



**DANONE**

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**REPORT OF THE**  
**SHAREHOLDERS' MEETING**  
**APRIL 27, 2017**  
**MAISON DE LA MUTUALITE**

A total of 1,002 shareholders attended the Danone Shareholders' Meeting, which was held at Maison de la Mutualité on Thursday April 27, 2017 (Extraordinary Meeting). The number of shareholders in attendance, represented by proxy or voting by correspondence totaled 6,961 (Extraordinary Meeting). The quorum was established with 52.5% (Extraordinary Meeting).

Three people addressed shareholders at the Meeting:

1. Franck RIBOUD, the Chairman of the Board of Directors, made opening remarks;
2. Cécile CABANIS, the Chief Financial Officer, Strategy & Systems provided a financial review of 2016 results;
3. Emmanuel FABER, the Chief Executive Officer, discussed the Company's strategy and Danone transformation project, and in particular the major new era getting under way following the acquisition of WhiteWave.

### **1. Remarks by Franck RIBOUD, Chairman of the Board of Directors**

Franck Riboud began by paying tribute to Bruno BONNELL, who did not seek another Board term, and welcoming the two new Directors, Frédéric BOUTTEBA and Gregg L. ENGELS, before moving on to discuss the WhiteWave acquisition. He emphasized that the acquisition represented a major strategic shift, in keeping with the company's earlier big strategic changes: the transition from the glass industry to food, the refocus on healthy food and the penetration of markets in emerging countries. With this acquisition, he noted, the company sought to adapt to its environment, the promising markets of the future and underlying consumer trends by anticipating future developments instead of responding to them and, more importantly, playing a role in supporting and shaping them.

Franck RIBOUD then expressed his firm belief that Danone will be able to maximize WhiteWave's full potential, illustrated by the remarkable performance of its brands in recent years, these very powerful brands are transforming the consumption patterns of our consumers in a lasting way.

Franck RIBOUD then underscored the high-quality interaction and effective coordination between the company's Board of Directors and its management in the handling of this acquisition.

Stressing that consumer industries are going through a difficult period, Franck RIBOUD reminded shareholders that management had taken a number of measures aimed at revitalizing the company's growth momentum. They include a smaller executive committee supporting Emmanuel FABER, a cost cutting plan for purchased services to free up resources on behalf of the brands, greater operational autonomy given to the regions and local markets and the establishment of an organization dedicated to seeking out growth.

Franck RIBOUD concluded by noting the potential of Danone's Divisions and product categories, which are perfectly positioned for the food trends of tomorrow and by listing a series of promising successes by the company in the various regions of the world.

## 2. Financial presentation of 2016 results by Cécile CABANIS, Chief Financial Officer, Strategy & Systems

After showing a video on the Danone's highlights for 2016, Cécile CABANIS began her presentation by describing the Company's robust operating performance in 2016, a year that marks a new stage in the transition of Danone's business model in preparation for future growth.

Cécile CABANIS then discussed the results and key performance indicators for 2016. The year was marked by:

- 2.9% like-for-like sales growth, slightly below the growth target in a range between 3% and 5%; and
- very strong improvement in the recurring operating margin of +70 basis points on a like-for-like basis and +87 points on a reported basis, well above the initially targeted improvement, which had been described as "solid" at the beginning of the year and was then raised to 50-60 basis points last June.

Cécile CABANIS then discussed each Division in greater detail.

- With respect to the **Fresh Dairy Products** division, sales grew by 2.0% on a like-for-like basis and reflected contrasting trends, including the success in the United States, the resilience of the model in the CIS region and various challenges, in particular including those due to certain macroeconomic situations like in Brazil and the relaunch of the *Activia* brand in Europe in the fourth quarter, which did not have the expected results. The recurring operating margin increased by 38 basis points on a like-for-like basis, driven by continued efforts to build structural improvement of the gross margin through the portfolio optimization and efficiency.
- In the **Waters** Division, sales rose by 2.9% on a like-for-like basis, reflecting solid performances in all regions despite the *Mizone* transition in China. The operating margin improved by 15 basis points on a like-for-like basis despite the strong negative mix driven by China.
- The **Early Life Nutrition** Division recorded 3.5% like-for-like sales growth. In 2016, Danone continued to invest in new segments in order to strengthen its global position and prepare for the long term. The recurring operating margin increased by 167 basis points in 2016, lifted by the sales growth along with several favorable factors: the mix/brand impact, the milk price impact and the comparison basis.
- The **Medical Nutrition** Division recorded strong growth in sales, which rose by 7.4%, and recurring operating margin, with steady contributions delivered by sales volumes and prices throughout the year.

Cécile CABANIS then delivered a review of financial indicators. Free cash-flow increased by 16.8% to €1,786 million excluding exceptional items, largely thanks to the solid sales growth and improved operating margin.

Cécile CABANIS finished her review of 2016 results by noting that today the Board of Directors proposes a 6.3% dividend increase relative to the dividend paid out in relation to 2015 results. The dividend would be €1.70 per share, payable in cash or Danone shares.

Cécile CABANIS then discussed the rebalancing of Danone's business model carried out in 2016. In that year, Danone decided to decouple its mid-term growth and short-term efficiency agendas, connecting them through a new process of resource allocation method so as to create the right conditions for the future. To that end, Danone will rely on its One Danone organization as well as the Protein efficiency program designed to save €1 billion from indirect costs by 2020.

Cécile CABANIS then addressed first-quarter 2017 results, which come at a key time for Danone. The quarter has been marked by a slow start to sales, which rose by 0.7% on a like-for-like basis and by 3% on a reported basis, in an environment that remains volatile. Danone also completed the WhiteWave acquisition in the first quarter and therefore upgraded its 2017 targets to take WhiteWave into account. The company is now targeting double-digit growth in recurring earnings per share at constant exchange rates.

Cécile CABANIS concluded by noting that 2017 will be a year of construction that will strengthen Danone as an even more resilient and balanced model through disciplined resource allocation, efficiency gains and cost optimization, preparing for growth acceleration with the right portfolio of products and brands to serve our consumers meaningfully.

### **3. Presentation by Emmanuel FABER, Chief Executive Officer, on the Company's strategy and Danone transformation project, and in particular the important new chapter that has begun with the acquisition of WhiteWave**

Emmanuel FABER first thanked shareholders for their presence at this key moment that is the Shareholders' Meeting.

Emmanuel FABER then noted that in today's world, consumer confidence is structured on new bases. Consumer trends are changing in response to the ageing of the population in the advanced countries as well as under the influence of the so-called millennials generation. According to Emmanuel FABER, these trends revolve around health, pleasure, a demand for transparency and consistency, naturalness and local ties. They are modifying consumer behavior, as consumers increasingly want to know what drives the brands and what they offer consumers.

Emmanuel FABER that pointed out that in these areas Danone has three strengths: a mission – *provide health through food to as many people as possible* –, an ambition for its "Manifesto" – *promote healthier and more sustainable dietary practices* –, and a consistent product portfolio in its various categories, which helps Danone to fulfill this mission.

Emmanuel FABER reaffirmed that companies can only be change agents if they align their business with their vision, and then highlighted the successes in each of Danone's four divisions in 2016:

- **Fresh Dairy Products:** as the number one yogurt brand in the United States, Danone is putting the power of its brand behind societal change by having its three flagship brands – *Dannon, Danimals* and *Oikos* – be 100% GMO-free. In Russia, Danone recorded strong growth in 2016 and redefined family consumer practices by increasing sales of *Activia* yogurt pots by more than 20% and Danone yogurts by 50%. In Africa, the *Fan Milk* brand, in which Danone acquired a controlling interest at the start of last

year, saw its sales grow by more than 15%, thereby generating income for the 30,000 bicycle delivery sales agents.

- **Waters:** *Bonafont* is the leading brand in its category in Mexico, where it is developing water consumption, and the brand recorded new sales highs in 2016. *Volvic Juicy* recorded strong sales gains in its strategic markets, notably Germany, as consumers choose it over soft drinks with much higher sugar content. As the leading bottled mineral water brand in Indonesia, *Aqua* is continuing its efforts to promote access to drinking water through a program aimed at populations located near all its springs. Finally, in line with Danone's net zero carbon target, *evian* will be Danone's first brand to have a neutral carbon footprint in 2020.
- **Early Life Nutrition:** present in 39 countries around the world, *Aptamil* helps to strengthen the immune system of newborns. In the United States, Danone continues to develop its 100% organic platform with the *Happy Family* brand, the leader in innovation and transparency in its category. Lastly, in June 2016 Danone decided to adopt a very proactive and innovative position on support for breastfeeding by nursing mothers. Danone is the only company in its sector to not engage in any advertising or promotional measures for breastfeeding substitute products for children below the age of six months.
- **Medical Nutrition:** U.S. sales rose significantly despite strong competition. Danone offers innovations to benefit patients. For example, the compact version of *Fortimel* is sold in 32 countries, and the brand innovated by reducing the product size by nearly half, thereby facilitating consumption by patients. Innovations were also made in the digital area with the Nutricalculator application launched by Nutricia, which provides nurses, dieticians and emergency room physicians with a quick and easy-to-use tool to calculate the energy and protein needs of a hospitalized patient.

Emmanuel FABER then discussed the integration of WhiteWave.

He emphasized that with dynamic product categories including plant-based proteins and organic products, WhiteWave, the market leader in the United States and Europe, strengthens Danone's positions in this market.

He explained that the acquisition of WhiteWave will accelerate the Danone 2020 transformation plan, as it revolutionizes the growth model for dairy and plant-based products by combining the know-how of these two worldwide leading experts in lactic and plant fermentation. He then pointed out that the WhiteWave acquisition creates a perfect combination to strengthen Danone. In North America, the company is ranked among the leading food producers in the United States and will become the market leader in the fresh foods segment. The North American market currently represents nearly 25% of Danone sales and is now its largest market.

He reminded shareholders that the economic aspects of the WhiteWave acquisition, namely all of the announced synergy and value-creation parameters, have been confirmed. He also explained that the integration of the respective staffs began immediately upon the completion of the acquisition. He then noted that the acquisition's impact on Danone's 2017 financial statements will ultimately be greater than expected, which accounts for the overall improvement in Danone's targets.

He emphasized that with WhiteWave, Danone is strengthening its B Corp partnership and continuing the dual economic and social project initiated 50 years ago by Antoine Riboud, which led to the so-called DanoneWay internal audit system in 2001 and to the signature of a partnership with B Lab in 2015. He noted that DanoneWave, which combines the Fresh Dairy Products activities of Danone and WhiteWave in North America, is currently the largest “Public Benefit Corporation” in the United States, with a goal of becoming a B Corp.

Emmanuel FABER then announced that the next step in the partnership with B Lab will be to continue working on a roadmap with an ultimate goal of having all of Danone accredited as a B Corp. He also announced that at the next Consumer Goods Forum to be held in June in Berlin, Danone will reveal its new corporate signature, a key step on Danone’s ongoing transformation path.

Emmanuel FABER then discussed Danone’s new corporate organization announced in 2017. He noted that this organization begins at the local level, with 30 clusters constituting the backbone around which Danone is building its business, and he discussed the new management team composed of the Danone’s 15 regional managers, who are closer to consumers and authorized to make decisions at the global level. He also mentioned Danone’s streamlined Executive Committee, which was reduced in size (from 12 to 8 members), making it more agile and efficient.

He continued with a presentation of two new functions that will enable Danone to develop its ability to seize growth opportunities and improve its efficiency. The “Resources Efficiency” corporate function, which helps to optimize the efficiency with which Danone manages its resources, will expand the company’s ability to innovate and grow with a “Growth & Innovation” function, which now combines the R&D, digital, sales and marketing activities.

Emmanuel FABER commented that Danone is raising its 2017 targets to double-digit growth in underlying earnings per share at constant exchange rates, mainly because the company is successfully implementing its growth agenda in a complex environment.

Lastly, Emmanuel FABER thanked shareholders, without whose support Danone’s transformation would not be possible and pointless, since shareholders have been an integral part of Danone’s dual economic and social model over the past 50 years and will be for many years to come.

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Following a question and answer session with shareholders that lasted nearly one hour, the Chairman put the 25 resolutions on the agenda up for a vote.

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

*Resolutions pertaining to the Ordinary Shareholders' Meeting:*

1. Approval of the statutory financial statements for the fiscal year ended December 31, 2016;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2016;
3. Allocation of earnings for the fiscal year ended December 31, 2016 and setting of the dividend at €1.70 per share;
4. Option for the payment of the dividend in shares;
5. Renewal of the term of office of Gaëlle OLIVIER as Director;
6. Renewal of the term of office of Isabelle SEILLIER as Director;
7. Renewal of the term of office of Jean-Michel SEVERINO as Director;
8. Renewal of the term of office of Lionel ZINSOU-DERLIN as Director;
9. Appointment of Gregg L. ENGLES as Director;
10. Approval of agreements referred to in Articles L. 225-38 *et seq.* of the French commercial code entered into by the Company with J.P. Morgan Group;
11. Opinion on the components of compensation due or awarded to Franck RIBOUD, Chairman of the Board of Directors, for the year ended December 31, 2016;
12. Opinion on the components of compensation due or awarded to Emmanuel FABER, Chief Executive Officer, for the year ended December 31, 2016;
13. Approval of the compensation policy for the Chairman of the Board of Directors;
14. Approval of the compensation policy for the executive corporate officers of the Company;
15. Authorization granted to the Board of Directors to purchase, retain or transfer Company shares.

*Resolutions pertaining to the Extraordinary Shareholders' Meeting:*

16. Delegation of authority to the Board of Directors to issue ordinary shares and securities, with preferential subscription right of the shareholders;
17. 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 right;

18. 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;
19. 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;
20. 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;
21. 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;
22. Delegation of authority to the Board of Directors to issue ordinary shares and securities in favor of employees who are members of a company's savings plan and/or to carry out reserved sales of securities, without preferential subscription right of the shareholders;
23. Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders;
24. Authorization granted to the Board of Directors to reduce the share capital by canceling shares;
25. Powers to carry out formalities.

All of the management's presentations to the Shareholders' Meeting, voting results and the video of highlights from the Shareholders' Meeting are available on Danone's website at the following address:

<http://www.danone.com/en/for-you/investors/shareholder-center/shareholders-meeting/>

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