



**DANONE**

## Full Year Results 2008

February 11<sup>th</sup>, 2009

### FY 08: 8.4% like-for-like sales growth, margins improved by +53 bps

- Danone sales increased by 6.0% in Q4 and 8.4% in FY 08<sup>[1]</sup>
- Trading operating margin improved 53 bps to 14.91% in FY 08<sup>[1]</sup>
- Underlying fully-diluted EPS increased 15.1% to € 274 in FY 08<sup>[2]</sup>
- Free cash flow amounted to € 1,183 mln in FY 08
- Proposal to pay a dividend of € 1.20 per share
- EPS objective 2009: +10% like for like<sup>[1] [4]</sup>

#### Chairman's comment

Commenting on the results of 2008 and on the outlook for 2009, Franck Riboud, Chairman and CEO of Groupe DANONE said:

"Our solid performance in 2008 emphasizes the potential for profitable growth of our 100% healthy food portfolio. It also illustrates the successful integration of the new Baby and Medical divisions - that have strongly contributed to the Group's performance - as well as the reactivity and determination of our teams. I, therefore, remain confident in Danone's business model to deliver our corporate mission to bring health through food to the largest number of people. Specifically for 2009, and in light of the current specific environment, our focus in each of our business lines will be simple: grow wherever the growth is, continue to perform above the category and strengthen our market shares. In other words, we will put all our capabilities into motion to come out of the current period stronger than ever by combining responsiveness and rigor with strict focus on cash generation and cost management. During this period, Danone will continue to build on, and consolidate, the specific factors from which we derive the unique quality of our results and the engagement of our staff: health positioning, support for the progress of people and their competencies as well as commitment to social and environmental responsibilities which are all competitive advantages for Danone."

#### Financial highlights full year 2008

Key figures	FY 07	FY 08	Change
<b>Sales (€ mln)</b>	12,776	<b>15,220</b>	<b>+8.4%</b> <sup>[1]</sup>
<b>Trading operating income (€ mln)</b>	1,696	<b>2,270</b>	<b>+12.3%</b> <sup>[1]</sup>
<b>Trading operating margin</b>	13.27%	<b>14.91%</b>	<b>+53 bps</b> <sup>[1]</sup>
<b>Underlying net income (€ mln)</b>	1,185	<b>1,313</b>	<b>+15.0%</b> <sup>[2]</sup>
<b>Underlying fully diluted EPS (€)</b>	2.47	<b>2.74</b>	<b>+15.1%</b> <sup>[2]</sup>
<b>Free cash flow from operations (€ mln)</b>	986	<b>1,183</b>	<b>+20.0%</b> <sup>[3]</sup>

<sup>[1]</sup> like-for-like = at constant scope of consolidation and constant exchange rates

<sup>[2]</sup> versus pro forma 2007

<sup>[3]</sup> excluding Biscuit activities

<sup>[4]</sup> please refer to page 5 for more details

## Sales by business line and geographical area for the fourth quarter and full year 2008

€ mln	Q4 07	Q4 08	Change L-f-L <sup>[1]</sup>	FY 07	FY 08	Change L-f-L <sup>[1]</sup>
<b>BY BUSINESS LINE</b>						
Fresh Dairy	2,099	2,134	+3.5%	8,299	8,697	+7.7%
Waters	667	627	-1.5%	3,535	2,874	+1.9%
Baby Nutrition	437	703	+20.8%	809	2,795	+17.0%
Medical Nutrition	133	219	+12.1%	133	854	+12.7%
<b>BY GEOGRAPHICAL AREA</b>						
Europe	2,095	2,245	+2.6%	7,670	9,524	+5.1%
Asia	338	471	+18.5%	1,643	1,854	+16.3%
Rest of World	903	967	+8.6%	3,463	3,842	+13.2%
<b>Group</b>	<b>3,336</b>	<b>3,683</b>	<b>+6.0%</b>	<b>12,776</b>	<b>15,220</b>	<b>+8.4%</b>

[1] : like-for-like = at constant scope of consolidation and exchange rates

### Overview of sales performance – FY 2008

Consolidated reported sales increased by 19.1% to €15,220 mln in full year 2008. Excluding the effects of changes in exchange rates (-3.5%) and in scope of consolidation (+14.2%), total sales increased by +8.4% on a like-for-like basis. This like-for-like sales growth was driven by a +2.8% rise in volume and a +5.6% rise in value.

### Overview of sales performance – Q4 2008

Consolidated reported sales increased by 10.4% to €3,683 mln. Excluding the effects of changes in exchange rates (-2.6%) and in scope of consolidation (+7.0%), total sales increased by +6.0% on a like-for-like basis. This like-for-like sales growth was driven by a +3.7% rise in volume and a +2.3% rise in value.

#### Fresh Dairy

Sales of the Fresh Dairy division increased by +3.5% in the fourth quarter of 2008. This performance reflects the ongoing pressure on volumes as a result of the challenging market dynamics in a select number of markets. As such, this quarter's organic growth consisted of flat volume growth (-0.3%) and +3.8% value growth. Based on their proven health benefits and superior taste, the blockbuster brands continued to drive the growth with a healthy positive volume growth which is substantially higher than the divisional average.

A number of Western European markets – most notably Italy, Spain, France and Germany – showed signs of volume trend improvements versus the previous quarters of 2008. The majority of Eastern European markets continued to show volume and sales growth. In Latin America, Brazil continued to perform very well whereas Mexico showed a softening of the volume growth compared to the preceding quarter. Dannon in the US witnessed a marked slowdown in the fourth quarter, which impacted most products with the exception of Activia and the Stonyfield range.

#### Waters

The performance of the Waters division continued to reflect trends which have been developing throughout the year. Sales declined by -1.5% based on a volume growth of +3.8% which was offset by a negative value effect of -5.3%. Volume growth was driven by the emerging markets (51% of the sales of the division) which continued to deliver mid-teens sales growth, driven by very strong performance in Indonesia, Mexico and Argentina.

However, the continued adverse trends in the category in most developed markets (France, Spain, the UK and Japan in particular) led to negative volume growth in Europe, and to a negative value effect for the division overall.

### Baby Nutrition

Baby Nutrition delivered its best growth rate ever with a growth of +20.8% in sales and +14.8% in volume in the fourth quarter of 2008. This outstanding performance was helped by a low comparable in the fourth quarter of 2007 and significant gains in China. However, excluding these two factors, the Baby Food division continued to deliver consistent above-average market growth. The continued above-average value effect (+6.0%) partly reflects the price increases that were taken to offset the pressure from rising milk prices. All categories and geographies continued to contribute to the division's performance. Western Europe continued to show healthy growth driven by most markets, most notably the UK, Germany and Italy. Asia and Eastern Europe also continued their excellent performances, driven by strong growth in China, Indonesia, Poland and Russia.

### Medical Nutrition

Medical Nutrition continued its excellent growth track record with a sales growth of +12.1%, which was entirely driven by volume growth of +13.2%. Growth was supported by all regions with particularly 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 Paediatrics.

### Trading operating margin improved +53 bps on a like for like basis

	FY 07	FY 08	Change <i>like for like [1]</i>
<b>BY BUSINESS LINE</b>			
Fresh Dairy	13.65%	14.07%	<b>+49 bps</b>
Waters	13.57%	12.80%	<b>-153 bps</b>
Baby Nutrition	n/s	17.51%	<b>+230 bps</b>
Medical Nutrition	n/s	22.15%	<b>+149 bps</b>
<b>BY GEOGRAPHICAL AREA</b>			
Europe	14.43%	15.71%	<b>+57 bps</b>
Asia	10.77%	16.89%	<b>+166 bps</b>
Rest of World	11.89%	11.98%	<b>+1 bps</b>
<b>Group</b>	<b>13.27%</b>	<b>14.91%</b>	<b>+53 bps</b>

[1] like-for-like = at constant scope of consolidation and constant exchange rates

### Margin development by division

Danone's trading operating margin improved by +53 bps to 14.91%, on a like-for-like basis, in 2008. The Baby Food and Medical Nutrition divisions showed like-for-like margin improvements of respectively +230 bps and +149 bps versus 2007, reflecting the implementation of cost synergies relating to the integration of Numico, as well as increased operating leverage. The margin of the Waters division decreased compared to 2007, mainly due to lower fixed cost absorption and cost inflation. The margin improvement of the Dairy division reflects – inter alia – increased operational efficiencies and leverage. Total A&P spend as a percentage of sales increased by 20 bps in full year 2008 and 30 bps in the second half of 2008, driven by higher A&P spend in the Dairy and the Baby Food divisions.

## Margin development by geographical area

In Europe, the margin improvement was driven by the Numico synergies which were partly offset by the negative operating leverage in Waters the division. Margin improvements in Asia mainly reflect improved operating leverage in Baby Nutrition and Waters. Margins in the Rest of the World remained stable.

## Underlying fully diluted EPS increased by +15.1% to € 2.74 in full year 2008

€ mln	FY 07 Reported	FY 07 Pro forma	FY 08
<b>Trading operating income</b>	<b>1,696</b>	<b>2,108</b>	<b>2,270</b>
Other operating items	(150)	0	(83)
<b>Operating income</b>	<b>1,546</b>	<b>2,108</b>	<b>2,187</b>
Cost of net debt	(175)	(424)	(439)
Other financial items	(2)	(64)	(145)
Income tax	(410)	(453)	(443)
<b>Net result of consolidated companies</b>	<b>959</b>	<b>1,185</b>	<b>1,160</b>
Net result of affiliated companies	87	111	62
Net result of discontinued activities	3,292	0	269
Net result	4,338	1,296	1,491
Attr to minority interests	158	153	178
<b>Attr to the parent</b>	<b>4,180</b>	<b>1,143</b>	<b>1,313</b>
-/- net result from disc. activities	(3,110)	-	(269)
-/- non-current net result from cont. operations	116	-	268
<b>Underlying net result from cont. activities</b>	<b>1,185</b>	<b>1,143</b>	<b>1,313</b>
<b>Underlying fully diluted EPS (€)</b>	<b>2.47</b>	<b>2.38</b>	<b>2.74</b>

Financial expenses reflected the full year effect of the financing of the Numico acquisition, as well as a slight increase in the average cost of debt.

The underlying tax rate in 2008 was 23.5% compared to 27.0% in 2007. The decrease is mainly explained by changes in the scope of consolidation, a lowering of the tax rates in markets where Danone has a significant presence and a positive country mix.

Net result of discontinued activities of € 269 mln is almost entirely related to the last portion of the final proceeds of the disposal of the Biscuits division that was completed in 2007.

Non-current result from continued operations reflects an impairment on Danone's non-consolidated investment in Wim-Bill-Dann, as well as other non-recurring costs.

Underlying net result increased by +15.0% to € 1,313 mln and underlying fully diluted earnings per share grew by +15.1% to € 2.74 in 2008 compared to full year 2007 pro forma numbers.

## Cash flow and debt position

Free cash flow from operations amounted to € 1,183 mln in 2008 (7.8% of sales), compared to € 986 mln in the same period last year, excluding the free cash flow relating to the Biscuits activities that were sold in the course of 2007. Capital expenditure was € 706 mln, or 4.6% of sales.

## Debt position

The net financial debt decreased by € 362 mln to €8,199 mln in 2008, excluding the put options granted to minority interests of € 2.855 mln.

The next significant debt repayment is the first tranche of the € 2.3 bn syndicated loan that will mature in December 2010, of which € 1.2 bn was drawn at 31 December 2008. Secondly, it is to be noted that there are no covenants linked to any of Danone's debt facilities. Thirdly, Danone has sufficient sources of financing available to back-up its € 1.6 bn of commercial paper exposure and to cover the outstanding put options which amount to € 2.9 bn. These sources of financing consist of a € 1.5 bn committed, undrawn syndicated bank loan facility, € 3.8 bn of committed, undrawn credit back up lines, € 0.5 bn of treasury shares as well as part of our cash position.

## Outlook 2009

---

As anticipated in the macro-economic scenario described by Danone in November 2008, the global economic environment has further deteriorated in the past 3 months, resulting in a slowdown in most markets in which the Group operates, including in a number of emerging countries.

In addition, given the volatility (and depreciation) of foreign currencies, which have been significantly higher than expected in the scenario that was depicted by Danone in November, the Group will assess the performance of its underlying fully diluted earnings per share for 2009 at constant scope of consolidation and constant exchange rates.

Our scenario for 2009 remains that current consumption patterns in our key emerging and developed markets will continue over the balance of the year, with no significant improvement or dramatic breakdown.

Our sales growth will, therefore, continue to be mainly driven by our blockbuster brands, with a clear focus in all key markets on increasing their functional value for money to respond to the spending pattern of our consumers. As a result, we expect to gain further market share in our key geographies.

Our operating margin will be enhanced by the category and geographic mix of our sales growth, overall improving input prices of our key commodities as well as cost efficiencies in all areas of our organization.

Based on the above, Danone targets the following for full year 2009:

- like-for-like sales growth of a few points below the medium-term guidance;
- like-for-like continued improvement of the trading operating (EBIT) margin;
- a +10% growth of its underlying fully-diluted earnings per share at constant scope of consolidation and constant exchange rates.

As indicated during our investor seminar in November 2008, the different growth drivers of our earnings per share will be dynamically adjusted depending on the evolution of the environment and the markets in which we operate with a view to emerge even stronger in our ability to deliver our mission beyond the current economic transition.

## Dividend

---

Danone will propose to the Annual General Meeting of Shareholders on 23 April 2009 to pay a dividend related to 2008 of € 1.20 per ordinary share and to pay the dividend, at the shareholder's option, in ordinary shares or in cash. These new shares will be issued at a price equal to 90% of the average listed opening prices of all Groupe Danone shares traded on Euronext Paris Exchanges of the last twenty trading days, ending Wednesday 22 April 2009.

The ex-dividend date will be Thursday 30 April 2009. The dividend election period – in which shareholders can submit instructions stating whether they opt for a dividend payment in cash or in stock – starts on Thursday 30 April and will end on Monday 18 May 2009, failing which the dividend will be paid fully in cash. The dividend 2008 will be payable - in stock or in cash - as from Wednesday 27 May 2009 onwards.

## **Other information**

---

### **Numico agrees on settlement with VEB**

The Dutch subsidiary of Groupe Danone, Danone Baby and Medical Nutrition B.V., formerly named Koninklijke Numico N.V. (“Numico”) has, yesterday, reached agreement with the Dutch Association of Shareholders (“VEB”) regarding a limited additional payment to, in principle, each shareholder that sold Numico shares during Monday morning 9 July 2007, the date on which Danone and Numico jointly announced Danone’s takeover bid for Numico.

Numico and Danone highly value their relationship with the investor community. For this reason, and while it strongly denies any wrongdoing and/or liability, Numico has decided to offer an additional amount per Numico share sold on Monday morning 9 July 2007 to each former Numico shareholder.

The level of the intended additional payment will be dependent on the timing of the corresponding share transaction on 9 July and will therefore range between € 1.00 and € 3.00 per Numico share sold. The total cost for Numico of the aforementioned offer is expected to be less than € 16.8 mln. More information on the terms and conditions of these payments will be made public by Numico in a separate press release that will be issued by Numico later today.

o o O o o

### 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		Fourth Quarter		Full Year	
	2007	2008	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	2,099	2,134	8,299	8,697
Waters	1,012	695	1,127	819	729	733	667	627	3,535	2,874
Baby Nutrition	120	683	125	717	127	692	437	703	809	2,795
Medical Nutrition	-	203	-	216	-	216	133	219	133	854

#### BY GEOGRAPHICAL AREA

Europe	1,797	2,394	1,960	2,517	1,818	2,368	2,095	2,245	7,670	9,524
Asia	537	445	512	461	256	477	338	471	1,643	1,854
Rest of World	833	921	869	953	858	1,001	903	967	3,463	3,842

<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>3,336</b>	<b>3,683</b>	<b>12,776</b>	<b>15,220</b>
--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	---------------	---------------

€ mln	First Quarter 2008		Second Quarter 2008		Third Quarter 2008		Fourth Quarter 2008		Full Year 2008	
	Reported Change	Like-for-like Change	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%	1.7%	3.5%	4.8%	7.7%
Waters	(31.3)%	7.0%	(27.4)%	(0.8)%	0.6%	3.7%	(5.9)%	-1.5%	(18.7)%	1.9%
Baby Nutrition	-	18.8%	-	16.2%	-	12.7%	-	20.8%	-	17.0%
Medical Nutrition	-	14.6%	-	12.4%	-	11.7%	-	12.1%	-	12.7%

#### BY GEOGRAPHICAL AREA

Europe	33.2%	8.5%	28.4%	4.5%	30.3%	4.9%	7.2%	2.6%	24.2%	5.1%
Asia	(17.0)%	18.5%	(10.1)%	14.9%	86.6%	13.8%	39.1%	18.5%	12.8%	16.3%
Rest of World	10.6%	15.8%	9.7%	14.1%	16.6%	14.3%	7.2%	8.6%	11.0%	13.2%

<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>10.4%</b>	<b>6.0%</b>	<b>19.1%</b>	<b>8.4%</b>
--------------	--------------	--------------	--------------	-------------	--------------	-------------	--------------	-------------	--------------	-------------