



Paris, October 31, 2014

Danone and Mengniu expand their strategic alliance to infant milk formula in China

- **Danone is to subscribe to a private placement by Yashili, one of China's leading infant milk companies. Upon completion of the subscription, Mengniu, currently Yashili's majority shareholder, will hold a 51.0% equity interest and Danone will hold 25.0%.**
- **Danone and Mengniu want to use this expanded alliance to grow Yashili and develop a wide range of products that meet the very highest standards in this category.**
- **Through their alliance, Danone, Mengniu and Yashili intend to expand and strengthen their cooperation in the infant milk formula (IMF) business in the People's Republic of China (PRC). The parties will study the possibility of a minority equity investment by Yashili in Danone's subsidiary Dumex China.**

Danone, Mengniu and Yashili today announced that they have signed an agreement allowing Danone to take part in a private placement by Yashili totaling €437 million, at a price of HK\$3.70 per share. The transaction will give Danone an equity stake of 25.0% in Yashili, which is one of the People's Republic of China's main infant milk companies. As part of this agreement, Danone will recommend candidates to serve as Yashili's CEO.

Through this alliance, Danone, Mengniu and Yashili intend to expand and strengthen their cooperation in the infant milk formula (IMF) business in the People's Republic of China (PRC). The parties will study the possibility of an equity investment in Danone's subsidiary Dumex China with a comparable minority stake.

This transaction extends the scope of the strategic alliance in fresh dairy products first established in 2013 between Mengniu, Danone and COFCO, China's leading state-owned company in the food sector.

Through this new expanded alliance, Danone and Mengniu will leverage Danone's world-leading technology and know-how in the IMF industry and Mengniu's market experience in the PRC to grow Yashili and develop a wide range of products that meet the very highest standards in the category.

Emmanuel Faber, Danone CEO, said “Building on our successful cooperation in fresh dairy products, we are today strengthening the winning team formed by Danone and Mengniu by acquiring an equity stake in Yashili—combining Mengniu’s wide-reaching network in China with Danone’s international expertise in infant milk products. I am delighted with this transaction and am confident in our ability to grow all of our brands in the Chinese market.”

Elaine Sun, CEO of Mengniu and Chairman of Yashili, said “I am very pleased with this new agreement with Danone, which will facilitate Yashili’s expansion in the promising Chinese market for infant milk formula and create new opportunities for the future, offering consumers a wider choice of products that are safe, healthy and of the very highest quality.”

Frank Ning, Chairman of the Board of Mengniu and Chairman of COFCO, said “I am very happy to enter this new stage in our cooperation with Danone and Mengniu. This transaction reflects our commitment to working together to grow key product categories for Chinese consumers.”

Danone’s acquisition of an equity stake in Yashili is subject to the approval of the company’s shareholders at their Extraordinary General Meeting and of the relevant authorities. It is expected to be finalized in coming months.

About China Mengniu Dairy Company Limited

China Mengniu Dairy Company Limited and its subsidiaries manufacture and distribute quality dairy products in China. It is one of the country’s leading dairy product manufacturers, with Mengniu as its core brand. The Group’s diversified product range includes liquid milk products such as UHT milk, milk beverages and yogurt, ice cream, milk formula and other dairy products such as cheese. Mengniu’s liquid milk products ranked first, in terms of sales volume and sales value, among similar products in China in 2013, according to China Industrial Information Issuing Centre. By the end of June 2014, the Group’s annual production capacity reached 8.04 million tons. In March 2014, Mengniu became a Hang Seng Index constituent, making it the first blue chip Chinese dairy product manufacturer.

About Danone

Danone is an international company present on all continents. The group holds top positions in healthy food through four businesses: Fresh Dairy Products, Early Life Nutrition, Waters, and Medical Nutrition. Its mission is to bring health through food to as many people as possible.

Danone has over 190 production plants and around 104,000 employees. In 2013, the company generated sales of over €21 billion, with more than 60% in emerging countries.

Listed on Euronext Paris, Danone is a component stock of leading social responsibility indexes including the Dow Jones Sustainability Indexes, Vigeo and the Ethibel Sustainability Index. Danone is also ranked no. 1 in the 2013 ATNI index.

About Yashili International Holdings Ltd

Founded in 1983, Yashili International has developed into a modern large-scale company with over 5,000 staff. Yashili is specialized in research, development and manufacturing of nutritious food and now has infant milk formula as its core product. The company has established four domestic production sites in Chaozhou City and Guangzhou City of Guangdong Province, Qiqihar City of Heilongjiang Province, and Shuozhou City of Shanxi Province. The company is currently building a world-leading infant milk powder plant in Waikato, New Zealand.

A strong alliance has been formed after Mengniu’s successful acquisition of Yashili in 2013. With the help of this powerful new shareholder, Yashili kicked off to a fresh start.

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