



DANONE

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**REPORT ON THE
SHAREHOLDERS' MEETING
OF APRIL 29, 2015**

**at the
MAISON DE LA MUTUALITE**

A total of 1,016 shareholders attended physically Danone's Shareholders' Meeting, which was held in Paris, France, at the Maison de la Mutualité, on Wednesday April 29, 2015. A total of 6,393 shareholders were present, represented or voting by mail, with a 52.51% quorum.

Three interventions were presented to shareholders at the meeting:

1. a speech on recent changes in governance and Danone's future challenges by Franck RIBOUD, Chairman of the Board of Directors,
2. a financial presentation on 2014 full-year results by Cécile CABANIS, Chief Financial Officer, and
3. a presentation of Danone's priorities for the future by Emmanuel FABER, Chief Executive Officer.

1. Speech on recent changes in governance and Danone's future challenges by Franck RIBOUD

Franck RIBOUD began his presentation with a review of the last 19 years, during which he was Danone's Chairman and Chief Executive Officer.

He recalled that, 19 years ago, the company's ambition was to transform Danone into a global group with its center of gravity no longer in Western Europe but in the emerging markets; a group refocused on a few business divisions and fast-growing food categories driven by the quest for healthier eating. Today, out of Danone's €21 billion in sales, some 60% is generated outside Europe and more than 52% in the so-called emerging markets, and this has been achieved with just four activities.

Franck RIBOUD affirmed that from 1997 to the current day, Danone has enjoyed 19 consecutive years of uninterrupted organic growth, including 16 years of growth in excess of 4.5%. Over this period, Danone's sales have increased by 70%, its gross margin has been multiplied by 2.3, its free cash-flow by 3.6, and its share price by 5. Finally, the Group's dividend per share has never decreased.

Having recapped this historical data, Franck RIBOUD affirmed that he is confident in Danone's future, thanks to the Group's increasing strengths:

- **its strong brands**, whether local such as *Aqua* and *La Serenissima* with 70% market share respectively in Indonesia and Argentina, or global such as *Activia*, *Nutrilon*, *Fortimel*, *Evian* or *Danone*;
- **its human capital**: in particular, the General Management now composed of a single Chief Executive Officer, Emmanuel FABER, and the Executive Committee, whose all 12 members have enjoyed long careers in the company.

Franck RIBOUD emphasized that the work begun 19 years ago is not yet finished: Danone is just starting out in Africa and needs to restore the momentum and growth of its Fresh Dairy Products Division in Europe.

Franck RIBOUD affirmed that his new responsibility lies in equipping Danone to face the challenges and adventure of the next 20, 30 or 50 years. He said that the new organization put in place at the head of the company six months ago was not based on a rationale of personal preferences or conformity, but on a management rationale, one of building the future and of transmission.

Franck RIBOUD explained that the task of equipping Danone for the next 20 years comprises three components:

- first, **a new generation at the helm of its executive and operational management bodies**. This new team is represented and led by Emmanuel FABER. It is a team that shares his values: totally committed to delivering results, capable of implementing the changes that will transform Danone going forward, while remaining perfectly in harmony with the Group's culture and dual project. Franck RIBOUD thanked Emmanuel FABER for accepting the challenge of becoming the company's third Chief Executive Officer in its 50 year history;
- the second component is **a Chairman and a Board fully committed** to inventing tomorrow's Danone in close collaboration with General Management. Danone has decided to further develop the commitment of its Board members, in particular by setting up a Strategy Committee to start strategic debates and report to the Board on strategy issues;
- the third component is the **Danone 2020 project**: Danone's teams, in a dialogue with the Board of Directors, are currently working on three core themes that will help to drive Danone's transformation forwards:
 - 1) firstly, food. The current challenges under this theme can be condensed into a single question: how to feed eight or nine billion human sustainably and healthily in the future? Danone must also devote its attention to other issues associated with the food sector: obesity, malnutrition, the environmental impact of agriculture, local dietary practices, etc.;
 - 2) secondly, managing its key raw-materials cycles: milk, water, plastic packaging;
 - 3) finally, its management model.

Although Danone has the duty to transform its business, Franck RIBOUD also stressed the Group's duty to preserve its defining qualities, its spirit, its culture and its values. His mission as Chairman is to ensure that this legacy – that of the dual economic and social project – is preserved.

He expressed his pride in the fact that Danone continues to uphold this culture and foster its dual project through a wide variety of initiatives such as the introduction of universal social protection, the danone.communities project and the creation of the Danone Ecosystem Fund, approved five years ago by the shareholders.

Franck RIBOUD concluded with a reminder that this dual economic and social project came into being at Danone because its men and women came up with the idea more than 40 years ago, and that the Group needs to build on this legacy. He closed his presentation with a tribute to Jean-Léon Donnadiou, one of the people instrumental to BSN's creation in 1966 and the Group's Executive Vice-President of Human Resources for 14 years, who passed away on March, 19.

2. Financial presentation on 2014 full-year results and the outlook for 2015 by Cécile CABANIS

After a film presenting Danone's key figures for 2014, Cécile CABANIS began her presentation with a review of the Group's results and key performance indicators for 2014.

The 2014 performance reflects the **achievement of all the targets initially set**, in particular:

- like-for-like sales growth of 4.7%; and
- a stable trading operating margin at 12.59%, down 12 basis points on a like-for-like basis.

The reported performance reflects negative forex and consolidation effects, particularly the euro's strength and the weakness of other currencies such as the Russian ruble, Indonesian rupee and Argentine peso.

Cécile CABANIS pointed out that **2014 was a year of consolidation for Danone's categories in a difficult and unstable environment**:

- in Fresh Dairy Products, growth in sales on a like-for-like basis was equal to 1.5%. It has slowed down as a result of the ruble's devaluation and rising milk prices in Russia as well as some deceleration in this category in the United States, where growth is levelling off after several years of strong momentum driven by the Greek-style yoghurt segment;
- in Waters, results were very good, with sales up 11.6% like-for-like, based on a high-quality growth model with a good balance between volume growth and value growth. Europe saw a return to positive growth, accelerated by the momentum in emerging countries and Asia in particular. In terms of the product portfolio, *aquadriinks* provided strong leverage for growth, especially *Volvic Juicy* in Europe, *Mizone* in China and Indonesia and *Bonafont* in Latin America;
- in Early Life Nutrition, like-for-like sales growth was robust at 6.1%, despite some apparent volatility related to the base effect following the Fonterra false alarm in 2013;

- Medical Nutrition achieved a solid performance with like-for-like sales up 7.9% on the back of a sound performance in the emerging markets and a rebound in Europe.

Cécile CABANIS then commented on Danone's regional performances, starting with Europe, where growth gained momentum in 2014, largely driven by the success of the international Early Life Nutrition brands in China. In the North America and CIS zone, 2014 growth was 5%. In Danone's other regions, growth momentum was affected by significant volatility relating to the base effect in Early Life Nutrition. Growth was strong as the Group's platforms continued to develop rapidly, particularly in Brazil and Indonesia in Waters and Early Life Nutrition, in China in Waters and Medical Nutrition and in Mexico in Fresh Dairy Products.

Cécile CABANIS then reported on the priorities set in 2014 for each of these regions.

She mentioned Danone's substantial progress in Fresh Dairy Products in Europe, which prepare 2015. In 2014, as well as finalizing its savings plan, the Division launched an important initiative to adjust its product portfolio, adopting a more selective approach to promotions and streamlining some product ranges.

Cécile CABANIS then spoke about the two major platforms for Fresh Dairy Products: North America and the CIS countries:

- in Russia, despite major challenges related to the ruble's devaluation and milk prices rising by 20%, the Group's brands continued to enjoy volume growth. The portfolio's growth in value and price increases offset the steep drop in volumes in low-value segments. Although the 2014 performance demonstrated the platform's solidity, Danone must continue to monitor consumer trends so as to adapt its model accordingly;
- North America, and specifically the United States, saw growth momentum decelerate after several years of strong growth, fuelled by the Greek-style yoghurt segment. Key developments in 2014 include Danone's achievement of a co-leadership position in the Greek-style yoghurt segment, consolidation of Danone's leadership position in the yoghurt category, a partnership formed with Starbucks that enables the category to be extended beyond large retailers and work carried out on product innovation.

The emerging countries enjoyed strong growth, with a stream of innovations across all the Divisions in Latin America and Asia. The Waters Division reported robust growth, fuelled by *Aqua* in Indonesia and the *aquadrinks* segment and *Mizone* in China. Danone is pursuing its development in China with the extension of its strategic alliance with Mengniu and the 25% equity stake acquired in Yashili. This partnership follows on from a strategic alliance signed in 2013 between Mengniu, Danone and COFCO in Fresh Dairy Products.

In China, Danone's market share returned close to the level achieved before the Fonterra false alarm. However, the *Dumex* brand's performance remained below projections.

Cécile CABANIS went on to present a financial review. Firstly, cash-flow generation was €1.4 billion in 2014, excluding exceptional items, in line with the Group's targets. The working capital requirement continues to contribute, despite a slowdown with a negative ratio at almost 9% of the sales, which is expected to level off in the future. Finally, investments were sustained. In 2014, generated cash made it possible to finalize the partnership with Mengniu in Fresh Dairy Products, increase the stake in Centrale Laitière in Morocco and acquire 40% of Brookside in Kenya. In addition, the balance sheet is solid.

Cécile CABANIS said that, even though earnings per share were down in 2014, Danone's financial solidity enabled it to offer a dividend per share of €1.50, up 3.5% on the 2013 figure. As in 2013, shareholders were given the option of receiving the dividend in shares. The issue price of these new shares is €57.26.

Cécile CABANIS commented briefly on Danone's first-quarter results, released on April 15, 2015. The figures reflect a sound performance in line with the company's targets and roadmap, with like-for-like organic growth of 4.8%.

Cécile CABANIS concluded that, in an environment set to remain globally unstable, 2015 is an important pivotal year which should see the Group's profitable growth firmly secured, with investments in place to prepare for 2016, ensuring that this growth is sustained in the long term. The performance so far this year allows the targets for 2015 to be confirmed, with like-for-like sales growth of 4% to 5% and a slight increase in the trading operating margin.

3. Presentation of Danone's priorities for the future by Emmanuel FABER

Emmanuel FABER began by thanking Franck RIBOUD for his confidence and support for the coming years, the Board of Directors for its confidence in Danone's team and senior executives, and shareholders for taking part in Shareholders' Meetings.

He began his presentation with a reminder of his key priorities since October 1, 2014 (when he took office as Chief Executive Officer): meeting the teams, renewing the Executive Committee, confirming the four Divisions and creating the Africa Division.

Emmanuel FABER stated that Danone met its targets in 2014 and reviewed the year's achievements:

- a recovery in Europe, and in particular an excellent performance by the Waters Division;
- strengthening of the major platforms created in North America and Russia in Fresh Dairy Products;
- consolidation in Asia, particularly following the Fonterra false alarm in 2013;
- preparation for the future by establishing partnerships in Danone's future businesses.

Emmanuel FABER presented his vision of Danone, with its future anchored to its defining strengths: Danone's mission, its human capital, its brands and its partners. He quoted the example of the partnerships formed in 2014 with Yashili in China in Early Life Nutrition and a tie-up with Starbucks which will lead to the marketing of a product developed and inspired by Danone in 4,000 stores in the United States under the brand *Evolution Fresh inspired by Danone*.

He explained that the second half of 2014 saw a return to profitable growth and that Danone must now commit itself to consolidating the profitability of this growth and making it sustainable through 2020. Emmanuel FABER described the four lines of action being taken to achieve this goal.

- **First, optimization to provide a platform for growth.** Such optimization is particularly evident in Europe in the Fresh Dairy Products activity, thanks to:
 - a new selection of products: for example, *Danio*, currently present in seven European countries, *Danonino* or *Actimel Kids*;
 - a more selective approach to promotions: in 2014, 10% of promotional volumes in France were done away with. This overhaul of the Group's promotion policies makes it possible to streamline the range on offer to consumers and enhance the competitiveness of the company's brands;
 - optimization of operations: the number of Fresh Dairy Product plants in Europe will be cut from 24 to 16. The increasing use of the joint purchasing center also helps to enhance the performance of Danone's operations;
 - a leaner organization: the number of management units in Europe has been reduced from 22 to 11, with a view to simplifying the decision-making process and facilitating savings. Targeted savings of €200 million were achieved in 2014.

- **Secondly, investment to enhance the competitiveness of Danone's brands and the appeal of its products and services to consumers.** This involves notably:
 - investment in packaging, such as the launch of the *Evian* 'drop' bottle, a new way to consume water that has reached a million consumers in France, and the investments made in developing new recipes, such as *Mizone* in China or *Dan'Up* in Brazil;
 - innovation in new products, such as the *Dannon* range marketed under the partnership with Starbucks in the United States with its new *parfaits*, or new recipes for *Nutrini* in Medical Nutrition, together with innovation in new services;

- in-store marketing activation, for example the *PUMA* program, a sales-force training program rolled out across the Group, and digital activation, such as that used for *Mizone*, with the development of applications in China;
 - marketing: Emmanuel FABER gave the example of 360 degree marketing campaigns, which are not exclusively TV-based, such as screening of the *Volvic Giant* film that was shot for the brand's 50 year anniversary across the 55 countries in which the brand is marketed.
- **Thirdly, building**, which means:
- pursuing the development of the Group's categories via research and development. Danone boasts 1,500 researchers, of which 500 in France, whose objectives include adapting products to local markets;
 - building a position in Africa, a key continent for Danone's future development;
 - building a solid framework across the globe with the "One Danone" organization, described as a state of mind in harmony with tomorrow's challenges.
- **Fourthly, nurturing**:
- nurturing a balanced development model: in 2014, the rate of work-related accidents fell by 17% and water consumption was reduced by 4%. Danone also reduced its carbon intensity by 42% between 2008 and 2014;
 - nurturing social innovation: Emmanuel FABER reiterated the targets of the Livelihoods Fund, which combats deforestation via carbon sequestration. Since its creation, the Livelihoods Fund has replanted 130 million trees, thus sequestering 8 million tons of carbon. In view of these successes, Danone has decided to launch a new Livelihoods Fund for Family Farming with *Mars, Inc.* Emmanuel FABER also commented on the Danone Ecosystem Fund, the establishment of which was approved by shareholders in 2009. A film looking back over the Fund's first five years was shown. The Fund, dedicated to the ecosystem, has enabled over 50 projects to be launched in 25 countries. The reinforced ecosystem benefits Danone's subsidiaries by giving them a competitive advantage.

Emmanuel FABER went on to talk about Danone's business transformation and outlook to 2020. He explained that the **Danone 2020 project** is based on the fact that food is at the core of a number of changing, contrasting and far-reaching issues, including global population growth, malnutrition and obesity, diminishing resources and rising food safety standards.

The thinking behind the initiative stems from Danone's history and experience. Danone 2020 is the Group's response to these challenges and builds on its mission and dual economic and social project.

A “food manifesto” has been developed and forms the foundation of the Danone 2020 initiative, which is being deployed on three fronts:

- food: what does food signify for Danone? What is health and which products could be developed to meet dietary needs in line with local cultures and traditions?
- a circular approach to the management of raw material supply/transformation cycles: how can we preserve, develop, and secure strategic resources (milk, water, plastics) while keeping economic and ecological costs to a minimum?
- the importance attached to people and the need to answer the following questions: which culture? Which organization? Which talents for Danone?

Emmanuel FABER said that 2015 is the year during which this transformation will gradually be implemented. Deployment is expected in 2016–2020.

He concluded with a presentation of the new team responsible for leading Danone toward 2020. He highlighted the cultural diversity of its members and the strength of their commitment to Danone.

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After a question and answer session with the audience that lasted for over an hour (the full webcast is available on the Group’s website), the Chairman asked shareholders to vote on the 29 resolutions on the agenda.

All of the resolutions presented by the Board of Directors were approved, namely:

Agenda within the authority of the Ordinary Shareholders’ Meeting:

1. Approval of the statutory financial statements for the fiscal year ended December 31, 2014;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2014;
3. Allocation of earnings for the fiscal year ended December 31, 2014 and setting of the dividend at €1.50 per share;
4. Option for the payment of the dividend in shares;
5. Renewal of the term of office of Mr. Jacques-Antoine GRANJON as Director;
6. Renewal of the term of office of Mr. Jean LAURENT as Director in accordance with Article 15-II of the Company’s by-laws;
7. Renewal of the term of office of Mr. Benoît POTIER as Director;

8. Renewal of the term of office of Mrs. Mouna SEPEHRI as Director;
9. Renewal of the term of office of Mrs. Virginia A. STALLINGS as Director;
10. Appointment of Mrs. Serpil TIMURAY as Director;
11. Approval of the agreements referred to in Articles L.225-38 *et seq.* of the French commercial code entered into by the Company with the J.P. Morgan group;
12. Approval of the agreements and undertakings referred to in Articles L.225-38 and L.225-42-1 of the French commercial code regarding Mr. Emmanuel FABER;
13. Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014;
14. Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman of the Board of Directors as from October 1, 2014;
15. Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014;
16. Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Chief Executive Officer as from October 1, 2014;
17. Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Bernard HOURS, Deputy General Manager until September 2, 2014;
18. Fixing of the amount of the Directors' attendance fees;
19. Authorization granted to the Board of Directors to purchase, retain or transfer the Company's shares;

Agenda within the authority of the Extraordinary Shareholders' Meeting:

20. Delegation of authority to the Board of Directors to issue ordinary shares and securities, with preferential subscription right of the shareholders;
21. Delegation of authority to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, but with the obligation to grant a priority period;
22. Delegation of authority to the Board of Directors to increase the number of securities to be issued in the event of a capital increase without preferential subscription right of the shareholders;
23. Delegation of authority to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, in the event of a public exchange offer initiated by the Company;

24. Delegation of powers to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, in consideration for contributions in kind granted to the Company and comprised of equity securities or securities giving access to share capital;
25. Delegation of authority to the Board of Directors to increase the Company's share capital through incorporation of reserves, profits, premiums or any other amounts that may be capitalized;
26. Delegation of authority to the Board of Directors to issue ordinary shares and securities in favor of employees who are members of a company savings plan and/or to carry out reserved sales of securities, without preferential subscription right of the shareholders;
27. Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders;
28. Authorization granted to the Board of Directors to reduce the share capital by canceling shares;
29. Powers to carry out formalities.

All of the presentations by management to the Shareholders' Meeting as well as voting results and a webcast of the entire Shareholders' Meeting are available on the Danone website at the following address: <http://finance.danone.com>.

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