HEALTH & NUTRITION LEADERSHIP

Bernard HOURS
Health and nutrition, at the core of the Group’s history and brands

- **1789**: Discovery of the benefits of Evian natural mineral water
- **1846**: 1st LU biscuits rich in cereals
- **1919**: 1st Danone yoghurts sold in Barcelona
- **1964**: 1st fat-free ‘fromage frais’
- **1919**: Isaac Carasso draws on the work of Elie Metchnikoff and the Institut Pasteur on lactic cultures
- **1991**: Founding of first Danone Institute
- **1996**: Refocusing on 3 product categories with a strong nutrition/health positioning
- **1991**: 16 Danone Institutes around the world today
- **1996**: Regular launches of products with nutrition/health benefits

**Today**
Health and nutrition, at the core of the Group’s mission and strategy

**Mission**
“Providing health through food to the greatest number of people”

**Strategy**
- Focus on 3 healthy food categories
  - Adapt offers to local nutritional needs & tastes and to the public health context: from weight management to nutritional deficiencies

**Portfolio**
- 75% of product portfolio reported as healthier products (JP Morgan Analysis - Jan. 2006)
- Flagship brands, ambassadors of our commitment to health and nutrition, leading our growth (e.g. Vitalinea, Actimel, Activia, Danonino: 25% of turnover 2005, average growth rate 2005: +15%)

![Portfolio Breakdown: Fresh Dairy Products 51%, Beverages 22%, Biscuits 27%](image_url)
Groupe DANONE’s actions and commitments for Health and Nutrition

Nutrition is a global issue, the food industry should be part of the public health solution by proposing an extensive portfolio of healthy products and making it affordable, by communicating clearly and responsibly, by promoting physical activity and a balanced diet.

1. Develop healthy and tasty new products
2. Enhance nutritional profile of products
3. Make them affordable
4. Information & Education
Nutritional improvement: the example of LU France 1999-2006: less sugar, less fat, more cereal and fibre

<table>
<thead>
<tr>
<th></th>
<th>Cereals (%)</th>
<th>Complex carbs (g/100g)</th>
<th>Total sugars (g/100g)</th>
<th>Fibres (g/100g)</th>
<th>Fat (g/100g)</th>
<th>of which saturates (g/100g)</th>
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<tr>
<td>1999</td>
<td>39</td>
<td>28.2</td>
<td>37.9</td>
<td>3.1</td>
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<td>2006</td>
<td>44.7</td>
<td>31.7</td>
<td>34.5</td>
<td>3.5</td>
<td>17.3</td>
<td>8.8</td>
</tr>
</tbody>
</table>

- **Cereals (%)**: +15%
- **Complex carbs (g/100g)**: +12%
- **Total sugars (g/100g)**: -9%
- **Fibres (g/100g)**: -9%
- **Fat (g/100g)**: -18%
Information and education: promoting good dietary habits and physical activity
A charter to reaffirm our convictions and commitments to health and nutrition

1. Propose products adapted to needs and tastes
2. Dialogue with scientists
3. Support research
4. Promote knowledge sharing
5. Heed public opinion
6. Communicate with clarity and transparency
7. Guarantee the scientific validity of the claimed benefits
8. Promote responsible advertising
9. Encourage physical activity
Managing the governance with our stakeholders

- Advisory Boards
- Scientific Consultations
- Institutional & trade consultations
- Research for consensus
- Consumer Associations Dialogue
- Meet and share data & experience
- Scientific Knowledge improvement
- Monitoring programs
- R&D
- CBU
- Danone Institutes
- Corporate Affairs
- CEO & Experts Meetings
- Public or Private Partnerships
- Adaptation of product offer
- Validation of information & communication
- Sharing of industrial constraints with stakeholders
- Monitoring programs
- Scientific Knowledge improvement
- Research for consensus
- Consumer Associations Dialogue
- Meet and share data & experience
- Scientific Knowledge improvement
- Monitoring programs
- R&D
DANONE Science and Research at the service of Health & Nutrition
Science and research at the core of Groupe DANONE
Key R&D capabilities

Daniel Carasso Center, an innovation catalyser for all the Groupe’s brands

- 500 people = 60% of the Groupe’s R&D resources
- 200 scientists = 100% Groupe’s research dedicated to advanced applied research
- 250 engineers dealing with Development, Food Safety, Quality and services
- 100 people from purchasing and marketing in order to boost innovation

A complete range of specialists in the fields of Science and Technology to deliver scientifically proven health benefits, always associated with superior taste preference:

- Nutritionists; physicians; gastro-enterology - cardiovascular - immunity specialists; microbiologists; molecular biologists; biochemists; food engineers; food safety experts; consumer behaviour and sensory evaluation specialists...etc
Key R&D capabilities

Danone Research

- A R&D community of 800 people worldwide
- R&D Budget: 1% of Groupe sales or 130 m€ / year
- 110 Nutrition and Health professionals deployed worldwide
Our Research model

- An innovation funnel process at the heart of our strategic focus
R&D innovation funnel process

Fundamental: Achieve consumer preference with tasty products meeting consumer expectations

To provide nutrients through our products to fight deficiencies + Enhance their nutritional composition

To bring health through food and beverages

Intrinsic health benefits of our key raw materials, health ingredients

New economic model

Novel ingredients & Technology

Sugars, fat, nutritional density, cereals and fruits

--> 600 products being renovated

--> 5 current health benefits; exploration of new benefits

Pleasure

Health

Nutrition
Health Claim Development case study

Research: ingredients & cultures, Sensory identity, Technology, Food Safety

Consumer health benefit

Identify relevant efficacy markers

Evaluate alternate active elements

Define product & positioning mix

Nutrition & health efficacy studies with product

Construct scientific evidence dossier

“Helps reduce bad cholesterol”

Phytosterols

1 animal study
4 ongoing human studies

Product & Claim: OK
Need for human study

Proven & credible claim

“Helps reduce bad cholesterol”

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1 animal study
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Product & Claim: OK
Need for human study

Proven & credible claim
Our Research model

- An innovation funnel process at the heart of our strategic focus
- A focus on core scientific expertises
DANONE Research focuses on core scientific expertises:

- Human nutrition & physiology
- Scientific demonstration of health claims
- Ferments and probiotics
- Formulation engineering
- Functionalities & health potentials of raw material and food ingredients
- Sensorial Analysis
- Consumer behavior knowledge
Focus on Nutrition and health core expertises

**General nutrition**
- Nutritional profiling
- Situations in countries

**Energy metabolism & Weight Management**
- Food intake regulation
- Meal patterns
- Satiety
- Obesity

**Digestive functions**
- Physiology and flora
- Probiotics, prebiotics
- Barrier function

**Clinical studies**
- Test design & procedures

**Scientific Communication**
Sharing, consensus and valorization of scientific results with key opinion leaders and consumers

**Bone health**
- Danone Research scientists
- Network of 110 nutritionists
- International network of independent experts & collaborations

**Immune functions**
- Intestinal system
- Inflammation
- Probiotics & nutrient effects

**Cardiovascular health**
- Cholesterol
- Oxidative stress
- Protective molecules

**Nutritional Neuro-sciences**

**Danone Research scientists**

**Network of 110 nutritionists**

**International network of independent experts & collaborations**
Our Research model

- An innovation funnel process at the heart of our strategic focus
- A focus on core scientific expertises
- Building credibility through scientific networking and partnerships with the best experts throughout the world

A strategic balance between internal and external research expertises;
over 200 International Research Collaborations
- Work with the best experts
- Stay open and up-dated
- In-tune with society’s expectations & market needs

An example: probiotics collaborations case study
Probiotics case study: private and public partnerships at the service of Health and Nutrition

**Pasteur Institute - France:** 4 collaboration focuses: Resistance to infections (viral, bacterial), prevention of allergy, modulation of inflammation, genetic profile analysis

**INRA - France:** transcriptomics for our lactic strains

**Lactic Bacteria Research Center of Tucuman (CERELA) – Argentina:** probiotics contribution to natural defences in the gastrointestinal system

**Nizo – NL:** screening of lactic strains, physiology characterisation & testing in-vivo models

**University of Washington - USA:** novel investigations of the impact of intestinal microflora on metabolism & health
3 innovative R&D tools developed to serve « governance »

1. **DANONE Nutripack**: Science-based mappings of health and nutritional information to understand and meet local public health issues (17 countries)
   Content: identify nutritional habits and preferences, nutritional deficiencies or excesses, public health nutrition-related issues
   Goal: help business lines develop products and educational programs adapted to local

2. **International Nutritional Framework**: Guidelines for all products categories
   Content: nutritional recommendations, aligned on WHO & FAO requirements, regarding sugar, fat, vitamins, minerals...
   Goal: give adaptation guidance to worldwide teams with manufacturing profiling data to respect

3. **Brand Nutritional Platform**: Brands’ identity fact sheets - identity card and nutritional card - ensuring global coherence to local brand products
   Content: brand architecture, positioning, product’s characteristics, health and nutrition benefits, scientific rationales...
NUTRIPACK: the tool for a unique local approach to a global health challenge

United States
- 10.5% overweight <20y

Europe
- 14 million overweight <5y

United Kingdom
- 1 million overweight <16y
- 32% overweight <15y

Turkey
- 12.2% stunted <5y
- 3.9% underweight <5y
- 40% overweight in urban area <6y
- 12.4% overweight in urban area 6-18y

Angola
- > 60% stunted and underweight <5y

Brazil
- 10% stunted <5y
- 6% underweight <5y
- 14% overweight <18y

South Africa
- 25% stunted <9y
- 10.3% underweight <18y
- 17% overweight

Mexico
- 18% stunted <5y
- 15% stunted <12y
- 7% underweight <5y
- 18.8% overweight <12y

China
- 14.3% stunted <5y
- 7.8% underweight <5y
- 40% overweight in urban area <6y
- 12.4% overweight in urban area 6-18y

Indonesia
- 45% stunted <10y
- 48% underweight <18y
- 12.4% overweight <18y

Turkey
- 14.3% stunted <5y
- 7.8% underweight <5y

China
- 40% overweight in urban area <6y
- 12.4% overweight in urban area 6-18y
Example of Danonino’s compositions adapted to local micronutrient deficiencies
DANONE UNIQUENESS

- Health & nutrition leadership
- A strong record of profitable growth
- Wrap-up & questions
Since 1999 Groupe Danone has achieved 10 quarters its LT guidance and 15 quarters above its guidance.