the Dumex Hi-Q1 brand.

BABY NUTRITION

"The mission of the Baby Nutrition division is to get babies off to the best possible start in life.

We have enormous responsibilities to mothers and to society at large.

And we are obsessed with product safety and quality: both are absolutely fundamental to our work and exchanges with healthcare professionals, and to understanding the needs and expectations of local and international authorities."

Felix Martin Garcia,
Executive Vice President, Baby Nutrition

STRONG, BALANCED MOMENTUM

Medical Nutrition business gained ground in all product categories and on all markets in 2010, with western Europe and new economies making equal contributions to growth.

The Medical Nutrition division recorded a 9% like-for-like rise in sales for 2010 with volumes up 8.7%, demonstrating its continuing pace and potential. This reflects two broad trends: aging populations in many countries and greater recognition of the impact of diet on health. A major priority is raising awareness of the role of nutrition in dealing with pathologies, whether as a means of prevention or as a complement to treatment, the aim in both cases being to improve quality of life.

After building solid positions in Europe, where the division leads the market, it has extended its reach to new economies, which accounted for half of its overall growth in 2010. Pace was particularly brisk in China, Brazil and other newer markets, as well as in countries where the division has been present for only a short time — the case of Mexico, where it began doing business in 2009.

HELPING CHILDREN GROW UP HEALTHY

The division provides nutritional solutions at both extremes in the life cycle: for seniors as well as young children suffering from serious metabolic disorders or genetic diseases preventing them from growing as they should.

Pediatric lines, accounting for nearly 40% of division sales, include products for infants and for children suffering from allergies, as illustrated by Neocate, made up of amino-acids that make it an effective substitute for food and

€1,055^M

Danone Medical Nutrition sales moved past the €1 billion mark in 2010, showing rises of 9% in value and 8.7% in volume on a like-for-like basis at constant exchange rates.



NUTRICIA

Nutricia, historically associated with specialized nutrition and the needs of infants, the elderly and other vulnerable groups, is the core brand of Danone's Medical Nutrition business. The brand's reputation is built on its broad patient portfolio, and the science and proven health benefits of its innovations.

beverages based on cow's milk. Others have been developed in response to genetic disorders such as those preventing children from assimilating certain proteins, and still others are fortified to favor growth. The Nutri range, for example, helps children with specific energy needs, as with the Nutri Low Energy Multi Fiber formulation for children suffering from neurological disabilities.

In 2010, Danone launched a range of fruit smoothies under the Nutri and Fortini brands, in packaging decorated with fruit-shaped cartoon characters to make children forget that they are a form of medical nutrition. Combining tasty eating and fun with nutritional value is an important priority in developing products that play a vital role in the life and healthy growth of young children.

QUALITY OF LIFE FOR VULNERABLE GROUPS

Old age and hospital care entail significant risks of undernutrition that worsens pathologies and impairs quality of life. To counter this, the Medical Nutrition division offers complex nutritional solutions to offset vitamin and mineral deficiencies. For greater effectiveness and easier intake, these are available in various forms — solid or liquid, or in high concentrations for oral or catheter-based administration — while maintaining the same organoleptic properties. Illustrating this, in 2009 the division's leading brand Nutricia brought years of research and development to a fruitful conclusion with the launch of Fortimel



Compact, which packs the same quantity of energy and nutrients into a 125 ml bottle as in a 200 ml bottle and is thus easier to take for people in weak condition or with little appetite. Extensions of this kind enabled the Fortimel range to turn in one of the division's strongest performances in 2010.

In Brazil, Nutricia now offers its top-performing Nutridrink product in powder form. This is less expensive than the liquid version and can be stored for up to 24 months. Each portion of Nutridrink contains at least 20% of recommended daily intake (RDI) of vitamins, minerals and trace elements. This product is designed to meet the needs of a country where the number of people over 60 is expected to rise from 16 million in 2010 to 30 million in 2025¹ and where public health insurance coverage is limited. Distances are also an important consideration given Brazil's vast area — over 8.5 million square kilometers (3.3 million square miles), with some 45,000 pharmacies requiring either regular deliveries or products with a long shelf life. Results in Brazil show that powdered dietary supplements are an effective solution for developing countries with similar demographics and comparable constraints on prices and storage. Our Nutricia research teams are continuing development work on solutions for other pathologies creating public health concerns, working in close cooperation with the medical profession and leading scientists to address future needs more effectively.

PREVENTING MEMORY LOSS

Researchers are continuing work on Souvenaid, a product that is believed to help slow memory loss and protect cognitive function in people with Alzheimer's disease. Two clinical studies are under way in partnership with independent scientists, aiming to corroborate results to date, and the conclusions will be known in the course of 2011. The product should be on the market soon.

MEDICAL NUTRITION

"Doctors do not fully recognize the importance of nutrition in the treatment of illness, partly because they devote surprisingly little time to the subject as medical students. The work we are carrying out with specialists in a number of pathologies shows that **nutrition can play a complementary and even fundamental role in treatment.**"

Flemming Morgan,
Executive Vice President, Medical Nutrition

1. According to WHO projections, by 2020 the number of people aged 60 and over around the world will exceed one billion, with 700 million of them in developing countries.



For more news from our Medical Nutrition division, visit www.danone10.danone.com, click on News and listen to the interview with Dr. Mike Hodin on seniors and independent living

IN TUNE WITH NATURE

“With the energy and raw materials consumed, and the negative side effects of operations, [...] business is bit by bit changing the face and equilibrium of our planet,” noted Antoine Riboud back in 1972, in a speech defining Danone’s dual commitment to business success and social progress. Today, nearly 40 years on, the same thinking is reflected in the five strategic priorities shaping our proactive responses to environmental issues: reducing our carbon footprint, protecting water resources, stepping up packaging research to transform waste into a resource, promoting sustainable farming and supporting biodiversity.



Learn more at:
<http://downtoearth.danone.com>



OFFSETS

MANGROVES AND MANGO TREES IN INDIA

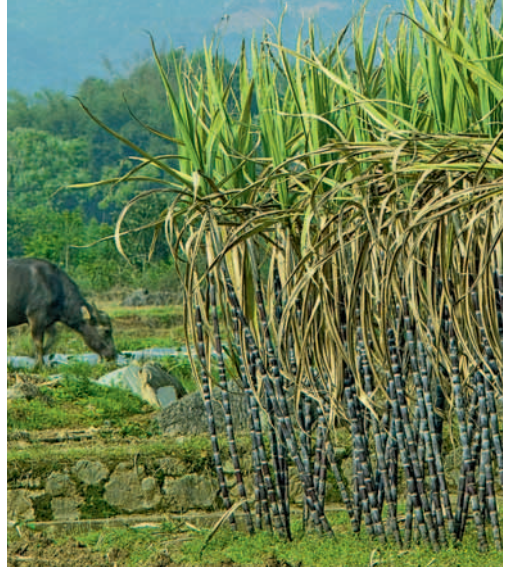
The mangrove replanting program conducted alongside NGO Océanium in Senegal’s Casamance region scored renewed success in 2010, with 350 villages helping to plant 100 million saplings. In India, the Danone Fund for Nature is backing two similar projects: one in the Ganges Delta, to restore a 6,000-hectare area of mangroves over three years; the other to plant mango trees in a 6,000-hectare area in the Araku valley. All of these initiatives have three goals: protecting soils, offsetting CO₂ emissions and boosting local economies.

REDUCING CARBON FOOTPRINT

CO₂, A KEY BUSINESS INDICATOR

Since carbon dioxide levels are linked to a broad range of environmental targets, we have made them a key indicator and main focus for our drive to achieve rapid and lasting change in business practices. We have set our sights high, aiming to reduce our carbon footprint by 30% between 2008 and 2012. Following a record 8.7% decline in 2010, the reduction reached 22% at the end of the year, and we now expect to meet our target by 2012. To this end, our teams have developed Danprint, a sophisticated tool that measures carbon footprints by analyzing product life cycles. In 2010, Danprint was integrated into the IT systems of three subsidiaries in two countries, Spain and Belgium, on a pilot basis, in preparation for group-wide deployment by 2012. Danprint is an effective decision-making tool for operational managers, enabling them to assess carbon impacts.

Eliminating the cardboard sleeves used in Activia and Taillefine packaging in France, Volvic's launch of its bioplastic bottle and Danonino's reforestation program in Brazil — **consumers responded positively to all these initiatives.**



Emmanuel Faber,
Co-Chief Operating Officer, Danone

For Danone, health through food means healthy products, and that in turn means healthy animals and farming methods. Which makes respect for nature as a whole the real concern. Everything is interrelated. Food safety and health through food are goals that can only

be achieved by rebuilding a chain linking up farmers to consumers through Danone. And that is just what is happening with initiatives like our Fresh Dairy Product division's "Acteurs pour un lait durable" program in France in support of dairy farmers.

SUPPLIERS SUSTAINABLE DAIRY FARMING



In 2010, Danone adopted a tool that correlates the fatty acid content of milk and the impact of dairy herds on greenhouse gas emissions. This is in line with our commitment to helping farmers prepared to adapt their herds' feed to reduce both the fatty acid content of milk and methane

pollution. In France, 80% of the dairy farmers working with Danone support "Acteurs pour un lait durable," a sustainability program targeting environmental protection, milk quality and nutritional balance, the continuing viability and development of farms, and recognition for the profession. We also teamed up with French agricultural research institute INRA to publish the first studies showing a positive relationship between pasture profiles and the composition of milk — a research area that Danone has opted to study more closely.



Visit www.danone10.danone.com and discover two special reports on **packaging** and **sustainable dairy farming**.

PACKAGING BIOPLASTICS

In 2009 our Bonafont subsidiary in Mexico brought out the first bottles made entirely of recycled PET (R-PET), and bioplastics continue to be a focus for all of our Waters brands. Similar concerns are behind two major initiatives to replace traditional plastic materials with bioplastics. Volvic has launched new 50-cl in France, Germany and the UK (and 1.5-liter PET bottles in France), with bioplastic PET made from sugar-cane waste accounting for 20% of the material used. A full 95% of the polyethylene in Actimel bottles is from sugar cane, cutting the carbon footprint of packaging by at least 70%.

MEASUREMENT WATER FOOTPRINTS

While fresh water is a renewable resource, available quantities are finite. And per capita volumes have declined in some countries, with more and more people feeling the effects of water shortages. Protecting this precious resource and measuring our "water footprint" is thus a key priority for Danone. Having already measured water consumption throughout the product life cycle, in 2010 we began testing a comprehensive tool that appraises water

footprints. Developed by Evian in association with Quantis and the Water Footprint Network, it measures not only consumption but also positive and negative impacts on the water cycle, in particular as regards ground water, and initiatives to restore a healthy equilibrium. The new tool will be deployed group-wide in 2011, allowing us to control our water footprint as effectively as we do our carbon footprint.

AFFORDABLE AND AVAILABLE

“Bring health through food to as many people as possible” — with a mission this challenging, making our products affordable and widely available is critical to Danone’s strategy. To succeed, we must develop recipes tailored to each population’s nutritional needs, and also adapt our products to the socioeconomic realities of each community.



Achieving affordability and availability for as many people as possible means designing, making and distributing products that match nutritional needs, purchasing power, tastes and eating habits of groups that have never had access to Danone products before. Inspired by our mission and corporate DNA, this strategy targets the most disadvantaged people in emerging countries, as well as low-income groups in mature countries. To reach them, Danone is developing a new approach to nutrition based on local ingredients, which often prove to have unexpected nutritional value.

Thus, affordability and availability also drive innovation, inspiring us to create new development models for each country. For the past 18 months, we have structured this strategy around three key drivers of Danone’s geographic expansion and business growth.

Broad ranges enabling everyone to buy Danone products, both in industrialized countries and in the emerging countries that account for nearly 50% of our business.

We have achieved this goal in Russia, where Danone has joined forces with Unimilk to cover the entire spectrum of consumer purchasing power, from traditional dairy products to the latest ranges offering added health benefits.

Unit size and formulation also make our products more affordable: calcium- and vitamin D-enriched Danonino yogurt now comes in both family-size and individual child portions, and our Volvic and Bonafont waters are sold in family-friendly three- to eight-liter containers.

Medical Nutrition has taken a similar approach: a powdered form of its Nutridrink and Fortini nutrition beverages is now sold in Brazil, and will soon be available elsewhere.

Radical innovation is often the only way to reach some consumers.

Sometimes we have to create a completely different product or range to reduce production costs without compromising nutritional value. This begins with a detailed health and nutrition profile generated by our Nutripack program for each country. So far we have deployed Nutripack in 25 countries — including India, Indonesia, China, Brazil, Algeria and Egypt — to adapt existing products or create new ones that meet local needs. In 2010, we added a study of eating habits, dietary practices, culinary heritage and the symbolic value of food; the results will help us develop products that fit naturally into local diets.

Local conditions also spur innovation, motivating us to find alternatives to milk or imported starch. In South Africa, where the cold chain is incomplete, we sell Nutriday yogurts that can be stored at room temperature for three months. For Waters, the challenge is to use local springs and cut transport and logistics costs, and Danone's Aqua brand, the market leader for packaged waters in Indonesia, has often achieved this in partnership with local communities.

Baby Nutrition, which continues to perform well in Asia, has also relied heavily on innovation to break out of "premium" segments. And our Gizikita range — the name is Indonesian for "our nutrition" — is another example: enriched with proteins, iron, zinc, vitamin A, iodine, calcium and folic acid, Gizikita products deliver vital nutritional benefits for Indonesia's young children and pregnant women at a very affordable price.

Promoting social business initiatives to stimulate local economies by producing nutritionally appropriate foods at prices even the most disadvantaged can afford.

The most inspiring example of this is Grameen Danone Foods launched in Bangladesh in 2006 and followed by the creation of the danone communities fund a year later. In 2010 we rounded out our social business with two new investments: Naandi, aimed at bringing safe

1.4 billion

The World Bank estimates that in 2005, around 1.4 billion people were living below the

international poverty threshold of \$1.25 a day. That's more than one in four people in the developing world.

An estimated 2.5 billion people live on less than \$2 a day.



In Indonesia, 98% of children under 5 suffer from malnutrition. Each portion of the Gizikita line supplies up to 50% of the RDA in vital nutrients with a retail price of around €0.15.

drinking water to 600,000 people living in 400 villages in three regions of northern and southern India; and Lématéki ("Eat, Grow Up and Succeed"), which provides Senegalese schoolchildren with a fortified snack made from local ingredients. A paste that comes in a tube, Lématéki is 3.6% protein and 30% dry extract, versus only 20% in traditional products of the same kind.



Learn more at: www.danonecommunities.com

AFFORDABLE PRODUCTS FOR INDIA

Last November, Danone laid the first stone of a plant north of Delhi. Beginning in mid-2011, the facility will make a new product range tailored to local nutritional

needs and priced between five and ten rupees to reach the nearly 240 million people in India's low-income groups (living on less than \$1 a day or 45.5 rupees).



Visit www.danone10.danone.com to discover 2010 initiatives and action in our online **economic and social report**

HEALTH ISSUES & OUR CORE BUSINESSES

Danone's mission — bringing health through food to as many people as possible — guides our teams every day. Their task is to offer tasty, balanced foods that deliver health benefits to a broad spectrum of consumers and address each country's special public health needs.

FOOD TO HELP BUILD AND PRESERVE HEALTH

Danone's mission covers a broad range of situations, linked to socio-economic trends as well as public health issues, both worldwide and local. For Danone brands, developing healthy foods is a major means of leveraging value creation, and we rely on the expertise of Danone's R&D teams, working closely with stakeholders, to meet this challenge.

In 2010, Danone pursued its own R&D and partnered with prominent universities and scientific institutions, refining the make-up and nutritional value of our products and advancing food science in key areas: the genome of intestinal flora,

also called microbiota; the role of microbes in health; and the links between hydration, health and well-being.

Every day, science shows that each of us has specific nutritional needs, which change as we move from infancy through childhood, adolescence and adulthood to old age, and also reflect our gender and physical condition — from pregnancy to aging, from metabolic deficiency to chronic illness. Danone explores this vast terrain by drawing on the complementary strengths of our four business lines, which span the nutritional needs of every generation.



FIRST INTERNATIONAL SYMPOSIUM PASTEUR INSTITUTE/ DANONE RESEARCH

Last November the Pasteur Institute and Danone Research welcomed over 300 international researchers to the first international Microbes for Health symposium in Paris. Participants discussed recent discoveries in the field of intestinal microbiota*, shedding new light on the role these bacteria play in human health. Key findings included the sheer size of the microbiota genome — 150 times larger than the human genome, with a thousand bacteria species and over 3.3 million genes — and its role in certain pathologies. Researchers outlined preliminary explanations of the mechanisms underlying the health benefits of certain bacteria. In so doing, they opened new prospects for developing specific health foods with bacterial strains that foster the growth of beneficial bacteria within the microbiota.

* Microbiota: a diverse community of bacteria residing naturally in the human intestine, including lactobacilli, bacteroides, enterobacteria, etc.



Visit www.danone10.danone.com and click on our special report: "what intestinal flora can teach us".

In 2005, we drew up Danone's Food, Nutrition and Health Charter, setting out our convictions, principles for action and commitments. Download it at www.danone.com.



Bernard Hours,
Co-Chief Operating Officer, Danone

“Danone's commitment to health is more timely than ever. In mature countries, populations are aging, and in emerging countries, the number of children is rising. These two groups — at the opposite extremes of life — require foods adapted to their needs. People over 75 are at greatest risk for under-nutrition and even malnutrition, while children from six months up need to shift gradually

from breast milk to a more diversified diet, one appropriate for their growth and metabolism. In between, day-to-day health is critical, and our waters and dairy products can help. Our mission — bringing health through food to as many people as possible — has a long future ahead of it. And health is also linked to enjoyment: it will always be both/and, never either/or.”

HYDRATION, a booming science



Water makes up 60% of the human body and is the only liquid we need. Quantitatively, it is also the most important nutrient in our diet. And research shows that overindulging in sweetened beverages is harmful to health, leading to overweight and obesity in children, and Type 2 diabetes in women. Which means offering wholesome hydration is

essential for Danone -- but researchers have only recently begun studying the links between hydration, well-being and health. In 2010 our Waters division researchers focused on three core issues: identifying useful hydration markers; evaluating the short-term effects of hydration on physical and mental performance; and investigating its long-term impact on kidney health, overweight and basic well-being.

INFLUENCING metabolic programming



Danone's Baby Nutrition Division recently brought out a Complex Lipid Matrix thought to play a role in programming adult metabolism. While the amount of fats in infant foods has changed very little over the past few decades, the type of fat has worsened, moving toward a higher ratio

of omega-6 to omega-3 fatty acids.* Because these fatty acids influence fat tissue development at the beginning of life, the right diet in infancy can prevent excess fat cell formation and reduce the risk of obesity in later life.

* Amount refers to the quantity of lipids in food, whereas type refers to the type of lipids present, their structure and their composition.

MEDICAL NUTRITION TO BRING SENIORS A BETTER LIFE

Medical Nutrition also studies the effects of aging — especially on muscles. Even healthy people lose 50% of muscle mass on average between ages 50 and 70.



Danone recently launched Fortifit, a product that retards this natural atrophy, helping seniors stay independent longer and live better. The many innovations now being addressed by our R&D teams will expand our offering on markets set to feel the impact of the aging baby boom generation. More broadly, Danone expects Medical Nutrition to develop products that can be integrated into treatment protocols, improving patients' quality of life.

"PEOPLE, CRUCIAL LEVER OF OUR ADVENTURE"

MURIEL PÉNICAUD,
VICE PRESIDENT, HUMAN RESOURCES

As Danone expands into emerging markets, our workforce in these countries continues to grow, presenting challenges for recruitment, training, employee loyalty and engagement. Our human resources teams are meeting these challenges, supporting today's growth — and looking ahead.



Human resources play a critical role in the transformation now under way at Danone. As the group's center of gravity shifts toward emerging countries, we face new challenges in business and in society that make investing in human development essential to lasting success in both. It's our responsibility to create wealth and jobs, to contribute to society, to bring health through food to as many people as possible, and to protect the environment: that is what we mean by engagement. At Danone, our engagement towards our employees and our ecosystem, and our employees' commitment to our vision, are all drivers for growth.

Our 2010 People Survey* set employee engagement at Danone at 87%, higher than the best-performing companies. That's extremely encouraging, but it's also a huge responsibility. It adds to our commitment to making Danone a Great Place to Grow by offering growth opportunities for employees at every level of the company, with support from their immediate supervisor. At the same time, we are continuing to improve fundamentals like safety and working conditions, and pursuing innovation through our Dan'Cares program, which is extending basic health benefits to all our employees by stages. Danone's engagement also concerns our ecosystem. We are supporting progress within local communities and among our suppliers and distributors and their employees through numerous initiatives run by our business units in partnership with NGOs. These efforts are at the intersection of business, labor relations and social responsibility, and they are an integral part of the dual commitment to business success and social progress that has inspired the group for 40 years."

* an anonymous annual survey of all Danone employees



DANONE LEADERSHIP COLLEGE, leveraging the energies of all employees

Since it was set up in 2009, Danone Leadership College — the largest training program ever developed at Danone — has cultivated "Danone-style" leadership among the group's 15,000 team leaders. The College reaches every level of management, from executive suite to factory floor and from warehouse to sales office. By late 2010, 8,600 people had already been trained by our 315 in-house trainers, with support from outside providers. The practical, hands-on program helps trainees practice proximity management, energizing their teams and uniting them around each unit's strategic goals. By honing their listening skills and emphasizing engagement, managers learn to make the most of each team member's energy and ideas.



FIRST LOOK — DANONE ECOSYSTEM FUND

This €100 million fund, created in 2009, is dedicated to strengthening and supporting Danone's ecosystem wherever Danone does business. For 2010,

20 projects were approved, for example in the field of milk sourcing and recycling; 12,000 people will benefit. 14 new projects are under review.



100,995

At December 31, 2010, Danone had 100,995 employees in 80 countries. Emerging economies — high-growth regions — now account for two-thirds of Danone employees.



WISE: THE SAFETY IMPERATIVE

Launched in 2004, our Wise workplace safety program has cut the number of accidents leading to employee absence by 50% over five years.

And it is still generating benefits: in 2010, the number of accidents was reduced by another 20%, putting our group at fewer than three accidents per million hours worked. But even one accident is too many. So last year we launched targeted road safety programs in Saudi Arabia and five other countries where the problem was particularly acute, empowering employees at all levels. A year later, Saudi Arabia had not had any accidents leading to employee absences over the full 12-month period. And our safety training programs are no longer limited to Danone employees: logistics providers and other suppliers can now join in.

DAN 2.0: strengthening our culture

Launched in 2009, our Dan 2.0 program uses technology to enhance Danone's networking culture, creating conditions that help organizations transform the way they communicate and work together. More than 33,000 employees are now connected, and they rely increasingly on the tools offered by Dan 2.0, from video- and web-conferencing

to instant messaging. In 2010 we launched an equally successful in-house social network, helping Danoners to work together, innovate, and share their know-how and best practices in online communities and blogs. Some 7,000 active users have already joined the network, and nearly 250 communities have been created.

DAN'CARES BASIC HEALTH COVERAGE FOR EVERY EMPLOYEE

At Danone, we believe that our mission — promoting health — begins at home.

So last February we launched the Dan'Cares program: over the next three years, it will provide basic health coverage for all 100,995 Danone employees, two-thirds of whom are in emerging economies. Hospitalization, surgery, pregnancy and childbirth, doctor's

visits and medication will all be covered. In addition to promoting health, Dan'Cares represents significant social progress — and is a powerful way to attract employees and deepen their loyalty and engagement. We audited 56 of the group's business units and identified ten for implementation of Dan'Cares in 2011. The program will then be gradually extended, with all employees covered by 2013.



Visit: www.danone10.danone.com to discover "Danone Inside" — reports filed directly by local employees. And learn more about our Ecosystem fund: <http://ecosysteme.danone.com>

2010 A SOLID SHOWING

BY PIERRE-ANDRÉ TÉRISSÉ, EXECUTIVE VICE PRESIDENT, FINANCE

Danone's financial results for 2010, backed by a 6.9%* rise in sales, are further confirmation of a sound strategy. Growth in all four business lines and across all parts of the world demonstrated the strength of our model.

**like-for-like*

"The first thing to notice about 2010 is that margin held high, edging up 3 bp to 15.16%. This came in a complex environment marked by volatile raw materials and the end of the Reset program, which had an impact on our prices. But despite the difficulties, we closed the year on a strong note with sales up 6.9%.

The second point is the internationalization of our business, illustrated by the Danone-Unimilk joint venture, which consolidated our number-one place on the Russian dairy-product market. Emerging markets now account for 49% of our sales and North America for 10%, which means that our main high-growth markets together account for some 60% of our business — double the figure ten years ago! So the shape of our business is changing. And risk still remains limited since, apart from France and Russia, which each accounts for 11%, no single country represents more than 8% of our business. The third point is that free cash flow was up for the third year in a row, with a 20% rise that rewards healthy improvement in working capital requirement and our teams' focus on generating cash. This is essential for us to be able to turn our operational results into the financial results we need to invest in growth and reward our shareholders — as we will this year with a proposed 8.3% increase in our dividend to €1.30."



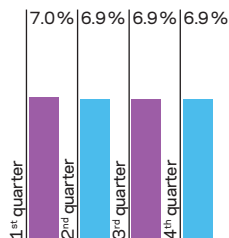
"We have also cut our carbon footprint by 22% since 2008, and are maintaining our target calling for a 30% reduction by 2012."

20%

Free cash flow was up 20% in 2010, reaching €1,713 million or 10.1% of sales compared with 9.5% in 2009. Capital expenditures came to €832 million, representing 4.9% of sales. The healthy rise in free cash flow after dividend distribution, share buybacks, acquisitions and the Unimilk transaction made room for a €278 million cut in net financial debt to €3,216 million.

**Excluding put options granted to minority shareholders, amounting to €3,858 million at December 31, 2010.*

2010 quarterly growth



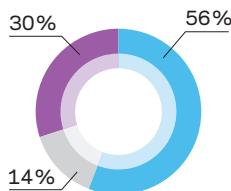
+6.9%

average annual growth in consolidated sales in 2010. This reflects a 7.6% rise in volumes combined with an 0.7% negative price-mix impact.

14%

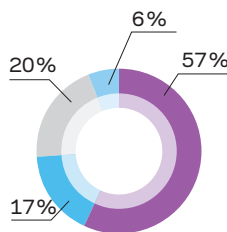
High-growth markets such as Mexico, Indonesia, Russia, the US and Brazil are the main focus of group development. With Unimilk, and restated for its consolidation over the full year, Asia and the Rest of the World together accounted for nearly 50% of sales in 2010 and each posted growth exceeding 14%.

Sales by region



Europe
Asia
Rest of world

Sales by business line



Fresh Dairy Products
Waters
Baby Nutrition
Medical Nutrition

€17,010m

Danone reported sales of €17,010 million in 2010, generating trading operating income amounting to €2,578 million. Fresh Dairy Products contributed €9,732 million to sales, Waters €2,868 million, Baby Nutrition €3,355 million and Medical Nutrition €1,055 million.

Rankings

By volume, Danone is:

- no. 1 worldwide in fresh dairy products
- no. 2 worldwide in baby nutrition
- no. 2 worldwide in bottled waters
- no. 1 in Europe in medical nutrition

top 10 markets

(% of consolidated sales)

- France: 11%
- Russia: 11%
- Spain: 8%
- US: 8%
- Mexico: 5%
- Germany: 5%
- Indonesia: 5%
- UK: 5%
- China: 4%
- Argentina: 4%

+3 bp

EBIT margin rose 3 basis points in 2010 to 15.16%

despite a steep rise in prices for raw materials, particularly milk. Margin was on a particularly favorable track in the second half of the year, showing a like-for-like rise of 78 bp from the same period of 2009. The Waters division posted a 13 bp rise in EBIT margin for the year, and the Baby Nutrition division a 17 bp rise.

€2.71

Diluted current net income per share

came to €2.71, a rise of 8.6% based on reported figures, or 12.7% like-for-like.

+7.1%

Trading operating income rose 7.1% to €2,578 million in 2010.

+14.2%

Current net income attributable to the group rose 14.2% to €1,669 million in 2010.

49%

of Danone's total business in 2010 was in emerging economies.

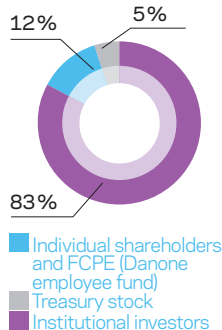
Indicators are at constant scope of consolidation and exchange rates. For communication purposes, Danone uses financial indicators that are not defined under IFRS. Full details of changes in accounting methods can be found at <http://finance.danone.com/>

+4.27%

No. of employees rose from 80,976 to 100,995.*

Identifiable holders of bearer shares

% capital at July 31

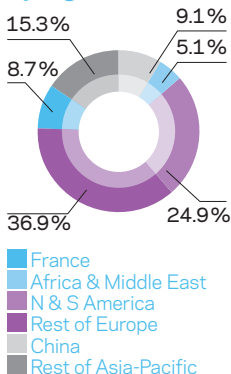


Environmental indicators

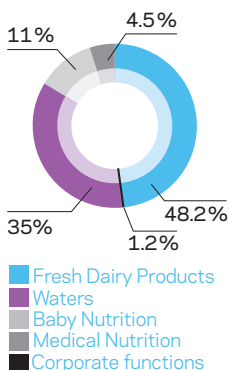
- Reduction in carbon footprint (2008-2010): **-22%**
- Reduction in water consumption (2000-2010): **-41%**
- Reduction in ratio of packaging weight/weight of products sold (2000-2010): **-10%**
- % of waste recycled: **84%**

*Includes Unimilk employees

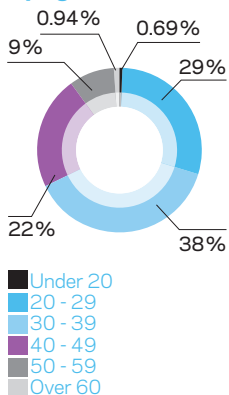
100,995 employees* by region



Employees* by business line



Employees* by age



Key stockmarket figures at Dec. 31, 2010

	2008	2009	2010
in € millions			
Market capitalization	22,200	27,710	30,465
in €			
Closing price for the year	43.18	42.83	47.02
High for the year	64.00	44.10	48.50
Low for the year	38.60	31.22	39.35
thousands of shares			
Average number of shares traded daily	3,265	2,895	2,344

€1.30

At the General Meeting on April 28, 2011, Danone will ask shareholders to approve

distribution of a dividend of €1.30 per ordinary share in respect of 2010. If this proposal is approved, the ex-dividend date will be May 10 and the dividend will be payable from May 13.

This represents an 8.3% rise on the dividend per share paid in respect of 2009.

€832 m

Industrial investment totaled €832 million in 2010 compared with €699 million in 2009

(4.9% and 4.7% of consolidated sales, respectively). As in 2010, Danone plans to focus 2011 industrial investment on emerging economies and countries with high growth potential, targeting a figure of around 4 to 5% of consolidated sales for the year to keep pace with growth, volume and geographical expansion.

FOR MORE INFORMATION:



Registration Document

Downloadable at
<http://finance.danone.com>



Sustainability Report, Downloadable
at www.danone.com, under Sustainable
Development, then "Our vision".



Our 2010 Economic and Social Report is available at www.danone.com and
www.danone10.danone.com. A full review of 2010 developments at Danone,
news of business lines and subsidiaries, key issues and challenges in healthy eating,
and Danone in pictures taken by our own teams.

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Danone
15, rue du Helder
75439 Paris - Cedex 09
Visitors
17, bd Haussmann - 75009 Paris,
tel.: +33 1 44 35 20 20
Corporate Communications,
tel.: +33 1 44 35 26 33
www.danone.com

Toll-free number for shareholders:
0800 320 323,
(from landlines in metropolitan
France)

Director of publication:

Laurent Sacchi
Executive editor
Stéphanie Rismont
Senior editor
Agnès d'Anthonay
Editorial associate
Sandrine Fossard

Photos:

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