

ANNUAL REPORT 2018

Danone



INNOVATING
to accelerate
THE FOOD
revolution

**DISCOVER
OUR 2030 GOALS**
to create and share
sustainable value for all

**'ONE PERSON,
ONE VOICE, ONE SHARE'**
an innovative employee
engagement program
and governance model

**INNOVATION
IN ACTION**
with our
Manifesto brands

100 years OF PIONEERING healthy innovation

il est pur*



L. DUPUY Paris.

D.P.F.F. 672 039 971 RCS BOBIGNY.

* It's pure

Oleg Zinger

1957 - Il est pur Danone

100 years ago, Isaac Carasso created a simple food with a simple aim to improve health: mixing ferments and fresh milk, he made a yogurt that he affectionately named 'Danone' after his son, Daniel. Over the years, we have continued to innovate to anticipate and meet people's needs as their lifestyles and tastes evolved.

What has never changed, is our commitment to bringing health through food to as many people as possible. From this simple mission, articulated by Franck Riboud, we have built a unique health-focused portfolio. Through a century of revolutionary change, our business has grown from yogurts sold in the pharmacies of Barcelona to a range of foods and beverages, enjoyed by millions of people around the world, which offer superior food experiences while inspiring healthier and more sustainable eating and drinking habits.

Through our 'One Planet. One Health' vision, not only do we live up to the values behind the very first Danone yogurt—quality products made with carefully selected ingredients in a way that nourishes people's health—but we also take care of the health of the planet. Building on our legacy dual project of business success and social progress, we are committed to creating long-term value for our shareholders as for everyone in our food system.

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EDITORIAL BY OUR CHAIRMAN AND CEO

Emmanuel Faber

Looking back on the year during which we launched the Danone 2030 Goals—the lighthouse that will guide us through the food revolution to make our ‘One Planet. One Health’ vision a reality—we can be proud of the results achieved by our teams: 2018 was marked by innovation in every aspect of our business, to create and share value for our shareholders and all of our stakeholders.

Innovating to drive growth and serve the food generation

2018 was another year of solid performance for Danone. Our unique health-focused portfolio, balanced geographical footprint and focus on innovation and efficiencies have once again enabled us to remain resilient despite a very volatile environment and rising cost pressures. While transforming our business to seize growth opportunities

and pursuing disciplined capital allocation, we delivered on our financial guidance of double-digit recurring EPS growth at constant exchange rate⁽¹⁾, through balanced growth of both sales and margin.

Specialized Nutrition has been an important engine of strong, profitable growth, supported by the expansion of *Aptamil Platinum* in China. Our Waters division has been a consistently strong performer as we developed new distribution opportunities, in particular for *evian* in the United States. Essential Dairy & Plant-Based Products (EDP) made encouraging progress, notably in Europe. It capitalized on the strategic transformation of our dairy activities, including a multi-faceted reinvention of *Activia*, and incremental growth from the former WhiteWave portfolio. We expanded organic and high protein options, as well as plant-based offerings from brands like *So Delicious* and *Alpro* and also under a dairy brand in the U.S., with *Good Plants* by *Light & Fit*.

We continue to adapt to the ever-changing world, as exemplified by the impressive acceleration of our innovation rate, supplying about a quarter of our total sales in 2018 from only 16% two years ago. Our transversal Growth & Innovation approach, our brand model transformation and the simplification of our organization have been key levers to be more agile and become the most localized of our peers, prepared to capture the underlying value of the biodiversity of local food cultures and agricultures in tune with the new eating and drinking paradigms.

We expanded our presence across all channels and developed convenient formats to serve life on the move. Year-on-year, we saw a 40% growth in e-commerce and two thirds of EDP growth came through impulse channels. Moreover, the year was rich in innovative brand activations to have real-time conversations with consumers locally, such as the *evian #Iwanna* campaign in the U.S.,

(1) Excluding impact of Yakult transaction and IAS29 accounting treatment.

“TODAY, PEOPLE EXPECT COMPANIES TO USE THEIR SCALE TO BRING POSITIVE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT. AS WE BRING OUR ‘ONE PLANET. ONE HEALTH’ VISION TO LIFE, WE BELIEVE WE CAN CHANGE THE WORLD THROUGH FOOD.”

Light & Free ‘el futuro es free’ campaign in Spain or Bonafont ‘Avancemos por la igualdad’ in Mexico.

Innovation also allowed us to drive value creation in an inclusive way. In 2018, we developed several partnerships and initiatives to support regenerative agriculture—for example in France and the U.S.—and accelerate the transition toward the circular economy of packaging with a new global policy. Our pioneering initiatives in responsible finance, the upgrade of our CDP Climate Change ranking to A, and our B Corp™ Certification journey are building trust in our ability to combine business success with social and environmental progress.

Business growth with purpose: 2030 Goals and a breakthrough governance model

I believe that 2018 will be remembered as a pivotal year in Danone’s history. To accelerate the food revolution, we unveiled Danone’s 2030 Goals. Flowing from our ‘One Planet. One Health’ vision, and aligned with the UN Sustainable Development Goals, this integrated set of goals is the foundation of a holistic strategy to create and share value for our shareholders and all of our stakeholders.

These 2030 Goals embed our business model, brand model and trust model. In a

nutshell, they formalize our ambition to deliver superior, sustainable, profitable growth through Manifesto brands that act as true activists towards a clearly defined purpose, while leveraging internal and external collaboration.

Our teams are playing a fundamental role to achieve this ambition. To truly empower them and move away from the pyramidal model of the past, we launched ‘One Person, One Voice, One Share’: a breakthrough governance model inviting our 100,000 employees to co-build our future. Each of us at Danone will become a shareholder of the company this year and after a worldwide consultation that we launched in 2018, the voice of all our team members will now routinely inform the definition of our priorities and our strategy, in interaction with our Board of Directors. Fostering an ownership mindset for all employees is an incredible way to align everyone’s interests for the long term and drive change.

The next 100 years, together

I would like to thank our teams for their commitment and demonstrated ability last year to both deliver on our short-term commitments—through a balanced model of gradually accelerating growth, significant margin enhancement and a stronger balance sheet—and simultaneously walk the path to our 2020 commitments. As we

keep deploying our purpose-driven Manifesto brand model and investing in disruptive ideas, we remain well prepared to seize new opportunities and reach bold ambitions—like doubling sales in e-commerce channels by 2020 and tripling our plant-based business by 2025. We go into 2019 thrilled to celebrate the 100th anniversary year of our iconic Danone brand, with a unique collective sense of purpose, energized to shape a bright future and thrive through the food revolution with the support of many partners.



Discover the video on: iar2018.danone.com



DANONE AT A GLANCE

OUR MISSION:
 “BRINGING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE”

Leading Positions ⁽¹⁾

#1
WORLDWIDE

in Fresh Dairy Products
 in Plant-Based Products

#1
EUROPE

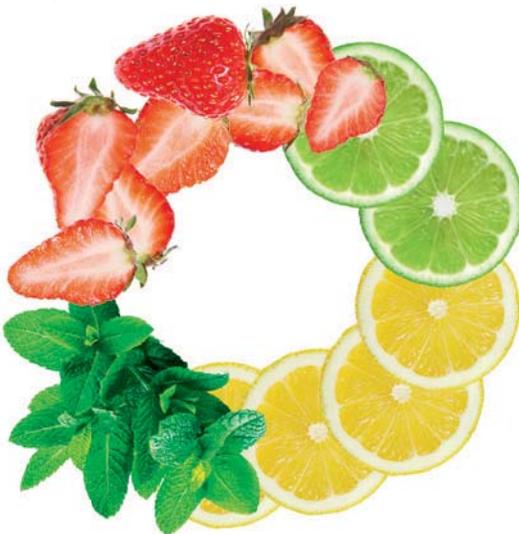
in Advanced Medical Nutrition

#2
WORLDWIDE

in Early Life Nutrition
 in Packaged Waters (by volume)

Sales by Reporting Entity

29%
 Specialized
 Nutrition



20%
 Essential Dairy
 & Plant-Based
 North America

33%
 Essential Dairy
 & Plant-Based
 International

18%
 Waters

Top 3 Brands

as % of 2018 sales



A Global Presence

120+
 countries where Danone products
 are available across the globe

100,000+
 employees in over
 55 countries

66%
 of sales outside
 Europe

(1) Only in the subcategories and countries where Danone operates.

A GLOBAL LEADER WITH A UNIQUE HEALTH-FOCUSED PORTFOLIO IN FOOD AND BEVERAGES

A solid performance in 2018

€24.7bn
Sales

14.45%
Recurring operating margin

€3.56
Recurring earnings per share (EPS)

€1.94
Dividend per share payable in cash

+2.9%
Sales growth⁽¹⁾

+51bps⁽²⁾
Recurring operating margin expansion⁽¹⁾

+12.8%
Recurring earnings per share (EPS) growth at constant exchange rate, excluding impact of Yakult transaction and IAS 29 accounting treatment

€2.2bn
Free cash flow

Sales by Region

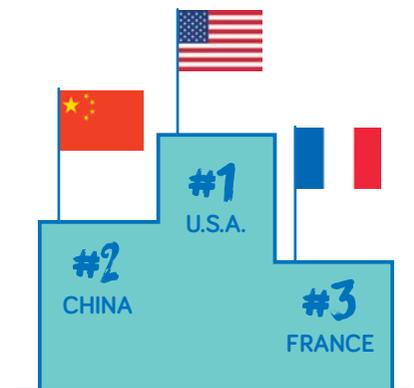
55%
EUROPE AND NORAM
(U.S.A., Canada)



45%
REST OF THE WORLD
Asia-Pacific, Latin America, Middle East, Africa, C.I.S.⁽³⁾

Top 3 Countries

as % of 2018 sales



Health, Social and Environmental Performance

89%
of volumes sold are in healthy categories⁽⁴⁾

15.6%
reduction in CO₂ emissions intensity on our full scope⁽⁵⁾

~30%
of turnover is covered by the B Corp™ certification

87%
of our packaging is recyclable, reusable or compostable

50%
of women among our managers, directors and executives

(1) Like-for-like New Danone.

(2) Basis points.

(3) C.I.S.: Commonwealth of Independent States.

(4) In operational terms, 'Healthy product categories' for Danone refers to water, yogurts, milks and other daily dairy products, beverages with 0% sugar, early life nutrition products (except biscuits and beverages for children under 3 years old) and medical nutrition. The remaining categories are mainly low sugar beverages and indulgent products. It does not include Alpro and WhiteWave legacy entities.

(5) Baseline 2015. The data provided is based on constant scope of consolidation and constant methodology.

2018 KEY MILESTONES



Discover the video on:
iar2018.danone.com



FEBRUARY

New plant-based experiences

Expanding our *Alpro* brand in Europe, we launched new plant-based alternatives to yogurt and the *Alpro Caffè* range, a coffee drink for at-home or on-the-go consumption, which comes in different flavors.



FEBRUARY

Danone Act: a pledge for sustainable agriculture, choice and transparency

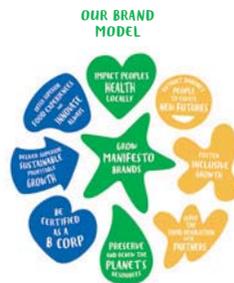
In France, we are making our 'One Planet. One Health' vision a reality by actively supporting regenerative agriculture practices, being more transparent about our products, and offering an organic range for *Blédina*, *Danone*, *Danonino*, *evian*, *Volvic* and *Alpro*.



APRIL

Dairy: constantly reinventing iconic brands

Created 100 years ago, the *Danone* yogurt brand reinvents itself every day: in 2018 we introduced the *Danone of the World* range in France and Italy and launched *Danone Le Bio* in France, a series of yogurts made with 100% organic milk. In Russia, our iconic dairy brand *Prostokvashino* reinvented its classic sour cream recipe with a baked variant, offering consumers a completely new taste experience.



OUR BUSINESS MODEL

OUR TRUST MODEL

APRIL

Our 2030 Goals

Danone unveiled nine long-term goals to embrace the food revolution and bring our 'One Planet. One Health' vision to life while creating value for shareholders and all of our stakeholders. Our 100,000+ employees are the driving force to achieve this through an innovative governance model: 'One Person, One Voice, One Share.'

See p. 08



MAY

Natural and organic

In France and Germany, consumers can now enjoy the new *Volvic Essence* range: natural mineral water infused with fruit and herbal extracts. With no sugar or additives, it is a natural and organic choice for consumers seeking healthy hydration.



SEPTEMBER

OpTri bottle: new tube feeding solution

Nutricia launched *OpTri* bottle—a new collapsible and recyclable tube feed bottle for adults and children who are unable to swallow, designed in collaboration with healthcare professionals, patients and carers. This bottle is also more environmentally friendly requiring 85% less water to make than traditional pouches.



SEPTEMBER 21ST

#Jesaisjagis in France

All Danone brands in France donated a full day's sales—over €5m in total—to support regenerative agricultural projects. 1,500 employees alongside farmers and suppliers had discussions with consumers in supermarkets about regenerative agriculture as a way to protect soils, promote animal welfare and support farmers.



SEPTEMBER

Home delivery of healthy meals for kids

Danone Manifesto Ventures invested in *Yumble*, a company helping more parents serve healthy foods to their kids. *Yumble* produces and delivers meals that include a wide variety of nutrient-rich vegetables, grains, proteins, herbs and spices to support developing minds and bodies.

See p. 35



MARCH

Our pioneering initiatives in responsible finance

Our €2-billion syndicated credit facility now includes ESG (Environment, Social and Governance) criteria impacting the margin payable to our banks. We also launched a successful €300-million social bond to finance projects that drive a positive social impact.



MARCH

Supporting gender equality in Mexico

Bonafont has entered into a three-year partnership with UN Women HeForShe to raise awareness on gender equality in Mexico. Money raised through a limited edition bottle and the annual *Bonafont Carrera* female race supports women's entrepreneurship and empowerment projects.

See p. 28

Certified



Corporation

APRIL

Advancing Danone's B Corp™ ambition

Certified two years ahead of target, Danone North America became the largest B Corp™ in the world. Danone Canada, Alpro, Grameen Danone and Danone Manifesto Ventures were also certified in 2018. Approximately 30% of our turnover is now covered by B Corp™ certification, reflecting our commitment to use business as a force for good.



MAY

Happy Family brings its organic baby nutrition to China

To help millennial parents introduce simple and healthy eating into their babies' diets, *Happy Family* offers a selection of organic baby food (baby cereal, yogurt, fruit and vegetable snacks) in China, in collaboration with select e-retail partners.



JUNE

Danoners World Cup

More than 10,000 employees, from production sites to warehouses and offices, participated in the Danoners World Cup, our iconic mixed soccer competition. An extraordinary opportunity to foster friendship and sportsmanship outside of the workplace between men and women of more than 60 different nationalities.



SEPTEMBER

New approaches to healthy hydration: Mitte

Danone Manifesto Ventures invested in Mitte, a German startup that has created a smart water system allowing people to purify and enhance tap water at home in a sustainable way. It offers a selection of mineral cartridges for individuals to personalize their daily drinking water.

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OCTOBER

Danone Packaging Policy

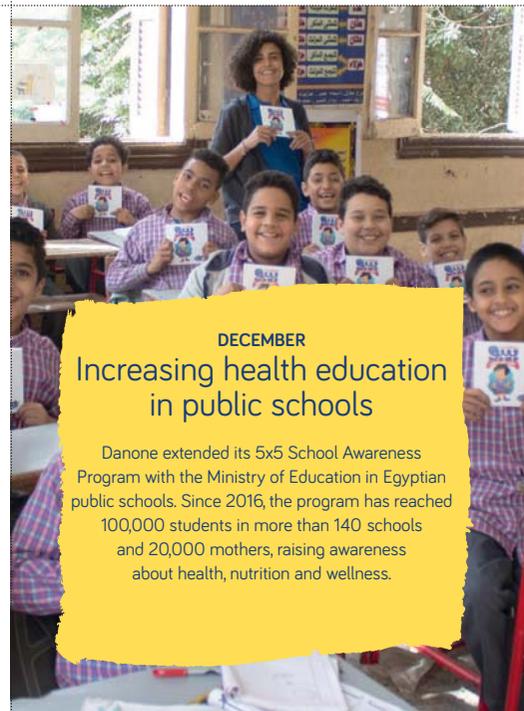
Danone formalized a series of global commitments in favor of a circular economy of packaging. These include designing all packaging to be 100% recyclable, reusable or compostable by 2025 as well as developing collection and recycling systems that keep existing packaging material in use.



DECEMBER

Good Plants: lactose- and dairy-free

In the U.S. *Light & Fit* expanded its range with a new dairy-free yogurt alternative in four flavors, certified suitable for vegans and non-GMO. *Good Plants*, an almondmilk probiotic yogurt alternative, has 40% fewer calories and 70% less sugar than most other similar products.



DECEMBER

Increasing health education in public schools

Danone extended its 5x5 School Awareness Program with the Ministry of Education in Egyptian public schools. Since 2016, the program has reached 100,000 students in more than 140 schools and 20,000 mothers, raising awareness about health, nutrition and wellness.

OUR 2030 GOALS TO EMBRACE THE FOOD REVOLUTION

At Danone, we believe that the health of people and that of the planet are interdependent and we want to nourish and protect both. Flowing from our 'One Planet. One Health' vision, we have defined a set of nine long-term goals—aligned with the Sustainable Development Goals of the United Nations—to embrace the food revolution while creating sustainable value for our shareholders and ecosystem as a whole. Our more than 100,000 employees are the driving force to achieve this.



Our Contribution to the UN Sustainable Development Goals

The Danone 2030 Goals are aligned with the 2030 Sustainable Development Goals (SDGs) of the United Nations, thus adopting a language that is universally understood.

Danone is fully committed to these SDGs with a major focus on seven of them (SDGs 2, 3, 6, 8, 12, 13 and 17), which embody our strategic mission, resonating with our product portfolio and with the material stakes of our industry.

OUR BUSINESS MODEL

We will grow profitably and sustainably as a B Corp™ and innovate, always

We innovate to **offer superior food experiences**. Our strategic choice to focus on healthy foods in some of the fastest growing categories enables us to **deliver superior, profitable growth** and inspire healthier and more sustainable eating and drinking habits. Growing responsibly is essential to us and our ambition is to become a **Certified B Corp™**, in line with our dual project of economic success and social progress.

OUR BRAND MODEL

We will grow Manifesto brands to protect and nourish the health of people and the planet

Leveraging our in-depth understanding of local health challenges and food cultures, we contribute to **improving people's health locally** through better products, better choices and better habits, thus fulfilling our mission to bring health through food to as many people as possible. We are transforming how our purpose-driven **Manifesto brands** engage people to join us in advancing social, environmental and health-related causes. From regenerative agriculture and water stewardship to circular thinking in packaging, we strive to be a game-changer and foster positive solutions to **preserve and renew the planet's resources**.

OUR TRUST MODEL

We will empower our people and work with partners in an inclusive way

We are **entrusting our more than 100,000 employees to create new futures** by enabling each of them to co-own our agenda and our goals, at global and local level. We continue to pioneer ways to **foster inclusive growth** for all stakeholders in our food chain, especially vulnerable ones. We are joining forces to **serve the food revolution with our partners** to co-create durable solutions and change the way food is grown, produced, marketed, distributed, sold and consumed.



AN INNOVATIVE EMPLOYEE ENGAGEMENT PROGRAM AND GOVERNANCE MODEL

As a founding act to bring our 2030 Goals to life, we created an innovative governance model—'One Person, One Voice, One Share'—that puts Danone's 100,000 employees at the center of shaping the company's future.

Co-building our roadmap

In 2018, we started a new annual strategic routine involving Danone employees: 'One Person, One Voice, One Share', a pioneering program that gives the opportunity to each of our more than 100,000 employees to co-build the company's future in a transparent and inclusive way.

Each employee was invited to participate in a worldwide digital consultation to share his or her views—as an employee, as a consumer, as a citizen—on what is urgent to address at local and global level. The response to our first

worldwide consultation was incredible: more than 75,000 people from all our production sites to offices around the globe made their voice heard. We collected 360,000 verbatims in 35 languages, and some 35,000 employees have volunteered to analyze the consultation's results and insights.

Fostering an ownership mindset

In addition, starting in 2019, each employee will be granted one Danone share combined with an annual, amplified dividend-based incentive

scheme. By building on the power of many and deepening an ownership mindset, 'One Person, One Voice, One Share' is a unique inclusive experience. This yearly routine will enable us to move forward to embrace the food revolution and create sustainable profitable value for all.



For more information:
iar2018.danone.com

"OUR PIONEERING 'ONE PERSON, ONE VOICE, ONE SHARE' PROGRAM BEGINS WITH THE BELIEF THAT EACH EMPLOYEE HAS A PIVOTAL ROLE TO PLAY. TOGETHER, WE CAN BE A CATALYST FOR CHANGE."

Bertrand Austruy,
 Executive Vice President,
 Human Resources and General Secretary



CREATING VALUE FOR ALL

By supporting, empowering and collaborating with all of our partners across the value chain, we are able to create and share greater long-term value for all. Together, we work every day towards creating a healthier and more sustainable future.

RESEARCHERS

On strategic topics such as food safety, probiotics, microbiota, hydration and aging, research plays a central role in our growth strategy. By partnering with the academic and scientific world, we seek to improve our understanding of health and nutrition issues and integrate this knowledge into increasingly healthy and innovative products that meet new consumer demands.

RETAILERS & BUSINESS PARTNERS

To help consumers make healthier and more sustainable choices anytime and anywhere, we are stepping up collaboration and investments to grow across all channels. We activate our brands in-store and across multiple platforms, to match local tastes, lifestyles and shopping preferences.

TRADE UNIONS

We are committed to pioneering new ways to strengthen social dialogue. Over the last 40 years, we've developed a series of international agreements for a common set of policies across the company on major topics such as gender equality, diversity, health and supply chain standards.

EMPLOYEES

We believe in empowering our more than 100,000 employees to bring our vision to life. Our innovative governance model 'One Person, One Voice, One Share' will enable Danone employees to co-build our agenda at local and global level, and foster a co-ownership mindset.
> See p. 08-09

COMMUNITIES

We contribute to the development of communities and their environment, mainly through our social innovation funds. We invest in community-led projects and co-create with partners for a more sustainable and inclusive future.

FARMERS

We source milk in some 20 countries as well as fruit, cereals, and other raw ingredients. While actively supporting farmers by providing equipment and training in regenerative practices, we are developing innovative long-term contracts with dairy producers to improve visibility and financial stability.



FOOD TECH & ENTREPRENEURS

We are partnering with food tech startups across the globe that share our vision of a healthy and sustainable future for food. Through Danone Manifesto Ventures, we invest in high growth potential companies bringing unique products and disruptive models, to drive forward the food revolution.

> See p. 35

SHAREHOLDERS

We create sustainable value for our shareholders in a responsible way. Consistent growth both in earnings and dividends aims to provide regular and competitive returns.

SUPPLIERS

To accelerate the global transition towards a circular economy of packaging, we intend to keep driving collaboration and commit to ensuring that our packaging will be 100% recyclable, reusable or compostable by 2025.

CONSUMERS

We listen and respond to the fast-changing expectations of consumers worldwide, tailoring sustainably produced food and drink choices that nurture health at every stage of life. 89% of volumes sold in 2018 were in healthy categories⁽¹⁾ and innovation accounted for about a quarter of our sales in 2018.

(1) In operational terms, 'Healthy product categories' for Danone refers to water, yogurts, milks and other daily dairy products, beverages with 0% sugar, early life nutrition products (except biscuits and beverages for children under 3 years old) and medical nutrition. It does not include Alpro and WhiteWave legacy entities.



PERFORMANCE

INNOVATING
to delivers
SUSTAINABLE
profitable
VALUE



3 QUESTIONS TO CÉCILE CABANIS

Executive Vice President, Chief Financial Officer, IS/IT,
Cycles and Procurement

How did Danone perform in 2018?

2018 was another year of solid performance, with double digit growth in recurring EPS, at constant exchange rate and excluding the impact of Yakult, in line with our guidance. Sales growth accelerated, at 2.9% on a like-for-like basis. Margin improved for the fourth consecutive year, to 14.45%, our €1 billion efficiency program 'Protein' delivered ahead of plan and free cash flow increased by more than 7%, at €2.2 billion.

All our businesses contributed to the growth, despite headwinds in some of our markets such as Morocco. Significant plant-based expansion and a strong acceleration of innovation have bolstered the performance of our Essential Dairy & Plant-Based business, with Europe managing to stabilize sales at year end. Waters have grown at a consistent strong

pace this year, across all geographies. Specialized Nutrition posted a year of broad-based profitable growth, driven by strong performance of pediatric and adult care in Advanced Medical Nutrition and by Early Life Nutrition, with notable contribution of China.

What are your expectations for 2019?

We continue to focus on our key priorities to accelerate growth, maximize efficiencies, and allocate resources with discipline. Environment volatility and raw materials inflation are likely to continue to be headwinds and in this context, we keep strengthening our operational model through portfolio valorization and cost efficiencies.

2019 will be a year of progress towards our 2020 objectives. The path will not be linear as a result of unbalanced growth profile of 2018.

How does Danone's social and environmental approach support the performance?

Our 2030 goals unveiled in 2018 demonstrate again how social and environmental performance are deeply embedded in our strategic and operating model. I am particularly proud of two pioneering initiatives this year. We were able to index the payable interest on a €2-billion syndicated credit line to our ESG performance and the amount of sales covered by the B Corp™ certification. We also launched an innovative corporate social bond, which attracted significant interest from investors. Its proceeds will be allocated to projects that bring positive social impact to our stakeholders, supporting our ambition to create profitable sustainable value for all.

"WE ARE FULLY CONVINCED THAT TAKING A STANCE WILL OFFER A COMPETITIVE ADVANTAGE TO OUR BRANDS IN A WORLD WHERE PEOPLE EXPECT TRANSPARENCY AND ARE ALIGNING THEIR CONSUMPTION CHOICES WITH THEIR BELIEFS."

HEALTH & NUTRITION PERFORMANCE

Our mission to bring health through food to as many people as possible, is embodied by our unique portfolio of health-focused products. We strive to continuously improve their nutritional profile and to build on our in-depth knowledge of local contexts, socio-cultural dimensions and public health concerns to promote healthier diets.



Access to Nutrition Index⁽¹⁾

Among top 3 performing companies

No.1 in Breast-Milk Substitutes Marketing sub-ranking

OUR SIX NUTRITION COMMITMENTS

To prove our engagement in the food revolution, we issued six Nutrition Commitments to evaluate our performance with measurable and time-bound objectives set for the end of 2020.



#1
Continuously improve the nutritional quality of our products



#2
Design healthier alternatives relevant to consumers



#3
Reinforce our understanding of local nutrition practices and public health contexts



#4
Contribute to addressing local public health challenges through partnerships



#5
Develop even more responsible marketing practices, especially to children



#6
Provide the most appropriate product labeling to encourage healthier practices



(1) The Access to Nutrition Index assesses major Food and Beverages companies on their nutrition-related performance: <https://www.accessnutrition.org/>



Find out more on: iar2018.danone.com

Key Achievements in 2018

In 2018, we continued our Health and Nutrition strategy and initiated new projects in favor of our six commitments for 2020.



Better products: the nutritional quality of our product portfolio

In line with our strategy to invest in healthy categories (infant and medical nutrition, plant-based products, etc.), we have set ambitious and comprehensive Nutritional Targets aimed at continuously improving the nutritional quality of our products.



Better choices: encouraging healthier practices

We are committed to designing healthier alternatives that are relevant for consumers. We believe an enjoyable consumption experience is the first driver of healthier choices and essential to encourage sustainable healthy eating and drinking habits. Responsible marketing practices and transparent labeling are also key to inducing healthier behaviors.

89%

of volumes sold in 2018 are in healthy categories⁽¹⁾⁽²⁾

78%

of volumes sold at end 2018 are in line with the 2020 Nutritional Targets⁽²⁾⁽³⁾

10%

of volumes sold in 2018 are products that have been nutritionally improved within the year⁽²⁾

11

local marketing to children pledges signed to date by Danone, in addition to the regional E.U. pledge covering the 28 E.U. countries

98%

of Danone's television advertising is compliant with the E.U. pledge criteria⁽⁴⁾

100%

of Danone's websites and brand profiles are compliant with the E.U. pledge criteria⁽⁵⁾



Understand local nutrition practices and public health issues

In every country where we do business, it is key to have a good understanding of the local nutritional context, major public health concerns, eating practices, and social-cultural dimensions in order to define appropriate local strategies and a product portfolio that promotes healthier diets.



Contribute to addressing local public health challenges

We create partnerships and join existing movements to contribute to local public health challenges together. We engage in the co-development of services and education programs that can have a positive impact on the health and wellness of communities and people around the world, including that of our employees.

57

countries are covered by in-depth studies of local nutrition and health contexts⁽⁶⁾

30

education and information programs were active in 2018. 35 million people were potentially reached since their launch⁽²⁾

13,296

employees were trained in nutrition and/or hydration in the last two years⁽²⁾

Among these 57 countries:

11

countries are covered by studies aiming to quantify dietary⁽⁷⁾ and fluid intakes⁽⁸⁾

10

countries are covered by studies focusing on food cultures⁽⁹⁾

The data provided on this page does not include Alpro and WhiteWave Legacy entities.

(1) In operational terms, 'Healthy product categories' for Danone refers to water, yogurts, milks and other daily dairy products, beverages with 0% sugar, early life nutrition products (except biscuits and beverages for children under 3 years old) and medical nutrition. The remaining categories are mainly low sugar beverages and indulgent products.

(2) One Health Scorecard: Representing 61 reporting entities and about 65% of Danone's annual net sales in 2018.

(3) All product categories except packaged water, cooking aids, and products for which a target is not yet defined. Products must attain all nutrient thresholds for their category in the 'Danone Nutritional Targets 2020'.

(4) Compliance is weighted by volumes of products sold. This rule applies both at portfolio and product (i.e. multipack) levels.

(5) Independent audit conducted in 7 countries: France, Germany, Hungary, Italy, Portugal, Spain, the UK.

(6) Independent audit conducted in 8 countries: Belgium, Bulgaria, France, Germany, Greece, Italy, Spain and Sweden.

(7) Nutriplanet program which covers: syntheses on the local nutritional and health context, more precise surveys on the consumption of food and/or fluids, socio-anthropological studies.

(8) Dietary intake assessments are used to understand what people are eating and drinking and to compare their intakes with dietary recommendations.

(9) Fluid intake studies: scientifically validated and published original approach developed by the Waters Division to gather data of individual drinking habits of population groups.

(9) FoodStyles studies: comprehensive study generating data, for a given community and at country level, on people's real-life practices, norms and representations associated with food.

ENVIRONMENTAL PERFORMANCE

Our approach is driven by four key ambitions: fight climate change, protect water cycles, co-build a circular economy of packaging and promote regenerative agriculture.



CLIMATE CHANGE

We are fighting climate change by reducing our carbon footprint and working to sequester more carbon. We have committed to achieving zero net carbon emissions across our entire value chain by 2050.



WATER STEWARDSHIP

We have adopted a specific organization, the Water Cycle, and a water stewardship strategy focusing our actions in the most at risk areas by supporting locally-adapted solutions to water quality, quantity, and access.

Reduction in CO₂ footprint

Emission intensity (g of CO₂ equivalent/Kg product sold)



Protect natural mineral water resources in our watersheds



Reduction in CO₂ footprint

Absolute emissions



Reduce water consumption in production sites



Renewable electricity



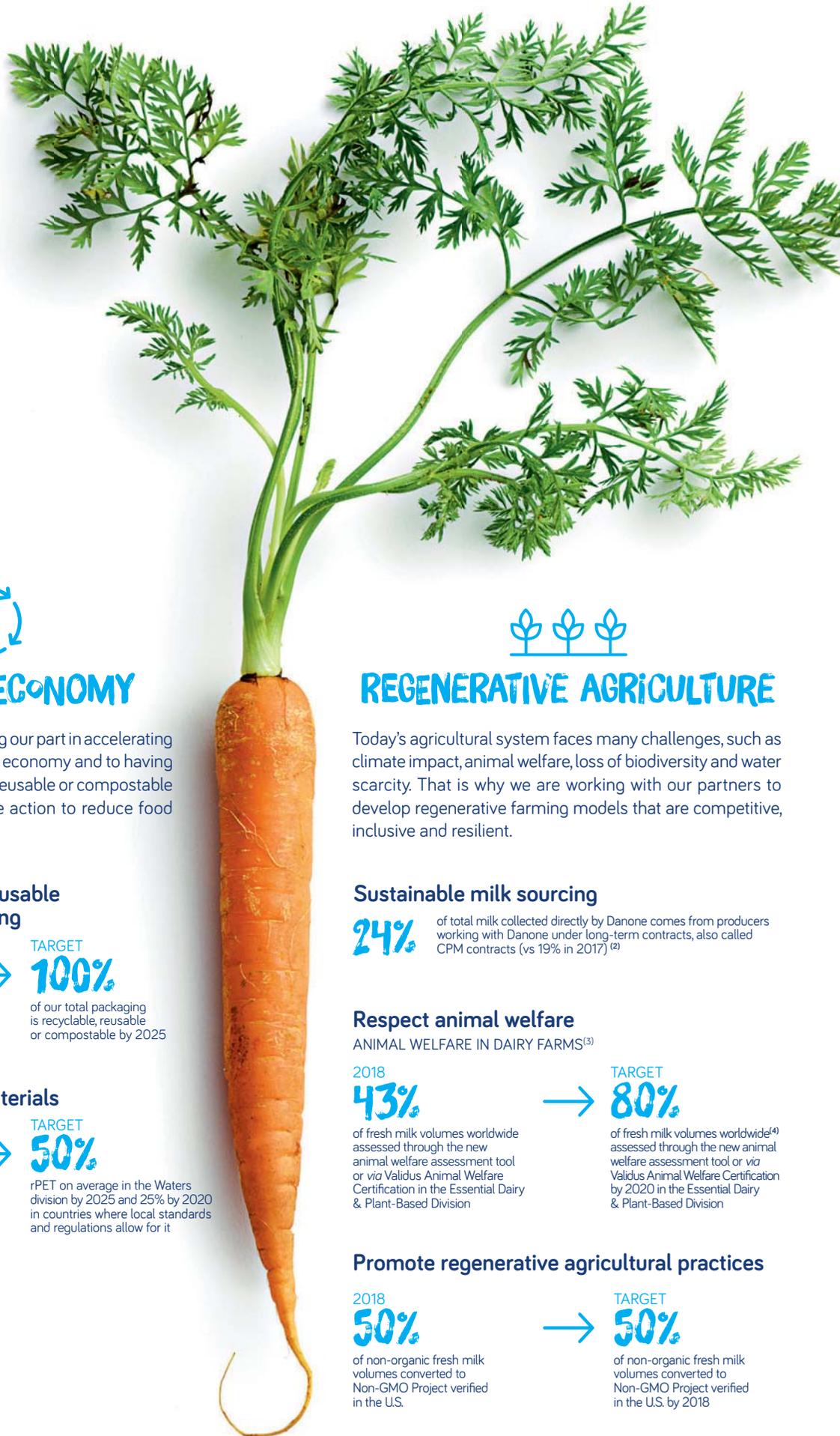
(1) CDP Climate Change score awarded for our overall climate change strategy.
 (2) The data is based on a constant consolidation scope and a constant methodology.

Scope 1, 2 and 3:
 • Scope 1 covers direct emissions from equipment that is company-owned or under the operational control of Danone (combustion of fuels in boilers, mobile combustion sources and fugitive emissions linked to leakages of refrigerant gases).
 • Scope 2 refers to indirect energy emissions related to the generation of electricity, steam, heat or cold purchased and consumed by Danone.
 • Scope 3 covers all indirect emissions due to Danone's activities, including emissions from raw materials used, the transport and distribution of products, the use and the end-of-life of products.

(3) SPRING: Sustainable Protection and Resources managING.



Find out more on:
iar2018.danone.com



CIRCULAR ECONOMY

We are fully committed to playing our part in accelerating the transition towards a circular economy and to having all of our packaging recyclable, reusable or compostable by 2025. We also want to take action to reduce food waste.

Use 100% recyclable, reusable or compostable packaging

2018

87%

of our total packaging is recyclable, reusable or compostable



TARGET

100%

of our total packaging is recyclable, reusable or compostable by 2025

Reintegrate recycled materials

2018

12%

rPET⁽¹⁾ on average in the Waters division and 17% in countries where local standards and regulations allow for it



TARGET

50%

rPET on average in the Waters division by 2025 and 25% by 2020 in countries where local standards and regulations allow for it



REGENERATIVE AGRICULTURE

Today's agricultural system faces many challenges, such as climate impact, animal welfare, loss of biodiversity and water scarcity. That is why we are working with our partners to develop regenerative farming models that are competitive, inclusive and resilient.

Sustainable milk sourcing

24%

of total milk collected directly by Danone comes from producers working with Danone under long-term contracts, also called CPM contracts (vs 19% in 2017)⁽²⁾

Respect animal welfare

ANIMAL WELFARE IN DAIRY FARMS⁽³⁾

2018

43%

of fresh milk volumes worldwide assessed through the new animal welfare assessment tool or via Validus Animal Welfare Certification in the Essential Dairy & Plant-Based Division



TARGET

80%

of fresh milk volumes worldwide⁽⁴⁾ assessed through the new animal welfare assessment tool or via Validus Animal Welfare Certification by 2020 in the Essential Dairy & Plant-Based Division

Promote regenerative agricultural practices

2018

50%

of non-organic fresh milk volumes converted to Non-GMO Project verified in the U.S.



TARGET

50%

of non-organic fresh milk volumes converted to Non-GMO Project verified in the U.S. by 2018

(1) rPET: recycled PET.

(2) The Cost-Performance Model (CPM) contracts with producers are deployed in the U.S., in Europe and in Russia to reduce milk price volatility, offering better visibility and financial stability.

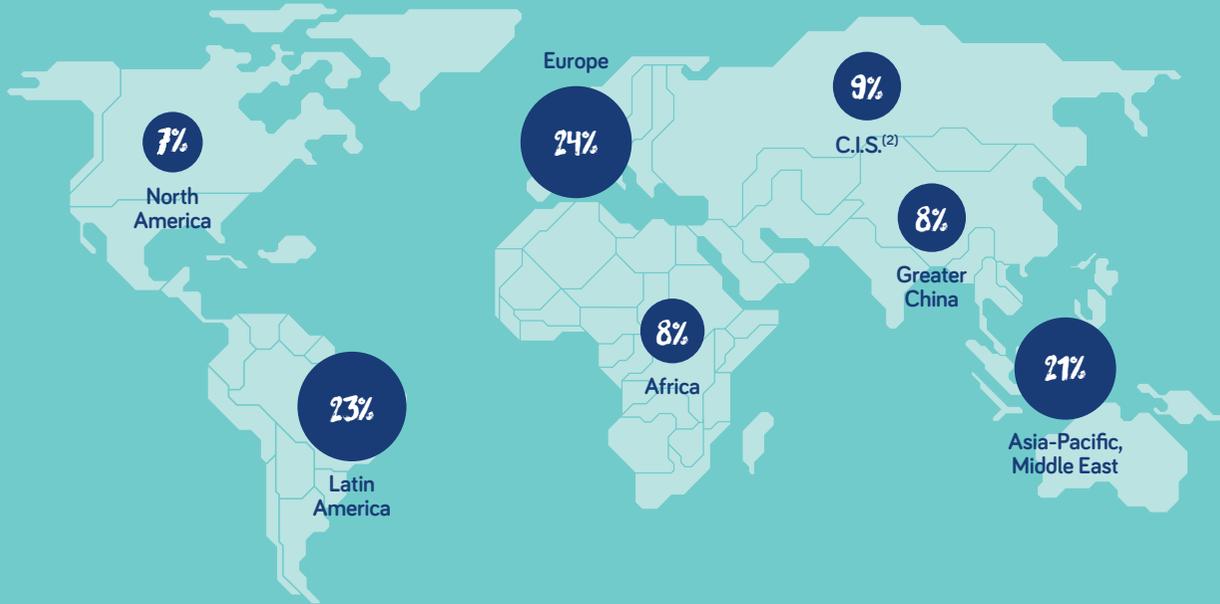
(3) Scope: Essential Dairy & Plant-Based Division.

(4) Including the following countries covering more than 80% of total fresh milk volumes (Algeria, Argentina, Belgium, Brazil, Egypt, France, Germany, Mexico, Poland, Romania, Russia, South Africa, Spain, and the U.S.).

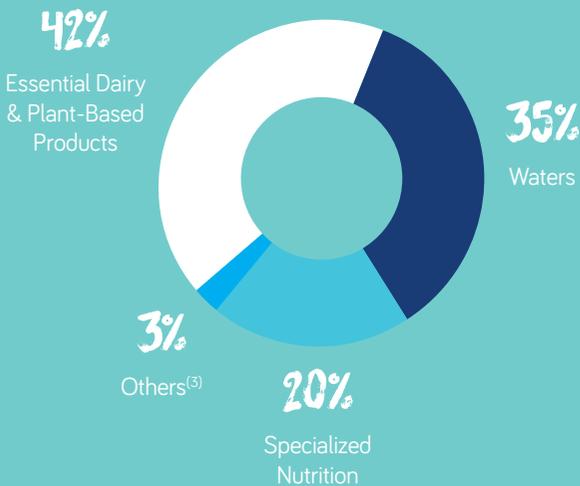
SOCIAL PERFORMANCE

We provide our 100,000+ employees with a safe, inclusive and diverse working environment, relying on constructive social dialogue and relevant talent management and development.

Employees by Geographical Area⁽¹⁾



Employees by Business Line⁽¹⁾



105,783

total number of employees in over 55 countries⁽¹⁾

Healthcare

74,420

employees in 49 countries had healthcare coverage in line with the standards defined by Dan'Cares⁽⁴⁾

Social Dialogue

10

worldwide agreements were signed between Danone and the International Union of Food Workers. Joint visits were organized to monitor their implementation in 60 entities between 2009 and 2018

Inclusive Diversity



50%

the proportion of Danone female managers, including directors and executives, in 2018⁽⁵⁾
Danone is one of 230 companies selected for the 2019 Bloomberg Gender-Equality Index (GEI)⁽⁶⁾

75,000+

employees participated in the first worldwide online consultation on Danone's 2030 Goals

(1) Scope: total number of Danone's employees at the end of 2018.

(2) C.I.S.: Commonwealth of Independent States.

(3) Others: Global headquarters, Danone Research, Evian Resort.

(4) The Dan'Cares program aims to provide all Danone employees with quality healthcare coverage for major risks, while taking account of different market practices. The three main risks are hospitalization and surgery, outpatient care and maternity care.

(5) Social Indicators Scope: 183 entities representing 100% of Danone's employees reported on social indicators.

(6) The Bloomberg Gender-Equality Index distinguishes companies committed to transparency in gender reporting and advancing women's equality.

Our Social Innovation Platforms



BUILDING RESILIENT COMMUNITIES, NATURAL ECOSYSTEMS & BUSINESSES

We created the Livelihoods Impact Investment Funds, inviting other companies to join us in helping rural communities boost food security, improve livelihoods and fight climate change.

Livelihoods Carbon Fund #1

Created in 2011, the Livelihoods Carbon Fund is financing environmental restoration, agroforestry and rural energy projects benefiting vulnerable populations in developing countries. Projects are implemented in the field by local NGOs and monitored for over 10 to 20 years.

€38M

committed by 10 companies

130M

trees being planted

9

projects

120,000

families equipped with efficient cookstoves

10M

tons of CO₂ to be sequestered over 20 years

1.5M

beneficiaries

Livelihoods Carbon Fund #2

Created in 2018 following the results of the first Livelihoods Carbon Fund, investors launched a 2nd compartment of the Livelihoods Carbon Fund to accelerate actions for climate change and for vulnerable populations.

€55M

committed by 8 companies

Objectives over a 20-year span:

1.5M+

beneficiaries in Africa, Asia & Latin America

13M

tons of CO₂ to be sequestered or avoided

170M

trees to be planted

Livelihoods Fund for Family Farming

Created in 2015, the Livelihoods Fund for Family Farming aims to build sustainable supply chains for companies while improving the lives of smallholders through sustainable agricultural practices that help restore ecosystems and improve yields.

200,000 HA

to be converted to sustainable agricultural practices

€36M

committed by the fund's shareholders

200,000

farms to be efficiently connected to markets or supply chains of investors in the fund



GROWING INCLUSIVE BUSINESS SOLUTIONS

Danone Communities aims to alleviate malnutrition, provide safe drinking water and break the cycle of poverty where it operates. The fund empowers innovative social entrepreneurs to achieve a sustainable social impact by investing in social businesses, providing capital, and technical and managerial expertise.

14

countries

10

social businesses

1.1M

beneficiaries



FOSTERING INCLUSIVE GROWTH IN OUR VALUE CHAIN

The Danone Ecosystem Fund aims to strengthen and develop activities of general interest within Danone's ecosystem including stakeholders such as smallholder farmers, micro-entrepreneurs, caregivers and waste-pickers. The fund supports projects co-designed by a local Danone subsidiary and a non-profit partner, addressing both a social and economic challenge, but also environmental or public health issues.

45

active projects

4.4M+

indirect beneficiaries

57,000+

people professionally empowered

81

partnering NGOs

33

countries

€196M

funding by Danone and project partners

OUR B CORP™ JOURNEY

Seeking to combine financial success with the highest standards of overall social and environmental performance.

At the end of 2018, the following Danone entities were B Corp™ certified: Danone dairy entity in Spain (Danone S.A.), Happy Family in the U.S. (Nurture), Aguas Danone de Argentina, Les Prés Rient Bio in France, Danone Dairy entity in the U.K. (Danone Ltd), Danone North America in the U.S., Danone Canada (Danone Inc.), Alpro, AQUA in Indonesia (PT Tirta Investama), Grameen Danone Foods Ltd and Danone Manifesto Ventures. We now have approximately 30% of our global business covered by the B Corp™ certification.



11

entities certified

ESSENTIAL DAIRY & PLANT-BASED PRODUCTS (EDP)

In 2018, sales increased by +1.5%⁽¹⁾ for EDP North America and by +0.1%⁽¹⁾ for EDP International, supported by the strategic transformation of product offerings and new opportunities linked to healthy eating trends, in particular the potential of plant-based categories.

2018 saw a step-up in innovation as we capitalized on increased consumer interest in plant-based offerings, probiotics, organic, high protein and reduced sugar options. New product launches with on-the-go formats, amplified by engaging digital campaigns, have improved sales performance in almost all regions. We have notably seen sales stabilizing in Europe, accelerating in North America and we posted consistent strong growth in C.I.S.⁽³⁾

Our plant-based activity represented about 15% of EDP sales in 2018 and our ambition is to triple this business by 2025. We broadened our range of plant-based ingredients, developed new offerings such as ice creams, coffee drinks and coffee creamers, and expanded key brands into new geographic markets. We also launched our first plant-based products under a dairy brand, *Good Plants by Light & Fit*.

Two thirds of sales growth came from impulse channels, thanks to new format offerings, adaptation of our supply chain and dedicated teams serving fast-growing distribution spaces such as convenience stores and e-commerce.

(1) Like-for-like New Danone.
 (2) Basis points.
 (3) C.I.S.: Commonwealth of Independent States.

#1
WORLDWIDE
 in Fresh Dairy Products
 and in Plant-Based Products

EDP
 NORTH AMERICA

€5BN
 sales

+1.5%
 sales growth⁽¹⁾

+25BPS⁽²⁾
 recurring operating
 margin expansion⁽¹⁾

EDP
 INTERNATIONAL

€8BN
 sales

+0.1%
 sales growth⁽¹⁾

+29BPS⁽²⁾
 recurring operating
 margin expansion⁽¹⁾



“Healthy food has never been so attractive. As we celebrate the 100th anniversary of the Danone yogurt, we continue to reinvent ourselves to anticipate tomorrow’s trends.”

Francisco Camacho,
 Executive Vice President,
 Essential Dairy & Plant-Based

COFFEE TO GO

Tapping into the fast-growing trend for ready-to-drink coffees, *Alpro* launched plant-based *Caffè* in the U.K. In addition to one liter packs blending coffee with coconut, almond and soya beverages, *Caffè* also comes in a barista style cup format, ideal for on-the-go consumption.



PROBIOTICS

We created a quick, easy and tasty way to enjoy the benefits of probiotics. *Activia Dailies* low-fat non-GMO yogurt drink packs billions of live and active probiotics into one handy shot. It was launched in five fruit flavors in the U.S., Canada and Brazil.



PROTEIN

Available in Australia and now also in Brazil and Spain, our high-protein yogurt *YoPro* brand satisfies demand for low fat, high-protein snacks with no added sugars and no artificial sweeteners. *YoPro* is ideal for life on-the-move thanks to a range of formats from drinkables and handy pouches to single serve pots.



HEALTHY INDULGENCE

Pleasure is important. In the U.S., *So Delicious* added a new range of seven tasty creamy mousses to its plant-based frozen desserts. With less than 330 calories per pint, they make it possible to indulge in a delicious and healthy dessert made from natural and vegan ingredients.

FREE

We launched our 0% fat and 0% added sugar yogurt *Light & Free* in Spain with a dynamic digital campaign and lifestyle-driven packaging design. With its *#elfuturoesfree* (the future is free) message, it inspires people to feel good about the choices they make.



Find out more on:
iar2018.danone.com

WATERS

In 2018, the Waters business delivered strong sales growth⁽¹⁾ of 5.3%, driven by an acceleration in value-added innovation, a focus on developing new distribution channels and the deployment of our 100% circularity vision across our Waters brands.



We expanded our plain waters and aquadrinks offer with a dynamic pipeline of innovations.

In line with evolving consumer needs, we continued to renovate our core offer and introduced new products in on-trend flavors with added benefits in attractive, personalized and more convenient formats, supported by dynamic brand activations. We improved the availability of our products for consumers through new distribution partnerships and more in-store refrigerated units; we extended our reach in convenience channels and grew our e-business activity.

Consumers value the commitment of Manifesto brands like *evian*, *AQUA* and *Bonafont* to packaging circularity. In 2018, we multiplied initiatives to increase plastic collection, educate consumers about packaging waste and recycling, and accelerated our packaging innovations with partners.

(1) Like-for-like New Danone.
(2) Basis points.

#2
WORLDWIDE
in Packaged Waters
(by volume)

€4.5 BN
total sales

+5.3%
sales growth⁽¹⁾

=82 BPS⁽²⁾
recurring operating
margin evolution⁽¹⁾

“ While offering healthier and more natural hydration choices adapted to consumer tastes and individual lifestyles, we accelerate the global transition towards a circular economy of packaging. ”

Henri Bruxelles,
Executive Vice President,
Waters and Africa

GOING LOCAL

In Mexico, we turned to popular local ingredients to add a healthy twist to our reduced sugar aquadrinks. The *Bonafont Juizzy* range, water mixed with fruit juice, now features tamarind and a mango/chamoy mix. A great way to flavor people's sensory experiences!

CIRCULAR

AQUA launched Indonesia's first 100% recycled plastic bottle. The sleek, minimalist design is made entirely from recycled plastic. It aims to help raise consumer awareness about recycling and AQUA's pledge to collect more plastic than it uses by 2025.

ZESTY

We introduced new sensations into our sparkling water range. *Bulles de Fruits* by Badoit brings the taste and flavors of four citrus combinations with 40% less sugar than similar drinks. Five months from launch, it became the third best-selling sparkling flavored beverage in France.

PERSONAL

evian offered Paris lovers a new way to explore the city with a new limited edition bottle that pays tribute to iconic monuments and neighborhoods, designed by celebrated fashion illustrator Tiffany Cooper. Linked to a digital city guide, this activation allowed both locals and visitors to enjoy their own Parisian moments.

CENTENNIALS

In China, we created a new and surprising taste experience with *Mizone Cactus and Tangerine*. With two innovative flavors matching the adventurous spirit of urban teens, it has become a popular choice among young trend-seekers.



Find out more on:
iar2018.danone.com

SPECIALIZED NUTRITION

The Specialized Nutrition sales division delivered broad-based profitable growth⁽¹⁾ of 5.9%, building on the strong performance of Advanced Medical Nutrition in pediatric and adult care and of Early Life Nutrition, with a strong contribution from China.

#1

EUROPE
in Advanced Medical
Nutrition

#2

WORLDWIDE
in Early Life Nutrition

€7.1BN
total sales

+5.9%
sales growth⁽¹⁾

+139BPS⁽²⁾
recurring operating
margin expansion⁽¹⁾



Leveraging research and expertise, we strengthened our portfolio with innovations in high-growth categories: formula, organic baby food, and specialized medical nutrition for health challenges such as allergy and other targeted therapeutic areas.

Advanced Medical Nutrition delivered consistent and strong sales growth across key markets, driven by a series of patient-centric innovations, increasing awareness of the value of medical nutrition for patient care and recovery.

In Early Life Nutrition, we continued to strengthen our offer, expanding our reach with leading e-commerce players for formula and organic baby food, as well as developing our own brand platforms to support parents with tailored advice and direct-to-consumer ordering.

“ Through our science-based nutrition solutions, we support families and caregivers to make confident, healthy eating choices for their loved ones and patients at critical moments throughout life. ”

Véronique Penchienati-Bosetta,
Executive Vice President,
Specialized Nutrition

(1) Like-for-like New Danone.
(2) Basis Points.



ALLERGY

Research estimates that up to 50% of the E.U. population will be affected by allergies by 2025⁽¹⁾. Aptamil Pepti Syneo is one of Nutricia's formulas specially designed for the dietary management of infants with mild to moderate cow's milk protein allergy. Its patented Syneo combination of pre- and probiotics helps to manage the allergy while also supporting normal growth and development.

IMMUNITY

Drawing on 40 years of research in early life nutrition, we launched our patented next generation growing up milk, Aptamil Pronutra Advance. It is specifically tailored to support the immune system of toddlers⁽³⁾.

PATIENT-CENTRIC

Cancer patients often experience sensory changes in taste and smell⁽²⁾. By co-working with them and with healthcare professionals, we created three new flavors for Fortimel Compact Protein. These will help ensure a pleasurable food experience and support treatment outcomes for patients across 12 countries.

ORGANIC

In 2018, we extended our Happy Family organic range to give parents delicious and more natural options for their babies' diet. Happy Family became the second largest baby food brand in the U.S.



LOCAL

In France, we launched Les Récoltes Bio, a new organic range of fruit and vegetable baby food from Blédina. We are supporting farmers to convert to organic production to increase the availability of fresh, local ingredients.



Find out more on:
iar2018.danone.com

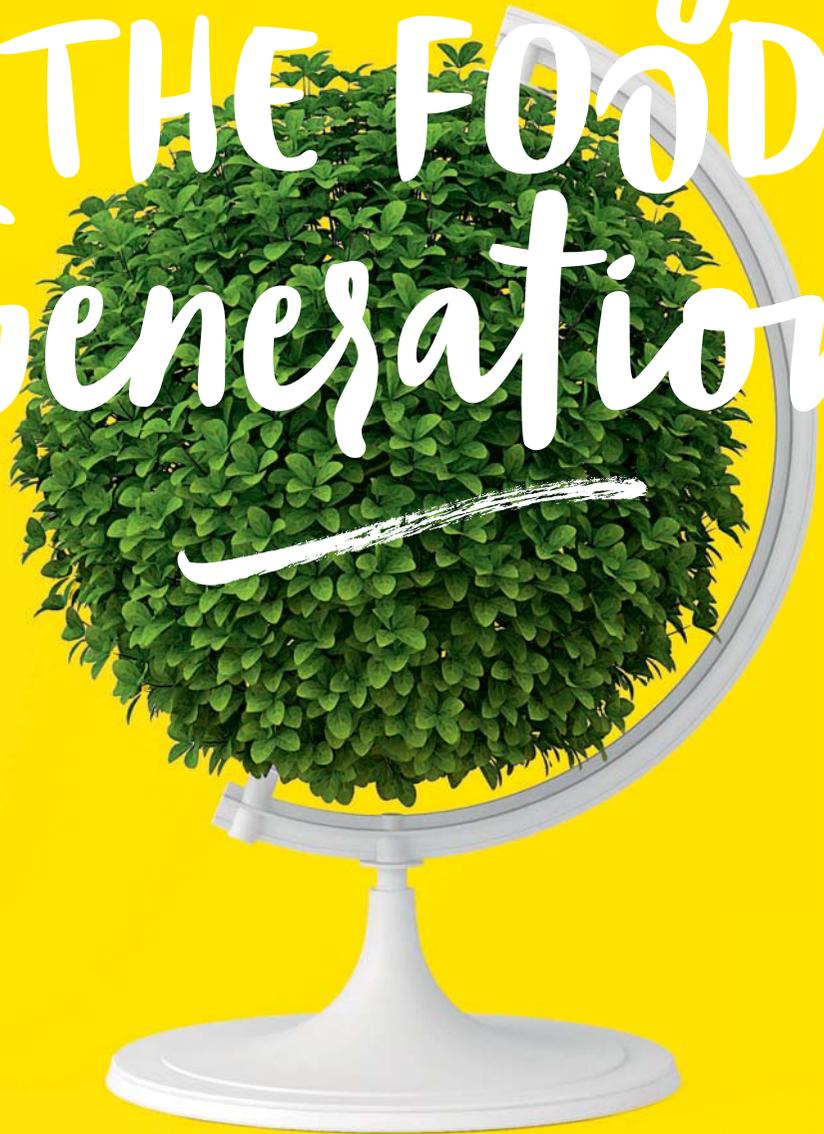
(1) European Academy of Allergy and Clinical Immunology, 2016.

(2) Spotten LE, Corish CA, Lorton CM, et al. Ann Oncol. 2017; 28(5):969-984.

(3) Furness J, Kunze W, Clerc N. "Nutrient tasting and signaling mechanisms in the gut. II. The intestine as a sensory organ: neural, endocrine, and immune responses." Am J Physiol. 1999;277(5 Pt 1): G922-8. Vighi G et al. "Allergy and the gastrointestinal system". Clinical and Experimental Immunology, 153 (Suppl. 1): 3-6.

INNOVATION
IN ACTION

Serving
THE FOOD
Generation



ACCELERATING INNOVATION

To embrace the food revolution and deliver superior, sustainable, profitable growth, we are innovating more, faster and in increasingly collaborative ways. We have adopted new tools and transversal ways of working to be more agile and responsive to fast-changing consumer demands. Digital technologies too are allowing us to innovate more effectively to bring consumers new and superior food experiences.



Real-time conversations with our tribes

The food generation is hyper-connected and behaves as a collective of tribes. Precision marketing enables us to engage more directly with consumers in a relevant and performance-driven way. We focus on the most successful digital channels to encourage people to try and adopt our products. In the U.K., we partnered with Ocado to tailor our brand narratives and create a campaign for our new *Light & Free* yogurt range, allowing us to win over new consumer tribes and boost sales. We re-ignited our *evian* brand in the U.S. through the innovative *#Iwanna* campaign featuring Maria Sharapova, Madison Keys, Luka Sabbat and many inspiring micro-influencers across the country. Engagement was 20 times higher than traditional campaigns, reaching over 18 million consumers.

~1/4

Creating value across high-growth categories, innovations accounted for about a quarter of our sales in 2018 vs 16% in 2016.

40%

We were 40% faster in bringing recent innovations to market, thanks to design-thinking, fast prototyping and a more open innovation process involving partners and consumers.



TEST & LEARN IN A STARTUP MINDSET

Through our internal innovation lab, we cultivate and accelerate new product ideas.

5 months from prototype to market

In a London pop-up store, we tested *Booj*: a new vegan, cold-pressed fruit & vegetable juice with spirulina and no added sugars that is source of iron. Sampling conversations with consumers, social media feedback and selling the shots in a real situation allowed us to finetune our product and messaging for a faster launch.



Find out more on:
iar2018.danone.com

GROWING WITH PURPOSE

More than ever, people are looking for purpose-driven brands that take a stance; brands that share their passions and beliefs. At Danone, we aim to build 'Manifesto brands' that act as true activists towards their point of view and are committed to creating a positive social impact whilst delivering sustainable, profitable growth. From co-creating new products with consumers to bringing valuable experiences to our local tribes, we bring our 'One Planet. One Health' vision to life and engage people in the food revolution through our brands.

Expressing our vision through brands

Nearly two in three people choose, switch to or avoid a brand based on the stand it takes on societal issues⁽¹⁾. Today, Danone has ten 'Manifesto brands', each purpose-driven to be a force for positive societal change on topics that really matter to people. They already account for around 20% of our 2018 sales and are growing faster than our other brands. Our ambition is that all Danone brands will embark on their Manifesto journey by 2020.

BONAFONT PROMOTING GENDER EQUALITY IN MEXICO

In 2018, *Bonafont* took its 25-year commitment to women's empowerment to a new level by partnering with UN Women HeForShe to tackle gender inequality in Mexico and support women in building their future.

In March, around 65,000 women in Mexico ran the *Carrera Bonafont 5K*—the largest women's race in the world—with 'equal opportunities for men and women' as its call to action.

A powerful social media campaign, '*Avancemos por la igualdad*', also helped highlight the ambition for gender equality in Mexico, reaching an estimated 60% of the population and inspiring many other businesses to come on board.



Certified



Corporation

A mark of trust

Danone's ambition to become one of the first multinational companies to be B Corp™ certified at global level is an expression of our long-term commitment to economic success and social progress, and will drive our 'One Planet. One Health' vision. To help guide consumers, some of our brands have started adding the B Corp™ logo to their packaging to highlight their purpose-driven approach. Moreover, we have begun working with retail partners to promote B Corp™ in stores and digitally.

FORTIMEL

Building on insights to innovate for better patient care

For *Fortimel*, the food revolution begins by putting a holistic approach to patient care and recovery at the heart of everything we do. Our ambition is to establish medical nutrition as an integrated part of healthcare. Cancer patients suffer changes to taste and smell, impacting their appetite and ability to meet their nutritional needs through normal foods. To test new solutions helping to avoid weight loss and maintain strength for treatment, we worked with patients in the Netherlands. Their feedback guided the selection of three new flavors of *Fortimel Compact Protein*—Hot Tropical Ginger, Cool Red Fruits and Neutral—that were launched across 12 countries in 2018.



ALPRO

Good for you, good for the planet

As a pioneer in plant-based products, *Alpro* offers an ever-growing range of innovative, tasty and healthy offerings with natural ingredients, no artificial sweeteners, no preservatives and no artificial colorings. *Alpro* is helping society to make healthier choices with a lower environmental impact: its ingredients are non-GMO and do not come from deforested areas. *Alpro* is also one of the first in the world to pilot the One Planet Thinking methodology with WWF by setting context-based water targets in almond cultivation.



AQUA

Towards a more circular economy in Indonesia

On World Environment Day in June 2018, *AQUA* launched the *#BijakBerplastik* movement, a collective approach with partners and consumers to help develop solutions to tackle packaging waste in Indonesia. We have committed to:



Opening 10 more packaging collection and community waste management facilities in order to recover more plastic than we use by 2025.



Activating consumer recycling programs in 20 cities as part of a nationwide education campaign that will also take our message to 5 million kids in schools.



Innovating with partners to make all our plastic packaging 100% recyclable and to increase the proportion of recycled plastic in our bottles to 50% by 2025.



BETTER PRODUCTS, BETTER CHOICES, BETTER HABITS

89% of our volumes sold are in healthy categories⁽¹⁾. We are meeting growing consumer preferences for more natural, organic or less sugary products, as well as plant-based alternatives. Leveraging our in-depth knowledge of local nutrition needs and scientific research, we are continuously improving the nutritional profile and the labeling of our products to make healthier eating and drinking options the most attractive choice.



SUPPORTING GUT HEALTH

We keep enriching our *Activia* range, combining probiotics with new ingredients that are increasingly popular with health-conscious consumers, in a range of formats. Beyond the traditional yogurt pot, we offer shots, shakes, mix-and-go packs with crunchy toppings and new ingredients. *Activia Touch*, launched in Germany this year, introduces new tastes like green tea and lime for a healthy twist to digestive health.

Healthier drinking options for all tastes



PLAIN WATERS

Keeping kids hydrated by offering handy-sized bottles with a range of appealing characters: this year, *evian* has celebrated Mickey Mouse's 90th birthday with an exclusive range and a worldwide campaign.



FRUITS AND PLANTS

Adding popular local plant ingredients in Mexico: *Bonafont Levité Balance* brings a unique drink enriched with aloe vera.



AQUADRINKS

Refreshing consumers in the U.K., France and Germany: *Volvic's* new organic tea-based beverages are significantly lower in sugar than other soft drink alternatives.

(1) In operational terms, 'Healthy product categories' for Danone refers to water, yogurts, milks and other daily dairy products, beverages with 0% sugar, early life nutrition products (except biscuits and beverages for children under 3 years old) and medical nutrition. It does not include Alpro and WhiteWave legacy entities.



Balanced nutrition for children's growth

"Some parents worry about their children not eating properly and seek support, information and products to get it right. In Brazil, we introduced Milnutri Complete, focusing particularly on the product's sugar content and ensuring balanced amounts of energy, protein, vitamins and minerals to support healthy growth and reduce potential nutritional deficiencies."

Florence Jeantet,
VP Growth through Innovation,
Early Life Nutrition

Informed consumer choices

By providing more detailed information, we are empowering consumers to make informed choices for their health and the health of the planet. As part of the 'Danone Act', in France we have committed to disclose on our local website 100% of our ingredients and explain the role of each of them in our recipes. We were also the first company to adopt the Nutri-Score on fresh dairy packaging in France. We are gradually rolling it out to cover 100% of our fresh dairy packaging by the end of 2019 and we will extend this science-based, consumer-tested and WHO-welcomed front-of-pack label to Belgium, Austria, Germany and Switzerland.



EXPANDING PLANT-BASED TASTE PLEASURE

More than a third of consumers choose to follow a flexitarian diet, with over 80% of households purchasing both plant-based and dairy products in our key markets⁽¹⁾. To meet all tastes, we have introduced a wider spectrum of ingredients across our plant-based portfolio. New offerings in 2018 include Silk oat drinks in the U.S., Alpro organic coconut beverages, Vega and Good Plants low-sugar, high-protein and probiotic yogurt alternatives with cashews and almonds, as well as plant-based coffee drinks and desserts.

⁽¹⁾ FMCG gurus 2017/Matsson survey.



AGING WELL

By 2020, there will be 1 billion people over the age of 60. We continue to research how we can support alert minds, healthy hearts, digestive strength, energy and mobility through nutritional solutions that enable people to grow older in good health and recover more quickly from injury or illness. Preparing for the Decade of Healthy Aging starting in 2020, Nutricia joined forces with the Global Coalition on Aging in 2018 to co-author a white paper and raise awareness on the role of nutrition in aging healthily.

ANYTIME, ANYWHERE

Serving life on the move

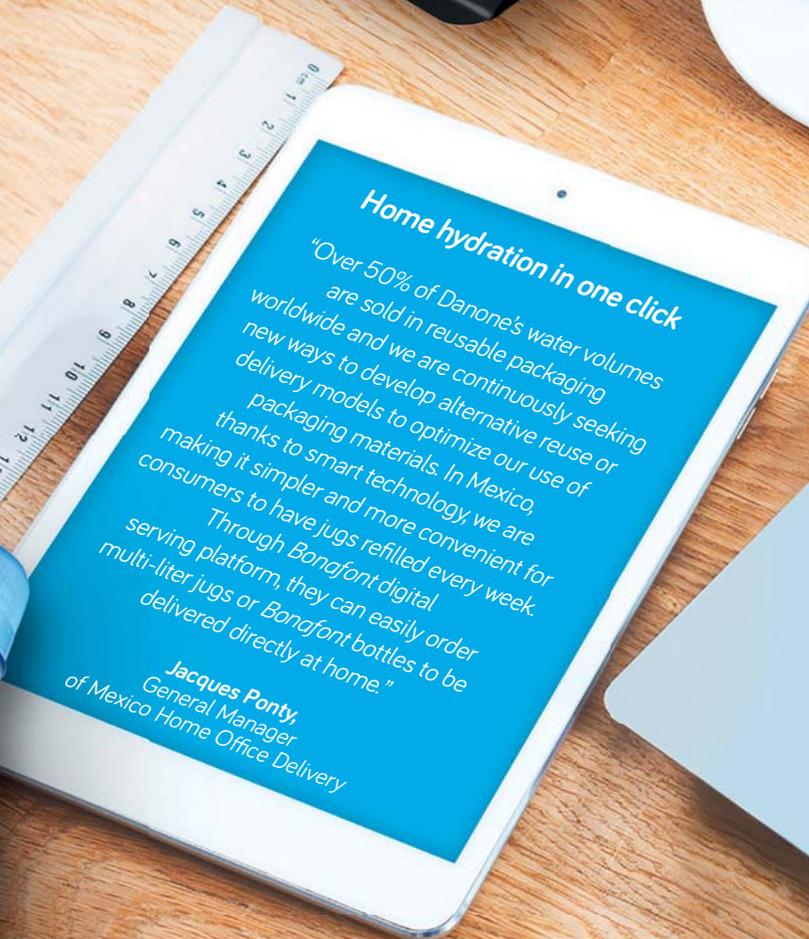
Most of product innovation in our dairy and plant-based offer consisted of on-the-go and single serve formats in 2018. With high-protein yogurt pouches and drinks, probiotic shots, ready-to-drink coffee and indulgent treats, we make it easier for people to make a healthier choice on every occasion.

We want to offer people great eating and drinking experiences by providing the right product, in the right format, at the right moment. To improve choice and on-the-spot convenience, we have expanded our presence across all places where people go to shop or like to eat and drink—serving their needs whether *via* online ordering or for an impulse buy in local stores or food outlets.



Chilled and where you want it

We added 33,000 refrigeration units in stores across Latin America and Asia where consumers like to enjoy one of our refreshing drinks. We continued to expand our coverage in the U.S. too: thanks to a new partnership, *evian* is now on shelves in 250,000 convenience stores across the country.



X2

Our ambition is to double our sales in e-business channels from €1bn in 2018 to €2bn by 2020.

Always online and available

To help parents give their babies a healthy start in their first 1,000 days—from conception to two years old—we are committed to helping them make informed choices about nutrition, where and when they look for support. To always be available, our brands like *Nutricia* and *Aptamil* are forging closer connections via social media, online platforms and carelines. Whatever the need or question, we provide the relevant answer, from nutritional advice to product information.

ORGANIC AT YOUR DOOR

10% of our *Happy Family Organics* baby food and formula sales are purchased online. In 2018, *Happy Family* continued to grow at double digit pace, ahead of the baby consumables category. In the U.S., we have worked with partners like Amazon to get closer to parents and tailor our product assortment, information and offers. This has led to new direct-to-consumer programs like our *Happy Bundle* selection of baby food and snacks. We have also introduced *Happy Family Organics* in China to offer an organic choice to Chinese millennial parents.

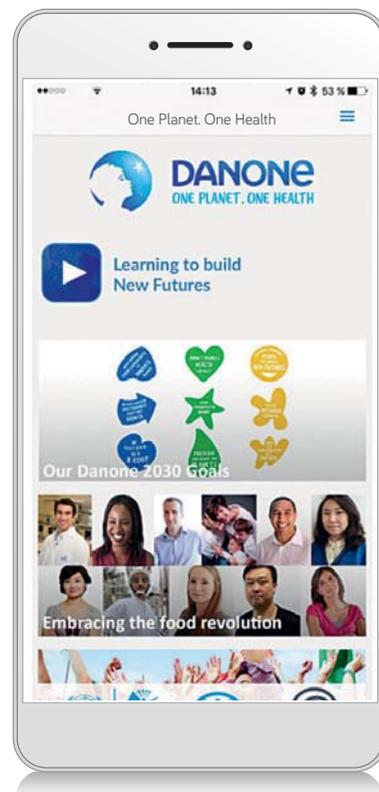
PEOPLE BEHIND THE BRANDS

We are a team of more than 100,000 people who are passionate about driving change in today's food revolution. Each one of us is stepping up to take on a bigger role as a food expert, brand champion and/or local food activist. Through pioneering learning and training programs as well as increased engagement in community volunteering, we are strengthening our collective energy to make our business and brands sustainable.

A PIONEERING LEARNING PLATFORM TO CO-BUILD OUR STRATEGIC AGENDA

"To shape our future, employees need to know where we stand in our 'One Planet. One Health' journey and understand the sustainability challenges and opportunities that come with our Danone 2030 Goals. We created a pioneering e-learning platform, which includes a wealth of internal resources and extensive learning programs from partners such as the UN Institute for Training and Research (UNITAR) and the Ellen MacArthur Foundation, to help our teams become experts on topics ranging from climate change or circular economy to agriculture and nutrition."

Anne-Claire Berg,
Culture and Engagement Director



ALL VOLUNTEERS!

An annual tradition at Danone, 2018's Volunteering Month saw our teams all across the world engaged in giving back to local communities. Employees raised awareness about healthy aging in nursing homes and child nutrition in schools, or volunteered their time at food banks and urban gardens, amongst other initiatives.

#JESAISJAGIS Meeting consumers

1,500 Danone employees and farmers rallied in stores across France on September 21st to raise consumers awareness on regenerative agriculture. Moreover, all Danone brands in France donated a full day's sales—over €5m—to support regenerative agriculture projects.



A Marketing Collective to transform our brands

"We just launched 'The Collective' which brings together 2,000+ talents from across the globe—all passionate about brands and connected to pop and food culture. This always-on marketing community will power the change by learning, inspiring and sharing cutting edge practices for brand building and innovation."

Valérie Hernando-Pressé,
Chief Marketing Officer

INVESTING IN THE FUTURE OF FOOD

Collaboration is key to shape a healthier and more sustainable future of food. We are investing in new and disruptive ideas from talented food tech entrepreneurs, as well as working alongside a range of cross-industry partners to be at the forefront of new health, wellness, food and digital trends and to speed up innovation.

Partnering with food entrepreneurs

Over the past year, Danone Manifesto Ventures has continued to invest in young food and beverage companies with innovative products and business models. **Harmless Harvest** shares our sustainable vision in the sourcing and marketing of its organic coconut water. German startup **Mitte** brings a breakthrough technology enabling consumers to purify and personalize tap water at home. **Yumble** helps parents serve healthy food to their children through its home delivery of nutritious meals. Using shipping containers, **Agricool's** urban farming solution provides an eco-efficient way to locally grow fruit like strawberries.



Supporting innovative food and health concepts

Danone is one of several partners supporting innovation in health, nutrition and emerging science like microbiome through the Health for Life Capital (HFLC) investment fund. HFLC is a €160 million fund that since 2014 has invested in 20 companies working in areas from innovative plant-based ingredients, digital nutritional advice to microbiome-based solutions for allergy prevention and treatment in children.



NURTURING NEW APPROACHES

Danone is a co-founding member of MISTA, an innovation platform based in San Francisco, that helps a network of food industry startups to optimize projects ranging from alternative protein, health and well-being services to biotechnology.

Stimulating food tech startups

We continue our open innovation approach by partnering with Startupbootcamp FoodTech to support new ideas for transforming the food industry. Following three months of project acceleration, seven young startups joined us in November for a Demo Day at Station F in Paris, the world's largest startup campus, to pitch ideas to investors, food company leaders and experts.



Find out more on:
iar2018.danone.com



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YOGHOURT DANONE



* Freshness ** Health

About Danone (www.danone.com)

Dedicated to bringing health through food to as many people as possible, Danone is a leading global food & beverage company building on health-focused and fast-growing categories in three businesses: Essential Dairy & Plant-Based Products, Waters and Specialized Nutrition. Danone aims to inspire healthier and more sustainable eating and drinking practices, in line with its 'One Planet. One Health' vision which reflects a strong belief that the health of people and that of the planet are interconnected. To bring this vision to life and create superior, sustainable, profitable value for all its stakeholders, Danone has defined its 2030 Goals: a set of nine integrated goals aligned with the Sustainable Development Goals (SDGs) of the United Nations. Danone commits to operating in an efficient, responsible and inclusive manner; it holds itself to the highest standards in doing business, as reflected by its ambition to become one of the first multinationals certified as B Corp™. With more than 100,000 employees, and products sold in over 120 markets, Danone generated €24.7 billion in sales in 2018. Danone's portfolio includes leading international brands (*Actimel, Activia, Alpro, Aptamil, Danette, Danio, Danonino, evian, Nutricia, Nutrilon, Volvic*, among others) as well as strong local and regional brands (including *AQUA, Blédina, Bonafont, Cow & Gate, Horizon, Mizone, Oikos, Prostokvashino, Silk, Vega*).

Listed on Euronext Paris and on the OTCQX market via an ADR (American Depositary Receipt) program, Danone is a component stock of leading social responsibility indexes including the Dow Jones Sustainability Indexes, Vigeo Eiris, the Ethibel Sustainability Index, MSCI Global Sustainability, MSCI Global SRI Indexes and the FTSE4Good Index.

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