



DANONE

**REPORT OF THE
SHAREHOLDERS' MEETING**

APRIL 26, 2018

MAISON DE LA MUTUALITE

A total of 935 shareholders attended the Danone Shareholders' Meeting (ESM), which was held at Maison de la Mutualité on Thursday April 26, 2018. The number of shareholders in attendance, represented by proxy or voting by correspondence totaled 7,445 (ESM). The quorum was established with 55.75% (ESM).

Upon opening the Shareholders' Meeting, Emmanuel FABER expressed his gratitude to Jean LAURENT, a Danone director since 2005 and Lead Independent Director since 2013, who decided not to seek the renewal of his term of office. Emmanuel FABER also thanked Mouna SEPEHRI and Jacques Antoine GRANJON, who also decided not to stand for the reelection of their term of office.

Emmanuel FABER then welcomed new directors Michel LANDEL, Cécile CABANIS and Guido BARILLA, and a video presentation was shown to the shareholders.

Emmanuel FABER next paid tribute to Franck RIBOUD, Honorary Chairman, who served as Danone's Chairman for 22 years.

Three presentations were made to shareholders during the meeting:

1. a financial presentation on 2017 results and the 2018 outlook by Cécile CABANIS, Chief Financial Officer, Strategy and Information Systems, Cycles and Procurement;
2. a presentation on new developments in the Essential Dairy and Plant-Based business in Europe by Bernard DUCROS, and
3. a strategic presentation by Emmanuel FABER, Chairman and Chief Executive Officer, on Danone's goals through 2030.

1. Financial presentation on 2017 results and the 2018 outlook

After showing a video on Danone's key figures and highlights of 2017, Cécile CABANIS began her presentation by describing the strong performance in 2017, which demonstrated yet another year of significant progress in Danone's transformation as it strengthens its growth model.

Cécile CABANIS detailed 2017 results and key performance indicators. The performance for the year was marked by:

- 2.5% like-for-like annual sales growth, including 4.2% growth during the second half;
- greater efficiencies of Danone's model, as reflected by the very strong margin gains (+70 basis points on a like-for-like basis) despite the noticeable increase in raw materials inflation; and
- free cash-flow over €2 billion, up a 18.4% from 2016.

Cécile CABANIS then described how Danone creates sustainable value for its shareholders in a responsible way:

- **consolidation of its health-focused portfolio** and improvements to the nutritional profile of these products. 88% of volume sold is suitable for daily consumption, based on official public health recommendation;

- **improvements of its carbon footprint** (a 10.5% reduction in 2017 versus 2015), not only for its own direct consolidation scope but across the entire supply chain. In 2017, Danone was also for the first time ranked in the Leadership category by the CDP (with an A- rating) for its “Climate Change” program, and will make its performance in this area one of the criteria determining managers’ LTIs; and
- **five entities were B Corp certified at end-2017 along with three more since the start of the year** (Danone North America is the most recent).

This year of progress led to a very strong recurring EPS growth of +14.2% at constant exchange rates, fully in line with Danone’s 2017 objectives.

Cécile CABANIS then noted that the Board of Directors decided to propose a dividend increase to €1.90 per share, up 11.8% from 2016.

Cécile CABANIS then discussed the results for each reporting entity:

- **Specialized Nutrition**, which represented 29% of sales in 2017, recorded yet another very strong performance with **+9.3%** growth in 2017, driven by value and volume gains. Early Life Nutrition sales increased by nearly 10%, with very strong sales in China, reflecting a rebound in demand as well as market share gains across all direct distribution channels. Meanwhile, Advanced Medical Nutrition delivered mid-to-high single digit sales growth, driven by all regions and all product segments, and with visible gains in brands such as *Neocate*, *Nutrison* and *Nutrini*. In 2017, Specialized Nutrition achieved a very significant operating margin increase of almost 200 basis points to reach 23.73% for the full year;
- **EDP Noram**, which accounted for 18% of 2017 sales, posted a negative 2% growth in 2017, including a sequential improvement since the WhiteWave acquisition completed in April, with sales contracting by -0.4% in Q4, improving from a -2.6% for the previous 9 months. Despite this negative growth on the year, EDP Noram delivered stable margin in 2017 thanks to more than USD 50 million synergies with WhiteWave, ahead of plan;
- **EDP International**, which accounted for one-third of sales, posted a negative -1.3% growth in 2017, with a Q4 nearly flat at -0.3% but positive excluding Brazil. Sales growth in Europe (excluding *Alpro*) improved sequentially in 2017. *Activia* registered clear signs of progress in some of the biggest countries (France, Spain, United Kingdom, Italy) from the fourth quarter. The relaunch in Q3 of *Danone’s* flagship brand, with a new and enhanced brand stature, also contributed to this positive trend. Danone successfully continued to expand in Europe its portfolio of young and local-heritage brands, including *Light & Free* in the UK or *Les Deux Vaches* in France. Sales of *Alpro*, now the second-largest EDP International brand in Europe, grew nearly 10% over the year, driven by robust demand for nut-based beverages and plant-based alternatives to yogurt. Despite a challenging economic environment and higher milk prices and logistics costs, EDP International was able to offset almost all of the effects of this inflation through productivity gains and innovations valorization, thereby limiting the adverse impact on its margin, which fell by only 29 basis points;

- **Waters** registered a +4.7% organic growth in 2017, including a 10.3% rise in the fourth quarter. This growth was evenly balanced between volume and value and driven by both plain waters and aquadrinks. Plain water sales were strong in 2017, with great results across all markets and all brands driven by brand activation campaigns and successful innovations. More and more brands in the plain water category are participating in plastics recycling and the circular economy, in particular *evian*, *Villavicencio* and *Lanjaron*. Notably, *evian* committed to becoming a 100% circular brand using 100% recycled plastic in its bottles by 2025. Meanwhile, in 2017 the aquadrinks category benefited from favorable consumer trends promoting healthier hydration and the launch of major innovations, especially in Turkey, Argentina and Mexico. In China, *Mizone* confirmed the end of its transition period during the second half of the year against a backdrop of gradual recovery for the product category, successful brand activation plans and the positive results of *Mi-Pro* launched in the second quarter. Waters generated profitable growth and a slight margin improvement. Despite the sharp rise in PET prices and the impact of Brexit, efficiency initiatives and portfolio valorization mitigated these negatives on margin.

Cécile CABANIS then discussed the gradual rebalancing of Danone's growth model to achieve each of its 2020 objectives, with:

- a gradual acceleration of sales growth toward a 4 to 5% growth ambition for 2020;
- continued sustained margin improvements toward the objective of a recurring operating margin above 16% in 2020; and
- an evolution of free cash-flow that will be consistent with the pace of deleverage.

Cécile Cabanis also confirmed the Danone's objective of delivering double-digit recurring EPS growth at constant exchange rates in 2018, excluding the impact of the Yakult transaction.

Cécile CABANIS then discussed first-quarter 2018 results, which reflected a strong start to the year. This quarter was marked by nearly 5% organic growth, as Danone outperformed the market in most categories. This performance reflects improvement at all four reporting entities, confirming the Danone's ability to accelerate toward its 2020 goals.

Specialized Nutrition was the main growth driver during the first quarter, with 14.5% organic growth, supported by very strong momentum in Early Life Nutrition in China. EDP International recorded a positive growth during the quarter, and Waters continued to record solid growth across all regions and product segments.

The €1.3 billion in proceeds from the disposal of a portion of Danone's investment in Yakult, finalized at end-March, will be used to deleverage and invest in accelerating organic growth for sustainable value creation.

Cécile CABANIS concluded by describing the significant progress made toward the company's goal of creating and sharing long-term value with all stakeholders, with:

- the successful launch of an innovative €300 million social bond in march 2018. Danone is now the first multinational to issue a bond to finance projects having a positive social impact, in accordance with the new social bonds principles;

- a new milestone towards Danone achieving its global B Corp certification, with the certification of additional entities in the United States and Canada, two years ahead of target. Danone North America becomes the largest certified B Corporation in the world. Approximately 30% of Danone's global sales is now covered by B Corp certification.

Cécile CABANIS concluded her presentation with the company's long-term commitment to reconciling economic growth with social and environmental progress.

2. Presentation of new developments in the Essential Dairy and Plant-Based business in Europe

Bernard DUCROS began by discussing the presence of new ingredients, notably plant-based, on our plates and in our food habits, which reflects a need for authenticity on behalf of consumers. He noted that the *Alpro* brand illustrates these new trends.

Bernard DUCROS then discussed the WhiteWave acquisition, finalized just one year ago, which enabled Danone to become the leader in plant-based products in the United States through the *Silk* brand and in Europe through *Alpro*. Thanks to this transaction, the company has opened up new growth avenues and strengthened its position as global leader of fresh dairy and plant-based products.

Bernard DUCROS then presented the favorable performance in the plant-based category in Europe, whose sales have doubled over five years to €1.6 billion in 2017 and whose *Alpro* brand has a 40% market share. The growth outlook is very positive thanks to the strong positions in several European markets: number one in the United Kingdom, Germany and the Benelux countries, and number two in Italy, Spain and Sweden.

Bernard DUCROS explained that plant-based products are now widely found in stores, with varied ingredients and forms for all types of consumption. Bernard DUCROS noted that plant-based products are also a highly prized ingredient by chefs.

Bernard DUCROS then discussed the history of the *Alpro* brand, created in 1980 by the Vandemoortele family, which has been a pioneer in vegetable oils for cooking since the beginning of the 20th century and which has amassed an in-depth knowledge of plant-based products.

Bernard DUCROS then presented the three growth vectors for *Alpro* in Europe:

- make use of complementary regional positioning by applying Danone's strengths on behalf of *Alpro* in its major markets;
- step up an already vast program of innovations; and
- strengthen the brand's presence in all distribution channels.

With respect to complementary regional positioning, Bernard DUCROS noted that *Alpro* has a strong presence in four European countries – the United Kingdom, Germany, Belgium and the Netherlands – where the brand has its own sales and development organization and teams. He went on to explain that *Alpro* does not have its own sales force in other European countries such as France or Spain, but that Danone will use the strengths of its organization,

consumer knowledge and sales force on behalf of the brand. He noted that *Alpro* has recently made a strong retail debut in France, with excellent product turnover rates.

As for innovation, Bernard DUCROS indicated that in 2018 *Alpro* extended its product lines with an organic line, developed single-serving containers sold separately for consumption to go, as well as products with more fruit content and no sugar added. *Alpro* offers a line of coffee-based products that has shown great success, notably in the United Kingdom. He also explained that *Alpro* is popular among younger generations and is a natural fit in the digital world, which enables it to promote its innovations nimbly and establish a dialogue with consumers. Lastly, he noted that *Alpro* launched plant-based ice cream in the United Kingdom and Spain.

Lastly, with respect to the visibility and presence of *Alpro* in distribution channels, Bernard DUCROS explained that customers have welcomed the brand's arrival at Danone with enthusiasm and shown great interest. As a result *Alpro* enjoys great visibility, as it is present and relevant across all types of distribution channels, with solid representation in hypermarkets and supermarkets (including discounters), convenience stores in urban areas, specialized health food chains, coffee retail chains such as Costa Coffee and, finally, digital commerce.

Bernard DUCROS continued his presentation by explaining that the plant-based product category made it possible to satisfy more varied and malleable consumer demand, moving from traditional yogurt to a plant-based equivalent. Bernard DUCROS explained that the *Alpro* brand's success strengthened the local presence of Danone brands among younger generations and helped to strengthen the means for a return to growth by involving the brands in a fundamental overhaul of product lines. These now include younger products and more single-serving portions to satisfy more fluid lifestyles, as evidenced by the *Les Danone du Monde* product line, which illustrates that cultured products are a universal component of a healthy diet, as well as with indulgence brands.

Bernard DUCROS explained that in addition to plant-based products, Danone's brands also sought expansion in the organic product segment. The *Danone* brand, for example, now includes organic versions. Bernard DUCROS also noted that with the *Light & Free* brand, Danone was reinventing the low-fat product segment, with very modern communications, and that following very strong results in the United Kingdom, Danone was preparing to launch this product line in France and Spain.

Bernard DUCROS concluded by thanking the staff for their commitment to make *Alpro* a great success, not only in the plant-based category but also for all Essential Dairy and Plant-Based products in Europe.

3. Strategic presentation: Danone's goals through 2030

Emmanuel FABER first thanked all Danone's staff for the outstanding results in 2017 and the early part of 2018.

Emmanuel FABER reiterated his confidence in Danone's ability to participate in the food revolution currently under way. As the company nears its 100th anniversary, he announced

his goal of translating Danone's 'One Planet. One Health' vision into long-term goals for 2030.

Regarding the food revolution that Danone aims at serving, Emmanuel FABER noted that the hyper-connected, millennial generation influences – and even defines – the food habits of its entire ecosystem. This generation, which has an acute awareness of the major challenges of our time (climate change, water scarcity, the way food is processed, etc.), requires greater transparency and more information provided by brands with respect to their products. Emmanuel FABER defined this global and rapid trend as a genuine revolution aimed at giving food sovereignty back to the people. Emmanuel FABER noted that Danone's position has long been clear in that regard. Food is a precious asset that reveals who we are, and when we choose the way we eat and drink, each one of us can vote for the world we want to live in. This viewpoint is specific to Danone: the health of people and the health of the planet are interdependent and it is essential and urgent to reconnect them.

Emmanuel FABER noted that Danone's position is reflected in concrete terms through the company's management and its product offering. The company works to promote the diversity of local traditions along with natural and agricultural biodiversity and organic and regenerative agriculture. It also pays close attention to the interaction of brands with user groups and to social and societal innovation programs.

Emmanuel FABER pointed out that the 'One Planet. One Health' vision adopted by Danone is a sign of commitment for all company employees: one planet, one health, one single, indivisible planet with a single, all-embracing health for people, the soil and water.

Emmanuel FABER presented nine long-term, concrete goals, well adapted to society's expectations and world progress. He specified that these goals are in keeping with the Sustainable Development Goals defined by the United Nations for 2030 in order to adopt a relevant and universally comprehensible reference language.

- The first three goals embed **Danone's business model**. The first step involves the goal to **offer superior food experiences and always innovating**, by making daily progress toward more sustainably sourced ingredients, toward greater naturality and transparency and toward simpler recipes and cleaner labels, all the while relying on the company's strong innovative capabilities. The next step is to **deliver superior sustainable profitable growth** by being the best company at embracing the food revolution, building on a solid roadmap built around three priorities: accelerating Danone's growth while maximizing efficiency and allocating resources with discipline. Lastly, the goal to **be certified as a B Corp** will express Danone's long-term commitment to create and share sustainable value for all, in line with its dual economic and social agenda.
- The following three goals help to support the **brand model** developed by Danone. This means **preserving and renewing the planet's resources** through sustainable sourcing for all ingredients, a more circular economy for packaging, protecting soil health and water resources, implementing carbon positive solutions aiming to achieve carbon neutrality by 2050. Next, the goal to **grow manifesto brands** will seek to create purpose driven brands that will act as true activists towards their point of view and the communities they serve; these brands will offer the best experience while having a positive impact on health and the environment. Finally, the goal to **impact**

people's health locally will be based on in-depth knowledge of local dietary habits and nutritional needs, as well as on a unique portfolio of healthy products whose nutritional profile will be continuously optimized in order to promote healthier dietary practices and choices.

- The last three goals are designed to express the central role to be played by **trust** in Danone's management of relations with all stakeholders. The first mechanism is to **serve the food revolution with partners**, by working hand in hand with all Danone's employees, farmers, suppliers, retailers, consumers and partners as well as civil society, governments and public health professionals, so that one day we will be remembered as one of the driving forces that restored to food its true meaning. The second mechanism is to **foster inclusive growth** for the most vulnerable partners in the food chain, including first and foremost the more than 100,000 farmers around the world. There can be no sustainable food without social justice. The third and final mechanism is to **entrust Danone's people to create new futures**, building on Danone's very longstanding social innovation heritage. The company will allow each employee to participate in defining the strategic agenda and the 2030 Goals at both local and global levels.

Emmanuel FABER noted that for the time being these nine goals do not yet include quantified targets, since those will be defined by an **innovative new governance framework that is today being implemented and constitutes the cornerstone of these goals**. As fully engaged participants in the food revolution, all Danone's employees – who will make the goals a reality – will become co-owners of Danone's agenda.

Emmanuel FABER specified that the principle of this new governance is simple: “one person, one voice, one share.”

Emmanuel FABER first discussed “one person, one voice.” Employees will be invited to actively engage and participate in shaping the future towards the Danone 2030 Goals through an internal platform with sharing and learning resources that will enable them to express their opinion and thereby create both a local and a global roadmap. Next, a link will be established between this participative governance model and the Board of Directors, to fully leverage the richness of its content and recognize its importance in the Danone's governance.

Emmanuel FABER then presented “one person, one share” and announced the grant of one share to each of Danone's 100,000 employees in order to foster an ownership mindset throughout the company along with an employee shareholder mentality so as to better align everyone's interests for the long-term. Emmanuel FABER specified that the share to be granted will be linked to the employment contract and combined with an additional annual, amplified dividend-based incentive scheme. Lastly, Emmanuel FABER announced that Danone will gradually implement a global mechanism similar to the Danone company investment fund (FCPE) in France that enables employees to buy shares at a discounted price.

Emmanuel FABER noted that all these decisions received the unanimous support of the Board of Directors and will be gradually implemented through the year. They strengthen Danone's business model in this revolution by making it more relevant, more robust and more in line with the new world, and by orienting Danone's dual economic and social project toward the future. They strengthen Danone's confidence that it can achieve the goals of its roadmap, year in and year out, in order to create long-term value for all.

Emmanuel FABER concluded by thanking shareholders for their trust.

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Following a question and answer session of around 30 minutes with shareholders in attendance, the Chairman and Chief Executive Officer submitted the 16 resolutions on the agenda for a shareholder vote.

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

Resolutions within the authority of the Ordinary Shareholders' Meeting:

1. Approval of the statutory financial statements for the fiscal year ended December 31, 2017;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2017;
3. Allocation of earnings for the fiscal year ended December 31, 2017 and setting of the dividend at €1.90 per share;
4. Option for the payment of the dividend in shares;
5. Renewal of the term of office of Mr. Benoît POTIER as Director;
6. Renewal of the term of office of Mrs. Virginia STALLINGS as Director in accordance with Article 15-II of the Company's by-laws;
7. Renewal of the term of office of Mrs. Serpil TIMURAY as Director;
8. Appointment of Mr. Michel LANDEL as Director;
9. Appointment of Mrs. Cécile CABANIS as Director;
10. Appointment of Mr. Guido BARILLA as Director;
11. Approval of the components of compensation paid or awarded for the fiscal year ended December 31, 2017 to Mr. Franck RIBOUD, Chairman of the Board of Directors until November 30, 2017;
12. Approval of the components of compensation paid or awarded for the fiscal year ended December 31, 2017 to Mr. Emmanuel FABER, Chief Executive Officer until November 30, 2017 and Chairman and Chief Executive Officer as of December 1, 2017;
13. Approval of the compensation policy for the corporate officers;
14. Authorization granted to the Board of Directors to purchase, retain or transfer the Company's shares;

Resolutions within the authority of the Extraordinary Shareholders' Meeting:

15. Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders;
16. Powers to carry out the formalities.

All of the managers' presentation to the Shareholders' Meeting, voting results and the video of 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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